

# Development First, Democracy Later? Or Democracy First, Development Later?

## The Controversy over Development and Democracy

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### Abstract

Does economic development lead to political democracy? Or does political democracy generate economic development? Through reviewing literature of political economy of development, this study attempts to show audience at least five possible patterns and theoretical explanations of the connections between development and democracy. They are: 1) development first, democracy later, also modernization theory, 2) political change process, 3) development not leads to democracy, 4) democracy first, development later, and 5) democracy not matters in development. Furthermore, I point out that in the process of democratization economic development varies from stage to stage: it declines in the early phrase, but increases in the later; investigating economic change corresponding to political transition is critical to reconsider the causality between development and democracy. Lastly, I conclude that the controversy over development and democracy is inconclusive and will be continuing.

### 1. Introduction

Would economic development lead to democracy or democracy generate economic development? The primary purpose of this paper is to show audience that there should be at least five theoretical patterns of the causality between development and democracy. Through reviewing literature related to the sequence of economic development and democracy in the process of democratization in developing countries, basically, at least, there are five possible theoretical models arguing the issue of the priority of development and democracy: First, modernizationists, such as Seymour Lipset,

argue that economic growth leads to democracy, so that “development first, democracy later” (Lipset, 1959). Second, however, Samuel Huntington proposes an alternative explanation of the development of democracy from the perspective of “process” arguing that the outcome of economic development would lead to political decay; then the political system under instability would move toward democracy through and after institutionalization (Huntington, 1968). Third, in contrast to modernization theory, Bruce Bueno de Mesquita and George Downs find that in the case of China, the result of economic development would not lead to democracy because authoritarian regimes and autocracies around the world show people that they can enjoy the benefits of economic development on the one hand and avoid political liberalization on the other (Mesquita and Downs, 2005). Their finding runs counter to the argument of modernizationists that democracy is the necessary result of economic development. Fourth, scholars who support “democracy first, development later,” such as Joseph Siegle, Michael Weinstein, and Morton Halperin, argue that democracies consistently outperform non-democracies on most indicators of economic and social well-being, so that promoting democracy should be prior to expanding economic development in developing nations (Siegle, Weinstein, and Halperin 2004, 2005). And fifth, some scholars, such as Adam Przeworski and Fernando Limongi, argue that although politics indeed influences economic performance, the impact of regime type is not significant on states’ economic growth; and people do not know whether democracy improves or limits economic development (Przeworski and Limongi, 1993; Przeworski, Alvarez, Cheibub, and Limongi, 2000).<sup>1</sup>

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<sup>1</sup> The idea of this paper is from Gabriel Almond’s article, *Capitalism and Democracy*. In this essay Almond attempts to figure out the logically possible points of view dealing with the correlations between capitalism and democracy (Almond 1991). Parallel with his work, also I try to summarize the possible theoretical explanations of the causalities between development and democracy.

In addition to five possible theoretical patterns above, furthermore, I argue another cause-effect relationship between democratization and economic development: from the perspective of the “process” of political transition toward democracy, economic development under a democratizing regime would decline in the early stage of political transition; but it would “take off” in the later stage. Since political instability and political decay in the early phase of democratic transition, according to Huntington’s argument, I assume that economic development would be deeply affected by political disorder in a *transitional* democracy; and then following the establishment of institutions (institutionalization) and recovery of political order in the later phase of democratization, economic development would go up in a *consolidated* democracy. Though this theoretical pattern is a hypothesis untested, I, here, would emphasize that while investigating the causalities between development and democracy, examining economic developmental shift in the “process” of democratization is critical and innovative because not only is political order or stability influenced by political change, but economic performance/development is also profoundly affected by political transition.

In order to explain these theoretical models of causalities between development and democracy, this essay will be developed as follows: First of all, I would discuss some key factors (or variables) influencing democracy and development and their theoretical explanations. Through combining these two “pictures” of causes impacting democracy and development, we see that indeed economic development generates democracy; and vice versa, democracy also leads to economic development. Second, I would summarize five theoretical patterns of the cause-effect relationship between economic development and democracy through literature review. Third, I would argue the sixth pattern of the

causality between development and democracy from the perspective of the “process” of democratization, and this would lead to my conclusion that the analytical perspective of democratization is important and innovative to reunderstand and reconsider the controversy over development and democracy.

## **2. Democracy vs. Development: Factors and Their Theoretical Explanations**

What are the factors influencing democracy and development? Is economic development the precondition for democracy? Vice versa, is democracy also the precondition for economic development? And are economic development and democracy highly correlated and interdependent? In this section I would grasp some key factors (or variables) affecting democracy and development and discuss the relevant theoretical explanations to them. Then through combining two “pictures” of causes and theoretical arguments of democracy and development, I would argue that indeed economic development and democracy could be the factors to influence each other.

### **2-1. Democracy: Its Factors and Theoretical Explanations**

Conventionally, that democracy and democratization need preconditions is accepted by most of political scientists and social scientists.<sup>2</sup> What are the primary preconditions for democracy? What factors impact the occurrence, continuity, and breakdown of democracy? According to the work of Larry Diamond, Juan Linz and Seymour Lipset, there are ten “factors” facilitating and obstructing democratic development. They are: 1) legitimacy and performance, 2) political leadership, 3)

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<sup>2</sup> Although the concept of democracy is different from the concept of democratization, here I use the same group of preconditions for explaining democracy and democratization.

political culture, 4) social structure and socioeconomic development, 5) civil society, 6) state and society, 7) political institutions, 8) ethnic and regional conflict, 9) the military, and 10) international factors (Diamond, et al. 1995, pp.9-52). However, Dankwart Rustow argues that *national unity*—“the vast majority of citizens in a democracy-to-be must have no doubt or mental reservations as to which political community they belong to”—should be the background condition for democracy (Rustow 1970, pp.350-352). This is controversial and I might disagree with Rustow because national unity, or the unity of national identity, is not necessary for a political system or a state to move toward democracy; in contrast, the clash of national unity or the conflict of national identity might be resolved by the establishment and the functioning of democratic institutions. In other words, it is not national unity leads to democracy, but democracy generates national unity. In addition, democracy or democratization might take place without national unity, but the problem of unity is getting worse in the progress of political change. For example, the case of Taiwan’s democratization is that the divergence of national unity and the disagreement of national identity still exist and is unresolved (it might be getting worse) in Taiwan’s democratic transition even democratic consolidation is almost at the corner. Although “national unity is the background condition for democracy” is problematic, still I put it in the framework of explaining the factors impacting democracy (See: Figure 1, p.13).<sup>3</sup>

Furthermore, I categorize these factors above into two groups: macro-level, or

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<sup>3</sup> Rustow used the concept of *genesis* (genetic theory) to explain how democracy is in existence; and the concept of *function* (functional theory) to explain how democracy is stable and keep going. He constructed the model, including four stages of national unity, preparatory, decision phase, and habituation phase to describe and explain the “process” of democratic transition. In addition, I agree with Anderson that “Rustow never denied the significances of structural and cultural conditions to the maintenance and stability of existing democratic regimes. However, he was more interested in identifying the factors that brought such regimes into existence in the first place” (Anderson 1997).

structural level factors, and micro-level, or individual level factors. Macro-level or structural level of analysis emphasizes that democracy or democratization should be based on some certain features of social structure and socioeconomic development. On the other hand, micro-level or individual level of analysis stresses that political elites' perception, attitude, commitment, and choice toward democracy are critical to the establishment and sustenance of a democratic regime (See: Figure 1). Although factors influencing democracy could be categorized into structural and individual levels, I point out that in general, the factors impacting democracy or democratization should be from these two sides, not just from one specific reason—on the one hand, democracy needs the support from structural matters, such as socioeconomic development; and on the other hand, whether or not democracy could be established and lasting is also highly related to political elites and citizens' attitudes and consensus. Moreover, factors on these two sides might also impact each other. For example, political leaders' attitudes should be affected by the request of expanding political participation or international influences; and vice versa, political leaders might attempt to initiate and fulfill democratization by social mobilization or foreign intervention. Thus, while discussing democracy and democratization, cross-level of analysis should be considered.

In general, democracy or democratization could be explained by three primary analytical approaches. As Rustow summarizes, the first type, proposed by Seymour Lipset, Philips Curtright, and others, is arguing that the stability of democracy is dependent on certain “economic and social background conditions,” such as high GNP or GDP per capita, widespread literacy and high educational level, and high level of urbanization. The second type of explanation concentrates on some certain “beliefs or

psychological attitudes” among people. Scholars of political culture, such as Daniel Lerner, Gabriel Almond, and Sidney Verba, argue that shaping “civil culture” and encouraging citizens to participate in public affairs are important for establishing democracy and “civil society.” And the third type looks at some characteristic features of social and political structure. Institutionalists, such as Arend Lijphart, Robert Dahl, and Harry Eckstein, emphasize the importance of institutional establishment and arrangement in shaping democracy (Rustow 1970, pp.337-338) (See: Figure 1).

## **2-2. Development: Its Factors and Theoretical Explanations**

As Mitchell A. Seligson argues, there are dual gaps in the world: one is the gap between rich and poor countries in the international society; and the other is the gap between rich and poor people within a country (Seligson and Passe-Simth, 2003). Why do these phenomena occur? Why does the gap exist between underdevelopment and development? And what kinds of theoretical argument could assist us to understand the dual gaps existing between states and states, people and people? In general, the factors influencing development could be including 1) historical legacies and globalization (Green and Luehrmann, 2003), 2) culture, religion and civilization (McClelland and Kahn cited in Seligson and Pass-Smith 2003, pp.225-243 and 245-248), 3) transnational political economic relationship with other countries (Valenzuela and Valenzuela, 1978; dos Santos cited in Seligson and Pass-Smith 2003, pp.277-288), and 4) states’ domestic institution and public policy (North 1991). Regarding theoretical explanations of development, basically, there are three analytical approaches: 1) modernization/culture approach, 2) dependency theory, and 3) institution/regime type approach (See: Figure 1).

### 2-2-1. Modernization/Culture

Basically, the proponents of modernization theory and culturalist position believe that *constructing modernity and discarding tradition* will go toward development; planting, or transplanting, right cultural traits will help developing countries promote economic growth also. By building dichotomy of tradition-modernity ideal types of social organization, scholars of modernization theory argue that the path toward development is to discard and overcome the elements, norms, and obstacles of a traditional society (Valenzuela and Arturo Valenzuela 1978, p.538; Rostow cited in Seligson and Pass-Smith 2003, p.123). In order to development, establishing innovative culture is critical to achieve modernization. In the perspective of the influence of culture on economic development, Max Weber argues that the religion and ethic of Protestant is beneficial to and has positive impacts on democracy and capitalism because of its emphasis on individualism, freedom, and human rights. David McClelland also argues citizens' particular attitudes and desires toward success and "achievement" would lead to greater entrepreneurship, and this will ultimately create a higher economic development for a country. (McClelland cited in Seligson and Pass-Smith 2003, pp.225-243).

Modernization/Culture approach might explain why a gap exists between development and underdevelopment, and it also seems *optimistic* for developing countries to reach development just through modernization and cultural westernization. However, it still has its flaws as follows: First, In order to achieve modernization, developing countries might need more other conditions, or preconditions, such as rule of law, institutionalization, good policy, foreign investment, and beneficial international relations, etc. Thus, modernization and culture could not be the only one reason



dominating the explanation of development. Second, what kind of culture is beneficial to development? Is the adoption of Western culture or Protestant ethic the only way toward development? If so, how can we explain the experiences of economic development of Japan and Asian Tigers—South Korea, Taiwan, Hong Kong, and Singapore—which share the same culture of Confucian civilization. Thus, development could/should be explained by some different theoretical approaches: dependency theory and institutional perspective.

### *2-2-2. Dependency*

Dependency theory emphasizes that the problem of underdevelopment is developing countries' external relations to the international system, in particular the West; and it rejects the basic assumption of modernization that “the unit of analysis in studying underdevelopment is the national society” (Valenzuela and Arturo Valenzuela, 1978, p.544). The issue of development can only be understood “in connection with its historical insertion into the worldwide political-economic system which emerged with the wave of European colonization of the world. This global system is thought to be characterized by the unequal but combined development of its different components” (Ibid.). Theotonio dos Santos defines dependency as “a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected;” the international hegemony or developed countries tend to have negative impacts on the underdeveloped countries; and they attempt to maximize their capital gains by depleting the resources of the underdeveloped countries (dos Santos cited in Seligson and Pass-Smith 2003, p.231).

In addition, Cardoso and Faletto propose an alternative interpretation to developing countries' dependency from the perspective of international economy. Due to

the *internationalization* of global market, the dilemma of development in Latin American countries is created by multinational corporations (MNCs). Through the investment of multinational corporations in developing countries not only can the developed countries penetrate the state and society of developing countries, but they also influence, control, and restrict the decision-making and developmental policies of them (Cardoso and Faletto, 1979). Therefore, the reason why underdeveloped countries cannot develop is that they are subjected to the structure of the international political-economic system; and they are constrained by *imbalanced* relations dominated by advanced industrialized countries (or the West) and their multinational corporations.

While knowing the international factor impacting underdevelopment/development, strategists recommend developing countries “cut off” these dependent relations and develop their own “autonomous national-development strategies” (Rapley 2002, p.18). However, this developmental strategy is controversial because the dependent relationship (on the West) could both improve and harm economic development in developing countries simultaneously. On the one hand, developing countries need capital and foreign investments from industrialized countries and multinational corporations to assist their economic development (Glenn 1992); but, on the other hand, having these capital and foreign investments, politics and economy in developing countries are deeply influenced and dominated by the West (Kentor 1999). This is a dilemma to developing countries.

### 2-2-3. *Institution/Regime Type*

In contrast to that modernization and culture approach focuses on a national society; and dependency approach emphasizes the importance of a state’s external relations with

industrialized countries, the institutionalist perspective stresses the critical influence of institutions on development. The idea that institutions matter originates from Douglas North. North argues that institutions influence economic activities because “institutions provide the incentive structure of an economy; as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline” (North 1991, p.97).<sup>4</sup> Furthermore, applying the ideas and terms of game theory, North argues that not only do institutions and the effectiveness of enforcement determine the transaction cost, reduce transaction and production costs per exchange, but they also raise the benefits for cooperation. In other words, institutions are critical in shaping development and economic growth because they “define the choice set and therefore determine transaction and production costs and hence the profitability and feasibility of engaging in economic activity” (Ibid., p.98).

Along the line of that institutions matter, some scholars debate on whether or not regime type matter in development and what kinds of regime type are influential or beneficial to economic growth in developing countries (if we view ‘regime type’ as one specific part of institutions). Przeworski and Limongi argue that indeed political institutions do matter in development, but considering and examining in term of “political regimes” does not seem make any differences in economic development (Przeworski and Limongi 1993, p.51). People do *not* know whether democracy fosters or hinders economic growth; and the results of the relationship between regime type and economic growth is *inconclusive*. After reviewing the arguments that relate political regimes to

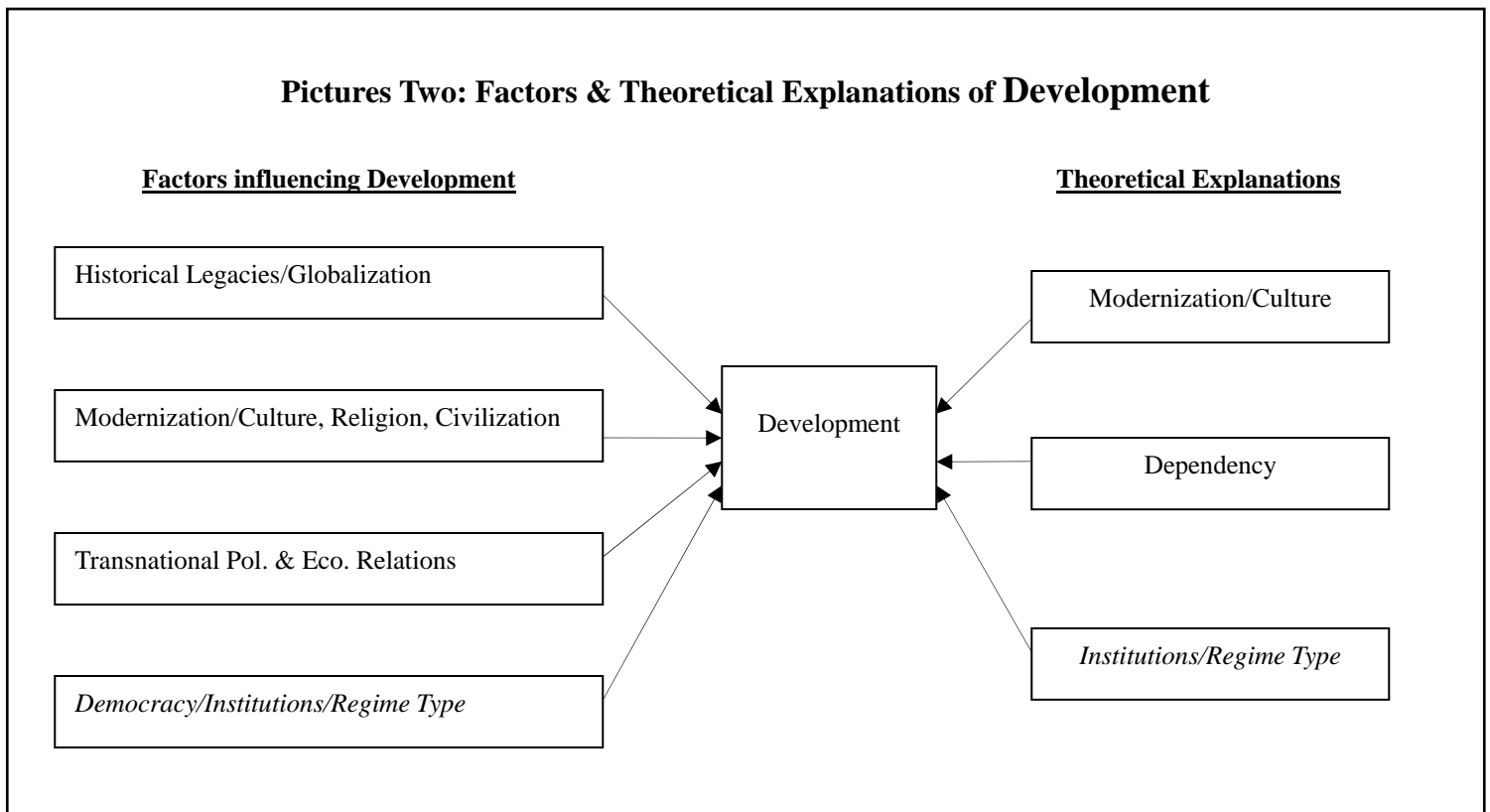
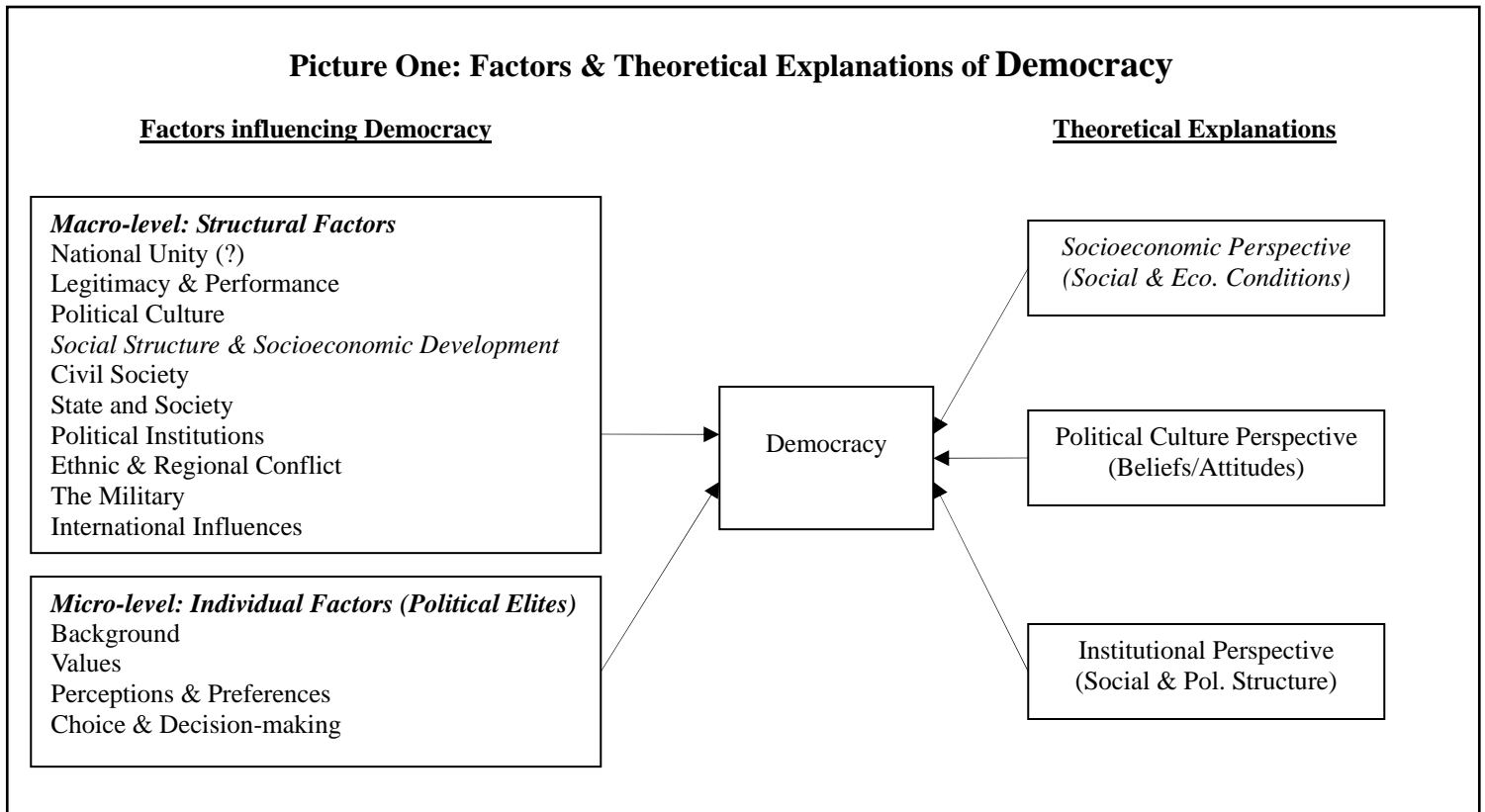
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<sup>4</sup> North defines institutions as “the human devised constraints that structure political economic and social interaction. They consist of both *informal constraints* (sanctions, taboos, customs, traditions, and codes of conduct), and *formal rules* (constitutions, laws, property rights)” (North 1991, p.97). David Pion-Berlin also defines institution as “formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity” (Pion-Berlin eds. 2001, p.19).

development focusing on 1) property rights, 2) pressures for immediate consumption, and 3) autonomy of dictators, they conclude that political regimes, no matter democracies or dictatorships, has no statistical significance on explaining which type performs better in material welfare (Ibid.).

Przeworski and Limongi's finding is interesting but also controversial. In general politics and economy are highly related to each other. But, do regime types matter or not in economic growth? There would be a large number of disagreements and controversies over "democracies better, or non-democracies better." Following their arguments, we might figure out two theoretical patterns of the relationship between regime type and economic development: One is that regime type matters; and this comes in two varieties: democracies perform better and non-democracies perform better. The other is that regime type does not matter: no significant differences of economic performance between democracies and non-democracies.

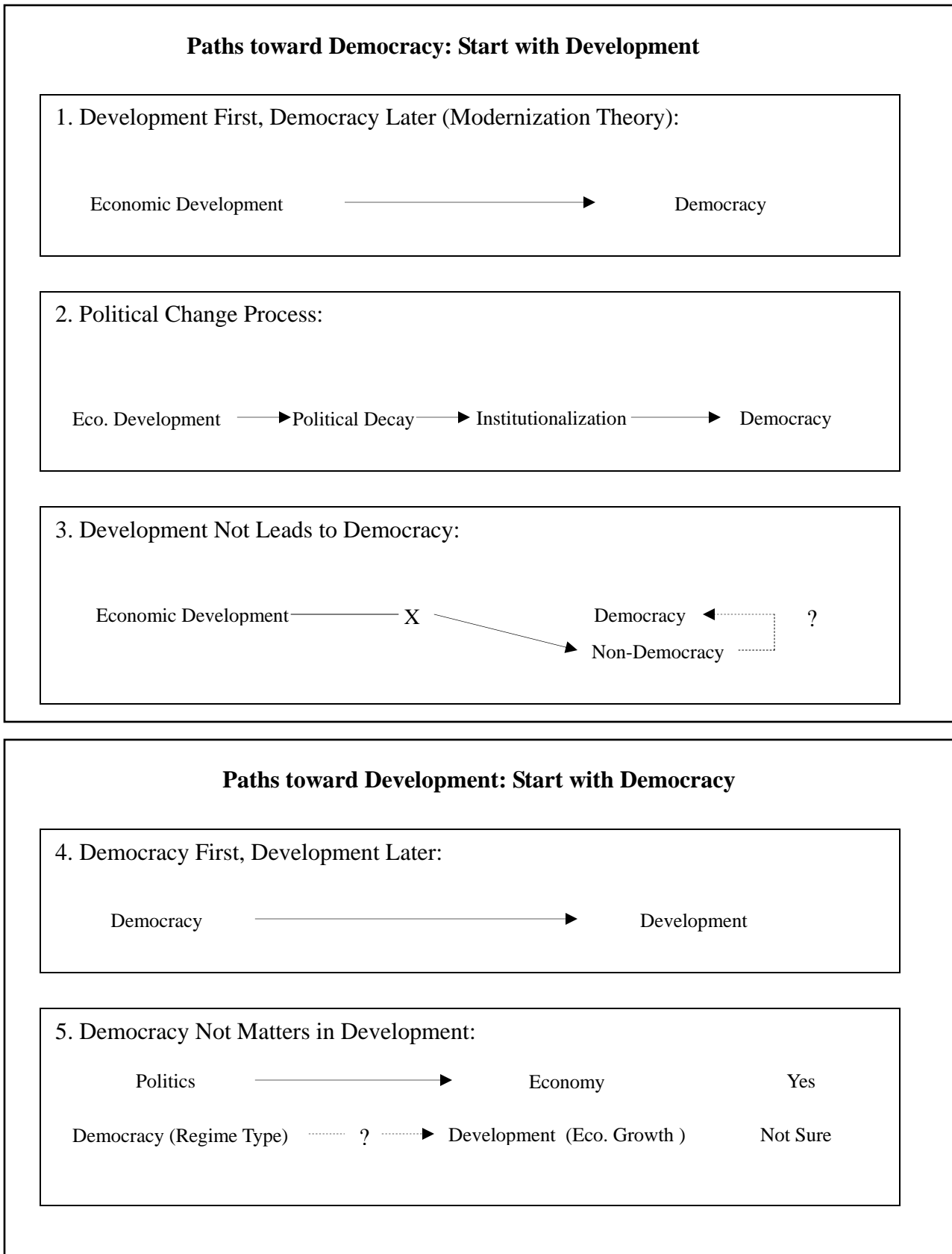
**Figure 1: Two Pictures of Factors and Theoretical Explanations of Democracy and Development**



### **3. Five Possible Theoretical Patterns of the Causality between Development and Democracy: Deductive and Inductive**

Through investigating factors and theoretical explanations of democracy and development, I figure out that democracy could be related to the level of socioeconomic development; and vice versa, development also could be affected by democratic institution. However, there is a theoretical debate on the issue of the priority of development and democracy—does development lead to democracy? Or does democracy generate development? Should development go prior to democracy? Or should democracy go first? Could development and democracy go hand in hand? Conventionally, “economic development makes democracy happen” proposed by modernizationists is the prevailing thinking, which not only dominates the scholarship, but it also deeply influences American foreign policy toward developing countries. But those who oppose “development first, democracy later” argue that democracy promoting is not only the precondition for prosperity and development (democracy first, development later), but it is also for security and peace (democratic peace thesis). In this section I would summarize five possible theoretical explanations of the causalities between development and democracy. Although I categorize these theoretical patterns into two groups: paths toward democracy (start with development) and paths toward development (start with democracy), the primary possible explanations of the causalities between development and democracy are: 1) development first, democracy later (modernization theory), 2) political change process, 3) development not leads to democracy, 4) democracy first, development later, and 5) democracy not matters in development (See: Figure 2, p.15).

**Figure 2: Paths toward Democracy vs. Paths toward Development:  
Five Possible Theoretical Patterns of the Causalities between Development and Democracy**



### **3-1. Development First, Democracy Later (Modernization Theory)**

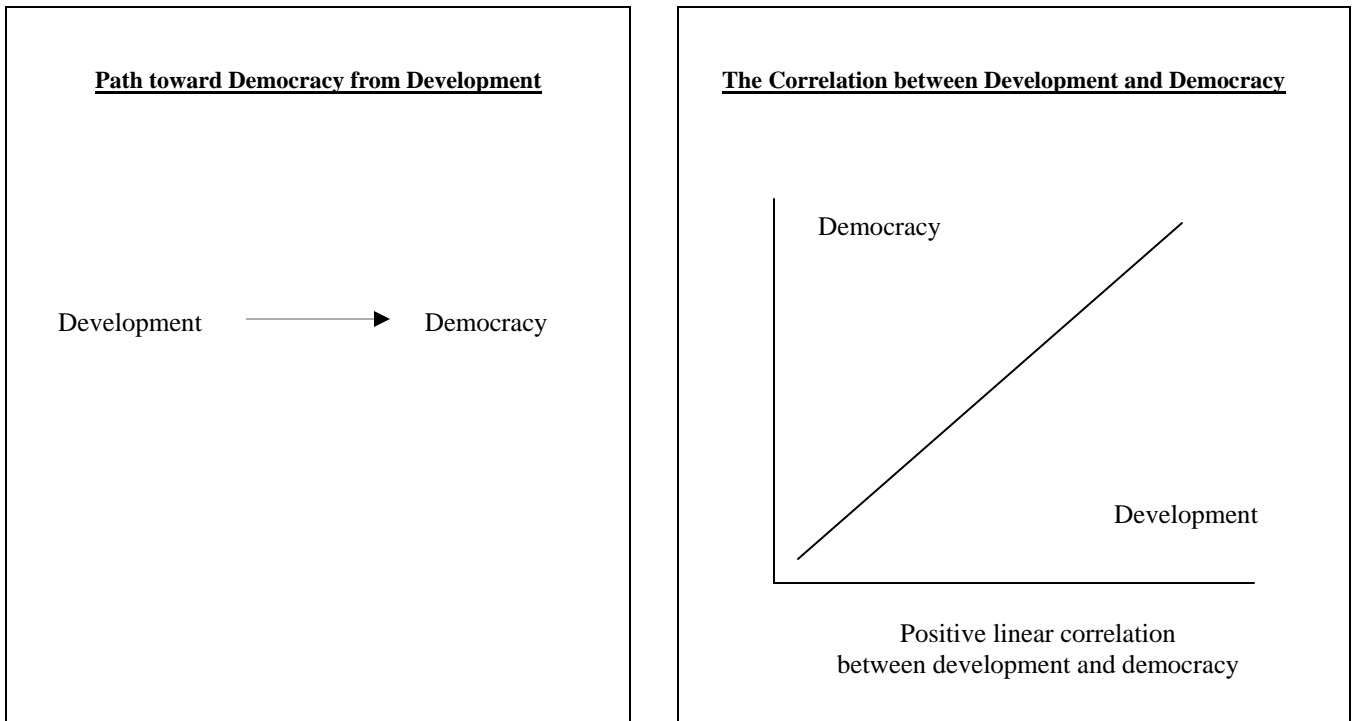
Regarding the causalities between development and democracy, Seymour Lipset's work should be the best well-known to this matter. If we consider that democracy should be supported by some preconditions, economic growth just creates these necessary for democracy—industrialization, urbanization, widespread of education and literacy, wealth, and a strong middle class who concern with the protection of their rights and the issues of public affairs. By his empirical comparison of developed (European) and developing (Latin American) countries, Lipset shows a strong statistical association between GNP per capita and the level of democracy; he concludes that “the more well-to-do a nation, the greater the chance that it will sustain democracy” (Lipset 1959, p.75). Gabriel Almond in his “Capitalism and Democracy (1991)” reviews key works of some scholars, such as Robert Dahl, Peter Burger, Daniel Lerner, and Karl Deutsch, who demonstrate statistically, there is a correlation between economic development and democratic institutions (Almond 1991, p.469). Furthermore, Preworski and Limongi emphasize the importance of development in shaping democracy and its persistence. Democracy still can survive in the poorer countries even they are with less GNP per capita but sustaining economic development (Preworski and Limongi 1997) (See: Figure 3, p.17).

Indeed, the explanatory power of modernization theory and economic development are strong to “development first, democracy later” argument since we could find that most high economic growth countries are with democratic regimes; and most democracies are also with high level of economic development. However, there is also limitation of modernization theory. How can it explain some nations exceptional to “development first, democracy later?” For example, the cases of Singapore and the case



of China's economic growth recently might demonstrate that nations with high economic development can avoid democratizing simultaneously, so that development does not necessarily lead to democracy? Additionally, development might be critical to democracy, but how can we explain that development also need some preconditions, in particular the impacts from foreign countries and international political economy, and the influences of institutions or political regimes? Lastly, the explanation of modernization theory for democratic development might ignore the political change in the process of transition. In other words, the path toward democracy from development might be "indirect" instead of "direct;" the correlation between development and democracy is "non-linear" instead of "linear." And this is what Samuel Huntington argues about the political order in changing societies.

**Figure 3: Path toward Democracy from Development and Their Correlation-- the Perspective of Development First, Democracy Later (Modernization Theory)**

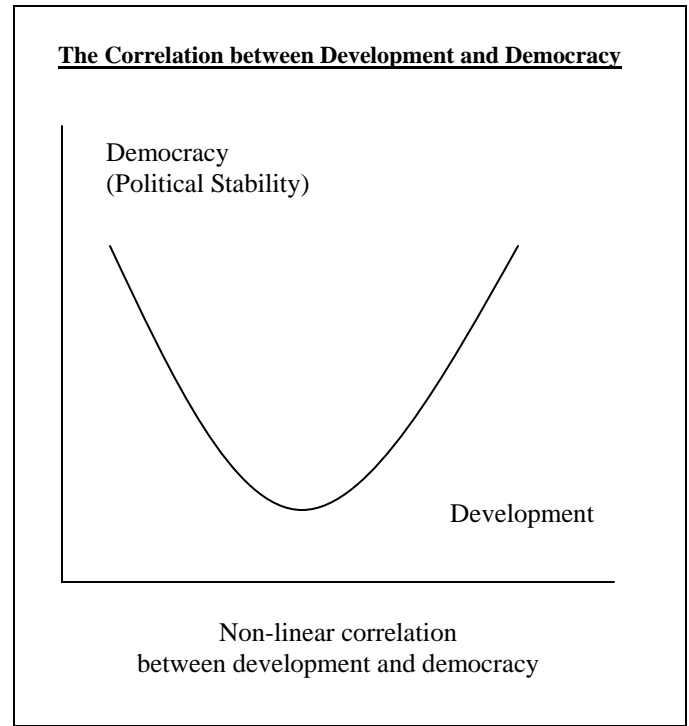
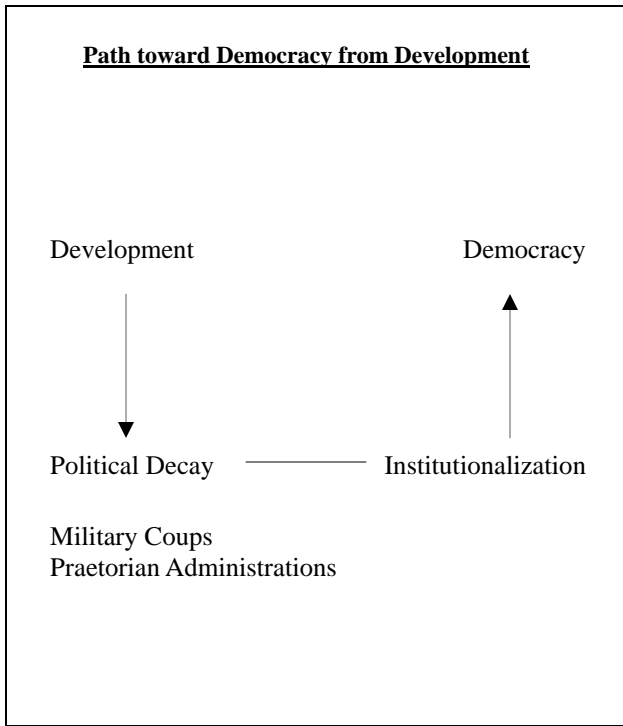


### 3-2. Political Change Process

In contrast to the path of “direct evolution” toward democracy from economic development supported by the modernization school, in his *Political Order in Changing Societies* (1968) Samuel Huntington proposes an alternate explanation of “indirect evolution” from economic development to democracy. While investigating domestic political change since the end of the World War II in numerous Latin American countries, Huntington argues that although economic growth creates preconditions and opportunities for developing countries to evolve toward democracy, political structure or political transformation under authoritarian and totalitarian regimes do not necessarily keep pace with economic “take-off,” the requests of opening political participation, and the demands of a dramatic changing society. “Political decay” and instability take place since these regimes do not have institutions to “digest” or to respond to the requests and demands from discontent middle classes and social groups (Huntington 1968 and Pion-Berlin 2001, p.5). In order to deal with the problems of political instability and societal disorder, middle classes turn to ask the military to take power and restore anarchy. This is also why we could see a number of military coups and praetorian administrations in developing countries (Ibid.). However, political decay and instability would just take place in the early stage of the process of transition; in the later stage Huntington argues that authoritarian and totalitarian regimes could keep moving toward and reach democracy through “institutionalization” (Huntington 1968).

Basically, a big picture of democratization under economic development could be traced back by the approach of political change process. In the process of economic development we find that democratic development and political stability decline in the

**Figure 4: Path toward Democracy from Development and Their Correlation--  
the Perspective of Political Change Process**



early phase, but increase in the later; non-democratic regimes evolve to democracy *indirectly* under economic growth, through political instability and societal disorder, and then institutionalization. Thus, the cause-effect relationship between development and democracy is not linear correlation, but non-linear (See: Figure 3, p.19). Although indirect and non-linear, I still consider political change process as a theoretical explanation of the modernization school since democracy is deeply influenced by development. However, there are still some limitations and exceptions in the approach of political change process. First, does political decay always take place on the way toward democracy? If so, how deep and how strong is the political decay and instability? Should every developing country under democratization undergo military coups and praetorian

administrations? Taiwan's democratization might be exceptional to Huntington's argument: though still political instability and disorder exist in the process of Taiwan's political transition, we find that as compared with most developing countries, in general, democratization in Taiwan is much more peaceful and "quiet." Additionally, regarding the problem of military intervention in politics, we do not see military coups and praetorian administrations taking place in Taiwan's democratization. Thus, political decay and military coups should not necessarily exist on the path toward democracy.

### **3-3. Development Not Leads to Democracy**

The third theoretical explanation of the causality between development and democracy is "development not leads to democracy." Running counter to "economic development leads to democracy," Bruce Bueno de Mesquita and George Downs argue that over the past fifty years a number of authoritarian regimes have experienced dramatic economic development without corresponding political liberalization; in contrast, political elites' power and positions in these countries are more strengthened and more consolidated through the benefits of economic development. Empirically, the cases of China and Russia show people that not only do authoritarian regimes can generate extensive economic growth, but they also figure out some "strategies" to avoid political liberalization. They also criticize that modernizationists and development theorists consistently ignore and understate the ability of authoritarian regimes to prevent the demands of democratization (de Mesquita and Downs 2005, pp.77-79) (See: Figure 5, p.22).

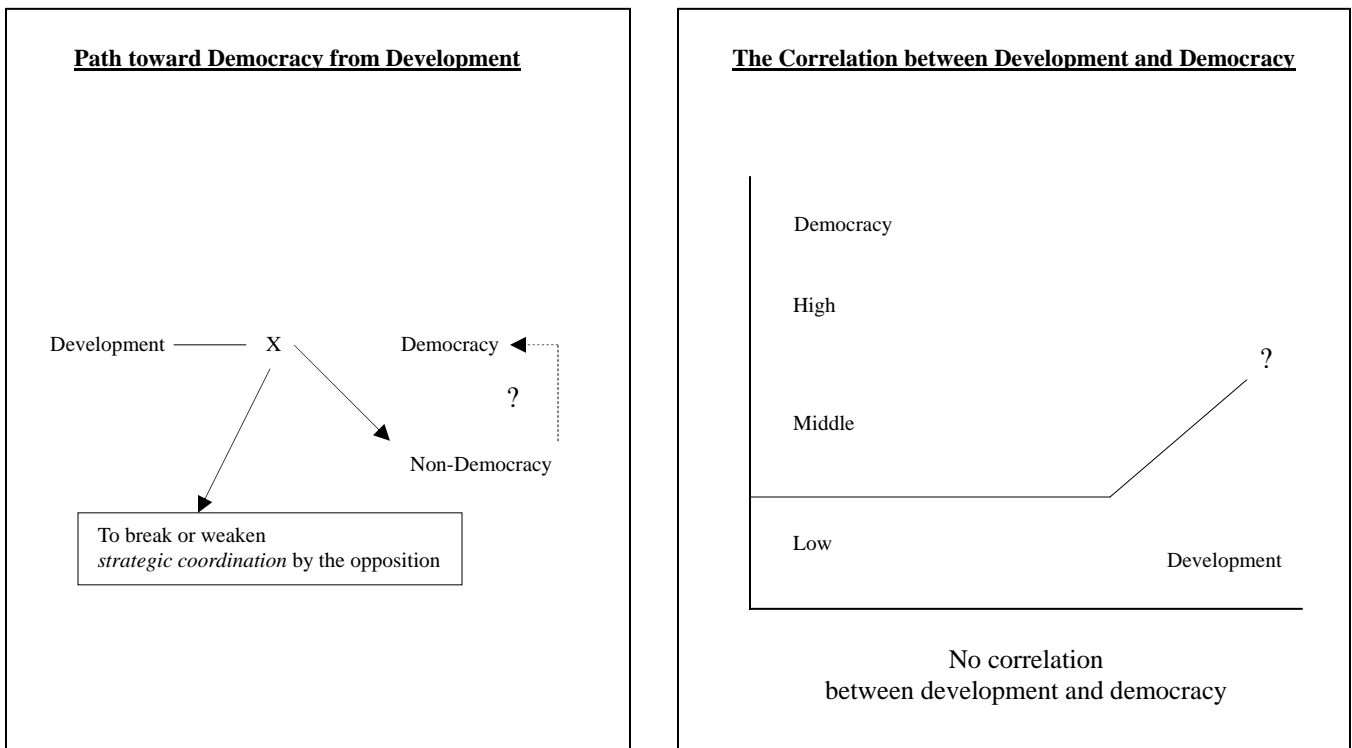
Why and how can authoritarian regimes and their political elites gain the benefits

of economic growth and simultaneously thwart the occurrence of democratization? What reasons can explain the length of the interval between economic development and political liberalization? de Mesquita and Downs use the concept of “strategic coordination” to understand how authoritarianism can avoid democratization. Strategic coordination 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” (Ibid. p.80). Since economic development generates some preconditions, such as industrialization, urbanization, information circulation, strong middle classes and more educated citizens, which are beneficial to organize opposition groups and to demand promoting democracy, political elites in authoritarian regimes try their best to destroy strategic coordination by middle classes or opposition. In other words, if autocrats can break up or weaken strategic coordination of their political challengers, the connection between economic development and democracy will be “cut off,” and they can also avoid the emergence of democratization. Definitely, in term of “transaction costs,” autocrats have to “raise the costs of political coordination among the opposition without also raising the costs of economic coordination too dramatically” (Ibid. p.80).

Indeed, “development not leads to democracy” runs counter to “development leads to democracy,” and this also demonstrates that political elites’ perceptions, attitudes, and strategies are critical to either initiate or prevent democratization. However, are they, or individual factors, the only one reason for explaining whether democracy can take place or not? In addition to the factor of autocrats, could we also explain why democracy

cannot occur in China from the perspectives of political culture and the relationship between state and society? Since the absence of civil culture and civil society, and a weak society dominated by a strong state, this is also a structural explanation of why strategic coordination by opposition cannot conquer autocrats' strategies. Additionally, if we put China's economic development and democratization in a bigger picture of modernization, perhaps so far China's political transition is just in the early phrase of modernization; its democracy is inevitable but just delaying (Pei 2006). Later on, China, or another autocracy, will democratize under the stimulation of economic development.

**Figure 5: Path toward Democracy from Development and their Correlation-- the Perspective of Development Not Leads to Democracy**



### **3-4. Democracy First, Development Later**

While switching two variables of development and democracy, from “democracy as dependent variable, development as independent variable” to “development as dependent variable, democracy as independent variable,” we find some interesting and alternate/contrast theoretical explanations of the causality between these two. The fourth theoretical explanation is “democracy first, development later,” which is contrast to “development first, democracy later.” Basically, the “democracy first, development later” thesis strongly rejects the modernization school and Lipset’s development-first thesis; they argue that the democracy should be the precondition for development and promoting democracy is the approach strategically to reach prosperity, development, security, and peace (Siegle, Weinstein, and Halperin 2004 and 2005).

In fact, the democracy-first thesis originates from the theoretical approach of institution/regime type to economic performance/growth. Democracy-first theorists not only argue institution matters, but they also further assert democracy matters. Joseph Siegle, Michael Weinstein, and Morton Halperin in *Why Democracies Excel* argue that not only do institutions influence states’ economic and societal performances, but also, from the perspective of regime type, democracies indeed outperform non-democracies in economic development. Due to regular elections, democratic regimes need to respond to the demands of their citizens and societal groups; the institutional arrangement of election is the key for democracies better perform in economy. In addition, due to a number of characteristic features of democracy, such as accountability, checks and balances, low corruption, openness, competition, the flow of information, transparency, and adaptability, democracies usually outperformed non-democracies on most indicators of economic and

social well-being (Siegle, Weinstein, and Halperin 2004, pp.57-71). Thus, the policy and strategy to assist developing countries to develop is by promoting democracy, not by economic growth.

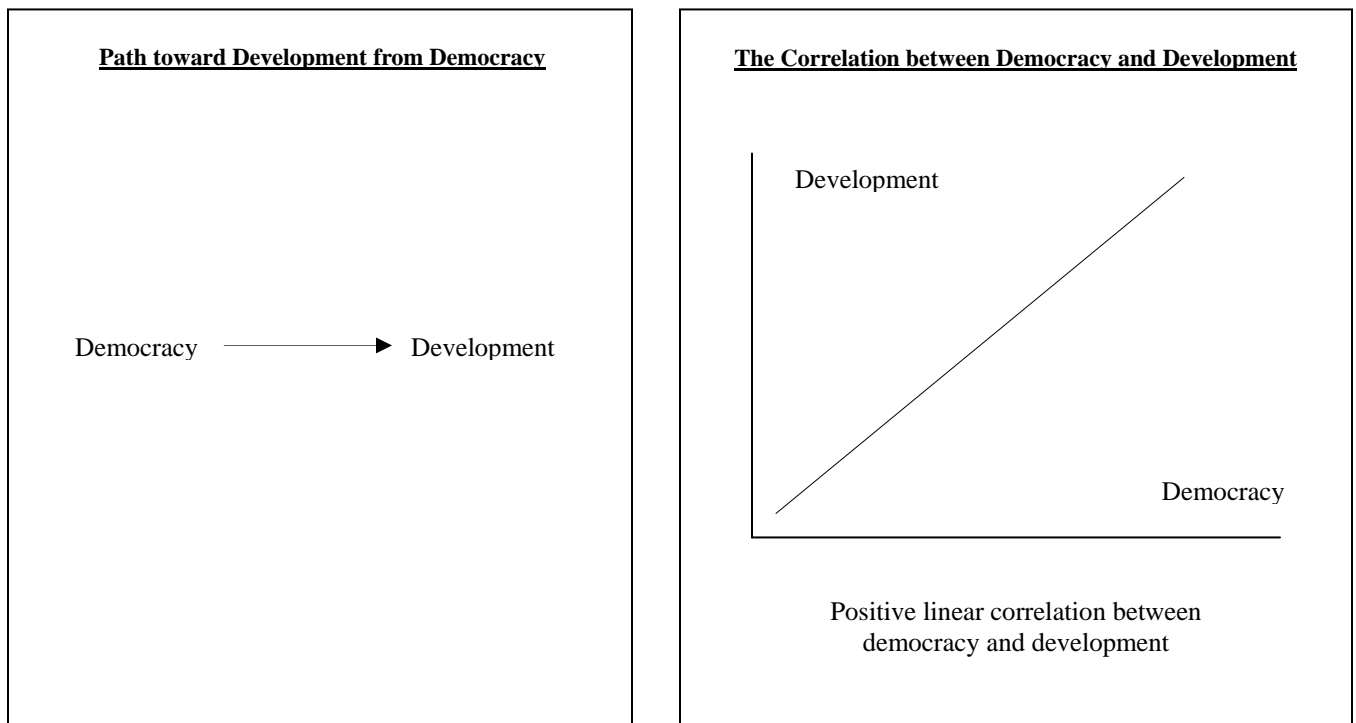
Not only is the “democracy first, development later” thesis based on its logical arguments, but it is also supported by empirical evidence. In *The Democracy Advantage: How Democracies Promote Prosperity and Peace* by reviewing 40 years of hard and empirical data, Siegle, Weinstein, and Halperin again show people even in the level of poor nations, poor democracies significantly beat poor autocracies in every economic measure and social dimension (Siegle, Weinstein, and Halperin 2005). In *Democracy and Social Spending in Latin America 1980-1992*, David Brown and Wendy Hunter argue that “... investigation of 17 countries in Latin America from 1980 to 1992 suggests that democratic regimes are associated with higher rates of social expenditures when faced with important economic constraints.” (Brown and Hunter 1999, p. 789). In *Democracy, Dictatorship, and Infant Mortality* Thomas Zweifel and Patricio Navia argue that fewer children die in democracies than in dictatorships (Zweifel and Navia 2000). In *Property Rights, Democracy, and Economic Development* David Leblang also argues that economies in nations that protect citizens’ property rights grow up more rapidly than those in nations that do not protect people’s property rights and certainly democracies protect more citizens’ property rights than do non-democracies (Leblang 1996). These empirical research findings not only affirm that institution and regime type matter, but also further support that democracies outperform non-democracies on most indicators of economic and societal development. The argument of democracy-first thesis is pretty straightforward and powerful; and it shows a strong and positive correlation between



democracy and development (See: Figure 6, p.25).

However, if democracy-first thesis is true, how can it explain some cases exceptional to its argument? Like the cases of Taiwan and South Korea, both of these two countries experienced dramatic economic development without democratic institutions during the 1980s and 1990s. Moreover, the case of China from the 1990s on also demonstrates that non-democracy still can achieve economic development. Thus, perhaps institution/democracy/regime type is not the necessary precondition for developing countries to reach development, which is supported by Przeworski, Alvarez, Cheibub, and Limongi's arguments.

**Figure 6: Path toward Development from Democracy and their Correlation--  
the Perspective of Democracy First, Development Later**



### **3-5. Democracy Not Matters in Development**

The fifth theoretical explanation of the causality between democracy and development is “democracy does not matter in development” although politics indeed influences economy. The impact of regime types, democratic or non-democratic, on states’ economic performance is still controversial. Przeworski and Limongi reviewed the arguments that relate regimes to economic growth focus on property rights, pressures for immediate consumption, and autonomy of dictators, and they summarize that first, although most likely every one agrees with that the protection of property rights could foster economic growth, there is a debate on whether democracies or dictatorships better secure citizens’ property rights. Second, the primary reason of why democracy is considered to hinder economic development is the pressure for immediate consumption under its institution; and this leads to investment reducing. As compared with democracies, only dictatorships can resist the pressure for immediate consumption with its institution and promote economic development. Third, the primary argument supporting democracy and opposing dictatorship is that the political elites in authoritarian regimes are not interested in maximizing national production and fostering economic growth; in contrast, they just want to keep their power and positions within the governments; and the state is always looking for preying on resources from the society. However, democratic regimes would not do that but act to create public wealth and general interest (Przeworski and Limongi 1993, p.51). They conclude that indeed politics affects economy; but people do not know whether democracy fosters or hinders economic growth. The result of the relationship between regime type and economic growth is still inconclusive (Przeworski and Limongi 1993; Seligson 2003).

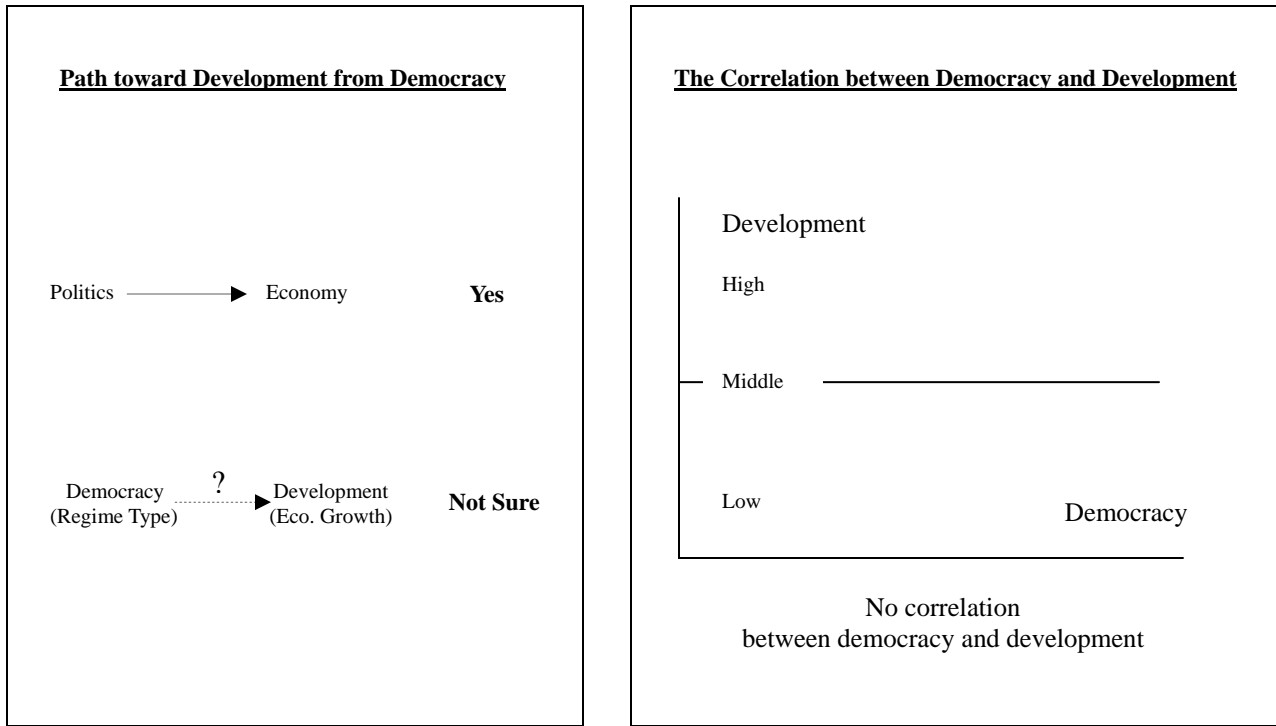
Furthermore, the viewpoint of “democracy not matters in development” is supported again by Przeworski, Alvarez, Cheibub, and Limongi. In *Democracy and Development: Political Institutions and Well-being in the World 1950-1990*, through investigating the causalities between development and democracy, and democracy and development in 135 countries from 1950 to 1990, they find that the factor of regime type has no significant influence on states’ economic growth and national income; but in general political instability decreases states’ economic development (in particular in autocracies), which sheds light on my argument later—in the process of democratization, development declines in the early stage but increases in the later (Przeworski, Alvarez, Cheibub, and Limongi 2000) (See: Figure 7, p.28).<sup>5</sup>

The “democracy not matters in development” thesis just reflects whether development generates democracy or democracy creates development is still controversial. Thus, theoretically, we can sum up two assumptions of the relationships between regime type/democracy and economic development (development as dependent variable and democracy as independent variable): The first is that regime type matters; and this comes in two varieties: democracy better or non-democracy better. The second is that regime type does not matter.

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<sup>5</sup> In this study, Przeworski, Alvarez, Cheibub, and Limongi attempt to answer two questions: Is economic development conducive to political democracy? And does democracy foster or hinder material welfare? The first question is related to “path toward democracy from development;” and the second one is about “path toward development from democracy.” The answers they have to the first one are: economic development is unlikely to lead to democracy; but democracy seems more likely to exist in rich nations (Przeworski, Alvarez, Cheibub, and Limongi 2000). This result might correspond to de Mestuita and Downs’ argument that “economic development not leads to democracy.”

**Figure 7: Path toward Development from Democracy and their Correlation--  
the Perspective of Democracy Not Matters in Development**



**4. Path toward Development from Democracy:**

**An Untested Hypothesis from the Perspectives of Economic Change Process**

In addition to five possible theoretical explanations of the causality between development and democracy above, here I argue the sixth pattern of the connection between democracy and development from the perspective of Economic Change Process.<sup>6</sup>

<sup>6</sup> In fact, this idea or hypothesis is from three scholarships: one is Samuel Huntington’s argument of ‘political decay’ created by economic development in 1968. See: Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968), pp.1-92. Two is Przeworski, Alvarez, Cheibub, and Limongi’s analysis of the connection between democracy and development. See: Przeworski, Adam, Michael E. Alvarez, Jose Antonio Cheibub, and Fernando Limongi, *Democracy and Development: Political Institutions and Well-being in the World 1950-1990* (New York: Cambridge University Press, 2000). And three is Edward Mansfield and Jack Snyder’s explanation of the causality between

The basic assumption of this theoretical explanation is that economic performance or economic development is highly related to “political fluctuation,” which is supported by Przeworski, Alvarez, Cheibub, and Limongi that politics indeed influences economy.<sup>7</sup> While investigating the process of democratic transition, I argue that economic performance/development declines in the early phase of democratization and “economic decay” takes place. But it increases in the later phase of democratization and “economic take-off” emerges after restoring political order and institutionalization (See: Figure 8, p.30). The process works as follows: the initiation of democratization leads to political disorder since a number of social moments, demonstrations, and strikes. These political activities indeed negatively impact economic performance and development because authoritarian regimes or transiting systems have to deal with political issues rather than economic ones; foreign direct investments decrease; and unemployment increases, which results in economic decay. The way for transitional regimes to move toward development is to restore political order and set up democratic institutions, such as fair and competitive

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democratization and war (or conflict) in 1995. See: Edward Mansfield and Jack Snyder, “Democratization and the Danger of War,” *International Security*, Vol.20, No.1 (1995), pp.5-38.

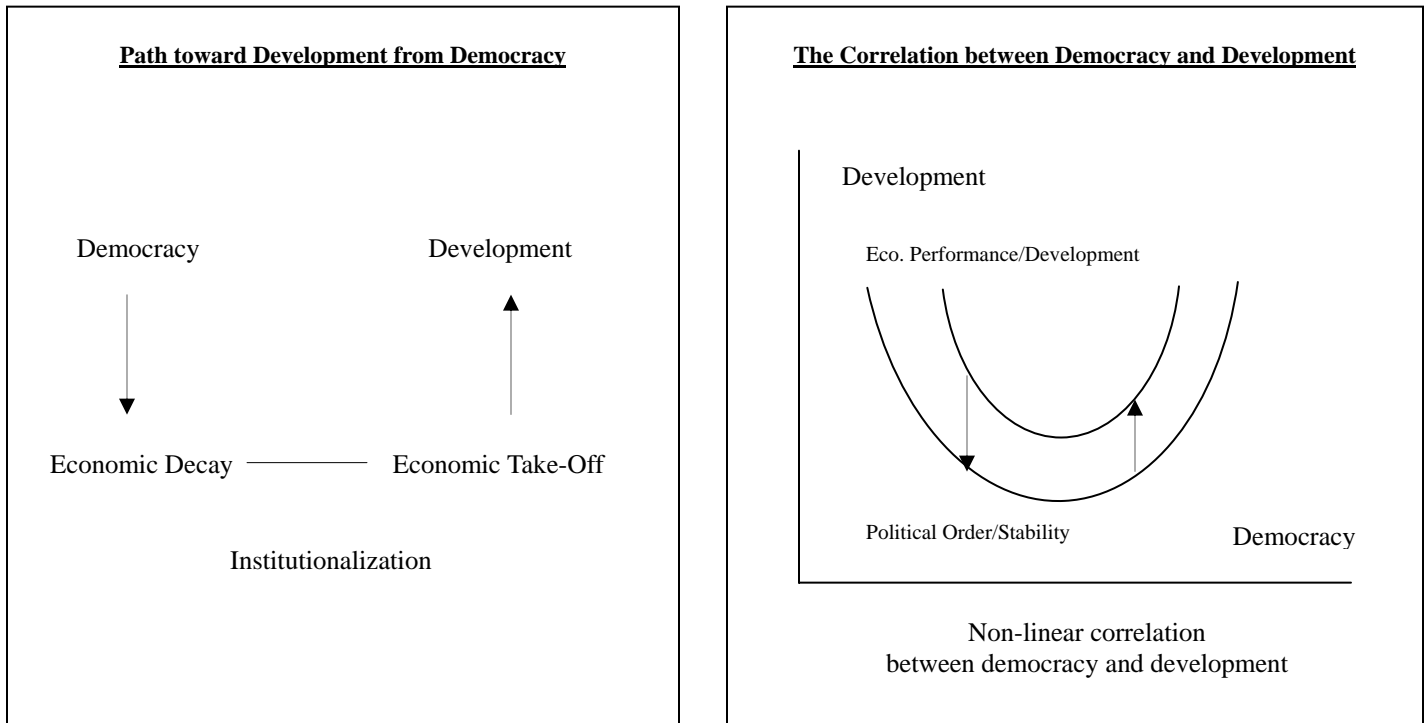
Huntington’s work inspires me to examine the connection between economic development and democracy by the analysis of the “process” of democratic transition. In contrast to modernizationists’ “linear thinking” or “direct evolution” of that economic development leads to democracy, Huntington’s emphasis on “process” reflects a kind of “non-linear thinking” or “indirect evolution” between economic development and democracy. Przeworski, Alvarez, Cheibub, and Limongi argue that the type of political regime or democracy does not have significant impact on states’ economic growth, which runs counter to the democracy-first thesis. Lastly, Mansfield and Snyder enlighten this paper to re-evaluate a theory or a thesis in an opposite way. Again, while investigating the “process” of democratization, they find more conflicts and wars taking place on the way toward democracy, which not only runs counter to the democratic peace thesis—democracies never fight each other; and the more democracies there are in the world, the more peaceful and stable international system overall will be, but it also challenges the proposition of “democracy first, development later.” In the same way, in contrast to “democracy leads to development,” in the process of economic change we would/should see economic development declines first in the early stage of democratization, which is the point scholars of “democracy first, development later” ignore or omit.

<sup>7</sup> Political fluctuation refers to how political order is stable or unstable. Because of democratization, political order within a democratizing or transiting society is unstable (declines) in the early phase, but stable (increases) in the later. Thus, we see political order “fluctuates” in the process of democratic transition.

election, check and balance, rule of law, openness, transparency and accountability, and information circulation, etc. After institutionalizing these characteristic features of democracy, a democratic regime with stable political order would create an environment beneficial for employment, domestic and foreign investments, which leads to economic take-off and generates development.

Parallel with Huntington’s argument in *Political Order in Changing Societies*, the path toward development in a transiting/democratizing society is indirect; and the correlation between democracy and development is not a linear correlation. Since economy is deeply influenced by politics, the shift of economic development is corresponding to the change of political order in the process of democratization.

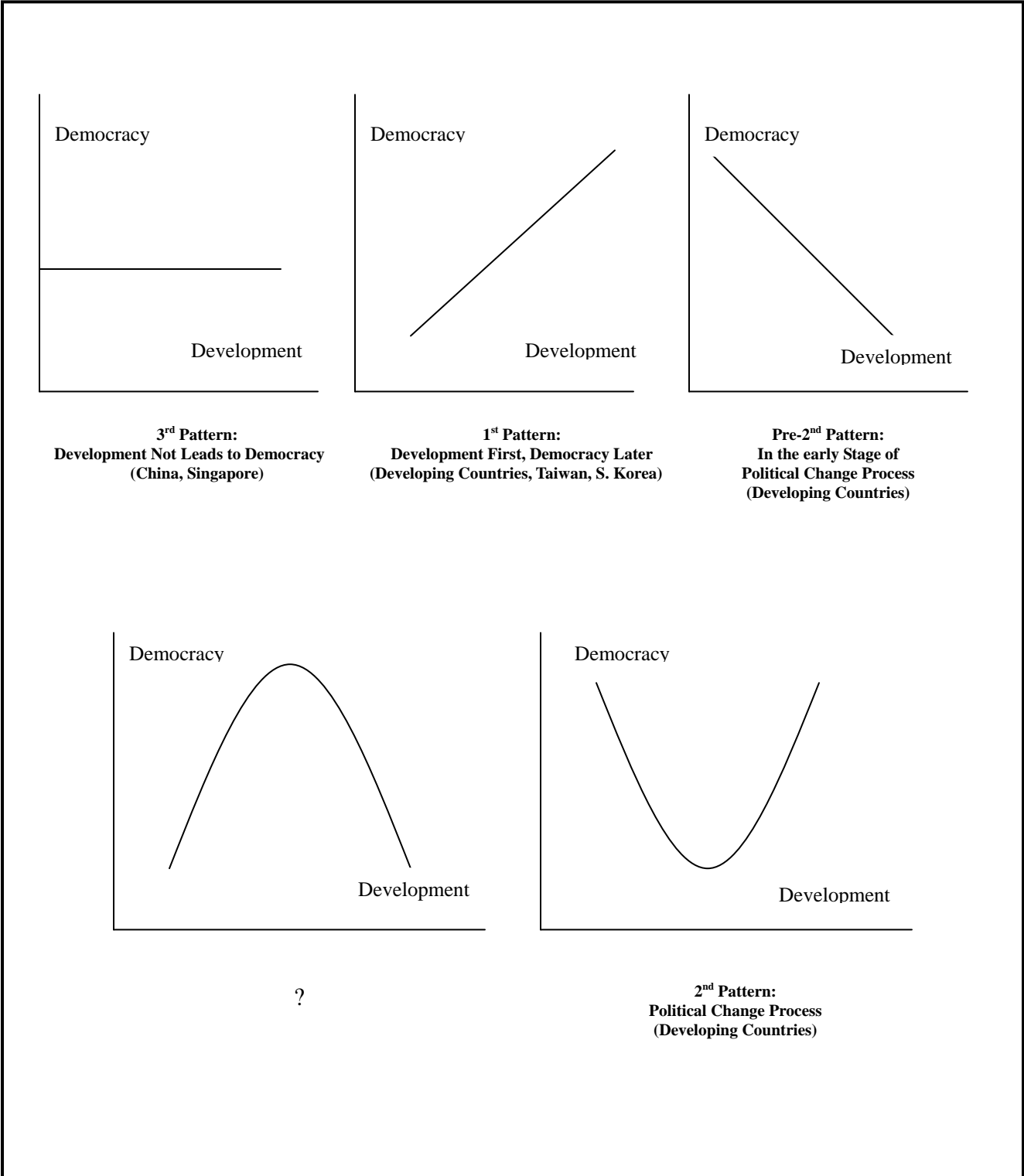
**Figure 8: Path toward Development from Democracy and their Correlation-- the Perspective of Economic Change Process**



## **5. Conclusion: Inconclusive Controversy Lasting**

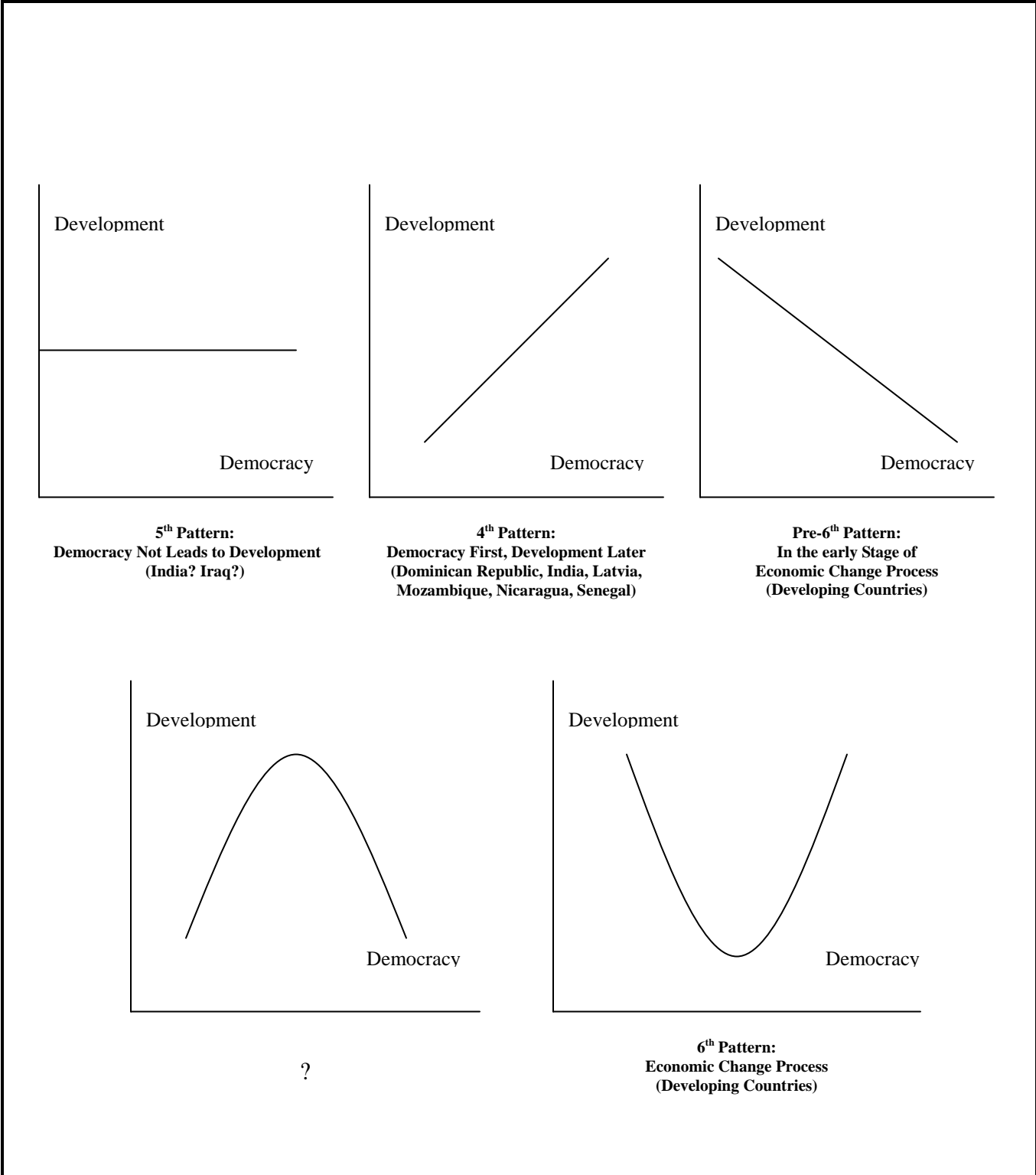
Regarding the causalities between development and democracy (or between democracy and development), the arguments of the connections between these two variables are indeed controversial and inconclusive. How many patterns of the causality between development and democracy could/should we have in a real world? And how many theoretical explanations could/should have for them? In figure 9 we have five theoretical patterns for the connections between economic development and democracy. But we have four patterns in which we can find empirical cases and nations. In the same way, we also have five in Figure 10 when we switch development and democracy. But there is one pattern without empirical support. Developing by deductive and inductive methods, we could figure out at least six possible patterns and theoretical explanations of the cause-effect relationships between economic growth and political liberalization. I believe that each theoretical angle has its strengths and weaknesses; and in any case we might find some examples exceptional or contrast to it. However, I would emphasize that considering the connections between development and democracy in a “direct” or a “linear” way might be naïve and cannot have a big and complete picture of the paths or tracks evolving to either democracy (start with development) or development (start with democracy). While investigating the “process” of political transition or democratization, “indirect” and “non-linear” tracks spread out; political order/stability and economic performance/development vary from stage to stage. Does development go first, democracy later? Or does democracy go first, development later? Clearly, the controversy over these two is and will be continuing.

**Figure 9: Correlation between Development and Democracy--  
Democracy as Dependent Variable, Development as Independent Variable**





**Figure 10: Correlation between Democracy and Development--  
Development as Dependent Variable, Democracy as Independent Variable**



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