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Consolidation of Democracy in Postcommunist Europe

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The challenge of transformations in Central and Eastern Europe has involved a fundamental shift in the political order, from an authoritarian Communist Party rule to democracy¹. The wave of communist regime collapses after 1989 was quite sudden from the point of view of external observers who failed to anticipate such dramatic changes. For instance, only a few years before 1989 Samuel Huntington concluded that the likelihood of democratization was less in Eastern Europe than elsewhere in the world (Huntington 1984). Indeed, only in retrospective scholars tried to understand how communist downfall came about, how subsequent democratization can be used to evaluate some of the assumptions and arguments developed on the basis of other historical cases, and what determines the different political outcomes in different countries within the region.

Answering the above questions has generated a great amount of scholarship, but most of this research has focused on establishing which factors influenced the fall of communist regimes. Much less has been written on the factors that contribute to the consolidation of democracy in the Central and East European states after the initial regime changes brought about by revolutions of 1989. We take on this task in the present paper. We begin with the observation that even among those countries, which are considered the most advanced in the transition process and have entered the European Union in 2004 or are in the process of doing so, some have experienced faster and others slower democratic consolidation. According to the Freedom House ratings of political rights, Czech Republic, Hungary, Lithuania and Slovenia have achieved the highest rankings already by 1993. Poland did so in 1995, Estonia in 1996, Latvia in 1997, Slovakia in 1999, Bulgaria in 2001, while Romania and Croatia have yet to do so.

To explain this heterogeneity over time and across countries we examine the theories of democratic consolidation developed for other parts of the world, and test their power for explaining the process of democratic consolidation in eleven Central and East European countries in the period from 1990 to 2002. We argue that political transformations in postcommunist Europe need to take into account the specific historical and socio-economic context of large-scale post-socialist transformations in this region, where domestic developments are strongly influenced by transnational forces, in particular the efforts of these countries to join the European Union.

Theoretically, we posit that the central challenge of democratic consolidation in postcommunist Europe is not lack of modernization or industrialization as it may have been the case for other historical transitions to capitalism. Rather, the changes in Central and Eastern Europe revolve around the establishment and legitimization of institutions that will support a new social order in Central and Eastern Europe based on a democratic political system. That is,

¹ We thank Russell Dalton, Conor O'Dwyer and Rein Taagepera for very helpful comments and suggestions. Please direct correspondence to Nina Bandelj, Department of Sociology, University of California, Irvine, CA 92697, phone: (949) 824 8872, fax: (949) 824 4717, email: nbandelj@uci.edu.

we argue that the catalyst of the political transformation in this region is not a “natural” capitalist economic development, which can ensue after the socialist system had been dismantled, as may be an implication of the modernization perspective. Rather, it is political commitment of the elites to the creation of democratic institutions, and learning by citizenry how these institutions operate – both structured also by the external pressures integral to the European Union accession process – that will be crucially important for the democratic consolidation in Central and Eastern Europe.

The Collapse of Communism and the Context of Transformation

Examining how the transitions from communism occurred, scholars have relied on one of the central theoretical claims that the mode of transition influences the resulting regime type (O’Donnell and Schmitter 1986). Based on the experiences of Latin America and South Europe, the third wave of democratization (Huntington 1991), it was hypothesized that transitions in Central and Eastern Europe resulted from the negotiation of the power-sharing arrangements between different elite factions (Linz and Stepan 1997). While some empirical studies found support for this pacted-transition hypothesis (Welsh 1994), others disagreed. In one of the recent studies, McFaul (2002) argued that when we take into account those former Soviet block countries that have been less successful at democratization, and examine persistence of dictatorship as well as emergence of democracy, we see that it was the non-cooperative rather than negotiated transitions that were most effective. According to McFaul, it was a simple power game: “Democracy emerged... in countries where democrats enjoyed a decisive power advantage” (McFaul 2002: 212). Beside the importance of elite cleavages for communist regime collapses, others have paid attention to the role of the masses and protest (McSweeney and Tempest 1993, Glenn 2003, Jenkins and Benderlioglu 2005). Among the external influences, researchers stressed the political opportunity for oppositional challenges created by the loosening of the Soviet grip on the satellite states once Gorbachev came to power (Niklasson 1994, Bunce 1999), and the power of the “demonstration effect” whereby political developments in other states influenced domestic outcomes in any single country (de Nevers 2003).

The democratization process after 1989 was marked by a creation of a plethora of political parties in Central and Eastern Europe. In one of the extreme cases, the 1991 parliamentary elections in Poland, “the vote was divided among some thirty parties, none of which won more than 12 percent of the total vote” (Mason and Kluegel 1995: 5). Results of elections where multiple parties vied for power frequently resulted in coalition governments, which were often unstable, resulting in early elections or new Prime Ministers appointments during a single election period, compounding instability. Also, one rather unexpected feature of the postcommunist political scene was the regeneration and persistence of communist parties after 1989. In several countries, including Poland, Hungary and Bulgaria, in the second or third round of elections, the former communist parties were returned to power (Grzymala-Busse 2002). In addition, in all postcommunist European countries, with the exception of Hungary, nationalist parties had a widespread appeal (Verdery 1996) and often won representation in government. In cases of Croatia during Tudjman’s presidency and Slovakia under Mečiar, nationalists had the ruling majority.

To understand the political developments in post-1989 Europe, scholars have turned to the experience of the second and third wave of democratization in other regions. However, the pinnacle of the postcommunist challenge is *the simultaneity of democratization, privatization, regionalization*

and globalization processes, which presents this region with challenges unlike those that have accompanied economic and political transformation in East Asia, Latin America or China. Unlike the East Asian societies, which started with democratization only after they already established links to the global economy (Evans 1995), Central and East European political transformations are congruent with liberalization of their economies. And while economic and political transitions in Latin America were undertaken at the same time, these reforms did not involve a fundamental transformation of property regimes, as is the case in Central and Eastern Europe. Postcommunist Europe could also not be easily compared to China. While the socialist past creates commonalities, the fact that China has not democratized nor substantially privatized, is a major difference (Walder 1995). Moreover, the fact that most of the Central and East European countries desire membership in the regional association, the European Union, has added additional specificity to the East European transformations.

The simultaneity of democratization, privatization, regionalization and globalization compels us to examine political changes in postcommunist Europe as part and parcel of broad-scale transformations, whereby domestic political developments are intertwined with the economic, social and cultural changes, as well as importantly structured by transnational forces. Concretely, this means that for our analysis of the determinants of democratic consolidation in the most advanced Central and Eastern European states, we should pay attention to domestic economic, political, and social factors, as well as external transnational influences.

The Relationship between Economy and Democracy

A great deal of scholarship on democratization has been interested in how economic conditions affect the nature of democratic consolidation (Lipset 1960; Jackman 1973; Bollen 1979; Haggard and Kaufman 1995; Przeworski and Limongi 1997; Przeworski et al. 2000). The *locus classicus* for this is Seymour Martin Lipset's 1959 article entitled, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy." The argument is based on Lerner's (1958) study of functional interdependence of modernization factors, such as urbanization, literacy, and media. According to this argument, modernization and industrial development bring more people to the city, as well as improve access to education. The societal structure becomes more complex (Coser 1956), and the need for democratic and tolerant norms widely needed. Hence, it is wealth as a by-product of industrialization that brings along receptivity of democratic norms and values, and triggers the appearance of intermediary organizations as the core of civil society. This is a modernist explanation. Along these lines, Dahl (1989) asserted that economic development and all the factors associated with modernization lead to the creation of a "modern dynamic pluralist society," and Huntington (1991) identified economic development as one of the key forces, which lead to democratic expansion.

Rueschmeyer et al. (1992) argued along similar lines but focused more on class conflict. They emphasized that economic development goes hand in hand with democracy, but their argument focused on the fact that urban working class has a higher stake in preserving democracy than the middle class, which was considered as the locus for democratic initiation in Lipset's modernist explanation. With a somewhat different focus, Muller (1988, 1995) examined the relationship between income inequality and democracy and concluded that a lengthy democratic regime reduces inequality, but also that the transition to democracy in a milieu of high inequality leads to increased pressure on democratic institutions and eventually to the inauguration of the authoritarian rule.

Lipset (1994) reviewed his 1959 thesis four decades later in his presidential address to the American Sociological Association, where he discussed the relationship between capitalism and democracy. While by that point there seemed to have existed quite a consensus around the idea that democracy is triggered by capitalism, Lipset urged for the revision of this thesis. Capitalism may bring a solution to the plaguing corruption of non-democratic countries, and offer a stable setting for market economy by encouraging the development of a middle class and thus weakening of state control. However, as Lipset put forth, this is likely not sufficient to trigger democratization. He referred to the work of Waisman (1992) who pointed to several cases of Latin American capitalist countries which did not successfully become democratic.

Adding to this debate, Adam Przeworski argued that economic development, mostly measured as GDP per capita, does not have a direct influence on democratization per se but rather on democratic survival (2004). It follows that “the probability that a democracy survives rises steeply in per capita income” (2004: 3). Moreover, “while education, complexity [of social structure], and ethno-linguistic divisions matter in the presence of income, none replaces the crucial role of income in determining the stability of democracy” (2004: 4). In addition, the relationship between development and democracy is caused not by transition to democracy in better off countries but rather by the absence of democratic breakdown in these countries (Przeworski et al. 2000). Following a rational calculus, people in democracies that are consolidated and already at high levels of wealth do not conceive risking their welfare and thus do not want to endanger the very existence of the democratic system.

On the whole, current scholarship suggests that the relationship between economic development and democracy may be quite complex and more context-dependent than initially stipulated. In this regard, consolidation of democracy in Central and Eastern Europe is certainly specific because it comes after decades of a socialist system which encouraged industrialization and education but supported a one-party rule. Hence, it may be less likely that it is economic development that fosters democratic consolidation. This is also suggested by the only quantitative study that we could find on this topic for postcommunist Europe, conducted by Kurtz and Barnes (2002). Analyzing a sample which included 26 postcommunist countries over a 7-9 year period, the authors found little empirical support for the thesis that socio-economic development and economic liberalization promote political democratization in these countries.²

In sum, based on the diverse findings from the literature on economic development and democracy, we can expect either that a) higher GDP per capita levels, as a measure of economic development,³ lead to faster democratic consolidation, or b) that there is no significant relationship between these two variables.

The Role of Political Institutions in Democratic Consolidation

We argue that democratic consolidation in Central and Eastern Europe should be viewed as part and parcel of broad scale societal transformations, which involve a fundamental change of the

² Some analysts of postcommunist transition argue for the reverse effect - that the establishment of democratic institutions in postsocialism assists marketization (Bartlett 1997, de Melo 2001). For instance, Bartlett (1997) argues that the emerging democratic institutions in Hungary facilitated pro-market economic reform because they insulated state agencies from the opponents of economic reforms who “operated at a disadvantage in the early postcommunist period. Hungary’s experience thus demonstrates not only that political liberalization and economic transformation are compatible but that the former promotes the latter” (Bartlett 1997: 2-3).

³ As Kurz and Barnes (2002: 527) GDP per capita is usually used as a measure for socio-economic development. See also Przeworski (2004).

institutional structure of society. Hence, to understand the creation of a new political order based on democracy, we should pay attention to political forces that help create this order, and political institutions that support it.

Consistent with Lipset's (1959) focus on political legitimacy and Huntington's (1991) emphasis on political leadership, we argue that commitment of governments in power to changing the political, economic and social order of a country is of great importance for democratic consolidation. Hence, it is unlikely that post-1989 governments, even if elected, where (unreformed) communist parties or nationalist parties are in power will do much to foster the democratic project, precisely because of their political orientation. Based on this we argue that democratic consolidation will be faster when the elites in power have a pro-democratic reform orientation, defined quite minimally as a government, where the ruling party is neither nationalist nor communist in orientation.

In addition to the political orientation of those in power, political institutions are important because they constitute rules to support the political order. One such institution that structures the democratic process is the electoral system. Giovanni Sartori (1994) discusses the main trade off between the choices of the electoral system: proportional systems bring along instability, while majoritarian systems are more efficient, and designate clearly the responsibility for the mandate (Downs 1957). Likewise, Linz (1990) and Riggs (1993) believe that majoritarian systems are more stable, and also more "democratic" since the executive power is more dispersed between members of the Parliament. Majoritarian systems allow people to vote off the ones they don't like and thus feel that they really have a say in electing the ones they want (Lipset 1979). On the other hand, proportional representation allows for the representation of more diverse interests. In this sense, Lijphart (1999) challenged the idea that majoritarian systems are more efficient and praised the proportional systems for their ability to offer more proportionality and fair representation of minorities.

According to David Farrell (1997) there is no instance of a perfectly proportional electoral system and each of them has a built-in distorting effect. However, the electoral threshold is an invention designed by electoral engineers for eliminating the problems caused by representation of small and extremist parties. Legal electoral threshold is a minimum percentage of votes that a party gets in order to be able to become part of the Parliament. For example, if an electoral threshold is 5%, this means that every party that gets at least 5% of the total number of votes gets into the parliament. According to Farrell (1997), electoral thresholds are used in proportional systems in order to counteract the fragmenting effects of equal participation for any party, no matter how small.

In established democracies, the rules of the electoral systems are fairly fixed (Lijphart 1994), i.e. they become political institutions proper – stable patterns that structure the political process. However, in Central and Eastern Europe, electoral systems have changed quite frequently in the first decade after 1989 as part and parcel of the process in which the elites and citizenry of these countries were learning democracy. Theoretically, after the communist breakdown, these countries could adopt any of the existing electoral systems, or even implement a brand new one. In reality, no real innovations in this regard happened. All countries chose either proportional systems or some combination of a majoritarian and proportional system, which likely points to the tendency and preference in this region towards representation of various and multiple political interests. This is in line with the fact that a plethora of political parties were created in the first years after 1989, likely as a backlash to a one party system that existed for some 45 years prior.

However, the political rules that these postcommunist countries adopted right after 1989 needed time to start functioning as proper political institutions. Adopting democratic political rules found in Western democracies was relatively easy initially, but to have these institutions working properly required time and learning. Hence, governments have often amended these institutional rules, even repeatedly, once they acquired more democratic experience. In a sense, amending the rules and making them work in a particular context can be interpreted as one country's maturing in the democratic process. This is evident for the case of electoral thresholds. Most of the countries in our sample have changed electoral threshold levels since they were initially put in place. In all of the cases, these changes show a trend of establishing higher electoral thresholds over time. We need to understand this change in the context of very high electoral volatility and a multitude of political parties that are characteristic for postcommunist Europe (Birch 2001). The rise of the electoral thresholds in some countries can be interpreted as a need to limit the number of political parties, and to create party attachments for the population. Additionally, countries eventually learn that a higher electoral threshold also forbids entry of small extremist parties into government, which increases political stability and aids the democratization project. In brief, having higher electoral thresholds aids party affiliation and assures greater political stability, both contributing to faster democratic consolidation.⁴

Social Factors and Democracy

Some democracy scholars have also paid attention to societal factors that influence political outcomes. For Central and Eastern Europe, ethnic composition of a society has been considered important for democratic development. According to Smooha and Jarve (2005), ethnic and national cleavages have constituted a major impediment to democratization. This is primarily due to the rise of nationalism in postcommunist Europe (Calhoun 1993, Verdery 1996).

Some observers suggest that the national question was revived after the collapse of communism, because it has been suppressed by the occupation of the region by imperial powers, the Habsburg Monarchy, the Ottoman Empire or Czarist Russia, and after the Second World War, by the communist regimes (Caratan 1997). Others argue that state-socialist systems in fact promoted national consciousness and institutionalized nationhood and nationality as "basic cognitive and social categories" (Brubaker 1996: 8). In addition, after the fall of communist regimes, postcommunist states had to re-interpret their nationhood and statehood. The fall of the Soviet rule can be understood as an impetus to recover the state sovereignty and national independence, at least in countries where communism was externally imposed and kept in check by the Soviet Union (Kornai 1992).

In addition, "national" became very salient for communities from formerly multinational states where the fall of socialism was accompanied by assertions of state sovereignty and independence. In cases of Czechoslovakia, the Soviet Union and Yugoslavia, the collapse of state-socialism coincided with a disintegration of their federal arrangements and establishment of several new states. In these circumstances, "at the most fundamental level, a decision [had] to be made as to who 'we' are, i.e. a decision on identity, citizenship, and the territorial as well as social and cultural

⁴ The question arises here how high the electoral threshold should be to aid democratic consolidation in postcommunist countries? In the set that we examine, the highest threshold is 5%. Likely the relationship between the electoral thresholds and democratic consolidation is not linear so that after a certain point, increasing the electoral threshold is not adding any more to consolidation. Our evidence suggests that this point is beyond 5% so we cannot directly test the hypothesized curvilinear relationship in our models.

boundaries of the nation-state” (Offe 1991: 869). Thus, nationalism can be seen as an integral part of the consolidation of an identity of a new state.

Whatever the causes, the fact is that after the end of the Communist Party rule, the world witnessed a proliferation of national movements and national sentiments in postcommunist Europe (Calhoun 1993). Nationalism was used as a tool of political mobilization and support so that in a number of countries, “the rhetoric and symbols with the greatest electoral appeal were national(ist) ones” (Verdery 1998: 294). Nation oriented idioms had a prominent place in the cultural repertoires of actors making sense of postcommunist transformations. They were “widely available and resonant as a category of social vision and division” (Brubaker 1996: 21) in postcommunist Europe.

More specifically, Brubaker (1996) distinguishes between three types of nationalism, which have interacted to destabilize the new or restructured states in post 1989 Europe. Looming largest is the “nationalism of the nationalizing state”, aiming to cast the state as an ethnically homogenous nation-state, a state of and for a particular nation, “to make the state what is properly and legitimately destined to be, by promoting the language, culture, demographic position, economic flourishing, or political hegemony of the nominally state-bearing nation” (Brubaker 1996: 16). The “nationalism of the national minority” seeks to forestall these nationalizing policies and practices, to do away with discrimination and exclusion, to pursue autonomy and sometimes even to push for secession. The third kind is the “nationalism of the external homeland” that sees itself responsible for the welfare and fate of the non-citizen co-ethnic minority in another state and intervenes on its behalf. This triadic, conflict-ridden configuration of nationalisms in postcommunism is different from the problems of national integration in older European and post-colonial states in Africa and Asia (Smootha and Jarve 2005).

In particular, it is ethnonationalism that may present a great hindrance to the democratization in postcommunist states because “postcommunist governments take the view that they do not represent citizens but the nation” (Schopflin 1996: 153). Moreover, “in these states, there is a strong tendency for indigenous minorities to be non-assimilating, for majorities to be intolerant of cultural diversity and suspicious of claims for special rights based on ethnicity, and for various essentially non-ethnic issues to be ethnicized” (Smootha 2001: 6-7).

All this suggests that in light of nationalism that marked the political scene in Central and Eastern Europe after the fall of communist regimes, countries with substantial ethnic minority populations will be slower in the democratic consolidation process. That is, reluctance to affirm ethnic minority rights and their interests in societies where nationalism is pervasive will present an impediment to democratic consolidation.

Transnational Forces and Democratic Consolidation in Postcommunism

Economic development, political commitment to democracy, building of democratic institutions and ethnic composition of society provide the domestic context for consolidation of democracy in Central and Eastern Europe after 1989. In addition, this process is importantly structured by external forces (Zielonka and Pravda 2001, Wejnert 2005). In particular, the role of the European Union (EU) is crucial in fostering democratization (Hyde-Price 1994, Kurtz and Barnes 2002). Immediately following the shifts in political power in Central and Eastern Europe, the post-communist states began the integration into the community of European states. Indeed, for some postsocialist states, the integration with Western Europe provided the impetus to break from

communism and old political structures. “Europe, now!” was the slogan of Slovenia’s independence movement. During the Velvet Revolution Havel’s Civic Forum rallied with “Return to Europe.”

To affirm their desire to integrate into the European Union, in December 1991 Poland and Hungary were the first among the postcommunist states to sign the, so called, Europe Agreements. Marking the beginning of a country’s path toward European Union integration, the Europe Agreements provided a bilateral institutional framework between the EU member states and a partner country, covering trade-related issues, political dialogue, legal harmonization and other areas of cooperation, including industry, environment, transport and customs. Specifically, they required the abolition of most tariffs and the adaptation of the regulatory framework to the EU rules (Meyer 1998). Romania and Bulgaria signed these Europe Agreements in spring 1993, followed by the Czech Republic and Slovakia, who, after the dissolution of the federal state, each separately signed the agreement in October 1993. The three Baltic states followed in June 1995, and Slovenia in June 1996. Croatia signed a Stabilization and Association Agreement, functionally similar to the Europe Agreement, in October 2001.

The EU Association Agreements are (or were for eight countries who joined the EU in 2004) a first step on the way to full Union membership. Most importantly, this process has entailed the alignment to *acquis communautaire*, the EU legislation. Since postcommunist countries had suffered an institutional breakdown with the fall of communist regimes and did not have solid democratic institutions in place before the EU accession process had started, nor did they have much structural power to negotiate with a powerful transnational actor, the EU pressures left an important mark on the newly adopted institutional arrangements of these countries and the resultant political processes. Moreover, the EU put in place special aid programs for associate members from Eastern Europe aimed particularly for democratic development. One such program has been PHARE. As described on the EU’s website “PHARE funds focus entirely on the pre-accession priorities” (EU 2006a). Among the key of these institution building priorities are “Copenhagen political criteria: the stability of institutions guaranteeing *democracy*, the rule of law, human rights and respect for and protection of minorities” (EU 2006b, emphasis added).

Hence, we hypothesize that signing the EU Agreements by Central and East European states will have an impact on democratic consolidation in these countries. The EU pressures, and monitoring how closely a country fulfills the EU criteria, should help a country stay on track of the democratic project. Therefore, we should see that, *ceteris paribus*, the earlier a country signs the EU agreement, the faster its democratic consolidation.⁵

Data and Methods

Sample

We use longitudinal data on eleven postcommunist countries that can be considered as the most advanced in the transition process since they have either joined the European Union in May 2004 or have started the EU negotiation process by 2002 (the most recent year for which the data are available). This effectively reduces much heterogeneity found in the population of postcommunist countries due to differences in histories, socioeconomic development and natural resource endowments. In fact, we might have expected that there would be very little variation in

⁵ One could also argue that the faster democratic consolidation in a country signals to the EU that a country may be worthy of the EU membership. Hence, the causality may be reversed whereby democratization leads to the signing of the EU agreement. We check for this possibility by conducting auxiliary analyses reported in the results section.

democratic development among the eleven Central and East European countries included in this study. In contrast, descriptive statistics reported in Table 1 show that even among the advanced postcommunist countries, there is significant variation in the speed of democratic consolidation. In our empirical analysis we want to explore precisely this variability and focus on the question why some Central and East European countries consolidated faster than others and what may be some obstacles on the way to achieving the status of a consolidated democracy.

Specifically, the sample includes Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and the time period from 1990 to 2002. Due to data availability, our dataset has an unbalanced panel structure, with varying number of observations over time for different countries. (See Appendix A for the list of country/year observations). To present models which allow for comparison across different specifications, we use a consistent sample with 124 observations.

Dependent Variable

The dependent variable in this analysis is democratic consolidation measured by a variable that assesses political rights in postcommunist countries composed by Freedom House.⁶ Each country is awarded from 0 to 4 raw points for each of 10 questions grouped into three subcategories in a political rights checklist: a) electoral process, b) political pluralism, and c) functioning of government. A country is then assigned a numerical rating on a scale from 1 to 7 based on the total number of raw points awarded to the political rights questions, whereby 1 represents the most democratic and 7 the least democratic. Each 1 to 7 rating corresponds to a range of total raw scores. For ease of interpretation, we reversed this coding, so that in our case, the higher score captures the more consolidated democracies, and the lower score the less consolidated ones.

To argue for a causal relationship between predictors and the outcome, we created a temporal lag between our dependent variable and independent variables. That is, democratic consolidation is measured at time $t+1$ while all the independent variables are measured at time t .

Independent Variables

The independent variables included in the analysis are predictors derived from the various theoretical explanations: 1) economic development, 2) political orientation and institutions, 3) social structures, and 4) transnational influences. The list of all independent variables used in the reported analyses with descriptive statistics is included in Table 1. Data sources are listed in Appendix A. Correlation coefficients are provided in Appendix B.

⁶ Considering the debate on the quality of different quantitative indicators of democracy, we realize that the Freedomhouse rankings are far from ideal. We use them because they come from only one source of data that covers all of our countries over time which assures needed comparability across cases. In addition, the rankings are on a continuous scale, which is crucial for our analysis of democratic consolidation rather than dichotomous regime classification (e.g. Przeworski and Limongi 1997). Also, Bollen (1993) showed that most available indices of democratization are highly correlated.

Table 1: List of Variables Included in the Analysis

Variable	Description	Mean (S.D)
Dependent Variable		
Democratization	Assessment of political rights in postcommunist countries as rated by Freedom House. Each country is awarded from 0 to 4 raw points for each of 10 questions grouped into three subcategories in a political rights checklist: a) electoral process, b) political pluralism, and c) functioning of government. A country is then assigned a numerical rating on a scaled 1 to 7 based on the total number of raw points awarded to the political rights questions, whereby 1 represents the most democratic and 7 the least democratic; each 1 to 7 rating corresponds to a range of total raw scores. For ease of interpretation, we reversed this coding, so that in our case, the higher score captures the more consolidated democracies. and the lower score the less consolidated ones.	1.637 (.965)
Economic Development		
GDP per capita	GDP per capita, in \$, logged because of skeweness. In order to reduce collinearity in model 6, this variable was orthogonalized with ethnic composition using a modified Gram-Schmidt procedure (Draper and Smith 1981). This is equivalent to regressing GDP per capita on ethnic composition, and using the unstandardized residuals in place of the original GDP variable.)	3.525 (.242)
Political Institutional Variables		
Electoral threshold	Percent of vote necessary for parties to have representation in government.	4.387 (.925)
Proreform government orientation	Dummy variable indicating reform orientation of government in power (0= nationalist or former communist government, 1= otherwise)	.677 (.469)
Social Structures		
Ethnic minority	Dummy variable indicating percent of ethnic minority population (0= less than 10%, 1= more than 10 %)	.637 (.482)
International Influences		
European Union Agreement	Whether a country has signed European Union Agreement in any particular year (0= not yet signed, 1= signed), orthogonalized because of collinearity with time in Model 8	.725 (.447)
Control variables		
Time	Time counter, where 1990=1	8.604 (3.404)

Pooled Cross Sectional Times Series Analysis

To investigate the determinants of democratic consolidation across countries and overtime, we need to pool the individual countries' time series. Pooling creates correlations in the data due to country- and time- specific effects. Such clustering would yield coefficient standard errors smaller than those obtained for independent data. One standard econometric approach for dealing with this used in political science is to estimate ordinary least squares (OLS) with panel corrected standard errors (Beck and Katz 1995, Beck 2001). In sociology, most studies with panel structure use random effects generalized least squares or fixed effects regression models (Halaby 2004, for applications see Alderson and Nielsen 1999, 2002; Gustafsson and Johansson 1999). For ease of model fit interpretation, most of our models use OLS with panel corrected standard errors and with autocorrelation adjustment to correct for autocorrelation due to the time series structure. In addition, we report feasible generalized least squares with autocorrelation adjustment and fixed effects model, to check the robustness of effects to different model estimations. We also include a time trend in all of our models to de-trend the data and correct for non-stationarity. The analyses were conducted using Stata 8.0 statistical package.

Results

In general, the findings from pooled cross-national time series analysis reported in Table 2 support our argument that democratic consolidation in Central and Eastern Europe needs to be viewed in a broader context of social change, whereby economic, political *and* social factors influence democratic consolidation, together with transnational forces. Model 1 in Table 2 shows that, as expected, the general trend for our sample of countries is toward increasing democratic consolidation over time.

Models 2 through 5 show the influences of economic, political, social and international factors on democratic consolidation, which are all in the hypothesized directions and statistically significant. The robustness of these predictors is shown in Model 6, which combines them all in a single model. This model shows that higher GDP is associated with a higher democratization score. In particular, if a country increases its GDP/capita for one percent the previous year, the democratization score of this country will be slightly less than one fifth higher the following year. However, this relationship is quite sensitive to model specifications, a point we return to in the next section.

As expected, political commitment to reform by the government in power seems necessary for faster democratic consolidation. If a country has a pro-reform government in place, this increases the democratization score next year for almost half a point.⁷ We also find that, as hypothesized, having higher electoral thresholds is conducive to democratic consolidation. In face of the plethora of political parties vying for popular support after the fall of communist regimes, having higher electoral thresholds helps to create political stability because it forbids the entry of small extremist parties into government, and helps establish party attachments. All this contributes to the institutionalization of democracy.

⁷ Some preliminary additional analyses also showed that the likelihood that a proreform party comes to power is also related to previous democratic progress but this relationship weakens with the inclusion of controls.

Table 2: Regression Analyses of Selected Independent Variables on Democratic Consolidation

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Economic Development								
GDP/cap (logged)		.908* (2.14)				.157* (2.29)	0.158+ (1.93)	0.81 (.56)
Political Institutional Factors								
Prereform government			.564** (3.38)			.373* (2.47)	.364* (2.34)	.421** (2.91)
Electoral threshold			.216* (2.16)			.209* (2.38)	.206** (2.82)	.239** (2.70)
Social Structure								
Ethnic minorities				-.817** (-3.19)		-.195* (-2.42)	-.198* (-2.38)	NA
International Influences								
EU agreement					.453** (2.76)	.428* (-2.45)	.418* (2.58)	.203** (3.13)
fixed effects								Included
Time	.122*** (7.40)	.110*** (5.90)	.076*** (4.54)	.119*** (6.48)	.090*** (5.45)	.055** (3.18)	.056* (2.22)	.135* (1.74)
Constant	-2.735*** (-16.38)	-5.848*** (-3.98)	-3.647*** (-9.12)	-2.199*** (-9.31)	-2.751*** (-19.91)	-3.596*** (-9.84)	-3.583*** (-11.03)	-5.501+ (-.95)
R2	0.424	0.443	0.484	0.470	0.442	0.555	NA	0.798

Note: N=124, reported are unstandardized coefficients, t-values in parentheses, $p > .1+$, $p > .05^*$, $p > .01^{**}$, $p > .001^{***}$

Models 1-6 are OLS with panel corrected standard errors with autocorrelation adjustment

Model 7 is Feasible Generalized Least square model with autocorrelation adjustment, Model 8 is Fixed Effects Model with robust standard errors

We also argued that societal composition is going to make some countries more conducive to the democratization process than others. Following extensive research that reports pervasive nationalist sentiments in postcommunism, we stipulated that such sentiments will impede the acknowledgment and effective political incorporation of ethnic minorities, which will hurt the democratization process. This was supported in our analysis. As hypothesized, those countries where more than 10 percent of population belongs to ethnic minorities show a slower democratization process. Everything else being equal, having a significant ethnic minority would lower democratization score of a country for one fifth of a point.

Last but not least, we also tested for the role of international pressures in fostering democratic development. In particular, we argued that European Union is a crucial force that structures democratic development in Central and Eastern Europe. Our findings show support for this hypothesis. Those country/year points that are observed during the period when the European Union agreement is signed show almost a half point higher democratization score than others.

Some readers may be skeptical about the causality in the relationship between the EU association and democratization in postcommunist Europe. Isn't it rather that those countries, which show promise in their democratization efforts, are selected by the European Union as potential members? Our analysis is set up to help establish causal priority between predictors measured at time t and outcome measured at time $t+1$. That is, what our findings indicate is that having a signed EU agreement at one point in time influences democratization a year later. Also, noting the timing of when the countries in our sample signed the EU agreement, we see that certain countries that were quite different in their levels of democratization signed in the same year. For instance, the Czech Republic, Slovakia, Bulgaria and Romania, states at quite different levels of democratic development, all signed already in 1993. The three Baltic States signed together, as a group, in 1995, although Lithuania has been ranked relatively high in terms of political rights several years before Estonia and Latvia. These trends go in line with our proposition that EU forces facilitate democratic consolidation. In addition, for a more rigorous test of the reverse causality, we conducted auxiliary tests to check whether the democratization score at time t is significantly related to signing the EU agreement at time $t+1$ or $t+2$, allowing for a one year and a two year lag respectively. Controlling for time, neither of these relationships was statistically significant. These additional tests make us more confident that our core finding about the timing of EU Agreement signature does not suffer from reverse causality. Nevertheless, we do recognize that once a country signs the EU Agreement, it has to keep up with the democratization project, or else, it will sacrifice the EU support, so democratization and EU integration can be considered as mutually reinforcing processes. Several instances of such conditioning are reported by Mannin (1999). One is the case where Romania did not receive the EU funding in the early 1990s because of the concerns about human rights violations. The other is the case where Slovakia did not place among the top 5 judged on accession readiness in 1997 because it moved away from democratic politics under Mečiar's government.

Robustness Checks

As we suggested earlier, cross-sectional pooled time series data structure can be estimated with different model specifications. To assure that the results produced with OLS with panel corrected standard errors are comparable to other estimates, we present a model with feasible generalized least squares with autocorrelation adjustment (Model 7) and a fixed effects model (Model 8)

which is equivalent to estimating an OLS model that includes a series of country dummies. Fixed effects is a very stringent specification and captures all variation related to country differences, consequently eliminating any potential omitted variable bias related to country characteristics. (This is also the reason why in the fixed effects model we cannot include any time invariant measures such as ethnic composition.) Models 7 and 8 show the robustness of pro-reform government, electoral threshold, and European Union effects to different model estimations. In contrast, these additional analyses suggest that the economic development variable is highly sensitive to model specification, and that we should be cautious in concluding that economic development has a significant influence on democratic consolidation in the eleven Central and East European countries included in our sample.

Because we have a very small sample size, degrees of freedom for statistical analyses are limited, and we cannot include many control variables in one single model. However, we did check for the potential influence of several other possible independent variables on our results: GDP growth, inflation, wages, foreign direct investment, income inequality, sharing of borders with Western Europe, geographical proximity to Western Europe (Kopstein and Riley 2000), domination of the country/territory by Moscow during socialism, religion, protest history (Ekiert 1996), establishing an independent state after 1989, educational levels, pacted or not transition from communism (Welsh 1994), initial elections index (Fish 1998), constitutional rigidity, direct election of president, or judicial review. None of these variables altered the robustness of our key variables of interest, and was not in itself a significant predictor of democratic consolidation in our sample of countries. To understand these findings it is important to keep in mind that many of the above listed variables, in particular geographical proximity to the West found as important by Kopstein and Riley (2000) and the initial elections index identified as a significant predictor of transition progress by Fish (1998) do not show much variance in our sample, due to the fact that we examine only the most advanced transition countries. Hence, they are unlikely going to have explanatory power for our set of countries. Moreover, considering any other country characteristic that we may not be able to measure and thus take into account in our analysis, we should note again that the fixed effects model specification subsumes any omitted variable bias related to time-invariant country characteristic.

Relative Importance of Individual Predictors

Table 2 reports a series of specifications and unstandardized coefficients, which makes it difficult to assess the contribution of individual variables to the overall explained variance. What is the relative importance of economic development, political institutions, government orientation, ethnic composition and EU integration for democratic consolidation in postcommunist Central and Eastern Europe?

To answer this question, Table 3 reports results of residuals analysis, which helps to determine how much each individual independent variable contributes to the overall explained variance in the sample. The values represented for each independent variable X show the difference between the fit of the full model (Model 6, Table 2) and the specification that excludes variable X from that full model. Hence, the greater the number the greater the contribution of this variable to explaining the democratic consolidation trends in our sample. This analysis suggests that the order of importance for individual explanatory factors in accounting for the differences in democratic consolidation across eleven postcommunist European countries from 1990 to 2002 is as follows: signing of the European Union Agreement,

electoral threshold, proreform government, ethnic composition, and last (and quite insignificant) GDP per capita.

Table 3: Residual Analysis

	Residuals
GDP per capita	3
Proreform government	254
Electoral threshold	301
Ethnic composition	150
EU Agreement	367

Note: Residuals are calculated based on Model 6 from Table 2 as described in text. The higher the residual the greater the explanatory power of the individual variable.

Discussion and Conclusions

Valerie Bunce (2003) wrote a fine review article on what lessons from the postcommunist experience say about the democratization processes in general. One of her conclusions was that the uncertainty surrounding the postcommunist transitions to democracy varied significantly. This influenced, in turn, the strategies of transition and their payoffs. Hence, the most successful transitions in the postcommunist context involved a sharp break with the old order. Our quantitative findings show that indeed those post-1989 governments with a proreform orientation, not run by the former communists or nationalists helped their countries to a faster democratic consolidation. This is also in line with McFaul's (2002) findings based on a qualitative comparison of country cases, which show that changes in power are key: not surprisingly, democratic consolidation happens when proponents of democracy constitute the ruling elite.

On the other hand, our findings nuance Bunce's interpretation of the role of nationalist mobilization in the postcommunist democratization process. One of the Bunce's conclusions is that nationalist mobilization was helpful for democratic consolidation, though this is dependent upon whether this mobilization began with the breakdown of the authoritarian rule of had a long history, with the latter compromising the democratic project. Because all of the cases we study in our analysis experience the strengthening of nationalist sentiments, and because all of our countries have significantly advanced in the democratization process already in the first decade after 1989, it may be the case that nationalist mobilization aids democratic consolidation. However, in the cases where nationalists took over governments, such as Mečiar in Slovakia or Tudjman in Croatia, this was counterproductive. Having such a nationalist government hindered the process of democratic consolidation. Moreover, our finding that countries with larger ethnic populations consolidate slower than others, may be largely due to the presence of nationalist sentiments, which hinder effective integration of ethnic minorities into the political process. Overall, it is important to remember that nationalism can come in plenty of forms and many of them, in fact, hurt democracy.

Our analysis also speaks to the debate about economic development and democratic consolidation. In a widely cited article, Przeworski and Limongi (1997: 156) claim that "Lipset's observation that democracy is related to economic development, first advanced in 1959, has generated the largest body of research on any topic in comparative politics." Adjudicating this debate, and as they announce in the article's title, providing "the facts" on modernization, the authors conclude that:

[T]here are no grounds to believe that economic development breeds democracies: Lipset's 'optimistic equation,' as O'Donnell dubs it, the 'benign line' in the language of Huntington and Nelson, has few countries running along it and those that do scatter in random directions. In turn, once established, democracies are likely to die in poor countries and certain to survive in wealthy ones (Przeworski and Limongi 1997: 167)

According to the modernization theory, economic development brings democracy because as countries develop in the course of industrialization and urbanization, social structures become more complex, education increases, communication is wide spread, and all of these developments induce various groups to organize and express their political interests and rise against the dictatorial command. In contrast, analyzing data on 135 countries between 1950 and 1990, Przeworski and Limongi (1997) claim that democracy can be initiated at any level of development, and it is in fact democratic survival that depends on economic conditions: "the chances for the survival of democracy are greater when the country is richer" (p. 177, cf. Bunce 2000).

While the democracies in Central and Eastern Europe are too young for us to be able to test the democratic survival hypothesis, our findings are indeed in line with the first part of Przeworski and Limongi's thesis. Modernization is not the reason for democratic consolidation in postcommunist Europe. After all, upon the collapse of communist regimes, all these countries were already industrialized and urbanized with significantly high levels of education. The context of postcommunist transition to capitalism was significantly different from the transition to capitalism in Western Europe in the 19th century.

Moreover, most of the countries we analyze in our study have suffered net *declines* in GDP per capita during the first 5-6 years of the 1990s (EBRD 2001). Most only reached pre-1990 GDP levels by 2000, if at all. Nevertheless, this was precisely the period when these countries were effectively progressing in democratic consolidation. Considering that these two trends move in the opposite direction, it is hard to believe that the process of economic "development" was driving democratic consolidation. In fact, as our empirical findings show GDP per capita has a very weak influence on explaining the heterogeneity in our sample and is quite sensitive to different model specifications. Most importantly, in the fixed effects model, which controls for all the characteristics associated with individual countries, GDP per capita coefficient is far from statistical significance. Effectively this means that GDP per capita does not significantly explain *within-country* variation overtime for our sample. That is, increasing economic prosperity in a country does not help this country to a deeper democratic consolidation.

But what does facilitate democratic consolidation in postcommunist Europe? We find that it is the commitment to democratic reform by the governing parties, as well as the establishment of new political institutions that provide the basis for the stability of the democratic order, which significantly determine democratic consolidation among the advanced postcommunist countries. In addition, the transnational forces, in particular those integral to the preparation of a country for the European Union membership, keep these societies on track of democratic consolidation. This means that in significant ways Europeanization has fostered democracy in Central and Eastern Europe. Moreover, we substantiate the importance of social structures for political outcomes. In particular, having sizable ethnic populations, in light of increased national(ist) orientations, has made the democratic consolidation process in postcommunist Europe more difficult.

Overall, these findings support our conjecture that a context sensitive institutional perspective on political development has more empirical utility in explaining the democratic consolidation among the advanced transition countries of Central and Eastern Europe than a universalist modernization perspective. Future research, combining quantitative data with qualitative case based process tracing should explicate in greater detail the causal mechanisms which underline the broad tendencies that we identified in the present study.

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APPENDIX A – DATA STRUCTURE AND SOURCES

SAMPLE: POOLED CROSS-NATIONAL TIME SERIES

Country/Year Observations: Bulgaria (1990-2002), Croatia (1992-2002), Czech Republic (1990-2002), Estonia (1992-2002), Hungary (1990-2002), Latvia (1993-2001), Lithuania (1992-2002), Poland (1994-2002), Romania (1990-2001), Slovakia (1991-2002), Slovenia (1993-2002)

DEPENDENT VARIABLE

Democratization Score

Source: Freedomhouse Transition Reports <http://www.freedomhouse.org/template.cfm?page=1>

ECONOMIC DEVELOPMENT

GPD per capita

Sources: World Development Indicators online data base:

<http://devdata.worldbank.org/dataonline>

POLITICAL INSTITUTIONAL FACTORS

Prereform Government Orientation

Source: Freedom House Nations in Transit 1998, Freedom House Nations in Transit 2002

<http://www.parties-and-elections.de/europe.html>

Electoral Threshold

Source: Bern Political Indicators in Central and Eastern Europe Database.

SOCIAL STRUCTURE

Ethnic Composition

Source: Freedomhouse Transition Reports <http://www.freedomhouse.org/template.cfm?page=1>

INTERNATIONAL INFLUENCES

European Union Agreement

Source: European Union (2005) http://europa.eu.int/comm/enlargement/pas/europe_agr.htm

APPENDIX B – CORRELATION MATRIX

Variables	(1)	(2)	(3)	(4)	(5)	(6)
Democratization (1)						
GDP/cap (2)	.328					
Electoral threshold (3)	.432	.227				
Prereform government (4)	.601	.423	.233			
Ethnic minorities (5)	-.430	-.681	-.119	-.520		
EU agreements (6)	.570	-.003	.238	.388	-.200	
Time (7)	.452	.234	.358	.387	-.028	.525