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## Democracy and Development: Exploring the Expected Association

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### Abstract

Many social scientists, particularly in North America, believe that democracy hinders development. This paper discredits this obscure opinion by clarifying the conceptions of democracy, capitalism and development: Democracy, the theory of a political system of the non-communist state, is founded on the political wisdom that people are the sovereign authority of the state, and government, which executes this sovereign power, is their deputy. Capitalism, the economic system of the non-communist state, rests on the belief that an economy prospers rapidly if individuals are allowed to own and accumulate private property, because human beings are selfish by nature. Development is the performance of capitalism. Since democracy promotes individual's liberty, including the right to own and accumulate private property, it is supposed to be most agreeable to capitalism - the most trusted model of affluent society.

## I. INTRODUCTION

The question, How to rule? has preoccupied many brilliant socially concerned minds since the dawn of human civilization. One reason is that those in charge of public administration, directly or indirectly, misunderstand, to say the least, the two pivotal political issues of human society - moral rights and justice. All our actions and activities in society are disciplined by the principles of moral rights. Since moral rights imply moral obligations - i.e., rights are reciprocal - the administration of justice involves the appropriate application of laws protecting and promoting those rights.

There are two polar political theories concerning justice in society. Theory of communism says that true social justice can be achieved only by eliminating the institution of private property; while a democracy, one form of the non-communist state, argues that such a state principle violates individual inherent rights. For, owning and accumulating private property is not only a natural right, but also a moral right and no human authority can transgress it. Therefore, justice can never be established in society by denying this right.

The last century saw the viciousness of the 'Cold War' between the East and the West. Fortunately the global community has become free from this viciousness as one combatant withdrew from the rivalry. As a result, the international community is witnessing progressive interests and efforts, from both national and international leadership, towards democratising the former Eastern block and third world countries. In this situation, any opinion suggesting that democracy and development are incompatible, must sound controversial as well as confusing.

Unfortunately this is the case. Many influential members of academia, particularly in North America, are strongly suggesting that democracy hampers development. An example is the American Economic Association's (AEA) symposium on "Democracy and Development" held in 1993. The moderator summarised major opinions of the symposium with a sense of sarcasm: "Academic fashions often follow the public political mood. In a period when euphoric public commentators have announced 'the end of history' in the triumph of capitalistic democracy one sees an increasing number of scholarly studies attempting to show this. Very often this is on the basis of cross-country statistical evidence and a bit of wishful thinking and has a positive effect of democracy on development. It is in this context refreshing to see the non-committal results reported by Adam Przeworski and Fernando Limongi in their paper. On the basis of their review of the theoretical arguments and statistical studies they conclude rather bluntly: "We do not know whether democracy fosters or hinders economic growth". (Bardhan 1993, p. 45)

This AEA conclusion should amaze all socially concerned minds. First, the West exists as living proof of the truth that democracy is the political model of affluent society. Because of its economic might, it has won the 'Cold War'. Second, the current state of human knowledge suggests that this political model offers the greatest chance to establish law and order

both within and between sovereign societies - something that is a precondition for economic development. Third, this notion clearly contradicts the teachings of human history. In a very fundamental sense, the history of human civilization is a history of struggle for democracy. Therefore, by suggesting a negative relationship between democracy and development, the academicians are distancing themselves from the real life phenomena. Finally, it must be a curious question for the people of former Soviet block countries: Why have they dismantled their political systems if democracy does not promote development?

In order to satisfy the above queries, this paper investigates theoretical relationships between democracy and development from the perspectives of moral and political philosophy. The paper has been organised as follows. The next section discusses the meaning and morale of democracy as a political system. Section III reviews the meaning and method of economic development - the magic of capitalism in creating an affluent society. Expected association between democracy and development, the main objective of the paper, is reiterated in Section IV. The paper is concluded in Section V.

## **II. DEMOCRACY: MEANING AND MORALE**

The word, democracy, originates from the Greek term, 'demokratia', itself a compound of two other words - 'demos' meaning people and 'kratia' meaning rule or authority. Thus, the term, demokratia, signifies 'the rule by the people'. This idea was used to describe the political system that was practised in several Greek cities, including Athens, from the mid fifth to 322 BCE. Athenian democracy had three unique features that distinguished it from other existing forms of government: selection of public officials by lot, accountability of the officials to demos, and decision-making by the popular assembly. These features justified the popular idea that people were the sovereign authority of the state in democracy: Athenian demos had supreme authority over all things in the polis and it was in its power to do whatever it wished (Sinclair 1988).

Aristotle says that the fundamental political reason for practising democracy was to protect the liberty of individual citizens: "The foundation of the democratic constitution is liberty. People constantly make this statement implying that only in this constitution is there any share in liberty at all; every democracy, they say, has liberty for its aim. "Ruling and being ruled in turn' is one element in liberty. Then there is the democratic idea of justice as numerical equality, not equality based on merit; and when this idea of what is right prevails, the people must be sovereign, and whatever the majority decides that is final and that is justice. For, they say, there must be equality among citizens." (Aristotle 1967, pp. 236-37)

In ancient Athens, the idea of liberty was the centrepiece of moral and political discourses, because it was inescapably linked with the idea justice - the pivotal virtue of all social organisations. Without liberty, there could be no justice in society. Thus, the protection of liberty was the first and foremost duty of government. Both Plato and Aristotle dealt with moral issues before discussing political issues. The question they investigated

concerns citizens' moral obligation to obey law: "What is the basis of social and moral obligation? Why should I be either law-abiding or moral if I don't like it?" (Lee 1987) The same sentiment may be observed in Hobbes' *Leviathan*, although the reasons he gives are fundamentally different from those of his predecessors.

In the 17th and 18th centuries, the objective of political philosophy was very different. The question of citizens' reason to obey law being satisfactorily settled, pre-eminent political philosophers, including John Locke and Jean-Jacques Rousseau, investigated the question of 'the right to rule'. In his first *Treatise on Government*, Locke refutes Sir Robert Filmer's patriarchal theory of divine authority, which proposes that the source of all powers on earth is God and that monarchs are His chosen heirs. In the second treatise, Locke formulates his theory of the 'right to rule' or the right to exercise what he calls political power: "Political power, then, I take to be the right of making laws with penalties of death and, consequently, all less penalties for the regulating and preserving of property, and of employing the force of the community in the execution of such laws and in the defence of the commonwealth from foreign injury; and all this only for the public good." (Locke 1952 p.4)

Like Hobbes, Locke postulates that men lived in the state of nature before forming civil society. However, unlike Hobbes, whose main purpose was to justify absolute monarchy, he argues that the state of nature, ruled by the law of nature, is a state of perfect equality, freedom and justice. In spite of all its advantages, men abandoned the state of nature to form civil society, because individual's lives, liberties and estates-, which Locke describes by one term, property-, were not secure. The reason was the absence of human authorities to execute the law of nature. This transition from the state of nature to civil society took place through making a voluntary social contract. This is a contract among free and equal individuals, not between the ruler and the ruled and by that underlines the moral and political idea that society, not any single individual or group, is supreme. The same principle refers to the truth that the majority executes the society's sovereign authority. Locke's idea of protecting individual's liberty through establishing a commonwealth found finer expression in Rousseau's famous classic, *The Social Contract*. Here Rousseau's main purpose is to discover the legitimate and sure principles of government in political society, 'taking men as they are and laws as they might be'. He intends to bring together what right permits with what interest prescribes so that justice and utility are no way divided. This objective of unifying justice and utility could be achieved only by protecting and promoting individual's liberty. Accordingly, Rousseau started his discourse with the following often quoted statement: "Man was born free, and he is everywhere in chains. Those who think themselves masters of others are indeed greater slaves than they. How did this transformation come about? I do not know. How can it be made legitimate? That question I believe I can answer." (Rousseau 1968 p.49)

Legitimate social relations can be founded only after 'agreed conventions'. Thus, like Locke, Rousseau idealised the origin of civil society in the conceptions of the state of nature and social contract. However, unlike Locke, he argued that civil society grew up out of man's need for self-

preservation: A stage was reached in the state of nature when the conventional mode of living could no longer guarantee man's self-preservation, meaning that they must develop another social method to continue their survival. Since they could not generate new strength, this new method involved unifying and controlling the forces that already existed. Accordingly, the objective of this new method was to create a 'totality of forces sufficient to overcome the obstacles resisting them, to direct their operation by a single impulse, and make them act in unison'.

This totality of forces could be formed only by the collaboration of several persons. In conceiving this collaboration, the crucial question was how each man could commit his strength and freedom to others without harming himself. Rousseau posed the problem in these words: "How to find a form of association which will defend the person and goods of each member with the collective force of all, under which each individual, while uniting himself with others, obeys no one but himself and remain as free as before. This is the fundamental problem to which the social contract holds the solution." (p.60)

The answer he gave could be best presented with his own words: "If, therefore, we set aside everything that is not essential to the social pact, we shall find that it may be reduced to the following terms: Each one of us puts into the community his person and all his powers under the supreme direction of general will; and as a body, we incorporate every member as an indivisible part of the whole." (p.61)

This act of association created a moral and collective body called, civil society, consisting of all those 'voters in the assembly', and acquired 'its unity, its common ego, its life and its will'. Civil society formed in this way, once called the city, bears the name republic or body politic. It is called the state when passive, the sovereign when active, and a power when compared with the like. The associates collectively take the name of people and individually call themselves citizens as they share in exercising the sovereign authority, and subjects, as they put themselves under the laws of the state. However, these terms are often confused, and one is taken for another. The reason is that the import and implications of fundamental attributes of sovereignty - inalienability and indivisibility - are not properly understood.

Rousseau is in complete agreement with Locke that social contract is not an accord between the ruler and the ruled. The institution of government, and the individuals responsible for running its activities, is no part of the contract. Nevertheless, the public force needs agents 'to unify it and give it effect following the directions of the general will'. These agents are the means of communication between the subjects and the sovereign. In other words, government is 'an intermediate body set up between subjects and sovereign to ensure their mutual correspondence, and is entrusted with the execution of laws and with the maintenance of liberty, both social and political'. And this is the reason to establish government in civil society, which is often inappropriately confused with the sovereign. For government is only the minister of the sovereign.

This, in a nutshell, is the history of ideas called, civil society and democracy. The fundamental purpose of the state is to protect and promote individual's liberty. The achievement of this goal requires that people presume the sovereign authority of the state. One form of government, which has the greatest potential to achieve this objective, is democracy, because the system is founded on the principle of numerical equality and citizens' participation in the exercise of the sovereign power.

This brief visit in political philosophy clarifies the meaning and morale of democracy - the political system that has developed in the West over centuries. And our experience testifies that the system works much better than any other political systems that the humanity had practised.

### **III. ECONOMIC DEVELOPMENT: THE MAGIC OF CAPITALISM**

#### **Relationship between Political and Economic Systems**

The state is an organization that pivots around two systems - one political and the other economic. Since this debate is all about the performance of these two systems, it seems important to explore the institutional relationships between these systems before discussing the meaning and method of economic development. Two questions may be explored concerning this relationship: (i) how these systems are related and (ii) which system is in command.

In political philosophy, the institution of private property is the pivotal idea for articulating social theories. In Plato's Republic, the abolition of private property is essential for the establishment of the rule of Philosopher King. On the contrary, both John Locke and Jean-Jacques Rousseau justify the protection and promotion of private property for the creation of civil society. Based on their political postulate, Adam Smith articulates his theory of 'invisible hand' as the economic system that is most consistent with the material progress of affluent civil society. However, Karl Marx denigrates Smith's system in order to create his vision of stateless society - an exploitation-free world community - by abolishing the institution of private property. This information suggests that a discussion of the theories of political systems carries little analytical values without careful considerations of the institution of private property.

Based on the right to own and accumulate private property, all independent states may be grouped into two categories - communist and non-communist states. The communist ideology treats the property accumulating human nature as an evil passion that is inconsistent with the political ideology of protecting individual liberty. For this natural passion divides society into two antagonistic social classes - bourgeoisie and proletariat, where the bourgeoisie, who controls the legal and political systems of the state, exploit the proletariat.

Therefore, in the theory of communism, the abolition of the institution of private property is indispensable for freeing the proletariat from exploitation, i.e., protecting the liberty of the majority population. To pursue this purpose, the communist state is established by instituting one party dictatorship through proletarian revolutions: "... to achieve its

emancipation, the proletariat must overthrow the bourgeoisie, win political power and establish its revolutionary dictatorship.” (Lenin 1991 p.225) The economic system, which accompanies the communist state is called socialism. It should be noted that the orthodox communists do not distinguish between political and economic systems, because they treat socialism as the first phase of capitalism (Hunt 1969).

On the contrary, the non-communist state is founded on the political ideology that individuals have certain rights that no state can transgress. One of these rights is to own and accumulate private property. The general name of this political system is civil society, discussed above, and its economic system is called capitalism.

Political and economic systems may be respectively described as the heart and brain of the sovereign society, meaning that the two systems must be in perfect harmony for the society to work properly. As shown above, this harmony exists when the principles of capitalism guide the economic system of the non-communist state, while the principles of socialism guide the economic system of the communist state. Since the political systems are distinguished by the state policy concerning the institution of private property, the fundamental distinguishing feature of the two economic systems is the existence or nonexistence of this institution.

The second question concerns authority - who controls whom. For obvious reasons, the question is irrelevant in the theory of the communist state. To orthodox communists, capitalism is a societal formation that evolved from decaying feudalism and is destined to be succeeded by socialism. This conclusion of the eventual end of capitalism and succession of socialism is founded on Marx's materialistic conception of history, which he eloquently summarised in the Preface to *A Contribution to the Critique of Political Economy*: “In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production in material life conditions the social, political and intellectual life processes in general. At a certain stage of their development, the material productive forces of society come into conflict with the existing relations of production, or - what is but a legal expression for the same thing - with the property relations within which they have been at work hitherto. From forms of development of the production forces these relations turn into their fetters. Then comes the period of social revolution.” (Marx 1977, p.389)

The theory of non-communist state has just the opposite notion. Political philosophy of civil society is primarily concerned with the question of governance that pivots around two main issues - reasons to obey and right to rule. The basis for this preoccupation is obvious. People must live peacefully to be able to fulfil the ambitions of their life, i.e., their private welfare. And the possession of private property is an important component of private welfare. This suggests that there are clear

distinctions between theories and principles that guide, respectively, political and economic systems of the non-communist state.

Evidently, the political system is in command over the economic system in the non-communist state. In terms of the current discussion, democracy is in command over capitalism. This idea must be firmly fixed in our mind to understand the true relation between the two systems. For they have mutually destructive inclinations: “[...] the principle of capitalism cannot be squared with the principle of democracy. The one consistently seeks to maintain inequalities, which the other, not less consistently, seeks to abolish.... either democracy must transform capitalism or capitalism must suppress democracy.” (Harold Laski quoted in Usher 1981, p.1)

### **Implications for Economic Development**

Given the nature of relation between political and economic systems, the pertinent theoretical question is which political system promises the greatest prospect of economic prosperity. This question is perhaps of little importance to the ardent advocates of Marxism - the popular theory of the communist state. It is, however, very important for those who believe in the virtue of the non-communist state. Given the level of controversy prevailing in academia, one can confidently argue that the relation between democracy and capitalism is anything but clear.

Marxism - that promises to create stateless society, to be ruled by the principle of ‘from each according to his ability, to each according to his need’ - hardly discusses the issue of economic development. The theory, first appeared in the Manifesto of the Communist Party, was conceived after Darwin’s ideas of natural selection and survival of the fittest. The book begins with these revolutionary words: “The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild master and journeyman, in a word, oppressor and oppressed stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended either in a revolutionary reconstruction of society at large, or common ruin of the contending classes.” (Marx and Engels 1955, p.9)

Marxism is, therefore, a political theory of class, not of individuals. In other words, economic classes are the basic units of analysis in Marxism. This approach of social investigation has two difficulties. First, class is a social concept, not a natural one, which means that theoretical predictions are founded on social forces, not natural forces. Accordingly, such predictions are susceptible to doubt. Second, protecting and promoting common individual welfare, which includes possessing and promoting private property, justify the existence of the state. Since Marxism denies this important civil right, it disqualifies itself to be a political model of affluent society. The abolition of the institution of private property destroys the private incentives and motives of self-improvement.

The non-communist state is, thus, the political model of an affluent society, meaning that capitalism is the economic system of a prosperous economy. Adam Smith is accredited as the father of modern economics for first developing this system in his famous book - *An Inquiry into the*



Nature and Causes of Wealth of Nations - published in 1776. His theory may be summarised as follows: Individuals are selfish by nature. With respect to economic activities, some individuals find great pleasure in creating and accumulating private wealth. If these individuals are allowed to pursue their selfish endeavours, they will promote their own economic welfare, which will eventually lead to the material progress of society. The 'invisible hand', now understood as the competitive market, will force selfish economic actors to use their resources efficiently. The passage that is most often quoted from the 'Wealth of Nations' in this regard, is the following: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their self-interests; we address ourselves not to their humanity but to their self-love and never talk to them of our own necessities but of their advantages." (Smith 1939, pp.26-27)

Adam Smith was a great system builder; he built the economic system of the non-communist state - capitalism. His remarkable achievement lies in his ability to harmonise two contrasting facts of life - one natural and the other social. The natural phenomenon is human selfishness, generally considered as the main source of evil in society. The social phenomenon is economic progress, the coveted concern of all civilised nations.

#### **IV. ECONOMIC DEVELOPMENT: CONVENTIONAL WISDOM**

Traditionally, economic development has been defined as a process whereby an economy's real per capita income increases over a long period of time (Meir and Baldwin, 1957; Todaro and Smith, 2003). This idea is nowadays ordinarily understood as economic growth. This means that economists use two distinct terms - economic growth and economic development - to describe the pecuniary performance of an economy.

Both 'growth economics' and 'development economics' - two sub-disciplines of economic science - emerged after World War II (Ruttan 1998). Growth economics - which has a macroeconomic orientation and often described as 'the province of the practitioners of high theory' - concerns the problems of full employment in developed capitalist economies created as result of great depression of the 1930's. On the other hand, development economics - whose focus is microeconomic in nature and draws its principles from related social sciences including political science and sociology - concerns problems of poverty and material progress of third world countries. In simple terms, economic growth means more real output per capita, while economic development means not only more output, but different kinds of output (Herrick and Kindleberger 1983). Therefore, economic development is economic growth plus improvements in some socially desirable variables.

Although economists passionately follow this dichotomy in both theoretical and policy analyses, there seem to be little fundamental differences between those that produce differential economic affluence in a capitalist economy. Sustained increase in real per capita income is a precondition for improvements in all socio-economic variables. This suggests that improvements, for example, in the conditions of health and

education, are conditional upon sustained acceleration in real per capita income. Thus, the distinction between economic growth and economic development seems superficial. They are merely matters of dissecting the pattern of material progress of an economy, not a study of how this material progress was caused. Based on this opinion, this paper treats two terms synonymous.

The process of economic development or growth is understood 'in terms of fundamental changes in factor supplies and the structure of demands for factors' (Mier and Baldwin 1957). The changes in factor supplies include (i) discovery of additional resources, (ii) capital accumulation, (iii) population growth, (iv) introduction of new and better technologies, (v) improvements in skills and (vi) other institutional and organisational modifications. The changes in factor demands are (i) size and age composition of population, (ii) level and distribution of income, (iii) tastes and (iv) other institutional and organisational arrangements.

The process of economic development is understood in terms of specific changes in factor supplies and factor demands. However, since the changes in factor demands are more effects of economic development than its causes, development economics is concerned with the causes of change in factor supplies. Population growth is a natural phenomenon that is conditioned by culture as well as the state of material development of society. But, individuals must cause changes in all the other factor supplies. Since the effort individuals exert to bring about those changes depend upon the benefit they enjoy from their exertions, the level of economic development of a country is clearly related with its policy concerning the institution of private property. This, in turn, refers to individual freedom for owning and accumulating private property. Without this freedom, individuals have little incentives to improve their material well being, meaning that civil society is not supposed to remain underdeveloped, if her members enjoy fair freedoms. A critical survey of the economic development literature would reveal that social scientists, including economists, have carefully avoided the issue of individual freedom in the development process for about half century. It is only recently that human freedom and human rights have become subjects of academic as well as policy debates (Sen 1999a, 1999b; UNDP 1990, 2000).

## **V. DEMOCRACY AND DEVELOPMENT: THE EXPECTED ASSOCIATION**

For a social system to work properly, our natural attributes and moral values must be in harmony. Selfishness is one of our natural attributes that motivate us to be creative. To cultivate our creativity, we need freedom to make choices. Thus, our efforts toward self-improvement is directly related to the opportunity of enjoying our freedom. And freedom is one of the social values we cherish most. Therefore, a system that protects and promotes individual freedom is naturally conformable and, morally and politically desirable.

Democracy is a political system that upholds individual rights and freedoms. Capitalism is an economic system that offers individuals

opportunities for pursuing their ambitions. Therefore, in theory, the agreeable association between democracy and development is abundantly clear. As mentioned above, Western history proves the theory.

Apparently, the above analysis casts significant doubts on the academic merits of the continuing controversy concerning the causal relationship between democracy and development. We do understand the criticality of this enormously important social issue, which suggests that an explanation why this controversy continues is essential to comprehend its nature. Hume seems to have the right answer to this question: “[...] That a controversy has been long kept on foot and remains still undecided, we may presume that the disputants affix different ideas to the terms employed in the controversy. For as the faculties of the mind are supposed to be naturally alike in every individual - otherwise nothing could be more fruitless than to reason or dispute together - it were impossible if men affix the same ideas to their terms, that they could so long form different opinions of the same subject especially when they communicate their views and each party turn themselves on all sides in search of arguments which may give them the victory over their antagonists.” (Hume 1957, p.90) More specifically, the main reason why this controversy has arisen in academic literature is because the ideas of democracy and development are misunderstood and misinterpreted from both theoretical and empirical perspectives.

At theoretical level, democracy and capitalism are often treated as synonymous. The AEA symposium may be taken as an example. Both Bardhan and Huber et al (1993) use the term ‘capitalist democracy’, which suggests that they see little difference between the political system of democracy and the economic system of capitalism. A recent book on Adam Smith goes even further: “This book does not treat Smith as an historical curiosity who has accomplished all that he was capable of. It treats Smith as someone with a contemporary message. That capitalism is a dominant political system in the contemporary world is almost without doubt. That capitalism is succeeding, however, is much more contentious. I will argue that Smith would challenge this claim of success.” (Weinstein 2001, p.2) In other words, this writer understands capitalism as a political system and for that reason, describes Adam Smith as the author of this political system.

This error in understanding and interpreting the idea of democracy leads to serious misconceptions. First, questions have been raised about democracy’s ability to protect property rights: “The idea that democracy protects property rights is a recent invention and we think a far-fetched one.” (Przeworski and Limongi 1992 p.52) Such contention sounds quite surprising, because it is incorrect both logically and factually. The political system of democracy was invented in the ancient Greece in order to safeguard individual liberty, which included the protection and promotion of private property. The Greeks defined individual liberty in terms of citizenship. Since slaves and women were not considered citizens, they were treated as private property. In our time, human beings are not treated as slaves in the conventional sense of the term. And as discussed above, the non-communist states are founded on the political ideology of protecting human freedoms, which include individual's rights

to own and accumulate private property. Since democracy is the most popular form of governing non-communist states, it certainly protects property rights - there can be no democracy without the protection of private property.

Second, in the discussion of the democracy-development relation, often no distinction is made between people and government: "The more likely it is that the sovereign will alter property rights for his or her own benefit, the lower the expected returns from investment and the lower in turn the incentive to invest. For economic growth to occur the sovereign or government must not merely establish the relevant set of rights, but make a credible commitment to them." (North and Weingast 1989 p.803)

The theory of civil society, as discussed above, clearly states that people are the sovereign authority of the state and government is their deputy. This theory, which means ruling by popular consent, can never be developed by treating government as sovereign. Then the attribution of sovereignty to government raises several disturbing points. First, an individual commands the machinery of government. Therefore, if sovereignty is attributed to government, then the individual controlling the state power becomes sovereign. Second, the qualities of sovereignty will vary with the moral qualities of the individual in command of government. This point is critically important, because the idea of sovereignty will have little moral and political meaning if it does not accompany the conception of justice. Finally, sovereignty will change every time the individual in power is removed from office. This contradicts the two fundamental properties of sovereignty - inalienability and indivisibility.

At the empirical level, democracy is equated with the government elected through universal suffrage. Consequently, the empirical studies intended to estimate quantitative relations between democracy and development, use 'political regime' data based on popular elections. For example, in an article published in American Journal of Political Science, Charles Boix (2001) estimates the quantitative relationship between democracy, development and the public sector by using panel data of sixty-five developing and developed countries for the period 1950-90. His list of democratic countries includes Algeria and Brazil as well as America, Britain and Canada. The nature of difference in democratic governance among these countries is obvious and well understood, which means that the empirical aspect of the democracy-development debate is faulty.

## **VI. CONCLUSION**

"To renounce freedom is to renounce one's humanity, one's rights as a man and equally one's duties." (p.55) Rousseau wrote these words in his famous political essay, *The Social Contract*, which has been extensively quoted above.

Democracy and development represent the two most basic kinds of freedom that human beings need for civilised living. Democracy gives individuals political freedom while development gives them economic freedom. Without one kind of freedom, the other kind is morally meaningless to rational human beings. Thus, the suggestion that

democracy and development are incompatible must be suspect intuitively. Then by clarifying the conceptions of democracy, capitalism and development, this paper shows that the expected association between democracy and development is positive. Democracy promises to protect citizens' civil rights, which include the right to possess and promote private property. Capitalism allows individuals to pursue their economic ambitions. Since human beings are selfish by nature, they are naturally motivated to cultivate their creativities to amass private wealth for deriving physical, psychological and social pleasures. In other words, capitalism is an economic system that inspires individuals to prosper privately. These private prosperities eventually result in national prosperity, because national wealth is simply the sum-total of individual wealth.

The main reason many people fail to see this positive association is because they misunderstand and misinterpret the ideas of democracy and capitalism. In extreme cases, they treat them as synonymous and equate democracy with elected government.

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