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**Literature Review of the Role that Economic Growth, Health, and Education Play in the
Creation and Maintenance of Durable Democracy**
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Literature Review of the Role that Economic Growth, Health, and Education Play in the Creation and Maintenance of Durable Democracy?

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Section I provides a very brief historical overview of the topic. Section II discusses recent evidence pointing to the important role of economic growth, including the specific sectors of health and education, in contributing to democracy. It also discusses the role of economic growth in contributing to freedom from want, the economic basis of human freedom. Section III discusses other specific ways in which overall economic growth or sectors contribute to democracy.

I. Historical Overview

The assumption for 50 years or so for a wide range of economists, political scientists, policymakers and others interested in development has been that economic development would lead to greater democracy, and, the other side of the coin, that lesser democracy would lead to lesser economic development. One influential study of the evolution of societies confronted by the possibility of economic development was the 1960 *Stages of Growth, a Non-Communist Manifesto*, written by Walt Whitman Rostow, a national security advisor for Presidents Kennedy and Johnson. It was thought that economic development would lead to greater democracy for a variety of reasons including:

- Economic development would lead to increasingly educated and active members of society who would pressure authoritarian governments for greater rights.
- Economic development would reduce the numbers of those who led lives of desperate poverty, reducing the dangers of conflict and revolution, and permitting the evolution of more democratic societies.
- Economic development would provide the government with increased revenue to carry out the functions of a modernizing state
- Those states with the greatest per capita income were all democracies

On the other side of the coin, governments that insisted on a high level of control threatened countries economic growth by blocking entrepreneurship and distorting economic activity in innumerable ways. This again was seemed to be obvious—at least by the 1980s—to a great number of people including President Reagan (1987). “Mr. Gorbachev—tear down this wall... In Europe, only one nation and those it controls refuse to join the community of freedom. Yet in this age of redoubled economic growth, of information and innovation, the Soviet Union faces a choice: It must make fundamental changes, or it will become obsolete.” Thus the leadership of the Soviet Union opted to reduce authoritarianism in its society in the hope of better life for its people.

This approach has also led to a movement toward fostering economic growth in the 1980s and 1990s, in part by reducing government controls over key elements of the economy such as agricultural prices and exchange rates, and establishing fiscal balance between

revenues and expenditures. This has helped lead to a significant, but by no means complete, increase in liberty in developing countries and newly independent states.

There was also explicit acknowledgement that extreme poverty is a limitation on human freedom. This was clearly expressed in President Roosevelt's Four Freedoms speech, his 1941 State of the Union address to Congress, that included freedom from want as one key freedom. This relation between extreme poverty and human freedom has continued to motivate economic development efforts.

II. Current Discussion of the Role that Economic Growth, Health and Education Play in the Creation and Maintenance of Durable Democracy

The Role of Economic Development

Seminal works on economic development and democracy include Seymour Martin Lipset's, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy" (1959) and G. Almond and G.B. Powell's, "Comparative Politics: A Developmental Approach" (1965). Both help form the long-held belief that as literacy and incomes increase, people demand more control over their lives and demand a democratic government. In addition to Lipset, empirical studies by Burkhart and Lewis-Beck (1994) and Barro (1997) link education and per capita income to democratization. (Knack, 2004, 252)

Some recent writings refine this link. Przeworski et al found that economic growth has an effect on the durability of democracy, but not the emergence of democracy. They argue against the belief that once countries develop, they will become democracies, stating, "Democracies are not produced by the development of dictatorships. If they were, the rate at which dictatorships make the transition to democracy would increase with the level of development: analyses of the survival prospects of dictatorships, however, indicate this is not the case. Indeed, transitions to democracy are random with regard to the level of development: not a single transition to democracy can be predicted by the level of development alone." (Przeworski et al, 1996, 40) They go on to show that economic growth increases the survival rate of democracies, especially in poor countries, "Rapid growth is not destabilizing for democracies (or for dictatorships): indeed, democracies are always more likely to survive when they grow faster than 5 percent annually than when they grow slower. In turn, the fragility of democracy at lower levels of development flows largely from its vulnerability in the face of economic crisis...Economic performance, then, is crucially important for the survival of democracy in less-affluent countries. When the economy grows rapidly with a moderate rate of inflation, democracy is more likely to last even in the poorest lands." (Przeworski et al, 1996, 42)

In a September/October 2005 Foreign Affairs article, Bruce Bueno de Mesquita and George Downs also support the idea that economic development contributes more to the durability of democracy than its emergence, stating, "the link between economic development and what is generally called liberal democracy is actually quite weak... Although it remains true that among already established democracies, a high per capita

income contributes to stability.” They go on to cite the example of China as a country that is growing economically but the government is able to prevent the rise of democracy by blocking what they call “coordination goods” or “public goods that critically affect the ability of political opponents to coordinate but they have relatively little impact on economic growth.” The examples given are the Chinese government blocking access to Google’s English-language news service and forcing Microsoft to block the use of words such as “freedom” and “democracy” on their software used for blogs. (Bueno de Mesquita and Downs, 2005, 1, 2).

The authors go on to suggest that donors should continue to promote economic development and the provision of standard public goods, but in order to promote democracy, the conditions of aid should be broadened to, “include requirements that recipient states supply their citizens with coordination goods, such as basic civil liberties, human rights and press freedoms. Making it easier for ordinary citizens to coordinate and communicate with one another will promote the growth of political freedom.” (Bueno de Mesquita and Downs, 2005, 4) Using the current situation in the Middle East as an example, the authors state, “those interested in measuring the democratic progress of the region should pay more attention to the availability of coordination goods than to how tightly the media is controlled, for example, or how difficult it is to safely hold an anti-government demonstration. These elements, more than the mere presence of elections, remain essential for the transition to real democracy.” (Bueno de Mesquita and Downs, 2005, 5)

Further advice on foreign aid is given by Stephen Knack in his 2004 article in *International Studies Quarterly*, “Does Foreign Aid Promote Democracy.” Knack states, “Using several alternative democracy indexes and measures of aid intensity, no evidence is found that aid promotes democracy.” (Knack, 2004, 251) However, he asks that these results be interpreted with caution because, “the available data do not permit disaggregation of aid intended to promote democracy from aid intended to achieve other objectives.” He promotes the findings of Lipset and Almond and Powell that, “aid can promote democracy indirectly by ‘modernizing’ societies.” Knack suggests, “Aid potentially can contribute to democratization in several ways: (1) through technical assistance focusing on electoral processes, the strengthening of legislatures and judiciaries as checks on executive power, and the promotion of civil society organizations, including a free press; (2) through conditionality; and (3) by improving education and increasing per capita incomes, which research shows are conducive to democratization.” (Knack, 2004, abstract)

After reviewing recent studies on the relationship between development and democracy, Minxin Pei suggests the following policy implications. “First, in countries where democratization has already occurred, the top priority must be given to the establishment and consolidation of those institutions that have the most immediate, direct and powerful impact on macroeconomic stability, security of property rights and free trade... In countries where democratization has yet to occur, the emphasis should be placed more on the establishment and strengthening of the same economic institutions than on the direct promotion of democracy (or more crudely, elections)... such institutions will

undoubtedly contribute to sustained long-term growth. Politically these institutions will not only promote the eventual development of democracy (through sustained growth) but help insulate future democratic institutions and processes from the temptation of rent-seeking... A final advantage to having strong economic institutions before democratization is that the existence and operation of these institutions will likely increase the likelihood of democratic survival and consolidation during the post-transition phase. As the statistical analysis performed by some political scientists show, poor democracies tend to die of economic crisis. Such crises may not have the same devastating impact if those countries have strong economic institutions capable of containing them.” (Pei, 1999, 6)

The Role of Education

Charles Kurzman and Erin Leahey studied the influence of intellectuals on democratization. They argue that, “intellectuals were important for democratization in two waves of democratic transitions... (1905-12 and 1989-96).” However, they ask, “Please note that these findings speak to the emergence of democracy, not to its maintenance... Further, we accept the possibility that there are multiple routes to democracy... we argue that, in different ways, intellectuals in particular periods may lead to democratization movements and that two such periods occurred during the 20th century.” (Kurzman and Leahey, 2004, 938-939)

A study done by Michelle Kuenzi in rural Senegal found that both formal and nonformal education increase the likelihood that people will embrace democratic, tolerant attitudes. She points out that, “studies have found relationships between years of formal education and democratic attitudes with relative consistency, the strongest effects often appear to manifest themselves at the highest education levels.” (Kuenzi, 2005, 225) She goes on to show that “Nonformal education works much the same as formal education in instilling democratic attitudes. Since the citizenry’s acceptance of democratic values is considered a requisite for the consolidation of democracy, both NFE [nonformal education] and formal education could play important roles in the consolidation process in Senegal and Africa, more generally.” (Kuenzi, 2005, 240)

Taking a close look at civic education in Poland, the Dominican Republic and South Africa, Steven Finkel found that, “individuals who were exposed to civic education were significantly more active in local politics than were individuals in the control group.” (Finkel, 2003, 140) Also, “When individuals are trained frequently and take an active part in their own learning, they will be more likely to harbor attitudes favorable toward democracy.” (Finkel, 2003, 148)

The Role of Health

The Role of Economic Growth in Contributing to Freedom from Want

There has been striking economic progress in developing countries representing more than half of the world’s population. Twenty-one countries that were relatively poor in 1960 have recorded economic growth of at least 2.2% per person per year (the maximum 40 year average of the U.S. ever recorded in its history), along with significant increases

in life expectancy and declines in infant mortality and illiteracy. For this group of countries as a whole, which together account for half of the world's population, average incomes have quintupled, life expectancy has increased 17 years, and illiteracy rates have fallen from 49% to 21%. (Radelet 2004). Nonetheless, much remains to be done. The 2006 World Development Report shows that 29 countries have at least 20 percent of their population living in \$1 a day poverty.

III. Specific ways in which overall economic growth and individual sectors contribute to democracy.

The preceding section has discussed the overall impact of economic growth on democracy. This section describes specific ways in which overall economic growth or individual sectors contribute to democracy. First it must be noted that foreign assistance does provide a means for the United States to engage developing countries in dialogue and joint action on matters of concern to both, including democracy (Hopkins 2000). This section covers the role of economic growth in promoting recovery from conflict, providing employment to youth, and financing government services. It also describes the importance of economic, education and health issues in maintaining popular political support, and the way that health and education sector reforms can promote good government.

Economic Growth Following Conflict

Since the Marshall Plan, the United States has used economic growth assistance to restore the economies of countries and to return people to productive activities, thereby restoring or otherwise promoting stable, democratic government. Economic growth assistance continues to be a prominent feature of U.S. assistance to countries emerging from conflict. A related issue is the need to provide demobilized soldiers with sources of income.

Unemployment Among Youth

Youth unemployment is a problem in all developing countries and can only be ameliorated by economic growth. According to estimates of the International Labor Organization, more than one hundred million new jobs would have to be created within the next twenty years in order to provide suitable employment for the growing number of young people in the economically active populations of developing countries.. In the absence of opportunities in the formal labor market, young people are also turning to so-called "forced entrepreneurship" and self-employment in the informal sector, working in often hazardous conditions for low pay and with few prospects for the future. Such factors can cause young workers to become disillusioned and alienated, feeding political and ideological unrest and violence (Urdal 2004).

The Maintenance of Popular Political Support

Adequate government performance on economic and social issues is important for popular support of democratic governments. A 2006 Malawian public opinion survey undertaken by the State Department indicated that public satisfaction with, and commitment to, democracy in Malawi have both declined over the past six years, with an increasing minority willing to consider non-democratic regime types. Food shortages,

famine, and problems in the agricultural sector are identified by six-in-ten Malawians as the most important problem facing the country, with more than seven-in-ten Malawians disapproving of the government's handling of food security (State 2006).

Sector Reforms

There have been a number of reform efforts in both the health and education sectors that have the possibility of promoting more effective governance. Two prominent examples are decentralization and Sector Wide Approaches (SWAs). A number of countries have adopted the strategy of decentralization to provide a better functioning democracy by bringing government closer to the people. Health and especially education have been key government services decentralized. Many governments have not done well in delivering government services, due to poor administrative capacity, as well as corruption and other rent-seeking behavior. A donor response to this is Sector Wide Approaches (SWAs). This provides donor funding to the government in particular sectors, prominently health and education, with all significant funding for the sector supporting a single policy and expenditure program. The focus on a single sector-wide program, and the accompanying government-donor dialog on implementation, leads to improved results.

Financing Government Services

It is difficult for developing country governments to find the revenue to finance government services. This can lead various problems, including large deficits leading to high rates of inflation. Economic growth has been a major source of new tax revenues.

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Supplementary Literature Review on Relationship Between Democracy, Economic Development, Health and Education

March 9, 2006

Health:

1. Effect of democracy on health: ecological study

Álvaro Franco, Carlos Álvarez-Dardet

British Medical Journal

December 18, 2004

<http://bmj.bmjournals.com/cgi/reprint/329/7480/1421>

The health indicators showed a statistically significant relation with freedom ratings: the highest levels of health were in free countries followed by the partially free countries, and the worst levels of health were in countries that were not free.

After adjustment in our multiple linear regression analysis, the associations persisted, with a determination coefficient near to 50%; values for life expectancy, infant mortality, and maternal mortality were 0.51, 0.47, and 0.36, respectively (see bmj.com). The inclusion of the freedom ratings in the model produced changes in the coefficient of 13% for life expectancy, 11% for infant mortality, and 6% for maternal mortality, with statistically significant coefficients.

Democracy shows an independent positive association with health, which remains after adjustment for a country's wealth, its level of inequality, and the size of its public sector.

In our study, democracy showed a stronger and more significant association with indicators of health (life expectancy and infant and maternal mortality) than indicators such as gross national product, total government expenditure, or inequality in income. When all these variables were taken into account, the economic ones lost their weight, thereby increasing the importance of the effect of democracy.

The underlying mechanisms for the association between democracy and health are still unknown. Democracies allow for more space for social capital (for example, social networks, pressure groups), opportunities for empowerment, better access to information, and better recognition by government of people's needs.

Education:

2. From Education to Democracy?

Daron Acemoglu, Simon Johnson, James A. Robinson, Pierre Yared

*Prepared for the American Economic Association Papers and Proceedings 2005.

http://econ-www.mit.edu/faculty/download_pdf.php?id=1189

Abstract:

The conventional wisdom views high levels of education as a prerequisite for democracy. This paper shows that existing evidence for this view is based on cross-sectional correlations, which disappear once we look at within-country variation. **In other words, there is no evidence that countries that increase their education are more likely to become democratic.**

Economic Development:

3. Democracy and Development: New Insights from Dynagraphs
Jack A. Goldstone and Adriana Kocornik-Mina
School of Public Policy, George Mason University (Draft 3/1/05)

One of the most discussed topics in comparative politics is the relationship between democracy and economic development. One of the best established results in this field is the positive relationship between income per capita and democracy. As first established by Seymour Martin Lipset, higher levels of income per capita are strongly associated with a higher likelihood that a country will be a democracy; lower income levels with a higher likelihood that a country will be a dictatorship (Lipset 1960).

Despite more than forty years having elapsed since this finding, political scientists still have no established explanation for this relationship. Just recently, a sophisticated analysis of democracy and development by Przeworski, Alvarez, Cheibub, and Limongi (2000) has argued that higher income has no discernable causal effect on transitions from dictatorship to democracy. Rather, they claim that the relationship between income and regime types is the result of the impact of higher incomes on the *stability* of democracies – once democratic countries (regardless of how or why they became democratic) reach a certain level of income (roughly \$10,000 in 1996 real PPP gdp/capita), they are extremely unlikely to revert to dictatorship. Thus the higher income level acts as a ‘sink’ for democratic countries – once they enter this state, they seem to enter a highly stable equilibrium.

Strong Correlation between Economic Freedom and Income/Prosperity

4. Globalization Facts and Consequences, Gary Hufbauer, Institute for International Economics, Debate sponsored by Williams College, October 12, 2000

Per Capita Income is Highly Correlated with Economic Freedom. The Heritage Foundation defines economic freedom in terms of trade, taxation, government regulation, foreign investment, and similar indicators. Many indicators are hallmarks of a pro-globalization attitude. In 2000, the average per capita income of 15 "free" countries was \$21,200, while the average per capita income of 81

"mostly unfree" and "repressed" countries was \$2,800. Heritage Foundation, 2001 Index of Economic Freedom, 2000.

5. Ian Vásquez, Project on Global Economic Liberty at the Cato Institute. Dec. 2005 <http://usinfo.state.gov/journals/itdhr/1205/ijde/vasquez.htm>

The most comprehensive empirical study on the relationship between a country's economic policies and institutions and a country's level of prosperity is the Canadian Fraser Institute's Economic Freedom of the World report. It looks at 38 components of economic freedom, ranging from the size of government to the rule of law to monetary and trade policy, in 127 countries over a period of more than 30 years. The study finds a strong relationship between economic freedom and prosperity. The freest economies have an average per capita income of \$25,062 compared with \$2,409 in the least free countries. Free economies also grow faster than less free economies. Per capita growth in the past 10 years was 2.5 percent in the most free countries, while it was 0.6 percent in the least free countries.

The Fraser study also found that economic freedom is strongly related to poverty reduction and other indicators of progress. The United Nations' Human Poverty Index is negatively correlated with the Fraser index of economic freedom. The income level of the poorest 10 percent of the population in the most economically free countries is \$6,451 compared to \$1,185 in the least free countries. People living in the top 20 percent of countries in terms of economic freedom, moreover, tend to live about 25 years longer than people in the bottom 20 percent.

More recent evidence supports the idea that growth and higher levels of income lead to, or at least help sustain, democracy. Political scientists Adam Przeworski and Fernando Limongi studied 135 countries between 1950 and 1990 and found that "per capita income is a good predictor of the stability of democracies." For example, they found that in countries with a per capita income below \$1,000 (in 1985 PPP dollars), democracies could on average expect to survive eight years. (PPP stands for purchasing power parity, a theory that states that exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries.) When incomes ranged between \$1,001 and \$2,000, the probability of democratic survival was 18 years. Those democracies in countries with incomes above \$6,055 could expect to last forever.

Economic freedom produces growth but does not always lead to democracy. Hong Kong and Singapore, among the world's freest economies, are notable examples. Nor is wealth alone always a product of economic freedom, as attested to by some resource-rich countries with relatively high incomes but where economic power is tightly controlled by the state; as expected, civil and political liberties are also severely limited in those countries. The central role of economic

freedom in democracy, however, is clear. It can be a powerful force in promoting democracy, and a good measure of economic freedom is necessary to sustain political freedom.

6. Democracy and Democratization in Developing Countries

Series on Democracy and Health

S.W.R. de A. Samarasinghe

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Does Development Lead to Democracy?

One of the most popular hypotheses is that socio-economic development (modernization)

brings about democracy. In this view democracy is a “higher order” need that follows “basic needs” such as food, shelter, health. The latter are prior needs that must be satisfied (Maslow:1954). Some theorists (e.g. Casinelli 1961) argue that “a modern democratic state can exist only in a society that has solved the problems of material well being.” Dahl believes that adequate institutions and a citizenry, especially a middle class, receptive to democratic ideals, must exist for democratization to take place. All these views are in accord with what is often described as the “Lipset thesis” (Lipset 1959; 1963) that economic development not only leads to democracy but that it is essential for democracy to come into being. Taking a cue from this, there are many Third World

political leaders who subscribe to the view that basic material needs must be met before their societies can practice democracy. Some go even beyond that and assert that there is a tradeoff between democracy and development. If they have to choose between the two many say that they would prefer the latter. We need to verify the historical validity of these arguments. As Stephen Haggard (1990) notes in a paper prepared for USAID, in the long run there is a definite positive association between economic prosperity and democracy.

In general the rich industrialized countries enjoy democratic institutions and freedoms. Conversely it is rare to see democracy thrive under conditions of economic deprivation. Diamond (Marks and Diamond 1992) finds “human development” to be the most powerful predictor of the likelihood of democracy. He notes that there is strong historical evidence to support the theory that development promotes democracy. Hadenius (1992) examines the relationship between democracy and development using statistical models based on the assumption that democracy is the dependent variable. He finds some support for the relationship but determining causality is a problem in some of the cases.

Huber *et al* (1993) have argued that historically, capitalist development has helped to establish and sustain democracy by weakening the landlord class and strengthening the middle class and working class. These arguments

notwithstanding, in general, the evidence is weak to support the view that development always brings about democracy. In some countries (e.g. Central and Eastern Europe) economic failure has acted as a catalyst to bring about democratic change. In some others (e.g. South Korea and Taiwan) economic success has acted as a catalyst.

The experience of the last two decades clearly demonstrates that no meaningful development is possible at the project/grassroots level if the policy environment is unsatisfactory. A good macro economic framework is essential to prepare the larger framework for development. A sensible sector policy in population, health, education, agriculture and so forth is indispensable to successful project work. If the policy environment is unsatisfactory, sustainable development is unlikely to be realized. That is the bitter lesson that we have learnt from the 1980s. The link between democracy and development may yet be uncertain. However, our discussion on this issue did confirm that democracy is not sustainable without reasonable development.

...the absence of a clear cut positive linkage between democracy and development (defined more narrowly to mean increases in material output) makes democracy work harder to justify, at least in the minds of those who see the Agency's primary mission as promoting the material well being of the recipient societies.

7. Comparing East Asia and Latin America
Dimensions of Development

Francis Fukuyama and Sanjay Marwah

Journal of Democracy Volume 11, Number 4 October 2000

http://muse.jhu.edu/journals/journal_of_democracy/v011/11.4fukuyama.pdf

There have been a number of attempts to amend or refine the correlation between democracy and development by defining various nonlinear relationships. For example, there is the theory that the correlation is Nshaped: positive for low-income countries, then negative for middleincome ones, and then positive once again for high-income nations.

While this works for Latin America, it does not help explain East Asia's political development, since, with the exception of the Philippines, there have been relatively few low-income East Asian democracies. Adam Przeworski and his colleagues have a different version of the theory, arguing that states may flip over from authoritarian to democratic at any level of per-capita GNP but that they are sure to remain democracies only past a level of some \$6,000 in 1992 purchasing-power-parity terms.

That is to say, the correlation is step-functional rather than linear: There is a certain absolute level of wealth that more or less guarantees democratic stability. This theory is consistent with the political trajectories experienced in both East

Asia and Latin America, but it does not account for why there were relatively fewer “flips” to democracy at lower income levels in the former region.

The instability of democracy in Latin America may also reflect the fact that economic growth has been distributed less equally there than in East Asia. Countries like Brazil, Peru, and Mexico, as well as the small states of Central America, are famous for their highly skewed income distribution, which has created a narrow, well-educated elite at the top of the society but has left a large majority of the population either as impoverished rural peasants or as an urban underclass.

It is widely assumed that one of the reasons that development tends to lead to democracy is that it promotes the emergence of a broad middle class. Unlike many of their Latin American counterparts, Japan, South Korea, and Taiwan all went through extensive land-reform programs in the early postwar period. In a way, these countries benefited from the extreme political instability they experienced at mid-century: War, revolution, or foreign occupation succeeded in undermining the traditional landowning classes and elites, replacing them with new elites that were more meritocratic.

Mancur Olson has suggested that Britain suffered economically from its relative greater political stability, since it left intact a long accumulation of rent-seeking interest groups. Something similar may have happened in twentieth-century Latin America, where land tenure in certain societies remains quasi-feudal. In addition, the emphasis placed on education by many East Asian countries probably also had an impact in reducing economic inequalities and creating a broader middle class in countries like Japan, South Korea, and Taiwan.

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8. Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990
Latin American Politics and Society, Fall 2001
by Mainwaring, Scott

“Indeed, paradoxically, (Przeworski's) Democracy and Development does much to vindicate a central tenet of modernization theory. It demonstrates, with greater methodological sophistication than the modernization theorists, that greater wealth substantially increases the likelihood that a regime will be democratic.”

‘Democracy and Development’ uses high-level quantitative skills to address two fascinating puzzles.

The first puzzle is how to explain the strong correlation between per capita income and democracy. Since Seymour Martin Lipset's famous 1959 article, social scientists have spilled a great deal of ink analyzing this correlation. Past analyses clarified important issues, but nobody clearly disentangled two different

explanations. One possibility, which the authors here attribute to modernization theory, is that as countries modernize, the likelihood decreases that authoritarian regimes will survive, and conversely, the likelihood increases that democracies will emerge. As this happens, most countries with high per capita income will be democracies. The authors refer to this as the endogenous explanation of the correlation.

The other possible explanation is that modernization (as operationalized by per capita income) does not contribute to the demise of authoritarian regimes, but does contribute to the stability of democracy. Authoritarian regimes may be no more likely to fall at higher per capita income levels; but even so, if democracies at higher per capita incomes are more likely to endure over time, this will result in the aforementioned correlation between higher per capita income and democracy. The authors show, moreover, that this 'exogenous' explanation holds more water than the endogenous one. They subsequently analyze a host of other potential factors (for example, religious heterogeneity) that could contribute to regime transitions and regime durability. They demonstrate, for example, that presidential democracies are less likely to survive than parliamentary ones. Juan J. Linz, among others, previously made this argument, but without the compelling statistical evidence that Przeworski et al. present.

The other major puzzle the book addresses is the impact of political regimes on economic development. Some previous scholars argued that dictatorship is more likely to promote economic growth, whereas a few made the opposite case. Some of these earlier arguments were deductive with little empirical basis; others used empirical information, but as Przeworski et al. show, without adequate control variables. Using a wide array of independent variables, Przeworski et al. show that democracies and dictatorships on average have performed equally well in promoting economic growth. Dictatorships produced most of the economic miracles of the subject period, but they also produced most of the economic disasters. Although dictatorships and democracies produce equal growth rates, after controlling for per capita income and other variables, growth patterns differ in one critical respect in the two kinds of regimes. Wealthy democracies pay more for labor and have higher output per worker; wealthier dictatorships pay lower wages and use labor less efficiently.

This is a sample of the many contributions that *Democracy and Development* makes. The book is based on a rich data set covering most of the countries in the world from 1950 to 1990 and including dozens of variables. With its quantitative skills it combines sophisticated analysis of the data.

Even great books have flaws, and because criticism can help advance debate and knowledge in the social sciences, it is worth calling attention to two here. First, the definition of democracy is subminimal. The authors focus on competitive elections that allow for the possibility of an alternation in power, and they do not insist on protection of human rights or civilian control of the military. This

definition leads them to misclassify quite a few authoritarian regimes as democratic. Brazil under the waning years of military dictatorship (1979-84) and Guatemala during a period of highly repressive military rule and generally fraudulent elections (1966-81) are but two examples. Second, the authors engage in a strawman treatment of modernization theory. At least as embodied by Seymour Martin Lipset's classic analysis of the relationship between modernization and democracy, this theory did not focus exclusively on the endogenous explanation for the correlation between high per capita incomes and democracy. Indeed, paradoxically, *Democracy and Development* does much to vindicate a central tenet of modernization theory. It demonstrates, with greater methodological sophistication than the modernization theorists, that greater wealth substantially increases the likelihood that a regime will be democratic.

REFERENCE

Lipset, Seymour Martin. 1959. Some Social Requisites of Democracy: Economic Development and Political Legitimacy. *American Political Science Review* 53, 1 (March): 69-105.

9. Democracy and Development: The Devil in the Details
Torsten Persson and Guido Tabellini
February 2006
National Bureau of Economic Research (NBER)
WP # 11993

Does democracy promote economic development? Despite many attempts to address this question, the answer remains elusive. Richer countries are generally democratic. But this cross-country correlation could reflect reverse causation or omitted variables. Evidence that political regime changes produce subsequent economic growth is considerably weaker. Does this mean that political regimes do not influence economic development? Not necessarily, but such causal effects are difficult to identify from the within-country variation.

Does democracy promote economic development? We review recent attempts to address this question, which exploit the within-country variation associated with historical transitions in and out of democracy. The answer is positive, but depends - in a subtle way - on the details of democratic reforms. First, democratizations and economic liberalizations in isolation each induce growth accelerations, but countries liberalizing their economy before extending political rights do better than those carrying out the opposite sequence. Second, different forms of democratic government and different electoral systems lead to different fiscal trade policies: this might explain why new presidential democracies grow faster than new parliamentary democracies. Third, it is important to distinguish between expected and actual political reforms: expectations of regime change have an

independent effect on growth, and taking expectations into account helps identify a stronger growth effect of democracy.

10. Democracy and Development: A Complex Relationship

By Pranab Bardhan

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If we choose to look at freedoms as potentially instrumental to development, as is usually the case in the large empirical literature that aims at finding a statistical correlation between some measure of democracy and some measure of a narrower concept of development ...I have in general found this empirical literature rather unhelpful and unpersuasive. It is unhelpful because usually it does not confirm a causal process and the results often go every which way. Even the three *surveys* of the empirical literature that I have seen come out with three different conclusions:

One by Sirowy and Inkeles (1991) is supportive of a negative relationship between democracy and development; one by Campos (1994) is of a generally positive relationship; and the one by Przeworski and Limongi (1993) is agnostic (“we do not know whether democracy fosters or hinders economic growth”).

The empirical literature is generally unpersuasive because many of the studies are beset with serious methodological problems (like endogeneity of political regimes to economic performance, selection bias, etc.) as Przeworski and Limongi carefully point out, and problems of data quality.