

Fundamental Tensions in the Democratic Compromise

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In his article, Leftwich points out that for a democracy to be stable, there has to be an understanding that the losers in elections will not be wiped out by the winners. This inevitably ensures that stable democracies are conservative, based on consensus, and therefore unlikely to carry out the structural changes necessary for development to take off. While this is undoubtedly a problem for developing countries trying to institutionalise democracy, a comparison of developing countries with more advanced ones suggests a more fundamental problem with trying to construct democracy at an early stage of development. This more fundamental problem has to do with *who* the winners of democratic contests are likely to be in a developing country, not so much that they are likely to have to compromise with their immediate contestants. Societies, of course, contain different interests, and the main economic interests constitute different social classes. Leftwich is right to argue that much of development involves structural change, and a key component of this structural change is the emergence of new classes as the economy develops, usually in the direction of capitalism.

In advanced countries, a well-established capitalist class exists and dominates the economy. This fact has tremendous implications for understanding the viability of democracy in an advanced capitalist economy. The economic domination of the capitalist class and the domination more generally of the capitalist economic system ensures that democratic politics oscillates around a narrow range of options which are essentially pro-capitalist, but which may differ at the margin in terms of distribution. There are several reasons for this of which the two main ones will have to suffice here. First, the dominance of the capitalist sector ensures that most of the resources for running politics (rent-seeking expenditures in the economic jargon) comes directly or indirectly from capitalists. If as a class they are the biggest political spenders (not just in contributing to parties, but also in more subtle ways such as funding think tanks, lobbyists and so on) it is unlikely that the outcome of the political process will systematically damage them. Secondly, and more importantly, the economic dominance of capitalism means that the welfare of most people, even if they are not

capitalists, depends on the health of the capitalist sector. If they are workers, their employment and wage growth depends on the health of the capitalist sector. If they are professionals, the purchasers of their services are most often capitalists. And if they are public sector workers or professionals, their wages and salaries come from taxation, which again depends on the health of the capitalist sector. Thus even when the substance of politics is about how to redistribute the fruits of growth, most “responsible” participants understand that redistribution has to happen within a regime which is conducive to capitalist growth. In that sense, New Labour and the Third Way has simply formalised an insight which is as old as Social Democracy itself. These considerations, as much as, or more than the need to find compromises which Leftwich identifies, are the reasons why democratic politics appears to be based on conservative compromises in most democratic countries, which are after all mostly advanced capitalist countries. But the key thing is that these compromises are not necessarily destructive for growth, even though they may not be the most radical.

The nature of the democratic compromise in developing country democracies is fundamentally different. Here, by definition, capitalism is not the dominant sector and capitalists are not numerous enough to dominate the economy politically even though individually they may be obscenely rich. The paucity of capitalists means that it is unlikely that can collectively spend enough to ensure that their interests dominate in defining the objectives of politics and rent-seeking. More importantly, and again because of the underdevelopment of capitalism, the welfare of most people is not directly tied to the welfare of the capitalist sector. True, if the capitalist sector grew rapidly, then in a generation or two most people would benefit from that. But there is a qualitatively weaker correspondence between the living conditions of most people and the health of capitalism. In such a context, political populism in extreme cases can easily kill off the capitalist sector without anyone in power caring too much, even though a very severe capitalist collapse may eventually touch almost everyone. For instance, Leftwich points out as an example of democratic conservatism the fact that the Bhutto regime in Pakistan failed to carry out land reform. This is true, but the Bhutto regime is also a very good example of third world populism where large-scale nationalizations, clientelist job creation and a redistributive rhetoric had seriously damaging effects for local capitalism. This kind of politics is virtually unknown in advanced capitalist countries short of a revolutionary situation. Thus the critical

feature of developing countries is that here, while the democratic contestants do have to make compromises *with each other*, there are no systematic reasons why these compromises will protect the interests of the capitalist sector or promote growth.

The interests which dominate politics (and rent-seeking) in this context are both different from and much more complex than what we find in advanced countries¹. In many cases but not all, the groups which dominate politics (and not just electoral politics) are a motley collection coming from what may collectively and loosely be described as the “intermediate classes”. These include the educated classes with college or university education, the petty bourgeoisie, and middling to rich peasants. This middle strata may be numerically small (possibly as small as ten percent of the population) and economically weak, but in terms of legitimacy and organizational power, they are collectively the most powerful group in most developing countries. Without their leadership and participation, electoral politics, in particular, is impossible. In practice, what we see most frequently in the democratic domain are contests between multi-class factions led and dominated by members of the intermediate classes.

The objective of these contests is to replace an existing group with another one, and Leftwich is right to point out that democracy will only stabilise if the losers are assured of a chance of returning in a few years. But this does not in itself identify the more fundamental problem which is that the objectives of these competing groups may simply be to capture public resources and engage in very destructive types of corruption and primitive accumulation to immediately enrich their faction. This, rather than innate conservatism, is what is destroying most developing countries. Democracy is not the cause of many of these problems since value-reducing rent-seeking can operate without democracy. But the evidence certainly belies the argument that democracy in any simple way makes these problems less serious, for instance through greater “accountability”. Such an expectation is based on a naïve view of democracy as a system whereby the “people” elect leaders to translate their preferences into policy. As Leftwich points out, the Schumpeterian view of democracy as competition between organized parties is more accurate, and the critical question is which groups have the organizational, financial or other powers to dominate party politics. While democracy is a goal which is valuable in itself, the idea

that democracy will help to solve the fundamental problems of value-reducing rent-seeking in developing countries is not supported by the evidence. Indeed by legitimising and intensifying contestation between essentially unproductive groups, democracy can in many contexts make the damaging rent-seeking worse. These observations are not arguments “against democracy” but simply pointing out that the construction of political settlements which may allow more rapid economic development in developing countries has nothing necessarily to do with either promoting democracy or overthrowing it.

¹ A comparative examination of these class and group interests in Asian countries and their consequences for rent-seeking is presented in Mushtaq Khan and K.S. Jomo, (Eds) *Rents, Rent-seeking and Economic Development: Theory and Evidence in Asia* (Cambridge University Press 2000).