Democracy and development

Is democracy inherently a good thing? And do democratic institutions facilitate economic development? It appears reasonable to answer the first question affirmatively: democracy is a good thing because it facilitates free human choice and it furthers the good of political participation. But the answer to the latter question is an empirical one, and there is debate within the development field about the effects of electoral democracy on the development process. Some argue, for example, that the experiences of Korea, Taiwan, or Indonesia show that a strong authoritarian state is better able to engineer a successful process of economic development than an electoral democracy such as India (because of its ability to discipline fractious demand groups). This chapter will consider both the normative and the empirical side of these questions. It will argue, first, that democracy is inherently desirable; second, that the empirical record of authoritarian developing states is about as mixed as that of democratic states; and finally, that only democratic institutions give any promise of tilting economic development policies toward the interests of the poor.

**Normative theory of democracy**

Democracy is a good thing, both intrinsically and instrumentally. Intrinsically, it is a necessary component of the ability of individuals to live freely and autonomously. Instrumentally, it is an institutional guarantee that the policies and laws created by a government will have a reasonable fit with the fundamental interests of the people. Thus democracy is a central determinant of the quality of life, and a central element in the ability of men and women to live freely and autonomously as human beings. This is no less so in poor and developing countries than it is in the North and the West.

So, at least, the moral intuitions of a liberal western philosopher would assert. But before we can have great confidence in these utterances, we need to look more closely at the meaning of democracy and democratic citizenship. And we need to consider several important empirical questions: do democratic institutions facilitate economic development of the right kind? And do democratic institutions guarantee, or even make probable, the result that government policy and law will reflect the fundamental interests of the people?

**Economic development “of the right kind”**

We have seen that economic development “of the right kind” involves several dimensions:

- growth in the productive capacity of society: growth in productivity of labor, agriculture, and capital (leading to growth in per capita incomes and per capita assets)
• development that leads to significant and continuing improvement in the quality of life for the poor and the near-poor (that is, the majority of the population in most developing societies)
• development that serves to broaden the distribution of economic assets and incomes
• development that leads to improvement in conditions of health and safety in the workplace
• development that leads to improvement in “quality of life” issues for all: improved access to health care, clean water, education
• development that leads to sustainable environmental change and resource use
• development that leads to improvement in gender equity over time

Do democratic political institutions have positive effects on the achievement of some or all of these characteristics of economic development? Does a transition to stable electoral democracy in a developing society help to facilitate economic development “of the right kind” in that society?

What is democracy?

We can represent the central characteristics of a democracy from two points of view: from that of the individual citizen, and from that of the political institutions through which the values of democracy are realized in a particular social context. Let us begin, then, at the level of the citizen. There are several central and defining normative commitments that jointly define the political theory of a democracy. In the briefest possible way, we can offer a preliminary definition of democracy in these terms: A democracy is a polity in which collective decisions (laws, policies, procedures) are the expression, direct or indirect, of the preferences and choices of the collection of equal citizens of the polity.

Democracy thus pertains to the self-rule of a politically constituted social group—a state or provincial authority, or a city or town. Several elements distinguish a political group from other forms of association: the fact that the political unit is empowered to coerce its members through the collection of taxes, restrictions on the use of property, and the imposition of regulations and laws; and second, that the authority of the unit does not depend upon the continuing voluntary consent of the individual for the exercise of its authority. The citizen may sometimes vote with his or her feet (by departing the jurisdiction); but while resident within the jurisdiction of the political unit, the citizen can be compelled to act according to the laws, policies, and decrees of the political authorities. And laws have the invariable characteristic of restricting freedom; that is, they inevitably work to prevent people from acting on choices they otherwise would have made.
It is sometimes debated whether there is ever a moral justification for coercive legislation by the state, but I will not enter into this debate here. Rather, I will take it, with Hobbes, Rousseau, Mill, and Rawls, that the individuals within a society require some central authority in order to establish a system of law, to prevent violence, and to enact policies in the common good. Society requires a state. And democratic theory attempts to provide the most general blueprint possible for the legitimate state.

**Tenets of normative democratic theory**

The central tenets of normative democratic theory are these:

- All adult members of the collectivity ought to have the status of citizens (that is, there ought to be no restriction in political rights for different groups of people within the polity; **universal citizenship principle**).
- All citizens ought to have the broadest set of political rights and liberties possible, compatible with the extension of equal rights to all (that is, there ought to be full equality and the broadest possible liberty for all citizens; the liberty principle and the **equality principle**).
- Legislation ought to reflect the principle of the sovereignty of the people. When and where legislation is required, it ought to result from a process which involves the meaningful expression of interest and preference by all citizens (**popular sovereignty principle**).
- The legislative process ought to weight no individual’s or group’s preferences more heavily than those of any other individual or group (**equal weight principle**).
- Finally, a democratic society is one that is fully subject to the rule of law: legislation rather than personal authority produces limitations on individual liberty, and legislation is neutral across persons (**legality principle**).

What is a citizen? A citizen is, to start, a person; and so the thick conception of a person described above (chapter 3) is a good starting point here as well. A person is a moral individual, possessing a plan of life, a conception of the good for him- or herself, a set of needs, a set of rights and liberties, and, finally, a set of preferences that derive from needs and the conception of the good. The individual’s preferences represent the embodiment of his or her wishes with respect to a given set of outcomes or choices.

**Democratic institutions**

These represent the chief desiderata of a democratic polity. But these principles do not dictate a specific implementation. Rather, it is necessary for a

---

1 See Bakunin, Kropotkin, and Nozick (not at all birds of a feather), for anarchist and libertarian statements of this position.
given polity to design a set of political institutions through which the principles of liberty, equality, and sovereignty are realized. There is a logical gap between the principles and the institutional implementation, in the sense that people can always debate whether the particulars of local institutions adequately realize the relevant underlying values. It is likely, moreover, that different institutional arrangements represent different ways of accommodating the underlying values, and represent different types of tradeoffs among them.

In discussing institutional design it is useful to recall the discussion in Chapter 2 of the several different ways of aggregating and comparing multiple goods. A democratic state is a complex system involving multiple features (electoral institutions, parties, constitutional protections) and producing multiple goods (individual liberty, effective legislation, secure property rights, popular sovereignty). Institutions can be designed de novo, or they can be adjusted through a series of corrections and reforms. And as we consider the process of adjustment of an institution, it is necessary to consider carefully the “objective function” by which we intend to guide the adjustment and reform process. Are we willing to make tradeoffs among the goods produced by the institution—e.g. give up some popular sovereignty in order to achieve more equality of assets? Or do we mean to accept only Pareto-improving innovations—that is, those that improve at least one good without reducing any other good?

An ideal type of democracy

Consider this institutional sketch of a democratic system. The polity adopts a constitution that defines maximal political rights and liberties, and defines the status of citizenship. The constitution prohibits the establishment of laws that limit or constrain the constitutional rights and liberties of citizens, or that create inequalities in basic rights among different groups of citizens. The constitution further creates a legislative process through which elected representatives engage in a majoritarian process of debate and legislation. Representatives are elected and can be removed by the electorate; and the legislative process is itself governed by majoritarian voting rules. Legislation cannot contravene the constitution, and a separate super-majoritarian process for revision of the constitution is established. This sketch embodies each of the values indicated above: universal citizenship, maximum liberties, and popular sovereignty. The sketch corresponds fairly closely to the political theory of the United States government. Note that this sketch privileges liberty and equality (by placing the constitution prior to the legislative process). As a result, it restricts popular sovereignty. Even if a majority preferred legislation that restricted liberties (for all or for a group), such legislation would be unconstitutional.

We can imagine other institutional sketches as well. We might imagine building a polity on the popular sovereignty principle first: all legislation emerges on the basis of majority vote of all citizens, and all legislation is in
principle possible. Such an approach would privilege popular sovereignty, but would potentially interfere with the liberty principle or the equality principle (since it is possible that a majority would prefer to reduce liberties or undermine equality.

It is possible to provide a taxonomy of possible democratic systems (figure 0.0). The variables generating the taxonomy are “constitution/no constitution”, “representative/direct”, and “divided/unified”. This produces six variants (since direct government is by definition unified government). For any species of democratic government, we can always ask the fundamental question, how well do these institutions work to establish and implement the values of universal citizenship, maximum liberty, full equality, and popular sovereignty?2

In addition to describing the institutions of constitution, elections, legislation, and executive action, a political system also has a surrounding cluster of supporting institutions: mass media, political parties, political fund-raising, and legislation surrounding the electoral process. Once again, for any particular configuration of institutions of these sorts, we can ask the question: how well do these institutions establish and implement the central values of democracy?

Finally, we need to find a place within our theory for the “instruments of coercion” within a society—the military and police, and the organs of private violence. A modern state—whether developed or developing—marshals capacity for a significant level of coercion. It is possible for political authorities to make use of this capacity for their own political purposes; likewise, it is possible for military and police authorities to use coercion and the threat of coercion to political purpose.

This brief discussion serves to establish the abstract geometry of a democratic polity: constitutional definition of the status of citizens, constitutional establishment of basic rights and liberties, establishment of an electoral process through which representatives are appointed, establishment of a majoritarian legislative process through which legislation is brought into being, establishment of an executive power which has the authority and charge to implement and enforce legislation, and establishment of a judicial branch charged to interpret the law and to judge law-breakers.

---

2 It might be noted that the “no constitution” side is also somewhat complex, in that it is possible for custom or common law to act as an implicit constitution that constrains the right of legislators to enact certain kinds of legislation.
Institutional variants of democratic regimes

The ideal type of authoritarian government

What is the alternative to democratic government? Authoritarian government is just as complex as democratic government, in that there are many different ways of institutionally implementing a system in which the few govern the many. But let us lay out an “ideal type” of authoritarian government that is common in the developing world. I will focus on what is sometimes called “bureaucratic authoritarianism;” important variants include military dictatorship, party dictatorship, or “strong-man” dictatorship. (See (O'Donnell 1979) for an account of bureaucratic authoritarianism in Latin America.) In the bureaucratic authoritarian state, a strong man rules the state, making use of a complex bureaucratic organization to create legislation and policy and an extensive coercive apparatus (army, police) to enforce government policy. But since both bureaucracies and police organizations are complex social organizations, autocrats have less than absolute power. They confront classic “principal-agent” problems in inducing the various organizations to do their bidding. So there is some looseness in the lineages of power from the center to the administrative peripheries of the polity. Second, most societies contain non-political centers of power with which the autocrat must contend—land owners, businessmen,
financiers. Finally, even the most autocratic regime must give some weight to the preferences of the masses of the population. Coercion has its limits, and the autocrat must remain aware of the potential of popular unrest in response to unpopular policies (increases in staple prices, increases in taxes, reduction in customary rights).

What are some of the common characteristics of authoritarian regimes?

- Frequent use of force and threat of force against the population
- Predatory treatment of the national economy—taxation, access to positions of wealth, rent-seeking
- Bureaucratic interference with the market (especially in financial markets)
- Tendency towards capital-intensive growth
- Low ability to moderate and negotiate ethnic or nationalist conflicts

**Transition to democracy**

It is common in recent history to find developing societies in a state of transition from authoritarian regimes to democratic regimes. Military dictatorships, bureaucratic oligarchies, and other authoritarian regimes have found themselves subject to irresistible forces which compel them in the direction of a degree of progressive democratic reform: extension of political rights to citizens, establishment of limited electoral processes, extension of the ability of independent parties to organize themselves, extension of some degree of freedom of press, and so forth. Here a series of questions demand answer. First, to what extent is it possible for skillful elites and rulers to orchestrate the process of democratic liberalization in such a way as to preserve their power and privilege within the resulting regime? Second, what are the features of institutions which best serve to bring about effective democratization? Third, is there a relatively clear distinction between effective democracies and sham democracies? Finally, what if anything can we say about the progressive features of hybrid political systems—polities that are intermediate between authoritarianism and democracy? Are the steps along the road to democracy unambiguously positive with regard to individual freedom and other democratic virtues?

**Philosophical issues concerning democracy**

It is worth noting that there are well-known paradoxes underlying the theory of democracy. The Arrow paradox establishes that there is no logically consistent and fully general voting system that maps individual preference orderings onto a single consistent social preference ordering.

There are also difficult philosophical issues that arise in the endeavor of explicating the concept of preference. Are preferences entirely arbitrary and subjective? Or is there a principled relationship between one’s fundamental values, plan of life, conception of the good, and one’s preferences (or a subset of
them)? Is there a principled basis on which others may criticize one’s scheme of preferences? And, finally, is there an objective basis for saying that some of a person’s preferences are more important than others—or that one person’s preferences are more important than another’s? These problems are critical for democratic theory, because collections of individual preferences underlie the principle of popular sovereignty. If I prefer one zoning code over another because I prefer to have silence in the neighborhood while doing my early morning exercises, whereas you prefer the second option to the first because it alone will allow you to earn your living—should your preferences be given more weight than mine?

**Empirical issues**

To this point we have focused largely on the normative theory of democracy. However, it is crucial to recognize that democratic institutions are **institutions**—they have real empirical and causal properties, and function according within the context of forces that give them a real empirical trajectory that may be at odds with the ideal theory. So at this point in the story it is appropriate to turn to a realist theory of democratic institutions, and to ask sharp empirical questions about the actual characteristics and tendencies of democratic political institutions.

Let us turn now to some of the empirical questions that surround the issue of democracy within the context of developing societies. How do the typical institutions of electoral democracy affect the process, character, and rate of economic development? Do the institutions of electoral democracy have the effect of inducing more egalitarian economic development? Do such institutions serve to emphasize the interests of the poor? Can broader political participation improve the situation of the poor?

**Multi-case studies of democracy and development**

There has been an extended debate about democracy and development, and the relations between democratization and economic growth. Do the institutions of electoral democracy facilitate or impede development? Samuel Huntington characterizes the debate in terms of "conflict" and "compatibility" theorists (Huntington and Harvard University. Center for International Affairs. 1968). Some have maintained that democratic regimes are in general less capable of managing effecting economic development than authoritarian regimes. The central premise of this reasoning stems from the observation that development requires change, and that change affects some voters adversely. So governments dependent on electoral support in the next election will typically tend to avoid choices that impose hardship on significant numbers of voters. (Adam Przeworski’s arguments in *Democracy and the Market* (Przeworski 1991) represent a thoughtful argument to this effect.) Others have argued that democratic regimes are positively associated with economic development, and especially with more egalitarian modes of development. Finally, there is a body
of thought which holds that democracy is neither positive nor negative with respect to economic development. ((Sirowy and Inkeles 1990) provides a careful review of this issue and the empirical data that pertains to assessment of the various hypotheses.)

The issue of the dynamic causal relations between democratic political institutions and the pace and character of economic development can be probed in several different ways. First, we can approach the problem theoretically or deductively: given what we know about the character and institutional dynamics of democratic institutions, and given what we know about the character and needs of economic development, what causal connections does underlying theory lead us to expect? Second, we can approach the problem through multi-case studies in which we operationalize the concepts of democracy and rate and character of development, and then examine to see whether there are meaningful statistical associations among the resulting variables. Both approaches have been pursued in the literature of the political economy of development, with deeply mixed results.

**The theoretical case**

Note that political theory leads us to expect causal connections flowing in both directions. The institutional arrangements of electoral democracies, with the dynamics created for majoritarian governments by the political calculus of voting blocs, can be predicted to give rise to the likelihood that some development choices will be more difficult than others. That is, the institutions of democracy are likely to impose a characteristic “look” on the process of economic development. But likewise, features of the economic development experience, short-run and long-run, may have significant effects on the stability and character of political institutions. For example, the structural adjustment crises of Latin America in the 1980s posed serious challenges to the stability of democratic institutions in a variety of countries. ((Peeler 1998) describes the experience of Mexico, Venezuela, Peru, and Bolivia from the point of view of this direction of the causal arrow. Peeler takes the view that there is a generally positive causal relationship flowing from the presence of democratic institutions to effective economic development.)

The central theoretical dynamics that come into play include at least these:

**Conflict theory**

- Development requires decisive policy choice and effective policy implementation; authoritarian regimes are more decisive and more effective in implementing policy.
- Ethnic and sub-national conflicts interfere with economic development, and are most effectively suppressed by strong authoritarian government.
• Authoritarian governments are more able to effectively defer consumption in favor of savings. Democratic regimes are under a political imperative to increase social welfare spending, which reduces the rate of accumulation.
• Democracy undermines investment (Huntington and Domínguez 1975).

Compatibility theory
• Progressive development requires policy choices that lead to a development pathway that produces a wide distribution of the benefits of growth; democratic regimes are more effective at producing wide distribution of benefits (because of the strong tendency of authoritarian regimes to structure economic activity towards “rent-seeking” activities, enrichment of the ruling circle, and widespread corruption).
• Democratic regimes are less prone to corruption and rent-seeking; they are less “predatory”.

Assessment: democracy and development
Issues of democracy and development have an empirical manifestation; since World War II over 100 nations have undergone a variety of processes of political and economic development, so it should be possible to examine this 50-year and 100-nation experience for statistical and causal associations among the variables of interest. Is there a demonstrable correlation between the attributes of democracy and the attributes of effective economic development? A large number of empirical studies have been undertaken in the past 30 years to investigate this question. However, the empirical case is suggestive but inconclusive. The data support some optimism in support of the “compatibility” theory: that democratic institutions have a net positive effect on economic development. However, the association is empirically weak, and there are a number of counter-examples in both directions: authoritarian regimes that have a good development record, and democratic regimes that have weak development records. In their major review of available cross-country studies of democracy and development, Sirowy and Inkeles conclude that (1) there is little support for a strong positive causal relation between democracy and development, and (2) there is little empirical basis for choosing between the “conflict” hypothesis and the null hypothesis (Sirowy and Inkeles 1990). Overall these authors conclude that there are few robust conclusions that can be supported on the basis of existing empirical multi-case studies of these factors. Sirowy and Inkeles believe that methodological flaws in the studies are an important part of the problem—leading to the possibility that more refined studies may shed greater light. Przeworski and Limongi arrive at a similar conclusion. They examine 18 cross-country studies, and conclude that these studies do not provide a clear

---

3 See for example [list of studies from Przeworski and Limongi and Sirowy and Inkeles].
basis for conclusion about the causal properties of democratic institutions with regard to development (Przeworski and Limongi 1993: p. 60). Both of these review essays point to the methodological difficulties that stand in the way of effective statistical test of these causal hypotheses.  

This suggests, however, that it is reasonable to work on the assumption that democratic institutions are compatible with effective economic development.

**Democracy and the poor**

How does the presence of democratic institutions affect the viability of progressive economic development strategies? Recall that “progressive” economic development is defined as development that is designed to result in wide distribution of the benefits of growth, significant and sustained improvement in the quality of life of the population, and significant and sustained improvement in the incomes and assets of the poor and near-poor.

The promise of democracy from the point of view of progressive economic development follows from a very simple argument. The poor are numerous. As parties compete for electoral support they have an interest in adopting policies that favor the interests of the poor. It is in principle possible for a political party representing the interests of the disadvantaged to acquire substantial political influence in a third-world democracy, through its electoral significance. And in countries in which there is such a political party, we should expect that government policy will be accordingly tilted back in the direction of the poor. Therefore we should expect a tendency for state policies to accommodate the economic interests of the poor, and to begin to redress the anti-poor tilt that is characteristic of authoritarian politics.

These considerations suggest that progressive development strategies and third-world democratization movements need to flow hand in hand: regimes whose political base depends on support from the poor and the near-poor will be the most motivated to pursue a poverty-first program, and the most capable of implementing such a program; whereas the existence of such a program within a developing democracy provides a plausible basis for mobilizing further mass support for the progressive development party.

There is a realistic core to this optimistic argument, but it is oversimplified in this formulation. More extensive democracy can be a central means of furthering poverty-first economic development. But it is also clear, both empirically and theoretically, that broad-based electoral democracy does not unavoidably result in conferring political influence on the poor. There are constraints on the political capacity of such a party. First, there are numerous

---

4 See also (de Haan and Siermann 1996) for a similar conclusion: “Our main conclusion is that the relationship between democracy and economic growth is not robust.”
channels through which elite interests can subvert the political goals of a party of the poor. And second, there are structural constraints on the policies that such a party can advocate, let alone implement, without creating an economic crisis that worsens the condition of the poor.

**Can democracies take hard measures?**

Consider one final question-mark on the role of democracy within development. Electoral democracies are reasonably effective in mobilizing groups in defense of their economic interests, and the results bear the mark of this process. It is difficult to implement policies within an electoral democracy that impose economic hardship on politically effective groups. But development (and economic reform more generally) unavoidably involves hardship for various social groups. So the question arises: Do effective political demands within the context of an electoral democracy paralyze development? The answer to this question depends a great deal on institutional variables below the current level of discussion: the political competence of existing parties, the ideology and commitments of the governing party, the quality and effectiveness of leadership, the level of confidence the electorate has in a regime’s intentions and competence, the character and goals of existing sub-party organizations, and the details of parliamentary institutions. The strongest conclusion that can be drawn on the basis of the recent experience of Poland, for example, is that it is possible to implement an aggressive program of reform through democratic means, but that the political pressures build substantially as the reform program begins to impose hardships on the populace. Moreover, there are instances elsewhere in Eastern Europe (Hungary, for example), in which governing parties have not succeeded in putting together strong electoral support for a unified program of reform; in these cases, gridlock appears to be a very possible outcome.

**Co-optation of democratic institutions by elites**

It is a familiar fact in the democracies of the developing world that economic elites often manage to retain disproportionate influence within a democratic electoral system. The reasons for this privileging of elite interests are not hard to find. Elites have privileged access to the instruments of political influence—education, literacy, campaign finance. Elites are able to oppose political strategies through the threat of capital strike. And elites are compact

---

5 These issues have been most actively discussed in the past few years in the context of the reform processes currently underway in Eastern Europe: Poland, Hungary, and Czechoslovakia. See Przeworski (1990), Kornai (1990), Cohen (1989), and Nove (1983).

6 Adam Przeworski analyzes the process of economic reform in Poland along these lines (Przeworski 1991).
groups, so that their collective action problems are more easily handled than those of more numerous groups. These considerations suggest that elites are well-positioned to defend their economic interests within an electoral competition—with the result that they will be able to preserve the benefits of pre-existing anti-poor biases in economic policies.

Second, to the extent that non-elite groups emerge as politically significant it is possible, perhaps likely, that the groups that stand to gain the most political influence through democratization are not the poor, but the near-poor: urban workers and consumers, better-off farmers, and the like. And the interests of these groups are not identical with those of the poor. Consider one example of a process that is almost ubiquitous in the developing world: the political influence of civil servants, urban workers, and urban consumers. These groups have an interest in securing food price policies that guarantee lower food costs; they have an interest in development strategies that enhance urban amenities (transportation, sanitation); and they have an interest in wage policies that favor them. Further, these groups are well-positioned to back up their demands with effective political action: mobilization around political parties, personal and political relationships with government officials, and the threat of urban unrest. So it is common to find that LDC policies reflect an urban bias: food price policies, provision of infrastructure, and wage policies that favor urban workers and civil servants. These politically-created benefits have the effect of improving the material welfare of these groups—but at the expense of the rural poor. The result of these policies is to depress the market-determined incomes of farmers, to reduce the level and quality of amenities flowing to the rural sector, and to further exacerbate the wage differentials between rural and urban sectors. A consequence of this line of analysis, then, is to raise the possibility that more democracy may in fact reduce the amount of attention the poor (and particularly the rural poor) receive within the politics of development policy.

These arguments are not intended to discredit the significance of democratic institutions in furthering a poverty-first economic strategy. Indeed, it is unlikely that such a strategy will emerge except through an effective, politically competent demand for such a strategy by the rural poor, supported by an effective and administratively competent party strongly committed to its interests. But democratization is not the only ingredient of a successful poverty-first policy, and arguments in preceding paragraphs are designed merely to show that it is quite possible for democratic electoral mechanisms to lead to outcomes that neglect the poor or are positively biased against them.

---

7 See Miliband 1969, Miliband 1977, Miliband 1982, and Cohen and Rogers 1983 for developed analysis of these points.
8 See Michael Lipton’s *Why Poor People Stay Poor* (1976) for extensive analysis of some of these mechanisms.
This line of thought suggests, then, that effective political action in support of progressive economic development policies is most likely to come into place within a context of effective electoral democracy, in the presence of an administratively competent party of the poor.\textsuperscript{9}

\textsuperscript{9} Consider the detailed analysis offered by Atul Kohli of the politics of development in three Indian states (Kohli 1987).
References


