The Beauty and the Beast?
A Tale of Democratic Crises and Globalization

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Abstract

There are two competing hypotheses concerning the connection between democracy and globalization. On the one hand, there are the critics who hold globalization responsible for an ongoing crisis of democracy. On the other hand, there are the enthusiasts who highlight the positive contributions of financial openness and international political cooperation on the development of democracy. In this contribution I investigate the interrelation between economic, political, and cultural globalization on the quality of established democracies. I introduce the Democracy Barometer, a new instrument that measures the quality of democracy in 30 established democratic regimes between 1995 and 2005. Based on this instrument, I first show that we cannot speak of an ongoing crisis of (established) democracies. Second, I conduct several multilevel analyses to model the different developments of the quality of democracy in the different countries. I show that economic globalization indeed seems to have a positive impact on the quality of democracy. Additionally, this impact is stronger in stable, i.e. older than in younger established democracies.
1 Introduction

As every other social construct, democracy is under constant pressure to adapt to societal change. The increasing complexity of economic, social and political problems and their solutions, or the growth of critical citizens with different expectations and demands from ‘their’ governments are important challenges that established democracies have to face.

Many politicians as well as scientists fear that established democracies are not apt to handle these challenges. Mainly based on empirical findings concerning the loss of confidence in political elites and the citizens’ declining support for democracy (Dalton 2005) as well as the ongoing transformation of representative systems to “audience democracies” (Manin 1997), democratic nations are believed to experience veritable crises of legitimacy (Crozier et al. 1975; De Vreese and Semetko 2004; Holmberg 2005; Pharr and Putnam 2000).

Usually, globalization is identified as the culprit in the story of the crisis of democracy. Globalization – understood as the economic and financial integration of market societies, the political de-nationalization of established democracies in terms of supra-nationalization and regionalization as well as the spread of main stream culture – is seen as the main source of several obstructions of democracy: reduced autonomy in national policy-making (Cox 1997; Schmitter 1996), the emergence of domestic losers resulting in rising income inequality and increasing public discontent (Cox 1996; Dailami 2000; Galbraith and Kum 2002; Longworth 1998; Rodrik 1997), the blurring of governmental transparency (Gill 1995), or a degradation of the concept of citizenship (Whitehead 1996; Sassen 1996). Thus, several basic elements of a democratic system are thought to be heavily constricted by globalization.

Of course, the crisis argument is not unchallenged in the scholarly debate on the impact of globalization on democracy. Another view suggests the opposite: globalization can even be an opportunity for democracy and enhance its quality (Eichengreen and Leblang 2008), e.g. by reducing information costs (Diamond 1992; Vanhanen 1990), by enlarging the scope of action for nation states (Berger 1996; Gilpin 1987; O Riai 2000), or by the expansion of the electoral marketplace through denationalization (Roberts 1996; Sassen 1996). A third view expects no impact of globalization on democracy at all (Fligstein 2001) or considers the effect of globalization to be overstated (Hirst and Thompson 1996) and varying across countries (Milner and Keohane 1996).

Most of the previous studies who analyzed the relationship between globalization and democracy focused on the impact of economic globalization (in terms of openness of national markets) on democratisation, using large country samples which include established democracies as well as autocracies (Brune and Garett 2005; Eichengreen and Leblang 2008). In this contribution, I analyze the impact of globalization in terms of economic market integration and political internationalization and cultural globalization on the quality of established democracies. I argue that established democracies deal with
the challenges of globalization differently and that their success or failure in doing so is reflected in the changes of their quality over time.

However, existing measures of democracy such as the Polity index, the Freedom House index or Vanhanen’s index of democratization are not useful to measure the fine-grained differences in the quality of democracies (Bühlmann et al. 2008a, b). To measure these differences, we need a new measure that overcomes the minimalist concepts of former measures of democracy. In this contribution I introduce the Democracy Barometer, a new instrument that measures the quality of established democracies.

Based on the Democracy Barometer, my analyses are twofold: First, I study the development of the quality of democracy: can we observe an ongoing crisis of established democracies in terms of declining quality? Second, I analyze the impact of economic and financial integration and openness as well as of political and social internationalization on the quality of democracy: Is globalization a danger for the quality of democracies? Or does the beast turn out to be a bewitched prince?

Answering these questions is of relevance: in the face of the worst global financial crisis since the 1930s it is very important to know how well established democracies are able to adapt to such challenges. Do economic and political crises harm or even undermine established democracies (Puddington 2009)? Are there remedies? Should the nation state be strengthened to re-legitimate democracy or should global crises be resolved by more economic openness and stronger international cooperation (Näsström 2003; Riggs 2002)?

My contribution proceeds as follows. In the next section, I present the Democracy Barometer, a new instrument in order to measure the quality of democracy. With this instrument at hand, I compare the development of the quality of 30 established democracies between 1995 and 2005 (section 3). After the description of the data and the method in section 4, section 5 explains the different patterns of this development by different measures for globalization. Section 6 concludes.

2 The ‘Democracy-Barometer’ – a new instrument for measuring the quality of democracy

To investigate the impact of globalization on democracy, we need adequate measures for these concepts. In the empirical research on democracy a re-orientation concerning its topic can be observed: The question no longer is whether a system can be considered a democracy or not. Instead, democracy research begins to focus more and more on the identification of the quality of established democracies (Altman and Pérez-Liñán 2002; Berg-Schlosser 2004a, 2004b; Diamond and Morlino 2004; Morlino 2004a, 2004b; Plattner 2004). However, the well-established indices of democracy such as the Van-
The main reason for this is their minimalist conceptual basis: democracy is a complex phenomenon and a minimalist measurement cannot do justice to it.

2.1 The conceptual base of the Democracy Barometer

The Democracy Barometer, a new instrument aiming at measuring the quality of democracy (Bühlmann and Müller 2009; Bühlmann et al. 2008a, b), is based on a middle range concept of democracy embracing liberal\(^3\) as well as participatory ideas\(^4\) of democracy. It consists of a theoretical deduction of fundamental elements of democracy in four steps:

(1) The starting point is the premise that a democratic system tries to establish a good balance between the normative, interdependent values of freedom and equality and that this requires control. Freedom refers to the absence of heteronomy (Berlin 2006). The protection and guarantee of these rights under a secure rule of law have become one of the minimal conditions for democratic regimes (Beetham 2004; Merkel et al. 2003). Equality - particularly understood as political equality - means that all citizens are treated as equals in the political process (Dahl 1976, 1998, 2006) and that all citizens must have equal access to political power (Böckenförde 1991; Vossenkuhl 1997; Saward 1998). Thus, the rather abstract principle of equality leads to a more concrete feature of democratic governance: full inclusion of all persons subject to the legislation of a democratic state (Dahl 1998: 75).

The two principles interact and can constrain each other (Talmon 1960; Tocqueville (1997 [1835]) but they are not generally irreconcilable (Dahl 1985; Yturbe 1997). Guaranteeing as well as optimizing and balancing freedom and equality are the core challenge of a democratic system. This challenge lead to a further fundamental principle of democratic rule: control. Control however, has two meanings: On the one hand, citizens ought to control their representatives in the government in order to secure freedom and equality. This control can be exercised vertically by means of elections or horizontally by constitutional checks and balances. On the other hand, responsive governments must be able to act, which requires a certain amount of autonomy. The executive should only be limited by the public will and jurisdiction.

\(^{2}\) They are appropriate to distinguish democratic regimes from non-democratic regimes but they are not designed and therefore cannot be used to measure the quality of established democracies. So even though we would intuitively distinguish the quality of Italy under Silvio Berlusconi or of the United States under George W. Bush from Sweden under Goran Persson, all three countries have the same values and rank highest in the most widely used measures of democracy.

\(^{3}\) The liberal concept of democracy originates from the classical republicanism in its protective version (Locke 1689; Montesquieu 1748), the classical liberal model of democracy (Mill 1861; Tocqueville 1835; Federalist Papers), and its more modern developments in the form of the elitist (Michels 1966 [1911]; Weber 1921) or the pluralist models of democracy (Dahl 1956; Fraenkel 1963; Truman 1951). One of the most pronounced version is Schumpeter's (1950) realist one.

\(^{4}\) The participatory type is rooted in the classical Athenian democracy (Fenske et al. 1994: 37 ff.), the developmental form of classical republicanism (Rousseau 1762), ideas of direct as well as participatory democracy (Barber 1984; Pateman 1970), and deliberative democracy (Cohen and Fung 2004; Fishkin 1991; Habermas 1992, 1994; Offe/Preuss 1991; Warren 1996).
Second, these three principles are institutionally represented by five partial and mutually embedded regimes that link the three principles not only normatively but also functionally and structurally to a political system (Merkel 2004). A) The political rights regime secures the principle of equality. It aims at producing a government that is responsive to the people and allows for the soft control of elites between elections (Merkel 2004a: 39) by means of the inclusion of possibly all persons that are subject to political decisions (Dahl 1998), equal participation, and political transparency. B) The civil rights regime captures the guarantee that the state is bound to laws and acts according to clearly defined prerogatives (Elster 1988). Additionally, this regime serves to guarantee basic constitutional, individual civil liberties which protect individuals from infringements of their personal freedom by the state and which enables a lively civil society and public voice (Beetham 2004).

The multidimensionality of the principle ‘control’ is mirrored by the fact that the three remaining partial regimes each cover one dimension of control: C) The electoral regime has the vertical control function of making the access to public power positions in the state dependent on the results of open, competitive elections. D) The next partial regime - 'horizontal accountability' – is conceived as a network of relatively autonomous institutions which survey the elected authorities (O’Donnell 1994) and impose mutual constraints on constitutional powers by means of the division of powers and institutions of control and oversight. E) The fifth and last partial regime - the effective power to govern - emphasizes the necessity that the elected representatives are the ones actually governing (Etzioni 1968). Neither populist pressure forcing immediate responsiveness nor forces that are not democratically legitimized should limit the capacity of governments to govern. Furthermore, this capacity to govern can be strengthened by public support and stability.

In a nutshell, in order to guarantee the fundamental principles, the five partial regimes have to fulfill nine democratic functions (figure 1).

Figure 1: The Concept Tree of the Democracy Barometer

The quality of a given democracy is high when these nine functions are fulfilled to a high degree. Of course, a simultaneous maximization of all nine functions is not possible. Democracies are systems
whose development is perpetually negotiated by political as well as societal forces. Hence, democracies can weight and optimize the nine functions differently. However, the degree of fulfillment of each of these nine functions can be measured. This requires just another conceptual step: The different functions are based on constitutive components. In the stepwise deduction of the concept 'democracy', the fourth step comprises the derivation of these components.

(4) Figure 1 only shows the most abstract levels of our concept tree. Each function consists is further disaggregated into two components each, which finally, lead to several sub-components and indicators. In the following sections, I give a very short description of the composition of the nine functions:

**Rule of law**

Rule of law designates the independence, the primacy, and the absolute warrant of and by the law. This requires the same prevalence of rights as well as formal and procedural justice for all individuals (Beetham 2004; Esquith 1999; Rawls 1971). *Equality before the law* (component 1) means that the impartiality of courts must be constitutionally provided and that judicial proceedings are not selectively or deliberately restricted by public policy, political pressures or prevailing social practices (O'Donnell 2004). The *quality of the judicial system* (component 2) depends on constitutionally guaranteed and effective independency of the courts from social or political influences (Camp Keith 2002; La Porta et al. 2004). Additionally, as the only political capital for courts is legitimacy, the quality of the judicial system also depends on diffuse support or institutional trust (Gibson 2006).

**Individual liberties**

The function 'individual liberties' embraces the components 'effective respect' and 'acceptance of individual rights'. On the one hand, constitutional human rights provisions are seen as an indication for a culture that maintains *effective respect of individual rights* (component 1) (Camp Keith 2002). On the other hand, civil rights must not only on paper but also effectively protect individuals from potential abuses by others and the state power (O'Donnell 2004; Saward 1994). Transgressions by the state (e.g. torture and other cruel, inhumane, or degrading treatment or punishment) heavily restrict the degree of civil liberties (Cingranelli and Richards 1999). Additionally, "states are only effective in rights protection to the extent that citizens themselves are prepared to acknowledge the rights of others" (Beetham 2004: 72). Thus, the *mutual acceptance of individual rights* (component 2) by the citizens themselves as well as a low readiness for violent political participation or deviant, imperiling behavior within a society enhances the degree of accomplishment.

**Public Voice**

The principle 'freedom' is completed by the function 'public voice', which is constituted by the components 'freedom to associate' and 'freedom of opinion. Here, individual rights have an essential collec-

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5 An extensive description of all indicators (including sources), the explanation of the aggregation process as well as the concept trees for all functions can be found on the Democracy Barometer website ([www.democracybarometer.org](http://www.democracybarometer.org)).
tive purpose: "taking part with others in expressing opinions, seeking to persuade, mobilizing support" are seen as important substances of freedom (Beetham 2004: 62). In other words, a vital civil society and a vivid public sphere are signs of well-functioning freedom of association (component 1) and of opinion (component 2) (Teorell 2003; Tocqueville 1997 [1835]; Young 1999). In an established democracy, freedom of opinion - the second component of public voice - is foremost concerned with media and the media system because in public communication primarily takes place via mass media. Citizens need free news media that provide a forum for public discourse (Graber 2003).

**Governmental Autonomy**

To be able to implement democratic decisions and policies efficiently, a government needs independence from non-democratic forces as well as resources. I suggest that the effective power to govern firstly depends on the strength of constraints (component 1) exerted by illegitimate or democratically critical actors from inside a polity, such as the military, the church or citizens showing violent political behavior, discontent or active resistance (Grant and Keohane 2005; Merkel 2004; Schiller 1999). Secondly, in order to act autonomously, the political elite needs resources (component 2) in form of a minimum of popular trust and support (Chanley et al. 2000; Rudolph and Evans 2005; Schiller 1999; Tsebelis 1995) as well as stability (Harmel and Robertson 1986). In countries where governments are frequently replaced before the end of the normal legislative term, effectiveness will be lower than in countries where the mean duration of governments in office is high and only interrupted by regular elections.

**Competition**

Control in terms of control of the government, may be established vertically via the function 'competition'. Bartolini (1999, 2000) distinguishes four components of democratic competition, two of which - contestability (component 1) and vulnerability (component 2) - best accord to our middle-range concept of democracy and our idea of vertical control (Bartolini 2000: 61). Contestability refers to the stipulations that electoral competitors have to meet in order to be allowed to enter the race and the possibility of being fairly represented in legislative bodies (Bartolini 1999: 457; Tavits 2006). The vulnerability corresponds to the uncertainty of the electoral outcome (Bartolini 2000: 52; also see Elkins 1974; Powell 1989) which is caused by the effective electoral competition as well as the effective parliamentary competition.

**Mutual Constraints**

The horizontal and institutional dimension of control of the government is encompassed by mutual constraints of constitutional powers. These are ensured by the separation of political powers as well as by their enforcement of the rule of law (Beetham 2004; Bellamy 1996; Esquith 1999; Foweraker and Krznaric 2001; Rawls 1971). The power of checks and balances (component 1) depends on the number of important institutional vetoes (Andrewas and Montinola 2006; Foweraker and Krznaric 2001),
on the opportunities for institutionalized checks on the part of the citizens (Scarrow 2001) as well as
on the strength of parliamentary opposition (Altman and Pérez-Liñán 2002; Fish 2006). To measure
the effective impact of the rule of law constraints (component 2), I make use of an assessment of the
power of the judiciary for effective judicial review (La Porta et al. 2004) and of the independence of
public service from political pressure and interferences (Della Porta 2000).

Transparency

Secrecy has severe adverse effects on the quality of democracy: "Secrecy provides the fertile ground
on which special interests work; secrecy serves to entrench incumbents, discourage public participa-
tion in democratic processes, and undermine the ability of the press to provide an effective check
against the abuses of government" (Stiglitz 1999: 14). Informational openness or the public visibility
of the political process (component 1) is assumed to improve the quality of democracy (Islam 2006).
Moreover, Stiglitz (1999: 11) notes that secrecy can take the form of corruption (component 2) and
bribery. Corruption thus hinders empowered inclusion (Warren 2004) and is considered a sign of low
transparency (Lindstedt and Naurin 2006; Rosendorff 2004).

Participation

In a high-quality democracy, not only should citizens have equal rights to participate but these rights
should also be used in an equal manner (Teorell 2006). Equal respect and consideration of all interests
by the political representatives is only possible if participation is as widespread and as equal as possi-le (Lijphart 1997; Rueschemeyer 2004). Unequal turnout in terms of social characteristics or different
resources "may mirror social divisions, which in turn can reduce the effectiveness of responsive de-
mocracy" (Teorell et al. 2007: 392). Furthermore, a broad access to political information via mass
media is supposed to foster equal participation (component 1) (Norris 2003). Based on the idea that
high turnout goes hand in hand with equal turnout (Lijphart 1997), I also consider the level of effective
use of participation (component 2) rights for electoral as well as non-institutionalized participation.

Inclusion

Finally, the function 'inclusion' embraces the components labeled 'universal suffrage' and 'no distor-
tion'. According to Dahl (1976, 1998), equality stems from the idea that we have no reason to assume
that one citizen is more qualified to govern than another. Political equality thus heavily depends on the
notion of citizenship. Dahl argues that all persons that are affected by a political decision should have
the right to participate in shaping this decision. An instrument aiming at measuring the quality of de-
mocracy and the degree of equality therefore has to take into account the amount of restrictions with
regard to active and passive suffrage (Blais et al. 2001; Paxton et al. 2003) as well as the degree of
political discrimination of minorities (Banducci et al. 2004). But inclusion has yet another meaning: as
modern democracies are representative democracies, the inclusion of all interests into the parliamen-
tary arena is of crucial importance too: On the one hand, the proportion of votes and seats should be as
proportional as possible (Urbinaty and Warren 2008). On the other hand, a high degree of congruence of the preferences of citizens and political representatives ensures substantial representation (Holden 2006), i.e. equal inclusion of interests.

2.2 The quality of democracy

To measure the fulfillment of the nine functions discussed above, the components are further divided into several sub-components which are then measured by several indicators.\(^6\)

To measure the degree of fulfillment, thresholds must be defined. For the Democracy Barometer these thresholds are set on the basis of ‘best practice’. This idea reflects the idea that democracy should be seen as a political system that continuously re-defines and alters itself depending on ongoing political as well as societal deliberation (Beetham 2004). Consequently, each given democracy weights the principles and functions differently. Concretely, I defined a blueprint country sample which encompasses 30 established liberal democracies, i.e. all countries that have constantly been rated as full-fledged democracies by both the Freedom House as well as the Polity index for the whole time span of 1995 to 2005.\(^7\) Within this blueprint sample I standardize all indicators (directed to measure the fulfillment of a given function) to 0 to 100, whereas 100 indicates the highest value and 0 the worst value within the 330 country-years.

One aim of the Democracy Barometer is the description of different shapes of democracy. I assume that some of the nine functions can be seen as trade-offs, rivalry each other to some extent. Additionally, I expect that different democratic regimes weight differently the nine functions attempting to achieve different optima. These different optima or shapes of democracy can be best illustrated by cobweb diagrams whose axes represent the democratic functions (see figure 2).

Figure 2 illustrates such cobweb diagrams for Sweden, Italy and the United States for the years 1995, 2000 and 2005. These three countries do not vary at all with regard to their ratings by common democ-

\(^6\) We do not have enough space to discuss each indicator in this contribution, but it is worth noting that the Democracy Barometer consists of a total of 77 indicators, which were selected from a large collection of secondary data. In order to overcome the shortcomings of previous democracy measures, the final indicators had to meet several criteria: First, we tried to avoid indicators that are based on expert assessments because they are at least quite debatable (Bollen and Paxton 1998, 2000). We therefore rely on either ‘objective’ measures or we constructed our indicators from different representative surveys as often as possible. Second, to reduce measurement errors, we tried to include indicators from different sources for every sub-component. Using factor analysis, we then aggregated the indicators to the sub-component level. This procedure not only allows to account for measurement error but also allows for an accurate measurement of the common concept that we suggest lying behind the different indicators of one sub-component. Third, to meet the standards of content validity, i.e. to evade heterogeneity and redundancy (Munck and Verkuilen 2002), all indicators must correlate with the corresponding component and the corresponding function (homogeneity). Moreover, the indicators and sub-components of one function must not correlate to a higher degree with the value of another function (no redundancy). Finally, within each component we use indicators measuring rules in law (e.g. articles in constitutions or established institutions) as well as indicators measuring rules in use (e.g. effective impact of institutions). Our final set of indicators fulfills all these conditions.

\(^7\) These criteria (FH-scores < 1.5 and Polity-scores > 8 for the whole time-span between 1995 and 2005; more than 250'000 inhabitants) apply to 34 countries: Australia, Austria, Bahamas, Barbados, Belgium, Canada, Cape Verde, Costa Rica, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, Island, Ireland, Italy, Japan, Luxembourg, Malta, Mauritius, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovenia, South Africa, Spain, Sweden, Switzerland, UK and the USA. However, Cape Verde, Bahamas, Barbados and Mauritius lack too much data and are therefore sorted out from the blueprint sample. Thus, this paper works with a sample including 330 country-years. Data for 35 additional countries and a time span of 1990 – 2008 will soon be available (www.democracybarometer.org).
racy measures (Freedom House, Polity). But as figure 2 clearly shows, both the size and the shapes of the cobwebs differ considerably across countries as well as across time in the Democracy Barometer.\footnote{This finding provides evidence for the validity and reliability of the Democracy Barometer, which has previously been confirmed in further tests too (see Bühlmann and Müller 2009).}

**Figure 2: Shapes of democracy, 3 countries compared**

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However, the concept of the Democracy Barometer also allow for measuring the quality of democracy. To create an aggregated overall index of the quality of democracy, I move back up on the concept tree: after the combination of the indicators to sub-components by factor analysis, the factor values for each sub-component are aggregated to components by taking their mean. All subsequent steps of aggregation (components to functions, functions to principles, principles to quality of democracy) are also based on arithmetic means. This follows our theoretical conceptualization that I do not weight the different sub-components, functions and principles: all of them are seen as equally necessary parts of the latent concept they represent. One more standardization takes place on the level of the functions, which are again standardized according to best practice.
3 Crisis of democracy?

Scholars who suggest an impact of globalization on democracy can be divided into at least two different camps: On the one hand, there are the critics who hold globalization responsible for an ongoing crisis of democracy. According to them, several shortcomings of actual democracies, such as reduced autonomy in national policy-making (Cox 1997; Schmitter 1996), increasing public discontent (Cox 1996; Dailami 2000; Galbraith and Kum 2002; Longworth 1998; Rodrik 1997), the growing intransparency of government information (Gill 1995), or a degradation of the concept of citizenship (Whitehead 1996; Sassen 1996), are due to globalization, i.e. to economic and financial integration of market societies as well as political de-nationalization of established democracies in terms of supranationalization and regionalization. On the other hand, there are the enthusiasts who highlight the positive contributions of financial and political globalization on the quality of democracy. By reducing information costs (Diamond 1992; Vanhanen 1990), by enlarging the scope of action for nation states (Berger 1996; Gilpin 1987; O Riain 2000), by expanding the electoral marketplace through denationalization (Roberts 1996; Sassen 1996) or by dispersing ideas for advancing democracy (Ohmae 1990), globalization is seen as an important accelerator of democratization.

Another issue that the two camps disagree on is the current state of democracies. While the former deplore an ongoing decline and even crisis of democracy, the latter describe a development of worldwide democratization and continuous advancement of democracy. The Democracy Barometer allows investigating whether the critics or the proponents of globalization (or both) are right: Did the quality of established democracies between 1995 and 2005 rise or fall?

Actually, the data from the Democracy Barometer show a differentiated picture. Looking at the 11-year period between 1995 and 2005, we can observe countries where the overall quality of democracy indeed seems to have decreased. Italy (-6.7), the USA (-5.9), Portugal (-5.0), Germany (-5.0), Hungary (-4.9), the Czech Republic (-4.3), Costa Rica (-3.1), Spain (-2.4), Ireland (-2.3) and Norway (-2.1) show negative differences between the quality of democracy in 2005 and in 1995. In other words: we could speak of a crisis of democracy in these ten countries, even though the overall decrease is rather small and the development is not linear in all countries.

In the remaining 20 countries, however, the quality of democracy increased over time. While in some countries the improvement is rather small (Cyprus (0.8), Sweden (0.9), the Netherlands (1.2), Slovenia (1.3), New Zealand (1.7), Belgium (1.8), Luxembourg (2.2), Australia (2.6), Austria (3.0), Poland (3.7), and Canada (4.2)), other countries enhanced their quality of democracy quite remarkably (Malta (4.9), Denmark (5.1), France (5.9), UK (7.1), Japan (7.5), Switzerland (8.2), South Africa (8.4), Finland (9.0), and Iceland (9.6)).

Overall, the mean quality of democracy in our sample of established democracies slightly increased from 59.2 to 62.3 between 1995 and 1999 and then decreased again to 60.8 until 2005. All in all, this
picture neither supports the pessimist crisis hypothesis nor the optimist end of history hypothesis. Nevertheless, the countries not only differ in their degree of quality of democracy but also in their development. The question now is, whether the differences between the countries as well as the development over time can be explained by globalization.

4 Data and Method

To measure the quality of established democracies, I use the data of the Democracy Barometer as described above.

The measurement of globalization needs reflection too. Of course, globalization has various connotations. There are many definitions as well as supposed contents and impacts of globalization that depend on the researcher’s focus as well as his ideological standpoints (Guillen 2001; Cox 1996; Hirsch and Fiss 2000). There are controversies about the starting point of globalization, about its meaning, its persistence, its irreversibility and its impact. At the very least, there seems to be a consensus that “globalization is a fragmented, incomplete, discontinuous, contingent, and in many ways contradictory and puzzling process” (Guillen 2001: 238; also see Giddens 2000; Gilpin 2000; Guidry et al. 1999; Held et al. 1999).

It is therefore not surprising that the measurement of the phenomenon is highly debated too. Based on the literature, three different groups of proposed measures can be distinguished: economic, political, and social/cultural indicators (Clark 2000; Guillen 2001; Keohane and Nye 2000; Norris 2000). Economic globalization is understood as flows of goods, capital and services through long distance market exchanges; political globalization covers the diffusion of government policies; and social globalization means the spread of culture, i.e. ideas, information, and people (Dreher 2006). In this contribution I try to include all these different measures mirroring different ideas of the phenomenon ‘globalization’.

To measuring economic, social, and political globalization, I use data from the KOF Swiss Economic Institute (see Dreher 2006; Dreher et al. 2008):\(^9\)

1. Economic globalization is measured by two dimensions. The first dimension, economic flows, is quantified (A) by data on trade (import and export of goods and services as a share of GDP), (B) by data on the gross foreign direct investment (FDI; sum of the absolute values of inflows and outflows of foreign direct investment recorded in the balance of payments financial account as a share of GDP), and (C) by data on portfolio investment (sum of a country’s stock of assets and liabilities as a share of GDP). Additionally, (D) the sum of gross inflows and outflows of FDI and (E) the stocks of FDI are included. The second dimension, economic restrictions, is measured (A) by an index that proxies hidden import barriers (Gwartney and

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Lawson 2008) and is based on the Global Competitiveness Report, (B) by the mean tariff rate (also developed by Gwartney and Lawson 2008), (C) by taxes on international trade (in percent of current revenue), and (D) by capital account restrictions (again based on Gwartney and Lawson 2008).

2. Political Globalization is measured by the number of foreign embassies inside a country, the number of international intergovernmental organizations a country is a member of, participation in U.N. Security Council Missions (personnel contributed to U.N. Security Council Missions per capita) and ratified International Treaties (any document signed between two or more states and ratified by the highest legislative body of each country since 1945).

3. Social Globalization is composed of three categories: personal contacts captures transnational interaction among people through (A) international telecom traffic (in minutes per person), (B) the degree of tourism (sum of arrivals and departures of international tourists as a share of the population), and (C) the number of international letters sent and received per capita. The second category, information flows, embraces (A) data on internet users (per 1000 people), (B) the number of televisions (per 1000 people) and (C) trade in newspapers (sum of exports and imports of newspapers and periodicals as a share of GDP). Data on cultural proximity are combined in the third category: (A) the number of McDonald’s restaurants (per capita), (B) the number of IKEA businesses (per capita), and (C) trade in books (the sum of exports and imports of books and pamphlets as a share of GDP).

The main aim of this article is the analysis of the relationship between the quality of democracy and the different measures of globalization. To control for the impact of globalization, I include several variables that are suspected to have an influence on the quality of democracy. They can be ascribed to two different theories. On the one hand, based on the modernization theory (e.g. Boix 2003; Lipset 1959, Przeworsky and Limongi 1997), it is argued that a country’s economic well-being positively contributes to its regime quality: the wealthier a country (measured by GDP per capita\(^{10}\)) and the lower its probability of economic crisis (measured by the inflation rate\(^{11}\)), the more likely it is to develop a high regime quality (Bollen 1979; Li and Reuveny 2003; Muller 1988). On the other hand, the quality of democracy depends on human development. As Inglehart and Welzel state (2005), human development goes hand in hand with the democratic quality of a given regime.\(^{12}\) Again, quality of democracy is more probable in countries, where the overall quality of life is high and access to education is easy.

\(^{10}\) Gross domestic product per capita in current prices (US$); source: IMF World Economic Outlook Database.

\(^{11}\) Inflation Index, (2000=100); source: IMF World Economic Outlook Database.

\(^{12}\) Of course, both theories suffer from the problem of endogeneity: it is not clear whether the quality of democracy depends on economic and human well-being or if economic wealth and human development grow better in high quality democracies. In this article, the main aim is not to investigate the direction of the relationship but to use the two theories as controls.
for all inhabitants. To measure these concepts, I use data from the UNDP Human Development Index.13

The most common research design for a cross-country comparison over time is time series cross-sectional or panel data analysis (PDA). However, for this study of the relationship between the quality of democracy and globalization I use multilevel analysis (MLA),14 a method that is recently being discussed as a promising alternative for PDA (Shor et al. 2007; Stadelmann-Steffen and Bühlmann 2008; Western 1998). The idea of using MLA for time series cross-sectional data is to treat observations over time as nested within units (i.e. countries), supposing that the development of the quality of democracy over time (level 1) differs from country to country (level 2).15

The advantages of MLA compared to PDA are the better estimation in case of a low number of observations, the better model fit and foremost the higher flexibility in terms of estimating effects of time-invariant variables and the possibility for estimating cross-level interactions (Shor et al. 2007; Stadelmann-Steffen and Bühlmann 2008).

Of course, multilevel analysis has its weaknesses too. First, as with PDA, we must check for the problem of non-stationarity of the data.16 The discussion of the development of the quality of democracy in the previous section as well as some statistical tests for unit-root show that our dependent variable does not suffer from non-stationarity. Second, autocorrelation of the residuals must also be corrected for.17 In my models I used difference matrixes for the independent variables (see Rasbash et al. 2009b: 71-76).18 Finally, the number of cases (foremost the number of observations) is rather low. Therefore, the results have to be interpreted with care.

13 The comparability of the HDI data is not given for all years. I have therefore decided to use the HDI-rank as well as the education index (Combined gross enrolment ratio for primary, secondary and tertiary education) from several Human development reports (1997 to 2008).
14 I use MLwiN 2.10 to estimate the multilevel models (Rasbash et al. 2009a).
15 The standard model takes the following form: \( Y_{ij} = \beta_0 + \beta X_{ij} + \alpha W_j + \mu_j + \epsilon_{ij} \). The quality of democracy in country \( j \) at time \( i \) can be explained by an overall mean (\( \beta_0 \)), time-dependent variables (the \( X \) variables and their respective \( \beta \); e.g. our globalization indices), time-independent country properties (the \( W \) variables and their respective \( \alpha \); e.g. the age and size of democracy \( j \); see next section), country variation (\( \mu_j \) with an assumed mean of 0 and a total between-country variance of \( \sigma^2_\mu \)), and time variation (\( \epsilon_{ij} \) with an assumed mean of 0 and a total within-country variance of \( \sigma^2_\epsilon \)). The overall variation (\( \sigma^2_\mu + \sigma^2_\epsilon \)) is divided into differences at the time level (level 1 variance), that is explained by time-dependent variables, and differences between countries (level 2 variance). Additional cross-level interactions are built by randomising an \( X \) variable, i.e. estimating the differences in the strength of its impact between countries and adding a multiplicative term built by this \( X \) variable and the country property assumed to have an effect on these different strengths of impact. For a more detailed discussion on MLA I refer to the relevant literature (Jones 1997; Johnes/Duncan 1996; Snijders and Bosker 1999; Teachman and Crowder 2002).
16 If the data follows a permanent growing development over time the mean of the residuals is not constant over time either, which violates the Gauss-Markov-assumption for the execution of OLS.
17 Foremost for level 1 we must expect temporally correlated errors. In this case the covariance between two measurements of a democracy cannot assumed to be 0. Not correcting them would mean that the standard errors are systematically biased and hence conclusions concerning the statistical significance of the estimators would be meaningless.
18 The covariance between two measurements at year \( i_1 \) and \( i_2 \) on country \( j \) takes the form: \( \text{cov} \left( e_{i_1j}, e_{i_2j} \right) = \alpha^2 \left( 1 \right) \left( 1 \right) \left( 1 \right) \left( 1 \right) \left( 1 \right) \left( 1 \right) \). For \( \left| i_1 - i_2 \right| \) we can build difference matrixes. \( \alpha \) then has to be estimated to correct for the autocorrelation.
5 Globalization and the quality of democracy

Given the differences in the development of the quality of democracy among our established democratic regimes, the question arises whether these differences can be explained by globalization. I try to give first answers to this question in a stepwise procedure. First, in an empty model, I look whether there is indeed variance in the development of the quality of democracy between countries. Second, I compare the impact of the different measures of globalization. Third, I check the robustness of this impact by including the control variables. Some additional models give – fourth – a more thorough insight of the varying effect of globalization on the quality of democracy.

The first model in table 1 depicts the empty model. One can observe that there is indeed significant variance between countries (level 2) as well as within countries, i.e. across time (level 1). In models 2 to 5 I test which of the different measures of globalization has an impact on the quality of democracy. In models 2 to 4 I add the three measures separately and in model 5 I introduce all three indicators together.

Table 1: The impact of globalization on the quality of democracy

<table>
<thead>
<tr>
<th>FIXED EFFECTS</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>61.08*** (2.57)</td>
<td>58.74*** (2.70)</td>
<td>59.26*** (2.98)</td>
<td>59.34*** (3.08)</td>
<td>59.56*** (3.31)</td>
</tr>
<tr>
<td>Economic Globalization</td>
<td><strong>3.88</strong> (1.70)</td>
<td><strong>4.52</strong> (2.22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Globalization</td>
<td>2.48 (2.09)</td>
<td>-.05 (2.26)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social/Cultural Globalization</td>
<td>2.64 (2.68)</td>
<td>-1.78 (3.21)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RANDOM EFFECTS

<table>
<thead>
<tr>
<th>Time-Level ((\sigma^2))</th>
<th>8.22 (0.67)</th>
<th>8.17 (0.67)</th>
<th>8.22 (0.67)</th>
<th>8.26 (0.67)</th>
<th>8.19 (0.67)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country-Level ((\sigma^2_{\mu_0}))</td>
<td>197.77 (51.20)</td>
<td>187.21 (48.32)</td>
<td>195.61 (50.62)</td>
<td>188.97 (48.82)</td>
<td>191.89 (49.73)</td>
</tr>
</tbody>
</table>

MODEL PROPERTIES

<table>
<thead>
<tr>
<th>Number of Timepoints (Countries)</th>
<th>330 (30)</th>
<th>330 (30)</th>
<th>330 (30)</th>
<th>330 (30)</th>
<th>330 (30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2loglikelihood</td>
<td>1798.26</td>
<td>1789.37</td>
<td>1796.83</td>
<td>1797.28</td>
<td>1789.11</td>
</tr>
</tbody>
</table>

Non-standardized coefficients (corrected for autocorrelation); SE in brackets; * significant at the 90%-level; ** significant at the 95%-level; *** significant at the 99%-level; All independent variables rescaled on a scale of 0-1 where 0 indicates the lowest value and 1 the highest value of the variable. All models estimated using RIGLS (see Goldstein and Rasbash 1996).

In a nutshell, all three indices of globalization seem to have a positive impact on the quality of democracy. However, this impact is only significant for the economic globalization: the more a country is economically embedded into the global market, the higher is its quality of democracy.\(^{19}\)

As discussed in the section above, the quality of democracy not only depends on a country’s economic openness. To avoid spurious correlations, further models include the control variables discussed in the

---

\(^{19}\) I have conducted several further tests with the composite elements of the KOF indicators. As for economic globalization, economic flows as well as restrictions show positive and significant impacts on the quality of democracy. However, neither the number of international organizations a country is member of nor the measures for social globalization (personal contacts, information flows, and cultural proximity) show any significant relationship with the quality of democracy.
previous section (see table 2): In model 6, the impact of economic globalization is controlled with the variables of the modernization theory. Contrary to the expectations of this approach, the quality of democracy is not higher in wealthy countries. However, victims of economic crisis – measured by inflation – show a significant decline in their quality of democracy: the higher inflation, the lower the quality of democracy. Most important for our purpose is the fact that the impact of economic globalization remains positive and significant. The same holds true for the second group of control variables representing the human development theory (model 7). The positive impact of economic openness on the quality of democracy persists. However, neither the human development within a country (as measured by the HDI) nor the quality of its education influences the development of the quality of a given democracy.

Table 2: The impact of economic globalization on the quality of democracy

<table>
<thead>
<tr>
<th></th>
<th>Model 6</th>
<th>Model 7</th>
<th>Model 8</th>
<th>Model 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIME FIXED EFFECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>58.68***</td>
<td>58.06***</td>
<td>64.46***</td>
<td>65.16***</td>
</tr>
<tr>
<td>(2.54)</td>
<td>(3.41)</td>
<td>(5.42)</td>
<td>(5.97)</td>
<td></td>
</tr>
<tr>
<td>Economic Globalization</td>
<td>9.79***</td>
<td>3.80**</td>
<td>7.84***</td>
<td>4.24</td>
</tr>
<tr>
<td>(1.79)</td>
<td>(1.91)</td>
<td>(1.75)</td>
<td>(6.94)</td>
<td></td>
</tr>
<tr>
<td>Modernization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wealth (GDP pc)</td>
<td>1.71</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(1.65)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation</td>
<td>-9.28***</td>
<td>-</td>
<td>-7.10***</td>
<td>-7.25***</td>
</tr>
<tr>
<td>(1.68)</td>
<td></td>
<td></td>
<td>(1.00)</td>
<td>(1.66)</td>
</tr>
<tr>
<td>Human Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDI (rank)</td>
<td>-</td>
<td>3.41</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(5.73)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education-Index</td>
<td>-</td>
<td>0.23</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(2.37)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COUNTRY FIXED EFFECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age of democracy</td>
<td>-</td>
<td>-</td>
<td>23.13***</td>
<td>8.14</td>
</tr>
<tr>
<td>(8.83)</td>
<td></td>
<td></td>
<td>(10.37)</td>
<td></td>
</tr>
<tr>
<td>Population size (log.)</td>
<td>-</td>
<td>-</td>
<td>-22.72***</td>
<td>-20.65**</td>
</tr>
<tr>
<td>(8.76)</td>
<td></td>
<td></td>
<td>(9.81)</td>
<td></td>
</tr>
<tr>
<td>INTERACTION TERMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic globalization * Age of democracy</td>
<td>25.01**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13.14)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic globalization * Population size</td>
<td>1.14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(11.62)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RANDOM EFFECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time-Level ((\sigma^2))</td>
<td>7.55 (.62)</td>
<td>8.15 (.67)</td>
<td>7.23 (.60)</td>
<td>6.49 (.56)</td>
</tr>
<tr>
<td>Country-Level ((\sigma_{\mu0}^2))</td>
<td>165.37 (42.76)</td>
<td>197.00 (51.05)</td>
<td>132.41 (34.38)</td>
<td>132.40 (35.28)</td>
</tr>
<tr>
<td>Impact of Economic Globalization</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>126.78 (59.18)**</td>
</tr>
<tr>
<td>Covariance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46.48</td>
</tr>
<tr>
<td>(41.29)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MODEL PROPERTIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Timepoints (Countries)</td>
<td>330 (30)</td>
<td>330 (30)</td>
<td>330 (30)</td>
<td>330 (30)</td>
</tr>
<tr>
<td>-2loglikelihood</td>
<td>1748.89</td>
<td>1789.01</td>
<td>1802.97</td>
<td>1787.84</td>
</tr>
</tbody>
</table>

*Non-standardised coefficients (corrected for autocorrelation); SE in brackets; * significant at the 90%-level; ** significant at the 95%-level; *** significant at the 99%-level; All independent variables rescaled on a scale of 0-1 where 0 indicates the lowest value and 1 the highest value of the variable. All models estimated using RIGLS (see Goldstein and Rasbash 1996).
To sum up: the positive impact of economic openness on the quality of democracy holds even when I control for important variables that are suggested to influence the quality of democracy. Given this result and given the observation that countries develop their quality of democracy differently (section 3) raises a further question. Namely: Are there countries whose quality of democracy benefits more from globalization than others? Using MLA, I can approach this question by modeling country effects and cross-level interaction terms.

In model 8 two country characteristics are estimated: the size of a country and the stability, i.e. the age of a democratic regime. As these two variables steadily grow I have taken the mean of the values from 1995 to 2005 to use them as constant country properties. One can observe that the quality of democracy develops better in small and stable, i.e. old democracies and that economic globalization as well as inflation (level 1) maintain their explanatory power. As for the question on the impact of economic globalization, I have tested a last model with two interaction terms composed of economic globalization and the size and the age of a given democracy respectively (model 9). In model 9, one can see that the strength of the impact of economic globalization differs from country to country (significant random slope effect). This difference can at least partly be explained by the age of a democracy: the more stable a democracy is, the stronger is the impact of economic globalization on the quality of democracy. However, the population size has no interactive impact.

6 Discussion

In this contribution I analyzed the relationship between globalization and democracy. The main aim of the article was to test the rival hypotheses of the impact of globalization on democracy. On the one hand, it is argued that democracies cannot face important challenges any more and that globalization leads to democratic crises. On the other hand, globalization is seen as the redeemer of democracy: more economic openness and international political collaboration help to diffuse and stabilize democracy. Unlike previous studies, I focused on the impact of economic, political and social globalization on the quality of democracy in established democratic regimes.

To measure the quality of democracy, I introduced a new instrument, the Democracy Barometer. This new measure showed that there is neither reason to assume a crisis nor reinless prosperity of democracy. In the observed time span between 1995 and 2005 ten out of the 30 established democracies

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20 I take the mean of the logged population size between 1995 and 2005 (source: US Census Bureau, International data base: [http://www.census.gov/ipc/www/idb/country/asportal.html](http://www.census.gov/ipc/www/idb/country/asportal.html) (May 15, 2009). The impact of size on the quality of democracy is largely discussed in political philosophy (for an overview see Dahl and Tufte 1974). Most authors suggest a negative connection between size and quality. However, there is a lack of empirical evidence of the impact of size on the quality of democracy (but see: Lander and Bühmann 2007; Campante and Do 2006).

21 Age of democracy is measured by the corresponding variable in the Polity index (durable; see Marshall and Jaggers 2002); Iceland was coded 1944; Luxembourg was coded 1945; Malta was coded 1947 (all three countries are missing in Polity). Two educated guesses are made in political theory concerning the relationship between the quality and the stability of democracy. On the one hand, the first suggestion goes hand in hand with the crisis of democracy theses: aged democratic systems more and more lose the diffuse support and political confidence of their citizens and therefore show a downward trend in their quality. On the other hand, it is assumed that young democracies are not stable and risk a loss of quality when they have to face important political and economic challenges.
show a (non-linear) decline in their quality over time. In the remaining 20 countries I found a (non-linear) positive development between 1995 and 2005.

I then tested the impact of indicators for economic, political and social globalization on the different developments of the quality of democracy. The multilevel analyses yielded the following results:

(1) Globalization seems to have a positive impact on the quality of democracy. However, it is only the economic openness and not the political or the social globalization that positively affects the quality of democracy. This effect holds even if I control for important further variables. It is worth noting that one of the control variables - inflation - also exerts an influence on the quality of democracy. Apparently, economic crisis in terms of inflation diminishes the quality of democracy.

(2) The quality of democracy seems to develop better in small countries and in countries that - in terms of their age - can be considered stable democracies. Additionally, the stability of a country amplifies the impact of economic openness: the older a democratic regime is, the better it seems to be capable of taking advantage of economic globalization for the further development of its quality of democracy.

All in all, the results seem to support the optimistic point of view concerning the impact of globalization on democracy. Globalization rather seems to be the bewitched prince of the story than a scary beast responsible for democratic crises.

The results raise further questions and concerns. Alternative year-wise cross-sectional analyses show for instance that the positive impact of economic globalization decreases over time. Furthermore, considering the current state of worldwide economy, the finding that economic crises seem to have a negative impact on the quality of democracy is alarming. More and especially more detailed analyses are needed to examine this issue. For example, first results not shown here suggest that the negative impact of inflation on the development of the quality of democracy is absorbed in stable democracies.

The age of a democracy seemingly also helps to overcome financial crises.

Additionally, to fully tap the potential of the Democracy Barometer, one should test the impact of the different forms of globalization on different democratic functions. First simple analyses show that economic globalization seems to have more influence on some of the functions, such as governmental autonomy and transparency, than on others like individual liberty or participation. Furthermore, although political globalization has no impact on the overall quality of democracy, the correlation between governmental autonomy and political globalization is negative, and increasingly so over time.

Thus, a closer investigation is required and the Democracy Barometer can help gaining deeper insight into the connection between globalization and the development of democracy.

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22 Pearson's r (economic globalization * quality of democracy) declines from .62 in 1995 to .41 in 2005.
23 The mean Pearson’s r from year-wise cross-sectional analyses between economic globalization and governmental autonomy is .44; between economic globalization and transparency: .46; between economic globalization and individual liberty: .24; between economic globalization and participation: .27.
24 In 2005 Pearson's r between 'political globalization' and 'governmental autonomy' is -.24 whereas for 1995 it is .08.


