

Is Economic Development the Inevitable or Necessary Precursor to, and Initiator of, Democratization? Illustrate the Response with Reference to the Literature on Asia.

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Until the financial reverses of 1997 states of Southeast Asia had the most remarkable record of economic achievement, widely regarded as an economic miracle, consistently outperforming the world rate of growth. Naturally questions of the relationship between economic development and democratic governments have arisen. Only one-third of the countries of the region were undergoing any type of democracy. Before this all countries had been ruled continuously by authoritarian or semi authoritarian governments. It wasn't until the late 1980s that Korea, Taiwan, the Philippines and Thailand began to receive any type of democracy. Indeed the relationship between government and economic development has remained among the most vexing in East Asian recent decades. This essay will examine the relationship between economic development and democratisation with a particular focus on establishing its directions of association. Certainly economic development is very highly correlated with liberal democracy, and this has been the case in Western society. The essay will proceed in five major sections: (1) the delineation of appropriate variables for study; (2) first grouping of Asian countries for case study; (3) a second grouping; (4) a third grouping; (5) and further discussion and analysis.

Asian countries have been heavily involved in economic development system, chiefly through export. The leaders of the countries have realised that there must be economic success, improved access to jobs housing and healthcare if there is to be any type of national integration. Economic performance has been the source of political legitimacy and all factors in the situation have supported the strategy of economic growth. These variables have made any type of investigation more difficult

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because economic development does not necessarily depend upon democratisation. Perhaps the most useful way to proceed then is to group the Asian countries.

Group one consists of Taiwan, South Korea, Thailand and Japan. These are the most democratic countries and though relatively homogenous in racial and ethnic terms.* The second group consists of Singapore, Malaysia and Indonesia. In contrast these countries have been exposed to volatile racial and ethnic tension this and the path to democracy has been very difficult. They have been ruled by governments that have necessarily provided clear direction. The third group is the Philippines and China.

Group one countries have taken an authoritarian route to economic development, while at the same time proceeding with democracy, with Japan being perhaps the best example. In South Korea powerful chaebols actually gave needed economic leadership, heavily supported by massive foreign borrowings, allowing some sort of capital autonomy in relation to the political elites. In part the countries in this group all adopted import substituting strategies in order to acquire investment capital in the early 1960s and 1970s. In Thailand direct foreign investment played a major role. In the early stages the governments were keen to achieve some sort of stability so that overseas companies would invest their money.

In Taiwan economic development favoured the emergence of many small companies and with economic success in the 1980s came the call for democracy. In such a highly educated society paternalistic authoritarian government was thought to be no longer suitable. The transformation to democracy occurred at a very personal level, using the many Taiwanese entrepreneurs. The government was still able to exercise economic governments through the rich network of connections. There were also large industrial conglomerates that could actually circumvent government microeconomic policy. Clearly in Taiwan increasing economic liberalisation brought about the beginning of the Asian style of democracy, responding to calls from large corporate groups.

In South Korea and the process was similar except the economic groupings were larger. South Korea was the first of the Asian countries to move towards political openness and the ground for this was prepared by the chaebols. Progress toward democracy was slowed by the performance-based legitimacy of the authoritarian government. In South Korea there is still to emerge a viable party system. Thus bureaucratic authority must be improved first.

In Thailand the route to democracy consisted of a heavy compromise between the state in the capitalist and the growing middle class. The bureaucratic elite was distant from political influence

because of civil service traditions established under the absolute monarchy. In all these countries Japan perhaps provided the best developmental and democratic model.

It combined political authority realism with economic liberalism, guided by the ubiquitous Japanese Ministry of International Trade and Industry.

In all the countries of this group democracy was brought about by the growing sophistication of the economy. Important variables were how the economic power was distributed among the particular entrepreneurial units, and the functioning characteristics of the bureaucracy. Always the beginning was the movement of power away from the government, because of growing economic success. In Japan for example there were a number of key economic bureaucracies which were able to devise and implement policy, and this soft authoritarian approach did influence Taiwan and South Korea. Japan's economic maturity allowed a combination of democracy and high-growth.

The countries of group two, in contrast, have clung to the very authoritarian economic development model. Like the other countries they have also adopted economic nationalism and import substituting strategies, often launching state led programs of heavy industrialisation such as occurred in Malaysia. In Indonesia a strong central government actually encouraged overseas investments and contacts because investors knew that contracts would be enforced. Singapore took a very traditional route towards the emergence of democracy beginning with more collaboration between economic structures and the government, using information as the medium of exchange. Nevertheless Singapore, like Malaysia, saw comparatively little political change. The authoritarian economic development model was never really fully abandoned, even in Singapore, despite the present increased degree of transparency in that country. Indonesia has had a very rocky road, and after the displacement of President Suharto the country has not handled the emergence of democracy very well. As a case study this country illustrates that economic development and democracy can be quite separate.

The Philippines has often experienced different types of economic failure and this has caused frequent changes of regime, sometimes involving a shift from an authoritarian one to a more democratic one. To some extent, like Indonesia, the Philippines has never them really made any transition to a liberal democracy even though the presidential system artificially supports democracy. That is doubtful whether a well-developed party system will ever emerge.

The present developments in China are of great interest. China's economy is growing and the country has achieved membership of the world trade organisation. The country offers a well educated but cheap labour force. Economically the country is very attractive. Thus ironically, in

China, although a Communist country of course, is presently moving to strengthen capitalism, and to remove the economic inefficiencies of a large state owned and controlled organisations. There have been some developments in China which could be called the democratic. However this has more to do with Chinese controlled capitalism. Certainly Beijing has been very selective about exactly what types of liberal and capitalist developments have been allowed. Nevertheless there have been improvements in what might be called democratic freedoms.

This is quite clear that among each Asian group there had been varied developmental patterns and structures producing variations in the specific half to democratisation. East Asian leaders have been anxious to counter the spread of communism, and to therefore provide economically for as many sectors of the population as possible. The critical variable is how these societies have achieved some sort of stability. Without this stability there can never be any growth in democracy.

In nearly all cases the emergence of economic units which can function independently of the government has been critical. Often technocrats and bureaucrats have been given an independent authority over economic policy. The concentration of economic power in large firms is also been very important. Indeed increasingly political scientists are recognising the importance of institutions in the emergence of any democratic process. As the economy became more complicated in these Asian countries the need for economic liberalisation in terms of security of property rights for example became important. Sometimes of course the path was slowed by large family-owned companies. Nevertheless slowly individual actors gained access to developmental capital, and bureaucratic autonomy began to emerge. These types of development become the forerunner of political institutions of democracy. The emergence of the elite agencies of economic governments accelerated the process particularly in countries such as Korea and Taiwan where elite universities supplied the requisite labour. In contrast to the emergence of these economic and independently functioning units has been the seeming lack of development of true political parties. This last link in the chain has been critical, as has been the strength of the state in providing an overall framework of stability. True political parties can never emerge until the bureaucracy has sufficient power steering the economy, as happened in South Korea and Taiwan.

Traditional Western political analysis suggests that democracy can only emerge when there are sufficient entrepreneurs, professionals, and middle-class generally - a somewhat Marxist view. These processes can be seen at work in the Asian countries. However democratic development must

be interpreted as being distinctly Asian particularly since many of the Asian countries have been opposed to Western-style growth in politics. All Asian countries, at the beginning through authoritarian regimes, promoted early stage economic development. Countries were kept on track because social conflict was avoided nevertheless power was spread disproportionately. The industrialisation process itself directly created diverse groups that finally sought representation and even participation. Ultimately further economic developments increases the likelihood that corruption will no longer be tolerated and property rights become important. Gradually power is siphoned away from the authoritarian government, as happened in South Korea. Interestingly China illustrates this process, with the economically powerful coastal provinces beginning to ignore dictates from Beijing. Rural elections are now permitted in some provinces.

Thus, in all the Asian countries, an authoritarian state will finally be pressed for democratisation even if it is performing well economically, as indeed it must be. Asian values directly favoured democracy because of the independent entrepreneurial spirit. In general Asian populations have accepted the goal of catching up to and surpassing the West. Corruption has been tolerated but this is now being reduced.

Always in the emergence of Asian style democracy has been the need to manage the bureaucratic and economic elites. Authoritarian regimes, successful at early stages of economic development, now looked to economic elite participation is necessary for further economic development. The liberalisation of capital markets make dominant state control less effective. The changing relationship between the political leadership and economic capital is a major push for democracy because the various elite interests demand anticipation and representation.

Interestingly the authoritarian need to manage the various ethnic groupings in the Asian countries actually works for democracy. At the same time it has slowed down the development democracy because the elites are apprehensive of potential racial and ethnic conflicts once full-fledged democracy is adopted. There are quite a large number of variables operating here. Ironically, in Taiwan for example, the existence of the cleavage between the indigenous Taiwanese and the Chinese oriented population actually strengthens the emergence of genuine political parties.

It must of course be realised that finally democracy can only be a political process and that economic development only produces a type of transition. There must be a suitable network of appropriate institutions. Moreover, there must be a crucial link between the citizens in the government,

and this link must be developed into true political parties. This is only happening to a limited extent in some Asian countries.

Thus far then it appears that the emergence of democracy is a final stage of economic development. Economic development only provides possibilities for democracy and does not dictate the direction in which political participation might proceed. Every country has its own social complexity and stratification. Certainly though the more affluent country the more secure is the operation of democracy, and the more likely that an efficient free market will emerge property rights and freedom of association for example. What is interesting in the Asian case is how the emergence of democracy will affect the traditional government decision-making influence over the economic institutions and units, and the role of institutions within those societies.

Opposed to this general idea role economic development and democratisation via some sort of staged progression is the failure of some postcolonial democracies. Transferring such an example into the Asian context it might be suggested that Asian democratic development will necessarily be limited in countries where there is a highly strategic distribution of wealth and income, and hence an unbridgeable gap between the ruling elite and the masses. Nevertheless in extreme examples, there are still being the emergence of some type of democracy.

One important factor which is increasingly at work in the democratic Asian process is the emergence of globalisation. There is now growing access to information and increasing freedom and movement of international capital. This automatically promote democracy because overseas investors want adequate economic integration. The recent Asian currency crisis indicates to Asian governments that they must adopt to some extent Western-style financial structures and economic institutions. There must be appropriate societal and economic adjustments to the economic liberalisation and transparency which is necessary.

In conclusion this essay has outlined some of the connections between Asian economic development and the emergence of Asian style democracy. The present time is very much a turning point - Asian countries are being affected by world economic globalisation developments. This has also brought with it increased demands for social participation. Asian governments will be very keen to try to establish a gain high economic growth. They will be just as keen to moderate social conflict and political instability, in this alone will put the brake on democratic development. It is certainly quite clear though that the emergence of liberal democratic ideas has not hampered Asian economic

development in the past. The more difficult journey though now lies ahead. The global realities will dictate that Asia must conform increasingly to international economic standards of transparency, and corporate governance. Some countries such as China and Indonesia democracy might take the form of increasing liberal capitalism. Whatever happens the example of the Asian countries will always provide a fertile field for political and economic study.

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