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Democracy and Development

Marius Bug

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BIO: **Marius Bug** is a 2022 graduate of the MA Programs in Political Science at Rutgers University and Politics and Public Administration at University of Konstanz. His research is focused on the institutional and social conditions of development and their interaction with climate change. He graduated in 2019 from the University of Konstanz with a degree in Politics and Public Administration and completed a thesis titled "Oil and Arms – Determinants of Social Sanctions?". During his graduate and undergraduate studies, he interned at the German Federal Ministry for International Cooperation and Development and the German Agency for International Cooperation. In the future, he seeks to apply his academic and professional experiences towards a career in global sustainable development.

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Democracy and Development

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I. Introduction

The relationship between regime type - democracy or autocracy - and development is among the key scholarly discussions in the political economy of development. This is because the nature of this nexus has profound policy implications. It can, for example, determine whether or not to accept authoritarian rule as a necessary evil to bring about growth in low-income countries, or instead to support democratization. Decades of contentious academic debates have not yielded an unambiguous scientific consensus on the issue. Nevertheless, the large number of creative contributions has produced significant insights, and slowly helped assemble an ever more nuanced picture.

This essay will review the history and conclusions of this debate. Importantly, the focus is set on the effect of regime type *on* development. An equally extensive discussion exists on the reversed question if development brings forth democracy. This literature will be covered here only insofar it speaks to the puzzle whether *democracy matters for development*.[1]

[1] To focus on the most relevant contributions within limited space, the focus is set on publications of the modern, post-WW2 development discourse.

II. Authoritarianism - a necessity for growth?

While the first years of the newly independent countries in the decolonization period after World War 2 were initially marked by optimism regarding the outlooks of their democracies and their prospects for economic development, soon disenchantment set in. Many democratic experiments broke down in their infancy, and instead of rapid growth, stagnation or turmoil became the norm in many places. This observation led to the formulation of one of the to date most influential hypotheses about democracy and development: modernization theory.

In his seminal 1959 paper on the "social requisites of democracy"[2], Seymour Lipset argued that economic and social development, which he summarized under the term *modernization,* were the precondition for stable democracies to emerge.

First, the spread of education in the course of the development process allowed for the emergence of a civic, democratic culture. As belief in democratic values, multi-party systems and tolerance for opposition are all strongly predicted by the level of education, Lipset argued that it was key for transforming men into "good citizens".[3]
Second, he expected wealthier nations to be more economically tolerant for democratic politics. Under conditions of scarcity and poverty, any mistake or redistributive efforts on behalf of the government may trigger upheaval. If, on the other hand, there is enough wealth to be redistributed without immediately leading to instability, the economic conditions for democracy would be fulfilled.

Third, and most importantly, modernization would lead to a profound transformation of a society's class structure. Poor societies, with impoverished masses and small, privileged elites tend towards either the exclusive rule of the rich, oligarchy, or mass-based dictatorship. Through the process of development, however, an increasing stratum in between these poles, a middle class, would emerge, and with it a new political perspective with "longer time perspectives and […] more gradualist views".[4] This middle class, then, would play a crucial role in mitigating and moderating political conflict, essentially providing the social basis for modern democracy.

Clearly, modernization theory belongs to the category of studies which treat democracy as an outcome of development, and not the reverse - in many ways it is in fact the foundation of this literature. However, implicitly, it has profound implications for the reverse relationship as well. If the structural conditions of developing countries, poverty, low levels of education and slim middle classes, are incompatible with stable democracy, then some other regime type has to predominate at least until the necessary progress in these areas has been achieved to support democratic institutions. That is, in his hopeful postulation that democracy followed modernization, Lipset at the same time quietly acknowledged that it may fall to *autocracy* to modernize societies up to a certain point. Subsequently, this view was further elaborated by a new generation of scholars, drawing from their contemporary experiences.

Not only do countries at early stages of economic development lack moderating middle classes. The dynamics of the development process radically reshape the political economy of a

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[2] Lipset 1959.
[3] Lipset 1959, p. 79.
[4] Lipset 1959, p. 83.

country. Many scholars refer to the profound changes accompanying growth as a "structural transformation" of economic activity from agriculture towards manufacturing and of large parts of the population from rural into urban areas. These changes typically trigger the political mobilization of antagonistic social classes: Traditional landowning elites usually oppose the shift towards industrial production as their interests contradict the economic policies preferred by industrial capitalists. Meanwhile, an emerging urban working class begins to organize for higher wages and better working conditions which, too, can jeopardize the conditions for investment and growth. Hence, the very process of development itself is often accompanied by intense domestic conflicts which can overwhelm fragile democracies. Recognizing this, the Argentinian political scientist Guillermo O'Donnell argued that, in order to suppress social dissent on the way to capitalist development, "bureaucratic authoritarianism" had to emerge in Latin America, explaining the wave of military coups that struck the region throughout the 1960s.[5] Again, democracy appeared unfit to promote growth. Additional empirical research showed that bureaucratic-authoritarian regimes in Latin America indeed grew faster than their democratic counterparts, albeit with a rather modest advantage.[6]

Aside from such class-based arguments, another strain of thought building on Lipset suggested that low-income countries faced an economic "cruel dilemma"[7] or "cruel choice"[8]: In order to finance the capital-intensive investments needed to kickstart industrialization, countries at early stages of development face the challenge to increase domestic savings. One key strategy to do so, it was argued, must be the reduction of government expenditure. Only by maintaining a frugal public budget, the necessary savings rates could be achieved to pay the upfront costs of industrialization. Democracies, however, were expected to exhibit higher government spending, as they are more receptive to the immediate consumption desires of the electorate. This way, the "dilemma" emerges: democracies tend towards high short-term consumption and economic stagnation, whereas autocracies possess the ability to suppress consumption demands and to thus allow for long-term growth.

These perspectives were, eventually, synthesized to understand the success of the rapidly industrializing countries of East Asia. There, Taiwan and South Korea had followed the example of Japan to pursue a unique development strategy which set the stage for a historically unprecedented period of economic growth from the 1960s to the 1980s. In an influential contribution, Chalmers Johnson labelled this group the "capitalist developmental states".[9] For one, his analysis shook up the traditional liberal mantra for free and open markets as the foundation for economic growth, as he argued that the Asian developmental states had combined market mechanisms with intense state intervention to great success. But another crucial feature of the developmental state in Johnson's view was its "soft authoritarianism".[10] The regimes of Japan, South Korea and Taiwan were ruled by political elites which had committed themselves to the goal of industrial growth above all else. For this goal, authoritarian rule independent from the influence of special interests was necessary "to achieve political stability and long-term predictability,"[11] as only given these conditions the adequate environment for entrepreneurial activity, and therefore a key mechanism for capitalist

[5] O'Donnell 1973, 1986.
[6] Cohen 1985.
[7] Bhagwati 1966.
[8] Kohli 1986.
[9] Johnson 1987.
[10] Johnson 1987, p. 143.
[11] Johnson 1987, p. 143

industrialization, could emerge. The concept of the developmental state turned out to be a very powerful tool to explain the extraordinary success of this group of states against the remainder of the developing world. It was not entirely without its flaws, however. On the one hand, Johnson failed to convincingly elaborate what rendered the East Asian authoritarian regimes "soft". The South Korean developmental regime under Park Chung-Hee, for example, was notorious for its ruthless suppression of labor activism and the reckless work of its security agency, the KCIA,[12] none of which appear *soft* in retrospective. Thus, this label appears as a euphemistic downplay of authoritarian rule for the "greater good" of rapid industrialization.

On the other hand, it did not provide a general theory on the relationship between democracy and development. Evidently, the authoritarian developmental states had managed to create the necessary conditions for economic growth. Yet, they only represent a small minority within the much larger group of authoritarian countries. Many countries within this category in fact exhibit much weaker economic performances, often administering stagnation or even decline. It seems that at least as important as the repressive quality of these states was their regimes' devotion to long-term development as a central political goal. This feature, however, is a rare exception among authoritarian regimes. In many occasions, dictators have demonstrated a strong preference to leverage their power for the collection of resource rents from domestic production and to protect this status quo rather than taking the risk of maneuvering the economy towards industrial development.

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[12] Kohli 2004.

III. The Quest for the Democratic Advantage

Dissatisfaction with the shortcomings of the narrative of authoritarianism as a necessary evil for growth led to a different school of thought to emerge in the academic discussion. In a publication that laid the foundation for his later fame, Milton Friedman postulated already in 1962 that economic and political freedoms were in fact mutually reinforcing – in direct opposition to the abovementioned scholars who considered political freedoms as later dividend of economic growth.[13] Other early contributions at least argued that authoritarianism can, under the right conditions, foster growth but by no means guarantees it, as documented by the many cases of economic failure under dictators.[14]

However, only decades later, in the 1980s and 1990s, resulting from a trend towards quantitative comparative studies, the end of the Cold War and a wave of democratizations, this argumentation gained further traction.

In a series of papers, Pourgerami[15] challenged the validity of the "cruel choice" between democracy and development. He argued that authoritarian rule is more likely to distort growth as the suppression of dissent can become extremely costly, both due to the direct price of paying for a repressive apparatus and the indirect costs of insensitivity to the real demands of the population. Democracy, on the other hand, furthers political freedom and individual rights, and thus provides the conditions for prosperity, by allowing the population to "actively participate in the development process."[16] A series of empirical tests were provided to prove the compatibility of democracy and development, thus rejecting Bhagwati's and Kohli's "dilemma" between the two. Bhagwati himself came to reconsider his earlier hypothesis. His original idea had been that the authoritarian suppression of short-term consumption was necessary to increase savings and accumulate enough domestic capital to launch industrialization. However, as he now acknowledged, "the policy framework determining the productivity of investment was absolutely critical",[17] too. That is, not the gross level of investments mattered, but also how efficiently it could be translated into growth. As investments often drain away under the untransparent and often corrupt institutional conditions of autocracies, democracy suddenly appeared much more viable as a developmental political system.

In another seminal work published at this time, Mancur Olson introduced the concept of the "stationary bandit" to study the political economy of dictatorships.[18] He argued that the origin of dictatorial rule was the realization of an armed "bandit" that, if he remained at one location for a prolonged period of time, extracting wealth from the local population as taxes, he could be better off than from roving around. How he treated his newly-won property, then, crucially depended on his time horizon. The shorter the expected rule, the more ruthless the extortion of the population. The longer the expected rule, however, the larger the incentive to provide public goods, rule of law and a business-friendly climate for investment, as this way, even low levels of taxation would yield higher returns from the ensuing economic growth. Thus, depending on how secure their rule is

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[13] Friedman 1962.
[14] Lewis 1970.
[15] Pourgerami 1988, 1991.
[16] Pourgerami 1988, p. 139.
[17] Bhagwati 1992, p. 42.
[18] Olson 1993, p. 567.

perceived by dictators, they are capable of promoting development. Yet, crises of succession and political instability can never be entirely ruled out and loom over any economic activity.

This, Olson argues, represents the key advantage of democracy: By institutionalizing the succession of governments and limiting their executive power, they "have the great advantage of preventing significant extraction of social surplus by their leaders"[19] over autocracies. Only this feature allowed for truly reliable property rights and contract enforcement in the long term, making investment and economic activity more promising than in dictatorships. Even though democracies, too, struggle with problems, such as the susceptibility to special interests, Olson argued that their true economic value had been underappreciated in the literature. Indeed, later empirical studies found that democracy indirectly drives growth through its higher level of political stability.[20] Another possible economic asset of democracies is a superior ability in economic decision-making. As in pluralistic, democratic societies, information flows much more freely and preferences of political and economic actors are integrated more evenly into the political process, they may be more capable to introduce adequate economic policies. Put differently, democratic institutions could "reduce the transaction costs of economic reforms."[21] Next to this informational advantage, political competition also incentivizes governments to adopt policies that benefit the majority of the population.

Thus, there are at least as many good theoretical arguments for democracy as a driver of development as for authoritarianism: authoritarianism can insulate regimes from particularistic influence and permit them to enforce the policies necessary for growth – but at the same time, instability, lack of transparency, corruption and rent-seeking can undermine development. Democracies may be at an advantage, given the better protection of individual rights, long-term predictability, a better flow of information and government accountability.

But even though some studies found empirical evidence for the hypothesis that democracy and development go together, the majority of empirical works found at best mixed or negative results. Two influential reviews of the various approaches to test the "compatibility thesis" at the time arrived at similarly sobering findings. Compiling twenty years of studies, Sirowy and Inkeles argued that in spite of a "rich and exciting" theoretical literature on the democratic advantage, the multiple quantitative cross-national approaches to scientifically prove it "produced few if any robust conclusions."[22]

In a similar fashion, a few years later, Przeworski and Limongi admitted that "we do not know whether democracy fosters or hinders economic growth."[23] The empirical literature struggled with a number of challenges, like the conceptualization and measurement of democratic institutions, the definition of the relevant time horizon and the exact statistical methodology to identify causal effects. Small alterations in these choices would lead to different findings, undermining the replicability and robustness of the results more generally.[24] One interpretation of this

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[19] Olson 1993, p. 574.
[20] Feng 1997.
[21] Maravall 1994, p. 19.
[22] Sirowy and Inkeles 1990, p. 150.
[23] Przeworski and Limongi 1993, p. 64.
[24] Haan and Siermann 1996.

inconclusiveness was that politics were indeed crucial for development but that regime types did not capture the relevant dimensions.[25]

An argument building on this idea was that it was not the divergence between democracy and authoritarianism that determined growth but the freedom of markets. Reliance on the invisible hand of markets and competition the could be the true basis for development: democracies with markets, such as the Western industrialized countries, prospered, whereas democracies leaning towards socialism, such as post-independence India, stagnated. Market-autocracies like the Asian Tigers thrived, whereas dictatorships with heavy state intervention failed to do so.[26]
In a similar fashion, Robert Barro attempted to capture the economic effect of democracy while controlling for other political features such as the rule of law, the size of the government and the freedom of the market. In this setup, the overall effect of democratic institutions he found was weakly negative. Thus, democracy appears as a "sort of luxury good"[27] consumed by rich countries which are willing to pay for it with lower growth rates.

Other critics of the pro-democracy discourse argued that the same problem of generally pro-authoritarian arguments also applies to their opposite: True, few dictatorships commit to become *developmental states*, prohibiting general statements about authoritarianism and development. But the same holds for democratic countries. A strong and active state aiming for industrial growth was always the precondition for rapid development, features unrelated to democracy. Thus, the proponents of democratic "governance" were called "virtuous but naïve."[28]

Hence, the optimistic wave of publications throughout the 1980s and 1990s, proposing democracy as generally favorable for development, failed due to a lack of empirical support. Although plentiful reasonable arguments were brought about in theory, no reliable evidence could be found to support them. Instead, authors went on to look for political traits other than regime type to explain the divergence in developmental success, such as the openness of markets or the goals of political elites.

Two historic phenomena of the time further accelerated the review of the pro-democracy perspective: the spectacular rise of China after its economic reforms. Retaining a rigid authoritarianism, the Chinese regime had carefully introduced market mechanisms starting under Deng Xiaoping in the late 1970s, and achieved unseen growth rates for the following decades, pursuing a developmental model not exactly corresponding to but closely resembling the neighboring developmental states of a few decades before.[29] At the same time, India, retaining democratic institutions, had slowly liberalized its economy and also achieved impressive growth rates, albeit less miraculous than those of China. These two trends, which seemed to underpin the irrelevance of regime type, and the overall empirical inconclusiveness of the quantitative literature paved the way for two new and widely different streams in academia.

[25] Przeworski and Limongi 1993, p. 65.
[26] Bhagwati 2002.
[27] Barro 1996, p. 24.
[28] Leftwich 1993, p. 619.
[29] Boltho and Weber 2009.

IV. Historical Institutionalism

One reaction to the inability to identify an immediate effect of democratic institutions on growth was to widen the temporal horizon. If democracy couldn't be shown to facilitate development in the short run, perhaps its impact requires a longer time to manifest. In this spirit, a plethora of new contributions were published, stemming from the emerging field of historical institutionalism. These scholars posit that institutions, defined as "the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction,"[30] are the key determinants of history, and that these institutions usually change extremely slowly if ever. Thus, from this perspective, the institutional history of a country casts its "long shadow" into a path-dependent future.[31] In this view, short-term democratic experiments and reforms like those undertaken throughout periods of the 20th century could only have a superficial impact against their historic institutional background.

Initially, this literature focused on specific economic institutions as the prime determinants of growth. The founding father of modern institutionalism, Douglass North, suggested that "the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World,"[32] as the reliability of private property and contractual rights are the key preconditions for investment and economic activity. Better data on these institutional variables allowed it scholars to subsequently confirm North's emphasis on their crucial importance empirically. Analyzing new institutional measures, Knack and Keefer found robust economic institutions to have a large effect on growth, even competing in importance with the population's level of education.[33]

These theoretical and empirical contributions, then, raised the question about the origins of economic institutions. One possible answer that increasingly gained traction throughout the new millennium was that a country's *political* institutions determined the economic rules of the game. In a number of enormously influential contributions, Acemoglu, Johnson and Robinson argued that the current divergence in incomes in former colonies can be explained by the political institutions installed by the European colonizers at their arrival. Whereas Europeans set up more inclusive institutions where they settled in large numbers, in order to incentivize immigration, they installed extractive, authoritarian institutions where there were indigenous populations to exploit. To test this hypothesis, the authors assessed the effect of the mortality of European settlers in a colony, derived from historical data on the passing of soldiers, bishops, and sailors, and on pre-colonization population density, on current income levels. Indeed, their results demonstrate that colonies that were more attractive for European settlers, due to lower mortality rates, are much richer today than those which, at the time of the European arrival were densely populated.[34] Thus, colonization led to an institutional reversal of fortune, explaining why previously rich regions like Mexico became poor, and previously poor ones, like the Eastern coast of the later USA, became rich.

The institutionalist approach therefore suggests that economic performance depends on economic institutions which are, in turn, determined by political institutions. Even though this

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[30] North 1990, p. 3.
[31] Pierson 2000, p. 255.
[32] North 1990, p. 54.
[33] Knack and Keefer 1995.
[34] Acemoglu et al. 2001, 2002

terminology is somewhat broader than simply referring to democracy, it is clear that it assumes democratic institutions to be conducive to economic institutions that drive growth: "Political institutions, similarly to economic institutions, determine the constraints on and the incentives of the key actors, but this time in the political sphere. Examples of political institutions include the form of government, for example, democracy vs. dictatorship."[35]

Political institutions, then, can include or exclude parts of the population from decision-making, which depends on the distribution of political power. But, as they also shape the distribution of power in a society, for example, by giving the right to rule to a monarch, shifts in power profound enough to restructure political institutions are rare. Major changes in power and, consequently, institutions, can mainly be introduced by *shocks* or *critical junctures*, like a foreign invasion or rapid technological change.

The institutionalist arguments challenged the previously dominant assumption that geographic conditions were the main determinants of growth. If geography had in fact favored civilizations that flourished before colonization, it seems clear that the extractive institutions that were later forced upon them by the Europeans had a bigger impact on their contemporary prosperity. Direct comparisons between institutional and geographic explanations for development showed that the inclusion of institutional variables into long-term growth models rendered every competing geographic or economic factor weak or insignificant.[36] The institutional environment also provided an explanation for the differential consequences of natural resource endowments: if extractive constitutions rule at the time of the discovery of resources, revenue will be monopolized by a small elite. Under inclusive institutions, however, the gains will be shared and contribute to general welfare.[37]

The overall implications of historical institutionalism for the discourse on the relationship between democracy and development are contradictory. On the one hand, most institutionalist authors wholeheartedly embrace the idea that democracy, as a key feature of inclusive political institutions, causes economic growth in the long run, as it tends to provide the necessary economic institutions. But on the other hand, this literature is very skeptical about incremental political reform and whether short-term democratization represents actual institutional change. Often, entrenched elites may simply set up a democratic veneer while keeping the original institutions in place. In the face of this skepticism, and the focus on rare critical junctures as the drivers of history, its practical implications are very limited. As Dani Rodrik et al. put it: "the operational guidance that our central result on the primacy of institutional quality yields is extremely meager."[38]

Moreover, the theoretical simplicity and empirical findings of this institutionalist schools were by no means embraced by everyone. In fact, they remain highly contentious. Similar to the older empirical discussion about the immediate effects of democracy on growth, many results were vulnerable to small tweaks in the historical data,[39] the sample size[40] or in the conceptualization and measurement of institutions,[41] in each case refuting the hypothesis of the primacy of institutions.

[35] Acemoglu et al. 2005, p. 390.
[36] Rodrik et al. 2004.
[37] Mehlum et al. 2006.
[38] Rodrik et al. 2004, p. 157.
[39] Albouy 2012.
[40] Fails and Krieckhaus 2010.
[41] Glaeser et al. 2004.

Theoretically, too the idea that institutions are more important than geography, culture and international politics has been challenged by the critics – as institutions clearly matter, but are unlikely to evolve in a vacuum independent of these other factors.

V. India, the Question of Participation and Human Development

The institutional turn in a sizable part of development economics thus did not succeed at overcoming the fundamental empirical and theoretical problems of previous research, apart from proving the point for the relevance of political institutions in the long run. Comparative quantitative studies seemed increasingly unfit to create scientific consensus. The turn of the millennium presented researchers with an additional scholarly puzzle. The two most populous countries on the planet were experiencing episodes of rapid economic growth: for one, the aforementioned authoritarian China, but also the democratic India. Did regime type, in these cases, have no relevance whatsoever for development?

The Indian case study received special attention from the believers in democracy, being the most prominent democratic developing country to achieve fast industrial growth. Finally, it seemed, the trope of the authoritarian developmental state had found its refutation. While the first decades of Indian independence saw rather sluggish development in the largest democracy of the world, careful liberalization efforts in the 1980s triggered an acceleration in per capita income growth rates to an average of about 6% over thirty years, alongside which poverty rates declined.[42] This raised the confidence among some that perhaps democracy in conjunction with liberal market reforms could boost growth.

The coincidence of democratic institutions and economic development in the Indian case only withstands a rather superficial scrutiny, however. This was as laid out in Atul Kohli's detailed study of the Indian "miracle". The liberalizing reforms that enabled the economic takeoff in the 1980s coincided with the formation of a narrow pro-business apex at the helm of the Indian state, reducing the width of political alternatives available to voters.[43] The government also began redistributing resources towards the top, for example, by decreasing corporate taxes, and actively undermining the power of labor, by introducing laws discouraging strikes and by pressuring unions to cooperate more closely with the government.[44] Thus, the launch of Indian growth was in fact accompanied by a subtle *decline* in democratic quality.

Some of the political features of the Indian state emerging in the 1980s indeed show reminiscence to the albeit much more fiercely authoritarian developmental states of South Korea and Taiwan when it comes to the close association of the state leadership with business and its hostility against the free organization of labor. Moreover, the patterns of Indian growth were highly inequitable. The economy expanded mainly in rather skill-intensive sectors like software development, whereas manufacturing and agriculture were left behind – and along with them, a major part of the Indian population. As a result, inequality has expanded massively alongside gross economic growth.

The Indian case thus seems to provide little support for arguments causally relating growth to democracy. Clearly, it was not the accountability of the Indian voter restraining predatory behavior on part of the government that enabled investment and growth as posited by Olson and others. Also, long-term democratic institutions fail to explain the sudden change in the economic

[42] Kohli 2012, p. 79.
[43] Kohli 2012, p. 214.
[44] Kohli 2012, p. 103.

trajectory in the 1980s. Rather, main driver of it seems to have been the close cooperation of the country's leadership with business leaders together with a set of economic reforms and, too, an exclusion of the interests of farmers and workers which permitted India's impressive but unequal development over the past decades. The increasingly authoritarian turn of the Modi regime in recent years further taints the pro-democracy narrative, with some scholars explaining it as a reaction of the elite against the increasing bottom-up mobilization targeting the inequities of modern India,[45] not unlike the ideas first formulated by O'Donnell and others half a century ago. Taken together, one might argue that the Indian case rather serves the idea that a developmentally oriented state requires some degree of authoritarianism to create the environment for gross economic growth.

Yet, at the latest with Amartya Sen's seminal "Development as Freedom", much of the development discourse had moved "beyond the growth of gross national product, or with the rise in personal incomes, or with industrialization, or with technological advance, or with social modernization"[46] as the essential developmental targets. Instead, Sen argued, the removal both of the tyrannies of poverty and repressive governments was necessary to advance individual freedom, which should be considered the ultimate goal of development. This was a key contribution to the shift in attention towards *human* instead of mere economic development and to a perspective on democracy as both a means and an end.

Building on Sen's ideas, Joseph Stiglitz stressed that public participation beyond the superficial presence of the institution of electoral democracy was needed to permit *sustainable* development, i.e., development that does not ignore the needs of large parts of the population. Only through "consensus-building, open dialog, and the promotion of an active civil society"[47] could it be possible to achieve social and economic development at the same time.
Large parts of the aforementioned quantitative work did not immediately adopt these perspectives. A key reason for this inertia was simply the lack of more nuanced data both on democratic participation and human development and studies which tried to examine the human development-proposition did not go beyond the country-level. But cases of truly participatory growth did barely exist on the country-level and therefore could not make an impact in these works. Consequently, one much cited cross-national study of the time rejected an effect of democracy on reducing child mortality as an indicator for human development.[48]

But India, as a large federal republic, offered significant *subnational* variation in democratic participation and development outcomes, and therefore represented a unique object for further qualitative examination. Assessments of the regional diversity within India are telling. While Northern states like Gujarat share the *developmental* features of the federal government, leading to fast but uneven growth, others have indeed been governed in a more participatory way, as posited by Sen and Stiglitz. Relying on the democratic support of the broad population, the ruling governments of states like Kerala and West Bengal promoted agricultural productivity, education, and healthcare. At the same time, the higher levels of regulation and union activity in these states deterred investment, leading to comparatively lower growth rates and an absence of major industrialization more generally, but crucially, to higher levels of human development.[49] It has been suggested that

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[45] Heller 2020, p. 601.
[46] Sen 1999, p. 3.
[47] Stiglitz 2002, p. 177.
[48] Ross 2006.
[49] Kohli 2012, pp. 209–210.

these subnational cases of successful democratic and social development were permitted by distinct regional, solidary identities.[50] Nevertheless, they provide important evidence for the existence of an alternative developmental pathway. By democratically including the mass of the population, these states achieved slower, but much more equitable growth, and managed to drastically reduce extreme poverty.

Thus, even though the Indian case confirms the idea that economic growth in the narrow, traditional sense of seems to require at least partially authoritarian accommodation of business interest, it also demonstrates that more broadly distributed and social patterns of growth can be achieved by governments responsive to a wider arrange of societal interests, including those of the poor population.

[50] Singh 2015.

VI. Conclusion

Much has been written on the effects of regime type on development. The early literature provided rich theoretical arguments for both a potential democratic and authoritarian advantage: authoritarian regimes may be better able at enforcing savings discipline, hence fostering investment, and at repressing the upheaval brought about by structural transformation. Democracies, on the other hand, restrain rent-seeking by the incumbents, hold governments accountable and are better at providing political stability and property and contract rights, just to mention a few of the propositions. As divided as the theory are the empirical examinations of these hypotheses. Overall, in cross-national studies, the quantitative findings are inconclusive. Historical institutionalism, then, expects democracy to drive economic growth in the long run, but does not entirely overcome many of the underlying empirical problems and is unsatisfying from a practical point of view, as it mostly rejects the possibility of incremental change.

But all these broad arguments about the effects of abstract regime types fail to take into account the vast heterogeneity within the groups of countries broadly labeled "authoritarian" or "democratic". Also, they do not address other, cross-cutting qualities that seem to have much more explanatory power. It is true that swift industrialization only occurred in the authoritarian developmental countries in East Asia that coercively enforced pro-growth policies. Yet, it is also true that most authoritarian regimes never devote themselves to the goal of long-term growth in the first place but do everything to entrench the status quo. With India, a democratic country went through a prolonged episode of fast growth– but not as a product of its democratic institutions but because of the government's commitment to business-centered growth *against* the material interest of large elements of society, leading to appalling inequalities. A degree of authoritarianism appears at best to be one fragment of a much broader picture of growth-enhancing conditions, especially the willingness and capacity of the state to promote development.

Moving beyond mere electoral institutions and economic growth, there are reasons to be more confident that democracy indeed matters, at least, when it comes to a more evenly distributed, human conceptualization of development. For human development, genuine democratic participation of the population, too, can produce impressive results, as powerfully demonstrated by the socially progressive states within India. These findings also call for intensified future research: Under what circumstances does such participatory democracy emerge under conditions of scarcity, essentially contradicting modernization theory? Can these experiences be transferred into other contexts? These questions, moving beyond the paradigm of gross effects of democratic rule on economic growth, should inspire new scholarship in the field.

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MA Program in Political Science - United Nations and Global Policy Studies
Department of Political Science
Rutgers University–New Brunswick

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