# INTERNATIONAL TRADE TIES AND DEMOCRACY IN THE POST-SOVIET WORLD-SYSTEM

by

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This dissertation examines the relationship between democracy and international economic ties. The effects of economic processes on domestic politics have long been a subject for debate in the literature: some authors argue that economic liberalization advances democracy, while others advocate that economic liberalization impedes democracy. I argue that both sides of the debate omitted an important factor in the analyses of trade ties and democracy. The empirical studies predominantly used the volumes of international trade, without analyzing the structural position of trade partners in the international political arena. I argue that it is not how much a country trades, but the kind of states it trades with that determines its democracy. I analyze the current theories of democracy and identify that the main weakness of these theories is the inability to

incorporate international processes and globalization in the analysis of democratization. I show that World-Systems theory (WST) can improve current theories of democracy. I employ WST and a number of alternative theories to create theoretical models of democracy. I then discuss the relevance of the former Soviet states to WST and to the analysis of democracy. I further construct a panel data set and apply pooled time-series regression, using three indexes of democracy as the dependent variables and two sets of theoretically distinct control variables. I find a negative relationship between core-periphery trade and democracy, and a positive relationship between trade openness and democracy in the periphery, which supports my main argument that trade ties must be re-examined based on the structural position of the trade partners. Contrary to conventional application of WST, the structure of the core-periphery trade shows that the core uses its economic ties to politically exploit the periphery, not the other way around. Hence, international trade is identified as a major tool for the modern hegemonies to broaden their political influence. Lastly, I found that both within- and between-states sets of control variables had influential predictors, which points out that modern theories of democracy must be restructured to incorporate multiple international processes in the analysis of the domestic politics of a state.

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# CHAPTER I

# INTRODUCTION

The concept of democracy has long been a subject of interest to social science researchers, and ever more so in our contemporary period. In philosophy, democracy perhaps constitutes one of the longest debates since Plato and Aristotle's time. Throughout the history, many philosophers, historians, and political thinkers analyzed democracy and the interconnection between: democracy and republicanism (Plato, Aristotle, Machiavelli), democracy and liberalism (Paine), democracy and social order (Rousseau), democracy and the balance of power (Montesquieu, Hobbes), democracy and human rights (John Locke), democracy and human values (Toqueville), as well as many other aspects of democracy. After the American and French revolutions in the eighteenth-century, the topic of democracy has received particular attention in political and philosophical thought in later centuries because democracy (in its early form) became a fundamental concept in the organization of the modern Western nation-states. World War II and the following decolonization brought widespread changes in the economic policies and political systems in the countries of Africa, Asia, Latin America, and Eastern Europe. What Samuel Huntington described as the "Third Wave of Democratization" (Huntington 1991), was a wave of democratic change across more than 60 countries in the late twentieth-century, which has pushed modern scholars to re-

conceptualize the role of democracy in light of these changes. In particular, the interrelation between economic and political processes has become one of the central questions that scholars have been studying in the social sciences since the 1970's.

Researchers on one side of the current debate regarding the relationship between economic processes and democracy have argued that economic liberalization[1] does advance democracy based on the modernization perspective and the "Washington Hypothesis," (e.g. Dailami 2000; Diamond 1995; Fish and Choudhry 2007; Maxfield 1998, 2000). In the same vein, researchers have argued that there exists a positive relationship between economic development and democratization (Barro 1999; Bollen 1983; Bollen and Jackman 1985; Epstein *et al.* 2006; Lipset1959; Lipset, Seong and Torres 1993; Olson 1993; Sen 1999). On the other side of the debate are researchers who argue that economic liberalization has obscure effects on democracy (Przeworski 1991; Przeworski *et al.* 2000; Rueschemeyer, Stephens, and Stephens 1992; Sørensen 1990), or that financial liberalization undermines democracy (Quinn 2001).

At the end of the twentieth-century, fast-progressing economic globalization led to the analysis of the new relationships between international and domestic political and economic processes. However, the growing field of globalization literature highlights a general shortcoming in the more recent analyses of democracy. The consensus is that both empirical and theoretical state-based models of democracy that were developed

[1] The widely-used term "globalization" is a part of economic liberalization. Economic liberalization is a conceptually broader process that consists of domestic economic liberalization (privatization of state property, legislative protection of private property, deregulation of state-controlled economy etc.) and international economic liberalization, or globalization (reduction of trade barriers, standardization of tariff system, opening the domestic markets to international investment etc.)

during the second half of the twentieth-century leave global processes outside of their analytical scope because these models exclusively use the variables that describe "within-state" processes (e.g. Goodheart 2005:112; Rudra 2005:706-7).

The result that follows from the dominance of the state-based models of democracy is that the relationship between globalization and democracy remains under-theorized on a broader scale. Without explicit incorporation of international economic processes into the analysis of domestic politics, theories of democracy have become increasingly obsolete. Academics in political science, as well as in sociology, acknowledge this lack of theoretical understanding of modern democracy. For instance, Li and Reuveny (2003:52) conclude that "[s]ince the phenomenon of globalization is most likely here to stay and intensify, the stakes are high in better understanding the relationship between globalization and democracy."

In addition, researchers mostly considered economic processes and policy as products of a political system, not vice versa (Alderson 2004; Avelino, Brown, and Hunter 2005; Baum and Lake 2003; Polillo and Guillen 2005; Przeworski and Limongi 1993). In the past, such analytical settings may not have been problematic. However, with the increased importance of international economic processes, domestic politics in a modern state cannot be unaffected by international commerce.

Social science literature acknowledges that economic liberalization includes the opening of the state economy to international influence through investment and trade. However, the empirical and theoretical analyses focused on the effects of political

arrangements on economic arrangements.[2] Such analyses left the reciprocal effects (when economic processes influence politics, not vice versa) unaccounted for. Therefore, it becomes clear that the overall relationship between international economic and domestic political processes is largely understudied. It also appears that the analysis of the effects of global economic processes on state-based democracy has been conducted mostly in political science, while sociology as a discipline has very little to offer on this topic.[3]

More importantly, in the midst of these debates most researchers seem to have missed another central problem in its entirety. While studying the relationships between foreign investment and democracy, and between international trade and democracy, researchers operationalized the economic variables through the aggregate monetary volumes of the transactions (e.g. Avelino *et al.* 2005; Epstein *et al.* 2006; Rudra 2005). The problem with using the total trade or financial flows is that it allocates equal weight to each dollar regardless of the origin of the transaction. Therefore, a one-dollar trade that Costa Rica executes with the US would carry the same theorized political weight as

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[2] The dominant finding in these studies was that democracy boosts market economy. In some cases, democracy was seen as a necessary prerequisite for the development of the market economy.

[3] For example, a simple JSTOR abstract search for the key words like "Democracy" and "Economic Liberalization," "Democracy" and "International Trade," or "Democracy" and "Economic Dependency" returns next to nothing in the field of Sociology, while such search retrieves a number of articles in Political Science. Somewhat similar picture emerges when this search is reproduced in the comparable discipline-specific databases "Sociological Abstracts" and "Worldwide Political Science Abstracts." Little research on the interrelation between domestic politics and international economic processes in sociology echoes the findings of Charles Hohm (2008:251), where he showed that sociology was ranked 19th out of 23 disciplines on "Involvement in International Activities" (Political Science was ranked second). Hohm's research (2008) showed that sociology is perceived across university campuses as mostly a community-oriented discipline that has relatively few broader applications. Therefore, besides addressing specific research questions, my dissertation is an attempt to add to the much-needed analysis of the international processes in the field of sociology.

a one-dollar trade with Bolivia or Guatemala. In this analysis, all economic ties a priori are considered to have the same effect on the nation's domestic politics. Such analysis may be valid among the Western democracies that are political equals. In contrast, the same analysis that would include both less-developed countries (LDCs), as well as industrialized nations, will create major validity issues since trade between LDCs and more powerful states often carries on certain political implications for the LDCs, while it may not have any political effects on the more developed states.[4] In sum, current studies analyzed how much countries trade, but not who they trade with.

Lastly, from a methodological perspective, it has been acknowledged that there is a lack of quantitative studies of democracy in the social sciences that would formally test the relationship between globalization, including its various components, and democracy (Rudra 2005:707). Below I summarize the outlined shortcomings in the sociological and political science literature that led me to this current analysis:

- Unclear/debated effects of economic liberalization on democracy;
- Inability of the "within-state" theoretical models of democracy to incorporate international processes, especially economic globalization;
- The existing studies of the effects of globalization on democracy ignore the structure of the trade partners and mainly consider only the trade volumes;
- Lack of theoretical and empirical analyses of the relationship between international economic processes and democracy particularly in sociology.

[4] For example, to become a member of World Trade Organization (WTO), a country has to meet a number of specific conditions (unique to each country). While these conditions are economic (e.g. uniform tariff structure), the implementation of these economic changes requires significant political and legislative change.

Before I proceed further, it is imperative to answer a basic question: Why is it important to study political processes in a state, and particularly democracy? Empirical research shows that democratic states tend to have little or non-existent democide, or a government-sponsored murder of its citizens (Rummel 1997). In addition, researchers argued that democratic states seldom have wars with one another (Weart 2000), have few civil wars (Hegre *et al.* 1995), do not have significant famines (Sen 1999a), and tend to have better social indicators like education, life expectancy, infant mortality, healthcare etc. (Halperin, Siegle, and Weinstein 2004). Furthermore, democratic states have a stronger political stability and less corruption (Lederman, Loaza, and Soares 2001), and have higher self-reported happiness of their citizens (Inglehart and Klingemann 2000). It is not the purpose of my analysis to prove or disprove the above mentioned findings or to address the causal mechanisms (e.g. does democracy reduce the likelihood of engaging in a military conflict or does the peaceful geopolitics boosts democracy). However, it is clear that seen as a system of political arrangements, as well as the continuous political process, democracy has close relationships to many phenomena that are of central interest to social scientists and policy makers.

Although these and other empirical studies have shown that in modern conditions, a democratic regime (as opposed to a non-democratic one) brings multiple objective benefits to a society, some anthropologists and ethnographers question the benefits of the progress in political, economic, and social spheres, and consider democracy as a Western ethnocentric system that may not necessarily carry these positive influences on non-Western societies. Other critics of democracy argue that

state-based democratic elections lead to the formation of the governments that, because of the temporal nature of their power, are inclined to act in their own interests rather than in the public's interests, which, in effect, makes democracy a political system that is inferior even to an absolute monarchy (Hoppe 2001). On the opposite side, some scholars (e.g. Fukuyama [1992] 2006) argue that liberal democracy represents the last, and the best, form of the political organization of a state and the world order of humanity. For the purpose of my argument, I separate the two terms – democracy and democratization – and consider democracy as a political system as a whole, and democratization as a process that changes the level of democracy.

Regardless of whether democratization is considered to be a positive or a negative political process, all scholars agree that democracy is one of the most influential political systems and that democratization is one of the central political processes in the contemporary world. Therefore, it is essential to study what facilitates democratization, why some countries democratize and some de-democratize, and why some countries tend to be more democratic than other countries over time.

In my dissertation I use the countries of the former Soviet Union as a historical sample to test the relationship between international trade (a major component in globalization) and democracy. This choice is theoretically driven. First, the simultaneous changes in politics and economies in the fifteen former Soviet states offer a perfect opportunity to examine the interrelation between economic and political processes. Secondly, a short historical period (1992-2003 in the current study) during which these changes took place will make it easier to control for other global

processes.[5] Thirdly, my study picks up where Huntington's study of the Third Wave of Democratization (Huntington 1991) left off. Even though my sample is much smaller than that of Huntington, former Soviet states represent one of the most dynamically-changing regions in the world, so that the amount of change would to a certain degree compensate for the smaller sample. Lastly, the analysis of the states of the former U.S.S.R. would allow for a closer examination of the re-emergence of a hegemonic state (Russia). While this last part is, in a way, a bi-product of the dissertation and it is not a central focus of my study, few empirical analyses examine the rise of the hegemonies in the post-industrial era. From this perspective, my analysis can contribute to understanding the role of political and economic processes in the formation of the modern hegemonies, as well as the influence of political and economic hegemonies on the development of other countries.

In my study I address a number of general questions that have received inadequate attention in the literature: What is the role of international trade in the modern world-system? More generally, what are the structures and the mechanism of the influence of international economic processes on the domestic political process? Importantly, what is the relationship between the re-emergence of modern hegemonies, the development of international economic ties, and the formation of the domestic political process in independent states?

Since current sociological thought lacks a systematic theory that would connect international economic processes (globalization) and domestic politics, I will use world-

[5] It is also less likely that an important global geopolitical process will be unaccounted for in a study with a short historical period of time rather than in a study that uses longer time periods.

systems theory (WST) as a point of departure for my analysis. WST is conceptually different from various other theoretical approaches that analyze democracy and that can be generally referred to as "democratic theory." Democracy theorists mostly resort to an analysis that is focused on a within-state level. In the cross-national studies, the researchers consider states as equal units and place a higher importance on the political-economic processes that originate within the states. In contrast, world-systems theorists suggest that the inter-state hierarchy makes the states structurally unequal. Therefore, it is the position of the states in the world-system that affects the relationship between the international and domestic political-economic processes. In sum, contemporary democratic theory perceives democratization as the process that originates mostly within the state, while modern world-systems theory places a higher importance on the inter-state processes that influence the democratization of the state.

The hierarchical structure of world-systems analysis also allows the researcher to conceptually separate more powerful states that have hegemonic ambitions from the rest of the countries that do not have such objectives or the adequate resources to achieve such goals. This analytical setting can be useful to understand the role of the Russian Federation as a re-emerging hegemonic state. Nevertheless, WST was created to analyze the economic component of the interstate hierarchy (international capitalist system), which places structural limitations on using WST for the analysis of democracy. In addition, WST has its own flaws that I will discuss in greater detail later in the dissertation.

In terms of my analytical methods, I employ comparative historical analysis as a qualitative method and polled time-series analysis, which has become a standard in quantitative cross-national analysis in sociology and political science. I use a number of secondary data sources and construct the data set that contains two most commonly used variables that measure democracy. The two methods that I employ produce two different results, and I discuss why I trust pooled time-series method more, and draw the conclusion based on the findings of pooled time-series analysis.

In my dissertation I address several important gaps within the world-systems theory and democratic theory. I argue that international economic ties deserve more attention in the analyses of democracy because these ties have strong implications for the domestic political process of a state. Importantly, these economic ties affect the democratization of a single country both in the short-term and in the long-term, which makes economic ties especially important for the domestic political development. I show that the concept of international trade needs to be re-evaluated within sociological and political analysis because overall trade volumes can hide distinct processes that bring about different political outcomes. In addition to analyzing how much a country trades, the researchers should pay attention to this country's structure of trade partners. In other words, it is not just how much a country trades, but also who it trades with, that maters for this country's domestic politics. This reconceptualization of international trade will benefit world-systems analysis because it will broaden the application of international trade as an analytical tool to address the core-periphery world-systems structure. I theorize that international trade can have the opposite effects on the

country's domestic political process depending on the orientation of the trade ties within the core-periphery hierarchy. On a methodological side, I review several widely known world-systems studies. I show that in order to adequately employ the world-systems theoretical framework, it is necessary that world-systems analytical models be structured to incorporate the processes that have qualitatively distinct origins: the inter-unit and intra-unit.

Finally, I address the current debate regarding the role of the Russian Federation in the political-economic development of the former Soviet states. I combine world-systems theory with the existing theories of democracy in order to understand the development of the political-economic processes in the states of the former U.S.S.R. since the dissolution of the Soviet empire. I apply world-systems analytical framework and provide theoretical and empirical evidence to argue that the Russian Federation has been rebuilding a political hegemony within the post-Soviet geopolitical space using its economic superiority and by using the trade dependency of other former Soviet states.

Below I provide the outline of the dissertation for easier reference between the chapters. In Chapter 2, I conduct a literature review on the debate over democracy. I briefly review the history of the concept of democracy and the existing definitions of democracy and the process of democratization. I introduce and group various theories that address democratization or that could be used for the analysis of democracy. In greater detail, I discuss world-systems theory and how broader incorporation of this theory can contribute to the analysis of democracy. I also outline the limitations of WST and summarize the improvements that I intend to make upon the existing

democratic theory. At the end of Chapter 2, I discuss the existing measurements of democracy.

Chapter 3 presents former Soviet states as a historical sample with a summary of the historical political-economic development of the Soviet Union. I conduct a literature review on the democratization in the former U.S.S.R. and discuss the role of the Russian Federation in the political-economic development of the former Soviet states after the dissolution of the Soviet Union. In the end of Chapter 3 I present the four hypotheses of the dissertation. In Chapter 4, I present a pooled time-series analysis of democratization in the former U.S.S.R.

In the concluding Chapter 5 I provide the summary of the major findings and their meaning for the post-Soviet countries. I explain the broader implications of the findings beyond the former Soviet states. I discuss how my findings help widen the application of world-systems theory and the potential for building a new theoretical approach for the analysis of democracy in the modern globalizing world. I further outline the limitations of the current study and suggest the future development of the theoretical and empirical analysis of democracy.

# CHAPTER II

# THE MODERN DEBATE OVER DEMOCRACY

## The Concept of Democracy: Democratic Theory

The debate over democracy is likely to be one of the longest debates in history. It is important to look at the origin of the debate to fully understand its development and its current form. Democracy as a concept, as well as a system of governance, originated in Athens and several other ancient city-states. Plato ([circa 370 B.C.E.][6] 2006:278) argues:

> Democracy then, I think, arises when the poor triumph, put some of the rest to death, exile others, and give the remainder an equal share of civic rights and offices. And for the most part, offices in it are assigned by lot.

Even though Plato is known for his criticism of democracy, his formulation of the concept offers a historical point of departure for any analysis of democracy. In his definition of democracy, Plato states an important condition of democracy that is central to the modern understanding of the concept: the political equality of citizens.

Aristotle, following Plato, considered democracy as an inferior political system, and a perverted version of polity: a political system when only the property-holding men are considered citizens who are entitled to participate in political process and

[6] In my labeling of the common time periods, I join historians who want to depart from the Eurocentric formulation of the time periods which uses the terminology such as BC and A.D. Instead, similar to other researchers, I use the alternative religiously-neutral and culturally-neutral abbreviations of B.C.E. (stands for "before common era") and CE (stands for "common era") where necessary.

occupy the governmental offices. For Aristotle, the evil of democracy arises from the poor being more populous than the rich. Since "democracy [is] when the indigent, and not the men of property, are the rulers," the rule by the poor may not be a "profit to the common interest" (Aristotle [circa 340 B.C.E.] 1981:190-191). Accordingly, democracy may only be an acceptable form of political organization when the poor are a minority and the rich are the majority.

Nonetheless, the relationship between the early forms of democracy and modern forms is questionable because of completely different structural conditions of the societies. The earlier forms of democracy were primarily characterized by small homogeneous population with a direct participation of the citizens in the political decision-making process within an autonomous city-state (Dahl 1989:18-19). Ever since Athens, the notion of democracy has been co-evolving with the development of society and its philosophical thought. Constantly increasing populations and geographical growth of states throughout history required a different form of governance that would sustain the idea of democratic rule. Such a system was found in a form of elections and representative government, which constitute two basic criteria of the modern democratic rule. The combination of a representative legislature and an executive branch is an effective tool of the development and application of laws and policies without the direct participation of every citizen in the political decision-making. Therefore, free elections potentially incorporate the will of every member of the society, thus sustaining democratic practices in large modern nation-states.

Aside from elections and representative government, which are the basic conditions for democracy, modern theorists (Dahl 2006; Diamond 1999; Tilly 2007) emphasize the importance of political equality. Under this condition, all citizens should have the equal right to participate in collective decisions, and should have equal access to the decision-making process. At the same time, each single vote in the elections must have equal weight. It is necessary to realize that the modern concept of political equality greatly differs from that of Plato, or the early constitutions of the French Republic and the United States. Unlike its predecessors, the modern concept of political equality implies universal suffrage and thus includes women, racial minorities and low-income and non-property owning groups into the political process. For example, ancient democracies, including Athens, and more recent democracies, including the United States before 1865, were societies that practiced slavery.[7] Morally, slavery is incompatible with the modern democratic philosophy. Practically, large parts of the population who were slaves were excluded from the political process. In addition, women were excluded from the political participation everywhere in the world until the early twentieth-century when the universal suffrage movement started to change the

[7] Here and in a number of other instances, I used the English version of Wikipedia online encyclopedia (http://en.wikipedia.org/wiki/Main_Page) for references to general historical facts.

voting legislations in the Western nations[8] (historically, the first country that granted universal suffrage was New Zealand in 1893[9]).

I would add that in modern society equal rights is not the explicit criterion for the political equality of the citizens. Political equality – a central component of democratic rule – should also mean equal opportunity to participate in the political process for both the voters and the nominees. For example, two political candidates for the same office should be guaranteed to have equal resources for pursuing their campaigns. In the same vein, voters in wealthy and poor neighborhoods should have equally easy access to the voting stations. In reality however, we can see that very few countries indeed have such degree of political equality.[10]

In the twentieth-century, democratic theorists argued that in modern conditions, rather than being a static system of governance, democracy is a continuous process (Dahl 1998:37-38; Diamond 1999:xii; Markoff 1999:689; Moore 1966:414;

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[8] Even though universal suffrage started in the Western nation-states, the process spread throughout the globe. The industrialized nations, however, did not adapt women's suffrage uniformly. Some Western industrialized nations developed universal suffrage much later than non-Western nations. For example, Portugal (1976) and Switzerland (1971, adopted universal suffrage with full women's suffrage on all legislative levels only in 1990) developed women's suffrage after such countries like Brazil (1932), Burma (1935), or Afghanistan (1965).

[9] It is necessary to add that, although New Zealand was the first nation-state to grand women the right to vote, parts of other Western nations had already practiced local universal suffrage for women (for instance, the state of Wyoming in the U.S. since 1869).

[10] One of the most notable examples of the flawed democratic practices was the Presidential elections in the United States in 2000. In short, the United States has felony disfranchisement laws that, in effect, disproportionally exclude African Americans from the pool of potential voters (Fellner and Mauer 1998). In the elections 2000, the outcome of the entire national elections was determined in Florida, where 31.2% of African-American males are not able to vote because of these felony-based disfranchisement laws, and even greater proportion of African-American males was, in fact, illegally denied the right to vote (Palast 2004). Therefore, while relatively wealthy white communities could exercise their right to vote freely, African-American voters had significant restrictions, which is democratically incompatible. Furthermore, numerous violations that disproportionally favor one candidate over another are clearly non-democratic practices.

Schumpeter [1942] 1950:269; Tilly 2007:202). The continuity of democracy is important because democracy as a process represents the development of the political practices in a country, while democracy as a condition merely represents a system of governance, but not the quality of the democratic rule. Rather than being a political system that could be "reached" in contemporary understanding, democracy of a country is a reflection of its political trajectory, which implies that different countries can be more or less democratic, and that democracy in a single country can change over time.

In my opinion, democracy makes sense only when considered as a process. It is a faulty assumption to consider democracy as an either-or dichotomy. For example, in a "democratic" country like the United States, the highly questionable (and often acknowledged as faulty) elections of 2000 resulted in massive public protests. However, the "elected" president was able to keep his office based on the decision of the democratically-appointed Supreme Court. In contrast, in a "non-democratic" Ukraine, the fraudulent elections of 2004 resulted in massive public protests, but the non-democratically appointed Supreme Court annulled the results of the fraudulent elections. Subsequently, re-elections in the Ukraine changed the initially "elected" president. In this example, the ability of ordinary citizens to influence the political process and to change the unfair political outcome is what constitutes democratization. In addition, in the United States the majority of the electorate may vote for one candidate, while absolutely legitimately another candidate may become the president.[11] Quite the reverse,

[11] In 2000 the majority of the American electorate voted for Al Gore (50,999,897 votes), while George W. Bush (50,456,002 votes) became the president, which does not contradict the U.S. legislation (Federal Election Commission 2001).

Ukraine's legislation requires the absolute majority vote for a candidate to become the president, which can be attributed to the more democratic legal regulations of the political process. This example makes the labels of "democratic" and "non-democratic" largely irrelevant. What *is* relevant is how these countries *differ* between each other and how the state of their political process differs across time. In my opinion, democracy as a condition does not have a real-life application either in the modern social sciences, or in modern society. Therefore, in my dissertation I will focus on democratization exclusively as a process.

In addition to the idea of democracy as a continuous process, Schumpeter (1950:269) emphasizes the importance of competition in the democratic political process:

> [T]he democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.

Expanding on the necessity of political competition, Lipset ([1960] 1981:27) argued that besides the requirement of popular vote, there has to be a periodical change among policy- and decision-makers and that a large part of the electorate must be involved in the political process to make it democratic:

> Democracy [...] may be defined as a political system which supplies regular constitutional opportunities for changing the government officials, and a social mechanism which permits the largest possible part of the population to influence major decisions by choosing among contenders for political office.

Dahl (1998:37-38) offers two more conditions to defining democracy:

> *Enlightened understanding.* Within reasonable limits as to time, each member must have equal and effective opportunities for learning about the relevant alternative policies and their likely consequences.

> *Control of the agenda*. The members must have exclusive opportunity to decide how and, if they choose, what matters are to be placed on the agenda. Thus the democratic process required by the three preceding criteria is never closed. The policies of the association are always open to change by the members, if they so choose.

Dahls's conditions are particularly important for understanding of democracy in the modern world. The first condition, *enlightened understanding*, can be linked to the necessity of unbiased and independent media that must provide a broad range of free and unbiased information to citizens. A second condition, c*ontrol of the agenda*, emphasizes the ability of the electorate to influence the decision-making process even after the formal elections have concluded. What Dahl means is that, ideally, the legislature and the government must create the laws and the policies according to the needs and choices of the citizens, but not according only to the interests of the closed political elites. Thus, the will of the citizens should be institutionalized in the daily political decision-making process. In this vein, the legislature and the government should follow the will of the citizens instead of being autonomous institutions that are displaced from the general public interest and that have their own goals and resources. This idea echoes the earlier concept of popular consultation defined by Ranney and Kendall (1969:50-51): "a democratic government should do what the people want it to do and should not do anything they don't want it to do."

Ranney and Kendall (1969:46-49) also emphasize the importance of the concept of popular sovereignty in the analysis of democracy. They argue that the "sovereignty of the entire people" (as opposed to the sovereignty of the government) is "the *oldest* of the ideas associated with democracy." Although historically popular sovereignty was

theorized to positively influence democracy, modern theorists approach the concept of sovereignty with caution and argue that if considered as a part of a global process, sovereignty can be "the primary impediment to democracy" (Goodhart 2005:91).

Other researchers address a variety of conditions for and explanations of democracy as a political process: the role of state as a main actor and the unit of analysis (Skocpol 1985), interpersonal trust in the political culture (Inglehart 1999), human rights (Goodhart 2005; Gould 2004), citizens' trust in the government (Hardin 1999), social capital (Uslaner 1999; Paxton 2002), political participation of women (Painter and Paxton 2007), associational relationships (Warren 2001), education (Parry 1994), property and resource allocation systems (Przeworski 1991), solidarity (Wintrobe 2003), moral motivation of the population (Hamlin 2003), economic development (Sørensen 1990; Przeworski *et al.* 2000), legal and cultural advancement of the individual interests versus the majority (Congleton 2003), and intellectuals as a social class (Kurzman and Leahey 2004).

In a structurally different approach, Bollen (1980:372) considers democracy not as the institutionalized structure that regulates the political process in a state, but primarily as a function of the balance of power between the political elite and non-elite: "political democracy [is] the extent to which the political power of the elite is minimized and that of the nonelite is maximized." This definition offers a useful concept of democracy that has a greater explanatory power because democracy is not framed within the network of the existing forms of governmental and political institutions, but is rather seen as a balance of power between two structural groups

(political elite and non-elite) that exist and change, regardless of the fixed set of the societal institutions across nations and time. However, according to Bollen, measuring political power is "extremely difficult," which, in effect, reduces the ability of the researcher to operationalize Bollen's definition of democracy.

The list of the approaches to the definition of democracy is potentially endless, which is not surprising considering the broadness of the ever-evolving concept. Considering the historical development of democracy (from the male-dominated, slave-practicing Athens to a relative parliamentary democracy based on universal suffrage found today), one can hardly expect that a precise definition of the concept can ever be agreed upon in the social sciences. However, key terms and concepts that are useful to my study are examined by Tilly (2007), who summarizes four types of definitions of democracy in the literature. Table 2.1 represents the summary of modern definitions of democracy.

Substantively, modern social theory shows little agreement on what constitutes democracy and what causes its change (Diamond 1999:7), thus emphasizing the need for extensive empirical and theoretical research on the concept of democracy. What is more important, however, is that modern democratic theory has specific limitations that potentially render the theory obsolete due to its lack of relation to the modern development on the global level. While democratic theory incorporates the development of the concept of democracy within the twentieth century, it is predominantly focused on the development of the political process within the state and uses the state as the only unit of analysis.

**Table 2.1.** Definitions of Democracy.

| Type | Summary | Main concepts | Critique |
|---|---|---|---|
| Constitutional approach | Legal arrangements of political activity | Constitution, type of government (oligarchy, monarchy, republic etc.) | Presence of democratic laws does not guarantee their implementation |
| Substantive approach | Balance in the conditions of life and politics | Human welfare, individual freedom, social equality etc. | Explanation of the trade-off is problematic (e.g. which country is more democratic - poor, but with broad individual freedoms, or rich, but with restricted individual freedoms?) |
| Procedural approach | Practices and policies of government formation | Elections, universal suffrage, referenda and other political processes that result in significant governmental changes | Too narrow a consideration of the political process (e.g. one country can arrive at the same political arrangements peacefully, while another country can experience violence) |
| Process-oriented approach | Minimum set of political processes necessary for democratization | Effective participation, voting equality, enlightened understanding, control of the agenda, inclusion of adults | Presence/absence dichotomy renders little explanatory power of this definition (e.g. inability to distinguish between more or less democratic states that similarly fit the criteria) |

*Source*: Tilly (2007).

Therefore, the nation-state is perceived by modern democratic theory as the only source and origin of the political process. Hence, many globalization researchers criticize democratic theory for its theoretical incompatibility with the increasingly global nature of the political and economic processes in the modern world. Goodhart (2005:112) articulates this position:

> There is an irony in cosmopolitan responses to globalization. The state-based models of democracy [...] are frequently seen [...] as inadequate models of democracy at the state level. Elections and parliaments are corrupted by money and the power it buys; government is said to be distant, out of touch, dominated by the corporate interests; bureaucracy is said to be stifling and oppressive; civil society is stratified by extreme inequalities, and the demands of associational life privilege the wealthy and well-educated; the economy remains largely outside of democratic control. The irony is that cosmopolitan defenders of what amounts to global pluralism and global liberal democracy advocate democratic models widely regarded as narrow, conservative, and insufficiently egalitarian and representative at the state level as radical solutions to the challenge of democracy on a global level. Thus cosmopolitan responses to globalization entail the risk that we might get what we wish for: a global democratic regime modeled on domestic arrangements with which we are anyway dissatisfied.

Indeed, both empirical and theoretical research on democracy has largely used the variables that are encompassed within the state. On the positive side, the modern practices of the states to collect various data on a national level make data gathering for the cross-national analyses relatively easy, encouraging a cross-national research. On the negative side, it is the theory itself that needs to drive the data collection and the methods, not the other way around; therefore, the availability and structure of the data cannot justify the stagnation of the theory. The globalization-based critique of democratic theory, however, has not offered an alternative theory to the state-based explanations of democracy and political processes. While the importance of global processes was often outlined in the globalization studies and the need for a new

theoretical model of democracy was specified, the means to deliver such a model have so far been absent. There does not yet exist an explicit theory of democracy that would incorporate the global and international processes. What is more important is that there has been no reasonable attempt to create such a theory throughout the social science literature.

Within my dissertation, I intend to bridge this substantive theoretical gap by combining democratic theory and world-systems theory. Democratic theory will help me create a state-based theoretical model of democracy, while the application of world-systems analysis will offer a structurally different approach to understanding democracy on a global level, while still keeping the state as the unit of analysis. I argue that the modern state-level data contain enough resources for the modeling of the inter-state processes. Therefore, a new theoretical approach to understanding the process of democratization on a global inter-state level does not necessarily require qualitatively different data.

For the purpose of my analysis, I will use Weber's ([1948] 2001:78) definition of the state: "... a state is a human community that ... claims the monopoly of the legitimate use of physical force within a given territory." I will depart from Weber's thought and expand on this definition to incorporate other state-controlled processes. In particular, I do not consider "physical force" to be necessarily limited to military or police. In addition to the military and police power structures, I consider "monopoly on the use of force" in modern terms as the monopoly of the production of the laws and regulations, including the constitution, within the defined geographical borders. Hence,

the state is the only legitimate body to use the force, as well as to set the rules as to when such use of physical force is legitimate. This monopoly also means the exclusive right of the state's executive branch and legislature to establish economic regulations and policies and thus the state defines what is a legitimate and non-legitimate social act. Based on these rules, the state outlines the conditions of the use of the force in the role of the ultimate arbiter in any social process. This expansion of Weber's definition will allow the state in my analysis to be not only the holder of the monopoly to use physical force, but also the monopoly to define *the context*, in which the use of such force can be considered legitimate.

My theoretical setup, however, differs substantially from other analyses of democracy. I do not consider democracy as the sole function of the state. Instead, I analyze democracy as a function of the processes created within and by the state *as well* as other out-of-state actors. I thus separate the processes into two theoretically distinct groups: within-state and between-state. To do this, I will combine a number of traditional theoretical approaches to model within-state processes and world-systems theory to model between-state processes. As a result, I will be able to simultaneously model the processes that originate within the state, as well as between the states, thus moving closer to a better conceptual understanding of the complex process of democratization in today's globalizing world. Further in this chapter, I will explore in detail various theoretical approaches that can potentially be used in an analysis of democracy.

## Theoretical Foundations of Democratization

The debate over the democratic political process belongs to a broader interdisciplinary dialogue within the spectrum of sociocultural evolution theories that examine the development of societies and cultures, explore the change in the development over time in a single society and between societies, and model how different characteristics of societies (social structure, system of values, level of technological development, etc.) bring about social change. Nevertheless, surprisingly few sociological theories directly address the phenomenon of democracy. Democratic theory represents a body of philosophical thought that conceptualizes democracy, and examines how society should best organize itself in order to achieve democratic rule. However, the theory is less prepared to explain what *causes* democracy and to analyze the *context* in which the political action and political process take place. Thus, to a large extent, democratic theory explores the static points in the process of democratization, but not what causes changes within this process.

Therefore, multiple theoretical approaches in social sciences can suggest various processes that explain different parts of the social phenomenon of democracy. The lack of theoretical uniformity in understanding democracy is reflected in empirical research where scholars often rely on multiple theoretical approaches within a single model of democracy. In order to summarize all the theories that may explain parts of a political process,[12] I will expand on the classification offered by Crenshaw (1995) who loosely

[12] Note that here I address the theories that explain what causes democratization, not what democracy is. The latter point was addressed earlier; the definitions of democracy were discussed and summarized in Table 2.1 that was an extract from Tilly's (2007) definitions.

grouped the existing theoretical approaches into four main categories, to which I add a fifth category. Below I summarize the main theoretical approaches that may be incorporated in an analysis of democracy.

**World-Systems/Dependency Theory**

World-systems theory originated in the early 1970s as a response to the theorists of structural-functionalism and modernization approaches. Contrary to modernization theorists who argue that there exist universal processes that are responsible for the evolution of a state into the "modern" and "industrial" kind (e.g. Moore 1974; Parsons 1951, 1966; Smelser 1973), world-systems theorists argue that it is the evolution of the system of all states as a whole, not just the individual states, that is responsible for the development of the individual states (Wallerstein 1974a, 1974b). The criticism of the structural-functionalism and modernization theories, as well as the influence of dependency theory (e.g. Amin 1976; Frank 1966, 1967) resulted in the new approach that according to Shannon (1996:8) has the following advantages:

> [World-systems analysis can] (1) be grounded in the historical experiences of the societies in the periphery; (2) consider the differences between present-day conditions and those that existed when the core industrialized; (3) explicitly address the role of the relationships *among* societies in explaining change within them (such as the role of already industrialized countries in creating conditions in the periphery); and (4) take into account the role of power, exploitation and conflict in the relationships both within and among societies.

Within this classification, points (3) and (4) are especially important in the analysis of international trade and democracy in the former Soviet states because of these states' close societal ties to each other, and because of the extensive formal and informal relationships between the political elites of these states.

Theoretically, the world-systems approach is linked to Marxism through Marx's ([1867] 1967) accumulation model and the mode of capitalist production that are considered to be the properties of the whole world-system, but not just separate parts (e.g. states). World-systems theorists consider Marx's analysis as a point of departure. These theorists also recognize the limitations of Marx's analysis that could, nevertheless, be overcome using the world-systems approach (Chase-Dunn 1980:312). On a broader epistemological level, world-systems analysis promotes an "unidisciplinary approach" (Wallerstein 1974a:11) and considers the academic disciplines as "an obstacle, not an aid, in understanding the world" (Wallerstein 2004:x). Therefore, a combination of the theories with roots in sociology, economics, and political science in the current study is most appropriate within the world-systems theoretical context.

World-systems theory emphasizes that the system of the inter-relations of the units (firms, classes, states etc.) "is larger than any of its constituent [...] units" (Stein 1999:10). Hence the term "world" does not refer to the entire planet; rather the term represents any structural combination of the units within the analysis wherein the whole system has a greater explanatory power than any single unit taken separately. Therefore, virtually any combination of similar units can embody a type of world-system, and the global world-system consists of a number of smaller world-systems. In this sense, post-Soviet states represent a classic example of a political-economic world-system because they are a group of countries that once comprised a single political entity--the Soviet

Union. And, after the dissolution of this entity, this group of countries still share multiple and identifiable cultural, social, economic, and political ties to each other.

Some critics (e.g. Skocpol 1977) consider world-systems theory a limited approach, wherein the nation-state is the only unit of analysis, and the inter-state processes are the only ones that matter. World-systems theory, in fact, has a broader application that involves the analysis of social movements and class analysis, in addition to the common cross-national political-economic analysis (Wallerstein 1980). By considering world-systems theory as a methodological approach, researchers can apply world-systems analysis to study any phenomenon or process observed across multiple units.

Nevertheless, the focus of world-systems analysis is the relationships between the "core," which refers to the states that are economically, technologically, politically, and militarily superior, and the "periphery," which refers to the weaker states. The third group of states that occupy the place between the core and periphery is called "semiperiphery." In the current analysis of the post-Soviet world-system, I do not use the middle category of semiperiphery because of the small size of the world-system in question and the clear hierarchical power relations between the states within this system, wherein Russian Federation is the core state with objectively the most powerful economy and military.

World-systems theorists have argued that international economic processes (world-economy) maintain the hierarchical relations between the dominant states (core)

and the weaker states (periphery). From the world-economy perspective[13], the international economic process is examined in terms of the unequal exchange of commodities and labor that enables the accumulation of capital in the core states, which reproduces the hierarchical structure of the interstate system and allows the core to continue to exploit the periphery (Chase-Dunn 1979; Chase-Dunn and Grimes 1995; Hopkins, Wallerstein, *et al.* 1982; Wallerstein 1974a, 2004). This unequal nature of the exchange not only reproduces, but also reinforces the hierarchical structure of the interstate system: the core states remain at the top of the hierarchy and benefit by extracting resources (primarily, capital, raw materials, labor, and goods) from the peripheral states. In other words, by the means of international trade, the rich states become richer and the poor states become poorer.

Besides direct economic benefit, such trade settings represent a political opportunity for the core states to influence the domestic political process of the peripheral states. In the long run, the unequal economic exchange and technological superiority of the core states can lead to economic dependency: the supply sides of the economies of the weaker peripheral states become oriented towards meeting the demand of the stronger states. Therefore, from a world-systems perspective, economic exchange represents a vicious circle for the peripheral states: once a peripheral state

[13] Although scholars often use the concepts of world-systems and world-economy interchangeably, I distinguish between them in my analysis. I consider world-economy a part of a larger world-systems analytical framework. Specifically, I consider world-economy a combination of the theoretical and methodological settings that are designed predominantly for the cross-national analysis, while world-systems is a broader theoretical and analytical perspective that can be applicable to a wide range of questions on different analytical levels (e.g. individuals in a firm, households in a community, towns in a county, states in the world etc.)

enters into a long-lasting economic agreement with a core state, it is hard for the peripheral state to escape economic dependency.

While WST can provide a general theoretical framework, it has a number of problems that need to be addressed before WST can be used to analyze democracy in the modern world. Some sociological analyses have sought to understand political, social, and economic changes within the states using the world-systems approach. However, much of the empirical world-systems research has used the endogenous variables in the cross-national models. Often, the only variable employed to describe the nature of the interactions between the states was their structural position in the world-system (Bollen 1983; Gonick and Rosh 1988; Jorgenson 2003). Following Wallerstein's (1974a) delineation of the world-system into the three structural groups (core, semi-periphery, and periphery) world-systems researchers employed similar dichotomous variables as the only proxy for the inter-state processes that are responsible for placing the states in either of these structural groups. Although Kentor (2000) has developed a more sophisticated and more objective measure of a world-systems position, it was designed to measure mobility in the core-periphery hierarchy. Therefore conceptually, even this measure can hardly be a substitute for the actual processes in the world-system that can be directly measured and thus incorporated in the models. In sum, the empirical cross-national analysis conducted within a world-systems theoretical framework has used within-state variables leaving between-state processes outside of the research scope. This important shortcoming of the world-systems analysis echoes the previously discussed inadequacy of the contemporary

democratic theory to incorporate between-state processes into its theoretical models of democratization.

Furthermore, considering that "it is the whole system that develops, not simply the national societies that are its parts" (Chase-Dunn and Grimes 1995:389), it is puzzling that most explanatory variables in the *empirical* world-systems research originated within the countries. In a direct contrast, the *theory* of the world-systems approach implies that it is the interaction *between* the units of analysis (states, firms, households, classes etc.) that is primary and which forms "something larger, which we call a world-system" (Wallerstein 2004:X). Because most variables in the empirical world-systems models originate within the units of analysis, the world-systems research has not yet addressed the very quintessence of what it aims to explain: the modern world-system. This lack of empirical understanding of the modern world-system in recent literature is particularly striking considering that there exists a large amount of theoretical work on international political-economic relations, with globalization as the clearest example.

Another important aspect of the core-periphery relationship that seems to have been overlooked by the world-systems research is that peripheral states can be a "source of national power and prestige" for the core nations (Strang 1990:848). A close relationship between the international status of a state and the development of its international trade makes power and prestige most important in the modern world-system (Polillo and Guillén 2005:1773). According to the conventional world-systems

theory, core states use their political power to make advances in international trade, which in turn would allow the core to exploit the periphery economically.

Wallerstein (1974a) argued that economic exchange has been a central part of the capitalist world-system for centuries. Throughout history, various political arrangements have been created to facilitate the economic exploitation of the periphery through trade. In this sense, economic and political processes have never been separate. What the traditional WTS omits, however, is to recognize the reciprocal nature of the political-economic exchange, or when not only political arrangements influence economic structure, but also economic arrangements influence politics. For example, during the second half of the twentieth century and throughout the period of decolonization, economic exchange became an important political tool. When the former European colonies acquired their political independence, the core states could no longer exercise direct administrative control over the periphery and the core states had to resort to non-administrative and non-military forms of political control.

Considering this theoretical weakness of the WST, it is not surprising that there is inadequate evidence to support the argument that the core utilizes its international economic exchange, or simply trade, to dominate the periphery. In explaining the domestic political process of a state, other inter-state factors like direct investment (Alderson 2004) or social capital (Paxton 2002) enjoyed the most attention. In world-systems analysis, international trade was employed to analyze various aspects of the modern world-system: environmental consumption (Rice 2007), independence of a country's central bank (Polillo and Guillén 2005), world-systems position (Van Rossem

1996), or the waves of globalization (Chase-Dunn, Kawano and Brewer 2000). Nevertheless, empirically, international trade has not been identified as the primary link between the economic and political processes in the world-systems analysis.

By setting up such causality (political power influences international trade), world-systems theory omits the important possibility of the reciprocal effects. That is, when international trade can be used as a tool to increase the power of the core state. Considering a broader relationship between power and trade, international trade may not necessarily lead to a direct economic benefit for the core states. Instead, it can be perceived as a mechanism of safeguarding the economic dependency of the periphery on the core, thus increasing the national power and prestige of the core states. Using this power and prestige, core states can achieve their larger geopolitical goals which may or may not include extraction of economic benefit from the periphery. For instance, by exploiting the economic dependency of the peripheral countries, the core states can influence the domestic political processes of the periphery and pursue their security-oriented goals in the region. Favorable trade agreements, direct investment into the economy of a peripheral state, and various economic subsidies are the examples of the trade policies that the core states can undertake in order to pursue specific goals in their areas of interest.

It may be plausible that in the long run the political elites of the core states seek economic benefit from the periphery by establishing exploitative economic relations. At this time, no definitive research exists that would prove this hypothesis, hence making a long-term arguments highly speculative. Nevertheless, I argue that the reciprocal effects

between international trade and political power do exist, that these effects are identifiable in the modern core-periphery hierarchy, and that these effects are common in the core-periphery political-economic relationship. A brief analysis of recent political events would support this hypothesis. For instance, through offering various kinds of economic subsidies to the political and economic elites of Kyrgyzstan, and Uzbekistan, the United States established its military presence in these countries that was essential for the operation "Enduring Freedom" in Afghanistan in 2001 (Beehner 2005).[14] Similarly, over the period of seven years (2002-2008), the United States government has been providing significant economic support – totaling around U.S. $10 billion in economic aid and U.S. $5 billion in military aid – to the government of the Pakistani president Musharraf (Baker and Robinson 2007; Rohde *et al.* 2007). The U.S. aid to Pakistan created an economic dependency of the highly volatile economy of Pakistan upon the economic subsidies that have been coming from the United States (Human Rights Watch 2007:307). In return, the United States received an important political ally in the Middle East region (even though this relationship compromised the democratization of the domestic political process of Pakistan). This relation can be perceived as an example of the core-periphery economic-political trade-off, wherein economic ties to the periphery increase the political power of the core state and reduce the democratization of a peripheral country. Because of this and other reasons stated

[14] The annual economic aid to the government of Uzbekistan was around U.S. $150 million. U.S. military base in Kyrgyzstan pays around U.S. $50 million a year plus another U.S. $10 million in military aid (Beehner 2005). Similarly, France invested 24 million Euro in the reconstruction of Dushanbe International Airport in Tajikistan, which allowed 200 to 300 of French military personnel to support the operation Enduring Freedom in Afghanistan since 2001 (Interfax 2007).

earlier, the current world-systems theory needs to be broadened in order to incorporate such reciprocal economic-political processes, when economic processes influence politics.

In my dissertation, I address four main questions based on the outlined world-systems theoretical framework and its deficiencies. First, I provide the much needed empirical evidence to explain how the core states use their international trade as the main tool to politically influence the peripheral states. Secondly, I demonstrate that international trade can be used by the core states to manifest their political influence over the peripheral states in ways that may not necessarily lead to the extraction of economic benefit.

I show that instead of economic exploitation, a political-economic exchange takes place in the core-periphery relations. Within this exchange, trade maintains the international power of the core states, which helps secure their larger geopolitical goals. Thirdly, I show that the concept of international trade needs to be re-examined based on its core- or non-core orientation in order for international trade to be a better analytical tool within the world-systems methodological framework. Lastly, I address the conceptual limitations of the current quantitative models within the empirical world-systems analysis and suggest how future world-systems analysis can be improved.

Before I proceed further, I will discuss a number of theoretical approaches that have been (or could be) used in the analysis of democracy. Some of these theories will be used as the basis for the control variables in later chapters, while other theories will give a broader perspective on the process of democratization.

**Political Modernization Theory**

Classical social evolutionism (also referred to as unilineal evolution theory) centers on the idea of uniform progress and implies that different societies go along a similar way of development from "primitive" to "civilized" stages (Sanderson 1990). This approach offers the theoretical foundation for a number of processes that can be linked to the concept of democracy. Durkheim ([1893] 1964), for instance, considered social evolution primarily as the development from mechanical solidarity to organic solidarity, which is based on population growth and density, morality, and the division of labor. Although the division of labor would be hard to measure per se, the level of urbanization can be a proxy for the division between agricultural and industrial labor, and the extensiveness of the infrastructure needed to support the urban areas. Population growth and density would be two other predictors of social development (which includes the political process and democracy) that are suggested by the traditional social evolution theory. While social evolutionism does not explicitly consider democratization, I argue that within this theoretical framework, greater urbanization would positively affect democracy. The rationale is that under the assumption of unilinear evolution, democratizing countries would have to undergo the processes similar to the states with already higher levels of democracy. Because Western industrialized nations (the states with greater levels of democracy) have high levels of urbanization, social evolution theory would predict that democratizing nations would have their levels of urbanization also increasing.

A modern version of classical social evolutionism can be unified into modernization theory. In sum, industrialization is considered to be at the center of the process of political modernization. Highly concentrated urban populations become exposed to education, literacy, and information, thus helping the political mobilization of the citizens (Lerner [1958] 1964). Rostow ([1960] 1991) argued that economic development is essential to a country's industrial modernization. Similarly, Kuznets (1966) and Chenery and Taylor (1968) emphasized that the rise of urbanization (a positive force in democratization in this case) depends on the per capita income. Lipset (1959) showed that per capita income positively affects democracy. His rationale was that more affluent society would be less likely subjugated by a totalitarian or an oppressive regime. Giving adequate economic development, industrialization creates interest groups that compete for political power through elections and representative government (Lipset 1981). The analyses of Moore (1966) and Rueschemeyer, Stephens, and Stephens (1992) supported modernization theory in their findings that economic development expands the middle class, which in turn, boosts democratization. Most common relationship predicted by the modernization theory, however, remains the effect of GDP per capita (or its equivalent) on democracy (e.g. Burkhart and Lewis-Beck 1994; Cutright 1963a,b; Dahl 1971; Londregan and Poole 1996; Epstein et al. 2006).

The effects of economic development on democracy have been increasingly contested. Most notably, Przeworski et al. (2000) argued that GDP per capita has no definitive effects on democracy. A number of other analyses support this claim (e.g.

Kurzman and Leahey 2004; Paxton 2002). Perhaps, the effect of the GDP per capita depends on the historical period. For example, Boix and Stokes (2003) argued that before World War II, the effect of GDP per capita on democracy is evident, while it fades away in the second half of the twentieth-century. In sum, this debate is ongoing and it is likely to be continued for years to come.

Aside from economic predictors, other factors were theorized to influence the development of the political process from the modernization perspective, such as increased education (Lipset 1959), modern values of society (McClelland [1967] 1976), modern personality of the citizens (Inkeles [1974] 1999), and historical traditions of the democratic governance (Apter 1965, 1973).

In the analysis of democracy, modernization theory was often used in conjunction with the so-called "Washington Consensus,"[15] which is the extension of modernization theory within neoliberal economic thought. In conjunction with the Washington Consensus, modernization theory deserves particular attention in the current analysis because at present it has strong ideological, theoretical, and policy-making foundation throughout the world, and particularly in LDCs. In brief, the Washington Consensus is a general agreement among Western international economic organizations with the headquarters in Washington, DC that neoliberal economic policies are beneficial for economic and political development of the countries. These organizations primarily include the International Monetary Fund (IMF) and World Bank. The Washington Consensus is also prominent among the multiple U.S.-based

[15] Also referred to as the "Washington Hypothesis" in some literature, e.g. Rudra (2005).

economic and political think-tanks and among the policy-makers in the U.S. government and legislature.

Other international economic organizations also tend to follow the Washington Consensus model. For example, World Trade Organization (WTO) is arguably prescribing part of the policies of the Washington Consensus for the countries that want to acquire memberships in the WTO. The Paris Club (an informal association of the nations that are major creditors in the world) also incorporates many Washington Consensus-driven policies within its debt-restructuring programs (Rieffel 2003:50-94). A number of other, less than country-level, economic organizations such as London Club and The Institute of International Finance generally support the main policies of the Washington Consensus.

The term "Washington Consensus" was introduced by Williamson (1990).[16] Table 2.2 incorporates the ten policies that comprise the Washington Consensus. On a conceptual level, economic liberalization promoted by the Washington Consensus is thought to secure and enlarge the resources of non-state private actors, who would then contest the economic and political influence of the state (Bobbio 1990; Diamond 1995; Friedman 1962). Such a political contest is vital for the development of influential non-state political actors within the political opposition, which in turn is essential for democratization. In this vein, Dahl (1971:48) argued that the reduction of the resources of the government versus the opposition will result in a less oppressive regime.

[16] For the development of the Washington Consensus as model and ideology see Williamson (2004).

**Table 2.2.** Washington Consensus.

| Policy | Summary |
|---|---|
| Fiscal Discipline | Reduction of the budget deficits, improvement of the balance of payments, reduction of inflation. |
| Reordering Public Expenditure Priorities | Redirection of public expenditures from subsidies to basic healthcare, primary education, and basic infrastructure. |
| Tax reform | Construction of a tax system that would combine a broad tax base with moderate marginal tax rates |
| Liberalizing Interest Rates | Market-determined interest rates that are positive, however moderate. |
| Competitive Exchange Rate | Market-determined competitive currency exchange rate. |
| Trade Liberalization | Liberalization of imports, elimination of licensing, introduction of low and uniform tariffs. |
| Liberalization of Foreign Direct Investment | Reduction and elimination of the restrictions on the entry of the foreign capital, introduction of debt-equity swaps (repayment of the state debt by property). |
| Privatization | Privatization of state-owned enterprises and property. |
| Deregulation | Reduction of the barriers to enter and exit market, while keeping regulations designed for safety or environmental reasons. |
| Property Rights | Creation of legislative and executive protection for private property. |

*Source*: Williamson (1990).

Some advocates of the Washington Consensus (e.g. Fish and Choudhry 2007:257-258) argue that by taking economic power away from the state, economic liberalization fosters workers' mobilization and can aid the development of unions and other professional associations, which Durkheim ([1957] 1992) would consider as a part of the social foundation for egalitarian governing. Furthermore, the flow of economic resources from the state into private hands creates a new class of owners of the property and the means for production: the bourgeoisie. Marx and Engels ([1845] 1998) thought that the bourgeoisie represents an autonomous democratizing force, since one of its goals is the independence from the landlords and aristocracy.[17] Moore (1966:418) summed up their argument by stating "No bourgeoisie, no democracy." However, these theorists analyzed the political systems during the industrialization period. If we apply similar argument to the contemporary world, we may not necessarily observe the same results. For example, the presence of capitalists (property-owning class) may be essential for the growth of democracy in the developing nations. At the same time, the theorized effect of bourgeoisie on democratization in the industrialized nations can be questionable.

The failure of many economic policies in the countries of Africa, Latin America, and the former Soviet Union inspired much criticism of the Washington hypothesis and modernization theory in general (Callaghy 1993; Huber, Rueschemeyer, and Stephens 1999; Oxhorn and Ducantenzeiler 1998; Przeworski 1991, 1992; Stiglitz 2003). The

[17] The democratizing force of bourgeoisie has a temporal nature in the analysis of Marx and Engels. Initially, the bourgeoisie fosters democracy by reducing the power of the aristocracy and the state. At later stages, however, the bourgeoisie represents a negative force as it opposes the proletariat in its political contest.

advocates of the Washington Consensus, however, respond that the failures of the economic policies in those countries happened because of the "fatal errors" that particular governments made during the implementation of the prescribed policies (Williamson 2002), but not due to the flaw of the policies themselves.

In sum, on conceptual as well as empirical levels, modernization theory and economic liberalization in particular have strong roots. The debate on the relationship between economic policies and political outcomes continues in all areas of social science fields. While it is not the purpose of my dissertation to resolve this debate, I address a part of it in my analysis by examining and reconceptualizing the relationship between international trade and democracy.

**Ecological-Evolutionary Theory**

As Crenshaw (1995:705) argued, "the central notion of ecological-evolutionary theory is [...] its focus on a society's carrying capacity and the social structures that are created in response to it." In his theory of proto-modernity, Crenshaw (1995) emphasized the importance of technological and organizational heritages for a society's democratic development. He theorized that a pre-industrial technological level and organizational structure of a society can explain a sort of political regime that the society developed in the modern period. In particular, he argued that technologically advanced societies had a more complex social structure, more rapid economic development, and greater pluralism, which resulted in the increase of political and civil

rights of the populations and resulted in the development of more democratic political processes.

More broadly, modern social evolution theory (also referred to as the theory of cultural evolution, neoevolutionism, or the theory of multilinear evolution) argues that, rather than following a similar pre-determined path of development, societies adapt to their environment (Steward 1967). Among the major factors that affect the development of a society are: technology, economics, political systems, ideology, and religion. The idea of technological progress is central to modern social evolutionism. White (1959) emphasized the significance of energy consumption as the measure of the development of a society. And, Lenski (1974) stressed the importance of information and knowledge. Parsons (1971) mentioned the knowledge of law and the development of the legal system among the factors that paved the way of the development of a democratic state. All these factors affect the evolution of a society; however, different factors are responsible for different effects on the development. Thus, the combination of these effects creates many patterns of the development, hence the term multilinear evolution. From this perspective, Strang (1990) found that the population size of the countries influenced decolonization of the former colonies and their further political development.

Social evolution theory provides a broad range of potential predictors for democratic political process, such as economy-based predictors (overall volume of the economy, per capita volume of the economy, amount of consumed energy etc.), technology-based predictors (high-technology exports and imports, information and communication technology expenditure, number of personal computers per capita, etc.),

and socially-based predictors (population density, religious heritage, complexity of social organization, etc.)

A sub-set of ecological-evolutionary theory is social capital theory that advocates the idea that social capital broadly conceived is essential for the development of a society. Drawing on the writings of Bourdieu (1985) and Coleman (1988), Portes (1998:21) acknowledged that while "the greatest theoretical promise of social capital lies at the individual level," social capital can be redefined on an aggregate national level. Theoretically, associational ties are the concept that seems to be most applicable to the analysis of democracy among many other dimensions of social capital. Putnam (1993) linked social capital to democracy through voluntary associations. Lipset, Trow, and Coleman (1956) argued that associations provide the necessary resources for collective mobilization, which is imperative for a democratic political process. In the empirical study of the relationship between social capital and democracy, Paxton (2002:254), summarized social capital theory by arguing:

> When citizens interact often, join groups, and trust each other, their relationships aid democratization by crystallizing and organizing the opposition to a non-democratic regime. Once a democracy is established, these relationships expand citizen access to information and political ideas, which increases governmental accountability. Furthermore, voluntary associations provide a training ground for new political leaders, help members practice compromise and learn tolerance, and stimulate individual participation in politics.

Paxton (2002) operationalized social capital as associations, or International Non-Governmental Organizations. In support of this measurement, she argued that "once created, such institutions will help foster and maintain stable democracies" (Paxton 2002:255). Therefore, based on social capital theory, I expect that the strength of the

associational ties (whether international or domestic) increases the level of democracy in a country.

**Class-Analytic Theory**

In this theoretical approach, class conflict and social inequality are the main explanatory mechanisms for the democratic political process. In short, the social stratification system of a society influences its political system. Historical materialism and generally Marxism may be considered as the point of departure of class-analytic theories. As Marx stated ([1859] 1904:11), "the mode of production of material life determines the general character of the social, political and spiritual processes of life." From this theoretical perspective, economic relations are considered primary, and the mode of production shapes the class structure, which, in turn, influences the development of the political process.[18]

Based on the class analysis, some classes are considered more than others to be prompted to facilitate a democratic change. For example, some class theorists consider agrarian societies as the ones that are less likely to democratize (Dahl and Tufte 1973). Similarly, Moore (1966) argues that the presence of a large agrarian class hinders the democratic development, while the class of bourgeoisie is essential for the state's democratization. Other theorists agree that the agrarian class is unlikely to develop a democratic political system; however, they see the working class, rather than the bourgeoisie, as the agent of democratization (Huber, Rueschemeyer, and Stephens

[18] For the critique of Marx's view of the society, see Weber (1978:43-61, [1930] 2002).

1993). In a similar vein, Skocpol (1976) suggested that, historically, the land-owning elites in France, Russia, and China represented a negative factor in the development of democratic political systems in these countries. She also noted that the relations between classes and states, as well as the influence of the foreign states, play a significant role in the development of a state's domestic political process. From a similar class-analytic perspective, Downing (1992) described the negative effects of militarization on the democratic political process. In particular, he argued that when facing international military threat, political elites oppress the citizens to foster militarization and to reorganize the outdated military in the state. Thus, the ruling class acquires the power and legitimacy to use force not only to protect the citizens from the external threat, but also to undermine the political opposition and thus jeopardize democratization.

**Social Movement Theory**

This theoretical perspective incorporates many specific theories that concentrate on the analysis of collective action. Value-added theory (sometimes referred to as strain theory, Smelser [1962] 1972) states that a social movement can emerge as a result of social inequality and the inability of the elites to impose social control, giving the conditions that the social problem is identifiable, that the social group possesses adequate resources, and that there is a political opportunity to achieve its goal. Applying this theory to democratization, I expect that a certain combination of factors may be necessary or sufficient for a democratic (or anti-democratic) political take-off.

According to pluralist theory, political power in a society is distributed among multiple interest groups. Those groups are constantly competing with one another for the control of the public policy through the executive, legislative, and judicial branches of the state. This theory suggests that instead of the uniform political elite, there are multiple elites that change depending on the combination of the interest groups that have the most political power. According to Dahl ([1961] 2005), the modern state is an arena for political contenders, and the state policy is a result of the political bargaining between the actors. The modern democratic system institutionalizes the competitive distribution of the political power; hence hypothetically, all interest groups have equal opportunity to enter the political process. Neo-pluralist theory argues that classical pluralism oversimplifies the argument, and that the democratic system does not necessarily distribute power evenly. Because of uneven distribution of economic resources some interest groups, notably the large corporations, have an advantage over other interest groups and enjoy an increased share of the political power. In the analyses of democracy, it would be hard to measure the interest groups and the amount of power they possess. However, it may be possible to analyze how the increase in physical numbers of the members in one of the interest groups (unions or military, for instance) influences the overall democratization of a state.

Institutionalism theory suggests that a state is not simply a political arena, but an active political actor. Skocpol (1985) argued that the state has its own resources and goals, and state actors are largely autonomous. In pursuing its own goals, the state sometimes can act in conflict with other actors' interests. This argument may be

considered as an expansion of Weber's idea of bureaucracies: an over-bureaucratized state will have its own goals, resources, and ambitions as a political actor.

Resource mobilization theory stresses the importance of the resources that are necessary for a social movement to achieve its goals (Jenkins 1983; McCarthy and Zald 1977). This theory considers social movements as the rational and goal-oriented organizations that pursue political goals as social actors (Buechler 1999). In explaining political processes and democratization, resource mobilization theory suggests that resources, such as money, political influence, access to media, number of members, social ties, and the like, would be the focus of the competition of the opposing political movements. The movement that possesses the most resources would likely influence the political process in the country to the greatest degree. Political process theory (McFarland 2004) is similar to resource mobilization theory, but emphasizes the relationship between the availability of a political opportunity and the timing of the emergence of a social movement.

New social movement theory (Melucci 1996) examines the phenomenon of the recent social movements like the ecological movement, gay rights movement, women's rights movement, anti-globalization movement, and others. Unlike other social movement theories, new social movement theory places the stress on consciousness, culture, ideology, beliefs, and values, which, in connection to the new kind of social movements, can be understood as democratic values. The theory also emphasizes the role of the middle class in the political process of a state. Therefore, according to this

theory, democratization can be explained by the existing combination of societal values and the presence of a politically active middle class.

**Summarizing Theories of Democracy**

The described theoretical perspectives above represent an extract from a large body of social theories that consider state and political processes and that may be incorporated into an analysis of democracy. Due to the quantitative nature of my analysis, I incorporate the theories that can be quantified and for which ample data exist. Nevertheless, the focus of the current analysis remains on one specific relationship between international trade and democracy, within a specific historical and geographical context of the former Soviet states. Although the concluding chapter will address the theoretical foundations that are necessary for the described relations to exist outside the geopolitical paradigm of the former Soviet Union, the explicit development of a new theoretical model of democracy is beyond the scope of my dissertation. Below in Table 2.3, I summarize the theoretical approaches that will be incorporated into my statistical models, what these approaches predict, and what I expect to observe in the models based on these predictions.

**Table 2.3.** Theories of Democracy and Their Predictions.

| Theory | General Prediction | Expectation in the Models |
|---|---|---|
| World-systems theory | Domestic political and international economic processes are related | Significant effect of international trade on democratization |
| | International trade is not a homogeneous process | Opposite effects of trade with core- and non-core states |
| | Economic ties with the core states negatively influences democratization | Negative effect of trade with Russia on democratization |
| | Economic ties with the non-core states positively influences democratization | Positive effect of non-Russian trade on democratization |
| | Core states will use military force to secure their dominance | Negative effect of the presence of Russian troops on democratization* |
| | Social ties to the core state influence the domestic political process of a state | Negative effect of the percent of ethnic Russians on democratization |
| Political modernization theory | General state of the economy affects democratization | Positive effect of GDP per capita on democratization |
| | Economic development positively influences democratization | Positive effect of change in GDP per capita on democratization |
| | Urbanization positively influences democratization | Positive effect of the percent of urban population on democratization |
| Ecological-evolutionary theory | Demographic inheritance influences political process | Positive effect of population density of rural areas on democratization |
| Social capital theory | Voluntary associations foster democratization | Positive effect of international non-governmental organizations on democratization |
| Class-analytic theory | Agrarian class negatively influences democratization | Negative effect of population density of rural areas on democratization |
| Institutionalism theory | A stronger military will increase the power of the state and impede political competition and democratization | Negative effect of the percent of labor in military on democratization |

* A number of theories that necessitate an independent state as the foundation for the political process and consequently for democratization, may consider the presence of foreign troops as a negative factor for the political process in a state. Thus, for Marxists, foreign troops represent an external threat that forces the political elites to sponsor a rapid domestic militarization thereby oppressing the citizens. In addition, foreign troops that belong to a hegemonic state can be seen as an extra obstacle for the working class in its political struggle with the ruling class. For pluralists and institutionalists, the ability of the interest groups to compete for the political influence is directly undermined by the foreign military. Within the framework of the current research, however, it will be most appropriate to attribute the potential effects of the presence of the Russian military on the democratization of the former Soviet states to the world-systems theory.

As it follows from my theoretical review, most theoretical approaches (as well as the philosophical body of democratic theory) consider democracy as a state-based phenomenon. True, we can observe democracy in a state as a unit of analysis. Democracy as a concept makes sense within a certain defined society, just like any other state variables: population, territory, natural resources, etc. It would be hard to imagine what democracy would mean if it was not embedded in a particular social and geographic settings. Yet, multiple processes form the political process in a country, and not all of these processes originate within the state that nests its democracy.

However, there is only one primary theoretical approach that explicitly considers interstate processes in the formation of the domestic political process in a state: world-systems theory. This is the conceptual reason why I emphasize the importance of world-systems theory in my dissertation and use a world-systems analytical framework. Nevertheless, the main objective of the world-systems theory is to explain the process of economic exploitation of the weaker states by the stronger states within the framework of the international capitalist economy. Hence, world-systems theory needs to be broadened to incorporate the wide range of social, political, and cultural processes, which are all interconnected in today's rapidly globalizing world. Ideally, a new theoretical approach needs to be developed within the area of globalization research to incorporate the multiple international processes spurred by globalization. Moreover, the most recent theoretical approaches need to bridge the theoretical gap between the international and the domestic political, economic, social, and cultural processes, thereby fully incorporating globalization as a major factor in the

development of a modern state. While the development of a new theory will not be pursued here, one of the main goals of my analysis is to objectively show the need for the development of a new theoretical approach within the body of social sciences and to offer theoretical thoughts on the relationships between economic and political processes, as well as between inter-state and intra-state processes.

In my analysis I employ the Polity IV scale as the main indicator of democracy. The conceptualization of democracy in Polity IV indicator closely resembles the notion of popular sovereignty, or accountability of political elites to non-elites, which is important in my theoretical argument regarding the relationship between international trade and democracy. The definition of democracy employed in the Polity IV scale is very close to Bollen's definition (1980), which considers popular sovereignty as the core component of political democracy. Conceptually, the structure of the Polity IV scale is very flexible and encompasses the Constitutional approach, Procedural approach, and Process-oriented approach, which, according to Tilly (2007), are the three out of four main types of definitions of democracy in the modern social science fields. The Polity IV indicator of democracy is widely used across social science disciplines and is likely to be the most commonly used indicator in contemporary quantitative studies of democracy (Jaggers and Gurr 1995; Kurzman and Leahey 2004; Painter and Paxton 2007; Polillo and Guillén 2005; etc.).

Another scale that I employ to measure democracy is the Freedom in the World scale initially designed by Raymond Gastil (1990) and currently developed by the Freedom House. In Chapter 4, I will use another Freedom House measure, Freedom of

the Press. While Polity IV will serve as the main measurement of democracy in chapter 5, Freedom House's scale will serve as a control measure to ensure the validity of the results and to increase their reliability. I will discuss the theoretical and empirical advantages of the Polity IV scale as opposed to other available indicators of democracy in detail in Chapter 5, wherein I will discuss the variables and their measurements.

# CHAPTER III

# FORMER SOVIET STATES AS A HISTORICAL SAMPLE

The fifteen countries of the former Soviet Union provide an excellent example of a hierarchical world-system. First, these countries represent the most recent historical case of the dissolution of a formal empire. Secondly, all these countries share extensive economic, political, social, and cultural ties, which make it possible to measure the effects of these interstate ties on the domestic processes in the countries of the former Soviet Union. Thirdly, within less than twenty years the re-emergence of a political hegemony based on international economic ties came into view. Lastly, the simultaneous development of multiple political, economic, and social processes within as well as between the former Soviet states provide a quasi-laboratory for the application of the world-systems analytical framework.

Regarding the debate over democracy, and the highly disputed relationship between economic liberalization and democratization, the former U.S.S.R. represents one of the central areas of debate mainly because of the historically most recent application of the Washington Consensus-driven economic policies (as were the countries of Latin America, Africa, and Asia after decolonization). The restructuring of the economic systems in the countries of the former Soviet Union from state-dominated socialist to private capital-dominated capitalist spurred many ideological debates in

academia, as well as among policy-makers. The new institution of free elections brought previously unknown opportunities for political contest.[19] The simultaneous development of legislative, governmental, and judicial systems produced significant social change within relatively short period of time. Due to the comparative nature of sociological analysis, fifteen countries of the former Soviet Union represent a good historical sample of the countries that experienced various political, economic, and social changes across multiple nations at the same time.

Scholars who generally agree with the Washington Consensus argue that the fast-paced economic reforms in the countries of the former Soviet Union helped develop democratic process along the way to achieving economic goals (Aslund 1995, 2002; Fish 2005; Fish and Choudhry 2007; Frye 2000; McFaul, 2001; Murphy, Shleifer, & Vishney, 1992; Sachs, 1994). Many other researchers argue that rapid economic change in the former Soviet Union resulted in increased inequalities, which may endanger democratization (Appel, 2004; Burawoy, 1996; Fairbanks, 1999; Herrera, 2001; Hout & Gerber, 1998; Klein & Pomer, 2001; Millar, 1995; Ost, 2000; Reddaway & Glinski, 2001; Stark & Bruszt, 1998).

From the moment the fifteen member-states of the former U.S.S.R. declared their independence in 1991, the economic policies of these countries were heavily dominated by neoliberal economic thought. Based on the Washington Consensus, economic theorists were expecting not only rapid improvements in the economy itself,

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[19] Not all countries of the former Soviet Union enjoyed free elections after the dissolution of the U.S.S.R. Some countries like Moldova and Lithuania have held periodic free elections since 1991, while some states like Turkmenistan and Uzbekistan reverted to autocratic systems of governance that have been more restrictive than even in the predecessor state.

but also visible improvements in social indicators, as well as in political democracy, wherein the outflow of the capital from the state into private hands would strengthen the non-state political actors who would then challenge the state monopoly of the political power.

Throughout the 1990s and early twenty-first century, democracy has declined in the most of the newly independent states in the former Soviet Union (the notable exceptions are the three Baltic states: Estonia, Latvia, and Lithuania). Simultaneously, most of the neoliberal economic policies had been carried out during this period: state property had been largely privatized, state-controlled domestic prices (particularly on energy) had been eliminated, and new legislations protecting private capital had been adopted. At the same time, across Eastern Europe neoliberal economic policies co-timed with the noticeable improvements in democracy. The general success of certain economic policies in the countries of Eastern Europe and the failure of similar policies in the former U.S.S.R. places a higher theoretical importance on the countries of the former Soviet Union: why didn't economic liberalization succeed in the former U.S.S.R.? Furthermore, why didn't this economic liberalization bring about the theorized political change that would foster democratization? To address this conundrum, researchers need to study the structural differences between the members of the former U.S.S.R. and the Eastern European countries that had lead to the opposite outcome of the same economic policies. While it is beyond my current analysis to compare the countries of the Eastern Europe to the ones of the former U.S.S.R., I will provide the foundation for further country-level comparative analysis of international

economic ties and democratization by outlining the relationships that previously received little attention in the literature.

The reasons for the decline of democratic freedoms and liberties in most countries of the former U.S.S.R. remain a subject for debate. Some advocates of the Washington Consensus (e.g. Aslund 2007) acknowledged that in the case of Russia, economic reforms did not result in a positive democratic change in Russian politics. Nevertheless, similar to other defenders of the Washington Consensus, Aslund did not link economic liberalization to the worsening of political freedoms in Russia. Rather, he argued that the two are unrelated:

> "Russia's problem was not that the reforms were too radical, but that some key reforms, notably political reforms, were not undertaken during the short revolutionary window of opportunity… The problem with Russia's democracy building was that no clear idea existed" (Aslund 2007:284).

The hypothesis of no relationship between economy and democracy is not relegated only to an analysis of the former Soviet Union. For example, in the countries of Latin America, advocates of the Washington Consensus argued that social and political deterioration was not the result of the neoliberal economic policies.

Economic indicators show that the countries of the former U.S.S.R. significantly differ among each other. According to Aslund, Sachs, and other advocates of the Washington Consensus, such differences in economic characteristics arise due to different ways that the prescribed economic policies were applied. Similarly, the argument of the neo-liberal economists regarding social change was that democratization was the direct result of the neoliberal economic policies where such policies were successful (notably the three Baltic states). When these policies were

considered unsuccessful, the resulting de-democratization was connected to such failures. When, however, there was a contradiction (introduction of the neo-liberal economic policies, yet declining democracy), the consensus among economists was that there was no relationship between economic policies and democracy. In contrast, my analysis shows that economic policies produce economic change and that this change can, in fact, explain social and political change in the countries of the former U.S.S.R. Table 3.1 summarizes some important economic indicators in the states of the former U.S.S.R.

From Table 3.1, it is evident that the countries of the former U.S.S.R. are very diverse in their economies. For example, GDP per capita ranges from USD 145 (Tajikistan in 1998) to USD 5610 (Estonia in 2004). Across the years, different countries had different kinds of economic development. Some states like Armenia showed stable increase in their GDP per capita, some countries like Ukraine showed the signs of moderate recovery from the economic downturn of the mid- to late-1990s. Still, some countries like Uzbekistan produced a relatively consistent performance in their economic development. From a visual analysis of Table 3.1, I conclude that, despite being a single economic entity for more than 70 years, states of the former Soviet Union retained their unique economic identities. While this conclusion is not surprising, it is theoretically important for the application of the world-systems theory because while being parts of the post-Soviet world-system and sharing strong economic ties to the economic center (Russia), countries of the former Soviet Union are unique in their economies and developmental patterns.

**Table 3.1.** Select Economic Indicators of the Former Soviet States, 1992, 1998, and 2004.

| | 1992* | | | | | | 1998 | | | | | | 2004 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | GDP pc | GDP, bil USD | Trade, % of GDP | Trade with Russia | Agricul-ture in GDP,% | FDI | GDP pc | GDP, bil USD | Trade, % of GDP | Trade with Russia | Agricul-ture in GDP,% | FDI | GDP pc | GDP, bil USD | Trade, % of GDP | Trade with Russia | Agricul-ture in GDP,% | FDI |
| Armenia | 420 | 1.5 | 101 | 6 | 31 | 0 | 560 | 1.4 | 72 | 9 | 34 | 12 | 987 | 3 | 70 | 6 | 25 | 6 |
| Azerbaijan | 932 | 6.9 | 141 | 6 | 29 | 0 | 558 | 4.3 | 77 | 7 | 19 | 23 | 945 | 7.9 | 122 | 9 | 12 | 41 |
| Belarus | 1256 | 11.5 | 117 | 20 | 24 | 0 | 1156 | 9.4 | 123 | 60 | 14 | 1 | 1701 | 14.9 | 142 | 77 | 10 | 1 |
| Estonia | 2888 | 4.3 | 115 | 3 | 13 | 2 | 3750 | 4 | 160 | 12 | 7 | 10 | 5610 | 7 | 160 | 16 | 4 | 8 |
| Georgia | 665 | 3.5 | 102 | 2 | 53 | 0 | 604 | 2.2 | 54 | 5 | 28 | 7 | 880 | 4.1 | 80 | 7 | 18 | 10 |
| Kazakhstan | 1351 | 22.2 | 149 | 13 | 27 | 0 | 1076 | 17.6 | 65 | 17 | 9 | 5 | 1819 | 27.3 | 96 | 20 | 8 | 10 |
| Kyrgyz Rep. | 359 | 1.6 | 83 | 13 | 39 | 0 | 261 | 1.1 | 95 | 16 | 40 | 7 | 324 | 1.7 | 94 | 19 | 33 | 8 |
| Latvia | 2349 | 6.2 | 153 | 5 | 18 | 1 | 2904 | 6 | 107 | 13 | 4 | 5 | 4539 | 10.4 | 104 | 12 | 4 | 5 |
| Lithuania | 3220 | 11.9 | 43 | 5 | 14 | 0 | 3144 | 9 | 102 | 12 | 10 | 8 | 4487 | 15.1 | 111 | 15 | 6 | 3 |
| Moldova | 489 | 2.2 | 80 | 19 | 51 | 1 | 307 | 1.5 | 124 | 49 | 32 | 5 | 430 | 1.7 | 133 | 34 | 20 | 3 |
| Russian Fed. | 2106 | 313 | 111 | n/a | 7 | 0 | 1511 | 250 | 56 | n/a | 6 | 1 | 2286 | 329 | 57 | n/a | 5 | 3 |
| Tajikistan | 308 | 1.7 | 22 | 7 | 27 | 0 | 145 | 1.1 | 107 | 10 | 27 | 2 | 222 | 1.5 | 128 | 12 | 22 | 13 |
| Turkmenistan | 885 | 3.4 | 99 | 7 | 11 | 0 | 479 | 2.5 | 103 | 5 | 26 | 2 | 617 | 5.6 | 121 | 5 | 20 | 0 |
| Ukraine | 1143 | 59.5 | 46 | 14 | 20 | 0 | 591 | 39.3 | 86 | 21 | 14 | 2 | 930 | 44 | 115 | 26 | 12 | 3 |
| Uzbekistan | 579 | 12.4 | 70 | 10 | 35 | 0 | 528 | 11.5 | 45 | 7 | 31 | 1 | 647 | 16.7 | 73 | 11 | 31 | 0 |

*Notes*: GDP and GDP per capita are in constant 2000 U.S. Dollars. Trade is combined exports and imports. Trade with Russia is shown as a percentage of GDP. FDI is Foreign Direct Investment, net inflows (% of GDP).

* For the year 1992 the following data from 1993 are shown: Trade, % of GDP (Turkmenistan); Trade with Russia (Estonia, Latvia, and Lithuania). All data for the variable "Trade with Russia" are also shown for 1993.

Particularly interesting from a world-systems perspective is the diversity of trade openness among the fifteen former Soviet states. Combined export-import volumes measured as percentage of GDP ranges from very modest 22 percent in Tajikistan in 1992, to 160 percent in Estonia in 1998, and 142 percent in Belarus in 2004. It is important to note that international trade is not a part of GDP. The percentage of trade relative to GDP has little meaning in terms of the relationship between the trade and GDP themselves, but instead this percentage has a purely comparative goal: to visualize the size of trade versus the volume of goods and services produced in the country. Therefore, such percentage may exceed 100 because the combined monetary volume of exports and imports often does exceed the monetary volume of goods and services produced. The dynamics of the opening of domestic economies to the international markets are also very different. Some countries like Ukraine have significantly opened their economies to international trade, while some states like the Russian Federation reduced the relative volume of their international trade, while still other countries like Kyrgyz Republic maintained a relative status quo in their economic openness.

Substantial difference in the size of the agricultural sector and its change over time points to the fact that the former Soviet states differ geographically (i.e. some have more arable land than others), as well as in terms of their levels of industrialization. Countries like Armenia and Moldova appear to be less industrialized than their geographical neighbors Azerbaijan and Ukraine. Similarly diverse are the economic ties of the former Soviet states to the Russian Federation. While some states like Belarus

and Ukraine strengthened economic ties to Russia, countries like Turkmenistan or Uzbekistan kept similarly modest levels of trade with the Russian Federation. Overall, Russia accounts for a substantial proportion of international trade across most of the former Soviet republics. In addition, Russia possesses the most diverse spectrum of natural resources and has the largest GDP, therefore representing a central core state.

Table 3.2 represents a summary of the socio-political development of the former Soviet states. A few observations can be made based on the visual analysis of Table 3.2. First, former Soviet states significantly differ in population size and ethnic composition. Russia has the largest population, which, along the lines of world-systems theory, is a sign of centrality in a world-system. Some countries have larger ethnic Russian minorities than others. Hence, several countries (like Estonia, Kazakhstan, or Latvia) have stronger cultural and social connections to the Russian Federation. Lastly, it is noticeable that very few countries of the former U.S.S.R. have free elections, which points out the fact that economic change does not seem to have resulted in democratic improvement.

**Table 3.2.** Select Social and Political Indicators of the Former Soviet States.

| Country | Pop. 1992, mil | Pop. 1998, mil | Pop. 2004, mil | 2002 % of ethnic Russians | 2004 % of ethnic Russians | Number of chief executives 92-03 | Year of last executive elections | Status of executive elections | Year of last legislative elections | Status of legislative elections |
|---|---|---|---|---|---|---|---|---|---|---|
| Armenia | 3.5 | 3.2 | 3 | 2 | 2 | 2 | 1998 | Flawed | 2003 | Flawed |
| Azerbaijan | 7.4 | 7.9 | 8.3 | 8 | 2 | 3 | 2003 | Very Flawed | 2001 | Very Flawed |
| Belarus | 10.2 | 10.1 | 9.8 | 13 | 13 | 2 | 2001 | Not free | 2000 | Not Free |
| Estonia | 1.5 | 1.4 | 1.3 | 30 | 28 | 2 | n/a | n/a | 2003 | Free |
| Georgia | 5.3 | 4.9 | 4.5 | 13 | 6 | 3 | 2000 | Flawed | 2003 | Flawed |
| Kazakhstan | 16.5 | 15.5 | 15 | 38 | 32 | 1 | 1999 | Very Flawed | 1999 | Flawed |
| Kyrgyz Rep. | 4.5 | 4.8 | 5.1 | 22 | 17 | 1 | 2000 | Very Flawed | 2000 | Very Flawed |
| Latvia | 2.6 | 2.4 | 2.3 | 34 | 34 | 2 | n/a | n/a | 2002 | Flawed |
| Lithuania | 3.7 | 3.6 | 3.4 | 9 | 8 | 3 | 2003 | Free | 1996 | Free |
| Moldova | 4.4 | 4.3 | 4.2 | 13 | 13 | 3 | 1996 | Flawed | 2001 | Free |
| Russian Fed. | 149 | 147 | 143 | 82 | 81 | 2 | 2000 | Flawed | 2003 | Flawed |
| Tajikistan | 5.6 | 6.1 | 6.4 | 10 | 2 | 1 | 1999 | Flawed | 2000 | Flawed |
| Turkmenistan | 3.9 | 4.5 | 4.9 | 13 | 7 | 1 | 1992 | Not Free | 1999 | Not Free |
| Ukraine | 52.2 | 50.3 | 48 | 20 | 22 | 3 | 1999 | Flawed | 2002 | Flawed |
| Uzbekistan | 21.4 | 24.1 | 25.9 | 11 | 6 | 1 | 2000 | Not Free | 1999 | Not Free |

*Note*: Estonia and Latvia do not have direct presidential elections, their chief executives are elected by members of their parliaments.

In sum, fifteen former Soviet states represent a nearly ideal type of world-system, wherein each state is an independent unit with its unique political-economic processes, yet all states share strong ties to each other. Furthermore, the center of the economic and political network is occupied by the strongest state (the Russian Federation) that arguably has hegemonic ambitions and evidently possesses the necessary human, economic, political, and military resources to fulfill such ambitions. Such a state as the Russian Federation constitutes a core, which dominates the core-periphery hierarchy. Furthermore, Soviet Union represents a case of the most recent dissolution of a formal empire. Therefore, ex-Soviet states offer another opportunity to address such pressing concerns as comprehending under which conditions modern hegemonies reemerge and analyzing the mechanisms of the reemergence of modern hegemonies.

The hypotheses of Russia being a re-emerging hegemonic state placed the former Soviet Union in the center of various debates in the social sciences. Since the dissolution of the U.S.S.R. in 1991, researchers examined various political, economic, and social changes in the now-independent fifteen states. Some researchers employed the world-systems framework to explain the complex political process within and between ex-Soviet countries. This geopolitical analysis suggested that Russia, having lost its status as a formal empire, has been nonetheless central to the political processes of the other former Soviet republics. In support of this analysis, Bugajski (2004:109) argues: "In the Kremlin's view, former Soviet borders, including the outside borders of the Baltic republics, retain a measure of validity as the major parameters of exclusively

Russian influence and a barrier against Western penetration." Interestingly, the western media often portrayed the political events and outcomes in the former Soviet states as either pro-Russian or oppositely as pro-Western, projecting the "pro-Russian" outcomes as less democratic and "pro-Western" outcomes as more democratic.[20] Such reporting maintains a view that Russia is the successor of the Soviet empire, with similar ambitions and a similar sphere of influence within the former partner states. My dissertation will address the influence of Russia on the other former Soviet states, while I will not explicitly analyze the influence of the Western states on the democratic development of the former U.S.S.R.

Brzezinski (1994) theorized that despite the dissolution of the Soviet empire, Russia inherited former Soviet hegemonic ambitions along with the vast political, economic, and military resources, which makes Russia capable of re-creating a form of hegemony within the former Soviet geopolitical space. In his further analysis, Brzezinski (1996:3) argued:

> A Russia that sees itself [as] something more than a national state [...] and as the source of supra-national and quasi-mystical identity, endowed with a special mission in a huge Eurasian geopolitical space formerly occupied by the Soviet Union, is a Russia that claims the right to embrace its neighbors in a relationship that, in effect, denies to them not only genuine sovereignty but even a truly distinctive national identity.

I expand on Brzezinski's idea (that Russia is "more" than a nation-state) within the world-systems framework by identifying Russia as the core and the other independent countries of the former U.S.S.R. as the periphery. The most recent Russian-Georgian

[20] For example, see New York times coverage of the Ukrainian Presidential elections in 2004 (Chivers 2004a,b).

war in August 2008 (when Russia used military force in response to the Georgian offensive in the Georgian breakaway region of South Ossetia[21]) showed that the Russian Federation does possess hegemonic ambitions. Soon after this military conflict, Russian President Dmitry Medvedev outlined five principles of a new Russian foreign policy. Principle number five "Spheres of Influence" is particularly characteristic of Russian post-Soviet hegemonic ambitions:

> Russia, just like other countries in the world, has regions where it has its privileged interests. In these regions, there are countries with which we have traditionally had friendly cordial relations, historically special relations. We will work very attentively in these regions and develop these friendly relations with these states, with our close neighbours. (Reynolds 2008)

When the interviewer asked Medvedev if these "priority regions" were those that bordered on Russia, Medvedev replied: "Certainly the regions bordering [on Russia], but not only them" (Reynolds 2008).

Researchers agree that Russia maintains its influence on the domestic political processes of the former Soviet states through the mechanism of trade with these independent nations. In particular, for political leverage, Russia creates an energy dependency upon Russia for the other former Soviet States through the export of oil and gas at prices below the international market, and often as credit (Bugajski 2004; Bukkvoll 2004; Light 1994; Lo 2003; MacFarlane 2003; Mihkelson 2002; Simonia 1995; Smolansky 1999). Besides import dependency, Russia also creates an export dependency upon itself for the newly independent states, primarily through the import of a large part of their industrial goods and agricultural produce. Through these large

[21] For more background on the conflict see Rogers (2008), for the development and outcome of this conflict, see BBC News summary "Day-by-Day: Georgia-Russia Crisis" (BBC News, 2008a).

imports from the other former Soviet states, Russia has the capacity to influence the nature of the industrial and agricultural production of its neighboring countries, thus completing the circle of these states' economic dependency upon the Russian Federation.

While world-systems researchers have hypothesized that international trade influences domestic political process, there has been little empirical evidence presented that would support this hypothesis. Similarly, the research on the post-Soviet world-system emphasizes the political component of trade with Russia, yet lacks any decisive analysis that would empirically support this claim. Importantly, the precise mechanism of how Russia influences the domestic political process of other countries using their economic dependency remains largely unidentified.

Furthermore, analysis of political-economic events in the former U.S.S.R. (Balaev and Southworth 2007) shows that qualitatively there seems to be limited, if any, political influence that Russia exerts within the former Soviet geopolitical space. Other researchers suggest that modern Russia is structurally incapable of re-creating an empire or hegemony (Motyl 1999). Some scholars advocate that modern Russia lacks a definite foreign policy and is still in the process of its formation (Tsygankov 1997). This casts additional doubt and raises more questions in terms of the extent to which Russia influences the political processes of the former Soviet states through its economic ties.

The economic dependency of the former Soviet states on Russia plays an important role in my analysis and deserves a detailed examination. Both import and

export dependency of the former Soviet states on Russia is not a recent phenomenon. Rather, this dependency has historical roots in the economic settings of the former U.S.S.R. During the Soviet regime (1922-1991), Russia was the political, economic, military, and social center of the union. Based on the central planning system, the "war economy" of the Soviet Union created heavy bureaucratic centralization in Moscow (Nove 1982; Van Selm 1997). This bureaucratic central planning apparatus administered the major contracts and controlled the distribution of raw materials and energy for the highly specialized regional economies of the Soviet republics and thus maintained the organizational dependency of the regional economies on the center in Moscow. Russia's economic centrality in the past, along with the fact that Russia was the main producer and exporter of raw materials in the U.S.S.R. (Van Selm 1997:54-55), effectively placed Russia in the center of the economic relations of the former Soviet states after the political breakdown of the union. Similar to Russia's position within its former empire, other hegemonic powers like the United Kingdom and France remained major trade partners of their former colonies after decolonization (Verdier 1994; Wells 1966:18-19).

While the political changes of 1991 dissolved the U.S.S.R. as a country, its economic legacy continued to affect its fifteen successors. When in 1991 former Soviet states acquired political independence, they were far from being economically sustainable. On the one hand, they needed the supply of cheap Russian oil, gas, and raw materials. On the other hand, these states needed the markets for their industrial and agricultural products. Because the economies of these states were essentially the

products of the Stalinist war economy, they were heavily oriented on the Soviet Union and Russia for both supply and demand. After gaining their independence, the new states could not offer competitive products on the international markets, nor did they possess enough resources to secure the independent supply of raw materials and energy from the alternative suppliers for the reconstruction of their economies. The only two countries that possessed their own energy resources – oil-rich Azerbaijan and gas-rich Turkmenistan – were dependent on the Russian infrastructure for their energy exports and on Russian energy companies for the exploration, production, and refining of oil and gas.

Moreover, the high regional economic specialization within the Soviet Union effectively prevented the new states from forming self-sustainable economies due to their strong dependence on Russia and other regions for supplies and machinery. In sum, gaining official political independence proved to be a much easier task for the former Soviet states than gaining economic independence. This fact of economic dependence of the former Soviet states on the Russian Federation is theoretically important in the analysis of democracy. Rueschmeyer *et al.* (1992), for instance, argued that economic dependence on a foreign country can result in the diminished democracy within the dependent country.

There are numerous examples of how Russia used its economic leverage to extract the desired political outcomes after the breakdown of the Soviet Union. For example, in 1993 the Russian government increased the import-export tariffs in order to force Moldova to join the Commonwealth of Independent States (CIS). Throughout the

1990s, Russia was periodically reducing energy supplies to Ukraine, thus forcing it to join various security and economic agreements within the CIS. Then in 2004, Russia forced Ukraine to join the Common Economic Space between Russia, Belarus and Kazakhstan. In 1997, the Russian government forfeited the energy debt of Belarus in exchange for Belarus to enter into a formal political union with Russia.

Based on these and other examples, researchers have hypothesized that trade ties to Russia can explain the various kinds of political regimes that developed in the post-Soviet states (e.g. Bugajski 2004:29-49). In general, the combination of economic dependence upon Russia of the post-Soviet nations and the frequent political decisions that favor Russian international policy, leads to the conclusion that Russia indeed uses its economic ties as a tool to increase its political power internationally and to maintain its geopolitical interests within the former Soviet space (Adams 2002; Checkel 1995; Strachota 2002). However, the extent of the interrelation between the political and economic processes varies across the fifteen countries of the former Soviet Union. For example, the political process in the Baltic states is generally considered to be more independent from their economic relations with Russia, while the "very existence" of some countries like Ukraine is regarded to be "at stake" because of the overwhelming Russian economic influence that is manifested in the supply of energy, credit, and trade (Smolansky 1999:58). Considering the described interconnection of political and economic processes, the following exchange depicted in Figure 3.1 takes place within the former Soviet geopolitical space:

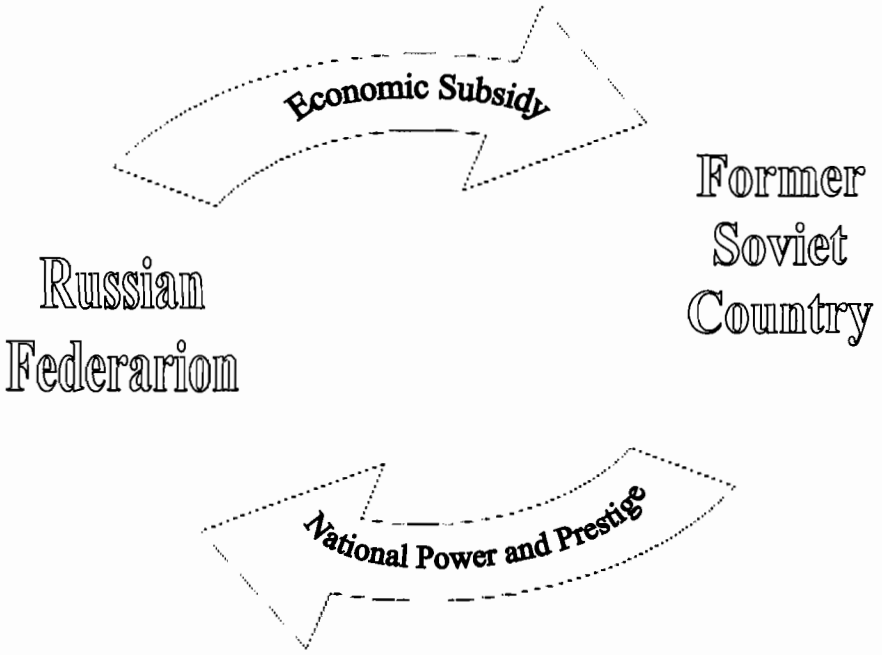


**Figure 3.1.** Economic-Political Exchange in the Former U.S.S.R.

It is important to note that this exchange does not have a reciprocal nature because it implies uneven core-periphery power dynamics. Similar to the relationship described by Kentor (2000:27), power-dependence takes place instead of inter-dependence: while a former Soviet country cannot put pressure on Russia through any feasible means, Russia can easily put pressure on a former Soviet country by reducing the amount of trade favors or economic subsidies. In other words, the potential damage that Russia would acquire from the reduction of the political favors from a single post-Soviet country is minimal, while the reduction of the trade favors with Russia can have a devastating effect on a post-Soviet state.

I theorize that such trade dependency in the post-colonial settings of the former U.S.S.R. will result in the formation of political elites[22] in the periphery that would institutionalize the political influence of the core state (Russia), and restrict the domestic political process by reducing popular sovereignty (or the power of the non-elite versus the elite) in the periphery. Bollen (1979:578) theorized that popular sovereignty is the essential component of political democracy. Therefore, the extent to which political elites in the periphery promote core policies, versus the popular will of the domestic non-elite, will influence the level of political democracy in the country.[23] Applying the theoretical arguments of world-systems to the post-Soviet geopolitical space, I formulate two general and two historically specific hypotheses of the dissertation:

**Hypothesis 1:** *Democratization of a state is not independent from the state's international economic ties.*

If Hypothesis 1 holds true, I will expect to see a significant effect of international trade on democratization. If Hypothesis 1 is false, there will be no relationship between international trade and democratization. In this hypothesis, I treat

[22] I use the concepts of "political elite" and "government" interchangeably in this analysis. Although political elites may represent a broader concept, there is little distinction between the two concepts in the post-Soviet states: the actions of the governments represent the actions of the political elites and vice versa.

[23] There are multiple factors that affect the formation of the political elites in a country or that affect the country's democratization. Within this study, I focus in detail on the analysis of a number of specific relationships, namely trade and democracy. Other potential explanations for the process of democratization will be represented by the control variables and will also be a part of the analysis. The unknown component of political democracy will be situated in the unexplained error.

former Soviet states as a historical sample of a small world-system. Therefore, I am trying to make a prediction for other regional world-systems, as well as for the global world-system. Is there a relationship between international economic and domestic political processes in a state? The main goal of Hypothesis 1 is to address this question.

**Hypothesis 2:** *International trade of a state contains multiple processes that have different political outcomes.*

Giving that Hypothesis 1 is true, and that there is an identifiable relationship between international economic and domestic political processes in a state, can we consider international trade as a uniform process that yields a single political outcome? In other words, is it the volume of the international trade that matters (which has been the mainstream idea in the literature) or is it the direction of the trade (i.e. who a country trades with) that is more important? Hypothesis 2 suggests that it is not simply how much a state trades, but instead the type of other countries it trades with that ultimately influences the state's level of political democracy.

If Hypothesis 2 is true, based on world-systems theory, I will observe different effects of the trade with the core state (trade with Russia) and non-core states (non-Russian trade). Although other powerful states are recognized as core in the literature, the specifics of the post-Soviet world suggest that Russia has the strongest ties to the other former Soviet states. Giving the hegemonic ambitions of the Russian political elite, it is reasonable to expect that trade ties with Russia will have the strongest political influence on the democratization of other former Soviet states. Therefore, for

the purpose of my analysis, I will consider trade with the United States, China, and the countries of the European Union (the countries that are most often placed in the "core" category) as trade with non-core states.

Although trade with the core states was theorized to negatively affect the democratic political process in the periphery, world-systems theory says little about non-core oriented international trade. Secondly, research showed little agreement of the effects of the international trade in general. Some scholars argued that socially-oriented free trade can be beneficial to democratization and the political process (Luca and Buell 2006). Similarly, economic liberalization (which includes intensified international trade) was considered to advance democratization (Fish and Choudhry 2007). Neo-classic economic theory represented by the Washington Consensus would agree with such analyses. Yet, increased international trade can be linked to the division and outsourcing of labor and overspecializations of the regional economies that increasingly orient on the foreign markets – the processes that the broad spectrum of dependency literature considers as negative factors in the formation of the democratic economic and political process in the peripheral countries. In addition, some post-Soviet scholars argue that there is no relationship between economic liberalization and democracy in the post-Soviet states (Kurtz and Barnes 2002), which makes former Soviet states a particularly interesting sample to test the effects of international trade on democracy.

One problem in the existing research is that this research considers international trade as a uniform and whole process, which I argue is theoretically wrong. I indicate that there is not only a relationship between international trade and democracy, but also

that in order to fully understand this relationship, the concept of international trade needs to be re-examined based on some ideas of the world-systems theory. I argue that international trade as a whole incorporates two opposite political processes. On the one hand, core-oriented international trade brings a degree of political subordination to the core. On the other hand, non-core oriented international trade helps the state to distance itself from the international trade with, and economic dependency upon, the core that has political implications.

Therefore, I hypothesize that trade with the core states will reduce the level of political democracy in a peripheral state, and that general international trade (or trade openness), considered as the opposite of the core-oriented trade, will have a positive democratic influence on the domestic political process of the state. The expectations of the opposite effects of core- and non-core oriented international trade are summarized in the Hypothesis 3 and Hypothesis 4:

**Hypothesis 3:** *The level of political democracy in the post-Soviet states depends on the extent of these states' economic ties to Russia. The more extensively a former Soviet state (periphery) is engaged in trade with Russia (core), the lower will be the level of this state's political democracy.*

**Hypothesis 4:** *The level of political democracy in the post-Soviet states depends on the extent of these states' trade openness. The more extensively a former Soviet state is engaged in trade with other non-core countries, the higher will be the level of this state's political democracy.*

I take a step away from the traditional world-systems theory by operationalizing Russia as core and all other states as non-core, which is done solely for the purpose of this analysis. My research is an attempt to understand the relationship between international trade and democracy, as well as the political component of trade with a modern hegemony (albeit a re-emerging one). From the point of view of the traditional world-systems theory, other countries like the members of the European Union and the United States are undoubtedly among the core nation-states. Nonetheless, there is a lack of evidence to hypothesize that such trade carries distinctive political implications for the former Soviet states. On the contrary, the political effects of the trade with Russia have concrete evidence. Furthermore, I find it problematic, even from the position of the traditional world-systems theory, to consider the European Union as a complete core: it is composed of multiple states, which do not have the political uniformity to comprise a single core entity.

Nevertheless, being core states as they may be, member-states of the European Union and the United States have limited influence within the former U.S.S.R. when it comes to comparing it to the influence of the Russian Federation with the former U.S.S.R. For example, the recent Russian-Georgian war in August 2008 showed that

the Western nations (potentially a competing core) have very little influence over the areas of interest of the Russian Federation: both the European Union and the United States were unsuccessful in protecting Georgia's interests during its confrontation with Russia (BBC News 2008b). In sum, I consider the EU and the United States as not "core" with respect to the former Soviet world system.

In my analysis of the former Soviet states, I want to theoretically distinguish between trade with Russia and trade with all other countries because I expect these economic processes to produce opposite political outcomes. While trade with a restructuring hegemony (the Russian Federation) has negative political effects, trade with other countries helps secure economic independence and, as a result, political independence of a former Soviet state. From this perspective, there is no distinction between "non-core" countries in this analysis. Specified in such a way, "non-core" trade can be operationalized simply as trade openness, which will allow me to examine its effects within the former U.S.S.R.

# CHAPTER IV

# POOLED TIME-SERIES ANALYSIS OF DEMOCRACY IN THE STATES OF THE FORMER U.S.S.R.

## Measurement of Democracy

Measuring a process that has a qualitative nature, such as democratization, can be a challenge, particularly in quantitative analysis. Most theoretical models of democracy agree that two necessary conditions for democracy include a representative government and the political equality of citizens. Other theoretical models include the balance of power between political elites and non-elites. A major problem in measuring democracy, as well as any other major social and political concept, is that this concept constitutes an unobserved, or latent, variable. One way to measure democracy would be to disentangle it into a number of components that can be directly measured, which would allow for the construction of a scale, and thus produce an objective measure of democracy. The other way to measure the concept is to qualitatively assess the condition of democracy as a whole based on the information available for the country, which would produce a subjective measure of democracy.

All measures of democracy can be seen as flawed: the subjective measures of democracy are criticized in the literature (Bollen and Paxton 1998, 2000), and the

existing objective measures prove to be controversial (Bollen 1993).[24] The contemporary debate in the social sciences on what exactly constitutes democracy makes it difficult, if not impossible, to produce an objective measure of democracy that would satisfy modern social theory. Therefore, at present, the subjective measures prove to be more effective and operational for empirical research.

My main measure of democracy is the Polity IV indicator that was originally developed by Gurr (1990), and currently maintained by Marshall and Jaggers. Bollen and Paxton (2000:61, see also footnote 4 on p.61-62) argue in favor of certain subjective scales that supposedly measure democracy better than the others (including Polity IV). Yet, conceptually, the argument about which indirect subjective measure is able to measure an unobserved variable more precisely appears to be incongruous because the subjective indicators are interpretive by nature and a decision to choose one indicator over another is equally arbitrary, and therefore cannot be objectively validated. Judging by their logical relationship to the concept they seek to measure, it is hard to prefer one indicator over another. However, Polity IV is more widely used in sociology.

I employ Polity IV as the main scale of democracy in the analysis in this chapter for two reasons. First, this index provides an unambiguous system of assessing a country's democracy score based on various outlined characteristics. Such a system allows for *reproduction* of the same or highly similar results, unlike other systems of

[24] I refer to measures that are composed of the scores assigned by judges or experts as "subjective." "Objective" measures are those that use the figures that are unrelated to particular experts' opinions, such as voter turnout or the percent of the opposition votes. It may be debatable to which extent the "objective" measures are objective, and to which "subjective" measures are subjective. Perhaps, the term "interpretative" rather than "subjective" would be more appropriate. Nevertheless, I will use the subjective-objective terminology that has established its place in sociological literature (e.g. Bollen and Paxton 1998).

indexing democracy where the scores are assigned by a group of experts without a clear-cut system of assignment of such scores (e.g. Freedom of the World index published by The Freedom House). In this sense, Polity IV is less "subjective" because it is less of a subject of a particular judge's biases.

To test the Polity IV system of assigning the scores, I re-calculated a number of democracy scores for the post-Soviet countries to test the indicator's values. For the most part, my results were exactly the same as in the original Polity IV index with a minimal difference in a couple instances. I find the results of the test satisfactory and conclude that the Polity IV system allows for a very precise reproduction of the results if the researcher has a general knowledge about the countries of interest during a specific historical period. This close reproduction of the index increases its reliability as compared to the Freedom House measure. Secondly, the conceptualization of democracy employed by Polity IV closely resembles the notion of popular sovereignty, or accountability of political elites to non-elites, which is important in my theoretical argument regarding the relationship between international trade and democracy.

Polity IV is a scale composed of two parts – Democracy and Autocracy. Both Democracy and Autocracy are additive 11-point scales ranging from 0 to 10 points that imply linearity, i.e. each unit on the scale is equal to another unit on the scale. After subtraction of Autocracy from Democracy, the final value of the indicator can range anywhere between -10 (strong autocracy) and +10 (strong democracy).[25] While it is not among the objectives of my dissertation to empirically prove or disprove the additive or

[25] For a complete description of the scale and methodology, refer to the home page of Polity IV project (http://www.cidcm.umd.edu/polity/).

linear features of the scale, I will rely on the previous research that has treated this scale in a similar way (Jaggers and Gurr 1995; Kurzman and Leahey 2004; Painter and Paxton 2007; Polillo and Guillén 2005). Likewise, other ordinal scales of democracy were treated as continuous and interval in previous research (Bollen 1980). I also treat this variable as interval and continuous, which allows for the application of the OLS methods. Treating the Polity IV democracy variable in such way is not likely to cause much distortion in the results due to the large number of categories that would minimize possible distortion (O'Brien 1981:1156).

In Polity IV, the conceptualization of Democracy and Autocracy is based on the following factors: competitiveness of political participation, regulation of participation, openness and competitiveness of executive recruitment, and constraints on the chief executive. Although two components of the scale share the same categories, Democracy and Autocracy do not share any sub-categories. Democracy measures "positive" aspects of the political system, for instance, substantial limitations or executive party subordination of the chief executive. Autocracy measures "negative" aspects, such as slight to moderate limitations or unlimited authority of the chief executive. Such settings make the similar categories in Democracy and Autocracy mutually exclusive. For example, a country that has an open election system for its chief executive (a score in Democracy) cannot at the same time have its chief executive selected by a closed political elite (a score in Autocracy).

The following Table 4.1 presents the system of assigning the scores in Polity IV indicator:

**Table 4.1.** Polity IV System of Score Assignment.

| Democracy | Autocracy |
|---|---|
| *Competitiveness of Executive Recruitment:* | *Competitiveness of Executive Recruitment:* |
| Election +2 | Selection +2 |
| Transitional +1 | *Openness of Executive Recruitment:* |
| *Openness of Executive Recruitment:* | Closed +1 |
| Dual/election +1 | Dual/designation +1 |
| Election +1 | *Constraints on Chief Executive:* |
| *Constraints on Chief Executive:* | Unlimited authority +3 |
| Executive parity or subordination +4 | Intermediate category +2 |
| Intermediate category +3 | Slight to moderate limitations +1 |
| Substantial limitations +2 | *Regulation of participation:* |
| Intermediate category +1 | Restricted +2 |
| *Competitiveness of Political Participation:* | Sectarian +1 |
| Competitive +3 | *Competitiveness of Participation:* |
| Transitional +2 | Repressed +2 |
| Factional +1 | Suppressed +1 |

*Source*: Polity IV Project (http://www.cidcm.umd.edu/inscr/polity/).

The choices within each category are mutually exclusive, thus a country can score only once per category at any single point in time (if the category is not applicable the score is zero). The scores are assigned on the basis of general information about the country, its electoral process, and the political system. If a country underwent a period of anarchy, it was not scored and was coded in a different way. Fortunately, this was not the case in the former Soviet states. While there was political turmoil in about half of the former Union states, none of the states underwent a prolonged period without a

centralized government, which would characterize the state as being in anarchy. The theoretical advantage of this approach is summarized by Marshall and Jaggers (2002:14):

> There is no "necessary condition" for the characterizing of a political system as democratic, rather democracy is treated as a variable. For example, the scale discriminates between Western parliamentary and presidential systems based on the extent of constraints on the chief executive.

Unlike other subjective scales, Polity IV allows for a closer examination of democratic changes in each country. It is possible to assess democratization in general, and also to identify the source of such change, whether it is a change in political participation or competitiveness in the electoral process. Thus, Polity IV index allows the researcher to identify the structural differences in the political processes of the states that are considered to be identical or very similar in other measures and indexes of democracy. Table 4.2 represents an example of expanded computation of Polity IV scores for Estonia, Latvia and Lithuania in 1993.

It is a common misconception in the social literature to lump the Baltic states – Estonia, Latvia, and Lithuania – together considering them similar by default. On the one hand, it would be reasonable to expect that the differences among the Baltic countries are smaller than the differences between these states and the countries of Central Asia, for instance. On the other hand, as we see from the table, identifiable differences are evident between the Baltic countries.

For example, Estonia and Latvia have their Presidents elected by their respective parliaments, while, in contrast, Lithuania has direct presidential elections based on the principle of universal suffrage. The difference between Estonia and Latvia on the one

hand and Lithuania on the other hand is reflected in the different scores under "Competitiveness of executive recruitment."

**Table 4.2.** Polity IV Scores Computation for Estonia, Latvia and Lithuania in 1993.

| | Categories | Estonia | Latvia | Lithuania |
|---|---|---|---|---|
| Democracy | Competitiveness of executive recruitment | 1 | 1 | 2 |
| | Openness of executive recruitment | 1 | 1 | 1 |
| | Constraints on chief executive | 4 | 4 | 4 |
| | Competitiveness of political participation | 1 | 2 | 3 |
| *Total Democracy* | | *7* | *8* | *10* |
| Autocracy | Competitiveness of executive recruitment | 0 | 0 | 0 |
| | Openness of executive recruitment | 0 | 0 | 0 |
| | Constraints on chief executive | 0 | 0 | 0 |
| | Regulation of participation | 1 | 0 | 0 |
| | Competitiveness of political participation | 0 | 0 | 0 |
| *Total Autocracy* | | *1* | *0* | *0* |
| Total Polity IV score | | 6 | 8 | 10 |

*Source*: Polity IV project (http://www.cidcm.umd.edu/inscr/polity/).

Another major difference is in "Competitiveness of political participation" category. While Lithuania has an open political competition, Latvia and Estonia have political systems wherein nationalistic ethnic parties and movements enjoy unfair advantage over the minorities' movements, thereby restricting the latter from fully competing for political offices. In addition, after its break up from the Soviet Union in

1991, Estonia introduced severe restrictions on acquiring citizenship for non-ethnic Estonians, thus effectively making large Russian and Ukrainian minorities unable to participate in elections (reflected in the score under "Regulation of participation" category). As a result, in 2003 Estonia scored not only lower than Latvia and Lithuania, but also lower than such countries as Moldova and Ukraine. In sum, Polity IV index of democracy offers more theoretical and empirical advantages than other subjective measures of democracy.

Another measure of democracy that I incorporate in the analysis is Freedom in the World indicator published by the Freedom House. This scale of democracy is composed of two categories: Political Rights and Civil Liberties. The information about the countries is derived from various news sources. Each category is a 7-point scale where 1 represents the most and 7 represents the least political rights and civil liberties in a state. The final score ranges from 2 (most free) to 14 (least free). I will take the inverse of this scale to make it less counterintuitive by subtracting the score from 14, thus making the lowest score of 0 (least democratic) and the highest score of 12 (most democratic).

The author of this scale refers to the methodology as "extremely simple" (Gastil 1990:27). However, Table 4.3 shows that Freedom House system of scores assignment is not simple at all. Importantly, this scale is conceptually different from Polity IV. While Polity IV emphasizes the importance of institutional arrangements, Gastil's (Freedom House) scale is "less concerned with institutional arrangements and laws and more concerned with actual behavior" (Gastil 1990:26) of the political systems. Since

institutional arrangements can be measured more directly than a "behavior," the error introduced by judges' opinions and biases should be less in measuring political institutions (especially on a dichotomous present-absent basis like in Polity IV) than behavior. Table 4.3 presents the checklist for the Freedom in the World index of democracy.

A major problem in this methodology is that there is no straightforward way of transferring the checklist to the numerical value of the category. For example, different countries that have similar checklists can score differently (unlike in Polity IV, when different categories have fixed values). Secondly, while sub-categories in Polity IV are mutually exclusive, categories in Freedom House sometimes resemble each other (for instance "Open public discussion," "Freedom of assembly and demonstration," and "Freedom of political or quasipolitical organization"). The interrelation of these categories can result in multiple scores for the same political freedom, namely freedom of speech and assembly. Thirdly, Freedom House makes certain unverified assumptions about the relationship between economic and political processes. The categories such as "Free business or cooperatives" and "Free professional or other private organizations" have obscure relationship to democracy. It is unclear how free business and cooperatives influence democracy. While Freedom house assumes a positive relationship, such assumption is not explicitly discussed. Several other categories have similarly obscure relationships to democracy.

**Table 4.3.** Freedom House Democracy Indicator Checklist.

| Political Rights | Civil Liberties |
|---|---|
| 1. Chief authority recently elected by a meaningful process | 1. Media/literature free of political censorship<br>a. Press independent of government<br>b. Broadcasting independent of government |
| 2. Legislature recently elected by a meaningful process<br>Alternatives for sections 1 and 2:<br>a. No choice and possibility of rejection<br>b. No choice but some possibility of rejection<br>c. Government or single-party selected candidates<br>d. Choice possible only among government-approved candidates<br>e. Relatively open choices possible only in local elections<br>f. Open choice possible within a restricted range<br>g. Relatively open choices possible in all elections | 2. Open public discussion |
| 3. Fair election laws, campaigning opportunity, polling and tabulation | 3. Freedom of assembly and demonstration |
| 4. Fair reflection of voter preference in distribution of power | 4. Freedom of political or quasipolitical organization |
| 5. Multiple political parties | 5. Nondiscriminatory rule of law in politically relevant cases<br>a. Independent judiciary<br>b. Security forces respect individuals |
| 6. Recent shifts in power through elections | 6. Free from unjustified political terror or imprisonment<br>a. free from imprisonment or exile for reasons of conscience<br>b. free from torture<br>c. free from terror by groups not opposed to the system<br>d. free from government-organized terror |
| 7. Significant opposition vote | 7. Free trade unions, peasant organizations, or equivalents |
| 8. Free of military or foreign control | 8. Free business or cooperatives |
| 9. Major group or groups denied reasonable self-determination | 9. Free professional or other private organizations |
| 10. Decentralized political power | 10. Free religious institutions |
| 11. Informal consensus; de facto opposition power | 11. Personal social rights: including those to property, internal and external travel, choice of residence, marriage and family |
| | 12. Socioeconomic rights: including freedom from dependency on landlords, bosses, union leaders, or bureaucrats |
| | 13. Freedom from gross socioeconomic inequality |
| | 14. Freedom from gross indifference or corruption |

*Source*: Gastil (1990).

Despite the fact that in the 1990s Freedom House brought in a team of judges (presumably experts in different geographical areas) to measure political rights and civil liberties, the methodology remained simple or basic until 2007 when a more elaborate design was introduced.[26]

The issue of bias in subjective measures of liberal democracy have been discusses in the literature (Bollen 1993; Bollen and Paxton 1998, 2000). In particular, Bollen and Paxton (1998:475) found that the Freedom House scale has a negative bias against Marxist-Leninist countries and a positive bias towards predominantly Catholic countries and traditional monarchies. The source of the bias was hypothesized to be the ideological closeness between the judge and a state that is being scored. Due to the fact that my analysis concentrates on the post-Soviet time and includes only countries of the former Soviet Union, there are no current Communist regimes in the sample, although all fifteen states share a Marxist-Leninist past. In addition, none of the countries in my sample can be characterized as Catholic. Lastly, none of the former Soviet states are traditional monarchies. Therefore, based on Bollen and Paxton's findings it is unlikely that a systematic bias would be present in the analysis of the former Soviet republics. In their latest analysis of the subjective measures of liberal democracy, Bollen and Paxton (2000:68) found that the first component of the Freedom House indicator – Political Rights – has 94% of substantive variance, which leaves only 6% to the method factor, or the variance introduced by the judge's subjectivity. By substantive variance Bollen

[26] For the history of the Freedom in the World survey and the changes that were introduced starting from the 2007 edition, see Freedom House (2008a). For the new checklist questions, see Freedom House (2008b).

and Paxton (2000:68) mean the "percentages of variances due to the substantive variables [that the indicators] were supposed to measure." Method factors are judge-specific effects, or errors that are introduced into the measurement based on the personal biases of a particular judge. Each judge-assigned score has both: substantive variance and method factor, which inversely related. Consequently, a higher substantive variance and a lower method factor would produce a more accurate index with a smaller bias.

The other component, Civil Liberties, has about 10% of its variance due to the method factor. Therefore, on average, the combined indicator could have the maximum of only about 8% of its variance due to the potential bias in the judge's scores. In his earlier argument Bollen (1992:205) stated that the potential presence of a bias "does not mean that the bias is large or that the measure cannot be used." Given the source of this potential bias (Communist countries, Catholic countries, and monarchies) as identified Bollen and Paxton (1998:475, 2000:77) it is unlikely that a strong bias is introduced in my sample due to the judge-influenced measurement error. It is therefore safe to assume minimal effect of the bias in the Freedom House measure for the purpose of the current analysis.

Polity IV indicator has not been formally tested for bias in its measurement in the literature. This indicator, however, inspires more confidence as opposed to other indicators. A straightforward system of assigning the scores in the Polity IV system of score computation leaves little room for guessing (unlike the process of transferring the checklists into the scores in the Freedom in the World index) and personal

interpretation of the political events. Secondly, a more strict foundation in the institutional arrangements of a state (political processes that can be directly observed) would likely make Polity IV less biased than other indicators. Thirdly, mutually-exclusive categories eliminate the possibility of scoring twice in highly similar categories.

It is worth noting, however, that Freedom House indicator and Polity IV have a correlation of .85 ($p<.000$). This strong and significant correlation shows that the two measures are reasonably close indicators of democracy. Given that the Freedom House measure has low method factor, it is unlikely that a better measure of democracy such as Polity IV would significantly suffer from the judges' biases. In addition, relatively low bias of the Freedom House measure will make it possible for me to use the Freedom House indicator as a corroborating measure of democracy to ensure that the results are consistent between the two measures. Such combination of two measures will likely increase the validity as well as the reliability of the findings.

Visually, the two measures produce somewhat similar results. Figures 4.1 and 4.2 show the average dynamics of the indexes of democracy in the fifteen countries of the former Soviet Union. Figure 4.1 is based on the Polity IV measure of democracy, and Figure 4.2 is based on the Freedom House indicator "Freedom in the World."[27]

[27] Unless otherwise noted, I inversed the Freedom House measure for better visual understanding here and in other parts of my analysis. The original Freedom House measure has the scores that range from 1 for most free countries to 7 for least free countries, which is counter intuitive. I reversed the Freedom House measure so that the lower scores represent less democratic countries and higher scores represent more democratic countries, which is much easier to understand. I also kept the original 13-point scale where the value of 1 now corresponds to the least democratic country and 13 corresponds to the most democratic country in the sample (original Freedom in the World is a mathematical average of the two 7-point scales – political rights and civil liberties).


**Figure 4.1.** Average Democracy in the Former U.S.S.R. (Polity IV).


**Figure 4.2.** Average Freedom in the Former U.S.S.R. (Freedom House).

## Main Explanatory Variables:

## Economic Ties to Russia and Trade Openness

The most direct approach to measure economic ties between two countries lies through their exports and imports. World-systems theoretical expectations suggest that unless there is a strong reason to believe otherwise, both international exports and imports are equally important in creating economic dependency of the periphery on the core. For example, the export of raw materials and minerals and import of high-technology goods and services increase economic dependency of a peripheral state on the core nation. To assess a broader influence of trade, I employ the combined export-import trade volumes between post-Soviet countries and Russia with three different denominators to produce three distinct measures of the extensiveness of periphery-core economic ties.

First, to account for the size of the country's economy, I standardize the periphery-core trade flows by dividing the trade flows by the country's GDP (Van Rossem 1996:512):

$$(1)\ \text{Economic Ties to Russia} = \frac{\text{Export to Russia} + \text{Import from Russia}}{\text{Gross Domestic Product}} * 100$$

Specified in this way, periphery-core economic ties lose the unit of measurement (both numerator and denominator have the same units), thus allowing to use trade volumes in the local currencies. A direct use of the local currencies is desirable because there is no need for dollar-conversion and standardization of the local currencies, which eliminates the error that would otherwise be introduced in the process of conversion.

Multiplication of the ratios (e.g. trade flows over GDP) by 100 in this and other variables does not change the results of the models: the signs and significance of the estimates will remain the same. This multiplication is done to make visual examination of the tables easier. For instance, instead of the estimated beta coefficient of .00658, I will report a beta coefficient of .658. The interpretation of the value of the coefficients is not practical in my analysis because of the ordinal dependent variable.[28] Also, since no direct comparison of the values of the coefficients will be drawn, the change in the value of the estimated coefficients will not affect the discussion and findings.

The second measure of the trade ties of the peripheral states to Russia is the proportion of the international trade with Russia in the overall international trade of a country. This measure evaluates the importance of Russia as a trade partner: the intensity of trade with Russia is assessed as compared to the combined volumes of trade with all other trade partners.

$$(2)\ \text{Trade Ties to Russia} = \frac{\text{Export to Russia} + \text{Import from Russia}}{\text{Total Export} + \text{Total Import}}$$

Even though both variables are in a ratio format, which allows to avoid currency conversion problems, there is one issue that needs to be addressed before proceeding further. Both measures can be affected by administered prices, or when the prices are not determined by the market, but set by the governments either directly or through the

[28] Even though I will treat the dependent variable as interval and continuous, the interpretation of the value of the coefficients is problematic due to the ordinal nature of the democracy variable. For example, the increase of democracy score from 1 to 5 does not mean that the country became 5 times more democratic. Therefore, the values of the coefficients that determine how the independent variables affect the democracy variable have obscure meaning. Since the comparison of the value of the coefficients is also problematic, I will report non-standardized coefficients.

government-owned companies. In the current analysis, however, I do not foresee a major problem that can affect the validity of the results. Since my theory is about how Russia, as a hegemonic state, uses its economic power to politically influence its former sister-states, I do not consider that the governments of the former U.S.S.R. can influence the prices of the commodities in a way that this price administration[29] could affect their domestic politics. A larger concern would be how the actions of the Russian government can influence the international exchange prices and thus affect the economies and consequently, political processes of the former Soviet states. Nevertheless, there is little reason to believe that there is a systematic policy of price administration on many commodities, such as consumer goods, and agricultural products. There are too many independent and private importers and exporters that facilitate the exchange between the countries. While the government can certainly influence such independent international trade through tariffs and licensing, such influence does not affect the actual prices. Even though we may assume that such prices may be influenced by the Russian government and the results of the analysis can be potentially biased, such bias is likely to be small and random enough not to introduce a systematic bias in the models.

Where the price administration can have a real impact on the international trade, is where the Russian government claims the monopoly on the execution of such trade: oil, gas, and electricity. To my knowledge, there exists no reliable data set that would contain the data on the exports and imports of gas and electricity. However, such data

[29] In this case examine international prices. I do not analyze the domestic prices and how administration of the domestic prices affects the political process in the states of the former U.S.S.R.

are available for the prices of petroleum. The analysis of price difference between world prices on Russian oil and the prices that are administered for the countries of the former U.S.S.R. (see Figure 4.7 in the concluding chapter) shows that the prices for the former Soviet states are consistently lower that the world prices.[30] First, this policy is not unique for one country – the prices are similarly lower for all former Soviet states. Secondly, the gap between the world and the "Soviet" prices stays very similar across the years.[31] Therefore this relatively constant gap would not affect the coefficients in the regression models. Even though the oil prices for the Baltic states may differ from the rest of the ex-Soviet countries, this difference would be constant over time and would then be absorbed by the country dummy variables. Since there is no reason to believe that the price policies on natural gas and electricity would significantly differ from the price policy on oil, I will assume that the effects of the administration of gas and electricity prices would be similar to the effects of the administered prices on oil.

Lastly, administration of the prices did not seem to represent a problem in the past studies of the former Soviet states. Furthermore, administration of prices is not a phenomenon confined to the former Soviet states. Many other governments directly or indirectly influence the prices of the commodities on the international market. Therefore, to a certain extent, the problem of price administering has always been present in any study that employs monetary volumes of international trade.

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[30] There are no data on the prices for the three Baltic countries: Estonia, Latvia, and Lithuania. Presumably, these countries purchase Russian oil at the world prices.

[31] The noticeable exception is 1998, where the gap decreased. However, 1998 was the year of Russian financial crisis when Russian Rouble defaulted against the U.S. Dollar, which complicated the price conversion.

Another approach to measure international trade would be to look directly at the amount of commodities that cross the border. However, such a way to measure international trade can also be problematic because it is not sensitive to international market. Since the prices of all commodities constantly change, some commodities can be more or less valuable over time. Hence, the same number of units of commodity A that cross the border between two countries can represent different value of trade at different time periods. For example, the number of barrels of imported petroleum may not adequately represent the actual value of this commodity if measured in money. While imported quantity of this product can change little across last several years, the change in the total monetary value of this commodity would correspond to other global economic changes (such as financial crises, etc.). Therefore, I consider the amount of the product as an inferior measure for the purpose of this analysis.[32]

The names of the measures have a logical connection to their denominators: economic ties point to the GDP of the respective country, and trade ties point to the trade volumes. Although both measures share the same component of the trade volumes with Russia in the denominator, they are conceptually distinct. The first measure assesses the magnitude of the trade with Russia in the country's economy, regardless of the size of its international trade. The second measure evaluates the magnitude of trade with Russia, compared to other trade partners, regardless of the size of the country's

[32] Additional problem in measuring trade in the volumes of the commodities can be the availability of the data. While monetary value is known (it is reflected in the export/import taxes), the actual data on the volume of the products may not be available.

economy. Therefore, these three measures look at the different aspects of the post-Soviet periphery-core economic ties.

The correlation between the two measures of economic ties to Russia is strong and significant ($r = .94$, $p < .01$) due to the strong positive correlation between the denominators in the measures: GDP and total trade volume. However, the use of these three variables in the models of democracy will not affect the estimates because both measures will be used in different models, i.e. no single model will simultaneously contain more than one measure of economic ties to Russia. Conceptually, neither measure is a direct product of the other measure. Therefore, the use of both measures would be appropriate in my analysis.

Before I proceed to introducing the second main explanatory variable, I have to note that another way to measure the economic dependency of a peripheral state on the core would be through the energy dependency of the periphery on the core, which is the case in the former U.S.S.R.: most of the former Soviet states are dependent on Russia for the energy supplies. In my preliminary analysis, I used energy export-import figures to explore the economic dependency of the former Soviet states on Russia. Instead of trade, I included energy dependency variable measured in various ways: as energy production divided by energy imports, energy imports alone, energy imports over GDP, and a few other measurements. All models included a broad range of control variables, but energy dependency was not significant. The only time energy dependency variable had a significant and negative effect on democracy was when I used random effects

model, and for only one (out of total of 18) test-model.[33] More importantly, the sign of the coefficient of energy dependency was unstable. I would be hesitant to include the random-effects models on par with the main fixed-effects models to make an argument on the effects of energy dependency in the former U.S.S.R., especially considering that only once I had a significant effect of energy dependency.

Another problem with using energy dependency is that there is no available data on the location from where countries import their energy. (International Energy Agency in its "Energy Balances" publication offers the aggregate data without specifying where the countries import their energy from). It may be safe to assume that the former Soviet states import their energy from Russia, but this unverified assumption could further undermine the already weak argument about the relationship between the imports of energy from Russia and democracy in the former U.S.S.R. Moreover, most previous research concentrated on the discussion of the energy relationship between Russia and other former Soviet states, leaving aside all other trade, which I argue is a mistake because all trade is theoretically important in creating economic dependency for the periphery upon the core. Therefore, I argue that, based on the currently available evidence, overall trade is a better predictor of economic dependence than the energy

[33] I do believe, however, that there is a negative relationship between energy dependency and democracy. The question is why it was not significant in the current study. Perhaps, economic downturns throughout 1990s resulted in the diminished energy consumption and reduced energy imports; thus, reduced energy dependency (domestic energy production could cover a larger part of the shrunken manufacturing sector). If there is no linear (or log-linear) pattern, then the variable will not be significant, simply because there is too much unexplained variance. This finding does not mean that there is no relationship between energy dependency and democratization, but it probably means that there is too much volatility in both dependent and independent variables in this short historical period of time. I would argue that if we give it another 5-10 years, we may well see how energy dependency shapes the political process of the former U.S.S.R.

imports alone. More generally, however, my analysis does incorporate energy imports in the overall trade volumes.

The second independent variable (general international trade) is important not only from a theoretical perspective, but also from a methodological perspective. Without controlling for trade openness, it would be impossible to recognize whether the effect of the international trade with the core is a direct result of this particular trade or whether it is a result of the overall international trade flows. In addition, trade openness is a good indicator of the country's overall economic integration into the world-economy. Similar to Polillo and Guillén (2005:1784), I use the total trade flows and standardize them by dividing by the country's GDP in order to measure the trade openness of a country:

$$(1)\ \text{Trade Openness} = \frac{\text{Total Export} + \text{Total Import}}{\text{Gross Domestic Product}} * 100$$

To address the theorized effects of the non-core oriented trade, I will exclude trade with Russia from the total trade flows over GDP to produce another measure for the trade openness:

$$(2)\ \text{Non-core Economic Ties} = \frac{\text{Non-Russian Export} + \text{Non-Russian Import}}{\text{Gross Domestic Product}}$$

The correlation between the two measures of trade openness is .88 ($p<.01$), which indicates a strong positive correlation. This strong correlation may be an indirect indicator that trade with Russia is not a predominant part in the trade volumes of the former Soviet states. Nevertheless theoretically, it is necessary to exclude trade with

Russia from the overall trade volumes to assess the effects of the trade with the non-core states. Therefore, I will include both measures (trade openness and non-core economic ties) in separate models to avoid the problem of multi-collinearity. For the purpose of comparing my results to other studies, however, my main focus will remain on trade openness, and the variable "non-core economic ties" will be used as a check on the effect of trade openness.

## Control Variables

Past research on democracy and world-systems studies provide a variety of theoretical explanations for the process of democratization, which must be accounted for in any empirical analysis of democracy. For the theoretical purpose of my analysis, I will separate the control variables into two distinct groups depending on whether the processes described in the variables originate between the states or within the state. Such separation of the variables will allow for better conceptual understanding of the world-systems analytical mechanism. The between-state group includes Russian military presence, social ties to Russia, associational ties to the international community, and international embeddedness of the political elites. Within-state group includes GDP per capita, economic growth, militarization, and urbanization.

**Between-State Control Variables**

*Russian Military Presence*

An important indicator of the political relations between two countries is the presence of foreign troops that belong to either of the countries. History shows that a hegemonic state can use its military to achieve its geopolitical goals in the weaker states that fall into its sphere of interest (Chomsky 1991). A military intervention from a core state can be a source of change in democratization in the periphery (Meernik 1996). While military interventions of liberal states have unclear effects on democratization (Pickering and Peceny 2006), the presence of core military troops in the periphery "implies a relinquishing of sovereignty," which negatively affects democracy in the peripheral "host" state (Van Rossem 1996:512).

Such military presence does not imply an active warfare in the "host" country, but it can be a result of a bilateral agreement, which nevertheless reduces the level of democracy in the "host" state. Controlling for the military presence of the core state (Russian Federation) in the current analysis is particularly important in order to better understand the mechanism of the military control of the re-emerging empire in the present-day independent states. I decided not to include Western military presence in my models even though Western states are largely considered core countries. The reason is that the physical Western military presence in the post-Soviet states has been limited. Out of the fourteen former Soviet states (excluding Russia) only Kyrgyzstan, Tajikistan, and Uzbekistan had Western troops deployed and only after the United

States launched a campaign against the Taliban regime in Afghanistan in 2001.[34] Since then the United States had to withdraw its forces from Uzbekistan, which further limited Western military presence in the former Soviet states.

After the collapse of the U.S.S.R., Russia became its *de facto* successor and inherited most of the Soviet military spread across the now-independent fourteen states. While most of the states requested immediate removal of the Russian forces, the actual withdrawal took years to complete. A number of complications with the withdrawal of the troops arose when several post-Soviet states experienced domestic and inter-state military conflicts. For example, Georgia, Moldova and Tajikistan went through periods of domestic political and ethnic violence, and Armenia and Azerbaijan fought for several years over the Nagorny Karabakh province. The United Nations sent observers to some of these countries. However, the United Nations refrained from actively providing any peacekeeping, which, in effect, gave Russia a mandate to negotiate the resolution of the conflicts and to keep its military designated as a peacekeeping force on the territory of these countries.

It has since been debated that the Russian peacekeeping forces in a number of the former Soviet states did not genuinely serve their peacekeeping purpose, but instead were used as a tool to install and maintain the political dominance of the elites that had close ties to Moscow (Light 1994:68, 2006:43). For example, in the early stages of the Armenian-Azerbaijani conflict, Russia was accused of supporting Azerbaijan and later, Armenia. In another military conflict in Georgia, where two autonomous regions of the

[34] In fact, Tajikistan had only 200-300 French military, which further weakens the hypothetical effect of the presence of Western troops in the former Soviet states.

country (Abkhazia and South Ossetia) were attempting to gain independence since 1992, the Georgian government accused Russian forces stationed in Abkhazia and South Ossetia of supplying arms to the separatists in attempt to undermine Georgian government that, at the time, wanted to distance itself from the various multilateral political-economic agreements sponsored by Russia within the Commonwealth of Independent States. These examples suggest that military influence is particularly important in the geopolitical settings of the former Soviet Union.

Unlike Van Rossem's model (1996:512) that excludes the peace-keeping troops from the analysis, I include both Russian peace-keeping and conventional forces because of the seemingly blurred line between the Russian military that is a peace-keeping force and the Russian military as a political agent of the core state in the post-Soviet geopolitical space. Therefore, I hypothesize that Russian military presence in the post-Soviet countries will result in the dominance of the political elites that would lean closer to the Russian Federation, at the expense of the democratic political process.

In contrast to Van Rossem's analysis (1996), I do not employ a binary variable to dichotomize the presence or absence of foreign troops. I instead use the number of Russian troops standardized by the size of the local military to measure Russian military presence. The rationale here is first, that the size of the foreign military has a direct relation to its ability to influence the domestic political process of the host country. For instance, the current U.S. war in Iraq objectively shows that the number of troops matters when it comes to influencing or controlling the domestic political process of a foreign country. Secondly, the same number of troops from a core state can

produce different effects in different peripheral countries. For example, 1,000 Russian troops can represent a significant force in countries with a relatively small military like Estonia or Moldova, but have little influence in countries with the larger military forces like Ukraine or Kazakhstan. By standardizing, I will be able to assess the magnitude of the Russian (core) military influence versus the ability of the local political elites to maintain a sovereign military control over their state and thus to shield the political process from a possible military influence of a hegemonic state. The expectation for this variable is that a larger proportion of Russian military will reduce political democracy in a former Soviet state.

$$\text{Russian Military Presence} = \frac{\text{Number of Russian Military}}{\text{Number of Local Military}} * 100$$

*Social Ties to Russia*

It is necessary to control for the periphery-core socio-cultural ties. British heritage and Protestantism have been so far the predominant measures in the literature (Bollen and Jackman 1985; Crenshaw 1995; Kurzman and Leahey 2004). Since all former Soviet states once comprised the Soviet Union that restricted religion, I will have to employ a different variable to measure socio-cultural ties in the former U.S.S.R. In the past, the so-called "Rusification" policy resulted in the migration of large groups of ethnic Russians into other parts of the Soviet Union. After the dissolution of the Soviet state, ethnic Russians lost their status of a dominant ethnic minority along with the privileges attached to this status. In some countries like Estonia, they were excluded from the political process entirely. Therefore, it would be reasonable to expect that

under such circumstances, these Russian minorities would welcome a greater influence of the Russian Federation in their country of residence.

Some scholars (e.g. Kuus 2002) argue that the Russian minorities in the former Soviet states act as the political agents of the Russian government by promoting the policies that might lead to the loss of sovereignty of their newly-independent country of residence, which will reduce its democracy. I measure the social ties to Russia by the percentage of ethnic Russian population living in a former Soviet state. Besides measuring social ties, this measure can also be a proxy for the ethnic diversity. A general expectation is that ethnic heterogeneity makes regimes unstable and thus impedes democratization (Przeworski *et al.* 2000:125). Paxton (2002) found statistical support for this hypothesis, while other researchers (Atkinson 2006; Barro 1999; Bollen and Jackman 1985) found no effect of ethnic heterogeneity on democracy. I hypothesize that larger Russian ethnic minorities will negatively influence democratization in the former Soviet states based on the theorized role of Russian minorities as the political incumbents of Russian political elites and on the negative role of ethnic heterogeneity.

*Associational Ties to International Community*

The other two between-state control variables measure the associational and political ties of the ex-Soviet countries to the international community. Even though researchers often emphasized the importance of international actors in the domestic democratization (e.g. Diamond 1999:272; Rueschemeyer, Stephens, and Stephens

1992), surprisingly few empirical studies incorporate the non-economic ties between the countries.

Associational ties to the international community are types of non-governmental and non-economic ties between the countries. These ties are important factors in world-systems analysis. Paxton (2002) used the number of International Non-Governmental Organizations (INGOs) as a measure of the internationally linked social capital and, based on Toquevillian approach, argued that the nature of civic associational ties implies a positive democratic influence on the domestic politics. Because these associations are created outside the state authority, they constitute an alternative power network that balances the actions of the state (Putnam 2000:345), thereby increasing the level of popular democracy. Other authors, however, argue that associational networks can negatively influence democracy because the government may utilize this extensive networking structure as the channel to control the civic life of the citizens and to institutionalize nationalistic and fascist ideology, thus impeding democratization (Riley 2005).

INGOs differ from the traditional civic associations because of their international nature. Rather than representing the strength of civic associations in a country per se, the number of INGOs serves as an indicator of an international non-governmental influence. Therefore, in the current analysis, I expect that first, the network of INGOs acts as an independent associational structure that reinforces democratic social capital within the country. Secondly, INGOs serve as an external check on the policies and practices of the governments by exposing the undemocratic

practices and thus giving certain governments negative international publicity, and similarly, by giving positive international publicity to democratically-oriented governments.

Lastly, some democratically-oriented INGOs provide financial, informational, and organizational resources for the local democratic movements. In sum, I expect INGOs to have a strong positive influence on democracy in the ex-Soviet states. Similarly to Paxton (2002), I use a log of the number of INGOs to measure the associational ties of the former Soviet countries to the international community.[35]

*International Embeddedness of the Political Elites*

Mutual memberships of countries in the official inter-governmental organizations (IGOs) are relevant in the analysis of democracy. For example, military organizations are considered to be "one likely channel whereby politically relevant individuals might learn new ideas and have the capability to reform existing institutional structures" (Atkinson 2006: 509). Based on this argument, democracy can be "spread" through the official channels. In addition, in the post-Communist world, IGOs can strengthen the flawed electoral processes, help mobilizing the opposition, and

[35] Another way to measure international associational ties would be to use the number of INGOs (or log of INGOs) per capita. The reason behind this standardization is that the same number of INGOs (or log of INGOs) will most likely produce different effects in the countries that are of different size. It would be reasonable to expect that in a small country like Armenia or Moldova, the effect of 100 INGOs would be much stronger than in the large states like Russia or Ukraine. Nevertheless, the same INGO in Ukraine would likely have greater resources than in Armenia; therefore, one INGO in Ukraine would be able to achieve more than one INGO in Armenia. Therefore, unless there are specific data available on the resources of INGOs in the former Soviet states, I will consider each INGO to produce the same effect on democracy regardless of the country and will not employ the standardization per capita. In the test models I used the number of INGOs per capita in addition to the main measurement of the number of INGOs, but found no significant difference in the estimates.

boost democratization (Donno 2008). Authors generally agree that the membership in the democratically-oriented IGOs positively influences democracy in a member country (Mansfield and Pevehouse 2006; Pevehouse 2005).

Similarly to Paxton's idea of international associational ties, I employ the number of IGOs to measure the embeddedness of the political elites of the former Soviet states into the international network of governmental organizations. This measure will control for the interaction between the post-Soviet political elites and the political elites of other countries. Since both IGOs and INGOs increase the exposure of a country to the international community, they not only help to democratize the political process within a country, but also they may help reduce the influence of an external hegemonic state, which, based on my theory, will further boost democratization. Therefore, similarly to my expectations for INGOs, I expect that greater embeddedness of the political elites will positively influence democracy.

**Within-State Control Variables**

*Economic Development*

Contemporary social theory acknowledges that there exists a relationship between economic development and democracy (e.g. Diamond 1999; Lipset 1981, 1994). On an empirical level, the analyses showed conflicting evidence. On the one hand, the existence of a positive relationship between economic development and democratization was confirmed (Bollen 1983; Bollen and Jackman 1985b). On the other hand, Przeworski *et al.* (2000:273) found that "[t]he probability that a dictatorship will

die and a democracy will be established is pretty much random with regard to per capita income." Kurzman and Leahey (2004:970) found insignificant correlation between democratization and GDP. Similarly, Paxton (2002: 266, 268) found no clear evidence of a positive relationship between industrialization (measured as energy consumption per capita) and democracy.

Some economists also agree that explaining the relationship between economic development and democratization is problematic (Minier 1998:243). The debate is further complicated by the possibility of reciprocal effects, or when democracy is seen as "a prerequisite" for economic development (Tilly 2007:188). It is also necessary to realize that it is the *context* in which economic development takes place that largely accounts for the relationship between economic performance and democracy (Sen 1999b:150). Nevertheless, to address this debate, I include two control variables in my models. I distinguish between two processes: economic performance and economic development. I measure economic performance by the size of GDP per capita, and economic growth by the change in GDP per capita. To avoid a possible confusion due to the use of similar terms ("economic performance," and "economic growth"), I will label these variables as "GDP per capita" and "Economic development." The use of both variables will not violate OLS assumptions, because neither variable can be linearly derived from the other one. In addition, the correlation of these two variables in the current research is weak and not significant across all models ($r$=.1, $p$=.16). Previous research also employed both of these variables in the same models (e.g. Epstein *et* al. 2006; Kurzman and Leahey 2004). Similarly to the previous research,

both variables are standardized in the per capita format to account for the size of the country and logged to correct for curvilinear relationship between the economy and democracy.[36]

*Militarization*

Militarization of a state can be seen as an indicator of the relative power of political elites versus non-elites. Previous research (Crenshaw 1995; Downing 1992; Kurzman and Leahey 2004) showed that militarization negatively influences democracy. Based on institutionalism theory, a stronger military would indicate a more powerful state. Considered as one of the interest groups that compete for political power, the state can use its resources to achieve its own goals. A larger military would constitute one of the key resources that the state possesses. The main potential of a military force that can influence the political process in a state is to forcefully subordinate the weaker interest groups that compete with the current political elite for political power. In suppressing the opposition, military negatively influences the democratization of the state. All previous research has confirmed this theoretical expectation.

In some instances, the military can be independent or semi-independent from the state. In such case, the military would constitute a separate interest group that has its own goals and aspirations for political power. Based on pluralism theory, the military would have a strong advantage over other interest groups (e.g. the power to use physical

[36] In the test-models, I also used non-logged variables and observed no significant changes in the beta estimates. In addition to GDP per capita, I used another measure of economic development, energy consumption per capita. This substitution also did not result in observable changes in the models.

force), thus impeding the competition in the political process and making it less democratic. Historically, military-controlled states have been the ones that endorsed the least civil rights and liberties and consequently, were among the least democratic states. Although in the former Soviet Union military forces were generally in subordination to the government, it would be safe to generalize militarization as a negative factor in the democratization of a state regardless of the degree of subordination of the military to the state.

In my analysis, I use a different measure of militarization than employed in the previous analyses. Rather than looking at defense spending as a proportion of a country's GDP or GNP, I use the percentage of total labor employed in military. The logic here is that the defense spending of a country includes both high-cost missile defense systems, as well as relatively inexpensive uniforms and the riot equipment for the ground troops. However, when it comes to the power of political elites versus non-elites, it is the ground troops that quell the protests and suppress the demonstrations. Therefore, the relative number of troops potentially available to the political elites of a country (or, to the military elite if it wishes to act on its own) is a better indicator of the militarization of the state than the defense spending.

*Urbanization*

Lastly, urbanization of the population in a country was previously used in the analyses of democracy as an indicator of social mobility that influences political process (Gonick and Rosh 1988; Kurzman and Leahey 2004). Modernization theory

suggests that higher urbanization can result in a more democratic state (Lipset 1959). Class-analytic theory suggests that predominantly agricultural societies would be less likely to undergo a process of democratization (Dahl and Tufte 1973). Similarly, Neo-Marxist approach proposes that increased urbanization would signify a larger working class, which in turn improves democratization (Rueschemeyer, Stephens, and Stephens 1992).

Some studies find support for these hypotheses (Rudra 2005; Fish and Choudhry 2007; Kurzman and Leahey 2004), while others (Crenshaw 1995; Epstein *et* al. 2006; Gonick and Rosh 1988) found that urbanization (or its proxies) negatively influences democratization. A general explanation for this negative relationship was that urbanization creates higher social inequality, which undermines the social cohesion that is necessary for the formation of a viable political opposition. Other scholars (Barro1999) found no relationship between urbanization and democracy. Due to the conflicting theories that are equally plausible, I do not take sides and have no definite expectation for this relationship. Nevertheless, I use a conventional measure of the percentage of urban population to control for urbanization.

Usually, cross-national variables are logged to reduce the influence of the potential outliers and normalize the distribution of the data (Firebaugh and Beck 1994:636). In this and other variables, I used normal probability plots and scatter plots between the independent and dependent variables to decide whether a linear transformation was necessary. The normal probability plots for the variables that underwent logarithmic transformations are shown in the Appendix (Figures A1-A6). As

a result of the exploration of normal probability plots, four variables have been transformed by taking a natural log:

- Associational ties to the international community (see Figures 1 and 2 in the Appendix),
- International embeddedness of the political elites (see Figures 3 and 4 in the Appendix),
- GDP per capita (see Figures 5 and 6 in the Appendix),
- Economic growth (see Figures 5 and 6 in the Appendix)[37].

## Data and Their Sources

The data were collected for the years 1992-2003 using several data sources. The data sources that I use in my analysis are also widely used in the social science literature. The data derived from these sources are considered reliable, and conclusions of the analyses that use these data have high validity. More generally, country-level data have minimal issues with the validity due to their aggregate nature. There is one issue, however, that needs to be addressed before proceeding further.

A publication by International Monetary Fund "Direction of Trade Statistics" has been used in the social science research to derive the data on trade flows between the countries. The reason that I do not use this publication is that "Direction of Trade Statistics" has a noticeable inconsistency in the trade flows. For example, in 2003 the

[37] Since both variables – GDP per capita and Economic growth – use the same substantive part (GPD per capita), I used the same normal probability plots of GDP per capita to determine the need for a logarithmic transformation.

Russian Federation reported the cumulative exports to Azerbaijan in the amount of $408 million U.S. Dollars, while Azerbaijan reported that the cumulative imports from the Russian Federation were $448.27 million U.S. Dollars. This inconsistency in the cross-country trade flows is also apparent throughout most other former Soviet states, as well as beyond the countries of the former Soviet Union. Perhaps the error is introduced because the state agencies of the different countries use different time periods and/or different U.S. Dollar exchange rates to compute the overall volumes of the exports and imports. Therefore, I chose not to use the IMF publication "Direction of Trade Statistics" as a data source. Instead, to minimize error, I used the data from the State Committee of the Russian Federation on Statistics [Goskomstat] supplemented by the data from the state statistical bodies of Latvia, Lithuania, and Estonia.[38]

In addition to the potential issues with reliability and validity that can be introduced through the data sources, the measurement itself can introduce error. The accuracy of the measurement is a different issue than the accuracy and reliability of data themselves. For instance, an independent variable of economic growth can be measured through the change in GDP using a dollar equivalent, as well as through the change in energy consumption using a kilo ton of oil equivalent. One approach might be a better way to measure economic growth than the other approach, yet both the data for the dollar amount and kilo ton of oil equivalent might have their own issues with reliability.

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[38] While Goskomstat publishes extensive yearly trade data on the trade between the Russian Federation and the countries-members of the CIS, Goskomstat does not publish the trade data on the exports from and imports to the Baltic states. The three Baltic states also do not appear in the Goskomstat publications that describe other trade partners of Russia, such as members of the European Union. This ideological isolation of the three Baltic countries has been a continuous policy of Goskomstat since 1992.

In the test models I used various alternative measurements for the independent variables to test whether the models produce different results based on the way the variables are conceptualized. I also used different data sources like International Energy Agency to produce different measures of some variables and to test whether a particular data source has an effect on the results of the models. Overall, there was little difference between the test models and the main models, which increases the validity of the results of the main models. Table 4.4 presents the data sources and Table 4.5 presents the summary of the variables and their descriptive statistics.

**Table 4.4.** Data Sources.

| Variable | Data Source |
|---|---|
| Democracy | Polity IV project |
| Freedom | *Freedom in the World* (the Freedom House) |
| Economic Ties to Russia | *Russia in Figures* (State Committee of the Russian Federation on Statistics [Goskomstat]); *World Development Indicators (WDI) Online* (World Bank) |
| Trade Ties to Russia | *Russia in Figures; WDI Online* |
| Trade Openness | *WDI Online* |
| Russian Military Presence | *The Military Balance* (The International Institute for Strategic Studies) |
| Social Ties to Russia | *The Europa World Year Book* (Europa Publications) |
| Associational Ties to International Community | *Yearbook of International Organizations* (Union of International Associations) |
| International Embeddedness of Political Elites | *Yearbook of International Organizations* |
| Economic Development | *WDI Online* |
| Economic Performance | *WDI Online* |
| Militarization | *The Military Balance, WDI Online* |
| Urbanization | *WDI Online* |

*Notes*: All data were collected for 1992-2003. In the test models, for the experimental variable of energy dependency (the alternative to economic ties to Russia), I used the *Energy Balances for Non-OECD Countries* publication (International Energy Agency).

**Table 4.5.** Descriptive Statistics for the Common Years of the Variables (1994-2003).

| Variable | N | Mean | Standard Deviation | Range Min | Range Max |
|---|---|---|---|---|---|
| Democracy (Polity IV score, Models 1-3) | 140 | .44 | 6.78 | -9.00 | 10 |
| *Model 1 (immediate effects)* | | | | | |
| Economic ties to Russia | 140 | 19.86 | 16.86 | 3.74 | 81.39 |
| Trade ties to Russia | 140 | .19 | .13 | .03 | .57 |
| *Model 2 (1st lag)* | | | | | |
| Economic ties to Russia | 140 | 19 | 16.40 | 2.04 | 81.39 |
| Trade ties to Russia | 140 | .18 | .13 | .02 | .57 |
| *Model 3 (2nd lag)* | | | | | |
| Economic ties to Russia | 137* | 17.83 | 16.40 | .79 | 81.39 |
| Trade ties to Russia | 136[+] | .17 | .13 | .01 | .57 |
| *Between-state Control Variables (Models 1-3)* | | | | | |
| Russian military presence (number of Russian troops per 100 of local troops) | 140 | 18.89 | 54.65 | 0 | 416.67 |
| Social ties to Russia (percent of ethnic Russians in population) | 140 | 13.94 | 10.89 | 2 | 37 |
| Associational ties to international community (INGOs, unlogged) (1st lag) | 140 | 313.53 | 267.74 | 16 | 1004 |
| International embeddedness of political elites (IGOs, unlogged) | 140 | 29.19 | 7.80 | 13 | 66 |
| *Within-state Control Variables (Models 1-3)* | | | | | |
| Economic growth (change in the unlogged volume of GDP per capita) | 140 | 87.66 | 238.15 | -424.85 | 1526.92 |
| GDP per capita (GDP per capita, unlogged) (1st lag) | 140 | 1188.87 | 1104.90 | 152.71 | 5184.09 |
| Militarization (percent of labor in military) | 140 | 1.31 | .95 | .23 | 3.88 |
| Urbanization (percent of urban population) | 140 | 54.01 | 13.85 | 24.82 | 70.89 |

*Notes*: All data were collected for the period 1992-2003. All monetary variables are denominated in current US dollars. The first four control variables belong to between-state group and the last four to within-state group.

[+] There are missing data of trade volumes with Russia for Estonia, Latvia, and Lithuania in 1992, which made it impossible to compute the second lags of economic ties with Russia in 1994.

* Turkmenistan had no data of total trade volumes in 1992 which made it impossible to compute the second lags of economic ties with Russia in 1994.

# Pooled Time-Series Analysis

## Discussion of the Method

Conceptually, pooled time-series analysis is one of the most appropriate methods for the analysis of democracy because it can examine the continuity of the concept. Pooled time-series analysis captures the relations between the independent variables and the dependent variable across time and space. This is particularly important in my current analysis because the ability to change over time and across nations is an important property of the political process of democratization (Tilly 2007).

Within the pooled time-series analysis, I employ the OLS regression model with panel-corrected standard errors (PCSE). There are two main advantages of PCSE model. First, it corrects for the contemporaneous correlation of the errors across the panels that are specific to the particular pooled time-series data set. Simply put, it allows the analyst to correct for the correlation of errors between the groups. This correction is particularly important because the very nature of world-systems analysis implies the existence of such correlation, due to the fact that the separate units (states, firms, or households) are small parts of a larger network and therefore share many ties.

In my analysis, states are related to each other through the network of the political, economic, and social ties. Without such correction of the errors, the OLS assumption of non-collinearity of the errors could be violated. Secondly, PCSE method corrects for heteroskedasticity of the errors across the panels (Beck and Katz 1995), which addresses another important assumption of OLS method. In all models I employ a correction for AR(1) first-order serial correlation. The first-order serial correlation

was 0.44 (significant at 0.01), the second-order correlation was -0.13 (not significant). It is likely that AR(1) correction will further reduce the second-order and any higher-order correlation.

Because the dependent variable (democracy) is an unobserved variable and a theoretically broad concept, any statistical model of democracy can potentially suffer from the omitted variable bias. This bias is particularly noticeable in the cross-national models. Firebaugh and Beck (1994:636-7) discuss the importance of the multiple unique characteristics of a nation in a statistical analysis. They argue that while such characteristics can be hardly measured due to the uniqueness of the nations, it is possible to avoid the omitted variable bias by introducing fixed effects in the statistical models. The mainstream statistical analysis in political science, as well as in sociology tends to overwhelmingly use fixed-effects models, particularly in cross-national time-series research. To account for the alternative explanations of democracy, I have included a set of control variables in the current models. To further minimize the potential bias of the omitted variables, I use a fixed-effect model and introduce a set of dummy variables for each country to control for the unobserved effects constant over time and for each year to control for the time-specific effects (Greene 2003; Wooldgidge 2000). Overall, the combination of the broad range of control variables and fixed effects estimation will likely make the models robust against the omitted control variables, which will permit the estimation of the coefficients with minimal error.

In theory, there are two most common ways to estimate unobserved fixed effects: first-differencing the data and time-demeaning (i.e. fixed effects estimation). While

there is no essential difference between these two methods, Wooldridge (2000:447) states that when the errors are serially uncorrelated, fixed effects models will be more efficient. Based on the analysis of the errors' correlations, I found that only first-order correlation is apparent. Therefore, after correcting for the first-order correlation, the fixed effects model will produce more efficient estimators than the first-differencing model. Furthermore, because differencing can reduce the variance of the variables (Wooldridge 2000:423), using first-differencing in the small panel data sets like in the current analysis is impractical. Simply put, in such small samples, it would be difficult to produce significant coefficients in the statistical models, which would be misleading. First differencing models would show that there is no, or a weak relationship between variables A and B, while, in fact, there is a true and strong relationship between them, which was "washed away" by the reduction of the variance in the dependent variable.

In my analysis, first-differencing greatly reduces the variance in the dependent variable (democracy), as well as in the independent variables. Since democracy in Polity IV and the Freedom House variables is not a continuous variable, but an ordinal scale that changes little from year to year, first-differencing reduces this variable to the one that mostly contains three values: 0 (no change in democracy), positive 1 (increase in democracy), and negative 1 (decrease in democracy). Because of this reduction, the magnitude of the difference between the levels of political democracy across the former Soviet states disappears, which results in the models that do not produce significant estimates. Such outcome does not mean that first-differencing is an inferior method to the fixed-effects estimation, but it does show that in the current analysis fixed-effects

estimation is more appropriate. Since the first-differencing produces a matrix that contained mostly three outcomes, I further reduced the values of the dependent variable (change in democracy) to *only* three values: 0 or no change, 1 or increase, and -1 or decrease in democracy, regardless of how much the increase or decrease was. Because only in a couple of observations the value of democracy changed more than 1, the new -1,0,1-matrix of the dependent variable was not significantly different from the matrix produced by the first-differencing. I further estimated count-outcome and ordinal-outcome models, however these models did not return significant coefficients either. Therefore, I conclude that a longer historical period or a greater sample is necessary in order to efficiently model the change in democracy using first-differencing method. Nevertheless, I include two tables with the results of the first-differencing model in the Appendix. I will also discuss how the results of this model provide an indirect support for the main findings.

On a negative side, the fixed-effects models (particularly first-differencing) take away much of the between-state variance. This may be statistically desirable, but can weaken the conceptual argument in my analysis. Since I hypothesize that democracy is, to a great extent, a product of the between-state processes, taking away much of the between-state variance can be considered contradictory to the purpose of the analysis. Therefore, to supplement fixed-effects models, I will estimate random-effects models that will be displayed in the Appendix. Such two-method estimation will allow me to examine any differences between fixed- and random-effects estimates.

**Use of Lagged Effects**

There is no clear-cut rule in empirical analysis when to use lags. It is often the case when a variable $X_{it}$ has the variable $X_{i(t-1)}$ as a good predictor. In other words, the value of the variable at time *t-1* will generally affect the value of the same variable at time *t*. If there is a correlation between the variables $X_{it}$ and $Y_{it}$, then it is reasonable to expect that there will also be a correlation between $X_{i(t-1)}$ and $Y_{it}$. In practice, it is not always the case. The relationship between some social phenomena is instantaneous. In other cases, however, the effect of one social process on another has a temporal nature. For example, the formation of a social class or a social movement has to occur first before this class or this movement can act in the political contest and bring about political and social change. Hence, the theory about the social relationships must guide a researcher in asking a question of whether or not use the lagged effects in the analysis.

To see the possible presence of the effects over time, I created a lag distribution in Table 4.6. A more detailed analysis of the Table 4.6 will take place in the section "Discussion and Findings" of this chapter. At present, I will only use this table for the purpose of locating the strongest immediate or temporal effects of the variables. Table 4.6 provides the values of the coefficients for the baseline model of democracy (the baseline model will be presented in the next sub-section "Outline of the Estimated Models") and shows different effects of the independent variables on the dependent variable (Polity IV): immediate effects, and first, second, and third lags. While this table provides enough information to verify the strength of the temporal effects, a better visualization can be made via bar graphs.

**Table 4.6**. Lag Distribution of Independent Variables.

| Variable | Immediate effects | | 1st lag | | 2nd lag | | 3rd lag | |
|---|---|---|---|---|---|---|---|---|
| | Coef. | P | Coef. | P | Coef. | P | Coef. | P |
| Economic ties to Russia | -.019 | .43 | -.033 | .07 | -.049 | .01 | -.013 | .38 |
| Trade ties to Russia | -6.207 | .02 | -4.37 | .06 | -4.125 | .06 | .636 | .78 |
| Trade openness | .015 | .02 | .032 | 0 | .003 | .57 | -.001 | .7 |
| Non-core economic ties | .018 | .01 | .034 | 0 | .003 | .57 | -.004 | .83 |
| Russian military presence | -.008 | .01 | -.001 | .65 | .004 | .01 | .000 | .69 |
| Social ties to Russia | .038 | .24 | .008 | .82 | .024 | .49 | .039 | .16 |
| INGOs | -2.948 | .05 | -1.236 | .39 | .31 | .65 | .066 | .72 |
| IGOs | 2.578 | .02 | 2.257 | .01 | 1.202 | .04 | .043 | .93 |
| Economic growth | 1.433 | .18 | 1.510 | .16 | -1.4 | .16 | -1.211 | .24 |
| GDP per capita | .529 | .48 | .529 | .48 | -.557 | .49 | .341 | 0.6 |
| Militarization | -.990 | .06 | -.830 | .11 | .391 | .47 | 1.487 | 0 |
| Urbanization | -.603 | .02 | -.645 | .01 | -.661 | .01 | -.663 | .01 |

I converted the *p*-values from Table 4.6 into Z-scores, which is presented in Figure 4.3, Figure 4.4, and Figure 4.5. Figure 4.3 shows the lagged effects of the two main independent variables: economic ties to Russia (measured in three different ways) and economic ties to the international community (measured in two different ways). The bars reaching above the z-score of 1.96 show significant effect of the corresponding independent variables on democracy. The bars reaching above the z-score of 1.645 have marginal significance. For example, the variable "economic ties to Russia" does not have significant immediate effects, has marginally significant effects

in its first lag, and significant effects in its second lag. Therefore, it would be more efficient to use the first and the second lags in the models.

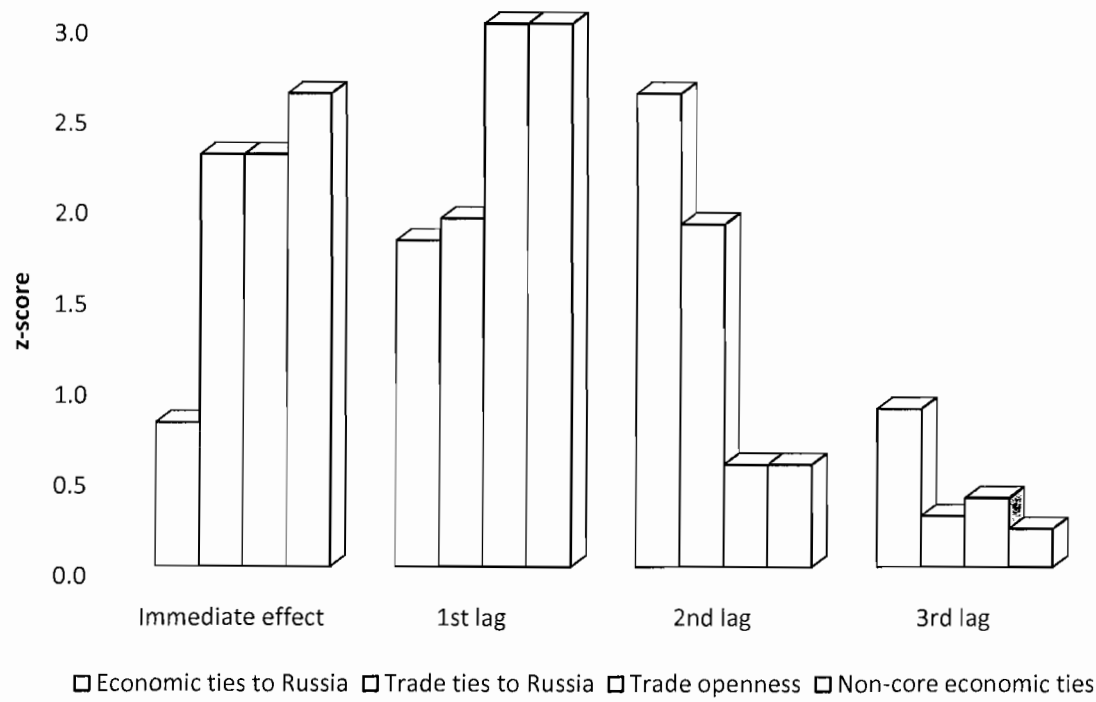



**Figure 4.3**. Lag Distribution of Two Main Explanatory Variables.

In my analysis however, I choose whether to use the lagged or non-lagged variables primarily based on my theoretical expectations. For the main explanatory variables – economic ties to Russia and economic ties to the international community – I expect to observe delayed effects on democratization. It will take time for the economic relationships with Russia (such as new economic agreements) to produce political effects (for instance, change in the government structure based on the signed economic agreement). Similarly, it will take time for non-governmental political actors

to accumulate enough economic resources through international trade in order to proceed with their political contest of the current elite. From this perspective, both variables will have a delayed effect on democracy.

Form a different perspective, however, international non-core trade involves international travel of many individuals, who will learn new ideas in other countries and will spread the knowledge upon their return. Atkinson (2006) articulated this point as applicable to international military organizations. A number of U.S.-funded organizations such as IREX and MUSKIE use similar logic in creating exchange programs for scholars and government officials from the former Soviet states. While the effect of this international travel and experience is hard to measure per se, when associated with trade, such travel should have immediate effects on the political process of a state. Therefore, in addition to temporal effects, I expect to observe immediate effects of trade openness and non-core economic ties on democratization in the former Soviet states. Since, however, both variables of trade openness and non-core economic ties have the p-values of 0.000 in their first lags (see Table 4.6), the corresponding z-scores would be infinitely large. For the graphing purpose, I capped the values of these z-scores at 3.0 in Figure 5.1. The lag distribution of these two variables showed that the first lag had the largest effect in the values of the coefficients, as well as in their significance. Therefore, in the main models, I will use the first lag of these two variables to maximize the effect of trade openness and non-core economic. The models with the immediate effects of these variables will be presented in the Appendix.

Sometimes, however, theory alone cannot give an explicit answer. Every so often researchers of the inductive approach come across an undiscovered relationship that becomes a foundation in building a new theory. Since my theory is about the relationship between economic and political processes, I will use both lagged (first and second lags) and non-lagged forms of all main explanatory variables. This use of immediate and lagged effects will also serve as a check on other independent variables. A sudden change in a control variable, when the main independent variable is changed from the immediate to a lagged, will indicate a problem with multicollinearity or a presence of other potential problem affecting the robustness of the model.

Since non-lagged and lagged variables typically have high correlation, the inclusion of $X_{it}$ and $X_{i(t-1)}$ in the same model at the same time will inflate the standard errors of the respected coefficients due to a problem of multicollinearity. While multicollinearity does not bias the results of the model, it can reduce the significance of the coefficients and make the coefficients unstable overall. To avoid this problem altogether, I will not include the immediate and the lagged variables in the same model. To ensure that multicollinearity is not a problem among other independent variables in the current analysis, I will perform a number of tests.

Figure 4.4 shows the lag distribution of the between-state control variables. There is no theoretical reason to use lags of Russian military presence and social ties to Russia because these variables have a direct effect on the political process of a former Soviet state through involvement of the Russian troops or ethnic Russian minorities

who participate in the political process directly. I will use the first lag of the number of INGOs and non-lagged form of IGOs in the models.

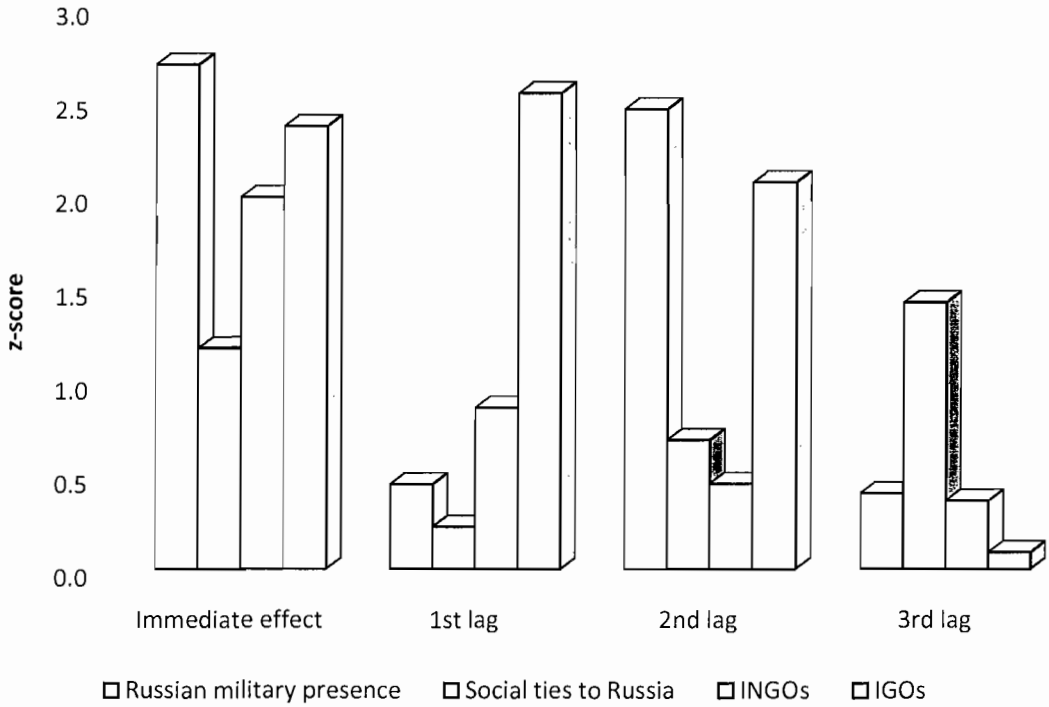



**Figure 4.4**. Lag Distribution of Between-State Control Variables.

I expect that it will take time for INGOs to influence the political process of a state through their activities. It takes time to achieve political goals through supporting the media, training the journalists, organizing exchange programs, directing financial assistance to various social movements, etc. In contrast, IGOs have a direct influence on the political process of a country through the participation of its government in the IGOs. The exchange of ideas, discussions of policies, signing mutual agreements, and

other activities that happen on the level of governments within IGOs will most likely have direct effects on the democratization of the domestic political process. Nevertheless, it may also be possible that the policy change that was influenced through the participation of a government in the IGOs may have a long lasting effect. For example, if a country that is a member of the United Nations signs the Convention Against Torture, such an act will have long-lasting effects on the domestic policies of this member state. Figure 4.4, however, shows that similar long lasting effects may not be present within the former Soviet Union. Therefore, in the current analysis I will use the immediate effect of the embeddedness of the political elites (measured as the natural logarithm of the number of INGOs).

Figure 4.5 presents the lag distribution of the within-state control variables.

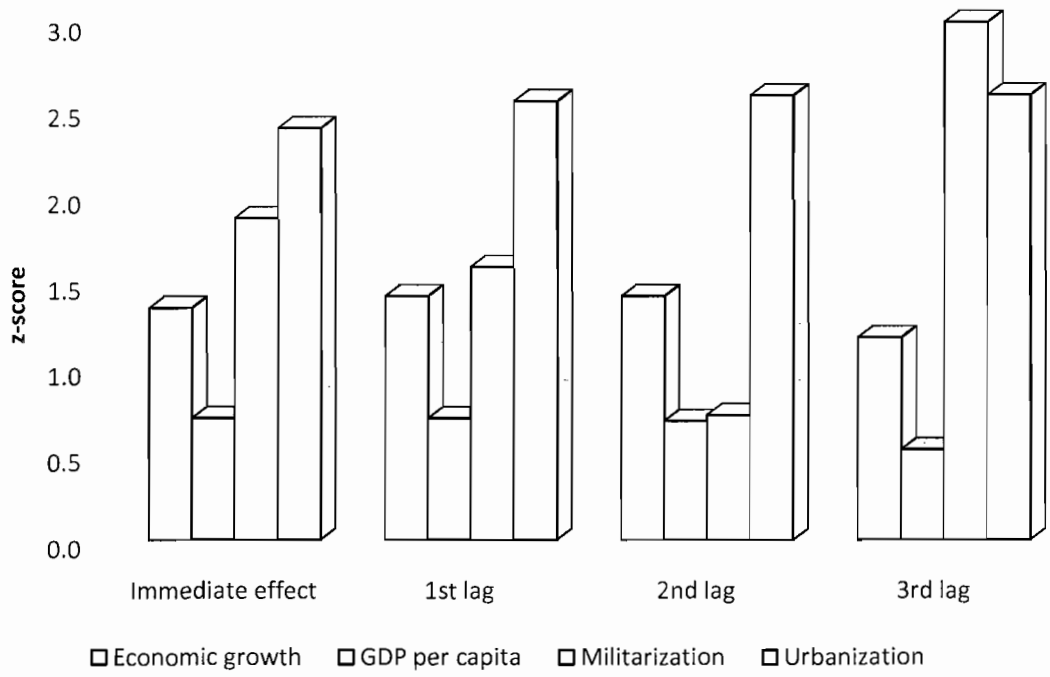



**Figure 4.5**. Lag Distribution of Within-State Control Variables.

Economic growth (change in GDP per capita) already accounts for the state of the economy in the previous year, so I will use the immediate effects of this variable. GDP per capita is less likely to have an immediate effect on the political process of a country. It will require time for the government to accumulate economic resources and re-direct them into political resources. For instance, such is the case in the mechanism of taxation: the government collects taxes (amount of which depends on GDP: the amount of goods and services produced) in the end of the fiscal year and uses this money for the budget payments in the current year. Therefore, using a lag of GDP per capita is more justified. There are no theoretical reasons to use lags of militarization or urbanization; therefore I will use the immediate effects of these variables on the dependent variable of democracy.

**Outline of the Estimated Models**

The theoretical model of democracy in the post-Soviet states is summarized below (Equation 4.1):

**Equation 4.1**. Theoretical Model of Democracy in the post-Soviet States.

$$y_{it} = b_1x_{it1}+b_2x_{it2}+b_3x_{it3}+b_4x_{it4}+b_5x_{i(t-1)5}+b_6x_{it6}+b_7x_{it7}+b_8x_{i(t-1)8}+b_9x_{it9}+b_{10}x_{it10}+u_i+w_t+e_{it},$$

where $i$ is the indicator of the country,

$t$ is the indicator of the year,

$y_{it}$ is the Polity IV index of democracy supplemented by Freedom in the World index (the dependent variable),

$x_{it1}$ is economic ties to Russia (measured in three different ways in the models with the analysis of lags),

$x_{it2}$ is economic ties to the international community (measured in two different ways in the models with the analysis of lags),

$x_{it3}$ is Russian military presence,

$x_{it4}$ is social ties to Russia,

$x_{i(t-1)5}$ is the first lag of associational ties to the international community,

$x_{it6}$ is the international embeddedness of political elites,

$x_{it7}$ is economic growth,

$x_{i(t-1)8}$ is the first lag of GDP per capita,

$x_{it9}$ is militarization,

$x_{it10}$ is urbanization,

$u_i$ is country-specific error coded as a set of country dummies,

$w_t$ is time-specific error coded as a set of year dummies, and

$e_{it}$ is a stochastic error.

Country and year dummies ($u_i$ and $w_t$) will be omitted from the random-effects models. To ensure the robustness of the results, several post-estimation tests have been conducted. None of the tests have pointed out to a potential error in the data or any serious violations of the OLS assumptions. The scatter plot of the residuals against predicted values suggested homoskedasticity. The histogram of the residuals closely resembled a normal curve. The scatter plots of the residuals over time and over different countries did not reveal any unusual patterns: the residuals are evenly and similarly

distributed throughout time and space. All models were re-estimated while excluding one country, then one year, and then one variable at a time to test whether there are influential countries, years, or variables. The results showed a very strong consistency in the significance and signs of the coefficients. Thus, proving that none of the observations or variables had a critical influence in the models, and the risk that one variable could potentially outweigh or change the direction of the influence of other variables is minimal. In addition, energy use and GNP per capita (with and without the Purchasing Power Parity conversion) were used instead of GDP per capita, which did not result in any significant changes in the coefficients. Also, energy use and GNP per capita were used as components in the formulas for the variables economic ties to Russia, trade opened, and non-core economic ties. Nevertheless, these alternative measurements did not affect the estimates. Furthermore, different transformations in a number of variables were explored (change instead of direct value, lags, logs etc.) instead of proportions or the volumes; however, this did not affect the overall models' predictions. Lastly, I used energy dependency (measured as energy production divided by energy imports, energy imports over GDP, energy imports alone, and a few other measurements) instead of trade as a proxy for economic dependence, but this produced no significant difference in the results.

The correlation matrix of the independent variables is presented in Table A1. Trade with Russia and trade openness have low correlations (.29 and .07 for the two measures of trade with Russia). While the correlation of .29 is significant ($p<.05$), it is relatively low in its value (i.e. these variables do not share a large percentage of their

variance). There is a moderate correlation between economic growth and IGOs, because a country with an expanding/shrinking economy also expands/reduces its memberships in IGOs. Since such memberships require certain financial commitment, it makes sense that the state of the economy influences memberships in IGOs. GDP per capita and urbanization have a moderately strong correlation (.79), which makes sense because more urbanized countries produce more monetary value in their GDPs due to the manufacturing industries. The number of INGOs (log, first lag) and social ties to Russia moderately correlate with other variables.

Do these correlations influence or bias the results of my models? To address this question, I computed Variance Inflation Factors (VIFs), and they were high for INGOs, IGOs, GDP per capita, and urbanization (mean model VIF=85.32). I excluded GDP per capita (the variable with the highest VIF) from the models, re-estimated them, and computed VIFs – they were still high for INOs, IGOs, and urbanization (mean model VIF=51.26). I excluded INGOs from the model. The new VIFs were high for urbanization and IGOs (mean model VIF=11.09). I finally excluded urbanization and ran the models again – this time VIF was 15.44 for IGOs and the model had the average VIF of 5.59. I then compared the estimates, and they were very similar across all models: all key variables retained their significance and signs. I also went one step further, excluded IGOs, and computed VIFs. All variables had their VIFs below the conventional 10, and the model had the average VIF of 2.77. All estimates showed insignificant change overall.

To confirm the results of this test, I substituted the variable INGOs (log, first lag – the variable that initially had the most correlations with other independent variables) with the first difference of the log of INGOs (thus looking at the growth in the number of INGOs rather than at their actual value). In this form, INGOs had weak and insignificant correlations with all other variables. I then repeated the VIF test and received nearly identical results in the coefficients (with much smaller VIFs this time). Overall, these two explorations of the VIFs in my models showed that the coefficients were highly consistent across all different models.

The importance of VIFs in general is debated in the literature. For example, O'Brien (2007) shows that the high values of VIFs do not render the findings incorrect, and that the "rule of thumb" about the maximum value of 10 for VIFs is overemphasized in the empirical research. He further argues that it is much worse to omit an important control variable than to have high VIFs because the potential bias from omitting an important control variable outweighs the problem of multicollinearity. In any case, since my models have shown to be stable, I see no particular harm in the high VIFs for the four control variables: INGOs, IGOs, GDP per capita, and urbanization. Even though the exclusion of some variables like GDP per capita resulted in the increase in the F-statistics (which indicated that the explanatory power of the model as a whole increased), for theoretical reasons I will keep all variables in the models. In sum, since the exclusion and transformation of the variables did not result in substantial changes in the estimated coefficients, I conclude that multicollinearity is not

a problem in the current analysis and that the models are robust, and that they estimate the coefficients with a minimum bias.

Figure 4.6 presents the expanded diagram of the theoretical model of democracy and shows the use of different variables and their lags in the statistical models.

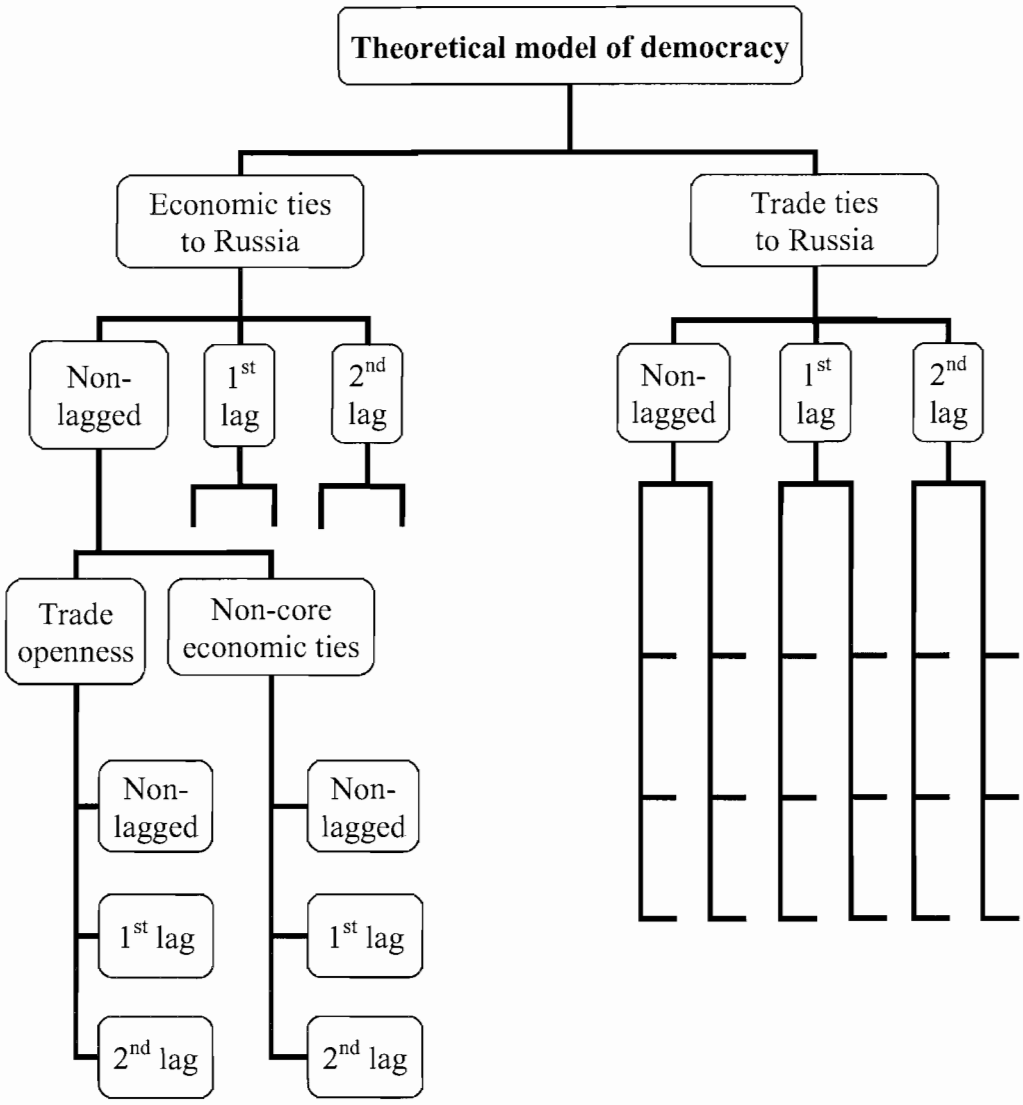



**Figure 4.6.** Expanded Diagram of the Models of Democracy in the post-Soviet States (1994-2003).

In Figure 4.6, there are two main groups of models depending on the measure of economic ties to Russia: economic ties to Russia, and trade ties to Russia. Each group of models consists of three subgroups, in which the effects of the lags of economic ties to Russia are explored. Each subgroup has two parts, wherein two different measures of economic ties to the international community are employed (trade openness and non-core economic ties), each of which in turn involves the exploration of the lagged effects. Totally I will estimate 36 statistical models for each of the two dependent variables (Polity IV and the Freedom House index). Eight control variables remain the same for each of the models outlined below. The use of lags in the control variable is based on the theoretical expectations and is discussed in the previous subsection "Use of lagged effects."

## Discussion and Findings

Table 4.7 summarizes the results of the fixed effects models of democracy in the post-Soviet world-system. Each model contains two alternative measurements of trade with Russia: economic ties to Russia (trade with Russia over GDP) and trade ties to Russia (proportion of trade with Russia in the overall trade flows). Models 2 and 3 explore the lagged effects of trade with Russia on democracy (first and second lags respectively). Economic ties to the international community are represented by the first lag of the variable of trade openness. A similar table of coefficients that were estimated using random-effects model is presented in the Appendix (Table A2).

**Table 4.7.** Coefficients from Models of International Trade and Democracy (Fixed Effects).

| | Model 1 (immediate effects) | | Model 2 (1st lag) | | Model 3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]*100) | -.019 (.023) | _ | -.033$^{+}$ (.018) | _ | -.049** (.019) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -6.207* (.735) | _ | -4.37$^{+}$ (2.277) | _ | -4.125$^{+}$ (2.183) |
| Trade openness (1st lag) | .013** (.005) | .012* (.005) | .015** (.005) | .011* (.005) | .032** (.007) | .03** (.006) |
| Russian military presence | -.005* (.002) | -.006* (.002) | -.006** (.002) | -.006* (.002) | -.008** (.003) | -.008** (.003) |
| Social ties to Russia | .053$^{+}$ (.029) | .05$^{+}$ (.03) | .053$^{+}$ (.031) | .053$^{+}$ (.031) | .038 (.032) | .035 (.031) |
| Associational ties to international community (1st lag) | -.031 (.394) | -.038 (.383) | -.133 (.707) | -.059 (.718) | -1.236 (1.432) | -1.226 (1.419) |
| International embeddedness of political elites | 2.328** (.849) | 2.254** (.856) | 2.271* (.924) | 2.209* (.941) | 2.578** (1.089) | 2.512* (1.116) |
| Economic growth | 1.384 (1.208) | 1.407 (1.108) | 1.477 (1.083) | 1.4 (1.083) | 1.433 (1.063) | 1.388 (1.995) |
| GDP per capita (1st lag) | .486 (.712) | .644 (.679) | .427 (.762) | .431 (.734) | .529 (.75) | .75 (.774) |
| Militarization | -1.082$^{+}$ (.563) | -1.07$^{+}$ (.56) | -1.029$^{+}$ (.54) | -1.035$^{+}$ (.539) | -.99$^{+}$ (.53) | -1.075* (.55) |
| Urbanization | -.861** (.293) | -.739** (.274) | -.761** (.286) | -.774** (.288) | -.603* (.252) | -.701** (.249) |
| Total $R^2$ | .91 | .91 | .91 | .91 | .92 | .92 |
| "Within" $R^2$ | .47 | .47 | .45 | .46 | .44 | .43 |
| Rho | .43 | .39 | .41 | .4 | .38 | .36 |
| N | 153 | 153 | 150 | 150 | 137 | 136 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed-effects models, country- and year-specific dummy variables are not reported. Standard errors are shown in parentheses. 14 countries total. Models 1 and 2 contain 11 time periods, and Model 3 – 10 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

Fixed- and random-effects models that use the second measure of economic ties to the international community – non-core economic ties (non-Russian trade over GDP) are shown in the Appendix (Tables A3 and A4 respectively).

The results provide strong evidence for all four hypotheses. I will begin the discussion with the historically-specific Hypotheses 3 and 4. First, based on Hypothesis 3, the level of political democracy in the post-Soviet states depends upon the extent of these states' trade with Russia. The more extensively a former Soviet state trades with Russia, the less democratic this state is. This negative relationship between trade with Russia and democracy is evident across all model groups in the fixed- and random-effects models (Table 4.7 and Table A2 respectively). Secondly, based on Hypothesis 4, trade openness has consistent positive effect across all fixed-effects models (Table 4.7) and most random-effects models (Table A2).It is debatable to which extent the random-effects models can be used, particularly in pooled time-series analysis. Hausman (1978) argued that since fixed-effects models are consistent (less biased), the coefficients from random-effects models should be compared to the coefficients from fixed-effects models for any major inconsistency. The proposed test (known as Hausman test, or Durbin-Wu-Hausman test) computes the chi-square statistics that shows if significant difference exists between the fixed- and random-effects coefficients. The Hausman test-statistics for the comparison of the Models 1(1) between Table 4.7 (fixed-effects) and Table A2 (random-effects) was 28.14 ($p = .0017$). Other comparisons produced similarly significant Hausman test statistics, which shows that the random-effects models estimate the coefficients inconsistently and with a bias.

However, there are several concerns with the Hausman test that suggest that outright rejection of the results of the random-effects models would be erroneous. First, my study examines a relatively small cross-section time-series sample (14 countries, 12 years). If the sample is finite, the Hausman test may not be "positive definite" (Baum, Schaffer, Stillman 2003; Stata 2008). Secondly, panel-corrected standard errors and correction for AR1 serial correlation further complicate the computation of the Hausman test statistics. Lastly, following the original article by Haussman (1978), I directly compared the values of the random-and fixed-effects models. As a visual proof of the superiority of the fixed-effects model over the random-effects model, Hausman (1978:1267-8) pointed out to instances when the fixed- and random-effects coefficients were largely different. In case of my study, the main variables of interest (economic ties to Russia and trade openness) had very similar coefficients between fixed- and random-effects models.

In addition, I re-estimated the models excluding all other independent variables leaving only the two main independent variables, and conducted Hausman test again. This time Hausman test-statistics was 4.2 ($p = .1224$), which indicated that random-effects model estimated the coefficients consistently. Overall, large values of the Hausman test-statistics across all models indicate that fixed-effects models estimate coefficients more consistently. Nevertheless, as I showed, it would be incorrect to discard the results of the random-effects models. The best compromise would be to use fixed-effects models as that main method and random-effects estimation as a secondary method, and analyze any significant differences between the two-method estimates.

In the fixed-effects models, the immediate effect of trade with Russia on democracy is apparent only in Model 1(2) (Table 4.7). The effects of the first lag of trade with Russia are significant in Models 2and 3 has significant effects of trade with Russia in all three sub-models. In addition, while trade with Russia is significant across all random-effects models (Table A2), there is a noticeable change in the value of the coefficients: Model 3 (the second lag of trade with Russia) has the largest values. These findings lead to the conclusion that trade with Russia has long-term political implications for post-Soviet countries. Although the lags proved to be more efficient in the current model, the results do not suggest that there is no direct effect of international trade on domestic political process. For instance, if Russia reduces the supply of natural gas to Ukraine, demanding a higher price, the effect on the political process could be observed immediately through an urgent session of Ukraine's parliament (which is not captured by the dependent variable). However, if Ukraine concedes to Russian political demands and enters into a long-lasting economic agreement (as it did in 2004), such political decisions will have long-lasting effects that can be observed in changes in the political process after a certain time.

These lagged effects of trade with Russia across all three measurements leads to the conclusion that, Russia uses this dependency to rebuild and maintain a long-term political dominance rather than focusing on extracting the immediate political or economic benefit from economic dependency of the former Soviet states upon Russia. By manipulating the export and import prices, quotas, and tariffs, Russia effectively influences the political process in the other former Soviet states (see pp.93-95 for the

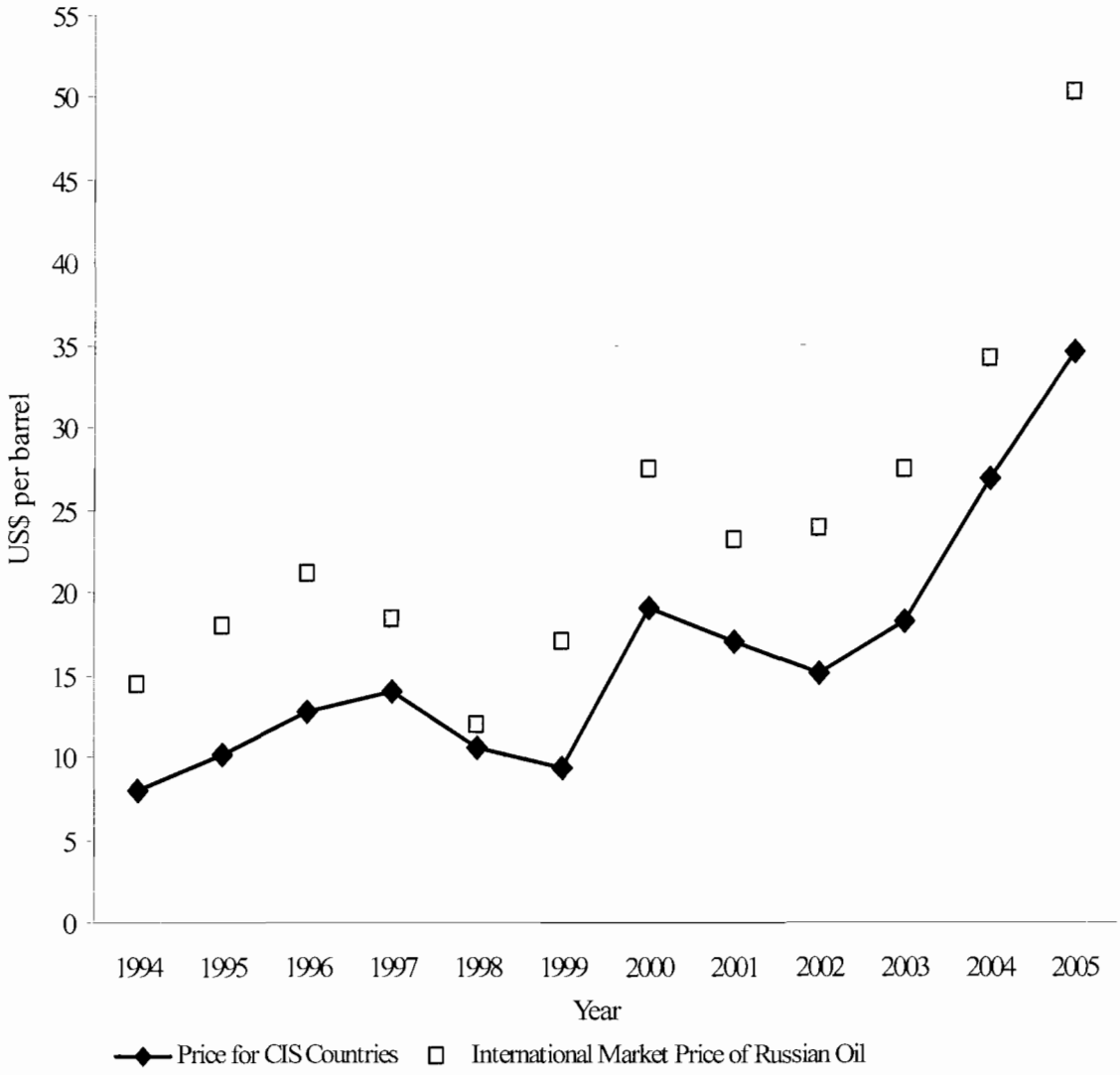
discussion of the influence of the price administration in the models). While such a manipulation of export-import prices have been a subject for scholarly debate, few studies show specific data that would confirm aggregate analyses. Furthermore, Russian authorities typically deny that different price policies and reduced prices exist for some former Soviet states, particularly on the energy sources. For example, here is an extract from the interview of Vladimir Putin for the Person of the Year conducted by Time magazine:

> [Time Magazine:] What about the conflicts you've had with former Soviet republics on gas prices?
> [Vladimir Putin:] What conflicts? There are world prices for gas. Why should we sell to anyone below the world-market prices? Do Americans? Could you come to a store in the U.S. and ask, "Well, I'm from Canada. We Canadians are close neighbors. Give me that Chrysler at half price!" What would you hear from the salesman? "Go away!" (Stengel and Ignatius 2007)

Despite the statements of the former Russian President, objective data show an example of such differentiation in the export prices of Russian crude oil (Figure 4.7).

It is important to note that Figure 4.7 shows the price of oil at sale, while the actual amount of payment received can differ. Since the dissolution of the U.S.S.R. in 1991, Russia used the energy debt of other former Soviet states as a leverage in political negotiations and often forfeited the amount that other states owed in exchange for various political favors. Forfeiting of the amount owed would further increase the gap in the graph: while the sale of oil took place, the actual payment for the energy source

never came, or came at a further reduced price; hence the actual price paid by the former Soviet states for Russian oil would be even lower.[39]




*Source*: State Committee of the Russian Federation on Statistics, Energy Information Administration.

**Figure 4.7.** Russian Crude Oil Export Prices.

[39] Since energy debt of the former Soviet states to Russia has been constantly present since early 1990s, this debt (the difference between price of oil and amount paid) would widen the gap between world and CIS oil prices, but would not change the width of the gap over time.

Other (non-Soviet) countries, in contrast, do not receive Russian oil on credit terms; hence the price of oil for these countries in the graph accurately reflects the amount paid.

By selling its oil[40] at the prices consistently below international market, and often as a credit, Russia uses its foreign trade as the mechanism of economic investment into the dominance of certain political elites: the elites that in return would be willing to play along Russian international policies and support major Russian geopolitical goals. It has also been acknowledged that Russia sells its gas to some former Soviet states at similarly below-market prices (Zarakhovich 2005) pursuing comparable political goals. Even in the "difficult" geopolitical areas of interest such as Ukraine, Russian policy was to continue to provide economic subsidies that would over time create a powerful political leverage. For example, Russian President Putin stated that the yearly monetary subsidy of Russia into the Ukraine economy was around one billion U.S. dollars only from exports of gas at the prices below international market (Vesti 2005).

Since the breakup of the U.S.S.R., the political elites of the former Soviet states have received broad economic benefits from Russia. In exchange for economic stability, some elites provided their de facto political subordination (e.g. Kazakhstan or Belarus) and some elites conceded to Russian political influence after a period of political resistance (e.g. Ukraine or Moldova). This conflict of interests reinforced by other

[40] However, to my knowledge there is no data set that exists on Russian gas prices. Goskomstat's yearly statistical publication "Russia in Figures" does not provide such data. Therefore, I was unable to include a separate analysis of the data on the sales and prices of Russian gas.

political and social processes (government corruption, deterioration of social welfare, the rise of nationalism, etc.) alienated these political elites from the non-elite majorities of populations. This rising antagonism between pro-Russian political elites and non-elites is evident across most of the former Soviet states. This conflict can be observed through political outcomes such as multiple public protests, recent "color" revolutions in Georgia, Ukraine and Kyrgyzstan, and elections.

Table 4.8 summarizes the reports of election observers from the Office for Democratic Institutions and Human Rights (ODIHR), which is part of the Organization for Security and Co-operation in Europe (OSCE). These historical examples show that in order to remain in power, many post-Soviet political elites have resorted to various degrees of manipulation of the election process, which has had a negative effect on the democratization of these states. Often perceived by scholars as a form of class conflict, this particular conflict between political elites and non-elites can be identified as a link between international economic relations and domestic political process (Schwartzman 1998:179).

The extent of the conflict between political elites and non-elites is evident in a number of political crises that brought changes in the ruling elites: what became to be known as "color" revolutions. For example in 2003, after fraudulent parliamentary elections in Georgia, the main opposition party organized protests that forced the former president to resign. During the new fair elections the opposition won the presidency and the majority of seats in the parliament.

**Table 4.8.** Summary of ODIHR/OCSE Election Reports for the post-Soviet States.

| Country | Year | Elections Type | Pre-Election | Election | Post-election |
|---|---|---|---|---|---|
| Armenia | 1998 | Presidential | 0 | 1, 2, 4, 5 | 1 |
| Armenia | 2003 | Parliamentary | 1, 5 | 3, 6, 7, 10 | 1, 5 |
| Azerbaijan | 2003 | Presidential | 1, 2, 4, 5, 6, 8 | 1, 3, 7 | 2 |
| Azerbaijan | 2001 | Parliamentary | 1, 3, 4, 5, 6, 8 | 1, 3, 5, 6, 7, 9, 10 | 3 |
| Belarus | 2001 | Presidential | 1, 2, 4, 5, 6 | 3, 7, 10 | 1, 5 |
| Belarus | 2000 | Parliamentary | 1, 2, 4, 5, 6 | 10, X | X |
| Estonia | 2003 | Parliamentary | 0 | 10 | 0 |
| Georgia | 2000 | Presidential | 1, 4, 5 | 3, 5, 7 | 3 |
| Georgia | 2003 | Parliamentary | 1, 4 | 3, 7 | 3 |
| Kazakhstan | 1999 | Presidential | 1, 4, 5, 6, 8 | 5, 6, 8 | 3 |
| Kazakhstan | 1999 | Parliamentary | 2, 4, 5, 8 | 3, 7 | 3 |
| Kyrgyz Republic | 2000 | Presidential | 1, 4, 5, 6, 8 | 3, 7, 10 | 3 |
| Kyrgyz Republic | 2000 | Parliamentary | 1, 4, 5, 6 | 3, 7, 9, 10 | 3 |
| Latvia | 2002 | Parliamentary | 7 | 4, 6 | 4 |
| Lithuania | 1996 | Parliamentary | 0 | 6 | 0 |
| Moldova | 1996 | Presidential | 4, 7, 8 | 5, 10 | 0 |
| Moldova | 2001 | Parliamentary | 5, 7 | 10 | 0 |
| Tajikistan | 2006 | Presidential | 1, 4, 5, 8 | 6, 7, 10 | 3 |
| Tajikistan | 2000 | Parliamentary | 1, 4, 5, 8 | 6, 7, 10 | 4 |
| Turkmenistan | 1999 | Parliamentary | 1, 2, 4, 5, 6, 8 | X | X |
| Ukraine | 1999 | Presidential | 4, 5, 8 | 3, 6, 7 | 3 |
| Ukraine | 2002 | Parliamentary | 1, 2, 4, 8 | 7, 9, 10 | 3 |
| Uzbekistan | 1999 | Parliamentary | 1, 4, 5, 6 | X | X |

Pre-Election:

0 - No major problems.

1 - Opposition candidates were denied registration or de-registered. Non-transparent system of registration.

2 - Intimidation, harassment or arrests of the opposition candidates, supporters or journalists.

**Table 4.8. (continued).**

3 - Use of public resources and infrastructure for the campaigns of the pro-government candidates.
4 - State-owned media showed bias in favor of pro-government candidates.
5 - Private media showed bias in favor of pro-government candidates (state censorship, self-censorship etc.)
6 - Restrictions on campaigning, rallies, association or assembly.
7 - Exclusion of parts of the population from voting based on their ethnicity.
8 - Other government, legislative or other actions favoring pro-government candidates.

Election:
0 - No major problems.
1 - Intimidation, harassment or arrests of voters, observers, or election officials.
2 - Manipulation of the voters' lists (changing the total numbers of voters, deceased people on the lists etc.)
3 - Ballot fraud (double-voting, filling-in the unused ballots, stuffing pre-filled ballots etc.)
4 - Voters were denied the right to vote by election authorities or police.
5 - Presence of unauthorized personnel in the voting stations during the voting and/or counting.
6 - Non-private voting.
7 - Falsified vote counting (incorrect computation, changing the tabulation, non-reporting of protocols etc.)
8 - Restrictions on observers to monitor elections or counting.
9 - Pressure on public employees to vote for government candidates, controlled voting in military and police.
10 - Other discrepancies and violations during the election day.
X - OSCE declined to observe the election day proceedings (below minimum requirements for verification).

Post-election:
0 - No major problems.
1 - Central and regional election commissions published the preliminary and final results with discrepancies.
2 - Restrictions on observers to monitor post-elections activities.
3 - Unfair or non-transparent appeal system (non-independent judiciary or election commissions etc.)
4 - Absence of a formal appeal procedure.
5 - Other post-election discrepancies.
X - OSCE declined to observe post-election activities (below minimum requirements for verification).

*Source*: ODIHR/OSCE Election Reports.

In other examples, in 2004 the manipulated presidential elections in Ukraine resulted in mass public protests of the non-elite majority. These protests lead to the annulling of the election results and new transparent elections in which the opposition candidate won. The questionable 2005 legislative elections in Kyrgyzstan led to mass protests and the eventual fleeing of Kyrgyz president to Russia. Another conflict, which did not result in the change of the ruling elite, took place in Uzbekistan in 2005, where public protests were violently suppressed by the government military. Although Russia played different role from case to case, it generally showed a strong support for the former political elites, even after the evidence of their wrong-doing became public.

It would be an oversimplification of the argument to claim that the political process in the former Soviet states is determined by the policies of the Russian political elites. It would also be inaccurate to claim that the political and economic ties to Russia are solely responsible for the reduction in the level of political democracy in these states. The political process of a state, in itself, is a complicated world-system, wherein multiple processes take place and multiple actors influence these processes. Nevertheless, it would be equally wrong to dismiss the influence of Russia in the formation of the domestic political processes in the countries of the former Soviet Union. Both quantitative and qualitative evidence point to the fact that Russia, acting as a core state, has been affecting the political processes in the post-Soviet peripheral states. Rather than directly influencing the political processes in the independent peripheral nations, Russia has been strategically helping the development of the political elites that would be dependent on the Russian government for political and

economic resources. The lag distribution of the two variables that measure economic ties to Russia (Figure 4.3) shows that two out of three variables peak in the second lag (the third measure also has a strong effect in this lag). This means that the most noticeable political effect of trade with Russia is present in the second year after the actual economic exchange took place, which further supports the finding that trade with Russia has a long-lasting effect.

Trade openness (as well as non-core economic ties) has a positive and significant effect that is consistent across all models, which provides a strong support for Hypothesis 4. This finding adds to the existing socio-economic literature, especially in the part where the analysis of the effects of international trade on democracy has been inconclusive. As applicable to the former Soviet states, international trade positively influences democracy.

More importantly however, my findings show that the concept of international trade needs to be refined in the sociological and political analysis. A positive effect of trade openness, yet a negative effect of trade with Russia suggest that, on a broader scale, there are at least two kinds of international trade: core and non-core oriented, which supports Hypothesis 2. These two kinds of trade represent two types of qualitatively distinct economic-political ties. While trade with hegemonic powers has certain political implications that constrain the development of democracy, non-core international trade represents the kind of economic ties that could be beneficial for democratization, which is also consistent with the expectations of the world-systems theory. Furthermore, trade with Russia was included in the variable of trade openness

and excluded in the variable of non-core economic ties (results of these models are presented in the Appendix in the Tables A3 and A4). Nevertheless, both variables have consistently shown positive and significant effect on the countries' levels of democracy. This finding demonstrates that, if taken as a whole, trade flows can conceal the distinct processes that have previously been considered similar. Thus, the identifiable effect of the trade with hegemonic powers can be absorbed within the overall trade. Therefore, it is not surprising that previous analyses received mixed results.

The comparative analysis of the lagged effects of trade with Russia and trade openness (the second lag for trade openness is reported n Table 4.7) shows that trade with Russia produces longer-lasting effects on a country's political process than international trade.[41] Table 4.7 illustrates that only one measure of economic ties to Russia had apparent immediate effects, while both measures had significant effects in the second and third lags. In contrast, trade openness and non-core economic ties had observable immediate effects, followed by significant effects in their first lags (with about double the value of the coefficients), and non-significant effects in the second lags. To confirm this finding, I re-estimated the models, wherein I used immediate effects, as well as the second lags of trade openness and non-core economic ties (total trade flows excluding trade with Russia over GDP). The new models produced similar results overall, and they confirmed the longer lasting effects of trade with Russia

[41] It is important to note that tables 4.7, A2, A3, and A4 show the lags for only the variables measuring economic ties to Russia. All presented models use the maximum effect of economic ties to the international community that were observed in the first lags of both variables: trade openness and non-core economic ties. The use of lags for these and other variables is noted in parentheses next to the variable descriptions. While I explored the lagged effects of other variables, I do not report the results of this lengthy analysis.

(measured as economic ties to Russia, trade ties to Russia, and trade with Russia per capita) than trade with all other countries (economic ties to the international community are measured as trade openness and non-core economic ties). This finding suggests that during the specified historical period (1994-2003), Russia played a more important role in affecting the other former Soviet countries' domestic political processes than trade with all other countries combined. In addition, the significant effects of the first lags of economic ties to the international community, and especially the first and second lags of trade with Russia on democracy, point out the fact that democracy, to a certain extent, is a product of international economic ties and not simply a precondition for economic liberalization, which has been a common argument in the literature. The variable of trade with Russia per capita produced significant and negative effects on democracy in its third lag. Nevertheless, the sharp decline in the significance of the two other variables that measure economic ties to Russia does allow making a more explicit argument as to the exact length of the effect of the economic ties to Russia on democracy found in the other former Soviet states. Nevertheless, the significance of the third lag of trade with Russia per capita strengthens the argument that trade with Russia produces longer-lasting political effects that economic ties to the international community.

Russian military presence has a consistent significant and negative effect across all models. The significance of this variable decreases in the random-effects models (Tables A2 and A4), but the marginal significance of this variable is, nevertheless, consistent. This finding confirms the expectation that the presence of the military that

belongs to a hegemonic core state reduces popular sovereignty of the host state, and negatively affects its political process. Despite the attempt of the international community to institutionalize international military influence through establishing the U.N. Security Council or international control of the NATO forces, military dominance is still a viable form of control that the hegemonic states can exercise over the peripheral countries. In connection with the U.S.-led invasion of Afghanistan in 2001 and Iraq in 2003, this finding shows that military influence of the core states on the peripheral nations has not vanished with the end of decolonization or the Cold War at the end of the twentieth-century. The recent Russian-Georgian military conflict in August 2008 (wherein Russia invaded a part of Georgia) further shows that competing core states are not willing to confront each other militarily to protect the peripheral nations, even though those nations may be situated in the geopolitical area contested by the hegemonic powers. As long as there is no viable international mechanism that would control international military deployments, core nations are virtually free to use their military force to spread their political dominance.

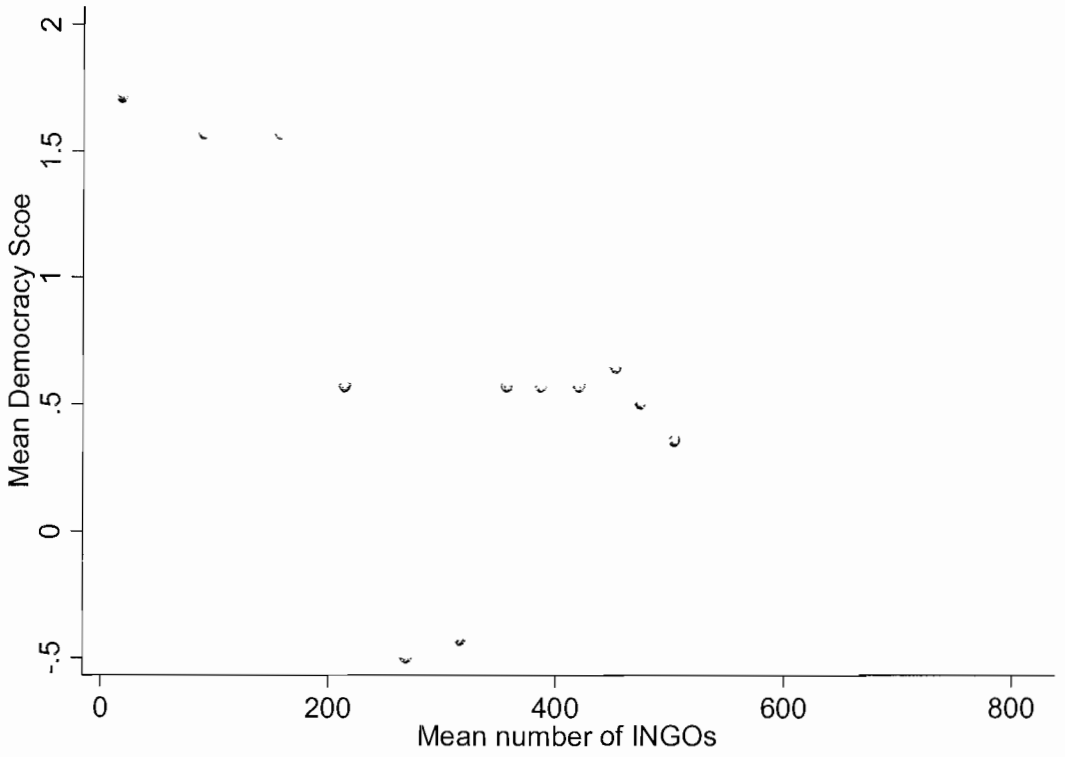
Social ties to Russia have either non-significant or positive effect, which is consistent across both fixed- and random-effects models. This finding contradicts the arguments that ethnic Russians are incumbents of Russia-oriented political process in the countries of the former Soviet Union. While the effect of the variable of social ties to Russia on democracy is weak and only marginally significant, I think that the weakness of the effect may be explained by a relatively small percentage of Russian ethnic minorities in most of the former Soviet states. Overall, it appears that rather than

seeking closer ties to Russia, ethnic Russian minorities are trying to integrate into the political processes of their new countries of residence by seeking citizenship in the countries where they are excluded from the political process and engaging in the political contest where they have such an opportunity, thus contributing to the democratization of the political process. Nevertheless, at present, this finding is inconclusive because larger Russian minorities are present in the European countries of the former U.S.S.R., which tend to be more democratic, than in Central Asian countries, which tend to be less democratic. Since the year-to-year change in the proportion of ethnic Russians is relatively small, this weak and positive effect of Russian minorities on democracy may be a function of the geographic location of a state. Hence, further research would be necessary to explicitly address this relationship.

Contrary to Paxton's results, I have found no relationship between democratization and associational ties to the international community (measured as the first lag of the number of INGOs). Surprisingly, the immediate effect of associational ties to the international community is significant and negative (not reported in the models, but illustrated in Table 4.7). Since this finding is counter-intuitive and is contradicting the previous research, I will look at the possible explanations for this phenomenon. Exclusion of this and other correlated independent variables, substitution of the log of INGOs for the non-logged number of INGOs, number of INGOs per capita (both logged and non-logged), and difference in the number of INGOs (measured as difference in raw numbers and as a proportion) did not result in either a change in this variable or changes in other variables. This unexpected effect leads me to the

preliminary conclusion that international non-governmental organizations in the countries of the former U.S.S.R. are structurally different from similar organizations in other countries. Alternatively, it may be that international democratically-oriented organizations are trying to target the countries with lower levels of political democracy. For instance, an INGO that provides independent training for the media may be more interested in opening an office in Kazakhstan or Uzbekistan rather than in Lithuania. This hypothesis, however, would speak negatively of the performance of these INGOs since their activities over time did not result in democratization of their host country. Yet another possibility is that due to this specific historical period there has been a yearly increase in the number of INGOs across the countries of the former Soviet Union (from the average number of INGOs of 18 in 1992 to the average of 505 per state in 2003). At the same time, the average level of democracy has declined from 1.71 to .36 in former Soviet states (measured on Polity IV scale).

Figure 4.8 presents the scatter plot of the mean numbers of INGOs and Democracy Scores in the countries of the former Soviet Union for the period 1992-2003. With the exception of the years 1996 and 1997 (the lowest values of the mean democracy score on the scatter plot) the mean democracy score showed a decline, while the mean number of INGOs was steadily increasing every year. Based on the exploration of Figure 4.8, it appears that after the dissolution of the U.S.S.R., the international non-governmental organizations have been increasing their presence in the former Soviet states.




*Note*: The means are shown for the period 1992-2003. Polity IV scale is used to calculate the mean of the democracy scores.

**Figure 4.8**. Scatter Plot of the Mean Numbers of INGOs and Democracy Scores in the post-Soviet Countries.

At the same time, democracy has declined on average due to other, more powerful domestic and international forces. If INGOs indeed produced a positive democratic change, such change would be hidden by the constantly increasing numbers of INGOs. In addition, the Soviet Union historically had relatively few INGOs. For most of the democratically-oriented INGOs it was impossible to officially operate within the U.S.S.R. for various political and ideological reasons. After the dissolution of the

U.S.S.R., INGOs used the opportunity to open their representations *en masse* in the new environment of relatively low restrictions of the former Soviet empire, which explains the ever-increasing number of INGOs that obscured the real change made by the already-present INGOs. Based on my theoretical expectations and on examination of Figure 4.8, I conclude that my sample contained too short of a historical time to detect a positive effect of INGOs on democracy.

Quite the opposite, international embeddedness of political elites (measured as the logged number of IGOs) produced a positive and significant effect across all fixed-effects models (Tables 4.7 ad A3). Although the effects of IGOs were not significant in the random-effects models (Tables A2 and A4), the estimates were consistently positive. This finding highlights the importance of a direct interaction between international political elites in building democratic political processes in the countries. The more a particular government is embedded in the network of inter-governmental organizations and associations, the more likely the political process in the state will be more transparent and democratic. Moreover, Table 4.7 demonstrates that IGOs have not only significant and positive immediate effects, but also significant and positive first and second lags (the absolute value of the coefficient in the second lag declined 53% as compared to the first lag). This strong lagged effect indicates that on average, a membership in an IGO implies a long-term commitment to the goals of this organization, which, due to the pro-democratic nature of IGOs, helps the democratization of the country-member.

Neither economic growth nor GDP per capita have significant effects in the models. It is worth noting, however, that both variables are consistently positive in the fixed-effects models (Tables 4.7 and A3), which could indicate a weak support for the argument regarding the positive relationship between economic development and democracy. Interestingly, GDP per capita also had a significant and positive effect in its third lag (see Table 4.6). However, in the absence of the similar effects in the first and second lag I would be hesitant to make an argument about the temporal nature of the effects of GDP per capita. Perhaps short time-series and a small cross-section sample limited the ability of the statistical models to detect a significant relationship. This problem of small cross sectional time-series data set might be further deepened by the distortion in the economic performance and in the GDPs of the former Soviet states (e.g. the economies of the former Soviet states were negatively affected during the Russian financial crisis of 1998).

The last two control variables have significant effects across all models. Militarization has negatively influenced democracy, which is in accordance with the previous analyses: militaristic states are less democratic (and vice versa). While militarization had a strong negative immediate effect on democracy, it also had a marginally significant negative effect in the first lag ($p$=.11, see Table 4.6) which may indicate a longer lasting negative effect of militarization. Surprisingly, militarization had a positive and significant effect in its third lag (Table 4.6). Perhaps, a larger militarization of a post-Soviet state can help trigger a revolutionary democratic change in a longer run. It is also possible that military in the former Soviet states plays a

structurally different role in the long run. To test this hypothesis, I computed the fourth lag of militarization (not significant, the fifth lag (significant and negative), and the sixth lag (significant and positive). These inconsistent results led me to believe that the reduction of the sample with each lag (only 84 observations – 6 per state per time period – remained in the sixth lag) led to the unstable and unreliable coefficients. A larger time-series and cross-national sample is needed to derive more reliable conclusions about the longer relationship between militarization and democracy.

The effects of urbanization on democracy are negative in the fixed- and positive in the random-effects models. Urbanization of a state does not change dramatically over a relatively short historical time (1993-2003). Therefore, it shares much of its between-state variance with other state-specific characteristics (natural resources, sea ports, geographical borders, etc.). While fixed-effects models account for these omitted variables, random-effects models do not. Therefore, it is likely that there were important omitted variables that heavily biased the coefficient for urbanization in the random-effects models. The lasting effect of urbanization (strong negative immediate effect, and even stronger negative effects in the first, second, and third lags, see Table 4.6) may be a result of little change in urbanization of a state: urbanization at time *t* differs little from urbanization at time *(t-1)*.

In addition, in the current analysis, urbanization moderately correlates with militarization, which suggests that more urbanized states tend to be more militaristic and less democratic. Therefore, it is more likely that the true effect of urbanization is negative, at least as applicable to the specified historical sample. Thus, the current

analysis supports the hypothesis that more urbanized countries tend to have larger social inequalities that negatively influence democracy.

Lastly, it is important to note that both sets of the control variables – between-state and within-state – consistently have influential variables in both fixed- and random-effects models. This finding confirms the theoretical expectation of the world-systems approach: that there is a close interrelation between the processes that originate within and between nation-states. Perhaps, the widespread use of the variable of the world-systems position as a proxy for various between-state processes is not a valid substitution for the actual variables that measure the processes directly. These two groups also illustrate that democracy is a process that has its roots within, as well as between the countries. Moreover, significant between- and within-state processes point out to the importance of specifications of statistical models in ways that should include these structurally different processes, at least as it is applicable to the analyses of democratization. In sum, it is not enough to estimate the models of democracy using fixed effects, or adding a few control variables of choice, but it is necessary to include the control variables that would have two structural origins: within- and between states.

**Supplementary Analysis**

In addition to the main series of models, I estimated four more series, wherein I used different measures of democracy and applied different fixed-effects estimation techniques (see Tables A5-A8 in the Appendix). Table A5 presents the estimated coefficients for the fixed-effects models using Freedom House measure of democracy.

These models show little relationship between democracy and international trade: only one out of six models (Model 1[2]) produced significant results for the variable of trade ties to Russia, and two out of six models produced significant coefficients for non-core economic ties (Model 3). Associational ties to international community had negative effects (see the earlier discussion of these counter-intuitive results, esp. Figure 4.8), and urbanization produces consistent negative effects. If anything, however, this series of models provides a weak support for the main argument: trade with a hegemonic state reduces democracy (Model 1[2]) and trade with non-core nations increases the level of political democracy (Model 3). Notably, GDP per capita produced significant and positive effects in Model 3.

For the next series of models, I created a new measure of democracy using the Polity IV and Freedom House scales. I converted the observations in my data set for each existing scale of democracy into the corresponding z-scores of democracy. I then added the two scales, assuming that they carry on equal weight.[42] As a result, the new measure of democracy is a combined scale that equally uses both Polity IV and Freedom House measures. In the next Table A6 I present the estimates from the model of democracy with the dependent variable of the combined scales. In this group of models, trade ties to Russia produces one significant and negative effect in Model 1(2), and non-core economic ties have two significant and positive effects in Model 3. Similarly to the previous Table A6, these results provide an indirect support for the main argument. Russian military presence and militarization of a state consistently have

[42] This factoring and combining of two measures of democracy goes along with the previous studies (Bollen 1980) that also used similar methods to created a combined measures of democracy.

negative and significant effects on the democratization of an ex-Soviet state. International embeddedness of political elites positively influences democracy and both economic growth and GDP per capita have some positive and significant effects.

In the next two series of statistical models, I employed a first-differencing method to estimate the fixed effects (all previous models used two sets of dummy variables for each year and each country). Table A7 presents the coefficients from the models with the Polity IV scale, and Table A8 uses the combined scale of democracy as the dependent variable. Both series of models provide an indirect support for the main argument. Measures of trade with Russia have significant and negative effects on democracy in several models (Table A7: Model 2[2], Model 3), and non-core economic ties have significant and positive effects on democracy (Table A7: all models; Table A8: Model 3). As expected, the first-differencing method has reduced the variance in both, dependent and independent variables. As a result, few of the control variables have significant effects on the dependent variables in Tables A7 and A8. Table A7 shows negative effects of Russian military presence on democracy, and associational ties to international community have significant and negative effects in some models in both Tables A7 and A8. Overall, in Tables A5-A8 trade with Russia (two different variables) and non-core economic ties had significant effects, which were consistent with the expected signs of the coefficients: negative for trade with Russia and positive for trade with other countries.

# CHAPTER V

# CONCLUSION

In my dissertation I have addressed the relationship between international economic ties and democracy using fifteen former Soviet states as a historical sample of the most recently dissolved empire. In using these specific countries I also addressed the question of the influence of a contemporary hegemonic state on the political development of the less powerful peripheral nations that lie within the close sphere of the geopolitical interests of the hegemony. I used world-systems theory as a point of departure for my theoretical analysis and employed a number of other supplementary theoretical approaches to model the process of democratization in countries of the former Soviet Union.

In Chapter 1, "Introduction," I summarized the debate and substantiated the need for this current analysis in the field of social sciences. Chapter 2, "The Modern Debate over Democracy," offered a theoretical review of the pertinent literature, and I classified and analyzed the theories applicable for the analysis of democracy. In Chapter 3, "Former Soviet States as a Historical Sample," I presented the countries of the former U.S.S.R. and explained their relevance to the analysis of democracy, in general, and discussed the relevance of these specific countries to world-systems theory, in particular.

In the next Chapter 4, "Pooled Time-Series Analysis of Democracy in the States of the Former U.S.S.R.," I conducted an extensive statistical analysis of the data on the states of the former Soviet Union. I introduced the data sources and discussed the reliability of the data themselves. I showed the theoretical relevance of the statistical models and explained how each group of models and each variable analyzes democratization from different perspectives. I offered theoretical discussions for each control variable in order to show the relevance of the chosen control variables to the analysis of democracy. I reviewed the methodology and provided the necessary theoretical support for the chosen method to be used in the current analysis.

In this conclusion, I explore the broader theoretical implications of the results from the post-Soviet countries as a historical example of a world-system, and as part of the global world-system. Although in Chapter 4 under the section "Discussion and Findings" I reviewed the results of my analysis and addressed the Hypotheses 2, 3, and 4, I have not recounted how these findings relate to Hypothesis 1: "Democratization of a state is not independent from the state's international economic ties". Before I proceed to discuss how my results shed more light on the debate regarding the relationship between international economic processes and democratization, I explore wider repercussions from my main findings in the Chapter 4. The potential for generalization of my findings, however, should be approached with caution. While there are reasons to believe that the relationships found in my study may exist beyond the former U.S.S.R., the structure of my analysis does not permit to explicitly argue that the same relationships will hold for other hegemonies, or in the global world-system.

## The Negative Relationship between Core-Periphery International Trade and Democratization

My finding of the negative relationship between core-periphery international trade and democratization has provided empirical evidence of the role of international trade in the modern world-system. International trade with the Russian Federation (defined as the core hegemonic state) produced negative and statistically significant effects on the domestic political process of other former Soviet states (defined as periphery) across most of the models and across different methods. This finding is in general agreement with the theoretical framework of the world-systems approach, yet calls for a broader application of international trade in a cross-national political analysis. As evident from the current analysis, international trade constitutes an empirical tool that helps connect economic and political processes in the modern world-system.

Furthermore, the conventional world-systems analysis considers that the core uses its political leverage to extract the desired economic benefit from the periphery. The entire purpose of the modern world-system was argued to be the extraction of economic benefit by the stronger core nations from the weaker peripheral countries. The final goal of the core-dominated world-systems mechanism was thought to be the accumulation of the capital in the core. Similarly to Marx's analysis, wherein the bourgeoisie and proletariat constituted two main social strata, world-systems theory separates the modern nation-states into two main power groups: core and periphery.[43]

[43] Theorists identified a third category: semi-periphery. I consider this category as theoretically ambiguous. The semi-peripheral countries supposedly have the properties of both periphery and core, but often have little empirical distinction from either category. Theoretically, there are few to none properties

Stemming from Marxism, world-systems theory also places economic processes in the center of the inter-state hierarchy. Contrary to that expectation, the structure of the international trade described in my dissertation has pointed out another, and previously unidentified, kind of economic-political relationship between the core and periphery. Rather than exploiting the periphery economically, in my example, the core maintained a policy of economic investment in the periphery. This relationship fueled the economic dependency of the periphery upon the core, which provided the opportunity for the core to exploit the periphery politically. This core-periphery political-economic exchange broadens the existing spectrum of world-systems analysis and offers new opportunities for theoretical and empirical research.

I argue that in general world-systems theory overemphasizes the importance of transfer of economic surplus as the outcome. Following Marx's model of economic exploitation, world-systems analysis brings this model to the global level. World-systems researchers argue that the accumulation of capital (not simply by private individuals or even by the bourgeoisie as a class, but by the entire core states) is the ultimate goal of the core states. The question is: what comes first – political arrangements or economic arrangements? World-systems scholars would undoubtedly

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that clearly identify a country as belonging to this semi-periphery category. It seems that this category was created to avoid the ambiguity of the world-systems theory itself: while the core states share similar characteristics, periphery is a much broader category. In other words, the structural difference between the core states is arguably less than the structural difference between the peripheral countries. Hence, in order to address this ambiguity, the periphery was split into the "core-like" periphery and "periphery-like" periphery, with the former named "semi-periphery." Some world-systems researchers argue that this intermediate semi-periphery category is necessary to explain the inter-category mobility: a peripheral nation cannot instantly become a core one – it must go through the developmental stage that is encompassed in-between the core and periphery. Nevertheless, I find it highly speculative to argue that the semi-periphery category has the necessary theoretical clarity to be a true category with identifiable socio-economic boundaries.

say that political arrangements are necessary for the emergence of the economic power, which, in turn is the final goal of the core states. Marx himself made little distinction between economic power and other kinds of power, and he notably considered the possession of the means for production as the basis for economic and other kinds of power. My analysis suggests that trade with the core state (the Russian Federation) does not necessarily bring the economic benefit to this core state, at least as applicable to the trade of crude oil (see Figure 4.7).

Secondly and more importantly, I demonstrated that trade arrangements resulted in political outcomes, not exclusively vice versa. It must be noted, however, that I do not deny that political arrangements can precede economic arrangements, or that political ties are necessary for the development of economic ties. Instead, I show that reciprocal effects are plausible when economic processes influence politics, and hence I argue that the ultimate goal of the core states is not simply capital accumulation. While political ties can be used to secure desirable economic arrangements, economic ties are a major source of political power of the core nations. In concluding this, I side with Max Weber who made the following argument:

> 'Economically conditioned' power is not, of course, identical with 'power' as such. On the contrary, the emergence of economic power may be the consequence of power existing on other grounds. Man does not strive for power only in order to enrich himself economically. Power, including economic power, may be valued for 'its own sake.' (Weber 2001:180)

I will broaden the above argument of Max Weber and apply it to my analysis. Even though Weber discussed the power of an individual or a social group, the same analysis can be elevated onto the global level of a world-system with a state as a new

unit of analysis instead of a "man" or a social group. Therefore, if I apply this argument to my analysis, I can transform Weber's quote and substitute "state" for "man." This is what a new interpretation of his idea might look like:

> 'Economically conditioned' power is not, of course, identical with 'power' as such. On the contrary, the emergence of economic power may be the consequence of power existing on other grounds. [The state] does not strive for power only in order to enrich [itself] economically. Power, including economic power, may be valued for 'its own sake.' (Weber 2001:180)

Considered as an independent political and economic actor, the state has not only economic goals, but also political goals.[44] World-systems scholars, as well as neo-Marxists, regard states as instruments to "further capital accumulation" (Evans, Rueschemeyer, and Skocpol 1985:350) regardless of the exact political arrangement of the formation of the state. Ultimately, I think that the economic goals of a state have a secondary nature or at best, that capital accumulation is among the goals, but not the primary goal of a state. When it comes to the power of a nation-state on a global geopolitical level, economic power is only a part in the overall power. Therefore, a major shortcoming of the world-systems theory is its over-focusing on the neo-Marxist approach, which leads to the consideration of economic power as the primary goal of the core states.

Figure 5.1 summarizes the relationship between political power and economic power of a core state, as perceived by the world-systems theory:

[44] The role of state as an independent political and economic actor is also emphasized by the institutionalism theory (e.g. Evans, Rueschemeyer, and Skocpol 1985).

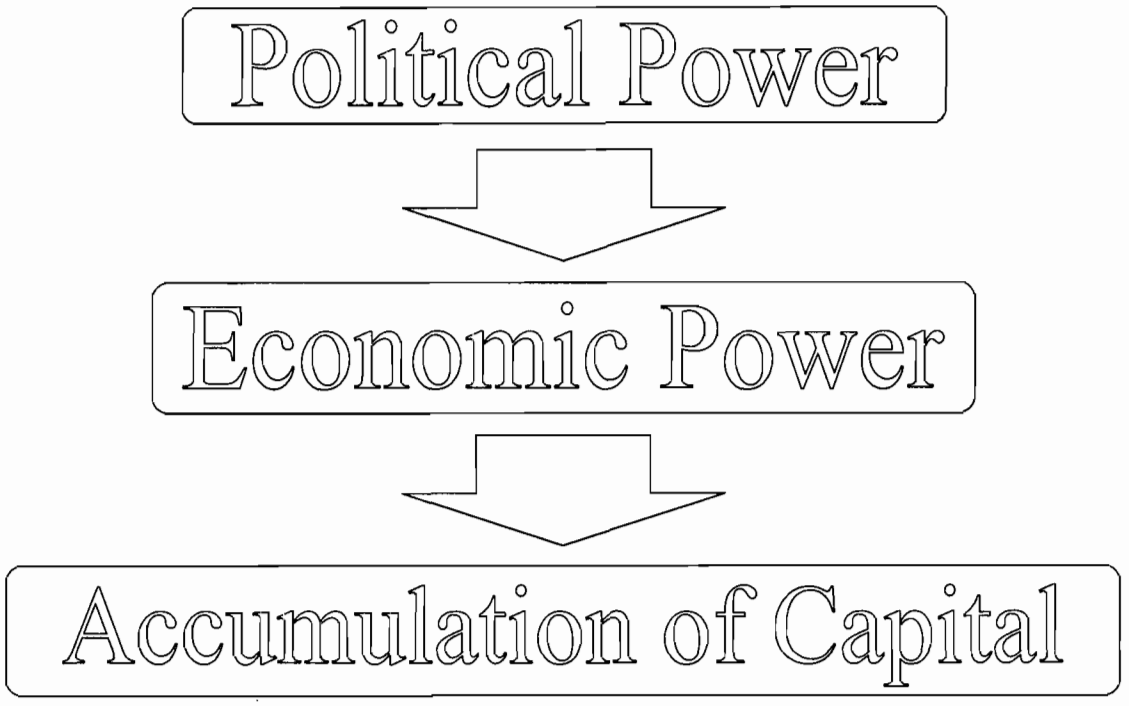


**Figure 5.1**. World-Systems Capital Accumulation Model.

According to the world-systems theory, the world-system itself provides the structural foundation for the international economic exploitation, which as I argue is an incomplete picture. Strang (1990) theorized that international power and prestige are essential for modern hegemonic states. Weber (2001:180) argued about the importance of power and prestige (social honor) within a given society:

> Quite generally, 'mere economic' power, and especially 'naked' money power, is by no means a recognized basis of social honor. Nor is the power the only basis of social honor. Indeed, social honor, or prestige may even be the basis of political or economic power, and very frequently has been."

I will expand this argument onto the level of nation-states and the entire world-system. If, as I showed in my analysis, the economic power of the core state helps create

political power over the peripheral state, then this newly created political power may further result in the growth of international prestige for this core state. The international prestige, in turn, can further result in new political and economic opportunities for this core state. While I do not specifically focus on how the status of a country broadens its economic and political opportunities, I have to account for this important factor. Similarly to Weber's individual social honor, international prestige of a country can be "the basis of political or economic power." For example, the Russian Federation was able to enter The Group of Eight (G8) in 1997, which broadened Russian economic influence. In another example, Russian international prestige allowed the Russian troops to enter Georgia without any real international repercussions, which increased the political power of Russia.

Besides the opening of new opportunities through participation in the closed international organizations, international prestige (or status) is important for domestic politics. If international prestige of a country is a central item of focus in the domestic politics, then by increasing the international prestige of a country, the government can acquire additional public support Etzioni (1962:23). Such was the case in Russia, when Putin's government had the public support during the second war in Chechnya, or when Medvedev's government had similar support of the public during the conflict with Georgia. Such popular support helps the government of a core nation continue its hegemonic expansion. Overall, the world-systems theory lacks the recognition of international prestige as a major factor in the formation of the modern world-system.

Therefore, there is not a one-way political economic exchange (wherein political arrangements are used to form exploitative economic relations in order to extract capital and resources from the peripheral nation-states) as propagated by the world-systems theory. Instead a more complicated power exchange takes place within the core nation-states: economic power is used to gain more political power, political power is used to gain a higher national prestige, and national prestige is used to gain even more economic power. The reverse process is also true: national prestige enlarges political power, political power increases economic power, and economic power raises national prestige. Although world-systems theory hypothesized that political power enlarges economic power, it did not consider national prestige as an important part of the power of a core state.

Figure 5.2 presents the exchange in the structure of the power of a core state. There is an obvious difference between the traditional world-systems model presented in Figure 5.1, and the new world-systems model that I propose based on my analysis (illustrated in Figure 5.2). As a result of the structural exchange described in Figure 5.2, the overall power of the core state is increased because of the constant reinvestment of power, prestige, or capital in gaining more power, prestige, and capital over time. Instead of simple capital accumulation (as argued by the traditional world-systems theory), my theory places power accumulation in the center of the economic-political power exchange. This power accumulation model should be incorporated into the world-systems analysis to broaden the application of world-systems theory. Instead of focusing on capital accumulation, world-systems theory must consider broader

geopolitical implications of the political-economic functioning of the modern hegemonic core states.

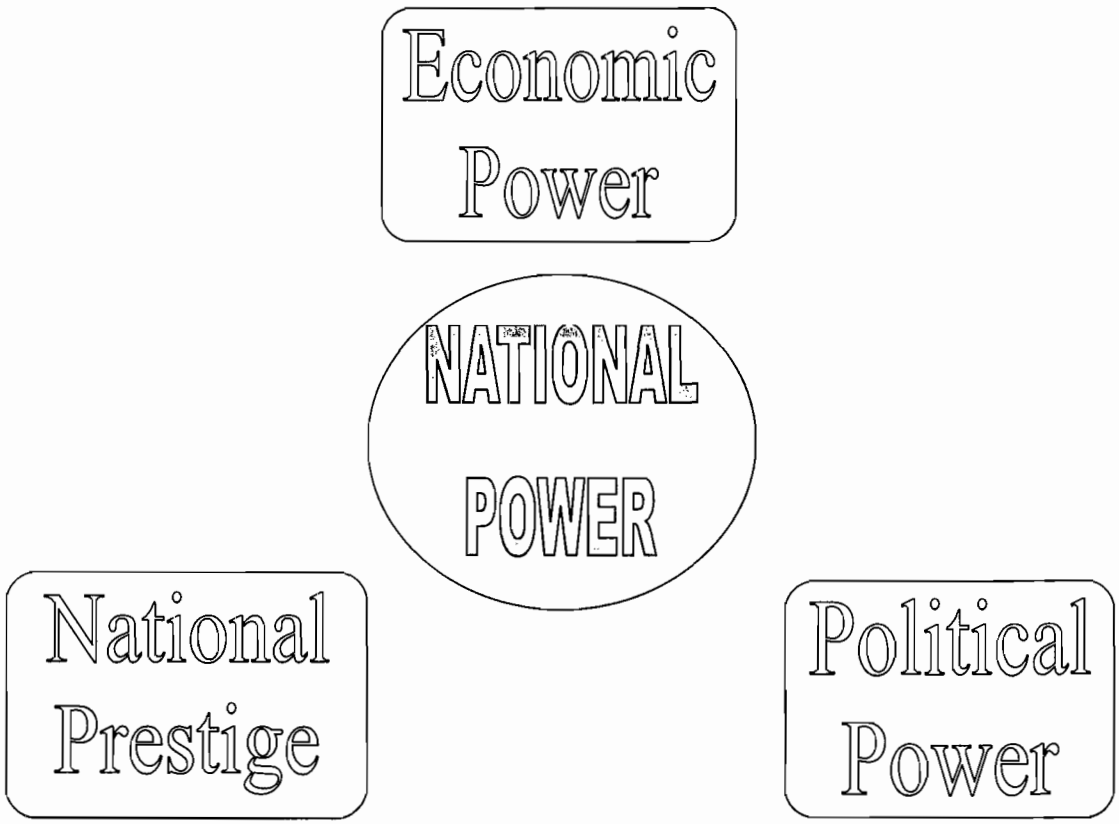


**Figure 5.2**. Structural Exchange in the Power of a Core Nation-State.

## The Positive Relationship between Non-Core Oriented International Trade and Democratization

I have empirically identified two kinds of international trade: core and non-core oriented. While core-oriented international trade had negative effects on

democracy, non-core oriented international trade had strong positive effects on the democratization of the peripheral nations. The more extensively a peripheral state trades with the core state, the more likely this peripheral state would be economically dependent on the core and the more likely this economic dependency would be exploited by the core state to extract the desired political outcomes. On the contrary, the more extensively a peripheral state trades with the non-core nations, the more likely this state will have a higher level of political democracy. The diversification in the body of trade partners of the peripheral state evidently helps limit the economic influence, and as a consequence, the political influence of the hegemonic core state. The increase in trade with other non-core nations distances the peripheral state from the hegemonic political-economic influence of the core nation, which helps to secure the political independence of the peripheral state.

This political independence limits or excludes the hegemonic core state from the political contest in the peripheral nation. Consequently, the political elites in this peripheral nation have fewer resources to sustain their long-term political dominance and are more likely to engage in dialogue with the public, thus increasing the popular sovereignty of the nation. Hence, the democratizing actors can have more opportunities to gain political power and aid overall democratization of the peripheral state. From this perspective, the increase in trade with the competing core states (such as the United States or the members of the European Union) also limits the ability of the hegemonic nation (the Russian Federation) to influence the domestic political process of the peripheral states (other states of the former Soviet Union), thus also contributing to the

democratization of the peripheral states. Simply put, if Russia supports certain, evidently more oppressive, political elites in other former Soviet states, the competing core nations would likely support the opposition in order to challenge the status quo of the Russian political influence in a former Soviet state and ultimately take over this political influence. Hence, the increase in international economic ties between a post-Soviet state and non-Russian core states will aid democratization at this particular historical time, even though the goal of other core states may not support such democratization in the long run.

Furthermore, the opposite effects of these two kinds of international economic ties (core- and non-core oriented) on the domestic political process of a peripheral state show that it is necessary to re-examine the concept of international trade in any theoretical and empirical cross-national political analysis. As it is applicable to my analysis, trade openness was shown to be a controversial variable: on the one hand it produced strong positive and significant effect on democracy; on the other hand, it contained trade with the hegemonic power (the Russian Federation) that was also shown to reduce democracy in a separate variable. Therefore, my findings question the uniform acceptance of trade openness in the economic, sociological and political science analyses. I argue that the conclusions derived solely on the basis of the effect of trade openness are deemed to be faulty. Either the concept of trade openness needs to be refined, as shown in my dissertation, or an entirely different measure of trade ties needs to be developed to avoid the faulty logic of trade openness.

Too often researchers found either no relationship between international trade and democratization, or a positive relationship, or a negative relationship. So far, there has not been a convincing analysis that would help resolve this argument. As I showed in my analysis, this disagreement is not surprising considering the diametrically opposite political outcomes that are contained within the general international trade. My results show that the scholars who assumed that international trade is irrelevant or that it has obscure political effects did not specifically analyze the structure of the trade ties, but instead used the overall trade volumes, which is misleading.

Depending on the historical time period and/or chosen historical sample of the countries, the effect of trade with the core states may prevail, or the effect of the economic ties to the non-core nations may outweigh the effect of the hegemonic core nation-states. Taken as a whole, international trade contains these competing political processes. Therefore, the confusing effects that researchers were receiving from their analyses were the effects of the sample, but not the true effects of the relationships between international trade and democratization. To better understand how international trade influences domestic politics of a nation, researchers must go beyond the total trade volumes and analyze the structure of the trade partners of a peripheral nation.

Nevertheless, regardless of whether international trade (or a specific sub-set of it) is theorized to have a positive or negative influence on democracy, I provided strong support for the Hypothesis 1: *Democratization of a state is not independent from the state's international economic ties.*

## Between- and Within-State Predictors of Democracy

All models in my analysis had significant predictors in both structural groups of the control variables: within- and between-state. This finding has two main implications for world-systems theory and contemporary theories of democracy. As I argued in Chapter 2, world-systems analysis has focused on the three structural categories of core, periphery, and semi-periphery, not only on theoretical levels, but also on the empirical level. Theoretically, this over-focusing on core/semi-periphery/periphery trifurcation diverts the attention of researchers from the real processes and relationships to these three artificial categories. As the dependent variable, this variable of the world-systems position has limited theoretical meaning on its own. It can make sense to compare the power of the nations, but the world-systems position is a very rough measure of the power per se. If world-system position really existed, there would be precisely three kinds of states: powerful, somewhat powerful, and not powerful at all; which is obviously not the case. Therefore, the world-systems position has served as an arbitrary oversimplification of the theoretical argument of the world-systems theory, which leads to the unnecessary limitations that the world-systems theory imposed upon itself. The focus on capital accumulation rather than on power itself further limits the application of the world-systems analysis. Indeed, if the goal of the world-systems theory is to explain the capital accumulation, why not use the measure of the actual money capital that a country possesses?

The flaws of the world-systems analysis become even more obvious when this world-systems position is used as an explanatory variable. Besides the empirical

problems that are created by arbitrary independent variables in statistical models (if there is a bias in the subjective measurement, then the estimates will also be biased), the theoretical ambiguity of the core/semi-periphery/periphery trichotomy leads to outcomes that are difficult to interpret. If it is unclear what the independent variable measures, how can we analyze its effects?

A simple way to overcome this obstacle and to broaden the application of the world-systems theory would be to ask this question: What can and what should world-systems theory explain? The strength of the world-systems theory is the thorough theoretical setup of the interrelations between states and the theorized development of the entire system and not just the single isolated states, which gives more explanatory power to the between-state interactions on a global level. This theory, therefore, can be expanded on a different conceptual level and instead of analyzing capital accumulation world-systems theory can be applied to analyze the accumulation of power and the formation and dissolution of the modern hegemonies.

In my analysis I showed that both between-state and within-state processes directly influence democracy. Other researchers also showed the relationships between the actual between- and within-state processes that can be directly measured. One could argue that there is no conceptual difference between the arbitrary measurement of democracy and the arbitrary measurement of the world-systems position. This, however, would be incorrect because in the statistical analyses of democracy, a researcher can reasonably interpret the effect of a dependent variable on the independent variable. For example, greater militarization reduces political democracy. On the contrary, the

conclusion that a larger military makes the state more likely to belong to a core group has no specific meaning: it all depends on what this researcher means by the "core". Therefore, to be a better investigative tool, world-systems analysis has to move beyond the variable of world-systems position and employ the actual political, economic, and social processes in the empirical and theoretical analysis.

Secondly, the fact that there are identifiable relationships between democracy and within- and between-state economic and political processes shows that the modern theories of democracy should be revisited to incorporate international political-economic processes. The rapid globalization in the end of the twentieth and the beginning of the twenty-first centuries cannot be ignored in the analyses of political arrangements and political processes of single nation-states. A modern state does not simply develop politically, but it does so in a *context* of a certain geopolitical reality. Hence, modern democratic theory has to acknowledge this fact and conduct the analysis of democracy in a state *in relation* to its geographical neighbors, trade partners, political collaborators, ideological compatriots, military allies and enemies. Instead of looking at the countries in isolation, modern sociological theory must analyze the contemporary nation-states *in connection* to each other. Only then can explicit and reliable sociological theories about nation-states be developed.

# APPENDIX

# SUPPLEMENTAL FIGURES AND TABLES

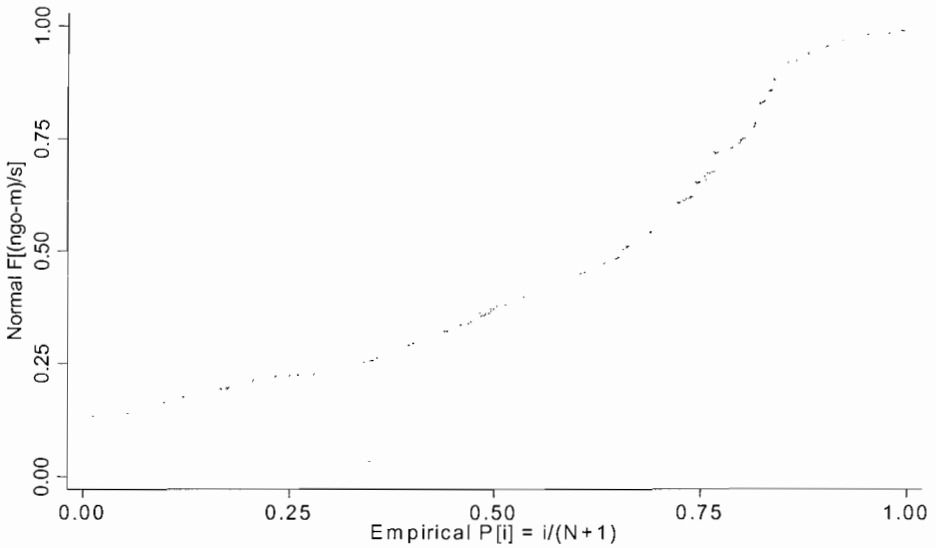


**Figure A1**. International Non-Governmental Organizations, non-logged.

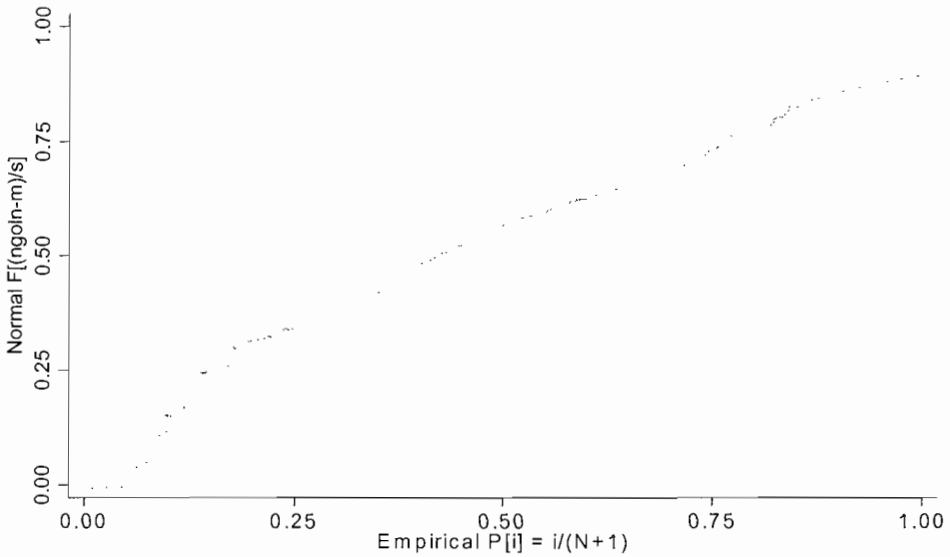


**Figure A2**. International Non-Governmental Organizations, logged.

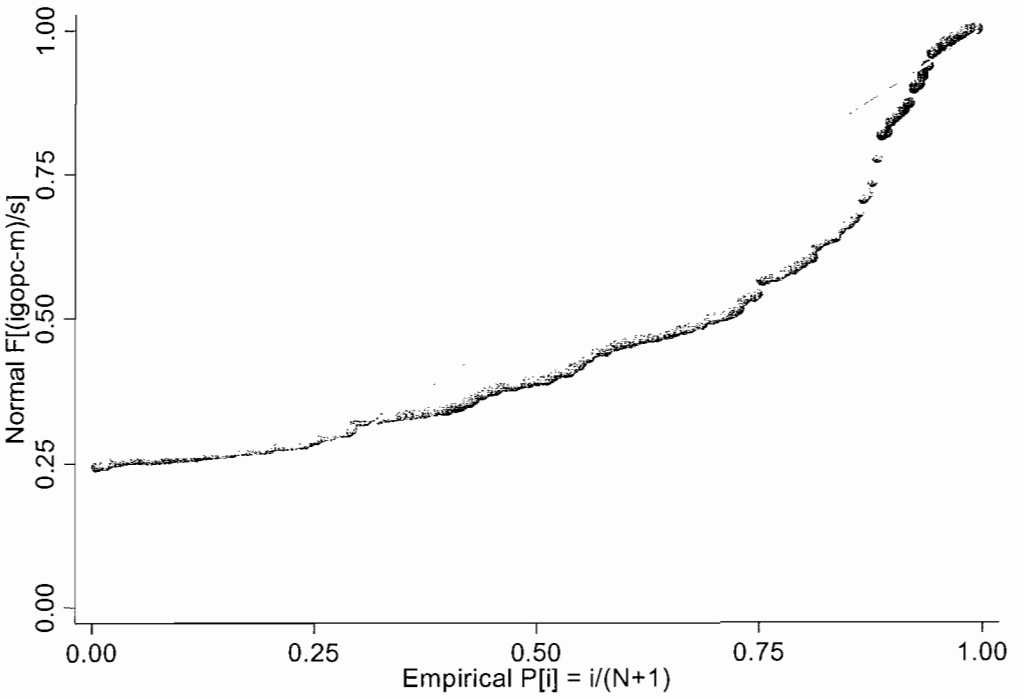


**Figure A3**. Inter-Governmental Organizations, non-logged.

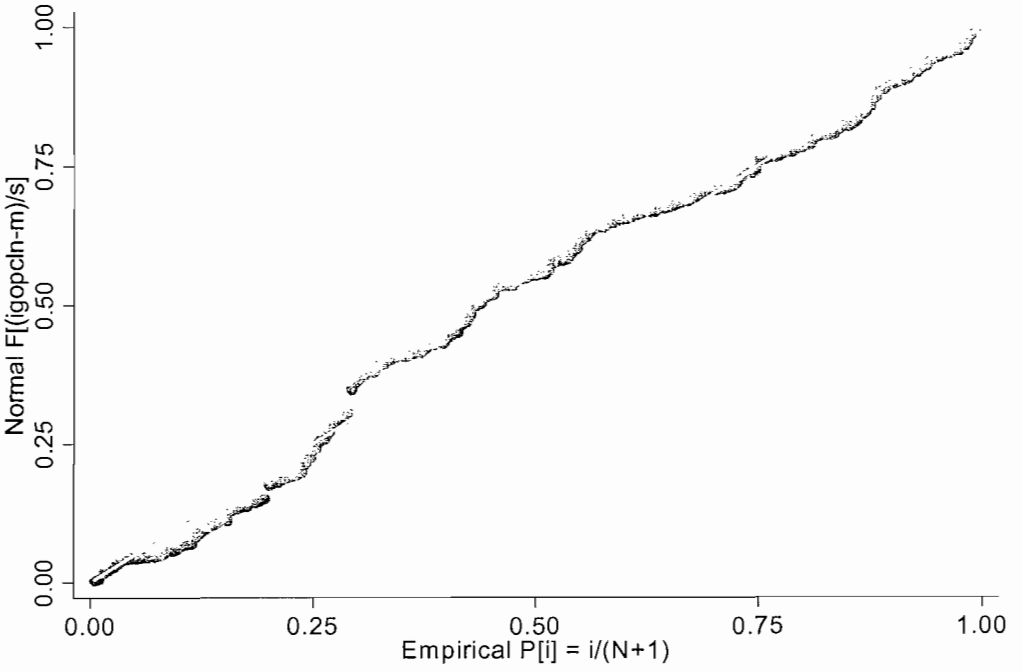


**Figure A4**. Inter-Governmental Organizations, logged.

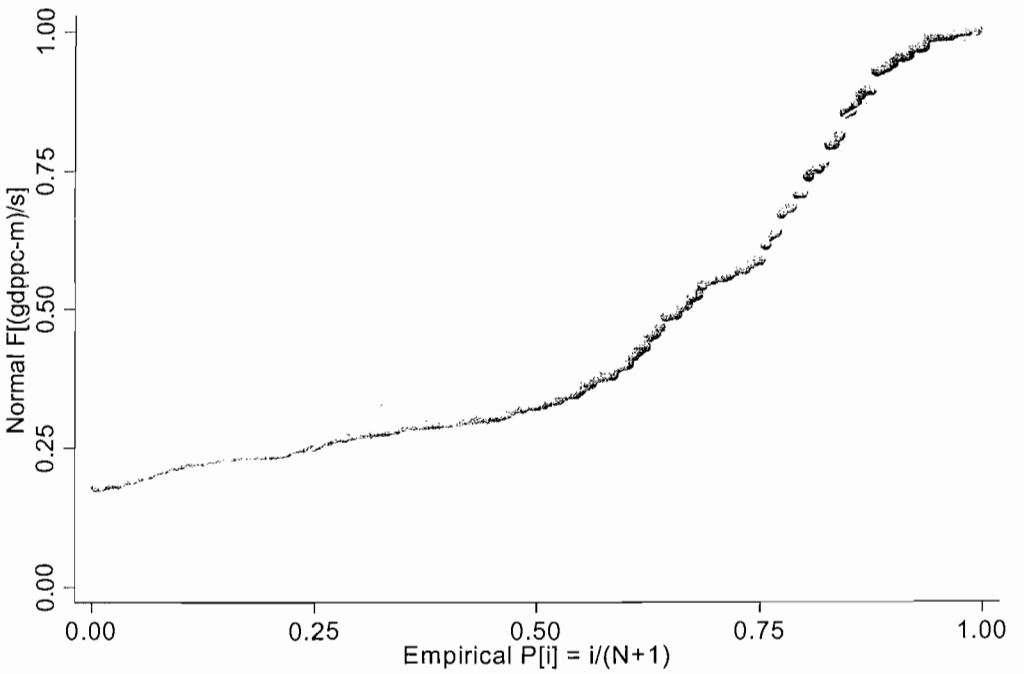


**Figure A5**. GDP per capita, non-logged.

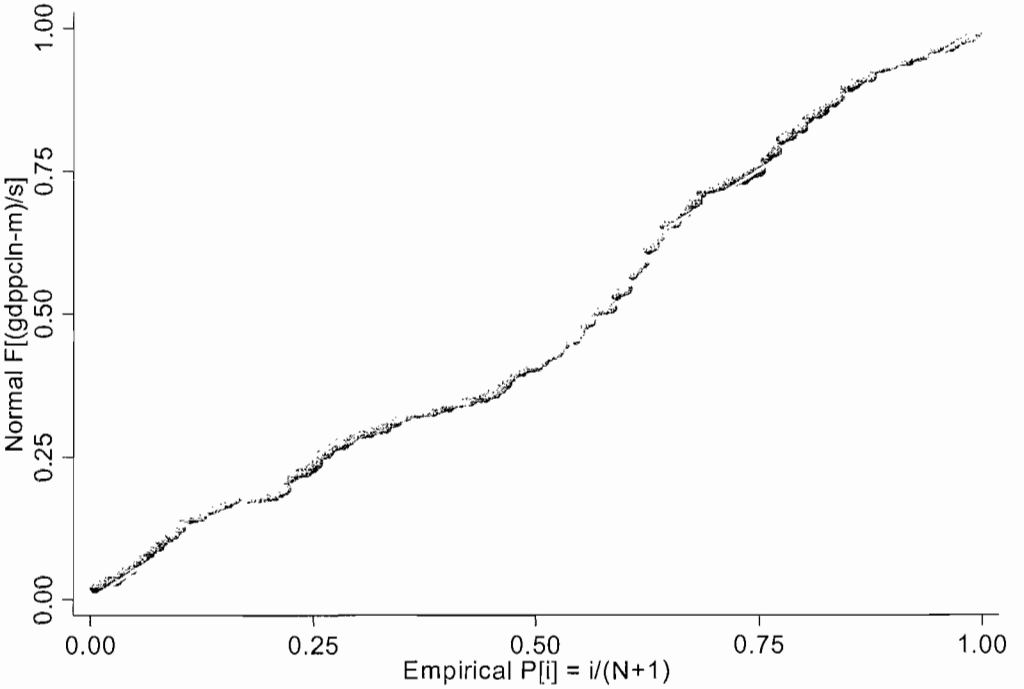


**Figure A6**. GDP per capita, logged.

**Table A1**. Correlation Matrix for Independent Variables.

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) Economic ties to Russia | 1 | | | | | | | | | |
| (2) Trade ties to Russia | .88* | 1 | | | | | | | | |
| (3) Trade openness | .29* | .07 | 1 | | | | | | | |
| (4) Russian military presence | -.06 | -.13 | .1 | 1 | | | | | | |
| (5) Social ties to Russia | .17* | .23* | .06 | .04 | 1 | | | | | |
| (6) INGOs | .27* | .26* | .04 | -.26* | .18* | 1 | | | | |
| (7) IGOs | .1 | .1 | .15* | -.28* | .02 | .74* | 1 | | | |
| (8) Economic growth | .03 | -.06 | .23 | -.19* | .02 | .44* | .6* | 1 | | |
| (9) GDP per capita | .07 | .04 | .13 | -.03 | .56* | .47* | .22* | .12 | 1 | |
| (10) Militarization | .13 | .12 | -.06 | -.23* | -.29* | .1 | .01 | -.02 | .03 | 1 |
| (11) Urbanization | .2* | .16 | .13 | -.03 | .38* | .47* | .15* | .14 | .79* | .41* |

*Notes*: Economic ties to Russia and Trade ties to Russia are not present in the same models simultaneously. INGOs measure associational ties to the international community. IGOs measure international embeddedness of political elites. The correlations are computed as applicable in Model 3 (see Table 4.7).

* $p<.05$

**Table A2.** Coefficients from Models of International Trade and Democracy (Random Effects).

| | Model 1 (immediate effects) | | Model 2 (1st lag) | | Model 3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]*100) | -.044$^{\top}$ (.023) | – | -.061** (.021) | – | -.069** (.021) | – |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | – | -7.651** (2.802) | – | -7.197** (2.529) | – | -8.047** (2.537) |
| Trade openness (1st lag) | .011$^{+}$ (.006) | .009 (.006) | .017* (.007) | .011 (.007) | .027** (.009) | .025** (.009) |
| Russian military presence | -.005$^{+}$ (.003) | -.006* (.003) | -.006$^{+}$ (.003) | -.006$^{\top}$ (.003) | -.007$^{+}$ (.004) | -.008$^{+}$ (.004) |
| Social ties to Russia | -.003 (.054) | -.003 (.053) | -.009 (.053) | -.007 (.053) | -.024 (.054) | -.023 (.055) |
| Associational ties to international community (1st lag) | -.116 (.286) | -.04 (.284) | -.003 (.286) | .066 (.294) | .004 (.633) | .26 (.669) |
| International embeddedness of political elites | .821 (.935) | .632 (.933) | .89 (.923) | .726 (.925) | 1.571 (1.238) | 1.218 (1.245) |
| Economic growth | -.771 (1.136) | -.694 (1.118) | -.27 (1.125) | -.386 (1.12) | -1.462 (1.365) | -1.591 (1.38) |
| GDP per capita (1st lag) | -.37 (.944) | -.349 (.912) | -.257 (.927) | -.272 (.929) | -.217 (.963) | -.385 (.98) |
| Militarization | -1.598** (.439) | -1.568** (.434) | -1.459** (.44) | -1.454** (.44) | -1.7** (.471) | -1.879** (.48) |
| Urbanization | .317** (.081) | .315** (.08) | .304** (.081) | .301** (.081) | .314** (.078) | .315** (.079) |
| Total $R^2$ | .44 | .44 | .41 | .43 | .4 | .42 |
| "Within" $R^2$ | .28 | .31 | .33 | .32 | .3 | .29 |
| Rho | .59 | .58 | .58 | .59 | .51 | .51 |
| N | 153 | 153 | 150 | 150 | 137 | 136 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Random-effects models. Standard errors are shown in parentheses. 14 countries total. Models 1 and 2 contain 11 time periods, and Model 3 – 10 time periods.

** $p < .01$, * $p < .05$, $^{\top}$ $p < .1$ (two-tail tests).

**Table A3.** Coefficients from Models of International Trade and Democracy (Fixed Effects, Non-Core Economic Ties).

| | Model 1 (immediate effects) | | Model 2 (1st lag) | | Model 3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]*100) | -.013 (.023) | _ | -.018 (.018) | _ | -.038* (.018) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -5.733* (2.75) | _ | -3.051 (2.287) | _ | -2.931 (2.153) |
| Non-core economic ties (1st lag) | .015** (.005) | .013* (.005) | .015** (.005) | .012* (.005) | .034** (.007) | .034** (.007) |
| Russian military presence | -.006** (.002) | -.006** (.002) | -.006* (.002) | -.006* (.002) | -.008** (.003) | -.009** (.003) |
| Social ties to Russia | .054$^{+}$ (.03) | .051 (.031) | .053$^{+}$ (.031) | .053$^{+}$ (.031) | .038 (.031) | .035 (.03) |
| Associational ties to international community (1st lag) | .116 (.699) | .128 (.735) | .133 (.707) | .085 (.725) | -1.067 (1.413) | -1.116 (1.42) |
| International embeddedness of political elites | 2.343** (.909) | 2.271* (.914) | 2.271* (.924) | 2.218* (.947) | 2.424* (1.076) | 2.403* (1.115) |
| Economic growth | 1.376 (1.208) | 1.334 (1.121) | 1.477 (1.083) | 1.411 (1.082) | 1.521 (1.094) | 1.489 (1.035) |
| GDP per capita (1st lag) | .505 (.757) | .59 (.71) | .427 (.762) | .415 (.711) | .503 (.769) | .712 (.766) |
| Militarization | -1.061$^{+}$ (.542) | -1.045$^{+}$ (.541) | -1.029$^{+}$ (.54) | -1.03$^{+}$ (.54) | -.891$^{+}$ (.522) | -.98$^{+}$ (.547) |
| Urbanization | -.792** (.292) | -.673* (.281) | -.761** (.286) | -.756** (.287) | -.512* (.239) | -.597* (.234) |
| Total $R^2$ | .91 | .91 | .91 | .91 | .92 | .92 |
| "Within" $R^2$ | .44 | .48 | .45 | .46 | .44 | .44 |
| Rho | .41 | .39 | .41 | .4 | .38 | .36 |
| N | 150 | 150 | 150 | 150 | 137 | 136 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed-effects models, country- and year-specific dummy variables are not reported. Standard errors are shown in parentheses. 14 countries total. Models 1 and 2 contain 11 time periods, and Model 3 – 10 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

**Table A4.** Coefficients from Models of International Trade and Democracy (Random Effects, Non-Core Economic Ties).

| | Model 1 (immediate effects) | | Model 2 (1st lag) | | Model 3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]*100) | -.035 (.024) | _ | -.043* (.021) | _ | -.058** (.021) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -6.652* (2.971) | _ | -5.858* (2.793) | _ | -6.654** (2.552) |
| Non-core economic ties (1st lag) | .018* (.007) | .015* (.007) | .018* (.007) | .012 (.008) | .031** (.01) | .029** (.01) |
| Russian military presence | -.006$^{+}$ (.004) | -.006$^{+}$ (.003) | -.006$^{+}$ (.003) | -.006$^{+}$ (.003) | -.008$^{+}$ (.004) | -.008* (.004) |
| Social ties to Russia | -.001 (.054) | .0003 (.053) | -.009 (.053) | -.007 (.053) | -.02 (.054) | -.02 (.054) |
| Associational ties to international community (1st lag) | -.051 (.289) | .007 (.286) | -.003 (.286) | .058 (.294) | .032 (.627) | .246 (.664) |
| International embeddedness of political elites | .847 (.936) | .681 (.936) | .89 (.923) | .76 (.926) | 1.494 (1.224) | 1.196 (1.235) |
| Economic growth | -.783 (1.129) | -.736 (1.116) | -.27 (1.125) | -.373 (1.115) | -1.285 (1.335) | -1.398 (1.351) |
| GDP per capita (1st lag) | -.243 (.951) | -.275 (.918) | -.259 (.927) | -.267 (.926) | -.333 (.947) | -.477 (.964) |
| Militarization | -1.56** (.44) | -1.537** (.436) | -1.459** (.44) | -1.452** (.44) | -1.618** (.468) | -1.797** (.476) |
| Urbanization | .306** (.082) | .308** (.08) | .304** (.081) | .301** (.081) | .32** (.077) | .321** (.078) |
| Total $R^2$ | .42 | .42 | .41 | .42 | .38 | .41 |
| "Within" $R^2$ | .31 | .33 | .33 | .32 | .32 | .32 |
| Rho | .58 | .57 | .58 | .59 | .51 | .5 |
| N | 150 | 150 | 150 | 150 | 137 | 136 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Random-effects models. Standard errors are shown in parentheses. 14 countries total. Models 1 and 2 contain 11 time periods, and Model 3 – 10 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

**Table A5.** Coefficients from Models of International Trade and Democracy (Dependent Variable: Freedom House scale).

| | Model1 (immediate effects) | | Model2 (1st lag) | | Model3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]+100) | -.005 (.011) | _ | .002 (.01) | _ | .007 (.008) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -2.577* (1.294) | _ | -1.153 (1.176) | _ | .821 (.931) |
| Non-core economic ties (1st lag) | -.001 (.002) | -.002 (.002) | -.001 (.002) | -.002 (.003) | .006* (.003) | .007* (.003) |
| Russian military presence | -.002 (.001) | -.002 (.001) | -.001 (.001) | -.001 (.001) | -.002$^{+}$ (.001) | -.002 (.001) |
| Social ties to Russia | .014 (.022) | .013 (.02) | .013 (.022) | .013 (.022) | .018 (.018) | .019 (.018) |
| Associational ties to international community (1st lag) | -.564$^{+}$ (.294) | -.512$^{+}$ (.297) | -.575* (.283) | -.591* (.287) | -1.995** (.575) | -1.942** (.585) |
| International embeddedness of political elites | .244 (.319) | .240 (.357) | .241 (.314) | .172 (.312) | .306 (.386) | .342 (.383) |
| Economic growth | -.009 (.466) | .047 (.49) | .005 (.455) | -.033 (.457) | .762$^{+}$ (.417) | .765$^{+}$ (.417) |
| GDP per capita (1st lag) | .389 (.306) | .536$^{+}$ (.316) | .419 (.316) | .337 (.314) | .654** (.209) | .626** (.209) |
| Militarization | -.240 (.159) | -.316* (.147) | -.233 (.16) | -.221 (.158) | -.15 (.145) | -.124 (.153) |
| Urbanization | -.424** (.137) | -.333* (.136) | -.457** (.137) | -.415** (.132) | -.501** (.126) | -.507** (.125) |
| Total $R^2$ | .932 | .939 | .929 | .93 | .959 | .958 |
| N | 164 | 159 | 164 | 164 | 151 | 150 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed effects models, country- and year-specific dummy variables are not reported. Standard errors are shown in parentheses. The dependent variable is inverted Freedom in the World index (e.g. inverted Freedom House index). 14 countries total. Models 1 and 2 contain 12 time periods, and Model 3 – 11 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

**Table A6.** Coefficients from Models of International Trade and Democracy (Dependent Variable: Combined Scale).

| | Model1 (immediate effects) | | Model2 (1st lag) | | Model3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]+100) | -.002 (.006) | _ | -.001 (.005) | _ | -.004 (.004) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -1.294$^{+}$ (.71) | _ | -.649 (.565) | _ | -.168 (.459) |
| Non-core economic ties (1st lag) | .002 (.001) | .001 (.001) | .002 (.001) | .001 (.001) | .007** (.002) | .007** (.002) |
| Russian military presence | -.001* (.001) | -.001* (.001) | -.001* (.001) | -.001* (.001) | -.002* (.001) | -.002* (.001) |
| Social ties to Russia | .011 (.009) | .01 (.009) | .01 (.009) | .01 (.009) | .009 (.008) | .009 (.008) |
| Associational ties to international community (1st lag) | -.142 (.132) | -.141 (.136) | -.143 (.132) | -.152 (.138) | -.638$^{+}$ (.328) | -.641$^{+}$ (.328) |
| International embeddedness of political elites | .445* (.221) | .416$^{+}$ (.221) | .432* (.218) | .404$^{+}$ (.221) | .513* (.256) | .519* (.262) |
| Economic growth | .206 (.283) | .184 (.268) | .222 (.262) | .198 (.264) | .393 (.248) | .397$^{+}$ (.24) |
| GDP per capita (1st lag) | .231 (.183) | .239 (.18) | .231 (.186) | .201 (.178) | .293* (.163) | .318$^{+}$ (.165) |
| Militarization | -.264* (.112) | -.259* (.111) | -.26* (.112) | -.255* (.111) | -.195$^{+}$ (.105) | -.2$^{+}$ (.117) |
| Urbanization | -.24** (.08) | -.209** (.077) | -.246** (.081) | -.23** (.079) | -.218** (.07) | -.237** (.072) |
| Total $R^2$ | .938 | .940 | .936 | .937 | .951 | .952 |
| N | 150 | 150 | 150 | 150 | 137 | 136 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed effects models, country- and year-specific dummy variables are not reported. Standard errors are shown in parentheses. The dependent variable is a scale composed by adding Polity IV and Freedom House scales converted into the z-scores. 14 countries total. Models 1 and 2 contain 11 time periods, and Model 3 – 10 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

**Table A7.** Coefficients from Models of International Trade and Democracy (Fixed Effects, First Differencing).

| | Model1 (immediate effects) | | Model2 (1st lag) | | Model3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]+100) | .008<br>(.02) | _ | -.016<br>(.019) | _ | -.033*<br>(.013) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -.2828<br>(2.137) | _ | -3.147$^{+}$<br>(1.712) | _ | -2.793*<br>(1.287) |
| Non-core economic ties (1st lag) | .015*<br>(.007) | .014*<br>(.007) | .015*<br>(.007) | .011$^{+}$<br>(.006) | .024**<br>(.006) | .024**<br>(.006) |
| Russian military presence | -.004$^{+}$<br>(.002) | -.004$^{+}$<br>(.002) | -.004$^{+}$<br>(.002) | -.004$^{+}$<br>(.002) | -.005*<br>(.002) | -.005*<br>(.002) |
| Social ties to Russia | .002<br>(.02) | .01<br>(.018) | .003<br>(.019) | .002<br>(.019) | -.008<br>(.018) | -.004<br>(.017) |
| Associational ties to international community (1st lag) | .068<br>(.345) | .197<br>(.361) | .132<br>(.366) | .181<br>(.374) | -1.562$^{+}$<br>(.857) | -1.496$^{+}$<br>(.841) |
| International embeddedness of political elites | .491<br>(.656) | .383<br>(.695) | .451<br>(.664) | .397<br>(.660) | 1.145$^{+}$<br>(.657) | 1.029<br>(.649) |
| Economic growth | .653<br>(1.22) | .575<br>(1.133) | .702<br>(1.158) | .740<br>(1.169) | .261<br>(1.06) | .363<br>(1.086) |
| GDP per capita (1st lag) | .03<br>(1.45) | .842<br>(1.34) | .77<br>(1.37) | .736<br>(1.336) | .22<br>(1.235) | .194<br>(1.265) |
| Militarization | -.709<br>(.795) | -.757<br>(.801) | -.717<br>(.784) | -.706<br>(.780) | -.534<br>(.736) | -.62<br>(.842) |
| Urbanization | -.24<br>(.732) | -.176<br>(.717) | -.214<br>(.725) | -.254<br>(.714) | -.161<br>(.529) | -.149<br>(.595) |
| Total $R^2$ | .07 | .077 | .075 | .083 | .153 | .142 |
| N | 136 | 136 | 136 | 136 | 123 | 122 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed effects models with the first-differencing method. Standard errors are shown in parentheses. Dependent variable is Polity IV scale. 14 countries total. Models 1 and 2 contain 10 time periods, and Model 3 – 9 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

**Table A8.** Coefficients from Models of International Trade and Democracy (First Differencing, Combined Scale).

| | Model1 (immediate effects) | | Model2 (1st lag) | | Model3 (2nd lag) | |
|---|---|---|---|---|---|---|
| Independent variable | (1) | (2) | (1) | (2) | (1) | (2) |
| (1) Economic ties to Russia ([Trade with Russia/GDP]+100) | .006<br>(.005) | _ | -.001<br>(.004) | _ | -.005<br>(.003) | _ |
| (2) Trade ties to Russia (Trade with Russia/Total trade) | _ | -.084<br>(.509) | _ | -.396<br>(.386) | _ | -.110<br>(.317) |
| Non-core economic ties (1st lag) | .002<br>(.002) | .002<br>(.001) | .002<br>(.001) | .002<br>(.001) | .004**<br>(.001) | .004**<br>(.002) |
| Russian military presence | -.0003<br>(.001) | -.0003<br>(.001) | -.0003<br>(.001) | -.0003<br>(.001) | -.0003<br>(.001) | -.0003<br>(.001) |
| Social ties to Russia | -.003<br>(.007) | .0002<br>(.006) | -.000002<br>(.006) | -.0001<br>(.006) | -.004<br>(.005) | -.003<br>(.005) |
| Associational ties to international community (1st lag) | .039<br>(.071) | .064<br>(.076) | .065<br>(.073) | .078<br>(.072) | -.305$^{+}$<br>(.173) | -.359$^{+}$<br>(.187) |
| International embeddedness of political elites | .097<br>(.15) | .07<br>(.157) | .07<br>(.154) | .06<br>(.151) | .217<br>(.177) | .209<br>(.175) |
| Economic growth | .041<br>(.25) | -.006<br>(.24) | .003<br>(.241) | .028<br>(.244) | -.006<br>(.229) | .031<br>(.229) |
| GDP per capita (1st lag) | .401<br>(.315) | .31<br>(.299) | .309<br>(.303) | .302<br>(.299) | .224<br>(.274) | .208<br>(.277) |
| Militarization | -.165<br>(.157) | -.179<br>(.159) | -.176<br>(.157) | -.168<br>(.157) | -.125<br>(.143) | -.125<br>(.168) |
| Urbanization | -.103<br>(.191) | -.084<br>(.194) | -.078<br>(.195) | -.073<br>(.193) | -.046<br>(.137) | -.08<br>(.148) |
| Total $R^2$ | .063 | .053 | .052 | .055 | .11 | .104 |
| N | 136 | 136 | 136 | 136 | 123 | 122 |

*Notes*: The models are estimated using STATA software. Cross-sectional time-series regression method with panel-corrected standard errors was applied with a correction for AR(1) serial correlation. Fixed effects models with the first-differencing method. The dependent variable is a scale composed by adding Polity IV and Freedom House scales converted into the z-scores. Standard errors are shown in parentheses. 14 countries total. Models 1 and 2 contain 10 time periods, and Model 3 – 9 time periods.

** $p < .01$, * $p < .05$, $^{+}$ $p < .1$ (two-tail tests).

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