

Analysing the relationship between democracy and development: Basic concepts and key linkages

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The Puzzle

- Few questions in development have generated as much debate and scholarship as the relationship between democracy and development.
- The positive correlation between wealth and democracy is one most enduring relationships in the social sciences.
- However, correlation is not causation.
- Untangling the complex relationship and causal relationship between development and democracy remains a key question in academic and policy circles alike.

Defining key concepts: Democracy

- There are maximalist and minimalist definitions of democracy, but democracy can best be defined as a system that is based on:
 - A free and fair electoral process where elections are held on a regular basis,
 - The respect for basic civil rights and political liberties, and
 - Effective mechanisms of accountability.
- This definition has been broadly embraced by the internationally community, including the Commonwealth Secretariat.

Defining key concepts: Democracy

- This definition is procedural – i.e. it focuses on process (e.g. how rulers are elected and decisions made) and not on outcomes.
- Democracy should NOT be expected to produce better socio-economic outcomes by the simple virtue of being a democracy.
- Such a (maximalist) interpretation places unrealistic expectations that are not intrinsic to democracy.

Defining key concepts: Development

- There are also minimalist (e.g. economic growth) and maximalist (e.g. Sen's conception of development as freedom) definitions of development, but again it is most useful to opt for a middle ground definition:
- Development refers to a process of “transforming society” that goes beyond economic growth and includes other social and human dimensions and some element of (re) distribution.
- This definition also reflects the Comm Sec's own understanding of development.

So What?

- Democracy has intrinsic value as a process to arrive at decisions.
- But beyond this intrinsic value, does it make a difference, and if so what kind of difference?
- This is an important and relevant question given:
 - i) The growing recognition that institutions matter for development (GIDD's bread and butter!); and
 - ii) the movement of more poor countries towards democracy.

Key linkages: development as a precondition to the emergence of democracy?

- The modernisation school dominant in the 1960s-1970s stressed that democracy was more likely to emerge in countries with high(er) levels of socio-economic development.
- For modernisation theorists, there was (or is) a linear progression towards modernisation that ultimately culminates in democratisation.
- But then came the Third Wave of democratisation which challenged the concept of “prerequisites” for democracy.

Key linkages: development as a precondition to the emergence of democracy?

- This led to a new international consensus from the 1980s onward that economic development is neither a necessary nor a sufficient condition for the *emergence* of democracy.
- But beyond this general agreement on transitions to democracy, the nature of the relationship between democracy and development remains contested.

Key linkages: “Democracy first”?

- The core of the argument that democracy helps promote development rests on key institutional features of democratic systems – accountability mechanisms and checks and balances provisions.
- These features play an essential role in limiting the abuse of state power and they provide a predictable and reliable system to organise interactions and make decisions.
- Turning many of the more traditional assumptions of modernisation theory on its head, this new orthodoxy held that democracy is not an outcome of development but a necessary condition for it.

Key linkages: “Democracy first”?

- This is the thinking underpinning much of the ‘good governance’ agenda promoted by the international community.
- Although democracy as such is not always explicitly spelled out as an element of good governance, there is a normative commitment to democratic politics embodied in this agenda.
- There are several advantages to an open, democratic, and participatory process to policy-making (e.g. coalition and consensus-building, ownership, legitimacy of decisions) – even if it is less ‘efficient’ in the short term.

Key linkages: “Democracy first”?

- However, the view of the political process espoused by the good governance agenda tends to be overly idealistic and normative.
- There is an implicit assumption that “all good things go together” and that democracies will automatically lead to policies favouring broad-based development and redistribution (to benefit the poor).
- But democratic decision-making processes are not always ‘pretty’ from a developmental perspective.

Key linkages: “Democracy first”?

- The fact that decision-making processes are intended to be more participatory and inclusive does not automatically make them developmentally more effective.
- Not all cases of public pressure that democracy facilitates help development, and democracies may in fact be particularly susceptible to populist pressures and particularistic demands.
- The noxious debate on the debt ceiling that took place in the US recently is an example of this.

Key linkages: “Development first”?

- The tendency of a democratic system to fragment and diffuse power has led analysts to argue that authoritarian regimes may be better suited to promote economic development.
- Development requires a strong, centralised, autonomous government, especially when poor countries are playing ‘catch-up’.
- Authoritarian decision-making is meant to be more expedient and based on longer-term horizons.
- Historical experience also suggests that it is unrealistic to assume that political and economic development goals can be achieved simultaneously.

Key linkages: “Development first”?

- The empirical evidence sustaining this thesis comes from the East Asian Tigers, as well as China and Vietnam.
- Still, it is not self-evident that an authoritarian ruler/regime will always be interested in playing a positive role in the developmental process.
- Historical examples of ‘anti’-developmental or non-developmental authoritarian states abound.
- Authoritarian policymaking processes can also be problematic because they are insulated (e.g. Peso crisis)
- Thus, betting on the greater developmental efficiency of such regimes implies a dangerous wager.

Key linkages: The challenges of “hybrid” democracies

- The advent of the Third Wave highlights that there may not be (developmental) preconditions for development.
- Yet only a small number of those emerging democracies have succeeded in becoming consolidated.
- Against this backdrop, many analysts are revisiting the precepts of modernization theory:
- There is a growing body of literature stressing that structural factors – such as underlying economic, social, and institutional conditions and legacies – may in fact have an impact on the prospects of democratic *consolidation*, if not its emergence.

Key linkages: The challenges of “hybrid” democracies

- A quantitative study by Przeworski and Limongi (1997) finds, for example, that the less successful democratic regimes are in generating economic growth, the more likely they are to break down.
- Admittedly, there have been few full-fledged, authoritarian reversals.
- But this may be explained in part by the fact that, given the current international discourse in favour of democracy, outright authoritarian ‘solutions’ are a lot less likely to be tolerated.

Key linkages: The challenges of “hybrid” democracies

- It also remains true that incipient democracies remain vulnerable in different ways.
- Expectations for these incipient democracies to deliver tend to be high and unrealistic,
- which adds to the considerable strain they are often under.
- This is especially because commitment to them remains instrumental (i.e. based on outcomes) rather than principled (i.e. based on process).

Key linkages: The challenges of “hybrid” democracies

- Why does democratic consolidation remain so elusive?
- Above all, democratic consolidation requires the evolution of a democratic political culture where the main political players accept democracy as ‘the only game in town’:
- all outcomes are unknown, and the only certainty is that such outcomes will be determined within the framework of pre-established democratic rules.
- The building and strengthening of such a democratic culture (where losers agree to accept results) is likely to take a long time.

Key linkages: The challenges of “hybrid” democracies

- This is where modernization theory may prove most useful.
- Modernization theory posits that high levels of economic development contribute to the stability of a democracy once it has been established because it attenuates polarization, moderates political conflict, creates more opportunities for all, and fosters the growth of civil society.
- Democracy may also be more easily maintained over time when wealth is distributed in a more equitable manner.

Whereto from here?

- 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.
- The existing literature on this relationship and what causes what remains inconclusive –
- for every study providing evidence for the argument that a democratic regime is more conducive to development, another one can be found that makes the opposite claim.

Whereto from here?

- A controversial study by Przeworski et al. looking at the causal relationship between democracy and development in 135 countries between 1950 and 1990 finds that, while political institutions matter, ***regime type as such*** has no significant influence on states' economic growth and national income.
- The main lesson from this analysis is that different political regimes are capable of implementing similar policies.
- Thus, it may be more fruitful to look at the kinds of ***institutional arrangements*** that are in place and government development strategies, rather than at the kind of political regime *per se*.

Whereto from here?

- The distinction between different kinds of party systems (e.g. hegemonic vs. two-party vs. multiparty systems) and the kinds of incentives they generate are a promising line of inquiry.
- The Africa Power and Politics Programme also focuses on investigating the informal elite bargains that underlie differences in performance across regime types in poor African countries.
- Emerging research suggests that the way in which economic rents are distributed and managed can have considerable implications for development (e.g. Rwanda).

Supporting incipient democracies

- So if:
 - the evidence linking democracy and development in either direction remains inconclusive; and
 - 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, while tempering expectations about what they can achieve, especially in the long term.

Supporting incipient democracies

- But how?
- This remains a fundamental challenge for the international community, including Comm Sec.
- While democracy and development have become the two central goals of the donor communities, these two processes do 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 to underpin them and enable them to thrive.

Supporting incipient democracies

- But many of the countries stuck in incomplete democratisation processes are not only trying to democratise but also more fundamentally to build effective, capable states.
- The international assistance community has too easily assumed that the fostering of democracy and state-building are one and the same thing.
- However, just as with development and democracy, the conflation of these two processes is problematic and fraught with tensions, as the case of contemporary Rwanda illustrates.

Supporting incipient democracies

- For example, democratisation entails establishing checks and balances and diffusing power while strengthening state capacity may call for greater autonomy and centralisation of power.
- Commonwealth members are not immune to these challenges.
- In less developed, fragile and/or small/island states, institutions are weak and ineffective and the quality and capacity of the public sector remains limited.
- There is thus a danger that the state loses legitimacy which can undermine democratic institutions.

Supporting incipient democracies

- Furthermore, recent literature that explores the effects of democratisation on other development goals (e.g. growth, poverty and inequality, and corruption) concludes that positive spill-over effects are not automatic.
- Sometimes the impact may even be negative, as in the case of corruption (e.g. campaign financing and clientelism around elections).
- If all this is right, then such tensions need to receive far greater attention as the international community thinks about policy and practice.

Supporting incipient democracies

- Donors need 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.
- This is also true for the Commonwealth itself, which has tended to work on democracy and development as separate spheres.