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Democracy and development

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The Global Polity

Democracy and Development

The Challenges

Rich countries tend to be more democratic than poor countries. Understanding the link between democracy and development could be crucial for policy making at the national and international level. In addition to giving citizens more political freedoms, democracies are on average less likely to be at war with each other than dictatorships.

A lack of democratic governance structures could be an obstacle to sustainable development. Conversely, persistent poverty and a lack of economic development could hamper the establishment of democracy.

For policy purposes, it is important to understand the direction of causality between democracy and development. Does development lead to democracy, as envisaged by various multilateral development organizations?

Or does democracy lead to development, as implied in the economic transition plans of Eastern and Central Europe? Or does causality run both ways? What are the implications for foreign aid, foreign direct investment, international trade negotiations, business strategies, the role of NGOs, and international institution-building?

What sort of democratic institutions are conducive to economic development and political freedom? How should the will of the majority be balanced by protection of minority rights? How should the activities of special interest groups be channeled through the political process so as to promote an adequate balance between political freedom and diversity?

Is there a general strategy for policy makers that would help promote peace and prosperity on a global scale? What is the role of business in this context? Does international investment and trade promote democratic change or does it stabilize dictatorial regimes? Is development cooperation with local NGOs an alternative strategy to undermine non-democratic regimes or does it lead to dictatorial backlash?

Proposed Solutions

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Democracy and development: attempt at solutions

1. Clarify development

Democracy is defined in the Oxford English Dictionary as “government by the people; that form of government in which the sovereign power resides in the people and is exercised either directly by them or by officers elected by them.” Abraham Lincoln famously described it as “government of the people, for the people, by the people.”

Development is defined by the OECD as “gradual unfolding, fuller working out; growth, evolution; well grown state, state of advancement; product; more elaborate form…” The essence of this definition is thus “evolution to a more advanced state.”

When we move beyond the abstract, problems arise. The concept of development is employed, in the technical literature and by institutions charged to advance it, in a wholly imprecise way. We cannot claim to have a coherent theory of development, let alone successfully to have implemented it. So what is the **development** we are considering?

Economic development: For many years development was thought of as economic development. Many would still consider the concepts equivalent. *“Sustained increase in the economic standard of living of a country’s population, normally accomplished by increasing its stocks of physical and human capital and improving its technology” (Deardorff's Glossary of International Economics).*

A *developed country* is “[a] country whose *per capita income* is high by world standards;” and a *developing country* is “[a] country whose *per capita income* is low by world standards; same as *less developed country*. As usually used, it does not necessarily connote that the country's income is rising.”(Deardorff)

Human development: But economic advancement is not the only meaning of the word *development*: For the purposes of its *Human Development Index*, the United Nations Development Programme defines and assesses three aspects of *human development: life expectancy and health; knowledge;* and *standard of living*.

Poverty reduction: The *World Bank group* – whose *World Development Reports* are comprehensive essays on global *development* – describes itself as “a vital source of financial and technical assistance to *developing* countries…[through]…two unique *development institutions…* – the *International Bank for Reconstruction and Development (IBRD)* and the *International Development Association (IDA)*” – both of which aim *to reduce poverty*, (i) the IBRD “by promoting *sustainable development* through loans, guarantees, risk management products, and analytical and advisory services in middle-income and creditworthy poorer countries; and (ii) the IDA “by providing interest-free credits and grants *for programs that boost economic growth, reduce inequalities and improve people’s living conditions*” in those still poorer, or less creditworthy. The Bank’s current *developmental* focus is therefore on *poverty reduction* based on national **Poverty Reduction Strategy Papers**.

Where to? Wealth cannot be the sole measure of *development!* Measures of economic performance based on GDP are inadequate in an inter-dependent world. The relevance of GDP as a measure of societal *well-being*, or of *economic, environmental and social sustainability*, is also questionable. In 2008, French Prime Minister Nicholas Sarkozy created a *Commission on the* ***Measurement of Economic Performance and Social Progress***, which includes Nobel laureates Amartya Sen and Joseph Stiglitz. Professor Sen also contributed to the 2004 report *Human Security Now* and has prepared a set of indicators to complement GDP.

2. Eradicate absolute poverty

The *United Nations Millennium Declaration* was adopted in September 2000. In it, UN member states asserted shared values of *freedom, equality, solidarity, tolerance, respect for nature,* and *shared responsibility*, and committed to a global partnership to *reduce extreme poverty* by 2015 through the *Millennium Development Goals (MDGs):*

- To halve the proportion of the world's people whose income is less than US-$1/day and the proportion of people who suffer from hunger and, to halve the proportion of people who are unable to reach or to afford safe drinking water.
- To ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and that girls and boys will have equal access to all levels of education.
- To have reduced maternal mortality by three quarters, and under-five child mortality by two thirds, of their current rates.
- To have halted, and begun to reverse, the spread of HIV/AIDS, the scourge of malaria and other major diseases that afflict humanity.
- To provide special assistance to children orphaned by HIV/AIDS.

By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers as proposed in the "Cities Without Slums" initiative.

In 2005, Jeffrey Sachs argued that the aim of the MDG's was (Jeffrey D. Sachs, The end of poverty: economic possibilities for our time, Penguin, 2005):

To transfer all the world's extreme poor (1.1 billion people living below US-$1.08/day – with an average income of US-$0.77/day) to an income level sufficient to meet their basic needs.

Sachs proposed a simple approach:

- Identify the *basic needs*.
- Identify the needs that are currently not met, by country.
- Calculate the cost of meeting these needs through investment, with provision for population growth.
- Calculate the portion of the investment that can be financed by each less-developed country.
- Calculate the financing gap.
- Assess what contributions each donor country can make on the basis of its national income and allocate accordingly.

Donor contributions would need to be large enough to be effective; sustainable and predictable over 2005–2015, and harmonised with the national *Poverty Reduction Strategies* of the recipients. His team had concluded that the net ODA needs were: US-$135 billion (0.44% of GDP) in 2006; US-$152 billion (0.46% of GDP) in 2010; and US-$195 billion (0.54% of GDP) in 2015. This meant an increase in ODA of US-$70 billion in 2006, US-$87 billion in 2010, and US-$130 billion in 2015. (At the Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002, the Developed Countries committed, in what has become known as the Monterrey Consensus, to increase their ODA to LDCs to 0.7 per cent of GDP).

3. Don't seek for panaceas; understand the role of incentives

Bill Easterly has argued that most development economics paradigms since 1945 were based on a search for *panaceas* or "silver bullets" and accordingly misplaced.

Easterly debunks (i) the *Harrod-Domar model:* "[T]here is no stable short-run link between investment and growth" (William Easterly, The elusive quest for growth: economists' adventures and misadventures in the tropics, MIT Press, 2002, p. 44); (ii) the *emphasis on education:* "the growth in output per worker [despite an explosion in education] was 3% in the 1960s, 2.5% in the 1970s; –0.5% in the 1980s, and 0% in the 1990s" (Easterly, 2002, p. 74); (iii) a focus on *population control*: "there is no association… between success at slowing population growth and success at raising per capita growth" (Easterly, 2002, p. 92), (iv) *"adjustment with growth"* programmes: despite some successes, "[a]djustment lending did not create the right incentives for either the lenders or the recipients" (Easterly, 2002, p. 103); "[t]here was too little adjustment, too little growth and too little scrutiny of the results." (Easterly 2002, p. 115); and (v) *debt forgiveness*: "…two decades of debt relief failed to prevent negative growth in [most] HIPCs" (Easterly, 2002, p. 129); "Debt relief is futile for countries with unchanged government behaviour…to avoid the incentive to borrow more, the debt relief programme has to attempt to establish a credible policy that debt relief will never again be offered…" (Easterly, 2002, pp. 136–137).

He suggests that aid policies are, in part, accountable for this failure.

"As countries' incomes rise because of their favourable policies for economic growth, aid should *increase* in matching fashion. *This is the opposite of what happens in actuality…giving a negative incentive against getting richer*" (Easterly, 2002, p. 119).

Easterly's core contribution is his emphasis on the importance of *incentives*! Governments can frustrate growth: Inflation, high taxes, supply-side controls and regulations inhibiting trade and investment restrictions all inhibit citizens' ability to better themselves. Political regulation of the economy promotes privilege and corruption. Politically-connected people become wealthier and society becomes poorer.

- Effective institutions must promote *market-based incentives to foster savings, honesty, trust, industry, creativity and responsibility*.
- Education is optimized when students see future income possibilities from the knowledge and skills they acquire.
- The acquisition, generation and dissemination of knowledge enables increasing returns to capital invested, as technological adoption translates into higher productivity, enabling sustained growth.

Drawing on Schumpeter's concept of creative destruction, he also emphasizes the importance of *innovation*.

Replacing existing means with new ones is necessary to achieve rising standards of living, although some will always be negatively affected in the short run, by changes in the competitive landscape.

Growth flows directly from the adoption of new technologies and the postponement of consumption which is needed to introduce them.

4. Enable institutional (and human) capacity

If less-developed countries are to advance on a *sustainable path to economic and social development*, they need much better domestic institutional capacity.

If government is to place its country on a *sustainable path to economic and social development*, it needs the *institutional capacity* to (i) ensure the safety of its citizens and foreign investors, (ii) manage a growing economy, and (iii) deliver the social services needed both to promote domestic social equity and build a globally competitive workforce.

Political, macro-economic, monetary (and corporate) governance frame the context within which development takes place; effective public health care and education build the human capital to sustain it; efficient water, power, transport and ICT infrastructures underpin economic growth; and governments must create environments that facilitate domestic and

foreign investment, and appropriate public-private partnerships to enable it. None of this is possible unless the country has, and continues to improve, the [appropriate] institutional capacity."

The *East Asian economic miracle* (World Bank, The East Asian miracle, 1993) was achieved without much by way of *civil liberties* or *political freedoms.* Significant investment in *social opportunities* and *economic facilities* was at the heart of the strategy. There were four components:

- Macroeconomic stability, ensured by moderate inflation and high savings
- Prudent social investment in basic housing, universal access to primary and then secondary education and training, and effective primary health care
- Structural reforms, focused on encouraging business development and entrepreneurship in conditions of market discipline, facilitated by financial sector liberalization in the context of what was seen to be effective regulation; and
- Export orientation, supported by information-sharing facilitated by government agencies, to identify lucrative export niches and effect cooperation within industry clusters, to strengthen export competiveness (cf. Michael E. Porter, The competitive advantage of nations, The Free Press, 1990).

Government capacity was essential for, and lay at the heart of, all these actions.

5. Level the playing field

Less-developed countries do not enjoy level playing fields! Agricultural subsidies and tariffs and non-tariff trade barriers frustrate their integration into the global economy. High – and in some cases, unsustainable – levels of debt and debt-service, despite the HIPC debt-retire-ment programme, divert scarce savings and fiscal revenues from investment in economic and social infrastructure. The volatility of global short-term portfolio capital flows plays havoc with exchange rates and causes imbalances on the Balance of Payments of well-run LDCs. The financial crisis and global economic contraction of 2008–2009 is having a devastating impact, pushing growth rates below the rate of population increase.

Those countries with superior human capital and well developed institutional capacity can find ways around these challenges. The least developed countries cannot do this.

6. Create freedom if development is to be sustainable

Amartya Sen argues that five *freedoms* – *political freedoms* (political and civil rights), *economic facilities* (the use of economic resources for consumption, production and exchange), *social opportunities* (education and health care), *transparency guarantees* (including the right to disclosure); and *protective security* (social safety nets) – are central to the achievement of *development*:

Although he defines *development* as *freedom* and argues for the *intrinsic, instrumental* and *constructive* virtues of democracy (Sen, 1999, p. 153), he concludes that there is no *causal relation* (or conflict) between political freedoms and economic performance, "[s]ystematic empirical studies give no real support to the claim that there is a general conflict between political freedoms and economic performance. … *On balance the hypothesis that there is no relation between them in either direction is hard to reject*" (Sen, 1999, p. 150).

Rodrik (2006) concludes that particular *institutional design features* are not causally linked to growth: "[T]he cross-national literature has been unable to establish a strong causal link between *any particular design feature of institutions* and economic growth. We know that growth happens when investors feel secure, but we have no idea what specific institutional blueprints will make them feel more secure in a given context. The literature gives us no hint as to what the right levers are (Rodrik, 2006, p. 11).

More robustly, Glaeser et al. (Edward L. Glaeser, Rafael La Porta, Florencio Lopez-de-Silane, and Andrei Shleifer, Do institutions cause growth? NBER working paper no. 10568, June, 2004) conclude that “economic growth and human capital accumulation cause institutional improvement, rather than the other way around.” “[I]nstitutions have only a second order effect on economic performance. The first order effect comes from *human and social capital*, which shape both institutional and productive capacities of a society.”

They note that while countries with *high human capital* in 1960 grew faster than countries with low human capital, constitutional rules, judicial independence and proportional representation do not predict the growth of income *per capita,* and argue that the economic success of East Asia “has been a consequence of good-for-growth dictators, not of institutions constraining them.”

The important insight emerges, however, from their two key conclusions: “…countries that emerge from poverty accumulate human and physical capital under dictatorships, and then, *once they become richer, are increasingly likely to improve their institutions.*”

Economic growth and social development cannot be *sustained* in an integrated, global knowledge-based economy in the absence of the freedoms that are prized by educated, skilled humans. If they are unable to express themselves at home, they vote with their feet.

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Acknowledging the immense diversity of countries with regard to historical, economic, political, and cultural factors, it is almost self-evident that there will be *no one-size-fits-all solution* for policy makers that would help promote peace and prosperity on a global scale, “anytime and anywhere, under any circumstances” (Jeanne Kirkpatrick).

But despite ongoing controversial academic debates, it is probably fair to say that a consensus view would emphasize that the degree of democracy in a particular country is shaped by its institutional framework and by its economic performance. This is not to deny that there may also be reverse causality, but the first order effects appear to run from institutions and economic performance to democracy. So these are the *two principal avenues* that policy makers could use to increase the degree of democracy.

If history is any guide, the evidence appears to suggests that counties which have achieved the status of a full democracy are (very) unlikely to revert to an autocratic regime. But according to the same logic, democracy is unlikely to last in poor countries which have not developed a set of deep institutions that are conducive for sustained growth. The focus of international policy makers should be on *middle income countries*, where the degree of democracy appears to be rather volatile, sometimes even in the presence of strong economic growth.

Placing *effective constraints on executive authority* appears to be the number one strategy if democracy is to consolidate and prosper in fragile middle income countries. This is not to deny that there are many open questions on the details and on the implementation of such a strategy, which may require country-specific answers. It would be essential to identify which parts of an institutional framework would matter most for a given country, conditional on the historical, political, cultural, and economic context.

A successful strategy will also have to *redistribute political and economic power*. This problem is acute in deeply divided societies, where ethnic fragmentation and the extraction of resource rents may dominate the political and economic decision making of the elites. Strong economic growth is probably necessary but not sufficient to overcome the institutional status quo, which may be the very reason for the absence of a sustainable path of development in the first place.

While it is fairly obvious that the prevailing type of institutions matter for the success of democracy, the type of economic growth may also matter. *Pro-poor growth* is much more likely to gather support for democracy compared to a growth regime where most benefits go into a few pockets only. This channel should be kept in mind by international policy makers when deciding on foreign aid. However, it would be important to recognize that (domestic) politics will greatly matter for economic outcomes, so both areas should never be considered in isolation.

Support for democracy by the international community will also depend on the *geopolitical situation*. Democracies that developed after the demise of the Former Soviet Union apparently had a much better start than democracies that emerged during the Cold War. It is an open question for debate whether the ongoing financial crisis will rebalance contemporary world politics towards a model of authoritarian capitalism, or whether economic forces will finally generate a change towards democracy in fast-growing authoritarian societies.

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The dichotomy between democracy and development is a false one. Far from being discrete phenomena, the democratization of a society and the development of an economy are in fact two facets of a much larger transformative process: modernization.

By "modernization" I mean a process that transfigures not just the political and economic life of a country but also familial, commercial, technological, intellectual, and cultural values, behaviors, and relationships. Modernization is a long – multigenerational – process that rarely occurs in an orderly, bloodless fashion. Progress on different fronts (economic, political, cultural, and so forth) is uneven, bedeviled by setbacks, and difficult to measure. Yet, once started, progress is hard to arrest if a country possesses the requisite degree of cohesion among its elite and within its broader population. Such cohesion, however, is often lacking in developing countries today – a deficiency that explains much of their stagnation and instability.

The politics and economics of modernization

Modernization can take many forms, but typically politics plays a far greater role in the key take-off stages as a society lurches between competing agendas, ideologies, and concepts of the state. Economics comes to the forefront once a country reaches a consensus on the kind of state it wants to build and the core institutions and identity that will nurture and regulate that state. The development of a state, therefore, is crucially tied to its citizens' ability to cooperate – both among themselves and in partnership with the state – in increasingly sophisticated ways. It needs to be firmly rooted in communities that possess strong social networks, durable shared loyalties, widely accepted institutions, and deep reservoirs of social capital.

The important role played by social cohesion in forging the national consensus necessary at early stages of this process explain why the non-Western countries that have modernized most successfully – Japan, China, Taiwan, and Korea – have all been built on the strong bonds that thousands of years of common social, economic, and political evolution have bequeathed them. These robust nations all have high levels of social capital, well-established informal mechanisms for working together, and deep reserves of group affinity that could be funneled toward national modernization missions. These have, in turn, produced increasingly prosperous and increasingly democratic societies and states. Democratization has not, of course, roared in like a spring tide; its advance has been halting and unsteady and has provoked strong resistance from entrenched regimes. But even China, with its highly authoritarian traditions and political system, has been forced to become far freer as its economy has advanced, its government more accountable to the demands of an increasingly autonomous society with rising expectations.

Outside Northeast Asia, the countries that have achieved the most progress have likewise been able to depend on the social cohesion and social capital of people with common backgrounds. The most successful countries in Africa, the Middle East, and Latin America – Botswana, Somaliland, Turkey, Kuwait, Chile, and Costa Rica – are all built upon common identities and institutions accepted by the great majority of their citizens. In contrast, countries with the most socially divisive populations – such as Nigeria, the Democratic Republic of the Congo (DRC), Somalia, Syria, Lebanon, Bolivia, and Guatemala – are much more likely to have corrupt officials, illegitimate states, and struggling economies with great income inequities. These latter states have made little progress toward building the kind of institutions that foster democratization and development.

Once a consensus on institutions and a shared mission has been forged, economics begins to play the dominant role in the modernization process, with businesses leading a process of market-driven change that eventually reaches every aspect of a country's life. This process usually occurs slowly, with change seeping through a society gradually, often fueled by the demands of expanding companies and new taxpayers. Competition plays an important – and underappreciated – role here. When people try to meet customer needs and raise productivity, they change their outlooks on how to manage time, assess information, and judge their leaders. Growth feeds rising incomes and expectations, which in turn generate increasing demands on private firms and public service providers. Where a government must depend on taxes from local businesses and citizens, it, in turn, becomes more accountable and responsive to a population's needs. The cycle feeds upon itself: progress generating confidence, profits yielding more investment, rising expectations forcing reform upon one sector after another. As Adam Smith wrote in The Wealth of Nations, "commerce and manufacturers gradually introduced order and good government and, with them, the liberty and security of individuals among the inhabitants of the country who had before lived . . . in a state of servile dependency upon their superiors." The more compact the entity or region, the faster the transformation; in larger populations, such as in China and India, the ripples of development and democratization naturally take longer to spread.

How to spur modernization

Modernization – of which democratization and development are components – is a process of social change that needs to be strongly rooted in socially cohesive groups of people with common institutions. International efforts to spur development and democratization should thus focus on actions that are likely to reshape broad societal patterns rather than – as at present – on overly narrow goals such as competitive elections and economic policy reform and on rather crude instruments such as election monitoring and IMF loans.

Unify disparate peoples

As a start, international actors should emphasize measures that unify disparate peoples in divided states. This is especially important in countries where multiple identity groups are not geographically concentrated but are spread throughout the country, making it pointless to introduce federalism and other territorially based institutional arrangements. In such countries, programs should be adopted that create stronger social and cultural bonds across groups, that institutionalize cooperation, and that promote reconciliation where there has been a history of intergroup hostility.

Some states have found a unifying force – such as Swahili in Tanzania, a unique Islamic heritage in Senegal, a state-backed ideology in Syria, and a charismatic leader (Félix Houphouët-Boigny) in Côte d'Ivoire – to bridge their geographical, historical, and identity divides. But the unity based on such forces can prove fleeting, whereas the process of institutionalizing a sense of common identity and common formal structures can take generations. Thus, for instance, despite Houphouët-Boigny's popularity in his day, Côte d'Ivoire descended into civil war in the years after his demise.

In states such as Syria containing combustible mixes of identity groups living side by side, formal bodies should be designed to institutionalize cross-group cooperation and to minimize the potential for ethnic, religious, tribal, or clan divisions sparking verbal or violent conflict that undermines the state. Instead of introducing the kinds of sweeping political and economic changes that many in the West claim to be the keys to improving the wellbeing of populations, divided countries need to create a secure and unified environment before introducing significant change. Iraq shows what can happen when cross-group trust completely breaks down; Bolivia, Pakistan, Azerbaijan, and Lebanon also stand as cautionary tales.

Use local state models

Building state institutions around local histories, values, and worldviews will catalyze the political consensus necessary to launch the modernization process. At present, however, the international community tends to recommend and support impersonal governing bodies in capital cities often distant – physically, culturally, and politically – from the great majority of the citizens they are meant to serve.

Countries need to look inward for their resources and institutional models and adopt political structures and processes that reflect the history, complexity, and particularity of their peoples and environment. Far too many postcolonial regimes have looked outward for their governance models and resources, becoming dependent on foreign aid and effectively guaranteeing that their domestic roots will always be too shallow to support them. Robust states and formal institutions can develop only when political and economic systems are constructed according to indigenous governance models, patterns of behavior, needs, realities, and resources.

This does not mean that conventional, Western political models have no relevance to non-Western societies, but it does mean that those models need to be adapted to accommodate local political, economic, and societal customs and conditions. Outside assistance should not focus on building centralized states with Western-style laws and a democracy defined solely in terms of regular elections, but on the promotion of capable, inclusive, participatory, responsive, and accountable governments no matter what form they take. Somaliland, Botswana, and the Arab emirate-states, for example, have sought to root their political systems within a traditional paradigm that leverages widely accepted norms of governance.

Far more emphasis must be placed on seeking locally appropriate solutions for problems of governance, land and resource management, and knowledge transfer if development and democratization are ever going to become locally propelled and thus sustainable. No society that has developed successfully developed has depended as heavily on foreign resources, foreign political models, foreign languages, and foreign laws as many developing countries typically do today.

Construct states bottom-up

In many cases, the best chance to promote the political consensus necessary for modernization will be to focus on building up local governments and tying them as closely as possible to their local communities. While in some cases (especially in rural areas and small cities) this may mean leveraging traditional identities and institutions, in the case of many large cities whose populations are diverse and increasingly divorced from their traditional roots, the best way to introduce accountability into state organs and take advantage of the communal social capital necessary to promote investment will be to structure governments around greatly empowered urban administrations.

While central governments (or, in some case, regional organizations) have important roles to play in ensuring a stable currency, promoting an extensive market for goods, constructing intercity transportation links, and setting basic banking, legal, health, and education standards, most state services that affect families and small companies are provided by local or district governments. They provide, for example, most education, health, and road construction services, and may even play a major role in judicial, police, real estate, and corporate regulation and oversight.

Given that many developing countries are riven by identity, cultural, and linguistic differences, and that their different parts are weakly connected because of poor infrastructure, disadvantageous political geographies, and feeble administrative systems, locally driven models of government are more likely to succeed than top-down models. A locally based model would emphasize the construction of a series of competent city-based provincial bureaucracies built around relatively cohesive populations and based upon locally accepted institutions rather than trying to build a robust national government, especially in large countries such as the DRC and Sudan.

Establishing various forms of iterative accountability loops and decentralized democratic bodies such as oversight committees, deliberative forms of public participation, and traditional forms of consultation, can institutionalize processes whereby the state is tied more closely to society, thereby making it more legitimate, more accountable, more reflective of people's needs, and more effective in the delivery of public services. Focusing on the iterative relationship on multiple fronts will strengthen civil society and the state-society relationship, making both democratization and development more likely.

Introduce change gradually

Seeing modernization as an organic, gradual, society-wide process of change instead of a series of discrete events and policy choices reveals myriad opportunities to render diplomatic and foreign assistance in more effective forms. For example, in states where elections and rapid economic restructuring may be detrimental to stability (such as in some post-conflict situations) or may be obstructed by elites (such as in many authoritarian countries), international policies could seek to foster broad social processes that will over time create a more democratic and developed entity. Promoting broad coalitions across disparate groups, integrating informal institutions into the formal governing mechanisms of the state, and decentralizing government so that it can better leverage local capacities for self-government will all help to create more legitimate states with stronger pro-modernization leaderships.

For too long, policymakers have analyzed the problems facing underdeveloped countries through the overly narrow, and thus distorting, lenses of "democratization" and "development." One result has been a series of policies that do not address the greatest problems these states face. Another consequence has been the creation of artificial and counterproductive institutional divisions within the international aid community, with some organizations focusing on development, others on democratization – and all too few taking the kind of holistic approach that can actually foster the process of modernization.

A better understanding of the fundamental drivers of social change in developing countries is a prerequisite to formulating effective policies. To be sure, making political leaders more accountable and economic climates healthier are worthwhile goals, but those goals will remain elusive until the international community can help underdeveloped states develop cohesive polities, appropriate institutions, and stronger state-society ties.