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Andrei Melville, Denis Stukal

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SEA? STATE CAPACITY AND REGIME
DYNAMICS IN POST-COMMUNIST
COUNTRIES**

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Andrei Melville¹, Denis Stukal²

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The relationship between stateness and state capacity, on the one hand, and political regimes and their dynamics, on the other, has received increasing attention in comparative politics in recent years. Though empirical research does not provide consistent findings, arguments currently under discussion vary from “stateness first” (democratization only after effective state-building) to “building or rebuilding the ship of state while at sea” (state-building and democratization as complements). Several studies reveal a J-curve link connecting autocracy and democracy to levels of state capacity, implying that autocratic regimes have higher state capacity than hybrid ones. This paper questions these claims and reveals that democratization may start at low levels of state capacity, although democratic consolidation occurs at high levels of state capacity. Using a post-Communist sample, we reveal no J-shaped relationship between state capacity and political regime. We also show that state capacity does not remain unchanged in periods of social and political upheavals and its dynamics in numerous cases stipulate changes in the level of democracy. Particular patterns of this relationship are discussed in the paper in the context of clusters of post-Communist regime transformations.

Key words: state capacity, political regimes, democracy, autocracy, post-Communism

JEL Classification: Y90

¹ National Research University Higher School of Economics, Moscow (amelville@hse.ru)

² National Research University Higher School of Economics, Moscow (dstukal@hse.ru)

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Introduction

The state or stateness as a prerequisite for democracy or democratization is commonplace in comparative politics literature (Rustow 1970, Linz and Stepan 1996). This assumption leads to important theoretical arguments, including the so-called sequencing argument, which suggests that an effective state must come first, followed by democratization later. However, not all states are alike. In the prevailing political discourse, the state or stateness quite often turns out to be an abstraction, while in reality there are different types of states with different evolutionary stages, resources, capabilities, priorities, and political regimes.

In what sense are state and stateness prerequisites to democracy and democratization? Are there any types of states that are particularly disposed to further democratization? This problem is of special importance for transitional states of the “third wave” that face the simultaneous challenges of state-building, nation-formation, and regime transformation. Can state building and democratization complement each other instead? Can democratization start and be successful at low and medium levels of state capacity? Do authoritarian regimes indeed produce higher state capacity than transitional and hybrid ones?

We start from a theoretical assumption that states with different regimes perform their functions differently (Schmitter 2005) and that available resources and institutions may influence the direction of regime change. We explore the relationship between stateness as measured by state capacity on the one hand, and trajectories of regime transformations and levels of democracy or autocracy on the other hand by using data from 28 post-Communist countries, including Mongolia.

Literature

The existing literature dealing with the abovementioned problems is enormous. The mainstream argument is, put simply, as follows: No state, no democracy (Rustow 1970, Tilly 2007, Linz and Stepan 1996, Weber 1976, Fukuyama 2004, Fukuyama 2007, Mainsfield and Snyder 2007, etc.). This basic argument seems to be theoretically and empirically unquestionable. However, recent debates have outlined different and alternative approaches to various forms of relationships between types and levels of stateness and regime change, including the problem of sequencing. Several approaches in the literature can be identified:

(1) “Stateness First”

This argument advances mainstream logic: High levels of state capacity (availability of necessary resources and effective institutions) are necessary prerequisites for democracy and indispensable preconditions for successful democratization (Back and Hadenius 2008, Moller and Skaaning 2011, etc.). Existing literature theoretically distinguishes four types of interconnection between levels of stateness or state capacity and democracy or autocracy: (a) high capacity and undemocratic; (b) high capacity and democratic; (c) low capacity and undemocratic; and (d) low capacity and democratic (Tilly 2007: 19). In this paper, we verify this argument within the context of post-Communist transformations.

(2) “Democratization Without a State”

This is a logically possible but practically and substantially almost untenable hypothesis. Tansey (2007) gives only one example, which itself looks dubious: Kosovo. Scheuerman (2009) refers to globalization and transnationalization as factors that may eventually decrease the relevance of sovereign stateness to democratization. In any case, in our view, this is a pretty marginal argument in the literature.

(3) “Democratization Backwards”

Some authors point at historical (“classical”) regularity in European state-building starting from at least the 16th century – and even earlier.⁴ The regularity supposed is that “modern” states (“born in blood”) appeared first, and democratic practices and institutions came about gradually later. Other authors, though, question the universal character of such regularity within the context of the last decades of the “third wave” and argue for so-called “democratization backwards”, i.e. parallel and complimentary to the processes of state building in new transitional states. Rose and Shin (2001: 337) provide empirical grounds to the thesis of the possibility of “Building the Ship of State at Sea”, i.e. building new institutions of democratic governance in transitional states of the “third wave” (thus bypassing the preliminary phase of building institutions of effective authoritarian governance). Bratton (2004), Bratton and Chang (2006),⁵ and Carbone and Memoli (2012),⁶ come to similar conclusions using different

⁴ For example, as presented in Tilly (1990).

⁵ “There is a self-reinforcing cycle in which state building and regime consolidation feed each other. Thus, a capable and legitimate state is not only a precondition for successful democratization, but, reciprocally, is itself also a product of the installation of democracy” (Bratton and Chang 2006: 1061).

methodologies. Fortin (2011) underlines the problem of endogeneity in the issues under consideration and, since the direction of causality remains unclear, tends toward the conclusion that state-building and democratization may complement each other.⁷

Important issues, though, remain undisclosed within this approach. For example, some authors raise the problem of a minimal threshold of stateness, understood as effectiveness of governmental institutions, which is indispensable for the beginning of democratization (Capelli 2008, Hanson 2011, Fortin 2011). This important problem is formulated in the literature, though adequate theoretical and empirical arguments are largely insufficient.⁸ Further, Grzymala-Busse and Luong (2002) rightly notice that attention should be paid to multiple authority centers during post-Communist state-building and warn against “anthropomorphic conceptualization” of the transitional state as a monolithic entity. Another quite important issue has to do with the stability or variability of stateness and state capacity within the context of post-Communist transformations. Fortin (2010), for example, argues in favor of relative invariability of state capacity over time.⁹ This is an important question since, in the instance that this is accurate, we would need to control for quite different (“non-stateness”, “non-state capacity”) variables in the comparative analysis of post-Communist transformations. In this paper we look for empirical answers to this question.

Finally, another argument that is widespread in literature and of special importance for our research points at a J-curve relationship between government effectiveness and levels of democracy and autocracy (Charron and Lapuente 2010, Fortin 2011). A clear demonstration of this argument can be found in Back and Hadenius (2008) who claim that state capacity reaches a peak under consolidated democracy, although autocratic regimes demonstrate higher state capacity than transitional and hybrid ones. In recent literature, this argument is widely appreciated as almost axiomatic. Nevertheless, a case-study approach to some important features of post-Communist non-democracies may question the universality and generic character of the J-curve argument. This paper provides empirical reevaluation of this argument in light of the peculiarities of post-Communist transformations.

⁶ “...Democratization itself may play an important role in the further development and consolidation of a state, especially in developing regions” (Carbone and Memoli 2012: 1).

⁷ Hanson (2011), in contrast, develops the argument that there is no correlation between state-building and democratization – they are substitutes, not compliments.

⁸ Moldova and Mongolia are sometimes mentioned as particular “anomalies” of substantial democratization under a clear deficit of effective institutions of governance (for example, Fish 1998, Fish 2001).

⁹ “...State capacity indicators remain relatively constant in post-Communist countries, even in times of extraordinary politics...” (Fortin 2010: 677).

Hypotheses

A critical review of existing theoretical and empirical literature leads us to the following hypotheses, which we address in this paper:

H 1. Consolidated democracies demonstrate high levels of state capacity. However, contrary to the mainstream in literature, high levels of state capacity are not indispensable prerequisites for democratization. Democratization may start and proceed at relatively low levels of state capacity, although democratic consolidation occurs at high levels of state capacity. Post-Communist democratization and state-building (enhancement of state capacity) may complement each other.

H 2. Despite the mainstream generic argument in the existing literature and in line with the case-study approach, post-Communist non-democracies do not demonstrate higher levels of state capacity than transitional and hybrid regimes.

H 3. Levels of state capacity may change considerably during periods of radical social and political post-Communist transformations.

Methodology

Though state capacity has recently received a high amount of scholarly attention as a factor of numerous social, political, and economic processes, it still lacks preciseness and clarity of definition (Hendrix 2010). In order to deal with the vagueness of the key concept of our study, we propose a new index of state capacity.

In the literature, there are many suggestions – both conceptual and empirical – about how to measure state capacity. Fukuyama (2004) equals state capacity with tax extraction. For Bratton and Chang (2006) it is the average of the five (out of six) World Governance Indicators. Charron and Lapuente (2010) adopt a similar approach. Back and Hadenius (2008) prefer bureaucratic quality and control of corruption, measured by the International Country Risk Guide (ICRG), as indicators of state capacity. For Hendrix (2010), state capacity includes the three elements of military capacity, measured as military personnel and spending per capita according to data from Correlates of War (COW); bureaucratic or administrative capacity, measured by many different indicators; and quality and coherence of political institutions, measured by Polity IV. Fortin (2010 and 2011) suggests tax revenue, according to data from the International

Monetary Fund (IMF); enforcement of property rights, from the Heritage Foundation and ICRG; contract-intensive money (IMF); corruption (Heritage Foundation); and infrastructure reform (European Bank for Reconstruction and Development) in developing her five-item index of state capacity. Hanson and Sigman (2011) rely on such measurements as revenue extraction (IMF), coercive capacity (COW and ICRG), and administrative capacity, understood as capacity to deliver services, enforce contracts, and protect rights – something that is not so easy to operationalize. Examples may also include territorial integrity, external security, domestic order, legitimacy, state antiquity, and so forth.

While these measures of state capacity may prove to be efficient tools in a static, “snapshot” empirical analysis, their usefulness in a dynamic setup seems to be limited, owing to the fact that data about the early stages of post-Communist transitions are scarce. Having this in mind, we propose an index of state capacity that accounts for its two major components – available recourses and institutional quality – and allows us to deal with the problem of missing data. We measure state capacity as a simple average of three variables that are in most cases available for the countries of our sample during the entire period under study. They are:

- (1) GDP per capita¹⁰ based on purchasing power parity in constant 2005 international dollars (data from the World Bank).
- (2) Contract-intensive money (measured using IMF data)
- (3) Physical integrity rights (measured by the Cingranelli-Richards Human Rights Dataset).

Because of the high differences in the scale of these variables, we linearly rescale them to a 0-10 interval prior to taking the averages.

GDP per capita based on purchasing power parity (in constant 2005 international dollars) is used in this paper as the basic indicator of resources available to the state. Unfortunately for our purposes, we cannot rely on other useful measures, such as tax revenue, because of the abovementioned problem with missing data.

¹⁰ Indeed, as Scott Gehlbach rightly points out (in private correspondence), GDP certainly does correlate with state capacity, but may be a function of other variables. His consequent suggestion (as that of other authors) is to refer to levels of tax extraction as a measure of resources in defining state capacity. However, data on the tax structure in post-Communist countries (see Gehlbach 2008: Chapter 2) do not give us sufficient indications of the percentage of taxes in GDP. This data is still largely missing for our sample, especially at the start of transition. Furthermore, tax share of GDP may reflect something different from tax extraction. For example, let A be a country with no tax evaders and a large share of national income coming from natural resource exports. Let B be a country with numerous tax evaders but no sources of income other than taxes. In this case, tax share of GDP will be higher in country B, not in A. However, country A has higher capacity to extract resources from the population, as there are no tax evaders. This example illustrates the fact that the tax share of GDP reflects the structure of the national economy, rather than the extractive capacity of the state. Also, as Gehlbach suggests, “taxes as a percentage of GDP could also be a function of political preferences and institutions. The U.S., for example, has lower tax collection than EU countries not because of lower capacity, but for other reasons” (in private correspondence).

Then, in order to gauge the quality of institutions (especially people's trust in financial institutions) we employ contract-intensive money (CIM), calculated from IMF data according to Clague et al (1999).

Finally, the index of physical integrity rights is provided by the Cingranelli-Richards Human Rights Dataset, which measures the quality of non-financial institutions.

These indicators are the best available data for an analysis of the dynamics of post-Communist stateness in its relation to trajectories of regime transformation.

Taking into consideration the low rate of change that is typical of state capacity, we organized the data set as a time-series cross-section with five-year periods as the time dimension. To put it differently, all the variables used in our analysis are averaged over five year periods, where available. Hence, we consider time lapses from 1989 – 1993, 1994 – 1998, 1999 – 2003, 2004 – 2008, and 2009 – 2010. The last lapse of time is shorter than the previous ones for evident and objective reasons. Averaging over five-year periods mitigates the problem of missing data. Nevertheless, there were a few cases, such as Kyrgyzstan, that had missing data in the first and last time lapses. We imputed these data by regressing the variable with missing values on time variable for each country separately.

The index of state capacity constructed as the average of three rescaled indicators is treated as the independent variable in our analysis, while levels of democracy or autocracy are treated as the dependent variable. However, we fully understand and recognize the recursive character of the link between regime type and state-capacity characteristics. Consequently, classical regression models can hardly be employed to estimate the effect of state capacity on regime change. As for simultaneous equation techniques, their applicability in our study is limited by the small sample size, as the properties of simultaneous equation-estimators in small finite samples are understudied. Hence, our analysis is a hybrid of quantitative and qualitative methods, as we combine tools of statistical analysis with qualitative reasoning and case studies.

Our approach to measuring regime characteristics encompasses two stages. First, we compute a unified democracy measure by averaging the Freedom House and Polity IV indices. Both indices, naturally, are linearly rescaled on a 0-10 interval, where a 0 represents the lowest possible level of democracy and a 10 stands for the highest possible level of democracy. Then, we classify post-Communist states according to their regime transformation trajectories. We use cluster analysis to identify types of trajectories of regime transformation, utilizing hierarchical cluster analysis with squared Euclidean distance and Ward's method as an agglomeration procedure. The choice of Ward's method is stipulated by its optimal properties revealed in computer simulations (Gore 2000, Scheibler and Schneider 1985). When using cluster analysis, we use TSCS data with yearly spaced time dimension. Consequently, countries are viewed as

points in a 22-dimensional space, spanned by our democracy index values for each year from 1989 to 2010. Thus, points in close proximity correspond to countries with a similar regime-transformation trajectory.

Analysis and discussion

Dynamics of state capacity and democracy or autocracy

We compare two scatter plots: state capacity and democracy in 1989 – 1993 and in 2009 – 2010 (see Appendices 1 and 2).

The first scatter plot clearly demonstrates a correlation between state capacity and regime characteristics at the start of post-Communist transitions: Lower levels of state capacity correspond to lower levels of democracy, particularly in Tajikistan, Georgia, Azerbaijan, Uzbekistan, Serbia, and the Kyrgyz Republic.¹¹ In contrast, Slovenia, the Czech Republic, Macedonia, Hungary, and the Slovak Republic are evident examples of high levels of state capacity combining with high levels of democracy. The lower right quadrant remains empty, as there were no examples of non-democracies with relatively high levels of state capacity at the beginning of the transformation process. This finding undermines the J-curve argument, which assumes that autocracies have higher levels of state capacity than hybrid regimes, and contributes to a confirmation of our second hypothesis.

The scatter plot presented provides obvious evidence about the relationship between democracy and state capacity at the beginning of the regime transformation process. Countries fall around a straight regression line. From our theoretical perspective, state capacity is an institutional and resource-dependent component of regime change, and the scatter plot discussed suggests a positive linear dependence of democracy on state capacity.

The second scatter plot confirms the ascertained correlation after two decades of transformations: Consolidated and consolidating democracies demonstrate higher state capacity and form an even more compact group of cases in which state building and democratization complement each other. In some cases, such dynamics seem to be quite impressive, even breakthrough (consider Serbia, Croatia, and, to a lesser extent, Albania). There are also two notable anomalies – Mongolia and Moldova, which substantially improved their democracy score while retaining almost the same level of state capacity. Georgia's trajectory is less

¹¹ We define state capacity as “low” when the corresponding index takes on values from 0 to 3 and as “high” for values from 7 to 10. In the middle range, state capacity is considered to be “medium”. Similar criteria are applied to regime measurements: Democracies are from 7 to 10 (with consolidated democracies from 9 to 10), autocracies are from 0 to 3, and hybrid regimes range from 3 to 7.

anomalous and presents an example of a more gradual democratization, together with a certain increase in state capacity. However, in total we can hardly argue that these anomalies prove a generic argument for the first hypothesis. Indeed, in certain cases democratization may advance successfully under the conditions of low state capacity, even though more often countries with higher state capacity democratize more successfully.

In our view, the abovementioned anomalies prove that political actors and their policy decisions to build democratic institutions may matter a lot. In connection with this, there are striking outliers of the opposite type (for example, Belarus), which drifted dramatically towards consolidating autocracy while maintaining almost the same level of state capacity. This particular example also works well to corroborate the argument: Individual policy choices may set up in a radical way an emerging and strengthening dictatorship. Problematic (in the sense of their transformation direction) hybrids like Russia, Armenia, and the Kyrgyz Republic stumble in a pretty similar position vis-à-vis both axes of state capacity and democracy or autocracy and only drift a bit lower on the democracy score.

And again the lower right square (high state capacity and low democracy) remains practically empty, with Kazakhstan, Turkmenistan, and Belarus closer to the mean level of state capacity. Thus, we present yet another important testimony against the generic nature of the J-curve argument in the context of a post-Communist sample.

Another important finding indicates that levels of state capacity may actually change, and sometimes substantially, during periods of social and political transformations. The overall effect of post-Communist transformations, probably with a minor exception of the Kyrgyz Republic, Armenia, Uzbekistan, and Macedonia, leads towards gradual increases in state capacity, although of very different degrees. This corroborates our third hypothesis that state capacity may change in periods of social and political emergency.

In Appendix 3 we can see six clusters representing various types of regime-transformation trajectories in post-Communist countries:¹²

- 1) “*Towards democratic consolidation*” (Bulgaria, Hungary, Latvia, Lithuania, Mongolia, Poland, Romania, Slovakia, Slovenia, the Czech Republic, and Estonia);
- 2) “*On the road to democracy*” (Albania, Georgia, Macedonia, Moldova, and Ukraine);
- 3) “*Breakthrough to democracy*” (Serbia and Croatia);
- 4) “*Problematic trajectories*” (Armenia, Kyrgyzstan, and Russia);
- 5) “*On the road to autocracy*” (Azerbaijan, Belarus, Kazakhstan, and Tajikistan);
- 6) “*Consolidated autocracies*” (Turkmenistan and Uzbekistan).

¹² See detailed analysis in Melville, Mironyuk, and Stukal (2012).

The first cluster consists of post-Communist countries that have, compared with the other clusters, achieved significant, although somewhat varying, results in the consolidation of democratic regimes. With the exceptions of Mongolia and Romania, which look like specific “anomalies”, most of these countries had favorable structural preconditions for democracy, including relatively high levels of state capacity. State-building in most of these countries – meaning the creation of new governmental institutions and the strengthening of existing ones, according to Fukuyama (2004: 17) – occurred in accordance with the priorities of the modern social state.

The second cluster consists of post-Communist countries with transformation trajectories that are more irregular or “bumpy” compared to the first cluster. These countries ventured into transformations under dissimilar structural conditions and experienced different political crises of a varying scope and intensity, including those resulting from both political and non-political (ethnic, regional, etc.) cleavages that in a specific way undermined state capacity. Moldova is also an “anomaly” with a moderate level of state capacity remaining almost invariable for two decades and a significant advance towards democracy. Georgia, with its staggered trajectory, seems to be even more “anomalous”, starting with very low levels of state capacity, gradually increasing it, and finally, after dramatic upheavals, making headway toward higher levels of democracy. There were also attempts to “use the state” for private and/or corporatist purposes. This cluster provides strong evidence that democratic institution building is often inconsistent and followed by delays and setbacks when there is either a significant presence of deep cleavages that have the potential to result in large-scale conflicts or a simultaneous need to carry out various reforms. However, under these unfavorable conditions, not a single political actor can expect to dominate for a substantial period of time, even if he or she can enjoy the situational advantage of readjusting the “rules of the game” for his or her own benefit. Paradoxically, this gives the countries of the second cluster a chance to pursue democratic-focused trajectories, however imperfect they may be.

The third cluster consists of Serbia and Croatia. The post-communist transformations in these countries suffered from the disastrous effects of widespread violence during civil wars and of involvement in conflicts with neighboring countries during Yugoslavia’s lingering and painful disintegration, almost leading to the collapse of the state. Not only at the start of transition, but also during a large part of their post-Communist histories, these countries exhibited relatively low state capacity. Institutions of the state to a large extent have been “captured” by autocratic leaders and their clans. However, those new political leaders that came to power under direct pressure from the West and that were not related to the previous regimes managed to bring these two former Yugoslav republics out of international isolation and carry out comprehensive

reforms that allowed for the rapid implementation of a democratic project, backed by somewhat dramatic increases in state capacity.

The fourth cluster offers examples of transformations starting under considerably different levels of state capacity in Russia, Armenia, and Kyrgyzstan. Hybrid presidential regimes established in these countries resulted from the constant inability or unwillingness on the part of key political actors to seek compromises in order to avoid conflicts. Instead, they easily yielded to the temptation of using different degrees of violence to resolve conflicts with numerous political opponents. After having ascended to power, the once-promising democrats frequently demonstrated a reluctance to recognize the legitimacy of the opposition and to allow for fair political competition. Moreover, all these countries opted for strong presidential systems. This unsurprisingly led to an extremely high price of losing power – intertwined with huge stakes of property – to political rivals who had long lists of grievances caused by former democrats who turned into “strong men”. None of these countries leaned toward a “European project”. These countries are stuck in transition and over the course of two decades even declined slightly in levels of both state capacity and democracy.

The fifth cluster is made of countries with substantially different starting conditions, including relatively favorable ones, particularly in terms of state capacity, such as Belarus. By contrast, Azerbaijan and Tajikistan were departing from communism under the conditions of low levels of state capacity, large-scale conflicts, including the civil war in Tajikistan. Moreover, oppositions in these countries were weak or largely undemocratic, such as the national-democratic opposition in Tajikistan, which allied with Islamists. Whatever the differences might have been, the countries in this cluster showed that the autocrats coming to power did not stop short of using all means possible in order to guarantee self-preservation in politics. The countries of this cluster opted for strong presidential systems and, in most cases, pursued the “state capture” track of various sorts.

The sixth cluster consists of Turkmenistan and Uzbekistan. These countries demonstrate how easily Soviet-era authoritarianism can be replaced with a post-Soviet authoritarianism that is based on neo-patrimonial practices. This replacement was caused by both an absence of mass demand for change and the metamorphosis of first-secretaries of local communist parties into presidents-for-life with virtually no opposition from either the nomenklatura or the streets. Surprisingly, the case of Tajikistan has set a different pattern. This might provide more evidence in favor of the argument of political strategies and tactics over that of initial structural conditions. It should be noted that hopes for the trouble-free rule of autocrats in Turkmenistan and Uzbekistan clash with the growing Islamist challenge, which is still kept under control by means of security. However, the more it is suppressed now, the greater the challenge it will pose

in the future. Both countries may be regarded as accurate warnings against strong presidential systems that gravitate towards neo-patrimonial varieties of sultanism and that harshly suppress the opposition and virtually “capture the state” while remaining at low levels of state capacity.

We continue our analysis by turning to Appendix 4, where the six clusters are compared according to levels of state capacity at the start of the post-Communist transitions and twenty years thereafter, as well as according to levels of democracy or autocracy in 1989 – 1993 and in 2009 – 2010. These findings confirm the results of our previous analysis. Advances to successful democratization (as shown, although to different degrees, by the first three clusters – “Towards democratic consolidation”, “On the road to democracy”, and “Breakthrough to democracy”) take place when state capacity at the start of transformation is, with very few exceptional “anomalies”, relatively high (as in the first cluster), or when it increases substantially during transition (as in the second and third clusters). The fourth cluster demonstrates stumbling or, in our terminology, “problematic trajectories”: Average levels of state capacity and democracy decrease even slightly, leaving these post-Communist countries in a specific institutional “buzz”. The fifth and sixth clusters (“On the road to autocracy” and “Consolidated autocracies”) provide examples of descending transformation trajectories in terms of democracy levels, with only very marginal increases in state capacity.

The ex post analysis above demonstrates that, contrary to empirical analysis based on the large-N sample in Back and Hadenius (2008) or theoretical constructs like the case with Kazakhstan in Tilly (2007: 21), we simply do not find a J-curve in the post-Communist sample, meaning that there is no cluster of post-Communist autocracies with higher state capacity as compared to countries that are hybrid, “problematic”, or “stuck” in their transition regimes. In our view, this is a striking illustration of the difference between types of modern non-democracies. Some autocracies, like Singapore or Qatar, will create high-quality or higher-than-average state institutions by either investing in hereditary traditions or successfully pursuing developmental trajectory. Other non-democracies like Belarus and Turkmenistan in the post-Communist sample do not follow this developmental path.

Why is this so? A plausible answer has to do with the priorities of these post-Communist non-democratic regimes. This brings us to an analytical “King of the Hill” model, which we use as a possible explanation of specific motivations and priorities in post-Soviet authoritarianism.¹³

¹³ We expect that this model may be of wider application, yet, this remains to be proved in further research.

“King of the Hill”

Our “King of the Hill” model is not Olson’s famous “stationary bandit” (Olson 1993), a benign and rational dictator with a long-term perspective, providing public goods and investing in improving the quality of institutions, including property rights. In the first place, there are very few of those in the real world, such as Lee Quon Yew in Singapore or Sultan Caboos in Oman. Most dictators in the past and today, including long-lived ones, are quite predatory (Haber 2006) and are rather inclined to roving-type behavior while being “stationed”. Second, we hardly see them in the post-Soviet world today. Though the balance between terror and co-optation may be different in individual cases, one common tendency is revealed by our research: There are no post-Soviet authoritarian regimes with high state capacity. There are just a few cases, such as Kazakhstan, Belarus, and, to a lesser extent, Russia, that approach the middle of the state-capacity axis. This is largely due to the impact of the resource component of our state capacity index. Otherwise, state capacity as measured in terms of the quality of institutions is even lower.

The “King of the Hill” (individual or collective) represents a monopolistic position of the autocratic leader and his client-elites¹⁴ who eventually become the sole winners of the derailed and/or “stuck” post-Communist transitions. Within the context of our analysis of clusters of post-Communist transformations (see below), these are predominantly the “Autocratic drift”, “Towards autocratic consolidation”, and partly “Problematic trajectories”. In developing our analytical model, we proceed from the “J-curve like” arguments¹⁵ by Przeworski (2002) and further by Schmitter (2005) about the difficulties of overcoming the “valley of transition” (or the “valley of tears”) – a painful period of starting reforms and overcoming the resistance of the “early losers”. Hellman (1998), though, even prior to these arguments, suggested an upturn of the J-curve in his concept of “Winners take all”. Winners, according to this logic, enjoy the privileges of profiting from uncompleted economic reforms and have no incentives to continue them.¹⁶

In our “King of the Hill”, we attempt to supplement this economic argument with a political-economic one: Political rent, which is monopolistic control over political competition, provides autocratic winners with guaranteed access to economic rent. Thus, they have no

¹⁴ Patterns of interactions between dictator and influential elites are widely discussed issues in the study of non-democratic regimes. Hale (2005), for example, presents a collective action argument about possible different strategies of multiple elites vis-a-vis their patron. It seems, though, that in a “King of the Hill” context most of these elites (at least at the time being) are to a large extent created and controlled by the patron.

¹⁵ We should admit that, within this particular context, the J-curve arguments are not about the relationship between state capacity and democracy, like, for example, in Back and Hadenius (2008); rather they point at the “slide” towards economic hardships at the early stages of transition.

¹⁶ Using similar logic, Grzymala-Busse and Luong (2012) present two alternative models of institution-building in post-Communist countries: One in favor of the conservation of the monopoly of the “winners”, and another in protecting competition in favor of the temporary “losers”.

incentives to improve state capacity and the quality of institutions, simply because competition, transparency, control of corruption, regulatory quality, and government efficiency would endanger their political and economic monopoly. Institutions do not emerge out of the blue.¹⁷ In this particular sense, poor institutions are desired by “Kings of the hill” since they perform exactly the function for which they have been created – they guarantee political and economic monopoly. This is the core of the institutional trap (Gelman 2010), accompanied by the state capture, often by using violent means (Volkov 2002). Political rent becomes a precondition of economic rent, and their extraction turns out to be the major motive for the “King of the hill” to consider the status quo as the predominant priority and resist any change which may threaten his monopoly.¹⁸

We visualize the “King of the Hill” model as a parabolic curve (see Appendix 5), where the vertical axis presents levels of extraction of political and economic rent and the horizontal axis measures institutional quality.¹⁹

Conclusions and perspectives

Concluding this paper, we return to our three hypotheses. We believe that the undertaken analysis confirms all of them, albeit to different degrees. First, all post-Communist democracies, be they fully consolidated or in the process of consolidation, enjoy high or relatively high levels of state capacity. Democratization and state-building complement each other. There may be “anomalous” cases when democratization starts and even dramatically accelerates at average levels of state capacity. However, at least a minimal threshold exists: post-Communist countries that started their transitions at low levels of state capacity (see lower left square of scatterplot 1) generically remain in the autocratic domain. This conclusion seems to correspond to hypothesis 1, albeit with the “anomalous” caveat.

Second, our analysis does not indicate that post-Communist autocracies may exhibit higher levels of state capacity than hybrid regimes. This provides a strong argument against the

¹⁷ “Institutions are built only if the ruling elites have incentives to create them” (Guriev and Zhuravskaya 2010: 132).

¹⁸ In some post-Communist (post-Soviet, in the first place) transitional states, the double task of state-building and nation-building may work to the advantage of the “king of the hill”, new dictators assign to themselves the role of the “father of the nation” and pursue the track of authoritarian consolidation not only of the state, but of the nation as well. State capacity and the quality of institutions, to say nothing about their democratic character, become much less important. In fact, their low quality guarantees successful extraction of political and economic rent.

¹⁹ An important question remains: Are there any hypothetical factors or scenarios which could motivate or force the “king of the hill” to opt for reforms which may result in the loss of monopoly, leading inevitably to the loss of political and economic rent? Comparative case studies of political transformations since the 1970s suggest a variety of possible vectors of change: (1) elite splits at the top; (2) mass protest from the bottom; (3) the emergence of alternative elites; and (4) pressures from outside. The applicability of these vectors to the situation of the “king of the hill” will be a topic of our further research.

generic character of the J-curve, subject to the specific limitations of our sample, and corroborates our hypothesis 2.

Third, again contrary to some views expressed in the literature, our analysis proves that state capacity may be pretty unsteady and, especially in periods of social and political change, to a large extent variable. Judging from our post-Communist sample, levels of state capacity gradually increase in cases of successful democratizations – sometimes even dramatically – but have also been prone to decreases in specific circumstances.

These conclusions derive from the analysis of a specific post-Communist sample. Perspectives goals of our future research include verification of these conclusions on a larger N sample.

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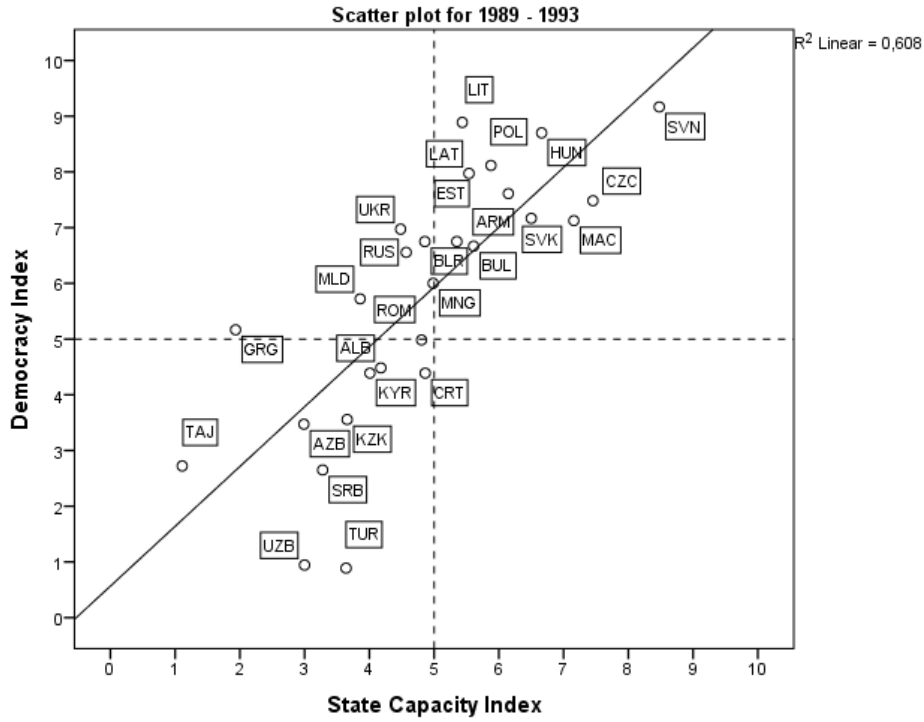
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Appendixes

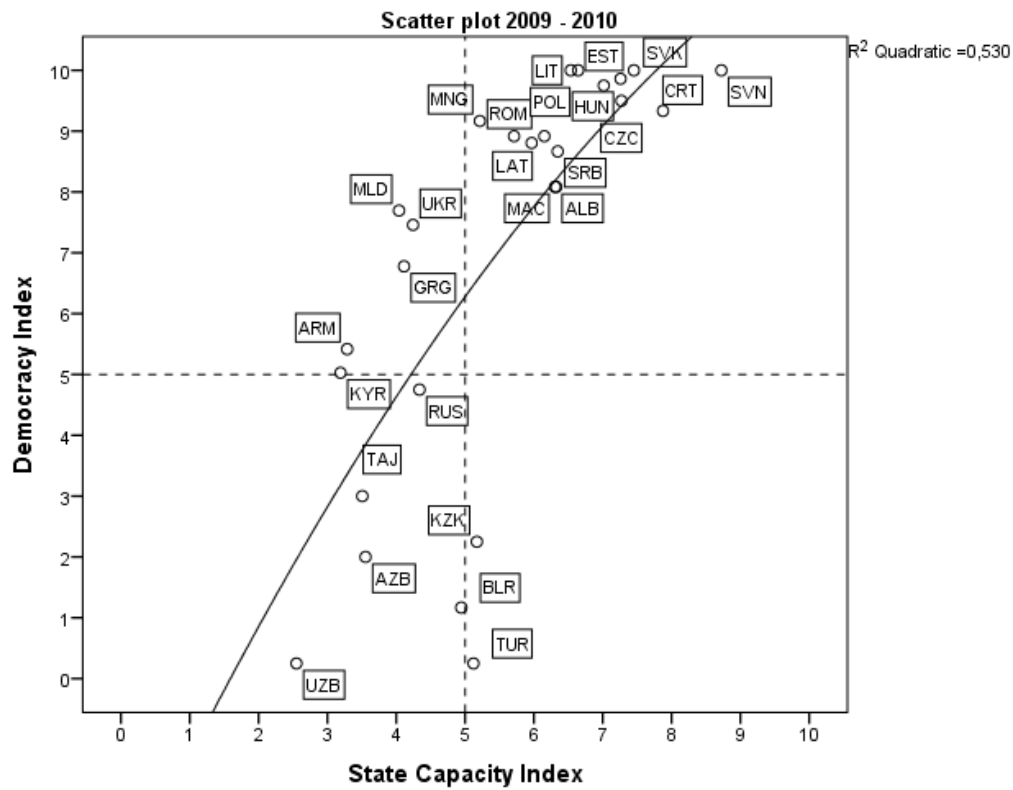
Appendix 1.

Scatter plot: **State Capacity index/ Democracy index 1989–1993**



Appendix 2.

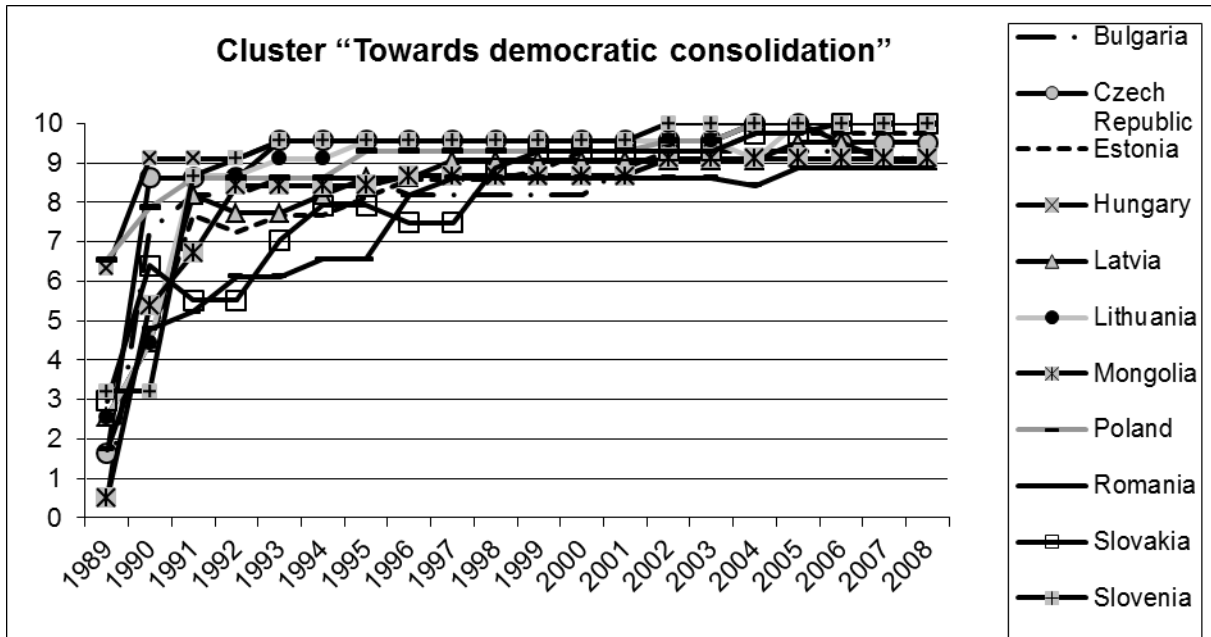
Scatter plot: **State Capacity index/ Democracy index 2009– 2010**



Appendix 3.

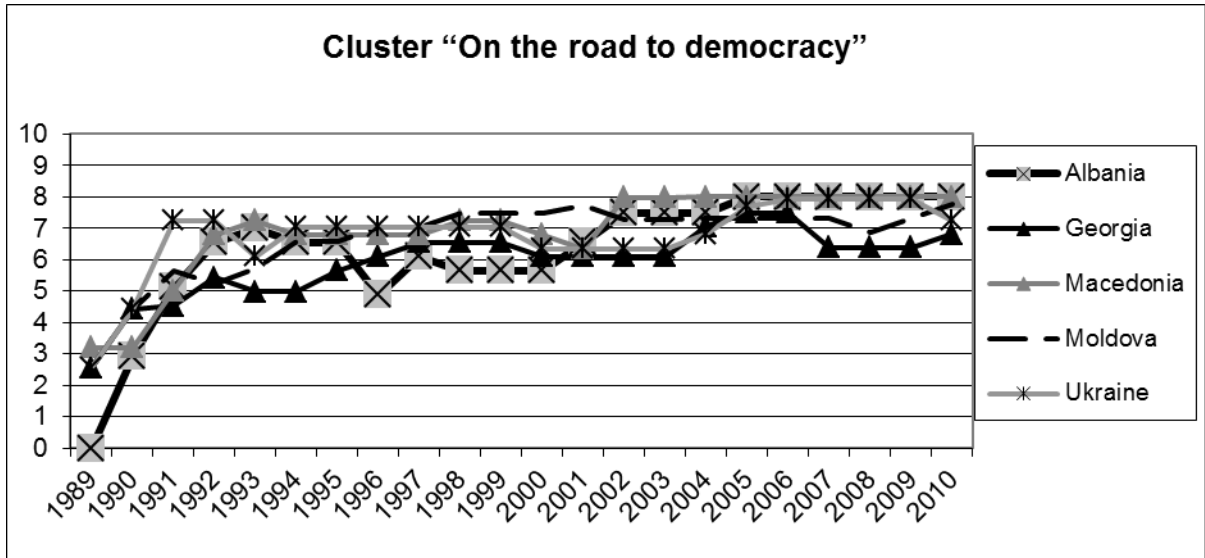
Clusters of post-Communist trajectories/dynamics of state capacity and autocracy-democracy

Cluster 1.



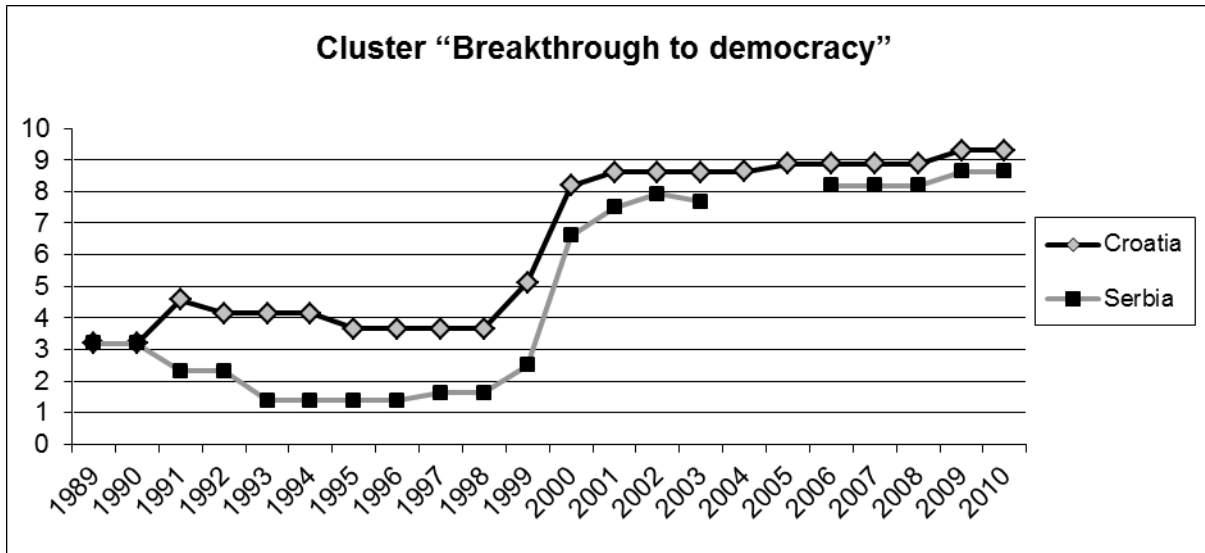
| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|----------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Bulgaria | 5.6 | 6.2 | 6.7 | 8.9 |
| Czech Republic | 7.5 | 7.3 | 7.5 | 9.5 |
| Estonia | 6.1 | 7.0 | 6.8 | 9.8 |
| Hungary | 6.7 | 7.3 | 8.7 | 10.0 |
| Latvia | 5.5 | 6.0 | 7.3 | 8.9 |
| Lithuania | 5.4 | 6.5 | 8.0 | 10.0 |
| Mongolia | 5.0 | 5.2 | 6.0 | 9.2 |
| Poland | 5.9 | 6.6 | 8.2 | 10.0 |
| Romania | 4.8 | 5.7 | 5.0 | 8.9 |
| Slovakia | 6.5 | 7.3 | 7.5 | 10.0 |
| Slovenia | 8.5 | 8.7 | 8.3 | 10.0 |

Cluster 2.



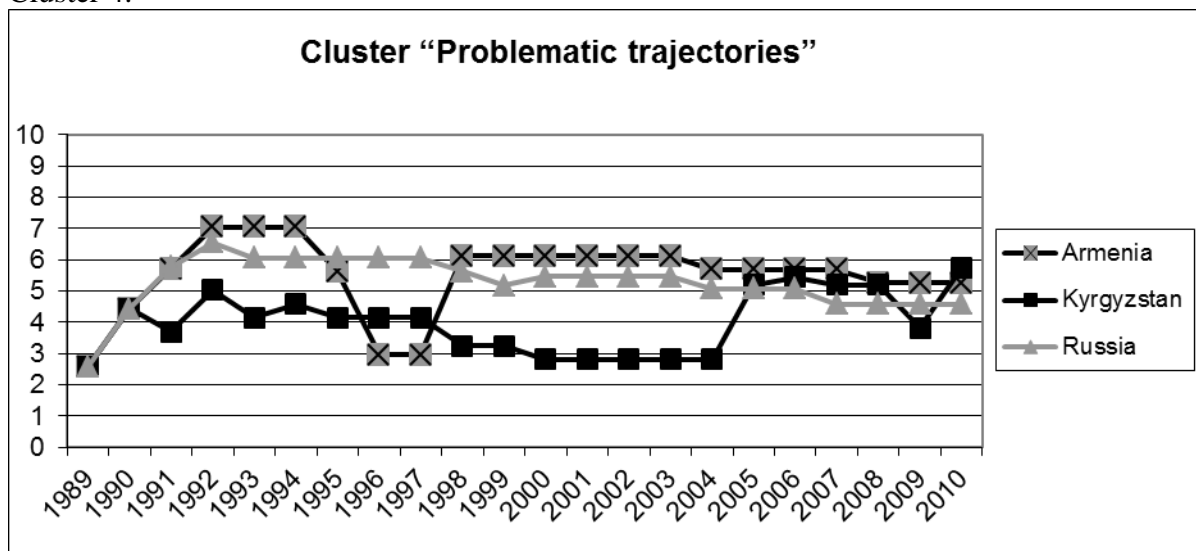
| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|-----------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Albania | 3.7 | 6.3 | 4.5 | 8.1 |
| Georgia | 1.3 | 4.1 | 5.2 | 6.7 |
| Macedonia | 7.2 | 6.3 | 6.3 | 8.1 |
| Moldova | 3.9 | 4.0 | 5.7 | 7.6 |
| Ukraine | 4.5 | 4.2 | 6.4 | 7.7 |

Cluster 3.



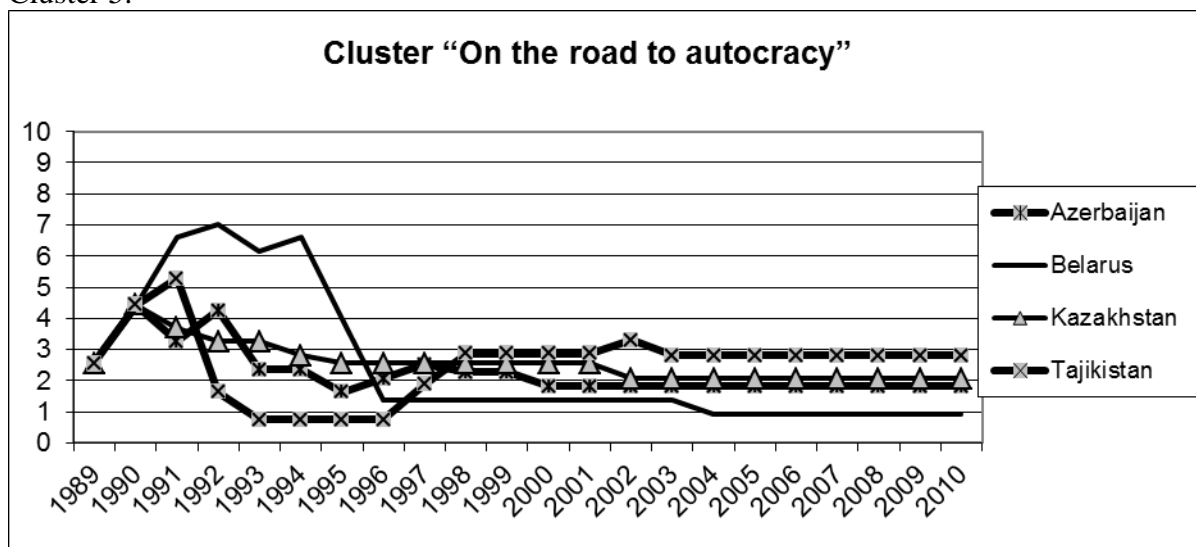
| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|---------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Croatia | 4.9 | 7.9 | 4.2 | 9.3 |
| Serbia | 1.9 | 6.3 | 2.7 | 8.7 |

Cluster 4.



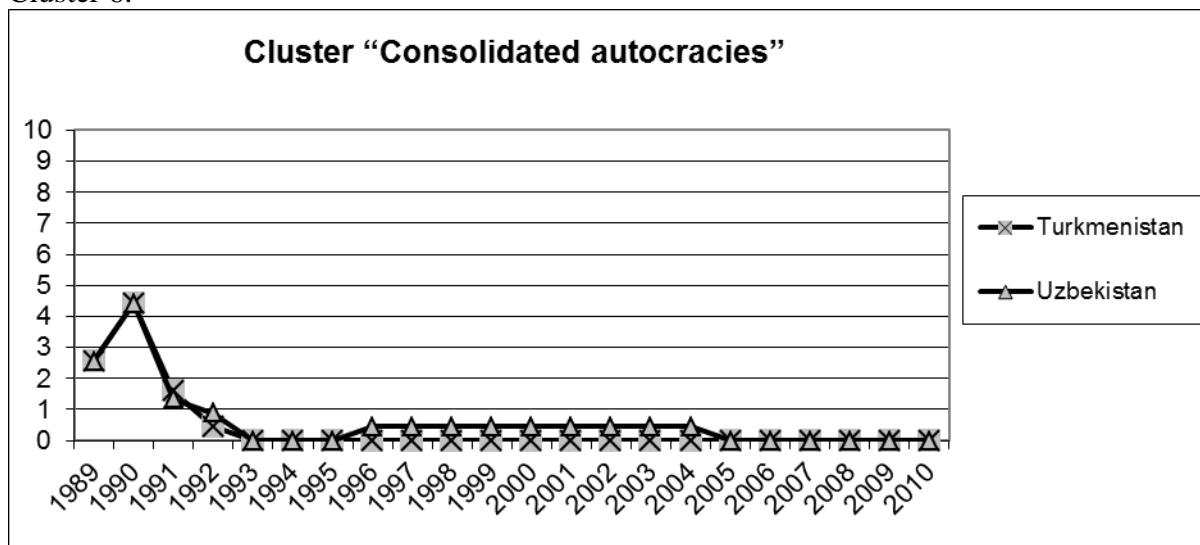
| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Armenia | 5.4 | 3.3 | 6.4 | 5.4 |
| Kyrgyzstan | 3.8 | 3.3 | 4.0 | 5.0 |
| Russia | 4.6 | 4.3 | 6.0 | 4.8 |

Cluster 5.



| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Azerbaijan | 3.0 | 3.6 | 3.6 | 2.0 |
| Belarus | 4.3 | 4.9 | 6.4 | 1.2 |
| Kazakhstan | 3.6 | 5.2 | 3.5 | 2.3 |
| Tajikistan | 0.0 | 4.6 | 2.5 | 3.0 |

Cluster 6.



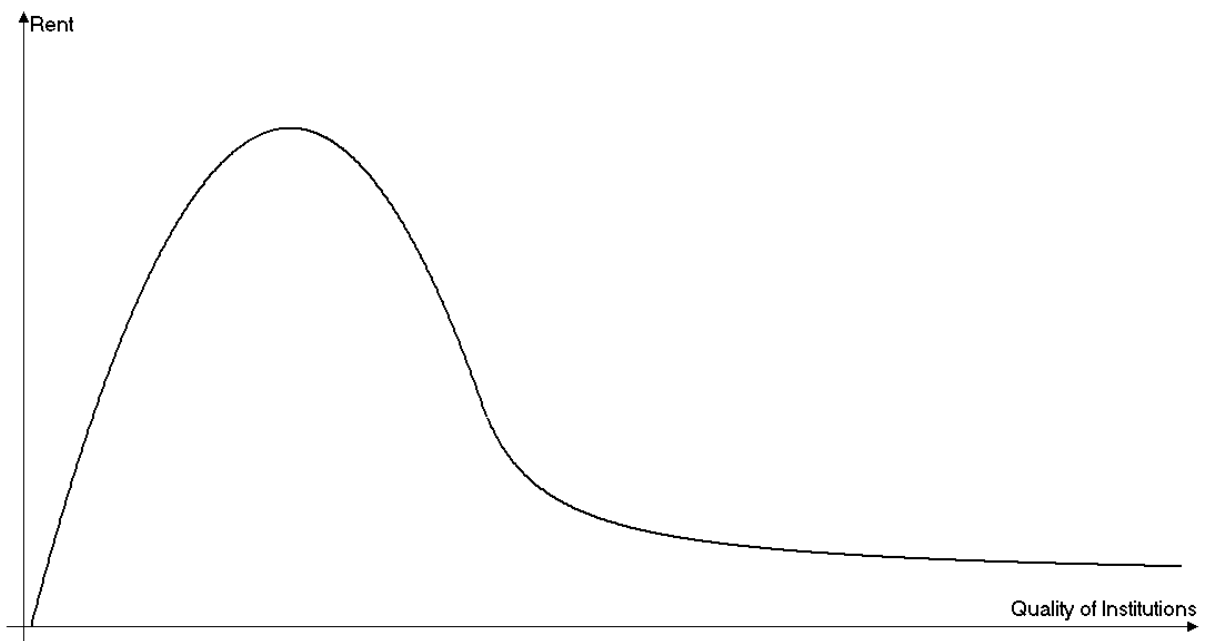
| Country | State Capacity, 1989-1993 | State Capacity, 2009-2010 | Autocracy-Democracy, 1989-1993 | Autocracy-Democracy, 2009-2010 |
|--------------|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Turkmenistan | 3.6 | 3.8 | 1.3 | 0.3 |
| Uzbekistan | 3.4 | 3.1 | 1.3 | 0.3 |

Appendix 4.

Clusters of post-Communist trajectories and state capacity/democracy-autocracy in 1989-1993 and 2009-2010 (average for the cluster)

| Clusters of post-Communist trajectories | State Capacity 1989-1993 | State Capacity 2009-2010 | Autocracy-Democracy 1989 – 1993 | Autocracy-Democracy 2009 – 2010 |
|---|--------------------------|--------------------------|---------------------------------|---------------------------------|
| “Towards democratic consolidation” | 6.1 | 6.7 | 7.3 | 9.6 |
| “On the road to democracy” | 4.1 | 5.0 | 5.6 | 7.6 |
| “Breakthrough to democracy” | 3.4 | 7.1 | 3.4 | 9 |
| “Problematic trajectories” | 4.6 | 3.6 | 5.5 | 5.0 |
| “On the road to autocracy” | 2.7 | 4.6 | 4.0 | 2.1 |
| “Consolidated autocracies” | 3.5 | 3.4 | 1.3 | 0.3 |

Appendix 5.
“King of the Hill” curve



Contact details:

Andrei Melville

National Research University Higher School of Economics, Moscow E-mail:

amelville@hse.ru

Any opinions or claims contained in this Working Paper do not necessarily reflect the views of HSE.