

Impact of Democracy on Economic Development in Developing Countries

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Abstract: This study seeks to establish a link between democracy in developing countries and their own economic development, with the aim of exploring how the state of democracy in developing countries affects their economic development. The paper will demonstrate the complexity of the relationship between human social development, poverty reduction and income equality. It will also provide empirical evidence of the relationship between democracy and economic development in developing countries through qualitative research.

Keywords: Democracy, Economic Development, Developing Countries.

1. Introduction

The progress of a nation is closely intertwined with two crucial factors: democracy and economic affluence. This study utilises the current literature and discussions, particularly those emphasised in developing countries by Adediran and Enwere, to examine this relationship [1,5]. The objective is to analyse the impact of democratic government on the economic development of developing nations. Gaining a deep understanding of the subtle distinctions of democracy in these particular situations is essential for conducting a thorough examination of its economic consequences. Democracy, which is defined by the involvement of citizens in politics, safeguarding of individual rights, and open and fair elections, is frequently regarded as a fundamental basis for promoting economic development. Nonetheless, the introduction and efficacy of democratic systems in developing nations are shaped by their distinct political, cultural, and historical circumstances. This research goes beyond basic economic metrics, such as GDP growth, and includes a wider range of factors like poverty reduction, human development, and income equality. These factors are used to assess the overall success and well-being of a nation. The correlation between democracy and economic development is an intricate and multifaceted terrain, characterised by diverse perspectives. While several theories propose that democracy is an essential requirement for economic success, others argue that economic progress can strengthen democratic systems. Additionally, it is believed that democracy may only have a restricted, direct influence on economic development. The objective of this essay is to analyse and examine different

perspectives, highlighting important democratic factors that may influence economic growth. Utilising case studies and empirical evidence, the study examines the potential variances in democratic practises resulting from regional disparities. The primary goal is to enhance comprehension of the interaction between democracy and economic development in developing nations, analysing the obstacles and possibilities they offer.

2. Democratic Challenges in Developing Countries and Current Economic Conditions in Developing Countries

2.1. Challenges of Democracy in Developing Countries

Democracy is a political system that acknowledges the need for competent institutions and a strong democratic foundation as drivers of growth. Democracy fosters a conducive atmosphere where policy decisions are based on the actions of independent and conscientious citizens who can demand transparency and responsibility from governments and state institutions in carrying out those policies. It is prominently noticeable and highly esteemed in developing nations. Hence, it is crucial to comprehend the precise circumstances under which democracy evolves in developing nations.

The development of democracy in developing countries often faces many challenges. One of the most prominent challenges is high levels of poverty. As the American political scientist Huntington once said, "If you want to create democracy, promote economic growth [7]." However, by their very nature, most of the population in developing countries lives below the poverty line and struggles to meet their basic needs [2]. Economic inequality gives rise to social stratification, which hinders the complete realization of democratic ideals. Individuals who are obsessed with their survival and lack access to fundamental resources have constraints on their capacity to actively engage in the democratic process.

Furthermore, developing countries face the significant obstacle of social inequality. Democracy was introduced in many developing countries when the colonizers left. During the colonial period, the local elites were used to govern the colonies, and the social structures in these areas remained largely intact until the colonizers left. However, the rule of these elites has resulted in significant inequality in these developing countries, with a wide gap between the rich and the poor. This has led to limited opportunities and resources for marginalized groups. This imbalance might result in specific groups experiencing disenfranchisement and impede

their engagement in democratic processes. If a significant portion of the population experiences exclusion or marginalization, democratic regimes may be unable to adequately represent society's varied demands and interests.

Political instability is another obstacle encountered by developing countries. In promoting democratization, developing countries mainly follow the multi-party system and competitive elections in Western countries, which often results in countries frequently experiencing frequent leadership changes, coups or civil unrest [12]. Coups d'état are frequent occurrences in developing African countries as part of the democratic process, with approximately ten coups d'état taking place only in the 1990s. Political extremes have a gradual and significant impact on people's faith and confidence in government and the democratic process. Uncertainty regarding their country's stability can cause citizens to withdraw from the political system, resulting in reduced active engagement and a deterioration of democratic institutions.

The presence of elevated poverty rates, socioeconomic disparities, and political volatility inside developing nations can significantly impede the operation and efficacy of democratic establishments in those countries. In emerging countries, democracy is frequently marked by a contest for authority and maintaining political equilibrium. Substantial political, social, and economic transformations frequently accompany the transition from authoritarian governments to democracies. To comprehend the intricacies of democracy in developing nations, one must thoroughly examine the historical, cultural, and socioeconomic elements that shape the political environment.

Furthermore, it is crucial to acknowledge the wide range of democratic governance levels and diversity in developing nations. Certain nations may have successfully implemented democratic institutions, while others may now undergo a transitional phase or face challenges in upholding democratic values. Moreover, the degree of civic involvement and political engagement might significantly differ, impacting the overall efficacy of democracy. Hence, it is imperative to possess a sophisticated comprehension of democracy in developing nations to assess its influence on economic progress.

2.2. Economic Profile of Developing Countries

The economic advancement of developing nations is pivotal in determining their overall advancement and affluence. Hence, I will provide a concise synopsis of the economic conditions in developing nations during recent years in order to offer a comprehensive understanding of the present state of their economies. Economic development encompasses the enduring augmentation of individuals' standard of living, productivity, and general well-being within a nation. Economic development

covers multiple facets, such as the augmentation of income, the creation of employment prospects, the provision of essential services, and the alleviation of poverty.

Gross Domestic Product (GDP) is a crucial metric for assessing economic progress in emerging nations. Gross Domestic Product (GDP) quantifies the aggregate worth of commodities and services generated within a nation within a designated timeframe. It offers a glimpse into a nation's comprehensive economic performance and levels of production. Elevated GDP growth rates signify a thriving economy characterized by heightened levels of production

and consumption. In addition, GDP per capita, which is calculated by dividing GDP by population, provides a more accurate measure of individual prosperity and standard of living [6]. According to Radelet's article, we can learn that "Between 1997 and 1994, GDP per capita growth was zero for all developing countries. However, from the mid-1990s, the average per capita growth rate jumped to 3 per cent per year." GDP per capita in developing countries has grown steadily over the past few years.

The decline in the population living in extreme poverty is a crucial component of economic progress in emerging nations. Poverty encompasses more than just a deficiency in cash and resources since it also results in hunger, malnutrition, limited access to education and essential public services, social prejudice, and exclusion from decision-making processes. In order to achieve sustainable employment and promote justice, economies must grow in a disciplined manner. An expanding economy should have the capacity to decrease poverty rates domestically. The poverty index, which measures poverty within countries, is an important indicator in this regard and provides a clear picture of a country's level of economic development [16]. According to World Bank data, by 1993, some 2 billion people - equivalent to 42 per cent of the population of developing countries - were living on less than \$1.25 a day (the World Bank's definition of "extreme" poverty, all of which is defined by the World Bank). But at that point, the number of people living in extreme poverty, which had been on the rise since the beginning of human history, began to rise and fall. And it fell fast. By 2011, the number of people living in extreme poverty had fallen to just over 1 billion, or 17 per cent of the population of developing countries. In just 18 years, the number of extremely poor people has been halved [15]. These figures show that the economic situation in developing countries has improved significantly over the past few years.

3. The relationship between democracy and economic development

The correlation between democracy and economic development has been a subject of significant attention and deliberation among scholars and policy officials. While certain individuals contend that democracy is an essential condition for economic progress, others perceive economic development as a driving force for the creation and reinforcement of democratic institutions. The objective of this part is to examine the intricate dynamics and interplay between democracy and economic development in developing nations.

According to a recent study conducted by Pippa Norris, a scholar from Harvard University, the attainment of development objectives is frequently observed in two scenarios. Firstly, when democratic institutions and processes enhance the ability of individuals to voice their opinions and hold elected officials responsible for their actions, thus granting all citizens the opportunity to express themselves. Furthermore, by enhancing the ability to govern, the state becomes more capable of effectively overseeing the distribution of public goods and services [13]. The correlation between democracy and development has consequently emerged as a prominent subject of debate.

There is a correlation between the level of economic freedom and the level of political democracy in a country. Economic freedom not only contributes to the establishment

of conditions for political democracy and freedom, particularly by improving the socioeconomic status of the middle and working classes, but also a thriving market economy depends on political democracy and freedom as a safeguard against unfavourable economic growth, lack of competition, and inefficiency. Openness and political democracy have the potential to address economic deficiencies and mitigate political scandals, bribery, and improper lobbying. The DFHS survey demonstrates that changes in the free economy have prompted political reforms, while political openness has facilitated economic liberalization in numerous countries.

"Compatibility perspective" is a theory which holds that political democracy and goals such as economic growth and social equity are compatible and can be mutually reinforcing [11]. Political democracy facilitates the inclusion of the general public, and the amalgamation of widespread involvement and political liberty fosters equity in social allocation and sustained economic advancement. Political democracy should ideally be either directly aligned with or, at the very least, closely linked to economic progress.

The process of economic development has a direct impact on the creation and strengthening of democratic institutions. Economic development at higher levels typically results in elevated education and literacy rates, thus bolstering civic consciousness and political engagement. Furthermore, economic expansion can furnish governments with the necessary means to allocate funds towards infrastructure, healthcare, and social welfare initiatives, thereby fostering social equity and comprehensive progress. Economic development enhances the capabilities of individuals and fosters a conducive atmosphere for political engagement, thereby establishing the groundwork for democratic administration. In his paper, Radelet discusses the correlation between democracy and economic growth, emphasizing that predominantly emerging nations that have had consistent economic and social advancements tend to adopt democratic systems [15]. He argues that democracy and economic development have a symbiotic relationship, one supporting and strengthening the other. Based on the information provided, it appears that economic development is closely connected to political democracy. It may be argued that the relationship between democracy and economic development is not one-sided. A higher degree of economic freedom in a country is indicative of a more stable political democracy. Similarly, when a country's economy is more open, and government officials are less corrupt, the political system tends to be more democratic. The belief is that democracy, with its focus on individual rights, political engagement, and accountable governance, fosters an environment that is favourable for economic growth. A democratic system guarantees political stability, upholds the rule of law, and safeguards property rights, all of which are crucial for attracting both local and foreign investment. Moreover, democracy facilitates the establishment of transparent and competitive marketplaces, stimulates entrepreneurial activities, and nurtures innovation and technical advancement. Collectively, these elements contribute to the overall economic advancement of the nation. Concretely, we can depict the correlation between democracy and economic growth in the subsequent manners.

To begin with, a democratic government can provide societal stability. A robust democratic system produces an equitable legal system and efficient supervisory procedures,

while the rule of law ensures that all individuals and corporations are bound by the same legal framework, thereby ensuring social equity and safeguarding rights. These factors, including justice, openness, and accountability, are crucial for attracting both domestic and foreign investment. Investors' trust in the legal system's ability to enforce contracts encourages their participation in enduring business endeavours that foster economic expansion. This offers both domestic and international investors a secure and clear business atmosphere that fosters economic expansion. In contrast, countries lacking a lack of democratic institutions are usually plagued by corruption, powerful capital, and inequality, all of which can hinder economic development [3, 9].

Additionally, a democratic government has the capacity to foster the advancement of a market economy. A market economy depends on the efficient operation of the market mechanism, whereas a democratic system ensures a just and transparent decision-making process and minimizes excessive government interference in the market. A democratic system ensures equitable and transparent decision-making while minimizing undue government interference in the market. A democratic system can provide an appropriate policy environment for economic development by finding a middle ground between government intervention and market forces. Furthermore, a democratic system enables individuals to engage in economic decision-making and enhances public input on market opinions. When citizens are granted the liberty to articulate their opinions, engage in public discourse, and contribute to the process of decision-making, they assume an active role as stakeholders in the growth of their country. Participating in such activities cultivates a feeling of ownership and accountability, which subsequently stimulates economic development. Policies that promote entrepreneurship, innovation, and inclusive economic development feed into market competition and innovation capacity [14].

Third, democracy is important for innovation-driven economic development.

Innovation is the driving force of economic development, and a democratic system emphasizes individual freedoms and rights and safeguards the rights of the individual. Emphasizes the freedom and rights of individuals and guarantees their freedom of innovation and entrepreneurship. Within such a context, individuals are imbued with a greater drive to actively explore novel concepts and approaches, thereby fostering advancements in the realms of scientific inquiry, technological development, and industrial progress. Simultaneously, democracy fosters an inclusive atmosphere for innovation by promoting interest and endorsement from all segments of society through democratic elections and freedom of expression [17].

The effectiveness of democratic systems in developing nations is greatly influenced by political stability, which in turn has a substantial impact on economic growth. In democratic systems, the mechanism for peaceful transfers of power is not just a superficial political procedure, but a fundamental principle that guarantees uninterrupted governance and social cohesion. In such systems, governments are frequently entrusted with the dual obligation of safeguarding domestic security and cultivating a stable environment that promotes growth. This entails not just strengthening military capabilities to discourage both domestic and foreign threats, but also upholding a state of

equilibrium and stability within the nation. The presence of stability plays a crucial role in establishing a dependable and foreseeable atmosphere for investments, therefore enhancing economic activities. Moreover, a stable political climate facilitates the development of foreign ties, thereby improving the nation's global status and influence. Furthermore, the existence of political stability can greatly diminish the probability of conflicts and unrest, which are recognised to disrupt economic activity and hinder progress.

In the broader context of democracy, political stability, adherence to legal principles, and active citizen participation form a triad that profoundly influences the economic trajectory of developing nations. These elements collectively create an environment that is not only favorable for investment but also pivotal in ensuring equity and holistic development. The interplay of these democratic components paves the way for sustainable economic growth, underpinning the importance of a stable and participatory political landscape in fostering economic advancement.

4. Main Case Studies

To evaluate the influence of democracy on the economic progress of emerging nations, I will examine the instances of South Korea and Zimbabwe as illustrations to investigate the practical correlation between the two.

The case study of South Korea exemplifies the significant influence of democracy on economic development, as seen by its spectacular economic growth following the transition from an authoritarian system to a democracy in the late 1980s. The nation's democratic establishments, including unfettered and impartial elections, transparent administration, and adherence to human rights, have been crucial in attracting international investment and fostering a climate favourable to entrepreneurship and innovation. As a result, South Korea's GDP per capita has grown dramatically, making it one of the Four Little Dragons of Asia, demonstrating the power of democracy in driving economic progress [4, 10]. Zimbabwe serves as an illustrative example that underscores the adverse consequences of the absence of democratic governance on economic progress. Following its independence, Zimbabwe was once praised as the epitome of progress in Southern Africa due to its steady political and economic growth. However, starting from 2000, the nation has been plagued by political conflicts, economic deterioration, inflation, rampant corruption, and the imposition of sanctions, which have been closely associated with the country. Notwithstanding these challenges, Robert Mugabe, who has held the position of power in Zimbabwe since its independence in 1980, has refused to resign and has persistently upheld his personal dominance and autocracy despite the prevailing political and economic turmoil. The lack of democratic governance and pervasive corruption deters investment, hampers entrepreneurial activities, and restricts economic prospects for the bulk of the populace. The occurrence of hyperinflation, massive unemployment, and significant brain drain in Zimbabwe has been the result of non-democratic institutions, which clearly demonstrate the negative impact they can have on economic development.

These two country scenarios offer valuable perspectives on the correlation between democracy and economic growth, elucidating the diverse factors that facilitate or impede progress. Although the specific conditions vary across countries, the presence of democratic institutions and principles, such as transparency, accountability, and political

stability, fosters a conducive setting for long-lasting economic expansion. To some degree, we can infer that democracy has a beneficial influence on the economic progress of developing nations.

When examining how democracy affects the economic progress of developing nations, the significance of regional differences becomes a pivotal aspect. The historical, cultural, and economical settings of various areas have a profound impact on the manner in which democracy and economic progress interact. The diverse origins of various regions frequently result in contrasting outcomes on the efficacy of democratic regimes in stimulating economic growth.

In regions such as Western Europe and North America, the direct relationship between democracy and economic progress is increasingly apparent. These regions, distinguished by enduring and secure democratic systems, are upheld by strong institutions that actively foster economic expansion. Democratic governments in these regions generally prioritise policies that promote entrepreneurship, innovation, and investment, thus establishing a favourable climate for economic progress. Researchers such as Johnston and Humphries have observed that the existence of robust legal systems and the safeguarding of property rights in these democratic countries enhance a stable and advantageous environment for business expansion and prosperity.

Conversely, the situation in certain regions of sub-Saharan Africa is characterised by a more intricate and diverse landscape. The assertion that 'No country on the continent has achieved a completely established and consolidated democratic government' accurately portrays the difficulties encountered in these regions. These regions frequently struggle with challenges such as political instability, inadequate institutional frameworks, and pervasive corruption, which impede the progress. When examining how democracy affects the economic progress of developing nations, the significance of regional differences becomes a pivotal aspect. The historical, cultural, and economical settings of various areas have a profound impact on the manner in which democracy and economic progress interact. The diverse origins of various regions frequently result in contrasting outcomes on the efficacy of democratic regimes in stimulating economic growth.

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governance in promoting economic progress. Moreover, the influence of democracy on economic development in various regions might be shaped by distinct cultural and historical elements. For instance, in some Asian nations, the long-established practises of centralised governance and state engagement in the economy may hinder the complete achievement of the potential advantages of democracy, as indicated by Schmitter (n.d.).

5. Conclusion

We reside in an era that is both significant due to its historical context and full of potential for the future. The worldwide proliferation of democracy holds the capacity to significantly enhance both global wealth and security. However, it is important to acknowledge the numerous obstacles that developing nations have as they strive for economic progress through democratic means. Developing countries often face challenges in dealing with corruption, lack of transparency, and inadequate governance frameworks due to institutional inadequacies. These obstacles obstruct the efficient execution of democratic practices and policies, thereby impeding economic advancement. In the absence of a robust and transparent institutional framework, it becomes challenging to attract investment, foster innovation, and guarantee the fair allocation of resources.

Conflicts arising from the disparity between current political ambitions and long-term economic objectives in developing nations. Democracies often prioritise the desires of the voting population, resulting in the adoption of populist policies that prioritise short-term interests while disregarding long-term economic growth. This may result in insufficient distribution of funds in critical sectors such as education, infrastructure, and research & development. Developing nations must adeptly balance the need to align short-term goals with the demands of long-term development in

order to ensure that democracy plays a substantial role in promoting economic progress.

Notwithstanding these obstacles, the outlook for the influence of democracy on economic advancement in developing nations is encouraging. With the increasing adoption of democratic principles by numerous countries, there is a rising focus on the importance of efficient administration, responsibility, and openness. The inherent transparency of a democratic system enables policy debates, compelling individuals in positions of authority to address insufficient policies, uncover legal infractions, and expose instances of corruption. The high degree of transparency establishes a strong basis for fostering sustainable economic growth. Furthermore, technological developments and the process of globalisation have created fresh prospects for emerging nations to bypass conventional paths of progress and use their potential in inventive manners. Developing nations can leverage the transformative potential of democracy to promote their economic development by taking advantage of favourable conditions and tackling the obstacles they encounter.

This study examines the relationship between democracy and economic progress in emerging countries. Undoubtedly, democracy has a crucial role in promoting economic growth and development. However, the connection between democracy and economic development is complex and influenced by numerous factors. Political stability is a vital factor that positively influences economic growth. A nation with a secure and consistent political framework cultivates a

favourable environment for the flourishing of businesses and attracts foreign direct investment. As a result, this promotes economic expansion. For democracy to be present, it is imperative that all citizens, including the head of state, are bound by the law. The establishment of a strong basis for the legal system is essential, as it allows democracies with strong institutions and efficient governance processes to successfully manage public resources and implement policies that promote economic development. Transparency, accountability, and optimal allocation of resources are essential for economic development. Protecting and upholding human rights is an essential element of democracy and has a positive impact on economic progress. Securing the safeguarding of individuals' rights boosts their inclination to participate in economic pursuits and make significant contributions to the overall advancement of the nation. Promoting the protection of human rights fosters a sense of security and enables individuals to fully participate in economic pursuits. It is crucial to recognise that the impact of democracy on economic advancement may vary among various places. The correlation between democracy and development is shaped by the unique political, social, and economic conditions of individual nations. The relationship is shaped by past events, societal customs, and the skills of organisations [8].

This study emphasises the crucial significance of democracy in promoting economic growth and advancement in emerging countries. The findings demonstrate that democratic governance, which prioritises political stability, effective governance, and the safeguarding of human rights, frequently fosters a favourable atmosphere for economic growth. Democracy establishes a solid, just, and impartial system of institutions that encourages the involvement of all members of society and fosters societal advancement.

Nevertheless, it is imperative to acknowledge that the trajectory of democratic politics is not without obstacles and possible adverse consequences. An in-depth examination and assimilation of practical experiences are required due to the intricacies and flaws inherent in democratic systems. This study promotes the ongoing improvement of the systems of political democracy, with the goal of achieving a mutually beneficial relationship between economic progress and social development. The capacity of democracy to propel sustained economic advancement in emerging nations should not be undervalued, notwithstanding the diverse obstacles and intricacies confronted across various places.

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