

Democracy as an equilibrium

ADAM PRZEWORSKI

*Department of Politics, New York University, 726 Broadway, New York, NY 10003, U.S.A.
(E-mail: adam.przeworski@nyu.edu)*

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Abstract. Observation shows that while democracy is fragile in poor countries, it is impregnable in developed ones. To explain this pattern, I develop a model in which political parties propose redistributions of incomes, observe the result of an election, and decide whether to comply with the outcome or to launch a struggle for dictatorship. Democracy prevails in developed societies because too much is at stake in turning against it. More income can be redistributed in developed than in poor countries without threatening democracy. Limits on redistribution arise endogenously, so that constitutions are not necessary for democracy to endure. A democratic culture characterizes the equilibrium.

Introduction

No democracy ever fell in a country with a per capita income higher than that of Argentina in 1975, \$6055.¹ This is a startling fact, given that throughout history about 70 democracies collapsed in poorer countries. In contrast, 35 democracies spent about 1000 years under more developed conditions and not one died. Developed democracies survived wars, riots, scandals, economic and governmental crises, hell or high water.

The probability that democracy survives increases monotonically in per capita income. Between 1951 and 1990, the probability that a democracy would die during any particular year in countries with per capita income under \$1000 was 0.1636, which implies that their expected life was about 6 years. Between \$1001 and 3000, this probability was 0.0561, for an expected duration of about 18 years. Between \$3001 and 6055, the probability was 0.0216, which translates into about 46 years of expected life. And what happens above \$6055 we already know: democracy lasts forever.

Moreover, as Table 1 shows, dictatorships established by electoral incumbents occurred at lower incomes than those founded by the forces out of office. In very poor countries, the probabilities are exactly equal that a dictatorship would be established by the electoral winners or losers. In countries with intermediate income levels, between \$1001 and 6055, the electoral losers are much more likely to do so. Above \$6055 neither side does.

The purpose of this article is to explain these facts. The story is simple. Each society is characterized by per capita income and a distribution of income