

## Importance of Poverty Levels in Regime Change

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### Abstract

The wave of democratization of the Nineties may be coming to an end, non democratic regimes are becoming attractive because they have had better performance. Venezuela, Ecuador, Bangladesh, Thailand, Pakistan, Gambia, Madagascar and Mozambique are countries that were democratic in 1990, but they already had other type of regime in 2010. Through analysing economic variables, non democratic countries had had lower inequality levels, higher rates of economic growth, but higher poverty levels. Through analysing political variables, democratic countries had had higher polarization levels from 1990 to 2010. Through analysing democratic countries that changed their regime from 1990 to 2010 and through analysing changes in some economic, political and social variables, it was found that the polarization levels were relevant for changing regime from 1990 to 2000, while poverty levels were relevant for changing regime from 2000 to 2010. This hypothesis is supported with six statistical models that use *ivprobit*. As conclusion, democratic countries that do not reduce poverty levels may be at risk of change regime.

**Keywords:** Poverty, Regime change, Democracy, Non democratic regimes, Polarization

### 1. Introduction

Since the end of the Cold War, a large number of countries became democratic in different regions of the world. It was a steady growth until a slight decline was observed in 2010. As shown in Chart 1, in America, Asia and Eastern Europe, some countries did not remain as a democracy.

**Chart 1:** Number of democratic countries by region

Region	1960	1970	1980	1990	1995	2000	2005	2010
World	33	34	39	48	75	77	90	89
America	8	9	9	17	20	22	23	21
Europe	13	16	18	18	30	31	36	36
Asia	9	6	5	8	11	12	15	13
Eastern Europe	0	0	1	1	13	14	19	18
Southeastern Asia	3	0	0	1	2	3	4	4
Eastern Africa	1	1	1	1	5	4	6	6
Western Africa	1	1	3	1	4	3	6	8

Note: Eastern Europe includes Post-Soviet states and Balkan Peninsula countries.

**Source:** Compiled by author based on Polity IV.

The increase in the number of democracies in the world since 1990 could have several reasons. One reason could be that, compared to other regimes, democracies offer greater rights and freedoms and the search for greater prosperity (Dahl, 1998).

Apparently the advantages of democracy are not sufficient to prevent that any country from becoming a non democratic regime. For Ansell and Samuels (2014), democracy often arises in more unequal environments. So if democracy does not solve problems of inequality and poverty, the citizens of these countries may be tempted to support non democratic regimes.

## 2. Context of Democratic and Non Democratic Countries over Time

As shown in Chart 2, the wave of democratization focused on poor countries with high levels of inequality. Still, the poor non democratic countries remain simple majority. From 1990 to 2010, on average, rich countries had the lowest levels of inequality. In the same period, of poor countries, democracies had the highest levels of Gini.

**Chart 2:** Levels of inequality (Gini) of democratic and non democratic countries

	1990	n	2000	n	2010	n
<b>Rich democratic</b>	34.59	35	35.12	37	35.35	33
<b>Rich non democratic</b>	28.68	18	37.09	7	36.67	7
<b>Poor democratic</b>	49.06	15	47.16	33	44.42	39
<b>Poor non democratic</b>	40.72	45	41.47	56	39.71	50

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV, UNDP and World Bank.

Through analysis of the percentage of income earned by the poorest 20%, as shown in Chart 3, the poorest people of democratic countries have comparatively fewer resources than the poorest of the non democratic regimes. Although that the poorest democracies have had the greatest progress in the distribution of resources among the poorest 20%, these countries have the lowest income distribution among the poorest.

**Chart 3:** Percentage of income earned by the poorest 20% of democratic and non democratic countries

	1990	n	2000	n	2010	n
<b>Rich democratic</b>	7.12%	25	7.22%	36	6.99%	38
<b>Rich non democratic</b>	9.00%	18	6.86%	7	7.19%	6
<b>Poor democratic</b>	4.48%	15	4.98%	32	5.66%	40
<b>Poor non democratic</b>	6.15%	44	6.20%	53	6.58%	50

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

As shown in Chart 4, on average, democratic countries had lower poverty levels than countries with other type of regime in 2000 and 2010. With the exception of the wealthy non democratic countries, all countries reduced their poverty levels from 1990 to 2010. However, on average, from 2000 to 2010 all countries had improvements in their poverty levels.

As shown in Chart 5, on average, democratic countries had higher rates of economic growth in 1990. However, for 2000 and 2010, non democratic countries had higher rates of economic growth. The difference was clearer in the richer countries, although these countries had a significant decline from 2000 to 2010.

As shown in Chart 6, for 1990, 2000 and 2010, democratic countries had higher levels of polarization than countries with other type of regime. In democratic countries, those with higher incomes have higher levels of polarization. In 2000, there was an increase in levels of polarization. However, in 2010, these levels decreased, except for the poor non democratic countries.

**Chart 4:** Poverty levels of democratic and non democratic countries

	1990	n	2000	n	2010	n
<b>Rich democratic</b>	9.87%	6	9.73%	17	2.75%	20
<b>Rich non democratic</b>	6.12%	18	11.91%	7	6.98%	6
<b>Poor democratic</b>	44.70%	14	48.60%	33	40.27%	41
<b>Poor non democratic</b>	60.15%	48	59.44%	53	47.77%	44

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013. Population that lives daily with less of 3.10 dollars of 2011.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 5:** Economic growth rates of democratic and non democratic countries

	1990	n	2000	n	2010	n
<b>Rich democratic</b>	3.49%	31	4.51%	43	2.84%	46
<b>Rich non democratic</b>	1.53%	21	7.76%	19	5.23%	16
<b>Poor democratic</b>	2.66%	17	2.97%	34	5.39%	43
<b>Poor non democratic</b>	2.52%	74	4.24%	65	5.54%	55

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 6:** Levels of polarization of democratic and non democratic countries

	1990	n	2000	n	2010	n
<b>Rich democratic</b>	1.07	29	1.41	39	1.03	40
<b>Rich non democratic</b>	0.00	22	0.12	17	0.00	16
<b>Poor democratic</b>	0.50	16	0.66	29	0.44	32
<b>Poor non democratic</b>	0.01	69	0.09	55	0.11	45

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

### 3. Changes in Democratic and Non Democratic Countries

After analysing the levels of poverty, inequality, economic growth and polarization that democratic and non democratic countries have, it is also useful to analyse the levels that countries that decided to remain or change of regime have.

As shown in Chart 7, those poor countries that changed regime from 1990 to 2010 decreased their levels of inequality. All rich countries, regardless of the type of regime, increased their levels of inequality from 1990 to 2010. Those poor countries that were democratic in 1990 and they remained as democracies until 2010 continued with the highest levels of inequality.

As shown in Chart 8, in rich countries, the percentage of income earned by the poorest 20% decreased from 1990 to 2010. However, in poor countries, this percentage increased over the same period. The changes were mainly by income level, regardless of the type of regime.

**Chart 7:** Changes in levels of inequality (Gini) from 1990 to 2010

	1990	2010	n
<b>Poor countries</b>			
<b>Democratic 1990 Democratic 2010</b>	49.83	50.38	12
<b>Democratic 1990 Non Democratic 2010</b>	41.86	39.65	2
<b>Non Democratic 1990 Democratic 2010</b>	44.12	42.38	17
<b>Non Democratic 1990 Non Democratic 2010</b>	38.57	38.82	25
<b>Rich countries</b>			
<b>Democratic 1990 Democratic 2010</b>	34.27	35.13	20
<b>Democratic 1990 Non Democratic 2010</b>	43.84	44.80	1
<b>Non Democratic 1990 Democratic 2010</b>	29.97	35.70	13
<b>Non Democratic 1990 Non Democratic 2010</b>	26.82	32.33	4

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV, UNDP and World Bank.

**Chart 8:** Changes in percentage of income earned by the poorest 20% from 1990 to 2010

	1990	2010	n
<b>Poor countries</b>			
Democratic 1990 Democratic 2010	4.27%	4.39%	13
Democratic 1990 Non Democratic 2010	5.81%	6.85%	2
Non Democratic 1990 Democratic 2010	5.36%	5.68%	14
Non Democratic 1990 Non Democratic 2010	6.62%	6.73%	26
<b>Rich countries</b>			
Democratic 1990 Democratic 2010	7.23%	6.89%	22
Democratic 1990 Non Democratic 2010	4.44%	4.22%	1
Non Democratic 1990 Democratic 2010	8.94%	7.06%	14
Non Democratic 1990 Non Democratic 2010	9.23%	8.27%	4

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 9:** Changes in poverty levels from 1990 to 2010

	1990	2010	n
<b>Poor countries</b>			
Democratic 1990 Democratic 2010	42.30%	25.62%	12
Democratic 1990 Non Democratic 2010	59.11%	30.94%	2
Non Democratic 1990 Democratic 2010	57.09%	46.23%	19
Non Democratic 1990 Non Democratic 2010	64.01%	45.70%	26
<b>Rich countries</b>			
Democratic 1990 Democratic 2010	9.41%	3.73%	4
Democratic 1990 Non Democratic 2010	13.91%	14.9%	1
Non Democratic 1990 Democratic 2010	5.17%	2.48%	14
Non Democratic 1990 Non Democratic 2010	9.45%	0.64%	4

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013. Population that lives daily with less of 3.10 dollars of 2011.

**Source:** Compiled by author based on Polity IV and World Bank.

As shown in Chart 9, on average, poverty levels had decreased from 1990 to 2010. In poor countries, those countries that did not remain as a democracy from 1990 to 2010 had the highest reductions of poverty levels. In rich countries, those countries that remained as non democratic from 1990 to 2010 had the highest reductions of poverty levels.

**Chart 10:** Changes in economic growth rates from 1990 to 2010

	1990	2010	n
<b>Poor countries</b>			
Democratic 1990 Democratic 2010	2.40%	5.74%	14
Democratic 1990 Non Democratic 2010	3.90%	3.89%	3
Non Democratic 1990 Democratic 2010	-0.71%	5.33%	26
Non Democratic 1990 Non Democratic 2010	4.36%	5.98%	47
<b>Rich countries</b>			
Democratic 1990 Democratic 2010	3.39%	3.00%	30
Democratic 1990 Non Democratic 2010	6.47%	-1.49%	1
Non Democratic 1990 Democratic 2010	1.01%	3.97%	8
Non Democratic 1990 Non Democratic 2010	2.13%	5.24%	12

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 11:** Changes in levels of polarization from 1990 to 2010

	1990	2010	n
<b>Poor countries</b>			
Democratic 1990 Democratic 2010	0.36	0.55	11
Democratic 1990 Non Democratic 2010	1.33	0.67	3
Non Democratic 1990 Democratic 2010	0.00	0.33	18
Non Democratic 1990 Non Democratic 2010	0.00	0.08	36
<b>Rich countries</b>			
Democratic 1990 Democratic 2010	1.04	1.07	28
Democratic 1990 Non Democratic 2010	2.00	0.00	1
Non Democratic 1990 Democratic 2010	0.00	0.50	6
Non Democratic 1990 Non Democratic 2010	0.00	0.00	14

Note: It is classified as a rich country if it has a per capita income greater than \$15,000 dollars in 2013.

**Source:** Compiled by author based on Polity IV and World Bank.

As shown in Chart 10, on average, economic growth rates are higher in poor countries and also these countries had greater progress from 1990 to 2010. In both rich and poor countries, the worst evolution of economic growth rates was from those countries that were democratic in 1990 and non democratic in 2010. The best evolution of economic growth rates was from those countries that were non democratic in 1990 and they remain as non democratic in 2010.

As shown in Chart 11 democratic countries that, on average, had the highest levels of polarization in 1990, by 2010 had changed to another type of regime. For those countries that were democratic in 1990 and had another type of regime in 2010, their polarization levels decreased over the period. For those countries that were non democratic in 1990 and were already democratic in 2010, they increased polarization levels in that period.

#### 4. Methodology

The context and its evolution of democratic and non democratic countries were reviewed with descriptive statistics. It was identified that polarization and poverty levels could be important elements for a country to change regime. The hypothesis of this research is that political elements, such as polarization, were relevant to regime change in 1990. However, economic elements, such as poverty levels, are relevant for a country to change regime since 2000. To validate this hypothesis, three types of analysis are presented.

First, the exact moment in which Venezuela, Ecuador, Bangladesh, Thailand, Pakistan, Gambia, Madagascar and Mozambique are no longer democratic in the period from 1990 to 2010 is analysed. In this way, the main circumstances that were a breaking point for a regime change were identified. Descriptive statistics on polarization, gini, the percentage of income earned by the poorest 20%, poverty levels and economic growth are used. These indicators are analysed for 1990, 2000, 2010 and last year that these countries were democratic, according to Polity IV. Data are obtained from the World Bank.

Second, case studies with a series of historical events of Venezuela and Ecuador are analysed. Both countries have similar characteristics: they are from the same region, have a similar context and depend on oil revenues. In this way, it is identified how these historical events affect society and how they influence citizens to begin to support other types of regime.

Finally, a statistical analysis is performed through probits with instrumental variables that measure the impact of poverty levels and polarization on regime change. Economic growth, unemployment, tertiary education, female labor force participation rate, gini, percentage of income earned by the poorest 20%, level of tax collection (% of GDP), indebtedness (% of GDP), inflation with GDP deflator, military spending (% of GDP), health spending (% of GDP), political rights and civil liberties are used as instruments. These indicators are analysed for 1990, 2000 and 2010. Data are obtained from the World Bank and Freedom House.

#### 5. Democratic Countries that Changed Regime from 1990 to 2010

Venezuela, Ecuador, Bangladesh, Thailand, Pakistan, Gambia, Madagascar and Mozambique are countries that were democratic in 1990, but they already had other type of regime in 2010. Among the political reasons for changing regime

are the suspension of elections, lack of confidence in election authorities, drafting new constitutions or coups. However, it is interesting to analyse whether regime change was only for political reasons or it had an economic and social context that has influenced that these countries had changed to be non democratic. The hypothesis of this research is that economic factors such as poverty levels are relevant for changing regime from 2000.

The drafting of a new Constitution implies new rules, if they are not democratic, a country could become non democratic. Ecuador drafted a new Constitution in 2007 and Mozambique did it in 2008. "Democracy is a system in which parties lose elections" (Przeworski, 1991), with the suspension of elections or if there is no certainty in a country of a fair electoral competition, a country might be non democratic. In 2005, Democratic Action (of Venezuela) decided to withdraw from the electoral competition because there was no confidence in the electoral authorities. In 2006, the Supreme Court invalidated the elections in Thailand. In 2007, in Bangladesh the elections were suspended.

Through a coup, a country could become non democratic. In 1994, Yahya Jammeh gave a coup in Gambia. In 1999, Musharraf gave a coup in Pakistan. In 2006, the military of the "Council for Democratic Reform" gave a coup in Thailand. In 2009, a military council took power in Madagascar.

As shown in Chart 12, except in Ecuador, taking in account the last year of democracy, polarization levels were low in those democratic countries that changed regime from 1990 to 2010. Venezuela, Ecuador and Pakistan had high levels of polarization in 1990, in 2010, Pakistan only had high levels of polarization.

**Chart 12:** Polarization in democratic countries that changed regime from 1990 to 2010

	1990	2000	2010	Last year as democratic	Polarization in the last year as democratic
<b>Venezuela</b>	2	N/D	0	2005	0
<b>Ecuador</b>	2	2	0	2006	2
<b>Bangladesh</b>	0	N/D	0	2006	0
<b>Thailand</b>	0	0	0	2005	0
<b>Pakistan</b>	2	0	2	1998	0
<b>Gambia</b>	0	0	0	1993	0
<b>Madagascar</b>	0	0	0	2008	0
<b>Mozambique</b>	0	0	0	2008	0

Note: N/D means no data.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 13:** Inequality in democratic countries that changed regime from 1990 to 2010

	1990	2000	2010	Last year as democratic	Inequality in the last year as democratic
<b>Venezuela</b>	43.8	47.8	44.8	2005	52.4
<b>Ecuador</b>	50.5	56.4	49.3	2006	53.2
<b>Bangladesh</b>	28.9	33.5	32.1	2006	32.7
<b>Thailand</b>	45.3	42.8	39.4	2005	42.5
<b>Pakistan</b>	33.2	33.0	30.0	1998	33.1
<b>Gambia</b>	N/D	50.2	47.3	1993	47.6
<b>Madagascar</b>	46.1	41.8	44.1	2008	38.9
<b>Mozambique</b>	N/D	44.5	45.7	2008	45.6

Note: N/D means no data.

**Source:** Compiled by author based on Polity IV, UNDP and World Bank.

As shown in Chart 13, the levels of inequality decreased in Venezuela, Ecuador, Bangladesh, Thailand and Pakistan after they changed of regime. Instead, in Gambia, Madagascar and Mozambique their levels of inequality increased after they changed of regime. In Venezuela, its levels of inequality had increased considerably just before the change of regime.

As shown in Chart 14, except Venezuela, Thailand and Mozambique, in the last year of democracy, the percentage of income earned by the poorest 20% had been steadily rising in democratic countries that changed regime from 1990 to 2010. Except Gambia and Madagascar, after the change of regime, the percentage of income earned by the poorest 20% increased in democratic countries that changed regime from 1990 to 2010.

**Chart 14:** Percentage of income earned by the poorest 20% in democratic countries that changed regime from 1990 to 2010

	1990	2000	2010	Last year as democratic	Percentage of income earned by the poorest 20% in the last year as democratic
Venezuela	4.44%	3.79%	4.22%	2005	1.55%
Ecuador	3.28%	3.04%	4.10%	2006	3.57%
Bangladesh	9.45%	8.66%	8.88%	2006	8.85%
Thailand	5.91%	6.20%	6.76%	2005	6.07%
Pakistan	8.35%	8.73%	9.59%	1998	8.73%
Gambia	N/D	4.02%	4.79%	1993	4.80%
Madagascar	5.12%	5.85%	6.50%	2008	6.98%
Mozambique	N/D	5.63%	5.23%	2008	5.22%

Note: N/D means no data.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 15:** Poverty levels in democratic countries that changed regime from 1990 to 2010

	1990	2000	2010	Last year as democratic	Poverty levels in the last year as democratic
Venezuela	13.9%	20.5%	14.9%	2005	24.0%
Ecuador	32.7%	48.0%	16.9%	2006	21.1%
Bangladesh	93.3%	84.8%	77.6%	2006	81.5%
Thailand	34.3%	17.0%	2.1%	2005	8.0%
Pakistan	85.6%	69.9%	45.0%	1998	63.8%
Gambia	N/D	86.9%	N/D	1993	86.9%
Madagascar	87.6%	85.2%	92.9%	2008	92.9%
Mozambique	N/D	92.0%	87.5%	2008	87.5%

Note: N/D means no data. Population that lives daily with less of 3.10 dollars of 2011.

**Source:** Compiled by author based on Polity IV and World Bank.

**Chart 16:** Economic growth rates in democratic countries that changed regime from 1990 to 2010

	1990	2000	2010	Last year as democratic	Economic growth rates in the last year as democratic
Venezuela	6.47%	3.69%	-1.49%	2005	10.32%
Ecuador	3.68%	1.09%	3.53%	2006	4.40%
Bangladesh	5.62%	5.29%	5.57%	2006	6.67%
Thailand	11.17%	4.46%	7.51%	2005	4.19%
Pakistan	4.46%	4.26%	1.61%	1998	2.55%
Gambia	3.56%	5.50%	6.52%	1993	3.01%
Madagascar	3.13%	4.76%	0.26%	2008	7.13%
Mozambique	1.00%	1.68%	6.69%	2008	6.88%

**Source:** Compiled by author based on Polity IV and World Bank.

As shown in Chart 15, except Venezuela, Ecuador and Thailand, democratic countries that changed regime from 1990 to 2010 have had high levels of poverty, over half of the population. After regime change, in these countries poverty levels have declined. As shown in Chart 16, except Thailand, Pakistan and Gambia, democratic countries that changed regime from 1990 to 2010 had high rates of economic growth in last year of democracy, above what they had in 1990, 2000 or 2010.

## 6. Case Studies

It is presented a series of historical events that describe economic, political and social factors that contributed to make

Venezuela and Ecuador non democratic. Both South American countries with high dependence on oil revenues and with relatively similar political contexts.

### 6.1 Venezuela

The oil boom of 1974 had significant long-term implications in public finance of Venezuela. In the following years, oil revenues increased sharply at a higher rate than public spending, causing optimism in the rulers (Palma, 1980). There was an expansion of public spending that benefited the majority of the population. The standard of living of the average Venezuelan began to improve, the middle class grew. It was a generalized optimism. However, this surplus income was not used to finance other sectors of the economy to diversify the income in Venezuela because there was not enough specialized labor and supplies (Palma, 1980). The rulers decided to consider oil as the main engine of the Venezuelan economy.

Oil prices went down in 1978, which caused government revenues to decline sharply because oil was the main source of revenue. The rulers did not want to reduce public spending, then they opted to increase the tax collection that provoked anger in the middle and higher income classes. Congress chose to finance public spending with debt. In this way, the indebtedness was multiplied by eight in a period of eight years (Carrillo and Cruzut). There was not a fiscal discipline, which led the Venezuelan economy to a series of economic crises.

The Congress, which did not want to affect the population in the short term with higher taxes or budget cuts, caused an economic crisis in the long term through debt without control. The fact that the cost of debt grew to such an extent that in 1982 it was unsustainable to continue paying because a large part of the income went to the payment of debt neglecting social public policies. The debt financing model collapsed (Ffrench and Devlin, 1993). The interest rate increased and many companies were led to bankruptcy for not being able to pay their debts. Inflation soared and there were constant devaluations that ended up beating the entire population, especially the poorest people who are more sensitive to higher prices. Economic crisis reduced the living standards of Venezuelans year by year until in 1989, the middle class and more disadvantaged sectors were energetically against the government. This increase of citizen participation to demand results of its rulers was known as the "caracazo" (López, 2001).

Since 1989 the Venezuelan government began to move towards a neoliberal model that included financial liberalization, international trade, deregulation and a series of privatizations. These measures were promoted by technocrats in a context in which a large part of Venezuelan entrepreneurs were not prepared for the growing competition that would lead them to bankruptcy. This situation provoked a resentment against the government that left behind the protectionist model.

Overall, it was seemed that the Venezuelan economy was beginning to recover with the neoliberal model. However, these measures generated two antagonistic groups, one of winners and one of losers. The latter group included the poorest. In this context, in 1992, Hugo Chávez gave a coup attempt in order to represent the interests of this disadvantaged group with the new economic model. However, the group that was benefited from privatization and liberalization was able to thwart the coup and continue with the neoliberal model for some months more.

There was a new economic crisis in 1993 due to the fall in the price of oil. The Venezuelan economy was not yet diversified and most of its income was coming from the sale of oil. There was a political crisis about how to act in the face of this recurring situation. Finally, it was decided to return to protectionism in order to reduce the pressure of some disadvantaged groups. This decision triggered in the banking crisis of 1994. A third of the banks disappeared. The government nationalized banking system. Capital flight and corporate bankruptcy generated a greater discontent in the middle class.

Hugo Chávez came to power in 1999, as a vote of punishment for bad management of previous governments, through winning democratic elections. In this way, the most disadvantaged began to feel represented. Hugo Chavez was a charismatic leader who made politics in a different way. He gave benefits to the poorest against traditional privileges. Poverty levels began to decline. Hugo Chavez made a series of reforms as a part of the model transition. The opposition that felt attacked led to a coup d'état in 2002. It failed and the "Bolivarian revolution" continued that was contrary to the neoliberal model.

It was proposed to reform the Constitution in 2006 so that fundamental principles of the "Bolivarian revolution" were embodied in the highest law of Venezuela. Such reforms were voted in a referendum and the population refused to make changes to the Constitution. Rivalry between pro-government and opposition parties became greater. After the referendum the opposition was better organized and the interests of the most disadvantaged began to feel threatened, so that Hugo Chávez began to make authoritarian decisions to safeguard the "Bolivarian revolution."

Since 2006, the Venezuelan government intensified its army's policy and began to provide military training to



civilians who were related to the "Bolivarian revolution" as a regional strategy (Jácome, 2006). In this way, any attempt of coup d'état that put the interests of the poorest at risk could be defeated. However, the government and its sympathizers could use this situation to repress the growing opposition.

In 2006, the TV station "RCTV" reported that the government was pressuring public employees to support Hugo Chávez or they could be fired. In retaliation, against transparency, Hugo Chávez withdrew the concession to the TV station for disseminating this information. The government's relationship with the television station was not good because it was associated with the 2002 coup.

The internationalization of the "Bolivarian revolution" was intensified through giving support to other countries with resources of Venezuelans. Again, surplus revenues from high oil prices were not used to diversify the Venezuelan economy, which would generate a strong economic crisis with the oil price decline in 2014.

## 6.2 Ecuador

In a context of political and economic instability, the coup d'état of 1972 gave rise to a nationalist and revolutionary dictatorship that pushed oil as the engine of the Ecuadorian economy. In that same year, the State Petroleum Company of Ecuador was created, which in 1989 became as Petroecuador. The goal was that all Ecuadorians could benefit from the distribution of resources from oil revenues. In 1973, Ecuador joined OPEC and oil prices began to rise. Increased public spending was financed by this source of income. It caused that the poorest enjoyed better public policies. In addition, a part of the oil revenues was used to increase industrialization in the country. The middle class grew and was happy with the economic results. There was widespread optimism.

The oil price began to fall in 1975, which led to a decline in oil revenues. The Ecuadorian government, with the aim of not affecting the interests of the poorest through a decrease in public spending, authoritatively decided to increase the debt level. In just two years, the level of indebtedness was tripled, this situation generated a debt crisis (Moncada and Cuéllar, 2004). The president had to resign because a military council pressured in order to have general elections in 1978. In this way, a transition to democracy began. There was a fear that the poorest and middle class could lose their gains made in the 1970s by authoritarian decisions. It was possible to promote a regime change with the support of these social classes.

The economic situation was not improving in democracy. In the decade of the eighties, the interest rate began to increase. This caused that the high level of indebtedness was more expensive and that there were smaller resources available for the public policies that Ecuadorians needed. A solution was required for the debt restructuring that could allow to allocate less resources for the payment of the debt and to allocate more money for public policies. In order to restructure the debt, the creditors pressured to Ecuador to liberalize its economy (Centro de Estudios Latinoamericanos de la Pontificia Universidad Católica del Ecuador, 2003). Then, the government decided to open up the markets to attract foreign direct investment and there could be more resources available. In this way, due to the debt crisis, little by little Ecuador began to move towards a neoliberal model.

With neoliberalism, the quality of life of Ecuadorians began to fall dramatically (Centro de Estudios Latinoamericanos de la Pontificia Universidad Católica del Ecuador, 2003). Unemployment grew. In 1992, a series of neoliberal measures began in order to try to solve the economic crisis. Unemployment grew. In 1992, a series of neoliberal measures began in order to try to solve the economic crisis. The reforms consisted on trade liberalization, financial liberalization and commercial flexibilization. In addition, in that same year, Ecuador left OPEC. It was thought that competition and efficiency could help to face the economic crisis. Neoliberalism caused big social imbalances in Ecuador. Workers and entrepreneurs were not used to competing. There were bankruptcies and dismissals. The decline of economic protectionism indirectly implied unprotect the poorest who were least able to compete (Centro de Estudios Latinoamericanos de la Pontificia Universidad Católica del Ecuador, 2003).

Neoliberalism in Ecuador provoked a considerable increase in the mobilization of people that demanded a change in the economic model because economic reforms had impoverished them. Some political leaders began to question the neoliberal model. The political crisis went hand in hand with the economic crisis. In 1997, Congress dismissed President Abdullah Bucaram. A referendum was called so that citizens could decide how the democratic regime should be, for which the Constitution was reformed in 1998.

The new constitution strengthened the figure of the president, subtracting power from the legislators. This could be a step to curb democracy because it was not working. However, neoliberalism was embodied in the new constitution because it diminished state intervention in the economy. It would only be regulated and controlled. It sought to give more rights to citizens. The reforms did not give political stability, President Jamil Mahuad was dismissed.

At the end of the 1990s, there was again a strong economic crisis (Centro de Estudios Latinoamericanos de la

Pontificia Universidad Católica del Ecuador, 2003). The financial crisis led to the disappearance of the Sucre and the dollarization of the country. This situation affected to the most vulnerable sectors of the country. There were high levels of unemployment, which caused a strong migration. Contrary to expectations, financial liberalization allowed capital outflows rather than foreign investment that offered greater resources available to deal with economic crises. In 2000 and 2005, the presidents were deposed. Many Ecuadorians, including some politicians, were fed up with the neoliberal model. This situation was presented in several countries of Latin America, which led to the resurgence of the left (Levitsky and Roberts, 2001) as a political option that tried to solve economic problems of the region, reversing neoliberalism.

In 2006, Ecuador's regime left to be a democratic one. Correa was elected president and promoted a citizen revolution. This revolution is a "new paradigm of economic, social and political organization with a radical, profound and rapid change in the unjust structures of the country" (Casilda, 2015). There are two pillars that are focused on transforming the productive matrix and eradicating poverty (Casilda, 2015). Economically, it was sought a greater diversification of the income of Ecuador in order to be less exposed to decreases in the price of oil. An economic model that protected the interests of society in case of a possible drop in oil prices of up to 20 dollars per barrel (Casilda, 2015).

The citizen revolution was against the interests of the elites, technocrats, corrupt press, bankers and especially of the parties (Espinoza, 2011). Political parties were not usually representative in Ecuador, they acted with clientele, network of friends and by specific interest (Espinoza, 2011). Social mobilizations were increasingly frequent as a reflection of society's discontent with politicians about the economic situation in Ecuador (Espinoza, 2011). The Constitution was constantly renegotiated and it began to be far from the reality that the Ecuadorians lived (Espinoza, 2011).

In order to promote the citizens' revolution and to leave behind the neoliberal model, in an authoritarian way a new Constitution was drafted in 2007. The new maximum law of Ecuador was exclusive, the interests of many groups were not included, moved away from a plurinational state (Acosta, 2013). Traditional oppression was fought with new forms of oppression (Acosta, 2013).

In 2007, there was a series of public policies aimed at overcoming the economic crisis. The most disadvantaged with the neoliberal model began to have relative economic improvement and began to support more an authoritarian regime. Those who were dissatisfied with the change of economic model and whose interests were left out of the citizen revolution began to demonstrate. In 2010 there was repression against a group of mutineers, which the government considered as an attempt of coup.

## 7. Statistical Models

A democracy of quality consists in two elements: democracy and quality (Diamond and Morlino, 2005). The first relates to the minimum political characteristics that define a procedural democracy; while the second relates to the results offered by this type of regime. There is a debate whether the results should be exclusively political (Coppedge, 2004) or is suitable also consider economic and social elements.

Through analysing political, economic and social variables, it is possible to determine whether these variables are important for changing regime. Economic and social variables that are included in the following statistical models are: poverty, economic growth, unemployment, tertiary education, female labor force participation rate, percentage of income earned by the poorest 20%, level of tax collection, indebtedness, military spending, health spending and inflation. Political variables included are polarization, political rights and civil liberties. Regime change is the dependent variable. Polarization and poverty levels are the independent variables. The other variables are considered as instrumental variables.

### Model 1: Impact of polarization on regime change from 1990 to 2010 with instrumental variables

lvpobit	Number of observations =		38	
	Wald chi2(1) =		14.01	
Log likelihood = -42.323202	Prob > chi2 =		0.0002	
	Coefficient	Standard error	z	P> z
Polarization 1990	-.9849228	.2631522	-3.74	0.000
Constant	-.1290687	.237029	-0.54	0.586
/athrho	1.53366	.6133087	2.50	0.012

/lnsigma		- .6271857	.1297988	-4.83	0.000
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rho		.9110488	.1042564		
sigma		.5340928	.0693246		

Instrumented: polarization 1990

Instruments: economic growth; unemployment; tertiary education; female labor force participation rate; gini; percentage of income earned by the poorest 20%; level of tax collection (% of GDP); indebtedness (% of GDP); inflation with GDP deflator; military spending (% of GDP); health spending (% of GDP); political rights; civil liberties

Wald exogeneity test ( $\lambda_{\text{rho}} = 0$ ):  $\chi^2(1) = 6.25$  Prob >  $\chi^2 = 0.0124$   
Note: Instruments include data of 1990.

**Source:** Compiled by author based on World Bank and Freedom House.

**Model 2:** Impact of poverty on regime change from 1990 to 2010 with instrumental variables

Ivprobit		Number of observations = 25			
		Wald $\chi^2(1) = 0.12$			
Log likelihood = -118.68833		Prob > $\chi^2 = 0.7278$			
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		Coefficient	Standard error	z	P> z
-----					
Poverty 1990		-.0035938	.0103237	-0.35	0.728
Constant		-.1285947	.5473576	-0.23	0.814
-----					
/lambda_rho		.9803877	.7687072	1.28	0.202
/lnsigma		2.845553	.2035638	13.98	0.000
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rho		.7532337	.3325727		
sigma		17.21107	3.50355		

Instrumented: poverty 1990

Instruments: economic growth; unemployment; tertiary education; female labor force participation rate; percentage of income earned by the poorest 20%; level of tax collection (% of GDP); indebtedness (% of GDP); military spending (% of GDP); health spending (% of GDP); political rights; civil liberties

Wald exogeneity test ( $\lambda_{\text{rho}} = 0$ ):  $\chi^2(1) = 1.63$  Prob >  $\chi^2 = 0.2022$   
Note: Instruments include data of 1990.

**Source:** Compiled by author based on World Bank and Freedom House.

**Model 3:** Impact of polarization on regime change from 1990 to 2000 with instrumental variables

Ivprobit		Number of observations = 38			
		Wald $\chi^2(1) = 29.97$			
Log likelihood = -45.689839		Prob > $\chi^2 = 0.0000$			
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		Coefficient	Standard error	z	P> z
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Polarization 1990		-1.128591	.2061715	-5.47	0.000
Constant		.0937704	.2233171	0.42	0.675
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/lambda_rho		1.981158	.678458	2.92	0.003
/lnsigma		-.5151151	.1347936	-3.82	0.000
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rho		.9626719	.0497058		
sigma		.5974318	.08053		

Instrumented: polarization 1990

Instruments: economic growth; unemployment; tertiary education; female labor force participation rate; gini; percentage of income earned by the poorest 20%; level of tax collection (% of GDP); indebtedness (% of GDP); inflation with GDP deflator; military spending (% of GDP); health spending (% of GDP); political rights; civil liberties

Wald exogeneity test ( $\lambda$ rho = 0):  $\chi^2(1) = 8.53$  Prob >  $\chi^2 = 0.0035$

Note: Instruments include data of 1990.

**Source:** Compiled by author based on World Bank and Freedom House.

**Model 4:** Impact of poverty on regime change from 1990 to 2000 with instrumental variables

lvpobit	Number of observations = 25		Wald $\chi^2(1) = 0.66$	
Log likelihood = -118.14355	Prob > $\chi^2 = 0.4156$			
	Coefficient	Standard error	z	P> z
Poverty 1990	-.0086696	.0106492	-0.81	0.416
Constant	.1228215	.5421924	0.23	0.821
$\lambda$ rho	.9581343	.5921145	1.62	0.106
$\lambda$ nsigma	2.817225	.1956094	14.40	0.000
rho	.7434435	.264848		
sigma	16.73036	3.272615		

Instrumented: poverty 1990

Instruments: economic growth; unemployment; tertiary education; female labor force participation rate; gini; percentage of income earned by the poorest 20%; level of tax collection (% of GDP); indebtedness (% of GDP); inflation with GDP deflator; military spending (% of GDP); health spending (% of GDP); political rights; civil liberties

Wald exogeneity test ( $\lambda$ rho = 0):  $\chi^2(1) = 2.62$  Prob >  $\chi^2 = 0.1056$

Note: Instruments include data of 1990.

**Source:** Compiled by author based on World Bank and Freedom House.

**Model 5:** Impact of polarization on regime change from 2000 to 2010 with instrumental variables

lvpobit	Number of observations = 52		Wald $\chi^2(1) = 0.00$	
Log likelihood = -64.567729	Prob > $\chi^2 = 0.9946$			
	Coefficient	Standard error	z	P> z
Polarization 2000	-3.499203	519.3863	-0.01	0.995
Constant	-.1065786	.3164751	-0.34	0.736
$\lambda$ rho	1.313185	.6047213	2.17	0.030
$\lambda$ nsigma	-4.135473	.1065616	-3.88	0.000
rho	.865079	.152171		
sigma	.6613003	.0704692		

Instrumented: polarization 2000

Instruments: economic growth; unemployment; tertiary education; female labor force participation rate; gini; percentage of income earned by the poorest 20%; level of tax collection (% of GDP); indebtedness (% of GDP); inflation with GDP deflator; military spending (% of GDP); health spending (% of GDP); political rights; civil liberties



Economic growth, unemployment, tertiary education, female labor force participation rate, percentage of income earned by the poorest 20%, level of tax collection, indebtedness, military spending, health spending, inflation, political rights and civil liberties have an effect on regime change; but indirectly. These variables make polarization and poverty levels more relevant in regime change.

Venezuela, Ecuador, Bangladesh, Thailand, Pakistan, Gambia, Madagascar and Mozambique are countries that were democratic in 1990, but they already had other regime in 2010. At the moment of the regime change, these countries had low levels of polarization and there were some political circumstances. By 2010, these countries had reduced levels of poverty and inequality.

In Venezuela, a regime change was given to protect the interests of the poorest against a growing opposition with more resources that sought to reverse the benefits that the poorest had achieved in recent years. On the other hand, in Ecuador, a regime change took place to give benefits to the poorest who had been harmed after several years of neoliberalism. In this way, after 2000, poverty levels influenced regime change.

The wave of democratization, perhaps, is in an end. Since 2005, the number of democracies has decreased in some regions of the world. Non democratic countries have had good economic performance and that it could be an incentive for citizens of democratic countries, seeing that economic performance of their country is not as they expect, they could support another type of regime. In this sense, those democracies that do not reduce their poverty levels may be at risk.

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