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The Myth of Authoritarian Growth

By Dani Rodrik

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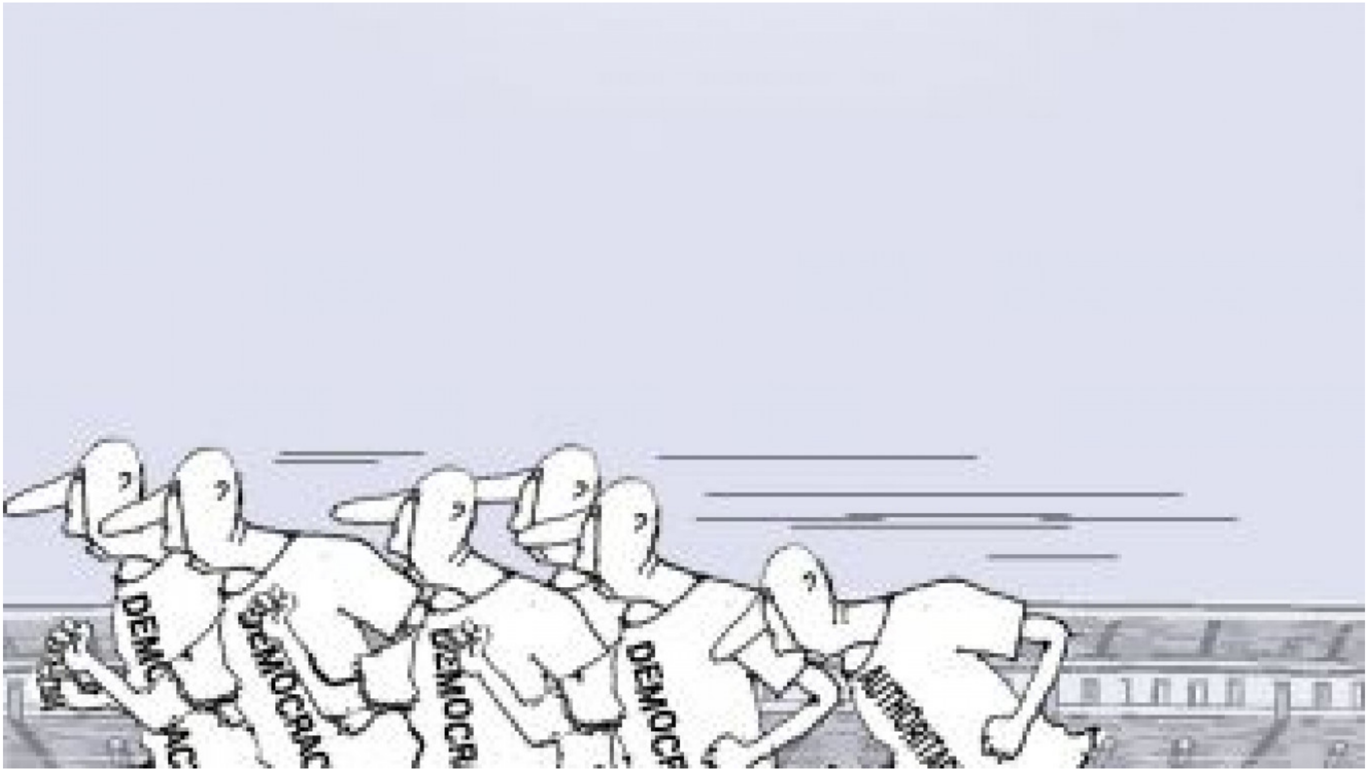

On July 31, several hundred pro-democracy activists congregated in a Moscow square to protest government restrictions on freedom of assembly. They were promptly surrounded by police officers, who tried to break up the demonstration. A leading critic of the Kremlin and several others were hastily dragged into a police car and driven away.

This is par for the course in a country that is ruled by the strong hand of Prime Minister Vladimir Putin, where persecution of the government's opponents, human rights violations and judicial abuses have become routine. At a time when democracy and human rights have become global norms, such transgressions do little to enhance Russia's global reputation.

Putin and other authoritarian leaders in the world understand the reputational risk very well, but what is most important is exercising unbridled power at home. What authoritarians understand less well, however, is that their politics also compromise their countries' economic future and global economic standing.

The relationship between a nation's politics and its economic prospects is one of the most fundamental —and most studied — subjects in social science. Which is better for economic growth: a strong guiding hand that is free from the pressure of political competition, or a plurality of competing interests that fosters openness to new ideas and new political players?

East Asian examples (South Korea, Taiwan, China) seem to suggest the former. But how, then, can one explain the fact that almost all wealthy countries — except those that owe their riches to natural resources alone — are democratic? Should political openness precede, rather than follow, economic growth?

When we look at systematic historical evidence, instead of individual cases, we find that authoritarianism buys little in terms of economic growth. For every authoritarian country that has managed to grow rapidly, there are several that have floundered. For every President Lee Kuan Yew of Singapore, there are many like President Mobutu Sese Seko of Zaire (now called the Democratic Republic of the Congo).

Democracies not only outperform dictatorships when it comes to long-term economic growth, but also outdo them in several other important respects. They provide much greater economic stability, measured by the ups and downs of the business cycle. They are better at adjusting to external economic shocks, such as terms-of-trade declines or sudden stops in capital inflows. They generate more investment in human capital, including health and education, and they produce more equitable societies.

Authoritarian regimes, by contrast, ultimately produce economies that are as fragile as their political systems. Their economic potency, when it exists, rests on the strength of individual leaders or on favorable but temporary circumstances, like high oil prices. They cannot aspire to continued economic innovation or to global economic leadership.

At first sight, China seems to be an exception. Since the late 1970s, China has done extremely well, experiencing unparalleled rates of economic growth. Even though it has democratized some of its local decision making, the Chinese Communist Party maintains a tight grip on national politics, and the human rights picture is marred by frequent abuses.

But China also remains a comparatively poor country. Its future economic progress depends in no small part on whether it manages to open its political system to competition, in much the same way that it has opened up its economy. Without this transformation, the lack of institutionalized mechanisms for voicing and organizing dissent will eventually produce conflicts that will overwhelm the capacity of the regime to suppress. Political stability and economic growth will both suffer.

Still, Russia and China are both large and powerful economies. Their example can sway leaders elsewhere to think that they can aspire to economic ascendancy while tightening the screws on domestic political opposition.

Consider Turkey, a rising economic power in the Middle East that seemed destined until recently to become the region’s sole Muslim democracy. During his first term in office, Prime Minister Recep Tayyip Erdogan relaxed some restrictions on Kurdish minorities and passed reforms that aligned the country’s legal regime with European norms.

But more recently Erdogan and his allies have launched a thinly disguised campaign to intimidate their opponents and cement government control over the media and public institutions. They have incarcerated hundreds of military officers, academics and journalists on fabricated charges of fomenting terror and plotting coups. So widespread is wiretapping and harassment of Erdogan's critics that some believe the country has turned into a "republic of fear."

This turn toward authoritarianism bodes ill for the Turkish economy, despite its strong fundamentals. It will have corrosive effects on the quality of policymaking, as well as undermine Turkey's claim to global economic standing.

For the true up-and-coming economic powers, we should turn instead to countries like Brazil, India and South Africa, which have already accomplished their democratic transitions and are unlikely to regress. None of these countries is without problems, of course. Brazil has yet to recover fully its economic dynamism and find a path to rapid growth. India's democracy can be maddening in its resistance to economic change, and South Africa suffers from a shockingly high level of unemployment.

Yet these challenges are nothing compared with the momentous tasks of institutional transformation that await authoritarian countries. Don't be surprised if Brazil leaves Turkey in the dust, South Africa eventually surpasses Russia, and India outdoes China.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.