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THE ROLES OF POLITICAL INCLUSION AND DEMOCRACY IN ECONOMIC DEVELOPMENT: INSIGHTS FROM SINGAPORE AND BOTSWANA

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ABSTRACT

We need to advance from the simplistic assumption that as far as economic development is concerned, democracy is a 'good thing', whereas dictatorship is 'bad thing'. There may be many valid reasons for promoting democratic governance in a country. But to say that it is necessary for growth in a developing economy is to ignore more complex realities surrounding the relationship between the two constructs. This paper calls for a more nuanced explication of the contributions of politics and political attributes to determining economic development. We need to move beyond simply prescribing democratization on the basis of statistical correlations between democracy, as measured by survey or unnamed 'expert' -based indices, and economic growth. We need to build a much better appreciation of and come up with a more consistent theory about the mechanics of how politics and governance drive economic development. I argue that Acemoglu and Robinson's introduction of the concept of political inclusion provides a promising starting point as it is a more concentrated effort in looking at how economic development happens given that state legitimacy and a degree of political centralization has been achieved. The trouble, though, is with the tendency to just assume that inclusion and democracy are one and the same. They are not. Subtle differences have a significant effect as we see in the cases of Singapore and Botswana; both hailed as miracles of their respective regions. The difference is that Singapore is an inclusive state but not a full fledged democracy, whereas Botswana is only partially inclusive, and is and has been democratic since its independence. The difference in their economic success is striking. Using the experiences of these two countries, I echo Hirschmann's (1986) call for us to always be on the lookout for unusual historical developments - like those of Singapore and Botswana - to deepen our understanding and challenge our assumptions about development, rather than simply ignoring outliers and concentrating on data close to our lines of best fit. This would allow for the development of more refined approaches to such complex phenomena as ensuring sustainable growth in a developing country.

JEL Classifications: B40, B52, K4

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INTRODUCTION

The link between political institutions and economic growth has been the subject of countless academic debates. But we are yet to arrive at a definitive conclusion as to what type of political arrangement will deliver the sort of substantial and sustainable growth that will take a third world country into the ranks of the first world. In saying this, however, I suggest that we are making headway. Acemoğlu and Robinson's contribution into the debate, which culminated in *Why Nations Fail* is certainly a big step in the right direction. They developed a two tiered framework needed to foster the sort of economic growth that much of the developed world enjoys. First, the political system, on which an economy is built needs to have a degree of legitimacy and centralized core functions. Second, it needs to be supported by inclusive institutions that allow for broad political participation, which accomodates 'creative destruction' – a process of renewal and regeneration so critical to sustainable development (see Schumpeter, 1943). Assuming that the first pre-requisite for sustainable growth has been achieved, it appears that the equation becomes quite simple: democracy causes sustainable growth; dictatorship does not (see for e.g. Acemoğlu, Naidu, Restrepo & Robinson, 2014). But the truth doesn't appear to be so straightforward.

In this paper, I challenge the assumptions that political¹ inclusion is necessarily synonymous with democracy. I illustrate this by comparing the inclusive economic growth of 'authoritarian' Singapore against the disappointing stagnation of 'democratic' Botswana – often hailed as Africa's success story. Botswana's unremarkable performance in the 21st Century is a result of entrenched elitism (i.e. non-inclusion) that exists despite its democratic political system. Singapore, on the other hand, flourished because it is inherently an inclusive society despite the government's supression of liberal democracy. Given these, I argue for a more nuanced explication of the mechanics of inclusive growth because a deeper understanding of a political system's contribution to economic growth is important if policy makers, international bodies, and civil society organizations were to prescribe the right course of action in pursuit of development.

DEMOCRACY AND ECONOMIC GROWTH

A big problem with prescribing democracy as a part of a solution to underdevelopment is the fact that there is no concrete definition of what democracy is. The literal meaning of the term 'democracy' simply refers to a 'rule by the people'². This necessarily broad interpretation isn't useful as it encompasses any type of government voted freely into office by its citizens. Majority tyranny and illiberal democracies must necessarily be included because after all, they are not any less 'ruled by the people' than a country under, say, Western liberal democracy.

The literal interpretation of democracy does not imply pluralism or liberalism, which bring to prominence the rights of the individual (Gray, 1988; Hobhouse, 1911; Rawls, 1972). Liberalism is the antithesis, not of autocracy or dictatorship, but of communitarianism. Liberals seek to limit the powers of even democratically elected governments so as to protect the interests of individuals (Mill, 1910). Private property rights arise from this idea that the right of the individual is supreme and the powers of the government to assume property must be limited insofar as the wellbeing of the individual is preserved and their rights respected (Laski, 1962; Locke, 1965). Private property right is a critical element of growth and development that is often associated with democracy because the preservation of individual property rights cannot take

place in a political system where the supreme authority has the power to confiscate properties at a whim without recourse.

But to say that sustainable economic growth must come from **liberal** democracy is also missing the point. Legal protection for private property rights doesn't just illustrate a liberal political system, but also economic inclusion, which in turn arises from political inclusion or pluralism. This is about broadening access to social, political and economic participation and is the true key to sustainable economic growth. Schumpeterian creative destruction does not necessitate liberalism. It needs political inclusion, regardless of where it originated and what causes it.

POLITICAL INCLUSION AND ECONOMIC GROWTH

Acemoğlu & Robinson (2012) argue that sustainable economic growth requires a foundation of solid political stability and inclusive institutions that allow for broad participation. This is because such institutions promote a contest of interests and ideas that are necessary for renewal and regeneration. Unfortunately, the authors subsequently tied political inclusion to a 'democratic' system of governance (Acemoğlu et al, 2014), which fed into critics' claim that the model is too simplistic and merely a reassertion of the Eurocentric notion that democracy is good, dictatorship is bad (Sachs, 2012; Boldrin, Levin & Modica, 2014). In fact, the links between the two variables are much more complex than this. Important mediators that Acemoğlu et al suggested include level of education, commitment to economic reforms, supportive environment for business investment, the provision of public goods and control over social unrest – all are associated with inclusive politics. Neither inherently requires democracy. Education, for example, empowers the masses to participate in political life including in ways other than through voting. Public goods such as rail network and government libraries provide the infrastructure to assist these. Although democracy and pluralist/inclusive politics are not mutually exclusive, they are not one and the same.

The next section of this paper provides an illustration of my point by way of a case comparison between Singapore and Botswana. It shows that high level of political inclusion doesn't necessarily correspond with high level of democratic rights and that the former plays a much more important role in sustainable growth than democracy in its own right.

COMPARING SINGAPORE AND BOTSWANA

Botswana has been hailed as Africa's success story in terms of economic development and political accountability (Acemoğlu & Robinson, 2003; Fukuyama, 2014; Seidler, 2010). It is the least corrupt country in Africa (Transparency International, 2015), and one of its wealthiest with an impressive nominal GDP per capita of US\$7,757 (CIA, 2014; The World Bank, 2015). Its land is rich in diamonds. It has a population of 2.1 million people and a poverty rate of only 30%, low by Sub-Saharan African standard. The Economist's Intelligence Unit (2015) puts Botswana's democracy 28th in its world index, sandwiched between India and Italy. Importantly, its electoral process is ranked 9.17 out of 10. With well established political institutions at the time of independence in 1966, it was regarded as a prime candidate for an economic miracle. Yet its economy stagnated in the new millenium and failed to fulfil expectations.

Singapore became independent only a year before Botswana, having been unceremoniously ejected from Malaysia. At the time, it was a colonial backwater with

no natural resources to speak of, an ethnically diverse population, no sense of national identity and a leader who admitted that his government:

... intervened on very personal matters – who your neighbour is, how you live, the noise you make, how you spit, or what language you use. We decide what is right. Never mind what the people think. (Lee Kwan Yew, National Day Rally, 1986)

“Singapore is not an electoral democracy” (Freedom House, 2012) and it never was. Its electoral process is ranked 4.33 out of 10, which makes it comparable to Iraq on that criterion. As it celebrated its 50th anniversary of independence last year, Singapore’s nominal GDP per capita stood at US\$56,286. Out of its 5.5 million citizens, a negligible number lives below the poverty line (CIA, 2014). It is the least corrupt country in Asia and 7th least corrupt on the planet. If democracy was such a critical element to sustainable economic growth, then national governance cannot explain the huge gap between Singapore and Botswana. But government actions are what we continuously return to whenever we discuss economic development in these countries.

Distinguishing Democracy from Political Inclusion

Drivers of ‘democratic’ prosperity, like education, commitment to the provision of public goods, the rule of law and private property rights (Acemoğlu et al, 2014; Fukuyama, 2014) need to be supported by inclusive policies. But there is no necessary connection between inclusive policies, derived from inclusive or pluralist politics, and people freely marking ballot papers to elect political leaders. Obviously free elections and inclusiveness are not mutually exclusive, but neither must one be accompanied by the other.

Singapore has succeeded in establishing the aforesaid elements of a prosperous ‘democracy’ without adopting free democratic governance (Sarker, 2006). This is because Singapore is a highly pluralist society, and its public and political institutions are based on strong pluralist and inclusive values. The ethnic riot that led to its expulsion from Malaysia prompted its government to adopt and rigorously enforce a zero tolerance policy towards racial and religious discrimination (Hefner, 2001) including in the spheres of public service and political leadership. The country’s drive for an educated workforce produced a population that is engaged and an administrative culture based on meritocracy as opposed to political patrimonialism (Mackie, 2010). The dominant People’s Action Party for its part was conceived out of the combination of multiple diverse ideological groupings (Chin, 2008) and thus is itself a product of much compromise between diverse interests. Party governance relies on a meritocratic system that leaves little room for patrimonial practices (Sun & Chen, 2013). All these provide an environment, in which public-sector advancement relies on merit rather than personal relationships with elite powerholders, thus the inclusive nature of Singaporean public administration. Additionally, the small size of the country means that geographical barriers to social and political inclusion are nonexistent.

Botswana’s story is a little different. Yes, there is an adequately centralized, democratic and legitimate government. The country’s political institutions feature inclusive elements - much more so than those in the rest of Sub-Saharan Africa. The combination of the two did lead to the development and maintenance of the rule of law and strong private property rights. But as von Soest (2009: 7) observed, patrimonial relations:

have always existed, but to a limited extent. Yet, in the face of decreasing electoral dominance and elite cohesion, the government is currently reverting to some neopatrimonial[ism].

Patrimonialism constitutes the misuse of state resources for private gains or personal favours (Fukuyama, 2014; Snyder, 1992). This practice in Botswana is not unknown to those promoting the country as Africa's miracle. But their argument is that in Botswana, patrimonialism is limited among others by "a remarkable unity or purpose and continuity of policy choices in relations of corruption and spoils limitation" (Charlton, 1990: 21-22). This can be translated to a system of checks and balances between the different groups that make up the political elites in the country. But corruption and patrimonial practices do still exist and when they are evident, they tend to be found at the highest levels of politics (Goop, 2013), and it's worsening day by day.

But is it not then the job of Botswana's democratic system to curb undesirable behaviours by political elites? Molomo and Molefe (2005: 101) noted that out of the nine elections that the country has held in its 40 years of independence, only two enjoyed a voter turnout of more than 50%. They argue that much of this may be the result of alienation from mainstream politics and the feeling that voting would not make a difference. Here, a comparison with the voting turnout in Singapore is meaningless because voting there is compulsory. But the point that I want to relay is that democracy has not done a very effective job in addressing the aforesaid issues in Botswana.

DISCUSSION

We need to escape simplistic assumptions about theories, concepts and ideas if we were to truly understand the mechanics behind what they describe and create something that is worthy of policy consideration. The comparison I draw between Singapore and Botswana highlights the importance of not mistaking political inclusion with democratic processes. But there are a myriad of other concepts that call for a more nuanced understanding than currently provided by econometric analyses alone. Take private property rights, for example. There is an important distinction between rigorously enforced laws to protect private property rights and the level of public ownership over assets, land, commodity and other output in an economy. When one asserts that private property rights is 'good' and the opposite is 'bad', the above distinction needs to be clarified.

When we say things like democracy is 'good' because it promotes economic growth, so often is the explanation for 'why' get overwhelmed by lengthy data analyses on strengths of correlations and beta coefficients. As far as policy making is concerned, I question the usefulness of knowing that an increase of one unit in Freedom House's democracy rating corresponds to an increase in GDP-based growth by a certain factor, *ceteris paribus*. I question even more the response of: 'this is what other economists are using' when addressing concerns over the definition of 'democracy' according to the dataset used. Statistical analyses are extremely useful and have made significant contributions to understanding economic development. But they have their limits.

When Polity IV measures for constraints in my home country Australia's, executive function, for example, it is unclear what consideration it took regarding the fact that our executive head of government also necessarily has control over the federal legislature in the lower house – and sometimes also in the upper house. When Freedom House collects its data to determine our 'civil liberties' score - which is an element of

its democracy index, it's unclear about how many of its survey respondents consider various High Court and Supreme Court judgments on criminal organisation laws. It's unclear whether they have considered the fact that although any involuntary acquisition of property by the Federal Government must be on "just terms" according to our constitution, this restriction does not apply to individual State governments. In depth qualitative studies do consider these finer details and the conventions surrounding them. I suggest that they are useful complements to statistical analyses in the field of political economy because it allows us to pay attention to, rather than ignore the likes of "unusual historical developments, rare constellations of favorable events, [and] narrow paths" (Hirschmann, 1986: 176-177) that paint a clearer picture of the phenomena of interest. Subsequently, it would allow us to develop more informed models and theories.

CONCLUSIONS

In a country with a sufficient level of legitimacy and centralisation of political power, sustainable economic growth needs to be supported by the types of innovation and progress that can only be achieved through inclusive institutions. At the fundamental level, this necessitates pluralist and inclusive political institutions. This is often translated as democracy having a positive effect on economic growth. I argue that our understanding of the mechanism that leads to inclusive politics supporting sustainable economic growth needs to be further developed, beyond the capacity of mass data analysis by statistical means.

The relationship between democratic institutions and sustainable economic growth is more nuanced than what econometric modelling reveals. Although democracy and inclusive politics very often go hand in hand, this is not always the case. Democracy, of course, can act to assist social and political inclusion (Kane & Patapan, 2012). But it can also be ambivalent to patrimonial practices. The experience of Botswana shows this. Singapore, on the other hand, shows that sustainable inclusive growth can take place in the absence of fully functioning democracy. Understanding the subtle differences between democracy and political inclusion serves to contribute towards better understanding the engines of economic growth.

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¹ This paper defines the term 'political' as being associated with "the governance of a country or area" per *Oxford Advanced Learner's Dictionary*.

² The Greek roots of the word are *demos* meaning 'the people' or 'the citizens' and *kratein* meaning 'to rule'.

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