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Is Liberal Democracy Feasible in Developing Countries?

Dani Rodrik[1]

Abstract Liberal democracy has been difficult to institute and sustain in developing countries. This has to do both with ideational factors—the absence of a liberal tradition prior to electoral mobilization—and structural conditions—the prevalence of mass mobilization along identity rather than class cleavages. This paper considers the conditions under which liberal democracy emerges and speculates about its future in developing countries.

Keywords Liberal democracy · Developing countries

When I published my piece entitled "Institutions for High-Quality Growth" in *SCID* 15 years ago (Rodrik 2000), it had already become conventional wisdom that institutions—beyond policy reforms here and there—were central in the process of economic development. Economists focused on two types of institutions in particular: those that protected property rights and those that enforced contracts. Though this was not always explicit, economists also tended to have a universalist conception of institutions, presuming that what worked well in one setting could be transplanted in others. Over time, this "best-practice" mind-set would come to dominate the practical and policy work of international organizations such as the World Bank, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD). The detailed but fairly specific prescriptions of the Washington Consensus would be augmented by open-ended recommendations on reducing corruption, improving regulatory and judicial institutions, and enhancing governance more broadly.

I argued that the prevailing technocratic views on institutional reform were missing an important part of the picture. They ignored both the malleability and the context specificity of institutional designs.

We can agree that growth-supporting institutions have to perform certain universal tasks, such as safeguarding macroeconomic stability or ensuring that investors do not

✉ Dani Rodrik
dani_rodrik@harvard.edu

[1] John F. Kennedy School of Government, Harvard University, Cambridge, MA 02138, USA

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fear expropriation. These are universal functions in the sense that it is difficult to envisage how any market-based economy can develop in their absence. You can step off a plane in a country you have never been to and spout these commandments—"Keep inflation low and stable," "Ensure that entrepreneurs feel safe and can retain the return to their investments"—without going wrong. Who would possibly invest in the economy otherwise?

But, these tasks do not tell us much about the *form* that the requisite institutions should take. As East Asia has amply shown, market incentives can be generated with institutions that take, from the best-practice perspective, highly unusual forms. Even private property rights can be dispensed with, it seems, if there are arrangements (as in the case of China's TVEs, township and village enterprises) that provide effective and substantial control rights to investors. Function does not map into unique forms (Rodrik 2007).

Further, I argued that democracy was a sort of metainstitution, allowing each society to choose and shape its institutions in contextually appropriate ways. China is not a democracy, of course. But, its experimental approach to institutional design, ensuring that reforms are locally effective and do not generate large redistributions, mimics in some essential ways how democratic deliberation and decision-making operate. I also provided some cross-national evidence suggesting that democracies do indeed generate high-quality growth, providing greater predictability, stability, and resilience and better distributional outcomes.[1]

When the piece was published, the number of democracies in the world was swiftly rising. Today, by one count, there are more democracies in the world than autocracies—something never experienced before in world history (Mukand and Rodrik 2015: Fig. 1). This is something to be celebrated, to be sure.

Democratic Failures

Yet, the picture is hardly rosy for the world's new democracies. Not too long into the "third wave" of democratization, observers began to notice that most countries with more or less free elections hardly operated along Western lines. In a prescient article, Fareed Zakaria (1997) called these regimes "illiberal democracies." He wrote: "Democratically elected regimes . . . are routinely ignoring constitutional limits on their power and depriving their citizens of basic rights and freedoms." Today experts are more likely to talk of "democratic recession" than to applaud democracy's advance (Diamond 2015; see also Roberts, this issue).

As Zakaria and others have noted, electoral democracy is different from liberal democracy. In "The Political Economy of Liberal Democracy," Sharun Mukand and I (Mukand and Rodrik 2015) formalize the difference by distinguishing among three sets of rights. *Property rights* are rights that protect asset holders and investors against expropriation by the state or other groups. *Political rights* guarantee free and fair electoral contests and allow the winners of such contests to determine policy subject to the constraints set by other rights (when provided). And, *civil rights* ensure equality

[1] The evidence that democracy leads to higher growth is generally considered to be weak. However, a recent paper by Acemoglu et al. (2014) makes a strong case that it does.

		political rights	
		no	yes
civil rights	no	illiberal autocracies	electoral democracies (Argentina, Croatia, Turkey, Ukraine, ...)
	yes	liberal autocracies (Monaco)	liberal democracies (Canada, Chile, S. Korea, Uruguay, Ukraine, ...)

Fig. 1 A taxonomy of political regimes

before the law—that is, nondiscrimination in the provision of public goods such as justice, security, education, and health. Political and civil rights can bleed into each other and be difficult to distinguish. But, they are not one and the same. Tabulations based on Freedom House raw scores, for example, show that it is far more common for countries to provide political rights, in the sense defined here, than it is for them to provide civil rights.

The distinction between political and civil rights allows us to operationalize the difference between electoral and liberal democracies. An electoral democracy provides property and political rights. A liberal democracy provides civil rights in addition. We can classify countries accordingly, using the 2×2 matrix in Fig. 1. (Our classification is based on unpublished Freedom House raw scores; details are in the original paper.)

Countries that provide civil rights but no political rights—what we call "liberal autocracies"—are extremely rare. Britain in the early nineteenth century before the extension of the franchise is the prime historical example. Perhaps, the only contemporary example is the principality of Monaco.

The literature on economic development recognizes, to some extent, the importance of liberal practices by stressing the importance of the "rule of law." But, when economists and others talk of the rule of law, they often confound two things that are best kept distinct. On the one hand, the weakness of legal administration and enforcement in poor countries can render judicial remedies against rights violations and the abuse of power ineffective. On the other, the governing coalition—the "majority"—can deliberately discriminate against ethnic, religious, or ideological minorities in order to solidify their hold on power or disproportionately divert public goods to their supporters. India ranks low on rule-of-law indicators, in part, because it takes a very long time for courts to reach a verdict, not because the legal regime exhibits explicit bias against members of a certain caste or religion. In Turkey, the rule of law fails whenever government opponents—whether they are secularists, liberals, or Kurdish activists—are on the wrong side of a dispute. Inefficiency and deliberate bias are quite different things. The first can be ameliorated by improved capabilities and enhanced bureaucratic capacity. The second is part and parcel of the deliberate operations of the judicial machinery. Violations of the second type are more insidious and perhaps also more damaging. Rights violations targeting minorities or government opponents become the modus operandi of governments hoping to hold on to power. They also deepen identity and ideological cleavages in society, making the establishment of liberal democracy that much harder.

Historically, liberal democracy has never come easy. The USA is perhaps the oldest democracy today, though for all its pretensions, it would have been hard to call the

country fully liberal until after the civil rights struggles of the 1960s bore fruit. With the notable exception of Britain, most western European countries reverted to various forms of autocratic government periodically before the Second World War. The reestablishment of liberal democracy in western Europe after 1945 was by no means a foregone conclusion and presumably owes much to the discrediting of the fascist regimes of the prewar period. Japan too was an unlikely success in Asia.

We do not have to idealize the political regimes in these advanced postindustrial societies to acknowledge that it has been very difficult to follow their examples in the developing world. The temptations of illiberalism have been in evidence in the postsocialist countries of eastern and southeastern Europe as well. Hungary is well on its way to becoming a model illiberal democracy, despite membership in the European Union. The vast majority of countries that became democratic in the third wave of democratization and thereafter are electoral rather than liberal democracies today.

Why Is Liberal Democracy So Rare?

To understand why liberal democracy is such a rare beast, it is useful to consider the circumstances under which countries make a transition from autocracy to democracy. The voluminous literature in political science and political economy on democratic transitions tends to focus on two kinds of processes.[2] The first has to do with intraelite splits and bargaining. When the elite are divided and have a hard time coordinating, democracy can emerge as a system of power sharing. The second has to do with struggles between nonelites and the elite. When the elites can no longer keep nonelites in check, they may prefer to give the nonelites the vote instead of facing the prospect of political instability and mass revolt.

The democratic settlements that such transitions produce are unlikely to be liberal. This is because the primary beneficiaries of *liberal* democracy—as opposed to electoral democracy—are disenfranchised minority groups who hold little power in either kind of settlement. Elites want to protect their property rights first and foremost. And, the dominant groups within the nonelite—let us call them the "majority"—want electoral rights so they can choose policies to their liking. The ethnic, religious, or ideological minorities that would most benefit from nondiscrimination will rarely sit at the negotiating table. The political logic of democratization produces electoral rather than liberal democracy. The real puzzle is not that liberal democracy is so rare but that it exists at all.

In Mukand and Rodrik (2015), we discuss several circumstances that can bend this dismal logic in a direction that is more favorable to liberal democracy. First, there may be reasons why the elite want civil rights in addition to property rights. The landlords and wealthy merchants who prevailed over the king in Britain's Glorious Revolution sought to protect themselves from the king in both the religious sphere and the economic sphere. They feared James II would impose his Catholicism on them as much as they worried about the crown's ability to expropriate them through exorbitant taxes. So, in Britain, property and civil rights were entrenched together. British liberals

[2] See, for example, Boix (2003), Acemoglu and Robinson (2009), and Ansell and Samuels (2014).

would in time make little distinction between these two sets of rights, presuming that they were part and parcel of the same process. T. H. Marshall's famous essay "Citizenship and Social Class" ((1949) 2009) for example, would fold property rights under civil rights.

South Africa is a very different case, but the continued and somewhat improbable presence of liberal norms appears to be due to an analogous set of circumstances. At the time of the democratic transition in 1994, the minority government was intent on protecting not only the property rights of the whites but also their civil rights (Goldstone 1977). As in the Glorious Revolution, the elites shared "identity markers" with the minority, rendering them easy targets for discrimination and making them particularly interested in safeguarding civil rights. (Sadly, liberal norms have been in retreat for a number of years in South Africa. Our index of liberal democracy no longer classifies South Africa as one since 2009.)

A second path arises when society is relatively homogeneous and there are no marked identity cleavages. In this case, the majority have no clear minority they can discriminate against. Liberal democracy and electoral democracy become effectively indistinguishable. Japan and South Korea are perhaps apt illustrations of this model.

Finally, it is possible to maintain liberal democracy if there is no clear majority and if no identifiable group can hope to hold on to power indefinitely. Repeated-game incentives may then sustain a regime of moderation and tolerance: each group respects the rights of others for fear that it too may become a minority 1 day. Such modi vivendi are fragile for a number of reasons. Successful political leaders can forge and sustain majority governing coalitions even when society is divided by multiple, cross-cutting cleavages. Such leaders will be less concerned about the rights of groups outside the coalition, even when the nature of the coalition changes over time. Turkey's Recep Tayyip Erdogan provides a good example of this tactic. Alternatively, leaders may simply overestimate how long they will remain in power. In this case, they will overlook that sooner rather than later they may need the goodwill of today's opposition groups.

These problems plague developed and developing countries alike. Liberal democracy in continental Europe—at least until the postwar period—was fragile partly because identity cleavages (based on religion, ethnicity, or language) competed with affiliations based on income and class. Fascists and Nazis were successful because they could forge large enough governing alliances based on constructed identity narratives that blamed and excluded "others" (foreigners, Jews, Gypsies, "cosmopolitans"). But, in many respects, the challenges that developing nations face today are much greater. Consider some of the differences.

Political Disadvantages of Backwardness

First, liberalism developed and spread in the West *before* the franchise was expanded. Restraints on the executive, the rule of law, religious tolerance, and free speech were well established in Britain by the early part of the nineteenth century. Democracy was a latecomer, and liberals themselves were quite dubious about its benefits. The best-known theorist of classical liberalism, John Stuart Mill, thought democracy required a certain level of societal maturity, one that Britain had reached only recently (and that

other societies like Russia or India lacked). Along with de Tocqueville, he fretted about the "tyranny of the masses" that elections might bring. As Edmund Fawcett (2014: 144) explains, liberals grudgingly made their peace with democracy in the decades before World War I. They gave their support to the expansion of the franchise, hoping in return that popular forces would accept "liberal limits on the authority of the people's will."

The difference with the developing world could not be bigger. Liberals rarely held the upper hand in developing nations, and there was no liberal tradition to speak of in decolonizing countries before democracy arrived. (India is perhaps the exception, thanks to British influence among the elite.)

Second, the forces of industrialization, which promoted liberal democracy in the West, are much weaker today in the developing world. Industrialization was important to democracy because it unleashed the social forces that destabilized the old aristocratic order. But, it also meant that the main axis of conflict between the elite and nonelite would consist of bread-and-butter issues having to do with pay, labor rights, and taxes and benefits. These were conflicts liberal democracy could handle. Labor market regulation and the welfare state were the upshot. These institutional innovations would alter over time the nature of capitalism, but they did not pose a serious threat to liberal practices.

In developing countries, mass political mobilization typically took place in very different circumstances. It was the product of decolonization or wars of national liberation, where the main cleavage was not class, based on economic interests, but identity. Politics revolved around nation building, with an implicit or explicit "other" against which mobilized masses were aligned—a colonial adversary, a neighboring nation, or an ethnic group supposedly standing in the way of independence.

From the standpoint of politics, identity cleavages are not primordial or exogenous; they can be deepened or manipulated, spurring political mobilization based on ethnicity, language, or religion. Historical tensions and cultural diversity provide the raw material for clever politicians to fashion electoral majorities. Populism of this kind—populism of the right—differs in one important respect from the populism centered on income and class cleavages—populism of the left. "Left-populists" promise (income-boosting or redistributive) policies that aim to overcome the income and class cleavages that animates them. "Right-populists," on the other hand, depend on the continued prevalence—and deepening—of identity cleavages to maintain their hold on power. So, unlike populism of the left, populism of the right directly blocks the emergence of liberal democracy.

The politics of identity can sometimes produce a modus vivendi, typically temporary, where, in the absence of a clear majority group, each ethnic or linguistic group can hold on to its rights. Before 1975, Lebanon's consociational democracy was a classic case of this (Lehmbruch 1967). But, once the main political cleavages are identity based, the political balance is fragile and can be easily destabilized by demographic changes or opportunistic politicians (as indeed happened subsequently in Lebanon with the influx of Jordanian Palestinians and the subsequent civil war).

It is true, of course, that developing countries are still poor by definition and that the structural changes that today's rich countries underwent during the nineteenth and early twentieth centuries are still ahead of them. It is also the case that successful industrializers among them have ended up becoming liberal democracies. Consider South Korea or Taiwan. In both cases, industrialization produced a significant working

class, which in turn played an important role in democratization. Even more impressive is the case of Mauritius, which is an ethnically divided society but remains a liberal democracy. As in the case of Switzerland, it appears that major identity cleavages are not necessarily an insurmountable obstacle to liberal democracy. But, industrialization—and especially the creation of a significant labor movement—seems to be important in opening up space for liberal politics and repressing identity politics.

Here, the bad news is that few developing countries are likely to experience in the future the kind of industrialization South Korea, Taiwan, or Mauritius has gone through. I have documented elsewhere that manufacturing employment levels are now peaking much sooner and at much lower levels compared to historical norms. Even very poor countries are becoming service economies—a trend that I have called "premature deindustrialization" (Rodrik 2015). Of course, the services in question are not high-productivity professions, as in the developed world, but for the most part informal, petty activities. Patterns of structural change, in other words, are quite different for today's developing economies compared to those of the past.

There are two broad factors behind premature deindustrialization. One has to do with technology, the other with globalization. On the technology front, manufacturing is becoming more and more skill-intensive. This means that a larger gap exists today between the factor requirements of manufacturing and the factor endowments of poor countries than ever before in history. Manufacturing industries no longer have the capacity to absorb substantial amounts of unskilled labor from the countryside or informal activities as they once did. On the globalization front, tariffs and other trade restrictions have come down significantly, and even low-income countries are today comparatively open to trade. That means that the room for import substitution has been squeezed out. Few of the manufacturers in sub-Saharan Africa or Central America could withstand the flood of cheap imports from China or other successful Asian exporters. The new global division of labor has been a boon to a comparatively small number of manufactures exporters. Most of the developing world, however, has had to face the prospects of an early deindustrialization.

The absence of formal manufacturing industries has not slowed down urbanization. Migrants from the countryside have been instead flooding to petty, informal services. The resulting employment patterns are not particularly conducive to liberal politics. Elites can easily divide and rule by exploiting identity cleavages and the highly heterogeneous economic interests of informal labor. Periodically, urban mobilization can erupt in protest movements—as in the Arab Spring. But, these are amorphous movements that lack organized institutions—unlike labor unions—and face major obstacles to transform their desire for more open, less corrupt politics into real change.

Substitutes for Liberal Politics?

All of this makes for rather sad prospects for liberal democracy in developing countries. But, perhaps, there are alternative paths to liberal democracy that do not rely on mass industrialization or prior experience with liberalism. Perhaps, today's developing countries can still get there, even though they will necessarily take a different road.

Let me draw an analogy with economic reform. It was Alexander Gerschenkron's enduring insight that latecomers in the economic development game would have to rely

on institutions quite a bit different from those that had worked well in early industrializers. This insight has been vindicated time and again in the developing world. Economic growth miracles happened, not where policy makers slavishly copied policies and institutional arrangements from the West, but where they crafted new arrangements more appropriate to their conditions. China has been a master of that game, but the point applies equally well to South Korea, Taiwan, or Mauritius—where heterodox development strategies prevailed early on. As I said at the outset, the market economy admits a very wide variety of institutional possibilities.

Could there be a similar possibility with political reform? Can something that looks like liberal democracy—equal treatment before the law—be achieved without Western-style institutions—an independent judiciary, for example, or separation of church and state?

Consider the system in Lebanon as it operated prior to the country's civil war in 1975. The regime that had been created in 1943 by a national pact between the Muslim and Christian communities looked in some respects like the antithesis of a liberal regime. Instead of disregarding religious differences, the regime explicitly apportioned public offices among religious denominations. At the apex of the political system, the presidency was allocated to a Christian Maronite, the premiership to a Muslim Sunni, and the speakership to a Muslim Shiite. This principle extended downwards to other government positions. As long as the system was stable, the country was regarded as a model democracy in a region sorely lacking in liberal politics. Political scientists counted it, alongside Austria and Switzerland, among the world's liberal democracies (Lehmbruch 1967). It was a nonliberal arrangement that nevertheless produced a liberal outcome.

An important reason that developing countries have difficulty sustaining liberal regimes is that they lack agencies of restraint. Elected governments can do whatever they want, and if courts or the media stand in their way, they can easily manipulate those too. Paul Collier has suggested that one important, and powerful, institution can often fill the gap: the military. As Collier argues, the military are often the only well-trained, meritocratic institution with an esprit de corps that favors the interests of the country as a whole rather than a particular ethnic or religious group. Perhaps, they can act as the institution of restraint for elected governments in countries where the judiciary are not up to the task.

Such an arrangement, of course, is at best a mixed blessing. The pros and cons have been easy to observe in Turkey. On the one hand, the military did prevent, while it was powerful, religious sectarian political groups from becoming dominant. It did promote a kind of procedural legalism and rule of law—to the point that it buckled rather than be perceived to act unlawfully when those same legal instruments were used against it in a series of sham trials. At the same time, the military had its own ideology of intolerance: for observant Muslims or Kurdish nationalists, the Turkish republic was hardly liberal. And, the frequent interruptions of civilian politics prevented the long-term institutionalization of political parties and the development of a culture of political compromise and moderation.

As a third example, consider the future direction that China's political regime may take. Might the country develop a more liberal regime while retaining the monopoly of the communist party? One can envisage a sort of Singapore writ large—where political competition takes place within the dominant political party and judicial institutions are

effective in enforcing the rule of law. One can think of many reasons why such a regime might fall far short of the standards of liberal democracy we are accustomed to in the West. But, as in China's imperfect market economy, the outcome may be better than the most likely alternative.

Fourth, the media. We are accustomed to think of a free press as the sine qua non of a liberal democracy. But, what if the media, as in many developing and some not-so-developing countries, are bankrolled and controlled by business interests who have little interest in presenting fair and balanced views? What if sensationalist media play up and aggravate identity cleavages? The usual answer to such dilemmas is to call for more competition in media markets. But, in the real world, there is no guarantee that this solves the problem. We cannot rule out the possibility that more aggressive regulation of the media than would be acceptable in the West sometimes provides a better outcome.

So, I end up at a point that bears some similarity with the argument in my earlier *SCID* paper. I argued in the earlier paper that market-supporting institutions can take diverse institutional forms and that we should not be institutional purists. The considerations in the present piece lead me to think that the same may be true for institutions that support liberal democracy. Perhaps, liberalism admits diverse institutional forms too. I hasten to add that I am considerably less sure of this point than I was of my original argument. I would certainly like to see more examples of heterodox liberal democracy. But, to remain optimistic about the prospects for liberal democracy, we need to at least entertain the idea that there may be a core of truth to it.

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Dani Rodrik is Ford Foundation Professor of International Political Economy at Harvard's John F. Kennedy School of Government.