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Democracy and Development in the Arab World[1]

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Abstract

This paper strongly corroborates the widely-held claim about the democracy and freedom "deficit" in the Arab world and asks the natural question as to why the Arab world has experienced such a deficit. In addition to this core question, the paper also assesses the development impact of the Arab democracy deficit. The estimation results of an extended "modernity" model of democracy (measured by the Polity IV global index) suggest that after controlling for a host of economic, social and historical variables a negative and highly significant Arab dummy effect remains. This suggests, therefore, that the modernization theory does not fully account for the democracy deficit of the Arab world. We argue that Arab region-specific factors outside this theory, most notably regional conflicts and oil, may be relevant to explaining the Arab world "dummy." Controlling for the modernity and other determinants, oil is negatively associated with democracy suggesting that oil dependency is a drag on democracy. On the other hand, regional wars appear to be associated with democratic transitions outside the Arab world. However, for the Arab world the net effect of regional conflicts has been negative, suggesting that conflicts in the Arab world promote authoritarianism. Moreover, and very significantly, the Arab dummy was no longer significant as a stand alone effect though it remains significant when interacted with regional wars. This finding, therefore, suggests that the Arab world is different because of the peculiar influence of wars on democracy in the region and that resolving the region's violent conflicts, most notably the Arab-Israeli conflict, would promote the cause of democracy in the region. Moreover, it is very unlikely that a wide and robust process of democratization will sweep the Arab world in the current pervasive atmosphere of violence affecting the region. Finally, we analyze the relationship between political freedom and economic growth with reference to the Arab region. Our finding suggests that the democracy deficit has been associated with the high short-term volatility of Arab growth as well as its collapse following the adverse external shocks of the mid-1980s.

Introduction

There appears to be a broad consensus among Arab writers, statesmen, academics, journalists and ordinary citizens alike about what the recent UNDP report on Arab human development (2002) described as a fundamental "freedom deficit" in the region. Indeed, there is almost universal condemnation of authoritarianism and lack of embrace of democracy in the Arab world today. There is also a solid recognition of the untold human suffering due to denial of political rights and restrictions of civil liberties by many Arab authoritarian regimes, which are also blamed for their failure to achieve sustainable and equitable economic and social development or to address the grand agenda of pan-Arab nationalism, most notably the Palestinian question.

For example, the dire consequences of the lack of participatory governance for the protection of property rights, investment and growth, and hence for the overall development agenda of the region have been emphasized by Arab economists (e.g. Handoussa, 1999 and Handoussa and Milkawy, 2002). The failures of the largely authoritarian Arab regimes to sustain earlier gains or at least to contain the mounting economic and social crisis of the Arab world have, therefore, been directly linked to the non-democratic and non-participatory nature of these regimes. In particular, the apparent difficulty of managing the consequences of the frequent oil shocks—which affect all the countries, oil and non-oil producing alike—has been linked to the lack of political institutions for mediating the conflictive interests of various social groups in a way that ensures the sustainability of growth-promoting policies and the maintenance of a basic social development agenda (e.g. Elbadawi, 2001; UNDP, 2002).

A less frequently addressed issue, at least by Arab economists, is why the Arab world has generally come to experience such a "freedom deficit," or non-democratic regimes. Political scientists have long emphasized the effect of standard of living as the most stable and robust determinant of a country's propensity to experience democracy (e.g. Lipset, 1959). Here it could be argued that to the extent that the Arab region has made considerable and substantial gains in economic and

social development for more than two decades and a half since the early 1960s, it is puzzling that these gains have not been associated with increased political rights, much less democratization. Hence, other or additional factors must be accounted for in explaining this phenomenon, keeping in mind that many studies suggest there is no evidence of a trade-off between democracy and development (e.g. Przeworski et al., 2000 178–79).

Clearly, economic factors have played some role in turning the tide of intellectual and public opinion from the previous era when lack of democracy was not necessarily equated with lack of legitimacy. However, in the Arab world, history, conflicts and ideology might have been more important in shaping the political discourse in the region than economic factors. It can be argued that in the 1960s and 1970s legitimacy was not necessarily equated with democracy, as revolutionary ideologies associated with Arab nationalism, socialism, the liberation of Palestine, and promoted by the charisma of the grand leadership of Gamal Abdel Nasser and the vitality of the pan-Arab political forces, provided potent sources of legitimacy for many authoritarian Arab regimes. It took the devastating experience of the Arab defeat by Israel in 1967 for these regimes to be substantially discredited. The October 1973 war and the Arab performance on the military and diplomatic fronts, and even more significantly, the effective use of the "Arab oil weapon" have all helped restore some grace to official Arab world polity and reassert the spirit of Arab nationalism.

However, the rise of oil as a dominant influence in the Arab economies and the "partial" peace with Israel, ushered the region into a new era of political pragmatism, global economic interdependence for the oil surplus economies and dependence on Western economic aid by Egypt and Jordan and other non-oil countries. In the meantime, Egypt, the most populous and historically most influential Arab country, became a close regional strategic and military ally of the United States, along with Saudi Arabia and other traditionally conservative Arab monarchies. Ironically, therefore, the new oil era has led to a new Arab order characterized by a major shift from the ideals of Arab nationalism that dominated the previous decades.

The radical transformation of Arab political discourse post October 1973 has not, however, been accompanied by more legitimacy for Arab regimes. As pointed out by Ibrahim (1982: 169), "…The present regimes derive their legitimacy neither from a liberal-type democracy similar to that of post-independence years nor from the charisma and revolutionary ideology characteristic of Nasserism. Periodically, there are engineered plebiscites, referenda, and elections. Very few Arabs take them seriously, for the outcome invariably hovers around 99 percent in favor of regime policies. But aside from such transparent political machinations, the longevity of present Arab regimes has relied on one or more of the following: legitimacy by default, oppression, effective problem solving, dream selling and crisis politics." In our view, two decades later this assessment remains valid. Among the few exceptions where the case for legitimacy may be stronger are the notable cases of Lebanon and Sudan during the very short-lived spells of democratic rule (1956–58, 1964–69, 1986–89).[1]

Some regimes were forced to relax their grip on power in the face of major political and economic shocks in the 1980s and 1990s, including the demise of the Soviet Union, the end of the oil boom, the Gulf wars and the worsening Palestinian crisis as well as several civil wars and other violent internal conflicts. However, these measures have been more in the spirit of "political liberalization" and not genuine "democratization" (Brynen et al., 1995). While the political liberalizations of the Arab world have entailed a measured expansion of political and civil rights and freedom of political association, limits were often times imposed on these rights to ensure that they do not scale up to levels that would allow the citizenry to exercise effective collective control over public policy. In virtually all Arab countries, the prospects of a regime losing power in an election is not conceivable.

The resilience of Arab autocracy has been remarkable. However, the current post September 11, 2001 era has started to present unprecedented challenges to the Arab ruling establishments, brought by an aggressive and sweeping interventionist strategy by the US. The grand ambitious US plan for the region

1. However, even in these two cases the legitimacy of their democratic regimes was affected by the civil wars that impacted both countries, especially for the case of the Sudan.

is not only aimed at resolving the Palestinian question US style and fighting perceived Middle Eastern terrorism, but also enforcing democracy—including through the brute force of invasion and occupation—as in the case of Iraq, or through intimidation and acculturation, as in the case of Saudi Arabia. However, many scholars of democracy in the Arab world remain unimpressed. They doubt whether the promotion of democracy in the region is the true aim of the new US agenda and fear it is just a convenient pretext for achieving other strategic goals of US policy in the region.[2]

The above rather cavalier overview of the recent political discourse of the Arab world is by no means meant to be comprehensive. However, as limited as it may be, it should, hopefully, serve to bring home the immense complexity of the processes shaping political and economic developments in the region.

This paper addresses three pivotal issues regarding democracy and development in the Arab world. First, in the second section we ask the question as to whether there is really a freedom deficit in the Arab world. We do this by assessing the above perceptions using systematic global, subjective as well as objective, data on political rights, standards of democracy and regime types. The analysis will, indeed, strongly corroborate the perceptions about the fundamental freedom deficit in the region. Second, in the third section we ask, arguably, the core question of this paper: Why has the Arab world experienced such a deficit? As we discussed above, such analysis is bound to be complex and must account for a wide range of region specific factors, well beyond the variables associated with the modernity view of democracy—most notably the influences due to oil and conflicts, especially the lingering Arab-Israeli conflict. Third, the fourth section analyzes the reverse relationship from political freedom to economic development, and draws the implications of the lack of political rights in the Arab world for the sustainability of long-term growth and short-term growth volatility in the region. Finally, the fifth section concludes.

2. See, for example, Fares Braizat (www.democracy-egypt.org/files/family/2002/11-22-02 Fares%20al-Braizat.htm) for a discussion of the perspectives of Arab intellectuals on the US and EU commitment to the promotion of democracy in the Arab world.

The State of Democracy in the Arab World

Systematic cross-country evidence based on global measures of the standard of democracy lends considerable support to the impressions expressed by Arab intellectuals and ordinary citizens alike about what they perceive as the lack of democracy in their region. We consider three global measures of democracy, including the Gastil concept of political rights and civil liberties produced by Freedom House, the Polity IV index of the standard of democracy, and a global index of political regime types developed by Przeworski et al. (2000).

We start off by discussing country experiences in political freedom, civil liberties and regime types using evidence from the Freedom House and Przeworski et al. indices. Then we use the Polity IV index to compare the overall status of democracy in the Arab world to experiences in the rest of the world and some relevant comparator groups outside the Arab region.

Political Freedom, Civil Liberties and Regime Types in the Arab World

The Freedom House indices fall into two categories: the political rights and the civil liberties scores. The political rights category assesses the extent to which the regime is a product of free and fair elections. It is based on eight questions on the standard norms of political freedom, one on the special circumstances of traditional monarchies and another on issues related to safeguarding ethnic minorities. The responses to these questions are used to inform a subjective rating of political rights. The score ranges from 1 (for highest level of political rights) to 7 (when political rights are absent or virtually non-existent). The civil liberties score is a broader concept composed of 14 questions covering four broad types of rights: freedom of expression and belief, association and organization rights, rule of law and human rights, and personal autonomy and economic rights. Again the score is *subjectively* rated and ranges from 1 (highest standard of civil liberties) to 7 (virtually no freedom and overwhelming and justifiable fear of repression).

The average of the two scores of political rights and civil liberties gives the "Freedom" score. Countries receiving an average score within the range of 1–2.5

are given the status of "free," "partially free" for an average score falling in the range 2.5–5.5, and "not free" for an average score in the range 5.5–7.

Table 1 provides the evidence of the "Freedom" index for the countries of the Arab world in terms of the percentage of country years per category: free, partially free and not free. According to this evidence no Arab country other than Lebanon qualifies for the status of being free (for at least 50% of the time). All other 18 countries, for which data is available, either fall into the *partially free* category (Bahrain, Djibouti, Kuwait, Morocco, Tunisia, United Arab Emirates and Yemen), not free category (Iraq, Mauritania, Oman, Qatar, Saudi Arabia, Somalia, Syria), or in both of the last two categories (Algeria, Egypt, Jordan, Sudan). This compares very unfavorably with the rest of the world, where even in the least rated regions outside the Arab world (East Asia and Sub-Saharan Africa (SSA)) the median country was judged to be free for 11% of country years during 1960–2002.

Admittedly the Freedom indices are subjective and as such—though it is now widely used in rigorous cross-country analysis—individual countries may be justified in contesting the methodology used for constructing the indices and, therefore, the scores assigned to them. However, the Freedom indices seem to cohere quite remarkably with the type of regimes prevailing in the Arab world.[3]

A global classification of political regime types for 141 countries between 1950 and 1990 was constructed by Przeworski et al. (2000) using explicit *objective* criteria. According to these criteria a regime is classified as a dictatorship if either of the following holds: the chief executive is not elected, the legislature is not elected, there is no more than one party or if the incumbents unconstitutionally close the legislature and rewrite the rules in their favor, and, if the regime should pass these three rules, i.e. it is not a dictatorship, it will also be so classified if the incumbents hold office continuously by virtue of elections for more than two terms and if they do not lose election at any time in the future. The latter rule ensures that in democratic regimes the opposition has a real possibility to win and assume office.[4]

3. In this vain Ali (2001) argues that despite being a subjective index, the Freedom House scores "enables a fairly objective way of assessing the initial political conditions in the region as it enters the 21st century." (p. 23).

4. See Chapter One of Przeworski et al. (2000) for a fuller discussion.

A further classification within the dictatorship category is whether the regime is a "bureaucracy" or an "autocracy." Bureaucracy is a form of an institutionalized dictatorship with a set of rules for operating the government, including rules for regulating the competence of the chief executive vis-à-vis the legislature, while autocratic regimes have "neither internal rules of operation nor publicly announced universalistic intentions." (Przeworski et al., 2000: 32)

The evidence of the regime type classification for the Arab world suggests that only Lebanon (excluding the civil war years) and Sudan (during three brief democratic regimes) have experienced democratic rule (Table 2). Moreover, the authoritarian regimes of the Arab world tend to survive much longer than the median regime of their type in the world. For example, as of 1990, some bureaucratic authoritarian regimes survived for more than 40 years compared to 26 years for the world. And, more strikingly, though global evidence suggests that autocratic authoritarian regimes are the most vulnerable regime type, with a median life of less than 14 years, in the Arab world some autocratic regimes have been in power for more than 40 years.

Therefore, in a region dominated by authoritarian rule, such as the Arab world, it shouldn't be surprising, in our opinion, if the status of political rights and civil liberties in most Arab countries were judged to be either "partially free" or even "not free."

Democracy in and outside the Arab World. For this analysis we consider the evidence from the widely quoted Polity IV index, which provides global ratings of the standards of democracy. The Polity index is based on two concepts: "institutionalized democracy" and "institutionalized autocracy." The DEMOC score is coded according to four main categories of regime characteristics: competitiveness of executive recruitment, openness of executive recruitment, constraints on the chief executive, and competitiveness of political participations. For the AUTOC score an additional category on "regulation of participation" is added as well. The POLITY score is computed by subtracting the AUTOC score from the DEMOC score. The resulting unified scale ranges from -10 (strongly autocratic) to 10 (strongly democratic).[5]

5. For a detailed description of these indices and data, see http://www.cidcm.umd.edu/inscr/polity/

According to this index the Arab world has consistently lagged behind the standard of democracy achieved by the rest of the world over the last 40 years or so (Figure 1). For example, the lowest mean polity scores were 4.7 for OECD in 1972, -1.7 for non-OECD Asia in 1969, -2.2 for Latin America in 1977 and -5.6 for Sub-Saharan Africa, compared to a staggering -8.7 for the Arab world in 1978-79. Moreover, the highest mean polity score for the Arab world was -5.6 in 1961, which matches SSA's minimum. The mode of the Polity scores among the Arab states was -9, with 149 observations out of 619; there are also 139 observations of a Polity score of -10 and 137 of a Polity score of -7. And, even if we consider only authoritarian regimes, Arab dictatorships are the most oppressive, with a mean Polity score of -7.8 compared to -5.2 for non-Arab regimes.

A similar story also emerges from comparing annual mean changes of Polity IV in and outside the Arab world (Figure 2). Out of 600 observations of change in the Polity score for Arab states, only 31 of them are positive (i.e. associated with political liberalization or improved status of democracy).

Following the Second World War and the withdrawal of foreign troops from most of the Arab countries, some of the states that gained their independence experienced certain aspects of the democratic process. However, with one or two exceptions the 1960s witnessed a reversal to authoritarian rule. This was partly driven by the emergence of newly independent states (e.g. small oil countries), the majority of which were ruled by authoritarian regimes.[6] What is also noteworthy is that the global wave of democratization that started in the late 1980s just prior to the collapse of the Soviet Union has so far had a limited impact on the Arab region (Figure 1).[7]

6. Thirty-two of the 41 countries that became independent between 1960 and 1968 did so under authoritarian regimes (Przeworski et al. 2000).

7. Huntington (1991) suggests that global patterns of democratization as well as "reverse" democratization come in waves. He notes that following the first pro and reverse waves of democratization, the "second wave" of democratization began in 1943 and ended in 1962; leading to the "second reverse wave" that started in 1958 and ended in 1975; followed by the third wave that started in 1974. This thesis is not generally accepted. Still the Polity data appears to corroborate Huntington's "second reverse wave," where the 1960s experienced precipitous slippages towards authoritarian rule. However, the Polity data suggest that the third wave did not really take root until the late 1980s.

Though the median country in the world was ruled by *a* non-democratic regime (negative polity score) for most of the period until the late 1980s, the median Arab regime was characterized by extreme autocracy (less than -8 in the Polity IV scores). And, following the dramatic transformation to more democratic regimes, which raised the median Polity IV index to more than 6 during the 1990s, the median Arab country continues to be non-democratic, with a widening Polity distance between world and Arab medians.[8] The trends in the Polity scores cohere with the more detailed country-specific assessments of the status of democracy in the Arab world. For example, El-Sayyid (1995) notes that whatever democratization processes have taken place in the region have been much more limited in depth and spread than in the rest of the world. Transitions to multiparty systems in Morocco in 1975 and Egypt in 1976 were followed by similar transitions in Tunisia, Algeria, Yemen, Jordan and Somalia. However, El-Sayyid argues that all these transitions were limited as they were carefully crafted and controlled by the ruling groups in these countries. Moreover, and not unrelated to the contexts underlying these transitions, important reversals and setbacks happened in several of these countries (Ibrahim, 1995).[9]

Democracy in a Diverse Arab World. A proper assessment of the state of democracy in the Arab world should also recognize the existing diversity within it; and, that Arab countries at different levels of development should be compared to developing regions closer to their level of development. The centrality of the level of development to the analysis of democracy is motivated by the "modernity" view of democracy, which emphasizes the role of income, increased education and enlarged middle class in a country's propensity to experience democracy (Lipset, 1959).[10] As noted by Barro (1996), despite the lack of a compelling theory, empirical cross-

8. The Polity distance is more than 12, noting that the distance between maximum autocracy (-10) and well functioning democracy (+10) is 20.

9. See Ibtisam Ibrahim (2000) for a fuller review of democracy in the Arab world, including a detailed discussion of political liberalization experiences.

10. This view, which was originally formulated by Lipset, is often referred to as Lipset hypothesis.

country evidence lends strong support to the Lipset hypothesis, where measures of standard of living—real per capita GDP, life expectancy, and educational attainment—are associated with democratic polity. Moreover, democratization experiences without economic development, such as those imposed by colonial powers at independence, tend to be short-lived.

We follow ERF (1998) and group the countries of the region into four broad categories according to their standard of living.[11] These are mixed oil economies (Algeria, Iraq), oil economies—comprising the six Gulf Cooperation Council states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, diversified economies—which includes Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia, and the low-income primary producing countries of Djibouti, Mauritania, Sudan and Yemen.[12]

Intra-Arab diversity in terms of standard of living is captured by differences in per capita GDP (Figures 3 and 4). Not surprisingly, the six oil economies rank top with a per capita GDP of more than US$10,000 since the early 1970s, which is only second to the OECD income levels; followed by Algeria and Iraq (the mixed oil economies), which—despite the steep decline of their income since the late 1980s (mainly due to the two Gulf wars and the subsequent sanctions imposed on Iraq)—maintained a mean income per capita hovering around US$2000 throughout the 1990s.

The group of the diversified economies ranks third with a per capita GDP of more than US$1000, which has been consistently higher than the median for East Asia. Finally, per capita GDP in the low-income primary producing countries has averaged less than US$500, though it was slightly higher than the median income in Sub-Saharan Africa (SSA).

11. For lack of adequate data, Libya, the Palestinian territories and Comoros are not considered.

12. In terms of share of Arab population and aggregate GDP, the diversified economies accounted for 48% of population and 28% of GDP in 1996, the mixed oil economies' share of population and GDP were, respectively, 21% and 24%, primary producing countries' share of population was 20%, while their share of GDP was only 3% in contrast to that of the oil economies with a population share of only 11% and a GDP share of 46%.

In addition to the high income group of the GCC Arab countries, the other two middle-income Arab groups have also managed to achieve higher levels of income than the median income levels in the developing world. On the other hand, the primary producing poor Arab countries are the exception, where these countries consistently lagged behind other developing countries (Figure 5).

Figure 6 provides the median Polity scores across the four groups, which suggest that the median Arab regime in all four groupings was undemocratic (negative Polity score). The only exception to this pattern was Lebanon and a short-lived democratic spell experienced by the median poor Arab country during 1964–65 (accounted for by the two democracies in Sudan and Somalia). The failure of the two latter countries to sustain democracy appears to be consistent with the prediction "modernity" Lipset hypothesis, though as discussed below it does not provide an adequate or sufficient explanation. The non-elected monarchies of the GCC are rated as extreme autocracies due to the lack of any form of contestable democracy for most of the period, followed by the two regimes of Iraq and Algeria.

On the other hand, there was evidence of a "hesitant" democratization spell in the diversified Arab economies since the late 1980s, but it was not deep enough to lift these regimes above autocracy to positive scores associated with "net democracy."

Moreover, political liberalization in this group has also consistently lagged behind East Asia (Figure 7a). The low-income Arab countries is another group that showed some signs of a democratic transition in the 1990s but has also lagged behind SSA, their closest comparator group (Figure 7b).

Overall, the various evidence analyzed above all seems to point to two main findings. First, the Arab world has indeed experienced a major and widening democratic gap relative to the rest of the world. Second, all of the four country groups within the Arab world have achieved higher income levels than their non-Arab world comparators; and, except for the low-income group the Arab world has achieved much higher income levels than the rest of the developing world. These two findings suggest that the Lipset "modernity" hypothesis may *not* be adequate for explaining the "democratic deficit" in the Arab world. Other factors, specific to

the Arab world, should, therefore, be considered in explaining this deficit and may be referred to as the Arab world effect. We pursue a more formal analysis of this issue in the next section.

Explaining the "Democratic Deficit" of the Arab World?

Our analysis has so far shown that there is a lot of merit to the widely held view within the Arab world about what the UNDP report described as the Arab world "freedom deficit." In this section we ask the question: Why has the Arab world experienced such a deficit?

To address this question we analyze the determinants of Polity IV using a panel of 129 countries over eight five-year periods: 1960–99. The preliminary analysis of the above section suggests that the Arab world remains "undemocratic" or "less free" even when compared to other relatively poorer regions or with the rest of the developing world, which also happens to have a lower median income. Subscribing to this preliminary evidence we should, therefore, expect a significant and negative Arab world effect, even after controlling for the basic "modernity" variables associated with the Lipset hypothesis.

Indeed, as we will see below, the formal empirical evidence would confirm the above conjecture, despite the strong empirical relevance of the basic modernity model of democracy—Regression 1 of Table 3. The evidence suggests that initial income and secondary school enrollment are robustly associated with higher standards of democracy. Barro (1996) finds the interaction term between income and an oil dummy for economies highly dependent on oil exports to be associated with less rather than more democracy. He interprets this effect, which is of particular relevance to the Arab world, as suggesting that incomes generated through an extractive activity, such as oil, are not likely to create the same pressure for democratization as income generated through a process of human and physical capital accumulation. However, when we also include the oil dummy as a self-standing effect the interactive effect through income disappears but the direct oil effect remains (see below). Our evidence, therefore, suggests that the effect of oil dependency on democracy is likely to operate through a different set of channels.

However, the urbanization effect is highly collinear with income (with a correlation coefficient of about 0.86) and was therefore dropped from the regression. Other indicators of standard of living, such as, "Life Expectancy" and "Primary School Enrollment" were also consistently insignificant and were also dropped. Most of these standard of living variables are linearly correlated, but a null hypothesis that they are jointly insignificant could be easily rejected (p-value= .07).

As part of the basic model we also investigate the legacy of democratic tradition in the country (measured by lagged Polity). The estimate of the coefficient of lagged Polity (ranges from 0.043 in the basic model to 0.051 in the most encompassing model of Regression 4) suggests that it takes a long time for democracy to take root. According to these estimates, between 4 and 5% of the adjustment to a target level of democracy (determined by other variables) can be achieved in one year. Also the model accounts for the potential externality of the status of democracy in the country's neighborhood (measured by average Polity for contiguous neighbors of a country), which, as expected, suggests that a country surrounded by democracies is likely to have a higher propensity to become democratic. Finally, the basic model also controls for region-specific effects, accounted for by the regional dummies for the Arab world, Sub-Saharan Africa, East Asia and Latin America. Only the Arab world dummy was significant and negatively associated with democracy in the basic modernity model (Regression 1). On the other hand, all other regional dummies were consistently insignificant.

We would argue, therefore, that, relative to other developing regions, the lack of democracy in the Arab world is not fully accounted for by a wide range of modernity variables is an important finding. This, in turn, prompts a quest for unpacking this persistent Arab dummy; or, in other words, explaining why the Arab world's experience in the evolution of democracy is "different" from that of other regions.

Explaining the Arab World Dummy: History and Social Characteristics

Trying to explain the Arab dummy we successively add sets of variables related to a country's history, religion and social characteristics (Regressions 2–4 of Table 3). Some of these variables are suggested by the political science literature. Of 11 variables from these three categories, only two were found to be significant. Colonial legacy (measured by the inverse of the number of years since independence for former colonies) is negatively and robustly associated with democracy, which suggests that former colonies with a longer history of independence are likely to be more democratic. Other history factors, such as whether a country was a former colony or the nationality of the former colonizing power, do not have independent influence.[13]

The other significant effect is accounted for by ethnic heterogeneity (EHET), which measures the degree of ethnic fractionalization in a society.[14] This variable has a negative but non-monotonic inverted "U" effect on democracy. This suggests that at low levels of EHET below a certain threshold (i.e. for cases of more homogeneous societies) democracy and EHET are positively associated while they are negatively associated when EHET is higher than the threshold (i.e. in fractionalized societies). This evidence suggests, therefore, that other things being equal, it is harder for democracy to take root in fractionalized societies. Moreover, the interaction term of EHET with lagged polity is negatively associated with democracy. This latter finding together with the earlier one on the positive effect of lagged Polity suggest that the inertial effect of democratic legacy is likely to be less persistent in fractionalized societies. Put together, these two findings would, therefore, suggest that initiating and sustaining democratic transitions is likely to be more difficult in socially fractionalized societies.

13. It has been argued that colonial heritage might be important for democracy, as the inherited political traditions in the newly independent countries may be more or less democratic depending on the designs and political traditions of their former colonial masters.

14. The (EHETj) index of ethnic fractionalization for country j is given by: $1-\sum_{i=1}^{N} S_{ij}$, where S*ij* is the share of group i (i=1, …,N) in country j. This index gives the probability that two randomly selected individuals from a population belong to two different groups.

Finally, and very importantly, religious affiliation (Christianity, Islam) has no independent effect. Though in some literature religious affiliation is linked to democracy (e.g. Huntington, 1991: 71–85; Lipset, 1994: 5), Barro notes that the theoretical underpinning of this argument is even less developed than are other aspects of the theory of democracy.[15] It is pertinent to note that some Western scholars and Orientalists tend to blame the Arab political culture or Islam for the lack of democratization in the region. These scholars argue that the "requisite civic associational structures and habit of mind" germane to democracy have not "existed over time, nor do they now" in the Arab world; if anything, so they argue, "there is an unbroken and unchanging cultural predisposition toward authoritarianism, submission and fatalism."[16] However, the vast majority of scholars discount culture as a potential determinant of dependent variables, such as political stability, democracy or authoritarianism; though culture may be associated with much narrower issues, such as the behavior of certain communities or institutions (Hudson, 1977, 1990, 1995).

However, the evidence of Regressions 2-4 suggests that despite accounting for history, religion and social characteristics in addition to the basic modernity variables, the Arab dummy remains robustly significant and negative.Therefore, we conclude that the Arab world is indeed different. This naturally suggests that in attempting to unpack the Arab world dummy we should look for variables that are either specific to, or are very prominent in, the Arab region.

Explaining the Arab World Dummy: Conflicts and Oil. Scholars of the Arab world argue that, more than anything else, the creation of the state of Israel and oil are probably the two factors that have influenced the contemporary Arab

15. Barro (1996) finds that the only significant religion coefficient (at the 5% critical level) is for non-religion (some former communist countries) and Islam (-); and Hindu (+). However, he notes that the significance of religion is driven by outliers and that it is not likely to have a direct effect on democracy, but rather indirectly through other variables. In our case, we only accounted for Islam and Christianity, hence their effect will be relative to all other religions.

16. Quoted from Ibtisam Ibrahim (2000: 5).

world.[17] Both have spurred considerable conflicts in the region as well as attracted intense, sustained and mostly adversarial interests by global powers. The ongoing Palestinian crisis has affected the entire region, especially the immediate Arab neighbors of Israel. In addition, the two major Gulf wars (1980–88, 1991) and the recent Anglo-American invasion and subsequent occupation of Iraq are all linked to the interests of global powers in the oil rich region. Moreover, the Arab-Israeli conflict and the perceived adversarial global power interventions in the region have provided potent arguments for an authoritarian brand of Arab nationalism for most of the last 50 years or so. As such, political and civil liberties were violated, in many cases very egregiously, and military coups were mounted in the name of Arab nationalism and Palestine.

On the other hand, it may be conjectured that the immense oil resources commanded by several Arab countries have either facilitated the emergence of repressive militaristic regimes in some or non-democratic traditional authoritarian regimes in others. Furthermore, the control of a handful of countries in the Gulf, mostly small nations, of the largest share of the global oil reserves ensures a tremendous presence of foreign influence, which by and large, has not been in favor of democratization.[18]

The arguments for the relevance of the above two factors to democracy in the Arab world are indeed very compelling. The question is how to account for these Arab-specific factors in the empirical model. To identify the profound Arab democracy deficit in the basic model we include an Arab dummy variable in the basic regression (Regression 1). The coefficient on this variable of -.131 suggests a significant, unexplained deficit of 2.62 points of polity for Arab countries, a deficit of more than 10% of the range of polity.

17. A similar set of Arab world-specific factors claimed to be associated with the lack of democracy in the region are proposed by Gause (1995). These are the prominence of interstate conflicts, the importance of transnational ideologies, and the centrality of the state in the Arab economies and of external revenues in state fiscal strategies. (For a detailed discussion, see Ibtisam Ibrahim, 2000.)

18. In addition to Ibrahim (1982), who provides a penetrating perspective on oil and the new Arab social order, see al so Alnasrawi (1991) on Arab nationalism, oil and the political economy of dependency. Other literature is cited on the "Oil and Middle East" website: www.questia.com

Regressions 2 and 3 attempt to explain this deficit through the introduction of other variables suggested by the literature, such as colonial heritage, religion and ethnic heterogeneity. Though these variables do explain variance in democracy over the entire sample, they do not significantly decrease the Arab democracy deficit, as the dummy variable remains negative and significant over Regressions 2 through 5.

To further "unpack" this democracy deficit, we introduce volume of crude oil production and mean quantity of regional wars (given by the percentage of countries involved in civil and inter-state wars in a region—see notes to Table 3).[19] These two variables are robustly associated with democracy—the oil variable is negatively associated with democracy, while regional military conflicts are positively associated with it. The latter result suggests that conflict leads to democratic transition in the future. Despite the increased explanatory power of the model, the addition of these two variables does not reduce the deficit identified by the Arab dummy. The other regional dummies remain insignificant or only marginally significant as before (Regressions 4-6).

However, when we also add an interaction term between regional wars and regional dummies the Arab dummy becomes insignificant, while the interaction term for the Arab world enters negatively and highly significantly (Regressions 7 and 8). The other two interaction terms for Latin America and East Asia are not significant.[20] Moreover, while the marginal contribution of the conflict variable to the Polity index was positive (at about 0.28) everywhere outside the Arab world, its net marginal effect on democracy in the Arab world was actually negative (at -0.21) (Regression 8). Introducing these interaction terms has a very profound

19. We also use a host of other indicators, including the country's share in the global oil market (with and without adjustment for the size of population in the country in question), the distance of an Arab country from Israel and interaction between distance from Israel and a dummy for years of conflict. However, these alternative variables do not seem to have any influence on democracy.

20. However, though the dummy for Latin America continues to be insignificant, the East Asia dummy is now negative and highly significant. This of course poses a problem with regard to explaining democracy in East Asia, but this is not the main concern of this particular paper.

implication for the results and the interpretation of the Arab dummy. In particular, it suggests the following two pivotal conclusions: First, while conflicts usually lead to democratic transformation, the Arab region has been an exception. Second, that the Arab dummy operates through the influence of conflict. This is because while the Arab dummy was highly significant on its own right (Regression 4), it ceased to be so when controlling for the interaction term between conflict and the Arab dummy (Regression 8).

The result on the corrosive effect of oil on democracy is relatively straightforward and is consistent with the conclusions from a vast body of literature on the subject (e.g. Eifert et al., 2002). However, the impact of military conflicts on democracy, especially the peculiar impact of regional wars in the Arab world, would require some elaboration. We would argue, however, that the predictions of the model with regard to the likely impact of wars on Arab democracies appears to be strongly corroborated by recent experiences. For example, all cases where inter-state wars led to transitions from dictatorship to democracy are outside the Arab world. The two most notable examples of democratic transformations (both associated with the defeat of a ruling military junta) are Pakistan following the war with India in the 1960s, and Argentina following the Falkland's war in the early 1980s. On the other hand, over the last 40 years several Arab regimes lost major wars, yet they continue to hold on to power. The highly polarized and emotional discourse created by the Arab-Israeli conflict and the perceived adversarial global power interventions in the region have provided potent arguments for authoritarian Arab regimes to escape accountability for disastrous failures, including major military defeats.

Democracy and Arab Economic Development

The above analysis suggests that, despite the lack of a compelling theory of democracy, empirically the modernity view of democracy (augmented with a few other historical and social variables) appears to account for a substantial share of the "measured" differences in the standards of democracy across countries. The other link from democracy to development, and economic growth in particular,

is even less developed. The lack of a strong theory on the relationship between regime type and economic growth is centered around the argument that while there is a wide consensus that secured property rights foster growth, it is not clear whether democracies or dictatorships better secure these rights (Przeworski and Limongi, 1993).

At the empirical level Barro (1996) finds democracy to have significant positive but non-monotonic effects on growth. The growth maximizing level of democracy (measured by the Freedom House index of political rights) suggested by Barro's regression comes roughly equal to the levels prevailing in Malaysia and Mexico in 1994. He interprets his finding to suggest that at low levels of democracy (associated with extreme dictatorships) an increase in political rights "tends to enhance growth and investment because the benefit from limitations on government power is the key matter. But in places that have already achieved a moderate amount of democracy, a further increase in political rights impairs growth and investment because the dominant effect comes from the intensified concern with income distribution." (p. 37)

To the extent that this non-monotonic effect of democracy is sufficiently robust, increased political rights should be associated with higher growth in the Arab world, given that most regimes in the region are at the extreme end of authoritarianism. And, more importantly, according to the International Country Risk Guide (ICRG), while investors no longer consider the prospects of government repudiation of contracts or expropriation of property to be a serious risk in the Arab world, there appear to be major concerns about corruption, rule of law and quality of the bureaucracy (Ali, 2001). Some of these risks might be addressed by improved political rights.

However, we are unable to corroborate Barro's results, as we fail to find systematic evidence linking our measure of democracy (Polity IV) to long-term

growth. Moreover, a few other studies, some of which use the Freedom House indices as do Barro's, also find democracy not to be, at least directly, associated with long-term growth.[21]

Nevertheless, given that civil liberties and political rights have intrinsic values of their own, it is still comforting to find that they at least do not constitute a trade-off for long-term growth—i.e. they are not necessarily less effective in promoting growth than authoritarian regimes. Moreover, Rodrik (1997), who himself finds no systematic relationship between democracy and long-term growth, argues that in fact democracies perform better than authoritarian regimes in other aspects of economic development. In particular, he shows that long-run growth under democracies is more predictable, that democracies are more capable of handling adverse shocks, and that democracies pay higher wages because they tend to promote a more egalitarian social order.

Comparing the volatility of long-term growth in the (less democratic) Arab world with the rest of the countries in the sample strongly corroborates Rodrik's first results (Figure 8). This evidence is important for the long-term development of the Arab world, because even if the type of the political regime does not systematically affect long-term growth, risk averse individuals do attain higher welfare by living in an environment with more predictable growth.

According to Rodrik, democracies are better at handling shocks because shocks tend to exacerbate conflict among social groups, especially in societies that are fractionalized along class or identity lines. When institutions for mediating such conflicts are weak or do not exist, the economic costs of external shocks can be magnified due to policy reversals and adoption of growth-retarding short-run distributive policies. However, given that democracies provide the ultimate institutions of conflict management, social conflicts and the ensuing economic costs following external shocks should be lower under democracies than under authoritarian regimes.

21. For example, Rodrik (1997) finds no systematic relationship between democracy and long-term growth; while Helliwell (1994) finds that democracy spurs education and investment, but has no direct effect on growth when these two channels are controlled for. And, Tavares and Wacziarg (1996) estimate a system of simultaneous equations and find an indirect effect of democracy on growth through enhanced education, reduced inequality and lower government consumption.

The Arab world is generally undemocratic and because of its dependence on oil it has also been susceptible to shocks. Moreover, despite the unifying influences of a common religious, cultural and historical heritage, there are, nevertheless, cleavages in most countries, including rather serious ones in a few. These cleavages have recently flared up in several countries as the legitimacy of these regimes was stripped down to the bone.

The Arab political scene around the early 1980s is analyzed by Saad Eddin Ibrahim (1982: 172–73), who notes that it has witnessed the rise of "parochialism and small traditions" that had always existed but remained temporarily dormant and have recently been triggered. He notes that "Ethnic groups in the Arab world are launching a quest for self-assertion within their respective countries. The civil war in Lebanon, persisting since 1975, is only one dramatic case in point. Similar flare-ups have been on and off in Iraq (the Kurds and Shia), the Sudan (southern and western provinces), the Gulf States and Saudi Arabia (the Shia), Syria (Sunnis vs Alawites), Egypt (the Copts), and Algeria and Morocco (the Berbers)." He then went on to describe the new oil-driven Arab social order as: "[it] has generated new tensions, revived old but hitherto dormant ones, and exposed the ineptness of the ruling elite in dealing with both."

While some, but not all, of these tensions resulted in civil wars or other forms of violent conflicts they have undermined inter-social group cooperation, especially in the area of economic policy. These cleavages, therefore, are likely to be associated with the sharp decline of growth and the rise of its short-term volatility in the Arab world triggered by the collapse of the prices of oil in the mid-1980s. If corroborated by empirical analysis, this argument would lend credence to the Rodrik's thesis discussed above.

Why has Growth Collapsed in the Arab World? A comparison of average growth rates for the Arab region and East Asia during 1975–99 suggests there are three episodes (1975–84, 1985–94, 1995–99) of different growth patterns (Table 4). While growth in the Arab world collapsed between the first two periods and failed to fully recover in the third, the East Asian countries were able to maintain their stellar growth performance at least throughout the first two periods.

Elbadawi (2001) estimates a model of growth persistence estimating the difference in average per capita growth in 1985–94 and 1975–84. This model uses 1985 as a base year for comparing growth performance, given that this year marked the beginning of a series of external shocks associated with the oil market that profoundly affected the Arab world. A simulation of this model for the performance of growth in the Arab world and East Asia (relative to the sample median) suggests that three factors account for the two very different experiences of the Arab world and East Asia (Table 5). These factors are catch-up effects associated with initial income and lagged growth in the previous period (1975–84), the quality of institutions (measured by the rule of law), and the capacity of a society to manage the impact of exogenous shocks, represented by the variable "Conflict."

Compared to the sample median, both regions appear to have grown much faster or have had higher initial incomes, which explains the negative catch-up influence on the change in growth for both regions (-1.0 for East Asia and -0.9 for the Arab world). However, superior institutions in East Asia in the initial period led to growth acceleration by 0.2%, while weaker institutions in the Arab world caused growth to decelerate by 0.3% in the second period. Finally, the better capacity of East Asian societies (relative to the sample median) to manage conflicts allowed growth to accelerate by 0.3%, while poorer conflict management capacity in the Arab world slowed down growth in this region by 0.4%. Unlike East Asia where the model does not perform well in accounting for the change of growth in East Asia, the three factors essentially fully account for the observed growth collapse in the Arab world between the two periods.

Why has Growth in the Arab World been so Volatile? As Figure 8 makes clear, growth in the Arab world has also been subject to short-term volatility. Clearly the terms of trade, most notably the price of oil, must be a major factor, which will also indirectly affect short-term growth volatility through its influence on volatility of economic policy. However, the above analytical model suggests that shocks tend to be magnified by social cleavages and inadequate capacity for conflict management. We estimate the determinants

of short-run growth volatility (measured by standard deviation of growth) in a model that accounts for terms of trade shocks, ethnic fractionalization, and democracy— measured by the Polity score. The regression results for a global sample of 128 countries, including 14 from the Arab world are reported in Table 6. The results suggest that these variables are robustly associated with short-term growth volatility, where these variables are significant for both the Tobit and GLS regressions. Except for the volatility of financial depth, (measured as the standard deviation of the ratio of M2/GDP) volatility in other macroeconomic policy variables was not found to be significant.

The evidence suggests that shocks interacting with social fractionalization are associated with higher growth volatility, where the partial marginal contribution of a term of trade shock is given by 0.001 x the degree of ethnic heterogeneity (i.e. 0.001 x EHET). Under democracies, however, the marginal effect of the shock is reduced by -0.0002 x EHET x Polity. This suggests that in the "undemocratic" Arab world (i.e. where Polity scores are negative), the net marginal contribution of the shocks is actually *higher* than the partial effect.

Moreover, a scatter of the Polity scores and the residuals of growth volatility (Figure 9), after controlling for shocks, social fractionalization and policy (with democracy not included), makes clear that the unexplained components of short-term growth volatility is negatively and significantly associated with democracy. Moreover, the lack of democracy in the Arab world appears to be a major factor in explaining the high volatility of growth in several Arab countries.

Conclusions

Available indicators of political freedom and civil liberties reveal that, with few exceptions, the standards of democracy in the Arab countries have generally lagged behind those achieved in other regions of the world. The beginnings of a move toward democratic practices initiated in the 1950s were reversed in the 1960s. While the 1970s witnessed limited moves in the direction of democracy, the Arab world has failed to catch up with the rest of the world especially after the fall of the Soviet Union and the unleashing of globalization: the distance between the world and Arab median polity scores has widened. Thus, authoritarian regimes have generally come to prevail in the Arab region. Moreover, they have tended to survive much longer than the median regime of their type in the world.

To understand this phenomenon of the Arab "democratic deficit," we estimate an extended "modernization" model of democracy accounting for country-specific and regional economic and political variables as well as historical and social variables. Though many of these variables were robustly associated with our measure of democracy (Polity IV), the model has, however, failed to explain a persistent negative Arab world dummy. This suggests that even a very extended version of the modernization theory cannot explain the Arab world "freedom deficit," though it appears to have fully accounted for the determinants of democracy in other developing regions, especially Sub-Saharan Africa. Therefore, in the attempt to explain the Arab dummy, this paper has looked beyond "modernization theory" to factors that are essentially specific to, or at least more prominent in, the Arab world. The two interrelated factors considered are oil dependency and regional wars, including those precipitated by the Arab-Israeli conflict and the Gulf wars of the 1980s and 1990s.

The empirical evidence corroborates the prediction of the modernity theory of democracy in that initial income and secondary school enrollment are associated with higher standards of democracy. Also the evidence suggests that a legacy of democratic traditions has a positive effect on the future of democracy. Moreover, a country located in a region with a higher standard of democracy is likely to be more democratic, suggesting that neighborhood matters. In terms of the historical and social factors, we find that the years since independence have a positive effect, while no other historical factor appears to be important in explaining democracy. More significantly, our results corroborate other findings in the literature in that religion was not found to be relevant to explaining democracy across countries. Social characteristics, specifically ethnic fractionalization, appear to be very important determinants of democracy across countries. This variable has a negative but non-monotonic inverted "U" effect on democracy and its interaction term with lagged Polity is also negatively associated with democracy. These two findings would suggest, therefore, that initiating and sustaining democratic transitions is likely to be more difficult in socially fractionalized societies.

Finally, in our opinion, the most important finding of this paper relates to the quest for explaining the negative Arab dummy through the oil and conflict variables. Controlling for the other determinants, discussed above, both variables were found to be robustly associated with democracy. Moreover, the Arab dummy ceases to be significant as a stand alone effect though it remains significant when interacted with regional wars. This evidence, we would argue, is far reaching and suggests the following three pivotal conclusions. First, the Arab oil dependency has been a drag on the region's democracy. Second, that while inter-state wars and other violent conflicts usually lead to democratic transformation, the Arab region has been an exception. Three, that the Arab world is different because of the peculiar influence of wars on democracy in the region. This latter finding makes clear that resolving the region's violent conflicts, most notably the Arab-Israeli conflict, would promote the cause of democracy in the region. Hence, it is very unlikely that a wide and robust process of democratization will sweep the Arab world in the current pervasive atmosphere of violence that engulfs the region.

The second set of issues addressed by the paper are the development, or more accurately, the growth impact of democracy. The literature suggests that while there is no robust direct empirical link between democracy and long-term growth, democracies are likely to be more effective in producing more stable growth

performance. This is because democracies are more capable of handling adverse shocks that tend to exacerbate conflicts among social groups. The evidence of this paper corroborates this view, including explaining why Arab growth has collapsed since 1985 and why it has been so volatile.

Based on the above analysis, a few theoretical and policy implications may be mentioned:

(a) The first is that economic development, narrowly defined as in "modernization theory," does not necessarily lead to more democracy. However, to fathom this link we need to consider the multi-disciplinary nature of development, whereby in addition to economics, its political, social and historical dimensions are also taken into account. Indeed, on a first reading of the empirical results of the paper, it is clear that non-economic factors played a dominant role in sustaining the Arab democracy deficit. This is a matter that calls for further research.

(b) To the extent that the democratic deficit is explained more by political and social rather than economic factors, the democratic process can take roots only through action pertaining to these areas and in particular to policies designed to address the potential adverse effects of social fractionalization be it of an ethnic, linguistic or religious nature or a combination thereof. If successful, such policies would help reinforce moves to democratic regimes. What is noteworthy is that, on its own, the religious factor has no independent effect. Further, an equitable settlement of the Arab-Israeli conflict, based on recognition of Palestinian rights, is expected to promote prospects for democracy and peace in the region: the reduction of a major source of regional tension will help focus attention on major domestic issues including the issue of democratization. On the other hand, the negative impact of oil wealth can only be corrected by a new social contract leading to a more equitable distribution of such wealth, at least within the oil countries themselves. Such a policy will indirectly promote the question of democracy by lessening the concentration of financial wealth in the hands of the ruling class in authoritarian regimes.

(c) A major reason for the collapse of economic growth in the Arab region is their poor capacity to manage conflicts following external shocks from which the

Arab region suffers. If democracies are more capable of handling shocks than authoritarian regimes, then as a long-term proposition, democratization of the Arab world will help them better manage such shocks to the benefit of their long-term growth. Equally a greater degree of diversification of the Arab economies, by helping reduce the magnitude of external shocks, will minimize the pressure on their capacity to manage domestic social conflicts and save on economic costs.

Looking ahead, we regard the analysis of this paper as a first attempt at quantifying the relationship between democracy and development in the Arab region. Though we have managed to glean a number of major conclusions, other important issues remain open, and we hope to further examine them in a future work.

Table 1 Country years of freedom in the Arab world and other regions (1972–2002)

% of country years			
	Free	Partly Free	Not Free
Individual countries			
Algeria	0	25	75
Bahrain	0	100	0
Djibouti	0	100	0
Egypt	0	100	0
Iraq	0	0	100
Jordan	0	50	50
Kuwait	0	100	0
Lebanon	50	50	0
Mauritania	0	0	100
Morocco	0	100	0
Oman	0	0	100
Qatar	0	0	100
Saudi Arabia	0	0	100
Somalia	0	0	100
Sudan	0	33	67
Syria	0	0	100
Tunisia	0	100	0
United Arab Emirates	0	100	0
Yemen	0	100	0
Selected regions			
Latin America	54	35	11
Sub-Saharan Africa	11	34	53
East Asia	11	47	42
OECD	83	10	7
The world	**36**	**31**	**32**

Data Source: Freedom House

Table 2 Two classifications of Arab regimes, 1960–2001

Freedom House Classification				Democracy and development		
				Democracy		Authoritarian
Country	**Free**	**Partly Free**	**Not Free**		**Bureaucracy**	**Autocracy**
Algeria			1962–88		1962–64	1965–76
		1989–91	1992–94		1977–90	
			1995–2001			
Bahrain		1971–2001				1971–72
					1973–74	1975–90
Djibouti		1977–2001			1977–90	
Egypt		1960–2001			1950–90	
Iraq		1960–2001				1950
					1951–57	1958–79
					1980–90	
Jordan			1960–88		1950–65	1966
		1989–2001			1967–73	1974–83
					1984	1985–88
					1989–90	
Kuwait		1963–2001				1961–62
					1963–75	1976–80
					1981–85	1986–90
Lebanon	1970–74	1975–2001				
Libya			1972–2001			
Mauritania			1962–2001			
Morocco		1965–2001				1955–62
					1963–64	1965–69
					1970–71	1972–76
					1977–90	
Oman		1960–2001				1951–90
Qatar		1971–2001				1971–90
Saudi Arabia		1960–2001				1950–90
Somalia		1969–2001	1960–68			1969–78
					1979–90	
Sudan		1971–85	1956–57			1958–64
	1986–88	1989–2001	1965–68		1969–84	1985
			1986–88			1989–90
Syria		1963–2001			1950–60	1961–69
					1970–90	
Tunisia	1960–2001				1956–90	
United Arab Emirates	1971–2001					1971–90
Yemen	1993–2001		1967–77			1978–90

Data Source: Freedom House (*left side*), Przeworski et al. (*right side*).

Table 3 An empirical model of democracy: Modernity and Arab-specific determinants (pooled tobit) (dependent variable: (polity iv+10)/20)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Extended modernity variables								
Lagged income per capita	.018*	.017*	.011	.014	.016*	.017*	.027**	.024**
Lagged secondary school enrollment	.002***	.002***	.002***	.002***	.002***	.002***	.001***	.002***
Lagged median neighbor polity	.006***	.006***	.005**	.005**	.005***	.005***	.005***	.005***
Arab	-.131**	-.100**	-.124***	-.123**	-.128***	-.124***	.064	
Sub-Saharan African	.004	.012	-.013	-0.025	-.025			
East Asian	-.063	-.048	-.044	-0.045	-.043	-.050^	-.125*	-.053*
Latin American	-.028	-.058	-.072^	-0.074^	-.078^	-.036^	-.054	
History								
Former colony		.012	.022	.036	.033			
Colonial legacy		-.748***	-.719***	-.739***	-.653***	-.607***	-.512**	-.468**
British colony		.001	.024	.011	.001			
Spanish colony		.010	.022	.013	.015			
French colony		.041	.054	.043	.040			
Portuguese colony		.025	.043	.036	.029			
Religion								
Muslim		-.022	-.009	-.005	-.005			
Christian		.011	.009	.007	.024			
Social								
Ethnic Heterogeneity (EHET)			-.002**	-.002*	-.002**	-.002*	-.002*	-.001*
EHET*EHET			.00001*	.00001*	.00001*	.00001*	.00001*	.00001^
EHET*Polity score			-.0001***	-.0002***	-.0002***	-.0002***	-.0001***	-.0001***
Arab specific effects								
Lagged oil production				-.003*	-.003*	-.003*	-.003^	-.003*
Lagged mean quantity of regional wars					.166**	.154**	.251**	.279***
Lagged arab interaction with mean quantity of regional wars							-.654***	-.493***
Lagged East Asian interaction with mean quantity of regional wars							.254	
Lagged Latin Interaction with mean quantity of regional wars							.121	
Constant	.384***	.410***	.485***	.474***	.419***	.448***	.353***	.350***
(d.f)	(8)	(16)	(19)	(20)	(21)	(13)	(16)	(12)
LR: X^2	1388.65***	1415.1***	1441***	1445.1***	1452.1***	1445.3***	1469.3***	1461.8***
Significance Key: ^→p<0.10 *→p<0.05 **→p<0.01 ***→p<0.001								

Notes (description of variables and data sources):

For all variables, periods are defined as five year increments, starting with 1960.

Income (Y): Natural log of GDP per Capita, lagged one period – WDI

Urbanization Rate: % of population living in urban areas, lagged one period – WDI

Polity score: Lagged one period – Polity IV

SEC: Net school enrollment, secondary school, lagged one period – WDI

Median Neighbor's Polity: Median polity score of regional countries – Sambanis

Muslim: Dummy variable, coded 1 if population more than 50% Muslim, 0 otherwise – CIA

Christian: Dummy variable, coded 1 if population more than 50% Christian, 0 otherwise – CIA

Regional Dummy Variables: Arab dummy variable, coded 1 for Arab states, Sub-Saharan Africa dummy variable, coded 1 for Sub-Saharan states, OECD dummy variable, coded 1 for OECD countries, East Asia dummy variable, coded 1 for East Asian countries, Latin dummy variable, coded 1 for Latin American countries, 0 otherwise.

Colony: Former colony – CIA

Colonial Legacy: 1/(Age since Independence if a Former Colony) – CIA

Colonial Heritage Variables: British colony dummy variable, coded 1 for former British Colonies, Spanish colony dummy variable, coded 1 for former Spanish Colonies, French colony dummy variable, coded 1 for former French colonies, Portuguese colony variable, coded 1 for former Portuguese colonies, 0 otherwise – CIA

Ethnic Heterogeneity (EHET): Vanhussen's score of Ethnic Heterogeneity – Sambanis

EHET*EHET: Ethnic Heterogeneity Squared.

EHET*Polity Score: Interaction of Ethnic Heterogeneity and the Lagged Polity score.

Oil Production: Natural Log of 1000 tons of crude oil production, lagged once – WDI.

Mean Quantity of Regional Wars: Number of countries involved in international and civil wars by the Correlates of War Project divided by the total number of countries within the region. These wars include any conflicts with more than 1000 battle deaths. This discrete threshold loosely captures the intensity of the conflicts, as low intensity conflicts will not surpass the threshold – COW Project.

Arab * Mean Quantity of Regional Wars: Arab dummy variable interacted with Mean Quantity of Regional Wars.

Sources:

CIA – CIA World Factbook: www.cia.gov/cia/publications/factbook

Polity IV – Center for International Development and Conflict Management:

www.cidcm.umd.edu/inscr/polity

Sambanis, Nicholas. "Do Ethnic and Non-Ethnic Civil Wars Have the Same Causes? A Theoretical and Empirical Inquiry (Part 1)," *Journal of Conflict Resolution* 45, no. 3, June 2001. Data from: www.yale.edu/unsy/civilwars/data

WDI – *World Development Indicators.* The World Bank, 2003.

Table 4 Episodes of growth in East Asia and the Arab world

Median (annualized)	1975–84	1985–94	1995–99
East Asia	6.7%	5.0%	1.4%
Arab countries	5.7%	1.0%	0.8%
Mean (annualized)			
East Asia	6.1%	4.2%	1.95%
Arab countries	6.0%	-0.3%	1.3%

Note: Arab countries include: Algeria, Bahrain, Egypt, Jordan, Kuwait, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates. The East Asian countries include: Indonesia, Malaysia, Philippines, Singapore, Thailand.

Table 5 The collapse of growth in the Arab world (1985–94 vs. 1975–84)

Region	Difference from world mean change in growth (1)	Change in growth attributed to differences from world mean in			Predicted change in growth (2+3+4)
		Catch-up effects (sum of previous period growth and initial income effects) (2)	Institutions (rule of Law) (3)	Ethnic conflict (4)	
Arab	-1.717%	-0.874%	-0.280%	-0.405%	-1.559%
East Asia	1.582%	-1.047%	0.242%	0.331%	-0.474%

Notes: The decomposition of the actual change in the rates of growth between the two periods was computed using the following regression from Table 6 of Elbadawi (2004):

Growth Change = 0.013- 0.033 Conflict-+0.0048 Rule of Law -.802 Prev. Growth-.004Prev. Income

(-4.12) (2.13) (-3.98) (-1.67)

R-squared = 0.38, number of countries = 82; and,

1. Ethnic conflict = standard deviation of Δ $(LTOT)_{70\text{-}84}$ x $openness_{80\text{-}89}$ x Ethnic Fractionalization.
2. Institutions = ICRG measure of rule of law for 1984.
3. Catch-Up Effects = Total catch up effects presented in Table 5: the sum marginal effects previous period growth and previous period income. Growth is the % change in per capita income from 1970 to 1984. Income is the per capita income in constant 1995 international dollars for 1984.

Table 6 Democracy and short-term growth volatility

Dept variable: standard deviation of growth five-year periods

(1960–99)

	Tobit Estimation	GLS Estimation
	(1)	(1′)
shock*ethnicity	0.001	0.001
	(3.91)**	(3.09)**
shock*ethnicity*polity	-0.0002	-0.0002
	(3.77)**	(3.09)**
sd of government expenditures	-0.000	-0.000
	(0.96)	(0.39)
sd of investment	-0.000	0.000
	(0.50)	(0.11)
sd of inflation	-0.000	0.000
	(1.12)	(0.59)
sd of money supply (M2/GDP)	0.001	0.002
	(2.07)*	(2.25)*
constant	0.031	0.026
	(13.82)**	(7.18)**
observations	420	420
R-squared		0.30
number of groups		88
Absolute value of t statistics in parentheses		
* significant at 5%; ** significant at 1%		

Notes:

1. The regressions are based on 128 countries including the following Arab countries: Algeria, Bahrain, Egypt, Jordan, Kuwait, Mauritania, Morocco, Oman, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.
2. The standard deviations are derived over five-year periods for the years 1960–99.
3. The median values for Ethnic Heterogeneity (EHET) are as follows: GCC: 21.96; Mixed Oil Economies: 5.46; Diversified Oil Economies: 27.04; Primary Producing Economies: 30.96.

Figure 1 Relative Polity: Arab and the rest of the world (1965-2000)

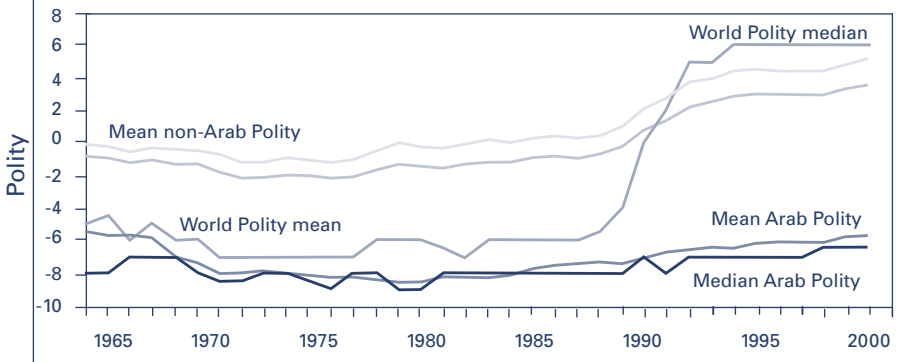


Figure 2 Mean change in Polity: Arab and non-Arab world

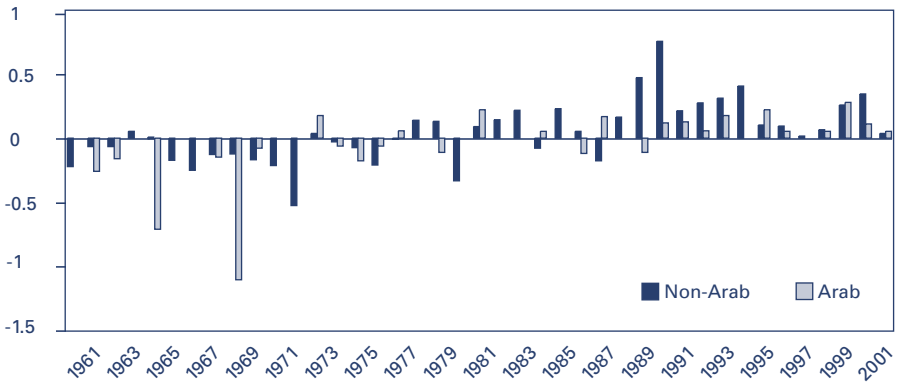


Figure 3 Median per capita income GCC and OECD

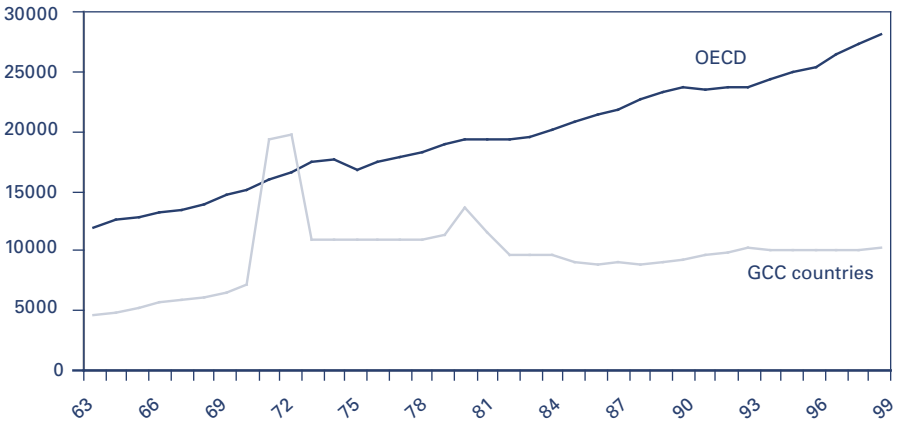


Figure 4 Median GDP per capita by region and Arab type

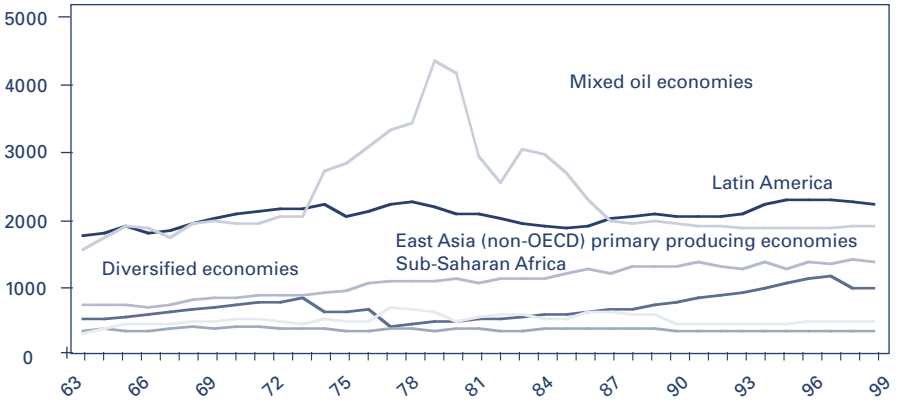


Figure 5 Difference from median income per capita of non-OECD non-Arab countries

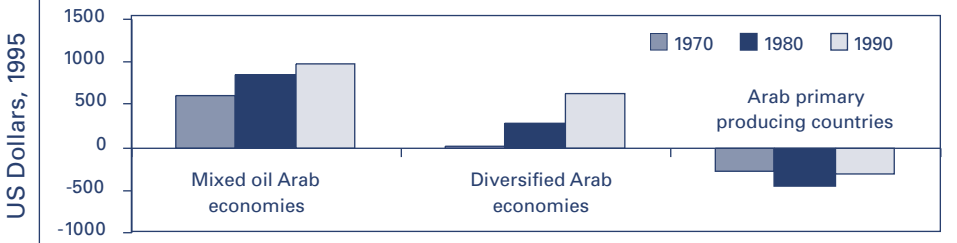


Figure 6 Median polity by Arab type

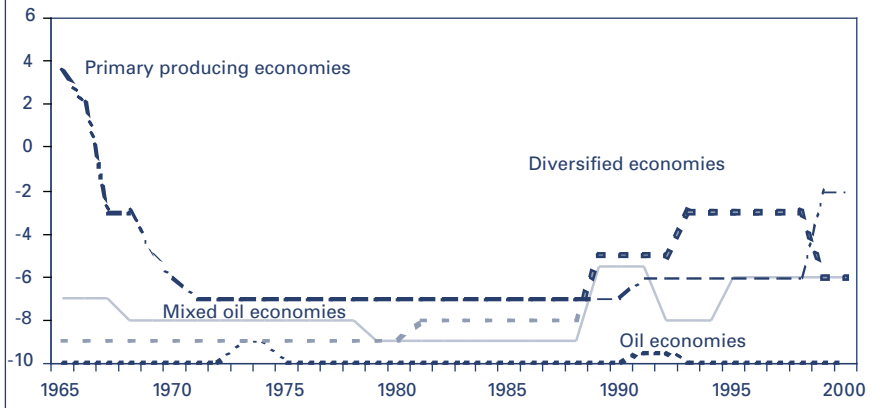


Figure 7a Median polities in contrast: Diversified oil economies and East Asia

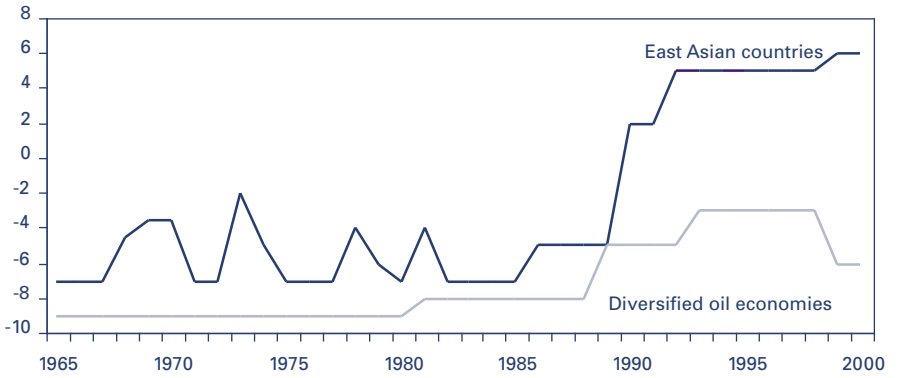


Figure 7b Median polities in contrast: primary producing economies and Sub-Saharan Africa

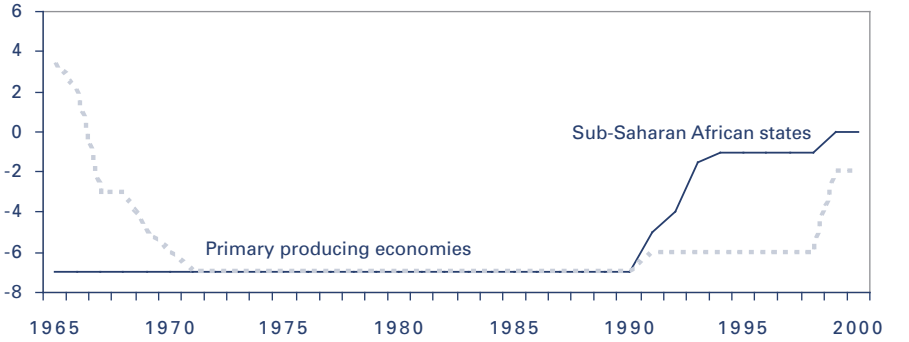


Figure 8 Relative economic growth: Arab and non-Arab world mean growth rate

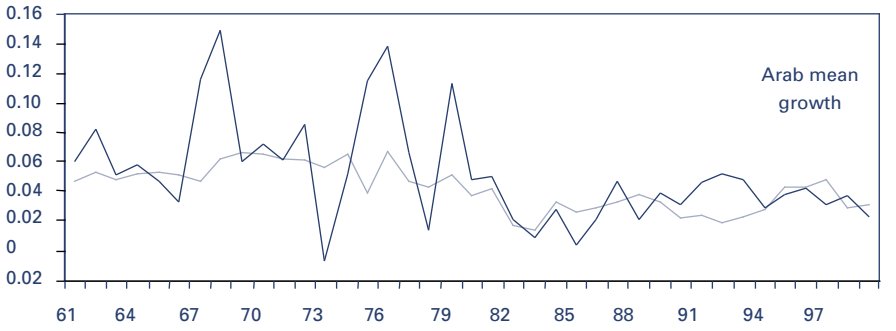
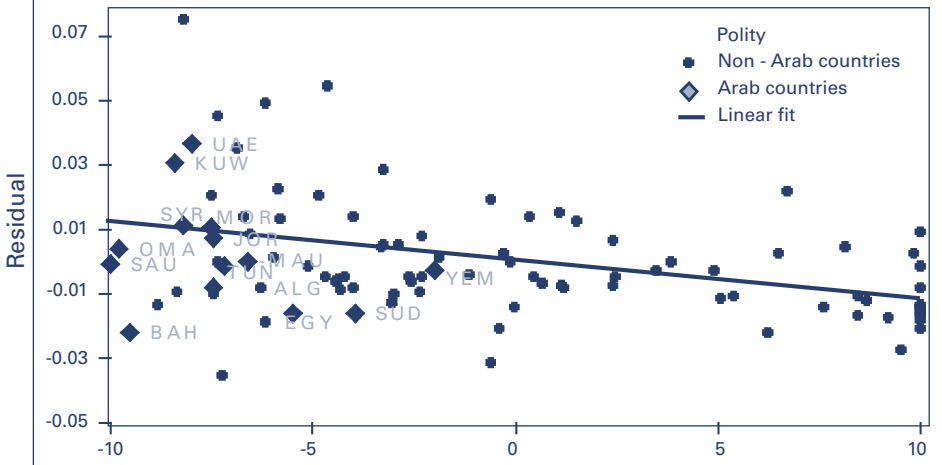


Figure 9 Democracy and short-run variability of growth in the Arab world



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