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**MARKETA JERABEK**

**Does Globalisation Affect the Quality of Democracy? A  
Proposal for More Nuanced Responses**

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**MARKETA MARIA JERABEK**

**A globalização afeta a qualidade da democracia? Uma proposta para respostas mais sutis**

This thesis is presented to the Joint Graduate Programme in International Relations of the International Relations Institute of the University of São Paulo and King's College London in partial fulfilment of the requirements for the dual degree of Doctor of Philosophy

Supervisor: Prof. Dr. Adriana Schor (USP)

Supervisor: Prof. Dr. Anthony Pereira (KCL)

**Versão resumida**

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As part of the requirements to obtain a PhD degree, on the 16th of June 2020 Mrs. Marketa Maria Jerabek defended his doctoral thesis entitled:

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(Examiner 1)

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(Examiner 2)

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## Abstract

How does globalisation affect the quality of democracy? The debate about globalisation and democracy is mostly dominated by pro-globalists and anti-globalists. In this thesis, I innovate by reasoning that the globalisation-democracy nexus is best understood when adopting a multi-dimensional perspective of both globalisation and the quality of democracy. Empirical research that scrutinises the relationship between globalisation and the quality of democracy limits itself, when too aggregated measures of both concepts are applied, or assume that all dimensions of globalisation and the quality of democracy go hand in hand. Therefore, I plead for more nuanced arguments and scrutinise the assumption that economic, social and political globalisation are associated with democratic freedom, equality, and control. To unravel the relationship, I apply extreme bounds analysis (EBA) and two step system generalized method of moments (GMM) using panel data covering 57 democracies from 1970-1991 and 115 young and old democracies from 1991-2017. Furthermore, I look at the Cold War and post-Cold War periods separately, given the different international system's power structures during both periods. The main findings of this thesis allow for the conclusion that: i) the binary positions of pro-globalists and anti-globalists are rather misleading, once we assume the multidimensionality of globalisation and the quality of democracy. The literature gains a lot by looking at different dimensions of globalisation and the quality of democracy separately ii) the distinction between the Cold War and post-Cold War periods makes sense in various estimations, and iii) while young and old democracies have in some aspects differing effects of globalisation on the quality of democracy, both categories seem to face common challenges or benefit equally with regard to other aspects.

**Keywords:** Globalisation; Quality of Democracy; Multi-Dimensionality; Time Series Cross-Section Data

## Resumo

Como a globalização afeta a qualidade da democracia? O debate sobre globalização e democracia é dominado principalmente por pró-globalistas e anti-globalistas. Nesta tese, inovei argumentando que o nexa globalização-democracia é melhor compreendido ao adotar uma perspectiva multidimensional da globalização e da qualidade da democracia. A pesquisa empírica que examina a relação entre globalização e qualidade da democracia se limita quando medidas muito agregadas de ambos os conceitos são aplicadas, ou pressupõe que todas as dimensões da globalização e da qualidade da democracia andam de mãos dadas. Portanto, apelo a argumentos mais sutis e examino a suposição de que a globalização econômica, social e política está associada à liberdade democrática, à igualdade e ao controle. Para desvendar o relacionamento, aplico a análise de limites extremos (EBA) e o método de momentos generalizados do sistema em duas etapas (GMM) usando dados em painel que cobrem 57 democracias de 1970-1991 e 115 jovens e velhas democracias de 1991-2017. Além disso, observo os períodos da Guerra Fria e do pós-Guerra Fria separadamente, dadas as diferentes estruturas de poder do sistema internacional durante os dois períodos. As principais conclusões desta tese permitem concluir que: i) as posições binárias de pró-globalistas e anti-globalistas são bastante enganosas, uma vez que assumimos a multidimensionalidade da globalização e a qualidade da democracia. A literatura ganha muito olhando as diferentes dimensões da globalização e a qualidade da democracia separadamente. ii) a distinção entre os períodos da Guerra Fria e do pós-Guerra Fria faz sentido em várias estimativas; e iii) embora jovens e velhas democracias tenham, em alguns aspectos, efeitos diferentes da globalização sobre a qualidade da democracia, ambas as categorias parecem enfrentar desafios comuns ou se beneficiam igualmente em relação a outros aspectos.

**Palavras-chave:** Globalização; Qualidade da democracia; Multidimensionalidade; Dados de seção transversal de séries temporais

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“Our concern is whether we can live with dignity in such a system, whether it serves people rather than people serving it.” — Václav Havel

# 1 Introduction

This thesis aims to demonstrate the importance of analysing different dimensions of globalisation as relevant determinants of various aspects of the quality of democracy. The question whether and how globalisation affects democracy is an important topic of the subfield in international political economy (Eichengreen and Leblang, 2008). So far, most of the existing literature has focused on domestic determinants or international factors such as trade liberalisation.

Furthermore, democracy is often operationalised by binary and more aggregated democracy variables. This piece of research is a plea to take the multidimensionality of both concepts more seriously. This is based on the assertion that different dimensions of globalisation do not necessarily go hand in hand, and likewise that different dimensions of democracy are not perfectly, albeit positively, correlated. And moreover, that different dimensions of globalisation do not necessarily have the same effects on different qualities of democracy.

Consequently, I claim that generalisable conclusions regarding the relationship between globalisation and the quality of democracy are rather misleading. Or at least, they do not have the capacity to produce more nuanced arguments. Although globalisation indeed affects the quality of democracy, this thesis goes beyond simple "yes" or "no" answers by showing that the relationship between them is multifaceted.

For someone looking for assertive answers, this research might be frustrating given that it is more appealing to assess the relationship between globalisation and democracy with generalisable statements. However, the virtue of producing more nuanced answers is that it becomes easier to understand how and when globalisation might be beneficial for the quality of democracy and as well as how and when increased globalisation challenges different aspects of the quality of democracy.

But what do globalisation and quality of democracy actually mean? Both concepts are highly contested and not easily operationalised. A careful look at the empirical literature on globalisation and democracy quickly reveals that both globalisation and democracy are often measured as one-dimensional concepts – even when most theoretical foundations recognise the multidimensionality of both concepts.

When attempting to empirically investigate this question, it becomes clear that mini-

mal definitions of globalisation and democracy are the most commonly used. Democracy is predominantly defined in broad terms and is often equated to economic inequality, labour mobilisation, or state and national autonomy (see argument in Rudra, 2005). Others might measure democracy as a dichotomic concept - democracy versus non- democracy, or elections versus non-elections - or by assessing its liberal qualities. Economic globalisation, and in particular trade globalisation, are often used as proxies to describe the diverse phenomena that come with globalisation, such as trade and financial liberalisation, immigration, cultural diffusion, spread of information technology, or interpersonal connections (see Milner and Mukherjee, 2009).

The importance of looking at different dimensions is twofold: First, different dimensions of globalisation do not necessarily go hand in hand with one another. This means that, for example, an economically globalised country is not necessarily equally globalised in its political and social dimensions, and vice versa (see Gygli et al., 2019). This is illustrated in Figure 1. While Brazil and the United States had similar levels of trade and financial globalisation, the United States outstripped Brazil with regard to cultural, political, and mostly with regard to information and interpersonal globalisation.<sup>1</sup>

Likewise, the dimensions of the quality of democracy, although positively correlated with one another, are not always equally developed in a given country (see Knutsen et al., 2019). This is particularly the case in young democracies in which, for example, civil liberties are not protected to the same extent as electoral rights (Møller and Skaaning, 2013). The comparison between Moldova and Guatemala demonstrates how different aspects of the quality of democracy can be developed differently (see Figure 2). While both democracies had similar levels of freedom, horizontal control and the quality of elections, Moldova outperformed Guatemala regarding individual liberty, equal protection,

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<sup>1</sup>The data are country averages for the period between 1970-1991. All variables are *de facto*. Trade globalisation includes variables that measure the exchange of goods and services over long distances. Financial globalisation is measured by capital flows and stocks of foreign assets and liabilities. Interpersonal globalisation is measured by international voice traffic, international financial transfers, international tourism, and the share of foreign-born persons. Information globalisation is measured by stock of patent applications made by non-residents and the sum of in-bound and outbound international students. Cultural globalisation is measured by trade in cultural goods, McDonald's restaurants, and IKEA stores. Political globalisation is defined as the extent by which a government accepts foreign sovereign governmental influence and resources (Gygli et al., 2019).

and equal access.<sup>2</sup>

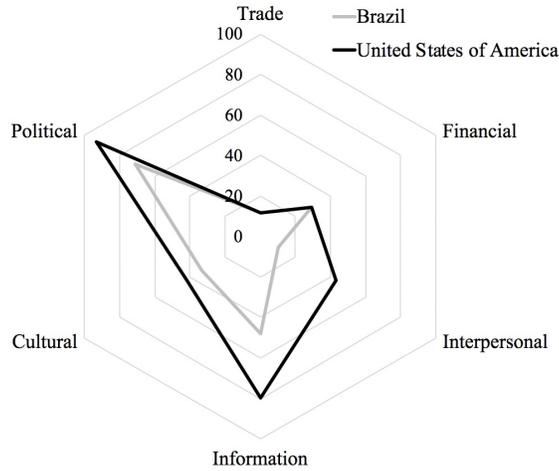


Figure 1 – Dimensions of Globalisation. Source: KOF Globalisation Index

It therefore becomes hard to assume that different dimensions of globalisation have homogenous effects on the quality of democracy. I rather suggest that the relationship(s) between different dimensions of globalisation and quality of democracy may be less straightforward than it is often claimed. Figures 3 and 4 show the correlations between the different dimensions of globalisation and quality of democracy.<sup>3</sup> Both matrices indicate the different correlations between the globalisation and democracy variables.

Drezner (2001) called attention to the existence of a redundancy in theory building and to the fact that disciplinary boundaries prevent ideas and knowledge from spreading across fields. This thesis is a call to recognise the multi-dimensionality of globalisation and democracy also in empirical research in order to formulate more nuanced conclusions.

<sup>2</sup>The data are country averages for the period between 1991-2015. Freedom stands for freedom of expression and access to alternative information. Individual liberty means equality before the law and individual liberty. Protection stands for equal protection of rights and freedoms, and access means equal access to power. Elections stands for the freedom and fairness of elections, and horizontal control for legislative constraints of the executive. For more information about the definitions see Coppedge et al. (2018)

<sup>3</sup>trgldf=trade globalisation, figldf=financial globalisation, ingldf=information globalisation, ipgldf=interpersonal globalisation, cugldf=cultural globalisation, pogldf=political globalisation, freexp=freedom of expression and access to alternative information, cl\_rol= civil liberties and equality before the law, eqprotec=equal protection of rights and liberties across social groups, eqaccess=equal access to power, elfrefair=free and fair elections, legcon=legislative constraints on the executive

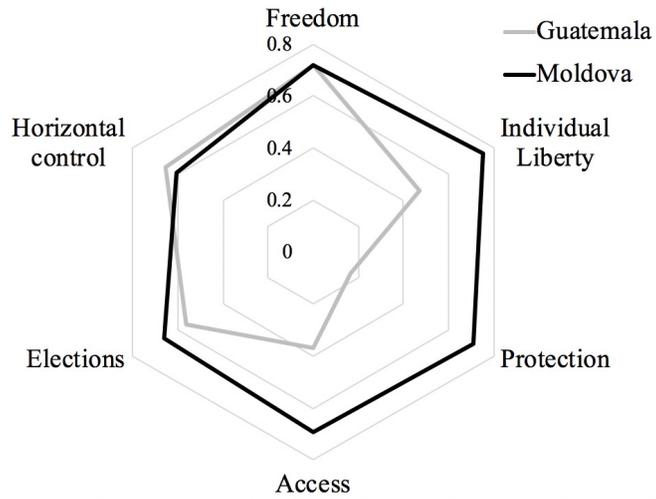


Figure 2 – Dimensions of the Quality of Democracy. Source: V-Dem

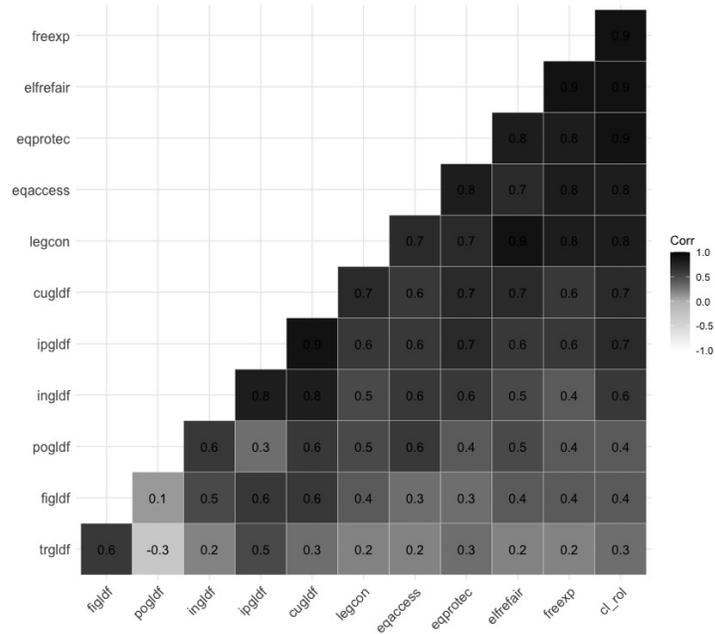


Figure 3 – Correlation Matrix 1970-1991

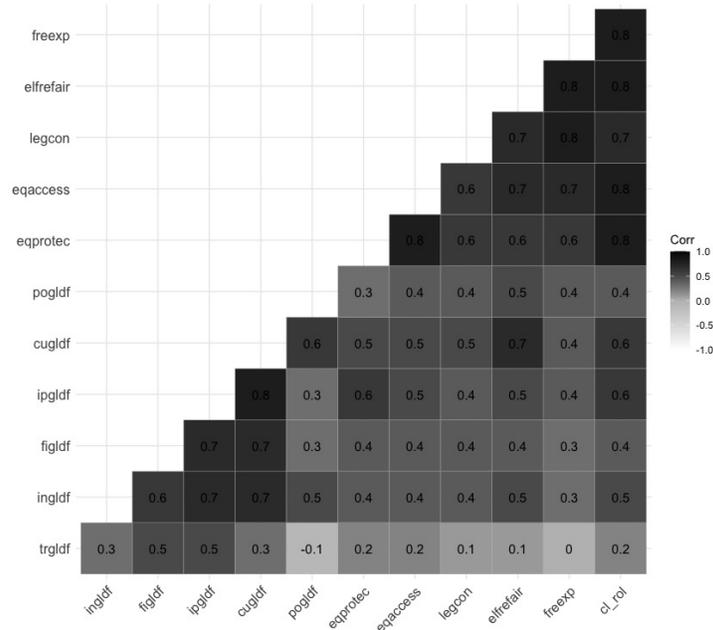


Figure 4 – Correlation Matrix 1991-2017

To advance our understanding of these issues, I propose the following questions: What does the empirical evidence say? What does the scenario look like if we consider the multidimensionality of both concepts? Are different qualities of democracy equally affected by different dimensions of globalisation?

The purpose of this doctoral thesis is to empirically test the globalisation-democracy nexus and to show the importance of translating the rich theoretical debates around globalisation and democracy into empirical evidence and opening the discussion to more nuanced arguments.

The overall time frame of interest are the periods of 1970-1991 and 1991-2017. This time division is deliberate, and follows Richards and Gelleny (2007). After the Cold War, countries became increasingly exposed to the world economy (World Bank, 1991). Moreover, while during 1970-1991 the world was subject to two opposing power blocs the situation after 1991 changed with the United States’ increased domination of world affairs and the China’s emergence as an important global player.

The thesis is composed of three empirical articles. All statistical analyses were con-

ducted using R and STATA software.

Chapter 4 encompasses the first article that is dedicated to understand the association between globalisation and democracy from a multi-dimensional perspective, by analysing the data of democracies from 1970-1991 and from 1991-2015 using extreme bounds analysis (EBA). EBA allows us to examine how robustly dependent variables are related to a variety of possible determinants. In other words, whether different dimensions of globalisation can truly explain different democratic qualities. This methodology originates from the literature on economic growth, but can also be utilised for a variety of questions beyond the economics. While there is no consensus on what the different determinants of democracy are - due to a proliferation of theoretical approaches and model estimations with diverging results - EBA addresses this problem by testing the sensitivity of inferences (see Chanegriha et al., 2017; Gassebner et al., 2013, 2016; Rao and Vadlamannati, 2011). I test how well each of the categories of trade, financial, information, interpersonal, cultural, and political globalisation explain variations to qualities of democracy, understood as freedom, equality, and control. This approach is extreme, which is why the results cannot confirm that well-specified regression models, including estimates for all relevant control variables, do not have an explanation power.(see Gassebner et al., 2013)

The second article in Chapter 5 is dedicated to the relationship between economic globalisation - trade and financial - and the quality of democracy, where I look at the periods between 1970-1991 and 1991-2017 for both old and young democracies. Specifically, I look at trade, overall financial globalisation, foreign direct investment inflows and outflows, and also at portfolio investment. I use panel data and apply two-step generalized method of moments (GMM) to take into account endogeneity, measurement errors and omitted variable bias. As with the first article, I look at freedom, equality, and control as the core qualities of democracy.

The third article in Chapter 6 explores the social and political dimensions of globalisation and how they are related to democratic qualities. Social globalisation is further disaggregated into interpersonal, information and cultural globalisation. Here, too, I apply two-step system GMM given the endogeneity and measurement error issues inherent in the globalisation and democracy literature. Similarly to the second article, I look at freedom, equality, and control as the core qualities of democracies.

The overall findings corroborate the importance of embracing the multidimensional character of globalisation and the quality of democracy in the empirical research. The results of the first article suggest that for the Cold War period, cultural globalisation is a robust negative determinant of individual liberty and equality before law. While information globalisation is a robust positive determinant for the equal protection of rights and access to power, financial globalisation is a negative determinant for the same two aspects of the quality of democracy. For the post-Cold War period, the only robust determinant for equal access to power is financial globalisation (which shows a negative effect).

The main findings in the second article indicate a positive effect of trade globalisation on the quality of elections, both in the Cold War and post-Cold War period, while financial globalisation has a negative effect on the quality of elections in the post-Cold War period. Trade and financial globalisation have a negative effect on the equality aspect of the quality of democracy in democracies with lower democracy stocks - defined as the historical accumulation of democratic institutions - and a positive effect on democracies with higher democracy stocks. An exception is constituted by the results on foreign direct investment outflows in the post-Cold War period, which have a negative effect on equal protection and a positive effect on the quality of elections, independently of the democracy stock. Portfolio investment had a negative effect on equal access in the Cold War period, independently of the democracy stock. It had a positive effect on the quality of elections in democracies with higher democracy stocks and a negative effect in democracies with lower democracy stocks. The effects on other dimensions of democracy seem to be more ambiguous.

The results of the third article suggest that the democratic qualities affected mainly by social globalisation are freedom of expression, equal access and protection, as well as the quality of elections. The moderating effect of a given country's democracy stock has been confirmed across different estimations. However, and especially during the post-Cold War period, younger and older democracies seem to benefit equally from the increased spread of information caused by globalisation with regard to equal access. Equally, both categories experience similar challenges with the rise of interpersonal globalisation in terms of the quality of elections.

Over the next two subsections, I briefly discuss in more detail how globalisation and democracy are defined throughout the three articles.

## 2 Concept of Democracy

The concept of democracy has been redefined by many scholars to go beyond the concept of electoral democracy. This has been accompanied, over the past few years, with the development of more sophisticated and ambitious measures of democracy. Despite a widespread acknowledgement of the need to broaden the concept of democracy beyond elections, there is little agreement on how far beyond the concept of democracy should be defined. While many scholars agree on this fact, little progress has been made to elucidate a clear concept of democracy beyond elections (Munck, 2016).

More sophisticated and ambitious measures of democracy have been developed during the past few years. Despite the acknowledgment of the need to broaden the concept of democracy beyond elections, there is little agreement on how far beyond elections democracy should be defined. While many scholars acknowledge this fact, little progress has been made on the elucidation of a clear concept of democracy beyond elections (Munck, 2016).

Despite the oscillation between parsimonious and extensive concepts of democracy within the debate, there is a tendency to endorse more sophisticated concepts with pluralist notions of the quality of democracy (Munck, 2016).

These developments have changed the scope of research on democratisation and democracy, giving birth of the subfield of quality of democracy. While earlier scholarship engaged in finding answers to the question of why transitions happen, the growing subfield of the study of the quality of democracy is instead concerned with the characteristics of democratic regimes, and how these characteristics are affected by different variables. Scholars who analyse such factors usually focus on internal variables. However, with the expansion of diverse levels of globalisation, it becomes necessary to further examine international factors.

Claims on the effect of globalisation on democracy can be categorised into the three democracy dimensions: control, liberty, and equality. While some argue that globalisation

has a negative effect on the control dimension of democracy (see for example Papadopoulos, 2010), others worry about the possible negative effects this dimension has on liberal democracy (see for example Roger and Goodwin, 2018), while a third group is more concerned about globalisation's impact on equality in democracies (see for example Reuveny and Li, 2003).

It would be beneficial to start emphasising both the importance of distinguishing between different dimensions of globalisation, and the importance of distinguishing between their relative effects on different aspects of the quality of democracy, especially at the country level. This will facilitate the estimation of the scope of the effects and therefore policymaking decisions.

Based on various claims regarding the relationship between globalisation and democracy, I focus on three basic pillars of the quality of democracy: control, freedom and equality (Bühlmann et al., 2012). Freedom means the protection and guarantee of individual rights under secure rule of law, while equality is essential for a democracy, since no person is qualified to be entrusted with complete authority over the government (Bühlmann et al., 2012). The third pillar of democracy is control or also called accountability, which acts as a means for citizens to hold the representatives accountable and responsive, and occurs through horizontal checks and balances, and vertical controls, and free and fair national elections. Equality, freedom, and control are the main components of a democracy whereby the control component is responsible for keeping a healthy balance between equality and freedom (Bühlmann et al., 2012).

Therefore, analysing the transformation of these components is essential. Freedom is represented by freedom of expression and alternative sources of information and equality before the law, and individual liberty. Equality is reflected in equal protection of rights and freedoms across social groups, as well as equal access, based on the notion that all groups should enjoy equal *de facto* capabilities to participate politically, to put issues on the agenda, and to influence policymaking. Control is composed of the vertical control via clean - free and fair - elections, and connotes the absence of systematic irregularities, government intimidation of the opposition, vote buying, and violence during elections. Horizontal control is evidenced when legislative and government agencies are *de facto* capable of questioning and investigating the executive (Coppedge et al., 2018).

### 3 Concept of Globalisation

When we take the historical perspective, globalisation is not a new phenomenon (Keohane and Nye, 2000). However, there are reasons to believe that today's globalisation distinguishes itself from the type of globalisation that occurred between 1850 and 1914, insofar as the current process involves large and continuous long-distance flows which affect the lives of many people (Keohane and Nye, 2000). Between 1850 and 1914 globalisation manifested itself in imperialism and increased capital flows and trade between countries. Besides an economic globalisation, the globalisation of today includes social and political globalisation, which consists of an increasing density of networks and interdependence, a growing institutional velocity, and a mounting transnational participation (Keohane and Nye, 2000). While interdependence was the buzzword of the 1970s, globalisation was that of the 1990s, and continues to be so today. Globalisation refers to complex networks of connections which move beyond the single linkages that are captured by the definition of interdependence. Moreover, it encompasses multicontinental connections that go beyond regional networks. This does not mean that distance is dead and no longer matters (Keohane and Nye, 2000). Today's globalisation differs from earlier versions of globalisations in terms of thickness. The relationships that have been forged converge to a deeper degree, and at more points, which affects the lives of many people. Earlier versions of globalisation were characterised by a lesser degree of thickness. This difference is reflected across political and social dimensions. Today's globalisation takes place at the national, subnational, and individual levels, which facilitates transnational interactions on different levels.

The concept definition and operationalisation draws on the work of Gygli et al. (2019). They divide globalisation into three different dimensions. Economic globalisation characterised by long distance flows of goods, capital, services, and information, as well as perceptions related to market exchange. Economic globalisation can be subdivided into trade and financial globalisation. Social globalisation stands for spread of ideas, information, images and people. It can be further subdivided into interpersonal, information, and cultural globalisation. Political globalisation means the diffusion of government policies. The political characteristics of globalisation are reflected in supra-national governance beyond the states and foreign governmental resources, and through activities by transna-

tional actors within NGOS (Gygli et al., 2019).

I agree with Kellner (2002) in that one should avoid seeing globalisation through the one-sided lens that claims technological and economic determinism. The process of globalisation is rather a highly complex set of institutions which involves the flows of goods, services, ideas, technologies, culture, and people.

We get a sense of globalisation in practical terms, in day-to-day life, by observing the proliferation of international telephone traffic, transfers, an increase in trade of goods and services, foreign investments, international tourists, remittances, foreign population, international letters, information flows, or a rise in cultural proximity. We may also observe globalisation from a political point of view, by looking at the increase of embassies, memberships in international organisations, or international treaties (Gygli et al., 2019).

Today's notion of globalisation derives from the argument that more people are affected and involved in the process than in earlier versions of globalisation (Gygli et al., 2019). It is therefore plausible that states and civilians alike should form part of the overall analysis. The same logic applies to the concept of democracy. An approach that takes into account both states and citizens is essential, since contemporary globalisation transforms the state power and the nature of political community. These transformations are reflected in the Swiss Economic Institute's KOF <sup>4</sup> globalisation index, which measures the economic, political, and social dimensions of globalisation and thus takes into account the different levels at which transformations take place.

Given the growing engagement between transnational actors, I claim that the most commonly used proxies for globalisation, such as trade and financial globalisation, are insufficient for a more detailed understanding of the transformations taking place in democracies. Instead, estimations should also include the effect of social and political globalisation that can have a significant impact on various dimensions of democracy. Political and social globalisation might, for example, facilitate transnational cooperation as well as the diffusion of democratic values.

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<sup>4</sup>*Konjunkturforschungsstelle* at ETH Zürich

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