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**The Political Economy of Democratic Governance and  
Economic Development**

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**Resumo/Abstract:**

Pure mainstream economics, based on methodological and sociological individualism usually ignores politics; development economics, on the contrary frequently integrates social and political factors in order to explain economic progress. Within this branch of economics, politics can mainly be dealt in two different approaches. The classical and neoclassical approach takes politics essentially as an obstacle to the expression of agents' rationality, and, therefore considers it a disturbance. A more heterodox approach of development, on the contrary, puts politics at the heart of the process, development being an economic as much as a political process. Those, like A. Sen, that take human rights, both as a means and an end to development do not separate the two processes as well. Be that as it may, and despite the opposed ways in which these approaches take politics, all consider governance, and its democratic or authoritarian character, a key factor in the development process. The main purpose of this paper is to discuss the importance of the issue of democratic governance within the development process. In the first part of the paper I will make a review of the main literature concerning the impacts of democracy on economic development and the importance of promoting democracy. In the second part of the paper the analysis will focus on the political economy of democratization, namely on the obstacles standing before democracy, and on the economic policies and reforms needed to facilitate democratization. The diagnosis states that democratization needs to deal with inequality of income distribution, with institutional design in order to overcome cultural divisions within the nations, with diversification of the sources of income and with a new economic order characterized by an erased debt burden and a more equitable distribution of the benefits of international trade.

**Palavras-chave/Keyword:**

Economic Development, Democracy, Governance, Human Rights, Political Economy.

**Classificação JEL/JEL Classification:** A10, F02, F50, F54, H11, O10, O17

## 1 – INTRODUCTION

Pure mainstream economics, based on methodological and sociological individualism usually ignores the interaction of politics and economics, with the exception of an approach supported on the application of the basic microeconomic principles of self-interested behaviour to political agents. Development economics, on the contrary frequently integrates social and political factors in order to explain economic progress. Within this branch of economics, politics can mainly be dealt in two different manners. The classical and neoclassical approach takes politics essentially as an obstacle to the expression of agents' rationality, and, therefore considers it a disturbance. Some twenty years ago, at the peak of the neoclassical uprising in development economics, in a best seller book that made its way to pocket edition in France, G. Sorman sustained what can be considered a paradigm of this line of thought, which was that the third-world was characterized, amongst others, by the subordination of economics to politics (Sorman, 1987). According to this approach, development is essentially a question of getting the incentives right, and underdevelopment the outcome of politics restraining agents from making the correct choices. A more heterodox approach of development, on the contrary, puts politics right at the heart of the matter, development being an economic as much as a political process, and politics an important tool in making good choices in relation to development, good choices meaning the ones corresponding to the collective preference. A. Lefwich, for example, has been devoting his work, precisely, to establish the primacy of politics in development, to rehabilitate politics in short, and some, like A. Sen, take human rights both as a means and an end of development, and politics, therefore, as more than just a mere exogenous variable. Be that as it may, and despite the opposed ways in which these approaches take politics, all consider governance, and its democratic or authoritarian character, a key factor in the development process.

In order to avoid misunderstandings one must make as clear as possible what will be the understanding of governance and democracy in this paper. The concept of governance is probably one of the haziest amongst the new concepts that have been introduced in the past few years; first of all, because it is not new. The World Bank identified three aspects of governance, and its relation to development; firstly the form of a political regime, secondly the process through which authority is exercised in the management of a country's economic and social resources for development and, finally, the capacity of governments to design, formulate, and implement policies and discharge functions (in Hamilton, 2002: 11). According to this definition, not only democracy is just one amongst other issues of governance, as proficiency and corruption, for example, but also does not seem to be the prime issue as far as determining good or bad governance is concerned. Before the concept of governance had been introduced one would simply refer to government. The introduction of governance should suppose some innovation in order to justify its popularity, but it seems that the greatest, one might even say the sole, achievement of the this pseudo new concept of governance was probably of having managed to depoliticize the concept of government (Brown, 2001). Thus, along the lines of the classical and neoclassical economic thought, good governance would mean, essentially, government support of the market, and the old government concept, interference with the market. This paper will refuse this vision and sustain, instead, a repoliticization of development where good governance is democratic governance, or in other words government promotion of human rights, amongst which the right to development.

The concept of democracy doesn't seem to be as biased as the concept of governance, notwithstanding the strong, and on occasion conflictive, diversity of definitions. The minimalist version, adopted by authors like S. Huntington and A. Przeworski, presents democracy as the regular performance of competitive elections, the more maximal standard, in turn, requires democracy also to encompass political, and ultimately group equality, as with D. Held or S. M. Okin (see Mazo, 2005). In this text a somewhat Solomonic definition will be adopted, according to which competitive elections are a key element, but where ultimately democracy prevails only when civil liberties, including freedom of association and expression and freedom of the press, are guaranteed, when citizens are deeply involved in the decisions on matters that affect them, and when institutions are strongly committed with accountability and responsibility in the running of public affairs. In this definition, democracy does not depend on the nature of the outcome as much as on the nature of the process. Objectives, be it equality or market economy, therefore, should not be mandatory, only plurality of political choice and equality before it. As to the concept of development there is no need for a definition at this stage, as this will be a recurrent issue in the following pages.

The main purpose of this paper is to clarify the role of democratic governance within the development process. In the first part of the paper I will make a review of the main literature concerning the impacts of democracy on economic development and the importance of promoting democracy. In the second part of the paper the analysis will focus on the political economy of democratization, namely on the obstacles standing before democracy, and on the economic policies and reforms needed to facilitate the democratization process.

## 2 - DEMOCRACY AND DEVELOPMENT

Sometime around the beginning of the nineteen eighties the main theories and policies of development became somehow discredited on account of the deadlock in which the struggle against poverty in developing countries seemed to stand, to which one could add the lack of solvency of their economies resulting from the excessive indebtedness that had taken place during the previous decade. Within the new diagnosis of underdevelopment that accused bad governance, the lack of democracy in the great majority of developing countries played an important role (see World Bank, 1990). The fact that an African country like Botswana displayed simultaneously one of the best records in human rights observance and the fastest average growth rate in the world, between 1965 and 1985 (Stedman, 1993: 3), decisively contributed to nourish the idea that democratization could become a new and powerful instrument to resume the development process.

### **Democracy and Economic Growth**

After the consolidation of democracy in most of the developed countries it seems quite natural that the great majority of economists should prefer to consider democracy as positive to economic performance as it had been to the enhancement of political freedom. One should not be surprised, then, if there are numerous examples in economic literature of studies concerning the impacts of the nature of political regimes

on development, using different types of methodologies. As it happens frequently with economic studies, though, unanimity regarding their conclusions is far from being reached. There are as many conclusions as the possible impacts, that is to say positive, negative, and null.

The first group of studies reviewed here state that democracy is positive for economic growth. R. Barro (1996a), S. Bhalla (1994), D. Rodrick (1997), M. Olson (1993) A. Goldsmith (1995), D. Landes (2002), Kaufmann and others (1999) and D. North (2004), for example, are part of this group. R. Barro's study should be set slightly apart from the others as he concludes that more democracy is positive for growth only in less democratic countries, more democracy being, on the contrary, negative in countries that already display a high level of democracy. In general, democracy would foster economic growth because, amongst other effects, it procures greater macroeconomic stability in the short/medium run and easier management of exogenous shocks (Rodrik, 1997), it stimulates the entrepreneurial spirit of people (Goldsmith, 1995) and it protects property rights more effectively than autocratic regimes (Olson, 1993; North, 2004). However, despite their sympathy for democracy, P. Bardhan and A. Przeworski and F. Limongi, question the usefulness of these studies. P. Bardhan believes that the cross-country regressions upon which many of colleagues have based their conclusions have fragile foundations (Bardhan, 1999: 2) and A. Przeworski and F. Limongi, in turn, take the relationship between democracy and property rights for a recent and far-fetched invention (Przeworski and Limongi, 1993).

The second tendency goes beyond the simple criticism of the alleged positive connections between democracy and economic growth. Based upon the fact that many countries, such as Japan and Germany, in the nineteenth and early twentieth centuries, Spain and Portugal in the nineteen sixties, South Korea, Taiwan, Singapore or Hong Kong afterwards, and China much more recently, have been economically successful under non democratic political regimes, some authors like P. Bauer (1981), R. Wade (1990), A. Leftwich (1994), L. Sirowy and A. Inkeles (1990), R. Barro (1996b) or M. Gasiorowski (2000) sustain that democracy could be detrimental to economic growth, even if in some cases, as R. Barro ends up confessing, this relation might be statistically not very significant. In addition to these arguments, A. Leftwich sustains that Botswana's political experience, taken as the quintessential example of democratic development, is very particular. Indeed, the long time almost absent political opposition in this country, as in Singapore, allowed the exercise of a hybrid variety of democracy that one could call a single party democracy. The greatest herald of autocratic governance for development is, precisely, former Singapore leader Lee Kuan Yew. In 1992, Lee declared that, in order to develop, a country needs discipline more than democracy, adding that when taken too far democracy can lead to indiscipline and disorder, which are not good factors of development (The Economist, 1994).

The arguments in favour of autocratic regimes insist on such disadvantages of democracy as high propensity to consume as a result of electoral politics and meeting voters' short term demands (Pei, 1999; Wade, 1990), and rent seeking by special interest groups that act on the democratic stage (Bauer, 1991; Olson, 1965). Liberated from the pressures of public opinion, the autocratic state, on the contrary, has sufficient autonomy to take the good decisions to promote common well-being. It can perform, for instance, the best allocation possible of resources between present and future consumption, in other words between consumption and investment. These arguments

contain a great proportion of wishful thinking, though. It is not because democracies harbour fierce competition between public and private interest that one should forcibly conclude that autocratic regimes are consequently free from such a distasteful sort of competition. Indeed, political clienteles seem to be as common in democracies as in dictatorships (Kurer, 1996: 655). Regarding the autonomy to decide for the best interest of the public, this is only advantageous if in presence of a benevolent dictator, historically an exception rather than a rule.

From what has been seen up to this moment, any honest synthesis of these two major stands, can only but lead to the conclusion that the enterprise of determining the best political system to encourage economic growth is especially vain. Furthermore, an important group of authors seem to cut the debate short by asserting that, above all, there is no clear evidence of any favourable or unfavourable connection between democracy and economic growth. Indeed, it seems that the most reliable studies conclude that democracy neither favours nor disfavours economic growth. A. Przeworski and F. Limongi (1993) Przeworski and others (2000), T. Persson and G. Tabellini (2006), A. Alessina and R. Perotti (1994) or S. Ersson and J. Lane (1996), for example, invite us to be very cautious concerning the validation of any relationship between democracy and economic growth and, therefore, to restrain from hastily presenting democracy as an important tool of development policy.

However much it costs to all those that consider political phenomena to be as determinant as the economical to the development process, and especially to democracy pleaders, one has to admit that, most probably, the democratic character of a political regime has little or no relevance to a country's economic performance. From the strict economic point of view, democracy seems, therefore, to have no instrumental value. Regarding its hypothetical relationship with economic growth, the arguments are quite convincing indeed. However, we all know that economic development is not limited to economic growth. Thus, any serious study concerning the relationship between democracy and development needs to dig deeper than to economic growth and deal with some other factors that are, in the least, as important in a development process.

### **Democracy and development beyond economic growth**

Taking as starting point a D. Seers' famous article (1972) in which he questions on what has happened to inequality in the income distribution, to poverty, and to unemployment, in order to conclude that if these indicators had not suffered a noticeable reduction one could not speak of development, even if income per head had increased in the same period, we could, now, ask what are the effects of democracy on inequality, poverty, and unemployment, to which we could add better education and better health, measured by illiteracy and high infant mortality, for example. Well, theoretically a democratic regime should consider reducing these indicators' figures a priority. In democracy, politicians must take into consideration the needs of the majority of the population because, otherwise, they might not stay in office after the following round of elections (Streeten, 1995). There is something undeniable in this argument, and A. Hirshmann explains how democratic rotation through the sequenced satisfaction of the different groups of voters' objectives can, in the end, contribute to the satisfaction of the common interest (Hirshmann, 1988). But how does this really work in practice?

There are no guaranties that once elected a government will dedicate itself to the fulfilment of the electors' aspirations. We have seen above that there are other instruments for pressuring a government besides votes. The 2002 Human Development Report states that there is no automatic relationship between democracy and equity, or between democracy and Human Development and also that, historically, democracy alone does not guarantee greater social justice (UNDP, 2002: 56, 64). Does this mean that even when taking into consideration a broader definition of development, democracy is still instrumentally valueless? The same 2002 Human Development Report also declares, for example, that when local inhabitants are consulted on the location of a new health centre, chances are that it will be built on the right spot (UNDP, 2002: 51) rendering policy more effective.

A. K. Sen, in turn, sustains that, although democracy did not allow India to offer its citizens higher standards of living than China, it prevented this country from general famines since its independence, as opposed to China. The existence of free press and parliamentary opposition in India would oblige any government to act rapidly if the country was to be threatened by famine. On the contrary, in China, between 1959 and 1961, the absence of democratic contradictory debate led to one the worst famines the world has witnessed (Sen, 1992: 17), a perspective that, according to Sen, could explain comment the more recent famine in North Korea, as a matter of fact (Sen, 1999a). A similar account is brought by S. Lewis when he compares the impacts of severe drought in democratic Botswana and in authoritarian Ethiopia. Whereas in Botswana poor crops due to the lack of water made no casualties, in Ethiopia victims reached thousands (Lewis, 1993: 23).

If one believes with the United Nations Declaration on the Right to Development of 1986 that one of the conditions for development is a peaceful environment, then democracy appears to play another important role as an instrument of development. Several studies show that democracy is a powerful tool for reaching a peaceful management of conflicts (see Pastor and Hilt, 1993). The first argument commonly set forward is the fact there have been no wars between democracies (Hamilton, 2002). Even if this argument only concerns conflicts between countries that are both democracies, leaving out other conflicts that can involve democratic nations and internal conflicts, which constitute the majority of the world's conflicts, it conveys a powerful message. The well known destructive power of civil wars, in Africa for example, has been frequently considered one of the major obstacles to development. If one temporarily forgets the strong degree of complexity of most of African internal conflicts, there is a firm conviction that, in the case of ethnic and other violent bursts involving minorities, for example, democracy is a powerful tool to minimize conflicts (Boutros-Ghali, 2003; Wiarda, 1992; Collier, 1999).

### **Democracy is Development**

Despite the moderately optimistic conclusion on the instrumental value of democracy, any true democrat must feel slightly uncomfortable with this sort of approach of the interaction between democracy and development. The discomfort comes from the essence of the question itself. Indeed, as J. P. Fitoussi puts it very judiciously, what seems to be at stake with the majority of studies exploring the instrumental value of democracy, especially when economic growth is considered the dependent variable, is

the search for the political system that best fits the development of a market economy, where the key elements are the protection of property rights and freedom of enterprise (Fitoussi, 2004). The two main objections to this approach are, firstly, that the political realm is presented as being subordinated to the economic, and, secondly, that, thus, there is a powerful depreciative bias regarding democracy in its relationship with development. Indeed, frequently, the majority vote has the unfortunate tendency to sustain anti-market policies, such as social programmes that redistribute income from the rich to the poor. In consequence, policies that are the outcome of the expression of collective preference end up being mistaken with anti-developmental and the political regime that favours them with an obstacle to development.

Thus, instead of being taken as the process through which people make choices about the way they want to live, democracy could be confused with the outcome, that is to say market economy. Democracy would, then, matter, insofar as it leads to a productive end, in the spirit of classical economics (Sen, 1993), the intrinsic value of democracy, freedom to choose and public participation, for instance, appearing to be demoted. This vision of democracy is, in fact, an imposture as, in this particular case, democracy should be taken as a system that allows people to choose whether they want to live in a market economy or not, and not just as one of the means available to inevitably reach this same market economy, however desirable this outcome might be.

Let us consider that market economy is clearly chosen amongst other ways of living during a democratic process by a given set of voters. In this example, democracy as a process allowed people to choose freely, and the outcome was market economy. Let us now imagine that the same set of voters that expressed their choice of market economy is now involved in a process in which there is no alternative to market economy. Chances are that they will repeat their previous voting orientation and that the outcome of the process will obviously be market economy. In terms of the outcome there is no difference between the two processes; it is still a democratic process in the sense that the will of the majority was not contradicted. According to A. K. Sen, though, there is a loss of freedom in this second process (Sen, 1993: 57) polluting its democratic character. The essence of democracy, therefore, is not the outcome but the process itself, freedom to choose (Boswell, 1994), and in this sense one should also look for the constitutive value of democracy as much as for its instrumental value, when looking at the interaction of democracy and development.

When A. Lewis (1955: 9-10) and P. Bauer (1957: 113-114), defined economic development as broadening the palette of choices, regarding goods, professions, places of residence and so on, they might not have been thinking about democracy, but I am sure that none of them would ever have considered this choice, in the least, meaningful without freedom of choice, in the economic as much as in the political realm, and, therefore, without democracy. Stemming from an approach of development where the economic is socially embedded, and where, consequently, the political is not subordinated to the economic, this definition of development performs a sort of fusion between democracy and development. Indeed, there is no real choice, here, without democratic choice. Democracy becomes, then, a constitutive part of development. Democracy becomes development.

This is also the spirit of the Declaration on the Right to Development adopted by the General Assembly of the United Nations on December 4, 1986. In this declaration it is



clearly stated that political and economic objectives, along with social and cultural ones, are all a constitutive part of the notion of development:

#### Article 1

1. The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural, and political development, in which all human rights and fundamental freedoms can be fully realized.

#### Article 6

2. All human rights and fundamental freedoms are indivisible and interdependent (...).

The 2002 Human Development Report adds that “Freedom and political participation are part of human development, either as an objective of development (...) or as a means to promote human development. (UNDP, 2002: 52). Within this logic that regards development as the fulfilment of human rights (see also Sen, 1999b) the lack of democracy must, therefore, be taken in the same foot as the lack of food or education. “To be prevented from participation in the political life of a community is a major deprivation”, declares A. K. Sen (1999a), in its turn. Underdevelopment is, then, characterized by the absence of democratic participation of the population as much as by the insufficient satisfaction of its basic needs for physical survival.

A. K. Sen adds that “the conceptualization – even comprehension – of what are to count as needs, including economic needs, may itself require the exercise of political and civil rights” (Sen, 1999a). Therefore, when debating the interaction of democracy and development the main issue is not whether democracy is good or bad for development, as democracy is a constitutive part of development, but whether development policies contribute to promote human rights in general. The definition of a constitutive value puts democracy in the foreground of development issues, democratization itself becoming, consequently, a development policy.

### 3 - THE POLITICAL ECONOMY OF DEMOCRATIZATION IN THE DEVELOPING WORLD

To cut a long story short I agree with the fact that democratization is essentially a political process, but however secondary economics' role may be, it should not be taken as irrelevant, quite on the contrary. S. M. Lipset was amongst the first social researchers to establish economic conditions to the democratization process (Lipset, 1959). He asserted that various indices of economic development, such as average wealth, degree of industrialization and urbanization and level of education were higher in democratic countries than in authoritarian ones, suggesting that underdevelopment could act as an obstacle to democratization. In a different registry R. Dumont shared the same point of view declaring that, in Africa, there cannot be democracy without the reduction of inequality, respect for the environment, and better access to education and health (Dumont, 1991).

## Income and Democracy

B. Ndulu and S. O'Connell tested the Lipset hypothesis for Africa and found that countries that, at their independence, adopted the multi-party system, started richer than those that opted for various degrees of authoritarianism (Ndulu and O'Connell, 1999: 50) which would give to understand that this hypothesis was correct. A. Przeworski and others sustain that beyond the threshold of 6005 dollars per head no democracy has ever been overthrown, whereas the life expectancy of a democracy below the average income of 1000 dollars per head is only six years (Przeworski et al., 2000). The arguments set forward to justify the relevance of wealth for democratization sustain that, firstly, when income is high, or economic growth rapid (Dahl, 2000: 191), redistributive conflicts are less intense and, therefore their resolution can happen under the rule of law rather than through the use of force; secondly high income allows the formation of an important middle class, and, thirdly, it can lead to better education.

These arguments are quite interesting but they seem to miss some of the main issues at stake, here. The reduction of distributive conflicts and the creation of a strong middle class depend, assuredly, on the income level, but also, and perhaps mainly, on redistributive policies. The level of education, in turn, depends, above all, on the choices concerning public expenditure which, in turn, can also be determined by the nature of political regimes. For A. K. Sen, democracy is responsible for the fact that the state of Kerala displays the highest literacy rate in India despite being one of the poorest regions in the country (Sen, 1999b). Availability of means is, certainly, a crucial question for human rights and democracy (see Archer, 1995), but it doesn't seem to be decisive when the issues above are concerned. Furthermore, several empirical studies seem to show that there is no relationship between the level of income per head and democracy. J. Robinson finds that if income and democracy are correlated it is because the same features of a society simultaneously determine how prosperous and how democratic this one is (Robinson, 2006). In the above mentioned study A. Przeworski and others, although sustaining that wealth has an effect on the survival rate of democracy, find, nevertheless, that it seems to have no effect on the emergence rate of democracy (Przeworski et al., 2000). Other studies reach this same conclusion, which is that there is no linkage between wealth and democracy (see Acemoglu et al, 2005; UNDP, 2002). The fact that one can find all sorts of combinations between income levels or growth records and the democratic or authoritarian nature of the political regime (see UNDP, 2002, Leftwich, 1994; Leftwich, 2000) reinforces the conclusion that income is neither a decisive obstacle nor a precondition to democratization.

In fact, more than an argument to explain the lack of democratization, it seems that wealth has been set forward by autocratic governments, mainly, to justify their unwillingness in engaging in democratic transition, and ensuring poor people political as much as economic and social rights. In 1968, slightly after a successful military coup, an Argentinean government official told A. Hirschman that only once the country had attained economic stability and a certain level of economic growth would it be ready for the reinstalment of civil liberties (Hirschman, 1988: 112), a typical reasoning of the Latin American *desarollismo* of the nineteen fifties that presupposed democracy to be, exactly, a consequence of economic development, a process which S. Amin (1989), critically, classified as a mere modernization of dictatorship, leading only to the perpetuation of repression.

If the impact of income on democracy is not very convincing, its distribution, on the contrary, seems to gather broader consensus. The existence of a significant middle class has already been pointed out as relevant to democracy (Lipset, 1959; Huber et al., 1993). Well, by definition, middle classes tend to be stronger where income inequalities are low. B. Boutros-Ghali, in his turn, in an UNESCO Executive Summary declares that “one of the major impediments of democratic development resides in the serious inequalities that exist” (Boutros-Ghali, 2003: 22). Indeed, some evidences seem to have been found relating inequality and the lack of democracy, or in the other way around, the positive relation between moderate or declining inequalities and democracy (Acemoglu, 2003; Engerman and Sokoloff, 2002; Barro, 1999; Przeworski et al., 1996), the main argument being that the gap between the rich and the poor, rendering distributive conflicts more acute, and creating a feeling of economic insecurity (Fitoussi, 2004), would contribute to erode people’s and leaders’ adhesion to democracy. Furthermore, income distribution inequalities tend to be accompanied by inequalities in the access to other political resources, such as respect, status, information or knowledge (Dahl, 2000; Calderón and Szumckler, 2004; Engerman and Sokoloff, 2002; Haworth, 1994) all resulting in the political sub-representation of the poorest social groups.

## **Culture and Democracy**

There are mainly two approaches to the cultural classification of obstacles to democracy. The first approach deals with impacts on democracy of the national, ethnic or religious differences within the geographical territory upon which the demos is established, and the second with the potentially more authoritarian or more democratic character of a society’s political culture.

Regarding the first aspect of the cultural explanation of authoritarianism, there seems to be some generalized recognition that it is easier for a culturally homogenous country to democratize than for a country with deeply differentiated and conflictive subcultures (see Dahl, 2000; Bardhan, 1999; Leftwich, 2000; Boutros-Ghali, 2003). Indeed, whenever there is strong ethnic diversity, political structures tend to be organized around ethnic groups rather than around interest groups. Therefore, whenever an election is called it appears to be ethnic belonging, or demographic vigour, that is being balloted, rather than strategies outlined to enhance the public good. Furthermore, sympathizers of a particular culture frequently see their demands as questions of principle, as too crucial to indulge in compromise, and democratic resolution of political conflicts needs, precisely, negotiation, conciliation and compromise (Dahl, 2000).

In addition, cultural pluralism seems incompatible with the necessity of building nations, considered one of the first steps to development, and even to democracy, as democracy is unconceivable without some form of community inclusion and exclusion, which is, precisely, enabled by the nation. Some believe that this is the main reason why in Africa, for example, governments issued from the independence processes used a considerable amount of their energy to repress any claim to difference, institutionalising undemocratic governance as the only way to build their nations. The outcome was a vicious circle from which it seemed hard to escape. On the one hand, dictatorship was used to repress cultural differences and, on the other hand, this repression seemed to exacerbate this same cultural pluralism that dictatorship was called to erase (Amin,

1989: 163). One need not be as pessimistic, though. The effect of cultural cleavages on democracy can be mitigated by adequate constitutional design (see Branco, 2006), as can be seen in long time consolidated democracies such as Switzerland or Belgium, or in developing countries like Mauritius, Trinidad and Tobago or Lebanon, and, therefore, cultural diversity shouldn't be a sufficient explanation of blockages in democratizing multicultural countries.

Regarding the influence of political culture on democracy, the works of M. Weber (1958) and, later, G. Almond and S. Verba (1963), for example, opened the way to considering some cultures more fit to democracy than others. According to M. Weber the Protestant versus Catholic cultural fracture could explain the democratic preference of the former as opposed to the latter's authoritarian inclination (Weber, 1958). G. Almond and S. Verba, in turn, enhanced the role of mutual trust and tolerance of diversity (Almond and Verba, 1963). Splitting the world's society into survival and self expression values, R. Inglehart adds more arguments to this cultural explanation of undemocratic governance. He finds that cultural zones that share the self expression values, characterized, amongst other features, by tolerance and interpersonal trust, are more inclined to be democratic (Inglehart, 2000) than the ones sharing survival values. According to him, of the nineteen societies that in which more than 35 percent of the public believe that most people can be trusted, fourteen are historically Protestant, three are Confucian influenced, one is predominantly Hindu and only one is historically Catholic; on the contrary of the ten lowest ranking societies, eight are historically Catholic and none is Protestant (Inglehart, 2000: 91). This could partly explain, for instance, the difficulty in consolidating democracy in Latin America, predominantly catholic. R. Inglehart cannot determine if one is just facing a simple correlation or if there is some kind of causal connection, though, leaving ample space for other factors to intervene, and, therefore, to belittle the importance of this argument. The fact that many Catholic countries in Europe have been stable democracies for quite a while, also contributes to diminish the argumentative power of the Protestant versus Catholic fracture in explaining democratization.

In another view of the importance of political culture, M. Hénaff devaluates the Protestant versus Catholic fracture in explaining the more democratic tradition of England when compared to France, at the time of the industrial revolution, substituting it by a Roman versus Anglo Saxon traditional law confrontation. The Roman tradition establishes the unconditional character of the sovereign's power; in the Anglo-Saxon tradition, on the contrary, sovereignty is delegated. In England, for example, county sheriffs and judges have been elected since the twelfth century whereas in France the need is felt to designate public servants from the center and, very often, to make sure that they come from a region other than the one to which they were appointed (Hénaff 2000: 62-63). This procedure is, actually, still largely followed in today's French administration.

The image of near deification of Asian rulers, from Japan to China and Korea, have long supported the idea, put forward by M. Weber (1964) and more recently refreshed by Lee Kuan Yew (Zakaria, 1994), that Asian values are incompatible with democracy. A. Sen (1999b: 234) claims, nevertheless that it is not clear to him that Confucius is more authoritarian than Plato or St. Augustine, and adds that in the Buddhist tradition great importance was attached to freedom. According to him, the advocates of the authoritarian view of Asian values base their reading on very arbitrary interpretations

and extremely narrow selection of authors and traditions (Sen, 1999b: 240). Lê Thành Khôi, in turn, refers that the value of loyalty to the ruler and to the community is far more decisive than the authoritarian character of the political culture, stressing that, in China, the theory of the celestial mandate admits the right of the people to rebel against the monarch every time he does not fulfill his mission to ensure its well being (Lê Thành Khôi, 1992: 157).

In a conference on globalization, science, culture and religions, held in Lisbon in October 2002, D. Etounga-Manguelle (2002), chairman of a Yaounde based company, declared that among the progress-resistant features of the African culture there was an excessive concentration of authority and power in one individual, who will often claim magical powers. The recent history of Africa gives indubitable examples of this excessively centralized manner, to say the least, of performing authority, but is this the demonstration we were looking for, that authoritarianism is a cultural feature? Indeed, on many occasions, while analyzing the cultural background of authoritarianism, especially in Africa, there is a tendency to isolate these features from the last centuries of the societies' history.

If one wants to look for, say, an African tradition of exercising authority, one should not forget the few hundred years of colonization and unequal development that have affected this continent. In order to get a more authentic view of tradition in these fields, one should probably have to study pre-colonial Africa. In doing so, the image of the despotic tradition in African ruling is not so striking. Where there were organized states the forms of government could be either centralized or more participative. One feature, though, seems present almost everywhere, the possibility of the people overthrowing the ruler in many different institutionalized ways (Davidson 1981; Ayittey 1992; Lacoste 1993).

### **The social and economic structure and democracy**

Despite the vivid debate concerning the utility of democracy it seems that there is some sort of second rank consensus to take democracy as the best political system for economic development. Why, then, should some rulers be so weakly inclined to democratize their countries? Putting the question in these terms there is only one possible answer. They are not interested in democratizing, or in other words democratization goes against their best interests. An autocrat will rationally resist to democracy, then, if this means that, in the process, he will lose more than just political power (Robinson, 1998). This behaviour is consistent with a classical and institutionalist compromise theory that considers institutional change to preferably occur when agents detaining power perceive the advantages of pursuing their private interests according to different rules of the game (Grindle, 2001; Robinson, 1998). The crucial question becomes, then, why losing political power constitutes an attempt on rulers economic interests. Some answers can be found in the social and economic structure of many developing countries.

Economies in several developing countries, most especially in Africa, are dependent on the export of a scarce variety of natural resources, or plantation crops. This particular economic structure has shown a tendency to lead to *loot-seeking* activities (Collier and Gunning 1999: 9), in other words through monopoly, excessive taxation and corruption,

rulers have had a relatively easy opportunity to gripe a considerable share of a country's resources. This kind of appropriation of national income is clearly opposed to democratic, problem solving, distribution of national wealth, even more so when the ruling elites constitute a small group. The gains to an extractive strategy, an euphemism for loot, are closely related to the size of the ruling elite group (Acemoglu et al, 2001: 1376). When the elite is scarce, each member can expect a larger piece of the pie and so, the smaller the elite group, and we could add the more unequal the income distribution, the greater the incentives to be extractive. Following the same line of thought, the greater the extractive character, the greater the risk for the elite of becoming a political loser, that is to say, of losing their economic and social status if replaced, which, in turn, favors authoritarian strategies to keep the power. Furthermore, this kind of economic structure does not favour the uprising of new elites that, along the lines of agency theory (see Mazo, 2005), would engage in political struggle with the already installed elites and would end up forcing them to accept the democratic game.

It is not all too unexpected that this kind of economic structure incites rulers to keep the power. Indeed, with the notable exception of Botswana, most African countries that rely on natural resources are having more troubles either to democratize or to consolidate democracy than others. Angola (see Campos and Marques, 2005), Nigeria, the Democratic Republic of Congo and Sierra Leone are good examples of this phenomenon. What can be more unexpected is that, in these circumstances, the population may receive the same incentives. Indeed, through free elections, people may be pushed to prefer keeping rulers in office despite clearly condemning their behaviour. In a street interview on the occasion of the first pluralist elections in Mozambique, when asked to comment the performance of the party in office, the Frelimo, a citizen declared that they had spent their time robbing the people. Continuing with the interview, the journalist asked whom was he going to vote for. Much to the astonishment of the interviewer, he said that he was going to vote for the Frelimo. When the journalist confronted the citizen with the possible contradiction of his negative opinion about the Frelimo and his voting intentions, he simply answered that unlike its competitors, namely the Renamo, Frelimo had already robbed the people.

In fact these contradictory incentives are not only characteristic of economies dependent on few natural resources or plantation crops. The overwhelming presence of the state in the economy, more frequent, precisely, in the case of economies dependent on natural resources such as oil, is also an important factor of a democratic deficit. R. Dahl shows how the economy in the America described by Alexis de Tocqueville in "Democracy in America", was based on highly decentralized individual farming, which gave few opportunities to the politicians to have access to the resources and, therefore, favoured a democratic development (Dahl, 2000, p 194). When, on the contrary, politicians have access to the nation's resources through government, it is harder to convince them in peacefully transferring power to rival political groups.

### **The Colonial Heritage and Democracy**

If one believes that social and economic structures are, in essence, historically determined, it is, then, of the utmost importance to refer to the several hundreds of years of European colonial rule under which the great majority of countries in the developing world has lived. In relation to the theme of democracy, colonial heritage can influence

democratization insofar as it has been determinant in shaping both the social and the economic structures and in trapping cultural diversity within the limits of arbitrarily designed territories.

In many developing countries, and especially in Africa, the fact that European colonization was mainly interested in exploiting the natural resources and the exotic crops is the main reason for their excessive specialization and their alienating dependence from volatile external markets (Frank 1966; Jalée 1973; Amin 1973; Amin 1977) whose effects on democracy have just been seen above. In turn, the fact that the colonial administration delegated the day to day running of the state to a small domestic elite (Acemoglu et al., 2001) as well as the low investment made on educating the native population, partly explains the existence, at the time of independence, of a small elite group, almost exclusively connected to either extractive activities or colonial administration.

After having taken control of the state, these elites received few incentives to change the institutions and consequently favored the undemocratic and extractive institutions that prevailed in the colonial era (Acemoglu et al., 2001). A comparative study of Botswana and Lesotho provides an enlightening example. Despite sharing the same traditional ruling institutions in pre-colonial times and being culturally very close, Botswana evolved towards a democracy and Lesotho did not. The reason for this divergence could be sought in the recent history of the two countries. The limited impact of the colonial rule in Botswana, as compared to the experiences of many other nations in Africa, South America or the Caribbean, allowed the continuity of pre-colonial institutions and the elites that came to power after the independence were only partly members of the former administrative elite (Acemoglu et al., 2002: 23), and the power, therefore, became essentially delegated. In Lesotho, on the contrary, the wars against the Boers and the fact that the British were much more intervenient undermined the traditional institutions and contributed to the centralization of the political power in the hands of the colonial elites (Acemoglu et al., 2002: 29).

Finally, the colonial heritage can also partly explain the recognized difficulties in democratizing multicultural states. Indeed, the colonial administration is not only responsible for the imprisoned cultural diversity by designing administrative regions, upon which the new nations were to be built, regardless of its cultural profile, but also for the invention of ethnical diversity itself (see Branco, 2006). The methodic slicing of native population into tribes and ethnic groups was usually done with the purpose of controlling vast territories with just a handful of expatriated administrators, as the British did in Nigeria or the Belgians, more paradigmatically even, in Ruanda Urundi, later Rwanda and Burundi, through the well known artificial definition of pseudo anthropological and cultural differences between the Tutsis and the Hutus in order to justify the delegation of the colonial power into the hands of the Tutsi minority.

## **Globalization and Democracy**

Almost since the term globalization itself has been invented several interrogations have been made concerning its democratic or non-democratic character. This discussion would take us too far in this paper, though, and this specific theme has already been the subject of talented and thorough scrutiny by different authors (see for example Obstfeld,

1998; Groupe de Lisbonne, 1995; Sapir, 2002; Przeworski and Meseguer, 2006, Hamilton, 2002; Fitoussi, 2004) who reached different, and often contradictory, conclusions. The matter, here, is not to discuss the issue of globalization and democracy in general terms, but to stick to the less ambitious question of globalization as an obstacle to democratization in developing countries. Once again, to avoid any misunderstandings on this matter a definition of what is to be understood as globalization should probably be presented. Unlike many definitions of globalization that insist on the expansion of foreign trade and the mobility of productive factors, globalization will be taken here in a broader sense, as the expansion of the capitalist mode of production, based upon arguments I have explained elsewhere (see Branco, 2001). In this sense, besides trade and specialization, dependence, structural adjustment, debt and inequality will also be taken into consideration.

The first aspect of globalization that interests this approach of democracy concerns the fact that globalization, as capitalist expansion, is responsible not only for growing inequality but also, in many cases, for an absolute decline in real income of poorer families and even of entire countries in the developing world (see Mazur, 2004; Honey, 2004). This outcome is not unexpected as it is amply recognized that market capitalism creates inequality. In doing so, distributional conflicts become more acute, not only around income, but also around the other political resources, as referred earlier, this being especially true in Africa as one could have easily guessed (see Adejumobi, 2000).

The second aspect concerns the trends in trade and specialization. The logic of boundless capitalist development conduces to the intensification of international trade and to specialization. In this sense globalization can constitute an obstacle to democracy in developing countries because it reinforces the formerly mentioned vicious dependency on natural resources in many countries, with a special reference one again to Africa. Indeed, not only this dependency has not been overcome, but other negative aspects, such as degradation of the terms of trade, were added to exacerbate this dependency. The evolution of the terms of trade has not been historically favourable to developing countries and the situation seems to have worsened in the last decade. As far as agriculture export commodities are concerned, in sub-Saharan Africa for example, the terms of trade index, base 100 in 1990, shrank from 185 in 1960 to 85 in 2000 (UNCTAD, 2005). This not only affects the availability of means that can influence democracy, but also pushes countries to insist on expanding their foreign currency sole producing economic sector, in other words leads them into reinforcing specialization, and perpetuating an economic structure unfavourable to democracy.

The third item, the debt burden, and the consequent need to face their international financial commitments, pushes developing countries exactly in the same direction. The structural adjustment programs, for example, especially designed to ensure debt repayment, have forced these countries to adopt policies that affected the conditions of democratization and its consolidation. Firstly, many developing countries were obliged to overemphasize their commercial objectives at the expense of their social objectives. In consequence, not only the struggle against poverty and the effort to raise the level of education were slowdown, but the economy got more dependent than before on the export of natural resources (see Mazur, 2004) as well. Furthermore, adjustment programs were also responsible for increasingly unequal distribution of income (Leftwich, 2000: 145).



Structural adjustment programs could have played an important part in the democratization process, though. The emphasis on the private sector was an important tool to counterweigh the state, which was crucial to dismantle the loot seeking system mentioned above. Instead, it contributed mainly to empty the positive role of the state and for the private sector to call upon him the responsibility of curtailing human rights (see Mazur, 2004: 67). At last, the fact that these programs have been presented to developing countries as the only alternative to conciliate financial orthodoxy and development did not leave, one must admit, much room for democratic debate.

#### 4 - CONCLUSION

With the turn of the century, the modern view of the interaction of democracy and development has overcome the mild obsession with democracy's instrumental value in order to focus on its intrinsic and constitutive value within development. This means that democracy remains a decisive feature for economic development, but for different reasons than those that were being put forward since the nineteen sixties, roughly. This also means that the issue of democratization is still crucial for development and, therefore, the main question that an essay on the political economy of democratic governance should ask is, how to democratize, better said in this particular case, what are the economic implications of democratization, what are the economic policies and reforms more favourable to democracy. In this sense the paper's conclusion is that the major obstacle to the emergence and consolidation of democracy, in many developing countries, is the state of underdevelopment in which they live. Underdevelopment, here, shouldn't be mistaken with undevelopment, though, in other words poverty or just a mere delay in development, as it seems to be manifest in the path breaking article of S. Lipset and other works that insist on the importance of development as a precondition of democratization. The underdevelopment in question, in this paper, is characterized by inequality in income distribution and public expenditure, undiversified economic and social structure, handicapping colonial heritage and globalization, and for this matter must be taken as a particular form of capitalist development, called dependant development, or peripheral capitalism, which can be found in neo-Marxist approaches of economic development (see for example, Franck, 1966; Dos Santos, 1978).

Therefore, the economic features of a democratization policy should be especially concerned with the need to transform the development model they have adopted, voluntarily or not, for a long time. As opposed to the actual trend, emphasis should, then, be placed on social rather than on commercial objectives, in other words on reducing inequalities in income distribution rather than on increasing this same income, on expanding human capabilities rather than on ensuring property rights, on institutional design innovation rather than on homogenizing cultural patterns, on looking for diversifying the sources of income rather than on overexploiting the traditional sources of income, compelled by the need to reimburse the external debt, on searching for a more equitable global distribution of the benefits from trade rather than on imposing world wide deregulation of trade and, last but not the least, on erasing external debt instead of on multiplying conditional schemes that can only but allow an homeopathic reduction of the debt burden and, therefore, secure the perpetuation of the status quo. These policy options should not be seen, here, as some sort of precondition of democracy, but essentially as a process simultaneously conducive to escaping underdevelopment and reaching democracy. This is the true sense of a political

economy of governance and development where human rights and, therefore, democracy, are considered both as a means and an end of development.

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