

**Zandamela, Horacio**, Mr, Acad, Political Economy, South Africa, "*Is Democracy and Economy a Trouble Marriage?*" -G

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### Abstract

The relationship between democracy and economy is a matter of some debate in most societies. Although the mainstream opinion appears to hold that democracy is an imperative for sound economic development, there is some contention in this regard, which suggests that the way the economy is positioned is the major determinant of what democracy is or should be. This contention is also associated with the shifting global relations between and within societies to promote their global future. The overwhelming debate around these issues may suggest further inquiry if democracy and economy is not to be a troubled marriage. This paper intends to discuss the linkages that exist – or should exist – between democracy as an expression of societal values and economy, by underscoring the intimate relationship with economic values entrenched in societies in the search for their fraternal future.

### 1. Introduction

The debate on democracy and economy is extensive and this paper does not intend to exhaust it but rather to present an overview of some issues that may be taken into account in an attempt to establish any relationship between democracy and development. Based on overall information on democracy and economy and more broadly on economic development, the paper aims to explore the debates around the linkages that may exist between democracy and economy. The paper will first pay attention to the review of the literature, and will then identify some implications of the debate for Africa's development process.

### 2. The Context for Debate on Democracy and Economy

In one way or another, the literature (for example Adejumobi, 2000 and Mazrui 2002) notes that there has been renewed hope about the birth of democracy in Africa, particularly during the last two decades of the 20th century. This hope has been substantiated by a process supported by societies in general that includes urban and rural dwellers, labour, students, both women and men, and most sectors of society, all aiming to reverse the trend of the political situation in Africa. The political situation has demonstrated processes of so-called authoritarian regimes through dictatorship reflected in negative and depressive effects/results on the majority of the people. The same political situation has also shown limited space and opportunity to accommodate differences, social pluralism, cultural divergences and identities.

However, the current change, in Africa, as a result of different forces of change, and the opening up of political space, reflects a new engagement with the political processes.<sup>1</sup> This new engagement is evidence of a new democratic agenda in Africa. This agenda seems to reflect the desires and aspirations that go beyond the simple scope of political democracy focusing on elections, civil and political rights, and incorporating economic rights to achieve better living conditions and socio-economic well-being. The underlying assumption behind the Africa agenda is that democracy should be linked to economic development. However, the fact that the social welfare and living conditions of people are deteriorating in conjunction with democratic expansion raises a fundamental question about the meaning of the democratic exercise<sup>2</sup>.

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<sup>1</sup> Adejumobi (2000, p.2) discusses this idea of the Africa agenda, referring to the agenda of African people.

Several issues have been discussed over the years around democracy and economy. This discussion is not confined to Africa but includes other regions of the world. Within the wider discussion, Rodrick (1997, p.1) questions whether democracy hurts or helps economic performance, and notes that thinking on this subject, in one form or another, goes as far back as Plato, who favoured aristocracy over democracy, and has preoccupied many of the most fertile minds in political philosophy. Posing similar question more specifically to Africa, Mazrui (2002, p.2) says “on this relationship between democracy and development in Africa, one crucial question has persisted: Is Africa underdeveloped because it is primarily undemocratic? Or is Africa undemocratic because it is primarily underdeveloped? Which is cause and which is effect?”

Most of the current debate on democracy and development seems to have paid attention to recent experience, particularly in Asia and Africa. Rodrick (1997, p.1) observes that discussions on this issue inevitably gravitate toward the experience of a handful of economies in East and Southeast Asia, which, until recently, registered the world’s highest growth rates under authoritarian regimes. According to Rodrick (1997, p.1), the Asian countries constitute the chief exhibit for the argument that economic development requires a strong hand from above. Following that, he also argues that the deep economic reforms needed to embark on self-sustaining growth cannot be undertaken in the ‘messy push and pull’ of democratic politics. Similar argument is also applied to Chile, for example, under the authoritarian Pinochet regime. Some other experiences, although negative, are highlighted, for example, Zaire (now Democratic Republic of Congo), Uganda and Haiti where these countries under authoritarian regimes did not demonstrate good economic performance.

There is extensive debate around democracy and economy and its potential relationship that can be contextualised historically as suggested below.

### **3. Democracy and Economy Debate**

#### **3.1 Theoretical perspective**

As noted above, there is a great deal of debate on the linkage between democracy and economy, and more generally with economic development. This debate, although it can focus on a specific territorial space, country or continent, nowadays is also shaped by the shift in international relations on a global scale in a process called globalisation.

Initially during the 1960s the focus of the debate on democracy and economy was on the relationship between economy and development and the way economic systems or the development process constitutes a pre-condition for democracy; this implies the interrogation of which economic system and stage can produce intended results or is less likely to yield results. This perspective considers democracy as a dependent variable and economy as an independent variable. Indeed, the focus of the debate was an attempt, as Adejumobi notes (2000, p.3), to explain why democracy exists in some countries and not in others. This view on economy as the primary force is also supported by Maria Tam, who considers that the economy is more important than democracy, and implying that if there is more democracy the economy will suffer, so that the only way to revive the economy is to reduce democracy. There are undoubtedly echoes of the ‘Asian Values’ stance in her position, although the matter has not been put in this form (Ghai, 2004, p.1)<sup>3</sup>.

Different authors may suggest several theoretical perspectives to analyse the relationship between democracy and economy. Taking into account the prominent theoretical approaches of the 1960s, two theories can be highlighted – the modernisation theory and the Marxist theory. For Adejumobi (2000,

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<sup>2</sup> In this regard Adejumobi (2000, p.2) notes that “the deteriorating social welfare and living standards of the people in spite of the vote for democracy is gradually undermining the confidence of the people in the new democratic order. As a Nigerian petty trader put it: “Na democracy we go chop?”

<sup>3</sup> Marx Gasiorowski argues that political democracy may have a negative impact on macroeconomic performance, especially in developing countries. He suggests that democracy engenders high inflation rate and slower economic growth in underdeveloped countries as a result of unrestrained competition for resources and pressures for fiscal deficits (in Adejumobi, 2000, p.5).

p.3), these modernisation and Marxist theories share some commonalities, on the interface between democracy and development, albeit from different standpoints. Adejumobi points out that the modernisation theory contends that democracy corresponds with the industrial phase of capitalist development, whereby capitalist development promotes features like structural differentiation, secularism, bureaucratisation, urbanisation, and individualism, all of which engender a new logic of power and ethics of governance, and of liberal democratic politics. Therefore, Adejumobi argues that the social structure which industrial capitalism produces reinforces democratic values. Likewise, he argues that the existence of a thriving middle class in an industrial capitalist society is seen to be crucial to the growth and protection of a liberal democratic order. Liberal democracy is viewed as an outcome, and not a cause of economic development (Adejumobi, 2000, p.3).

Similarly, in the Marxist and neo-Marxist conception, the centrality of the economy to democracy is also emphasised. The economy was considered as the sub-structure of society, which determines the superstructure that includes the polity. In this way, the liberal democracy was conceived as the limited form of democracy possible under industrial capitalism, as Adejumobi (2000, p.3) argues. In this context the backward and agrarian societies do not have the perquisites for democratic practices. Therefore, the Neo-Marxist paradigm prioritises the issues of economic underdevelopment and dependency as the prime political agenda for Third World countries to resolve (Adejumobi, 2000, pp.3-4).

In both theoretical perspectives, modernisation and Marxist, democracy seems not to have been the first priority for the Third World countries. The attention was focussed on economic development whereby democracy as a consequence would result. This seems to be what underlined the thinking behind some of the dictatorships' political processes in Africa and elsewhere.

With the new wave of international relations, and the globalisation process from the 1980s, the focus of the debate about the linkage between democracy and development acquired a new shape. The attention of the prevailing current theoretical discourse has been to emphasise democracy as the primary pre-condition to economic development. Unlike previously, democracy began to be seen as an independent variable and the economy as the dependent variable. Therefore democracy emerged as the genesis for economic development and as a reference for all societies. Protagonists of this view argue that democracy provides the foundation for economic development.

Under the new perspective, where democracy emerged as the primary requisite for development, Rodrik (1997, p.8) argues that democratic institutions provide ways of regulating and managing social conflict through participatory means and the rule of law, and hence dissipate the adverse consequences of external shocks to economic performance. Within this new approach, Adejumobi (2000, p.5) notes that it is argued that libertarian values like freedom of speech and association, the rule of law, multi-partyism and elections, the protection of human rights and separation of powers create the institutional context and processes for economic development to take place. It facilitates economic empowerment, provides a stable investment climate, and ensures rapid mobilisation of national energies and resources for economic development.

Ghai, noting that it would be inaccurate to assume that there is any consensus in the literature about the relationship between democracy and economic development, points out that the predominant view nowadays seems to be that democracy facilitates economic growth. This is particularly the case if the vehicle of growth is the market which cannot co-exist for long under an authoritarian government, more especially in these days of globalisation. Moreover, without some degree of political regulation, the market can be exploitative and oppressive. An important role of democracy has been to legitimise the market by involving the people in key decisions of the state and by moderating the predatory tendencies of capitalism (Ghai, 2004, p.1).

According to Adejumobi (2000, p.2), in Africa, those who share this new view of seeing democracy as a primary pre-condition, point to the fast and stable economic growth rate of 8.4% and 3.2% of countries like Botswana and Mauritius in the period 1965 to 1990, being two countries that have had stable liberal democratic polity in Africa in contrast with that of non-democratic regimes like the Democratic Republic of Congo and Nigeria, which had growth rates of -2.2% and 0.1% respectively for the same period (Adejumobi, 2000, p.5). A similar problem of non-democratic regimes was pointed out in countries such as Uganda and Haiti (Williamson, 1994, in Rodrick, 1997, p.2)

The debate around democracy and economy is not something consensual. It shows different trends throughout history that suggest it has been underpinned by the contested views discussed below.

### **3.2 Contested Views**

#### **3.2.1 In Relation to Primacy of Economy**

As observed above, primarily the focus of the debate between democracy and development provided primacy of the economy to democracy. There are some contested views in relation to this approach. For instance, Rodrik (1997, pp.5-6) points out that Sah (1991) argues that decentralised political regimes and democracies in particular, should be less prone to short-term volatility, and the evidence suggests that democracy is conducive to lower volatility in economic performance. The rationale behind this idea is that the presence of a wider range of decision-makers results in greater diversification and hence less risk in an environment rife with imperfect information.

Madrick (2000, p.2) on the other hand says that economic growth of most democratic nations occupies the middle ground, reasonably strong and usually stable and if one has to choose blindly in which country we would prefer to live, any person interested in a decent income would choose a democracy over authoritarianism, because a much higher proportion of them perform well. In addition, reinforcing the critique of primacy of economy to democracy, Madrick argues that authoritarian governments may be better at making the large initial investments in infrastructure and basic manufacturing that help start growth. But over time, democracies will produce more diversified ideas and the freer flow of information required to move to a more advanced stage of development. One example is India, which is growing today, and how pre-eminent its computer software industry is. Democracies also generally have less tolerance for elite social groups or monopolistic organisations that maintain a stranglehold over innovation and markets (Madrick, 2000, p.3).

The bottom line of the argument as noted by Rodrik (1997, p.5) is that living under an authoritarian regime is a much riskier gamble than living in a democracy.

#### **3.2.2 In Relation to Primacy of Democracy**

As has been observed, the debate around democracy and economy shifted historically and had followed the change in global international relations. The predominant focus now is more on democracy as a prerequisite for economic development. Even though the current trend in the debate seems to be dominated by this new perspective, whereby democracy is shaped as the order of the day, there are some contentions in relation to this. Barro foresees a negative effect of democracy but with the possibility of offsetting factors. For example, he notes that highly democratic societies typically experience the pressure to enact redistribution of income from the rich to the poor. That, in turn, encourages recipients to stay on the poor end, the receiving end, of redistribution and discourages earners from striving to stay at the rich end (the plundered end) of the programme. Nevertheless, a possible offsetting effect can be imagined: a reduction in social unrest, such as riots and revolution. Since social unrest reduces everyone's incentives to work and invest, some degree of publicly organised income redistribution would contribute to overall economic activity (in Donway, 2005, p.1).

Democracy is also seen as a hard process. Madrick (2000, p.3) observes that sometimes democracy is troublesome and it can be managed as poorly as other forms of government. On the other hand, World Views notes that the study of democracy in Africa challenges Westerners to take a hard look at political institutions and philosophies that are too often taken for granted as being simply 'the way things must be'. At the same time, it broadens and enriches the understanding of the concept of democracy. The point is that many Africans consider the Western model of political democracy to be extremely narrow and even alien to African cultures. In this regard Rev. Jose Belo Chipenda, General Secretary, All Africa Conference of Churches (AACC) has said democracy is not merely the right to vote and seize power, but is about a whole array of rights and duties which citizens must exercise if a government is to be open, accountable, and participatory. Africans like Chipenda find that Western-style democracy places people in artificial antagonistic boxes, turns friends into enemies, and aims at arousing unnecessary competition (<http://worldviews.igc.org>).

The main point here is that democracy should not be taken as a 'good' gift just to be consumed at whatever cost. It seems to be necessary to have critical observation on how democracy can be addressed wisely in an Africa context.

### 3.3 A Third Approach

Notwithstanding the overwhelming debate that attempts to focus on the existence of the relationship between democracy and economy, and the debate on the primacy between democracy or the economy and vice versa, another perspective within the discussion that argues for no relationship between democracy and economy needs to be pointed out. Under this approach, democracy and economy are seen and/or treated separately/independently, and there is no essential relationship between democracy and economy.

In the third approach, democracy is conceived to be a worthy political project in itself and should not be forcibly associated with economic development. The political context and rights which democracy provides are ends in themselves, which make for human happiness in society. The rights to free speech, association, *inter alia*, are crucial to people and may not necessarily lead to material betterment (Adejumobi, 2000, p.5). In a similar vein, Sen argues that the economic value of democracy should not be judged on its contribution to economic growth. Rather, democracy should be sought as an economic end in itself, just like higher incomes. Freedom is essential to a full life (Madrick, 2000, p.1)<sup>4</sup>.

The idea of economic value of freedom, as Madrick notes above, which means democracy as an end, is supported by experiences of authoritarian developing economies, like South Korea, Singapore, Chile and China that grew rapidly while democratic developing nations like India did not. The general argument is that democracies usually stress investment too little and social spending too much. This results in the difficulty of controlling inflation and defending currencies, thus chasing away foreign capital. Moreover, when economists subject the performance of democracies to rigorous statistical analysis, they find no significant relationship between democracy and growth as outlined below.

For instance, Adejumobi (2000, p.5) notes that detailed empirical studies also show a weak correlation between democracy and development. According to Adejumobi, for example, in a statistical study of about 130 countries on the linkage between democracy and development, Svante Ersson and Jan-Erik Lane concluded that there is need for caution in linking democracy with economic development. They assert that the correlation between democracy and economic growth is very weak, as is also the correlation between democracy and income redistribution.

Similarly, Williamson (1994, in Rodrik, 1997, p.1) notes that recent empirical studies based on samples of more than 100 countries suggest that there is little reason to believe democracy is conducive to lower growth over long time spans. Neither is it the case that economic reforms are typically associated with authoritarian regimes.<sup>5</sup> Barro's view also adds to similar conclusions that if any relationships exist between democracy and economic growth, they are weak – a finding that supports neither the popular notion that democracy is necessary for growth, nor the idea that dictatorship is the route to prosperity (Donway, 2005, p.2).

Adrian Leftwich argues that it is not the regime types or mode of political governance, but the nature of the state. According to him, the type of state, whether developmental or not, is crucial to the objectives of economic development. For economic development to take place in a country, the state must be a

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<sup>4</sup> The idea of independence of democracy can be reinforced by Rodrik's (1997, p.2) argument that civil liberties and political rights have intrinsic value independent of their economic consequences, and therefore it is good to know that fledgling democracies do not necessarily face any trade-offs.

<sup>5</sup> It seems that it is under this agnostic approach of no relationship between democracy and economy that Adejumobi (2000, pp.5-6) argues that a political regime may not necessarily determine the rate of economic growth and development in a country. Authoritarian regimes in some countries have shown remarkable resilience for economic discipline and structural reforms, and thereby engineered tremendous economic growth in their countries. The bureaucratic authoritarian model in Latin America in the 1970s and 1980s and the developmental authoritarian regimes in East Asia in the 1980s and early 1990s are instructive in this regard.

developmental state. In order to marry the twin goals of democracy and development for Third World countries, what these countries need is a developmental democracy, a democratic state that is also developmental (Adejumobi, 2000, p.6).

In the above line of argument, Mazrui's (2002, p.1) views seems to be useful. He argues for the importance of distinguishing between democracy as a means and as a goal. In this sense, he suggests that the most fundamental of the goals of democracy are probably four in number. These are, firstly, to make the rulers accountable and answerable for their actions and policies; secondly, to make the citizens effective participants in choosing those rulers and in regulating their actions; thirdly, to make the society as open and the economy as transparent as possible; and fourthly to make the social order fundamentally just and equitable to the greatest number possible. Accountable rulers, actively participating citizens, open society and social justice, those are the four fundamental ends of democracy. Mazrui also argues for a third dimension of democracy and development. He suggests stability as a third variable to be included as socio-political pre-conditions for both sustainable development and durable democracy. Therefore, he concludes that Africa's three greatest needs are development, democracy and stability (Mazrui, 2002, p.1).

The third approach, as a consequence, suggests a new institutional dimension of the process that goes beyond the government regimes and highlights the role and nature of the state.

#### **4. Conclusion**

This paper reviewed the debates around the relationship between democracy and economy, with particular emphasis on the shifts in the way the debate has been shaped. It was discussed that originally the approach of the debate about the relationship between democracy and economy gave privilege to economic development as the driving force through which democracy will finally be achieved. It was also discussed that afterwards there was a shift in the debate whereby the primacy to democracy emerged as the predominant debate, influenced by the shift in global international relations towards globalisation. A third view that gives primacy to neither democracy nor economy was also discussed. This view suggests an independent relationship between the two.

While there is divergence in the argument about the relationship between democracy and economy, one should argue, as a conclusion, that the relationship between democracy and economy is at best a complex and dynamic one. Democracy should be viewed as more than just a vote, and include broad issues of real decision-making powers, rule of law, and protection of social and economic rights. The relationship is not linear, with inherent tensions and contradictions between them and with missing links and gaps that should be addressed. These missing links include the nature of the state, the nature of policies and the external influence of the economic process. This should provide the foundation for the relationship between democracy and development, whereby the two influence each other and become a necessity for each other in order to promote a fraternal future for both society and humankind, particularly in the African context. This vision is important to help uncover mechanisms that people can use to address more adequately practical development issues in general and development challenges for specific realities in Africa in particular. However, all the complex terrain of multi-dimensional relationships suggests that democracy and economy may be a troubled marriage.

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