Is Democracy Good for the Rural Population?

A Cross-National Study on the Effect of Democracy on the Urban-Rural Divide

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1 Introduction

The title question is heavily inspired by Michael Ross’ seminal paper, Is Democracy Good for The Poor? He proves that democracies are in fact not better at providing welfare for the poor population (Ross, 2006, p. 872), a finding that was controversial at the time and problematized the positive view on democracy as a pro-poor regime type. His paper was later criticized (see for instance Martel Garcia, 2014), but the idea that democracy not necessarily increases pro-poor development will guide this paper. Pro-poor development is crucial to achieve the first Sustainable Development Goal, “end poverty in all its forms everywhere” (UNGA, 2015), and to increase the living standards of the most vulnerable people around the world. It is a question of its own to determine what development efforts result in increased well-being for the poor, yet in the words of Ross (2006, p. 871) there is a need to further our understanding of how regime type and government institutions affect the poor in the Global South.

Instead of looking at country-wide levels of poverty, the focus here will be on the gap between the urban and the rural population, a somewhat understudied sub-topic of poverty. Earlier studies have attempted to explore the urban-rural divide within countries (see for example Konadu-Agyemang & Shabaya (2005) on Zimbabwe and Ghana) or within a region (see for instance Sahn & Stifel, 2003 on Africa). However, there has been little attention paid to whether this divide is a region-specific phenomenon or a world-wide problem. Therefore, this paper will address both the urban-rural divide in a descriptive manner and how it is related to democracy. Based on this, the following research questions will be answered: Is there a global problem with a gap between urban and rural areas in terms of development? How does democracy affect the urban-rural divide? There will be both a theoretical and empirical discussion of the former question, whereas the latter will be answered by testing a hypothesis derived from the theory in an empirical setting.

The methodological basis in this paper is a set of fixed-effects models with a lagged dependent variable used together with panel-corrected standard errors. This method is used, because the analysis is based on time-series cross-section (TSCS) data, which requires a different kind of statistical modelling other than the more common ordinary least squares approach. There is a total of 2995 country-years for 149 countries covering all world regions, which allows for examining the urban-rural divide and testing its association with democracy. The positive effect of democracy is proven to be dependent on the country’s overall level of development, which means that democracy itself is no panacea for the rural population in their quest for access to basic infrastructure.
Following the introduction is a section that first covers a theoretical perspective on democracy and the urban-rural divide, before outlining a theoretical argument about the relationship between the two. After this, the research design will be presented with a description of how to analyze TSCS data and a discussion of the dependent, independent, and control variables. This section will also include a part dealing with data and data availability. Coming next is the analysis of the results of the statistical models and a discussion hereof, before the conclusion sums up the main findings and highlights how further research can continue the trajectory laid out in this paper.

2 Theory

This section starts with a short review of the previous literature on democracy in relation to economic development and redistributive policies. Afterwards democracy and the urban-rural divide are theoretically defined and discussed, before the last part introduces the theoretical argument of how democracy relates to the urban-rural divide and the hypotheses stemming from this.

2.1 Previous Research on Democracy

A quick search on Google Scholar shows that there are more than two million scholarly articles written on the topic of democracy. Any meaningful review of the democracy literature needs to specify, what aspect of this vast amount of literature is relevant for the research project. Here, the interest is put on democracy’s relation with economic growth, since economic growth is closely related to development and poverty alleviation (a more comprehensive account of this will be presented in section 2.3). Many scholars are interested in what has sometimes been coined the democracy and economic growth nexus. One strand in the literature proposes the argument that “the causal arrow most probably runs from economic development to democracy, rather than vice versa” (Burkhart & Lewis-Beck, 1994, p. 907). In this type of studies, democracy is treated as the dependent variable and it is the causes of a democratic transition that is of interest. This trajectory took off with the work of Lipset (1959), but it has developed into a separate area, where scholars debate the prerequisites for a peaceful transition to democracy (Carothers, 2007, and Mansfield & Snyder, 2007). Yet, addressing democracy as the independent variable that causes a change in economic growth occupies a whole different part of the literature. Instead of reviewing the immense scholarly work on this causal chain, Doucouliagos & Ulubaşoğlu’s meta-analysis provide a great overview. They find that democracy has no direct effect on economic growth, but that “democracy has significant indirect effects on growth” (Doucouliagos & Ulubaşoğlu, 2008, p. 78) through its positive impact on economic freedom and political instability. Moreover, they find that geography matters in the sense that different regional effects occur across the world (Ibid., p. 78). It is worth mentioning that there is also comparative
regime type literature on economic growth. Przeworski & Limongi (1993, p. 55ff) present two arguments, one for and one against democracy as the better regime type for economic growth. On the hand, the proponents claim that autocratic governments have no constraints in misusing resources instead of crafting policies that have the general interest of the people in mind. On the other hand, the advocates for state autonomy proposes that there are too many interests in democracies that guide attention away from economic efficiency. In a more autocratic system of governance the state can more easily play its role in the economy without having to deal with opposition. Furthermore, according to the students of the fast-growing Asian countries, these countries can “pursue developmentalist policies with its ‘insulation’ from particularistic pressures” (Ibid., p. 56).

Based on their findings, Doucouliagos & Ulubaşoğlu (2008, p. 78) highlight a few areas for further research including one that deals with the welfare implications of democracy’s association with economic growth. This research gap can be linked to the question of redistribution and policy differences between autocracies and democracies; a part of the literature which has a more comparative character.

The comparative approach to studying regime type is used by Mulligan et al. (2004) in their study of the policy differences among democracies and autocracies. Interestingly, they find that there is little evidence of a significant variation in social and economic policies based on regime type. The only thing that they claim with certainty is that democracies pursue less redistributive policies (Ibid., p. 71). Considering the size of the public sector, democracies with high voter turnout tend to tax their population higher, since there is a greater demand for redistribution (Boix, 2001, p. 15). These two latter scholars represent two mutually exclusive arguments, and hence, there is an uncertainty about the redistributive implications of regime type.

It is assumed that this ambiguity is also pertinent when looking at a country’s spatial redistribution between urban and rural areas. This is a particular type of redistribution that separates itself from the poor-rich continuum implied in the studies about tax levels. Here it is about the spatial allocation of development resources, a topic that has been largely disconnected from the democracy literature.

2.2 The Urban-Rural Divide

The urban-rural divide is defined as spatial development inequalities between rural and urban areas. Below a theoretical definition of development is presented separately, yet a more thorough understanding of the spatial gap in development is required.
Addressing the divide is by no means a new research trajectory, it was popularized already in 1977 by Lipton in his book about the urban bias. According to him, the disparity in living standards between urban and rural residents essentially comes down to what group is better at pushing their agenda of development. He argues that in less developed countries it is the urban interests that get to influence the spatial character of development efforts, resulting in a bias towards the cities vis-à-vis the rural areas (Lipton, 1977, p. 48). This might be amplified by distinct perceptions of inequality. Poor urban residents are more critical toward the redistribution of resources than their rural counterparts (Binelli & Loveless, 2016, p. 229). Thus, not only is the urban population better at expressing their interests, they also have a stronger sense of deprivation. This could explain why politicians face more pressure to use government resources for urban development.

The successful persuasion of urban interests violates the norms of efficiency and equity. Lipton (1977, p. 48f) explains how this results in resource allocation towards less productive activities and lists a few examples of how to better this imbalance: “From luxury housebuilding to the construction of dams or factories, […] and] from banquets to the feeding of weak and hungry workers” (Ibid., p. 48f). These examples leave behind the perception that there is room for a more efficient and equal prioritization of development resources. Furthermore, even when resources are spent in the rural sector, for instance within agriculture, it is channeled towards the farmers that produce food for the cities and not the smaller self-sustaining farmers (Ibid., p. 47f). This shows that the urban bias can persist in intra-rural development efforts and that increasing the well-being of urban residents often is the overarching goal.

The urban bias is the natural beginning of any discussion about the urban-rural divide and it still guides contemporary scholars, when they evaluate spatial inequalities. An example hereof is Sahn & Stifel (2003, p. 591ff), who find that rural residents are systematically worse off than their urban counterparts across the African continent. Konadu-Agyemang & Shabaya (2005, p. 144) find that corruption even exacerbates the divide and notes that “the rich and urbanized ‘core’ regions often favored by the politicians, have higher levels of literacy, and better access to health, education and other important services”. Moreover, they make a short note that foreign development support in the form of the Structural Adjustment Programs carried out by the International Monetary Fund and the World Bank, did little to help bridge the gap (Ibid., p. 144). Despite being recognized as a problem, not only among scholars, but also in the policy-making community, the disparities continue to persist. A new side of the divide, where it is the urban population that lag behind, is starting to gain interest (see for instance Sahn & Stiefel, 2003, p. 565). This is less because the rural areas suddenly
experience a leap in improved living standards, but is more the outcome of an increase in urban inequality.

2.2.1 Development

Development is here defined using a minimalist definition, since it allows for a more empirically applicable conceptualization compared to a definition with a stark philosophical connotation such as Sen’s capabilities approach. His approach revolves around freedom and unfreedom, and how development is only possible through giving people agency to act in the political, economic, and social spheres of society (Sen, 1999, p. 3ff). Myrdal (1974, p. 729) provides such a minimalist definition of development, which describes it as “the movement upward of the entire social system”. This is the definition adopted in this paper, since it allows for the inclusion of a broad set of development indicators. Myrdal himself offers a list of factors that can contribute to this movement including “economic factors”; “the distribution of power”; and “educational and health facilities and levels”. He highlights that the poor “need fundamental changes in the conditions under which they are living and working” and “not a little money” (Ibid., p. 734). In other words, simple redistribution will not create better living conditions for the poor; for this group of people development is conditional upon initiatives such as land reforms, access to education, and law and order, to name a few (Ibid., p. 734f). However, there can be room to draft policies to increase income equality, if this is done in a way, where it also increases the productive capacity of individuals (Ibid., p. 732). Such policies should attempt at improving the poor’s ability to take care of their own health or to afford sending their children to school, so they can add valuable skills for their future in the labor force. Though Myrdal’s definition of development is dynamic, his accounts of underdeveloped vis-à-vis developed countries show that it can also be understood in a more static way as a ‘state of development or underdevelopment’ (Ibid., p. 733ff). The current situation can be changed for the better and a country can thus develop over time. Where the line is drawn between developed and underdeveloped countries is unclear, yet the crucial point here is that development can be seen as a spectrum allowing for disparities in development. These disparities are not confined to countries, it can also be applied to the variation in development among the urban and rural populations within a country.

Bridging Myrdal’s definition together with the urban-rural divide concept above, it can be understood as the urban areas moving ahead of the rural areas in terms of development and the corresponding living standard people enjoy. Since the divide manifest itself within countries,
democracy’ role for constructing policies, which enhance development both in urban and rural areas, should be examined in greater detail.

2.3 Democracy

Starting off with a theoretical definition of democracy, according to Robert Dahl, calling a polity ‘democratic’ requires “that all members are equally entitled to participate in the association’s decisions about its policies” (Dahl, 1998, p. 37). This concept of political equality will be the guiding definition of democracy, which in essence focuses on the electoral, and thus procedural, characteristics of democracy. Additionally, participation can be broadened to include certain freedoms, particularly freedom of expression and freedom of association, since these further enhances citizens’ ability to engage with the decisionmakers and each other. Creating a system of governance that lives up to this requirement is ultimately inclusive and should produce policies that the majority of the population is satisfied with. Even if a regime can be classified as democratic based on the above, certain side-effects or unintended consequences might occur. Before explaining democracy’s instrumental value for combating poverty, these will be addressed.

A polity can live up to the equal participation criteria and still face the problem of majority tyranny. Majority tyranny usually refers to limiting certain freedoms for the minority or even abusing the minority, but it can be extended to the majority voting in favor for policies that can both oppose the interests of the minority and even decrease their living standard. Because of this, it is of crucial value that a democratic polity adopts minority rights and individual rights, which cannot be legally violated by the majority (Easterly, 2006, p. 105f). This plea is common in the defense of voting rights and freedom of speech, yet proponents of democracy should be aware of protecting the minority’s economic rights, especially in the context of poor, ethnic heterogenous countries, where one can think of a situation, where the largest group distributes the public resources in an unequal fashion.

Turning to the question of outcome equality, Mulligan et al. (2004, p. 71f) propose that democracies cannot overcome intergroup conflicts, where a trade-off is inevitable, over, for instance, tax structures. Hence, even though democracies are assuring political equality, economic and social equality is not a guaranteed effect. There is also the question of material inequality vis-à-vis political equality. There is no doubt that democracy “produces noneconomic benefits for people in poverty, endowing them with political rights and liberties”, but it has little effect on their material living standard (Ross, 2004, p. 872). Possible explanations for this “troubling finding” (Ibid., p. 872) are

1 Mulligan et al., 2004, p. 71f lists generations, industries, and occupations as examples of conflicting groups.
imperfect information and social polarization. The former can manifest itself through poor people lacking the literacy skills to access information and politicians not disclosing relevant data about policies (Keefer & Khemani, 2005, p. 5ff). More troublesome is the latter aspect, where identity politics drive the choice of candidates. A phenomenon that is not strictly violating the political equality of citizens, but which can cause incompetent politicians to take office, where they craft inefficient policies that decreases the quality of public goods. (Ibid, p. 9ff).

These negative sides of democracy stand in contrast to the proponents of democracy such as Sen. Amartya Sen’s (1999, p. 148) work on the instrumental role of freedom and political rights can be seen as an extended version of the political equality requirement laid out by Dahl. It is an approach to democracy, which is directly related to poverty. Sen highlights how political rights are connected to the fulfillment of economic needs and how democracy’s instrumental value lies at giving a lever to the voters. “The rulers have the incentive to listen to what people want if they have to face their criticism and seek their support in elections” (Ibid., p. 152). This is the core of democracy’s instrumental role, where it becomes a loudspeaker to the public giving them a way of voicing their needs and preferences. An example of this is how democracy produces positive outcomes in famine prevention. Famines have never occurred in democracies and this can be contributed to the incentive that democratic governments are forced to deal with such catastrophes in a way, which ensures their reelection, e.g. prioritizing government resources to solve the crisis (Ibid., p. 16).

There is an additional positive outcome of democracy, which should be addressed; the protection of interests. Quoting John Stuart Mills, Dahl (1998, p. 52f) emphasizes that democracy is the best system of government for citizens to be able to protect their own interests. An individual cannot be certain to have all his interests represented in a democracy, there are too many mutually exclusive preferences for this to be the case. However, everyone has an equal say about how the polity should be governed and being entitled to this right, the right of voting, is much more including than a system, where political inequality protects some individuals’ interests better than others’.

2.4 Theoretical argument

This section is split up into two parts; the first presents an argument for how democracy can decrease the urban-rural divide, while the second makes the argument that democracy can widen the gap. A central point is the role of a country’s development level, something which was briefly mentioned in the review of Lipton (1977) above.
How can democracy affect the urban-rural divide? The main idea is that through political equality and by performing its instrumental role, democracy creates a counterincentive to the urban bias. Essentially, democracy allows the rural population to push their development agenda equally as much as the urban population, which causes either the government to respond to the needs of the rural residents or to the rise of new politicians, who run on a promise to promote rural development. This positive association between democracy and the urban-rural divide, however, rest on the assumption that the country is a “substantial democracy” (Tsai, 2006, p. 262). This means that the process of decision-making itself has been decided through a democratic process instead of being a way for the elite to legitimately follow their own interests. However, democracy’s decreasing effect on the urban-rural divide rests on a further prerequisite that not only decision-makers, but also voters use their political power to promote equality enhancing policies. What this means is that voters need to know, what policies will be good for them and the country, and not just vote along regional or ethnic lines. This is more likely to happen in mature democracies, where freedom of the press and information access are secured, but it can also take place in developing democracies like Uganda, where the introduction of multi candidate democracy played a major role in the implementation of universal primary education (Stasavage, 2005, p. 70f). Though this is not a strictly rural development policy, achieving universal public goods should improve the rural population’s access to core public services, which would otherwise be concentrated in the cities (Ibid., p. 56). In many developed countries, this is not even an issue, since public services are usually already disseminated to the population at large. Another factor favoring developed countries is the connection between public expenditure and poverty alleviation. In a study of the Indian states it is shown that the states with high public expenditure have a higher economic growth and lower poverty levels (Sasmal and Sasmal, 2016, p. 616). Developed countries are characterized as such partly because of their high economic development and they should thus spend more resources, not necessarily in percentage of GDP, but in absolute terms on development efforts. It can therefore be expected that well-functioning democracy in developed countries leads to a lower urban-rural divide.

The opposite context is one of a newly democratized developing country. Here, there are other mechanisms at play, which changes the character of the relationship between democracy and the urban-rural divide. The urban bias and ethnic fractionalization both limit the potential effects of democracy. Lipton (1977, p. 48) notes how governments in poor countries can be entrenched in a system, which furthers the interests of the urban population. Hence, even if a developing country is a democracy, it might not have a government that is freed from the urban bias. Supporters of democracy
would claim that voters will sooner or later decide to oust the government from power, yet as mentioned earlier, there can be information failures or social polarization that leads to the government staying in power, despite its urban bias and inefficient policies. Since many developing countries have been caught in conflict between ethnic, religious and regional groups over horizontal in equalities (Østby, 2007, p. 19), one can assume that these groups will still struggle for resources. Also, since democracies are not found to significantly pursue more redistributive policies than autocracies, nothing suggests that the urban-rural divide should be a specific area, where democracy leads to more redistribution. There is also the question of public expenditure and here Ross (2006, p. 870) makes the argument that despite democracies providing more public goods, there is no certainty that these goods will be delivered to the people needing them the most.

It is unclear whether one would expect democracy to exacerbate the urban-rural divide in developing countries, but it is safe to assume that democracy itself is no solution for the rural population, if it is not accompanied by a break away from incompetent politicians and horizontal battles over scarce resources. Moreover, as Konadu-Agyemang & Shabaya (2005, p. 144) conclude, corruption can sabotage state initiatives to increase spatial equality. As corruption is more pertinent in developing countries (Khan, 2006, p. 241f), there is a further obstacle for the rural population in developing countries to reap the benefits of democracy.

To summarize the two arguments into testable hypotheses:

**H1:** In developed countries, democracy will have a decreasing effect on the urban-rural divide.

**H2:** In developing countries, democracy will not significantly affect the urban-rural divide.

These two hypotheses will form the theoretical fundament of the second part of the empirical analysis in section 4.

3 Research Design

This section will first present the choice of method and what effects this have for the data and case selection. Following this is a presentation of the main data sources. Lastly, the independent, dependent and control variables used in the empirical analysis are presented, including their relevance to the theory and how they are constructed.

3.1 Method

The testing of the two hypotheses is done by conducting a regression analysis using TSCS data. TSCS data analysis has established itself as one of the most common ways of studying “the impact of political arrangements on economic performance in advanced industrial societies” (Beck, 2001, p.
Though the countries included here are not confined to advanced industrial societies, this approach can still be very useful for investigating the relationship between democracy and the urban-rural divide. Democracy is a political arrangement in its very essence and the urban-rural divide can be thought of as the outcome of economic policies and development efforts. Thus, placing economic performance under the conceptual umbrella of development makes this approach to statistical analysis well suited for this study.

TSCS data refers to data collected on fixed units, often countries, for which there is a number of repeated observations over time. These characteristics make the use of ordinary least squares models problematic and scholars are required to conduct their analysis in a different manner (Beck & Katz, 1995, p. 634). Furthermore, to be able to analyze and test hypotheses using TSCS data, there is one major requirement: \( T \), the number of repeated observations, needs to have a reasonable size, meaning that it cannot fall to low. For the analysis here, the threshold has been set at 10 observations, the lower limit that Beck (2001, p. 274) recommends.

There are several ways for dealing with this type of data. Two of the most common ones are outlined by Ross (2006, p. 866), where he uses both in separate models; one with fixed-effects, and one with a lagged dependent variable and panel corrected standard errors (PCSE), (for a comprehensive analysis of this latter approach see Beck & Katz, 1995). The two types of modelling each have their advantages and disadvantages. The fixed-effects model “tends to reduce or eliminate significance of variables that change slowly or not at all” (Ross, 2006, p. 866), but it is useful “if one wants to make inferences to the observed units” (Beck, 2001, p. 284), which is the case when dealing with a dataset with most of the world’s countries. On the other hand, the combination of a lagged dependent variable and PCSE allows for a better inclusion of slowly changing variables, but it “does not control for country-specific factors as well as the fixed-effects model” (Ross, 2006, p. 866). For the subsequent analysis both approaches are combined by adding the lagged dependent variable and the PCSE to the fixed-effects model. The reason behind this is the wish to combine the fixed-effects model’s advantage in controlling for country-specific factors, while allowing for the creation of a dynamic model, where the previous level of the urban-rural divide is controlled for. The independent variables are also lagged by one year to more accurately determine how the system of governance and socio-economic factors affect the dependent variable in a way that accounts for time-order issues.

There are 149 countries in the dataset with at least 10 repeated observations for a total of 2995 country-years.
3.2 Data Selection
The data used in the empirical analysis has been collected from a variety of sources, most notably the World Bank and the varieties of democracy (V-Dem) project. The World Bank provides time series data within a large number of areas through their DataBank, especially on socio-economic topics. The DataBank is a compilation of databases, including the World Development Indicators dataset. Most data are available on a yearly basis and it is collected from a multitude of source, including national statistic agencies and international organizations. The data on the urban-rural distinction for certain development indicators.

The scientific community are working with several distinct democracy indexes, but for this paper, the democracy data created by the V-Dem project is used. V-Dem creates several democracy indexes, each measuring a different aspect of democracy, which allows for picking a measure that fits the goals of the paper. In this analysis their Electoral Democracy Index will be used. A discussion of the reasoning behind this follows in section 3.3.1.

The data on the control variables come from two sources. The macro-economic and demographic data are taken from the World Bank and the data on country-wide development is collected from the UN’s Human Development Report. For a more comprehensible account of the control variables, see section 3.3.3.

There are 149 countries in the dataset with at least 10 repeated observations for a total of 2995 country-years.

3.3 Variables
3.3.1 The Independent Variable: Democracy
This paper goes against most previous research on democracy, since it uses the V-Dem project’s Electoral Democracy Index instead of the more common Polity IV or Freedom House indices. The reason behind this is an assessment of the validity, where the Electoral Democracy Index scores the highest considering that the goal is to measure, how close a country is to fulfilling Dahl’s political equality requirement. The index is made up of five different components; freedom of association, clean elections, freedom of expression, elected officials, and suffrage (Coppedge et al., 2017, p. 50). These components are taken from Dahl’s work, where he outlines the necessary political institutions for a country to be democratic, in his understanding of democracy (Teorell et al., (2016, p. 3). Though there will always be a certain discrepancy between the theoretical understanding of a concept as complex as democracy and an empirical measure, Teorell et al. (Ibid.) with their theory-driven
approach allow the democracy index to match the theoretical conceptualization well. Thus, they have created an index that has a high validity and it comes as close to the democracy theory of Dahl as possible.

The index ranges from 0 to 1, a continuous measurement. 1 here represents that “the ideal of electoral democracy in its fullest sense” (Coppedge et al., 2017, p. 49) has been achieved and a higher value thus means that the country is more democratic. The advantage of treating democracy on a continuum is that it allows for constructing an interval scale, which enables the researcher to easily explore the difference in democracy among countries (Högström, 2013, p. 207). This type of treatment is especially useful, when TSCS data analysis is the chosen method, not just because it captures differences among countries, it also captures changes over time better than a dichotomous scale. Another advantage of the V-Dem index is that it can take all values between 0 and 1, which, compared to the more common 21-step scale of Polity IV or the 8-step scale of Freedom House, allows for more changes over time. This improves the performance of the democracy measure in the fixed-effects models.

3.3.2 The Dependent Variable: Urban-rural divide

Operationalizing the urban-rural divide has to start with a discussion of development and how this has been conceived in universal terms to allow for a cross-country comparison. To this end, Resolution 41/128 on the Right to Development, adopted by the United Nations General Assembly, provides an empirical dimension to Myrdal’s definition. Apart from using the same kind of dynamic, multisector understanding of development, the resolution adds a clear role to the state as the unit responsible for “[formulating] appropriate national development policies that aim at the constant improvement of the well-being of the entire population and of all individuals” (UNGA, 1986). Based on this, development is limited to the areas the state can directly influence through policies.

Around the same time, the Human Development Index (HDI) was developed. It includes three areas of human development; life expectancy, education and income (UNDP, 2016). The three components represent the ability to live a long life, access to knowledge-improving training and a decent standard of living respectively. Though being a good beginning for measuring development, there are one major challenge to using the HDI: There is not spatially disaggregated data available. However, these areas are all within the reach of state development policies and some states do provide data on some indicators, which combined can facilitate the creation of a development measure. Nevertheless, spatially disaggregated TSCS data could not be found for the education and income
indicators, which means that the development measure is confined to the health aspect. An indicator for the level of infrastructural development has been added to the health indicators.

The urban-rural divide is composed of three different pillars; access to electricity, access to improved water resources\(^2\), and access to improved sanitation facilities. The former is important for individuals to improve their productivity, for instance through using power-driven tools, it allows for the use of information technology, such as computers and cell-phones, and it thus says something about the government’s ability to provide citizens with better chances of engaging in productive activities. The two latter indicators, access to safe drinking water and hygienic sanitation facilities, should be considered as basic needs, since they increase the overall health of individuals and decrease the chance of illness. Hence, these two measures are proxies of life expectancy, and they will function as an indicator of health until spatially disaggregated data is available for better measurement. All indicators run on an interval scale from 0 to 100, where 100 means that 100 % of the spatial group has access to the service in question.

These three indicators of development have been compiled into a multiplicative scale based on the calculation of proportions. This means that for each indicator, the proportion of rural residents relative to their urban counterparts that have access to electricity, an improved water resource, and sanitation facilities are multiplied to allow for a compensation effect. This scale can take the value of all positive numbers, where 1 means that there is an equal percentage of rural and urban individuals with access and where numbers below 1 means that the rural population are more deprived and numbers above 1 mean the opposite\(^3\). Thus, the scale does not measure the actual level of development, only the difference between the rural and urban areas, and it can therefore not be used to compare levels of development across countries.

How does the urban-rural divide look like globally? Table 1 summarizes all the country years in the dataset, which means that countries, for which more longitudinal data is available, are overrepresented. However, it gives an indication of how the level of the urban-rural divide variable is distributed.

The mean and median reveal that approximately half of the rural population in proportion to the urban population has access to a safe water resource, electricity and sanitation facilities. Nonetheless, the large standard deviation compared to the mean points to a wide spread among

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\(^2\) Access to an improved water resource means the access to an improved source of drinking water

\(^3\) A score of 0,50 means that the rural population with access to the three facilities are half of the urban population with access. The easiest way to understand this is that 100 % of the urban population has access to all three facilities, while only 50 % of the rural population has full access.
observations and it indicates that the mean does not say a lot about the full set of observations. The largest divide, e.g. the lowest value, is found in Niger in 1993, where the proportion is heavily skewed in favor of the urban population. It is a good example of how the scale works, since it shows that a large urban-rural divide does not necessarily stem from a high level of development in the urban areas. Of the urban population, 29% has access to electricity, 66% has access to a safe water resources, and 21% has access to an improved sanitation facility. The large divide simply means that a much tinier fraction of the rural population, e.g. 0%, 29%, and 2% respectively, live in developed areas. The maximum value displays a country year, where the rural population had better access to the development facilities. This observation is Trinidad and Tobago in 2001 and is essentially caused by a low accessibility to electricity in the urban areas (58%) vis-à-vis the rural areas (96%). The other two indicators have equal values, and it is thus shown, how the scale can be influenced by one indicator, due to its multiplicative style.

Table 1. Descriptive statistics of the urban-rural divide

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. dev.</th>
<th>Min</th>
<th>Max</th>
<th>Median</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban-rural divide</td>
<td>0.535</td>
<td>0.399</td>
<td>0.004E-2</td>
<td>1.656</td>
<td>0.554</td>
<td>2995</td>
</tr>
</tbody>
</table>

Notes: Std. dev. = Standard deviation

Table 1 summarizes the whole dataset, yet in order to determine whether the urban-rural divide is a regional problem or a global problem, the countries have been grouped by region for the most reason year, 2014, and summarized in figure 1. We see that in the most recent year for which data is available, there are certain regional tendencies. In East Asia and the Pacific and Latin America, there is an even distribution with observations along the whole spectrum. Somewhat similar, in South Asia there are no countries with a large urban-rural divide, but there are countries both above and below the 0.5 mark. In these three regions, a large urban-rural divide is not a common feature of all the countries, contrary to the Sub-Saharan countries. Here we see that the skew is positive; more than 50% of the countries have a divide at the bottom of the scale. For East Asia and the Pacific this is also the tendency, though for Sub-Saharan Africa it is a much clearer example. In the Latin American region, the skewness is negative, yet far from the tendency we see in Eurasia and Middle East and North Africa (MENA). These two regions, especially the MENA region, include a few countries with a significantly wider gap between the rural and urban areas. North America is a special region, since
it is only composed of the Anglo-Saxon part, Canada and the United States. These two countries have a high degree of spatial equality in development, but it is by far the smallest region.

*Figure 1. Urban-rural divide in 2014, by world region*

Notes: The Y-axis indicates the percentage of the observations. MENA = Middle East and Northern Africa

Based on figure 1 it can be concluded that large differences in the level of development between urban and rural areas are not a global problem. Since it is easy to judge how many percentages lie below 0.4 on the urban-rural divide scale, this is the value that separates the countries with a large divide with those that have a medium (0.4-0.8) or small divide (>0.8). Sub-Saharan Africa is clearly the region that faces the largest problem with spatial inequality, but also East Asia and the Pacific
region has a sizable amount of countries that lie below the 0.4-line. In Latin American and South Asia around 20% of the countries have a large divide, and in MENA it is only 10%. In North America and Eurasia there are no countries below the 0.4-line. A large urban-rural divide is thus mostly a challenge to the Global South regions compared to the Eurasian and North American regions, though it is by no means a problem that persists to an equal extent across regions.

3.3.3 Control Variables

**GDP/Capita**

Though there has been a shift away from equating GDP/capita with the level of poverty, it still features in development indexes such as the HDI. Moreover, in their study of poverty alleviation in India, Sasmal and Sasmal (2016, p. 615f) conclude that high levels of GDP/capita are associated with lower levels of poverty. In relation to democracy, it was noted earlier that democracy has no direct effect on economic growth, but that democracy can have an indirect effect. The GDP/Capita variable should thus be treated with caution, since it has an ambiguous and unclear relation with democracy.

The GDP/Capita data have been collected from the World Bank’s World Development Indicators and is constructed by dividing gross domestic product with midyear population\(^4\). The value is measured in constant 2010 US$ and following the work of Ross (2006, p. 867), it is being treated as a logarithmic variable. Hence, using this measure means that the model controls for a non-linear relationship between GDP/capita and the other variables.

**Population density**

If the country has a low population the government might view it as an impossible task to reach the rural areas with development efforts and instead focuses these on the urban centers (Ibid., p. 867). The variable is taken as the log of the mean number of people living in one square kilometer of land and the data is collected from the World Bank.

It is quite similar to the urbanization control variable presented below and they will probably be highly correlated with one another. Still, the urban-rural distinction is nationally defined, whereas population density is a more objective measure. It is thus included to account for the man/land ratio that Lipton (1977, p. 163) mentions, instead of simply taking country size as the control variable for geographical development problems.

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\(^4\) This calculation is shown in the source note
Urbanization

As highlighted in the theory section, there is a danger that a majority will overrule the interests of the minority and use all the state resources for their own good. To test whether having a large urban or rural population causes a larger urban-rural divide in democracies, the degree of urbanization is included as a control variable. The variable should be interpreted with caution, since there is a risk that previous urban-rural inequalities lead to rural-urban migration into the cities, which results in a larger urban population and a smaller rural population (Konadu-Agyemang & Shabaya, 2005, p. 134).

The data used in this paper has been collected from the World Bank’s World Development Indicators, where they compile the data from the United Nations Population Division. The variable is measured as the percentage of the total population living in urban settlements and runs from 0 to 1. What constitutes an urban area is nationally defined.

Country level development

The GDP/Capita variable already give an indicator of the country’s development level, nonetheless, a variable that is in accordance with the theoretical definition of development is required. Therefore, a variable for country-wide development has been added to test the two hypotheses. Lipton wrote his whole book about the fact that “in less-developed countries today, far more than in now-rich countries yesterday, it is urban interests that are the more concentrated, articulate and powerful” (Lipton, 1977, p. 48), so there is a chance that it is something inherent in these countries that causes them to have a large urban-rural divide. However, this paper proposes in the theory section that it is the combination of development level and democracy that makes the difference.

To include the level of development, the HDI is used. It includes not just the GDP/Capita indicator, but also the health and education measures, but it should still correlate highly with the GDP/Capita control variable. Similarly, it can be expected that there is a clear correlation with the urban-rural divide. These connections between variables should be taken into consideration.

The four groups, very high (>0.8); high (0.799-0.7); medium (0.699-0.550); and low human development (0.549>) have been recoded to run on a scale from 0-3, where 3 signifies that a country belongs to the group of very high development. Since there is not yearly data available between 1990 and 2000, and 2000 and 2010, the mean value between the two timepoints will determine what group
the country will belong to in the whole period. The data has been collected from the 2016 Human Development Report (UNDP, 2016).

4 Results

In this section the results of the empirical analysis will be presented and analyzed. First, a subsection covering the data collected for all the countries deals with an initial understanding of the relationship between democracy and the urban-rural divide, including how the level of development plays in. Second, several models, which are each based on one of the country-wide development groups, are used as the basis to test the two hypotheses that were introduced in section 2.4.

4.1 Time-Series Cross-Section Analysis

Model (1) reports how the level of democracy affects the urban-rural divide. The effect is positive, but statistically insignificant, and the coefficient means that the difference between not living up to the political equality requirement and having implemented a system of governance in accordance with the principles of Dahl is tiny. The proportion of rural residents relative to the urban residents with access to electricity, safe water, and sanitation facilities, would increase with 1.1% each year.

When three of the control variables are included in model (2), democracy loses a fraction of its effect from model (1) and it is still statistically insignificant. Since there is no logic link connecting population density and urbanization with democracy and the urban-rural divide, these variables can be analyzed as moderating variables, e.g. they are situated outside of the causal relationship between democracy and the urban-rural divide. It is more difficult to assess, whether GDP/Capita is also a moderating variable or if it is an intervening variable, e.g. a factor that explains how the independent variable causes a change in the independent variable. As noted in the description of GDP/Capita it cannot be separated entirely from democracy, since it is still unclear, how these two interact with one another. What we can take away from this is that democracy, despite controlling for the level of economic development and the two demographic factors, is still having a small insignificant effect.

In model (3) development level is added to democracy to include a different indicator of the country’s overall level of development other than economic growth. It is a variable that changes

5 As an example, Austria had a score of 0.794 (high human development) in 1990 and a score of 0.837 (very high human development) in 2000. Based on the mean value, 0.816, Austria would be coded as a 3 for the whole period, except for 1990, which would still be coded as 2.
slowly over time, which can explain why it only has a positive effect of 0.4% on the urban-rural proportion, but it is statistically significant at the 5%-level and thus performs better than GDP/Capita. Democracy has not changed a lot in terms of its effect on the dependent variable, but interestingly, it is now significant at the 10%-level. Though this is still below the common threshold in social science of statistical significance at the 5%-level, it indicates that democracy has a positive effect on the urban-rural divide when controlling for the level of development.

Table 2. World Dataset (Dependent variable is the Urban-rural divide)

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democracy</td>
<td>0.011</td>
<td>0.007</td>
<td>0.013*</td>
<td>0.009</td>
</tr>
<tr>
<td></td>
<td>(1.638)</td>
<td>(1.034)</td>
<td>(1.823)</td>
<td>(1.343)</td>
</tr>
<tr>
<td>GDP/Capita</td>
<td>0.01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.865)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>0.008</td>
<td></td>
<td>0.008</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.958)</td>
<td></td>
<td>(0.869)</td>
<td></td>
</tr>
<tr>
<td>Density</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.008E-1***</td>
<td>0.008E-1***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3.599)</td>
<td></td>
<td>(3.574)</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>0.004**</td>
<td>0.004***</td>
<td></td>
</tr>
<tr>
<td>level</td>
<td></td>
<td>(2.38)</td>
<td>(2.615)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>2845</td>
<td>2835</td>
<td>2834</td>
<td>2824</td>
</tr>
<tr>
<td>Countries</td>
<td>149</td>
<td>149</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.82</td>
<td>0.82</td>
<td>0.82</td>
<td>0.82</td>
</tr>
</tbody>
</table>

Notes: Fixed-effects models. All the independent variables are lagged by one year. T-values are in parentheses below the coefficients. The lagged dependent variable is not reported. Significance: *** p < 0.01; ** p < 0.05; * p < 0.10.

The last model, model (4), is a replication of model (2) with the country-wide development variable instead of GDP/Capita. Compared to model (3) democracy has a decreased effect, just like the difference between model (1) and model (2) proved, which means that the two demographic variables have the same kind of effect on democracy regardless of the country-wide development indicator used. Democracy is no longer statistical significant at the 10%-level, but development level
keeps its small effect and increases its significance to the 1-% level. With all the variables we speak of effects on the urban-rural proportion that live in development below 1 % and even though urbanization is significant at the 1 %-level, its effect is far below 1 % per 1% increase in the urban population. We already know that there is little change over time in the development level variable, but this could also be the case for democracy. Stable democracies and stable autocracies will in any case see little change over time and even countries in transition periods can go through such periods over many years, which would also diminish the effect of democracy on the urban-rural divide in a fixed-effects model. Moreover, the decision to include a lagged dependent variable makes, ceteris paribus, the effect even smaller, since this model specification means that what is essentially modelled is the effect democracy has on the urban-rural divide on a yearly basis.

4.2 Hypothesis Testing

Table 2 included models that show the association between democracy and the urban-rural divide across countries, while controlling for country-wide development and two demography variables. However, the theoretical argument put forward in section 2.4 narrowed down the hypotheses to revolve around how democracy affect developing and developed countries differently. Just including development level is not enough to allow for testing the two hypotheses. To do so requires splitting up the dataset in subsets that groups the countries along their level of development in a certain year. Hence, a country can be featured in two models if it has improved or declined its level of development through the period of observation. Table 3 is based on this and includes four models, each with development level = 0; 1; 2; or 3. There is one important change in the new models compared to the models in table 2; the T-threshold of 10 has been discarded, as this would decrease N too much for any meaningful cross-country comparison without a geographical bias. Therefore, in the words of Beck (2001, p. 274), “one ought to be suspicious” of the conclusions drawn from these models. All the models follow the same specifications as the models (1-4).

Model (7) is based on the observations, where the country was coded as belonging to the low human development group. The two demographic control variables are still included, whereas GDP/Capita has been left out, since it is featured through the HDI score. Democracy is slightly negative and statistically insignificant, which is in accordance with H2 that proposed a non-significant effect of democracy on the urban-rural divide for developing countries. The same relationship is apparent in model (8) with the medium developed countries, though the effect in this model is a bit larger and more significant. The effect is negative in model (9) with countries with high human
development, which means that for this group of countries going from one extreme to the other on the democracy scale increases the divide by 1.3 % per year. Still, the effect is statistically insignificant. H2 can thus be enlarged to include countries with higher levels of development, and it is interesting that democracy has a negative effect for these countries. One should not overinterpret this though, since the effect does not reach statistical significance, which in itself is an important finding in regard to H2’s claim that the level of democracy does not significantly affect the urban rural divide.

Table 3. Development Level Subsets (Dependent variable is the Urban-rural divide)

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>(7)</th>
<th>(8)</th>
<th>(9)</th>
<th>(10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban-rural divide</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low HD</td>
<td>-0.002</td>
<td>0.017</td>
<td>-0.013</td>
<td>0.023***</td>
</tr>
<tr>
<td>(0.107)</td>
<td>(1.406)</td>
<td>(-1.313)</td>
<td>(4.691)</td>
<td></td>
</tr>
<tr>
<td>Medium HD</td>
<td>-0.283***</td>
<td>-0.042</td>
<td>0.026</td>
<td>-0.001</td>
</tr>
<tr>
<td>(-3.747)</td>
<td>(-0.776)</td>
<td>(1.552)</td>
<td>(-1.567)</td>
<td></td>
</tr>
<tr>
<td>High HD</td>
<td>0.004E-1*</td>
<td>-0.004E-1</td>
<td>0.003***</td>
<td>-0.047E-3**</td>
</tr>
<tr>
<td>(-1.824)</td>
<td>(-0.649)</td>
<td>(3.188)</td>
<td>(-2.38)</td>
<td></td>
</tr>
<tr>
<td>Very high HD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>848</td>
<td>664</td>
<td>650</td>
<td>593</td>
</tr>
<tr>
<td>Countries</td>
<td>53</td>
<td>55</td>
<td>57</td>
<td>38</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.68</td>
<td>0.74</td>
<td>0.67</td>
<td>0.99</td>
</tr>
</tbody>
</table>

Notes: Fixed-effects models. All the independent variables are lagged by one year. T-values are in parentheses below the coefficients. The lagged dependent variable is not reported. HD = Human Development. Significance: *** p < 0.01; ** p < 0.05; * p < 0.10.

How democracy is affecting the urban-rural divide in the countries with very high human development is shown in model (10). In this model democracy has the strongest effect across all models and it is statistically significant at the 1 %-level. This follows H1, but even though the hypothesis can be accepted, it is still a minor effect, when taking into account that the effect only improves the proportion with 2.3 % and thus closes the gap between the urban and rural areas by no more than short margin. Still, since the models are dynamic, the effects reported throughout the analysis are per year, and over a considerable amount of time having a more democratic system of governance in a highly developed country will produce a smaller urban-rural divide.
4.3 Problems

It is not a simple task to include a lagged dependent variable into a model with fixed effects and some scholars even goes as far as discouraging this, since it could bias the results (Galvao, 2011, p. 152). This is an even bigger problem, when \( T \) is small (Ibid., p. 143), which further raises a question about the choice of method. Such comments should be taken into account, when evaluating the analysis and the test of the hypotheses, but it is out of the scope of this paper to conduct a robustness checks with a different kind of modelling. A different way could be to follow Green et al. (2001), who call for a Hausman test to determine, whether a fixed-effects model is biased, when a lagged dependent variable is included. This is beyond the technical abilities of the researcher, and instead each model went through a simple F test to see, whether they reject the null hypothesis that the coefficients are 0. This was the case for all of the models.

Despite the criticism above, there are certain advantages of using the fixed-effects model together with the lagged dependent variable. As noted earlier, the fixed-effects model has its advantage, when it comes to controlling for country-specific effects (Ross, 2006, p. 866), which comes down to the way this kind of modelling works. It basically assumes that each country has its own intercept, which is different from all the other countries’ intercepts. The distinct intercept implies that there are certain fixed effects that are unobserved and that these vary among countries, which means that there are factors, other than the independent and control variables, leading to a certain value on the dependent variable (Green et al., 2001). If we knew more about what factors lead to a higher or lower urban-rural divide and how to measure these, it would not be necessary to use a fixed-effects model. However, at this point in time it is safe to assume that there are other factors than democracy, country-wide development and the spatially demographic of a country that influence the urban-rural divide making the fixed-effects model an appropriate method to use.

Another problem, which appeared already at the operationalization of the urban-rural divide, is data availability and the limitations this causes. Though the selection is random and solely based on the data available for the dependent variable, there might be a bias in the countries for which not enough data is available. Also, models (7-10) build on a smaller \( T \), which could have been avoided, if more data had been available. The data availability issue resulted in an urban-rural divide measure with a lower validity than would have been preferred. There was a dilemma was to decide between increasing the number of countries for which data were available over time by limiting the development indicators in the measure. The choice fell on choosing a few core indicators and thereby allowing for a large-N study, but it came with a lower validity for the dependent variable. In an ideal case, spatially disaggregated data for education, monetary poverty, and food availability, to name a
few, would be included in the measure. One could have attempted to do the study on the sub-state level for one state, but it would cause difficulties in differentiating in the level of democracy among states within the same polity. As more data becomes available over longer time, for instance through survey projects like the AfroBarometer, a more comprehensive measure of the spatial development inequalities should replace the urban-rural divide measure used here.

5 Conclusion

This paper set out to evolve the limited explanatory research on the development inequalities between urban and rural areas, but also to add to the descriptive literature and expand the geographical scope of the research conducted in this field. It did so by taking the fundament from Ross’ (2006) article about democracy and the poor and pose the title question: Is Democracy Good for the Rural Population? There is not a clear-cut yes or no answer, since it depends on the context. This argument was introduced in the theory section, where two hypotheses highlighted that democracy will not have the same effect on the urban-rural divide across countries with different levels of development. Before testing these hypotheses, it was shown that spatial development inequalities are not a global issue, but first and foremost a challenge in Sub-Saharan Africa. However, there are also countries in East and the Pacific, Latin America, South Asia and MENA with large gaps between the urban and rural citizens. It has been a difficult task to operationalize the urban-rural divide in manner consistent with the definition of development, since longitudinal cross-country data was scarce. Therefore, essential development indicators were chosen to accommodate the dilemma between a valid measure and methodological concerns of N and especially T. Future studies should attempt to improve the measure of the urban-rural divide to make it go beyond access to electricity, a safe water resource, and sanitation facilities.

The empirical analysis showed that democracy does not close the gap between the urban and rural areas, when the country-wide level of development and spatial demographics are controlled for. Nonetheless, the two hypotheses were both accepted, though it came as a surprise that democracy did not decrease the urban-rural divide among the countries in the high human development category. It was only for the most developed countries that democracy had a statistically significant positive effect on the dependent variable. These conclusions are associated with uncertainty due to modelling issues, and they should only be considered a preliminary result that require more rigorous testing. For instance, what other governance factors influence the urban-rural divide? Konadu-Agyemang & Shabaya (2005) have already highlighted that corruption is altering the resource allocation within a
country, but other aspects such as political stability and government effectiveness should be considered. These concepts were briefly dealt with theoretically, but they were left out of the empirical analysis due to time and space constraints.

Democracy has the potential to overcome the urban bias in development efforts, which makes progress in the rural areas a subordinate priority to the urban areas. Nonetheless, it matters what the country-wide level of development is, and this indicates that democracy’s value for the rural population first increases, when a country achieves a very high level of human development.
6 Bibliography
Easterly, W., 2006, *The white man's burden: why the West's efforts to aid the rest have done so much ill and so little good*, Penguin Press, New York.


