

Liberalism, Democracy and Development

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PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS
The Edinburgh Building, Cambridge CB2 2RU, UK
40 West 20th Street, New York, NY 10011-4211, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
Ruiz de Alarcón 13, 28014 Madrid, Spain
Dock House, The Waterfront, Cape Town 8001, South Africa

<http://www.cambridge.org>

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First published 2002

Printed in the United Kingdom at the University Press, Cambridge

Typeface Plantin 10/12 pt. *System* L^AT_EX 2_ε [T_B]

A catalogue record for this book is available from the British Library.

Library of Congress Cataloguing in Publication Data

Chan, Sylvia.

Liberalism, democracy and development / Sylvia Chan.

Includes bibliographical references and index.

1. Liberalism. 2. Economic development. I. Title.

JC574 .C4823 2002

320.51 – dc21 2001025808

ISBN 0 521 80883 9 hardback

ISBN 0 521 00498 5 paperback

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1 The question: is ‘liberal democracy’ good for economic development?

What is the relevance of ‘liberal democracy’ to a developing country? How to think of the desirability, feasibility, conditions and possibilities of ‘liberal democracy’ for such a country, where there is an important need for ‘economic development’, a cultural and historical backdrop different from the West, and a state with different capacities? In exploring this question, this book goes back to the basic, big questions of what ‘liberal democracy’ actually consists in and why it is a good (as fact or idea, in its consequences or in itself). Can what ‘liberal democracy’ delivers (or is thought, perhaps uniquely, to deliver, most importantly for our purposes, ‘economic development’) be delivered by regimes of a distinctively different kind (how distinctively different?) and different in what ways? and, enduringly different, or different only in their recent manifestations?

The focus of this book is therefore on the relationship between ‘liberal democracy’ and ‘economic development’.¹ With the ending of the Cold

¹ Before one can look into the issue of the relationship between ‘liberal democracy’ and ‘economic development’, the two terms need to be defined. For ‘economic development’, I simply take it as a fact that the West and the East Asian NICs and Japan have been much more successful than other parts of the world (even counting in the recent financial crisis, which I discuss in the Introduction). What I am interested in is a broad comparative perspective. On ‘liberal democracy’, however, a definition is more difficult. There is in contemporary political theory a great controversy over the meaning of ‘liberal democracy’. On the ‘democratic’ side, even restricting myself to modern representative democracy, there is a broad distinction within existing literature between formal/minimal and substantive democracy, or between a more ‘minimalist’ definition and a more ‘maximalist’ definition. The starting point of this present study is a core, minimalist definition, something along the lines of Dahl (1971), requiring the provision for participation of all adult members of a society, freedom to formulate and advocate political alternatives, and the credible availability of political alternatives. The concept of democracy may indeed be defined much more broadly (for example, Bowles and Gintis (1986)), but the assumption here is that the ‘minimal’ is a necessary condition of the ‘maximal’, that, to achieve a more substantive democracy, developing countries first need to develop a more ‘minimalist’ democracy, and, given that even the minimal condition for democratic rule presents difficulties for many countries, a more exhaustive set of criteria could make the issue of democratisation purely academic. On the ‘liberal’ side, I propose a three-fold categorisation of what are commonly called first-generation liberties, and distinguish

War, 'liberal democracy' seems to have become the only, and unchallengeably, good form of government, with many countries around the world undergoing 'democratisation'. Indeed, some are pressed to do so by the emergence of the 'good governance' agenda within such international institutions as the World Bank. At the same time, one of the urgent needs for many of these countries is for economic development. Under these circumstances, the question of the democracy–development relation acquires a new significance and urgency. More exactly, what is the relevance of 'liberal democracy' for economic development? Is 'liberal democracy' good for economic development, or is there a necessary trade-off?

This book sets up a new framework of 'liberal democracy' to answer this question. It first argues that there is a need to disaggregate the bundle called 'liberal democracy'. A three-fold decomposition of 'liberal democracy' into its 'economic', 'civil' and 'political' dimensions will be formally set up in chapter 2. Each of these three dimensions of 'liberal democracy' possesses its own form of liberty and class of rights; each stands in a specific relation to liberal and democratic ends, and needs specific material conditions if it is to be realised. In chapter 3, how this decomposed concept of 'liberal democracy' can help one understand the process of democratisation will be explained. In particular, the tension between the 'liberal' and the 'democratic' pervades democratisation processes and explains the difficulties with sustaining and consolidating 'liberal democracy'. This new, three-fold framework will be used in Part II to tackle the long-standing question of how 'liberal democracy' may contribute to or inhibit economic development, in particular in its application to the experience of Japan and the East Asian NICs. Chapter 4 first prepares the ground by setting out the methodological issues in considering the democracy–development connection, then proceeds to specify the sub-set of issues that the Asian case can throw light on, that is, which of the sub-issues can be tested by the present discussion and which will be left aside. Chapter 5 then

between 'economic', 'civil' and 'political' liberties. The model will be formally set up in chapter 2, and how the 'liberal' and 'democratic' parts relate to each other will be further discussed there. It is important to point out here that, in exploring in this study the connection between economic development and 'liberal democracy', therefore, we focus on the 'liberal democracy' side and keep the side of 'economic development' constant. It is certainly a possibility that there are different types of 'economic development' (even restricting ourselves to 'capitalist' economic development) and that the particular political determinants of different types of economic development differ. Here, we restrict ourselves to an understanding of 'economic development' that consists of high rates of economic growth and the achievement of high levels of 'human development', as for example recorded by the United Nations' Human Development project (which will be further expounded in 6.1).

considers the extensive literature on democracy and development and identifies three agreed goods or conditions in this literature: ‘security’, ‘stability’ and ‘information and openness’. It also explores the literature on the other side, which posits the Asian success as a refutation of the democracy–development link, which it argues is empirically inadequate and conceptually misleading. Some preliminary points about how to reconcile the two sides are made in 5.4. I am then in a position to use the new framework, consisting of the three dimensions and the three conditions, to reconstruct in chapter 6 an explanation of the East Asian developmental success. I will explain how the East Asian NICs have combined a distinctive mix of ‘economic’, ‘civil’ and ‘political’ liberties, as embodied in a particularly ‘inclusionary institutionalist’ state–societal structure, in achieving ‘security’, ‘stability’ and ‘information and openness’, three conditions that are often associated with theories of the democracy–development connection. In this way, I am able to specify more clearly the nature of the challenges the Asian experiences pose to the connectedness between ‘liberal democracy’ and success in economic development and to thinking about ‘democracy’ itself. I am able also to specify a particular ordering of the ‘economic’, the ‘civil’ and the ‘political’ achieved within a particular institutional matrix (and during a particular world-historical time-period) in relation to ‘liberal democracy’. Finally, a summary of the arguments and a conclusion are given in chapter 7.

The book is therefore divided into two parts. The first sets up and explains the framework. The second uses the framework to explore the democracy – development question. In this way, the book takes up two challenges to the celebration of the triumph of ‘liberal democracy’. The first is conceptual. There are various ways in which ‘liberal’ and ‘democratic’ elements are embedded in a polity. There is a need to loosen up the bundle called ‘liberal democracy’; it may be possible to have some parts of it and not others, and at least more of some parts of it and less of others. The second is empirical, the challenge that the economic success of Japan and the East Asian NICs pose to the desirability and relevance of ‘liberal democracy’. The two parts are connected. It is precisely through re-examining the concept of ‘liberal democracy’ that the nature of the empirical challenge can be clarified.

This first chapter aims to explain what the problem is, why it is important,² and the interest in Japan and the Asian NICs.

² This is an important issue particularly since it has been said that there is a tendency for political theory to achieve a coherent disciplinary identity and success at the cost of intellectual obscurity and political irrelevance. See the symposium in *Political Theory* (1995).

1.1 The context

First, one may ask, why look at the old question of the relationship between ‘liberal democracy’ and economic development again? The answer is that I am examining this question in a distinctive context. One important element making up this context involves the breakdown of the ideological polarisation between ‘capitalism’ and ‘communism’ (more recently, the new context also includes the Asian ‘financial crisis’ and the challenge it poses to ‘capitalism’).³ This breakdown has opened the way for a loosening of the concept of ‘liberal democracy’ and a more thorough examination of the varieties within ‘liberal democracy’, as well as an increased realisation of the differences among ‘capitalist’ and ‘democratic’ states. Even though it is true that the world is currently undergoing a ‘third wave’⁴ of democratisation, the celebration of the triumph of democracy presents an over-simplified picture. In fact, ‘liberal triumphalism’ cannot avoid being a product of its own time. While the end of the Cold War brought with it a sudden clarity, with the passage of time new complexities have emerged. The liberal triumphalist celebration of the market and democracy may be a reflection of the normative aspect of the Cold War, with the victorious side emerging as the only actor capable of laying down the new rules of international coexistence. But even bracketing out the thoughts, first, that the ending of one ideology does not mean the ending of all ideologies and, second, that it is actually doubtful whether it really is the end of communism,⁵ the fact remains that it is not at all a foregone conclusion that the collapse of authoritarian and communist regimes will lead to democracy. It is not only that in the process of democratisation, each step in one direction risks a reaction in the opposite direction. It is also that as democratisation proceeds, various ‘intermediary forms’ are taking shape. Indeed the celebration of ‘liberal democracy’ greatly

³ Although the 1997–8 Asian ‘financial crisis’ affected different countries to different extents and the causal dynamics varied in different country settings, the democracy–development connection has received some attention as a result of it. My argument is that the crisis did not affect the fact of ‘economic development’ that has been taking place in these countries (which will recover relatively quickly from the crisis), and that a closer examination of the cases would show that the understanding of the democracy–development connection stands up well despite this event (which in any case did not affect the Asian NICs as much as many other Asian countries). This is discussed in more detail in the Introduction.

⁴ The phrase ‘the third wave’ was the title of Huntington’s book (1991b) and article (1991a).

⁵ Sartori (1991, p. 440) calls this first point an ‘Orwellian good think that has nothing to do with thinking’; on the second point, even remaining sceptical about recent communist ‘revivals’ in Eastern Europe and the ex-USSR, and even accepting that it is likely that it will take years for the left to reorganise itself, it is not entirely impossible that communism will not disappear as a potent political force.

exaggerates the coherence of the process of democratisation. The present 'democratisation' processes run together many things: there is economic liberalisation, the establishment of liberal institutions and liberal rights, as well as the construction of rules of political competition. Some of these processes conflict with each other, and how these conflicts are resolved will give rise to different manifestations of the resultant political form.

Indeed, in reality, the meaning and manifestation of 'liberal democracy' as practised in the West have taken many forms. Differences can emerge in the institutional architecture, the political culture, and even some of the fundamental principles that inspire them. Diverse, at times very different, principles, rules and decision-making procedures coexist under the common label of 'democracy', even under the label of 'liberal democracy', and these in turn influence the significant aspects of the political system: government characteristics, the nature of the party system, and/or the degree of administrative centralisation. The various forms that 'liberal democracy' has assumed have always presented very different aspects and characteristics, and it is quite probable that the democratisations presently underway will add others. Indeed, the meaning of 'liberal democracy' and the liberal-democratic discourse has been an ever-developing and ever-changing one, and it may be unrealistic to expect contemporary notions of 'democracy' or 'liberal democracy' to be any more final than any of the earlier constructs.

Theorising has always been affected by practical realities.⁶ In particular the fact that present democratisation processes are in many cases undertaken simultaneously with economic liberalisation, in a post-Cold War international arena, has raised new questions. New circumstances provoke new questions and possibly require new answers. Thus, it is considering the process of democratisation within a new context that creates new spaces and new challenges for thinking about what democracy and democratisation can mean. Notions of what democracy means, how

⁶ Whitehead (1993b) has suggested that the radical shift of analytical focus in the 1980s, from investigating the highly restrictive conditions under which a democratic regime might remain viable, to the apparently almost limitless range of conditions under which a transition to democracy may be undertaken, may be said to reflect academic adjustment to the unforeseen flood of world events rather than the advance of theoretical knowledge in this subject. He noted that it was in the mid-1970s that two of Latin America's democracies (Uruguay and Chile) were swept away, and a major attempt at restoring democracy in the country where various 'objective' conditions might seem most favourable (Argentina) ended in ignominious failure. And a few years later, when the restoration of democracy became once again a significant process in the Latin American region, it was in countries where socio-economic structures and political traditions seemed relatively unpromising that the transition to democracy first occurred (Peru, although it did not survive, and Ecuador).

it arises, and how it becomes consolidated have often reflected their very specific social contexts, depending on what questions people have been asking and the circumstances in which they have asked, and the 'contrast classes', as one might put it, that they have in mind. The change in the way(s) in which it has been thought sensible or illuminating 'to explain democracy' has altered understandings of what it is that has to be explained, and this altered understanding serves to loosen, refine and/or extend both the notion of 'liberal democracy' itself and the association between 'democracy' and other structural and cultural facts.

And a new way of thinking about 'liberal democracy' can in turn lead to a new way of thinking about democratisation. Indeed it is quite possible that the various kinds of democratisation will produce a greater variety of actual democracies than many assume (and we have no good reason for believing that there is (or can be) one or even a limited number of explanations for 'democracy' which itself varies so much). In fact, that a rethinking is needed is suggested also by the fact that, ironically, the philosophical ascendancy of 'liberal democracy' is accompanied by a growing discontent in the established liberal democracies of the West with its practical operation, with demands for a more 'deliberative' democracy, for ways to 'deepen' democracy, to increase civic-ness, for 'teledemocracy', for keeping party politics in check, for overcoming public apathy, etc., and the recognition that democracy seems incapable of delivering on its promises, that there is a tension between democracy and the complexity of contemporary life.⁷

A more particular debate about the relationship between democracy and economic development has been taking place since the 1980s. The realisation has grown, based on the experience of economic liberalisation and structural adjustment pursued in many developing countries in the period beginning with the 'debt crisis' of 1982, that successful economic

⁷ Much of course has been written on the 'crisis' or 'ungovernability' of democratic systems; see, for example, the influential collection by Crozier et al. (1975), Offe (1984), Brittan (1975). There are also those who advocate ways of deepening or reviving the democratic content of 'liberal democracy', for example, through more participation, direct democracy, 'deliberative democracy' or 'teledemocracy'; see notes 183 and 184 in chapter 3. It is the case, of course, that no matter how much deliberation takes place, heads have to be counted – aggregated – at some point if a democratic decision is to be reached. While the group of writers on 'ungovernability' advocate as solution a particular brand of neo-conservatism, others have suggested ways of improving the democratic content of existing systems. More recently, there is Putnam's influential article 'Bowling Alone' (1995), which documents the decreasing 'civic-ness' of Americans. On the dilemmas and 'broken promises' of democracy, see Bobbio (1987). On complexity, see Zolo (1992).

reform depends on administrative and political reform.⁸ The conventional wisdom of the years before the end of Bretton Woods was perhaps that governments should be free to determine their own economic policy (although the IMF's conditions have always required a change in government policy where the Fund thought it advisable). Prior to 1980 a 'laissez-faire' situation prevailed, with various actors, private and public, bilateral and multilateral, more or less competing with each other to lend to the developing countries. And there was very little in the way of regulation of the aid scene.⁹ The 'debt crisis' changed all this. By the time it broke, a new orthodoxy based on the principles of 'cutting back the state' was gaining ascendancy in the developed world, and the crisis reduced the leverage of many debt-ridden developing countries in particular and the developing world in general. Many did not hesitate to recommend the new orthodoxy to the governments in these countries. It is from then on that economic sovereignty in debt-ridden countries became in practice overridden. This was the period of 'conditionalities' that were more far-reaching than any before, and driven by what is commonly called the 'Washington consensus'.¹⁰ The 1992 World Bank report *Governance and Development*¹¹ identified four issues in 'good governance': public service management, accountability, a 'legal framework' for development (by which is meant rights, essentially property rights, what the Bank calls 'institutional' rather than 'substantive' aspects of law), and the availability of good and sufficient information and transparency. Although the Bank argues that these are issues in the management of development policy rather than politics,¹² it is quite clear that the four elements are derived from, and all but explicitly advocate, 'liberal democracy'. A general consensus crystallised, soon becoming the fundamental objective of various governments and agencies alike, that 'good governance' can bring about improved economic performance and social welfare.

Although the Bank's policy statement on 'good governance' contains a great number of explicit and implicit qualifications about the difficulties

⁸ It has been cited, for example, that sixteen of the thirty IMF Extended Fund Facilities (EFF) were cancelled, a result linked to the political inability to meet programme requirements. The IMF review of 1980 standbys and 1978–80 EFF agreements found that, in the view of IMF staff, 'political constraints' or 'weak administrative systems', or both, accounted for 60 per cent of the breaches of credit ceilings. See Haggard (1986).

⁹ Gibbon (1993), p. 36.

¹⁰ On the 'Washington consensus', see Williamson (1993).

¹¹ World Bank (1992).

¹² One could read this as a sincere (and perhaps mistaken) conception of where politics stops and mere administration begins, as a less sincere attempt to sustain the proscription in the Bank's charter from getting involved in politics, or, as Gibbon (1993) does, as an attempt to say to recipients and to the bilateral donors that if more overtly political matters are raised in negotiations over aid, the Bank would acknowledge their importance but not wish itself to press them. In any case, the formal position on state sovereignty over more distinctly political matters has been clear: it does trump all else.

of making useful generalisations about such a vast, often nebulous and generally contested subject, the agenda of 'good governance' is one that explicitly sets out the *political* conditions for economic development. The Bank keeps stressing that it is involved predominantly with principles of administration and management, and it draws a distinction between governance as an analytical framework and governance as an operational concept, distinguishing between three aspects of governance: (i) the form of political regime, (ii) the process by which authority is exercised in the management of a country's economic and social resources for development, and (iii) the capacity of governments to design, formulate and implement policies and discharge functions. Operationally, the first aspect lies outside the Bank's mandate, and the Bank has professed to confine itself only to the second and third aspects of governance. But from a broader point of view, the concept of governance refers to a system of political and socio-economic relations, or 'a broad, dynamic and complex process of interactive decision making that is constantly evolving and responding to changing circumstances' which 'must take an integrated approach to questions of human survival and prosperity'.¹³ In its current usage, or, indeed, in the way that it is actively promoted, and although there is a variation in the use of the concept, there can be no doubt that 'good governance' means a democratic capitalist regime based on the Western model. Therefore, despite the Bank's avowed intention to limit itself to a seemingly apolitical and largely technical strategy, it is quite clear that its apparently politically neutral recommendations presuppose profound political change and represent a political vision. In essence, the concept of 'good governance' means a state enjoying legitimacy and authority derived from a democratic mandate and built on the traditional liberal notion of the 'separation of powers' and the 'rule of law', as is commonly agreed to be the case in Western industrialised countries. In other words, it is derived from the model of 'liberal democracy'.¹⁴

This was endorsed by major international organisations,¹⁵ such as in the European Council's Resolution on Human Rights,¹⁶ the Constitution of the European Bank for Reconstruction and Development,¹⁷ as well

¹³ Commission on Global Governance (1995), p. 4.

¹⁴ One scholar has observed that 'the concept of *governance*, first unveiled by an influential academic, provided a more antiseptic substitute to *democratisation* for introducing political criteria into the policy discourse of the international financial institutions'. See Young (1994); the influential academic in question is Goran Hyden; see Hyden (1983).

¹⁵ See Lancaster (1993). Note that while the Bank has focused on governance, the IMF's 'governance' issue has been excessive spending in developing countries. But as far as is known it has not yet included reducing military expenditures or downsizing the military as a condition for its lending. See also Rich (2001).

¹⁶ European Council (1991).

¹⁷ The Constitution of the European Bank for Reconstruction and Development, ch. 1.

as by individual governments, such as those in the UK,¹⁸ France,¹⁹ Germany²⁰ and elsewhere.²¹ And it is not a simple recognition that good economic policies are intimately connected with ‘good governance’, but ‘good governance’ is held to be a necessary condition of development, and a ‘condition’ for economic aid.²² Democratic good governance is not an outcome or consequence of development as was the old orthodoxy, but a necessary condition of development.²³

As the world turns to pursue the twin goals of economic liberalisation and political democratisation, questions arise as to the compatibility and, if there is compatibility, the timing of the two processes. What are the interactive dynamics of economic liberalisations and efforts to establish and consolidate democratic governance? Is there compatibility between these two processes? There is the more particular question of sequencing: how the implementation and timing of economic liberalisation initiatives – whether they were undertaken before, during or after the transition to democratic rule – affect post-transition political alignments.²⁴ Is the cause

¹⁸ Douglas Hurd, speech given to the ODI, 1990, quoted in Clayton (1994), p. 47.

¹⁹ President Mitterrand, June 1990, quoted in Clayton (1994), p. 47.

²⁰ Cited in Clayton (1994), p. 47.

²¹ Note the exception of the Japanese government, which has been quite consistent in its conviction that a passive or ‘defensive’ foreign policy, and an aid policy to match, serves it better than anything of a more active and aggressive – and additionally ‘conditional’ – kind. See, for example, Hawthorn (1993b), Arase (1993). There is, however, evidence of tacit agreement about ‘good governance’, although more *sotto voce*. A good summary of the character of and phases in Japan’s foreign economic assistance can be found in Brooks and Orr (1985). Note also that the Dutch and Nordic countries placed human rights and democracy on the aid agenda in the 1960s and 1970s; see Stokke (1995a), p. x.

²² A changing attitude to aid has been reflected in recent attempts to give it a new conceptualisation, although it must be set beside the fact that amounts of aid have been falling. The Report of the Commission on Global Governance, entitled *Our Global Neighbourhood* (1995, pp. 190ff.), reported that, although arguments about quality and targets remain relevant, the world seems to be rethinking its attitude to aid, with the emergence of concepts like ‘moving from charity and dependency to interdependence and shared contractual obligation’, and the adoption of a new approach based on ‘mutual interests’ and ‘a system of contracts between donors and recipients’, ‘whereby a package of aid and debt relief is negotiated in return for a variety of services’. The problem, of course, is that the contracts are not struck between equals, are non-binding and could be a vehicle for insidious forms of control. There has also been a realisation that rationalisation is needed in shifting the emphasis of aid from bilateral to multilateral flows. Bilateralism has frequently degenerated into promoting exports. In fact, the value of aid would be increased significantly if bilateral donors untied it and let recipients use funds to buy from the cheapest source through international competitive tendering.

²³ A view which, as Leftwich (1996, p. 4) pointed out, appears to assure that there are no tensions between the many goals of development, implies that democracy can be inserted and instituted at almost any stage in the developmental process of any society irrespective of its social structure, economic conditions, political traditions and external relations, and that it will enhance development.

²⁴ There is a significant amount of material on this subject; Haggard and Kaufman (1992) is a summary. The contrast between the ‘politics-before-economics’ approach of the

of liberal democratic institutional and social consolidation best served by promoting the security of property and the development of the market (while downplaying the promotion of political rights)? Or is it more effective to carry out a rapid and comprehensive democratisation, if necessary absorbing the consequent economic dislocation, in order to create the political framework for subsequent capitalist development with accountability? Or, thirdly, is it possible, desirable or currently inevitable that both processes be undertaken simultaneously?

In other words, the question of the relationship between 'liberal democracy' and economic development has acquired a new complexity. In addition, it has become more urgent and more relevant, as it has quickly become an active policy of the West to promote 'liberal democracy' in developing countries. Of course, democratisation had long been the theme of foreign policy for many Western governments²⁵ and was perhaps the most important rallying cry during the Cold War years – the 'promotion of democracy'²⁶ remains an element in the arsenal of American foreign policy rhetoric. But official declarations correlated poorly with observable behaviour,²⁷ and the term 'democracy' was stretched, selectively interpreted, extended or in some cases distorted to cover a great variety of systems.²⁸ The end of the Cold War has come

ex-USSR and the 'economics-before-politics' approach of the People's Republic of China has quite often been commented upon, and often used by leaders of the CCP to justify the maintenance of one-party rule: for a sensible discussion of the issues, see *Wen Wui Po* (13 December 1990), Johnson (1994) and 'Introduction' and 'Conclusion' in Shirk (1993). See also Elster (1994) for a more general discussion.

²⁵ We should not forget that US President Wilson led America into World War I on the argument that 'the world must be made safe for democracy'. One could also mention the 1948 'Final Act of Bogota', the creation of the Council of Europe, the preamble to the NATO treaty of 1949, the setting up of the 'National Endowment for Democracy', and so on.

²⁶ According to Whitehead (1986b, p. 44) we can distinguish between three components of the 'promotion of democracy': first, pressure on undemocratic governments to democratise themselves; second, support for fledgling democracies that are attempting to consolidate; third, the maintenance of a firm stance against anti-democratic forces that threaten or overthrow established democracies.

²⁷ Whitehead (1986b) has made an interesting comparison between the US and European styles of promoting democracy. He noted that for security reasons (in many cases reinforced by economic interests), Washington has been quick to condone (often in a rather visible manner) many forms of right-wing authoritarianism that the Europeans, for reasons either of political convenience or of conviction (due to Europe's own experience with right-wing authoritarianisms), have wished to ostracise, albeit without too much drama. In general, though, the proclaimed aim of promoting democracy was not abandoned; rather, democracy was relegated to an indeterminate future, and in some cases the original meaning of the term was denatured. Moreover, American policy-makers have learned to exercise great caution and discrimination in pursuing the objective of promoting democracy, and have stretched the meaning of the term to embrace an extraordinary variety of friendly but repressive regimes.

²⁸ Whitehead (1986b). In general, the US's contribution to the promotion of democracy has been 'meagre'; see Slater (1967) and Lowenthal (1991).

with the dominance of the West, especially the US, and has lessened the incentive for the US to provide foreign aid to corrupt but strategically helpful autocrats as a check to communism. Armed with post-Cold War confidence and the apparent demonstration of the superiority of 'liberal democracy',²⁹ the West has been not only tying 'political conditionalities' to economic aid but also attempting to tie human rights conditions to trade agreements.

And this is in spite of the fact that there is little evidence of a connection between political conditionalities and democratisation.³⁰ Many have commented on the changing world order. As one writer has put it:

Democracy was . . . an important element of Western self-perception and identity' . . . [W]ith the disappearance of Communism as a credible threat . . . democracy . . . in spite of its loss of anti-communist substance, has become even more important for the formation of positive self-identity since it has to fill the vacuum created by the loss of negative self-definition . . . The New World Order is one in which the dominant liberal culture tends to diminish awareness of alternative values and ideologies and is conducive to the ready condemnation of others for not conforming to one's own perception of the norms appropriate to them.³¹

Thus the question of the relationship of development to democracy has acquired a new edge. One scholar laments that 'the replacement of a polarised centre by one dominated by the capitalist security community seems almost certain to weaken the position of the periphery in relation to the centre . . . the centre is now more dominant, and the periphery more subordinate, than at any time since decolonisation begun'.³² The extent and sustainability of this 'triumph', however, is dependent on how the various countries in the developing world respond and react to the changing realities. Moreover, the perception that the US has emerged from the Cold War more powerful than ever may be explained partly by a tendency of the US to use its power in more explicit (or simply different) ways (which may itself be a result of weakening of its economic

²⁹ Some would also say that with the end of the antagonism with the former USSR, the authority of the President and the National Security Council in determining foreign affairs has weakened in relation to that of Congress.

³⁰ Nor between political conditionality and economic development. Two studies have concluded that a positive correlation between political conditionalities and democratisation has not as yet been demonstrated; see Healey and Robinson (1992), Sørensen (1993a). One recent study has also concluded that aid works to promote growth only if there is good economic policy. See note 52.

³¹ Hippler (1995), pp. 9–10.

³² Buzan (1991), p. 451. That the ending of the Cold War may have some positive effects on areas of the developing world like Latin America has been suggested by Hirschman (1995, pp. 191ff.), who pointed out that politics may become less polarised, intransigence may diminish, and that it may be more attractive to emphasise the positive.

dominance), and partly by the fact that one of the two superpowers was eclipsed rather suddenly (so that the US seems, by default, more powerful).³³

Whether the centre has and will become more dominant or not – and this depends on how the various forces are played out (and some of the forces are quite separate from the ending of the Cold War) – an increasing explicitness is certainly reflected in the trend towards a weakening of the notion of sovereignty. It has now become acceptable within donor nations to justify direct intervention in terms of the political inadequacy of Third World states.³⁴ Intervention by wealthy and stronger countries in the internal affairs of poorer and weaker countries is not new; nor is the use of development aid as a tool and justification for intervention. However, a basic tension arose between the power inequality in the aid relationship and the language in which this relationship was publicly presented: the parties generally alluded to the fiction that aid recipients were full and equal members of the international system of states and that the giving and receiving of aid was a voluntary and equal transaction between sovereign states. Now the credibility of this fiction has been considerably weakened. The inferior status of the governments of aid recipient countries may be expressed in terms of lack of political legitimacy, poor management of public resources and services, etc. This emphasis placed by donors on the inadequacy of the governance arrangements of aid recipients comes close to a denial of the assumption of the fundamentally equal status of all states in the international system (this formal equality was of course only recognised in the UN Charter after 1945, and denied in the peace settlements of Westphalia, Vienna, Berlin and Versailles). However articulated, and despite the fact that the formal position on state sovereignty over more overtly political matters has been clear (it does trump all else), the need for economic reform coupled with this perceived need for corresponding administrative and political reforms ('good governance') have led *de facto* to a certain scepticism about the value of state sovereignty.³⁵

Coupled with this active agenda, moreover, is the presence of structural forces in the international economy, the realisation (as will be explained

³³ And indeed, Susan Strange (1995, p. 2) has suggested that the loss of authority has in general been partly to the markets, and partly to the global reach of the US (itself highly associated with the global market).

³⁴ Moore (1995), p. 94. This is supported by the case study of Norwegian aid by Stokke (1995b), where it was argued that the international aid agenda of the 1990s strengthened values related to civil and political rights while weakening values related to the sovereignty of recipient governments.

³⁵ Jackson (1990) has distinguished between 'negative sovereignty' (meaning the absence of effective 'sovereignty') and 'positive sovereignty'.

in section 3.2) that globalisation and the interdependence of the modern world may be rendering it more difficult for a country to embark on a 'deviant' political path, just as economic 'deviance' has become more difficult.³⁶ 'Interdependence' can scarcely fail to affect not only economic policies but the institutional frameworks within which these policies are made. Structural forces may be operating in such a way as to encourage at least conformity to some standards usually defined by the powerful countries, a process known sometimes by the name 'homogenisation', 'harmonisation' or 'convergence', and not confined to the economic sphere. Although differing for countries in different positions in the world system of nation-states, external or international influences are generally becoming greater. This is particularly so for many developing societies which lack secure foundations, have fragile institutions and are economically dependent on other countries and on the world market. Indeed one scholar has characterised these countries as undergoing a process of 'modernisation by internationalisation',³⁷ a process which involves a 'voluntary' and 'partial' surrender of sovereignty in the political, economic and cultural spheres. This process has also been described as 'imitation combined with international integration': politically, the adoption of democracy, culturally, the culture of advanced capitalism, and economically, everything to the market.³⁸

1.2 The pro-'liberal democracy' and anti-'liberal democracy' camps: situating the democracy–development debate within the general debate about 'liberal democracy'

The democracy–development debate is only one strand of the general debate about the relevance of 'liberal democracy' to countries which have yet to embrace this model. In thinking about the relevance of 'liberal democracy', whether in general or for the purposes of economic development, one is concerned with issues of its desirability as well as its feasibility. The terrain is a well-traversed one. The presently most common answer given to this question can be summed up by Francis Fukuyama's famous statement that the 'end of History' consists in the triumph of 'liberal democracy', a statement that was seized upon (and vulgarised) by many scholars for whom the collapse of the Soviet bloc seems to have confirmed 'liberal democracy' as the only unchallengeable model of good and

³⁶ Parry and Moran (1994), p. 7.

³⁷ Przeworski (1995), p. 4; also Przeworski (1992), p. 49.

³⁸ Przeworski (1995), p. 4.

effective government in the modern world.³⁹ These people have returned to a view that was popular in the 1950s and 1960s, that non-liberal democratic societies as politically undeveloped, requiring ‘political modernisation’⁴⁰ towards a universal model called ‘liberal democracy’ (on which the World Bank’s current concept of ‘good governance’ for developing countries is based). In general, for these people, the question of the goodness and badness of ‘liberal democracy’ has been settled, and the important issue is how best to apply and implement it. Thus, they are concerned with issues such as whether the parliamentary system or the presidential system better suits a particular country, which electoral system or which mixture of electoral systems achieves the best results in a particular country, etc.

Amongst these advocates of ‘all good things go together’, there are those who argue consequentially for the desirability of ‘liberal democracy’, whereas others (‘deontologists’) argue for it as a good in itself. The converse of this is a distinction between those who are hostile to ‘liberal democracy’ *per se* and those who see it as being merely incidental to some specified ends or set of ends. One must note further a distinction between desirability and feasibility. Those who agree on the desirability of ‘liberal democracy’ may disagree on the question of its feasibility and/or its condition. And those who argue against ‘liberal democracy’ may argue against its desirability or its feasibility.

On the anti-‘liberal democracy’ side, there are also several strands. There are, firstly, ‘culturalist’ arguments, centred around the contention that there are cultural limits to politics, and that the liberal underpinnings of ‘liberal democracy’ are not suited to non-liberal or illiberal cultures or societies (a line of thought taken to its logical extreme by

³⁹ Fukuyama (1993). Note, however, that Fukuyama himself registers, in the final sections of the book, an array of doubts about the ability of the liberal democratic form of capitalism to satisfy the twin desires of material satisfaction and interpersonal recognition: ‘perhaps authoritarian forms of capitalism are more productive’ (Fukuyama cites the Singaporean model), ‘perhaps the formal recognition accorded by liberal-democratic societies is empty and unsatisfactory by comparison with the differential aspect given to individuals with real merits and demerits in societies with strong codes of social behaviour, such as Japan’. More generally, ‘it may be that liberal-democratic societies cannot satisfy the demand for absolutely equal recognition without being unworkable’. ‘Or they may be unable to respond to the desire of some to be recognised as superior, a desire that finds expression in boredom with consumer society and in a Nietzschean contempt for its inhabitants, the “last men”’. This will be further discussed in chapters 5 and 6.

⁴⁰ In general, the tradition can be traced at least to the Enlightenment, and the project of bringing the uncivilised into civilisation, of ‘political modernisation’. The basis of this conceptualisation is the traditional/modern distinction, and ‘modernisation’ is the process by which so-called traditional social structures are transformed into those of a modern type, along the lines of what is supposed to have happened at an earlier stage in Europe, particularly the northern and western parts of Europe.

Samuel Huntington's much-discussed thesis of the 'clash of civilisations' – that cultural–historical factors will, in opposition to Fukuyama, result in non-convergence towards 'liberal democracy'.⁴¹ Note, however, that culturalist arguments do not necessarily say anything about the desirability of 'liberal democracy'; they can readily combine with theories of 'political modernisation' but they may equally maintain that it is possible to have a distinctive type of 'Islamic modernisation', or 'Asian democratisation', or the like. Indeed, there have been Confucian-based societies which have a rather successful and effective rule of law, which, whatever the difference in perceptions of the 'rule of law',⁴² is a Western concept; moreover, there is a wide divergence in the political systems of Confucian-based societies. There are, secondly, arguments which this study concentrates on and which stress the priority of economic development above everything else including democracy. These argue that 'liberal democracy' may be inimical to the successful pursuit of some material interests of the country, which is a particularly urgent priority in many developing countries. And developing countries happen also to be likely to have non-liberal or illiberal cultures. The general conclusion is that politically we should at least wait. Some of the reasons offered in support of such a claim are contextual (that is, reasons that arise from the nature of the particular society and the developmental problems it faces), and some systemic (reasons that stem from the characteristic ways in which liberal democratic politics operate).⁴³ In general, they can be summarised into the following three points:

- (i) The dysfunctional consequences of 'premature' democracy, chief among them being political instability, tend to slow growth.⁴⁴
- (ii) Democratic regimes are largely unable to implement effectively the kinds of politics considered necessary to facilitate rapid growth, an example often used being the need to curtail consumption.
- (iii) The uniqueness of the present world economic context requires pervasive state involvement in the development process, which is in turn fettered unduly by political democracy.

⁴¹ Huntington (1993, 1996).

⁴² In contrast to the West's preference for an abstract form of contractual law, writers such as de Bary (1988), Jones (1993) and Pye (1985) have stressed the Eastern preference for an 'intuitive mediational' type of law which 'privileges conciliation and consensus building'. Interestingly, Kahn (1997) shows how the rule of law as a system of political order is itself a belief system structured by imagination.

⁴³ Huntington (1991b), pp. 209–10.

⁴⁴ Political instability may, of course, be an objection in itself, regardless of consequences for growth.

Another anti-‘liberal democratic’ argument is a more principled one: very often ‘the social’ is invoked as a moral category, a morally privileged definition of ‘the community’ is constructed, and liberalism is faulted for its failure to recognise the primacy of this construction. Theorists call attention to the anomic potential of liberalism’s hollow procedural virtues, and argue that its concern for privacy and private property not only deny the social but lead away from the public sphere toward a life dedicated to the pursuit of private interests with little regard for the ‘common good’.⁴⁵

Often, these various arguments are mixed with ease, and political theorists and politicians often combine these different languages to increase the force or the impact of their statements. In addition, one can perhaps discern a variation in the relative prominence of these different strands between different areas of the world. Broadly speaking, in Latin America, cultural reasons for resisting ‘liberal democracy’ are especially important, but these reasons are rarely paraded in public; in sub-Saharan Africa, the discourse is more usually that of ‘not ready’, or, which might amount to more or less the same thing (and which might not), that a competitive democratic politics will serve only further to divide societies that are already very divided. It is perhaps in Asia where one finds the most serious and sustained reservations about the universal applicability of a Western model of ‘liberal democracy’: the premium put on ‘stability’ (and its corollaries of harmony and order, the emphasis on the collectivity, etc.) has been and remains greater than in the West. While some attribute this to the Confucian culture, it need not be a culturalist argument. The difference is there – in particular one finds a different conception, or set of conceptions, of the proper point and nature (scope, content, significance, etc.) of state power – but the present attitude may at least in part be the result of a historically different past and a greater degree of insecurity (or perceived insecurity) in the present. There may of course be self-serving reasons for the ruling elites in Asia to resist ‘liberal democracy’, but while the reservations may or may not be more deeply held, what seems clear is that Asian leaders and elites alike have found a greater confidence in expressing them, partly as a result of their growing economic power.

We may therefore also discern amongst the anti-arguments some questioning the feasibility of ‘liberal democracy’ and others questioning its desirability. There are those who argue that ‘liberal democracy’ is simply not feasible in a non-Western culture. That is, ‘liberal democracy’, whether desirable on its own or not (and whether desirable for itself or for its

⁴⁵ Notably the ‘communitarian’ critiques, as represented by Charles Taylor (1979, 1989a), which are essentially critiques of individualism and do not exhaust the range of objections to liberalism. See also Taylor (1989b) for a clarification of the common misunderstandings about the liberalism–communitarianism debate.

consequences), cannot be achieved in these countries. On the other hand it is the long-term undesirability of 'liberal democracy' (even if feasible) that underlies theories against liberal individualism. In the middle are theories which argue for the short-term undesirability and/or non-feasibility (due to developmental needs, for instance) but long-term desirability of 'liberal democracy' for developing countries. It may be that something should not be desired if it is not reasonably feasible (that desiring something for something's sake is 'impractical'), but unless it can be definitively demonstrated that 'liberal democracy' is entirely non-feasible in a non-Western context and that beliefs have no practical political force, the question of the desirability of 'liberal democracy' is and remains an important one for developing countries.

As mentioned earlier, this study does not intend to discuss the philosophical merits of liberalism and the various principled challenges to it. Nor does it intend to steer its way through the various interpretations of different non-Western cultures, since there is simply no 'right' interpretation of a particular culture. The culture of a society keeps changing and keeps being adapted to suit the circumstances of the day, within the constraints of a particular discourse, of course. Instead, the study singles out the most real, most practical argument for delaying democracy: the need for economic development. Fundamental to this argument is the claim that economic growth is hindered by the democratic organisation of the polity. The question is: are 'liberal democracy' and economic growth competing concerns? Is there a 'cruel choice' between economic development and 'liberal democracy'?

The focus in this study, in other words, is not for the most part on the relationship between capitalism and culture, or that between 'liberal democracy' and culture. It is of course the case, as was pointed out at the beginning of this chapter, that in addition to having different needs, developing countries typically have cultures different from those of existing liberal democracies, and that they also have different capacities. Ultimately, capitalist development interacts with culture in influencing the content and subtleties of the politics of a country. However, culture is not static, but always changing and changeable, partly as a result of capitalist development.⁴⁶ In other words, the culturalist argument against the feasibility of 'liberal democracy' cannot be taken on its own absolute terms.

⁴⁶ That the presence of capitalism and the market economy encourages some ways of life and discourages others, that markets have cultural concomitants, that the relationship between culture and economic activity is not one of mutual exclusiveness but of reciprocal influence and inter-penetration, have in fact been recognised, whether implicitly or explicitly, since the advent of the market economy. An interesting recent discussion can be found in Haskell and Teichgraber (1994).

A final point to be made is that generalisations about the assessment of the feasibility of 'liberal democracy' (for developmental reasons just as for cultural reasons) need to be qualified. First, feasibility is dependent on the desirability of 'liberal democracy' as perceived by the citizens, which may be influenced by the culture and traditions of a society, and which may also be affected by their understandings of what 'liberal democracy' is and what it can reasonably achieve in the present global context. When considering both the desirability and feasibility of 'liberal democracy' one should not ignore the issue of desirability and feasibility as perceived by the citizens. For example, even if there is a general desire for 'liberal democracy' (whether due to a universal desire for political 'recognition', as Fukuyama claims, or for some other reason), and even assuming that there is some understanding of what 'liberal democracy' is and can be, even if the circumstances are right for democratisation, psychological factors can become a big obstacle to change. One may usefully point to Hirschman's illuminating comments on the 'failure complex'. Secondly, feasibility is not predetermined by the actual. Obstacles, Hirschman tells us, can be overcome in some countries if they can be turned into assets, or if their elimination can be found to be unnecessary for a successful 'liberal democracy', or if their elimination can in fact be postponed.⁴⁷ Indeed, in thinking about the relationship between feasibility and desirability, one needs to avoid the method of 'looking up the history of one or several economically advanced countries, noting certain situations that were present at about the time when development was brought actively under way in one or several of these countries . . . and then construing the absence of any of these situations as an obstacle'.

1.3 Focusing on the democracy–development connection

Having explored the new circumstances in which the democracy–development connection finds itself, and having situated the democracy–development debate within the general debate about 'liberal democracy', we now proceed to focus on the democracy–development connection itself. The broad question is: does regime-type matter for economic development, and how?⁴⁸ The more specific question is: does, and if so how does 'liberal democracy' affect economic development?

⁴⁷ On the 'failure complex', see Hirschman (1963), further elaborated in Hirschman (1981), esp. ch. 6; on overcoming obstacles, Hirschman (1970), ch. 14.

⁴⁸ The confused state we are in concerning this connection can be seen in the fact that one rather prominent theorist, Jagdish Bhagwati, has recently 'switched camps', jumping from the 'conflict' camp to the 'compatibility' camp; see Bhagwati (1995). This may reflect how academic fashion changes, or as Krugman (1996) puts it, how there are political cycles of conventional wisdom on economic development.

There are three lines of thinking:

- (1) First there are the ‘compatibility’, or what can be described as the ‘all good things go together’, arguments. According to these, ‘liberal democracy’ and economic development go hand in hand.
- (2) On the other side are the ‘trade-off’ or ‘conflict’ arguments, which suggest that ‘liberal democracy’ has dysfunctions, some of which can conflict with economic development, and that this is particularly important in new democracies where the systemic problems (such as the tendency of particular groups to take care of their own special interests at the expense of the public or general interest) are compounded by contextual problems (that, for example, new democracies are usually divided ethnically, religiously, etc.).
- (3) Thirdly, there are the ‘sceptical’ arguments. These accept that it may well be that ‘liberal democracy’ and economic development go together in the long run, but they stress that ‘liberal democracy’ in itself has little direct impact on economic development, for there are various intervening factors.

In other words, according to groups (1) and (2) regime-type matters, or more specifically, ‘liberal democracy’ matters. The disagreement concerns whether regime-type matters positively or negatively. Numerous case studies and cross-national studies have been conducted to argue for one or the other. On the other side, group (3) argues that regime-type does not matter. Development depends on other variables, things like the political culture or religious tradition of the country involved, the particular moment that development is undertaken, the particular institutions that the country has and can have, etc. Again, various studies have purported to show that no connection between regime-type and development can satisfactorily be established.

This study takes an alternative approach. It suggests that new insights into the relationship between regime-type and development may be gained from decomposing the concept ‘liberal democracy’ (as will be formally set up in chapter 2). It suggests that ‘liberal democracy’ has three important aspects, and the relationships between development and each of these three aspects or different mixes of these aspects may be different. Simply decomposing ‘liberal democracy’ into three dimensions, we can postulate that there may be at least five possible scenarios:

- (i) each of the three dimensions of ‘liberal democracy’ – ‘economic’, ‘civil’ and ‘political’ – is independent of the others empirically;

- (ii) each is dependent on the other two such that each serves to enhance the other;
- (iii) each is dependent on the other two such that there is a trade-off between them;
- (iv) the three pairs of relations are a mixture of (i), (ii) and/or (iii); and
- (v) the relationship is different at different moments in different cases.

Moreover, to say that there is a complementary relationship between A and B, or that each serves to enhance the other, is still too imprecise. Even if we find a complementary relationship between A and B, we may still like to distinguish between a case of A having an ‘elective affinity’ with B, or the two being logically connected or mutually reinforcing, from a case of A causing B, or leading consequentially to B (in which case there may be a time lag between having A and developing into a situation where both A and B are present), from a case of B being necessary for A, that is, that A cannot exist without B. For example, one dimension of liberalism may have an ‘elective affinity’ with other dimensions of liberalism, but other dimensions may not necessarily be consequential from it.

The same set of possible relations may obtain between each of these dimensions and economic development. In addition, because of the diachronicity of both sides, there is a further possibility. Not only can the relationship between economic development and ‘liberal democracy’ be either positive or negative or insignificant, and not only can the causal arrow run either way, but the relationship can be linear or curvilinear (tending towards a polynomial or a log-scale shape). Moreover, there may be a certain ‘threshold’ at which the relationship changes from one to another. To be more concrete, then, the democracy–development connection, for each of the three dimensions of ‘liberal democracy’, can assume the following forms:

- (A) development is a necessary and/or sufficient condition for ‘liberal democracy’ (and the relationship can be linear, curvilinear or with a threshold)
- (B) as in (A) but the relation is contingent on certain factors
- (C) development is irrelevant to ‘liberal democracy’ and vice versa
- (D) development is important for the sustainability of ‘liberal democracy’
- (E) ‘liberal democracy’ is a necessary and/or sufficient condition for development (this is the reverse of (A))
- (F) authoritarianism is a necessary and/or sufficient condition for development
- (G) the development–‘liberal democracy’ connection differs at different moments and in different cases (for example under different international conditions and/or according to country characteristics – in