A Theory of Minimalist Democracy

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Consolidated democracies are characterized by universal suffrage, free fair competitive elections, freedom of political participation organization, civil political rights, freedom of the media.

A long list of complementary attributes that many scholars feel necessary for effective democratic representation of the populace. Dahl (1971) Polyarchy.
The majority of democracies worldwide are less than consolidated:

- Diamond (2002): A “political gray zone...between full-fledged democracy and outright dictatorship”.

- In 2012 Polity IV of the 115 countries that had a Polity2 score above 0, only 51 had a score above 8 (i.e. above Paraguay, Philippines, Ghana or Indonesia).
Introduction

The Importance of Hybrid Regimes

“the trend toward democracy has been accompanied by an even more dramatic trend toward pseudodemocracy. Only about half a dozen regimes in 1974 (less than 5 percent) would have met Schedler’s criteria of electoral authoritarianism: undemocratic but with multiparty elections and some degree of political pluralism. [...] Today, at least 45 and perhaps as many as 60 are electoral authoritarian – roughly between 1/4 and 1/3 of all states. In proportional terms, authoritarian forms of multiparty electoral competition have increased during the third wave much more rapidly than democratic ones.” Diamond (2002)
A Theory of Minimalist Democracy
Most of these proto/psuedo-democracies meet the electoral criterion for being called democracies but not much else: i.e., the “minimalist” stance of Schumpeter (1942) as summarized by Przeworski (1999):

“A system in which rulers are selected by competitive elections...Governments are elected by the toss of a, not necessarily fair, coin....citizens have no electoral sanction and incumbents have no electoral incentives to behave well.”

Przeworski (1999)
Example: African Democratizations

Bratton and van de Walle (1997)

- **Pre-1990:**
  - Sub-Saharan Africa elections were “largely non-competitive affairs in which, by forgone conclusion, a dominant ruling party won all available seats.”
  - 1985-89: 9 countries out of 47 with competitive elections
  - Only 1 Sub-Saharan Africa incumbent ruler (Ramgoolam, Mauritius) replaced through elections.

- **1990-94:**
  - 38 countries out of 47 with competitive elections.
  - 11 Sub-Saharan Africa incumbent rulers replaced through elections.
  - Yet over the same period 37 of the 47 countries were not democracies according to Polity IV comprehensive scores.
Is this a purely procedural approach without bite?
- Glaeser, La Porta, Lopez-de-Silanes and Shleifer (2004) criticize the use of Polity IV as institutional measure because it “provides a rapidly moving assessment of electoral outcomes over time, not a measure of actual political constraints on government.”

Many countries only meet such minimal criteria. Is there value in the minimalist approach?

How relevant are competitive elections per se in the process of democratization of an autocratic regime?

Are political liberalizations (in this minimal sense) and economic/civil reforms friends or foes?
We characterize the problem of leadership survival for an autocratic leader facing coup threats from regime insiders. The autocrat can assuage competitors to his leadership through patronage disbursements.

What happens if resources are insufficient?

A minimalist democracy (allowing elections with some possibility of replacement) can be a sufficiently attractive institutional setting to be endogenously selected by leaders exposed to coup attempts.

The autocrat may even decide to introduce reform to abate patronage-extraction capital in order to have a shot at a consolidated (i.e. coup-free) democracy.

Nothing hinges on democracy being redistributive or representative. Nor on elections having any “bite”.

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A Theory of Minimalist Democracy
Literature

- Caveat: Massive literature(s), naturally incomplete list.

- Causes of Democratizations/Democratic Transitions: Lipset, 1959 (Modernization Hypothesis); Huntington, 1991; Przeworski, Alvarez, Cheibub, 1996; Barro, 1999; Boix, 2003; Geddes, 2003; Bruckner and Ciccone (Rain/Opportunity, 2011); Acemoglu and Robinson (2001, 2006); Acemoglu, Johnson, Robinson and Yared (2008); Murtin and Wacziarg, 2013; etc.

- Socio-economic Consequences of Democratizations: Acemoglu, Naidu, Restrepo, and Robinson, 2013; Acemoglu and Robinson (2001; 2006); Przeworski, Alvarez, Cheibub, Limongi, 2000; Bueno de Mesquita, Smith, Siverson, Morrow, 2003; Persson and Tabellini (Democratic Capital, 2009); Rodrik and Wacziarg, 2005; etc.

- Democracies Conflict: Maoz and Russett, 1992 (Democratic peace); Russett, 1994; Enterline and Greig 2005; Baliga, Lucca, Sjostrom, 2011; etc.
Model Preliminaries

The Model

- An infinite horizon, discrete time economy,
- Per period probability of death, $\epsilon$.
- Leader obtains a per period return to office $F$ whilst leader.
  - Non-divisible – ego rents, prestige, status, power
    
    "There is no number two, three, or four... There is only a number one: that’s me and I do not share my decisions.” – Felix Houphouet-Boigny, President of Cote D’Ivoire (1960-1993)

- Death leads to per period returns of zero.
- $U$ denotes maximal patronage value of posts

  - Allocated by leader (can keep all)
  - Divisible – graft, cash, resources, patronage
“The distinctive institutional hallmark of African regimes is neopatrimonialism. In neopatrimonial regimes, the chief executive maintains authority through personal patronage, ... The essence of neopatrimonialism is the award by public officials of personal favors, both within the state (notably public sector jobs) and in society (for instance licenses, contracts and projects). ... it is the core feature of politics in Africa. ... The interaction between the big man and his extended retinue defines African politics from the highest reaches of the presidential palace.” Bratton and Van de Walle (1994)
The Players

- $N$ elite
  - At time zero, a single elite is the country's leader, the other elite are his *insiders*
  - If any elite dies, replaced by another one next period (exogenous to the model)
  - Maintains same position

- Voters – more on these later
Coups

- Each period one (and only one) member of elite insiders has the opportunity to mount a coup.
- This opportunity is drawn randomly, is time independent, and is identical across all insiders.
- The identity of this individual is private information.
- If coup undertaken:
  - Coup leader’s patronage foregone
  - Coup succeeds with probability $\gamma < 1$.
  - Successful coup deposes current leader, who receives zero (death) in perpetuity, and replaced with coup leader
  - Unsuccessful coup maintains current leader, coup leader receives zero from then on.
Governance: Autocracy

- No Elections
  - Leader obtains $F$.
  - Determines the allocation of $u(t)$.
  - Leaders stays in power until deposed (via coup) or dead.
    - Obtains zero in either case.
Governance: Democracy

Minimalist Democracy:

1. Election held at end of period to determine leader next period
2. Election technology a lottery: \( \pi \in [0, 1] \) probability of incumbent winning

\[
\pi = \begin{cases} 
0 \text{ if previously } & \text{1. Did not hold an election;} \\
p \in [0, 1] & \text{2. Refused to leave after losing an election;} \\
& \text{3. Came to power via a coup;}
\end{cases}
\]

- Voters do not vote for a politician having held (or taken) power non-democratically
- Incumbent losing election chooses to leave and become insider.
Civil Reform

- Only leader can choose reforms
- Reforms reduce/increase (up to $U$) available graft
  - Resources controlled by the state are removed from graft (not available for leader’s patronage)
    - Procedures put in place to stop pilfering: accounting, oversight
    - Hiring based on merit, procurement based on quality, etc.
    - Perhaps tied up in private/public goods and services for citizens
- Extent of reforms a choice variable for the leader
  - Leader can *attempt* to set post-reform level of graft to any $u \in [0, U]$. 
Reforms cont.

- Reforms uncertain
  - Changing graft succeeds with probability $\phi$ in any period
  - If attempting to change $u(t)$ to $u'(t + 1)$ with $u' \neq u$:
    - with probability $\phi$ graft becomes $u'(t + 1)$,
    - with probability $(1 - \phi)$ graft remains $u(t + 1)$.

- Reform attempts and outcomes are observable
Timing

1. Start period $t$ with leader from previous period and $u(t)$

2. Leader moves:
   - Allocates $u(t)$,
   - Undertakes reforms, $u(t + 1) \neq u(t)$, or not
   - Chooses democracy/autocracy (elections or not)

3. Insiders move:
   - Coup Decision Taken

4. Coup, reform, election outcomes realized

5. Leader moves:
   - Respect election or not

6. Exogenous terminations occur (next period’s leader determined)
From hereon only consider set of Markov perfect equilibria
States

Autocracy/Democracy choice variables of the leader – not states

- Two dimensional state space:
  - Amount of patronage available to leader; $u(t) \leq U$.
  - Second dimension binary. $\pi = p$, or $\pi = 0$.

- State transitions:
  - Every new (non-violent) leader comes to power with $\pi = p$
  - Leader preserves $\pi = p$ if and only if: holding election, respecting outcome
Patronage Allocations in Autocracy

- First consider a world where Autocracy is only form of governance
  - No election technology
  - No reforms possible
- For exposition $N = 2$ from hereon
Markov Strategies

Leader:

\[ x \in [0, U] \quad (1) \]

Insider:

\[ \sigma : [0, U] \rightarrow [0, 1] \quad (2) \]
\[ V^L_A = F + U - x + (1 - \epsilon) \times (1 - c \times \gamma) \times V^L_A, \]  

where \( c \equiv \sigma(x) \) is the probability of a coup occurring

If loyal insider:

\[ V^N_A = x + (1 - \epsilon) \times V^N_A \]  

If taking a coup:

\[ \gamma \times (1 - \epsilon) \times V^L_A \]

Coups:

\[
\begin{align*}
V^N_A & \geq \gamma \times (1 - \epsilon) \times V^L_A, \text{ for } c = 0 \\
V^N_A & \leq \gamma \times (1 - \epsilon) \times V^L_A, \text{ for } c = 1 \\
V^N_A & = \gamma \times (1 - \epsilon) \times V^L_A, \text{ for } 0 < c < 1.
\end{align*}
\]
Outcomes: Autocracy Only Case

Result

1. For $U \geq \gamma F \ast (1 - \epsilon)$, the unique Markov perfect equilibrium is secure autocracy: Leaders allocate patronage $x = (F + U)\gamma \ast (1 - \epsilon)/(1 + \gamma \ast (1 - \epsilon))$ to insiders and coups do not occur.

2. For $F\gamma(1 - \epsilon)e/(\gamma(1 - \epsilon)^2 + \epsilon) \leq U < \gamma F \ast (1 - \epsilon)$, in the unique Markov perfect equilibrium leaders allocate all patronage to insiders, $x = U$ and coups occur with probability $< 1$, and

3. For $F\gamma(1 - \epsilon)e/(\gamma(1 - \epsilon)^2 + \epsilon) > U$, $x = 0$; leaders allocate no patronage to insiders and coups occur every period.
With abundant $U$, transfer enough to buy security and keep the rest.

For interior (and sufficiently low) probability of coups always better to transfer graft to insiders than keep it for own use.

- Transfers lower coup occurrence
- Coups are surplus destroying
- Marginal dollar of patronage best used as a transfer

For probability of coup one (or high enough) even with transfers, keep all patronage and concede coups.
Graft and Autocratic Values
Van de Walle (1994) argues that

“Cameroon’s “patrimonial orientation” was due to its political leaders’ management of oil wealth and that this wealth, along with foreign aid, allowed the authoritarian regime to endure.”

From Fjelde 2009:

“The conversion of public funds into private payoffs has prolonged poverty and bred economic inequality in many oil-wealthy states, but it has also helped foster powerful alliances with a stake in the continuation of the prevailing rule (Smith, 2004). Countries such as Gabon, Libya and Saudi Arabia illustrate how oil-based rent-seeking can strengthen regimes, by extending their clientelist networks and thus placating restive groups.”
Now allow Democracy – (still no reforms).
Markov Strategies:
Leader:
\[ \sigma^L : \{0, p\} \rightarrow [0, U] \times \{Elections, No Elections\} \]
Insider:
\[ \sigma : \{0, p\} \times [0, U] \times \{Elections, No Elections\} \rightarrow [0, 1] \]
Leader:
\[ \sigma^L : \{0, p\} \times \{Win, Lose\} \times \ldots \rightarrow \{Stay, Leave\} \]
For any equilibrium in which Democracy works, need leader to leave office when losing election. That is:

\[ V_D^N \geq \tilde{V}_A^L \]

This implies:

\[ V_D^N > \gamma \tilde{V}_A^L \]
Value Functions – Democracy

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This implies:

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So democratic value functions are:

\[
\begin{align*}
V_D^L &= F + U - x + (1 - \epsilon) \times (p \times V_D^L + (1 - p) \times V_D^N) \\
V_D^N &= x + (1 - \epsilon) \times (p \times V_D^N + (1 - p) \times V_D^L)
\end{align*}
\]
Autocratic values (changed to reflect follower being part of transition to democracy because leader dies in office):

\[ \tilde{V}_A^L = F + U - x + (1 - \epsilon) \times (1 - \tilde{c} \times \gamma) \times \tilde{V}_A^L \]
\[ \tilde{V}_A^N = x + (1 - \epsilon) \times ((1 - \epsilon) \times \tilde{V}_A^N + \epsilon \times V_D^N) \]

\(\tilde{c}\) determined analogously to before
We determined $x$ in autocracies already. And:
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**Result**

*In any Markov perfect equilibrium where democracy is credible, necessarily leaders in democracy transfer $x = 0$, and there are no coups.*

- Binding constraint in (credible) democracy is losing leader leaving
- Coup constraint does not bind
- Transfers (help coup constraint) do not affect leaving decision
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E.g. Lehoucq and Perez-Linan (2009), 18 Latin American countries, 20th Century:

“*Our main finding is robust to multiple specifications: the establishment of a credible commitment among political elites to accept democratic outcomes ends the coup trap.*”
Democratization (if credible) can help solve the non-divisibility problem.

If coups occur in autocracies then democratization can be used to mitigate coup threat.

- Offering an avenue to power for insiders stops them using the (costly) coup technology.
Credibility of Democratization

- Since no commitment power in elections, leader must be willing to leave office for democratization to be credible

**Result**

\[
U \leq \frac{F(1-p)\gamma(1-\epsilon)}{2-\gamma-p(2-\gamma)(1-\epsilon)-\epsilon},
\]

then in the unique Markov perfect equilibrium:

- Any leader with \( \pi = p \) holds elections each period and respects outcomes.
- Any leader with \( \pi = 0 \) rules as an autocrat and faces coups.
- If a leader with \( \pi = 0 \) experiences an \( \epsilon \) transition (e.g., dies in office), next leader democratizes and democracy persists from then on.
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Jones and Olken (2009). Following the assassination of an autocrat compared with a failed attempt to assassinate an autocrat:

- Using PolityIV, transitions to democracy 13 p.p. higher
- Using Archigos, probability next leader transitions occur through peaceful means 19 p.p. higher.
Democratic Credibility
“..most African resource-dependent countries were authoritarian governments and struggled with democratic consolidation after the “third wave” of democratization. These resource-dependent countries include Algeria, Nigeria, Libya, Gabon, Cameroon, and the former Zaire. Besides South Africa, the transition to democracy has been successful only in resource-poor countries such as Benin, Mali, Senegal, and Madagascar.” Jensen and Wantchekon 2004
Parameter range limited by *credibility* of democracy not *preference* for it by leader.

- Credibility requires $V_D^N \geq \tilde{V}_A^L$
- But then $V_D^L > V_D^N \implies V_D^L \gg \tilde{V}_A^L$; democracy strictly preferred
Civil Reforms

When would a leader attempt civil reforms (reduce graft)?

- Autocrats – planning to remain autocrats – would never choose to reduce graft below $U$.
- Perhaps to help make democracy credible?
  - Democratization may be preferred even when not credible.
- Tying up graft in civil reforms may make ruling as an autocrat untenable – help increase credibility of democratization
- But tying up graft lowers consumption value of office
Civil Reforms

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- Tying up graft in civil reforms may make ruling as an autocrat untenable – help increase credibility of democratization
- But tying up graft lowers consumption value of office
  - Intuition: value of graft in autocracies (transfers – reducing coups) higher than in democracies (consumption)
Imagine a reform target $u^* < U$

- Intuitively – tying up enough patronage so that autocrat under $u^*$ faces certain coup.

- A reformed state with $u^* < U$ generally expands range of values under which democracy is credible.
Region where reform produces credible democracy
Reforming graft can make leader election commitment in a democracy credible.

But (unlike elections) reforms not instantaneously chosen – must be attempted; may not work

Do leaders want to attempt civil reforms leading to democratization?

What is timing of reforms?

- Would a democratic leader attempt to implement such reforms?
- Would an autocratic leader attempt to implement such reforms and then democratize?
Democracy and Civil Reforms

A further benefit of reforms: lower coup frequency even before succeeding

- “Honey Moon” Period
- While attempting reform insiders hold-off coups to observe outcome
  - Attempted reform promises insiders chance of democracy
  - Also makes prize from coup (in expectation) smaller

If reforms would succeed in making democracy credible, then the fact of attempts being made today may lead insiders to eschew coup opportunities.
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Timing of Reforms

Reform then democratize?

- Leader reforming but not holding elections, not in good standing with voters
- Never re-elected in free and fair elections
  - Given this, even if reform succeeds, insiders know leader will not leave
  - Reforms do not dissuade coups, reforms can never benefit leader

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Democratize then reform?
- Without reform, elections will always be violated
- Coup threat persists unabated.
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Democratic/civil reform simultaneously:
- Direct benefit since coups stop while reforms attempted
- Secondly if reforms succeed and:
  - Leader re-elected, democracy is credible, and no more coups
  - Leader loses, leader leaves, but can transition back to power without coup
Would leaders attempt reform rather than rule as an autocrat – given that attempts generate honey-moon period?
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Consider the range of insecure autocracies and suppose a leader in good standing would prefer to lead in a democracy but cannot credibly commit to democratic reforms. There exists a critical level of $p$, denoted $p^*$ such that, for any $p \leq p^*$ a Markov perfect equilibrium is for this leader to simultaneously attempt reform (i.e., set $u < U$) and schedule elections.

- If reforms succeed, permanent democracy ensues
  - Losing leader leaves
- If reforms fail, possible re-autocratization
  - Re-elected leader attempts reform again
  - Losing leader refuses to leave and suspends future elections

Rationale for a ‘turnover’ test.
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Direct to Democracy

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Reform to Democracy

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Examples

Ghana:

- Set of corruption reforms (John Kuffour’s “Zero Tolerance for Corruption” in inaugural presidential speech in 2001), a movement to regular elections with coups effectively disappearing.
- WB Control of corruption indexes improving from -.22 in 1996 to -.09 in 2012.
- Close to consolidated democracy today
Nigeria:

- Since independence in 1960 endemic corruption, brief stint of civilian control of the state (1978-83).
- In 1986 Structural Adjustment Program by IMF and WB, abated patronage favored economic liberalizations, but failed:

  “The precipitating event in the deterioration of the reform programme was the Persian Gulf crisis, which caused a large shock in global oil markets. The ‘miniboom’ offered an infusion of new resources to a regime beset by political turmoil....permitting the dissemination of patronage to the political class.” Peter M. Lewis (1994, African Affairs p.338)

Recently more of the same


WB Control of Corruption index in 1996 -1.13 and in 2012, -1.15.

PolityIV score 2010: 4.
A theory of minimalist democracy

- Contested leadership as response to regime insecurity
- Triggered by reduced patronage availability
- Secure(from coups) when credible
- A range where civil reforms are key:
  - Intuition: Who wants to move from a democratic regime when the alternative is to end up in an autocratic mess with coups every period?

Such reforms are assumed to be probabilistic in the model (parameter $\phi$) but they can be thought of as a step function.

Final thoughts on Minimalist to Maximalist democratic transitions
Cut-Off Strategies

- If sufficient $U$ (secure range):
  - For leader: allocate $(F + U)\gamma \times (1 - \epsilon)/(1 + \gamma \times (1 - \epsilon))$.
  - For insider: coup iff $x < (F + U)\gamma \times (1 - \epsilon)/(1 + \gamma \times (1 - \epsilon))$.

- If insufficient $U$ middle range, (occasional coups):
  - Leader: allocate all $U$ to insiders
  - Insider: coup with probability $c$ if allocated $U$, otherwise coup for certain
  - $c$ solves $V_A^N = \gamma \times (1 - \epsilon) \times V_A^L$.

- If insufficient $U$ low range, (perpetual coups):
  - Leader: allocate 0 to insiders
  - Insider: coup with probability 1 always
  - $V_A^N < \gamma \times (1 - \epsilon) \times V_A^L$. 

Back to Autocracy Only...
“The prebendal network on which African leaders have built their power have been undermined in recent years by economic austerity and market reforms. In turn, this made the regimes more vulnerable to unrest and less able to buy support and coopt opposition. .....leaders in richer countries like Zaire, Gabon and Cameroon, enjoyed a steady flow of revenues from oil and mineral exports and may have calculated that they could still dominate the political game...’ Bratton and Van De Walle 1997
Equilibrium Play Leader:

- If $p = 0$: $x = 0$; no elections
- If $p > 0$: $x = 0$; elections.
- If $p > 0$, lose election: leave.

Equilibrium Play Insider

- If $p = 0$: Coup irrespective of $x$ and elections
- If $p > 0$: No coup irrespective of $x$. 

Back to Democracy...
Value Functions Under Reform

Recall $\phi$ denotes the probability of a reform working

Consider a civil reform target ($u^*$) such that autocrat under $u^*$ faces certain coup:

\[
\begin{align*}
    v^L_A &= F + (1 - \epsilon) \times (1 - \gamma) \times ((1 - \phi) \times v^L_A + \phi \times V^L_A) \\
    v^N_A &= u^* + (1 - \epsilon) \times ((1 - \phi) \times ((1 - \epsilon) \times v^N_A + \epsilon \times v^N_D) + \\
           &\quad \phi \times ((1 - \epsilon) \times V^N_A) + \epsilon \times \max_L[V^N_A, V^N_D]) \\
    v^N_A &= \gamma \times (1 - \epsilon) \times v^L_A \\
\end{align*}
\]

Where $v^N_D$ solves:

\[
\begin{align*}
    v^L_D &= F + u^* + (1 - \epsilon) \times (p \times v^L_D + (1 - p) \times v^N_D(u^*)) \\
    v^N_D(u^*) &= (1 - \epsilon) \times (p \times v^N_D(u^*) + (1 - p) \times v^L_D)
\end{align*}
\]
Define \( v_A^L(u^*) \):

\[
v_A^L(u^*) = F + u^* + (1 - \epsilon) \times (1 - \gamma) \times ((1 - \phi) \times v_A^L + \phi \times V_A^L)
\]

(6)

Defines set of values such that democracy is credible under \( u^* \) reform, i.e.: 

\[
v_D^N(u^*) \geq v_A^L(u^*)
\]

(7)