

# Transparency and Democratization<sup>1</sup>

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<sup>1</sup>Prepared for the 2013 MPSA Annual Convention, Panel on Transparency and Corruption

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**Def'n:** Transparency is the dissemination of credible aggregate economic data.

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- transparency improves efficiency of voting mechanism
- elections and unrest substitute mechanisms for leader removal

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$\sigma_s$  will represent the level of transparency



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- 7 Nature chooses  $\epsilon_{i,2} \forall i$ .  $y_{i,2}$  is realized for all citizens and the game ends.



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this threshold is a function of  $s$  – denote  $\bar{y}(s)$



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$$\frac{\kappa}{\beta} = Pr(\theta = 0 | \bar{y}^*(s), s)$$

# Leader Retention and the Public Signal

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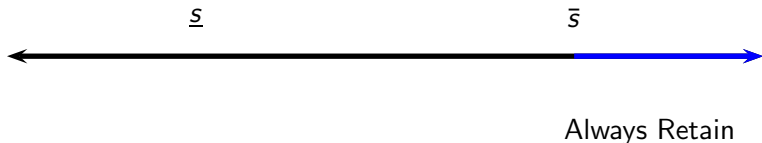
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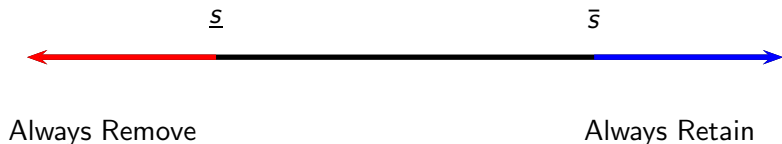
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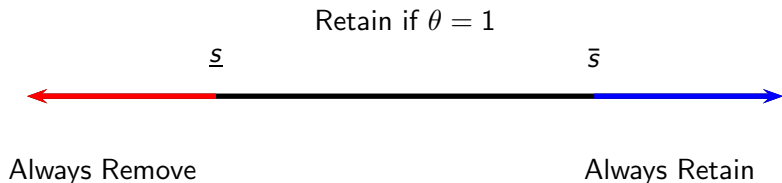
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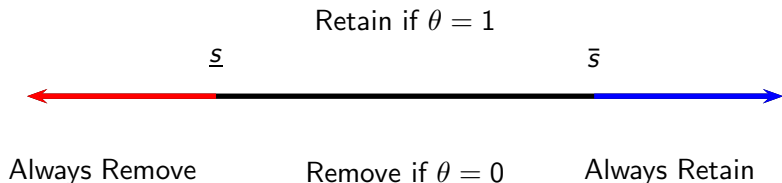
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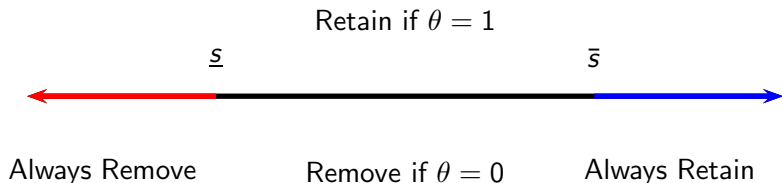
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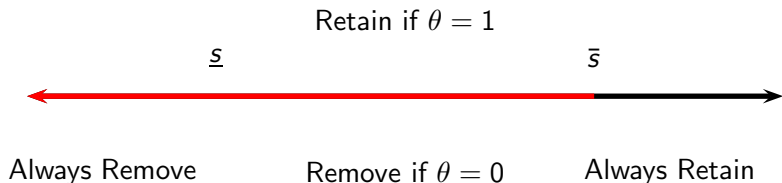


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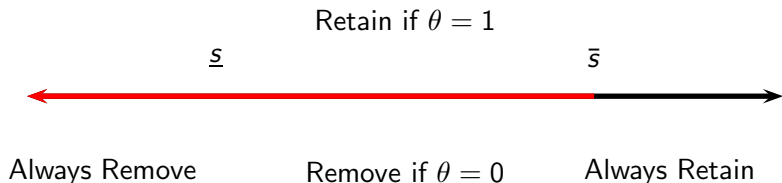
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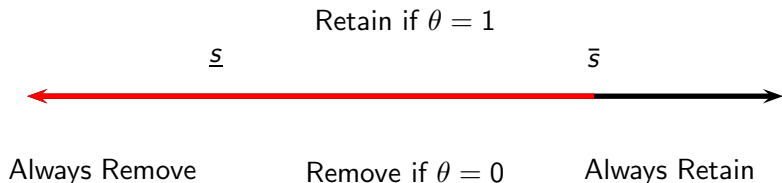


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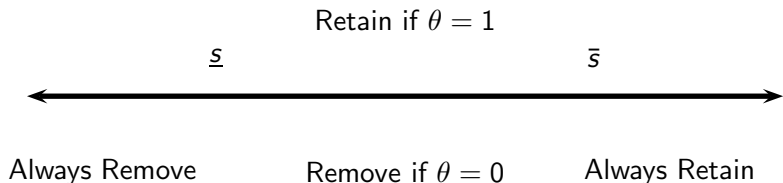
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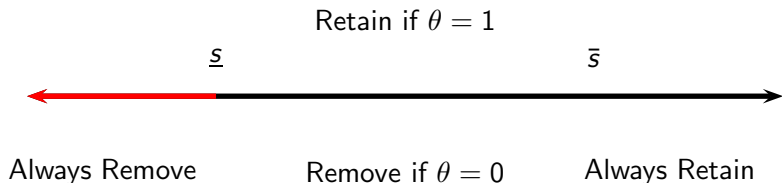
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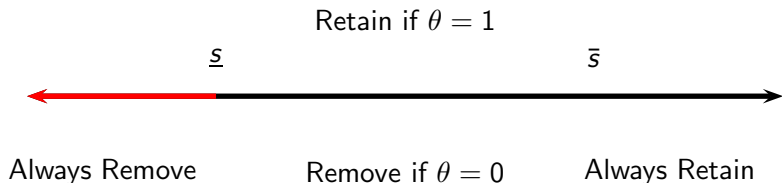
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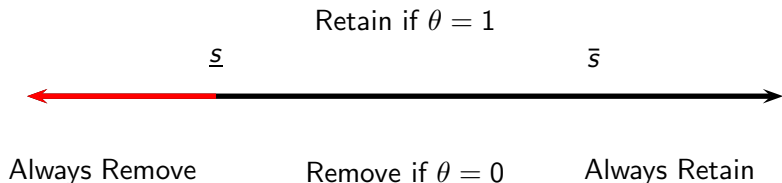
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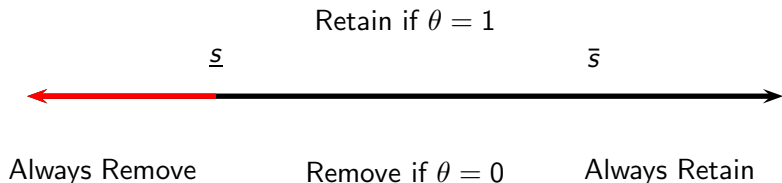
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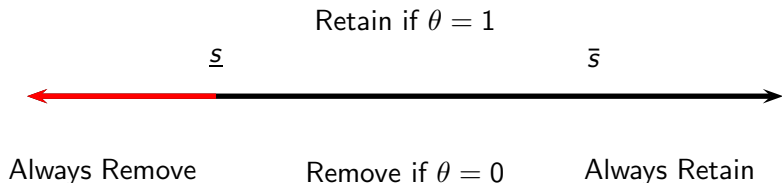


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### Remark

Consider two values of transparency:  $\sigma'_s < \sigma''_s$ . If  $\underline{s} \leq 0$  when transparency is equal to  $\sigma'_s$ , then the unconditional probability of autocratic collapse is greater for the higher value of transparency ( $\sigma'_s$ ) and lower for the lesser value of transparency ( $\sigma''_s$ ).

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## Direct Effect of Transparency

### Proposition

If  $-\frac{\sigma_y}{g} \ln\left(\frac{p\kappa}{(1-p)(\beta-k)}\right) < \Phi^{-1}(T)$ , then there exists a level of  $\sigma_s \equiv \bar{\sigma}_s$  such that, the unconditional probability of leader removal is increasing for low levels of transparency ( $\sigma_s \geq \bar{\sigma}_s$ ).

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## Proposition

*The probability of mass unrest is strictly falling in transparency (rising in  $\sigma_s$ ).*

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# Autocratic Collapse Empirical Model

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$$h_i(t) = h_0(t) \exp(\gamma \text{Transparency}_{i,t-1} + \delta \text{Growth}_{i,t-1} + \mu \text{Transparency}_{i,t-1} \times \text{Growth}_{i,t-1} + \mathbf{X}_{i,t-1} \beta)$$

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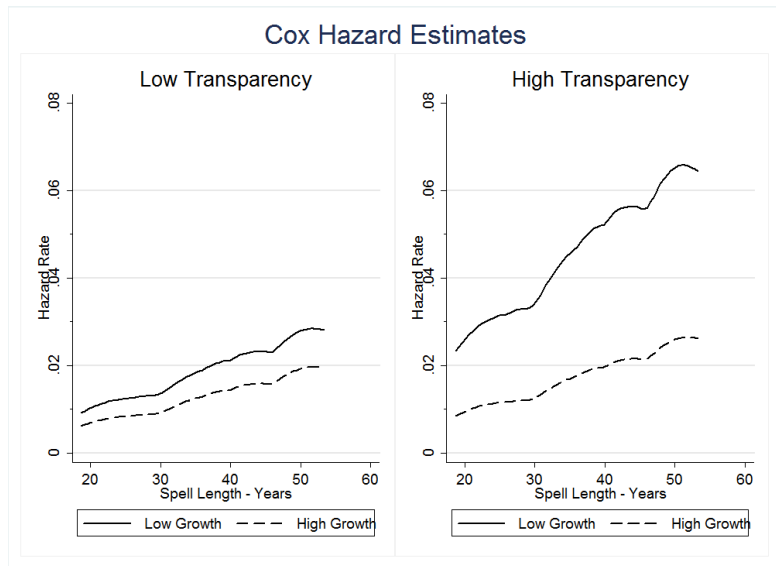
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# Hazard of Autocratic Collapse





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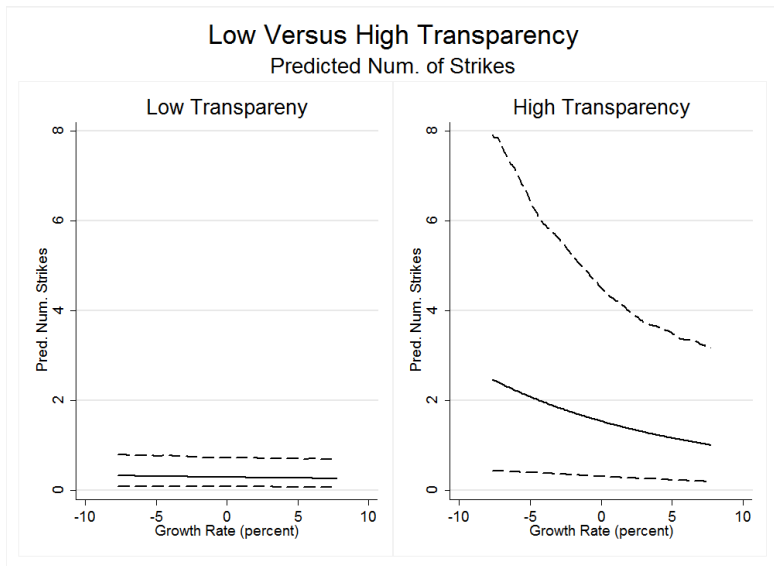
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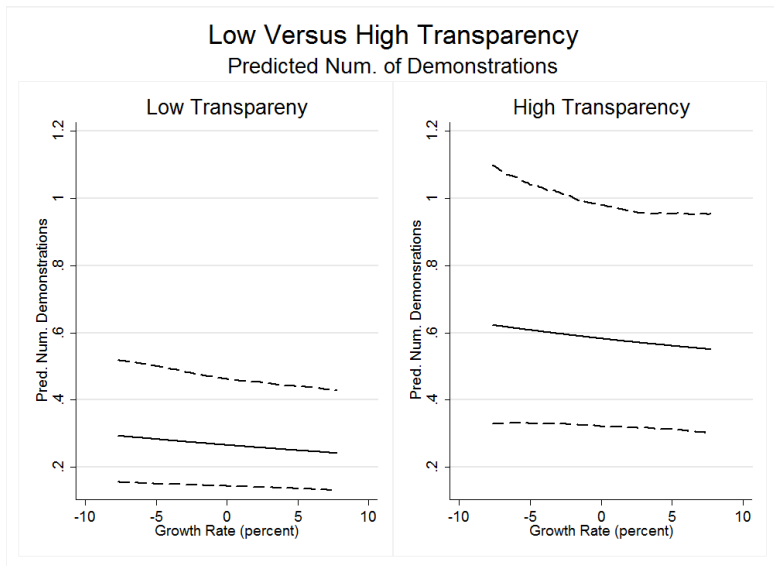
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Look at relationship with all forms of instability in Banks dataset

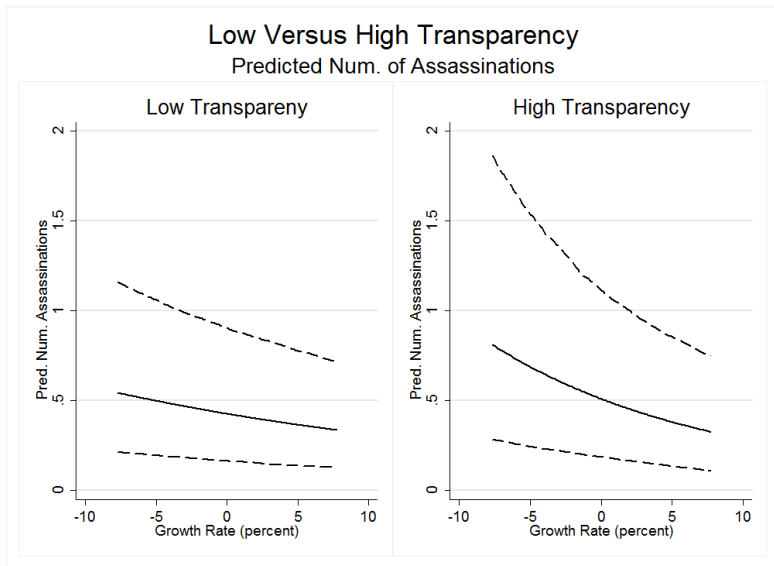
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# Expected Number of Anti-Gov't Demos

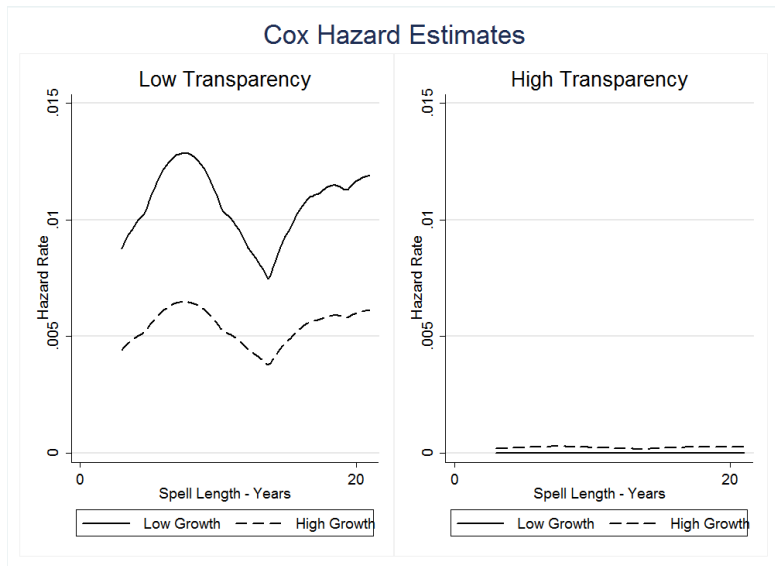


# Expected Number of Assassinations





# Hazard of Democratic Collapse



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Transparency:

- 1 Destabilizes autocracies
  - a Particularly when economic outcomes are poor
  - b This mechanism operates via mass unrest
- 2 Even as it stabilizes democracies