



Let us turn then to our three test cases, and examine their periods of industrialization.

Britain took almost two centuries to fully industrialize; from the beginnings of the wool/textile industry in the late seventeenth century till the pointed triumph of industry over agriculture in the middle of the nineteenth century, with the repeal of the Corn Laws. Despite the long time it took, I shall count it as a very successful industrializer, keeping in mind that it had no example to imitate—Britain was obliged to industrialize by innovation, rather than by learning.

If democracy is the factor that leads to successful development, we would expect Britain to have been democratic during the eighteenth and nineteenth centuries; if strength and autonomy of state are the decisive factors, we would expect to see a pro-industry state pushing through pro-industry changes to the economy during that time. The historical records vindicate the latter expectation. A strong capitalist landlord-bourgeoisie union—a pro-reform group—controlled Parliament and directed the enclosures. The state was strong enough to override the peasants, and sufficiently autonomous that it did not have to answer to any anti-reform interest groups. The state was still strong and autonomous at the time the Corn Laws were repealed; it was able to repeal those laws, overriding the agricultural interest group in favor of industrialization. Democracy, on the other hand, did not emerge till after the industrialization had been completed; in fact, the very symbol of the triumph of industry, namely the repeal of the Corn Laws, was the factor that subsequently eroded the economic power of the landed aristocracy, forcing property requirements in the House of Commons to be lowered, then removed. By roughly the turn of the century, Britain was democratic (its executive power was controlled by a freely elected body representing most of the male population of Britain). Industrialization may have caused democracy; democracy most certainly did not promote industrialization (had the Parliament had to take into account peasant votes, would it have permitted the enclosures?).

Germany's industrialization occurred in the latter half of the nineteenth century. It, too, was successful; Germany's economy grew rapidly, especially in the chemical and steel industries. Clearly, Germany was not democratic at the time. "The Prussian Constitution... established a national Landtag for the first time... an assembly so pale that only some 30 per cent of eligible voters on average participated in the elections to it" (Anderson 275). It was not democracy, then, that promoted German development. Was it a strong and autonomous state that did so?

The German state was undoubtedly strong. It was able to override the peasant's wishes "and create a growing mass of landless agricultural labourers" (Anderson 271); and it was able to weather the crisis of 1848 with only a few nominal changes. On the whole, in fact, the "net effect of the Reform Era was to strengthen the royal state in Prussia" (Anderson 271).

The German state was also autonomous of any anti-development interest group. Although the junkers, an agricultural force, made up a large part of the state apparatus, they were not anti-development; on the contrary, they allied themselves with the large industrialists (the so-called marriage of iron and rye).

Again, success in economic development coincided with a strong state that was autonomous of anti-development pressure, but not with democracy.

Russia's industrialization took place in the first half of the twentieth century, largely under Stalin. The transition from agriculture to industry was far quicker

than in either Germany or Britain; Russia was less democratic than either of the other two, and had a stronger and more autonomous state.

Russia industrialized by shifting resources from agriculture to industry; by creating a large supply of cheap labour which it put to work in factories. Britain had followed a similar course, but while Britain took two centuries to complete the transition, Russia accomplished it in less than two decades. If we look at the process by which Russia transferred resources from agriculture to industry, we clearly see that a strong state was vital to its success, by coercing peasants/workers into working for low wages. Moreover, democracy (defined as a freely elected government in control of the bureaucracy) would have made the state's actions dependent on the wishes of the peasants (and hence invalidate the state's autonomy); while the peasants may have wanted economic development, they would certainly have voted against such a rushed, oppressive development, and would therefore have been an anti-development force.

Russia, then, is a prime example of how a strong and autonomous state promotes rapid development, where democracy would hinder it. While it has been argued that this type of development ultimately harmed the economy, due to the incapacity of a planned economy to innovate creatively, I am concerned here with the first stage of industrialization, the initial development of heavy industry and electronics. Since many countries have yet to make that initial step, I believe this is an issue worth considering in itself, independently of the subsequent step of a transition to light industry, services, and telecommunications.

Although the experiences of the three test cases are very different, there is nonetheless a pattern that they have in common. A strong state overrode the wishes of the peasants and suppressed them, creating a cheap labour force which then provided an opportunity for industrialization. In all three cases, democracy would have hindered development by allowing the peasant class to veto its suppression. A strong and autonomous state is thus a good causal variable for economic development, while democracy, to judge by the test cases, is a terrible causal variable.

Before embellishing the hypothesis further and extrapolating from it to current problems of democracy and development, I will answer some of the theoretical arguments posed by the *Economist* in favor of the democracy-leads-to-development hypothesis.

For centuries it has been argued that security of property... is the foundation for material progress... Here lies the decisive advantage conferred by political freedom—meaning democracy, and the dispersion of political power that goes with it. A benevolent dictator may do everything right in economic policy... But he cannot promise credibly that freedoms created by these policies will last: partly because he can suspend them at a moment's notice, and partly because when he dies or steps down he may be replaced by a non-benevolent dictator. (17)

The *Economist* is making the claim that the populace invests more under a democratic regime, since its expected returns on investment (adjusted for risk of expropriation) are higher. It is overlooking two important aspects of a non-democratic regime.

First, members of the state in a non-democratic country tend to be the same people who have large fortunes, and capital to invest. In Britain and Germany, the richer classes (landed aristocracy; iron and rye) control the state; in Russia, membership in the state apparatus leads to a higher economic position. Since the members of the state need not fear expropriation by the state, they have considerable security of property; thus, the people who have capital to invest have the opportunity to safely do so.

Additionally, a non-democratic state can force even those people who do not have much capital to invest. By imposing punitive taxes and raising government spending on infrastructure and subsidies to industry, a non-democratic state can effectively invest capital that the populace would not normally invest. It would be hard to imagine a democratic party winning an election on such a platform.

The other theoretical argument made by the *Economist* claims that democracies are better suited for development since tax rates are lower. Democratic leaders do not wish to alienate voters by raising taxes, and of the taxes they do collect, they must share with the populace. "On this account, democracy is superior economically in two ways: tax proceeds are shared with at least some of the citizenry, and the incentive to grab as much as possible is muted" (17). Like the previous argument, this assumes that there is a middle class that is doing most of the producing and the investing. When there is a dominant group with a large amount of capital to invest and a lower class that would ordinarily invest very little, taxing the lower class punitively and using the proceeds to invest will actually increase overall investment and speed up development. The *Economist's* arguments seem to be based on "what would happen if we took a democratic developed country and replaced its democratic regime with a non-democratic regime," whereas I am more concerned with the practical case of an undeveloped country that does not yet have a powerful middle class.

On that tone, let us turn to the current implications of my hypothesis. I have established that a state which is strong and autonomous promotes development, whereas a state which is democratic has no positive connection to development, either in theory or in practice (in fact, evidence suggests the opposite). Note, also, that later industrializers tend to be less democratic and have stronger states (Russia was more authoritarian than Germany which in turn was more authoritarian than Britain, during their respective periods of development). This is because the further behind other countries an undeveloped country is, the more reliant it is on cheap labour to industrialize (unless, as in the case of the Asian Tigers, it has a benevolent giant willing to open its markets—and even then a strong state promotes growth, though it does not do so by cheapening labour). This requires suppression of the peasant or working class, which requires a strong (and non-democratic) state.

Apparently, today "what a country needs to develop is discipline more than democracy," just as Lee Kuan Yew claimed—where discipline is defined as a powerful state able to discipline and reward, overriding and sometimes forcibly shaping the populace's desires. Such a state is unlikely to be democratic (note that the reverse does not hold; not all non-democratic states are strong or autonomous). The only way a country can develop with democracy is if there is already a large middle class (which can provide investment without needing to squeeze populaces through taxes). The catch is that a middle class is created through economic prosperity in a developed country, as more people are able to start their own businesses, and higher productivity permits higher wages for those who do not. Only then can a stable

democracy ensue, as it did in Britain (but not in Singapore; a middle class allows investment without repression but it does not infallibly lead to democracy). Even worse—today the competition from the developed countries requires even more investment-squeezing, and more oppressive measures by the government, in order to develop. Britain's relatively benign development was possible because it had no competitors, and hence had the leisure to effect a slow, gradual shift from agriculture to industry. Today's LDCs must develop quickly and aggressively under a non-democratic, strong state, and hope that a middle class emerges, and with it the ability to establish an economically viable democracy.

#### REFERENCES

Anderson, Perry. "Lineages of the Absolutist State." Verso: Britain 1993. *The Economist*, Aug. 27 1994.