



## **ANALYSING THE RELATIONSHIP BETWEEN DEMOCRACY AND DEVELOPMENT: DEFINING BASIC CONCEPTS AND ASSESSING KEY LINKAGES**

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### **I. Introduction**

This brief Background Note seeks to analyse the complex relationship between democracy and development, a question that has preoccupied academics and policymakers alike for several decades. Section II begins by defining basic concepts, including democracy in minimalist and more substantive terms, and development. It also highlights the importance of democracy as a process and development as an outcome. The Note then goes on to assess some key (causal) linkages between democracy and development in Section III, discussing in particular modernisation theory and the emergence of democracy; the argument that democracy is a (pre)requisite for development, and the opposite argument that in fact authoritarian regimes are better at promoting development. This section also looks at some of the challenges posed by emerging democracies and proposes taking a new look at modernisation theory for some insights. Section IV concludes by summarising a few key texts in the literature, which in the aggregate point to the fact that the evidence linking democracy and development in one way or the other remains inconclusive and highly contested. On this basis, the Note highlights the intrinsic value of the democratic process, while also noting that the expectations placed on (emerging) democracies to generate development outcomes need to be tempered. The Note ends by suggesting that, when thinking about democracy and development, it is essential to ‘bring the state back in’, and that the international community needs to think about how the different goals it seeks to pursue interact and to grapple more seriously with the ensuing tensions.

### **II. Defining basic concepts**

#### ***1) Democracy: minimalist definitions***

At its most basic level, a democratic system can be defined in procedural terms as ‘that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote’ (Schumpeter 1942). Expanding on this definition, Dahl (1971) identifies seven key criteria that are essential for democracy, or what he prefers to refer to as ‘polyarchy’. These include:

- Control over governmental decisions about policy constitutionally vested in elected officials

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- Relatively frequent, fair and free elections
- Universal adult suffrage
- The right to run for public office
- Freedom of expression
- Access to alternative sources of information that are not monopolised by either the government or any other single group
- Freedom of association (i.e. the right to form and join autonomous associations such as political parties, interest groups, etc).

While still minimalist, Dahl's definition of formal democracy includes the basic civil liberties that should, in principle, guarantee that the democratic process is inclusive, free of repression and enables citizens to participate in an informed and autonomous manner. However, the focus of this definition, is still on contestation, or the electoral process itself. For a long time, the international community has also tended to place tremendous faith in the determinative importance of elections and what they can achieve for the democratisation process – there is an implicit assumption that 'elections will be not just a foundation stone but a key generator over time of further democratic reforms' (Carothers 2002).

## ***2) Democracy: more substantive definitions***

On the other hand, as has become increasingly clear with the emergence of new democracies in many regions of the developing world since the 1980s, the process of democratisation entails not only a transition to formal democracy, but also the consolidation of such a democratic system. As analysts have found, relying on a minimalist definition of democracy cannot quite capture the challenges besetting regimes that have undergone a transition but have yet to consolidate their incipient democratic structures.<sup>1</sup> As a result, a growing number of democratisation experts is turning towards a more substantive definition of democracy, one that gives greater prominence to the role and importance of accountability.

Three dimensions of accountability are usually distinguished:<sup>2</sup> (i) vertical accountability, which enables citizens to hold their political leaders to account through the electoral channel at specified points in time; (ii) horizontal accountability, which refers to accountability mechanisms that exist within the distinct bodies of government itself, whereby state institutions are authorised and willing to oversee, control, redress and, if need be, sanction unlawful actions by other state institutions (O'Donnell 1996); and (iii) societal accountability, which refers to the (ongoing) watchdog functions of civic associations, other NGOs and an independent mass media over the actions of the state (Schedler et al. 1999).

This model of a liberal representative democracy – based on a free and fair electoral process, the respect of basic civil and political rights, and the provision of accountability mechanisms essential to give democracy substance – has gained growing international currency over the past two decades (see for example Bardhan nd; Diamond 2003; and Leftwich 2005). As Amartya Sen (1999a) has argued, democracy thus understood has become a 'universal value'. A leading example of this emerging international consensus is provided by the Community of Democracies (CD). Through its Warsaw Declaration and subsequent statements, the CD is the first intergovernmental organisation of established democracies and

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<sup>1</sup> For a more detailed overview of the challenges confronting these emerging or incipient democracies, please see the Background Note on 'Hybrid Regimes and the Challenges of Deepening and Sustaining Democracy in Developing Countries' that has been prepared for this conference as well.

<sup>2</sup> The debate on what constitutes an accountability relationship is ongoing. Some analysts include external accountability as a fourth form of democratic accountability. For overviews of the theoretical debates, see Mainwaring and Welna (2003) and Goetz and Jenkins (2005).

democratising countries that has sought to define and assess what a democracy is (very much along the lines suggested above), as well as to ‘work together to support and deepen [it] where it exists, and to defend it where threatened’ (Boucher 2000), although its proclamations are non-binding.<sup>3</sup>

On the other hand, this liberal notion of democracy has been criticised in certain circles as being too elitist, stressing that aspects of participation are neglected (Pateman 1970; Chambers 1996). These other debates about more substantive democracy therefore put much more emphasis on inclusionary, deliberative, and participatory processes. As John Gaventa (2006) has put it, the ‘deepening democracy’ strand of the democracy debate ‘focuses on the political project of developing and sustaining more substantive and empowered citizen participation in the political process than what is normally found in liberal representative democracy alone’. Though far from perfect, the constitutions of both post-authoritarian Brazil and post-apartheid South Africa offer examples of deliberate attempts at more substantive and participatory democratic governance (including provisions for participatory budgeting, for instance).

### ***3) Democracy and development: outlining the terms of the relationship***

Few questions in comparative politics and development studies and policy have generated as much debate and scholarship as that exploring the relationship between democracy and development. The positive correlation between (high levels of) wealth and (established) democracy, first captured by Martin Lipset in his famous 1959 essay ‘Some Social Requisites of Democracy’, is one of the strongest and most enduring relationships in the social sciences. In fact, a democratic regime has never fallen after a certain income level is reached (\$ 6,055 *per capita* in PENN World Table dollars) (Przeworski et al. 2000).<sup>4</sup> However, as strong as this correlation is, it does not mean causation, and so for a very long time academics, development analysts and policy makers alike have been preoccupied with untangling the complex relationship between development and democracy and determining whether there is a causal link between the two.

Much of the answer to the question about the links between democracy and development will of course depend on how one defines ‘development’. If one follows Sen (1999b) and adopts a definition of development as ‘freedom’ – a suitably broad definition that incorporates not only economic indicators but also freedoms like human and political rights, social opportunities, transparency guarantees and protective security, then by definition democracy must lead to development. In addition, recent debates on a rights-based approach to development also focus on participation, accountability, and other elements that are very similar to those values underlying substantive forms of democracy (e.g. UNDP 2000). However, while there is enormous value in understanding development in such a holistic way, such an approach poses conceptual problems. Defining development in terms of many of the attributes inherent to democracy (including rights and accountability) makes it more difficult analytically to make a distinction between the two terms and to be able to (or at least attempt to) disentangle the nature of the relationship between them. For this reason, it may be useful to adopt a somewhat narrower definition of development. Following Joseph Stiglitz (2003), development for the purposes of this Note is understood as a ‘transformation of society’ that goes beyond economic growth alone to include social dimensions like literacy, distribution of income, life expectancy, etc. – the variables captured in the UNDP’s

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<sup>3</sup> For more information on the Community of Democracies and the Warsaw Declaration, see <http://www.state.gov/g/drl/c10790.htm>

<sup>4</sup> On the other hand, dictatorships follow a more capricious pattern: they can survive in both very poor (less than \$ 1000 per capita a year in PENN World Table dollar) and very rich (more than \$ 7000) countries.

human development index. In addition, development must include some dimension of the (re)distribution of wealth as well (Leftwich 2005).

There is also a debate on whether ‘real’ democracy can only be said to be achieved in those political regimes that foster development, economic equality and social justice.<sup>5</sup> But as many analysts have noted (e.g. Schmitter and Karl 1996), there is nothing inherent in the nature of a democratic system that should automatically lead to certain outcomes. Such a maximalist understanding of democracy may in fact risk overburdening the concept, and it places unrealistic expectations and/or demands on what democratic regimes should achieve by sheer virtue of being democracies. The distinction between state and regime type is central to this debate. A key function of the state is to promote economic growth and deliver developmental outcomes. Regime type refers to the form of government and the way decisions are made.

This Note opts for a definition of democracy (as outlined above) that focuses on process rather than outcome: a democracy should not be expected to produce better socio-economic outcomes simply because it is a democracy. As Sen (1999a) and many other have argued, the democratic process does have intrinsic value on its own right, and it should be expected to arrive at policy decisions in a way that is inclusive, participatory, broadly representative of different societal interests, transparent, and accountable. In particular, following the Sen tradition, the importance of participation in one’s development through open and non-discriminatory democratic processes is fundamental.

Once the intrinsic value of democracy has been established, however, it is still very much worth asking the ‘so what’ question: does democracy make a difference, and if so, what kind of difference? The growing recognition of institutions as key factors in shaping (developmental) outcomes (e.g. Commission for Africa 2005; Fritz and Rocha Menocal 2006 and 2007) and the movement of more poor countries toward democracy have both sharpened the relevance and the stakes of this debate even further. Some of the questions pondered include the following. Does development lead to democracy, or is it the other way around? What are the institutional mechanisms behind economic performance? Can democracy enhance development, or are authoritarian governments better equipped for that task? And is economic development necessary to enable democracies in the developing world to deepen and become consolidated? I turn to address some of these relationships in Section III below.

### **III. Democracy and development: Assessing key (causal) linkages**

#### ***1) Modernisation theory and the emergence of democracy***

During the 1960s and the 1970s, an argument that gained considerable prominence in mainstream academic and policy circles was that democracy was more likely to emerge in countries with high(er) levels of socio-economic development (Lipset 1959; Almond and Verba 1963; Moore 1966). Building on Lipset’s seminal analysis (1959), which stresses at one point that economic wealth is ‘an initial condition for democracy’ (p. 62), many analysts and scholars interpreted this correlation as implying that development was a precondition for democracy. This modernisation approach to democratisation understood the emergence of democracy as a consequence of the transformation of class structure, the emergence of a

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<sup>5</sup> A number of authors has criticised the liberal democratic framework for excluding social and economic aspects of democratisation (Mkandawire, 2001; Sandbrook, 2000). Others have argued that the formal, or liberal, notion of democracy is too elitist and that aspects of participation are neglected (Pateman 1970; Chambers 1996).

bourgeoisie, economic development, increasing urbanisation, the prior development of democratic values, and other cultural and religious factors.

Thus, according to this reading, the emergence of democracy is endogenous to the process of economic and social development—there is a simple, linear progression toward modernization that ultimately culminates in democratisation. In other words, once a non-democratic regime acquires a certain level, or ‘threshold,’ of economic development and social maturation, it will inevitably become a democracy. According to the modernization approach, then, the appearance of democracy should be seen as the crowning achievement of a long process of modernization, or as a luxury that affluent countries can (finally) afford.

However, the advent of the so-called Third Wave of democratisation that swept across much of the developing world beginning in the 1980s challenged this concept of ‘prerequisites’ for democracy. Many of the movements towards formal democracy since then have taken place in countries where such transformation would not have been expected based on low levels of economic development and other socio-economic indicators. As has been amply documented, a large number of countries experiencing a transition to democracy during the Third Wave fell in the bottom third of the Human Development Index (Diamond, Przeworski and Limongi 1997). Third Wave transitions also defied cultural arguments positing that democracy is incompatible with certain faiths and religious values.<sup>6</sup> In addition, many authoritarian regimes were able to survive even after reaching a considerably high level of development, so that there does not seem to be a natural progression from authoritarianism to democracy after reaching some kind of developmental ‘threshold’.

In response to the perceived limitations of modernisation theory, a budding literature has emerged since the 1980s that seeks to understand democratic transitions from a process-oriented approach.<sup>7</sup> This literature emphasises the importance of decisions, ideas and the interaction among strategic domestic political actors in bringing about transitions in ‘unlikely places’, while acknowledging the importance of structural factors in shaping actor choices to varying degrees.<sup>8</sup> The focus of this literature is on elite interactions. In some cases, however, widespread social mobilisation and (the threat of violent) protest from below were instrumental in bringing about democratic change. This was very visibly the case in both South Africa and the Philippines, as well as more recently in Ukraine.

Thus, a broad international consensus has emerged that holds that economic development *per se* is neither a necessary nor a sufficient condition for the emergence of democracy. On the other hand, beyond this general agreement about the fact that there are practically no (structural) preconditions to the emergence of democracy, the nature of the relationship between democracy and development remains a very hotly contested issue. Some have

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<sup>6</sup> (Peaceful) transitions to democracy took place in countries evincing every major religious or philosophical tradition, including Christian, Jewish, Hindu, Buddhist, Confucian and Muslim. The only region that seems to remain relatively outside this wave of democratisation is the Arab World (Stepan with Roberston 2003).

<sup>7</sup> See especially O’Donnell and Schmitter (1986) as one of the founding academic studies of this agency or process-oriented approach.

<sup>8</sup> A fundamental weakness of the earliest studies following a process-oriented approach is that their emphasis on contingent choice may lead to excessive voluntarism. By understating the role of structural incentives and constraints in its analysis, this literature tends to assume that actors are freewheeling agents independent of any political, economic, social and/or historical context. Yet, consideration of such structural determinants is crucial in explaining individual preferences, relative bargaining power and how interests may change over time. Since the early 1990s, there has been an attempt to combine structural and agency-related factors in an attempt to provide a deeper and more balanced understanding of what drives democratic transition processes. Some of the most notable works using this combined approach include Haggard and Kaufman (1995), Rueschemeyer et al. (1992), Huntington (1991), and Bratton and van de Walle (1994).

argued, for instance, that democracy is in fact an important (pre)requisite for the promotion of development, while others have maintained, quite on the contrary, that authoritarian regimes are better suited to that task. I explore each of these arguments in turn below, before discussing some of the challenges posed by emerging democracies and the insights a new look at modernization theory may offer.

## 2) *'Democracy first' argument: do all good things go together?*

The core of the argument that democracy helps promote development (more than the other way around) rests on some of the key institutional features of democratic systems – namely its accountability mechanisms and checks and balances provisions. These features play an essential role in limiting the abuse of executive and state power more broadly, and through elections and other processes, they also provide a predictable (in terms of rules, not outcome), transparent, periodic, and reliable system of rewards and punishments. According to Sen (1999a), for example, it is these institutional characteristics of a (functioning) democracy that explain why famines have never occurred in democratic systems. In a comparative analysis of policy reform in Central Europe after the transition to democracy in 1989, David Stark and László Bruszt also find that '[e]xecutives that are held accountable by other state institutions and held in check by organized societal actors ... [produce] ... more effective ... [developmental] policies'.

On the other hand, the wave of 'democratic optimism' that accompanied this momentous transformation toward democracy in a vast number of developing countries – what Francis Fukuyama (1992) enthusiastically described as 'the end of history'<sup>9</sup> – may itself have placed unusually high expectations about what these newly emerging democratic systems could and should accomplish. Turning many of the more traditional assumptions embedded in modernisation theory on its head, a new orthodoxy emerged within the international community (especially among donors) beginning in the 1990s that held that democracy is not an outcome or consequence of development, but rather a necessary ingredient to bring about development (see, for example UN-OHRLS and UNDP 2006; Leftwich 2000).

This is the thinking underpinning much of the 'good governance' agenda promoted by the international community (especially multilateral and bilateral donors). This donor agenda is fundamentally concerned about the rules and practices according to which governments are chosen and state power and authority are exercised (Kjaer, 2004). Although democracy as such is not always explicitly spelled out as an element of internationally-supported good governance efforts,<sup>10</sup> there is a clear normative commitment to democratic politics embodied in the good governance agenda. Among other things, good governance emphasizes the importance of transparency and (both horizontal and vertical) accountability, and it also calls for broadly inclusive and participatory decision-making processes as an essential condition to the effective promotion of development. Clearly, as noted towards the end of Section II.2, the discussion about participatory and inclusive forms of governance is not only part of a donor-led agenda and on the contrary enjoys a long intellectual history – the point here is to highlight how donors have embraced the concept of participation in their work, at least in principle. PRSPs provide such an example, though they have been heavily criticised for being donor-imposed and for promoting *pro forma* rather than substantive citizen/social participation (see Rocha Menocal and Rogerson 2006).

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<sup>9</sup> Referring in particular to the global triumph of democracy and capitalism around the world.

<sup>10</sup> The World Bank's Articles of Agreement, for example, formally prohibit it from getting in the internal politics of its members.

There are several advantages to an open, democratic, and participatory process to policy-making from a good governance perspective – even if this implies that decision-making processes are more protracted and less ‘efficient’ in the short term. Following Sáez (2005), they can be summarised as follows:

In the first place, [participation] allows for the creation of alliances of various interests in favour of set objectives. Second, it creates a sense of ownership of adopted decisions, even if they oppose certain interests defended by them. Third, it contributes to sustainability of policies over time: it reduces the chances of backlash if participation is solid and decisions taken are considered legitimate in their origin and outcome. Fourth, participation ... fosters ... more informed decisions. Lastly, participation permits society to demand more accountability of those in charge of public policies.

However, the good governance agenda tends to espouse a view of politics which may be overly naïve and idealistic, and it can impose demands with regard to the quality of governance which are far beyond what is needed (or even possible) at (very) low levels of development (Khan 2005). It also tends to assume too easily that ‘all good things go together’ (Fritz and Rocha Menocal 2007) and that democracies will lead to policies favouring redistribution. However, in many developing countries, democratisation has not been associated with (much) redistribution (Gradstein and Milanovic 2004; Chong 2004).

As Bardhan (nd) has warned, democratic decision-making processes are not always ‘pretty’ from a developmental perspective, and they do not necessarily lead to the enactment of policies that are (more) conducive to development. The fact that decision-making processes are intended to be more participatory and inclusive does not automatically make them developmentally more effective. Indeed, greater access to the state also means that the bureaucracy can more easily politicised. As Bardhan has put it, among other things ‘[n]ot all cases of public pressure that democracy facilitates help development... Democracies may be particularly susceptible to populist pressures ... and other particularistic demands that may hamper long-run investment[,] growth [and development more broadly]’. Kurt Weyland’s (1996) analysis of the striking failure of the first three democratically elected governments in Brazil to enact badly needed redistribution reforms provides a particularly stark example of just how poor the developmental outcomes of a democracy characterised by too much fragmentation and too many competing interests can be.

### **3) ‘Development first’ argument: do the ends justify the means?**

It is in fact this natural tendency of a democratic system to fragment, diffuse, and divide power among many different stakeholders at many different levels, both within the state and among societal actors (Dahl 1971), thereby making decision-making processes more time-consuming, that has led many other analysts in academic and policy circles alike to argue that, in the developing world, authoritarian regimes may be better suited than democratic ones to promote economic development. As Halperin et al. have noted, ‘the appeal of the authoritarian-led approach has ... at least something to do with its expediency, in comparison to the messy and time-consuming procedures typical of democracy’. The core of this argument is that development requires a strong, centralised, highly autonomous government, especially when poor countries need to play ‘catch-up’, and that democratic politics are simply too messy and unpredictable to provide such a structure.<sup>11</sup> In an

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<sup>11</sup> In a seminal 1968 work on *Political Order in Changing Societies*, Samuel Huntington argued among other things that, as a result of economic development, political mobilization will increase faster than the appropriate institutions can arise, thus leading to instability. As a solution he advocated the merits of a strong one-party

authoritarian system, state actors are also supposed to enjoy much longer time-horizons since they do not need to worry about the short-term politicking that arises from electoral cycles (Halperin et al. 2005).

Much of the empirical evidence sustaining the thesis that authoritarian regimes are in general more effective than democratic ones in promoting rapid development comes from the so-called East Asian Tigers (Korea, Taiwan, Hong Kong and Singapore), where the state in each case oversaw and led a process of rapid economic growth and radical socio-economic transformation from the 1960s to the 1990s. More recently, China and Vietnam have also been used as important showcases in favour of this argument. As many analysts have suggested (Evans 1995; Haggard 1990), the secret of these (East) Asian developmental states lies in what Peter Evans has described as their ‘embedded autonomy’, or their institutional capacity/autonomy to promote developmental goals without being ‘captured’ by particularistic interests while remaining ‘embedded’ in society through a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and renegotiation of goals and policies’ (Evans 1995). However, as reflected by these (East) Asian experiences, embedded autonomy can be a highly exclusionary arrangement, where the state is linked not to society at large, but to dominant groups within it, especially among the industrial class (Rocha Menocal 2004).

Importantly, Evans himself does not explicitly argue that developmental states need to be authoritarian to be successful, and in fact he analyses the cases of India and (post-transition) Brazil as examples where partial developmental success has been achieved in some ‘islands of excellence’ despite being surrounded by a sea of widespread incompetence. However, Evans tends to skirt the issue of regime type altogether, so that one is left wondering if democratic politics somehow constrain the developmental state or impinge upon its actions (Rocha Menocal 2004).<sup>12</sup> As Ronald Herring (1999) has argued in the case of India, that country has faced ‘terrific obstacles...in managing...[its] political economy...with one arm tied behind its back by its commitment to liberal democracy’.

Adrian Leftwich (1995) has been much more explicit about the kind of political system that may be required to sustain a developmental state. As he has argued, when and if developmental states are democratic, they can be thought of as ‘authoritarian democracies’ (like Botswana), where basic characteristics of a democracy exist, such as free and fair elections, but where human rights are less of a priority and some stability is brought about by one party rule and strong control exerted by bureaucracies. Leftwich has also suggested that it is unrealistic to assume that political and economic development goals (alongside equity, stability and national autonomy) can be achieved simultaneously, at least from past historical experience. In his view, ‘dominant-party democratic developmental states hold out some prospect for at least achieving respectful levels of growth and the distribution of its benefits that will make a real difference to the majority of the population under essentially democratic conditions’. Fareed Zakaria (2003) has made a very similar point. In his book *The Future of Freedom: Illiberal Democracy at Home and Abroad*, he argues that the goal should be to support ‘liberal autocracies’, given that authoritarian regimes seem to have a

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state. In his view, order itself was the most important goal of developing societies, independent of the question of whether that order was democratic or not.

<sup>12</sup> All that Evans says on this matter is that, by its very success, the developmental state may, in the end, be its very own ‘gravedigger’: having successfully nurtured strong business and working classes through its policies, these then turn upon the state to demand greater political freedoms and, ultimately, democracy (which is a variant of the modernization argument). The trouble is, of course, that, in much of the developing world, democracy has been established without the prior achievement of such developmental success.



superior developmental record and the Przeworski et al. finding that democracies seem to become stable once they manage to surpass a certain level of economic development.

On the other hand, it is not self-evident that an authoritarian ruler will always be interested in playing a positive role in the developmental process. Quite on the contrary, historical examples of ‘anti’-developmental or non-developmental authoritarian states in Africa, Latin America, Eastern Europe, and the former Soviet Union have been abundant (Bardhan nd; Bates 1981; Evans 1995). In fact, one of the critiques to the ‘development first, democracy second’ school of thought is that it relies on empirical evidence that is extremely limited and highly selective (Sen 1999, Halperin et al. 2005). In a sense, then, betting on the greater developmental efficiency of such regimes implies a rather dangerous wager – and it cannot be ascertained *a priori* that the ends will justify the means.

In addition, an argument can also be made that in many authoritarian states, insulated, centralised, and highly autonomous decision-making processes have played a major role in the triggering and/or deepening of serious economic crises, and that such crises would have been either less profound or even avoidable had effective democratic mechanisms to keep executive power under check been in place. This certainly seems to have been the case of the Mexico peso crisis of 1994, which triggered one of the deepest crises the country had ever experienced and also spread throughout the region (Rocha Menocal 1998). According to Sen (1999), the absence of an effective ‘democratic forum’, which among other things resulted in poor accountability and transparency mechanisms, was also central to the Asian economic crisis of the late 1990s. Thus, while more open, inclusive and participatory decision-making processes can be problematic in some respects (as highlighted in the discussion above), they also contain essential institutional features to keep power holders under check, to promote greater accountability, and, crucially, to help correct policy decisions as may be necessary.

#### ***4) Challenges posed by emerging democracies: towards a new consensus on a fresher look at modernisation theory?*<sup>13</sup>**

As has been highlighted above, the advent of the Third Wave of democratisation throughout the developing world (reaching many low income countries as well), confirms the thinking that there are no structural preconditions for the emergence of democracy. On the other hand, only a limited number of countries that have undergone transitions to democracy have succeeded in establishing consolidated and functioning democratic regimes. Against this backdrop, many analysts seem to be reaching a consensus that structural factors – such as underlying economic, social, and institutional conditions and legacies – may in fact have a considerable impact on the prospects of democratic consolidation. It is telling that, with only very few exceptions (most notably India and Costa Rica), all democracies that can be considered fully consolidated are wealthy. Lipset’s (1959) dictum four decades ago that ‘the more well-to-do a nation, the greater the chances that it will sustain a democracy’, has withstood the test of time.

In fact, revisiting his ‘prerequisites’ argument in 1994, Lipset has proposed that, while higher levels of income may not be a precondition for democratisation processes to *start*, they may be nonetheless advantageous for democracy to *endure* and become *consolidated*. In a much discussed quantitative analysis, Przeworski and Limongi (1997) also find that economic development has a very important impact on the *sustainability* of democratic systems. Looking at cross-regional data from 1950 to 1990 on a wide variety of well-

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<sup>13</sup> This issue is addressed in further detail in the Background Note on ‘Hybrid Regimes’ that has also been prepared for this Conference.

performing and poor-performing democracies, the authors find that the less successful democratic regimes are in generating economic growth, the more likely they are to break down.<sup>14</sup>

The fact that, contrary to what Przeworski and Limongi (1997) would have predicted, there have been few full-fledged, formal reversals to authoritarianism even among the poorest countries may offer some solace. This may be due in part to the fact that, given the current international discourse in favour of democracy (at least formally), outright authoritarian ‘solutions’ to domestic problems are a lot less likely to be tolerated.<sup>15</sup> Interestingly, some of the relatively most successful examples of recently democratising countries in Sub-Saharan Africa are also among the poorest (in particular Benin, Ghana, and Mali).<sup>16</sup> However, it remains true that democracies that have failed to produce developmental outcomes remain much more fragile and unstable. Expectations for these incipient democracies to deliver tend to be rather high and unrealistic, which adds to the considerable strain they are often under – especially because commitment to them remains instrumental rather than principled.<sup>17</sup> Many of the elections that took place in Latin America in 2006 reflected this growing disillusionment with (incomplete) democracy and pointed to the resurgence of populist candidates in the region (Rocha Menocal, 2006).

But so what happens at higher levels of wealth that makes democracies so sturdy? Unfortunately, Przeworski and Limongi (1997) do not provide much in the form of causal mechanisms: describing the stability of democracy at high levels of development as ‘a miracle’ hardly helps provide an understanding of the processes that may be at work sustaining that relationship.

Above all, democratic consolidation requires the evolution of a democratic political culture where all the main political players (both in the elite and the mass public), parties, organised interests, forces and institutions view and accept democracy as ‘the only game in town’. In other words, the democratic process is the only legitimate means to gain power and to channel/process demands. Admittedly, the building and strengthening of such a democratic political culture is bound to take a long time, and this is the main challenge hybrid regimes are facing today.

In fact, it is in establishing the causal connections between development and the maintenance/consolidation of democracy that some of the insights of modernisation theory may prove to be most useful. In essence, modernisation theory posits that high levels of economic development contribute to the stability of a democracy once it has been

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<sup>15</sup> This is why many regimes are happy to go along paying lip service to democracy while still exerting authoritarian control. Nevertheless, the international community has turned a blind eye to formal authoritarian reversals in Bangladesh and Pakistan, perhaps because these countries are of strategic importance to other foreign policy, military, and other interests.

<sup>16</sup> Per capita incomes for these three countries for 2001 – so roughly a decade into democratisation – were US\$330, US\$290, and US\$220; which is (even) below the low income country average of US\$390 for that year.

<sup>17</sup> Conversely, it is possible to assume that, so long as China prospers and continues to reduce the numbers living in absolute poverty there will be little prospects of fundamental political change towards greater liberal democracy.

established because it attenuates polarization by tempering class struggle and fostering the moderation of political conflict. As increased levels of development reduce the levels of objective inequalities, distributional conflicts become significantly less accentuated and more gradualist views of politics develop among the population at large. The promotion of a more tolerant and moderate political culture is also facilitated by increased educational opportunities, themselves the product of modernisation. In addition, economic development also fosters the growth of civil society—of ‘intermediary organizations which act as sources of countervailing power’ (Lipset 1959)—by fostering the (material) opportunities to create and participate in such voluntary organizations.

This discussion on the links between development and the consolidation of democracy is in no way intended to suggest that all wealthy democracies have reached a stage of ‘perfection’ and that there is a linear trajectory toward that end point (again, as highlighted in Section III.2, there is no ‘end of history’ here). In fact, as several analysts have pointed out, wealthy (and mostly Western) democracies can also suffer from serious democratic deficits, manifested, among other things, in low levels of voter turn-out, the decline of associationalism, and sectors of the population that are less than tolerant (e.g. Putnam 2000). In the main, however, in all these established, consolidated, and, as it happens, mostly wealthy democracies, a majority of the actors/stakeholders subscribes to Przeworski’s (1991) definition of democracy as ‘institutionalised uncertainty’: in a democracy, all outcomes are in principle unknown and are open to contest among key players (e.g. who will win an electoral contest, what policies will be enacted, etc.) – the only certainty is that such outcomes will be determined within the framework of pre-established democratic rules.

Some analysts have also argued that it may not be high levels of development as such, but rather the way in which this wealth is distributed among the population, that is responsible for fostering the appropriate conditions for democratic stability and consolidation. Democracy is more easily maintained when wealth is distributed in a more or less equitable manner across society, because it is precisely a more even distribution that prevents class polarization and fosters moderation. Hence, appropriate social and institutional mechanisms need to be established to ensure adequate distribution. In the words of Larry Diamond (1992), ‘to the extent that [the] benefits...of economic development...are grossly maldistributed...it may do little to promote democracy’. The crisis that democracy in Venezuela is currently undergoing and the appeal that the country’s president Hugo Chávez appears to have among many of the most marginalized sectors of the population certainly seems to confirm this reading. On the other hand, democracy has been able to survive (if not exactly thrive) in very unequal settings like Botswana, Brazil, India, and South Africa. This suggests that there is a need for further research and analysis on the links between democracy, development, and inequality.

#### **IV. Whereto from here?**

##### ***1) Democracy and development: inconclusive findings***

As can be discerned from the discussion above, there are several different arguments that can be harnessed to support both the view that democratic institutions play a crucial role in promoting development and the counter-view that authoritarian regimes may be more effective in this endeavour, especially in poor countries that need to catch up more rapidly. The terms of the debate are far from settled. The existing literature seeking to identify the causal relationship between democracy and development (and the direction of this relationship) remains inconclusive, suggesting just how complex and non-linear the linkages between these two forces are. For every study providing evidence for the argument that

either a democratic or an authoritarian regime is more conducive to (if not a precondition for) development, another one can be found that makes the opposite claim.

For example, in their book *The Democracy Advantage: How Democracies Promote Prosperity and Peace*, Joseph Halperin et al. (2005) make a strong case for the developmental benefit of participatory and accountable systems of governance over time, as compared to authoritarian regimes, arguing that the better performance of democracies can be attributed to their relatively greater propensity for establishing institutions of shared power, information openness, and adaptability. The authors find that low-income democracies outperform autocracies across a wide range of development indicators. They show, for example, that democracies have experienced more stable and steady growth patterns than autocracies over time.<sup>18</sup> In addition, low-income democracies have superior levels of social welfare across various measures of development progress. The positive democracy-development examples are broad and do not rely on one group of 'super performers' such as the East Asian tigers in the authoritarian-development model (see discussion in section below), which according to Halperin et al. skews the data on low-income authoritarian states. But presumably taking the East Asian tigers out as the authors do when looking at authoritarian regimes itself distorts the data they present. To be more convincing, the developmental model for the authoritarian regimes should have included the 'tigers' and their subsequent failures/difficulties once the Asian Crisis set in. In addition, the data on social indicators that the authors provide to prove that democracies have performed better over time appear a bit forced at times and does not seem that obvious or straightforward. It seems that Halperin et al. had to make considerable caveats to make their argument work.

In *Democracy, Governance, and Economic Performance: Theory and Evidence*, Yi Feng (2003) also finds that democracy has a positive impact on economic and social development, though mostly through indirect channels. The channels the author describes include policy certainty, political stability, the establishment and enforcement of rules that protect property rights, the promotion of education, the ability to promote private capital, and the reduction of inequality. A democratic regime is seen as vital in bringing about these indirect benefits because it is a system that provides for regular government change while inhibiting irregular/erratic/unconstitutional change. Yet, as the discussion on the 'development first' school above suggests and as many analysts have also shown (Leftwich 2005, Zakaria 2003, Haggard 1990), these indirect benefits are not the exclusive domain of democracies: (some) authoritarian regimes also seem quite capable of providing stability, the rule of law, the protection of property rights, and basic social services

In fact, in an ambitious and controversial study looking at the causal relationship between democracy and development and the direction of this causal relationship in 135 countries (including established democracies and democratising countries) between 1950 and 1990, Adam Przeworski and his collaborators (2000) find that, while political institutions do matter, regime type as such has no significant influence on states' economic growth and national income. According to the authors, whether democracy fosters or hinders development remains an open question, and the results of the relationship between regime type and economic development are inconclusive. The main lesson from their analysis may be that different political regimes may be capable of implementing similar policies, and that it may therefore be more fruitful to look at the kinds of institutional arrangements that are in

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<sup>18</sup> According to the authors, only 5 of the 20 worst performers (from 1960-2000) were democracies, and the probability of them experiencing economic disaster (defined as 10% decline in annual per capita GDP) is less than 1% compared with 3.4% for any country (p. 33).

place (e.g. two-party vs. multiparty systems) and government development strategies, rather than at the kind of political regime *per se*.

## **2) *The case for democracy***

Thus, as Sen (1999) has put it, '[i]f all the comparative studies are viewed together, the hypothesis that there is no clear relationship between economic development and democracy in *either* direction remains extremely plausible'. And the same can be said about the inconclusive evidence of authoritarian systems in promoting economic development. If in addition to this mixed track record, which points to the complex and non-linear relationship between democracy and development, one takes into account the formidable shift to (formal) democracy that has taken place in (some very poor) countries throughout the developing world, then the case for democracy as a system that has intrinsic value in and of itself is a very powerful one. This also speaks of the need to support these emerging democracies, which (as highlighted above as well as in the Background Note on Hybrid Regimes) remain weak and unconsolidated, while tempering expectations about what these democracies can be reasonably expected to accomplish in terms of development, especially in the short term.

## **3) *Bringing the state back in***

How the international community can best support these unconsolidated democracies or hybrid regimes remains, of course a central challenge. In a recent contribution to the ongoing debate on the relationship between democracy and development, Leftwich (2005) revisits this relationship from a more nuanced and thought-provoking perspective. He argues that, while democracy and development have become the two central goals of Western governments and development agencies in the developing world, it is essential to recognise that these two processes may not always go hand in hand in a mutually reinforcing manner, and they may in fact pull in opposite directions. Moreover, both democracy and development need a strong state (understood here following Chesterman et al. [2005] as 'a network of authoritative institutions that make and enforce top-level decisions throughout a territorially defined political entity') to underpin them and enable them to thrive.

This was one of the major insights of Evans' work (1995) cited above on the state and development (while, once again, his focus was not on regime type itself). Since the end of the 1990s, there has also been a growing awareness within the international community that state institutions matter and that the orientation and effectiveness of the state is the critical variable explaining why some countries succeed whereas others fail in meeting development goals (Fritz and Rocha Menocal 2006). However, current thinking and international discussions on democratisation in the developing world seem to be based on the assumption that today's emerging democracies are being built on the foundations of coherent, functioning states (for a critical reflection on this, see Fukuyama 2005). Most of the literature presupposes that a more or less effective state exists before a democratisation process starts (Linz and Stepan 1996).

But in reality, many of the countries stuck in incomplete democratisation processes, especially poor ones, are not only trying to democratise but also more fundamentally to build effective, capable states. Poor state capacity and inadequate provision of social services mean, furthermore, that human development is low, especially in the poorest countries. This combination of low state capacity and low human development implies that poor countries pose novel challenges for external democracy promotion and protection – ranging from options for party financing and organisation, to political and civic culture, to the types of social structures prevalent in situations of widespread poverty, which are mostly patronage-driven. Importantly, the questions to be asked should not only be how these conditions affect

the prospects for democratisation and democratic consolidation, but also how efforts to establish and strengthen democratic systems affect state capacity, service delivery, and other dimensions of governance, such as corruption.

In an argument that echoes Leftwich's (2005) point about the tensions embedded between democracy and development, Thomas Carothers (2002) has posited that, to the extent that international democracy assistance has considered the possibility of state-building as part of the democratisation process, it has too easily assumed that the fostering of democracy and state-building are one and the same thing. However, the conflation of these two processes is at best problematic.<sup>19</sup> As Leftwich found to be true for democracy and development, the relationship between democratisation and the building of effective and capable state institutions can sometimes be complex. To some degree, these two processes also tend to pull in opposite directions. For instance, democratisation often entails establishing checks and balances mechanisms and diffusing power more evenly across a greater number of actors both within and outside government, while strengthening state capacity may call for greater autonomy and centralisation of power.

Some of the recent literature has begun to further explore the effects of democratisation on other development goals, such as growth, poverty and inequality, and corruption, and such analyses have concluded that positive spill-over effects from democratisation for other areas of governance and development are not automatic. Sometimes the impact may even be negative, as in the case of corruption.<sup>20</sup> If the literature is right about potentially negative effects; and about the fact that democratisation does not automatically yield benefits for equity or state capacity, then such tensions need to receive far greater attention as the international community thinks about policy and practice. One of the central challenges for donors therefore remains to become more fully aware of the fact that, when they make choices about how to support democracy and how to promote development, they also need to take into consideration how their activities in one realm affect the other – and how these in turn affect (or be impacted by) broader state-building efforts that may or may not work holistically with democratisation efforts on the one hand and development efforts on the other.

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<sup>19</sup>Fritz and Rocha Menocal have prepared a paper on state-building for DFID's Effective and Fragile States Teams that addresses this issue.

<sup>20</sup> This is especially prominent in the case of campaigns and electoral processes.

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