

**Reexamining the Influence of Trade upon  
the Variety of Democratic Institutions**

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In 1987, Ronald Rogowski argued that trade dependence influenced the form of institutions a democracy would adopt.<sup>1</sup> Fifteen years have passed since these claims were put forward, and two historical trends offer us a chance to go back and review Rogowski's conjectures with new evidence. First, globalization increased the political significance of trade in many more countries. Second, the end of the Cold War, combined with other factors, dramatically increased the number of democracies in the international system. This provides us several new ways to test Rogowski's hypotheses about the relationship between trade and the variety of democratic institutions.

Rogowski argued that trade-dependent democracies need institutional arrangements that deflect or otherwise allow the government to resist rent-seeking pressures from their societies. Being trade-dependent means relying on the international competitiveness of the economy. Allowing numerous groups to capture rents would undermine that competitiveness. Also, democracies that relied heavily on trade could ill afford domestic conflicts that might upset their economic prospects or introduce uncertainty into economic calculations. Adding these influences together, Rogowski surmised that trade-dependent democracies would tend to have institutions that provided greater insulation for decision-makers, more independence from powerful but narrow domestic interests, and greater stability in the pursuit of these policies.

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<sup>1</sup> Ronald Rogowski, "Trade and the variety of democratic institutions," *International Organization* 41 (2), Spring 1987, 203-223.

Four institutional features could deliver these benefits, Rogowski argued.<sup>2</sup> Each of these claims has become a standard argument in the political economic literature. Parliamentary systems are better at protecting social interests over narrower private interests than presidential systems, he claimed. Proportional Representation (PR) is better at reducing instabilities and building a public consensus behind policies than either majority or plurality electoral systems. He argued that stronger political parties are better able to resist private interest pressures than are weaker parties. Finally, he surmised that large electoral districts help insulate legislators from narrower interests. Since stronger parties are produced by list-PR electoral rules, these positions can be summed into one ideal form of government that should be preferred by trade-dependent democracies: PR-Parliamentary rule, with large electoral districts. These points are now commonly built into models and explanations for tariff policies, and even for rent-seeking more broadly.<sup>3</sup>

Rogowski examined several forms of evidence to test these claims. He produced various tables delineating the distribution of OECD states in each institutional classification, to see whether the more trade-dependent democracies had indeed adopted the forms of institutions he expected. To this he added measures of statistical association.

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<sup>2</sup> Ronald Rogowski, "Trade and the variety of democratic institutions," summarized on p. 208, discussed at length on pp. 208-212.

<sup>3</sup> See for example, Rein Taagepera and Matthew Shugart, *Seats and Votes: The Effects and Determinants of Electoral Systems*, New Haven: Yale University Press, 1989; Edward Mansfield and Marc Busch, "The political economy of nontariff barriers: a cross-national analysis," *International Organization* 49 (4), Autumn 1995, 723-749, specifically pp. 729-731; Michele Polo, "Electoral Competition and Political Rents," IGIER Working Paper #144, 1998; and R. Gatti, "Corruption and Trade Tariffs, or a Case for Uniform Tariffs," *World Bank Research Working Paper* #2216, November 1999.

He also examined the size of districts through statistical analysis (the natural logarithm of the number of constituencies regressed on trade as a percentage of GDP). The connection between party strength and trade was measured statistically as well. (A measure of party centralization was regressed on the natural logarithm of trade as a percentage of GDP, though this data was much older than the rest referred to in his article, and the least useful in some ways.)

Rogowski's observations were limited in two respects: the group of countries he examined was small, as were the years for which observations were drawn. The countries in his sample were limited to the members of the OECD. This made sense because these were the countries he was most interested in: the economically advanced, trade-dependent democracies. There weren't that many other democracies to consider in 1987 as well. The observations were limited by the availability of data. The economic data he examined were mostly from the 1970s, and the measures of party centralization from before 1962.

Two questions naturally arise. If increasing trade dependence does in fact influence decisions concerning how to structure democratic institutions, have increasing levels of trade changed our picture of the OECD countries in Rogowski's original sample? One of the striking pictures from the 1987 article was a simple table showing how specific forms of democratic governance and levels of trade were associated. Would we see the same associations today?

Second, has trade dependence shaped the institutional choices made by new democracies? That is, among the countries of the former Soviet bloc that have adopted democratic forms of government, have the more trade-dependent among them selected

the forms of institutions Rogowski's argument would predict? What about the choices among a second group of countries – those in the economically developing world – who have also shifted to democratic forms of government in the last twenty years?

Below I undertake two sets of tests on these different groups of democratic states. I examine whether rising levels of trade have upset or otherwise altered the relationships Rogowski observed for the OECD countries. I then examine whether democracies forged from the former Soviet bloc or from among the economically developing world fit the expected patterns.

### **Rising Trade Dependence among the OECD Countries**

As noted before, one of the simplest yet most memorable pieces of evidence Rogowski presented was a table illustrating the correlation between levels of trade as a percentage of Gross Domestic Product (GDP) and type of government (his Table 1, p. 213). The countries were ranked vertically, with the highest level of trade as a percentage of GDP at the top, the lowest at the bottom. The countries were then divided into columns, one representing countries with PR Parliamentary regimes, the next with non-PR Parliamentary systems, then Presidential, and finally those with authoritarian governments. (In 1970, the year of Rogowski's data on trade dependence, three members of the OECD were judged to have authoritarian governments: Portugal, Greece, and Spain.) I provide an updated form of this table below. The table includes most of the same countries, but with figures for 1998.<sup>4</sup> I also introduce a new column, for mixed PR-

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<sup>4</sup> The source for the trade percentage of GDP was the World Bank (World Development Indicators, Table 6.1 *Integration with the global economy*), available on the web at [www.worldbank.org/data](http://www.worldbank.org/data). These tables did not have separate information on two countries in Rogowski's tables: Luxembourg and Iceland. World

parliamentary regimes (those that have some legislators elected by PR, but also some by simple-majority rules) in place of the column for authoritarian governments no longer needed.

**Table 1: OECD states by trade as a percentage of GDP and type of government, 1998**

<b><u>PR Parliamentary</u></b>	<b><u>Mixed PR Parliamentary</u></b>	<b><u>Non-PR Parliamentary</u></b>	<b><u>Presidential</u></b>
Ireland 134.0			
Belgium 126.1			
Switzerland 103.0			
Netherlands 93.2			
Sweden 83.5			
Denmark 71.8			
Finland 69.2			
Austria 69.1			
Norway 68.3			
		Canada 59.0	
	Germany 55.0	U.K. 48.1	France 46.3
Portugal 43.9			
	Italy 37.9		
Spain 37.3			
		New Zealand 35.7	
		Australia 27.8	
	Japan 21.3		
			United States 19.9
Greece 18.8			
Turkey 18.8			

Several observations can be made when thinking about how this table compares with the one Rogowski produced in 1987 (using data for 1970). First, almost all the OECD states now enjoy significantly higher levels of trade. The uppermost figures have changed. In 1970, Belgium was the only country with trade levels above 100% of GDP.

Bank figures were chosen over OECD numbers because they include comparable data for the non-OECD countries examined in the latter half of the paper.

In 1998, three countries top that level. Moreover, there had been a somewhat distinct break in the set using data for 1970. Of the 12 countries with trade levels at 49-50% or greater, only one did not have a PR Parliamentary government. This was Portugal, which had an authoritarian government until 1976.<sup>5</sup>

In Table 1 above, a break can still be found, but it is around the 60% level, not the 50% mark. By 1998, Canada was reaching that barrier, and the U.K. was moving closer to it. The overall pattern seems the same in the tables, but the levels have all risen higher, which is no surprise. The average figure for trade as a percentage of GDP for the countries in my Table 1 was 58.55%.

And what happened to the three states in the OECD considered to have authoritarian governments in 1970? Rogowski's argument would lead us to expect that when Portugal regained democratic government, that it would select a PR Parliamentary form of government. Greece and Spain might be expected to have chosen non-PR Parliamentary systems on the other hand, or perhaps mixed PR systems. In fact, all three established PR Parliamentary systems.

Today three of the larger economies in the OECD have mixed PR and majoritarian systems: Germany, Italy and Japan. Germany's Bundestag has a total of 669 seats, of which 328 are elected in single-member constituency. Italy's parliament has 630 seats in total, with 475 elected in single-member districts. Japan now has 300 members elected in single-member districts, with another 180 seats filled by PR. In terms of the percentage of seats filled by PR, they rank Germany first (.5097), Japan second (.375), and Italy last

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<sup>5</sup> This date is from the revised version of Polity III dataset produced by Renske Doorenspleet, in "Reassessing the Three Waves of Democratization," *World Politics* 52 (3), April 2000, 384-406.

(.246). Interestingly, Japan and Italy have altered their electoral legislation since Rogowski's study. Italy actually reduced its reliance on PR through reforms enacted in 1994. It switched from full PR to a mixed system where most seats are filled by single-member constituencies. Moreover, this reform was designed to give the political system greater stability by making cabinets less reliant on weak coalitions.

Japan, too, instituted reforms in the early 1990s. It moved from a system of multi-seat, medium sized constituencies to a system where most seats are now from single-member districts. This legal change was made in January 1994 (first used in the 1996 lower house elections). A further change was made when the number of seats filled by PR was reduced from 200 to 180. These changes do not appear consonant with our expectations.

Rogowski reported statistics representing the association between trade dependence and PR systems. He apparently divided the data in his set between PR and non-PR systems, and compared this to those above the median measure of trade-dependence in the sample, and those below it. He reported Kendall-Stewart's tau-c for this division as .602 (and noted this was more than three times its standard error). In contrast, I have divided the set into fourths by trade dependence, and produced Kendall's tau b for this ranking versus the rankings by institutional categorization. This is the appropriate test for association when considering ordinal data with tied pairs. For the observations in Table 1, Kendall's tau b is .4600.

There are two other interesting ways to consider some of the same ideas that Rogowski was chasing. These involve introducing a single statistic designed to measure the ability of the public to express its interests (voice), and for the responsiveness of

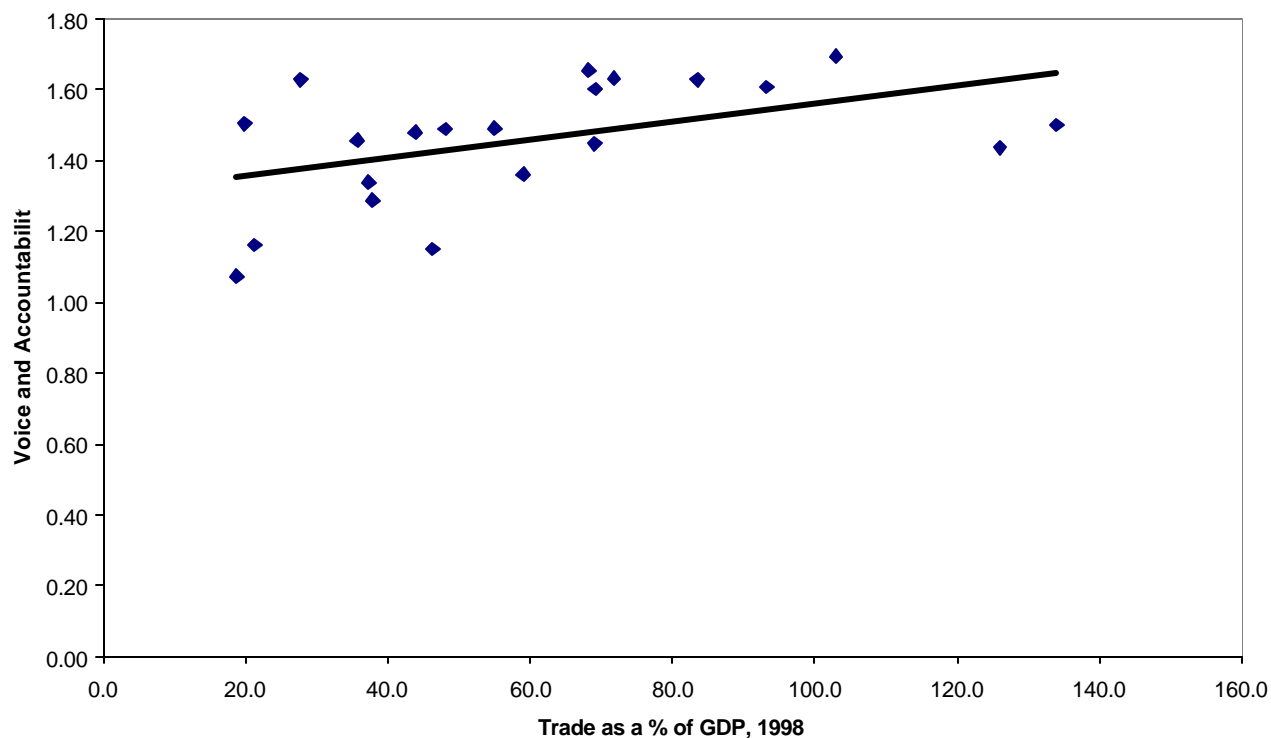
government to public demands (accountability). Just such a statistic has been developed by three social scientists working on governance and corruption for the World Bank, Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton. They provide a composite variable meant to capture Voice and Accountability.<sup>6</sup> This is useful in that it includes measures for civil liberties more broadly, such as relative freedom of the press, transparency of business regulation, the role of the military in politics, and so on. These factors may play a significant role alongside – or in place of – the formal institutional arrangements Rogowski focused on.

First, we can look at how well voice and accountability relates to trade dependence. Then we can add a separate measure of external economic openness (a composite of tariff and non-tariff barriers) to see how well voice, external openness, and trade dependence all correlate. These data are presented in the two graphs below. The first, Figure 1, presents a simple scatter plot of voice and accountability versus trade dependence for the OECD countries in Rogowski's study, less three members. (In other words, these are the OECD members he looked at; new members, such as the Czech Republic, are left out.) Since Turkey scores a negative value on voice and accountability, it is very much an outlier; it completely distorts the chart, and therefore I have dropped it from this figure. Also, separate data was missing for Iceland and Luxembourg, so they too are not represented.

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<sup>6</sup> See "Governance Matters," *World Bank Research Working Paper*, available at the World Bank's webpage ([www.worldbank.org](http://www.worldbank.org)). On p. 7 they describe the composition of this specific variable; it combines various measures for political processes, civil liberties and political rights. The specific components are listed in Table G1 in the appendix to their paper. The technique for combining the statistics into a single variable is described on pp. 9-10.

Figure 1: OECD Countries -- Trade Dependence and Voice & Accountability



The figure illustrates that the two are correlated, but not very strongly. This is probably caused by the small variation in the measure for voice and accountability among these countries – unsurprisingly all score very high.

Figure 2 uses these same data points, but rearranges the data and introduces an additional variable. This third variable is international openness, taken from the international exchange component of the measure of Economic Freedom developed by Jim Gwartney and Robert Lawson.<sup>7</sup> Voice and accountability is measured on the vertical

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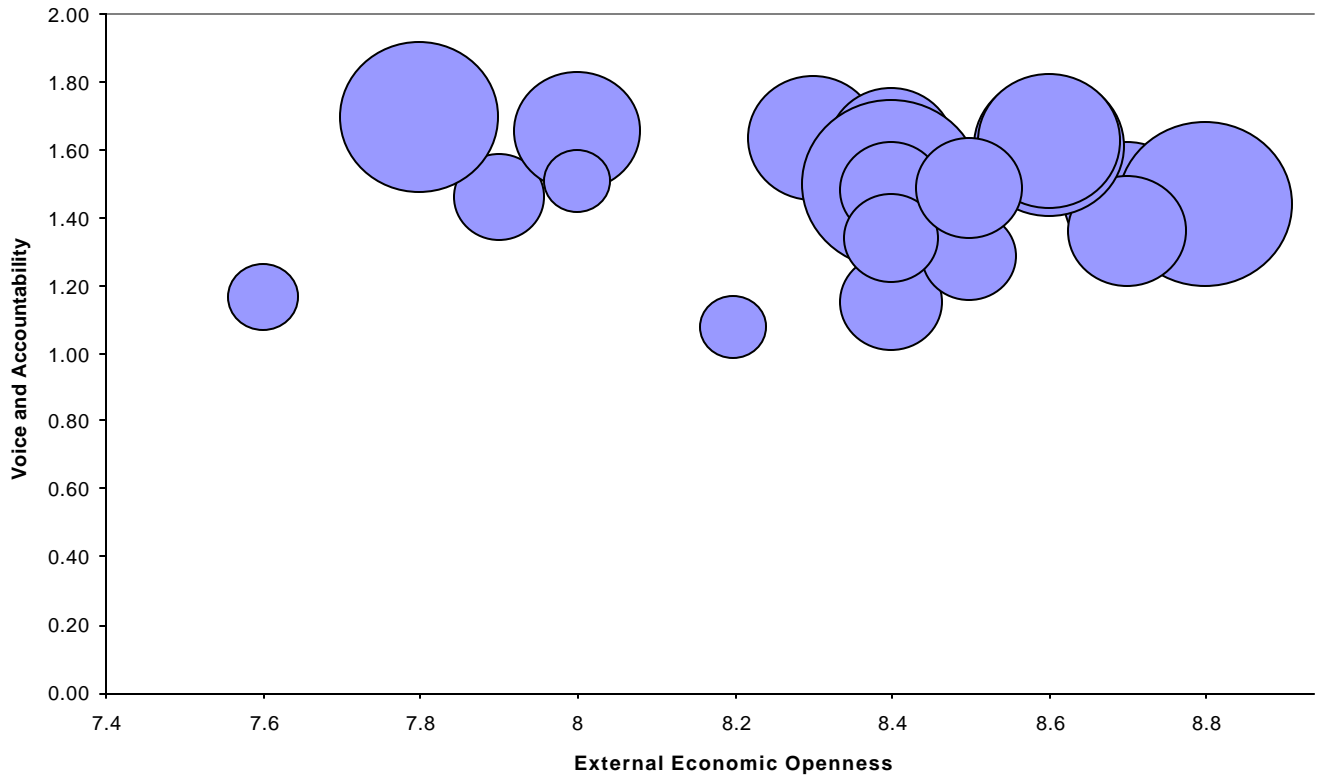
<sup>7</sup> See Jim Gwartney and Robert Lawson (with Dexter Samida), *Economic Freedom of the World: 2000*

*Annual Report*, Vancouver: The Fraser Institute, 2000. Data is available at their website,

[www.freetheworld.com](http://www.freetheworld.com) The figures I use are the composite for part VI of the individual country tables, for 1995.

axis, external economic openness on the horizontal axis, and trade dependence by the size of the bubble. We would expect to find the largest bubbles furthest from the origin in the graph.

**Figure 2: OECD Countries -- Trade Dependence, Voice, and External Openness**



As Figure 2 shows, there is a strong clustering. To get a better sense of just how strong that clustering is, note that the scale for External Economic Freedom is 1 to 10; all the OECD members in this set score between 7.5 and 9. (This can make cursory comparisons with some of the later graphs misleading.) One might expect that the four to five bubbles towards the upper left hand corner of the graph would represent a specific set of countries identifiable by shared institutional characteristics. In fact this grouping is made up of Switzerland (the largest of this cluster) and Norway, but also the U.S. and

Australia. The bubble on the far right signifies Belgium. The one overlapping it represents Canada. So there doesn't seem to be single clear pattern here.

***Summary: plus ça change...***

Unsurprisingly, the relationship between trade dependence and form of democratic institutions Rogowski established for the OECD countries has not altered much in the last twenty years. It isn't surprising, because there have been few institutional changes in the majority of these countries. All these countries are also very open to trade, regardless of their institutional arrangements. The three countries that have moved to democratic government since then all adopted forms of PR, even though they rely less on trade than most other OECD states. This does not disconfirm Rogowski's argument at all – indeed it raises a vital observation. Shouldn't all democracies want forms of government that reduce the level of rents the government allows?

**Trade and the Choice of Institutions in the New Democracies**

Besides globalization, the other great trend to be felt since Rogowski's argument appeared in print has been a dramatic increase in the number of democracies in the world. Have the institutional forms chosen by these newly created democracies been influenced by trade? Drawing on Rogowski's arguments, we would expect to find that the more trade-dependent of the new democracies have adopted PR systems, while the less trade dependent have not. Is this the pattern observed?

***New Democracies from the Former Soviet Bloc***

The first set of countries I examine are those democracies created out of the former Soviet Union and the Soviet bloc more generally. After 1990, some 15 countries made

the transition to democratic forms of governance.<sup>8</sup> As we can see from Table 2, many chose PR forms of parliamentary institutions; several chose to create electoral systems that have a portion of the legislature elected by PR. I therefore chose to separate out those regimes that have roughly half or more of the seats in the national parliament elected by PR from those that have less than half elected by that method.

**Table 2: Former Soviet-style Democracies by trade as a percentage of GDP and type of government, 1998**

<u>PR Parliamentary</u>		<u>Half or More Seats by PR</u>	<u>Less than Half Seats by PR</u>	<u>Non-PR Parliamentary</u>	
Slovenia	66.9				
Slovakia	45.5				
Czech Rep.	43.5				
		Hungary	42.4		
		Lithuania	39.6		
Poland	26.4				
				Mongolia	24.8
				Belarus	24.1
Bulgaria	22.8				
		Ukraine	18.7		
Romania	15.1				
		Russia	14.0		
			Armenia	13.2	
				Kyrgyzstan	11.9
			Albania	10.9	

Rogowski's expectations fare surprisingly well in this sample of new democracies. To compare with the data for the OECD states in 1998, Kendall's tau b for this set is .3904. (The OECD figure was .4600, in contrast.) These 15 countries all made the transition to democracy in the early 1990s. Most have election laws dating from between

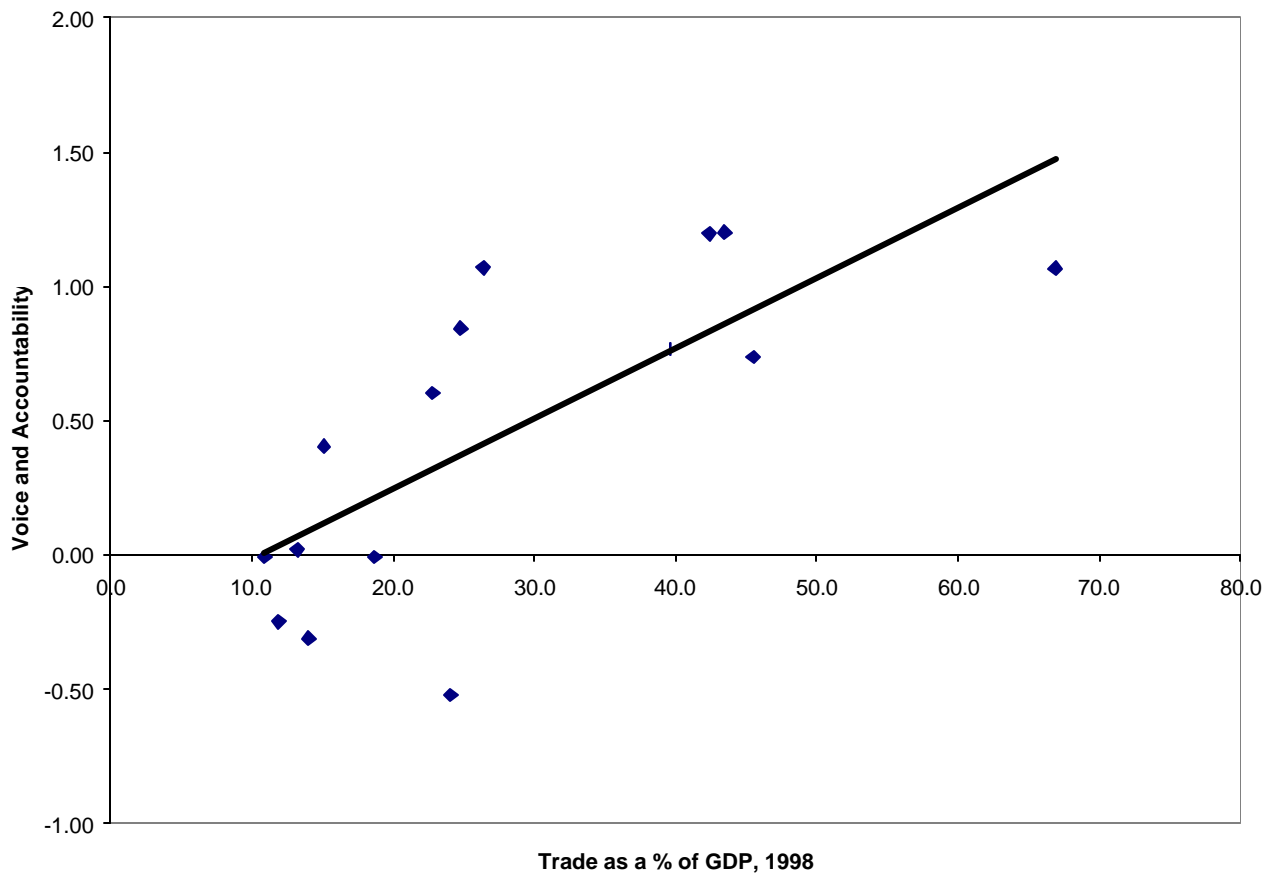
<sup>8</sup> I use the adjusted Polity III list presented by Doorenspleet, "Reassessing the Three Waves of Democratization".

1990 and 1993, though some have already altered their electoral rules since converting to democratic institutions. Their fine-tuning supports Rogowski's conjectures. Albania, Armenia, the Czech Republic and the Ukraine have all instituted election laws since 1995, for instance.

Again, the categories are a little different from Rogowski's, for it is clear that mixed PR systems are very popular these days. The expected relationship holds within this subset of democracies. Those countries that rely more heavily on trade were more likely to have more seats elected by PR than those less heavily dependent on trade. The countries least reliant on trade used single-district, simple-majority voting rules to select most of the seats in their national parliaments.

In Figure 3, I examine the relationship between voice and accountability on the one hand, and trade as a percentage of GDP among these countries. Again, the relationship is in the expected direction – and stronger in fact than among the OECD members. The slope of the line is .026, and the  $r^2$  is .52.

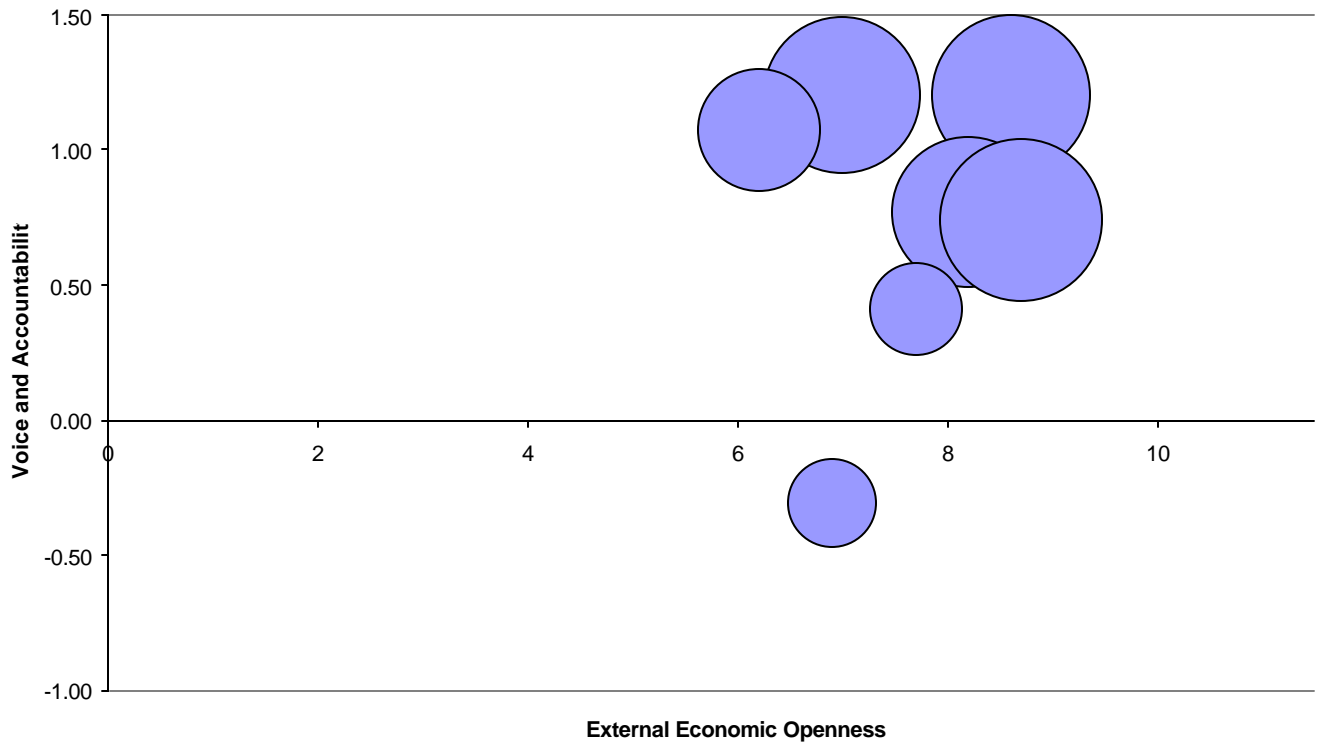
Figure 3: Former Soviet Bloc Countries -- Trade Dependence and Voice & Accountability



In Figure 4, a third variable is introduced, as in Figure 2 above. External economic openness is displayed against voice and accountability, and the size of the bubble relates to a third variable: the degree of trade dependence. (There are fewer observations here than in Figure 3 because of incomplete data.<sup>9</sup>)

<sup>9</sup> For list of countries dropped, refer to the appendix.

Figure 4: Former Soviet Bloc Countries -- Trade Dependence, Voice, and External Openness



The large bubble in the upper right hand corner represents the Czech Republic, which practices PR. So do Lithuania, Slovakia, Poland and Hungary, the other bubbles in that corner. Russia is represented by the smaller bubble lower down in the graph. Again, the picture given is as expected, with the larger bubbles further from the origin, though the sample size may be too small to be particularly useful. However, this figure is useful when we compare it to the one produced in the next section.

### ***Democracies in the Economically Developing World***

While there have been a number of democracies created out of the elements of the former Soviet bloc, there have also been an amazing number of transitions to democratic rule among those countries still economically developing. We can examine data for a set

of 42 democracies for which we have observations. The columns on the table are slightly different from before, representing the prevalence of a separate category among these countries: PR-Presidential forms of government. This is not a system discussed by Rogowski, and not common outside of Latin America. Yet in South America it is very common.<sup>10</sup>

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<sup>10</sup> For an quick snapshot of how regionally concentrated this form of government is, take a look at the map provided by Torsten Persson and Guido Tabellini, in “Political Institutions and Policy Outcomes: What are the Stylized Facts?” (unpublished manuscript, February 2001).

**Table 3: Democracies in the economically developing world, by trade as a percentage of GDP and type of government, 1998**

<u>PR</u> <u>Parliamentary</u>	<u>PR</u> <u>Presidential</u>	<u>Non-PR</u> <u>Parliamentary</u>	<u>Non-PR</u> <u>Presidential</u>
		Malaysia 70.1	
		Trinidad 54.7	
	Costa Rica 53.7	Jamaica 49.5	
Israel 47.7		Botswana 42.4	
		Mauritius 39.0	
		Zambia 37.3	
		Republic of Korea 35.6	
	Paraguay 34.7		
	Dominican Republic 33.1		
	Mexico 32.9		
Namibia 31.7		Lesotho 31.6	
	Honduras 29.1	Thailand 26.7	
		Papua New Guinea 26.3	
	Ecuador 25.7		
	El Salvador 25.2		Chile 24.7
	Venezuela 24.0		
	Uruguay 22.7	Malawi 23.3	
		Nicaragua 19.1	Philippines 22.1
		Guatemala 18.8	
	Sri Lanka 17.9		
South Africa 16.1	Bolivia 15.9		
Guinea-Bissau 15.2		Mali 15.1	
	Argentina 12.9	Madagascar 11.2	
	Colombia 10.4		
	Brazil 9.9	Central African Republic 9.2	
		Haiti 8.9	
Niger 8.5			
Mozambique 7.8		Bangladesh 7.0	
		Nepal 6.5	
		India 3.9	

The relationships identified in the two sets of democracies described so far are not replicated here. Non-PR parliamentary regimes are arrayed along the whole length of the column – from the very top, where the most trade-dependent states are, to the very bottom, where the least trade-dependent are. PR and Presidential forms are used in states that are not as trade-dependent as many others. Overall, the expected relationship simply doesn't stand up well.

This picture is confirmed by a comparison of Kendall's tau b with the earlier sets. Kendall's tau b for this group is .0432. (For the democracies from the former Soviet bloc the respective figure had been .3904, and for the OECD countries, .4600.)

If anything stands out in this table, it is the regional groupings of the various countries. The mixed PR Presidential systems are overwhelming in Latin America. This seems much more important a factor than the level of trade. The non-PR Parliamentary countries tend to be former British colonies. Historical factors seem to have overwhelmed the influence of trade in these cases. On the other hand, this form of government surely hasn't hindered several of these countries in their pursuit of trade.

Curiously, Rogowski's initial observations about trade dependence and the form of democratic institutions seems to hold better for those examples of long established democracies, such as India and Israel. Those with very little trade-dependence, especially the South Asian countries of India, Nepal and Bangladesh, all have non-PR parliamentary systems. Was the influence of trade on the form of democratic institutions time-dependent? If so, why would it have mattered more in the immediate post-World War II years, rather than in the 1990s?

If we separate out those economically developing countries that have only become democracies since 1990,<sup>11</sup> we could conceivably focus more intently on a subset of 16 states. Yet nothing is gained by doing so. The overall view of the distribution is changed so little that it is not worth reporting. Separating out the Latin American countries gains little as well. We are left with an intriguing puzzle: how can we explain the apparently powerful impact of trade on the variety of democratic institutions among the former Soviet bloc countries, but its seeming unimportance for these countries?

Before proceeding, we also need to examine the relationship between trade dependence and voice and accountability. In Figure 5, this is done for 40 economically developing democracies. The resulting regression has a slope of .0066; it is sloped in the expected direction, but it is fairly flat. The  $r^2$  is only .035.

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<sup>11</sup> Again, this is using the minimal standard developed by Doorenspleet.

Figure 5: Economically Developing Countries -- Trade Dependence and Voice & Accountabil

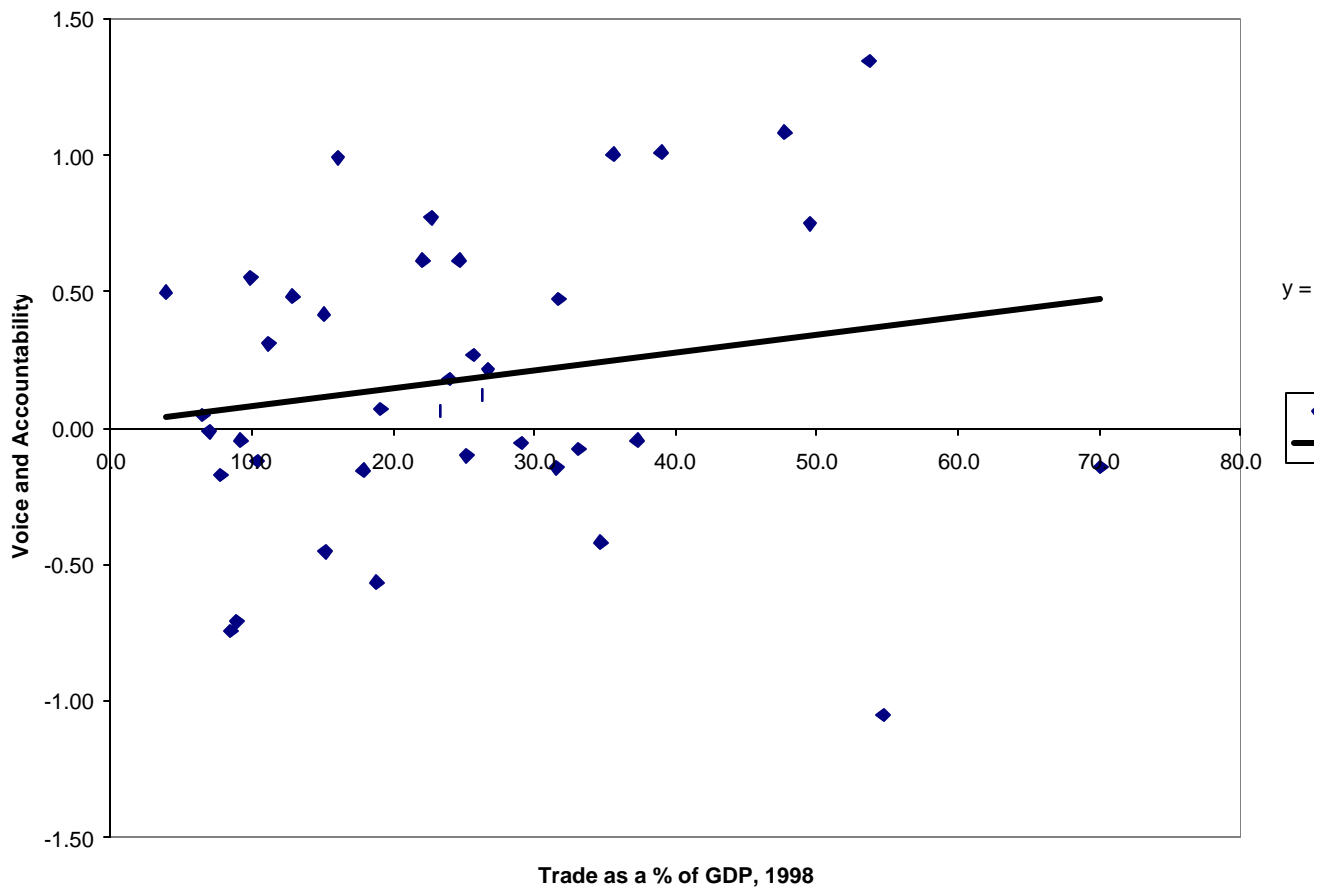
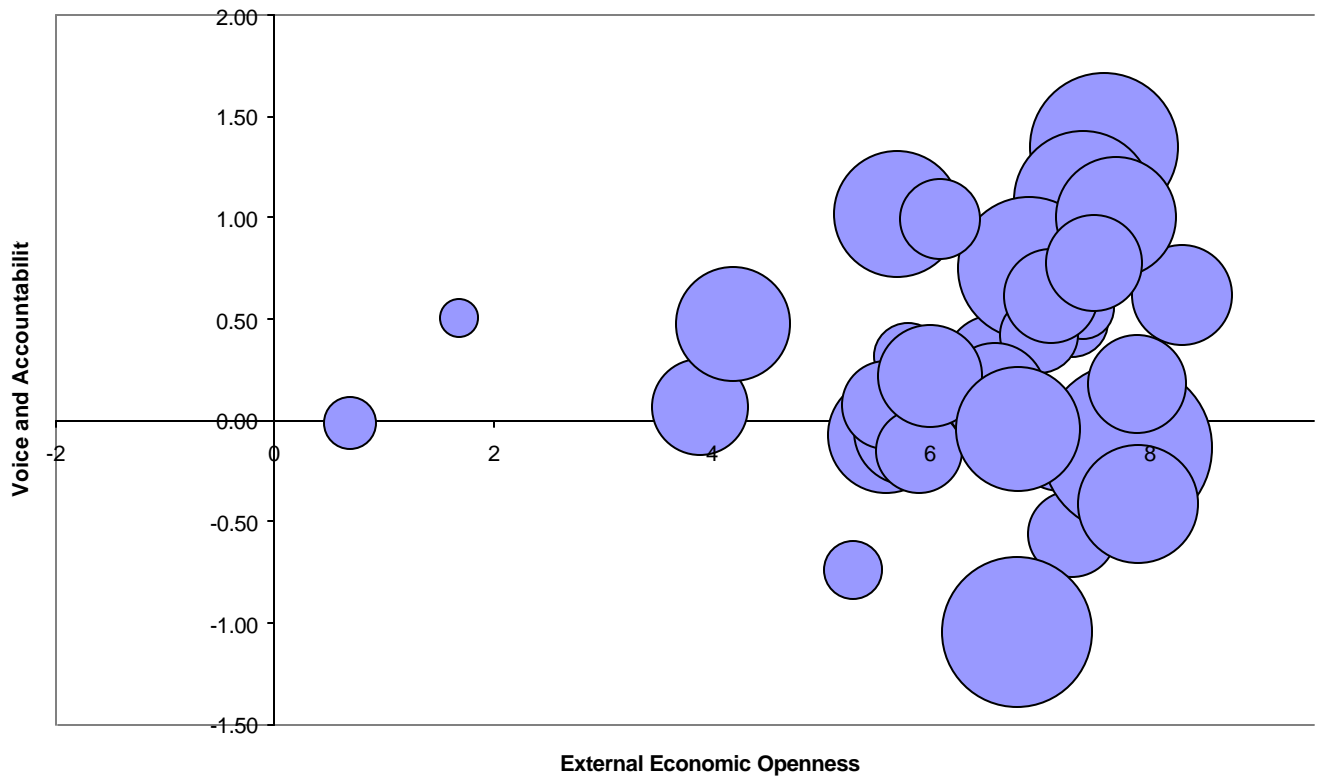


Figure 6 adds in the measure of external economic openness. This is displayed on the horizontal axis, while voice and accountability is on the y-axis. The size of trade as a percentage of GDP is represented by the size of the bubbles.

Figure 6: Economically Developing Countries -- Trade Dependence, Voice, and External Openness



The bubble farthest to the upper right represents Costa Rica, while the one just below it signifies Israel. Both use PR. The large bubble at the bottom right of the page marks Trinidad; the small one to its left is for Haiti; the smaller ones closer to the origin are Bangladesh and India. These four all use single-member constituencies. While the breakdown on the graph is far from perfect, it does suggest that something within the measure of voice and accountability captures a difference between those that seem to fit the expected pattern and those that don't. Perhaps less formal practices or rules can act as a check on the government sanctioning of rents to offset disadvantages in institutional arrangements.

***Summary: Mixed Evidence***

The additional observations provided by these new democracies offer some points of confirmation to Rogowski's ideas, but also add some perplexing challenges. On the one hand, the set of new democracies formed out of the former Soviet bloc appear to fit nicely into expectations drawn from Rogowski's position. On the other hand, the rest of the world's democracies do not fit so neatly into these patterns. Colonial heritage seems to have a strong influence, since many countries have adopted British-style electoral systems, regardless of the importance of trade to their economies. Rogowski did note several other ways in which policy-makers could be shielded from rent-seeking pressures through institutional arrangements; perhaps these other factors are implemented in these sets of countries to offset the disadvantages of not adopting PR. We therefore turn to the other key expectation I examine in this paper: the relationship between reliance on trade and the size of electoral districts.

**Trade Dependence and the Size of Electoral Districts**

Adopting PR-Parliamentary forms of government is not the only way to deflect rent-seeking demands on the state. Rogowski emphasized (and tested support for) another institutional factor, the size of electoral districts. If politicians represent larger constituencies, they are less likely to be captured by the narrow interests we typically think of as behind rent-seeking. The larger the electoral districts, the better insulated the policy makers should be. (More precisely, the fewer the number of constituencies, the larger the electoral district as a percentage of the country.) Rogowski regressed the natural log of the number of constituencies against the level of trade dependence to see if a relationship could be established.

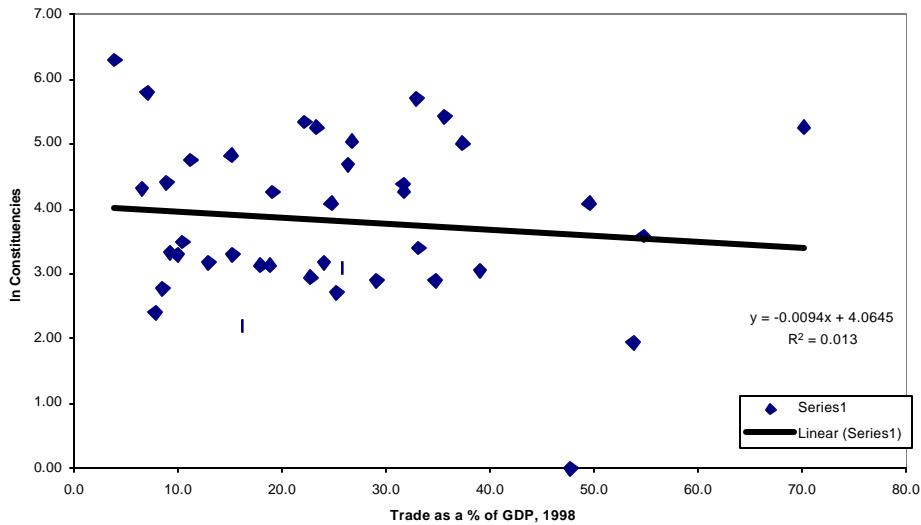
As one might expect, there have been few dramatic changes to report on the number of constituencies in most of the OECD countries. I therefore have not bothered to update Rogowski's figures for this set of countries. It is interesting to remind the reader that at least two countries have tinkered with their electoral systems in recent years: Japan and Italy. These were mentioned above, but they are worth repeating. Italy moved away from broader districts and PR, while Japan moved closer – sending us mixed signals.

I have, however, executed similar regressions for the other two sets of democracies considered in the previous sections. Information on the number of constituencies in economically developing democracies and for the number of constituencies among the new democracies created out of the former Soviet bloc was found using the data-base of the Inter-parliamentary Union.<sup>12</sup> The resulting regressions are plotted on two graphs below, Figures 7 and 8.

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<sup>12</sup> The number of constituencies is drawn from the Inter-Parliamentary Union's database, available at [www.ipu.org](http://www.ipu.org). Some of the information was ambiguous, and in these cases the material was not used.

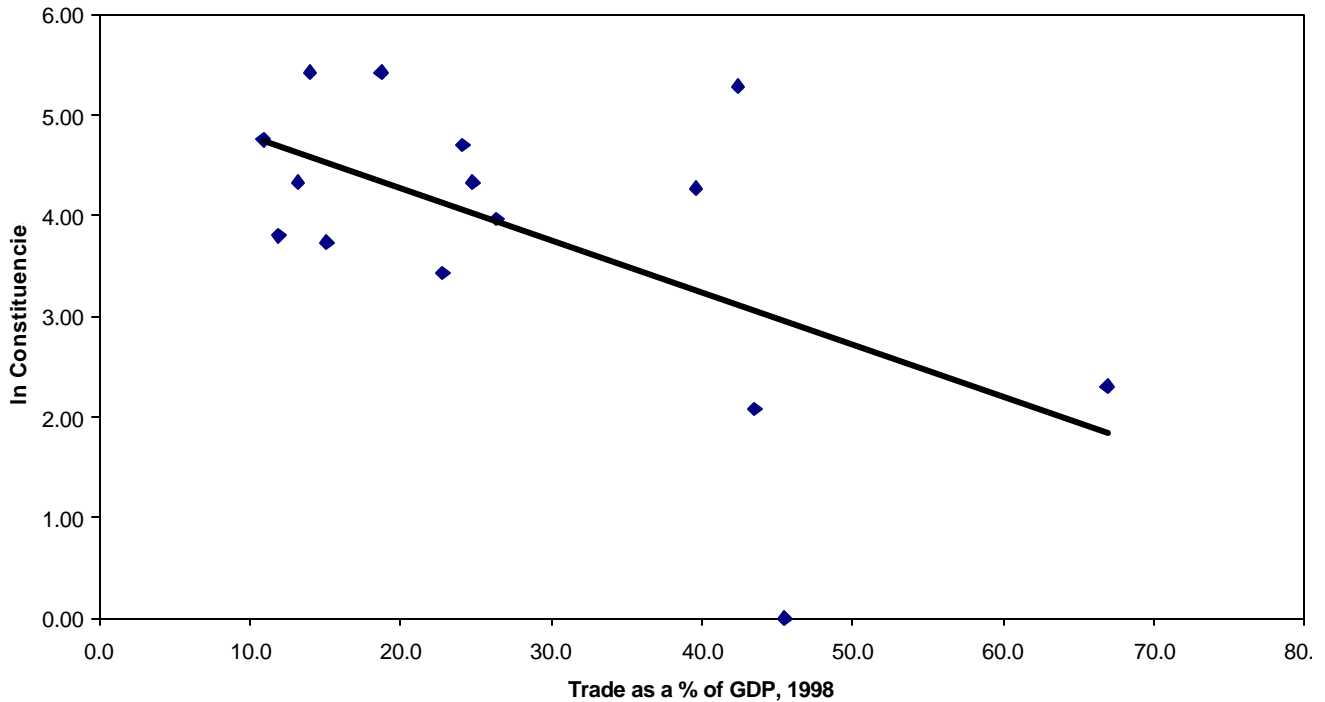
**Figure 7: Economically Developing Countries -- Trade Dependence and Constituencies**



**Figure 7:** *Ln of number of constituencies regressed on trade as a percentage of GDP for 40 democracies in the economically developing world, 1998. (See appendix for list and data.)*

Figure 7 illustrates how poor the expected influence of trade on the choice of democratic institutions is once again. The regression's slope is  $-0.0094$ , much flatter than expected. The  $r^2$  is a low  $.013$  as well. Once again the culprit is most likely colonial heritage: the economically developing democracies that adopted British-style parliaments also tended to adopt single-member districts. Yet, as noted above, some of these countries are heavily engaged in trade.

Figure 8: Former Soviet Bloc Countries -- Trade Dependence and Constituencies



**Figure 8:** *Ln of number of constituencies regressed on trade as a percentage of GDP for 15 democracies that have emerged from the former Soviet bloc, 1998. (See appendix for list and data.)*

Figure 8 illustrates how strong the relationships Rogowski found in his earlier study are among the new democracies of the former Soviet bloc. In his original study of the members of the OECD in the early 1970s (less Luxembourg), he produced a very similar graph. The slope of the regression was  $-.036$ , with an  $r^2$  of  $.394$ . This compares roughly similarly with the figures produced in Figure 8 by executing the same analysis on the data for these 15 democracies: the regression's slope is  $-.051$ , with an  $r^2$  of  $.328$ . The obvious difference to account for the steeper slope is the lower trade dependence of these new democracies. The most extreme example is Slovenia, with trade in goods equaling 66.9%

of GDP. This would not have been particularly high in the OECD sample figures from 1970, though in both that set of observations and those provided here, there were cases where trade still equals only slightly more than 10% of GDP.

If we took the same data for OECD members from 1998, and did the same regression, the line produced would be even flatter than it was for Rogowski's data. The slope would be  $-.027$ , with an  $r^2$  of  $.29$ . This simply reflects how for many countries trade dependence has increased in the last quarter of a century, while institutional arrangements have changed much less.

### ***Summary: Constituencies and Trade Dependence***

Once again we are left with questions regarding why Rogowski's expectations are met in one set of examples, but not in the other. PR systems and larger constituencies naturally go together, of course, so it isn't that great a surprise to see this evidence parallel the results found above. Yet, once again, we can ask ourselves why trade should have an influence on the choice of institutions adopted in some parts of the world, but not on those countries that are economically less developed.

### **Conclusions: Remaining Questions, and Some New Puzzles**

In 1987, Rogowski recognized Peter Katzenstein's arguments to be the most powerful rival his argument faced. In *Small States in World Markets*, Katzenstein had sought to explain variation in the institutional arrangements selected by democratic countries.<sup>13</sup> He pointed out how fortuitous it was for smaller European states to have adopted PR when they did. This provided them advantages in formulating their political economic policies.

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<sup>13</sup> Peter Katzenstein, *Small States in World Markets*, Ithaca: Cornell University Press, 1985.

Rogowski took those ideas and argued that trade might well have had an impact on the selection of those institutional arrangements – particularly PR – in the first place.

It seems that there is something to this argument, for when the countries of the former Soviet bloc made the transition to democracy, the relationship between trade dependence and form of democratic institutions they adopted seem to hold true. To that we can add three other salient points. One is that even those countries with low levels of trade dependence may wish to avoid the impact of government sanctioned rents, and therefore choose to adopt PR based electoral systems. If PR systems provide the political benefits Rogowski claims – and we have every reason to think so – all new democracies may wish to attain those advantages. In other words, the need for international competitiveness in trade is not the only reason to deflect demands on politicians for rents. For instance, a country with PR that has declining trade dependence would have no incentive to shift away from PR, would it? Indeed, the form of institutions should also influence the level of domestic rents sanctioned by the government. Empirical research on that front has only recently been done, though these typically focus on more specific issues, such as variance in levels of corruption, or in regulatory schemes, rather than in attempting to measure rents the government sanctions.

Second, easily observed formal institutional arrangements are not the only ways to limit the impact of rents. Rogowski argued that party discipline could act in much the same way as size of constituency or formal institutional structure. Certainly we know that in Britain or Canada, two of the OECD's non-PR parliamentary regimes heavily dependent on trade, party discipline is extremely high. As Britain grew in trade reliance in the nineteenth century, and also opened up political participation, party discipline

steadily increased. It may be that in British-style parliamentary systems, party discipline is another important factor that needs to be taken into account. Might it be that higher reliance on trade leads to differences in the way these countries' practice parliamentary government within Westminster-style institutions? Among those countries practicing non-PR parliamentary government in the economically developing world, does higher trade-dependence correlate with higher party discipline? In both Britain and Canada party discipline has translated into greater concentration of decision-making in the cabinet over time, and then ultimately in the hands of the Prime Minister. Could trade be a factor in these changes?

There are other elements to the picture necessary for democracy to function, including various aspects of civil society which have garnered much attention in recent years. I have tried to capture some sense of this, by substituting the variable for voice and accountability in the analyses. This provided some extra insight into the patterns for economically developing democracies. It might also be fruitful to examine in future research whether specific developments within civil society are influenced by trade dependence.

As a third salient point, Rogowski downplayed the influence of historical accident, but certainly grand forces have been at work in the last decade or so. Not only has the ideological fashion of the day had a powerful influence on the choices made, but political advisers – including many social scientists from the West, versed in the research on the forms of democratic representation – must also have had an impact on some of these decisions. Perhaps these advisers had a greater impact on the decisions made in Eastern Europe than elsewhere. The same story might hold for the years just after World War I,

when PR became used more widely for the first time. Another interesting line of research would be to trace through the impact of specific sets of Western advisers in each period.

Since trade is becoming more important to almost all countries, we would expect to see pressures for movement towards PR by those democracies practicing other forms of government, or at least pressure to adopt some other substitute method for deflecting demands for rents (such as greater party discipline). While this study has updated Rogowski's evidence, further research is called for. A more in-depth study comparing party discipline is in order. Maybe then we could get a better sense of the true influence of trade on the choices made concerning forms of democratic governance.

### **Appendix 1 - List of New Democracies from the Former Soviet Bloc**

There are 15 countries qualifying as democracies in a minimal sense in this set, based on the revision of the Polity III database provided by Renske Doorenspleet. Trade statistics are from the World Bank, specifically Table 6.1 *Integration with the global economy*, available at [www.worldbank.org/data/databytopic](http://www.worldbank.org/data/databytopic). This provides trade in goods as a percentage of GDP for 1998. External economic openness comes from Jim Gwartney and Robert Lawson (with Dexter Samida), *Economic Freedom of the World: 2000 Annual Report*, Vancouver: The Fraser Institute, 2000, at [www.freetheworld.com](http://www.freetheworld.com). The data on the number of constituencies was compiled from the website of the Inter-Parliamentary Union ([www.ipu.org](http://www.ipu.org)). Finally, I used “Political Institutions and Policy Outcomes: What are the Stylized Facts?” by Torsten Persson and Guido Tabellini, (unpublished manuscript, February 2001) as reference for classification of regime type.

These countries and the relevant data are provided below.

<b>Country</b>	<b>Number of Constituencies</b>	<b>Trade as % GDP</b>	<b>In Constituencies</b>	<b>Voice &amp; Accountability</b>	<b>External Openness</b>
Albania	116	10.9	4.75	-0.01	
Armenia	76	13.2	4.33	0.02	
Belarus	110	24.1	4.70	-0.52	
Bulgaria	31	22.8	3.43	0.60	
Czech Rep.	8	43.5	2.08	1.20	8.6
Hungary	197	42.4	5.28	1.20	7
Kyrgyzstan	45	11.9	3.81	-0.25	
Lithuania	72	39.6	4.28	0.77	8.2
Mongolia	76	24.8	4.33	0.84	
Poland	53	26.4	3.97	1.07	6.2
Romania	42	15.1	3.74	0.41	7.7
Russia	226	14.0	5.42	-0.31	6.9
Slovakia	1	45.5	0.00	0.74	8.7
Slovenia	10	66.9	2.30	1.07	
Ukraine	226	18.7	5.42	-0.01	

## Appendix 2 - List of New Democracies from the Economically Developing World

Here is the data for this set, compiled from the same sources.

<u>Country</u>	<u>Number of Constituencies</u>	<u>Trade as % GDP</u>	<u>In Constituencies</u>	<u>Voice &amp; Accountability</u>	<u>External Openness</u>
Argentina	24	12.9	3.18	0.48	7.3
Bangladesh	330	7.0	5.80	-0.01	0.7
Brazil	27	9.9	3.30	0.55	7.4
Cn. African Rep.	28	9.2	3.33	-0.05	5.8
Chile	60	24.7	4.09	0.62	8.3
Colombia	33	10.4	3.50	-0.12	7.6
Costa Rica	7	53.7	1.95	1.35	7.6
Dominican Rep.	30	33.1	3.40	-0.08	5.6
Ecuador	22	25.7	3.09	0.27	6.6
El Salvador	15	25.2	2.71	-0.10	7.2
Guatemala	23	18.8	3.14	-0.56	7.3
Guinea-Bissau	27	15.2	3.30	-0.45	
Haiti	82	8.9	4.41	-0.71	
Honduras	18	29.1	2.89	-0.06	5.8
India	543	3.9	6.30	0.50	1.7
Israel	1	47.7	0.00	1.08	7.4
Jamaica	60	49.5	4.09	0.75	6.9
Lesotho	80	31.6	4.38	-0.15	
Madagascar	116	11.2	4.75	0.31	5.8
Malawi	193	23.3	5.26	0.06	3.9
Malaysia	192	70.1	5.26	-0.14	7.8
Mali	125	15.1	4.83	0.42	7
Mauritius	21	39.0	3.04	1.01	5.7
Mexico	301	32.9	5.71		
Mozambique	11	7.8	2.40	-0.17	
Namibia	72	31.7	4.28	0.47	4.2
Nepal	75	6.5	4.32	0.05	6.5
Nicaragua	71	19.1	4.26	0.07	5.6
Niger	16	8.5	2.77	-0.74	5.3
Papua N.G.	109	26.3	4.69	0.12	6.6
Paraguay	18	34.7	2.89	-0.42	7.9
Philippines	209	22.1	5.34	0.61	7.1
Rep. Of Korea	228	35.6	5.43	1.00	7.7
South Africa	9	16.1	2.20	0.99	6.1
Sri Lanka	23	17.9	3.14	-0.16	5.9
Thailand	155	26.7	5.04	0.22	6
Trinidad	36	54.7	3.58	-1.05	6.8
Uruguay	19	22.7	2.94	0.77	7.5
Venezuela	24	24.0	3.18	0.18	7.9
Zambia	150	37.3	5.01	-0.05	6.8

### *Appendix 3 - OECD Members used in Comparisons*

Here is the data referred to as OECD countries in the comparisons. Note that it does not include all members. Recent members, such as the Czech Republic, are included in the sets above.

<u>Country</u>	<u>Number of Constituencies</u>	<u>Trade as % GDP</u>	<u>Ln Constituencies</u>	<u>Voice &amp; Accountability</u>	<u>External Openness</u>
Australia	148	27.8	5.00	1.63	8
Austria	9	69.1	2.20	1.45	8.7
Belgium	20	126.1	3.00	1.44	8.8
Canada	301	59.0	5.71	1.36	8.7
Denmark	18	71.8	2.89	1.63	8.3
Finland	15	69.2	2.71	1.60	8.4
France	577	46.3	6.36	1.15	8.4
Germany	344	55.0	5.84	1.49	8.4
Greece	57	18.8	4.04	1.07	8.2
Ireland	41	134.0	3.71	1.50	8.4
Italy	501	37.9	6.22	1.29	8.5
Japan	311	21.3	5.74	1.16	7.6
Netherlands	1	93.2	0.00	1.61	8.6
New Zealand	68	35.7	4.22	1.46	7.9
Norway	19	68.3	2.94	1.65	8
Portugal	22	43.9	3.09	1.48	8.4
Spain	52	37.3	3.95	1.34	8.4
Sweden	30	83.5	3.40	1.63	8.6
Switzerland	26	103.0	3.26	1.69	7.8
Turkey	79	18.8	4.37		
U.K.	659	48.1	6.49	1.49	8.5
United States	435	19.9	6.08	1.50	8