

# Democratization under Consensus and Conflict, and Implications for Rule of Law and Development

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This paper investigates the endogenous emergence of democracy and rule of law in an economy where heterogeneous individuals can get involved in predation activities. Decisions about public policies concern the extent of fiscal redistribution and property rights, whose costs depend on the extent of predation in the population. We characterize the dynamic evolution of the economy in which both the political regimes and public policies are endogenously determined. The theory delivers several novel results. Multiple politico-economic equilibria involving different public policies can be sustained conditional on beliefs about property rights enforcement. Democratization is endogenous, but the features of democracies are shown to be crucially related to the conditions under which democratization initially takes place. Democratic transitions supported by a large consensus serve as coordination device and lead to better protection of property and more stable political systems than democratic transitions imposed under conflictual environments. Conflictual transitions lead to failed democracies with potentially worse property rights protection than oligarchies. The novel predictions are in line with existing evidence and with results from newly collected data on constitutional principles.