Impact of democracy on economic development

History

Number Impact of Democracy on Economic Development Democracy refers to a government structure in which citizens are thesource of authority. Legislative and Executive powers are given by the mandate of a majority vote. A scholarly examination of the correlation of these two phenomena draws multiple possible conclusions. The view of democratic governance and its impacts on economic development assume both positive and negative points. This raises a critical line of thought in which three hyppotheses are possible on the correlation between levels of democracy and economic development.

One such hypothesis is that of the negative impact democracy has on the economy as noted by Przeworski & Fernando (1993). The pro-dictatorial stand taken by their article argues strongly against the public choice theory (Przeworski & Fernando, 1993, p. 8). The public choice theory which advocates for minimal government questions the true existence of democracy by arguing that bureaucrats, states, politicians and citizens act solely from a perspective of self interest. Such encourages acts of corruption from the above parties which in turn diminishes economic development. Governments exercise authorities and powers designed for selfish needs of their own. Politicians use resources of the government to maintain and consolidate positions of authority and power. States employ powers to confiscate individuals’ private properties. Citizens use influence from politicians to attain exceptional benefits. Bureaucrats extract bribes from citizens seeking for the benefits and protect their businesses (Przeworski & Fernando, 1993, p. 8). The same theory however, proposes an opposing hypothesis where minimal government justifies freedom for all where the government liberates its citizens to participate in economic development and this in turn would translate into a higher GDP and per capita rates thus positive development of the economy. The theory may also assume a null hypothesis where the levels of democracy have neither positive nor negative relation to the economic development. Such is when the natural circumstances of a country are protagonist to economic activity. (Przeworski & Fernando, 1993, p. 8)

Wickrama and Mulford (1996) generate a hypothesis in which the levels of democracy is said to lead to the achievement of proportional levels of economic development. Their restrictive model of real GDP growth per capita supports the concept that the highest growing nations have a relatively high democracy level. A research carried out between the years 1960 and 2010 has findings on the same notion. Countries of the Sub-Saharan Africa such as Somalia, Sierra Leone and Liberia have authoritarian political regimes. These countries have the lowest rate of the real GDP per capita (Wickrama & Mulford, 1996, p. 381). Analysis of these countries at a macro level provided results that would be perfectly satisfactory. This gives a noteworthy positive correlation of approximately 0. 5. This coefficient explains that an increase in democracy level (independent variable) equally causes an increase in economic development (Dependent variable) in the developing countries within the Sub-Saharan Africa.(Wickrama & Mulford, 1996, p. 381).

Dahl (1989) generates a strong hypothesis for the presence of a democracy and its effect in the economy by putting on the stand government activities, which even though not directly related to economic activity, affects its development. A democratic government would be forced to attend to matters such as disease and education among its citizenry and in so doing support economic activity. On an oppposing point a null hypothesis suggests that such involvement of the governments would translate ion minimising their capacity to engage in activities that would lead to economic development. (Dahl, R. (989) A case in example is when resources are translated to handle disasters due to democratic citizenry rather than supporting fiscally beneficial activities.

In conlusion, democracy takes a tri-dimensional view on its impact on the economy such that it affects it positively, negatively or not at all. In retrospect economic growth is not directly dependent on a democratic government rather the stability of the state in question. Such stability is what facilitates an entrepreneurial spirit, encourages saving and provides security. These factors are all paramount in economic development. It’s however prudent and empirical to that democracy has a positive effect on the economy but only in certain levels according to Barro (1996) " the middle level of democracy is most favorable to growth, the lowest level comes second, and the highest level comes third"(Barro 1996 p14).

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