

# Regime Types and Economic Development

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## Introduction

The search for causes of economic development has long been central for economists, social scientists, and policy makers. Regime types have been singled out as major promoters or hindrances of economic development. Some argue that democracy is able to provide faster economic growth while others credit authoritarianism. The latter argument is made more attractive by the rise of China over the past four decades. So, what is the status of the debate on the relationship between regime type and economic development? What regime type should a developing country adopt? This brief essay provides a short summary of this debate by making the following points. The first point covers key favorable arguments for democratic regimes. The second addresses key favorable arguments for authoritarian regimes. The last point centers on the argument that regime type does not matter; what matter is the quality of government institutions.

## Democracy, Authoritarianism, and Economic Development

Theories and empirical studies show that democracy promotes economic development in three ways (Olson 1993; Acemoglu and Robinson, 2012). First, economic development requires innovation and investment; and such processes can thrive only with the presence of the protection of private property. Democratic regimes are generally believed to provide such protection because of their system of checks and balances sustained by rule of law. Second, free

press and competition for votes in a democracy make elected officials responsive to voters' preferences and thus help to promote transparency, efficiency, responsiveness and accountability in the government. Third, democracy with a predictable mechanism for transfer of power will ensure political stability and certainty, which in turn will provide attractive conditions for investment.

Theories and empirical analyses also found advantages in authoritarian regimes in promoting economic development. Authoritarian regimes possess autonomy (i.e. insulation from interest groups' pressure); this in turn provides the regime the ability to create unified policies for long-term economic development. For instance, the government can suppress people's propensity for present consumption and therefore be able to promote saving for future investment. Further, authoritarian rule can provide order and political stability because of their ability to suppress political friction and protest, which in turn provides an attractive environment for investment.

A comprehensive review of literature on the relationship between regime type and economic growth by Adam Przeworski (1995) found no conclusive evidence. Such inconclusiveness, it is argued here, stems from the absence of differentiation of regimes within each regime category based on the quality of its state institutions. Within each classification of regimes, there are regimes with strong state institutions and regimes with weak state institutions. Both authoritarian regimes and democratic regimes contain two sub-types: patronage authoritarianism versus bureaucratic authoritarianism, and

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patronage democracy versus bureaucratic democracy respectively (Norris 2012).

Patronage democracy possesses representative government with competitive elections and freedom of expression wherein people can express their demands through their elected representatives or through political parties. Patronage authoritarianism has neither truly representative government nor freedom of expression. In other words, people cannot make demands on their government, and elections, if they exist at all, are a political façade. However, both patronage democracy and patronage authoritarianism share common patronage form of bureaucracy. Such bureaucracy is entrenched with clientelism and corruption. Public service delivery is generally poor and exclusive based on personal networks and bribery. Rule of law is weak wherein justice in most instances is an illusion for the poor. Recruitment of office holders is clientele-based and social status-based; thus civil servants tend to be poorly skilled, inactive and politicized. Leaders gain compliance from subordinates through personal networks and not from formal bureaucratic channels. In essence, authority rests in individuals and not in the official offices leading to personalization of state institutions rather than institutionalization of state offices.

A second set of subtype of regimes are bureaucratic authoritarian regimes and bureaucratic democracies. Although these two categories of regimes differ in terms of their respect for civil and political liberties, they share effective state institutions that can facilitate economic development. Bureaucratic authoritarianism consists of authoritarian/semi-authoritarian governments that exercise varying restriction on fundamental human rights. Bureaucratic semi-authoritarian regimes can have a multi-party system but the dominant party, through foul and fair means, often wins elections (e.g. Singapore); bureaucratic authoritarian regimes can have a one party state (e.g. People's Republic of China). Bureaucratic democracy refers to regimes that have full respect for civil and political liberties and free and fair elections (e.g. Sweden). Both bureaucratic authoritarianism and bureaucratic democracy have one common essential characteristic that is strong state institutions. These institutions

collectively generate a state with strong capacity in maintaining social order and national sovereignty, and in implementing public policies such as collecting revenues and delivering goods and services. Bureaucratic democracy and bureaucratic authoritarianism also have rule of law, though it is different between the two types of regimes. Rule of law is thin in bureaucratic authoritarian regimes. Under this legal system, there is fair application of laws in commercial and social realms but unequal application in the political realm. On the contrary, rule of law is thick in bureaucratic democracy. Thick rule of law contains equal, effective and efficient application of laws in both commercial and political realms. Both bureaucratic authoritarian and bureaucratic democratic regimes possess legal, rational bureaucracies. Bureaucrats are recruited through a meritocratic system. Bureaucrats are awarded through competitive remuneration packages. Furthermore, there is no political interference in the affairs of bureaucracy.

A major thesis concerning economic development is the convergence hypothesis, which states that any developing country has the ability to move up the ladder of economic development. Catch-up ability, it should be noted, requires that a country possess the ability to utilize available technology and to promote competitive markets. Utilization of technology and promoting competitive markets requires that the state possesses strong capacity capable of constructing and maintaining sound public goods—such as roads, electricity, health care, and education—and rule of law. Such strong state capacity is present only in bureaucratic authoritarian and bureaucratic democratic regimes.

## Conclusion




Literature shows that both authoritarian and democratic regimes with strong state capacity can promote economic development. Arguably, which regimes is more favorable is a normative question. One can make an argument favoring authoritarian regime based on a country's unique historical and cultural conditions. For some countries, because of their experience with prolonged periods of civil conflicts, democracy is not suitable for it might generate political instability and thus lead to recurrence of civil war. For some countries, because of their different

historical and cultural roots, democracy is an alien concept. In these countries, democracy building should await a latter time after these countries reach a certain level of economic development. However, it is imperative that in making this argument one cannot shy away from the recognition that not all authoritarian regimes have the capacity to promote sustainable economic development. Since World War II, economic development in East and Southeast Asian regions has shown clearly that among the region's authoritarian regimes only bureaucratic authoritarian regimes with strong state capacity can promote sustainable and inclusive economic development. Leaders of many developing countries often proclaim the irrelevancy of democracy for their countries due to its inherent inability to promote peace, social order, and speedy policy making which are critical ingredients for economic development. What developing countries need, these leaders argue, is authoritarian or semi-authoritarian regimes. The grave challenge for leaders in many developing countries is that despite their intention to create bureaucratic authoritarian regimes, they landed their countries in patronage authoritarianism—a form of regime that ultimately perpetuates the vicious cycle of oppression and poverty.

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