Overcoming Autocratic Legacies

BY JOSEPH SIEGLE

THE GLOBAL ADVANCE OF DEMOCRACY is largely a developing world phenomenon. The median per capita income of the 86 countries currently undergoing democratic transitions is $985. Seventy-five percent of these democratizers are classified as low- or lower-middle income by the World Bank. Nearly 60 percent are in Sub-Saharan Africa and Latin America.

Unsurprisingly, both the democratization and development paths are filled with potholes. Forty-five percent of all contemporary democratizers have experienced at least one episode of democratic backsliding (though two-thirds of these resumed their positive advance within three years). Eight in ten reversals to autocracy occur in democratizers experiencing negative growth. Low-income countries, meanwhile, face negative growth. The median annual growth of 1.46 percent for this group since 1980 is nearly a full percentage point below wealthier cohorts. Poor countries are also notoriously more vulnerable to economic volatility, conflict and humanitarian crisis. In short, there are compelling reasons for anyone interested in either democracy or development to consider the inter-linkages between the two phenomena.

Governance and development divergences

THE ROCKY EXPERIENCE typical of both democratization and development perpetuated a long (and still commonly) held

belief that the two processes were incompatible—and should be tackled sequentially. Better to first establish a strong economic foundation, this view argued. Once per capita incomes, literacy rates, urbanization and other development prerequisites were raised, the process of democratic change could unfold more smoothly. The problem with this widely-accepted thesis is that low-income autocracies do not develop any more rapidly than low-income democracies or democratizers. Nor are the few autocracies that are able to sustain economic progress any more likely to democratize successfully than those that initiate the process at lower income levels. The "development first" strategy, therefore, unwittingly provides a perpetual rationale for maintaining autocracy.

Increasingly, there is a recognition that good governance matters to development.[1] Isolating the effects of political governance on growth and development is particularly challenging though, because the manner in which states organize themselves affects virtually every other factor linked to growth —human capital development, respect for property rights, rule of law, openness to the outside world, technology adoption, access to information, and transparency, among others. Stated differently, political governance is not just one other independent variable to be considered in a growth regression. Rather, who is making policy decisions, the incentives they face to stay in power, how competing interests are weighed, which groups have access to credit, investment and aid dollars, and to whom leaders are accountable all directly and indirectly influence development outcomes.

To assess the effects of alternate political structures on development, this review draws on the Polity IV democracy index.[2] Countries classified in the top tier of this 0-10 measure qualify as democracies. Those in the bottom tier are considered autocracies. The time period covered, 1980-2005, encompasses the current wave of democratization. To avoid confusion on the possible direction of this influence, five year lagged indicators are used. So, for example, countries classified as democracies or autocracies in 2000, will be compared for their median growth rates in 2005. Keeping the focus on democracy in poor countries, comparisons in this review are limited to countries with per capita incomes below $2,000, referred to as "low-income" for shorthand.

Working within those parameters, we see that median per capita growth rates[3] of democracies have been slightly (though statistically significantly)[4] higher than autocracies—1.46 percent vs. 1.25 percent—for the full timeframe considered. On the surface, the slender difference in overall growth rates suggests that the governance effect on development is negligible. Yet, excavating beneath this aggregate relationship unearths multiple layers of additional insight.

The central issue is not *whether* there is a development advantage from democratization but *how* to maximize developmental performance in new democratizers.

First, is temporal variation. Notably, in the years immediately following the end of the Cold War, many new democracies in Central Europe and Africa endured serious economic contractions as they transitioned from state-centered economic systems. Otherwise, there is a consistent pattern of superior democratic growth performance. Excluding the 1992-1996 period, median lagged growth for democracies from 1980-2005 is 1.95 percent—or a third higher than the autocratic median.

Next, 15 percent of autocratic growth data for the post-1980 period are missing. As a result, economic performances of countries like Afghanistan, Burma, Cuba, Iraq, Libya, North Korea, and Somalia are consistently not factored into these comparisons. In contrast, no democratic growth data is missing for this time period. Instructively, one of the distinguishing features of autocratic governance—opaqueness—makes it more difficult to conduct objective comparisons of performance.

Important inter-regional differences also emerge from these governance-growth comparisons. Democracies in Latin America, Sub-Saharan Africa, and Central Europe average fivefold higher lagged growth rates rather than autocracies in those regions. Non-trivially, these regions account for 76 percent of contemporary democratizers. In East Asia, the pattern is reversed. This is meaningful since nearly all of the autocratic economic success stories come from this region. Removing East Asia from the global sample cuts the median autocratic growth rate by a quarter—to 0.91 percent. The East Asia experience also demonstrates that democracy is not a prerequisite for development.

Oil is another key factor affecting autocratic growth. Eighty percent of hydrocarbon-rich societies are autocracies.[5] The spike in oil prices in recent years, accordingly, has buoyed the autocratic growth data. When hydrocarbon-rich countries are excluded from the 25 year comparison, median autocratic growth declines by 20 percent. For the post-2000 period, hydrocarbon-rich growth accounts for a quarter of the median autocratic rate. Given that resource-rich autocracies have a higher tendency of being "cursed" than "blessed," the developmental benefits of this oil-driven growth, moreover, cannot be assumed.

Governance differences are also evident with regards to growth volatility—long a bane of developing countries. Autocracies have a 5 percent chance of experiencing a sharp (i.e. 10 percent) contraction in annual economic output in any given year. This rate is three times that of democracies. The median of another measure of volatility—the coefficient of variation (standard deviation over the mean growth rate)—is four times larger in autocracies than democracies. Democracies' relative capacity for stability, in turn, enables them to sustain their economic gains more effectively.

The differing incentives facing democratic and autocratic governments appear to be particularly relevant for social welfare outcomes. Infant mortality rates (IMR) are a good case in point. Democracies have consistently lower IMRs than autocracies at similar income levels. For example, in 1980, the median IMR for low-income democracies was 74 (per 1,000 live births) compared to 106 for autocracies. Even so, the rate of improvement in democracies has tended to be more rapid. Specifically, the 5-year lagged gains in IMRs for democracies from 1980-2005 was 12.5 percent compared to 7.3 percent for autocracies.[6] Consequently, the relative divergence in median IMRs between democracies and autocracies has grown to 32 vs. 77 in 2005.

Similar patterns are observed on other social indicators. The median 5-year lagged improvements in primary school completion rates between 1990[7] and 2005 are 10.8 percent for democracies and 7.1 percent for autocracies.[8] This reflects an increase in median levels of primary school completion for low-income democracies from 69.5 percent to 91.5 percent and for autocracies from 47 percent to 68.7 percent.

Citizens in democracies have also had consistently longer life expectancies than those in autocracies. In 1980, the difference among low-income countries was eight years—58.7 vs. 50.6. Five year lagged rates of improvement in democracies since that time have been more rapid than autocracies—2.2 percent vs. 1.8 percent.[9] This has resulted in the life expectancy gap between low-income democracies and autocracies widening to 10 years by 2005—66.1 vs. 56.2.

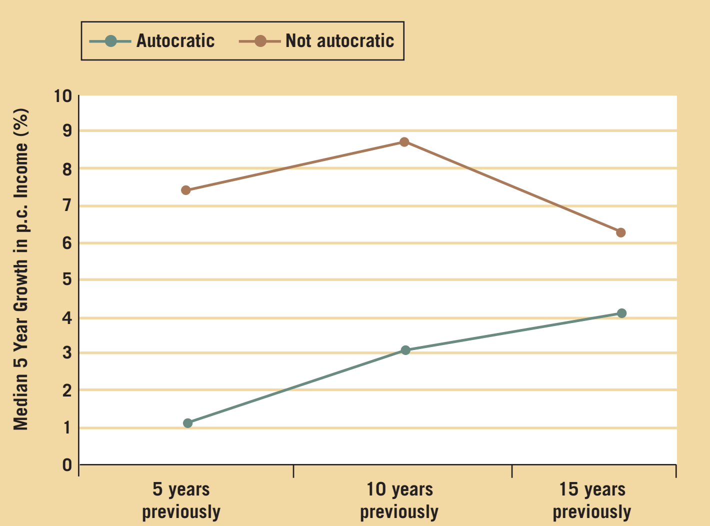
Autocratic legacies

AT A MINIMUM, this comparative review of development performance between low-income democracies and autocracies shows that there is not a trade-off between democracy and development. Paraphrasing Nobel Laureate, Amartya Sen, citizens in developing countries need not choose between food and freedom. The observed divergences also reveal a significant positive link between democracy and future development outcomes. The relationship is not universal—some democracies have underperformed and a select number of mostly East Asian autocrats have realized exceptional growth. Yet the overall pattern is consistent over time and multiple measures.

Given this and the fact that two-thirds of developing countries have already started down a democratic path, the central issue really is not *whether* there is a development advantage from democratization but *how* to maximize developmental performance in new democratizers. To address this we must understand better the reasons for the considerable variance in development performance among democratizers. In other words, if democracy matters to development then why is there such variation in democratizers' development performance?

Several distinguishing characteristics emerge: quality of democratic institutions, depth of free press, duration on a democratic path, independence of the private sector, and lower debt service levels.[10] Of particular relevance is autocratic history. The more recently democratizers[11] have had an autocratic government, the slower has been their development progress. To illustrate, democratizers that were autocratically governed five years previously averaged growth rates half those of democratizers that were not autocratic during the previous five years. This translates into a sevenfold difference in expansion of per capita income levels over five years—7.42 percent vs. 1.13 percent (see Figure 1). Going back 10 years, the difference is threefold. Even democratizers that are 15 years out of an autocratic system were expanding 30 percent slower than democratizers without this legacy. Similar drags on progress are observed for social indicators. These patterns are a reminder that new democratizers tend to begin their transitions in periods of economic crisis. The first few years of these transitions bear the costs of this downward momentum—showing up as weak democratizer development performance. Reforms may then take hold, leading to a recovery. Sustaining political reforms through this turnaround is a critical challenge, however, as more than half of all democratic backsliding occurs within the first five years of a transition. Even then, rehabilitating established norms of patronage, lack of transparency and other institutional scleroses takes time.

FIGURE 1: MEDIAN DEMOCRATIZER GROWTH RELATIVE TO AUTOCRATIC HISTORY



Source: Based on the World Bank's WDI 2007 dataset and the Polity IV index.

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five years, 56 percent thought that their children will be happier than they are in the future, and finally, 93 percent cultivated optimism and are convinced that the next five years will be even better. Much can be made of this wholesale optimism, so that a truly prosperous and democratic state can be created in Mali.

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Endnotes

1 Article 25 of the Constitution of the Republic dated February 25, 1992.

2 Article 53 of the Constitution.

3 Article 78 of the Constitution.

4 See Zeïni Moulaye and Amadou Keïta, T*he National Assembly of Mali under the Third Republic*, Bamako, Éditions Friedrich Ebert Stiftung, May 2007, 176 pp.

5 Konimba Sidibé, *Governance, Democracy and the Fight against Poverty in Mali*, Bamako, May 2004.

6 To find out more, see http://mali.investway.info. Also see *Mali, Investing to Build: A Good risk for your investments*, Bamako, Minister of Promotion of Investments and Small and Medium Enterprises, November 2006.

7 Konimba Sidibé, op. cit.

8 *Government achievements, June 8, 2002—March 31, 2007*, Bamako, Primature, May 2007, 427 pp.

9 According to *L'Essor* of August 3, 2007, p. 7, "over eight hundred micro-finance outlets, distributed throughout national territory, annually collect roughly 35 billion FCFA in savings from the public and distribute over 45 billion in loans. Over a million people, 40% of which are women, benefit from the microfinance services, which by this fact constitute preferred instruments in the fight against poverty."

10 "Malian economy: visible improvements" in *L'Essor*, op. cit.

11 Ibid

12 Ibid

13 Ibid, p. 6.

14 It is symptomatic in this regard that—again, only recently, in June 2007—the National Office of Ducroire (ONDD), a Belgian Insurance and Export Credit Agency, relaxed its coverage conditions for medium- and long-term operations in Mali, removing any restriction on export deals to this country. For this agency, as for others no doubt, the short-term political risk dropped to 2 on a scale of 7. Its decision was based on two major factors: the political stability and the forward momentum of the Malian economy (see a dispatch from Pana cited in issue 1776 of *L'independent* dated Monday, Aug. 13, 2007).

15 See Ambassador Abdoulaye Diop's comments in the "Report of the Colloquium of the Community of Democracies on democracy and development: Poverty as a challenge to democratic governance," Bamako, May 2007, p. 5.

16 See issue 2430 of *Jeune Afrique,* dated August 5-11 2007, p. 38.

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Some policy implications that emerge from this review include:

- Democracies that stay on the democratic path tend to generate higher rates of growth and social development. Accordingly, sustaining democratization should be an objective of development institutions.
- Positive development performance, in turn, reduces the risk of democratic backsliding, especially in the early years of a democratic transition. Assistance strategies, consequently, should be sensitive to the political economy challenges these new democratizers are facing.
- Since many new democratizers have inherited dysfunctional institutions, the initial period of a democratic transition often yields slow or negative growth. This is less a failure of democratic governance as a reminder that sustained support for institutional rehabilitation is needed to overcome autocratic legacies.

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Endnotes

1 Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi. *Governance Matters VI: Governance Indicators for 1996-2006*, World Bank Institute, 2007.

2 This annual rating of all states with populations of more than 500,000 is based on institutional characteristics for checks on the chief executive, the selection of national political leaders, and popular participation in the political process. All development measures cited are drawn from the World Bank's *World Development Indicators 2007* dataset.

3 Based on a three year average in order to smooth outlying annual fluctuations.

4 At the 95% confidence level. Interestingly, the median lagged growth rate of democracies that remained democratic over the respective five year intervals was 1.88%. (No improvement in growth rates is observed for "stable" autocracies).

5 Siegle, Joseph. "The Governance Roots of the Natural Resource Curse," *Developing Alternatives*, Vol. 11 (1): pp. 35-43, Spring 2007.

6 Significant at the 99% confidence level.

7 First year of comprehensive coverage for this variable.

8 Significant at the 95% confidence level.

9 Significant at the 95% confidence level.

10 Siegle, Joseph. "Explaining the Variation in Economic Performance of Developing Country Democratizers," paper prepared for the Community of Democracies seminar on democracy and Development: Poverty as a Challenge to Democratic Governance," March 29-30, 2007.

11 Defined as countries, starting from below the democratic threshold, that make and sustain a 2 point gain on Polity's democracy index between 1977-2005.