Most countries across the developing world today are formal democracies. Imperfect as they might be, these emerging democracies are here to stay – and engaging with them more effectively is the new frontier of the developmental challenge.

The process of consolidating democracies is messy, complex, and uncertain, and we should not expect miracles overnight, but there are ways to provide support more effectively than is currently being done.

Effective international engagement requires flexible and adaptable approaches that are grounded in contextual realities. What is needed is strategic patience and a pragmatic, incremental perspective to institutional reform that is more tolerant of risks and setbacks.
Few issues in academic and policy circles have generated as much research and debate as the relationship between democracy and economic development. The positive correlation between wealth and democracy is incontestable and has endured the test of time. However, the evidence of a clear causal link between the two is inconclusive, and a key puzzle remains: are wealthy countries wealthy because they are developed, or because they are democratic?

This question has never been more relevant, both because most countries in the world today are formal democracies (Figure 1), and because there is growing recognition that institutions matter for development.

Since the advent of the ‘Third Wave’ of democratisation in the 1980s, there has been a fundamental shift in the nature of political regimes across the developing world. However, only a small number of the democracies that have emerged over the past three decades have become deeply rooted, and the democratic institutions that are in place are often hollow, weak and ineffective. Crucially, the ability of these regimes to perform – in both economic and social terms – remains mixed at best.

The Arab Spring also generated enthusiasm for change in the Middle East, a region that had long seemed immune to democratisation pressures. However, the events that have since unfolded in countries like Egypt and Libya confirm that it is easier to oust a dictator than to establish a functioning democracy – a process that is likely to be rocky and far from linear.

From a policy perspective, there is widespread agreement that political, economic and social institutions matter for development, even if it is less clear which institutions matter most, when and why. This puzzle has placed governance and institutional reform at the core of the international development agenda. Much international thinking has focused on the centrality of open, legitimate and accountable institutions for development. Recent manifestations of such thinking include the rise of the g7+ group of fragile and conflict-affected countries (with its emphasis on ‘legitimate politics’ and ‘economic foundations’ as prerequisites for development), the debate on how a post-2015 global development framework can build better and more responsive institutions, and growing enthusiasm about the potential of transparency and access to information to hold decision-makers to account.

It is not surprising, therefore, that questions about democracy and development are prominent in policy-making circles: does democracy make a difference, and if so, what kind of difference? To address this concern, this Brief reviews the evidence on the linkages between democracy and development, and suggests the need for a new approach to better understand and support the dynamics of democratisation in developing countries. Imperfect as they might be, incipient democracies are here to stay – and engaging with them more effectively so that they can improve the well-being of their populations and leave no one behind is the new development frontier.

Defining key terms

Democracy and development can both be defined in maximalist and more minimalistic terms. Substantive understandings of democracy incorporate not only political and civil rights and procedures, but also have socio-economic roots. They focus in particular on a more even and broad-based distribution of power, which may, in turn, support more inclusive development and greater equity. From an equally broad perspective, development can be understood as ‘freedom’ (Sen, 1999) – including not only economic indicators but also human and political rights, social opportunities, transparency guarantees and security. In each of these, democracy and development are defined at least partly in terms of the other. While these definitions are valid and there is enormous value in understanding democracy and development holistically, such an approach poses analytical problems, particularly in terms of disentangling the nature of the relationship between the two. This paper, therefore, focuses explicitly on economic development and defines democracy in procedural terms (Box 1).
In other holds that democracy is not the result of development, but theory, a new orthodoxy has emerged since the 1990s that questioning many of the assumptions of modernisation and development remains contested. However, the nature of the relationship between democracy and development remains contested.

Box 1: Democracy: a procedural definition

At its most basic level, democracy is a process through which rulers are elected and decisions are made on the basis of a competitive struggle for the people’s vote. A set of basic civil liberties and other provisions need to be in place to guarantee that the electoral process is inclusive, free and fair. Beyond political competition, accountability is another central element of democracy. This understanding of democracy has gained growing international currency over the past two decades. Significantly, this definition is procedural – that is, focused on process (e.g. how rulers are elected and decisions made) and not on outcomes. In other words, a democracy should not be expected to produce better socio-economic outcomes simply because it is a democracy.


Key linkages: development or democracy first?

During the 1960s and the 1970s, an argument that gained prominence in mainstream academic and policy circles was that democracy was more likely to emerge in countries with high(er) levels of socio-economic development. Building on Martin Lipset’s seminal analysis on the correlation between economic wealth and democracy (1959), modernisation theory saw the emergence of democracy as a consequence of economic development and the changes it helps to bring about, including the transformation of class structures, the emergence of a bourgeoisie, increasing urbanisation and the growth of more tolerant and democratic values. According to this reading, there is an almost natural progression from authoritarianism to democracy once a certain level, or ‘threshold’, of development has been reached.

However, the Third Wave challenged this concept of ‘prerequisites’ for democracy. The countries that have made a transition are diverse: some are poor while others are middle-income; some are fragile and conflict-affected, while others are less so. What’s more, many authoritarian regimes have been able to survive even after reaching a high level of economic development. As a result, there is now international consensus that economic development is neither a necessary nor sufficient condition for the emergence of democracy. Beyond this general agreement, however, the nature of the relationship between democracy and development remains contested.

Democracy first: do all good things go together?

Questioning many of the assumptions of modernisation theory, a new orthodoxy has emerged since the 1990s that holds that democracy is not the result of development, but rather a necessary ingredient to bring it about. The core of this argument rests on some of the key institutional features of a democratic system – its accountability mechanisms and its checks and balances provisions. These play a vital role in limiting abuse of power and, through elections and other processes, they provide a predictable, transparent, periodic and reliable system to reward or punish incumbent governments – in terms of rules, if not outcomes. This thinking underpins much of the ‘good governance’ agenda now promoted by the international community.

Of course, there are considerable advantages to an open, democratic, and participatory process to policy-making from a good governance perspective. But it should not be assumed that democracy will lead automatically to policies that favour broad-based development and benefit the poor. Democratic decision-making processes are not always ‘pretty’ from a developmental perspective, and they do not necessarily result in policies that are conducive to development and inclusion.

Kurt Weyland’s (1996) analysis of the striking failure of Brazil’s first three democratically elected governments to enact badly needed redistribution reforms is a particularly stark example. Similar challenges have been seen in even the most mature democratic systems, as shown by the quality of the electoral debate in the United States in 2011-2012, and the recent impasse surrounding the US budget. As these experiences show, democracies may be particularly susceptible to pressures from special interest groups that fragment, rather than cohere, around a broad-based vision of development.

Development first: do the ends justify the means?

This natural tendency of a democratic system to fragment and diffuse power has led many analysts to argue that authoritarian regimes in the developing world, especially those rooted in institutionalised hegemonic party systems, may be better suited to promote economic development than democratic systems. This may be particularly true in settings where particularistic identities form the basis for political mobilisation. The core of this argument is that development requires a strong, centralised and highly autonomous government, especially when poor countries need to play ‘catch-up’. Authoritarian decision-making is meant to be more expedient and based on longer-term horizons.

Much of the empirical evidence for this thesis comes from the so-called East Asian Tigers (Hong Kong, the Republic of Korea, Singapore and Taiwan) and, more recently, China and Viet Nam. In each case, the state has led a process of remarkable socio-economic transformation in a compressed timeframe. The secret of these ‘developmental states’ lies in their ‘embedded autonomy’, or their institutional capacity to promote developmental goals without being ‘captured’ by narrow interests, while remaining ‘embedded’ in society through...
institutionalised channels for the on-going negotiation of goals and policies (Evans, 1995). In Africa, Ethiopia and Rwanda have also emerged as showcases for the perceived superiority of authoritarian systems and hegemonic party systems in generating economic growth (Kelsall, 2013).

However, it is not self-evident that an authoritarian ruler or ruling party will always have an interest in playing a positive role in the developmental process. Indeed, history is littered with examples of non-developmental authoritarian states across the developing world. Authoritarian regimes have also shown that they are not necessarily better at policy-making. Insulated policy processes can present many problems, as shown by the 1994 peso crisis in Mexico – which resulted from unchecked actions by technocrats and their political allies. Betting on the greater developmental efficiency of such regimes is thus a dangerous wager, with no guarantee that the ends will justify the means.

**Modernisation theory revisited**

Even if democracy has become the norm, democratisation processes have not been simple or smooth. Only a small number of Third Wave countries have established deeply rooted and functioning democracies, and their democratic structures remain weakly institutionalised (Rocha Menocal, 2011) (Figure 2). There is growing recognition that elections alone are not enough to address the deeper political and social problems that beset emerging democracies. In particular, the inability of many of these new democracies to meet the demands and basic needs of their populations, including the promotion of economic development, has led to critical questions about their nature, quality, efficiency and sustainability over time.

So why has democratic consolidation proven so elusive? Above all, democratic consolidation requires the evolution of a democratic political culture where all the main political players accept democracy as ‘the only game in town’. The building and strengthening of such a democratic culture (where everyone agrees to play by pre-established democratic rules and losers accept the results) takes a long time. Against this backdrop, many analysts have begun to rethink the precepts of modernisation theory. A growing body of literature stresses that structural factors – such as underlying economic, social, and institutional conditions and legacies – may have a considerable impact on the prospects of democratic consolidation, if not its emergence.

The argument in essence is that economic prosperity contributes to the institutionalisation and rootedness of a democracy once it is established because the socio-economic transformations it helps to bring about, especially the emergence of a better educated and urban middle class, foster such a democratic political culture. As Inglehart and Welzel (2005), among others, have argued, the growth of the middle class helps to generate values and organisations that are more diverse, tolerant, moderate and universal, and to promote horizontal linkages that transcend hierarchical bonds that are based on more particularistic identities.

With rising education and incomes, as well as growing access to communications technology, information and ideas, the middle classes are also more assertive and better organised and they demand greater accountability from (and representation in) the political system. The recent demonstrations against widespread corruption and exclusionary politics in Brazil and Turkey, both largely democratic and middle-class states, are compelling examples of this. In addition, economic development fosters the growth of civil society by generating the (material) opportunities to create and participate in such voluntary organisations. However, the progressive role of the middle class should not be taken for granted. As the contrasting trajectories of Costa Rica (which boasts one of the oldest and most effective democracies in the continent, firmly committed to broad-based development) and Guatemala (where a much more reactionary military regime prevailed until the 1990s) illustrate, much depends on the strategic alliances that are built across different classes and their relative balance of power.

**The new frontier: emerging democracies**

The existing literature on the relationship between democracy and development remains inconclusive: for every study showing that a democratic regime is more conducive...
to development, another can be found that suggests the opposite.

What has become clear, however, is that emerging democracies are here to stay, and this raises particular challenges. While issues of sequencing – which comes first, democracy or development – may no longer be on the table, many emerging democracies remain vulnerable. In truth, too much is expected of incipient democracies, much too soon. The strengthening of a culture where democracy is valued as a process, and not on the basis of expected material benefits, is bound to take time. These incipient regimes are characterised by a combination of features that work against that, including:

- a history of prolonged periods of (violent) conflict, often linked to ‘horizontal inequalities’, weak social cohesion and little sense of a collective national vision
- a contested political settlement and disagreements about underlying rules of the game
- state-society relations that are grounded on clientelism rather than citizenship (e.g. rights and obligations)
- a politicised civil service
- competition for power that is driven by short-term personal interests, with little concern for the public good.

The evolution of a set of values that can give real substance to democratic procedures and institutions depends on other processes of change, including (as discussed above) a degree of socio-economic maturity. In essence, many emerging democracies are not only trying to democratisre, but also to transform governance dynamics, underlying power structures, and state-society relations in other fundamental ways. But such transformations do not always work in harmony, and may even pull in opposite directions.

The complex dynamics and dilemmas around elections are illustrative. Clearly, elections are essential to foster the legitimacy, accountability and responsiveness of a political system. Yet, they have also been associated with increased clientelism and corruption in developing settings, which is perceived as problematic from a developmental perspective. In addition, as contemporary Guinea illustrates, electoral competition can generate incentives that foment fragmentation and undermine coherent policy-making based on long-term priorities.

Above all, both democracy and development need to be underpinned by a functioning state. However, many incipient democracies are affected by a fundamental lack of state effectiveness – technical, implementing, administrative, institutional and political – linked to a combination of the features above. This is especially true in fragile and conflict-affected settings.

In fact, in a comprehensive study on the causal relationship between democracy and development in 135 countries (including established democracies and democratising countries) between 1950 and 1990, Przeworski et al. (2000) found that, while institutions matter, issues of state capacity and government effectiveness are more critical to development than regime type. This message also emerges clearly from research by the Africa Power and Politics Programme led by David Booth at ODI (Booth, 2012).

This is encouraging, as it suggests that different types of political regimes can implement similar policies. It may be more fruitful, therefore, to look at the kinds of institutional arrangements that are in place and how these may harness development.

However imperfect, democratic systems are now the norm across the developing world – and the question should not be so much whether they can deliver, but how they can do so, especially as they confront other important dimensions of institutional change. This is the new frontier for development, and supporting emerging democracies while tempering expectations of what they can achieve in the short term is one of the leading challenges for the international community in the 21st century.

Policy implications

How can international actors rise to this challenge? There are no easy or obvious answers. As discussed, processes of democratic consolidation democracies are protracted and complex, so the focus should be on principles of effective engagement, not blueprints or prescriptive solutions.

In that spirit, a few policy implications emerge in relation to international support for emerging democracies.

- **Support for democratisation is not the same as support for development or state-building.** While the international community has tended to assume that fostering democracy, development and state-building are one and the same thing, ‘all good things’ do not always go together, and tensions and trade-offs will always be involved.

  Rwanda is a vivid illustration: considerable progress has been made on building a more effective state that can deliver basic services, but democratisation has remained limited. It is unlikely that all such tensions can be resolved, but they need to be better understood so they can be managed more adequately.

  **The focus should be on a gradual rather than a sequenced approach to change.** Opportunities for reform need to be based on what is politically and institutionally feasible. This means designing both economic and governance reforms on the basis of clear diagnostics of the barriers to implementation, which can pave the way for further reforms and transformations. Clearly, democratisation brings with it complications and risks, but delaying it is not a plausible or sustainable option. Gradualism will take different forms depending on the context, but the goal should be to develop more open political and economic systems in a cumulative way rather than all at once.

  **There needs to be a higher tolerance for risks and set-
It is vital to improve coordination between development and democracy support programmes. While democracy and development have become two leading goals for many (especially Western) donors, there needs to be greater integration and coordination between them. This is essential to develop more informed, integrated and coherent approaches that are better suited to confront the challenges and dilemmas at hand. This includes a willingness to work with stakeholders that may be outside the comfort zone of donors, such as political parties – organisations that have an instrumental role to play in harnessing development but that have, until recently, barely featured in international policy debates.

Promoting economic development and democratisation simultaneously has become a leading imperative, but we should not expect miracles and rapid transformations overnight. What is needed, above all, is strategic patience and a pragmatic, long-term perspective to institutional reform that can help prioritise improvements that are most crucial at a given moment, rather than relying on idealised models of change that have little grounding on contextual realities.

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References


