

Democracy Alone Doesn't Guarantee Economic Success

By Hilton L. Root

This is the first of two articles.

MANILA — Should the promotion of democracy as an end in itself be an objective of international aid? Asia's experience with democracy suggests the need for a nuanced approach.

One way to misapprehend the relationship of the political to the economic order is to think in categories that are too big. The largest and most enticing category is the term "democracy," which is usually pitted against authoritarianism, just as states are pitted against markets, and capitalism against socialism, as mutually exclusive paths of development.

These big categories dominate contemporary thinking about historical changes, although they offer little insight into the forces that have transformed the global economic environment since World War II. The democracy-authoritarianism split tells us little about how democracy works or about how different institutions influence economic outcomes.

Democracy, the selection of leaders by competitive elections, is often practiced in the same places where property rights, the rule of law, free markets for goods and services, and human rights are protected. Therefore democracy is sometimes construed as a necessary condition and guarantor of a liberal economic order. Asia's experience of democracy suggests the need to rethink this correlation.

Effective economic outcomes and elections coincide in developed countries because institutions exist in the political system to ensure limits to government authority, not because those countries use elections to constitute their governments.

No matter how government is formed, if it is powerful enough to create property rights it can also confiscate those the non-democracies, many of which appoint technocrats to take charge of economic policy, and allow key economic freedoms according to consistent rules that are the same for all citizens. Such rules, and the councils in which they are deliberated on, represent explicit limits on the discretion of government over economic policy.

While the standard definition of democracy — the choice of government through multiparty rights. Elections, therefore, must be buttressed by a panoply of countervailing institutions to prevent the abuse of power. Such institutions, needed to ensure a transparent and predictable environment for economic policy-making, do not exist among all countries holding multiparty elections.

For example, Asia's democracies feature less effective communication between the state and the private sector than

elections — sometimes stands in as the definition of accountable government, many avenues exist for democratically elected officials to avoid accountability. The most obvious is the constant switching of parties, making party labels meaningless.

Accountability is enhanced when politics is dominated by a party that depends for its legitimacy on being able to produce socially desired outcomes. When policies fail in Malaysia, South Korea, Singapore or Taiwan, the public can identify the party responsible, but not in the Philippines, where citizens bewail the general corruption of politicians yet cannot identify any responsible group or party.

When parties are no more than vehicles to enable any individual or group to capture power, accountability for policy outcomes is blurred.

The writer, a senior research fellow at Stanford University's Hoover Institution, is author of "Small Countries, Big Lessons: Governance and the Rise of East Asia." He contributed this comment to the International Herald Tribune.