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## Development and Democracy

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**Summary:** Conventional wisdom has long assumed that economic liberalization undermines repressive regimes. Recent events, however, suggest that savvy autocrats have learned how to cut the cord between growth and freedom, enjoying the benefits of the former without the risks of the latter. Washington and international lenders should take note.

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### **RICHER BUT NOT FREER**

Ever since Deng Xiaoping opened up China's economy more than 25 years ago, inaugurating an era of blistering growth, many in the West have assumed that political reform would follow. Economic liberalization, it was predicted, would lead to political liberalization and, eventually, democracy.

This prediction was not specific to China. Until quite recently, conventional wisdom has held that economic development, wherever it occurs, will lead inevitably -- and fairly quickly -- to democracy. The argument, in its simplest form, runs like this: economic growth produces an educated and entrepreneurial middle class that, sooner or later, begins to demand control over its own fate. Eventually, even repressive governments are forced to give in.

The fact that almost all of the richest countries in the world are democratic was long taken as iron-clad evidence of this progression. Recent history, however, has complicated matters. As events now suggest, the link between economic development and what is generally called liberal democracy is actually quite weak and may even be getting weaker. Although it remains true that among already established democracies, a high per capita income contributes to stability, the growing number of affluent authoritarian states suggests that greater wealth alone

does not automatically lead to greater political freedom. Authoritarian regimes around the world are showing that they can reap the benefits of economic development while evading any pressure to relax their political control. Nowhere is this phenomenon more evident than in China and Russia. Although China's economy has grown explosively over the last 25 years, its politics have remained essentially stagnant. In Russia, meanwhile, the economy has recently improved even as the Kremlin has tightened the political reins.

The overlap of these trends -- economic growth and shrinking political freedom -- is more than a historical curiosity. It points to an ominous and poorly appreciated fact: economic growth, rather than being a force for democratic change in tyrannical states, can sometimes be used to strengthen oppressive regimes. Zhao Ziyang, China's premier during the 1980s, may have been right when he argued, "Democracy is not something that socialism can avoid." But there is now plenty of evidence to suggest that autocratic and illiberal governments of various stripes can at least delay democracy for a very long time. Over the past half century, a large number of such regimes have undergone extensive economic growth without any corresponding political liberalization. In other cases, autocrats have been forced to introduce modest political changes but have nonetheless managed to limit their scope and hold on to power.

What explains the often lengthy lag between the onset of economic growth and the emergence of liberal democracy? The answer lies in the growing sophistication of authoritarian governments. Although development theorists are right in assuming that increases in per capita income lead to increases in popular demand for political power, they have consistently underestimated the ability of oppressive governments to thwart those demands. Authoritarian regimes are getting better and better at avoiding the political fallout of economic growth -- so good, in fact, that such growth now tends to increase rather than decrease their chances of survival.

This is a truth that has largely been ignored by both development agencies and the Bush administration. Washington has blithely claimed that globalization and the spread of market capitalism will inevitably lead to the triumph of Western-style democracy. How the Bush administration explains away all the contrary examples is unclear. What is clear is that Washington needs to rethink its plans to spread democracy around the globe. In addition, development bodies such as the World Bank should reconsider the kinds of conditions they attach to their loans. Merely pushing for greater economic freedom is unlikely to have much political payoff -- at least not anytime soon.

## ESCAPING THE GROWTH TRAP

Autocrats have good reason to view economic growth ambivalently, as both a tool and a trap. On the one hand, it increases a tyrant's prospects of survival, by expanding the government's resources (through higher tax revenues) and improving its ability to deal with various problems (such as economic recessions or natural disasters). Over the short term, economic growth also

tends to increase citizens' satisfaction with their government, making it less likely that they will support a change of regimes.

In the long term, however, economic growth can threaten the political survival of repressive governments by raising the likelihood that effective political competitors will emerge. This happens for two reasons: economic growth raises the stakes of the political game by increasing the spoils available to the winner, and it leads to an increase in the number of individuals with sufficient time, education, and money to get involved in politics. Both these changes can set in motion a process of democratization that can slowly gather momentum, eventually overwhelming an autocratic status quo and creating a competitive, liberal democracy in its place.

Until now, many Western policymakers and development experts have assumed that political liberalization basically tracks the rate of economic growth, with only a slight lag, and that there is little that autocratic governments can do to stop it (as long as they remain committed to maintaining economic progress). Such thinking can be traced back to Seymour Martin Lipset, the eminent sociologist and political scientist who popularized the notion that economic growth fosters democratization by increasing the size of the educated middle class. Lipset, however, cautioned his readers that the process was not guaranteed: although it had worked in western Europe, success there had depended on a very particular set of circumstances. In the years since Lipset published his findings, unfortunately, his cautionary note seems to have been largely forgotten.

Lipset's followers have also tended to overlook the fact that autocratic states are not passive observers of political change; in fact, they set the rules of the game and can rig them to suit their interests. Autocrats enjoy a marked advantage over the average citizen in their ability to shape institutions and political events. And they have proved far more savvy at this than expected, adroitly postponing democratization -- often while still continuing to achieve economic growth.

## THE FIX IS IN

To understand how authoritarian regimes manage this trick, it helps first to understand the concept of strategic coordination. The term "strategic coordination," which comes from the literature of political science, refers to the set of activities that people must engage in to win political power in a given situation. Such activities include disseminating information, recruiting and organizing opposition members, choosing leaders, and developing a viable strategy to increase the group's power and to influence policy.

Strategic coordination is a useful concept here because it helps to explain why economic growth has traditionally been thought to promote democratization. The process works as follows: economic growth leads to urbanization and improvements in technology and infrastructure.

These improvements dramatically facilitate communication and recruitment by new political groups. Economic growth also tends to lead to increased investment in education, which benefits the opposition by producing more learned and sophisticated individuals from which it can recruit supporters. Strategic coordination, however, also helps explain how some autocrats have managed to break or weaken the link between economic development and democratization. If authoritarian incumbents can limit strategic coordination by the opposition, they can reduce the prospect that their enemies will be able to remove them from office. There is a catch, however: to remain secure, autocrats must raise the costs of political coordination among the opposition without also raising the costs of economic coordination too dramatically -- since this could stymie economic growth and threaten the stability of the regime itself.

Threading this needle is difficult, but not, as it turns out, impossible. Gradually, through trial and error, oppressive regimes have discovered that they can suppress opposition activity without totally undermining economic growth by carefully rationing a particular subset of public goods -- goods that are critical to political coordination but less important for economic cooperation. By restricting these goods, autocrats have insulated themselves from the political liberalization that economic growth promotes.

## HOW TO STOP A REVOLUTION

Examples of this strategy abound. Consider a few cases over the last three years. China has periodically blocked access to Google's English-language news service and recently forced Microsoft to block the use of words such as "freedom" and "democracy" on the Microsoft software used by bloggers. These moves were only the latest in a long line of Chinese restrictions on Internet-related activity, strictures that have run the gamut from the creation of a special Internet police unit to limiting the number of Internet gateways into China. In Russia, meanwhile, President Vladimir Putin has placed all national television networks under strict government control. In October 2003, he engineered the arrest of Mikhail Khodorkovsky, one of his most prominent critics; a highly visible prosecution followed.

In Venezuela, President Hugo Chávez pushed through a new law in December 2004 allowing him to ban news reports of violent protests or of government crackdowns and to suspend the broadcasting licenses of media outlets that violate any of a long list of broadly phrased regulations. And in Vietnam, the government has imposed strict controls on religious organizations and has branded the leaders of unauthorized religious groups (including Roman Catholics, Mennonites, and some Buddhists) as subversives.

Each of these cases has involved the restriction of what might be called "coordination goods" -- that is, those public goods that critically affect the ability of political opponents to coordinate but that have relatively little impact on economic growth. Coordination goods are distinct from more general public goods -- public transportation, health care, primary education, and

national defense -- which, when restricted, can have a substantial impact on both public opinion and economic growth.

Historically, oppressive governments seeking to crack down on those pushing for democratic change have suppressed both types of goods -- undermining their economies in the process. This was the dominant pattern in much of Asia and Africa until the 1980s, and it remains the case today in many of the poorest states, such as Myanmar and Zimbabwe. Recently, however, governments in Russia, China, Vietnam, and elsewhere have discovered that by focusing their restrictions on coordination goods only, they can continue to provide those other services necessary for economic progress while short-circuiting the pressure for political change such progress typically promotes.

Of course, the availability of most public goods has at least some impact on the ability of opposition groups to organize and coordinate. But four types of goods play a fundamental role in such activities. These include political rights, more general human rights, press freedom, and accessible higher education.

The first of these goods, political rights, includes free speech and the rights to organize and demonstrate peacefully. Although political rights are largely negative, in the sense that they limit state interference rather than require state action, they do sometimes require governments to take a variety of steps to enforce them, especially when they involve minority groups voicing opinions that are unpopular with the majority.

As for more general human rights, these include freedom from arbitrary arrest and the related protection of habeas corpus; the right to nondiscrimination based on religion, race, ethnicity, and sex; freedom from physical abuse; and the right to travel, both domestically and abroad.

A diverse and largely unregulated press (and other forms of media) is also vital to effective political opposition, since it enables the dissemination of information that can bring diverse groups together around common interests. Like political rights, the right to a free press is a largely negative one, since it generally requires the government not to interfere. It may also require affirmative steps, however, such as granting licenses to radio and TV frequencies, guaranteeing public access to those and other media, and translating official documents into regional languages.

Finally, broad access to higher education and graduate training is vital if citizens hope to develop the skills to communicate, organize, and develop a political presence. Advanced education also facilitates the creation of a large pool of potential opposition leaders, thereby increasing the supply of rivals to the incumbent government.

Some authoritarian governments claim that they deny access to higher education (and other coordination goods) because of their exorbitant costs. In reality, coordination goods are not

generally more expensive than other public goods and are far cheaper than some, such as national defense or transportation. When governments choose to restrict them, therefore, it is to increase the political costs of coordination, not to save money. In fact, some coordination goods actually cost more to suppress than to allow -- as when governments expend their resources cracking down on opposition movements or jam free media outlets and produce their own propaganda.

## RECIPE FOR (AUTOCRATIC) SUCCESS

Recently, in order to better understand how autocrats and illiberal democratic incumbents manage to embrace economic growth while postponing democracy, we examined the provision of public goods in about 150 countries between 1970 and 1999. Four findings from this study are particularly noteworthy.

First, the suppression of coordination goods is an effective survival strategy; the study confirmed that providing coordination goods significantly decreases the survival prospects of incumbent regimes. The provision of other public goods, meanwhile, either does not affect survival at all or improves it. Allowing freedom of the press and ensuring civil liberties, in particular, reduce the chances that an autocratic government will survive for another year by about 15 to 20 percent: a stark statistic, and one that helps explain media and political suppression throughout the developing world.

Second, the study showed that today's autocrats tend to suppress coordination goods much more consistently than they do other public goods. Around the world, from Beijing to Moscow to Caracas, authoritarian regimes seem to be well aware of the dangers of providing coordination goods to their people, and they refrain from doing so with remarkable consistency. On the other hand, most autocratic leaders appear to recognize that there is little to fear from providing other public goods, such as primary education, public transportation, and health care. Fidel Castro risked nothing politically when he aggressively improved public health care in Cuba, and Kim Jong Il did not place himself at much risk when his government committed itself to increasing the North Korean literacy rate to above 95 percent. Both regimes, however, have been careful to suppress coordination goods.

The study also confirmed that the greater the suppression of coordination goods in a given country, the greater the lag between economic growth and the emergence of liberal democracy. Of course, some undemocratic regimes are more successful at suppressing coordination goods than are others. But there is a clear correlation between failure at this and the likelihood that the state will become a modern democracy.

Moreover, the study found that except at the highest levels of per capita income, significant economic growth can be attained and sustained even while the government suppresses coordination goods (remember China, Russia, and Vietnam). And when such trends occur

together -- that is, when a state enjoys economic growth while suppressing coordination goods -- the regime's chances of survival substantially improve and the likelihood of democratization decreases (at least for five to ten years). Although data limitations make it difficult to determine whether in the long term economic growth will tend to push regimes toward democracy, there is growing evidence that at least in the short term economic growth stabilizes regimes rather than undermines them. China, therefore, is best viewed not as the exception to the rule that growth produces liberalization, but as emblematic of the fact that it usually does not.

## WHO'S FOOLING WHOM?

The growing disconnect between development and democracy holds three important lessons for those policymakers -- in the Bush administration and in other affluent liberal democracies -- who are frustrated with the slow pace of change in the developing world and hope to speed up the process.

First and most obvious, democratic policymakers need to recognize that promoting economic growth in the developing world is not nearly as effective a way to promote democracy as they once believed. Oppressive incumbents have learned from their collective experience that although development can be dangerous, it is possible to defuse that danger to a considerable extent. By limiting coordination goods, autocrats can have it all: a contented constituency of power brokers and military leaders who benefit from economic growth, increased resources to cope with economic and political shocks, and a weak and dispirited political opposition.

The second important lesson for policymakers has to do with what the above means for the conditions they attach to the loans and grants they extend to the developing world. When the World Bank, for example, conditions a loan to a developing state on the requirement that the government invest in infrastructure, health care, or literacy, it does so in the belief that these investments will lead to increased economic growth, which in turn will lead to an expanded middle class and, eventually, democracy. But this expectation is unrealistic. Such investments are just as likely to extend rather than shorten the reigns of illiberal governments. Foreign aid, as it is currently administered, tends to bolster rather than undermine undemocratic leaders.

The answer to this problem is not to place a lower priority on economic growth or the provision of standard public goods. It is to broaden loan conditions 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. Accordingly, before autocrats get international aid, they should be forced to accept modest reforms such as supporting greater access to higher education, allowing a freer press, and permitting more freedom of assembly.

In introducing such conditions, development agencies should not be distracted by the debate

over whether human rights are best defined in terms of housing, food, clothing, health care, and other basic human necessities or in terms of individual freedom and the protection of both minority and majority interests. Dictators prefer the former definition solely because it best suits their interests. Such arguments are transparently self-serving. Copious evidence suggests that political freedom and the provision of basic necessities go hand in hand; those societies that respect civil liberties almost invariably also provide for the survival of most or all of their citizens.

The third lesson of our study for policymakers concerns the recent events in the Middle East. It is tempting to view the elections in Iraq, Syria's withdrawal from Lebanon and the subsequent elections there, the announcement that local elections will be held in Saudi Arabia, and the promise of more competitive elections in Egypt as collectively signaling a new democratic dawn in the region. But it is important to remain realistic. In particular, observers must remember that the repressive policies that have served Middle East autocrats so well for the past 50 years have not been significantly eroded in Saudi Arabia, Egypt, or even Lebanon. This is not necessarily grounds for despair. But those interested in measuring the democratic progress of the region should pay more attention to the availability of coordination goods there -- to how tightly the media are controlled, for example, or how difficult it is to safely hold an antigovernment demonstration. These elements, more than the mere presence of elections, remain essential for the transition to real democracy. Until they appear, the United States, the EU, and other donors and aid agencies must keep exerting pressure for change.

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