

# Development II

Comparative Perspectives

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# Institutional explanations

- Good institutions favor self-realization, innovations, freedom of expression, equality before the law, and protect political and economic competition
- North America: English colonizers first tried the strategies first used by Spaniards in South America, but the local conditions were not conducive to their strategy
- Representative institutions were introduced only as a “plan B”

# Institutional explanations

- Acemoglu a Robinson *Why Nations Fail* (2012):
- short video AKA 500 pages in 5 minutes:

<https://www.youtube.com/watch?v=2z5RAZlv2UQ>

# Questions

- HOW EXACTLY do decisions in the past influence today's political and social reality?
- “classical geography”: fixed geographical factors (ecology, climate, resources) have the same impact today as in the past – directly on people
- More sophisticated explanations emphasize the mediating role of institutions
- Acemoglu et al work with broadly conceived sets of institutions
- however, a precise mechanism of their influence is unclear (how and why do institutions persist)

# Inequality as a direct consequence of the past

- the importance of Africa's slave trades in shaping subsequent economic development:
- a robust negative relationship between the number of slaves taken from a country and its subsequent economic development
- the slave trades impeded the formation of broader ethnic groups, leading to ethnic fractionalization, and the slave trades resulted in a weakening and underdevelopment of political structures: **colonial origins of trust?**

# Transport as Development

- Global South: poorly maintained infrastructure, unreliable, labor-intensive and high-cost transport,
- A majority of population lives in spatially circumscribed local socio-economic systems where **poverty and immobility are linked**



# Transport as Development

- Hilling (1996):
- “revolution in transport” in the developed world:
- Cheap mass air travel
- High and rising levels of personal mobility
- Internationalization in industry and commerce → “Global village”
- situations, when development **followed after** transport infrastructure: new railroads paved the way for increases in production and export

# Transport as Development

- Transport infrastructure in Amazonia → expansion of agriculture, forestry and mining industry
- Transport and infrastructure often link to non-economic factors: military, ideological and political considerations (control over territory)
- Consequences of new transport infrastructure:
  - For users (reduced costs, reliability, ...)
  - For non-users (cheaper products, greater selection, changing land values, )
  - For wider regions (shifts from non-monetary to monetary economy, from isolation to incorporation, from rural to urban etc. )



# Modernization

- Economic factors lead to modernity, to economic and political progress
- S.M. Lipset (1959): GDP per capita fosters democratization and strengthens democracy
- Income is strongly linked to other phenomena that influence democratization



# Modernization

- the literature on modernization and democracy has offered three explanations of the emergence of democracy
- 1) a functional match between democracy and social modernization
- 2) extension of pluralistic values associated with economic development
- 3) transformation of economic and social structures

# A functional match between democracy and modernization

- market economy is sustained by a free flow of information,
- markets can prosper only when embedded in a political framework characterized by the recognition of political rights and constitutional liberties
- there is a lack of causal direction in this line of argument, consequently, a second explanation has been put forward:

# Extension of values associated with economic development 1/2

- rising education levels AND an autonomous labor force generate a public opinion tolerating multiplicity of values and opinions, thus paving the way for accepting liberal democracy as the mechanism to settle disagreements
- however, what makes the practice of toleration relatively easier and less costly?

## **Extension of values associated with economic development 2/2**

- either a shift in religious and cultural values
- OR a change in the structure of material or economic relations
- however, the link between religious practices and democratization seems to be weak: (many countries had democratized before a widespread process of secularization)

# Transformation of economic and social structures

- modernization results in **reduction** of the level of inequality (which is a source of political conflict)
- AND in the **growth** of a middle class who acts as a moderating force
- the causal mechanisms linking economic development and democracy are underspecified - what is missing is the role of political agency

# Przeworski et al (2000) Democracy and Development 1/2

- **Economic growth does not explain the occurrence of democracy, only whether it will survive once it appears**
- In poor countries, neither type of régime (democracy, autocracy) can produce growth more effectively than the other, while democracies grow faster among wealthier countries
- Dictatorships have higher fertility rates and lower life expectancies, why?

# Przeworski et al (2000) Democracy and Development 2/2

- since democracies find it easier to credibly commit to taking care of you, parents are less concerned about having many children
- democracies can credibly commit to assist the elderly, dictatorships cannot
- even if the economy is good this year and you're getting your pension, the dictator may cut your benefits off if the economy falls



## Boix and Stokes (2003)

- when the Przeworski et al dataset is divided by time periods, economic development is an extremely important predictor of transition prior to 1950, but has only a small (though statistically significant) effect in the post-1950 period
- Selection bias: Przeworski focuses on the cases after WWII, if cases from the earlier periods are added, a link between economic development and democracy is stronger

## Boix a Stokes (2003)

- Why is it that rich countries were already democratic and poor countries were dictatorships after 1950?
- democratization in 1850-1940: strong link between GDP per capita and democracy
- Development CAUSES democracy but the link is less visible after 1950 because rich countries are already democratic at that time

## Boix (2003)

- the core assumption is that democratization is driven by conflict between the rich and the poor
- increasing levels of economic equality bolster the chances of democracy: redistributive pressures from the poorest social strata on the rich diminish
- since the tax rich would pay under democracy becomes smaller than the costs of repression, they accept the introduction of democracy

## Boix (2003)

- the importance of capital mobility: as it increases (i.e. owners can transfer it abroad), tax rates also decline;
- similarly, when capital can be hidden from the state or can be used only by the owner, the temptation to confiscate it also declines
- e.g. in South Africa opposition to democracy was high among the Afrikaner farmers, it barely existed among financial and industrial elites (who could move their capital abroad)

# Why does development underpin democracy?

- Inglehart (2000): material conditions influence how individuals **perceive** social and economic reality
- Development influences our **subjectively perceived** well-being which in turn shapes the legitimacy of democratic institution
- high level of well-being supports democracy, a strong link between the type of regime and subjective well-being
- (despite anecdotic evidence suggesting the opposite, people in rich countries are more satisfied with their lives)

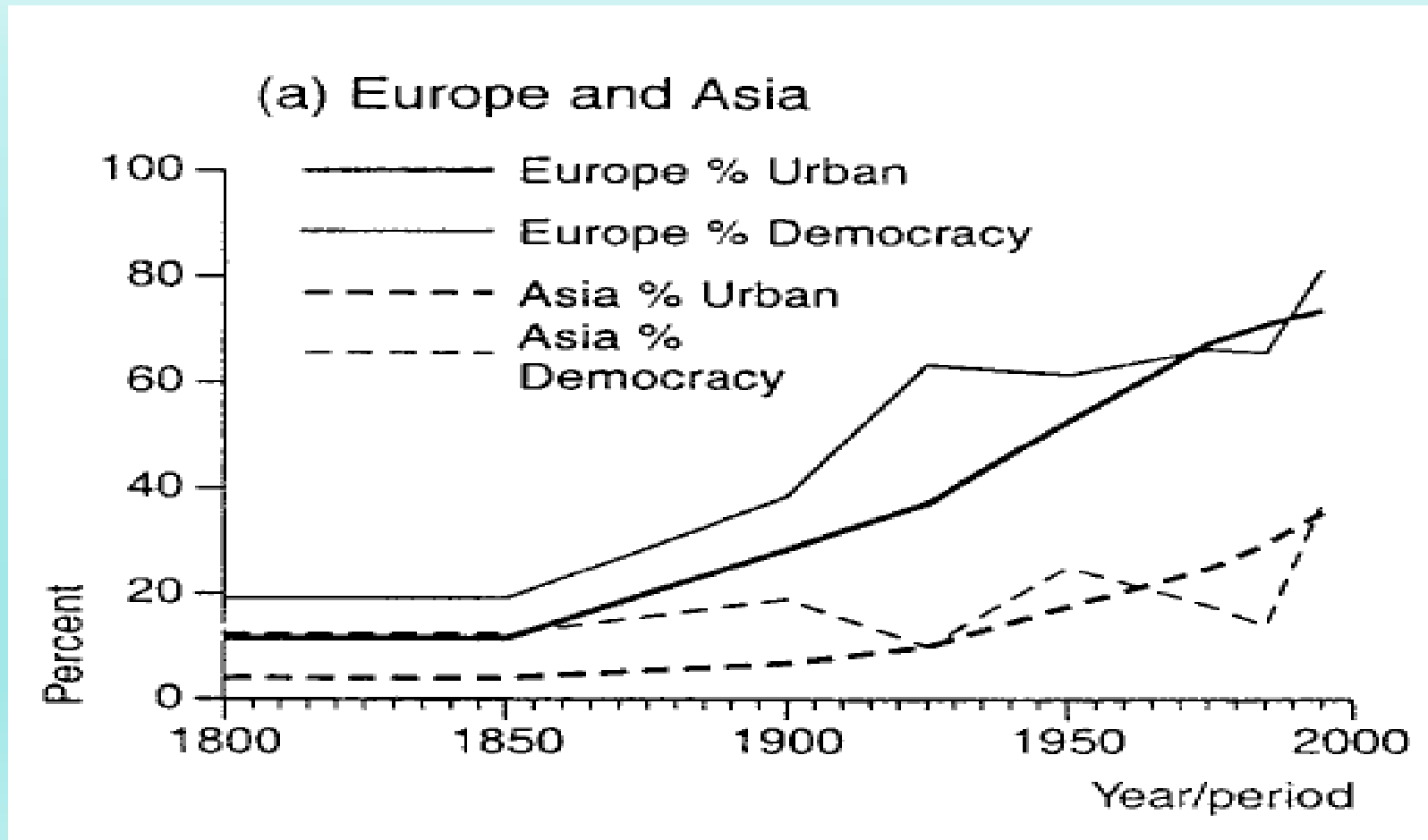
# Modernization and demography 1

- Dyson:
- Demographic transition has been central to the creation of the modern world – independently of economic aspects of modernization
- Sustained mortality decline causes both urbanization and fertility decline

# Modernization and demography 2

- Urbanization leads to an increased division of labor, dependence upon monetary exchange, and the wider distribution of political power (“organized democracy is the product of urban life”)
- Fertility and mortality decline contribute to reduced gender differentiation (“women become more like men”)
- Population ageing probably contributes to the rise of modern democracy

# Urbanization and Democracy 1





# Urbanization and Democracy 2

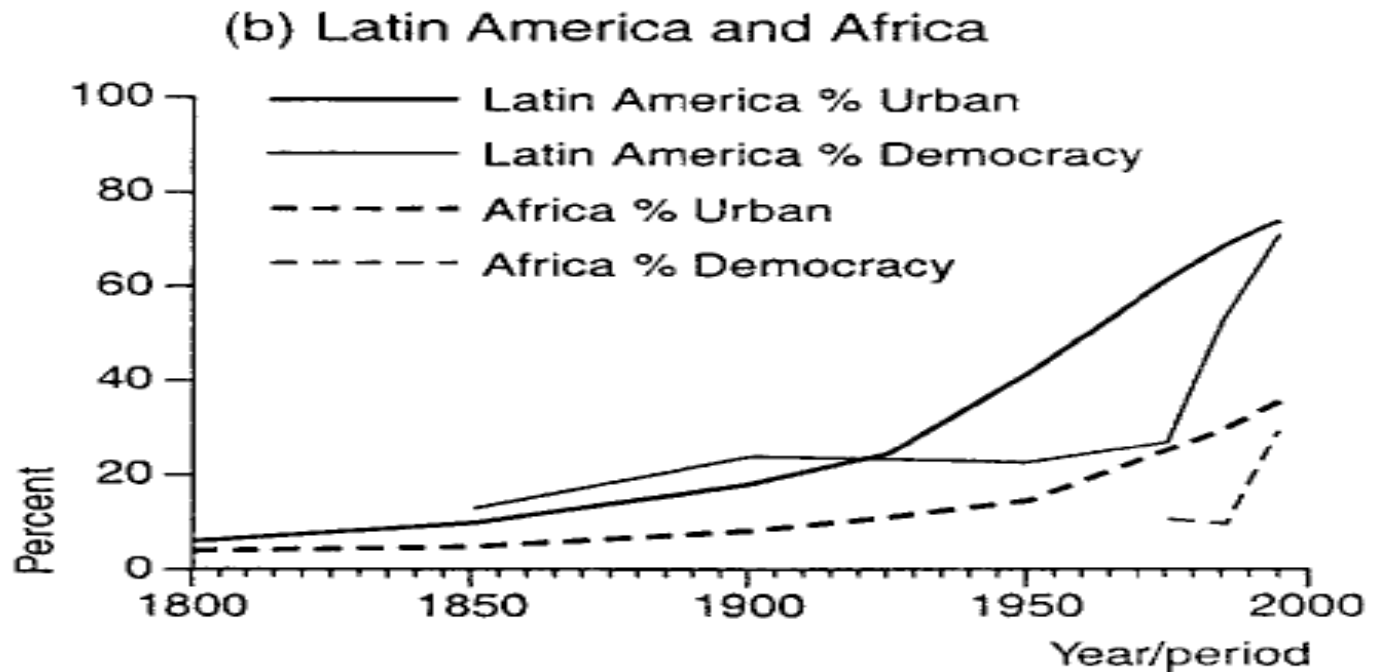


Figure 4. Urbanisation and the growth of democracy in Europe, Asia, Latin America and Africa since 1800. *Data sources:* Grauman (1977); United Nations (1996); Polity 3 database website (2001).

# State Institutions and Economic Growth

- Weber: bureaucracy as one of the institutional foundations of capitalist growth
- public administrative organizations characterized by meritocratic recruitment and predictable, long-term career rewards will be more effective at facilitating growth than other forms of state organization

# Professional Bureaucracy and Economic Growth

- Evans and Rauch: a strong and significant correlation between score on the “Weberianness” Scale and total growth of real GDP per capita during the 1970-1990 period ( $r = .67$ ;  $p < .001$ )
- Because the data refer primarily to core economic agencies, the implication is not that the entire bureaucratic apparatus must be structured in this way to have positive effects on growth