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The Path to Development and Democracy, Does it Matter Which Comes First? Nicolas

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The Path to Development and Democracy, Does it Matter Which Comes First?

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
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Annandale-on-Hudson, New York
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I would like to dedicate this Senior Project to my family as a thank you for their support throughout my academic career.

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Table of Contents

Abstract:.....	6
Introduction:.....	7
Chapter 1: Countries that are developed with democracy.....	14
Chapter 2: Democracy with Development.....	21
Chapter 3: Countries that Develop and then Democratize.....	37
Chapter 4: Development then Democracy a look at South Korea and Spain.....	42
Bibliography.....	52

Abstract:

In this paper I have looked into the relationship between economic development and the type of political regime used to achieve development. Throughout my research I approach the idea that economic development is more related to the initial conditions of the state independent of the regime style in place. I have looked at states that achieved development through a democracy, states that achieved development through more of an authoritarian regime, and states that have not achieved development yet. When looking at the process of economic development the initial conditions of macroeconomic and political stability, equality of opportunity, and a collective identity seem to be the most important factors contributing to whether or not a country becomes developed or not. I use these initial conditions to look into how they have been formed within states whether it comes from the style of government or if it is something that exists before. It must also not be excluded the effect of exploitation and how that in turn plays a role in how states develop as well. It is important to acknowledge that every state is not on the same level economically due to colonialism and imperialism. With that being said this paper looks into if there is possibly an ideal form of government for economic development or how to form the initial conditions possible for development.

Introduction:

When looking at the developed countries there are three main factors that most of these countries share with each other: overall stability, equality, and a collective identity as a nation whether that be written or social. There are two competing political theories to how this development happens, one is through democratization in the western view and the other being through authoritarian style government in the form of a stationary bandit as Mancur Olsen states it which is seen in the Asian Values. Neither of these usually lead to development though without the initial conditions above. My thesis is that no matter which style of government is used in the process of development the initial conditions such as: macroeconomic and political stability, equality of opportunity, and a collective identity with a social contract and whether it be homogeneous or a written contract must be in place before development can take place.

First when looking at Sen we can see how in the western sense development is freedom. How democracy is important for development because without it you have no way of knowing what is needed for the people because they have no voice. The idea within democracy and development is to make the state work for you and provide certain necessities for its people as well as leading this into development. The interesting part is that the initial conditions for development also lead to democracy as they are intertwined with each other.

With Sen and the idea of development as freedom it is important to point out in this theory that economic development, social values/freedoms, and political freedoms (democracy) are all needed together for development to work. In this all three are not just needed but that they interact with each other for development to work. Economic growth is dependent on having a say in democracy and the social values of living in a society play a key role. This means balancing

inequality across gender, race, etc in the social sense because economic growth is needed for all people, which relates to democracy because everyone has a say in the political process so the people can express their needs through the political sphere. Development through this is also dependent not only on social issues in the sense that equality is there but also that growth is not just for individual success but societal as well. This works through as growth is formed because a society values all of its members not because they are forced by the government but because they choose democratically.

The argument for democracy as a means to provide development is a strong one due to the fact that it provides that individuals need democracy through three roles that individuals have. Within Sen's argument the constitutive, instrumental, and constructive roles are essential for development which come from democracy¹. The constitutive role being that you have the freedom and ability to participate in your society, just having the ability to do so is key in development according to Sen because freedom is a human necessity. The next role being instrumental in which you have the tools to participate in democracy, meaning the right to vote providing equal opportunities for everyone meaning that this can provide the equality aspect of development. Thirdly, the constructive role in democracy that shows that individuals can properly address the problems within their community and have the voice to be able to demonstrate their concerns. Sen's "Development as Freedom" shows how democracy can be used for development with the roles that individuals have combined with the freedoms they are allowed.

¹ Sen, Amartya. "Development as Freedom: An India Perspective." *Indian Journal of Industrial Relations* 42, no. 2 (2006): 157–69. <http://www.jstor.org/stable/27768063>.

On the other hand when it comes to development without democracy we can look at Asian Values. This theory relies on a stationary bandit, an authoritarian leader who looks out in the best interest of the people. There is a risk with authoritarianism but it can play out if the right leader comes to power. Within the Asian Values the main idea is to achieve social and economic growth while giving up the political freedoms that would be there in a democracy. The main difference is that with a stationary bandit people are forced to have social growth such as land reform, more education, and overall social inclusivity. This can also be noted by Olsen offering on how little is known on the effects of democracy on economic development “The moral appeal of democracy is now almost universally appreciated, but its economic advantages are scarcely understood”². Although this is forced it is noted that the people in these societies know or agree that they are doing what is best for the collective and this is achieved as well by what happens economically as oftentimes having a high savings rate is not as popular as it is often needed. This theory can be best described by quote from Takashi Inoguchi and Edward Newman in **“INTRODUCTION: “ASIAN VALUES” AND DEMOCRACY IN ASIA”**. However, the "Asian position" at the Vienna conference on human rights was interpreted by the leaders of those states, from the "top down", and not by their citizens.”³

Although this worked for many East Asian countries the Asian Values theory is not flawless as we can see in Predatory State’s. When there is the opposite of a Stationary Bandit a Roaming Bandit, an authoritarian leader who looks to exploit as much as possible before they

² Olson, Mancur. “Dictatorship, Democracy, and Development.” *The American Political Science Review* 87, no. 3 (1993): 567–76. <https://doi.org/10.2307/2938736>.

³ ““Asian Values’ and Democracy in Asia.” n.d. Archive.unu.edu. <https://archive.unu.edu/unupress/asian-values.html#INTRODUCTION>.

lose power problems arise⁴. This happens in cases where power is not guaranteed, according to Olsen problems arise in authoritarian leaders when their shelf life in power is short. These are cases where a Roaming Bandit will take as much as they can with their time in power because of a lack of faith for who will be the successive leader causing further instability.

What makes looking at development and democratic growth interesting is that there is no set in stone solution, as we can see that countries develop under the Asian Values and with democracies but that also countries that have one or the other do not develop. There is no one way to look at a country to achieve development but rather the ones that share three common characteristics: stability, equality, and a strong collective identity and the ones that do not develop lack these characteristics. The main difference between the two competing theories is that in Sen political freedoms interact with social and economic growth versus in the Asian Values political freedoms are given up to achieve social and economic growth.

It is also important to note that in this paper I will not include this discussion of underdeveloped states but it is important to discuss why that is, with that being said we can also look at the relationship between political regimes and developmental states and see that for the most part both democracies and authoritarian leaders both can lead to underdeveloped states. With no clear correlation between the relationship of the two it is open for further research on this relationship as no significant evidence can be used to push that democracy or authoritarianism is effective on growth and development⁵. With that being said we can look at

⁴ Olson, Mancur. "Dictatorship, Democracy, and Development." *The American Political Science Review* 87, no. 3 (1993): 567-76. <https://doi.org/10.2307/2938736>.

⁵ Przeworski, Adam, and Fernando Limongi. 1993. "Political Regimes and Economic Growth." *Journal of Economic Perspectives*, 7 (3): 51-69.

the opposite in growth and development and how the progression of political regimes affect development. No matter the style of regime the growth is dependent on the human and political development of the state. With social growth, economic growth, and HDI growth, these create a place for economic development in developing states. Thus showing for the most part that political regimes are not as necessary for growth as improving the initial conditions in the state.

In the case of economic development it is unfair for us to judge the developing world as it has been exploited for centuries to benefit much of the world we see has developed today. An example of this is looking at India, before they were colonized by the British Empire it looked as if they were ready to take a step into industrialization as their textile manufacturing was developing nicely. After British control this did not happen as all of the financial benefits that would have come from their development instead fell into the hands of the British. That is not all though as we look into colonization and the exploitation that happens, one of the many problems that arise is what to do after the colonizer leaves. As in many British colonies after they left a democracy was left behind and in many cases it is both unstable and ineffective.

This leads into the way we look at development as a whole, the story of exploitation is a common one when it comes to countries we view as “developing”. How can we compare or tell countries how to develop when in fact it is not the way most of the developed world got there. In looking at the early United States its economic progress and development was based off of slavery in the Southern States, which in turn gave way for the Northern United States to focus on smaller communities, education, etc. With slavery in the south and the free labor that could be produced to make cotton an easy export was made as well as profits from slavery made the United States one of the richest countries in the world in the 19th century. Within the United

States we can see that the North became more democratic because of these initial conditions created by economic development, with a good education system as well as the smaller community building more were included in the democratic process. Whereas looking at the south they did not develop as good as a democracy because it would not benefit them due to slavery and exploitation. When looking at the United Nations model for development slavery and exploitation are not included which is a major factor in the United States and Western European countries become the most developed countries now. This story of development shows that initial conditions including development in general are needed for democracy to form. This is seen all over the world when looking at colonialism and countries that are developing.

Unfortunately the story for many developing countries is that they do not have good institutions and infrastructure for these initial conditions to form. In many cases it is as well not their own fault. In “Good, Bad, And Ugly Colonial Activities: Do They Matter For Economic Development?” by Miriam Bruhn and Francisco A. Gallego⁶ the relationship between how a country was colonized in the Americas by classifying it into three categories: good (colonial activities that did not produce economies of scale meant better long term outcomes), bad (colonial activity that produced economies of scale had worse long term outcomes), and ugly (colonial activity that were reliant on exploitative mostly native labor). The relationship between how countries were colonized and their economic development has been affected. Through measuring GDP per capita and poverty rates, countries with “bad” colonial activity had 27.7% lower GDP per capita and a 13% higher poverty rate than countries with “good” colonial activity

⁶ Miriam Bruhn, Francisco A. Gallego; Good, Bad, and Ugly Colonial Activities: Do They Matter for Economic Development?. *The Review of Economics and Statistics* 2012; 94 (2): 433–461. doi: https://doi.org/10.1162/REST_a_00218

today. In countries with “ugly” colonial activity their GDP capita was 16% lower than countries with “good” colonial activities today.

This research shows empirically that the worse a country was colonized means that their economic outcomes via development are on average going to be worse as well. This can be due to a number of factors that come from colonialism, first in its institutions as for a part of the countries history they do not have sovereign control over themselves meaning that a country who had their resources exploited is also forced to either create their own political systems or use the old one left in place. Meaning that the initial conditions needed for development are harder to access for these countries that have been colonized. This affects overall stability because of a lack of good institutions so the ability to create a strong stable government to support a stable economy is that much harder. Second is in the way the economy is designed under colonialism especially in “bad” or “ugly” colonial activities. When your economy is designed to exploit most workers and run away with the profits to the colonizing country there is no savings or investment to build upon. As well with the economy being designed to do this once they are independent the country still relies heavily on exports mostly to countries that are more powerful than them meaning they have little pricing power. The combination of bad institutions put into place and an economy that is heavily reliant on exports because of colonialism makes it extremely difficult to have development because of the lacking infrastructure and initial conditions. This creates a vicious cycle of poverty for these countries as they are dependent on more powerful countries that do not allow a way for them to develop economically and create a stable government.

Chapter 1: Countries that are developed with democracy

In looking at the western world primarily the idea of democracy as freedom is quite a popular idea as most of the developed countries in the west have democracies. We can see economic growth and development under democracies with the right initial conditions of overall stability, equality, and a strong collective identity. Under a strong and stable democracy these initial conditions can thrive as well as interact with each other. With stability and equality everyone feels a part of the democracy as shown with Sen's theory on democracy with individuals having three roles: constitutive, instrumental, and constructive. These roles intertwine with political freedoms, economic freedoms, and social freedoms create the initial conditions necessary for development.

First when looking at the initial conditions we can see how important stability is when it comes to democracy and development. A democracy cannot work without stability, many things within a democracy are at risk of being lost. One of the main arguments of why a democracy is preferred is because of individual rights and economic freedoms that come from a democracy. And that has a lot to do with stability both politically and economically. When a state has a stable democracy it goes hand in hand with economic stability as there is trust within the government to keep the economy strong as well as cause economic growth because of the stability. This also relates stability to individual rights as we can see from Olsen describing this relationship “ Interestingly, the conditions that are needed to have the individual rights needed for maximum economic development are exactly the same conditions that are needed to have a

lasting democracy”⁷. In looking at this relationship we can see why democracies work well in creating economic growth because the conditions are the same for all three to work.

We can also look at the importance of individual rights within a democracy and how that affects development. Individual rights under a democracy mean that things like property rights and individual businesses are designed to stay over the course of generations. Meaning that private institutions are created to last longer creating more of a stable economy on a micro level, thus reflecting if this happens across the state it will create macroeconomic stability as well. This can also reflect in development as individuals are more likely to participate in economic actions that cause development with their investments. Such as relating this to a state having a strong collective identity due to the fact that people are more likely to invest in companies that are from their own state. Thus creating more growth and development from individual rights.

A key idea within a democracy is the idea that you are getting the state to work for you, this relates to investment in states both from foreign and domestic investors. The state itself has to provide first a stable economy to mitigate the amount of risk there will be for investors, then with stabilization transparency is also key to creating an investment climate that is attractive for investors. This is something that is important for development under democracy because the private sector cannot rely solely on the market itself in the early stages of development because of a lack of investment. So with stability and transparency for investment economic growth can

⁷ Olson, Mancur. “Dictatorship, Democracy, and Development.” *The American Political Science Review* 87, no. 3 (1993): 567–76. <https://doi.org/10.2307/2938736>.

be made for individuals but it is only possible through the state working for its people and not the other way around.

We can also see that when looking at the movements of economic growth within Democracies there must also be a second movement that provides a social safety net for people to avoid a major wealth gap. This idea can be seen in a country like Sweden where in the 1970s they achieved great economic growth but the country did not suffer an intense wealth gap because a welfare net followed it. This is what makes democracies that develop economically sustainable as well as add to the stability discussed previously. Without these key factors such as macroeconomic stability, political stability, social safety nets, and government transparency it makes it very difficult for economic development to happen as well as a stable democracy to hold. Which comes back to the key concept of economic growth under a democracy is getting the state to work for you.

To continue on with the ideas from Polanyi we can see that this theory of two waves is one that can be agreed upon by Neoliberals and Neoclassical economists as something that happens naturally within democratic societies. Although Polanyi is a socialist his ideas about the market and development parallel that of neoclassical economics as well as show that through economic development, social development comes and this in many cases is through democratic freedoms. In an analysis of “The Great Transformation” from *The Neoclassical Origins of Polanyi's Self-Regulating Market* written by Kurtuluş Gemici⁸ “ However, his historical analyses in *The Great Transformation* and his other works on economic systems in history show that the key notions in the Polanyian framework—the market’s contradictory place in society and

⁸ Hexter, J. H. *The American Historical Review* 50, no. 3 (1945): 501–4. <https://doi.org/10.2307/1843121>.

the double movement it generates—do not have to be predicated on the notion of self-regulation. This is a testament to the depth, power, and continuing relevance of Polanyi's ideas in contemporary capitalist market societies.” While the theory does not directly line up with Neoclassical and Neoliberal theory the idea of a double movement is key within development in democratic societies. Both neoliberal and Polanyi theory is dependent on initial growth economically then a socially responsible society that looks to protect its people which can only be achieved through democratic freedoms within this framework.

This brings me to the ideas of Amartya Sen as the idea of “Development as freedom” to have the idea of a double movement a democratic society where its people can use their constructive roles to vote and address the problems that are faced. We can see that a social safety net is formed by the people voting to protect others from the negative sides of only economic growth. This can be seen in many different ways but a specific example of this is in the United States. Through the democratic process and worker movements in the early 20th century Anti-trust laws, workers unions, and minimum wage laws were all in response to economic growth and protecting the working class in the United States. These happened because people in the United States had constructive freedoms allowing them to use their democracy as well as social movements to encapsulate as Polanyi would put it a “second wave” of social growth. Since then those social movements and safety nets have decreased due to the political climate in the United States but it is important to note that it did occur although it was not as strong of a double movement as that of Sweden.

Moving on with Sen's roles for democracy we can look at the constitutive, instrumental, and constructive roles⁹ and how they impact development through these ideas. Looking first at the constitutive role of democracy in which you have the freedom to participate in democracy and society, that right alone is key for development within a democracy because of the way free markets are designed. With freedom in a society transparency and stability come next because institutions are in place for investment. People within these states have the freedom to buy and invest wherever they choose too as well as freedom in the market to help grow the economy. We can see this through how Common Law creates a better investment climate. As seen in "Law and Finance"¹⁰ written by Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert w. Vishny best put in by this quote from their article "Relatively speaking, common-law countries protect investors the most, and French-civil-law countries protect them the least. German-civil-law countries are in the middle, though closer to the civil-lawgroup. The one exception is the strong protections that German-civil-law countries afford secured creditors." Comparing this to Sen's constitutive role of freedom in common-law can be seen as a way that is more concrete in how laws are set and to be followed because of their judicial premises. This relates to the constitutive role of freedom because common-law better guarantees that these freedoms exist and will continue to do so. Thus affecting development through investment because investors are more likely to invest due to the fact that there is less concern over their rights. As well this comes hand in hand with stability as the fact that the rule of law is more

⁹ Sen, Amartya. "Development as Freedom: An India Perspective." *Indian Journal of Industrial Relations* 42, no. 2 (2006): 157–69. <http://www.jstor.org/stable/27768063>.

¹⁰ La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny. "Law and Finance." *Journal of Political Economy* 106, no. 6 (1998): 1113–55. <https://doi.org/10.1086/250042>.

absolute creates a more politically stable environment which in turn makes the economy more stable within the state. This is how common-law and constitutive roles within democracies create a better set of stable and transparent institutions which can impact development for the better.

Looking next at Sen's instrumental and constructive roles for democracy meaning that you have the right to vote and participate in democracy as well as having the ability to address the problems faced within the state. We can see how effective these roles are by looking at Australia's financial reforms at the end of the 20th century especially through the constructive role of democracy. We can see this in a paper written by the Australian governments treasury into why their economic reforms were so successful "There are many reasons why Australia's reforms were implemented with relatively broad public support: governments were opportunistic and took prudent steps to sell the case for change; the reform agenda had the overall support of business groups and unions, as well as federal and state governments; the slow pace of change allowed time for the community to adjust; benefits and costs were relatively dispersed thanks to both a broad reform agenda, measures to ease transitional pain, and governments' preparedness to offer trade-offs; and successive governments drew judiciously on advice from independent agencies and inquiries."¹¹ When looking at the success of Australia's economic reforms we can see since the turn of the century GDP rising consistently as well as them being viewed as one of the most open economies in the world. These reforms included: broadening the tax base, raising the national savings, and improvements in sustainability for social programs for health, welfare, and education. They were wildly successful, improving both their social and economic growth as

¹¹ Berger-Thomson, Laura, John Breusch, and Louise Lilley. "Australia's Experience with Economic Reform - Treasury." treasury.gov.au, October 2018.
<https://treasury.gov.au/sites/default/files/2019-03/p2018-t332486-economic-reform-v2.pdf>.

a country. This can be related back to Sen's instrumental and constructive roles in democracy because of the input into the Australian government on the need for reform. These reforms were based on support from trade unions, business owners, etc. People supported these reforms and used their democratic freedoms to show that. First by using their right to vote to put those in power that shared their ideals, as well as making sure that the government knew what they wanted out of this. This is a great success story of Sen's ideas for development and democracy as economic development came out of democratic ideas.

The example of Australia's reforms can relate to the framework of development through democracy is set through their institutions. Relating this back to how initial conditions affect development and democracy. Australia has stability (both politically and economically), overall equality (good social safety nets for equality of opportunity and politically when it comes to freedoms), and a strong collective identity (stemming back from its roots as a settler colony). But this is a framework that can be used in the idea of using democracy to create economic development and growth. Having a good set of institutions where the government is a stable democracy, electing leaders that align with your own views, and then having the government ask what is needed both socially and economically to better its people. This is how through democracy, economic development is accomplished by making the state work for you through democratic processes and having the freedom to do so.

To conclude on this section about Australia it is crucial to mention how the institutions are formed to ensure that the state works for you and not the other way around. This concept is what sets apart development through democracy is that a state whose people have democratic freedoms and use the roles that they have to participate can reflect development. Because of the

constructive, constitutive, and instrumental roles of democracy Australia was able to create policy for economic growth and development that was not only popular amongst a majority of its people but also effective in creating growth. Thus showing that this is a framework for countries with democracy that if these roles are used correctly growth and development can happen by making the state work for the people.

Chapter 2: Democracy with Development

When looking at countries who have achieved economic development with a democracy two countries stand out. Costa Rica and Sweden both were countries who democratized before they achieved economic development. I chose these two countries because they share a similar story but have different histories. Costa Rica being a colony of the Spanish empire in central america, then becoming independent and creating their own democracy. Whereas Sweden in northern europe was not colonized and has had its own constitution since the 17th century.

It would be good to open this narrative of Development following Democracy with a brief history of each. Starting with Costa Rica In 1848 when Costa Rica became independent the first thing that they did in their constitution was to defund a majority of their military and move

spending from that to education. Since the end of World War II they have not had an active military. Therefore this has benefited their democracy and development as they have not had to deal with any external or internal military conflicts. They have been able to maintain neutrality in conflicts in Central America as well as been able to focus on growing and educating their population. Many countries across the world, especially developing countries often through the development process a lot of spending is put onto the military because of the risk of conflict with other nations or imperialist intervention which was common to many Central and South American nations.

This brings me to the point of Costa Rica's reversal of fortune, first named by Spanish colonizers as "The Rich Coast", because of the gold worn by peasants it was found that there was no gold there and the colony was left alone mainly as a settler colonial state where farming was done. Colonial practices in Costa Rica differed from other colonies in Central America as Costa Rica was not an extractive colony so there was in turn less exploitation. Because of this Costa Rica became an agricultural state and left alone by the Spanish, meaning that they were not heavily exploited and with most of the population being settlers, with today over 80% being of Spanish origin.

Part of the reason Costa Rica's development was possible was because of this settlement aspect as well as that this democracy they formed was their own. The Spanish did not impose this democracy upon them, they made their own constitution, they own laws that benefited the country and not the Spanish. In forming their own constitution it can be argued that this is what sets them apart from other developing countries and what causes their democracies to fail. When the Core country leaves in the colonial model, oftentimes a democracy and other infrastructure is

left behind, but what is left behind is not there to help grow and develop the Periphery. Instead it is the framework of a system that was designed to help the Core country become richer and more powerful while extracting the resources of the Periphery. The combination of the reversal of fortune, the lesser role Costa Rica played in the Spanish Colonial system, and the ability to form their own constitution to the benefit of their development helped set them apart from other countries in the region.

I will also bring in a brief history of Sweden as well, Sweden formed their own Constitution in 1809 with some revisions coming later on, and in the early 1900s made the move to a full Parliamentary system. As we can see in the charts above with a majority of their economic growth coming after that period. Unlike Central America there was no colonialism and threat of internal or external conflict for Sweden (with the exception of the World Wars, in which still they maintained neutrality for the most part). But a similarity between Costa Rica and Sweden was the formation of their own constitution. Something that set Sweden apart through their development process was that they had a strong social safety net for those that lived there. Meaning that little money was spent on their military and other development factors like healthcare, housing, and poverty reduction could be focused on.

A major difference here is that Sweden is rich in Raw Materials and was able to capitalize on this. They were and are a country that is mainly focused on exports which helped grow their economy especially from 1870-1970. With heavy capital exports in the 19th century Sweden was able to benefit from the industrial revolution in Western Europe. In short they benefited off of the spillovers from England and the rest of western europe with the resources they were able to provide. What differs them in this development process is in the political side

of things. Sweden's main political party is the Democratic Socialist one, this is important because Sweden was able to keep poverty rates low, low homelessness, and low unemployment in the 1900s because of these social safety nets in place. This shows that Sweden who was a country that also created their own democracy, was able to create a system that was not just based on economic growth (in which they had a lot of) but also development as a whole.

A striking similarity between Sweden and Costa Rica is that the democracy and development they hold is their own. Meaning that the systems created by that democracy in turn for Economic Development were for their own benefit and a direct result of this is institutions that are their own. An example of this is Costa Rica removing its military and moving its spending to education and healthcare¹². This is a crucial part of the development process because in many cases where development does not happen it is due to the fact that government spending and infrastructure is not meant to benefit the country that is there. Bringing us back to the core periphery model, not only the physical infrastructure left behind is meant to benefit an economic process designed to grow profits for the core. The same can be said for governmental institutions, whether it be United States imperialism or the lasting effects of colonialism many countries are given a democracy but those who are left to be elected into power are not in the best interest of the country. That is what makes the Costa Rica case especially so special is that because their Constitution and Democracy was their own they had the ability to put those in power that had the best interests of Costa Rica. Thus, the relationship between democracy and development comes here where the elected officials create their own institutions that are meant

¹² Coha. "Costa Rica: An Army-Less Nation in a Problem-Prone Region." COHA, July 9, 2012. <https://www.coha.org/costa-rica-an-army-less-nation-in-a-problem-prone-region/>.

to benefit the state first. We can see results of this process today as Costa Rica has been the most stable government in Central America since World War II, they also have the highest literacy rate at 97% among surrounding nations, and holds an HDI of .810 the fifth highest in Latin America.

Another factor that plays into how this is possible for Costa Rica and Sweden is a very low threat of conflict with other nations. Both countries have remained for the most part very neutral throughout the 20th century. Costa Rica is nicknamed the Switzerland of Central America. As well Sweden during World War II staying away from conflict, as well as today we can see with their reluctance to join NATO. There is a direct effect on the development of these countries as there is little to no focus on military or external conflicts so money can be spent and used for developmental purposes. Especially in Sweden as they have a strong social security network, universal healthcare, and low levels of poverty due to the money spent on welfare.

Another important factor that helps with Democracy and Development is the fact both Sweden and Costa Rica are for the most part homogeneous. Costa Rica being 83.6% White/Mestizo¹³ and Sweden being 80.6% ethnically Swedish¹⁴. This is crucial to the Democracy process and development process because there becomes less obstacles in creating policies that benefit society. For example if we look at the rest of Central America the breakdown of ethnicity tends to be more diverse on average than Costa Rica, this combined with Costa Rica being more of a settler colony also provides us with a picture on how this development is possible and the similarities held with Sweden. Because both Sweden and Costa Rica are more homogeneous

¹³ Bateman, Jason. "Costa Rica Population." CostaRica.Org, October 19, 2020.
<https://costarica.org/facts/population/>.

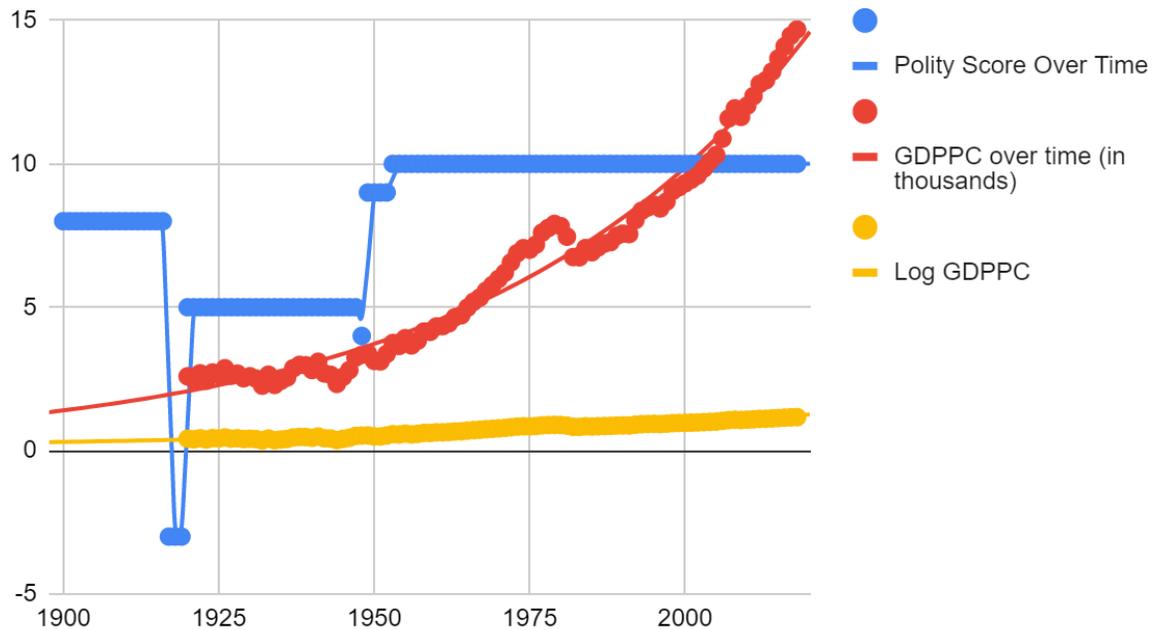
¹⁴ Sweden demographics profile. Accessed April 11, 2023.
https://www.indexmundi.com/sweden/demographics_profile.html.

there is a sense of national pride amongst the people there, leaving less room for internal conflicts when the majority of its people are viewed as equals to each other. Thus in turn creates a better political dynamic to create policy that benefits the development of the nation. As we can see with the early policy in Costa Rica it was designed to benefit the people that lived there.

After talking about demographics and the background information of Costa Rica and Sweden we can now look into the policy measures put into place that helped further their economic development. It is still important to note that because of these external and internal factors that led to their democracies and overall stability made the policy decisions both easier as well as more effective. First in looking at Costa Rica we can look at this regression of their Polity Score (a democracy score rating from -10 to 10 with 10 being a full democracy and -10 being a full autocracy)

Figure 1*: Costa Rica Polity Score Regression

Costa Rica



As we can see an exception in the first half of the 20th century Costa Rica has been a full democracy and been on for the majority of their economic development. We can see that in 1950 post Costa Rica's civil war a better democracy was formed and with the election of José "Pepe" Figueres who was part of the Partido Liberación Nacional (PLN) which translates to The National Liberation Party. He gained political power from repressing political oppositions, favorable electoral promises, and banning the pro coffee oligarchy military¹⁵. Under the PLN from the 1950s to 2000 we can see this shift called a "double incorporation" meaning both social and market inclusion of a growing middle class.

¹⁵ Martínez Franzoni, Juliana, and Diego Sánchez-Ancochea. "How Did Costa Rica Achieve Social and Market Incorporation?" *CEPAL Review* 2017, no. 121 (April 23, 2017): 123–37. <https://doi.org/10.18356/08cdf4f3-en>.

At a time of high unemployment and high informality in Latin America for the most part Costa Rica was an exception to this. This can be seen for a few different reasons, first was due to the main goal of the PLN which was to maintain political power. But unlike in cases of an autocracy the PLN had to be popular amongst the people to maintain power. This came through the formation of new taxes in 1954 “the ninety largest companies in the country would see their taxes increase from five million colones a year to fourteen and a half million colones a year” (Bowman and Baker, 2007, p. 38). This heavily affected the coffee industry as they were no longer allowed to use the state's money to grow their coffee corporations but also that now the people saw tax benefits from it. This reflected a turning point in the Costa Rican economy as a shift from an agricultural one to a more industrial one. In retrospect as well we can view this as Costa Rica having control over its natural resources and with a ban on the military there was no contest or revolt to these higher taxes. The second key piece used for economic development was more policy to shift to the industrial sector “With the passing of the Industrial Protection and Development Act in 1959 and the accession of Costa Rica to the Central American Common Market (CACM) in 1963, the centre of economic policy shifted from agriculture to industrial promotion.”¹⁶ This relates to how Costa Rica implemented its double incorporation especially in growing the middle class. How you may ask, with the money taken from this higher tax rate upon corporations and a shift towards industrialization by the 1960s and 70s 20,000 and 24,000 loans were given out to through rural councils for economic development by the National Bank of Costa Rica totalling over a quarter of all agricultural production. These were not just for the agricultural sector but rather for the public sector as well for industrial opportunities and by the

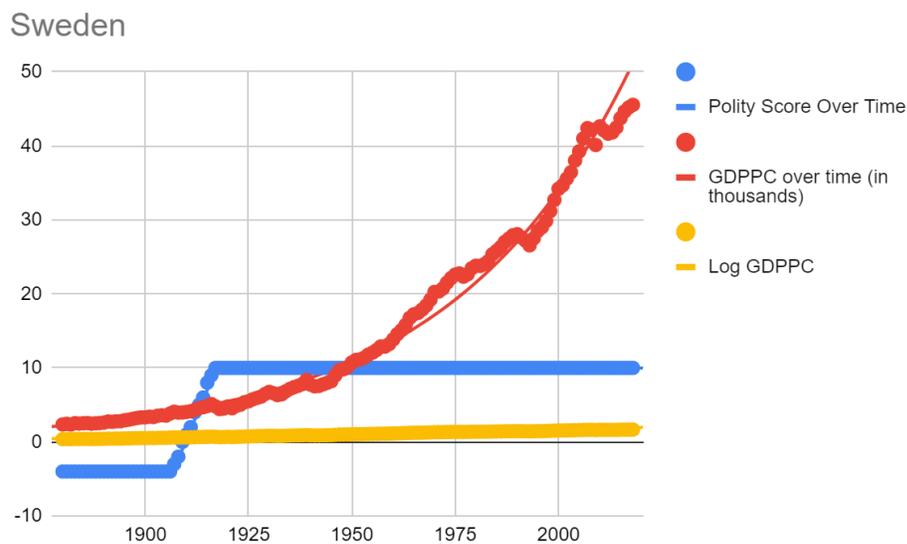
¹⁶ Martínez Franzoni, Juliana, and Diego Sánchez-Ancochea. “How Did Costa Rica Achieve Social and Market Incorporation?” *CEPAL Review* 2017, no. 121 (April 23, 2017): 123–37. <https://doi.org/10.18356/08cdf4f3-en>.

1970s 40% of firm owners were first generation. This meant that there was a middle class growth of varying sectors between public, industrial and agricultural, therefore also raising employment to set a path for industrialization and meaning that most of the jobs were in the formal sector. The third part of Costa Rica's development through this period came from advancements in the social side, the other part of this "double incorporation". Pre 1950 social security was in place but under the PLN it was expanded by becoming universal in 1961. This combined with better funding from the higher tax rates combined with a higher employment rate meaning that more funding came into the government for pensions and health care meant that this could not only be expanded but also became sustainable. And finally the National Learning Institute (INL) designed to train and educate those for the industrial sector also combined with housing programmes meant that there was a social safety net for those who were unemployed or impoverished which in turn also grew the employment rate and kept the formal sector growing.

We can relate this back to the figure showing Costa Rica's economic growth post 1950 as there were many policy decisions that came into place to develop Costa Rica. This can be taken back to Sen as well with his theory of democracy and development as the PLN was forced to respond to the people and the social demands of its people. Meaning that because under a democracy the PLN to remain in power had to provide a society that benefitted and helped grow its society of the middle class and also benefiting the elite by helping them move from an agricultural economy to an industrial one. This double incorporation relates back to Sen, as what Costa Rica and the PLN did would constitute under his "instrumental" role for democracy as the middle class was grown because of the pressure from voters to help grow the economy for the workers and creating more of a level playing field amongst the economic growth.

A similar story can be told with Sweden within their process of democratization and development. Looking at this figure we can see the Polity score of Sweden stays at ten since the early 20th century and continued GDP per capita growth since the second world war.

Figure 2*: Sweden Polity Score Regression



We can further look into how Sweden was able to do this over time through their economic policy. Which based upon the “Swedish Model”¹⁷ which was similar to what Costa Rica did including a privately owned industrial sector, a public sector, an active role from the government, a strong social safety net, and a lower wealth gap via a higher tax rate which in turn was able to better fund the government spending. Before we dive further into Sweden's policy it is important to add why a higher tax rate among corporations and the wealthy benefits

¹⁷ Carlgren, Fredrik. “From War to the Swedish Model.” Ekonomifakta, October 7, 2015. <https://www.ekonomifakta.se/en/Swedish-economic-history/swedish-economic-history2/From-War-to-the-Swedish-Model/>.

development, a higher tax rate not only ensures that more money goes back to the government for spending (which helps keep inflation lower and ensures a government does not overspend) but also keeps away extractive practices on natural resources meaning that foreign investors will stay away keeping the growth and economic gains to the country where its workers live.

I digress back to Sweden, in the early 20th century the Swedish Social Democratic Party (SDP) came to power. With a rise in communism and class uprisings around eastern Europe, the SDP had to ensure they would stay in power politically, this meant that policy decisions had to benefit all economic classes. This led to a socialist system that was designed to work with capitalism benefitting both the corporations and working class people. The socialist system was upheld by a capital accumulation following World War I, an export oriented innovation strategy that yielded high profits for Swedish companies which was a result of high foreign demand, selective protectionism (a combination of trade restrictions that were also relaxed on raw materials), and expansive economic policies¹⁸. These profits in turn created a new corporate tax policy in 1938 which formed a high savings rate for the Swedes along with the policy incorporating depreciation allowances. Thus a balance was formed that allowed Swedish enterprises to maintain profits while simultaneously building their economy by financing and sustaining social programs to ensure overall development.

With strong capital accumulation from innovation, export oriented industries, and policy to support it, funding was provided for Sweden's social programs. Led by the SDP in 1938 wage agreements began to be formed between employers and labor unions which combined with a national pension program created a backbone for the welfare program. After World War II

¹⁸ Lindvall, Johannes. "The Politics of Purpose: Swedish Economic Policy after the Golden Age." *Comparative Politics* 38, no. 3 (2006): 253. <https://doi.org/10.2307/20433997>.

a long list of benefits were formed for not only citizens but immigrant workers as well. By the 1970s benefits under the welfare state included¹⁹:

Health and Sickness

1. subsidized doctor care mainly in county clinics
2. free public hospital treatment
3. subsidized dental care; free for children
4. subsidized prescription drugs; life-saving drugs free
5. free abortions and sterilizations
6. free maternity clinics for prenatal care
7. cash benefits to compensate for loss of most wages due to sickness; a separate benefit is available for workers injured on the job

Family Support

8. tax-free monthly payment to parents for each child; single parents receive an additional payment for each child
9. parents have a right to take a total of 12 months paid leave from work at near full wages to care for each child up to first year in school
10. subsidized child care at home or in a government day-care center
11. one year at a subsidized nursery school
12. unemployment insurance pays about 80 percent of previous income

¹⁹ “Bria 14 3 c the ‘Swedish Model’: Welfare for Everyone.” Constitutional Rights Foundation. Accessed April 23, 2023. <https://www.crf-usa.org/bill-of-rights-in-action/bria-14-3-c-the-swedish-model-welfare-for-everyone>.

Pensions

13. most retired persons receive three different kinds of old-age pensions paid for by taxes and employer contributions

14. full or partial disability pensions; disabled child pension goes to parents until age 16 and then directly to child

15. special payment to handicapped persons who are working or in school

16. surviving spouse and orphan pensions

These social welfare programs created a strong backbone for society as a middle class was built from labor unions, healthcare, and family support as well. This formation along with GDP growth made the SDP very popular, keeping them in power throughout the 20th century.

In comparison, Sweden and Costa Rica followed a very similar model through the process of democratization. Political parties in each country the SDP and PLN respectively acknowledged that in order for their parties to stay in power economic growth was not enough to remain in control but rather a top down development of society as whole. Through private and public sector growth combined with social programs both states were able to achieve development. This early growth in turn both resulted and caused two key effects for each country, one being the theory of Endogenous Democratization²⁰ and the second being a middle class consensus²¹. First in looking at Endogenous Democratization as stated there is a certain income per capita threshold that statistically will support a democracy as put on page 533 and

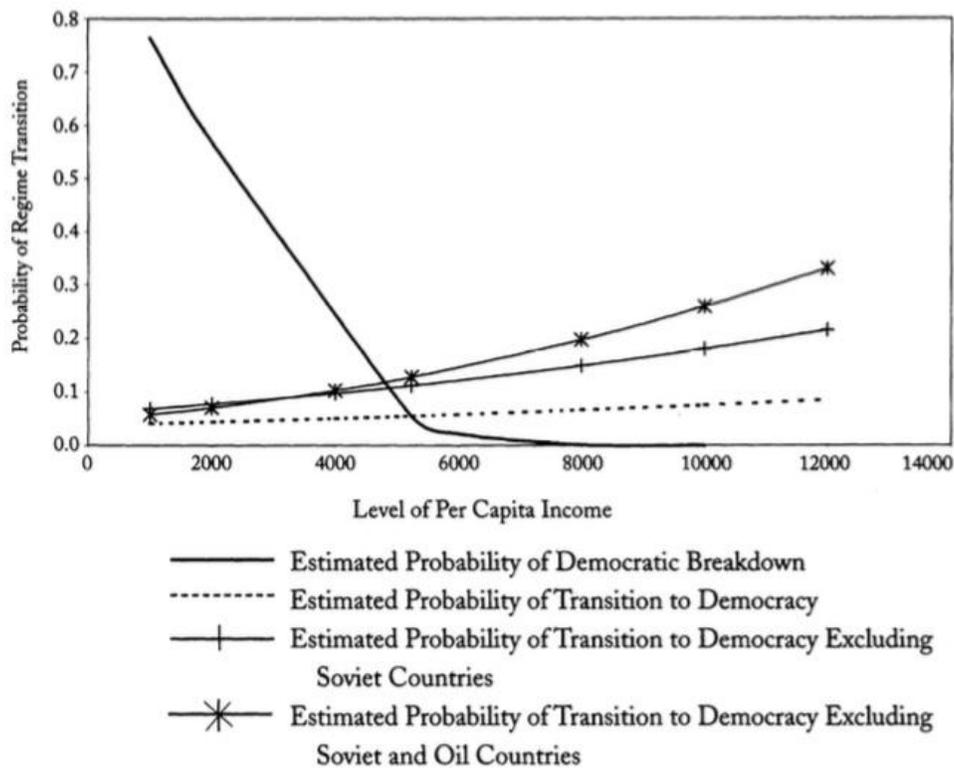
²⁰ Boix, Carles, and Susan C. Stokes. "Endogenous Democratization." *World Politics* 55, no. 4 (2003): 517–49. <http://www.jstor.org/stable/25054237>.

²¹ Easterly, William. "The Middle Class Consensus and Economic Development." *Journal of Economic Growth* 6, no. 4 (2001): 317–35. <http://www.jstor.org/stable/40216047>.

534 in “Endogenous Democratization” written by Carles Boix and Susan C Stokes: “ to the probability that democracies will collapse and become dictatorships, which falls to 0 when a country's per capita income goes above about \$6,000.” The earliest per capita income data shows that Sweden had a per capita income of over \$20,000 in the 1970s and based upon growth patterns this \$6,000 threshold was crossed right after World War II and Costa Rica breaking this \$6,000 threshold in 1993²². While it is interesting that Costa Rica did not break this threshold sooner with their development and policy decisions, if we look further into Costa Rica their per capita income hovered between \$4-5,000 after 1950. Furthermore we can look at this analysis from Boix and Stokes showing the probability of a democracy breakdown based on per capita income:

Figure 3: Probability of Democratic Breakdown based on Per Capita Income

²² “Adjusted Net National Income per Capita (Constant 2015 US\$) | Data.” The World Bank Data. World Bank Group, 2020. <https://data.worldbank.org/indicator/NY.ADJ.NNTY.PC.KD?locations=US>).



So as we can see Costa Rica's income levels reflected that of a lower probability for regime change. This use of economic growth alone to hold democracy was not the only factor that played a role as well.

Another key factor that can be used is in how both countries used political power; the PLN and SDP respectively used policy and social safety nets to create a middle class through public and private sector jobs. This formation of the middle class created an educated and financially stable class of citizens which in turn made democracy much easier. As explained by William Easterly in "The Middle Class Consensus and Economic Development" in how a middle class correlates to better socioeconomic outcomes "Countries with a middle class consensus have a higher level of income and growth. We see why relatively homogenous middle-class societies have more income and growth, have more human capital and infrastructure accumulation, they

have better national economic policies, more democracy, less political instability, more "modern" sectoral structure, and more urbanization” These results are clearly seen in both the case of Costa Rica and Sweden. In full, the initial conditions provided to each country (homogenous societies, very little to no exploitation from foreign countries, a strong national identity) combined with the formation of a middle class via social and economic policy, these pieces put together with strong, competent, and popular political parties created not only a system for democracy and development to thrive but one that can be replicated in other developing countries.

Chapter 3: Countries that Develop and then Democratize

The alternate path we can look at for the development process of some nations is commonly referred to as the “East Asian Model”, or to put it best an authoritarian leadership style that promotes social growth and economic growth. This is an important distinction in the case of this model as there have been many dictatorships that have created economic growth but were not married with social growth and often meant that the top percent of earners became richer while there was little growth at the bottom. This is referred to by Mancur Olson as the difference between a roaming and a stationary bandit²³. When looking at this process of economic development before democracy there are a few important things to note: initial conditions for development must be present (as discussed in the introduction with a strong national identity, overall equality, and overall stability) and a policy approach that is as socially beneficial as it is economically. What this means for a stationary bandit is that they must come to terms with the fact that what is created as a byproduct of their policy is not something that will keep them in power. A stationary bandit is also known as benevolent autocracy when talking about regimes, Farah Stockman makes note of how these regimes often cease to exist because of how well they perform “That’s the thing about benevolent autocracies: They tend to expire. They either cease to be autocracies — as happened in South Korea and Chile — or they cease to be benevolent.”²⁴ This highlights what happens in this process of development before democracy is that institutions are created to develop a society via growth in education, healthcare,

²³ Olson, Mancur. “Dictatorship, Democracy, and Development.” *The American Political Science Review* 87, no. 3 (1993): 567–76. <https://doi.org/10.2307/2938736>.

²⁴ Stockman, Farah. “He Made His Country Rich, but Something Has Gone Wrong with the System.” *The New York Times*. *The New York Times*, April 12, 2023. <https://www.nytimes.com/2023/04/12/opinion/international-world/singapore-autocracy-democracy.html>.

employment, and infrastructure. Meaning that once a state reaches certain education levels, income levels, and overall HDI levels, the transition to democracy becomes imminent. And if the state fails to do so by leaving the people behind in this growth benevolency no longer exists, meaning instability and leadership changes or the state has a roaming bandit at the helm.

When looking at the process of development before democracy, we can look at the economic growth side first as an indicator of a regime shift to democracy. In looking at the theory of Endogenous Democracy²⁵ from Ryan Kennedy in *The Contradiction of Modernization: A Conditional Model of Endogenous Democratization* evidence shows that economic development maintained will result in democratization. What this means is that under a benevolent autocracy economic policy can be made that is seen as relatively unpopular, such as a higher tax rate and other forms of monetary theory to supplement growth. This is achieved because autocratic regimes can go unopposed in their decision making on policy. This differs from the democratic process as there is no democracy so there is no voting on policy creating an interesting dilemma within the function of development from a macro policy perspective. While on the one side development agencies want to promote democracy from a moral perspective, on the other hand research shows that economic growth can also result in economic growth. As best put by Kennedy “From a policy perspective, governments in industrial countries, international lending agencies, and aid organizations should continue to encourage economic development in nondemocratic countries. In the short run, such policies may conflict with interests of democracy promotion. In the long run, however, promoting economic development will increase the chances

²⁵ Stockman, Farah. “He Made His Country Rich, but Something Has Gone Wrong with the System.” The New York Times. The New York Times, April 12, 2023.
<https://www.nytimes.com/2023/04/12/opinion/international-world/singapore-autocracy-democracy.html>.

that, when a crisis occurs (as they always do), the outcome of institutional changes will be democratic and that the democratic institutions will last once they are in place.” What the data suggests is that rather than encouraging nondemocratic states to immediately push to democracy, rather in the short term it will be more beneficial to the state to have economic growth and development. Rather than short term democracy, when looking into the long term economic growth at a certain threshold becomes in turn a key determinant of democracy as education levels and social growth can coincide with economic growth to promote democracy.

But how exactly are benevolent autocracies efficient at creating economic development especially in the early stages of this process. This can be put best by Ronald J Gilson and Curtis J Milhaupt in *Economically Benevolent Dictators: Lessons for Developing Democracies*²⁶ with their hypothesis on why benevolent autocracies can be successful economically “According to our hypothesis, it is the ability to credibly commit to sustaining the institutions necessary to support business and human capital investment that explains the success of economically benevolent autocracies. While the fact of their leaders' preferences is idiosyncratic– the serendipity of initial positions– their capacity to credibly commit is not. By contrast, emerging democracies have more difficulty creating and sustaining credible institutions to assure entrepreneurs that rent seeking will not compromise their ability to profit from their efforts.” Under this process of development before democracy economic progress can be more streamlined and efficiently done as the policy to do so is achieved without discourse. There is no opposition to the leadership to achieve growth. Meaning that development strategies for growth

²⁶ GILSON, RONALD J., and CURTIS J. MILHAUPT. “Economically Benevolent Dictators: Lessons for Developing Democracies.” *The American Journal of Comparative Law* 59, no. 1 (2011): 227–88. <http://www.jstor.org/stable/25766184>.

such as Export Oriented Industrialization as seen in East Asia can be done. EOI especially under this style of regime is not only more accessible but easier to achieve as discussed in the quote prior that not only are these regimes more credible when looking at foreign investors as well they are better suited in the overall process of growth. When looking at a democracy economic policy decisions must be both popular and effective, under this it does not need to be as popular but rather for growth just be effective. This means that benevolent autocracies have no need to please corporations and the people but rather as seen through this process a growth strategy that is beneficial for the country as a whole.

Next we can look at how a stationary bandit or a benevolent autocracy under this theory of development then democracy can create not just economic growth that is important for this transition but also social and human development to coincide with it. When looking at a developing nation, democracies can hold many problems as put by Pervez Musharraf²⁷, former president of Pakistan “I personally believe [democracy] requires a certain education level, and it requires a society that is...not in tribal divisions,” “benevolent autocratic governors” are more effective leaders in societies struggling with sectarian conflict, poverty and illiteracy.” These quotes highlight how autocracies can perform more effectively than democracies especially in the developing world when yielded from corruption and the best interests of the people are kept. Another way to look at this, is in the early stages of development the initial conditions for democracy are not there so the role a benevolent dictator can play is in raising education and over healthcare levels through a higher tax or rent rate. This is something that is

²⁷ Steinhardt, Ruth. “Former Pakistani President Says 'Benevolent' Autocracy Sometimes Preferable to Democracy: GW Today: The George Washington University.” GW Today. George Washington University, 2017. <https://gwtoday.gwu.edu/former-pakistani-president-says-benevolent-autocracy-sometimes-preferable-democracy>.

hard for early democracies to do as it is unpopular especially amongst those who would have power in an early democracy meaning those with money already. Meaning under a benevolent authoritarian these rates can be highered and funding can be moved to create education programs, healthcare programs, and overall development goals to be reached. We can look to Singapore as an example of this, as they have a forced savings rate of 25%²⁸, where the money saved is in turn used for the Central Provident Fund. This provides both good infrastructure and education levels for those who live there, as well using the savings rate housing is built and now people can access their savings before the age of 55 to buy housing meaning that 74% of families own their flat. Showing that under a benevolent autocracy Singapore shows us that not just economic growth but overall improvements in infrastructure, healthcare, and education can be found and be achieved efficiently as the government is not opposed.

With all that being said, I am not advocating for all developing countries to be an autocracy or that it is the best method to become developed. And as well something that is overlooked in this model is the transition to democracy is not easy. It often is a result of conflict and lost lives to achieve this progress. What is important though in this process of development followed democracy is that states that form their own democracy are more likely to keep it as well as become stable both economically and politically after going through this process. When looking at the developing world it is often a western ideal to promote democracy and try to grow developing countries with democracy. This is unfair to countries that have been destroyed from colonialism and imperialism. What I am trying to say is that benevolent authoritarianism can be

²⁸ Meadows, Donella. "Singapore Leads the Good Life under a Benevolent Dictator." The Academy for Systems Change. Donella Meadows, November 2, 2011. <https://donellameadows.org/archives/singapore-leads-the-good-life-under-a-benevolent-dictator/>.

the key for many developing countries to avoid corruption from democracy and reach the economic growth and overall development that can be achieved through this process. To put it simply, the development process is not a one size fits all, and democracy is sometimes unachievable during the development process for some states.

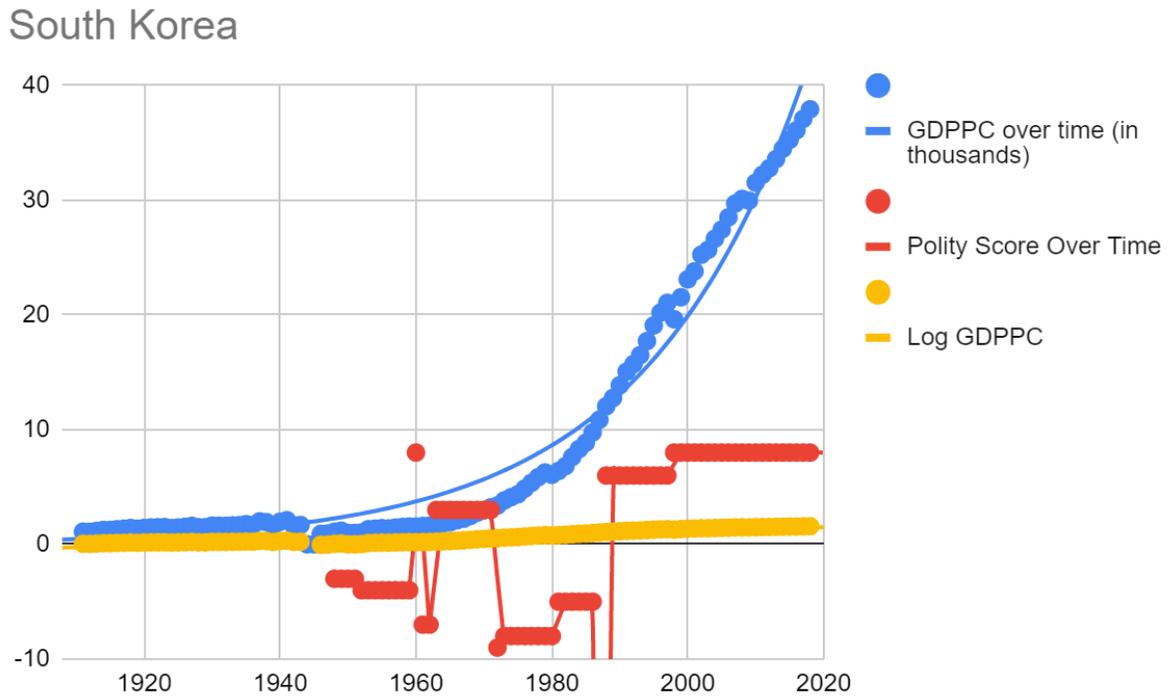
Chapter 4: Development then Democracy a look at South Korea and Spain

To further explore the effectiveness of benevolent autocracies and how the process of development first and then democracy we can take a look at two examples of this pathway. In South Korea with Park Chung Hee and then in Spain with Francisco Franco. Both of these countries show a similar path to development and democracy through having a dictatorship first. Although this path is similar there are still differences within each country's process that are important. The reason I drew the comparison between these two countries is because my goal is to show that this is a common theme for development not just in one particular country or part of the world, but also that countries with different historical backgrounds also share this process. One key difference between these two is that historically Spain was a colonizing country and South Korea being that of one who was colonized by the Japanese. As well as the regional differences between one being East Asian and the other being European.

First we can take a look at South Korea, in this part I will analyze their economic growth via GDP per capita and polity score. This will give insight into the historical progression of the type of political regime and economic growth seen. After this is established then a deeper dive into the specific policy measures put in place to ensure overall development and not just economic growth will be presented. This will in turn lead to how South Korea became

democratic and how this process led to overall stability. This chart below shows that progression of South Korea:

Figure 4*: South Korea Polity Score Regression



As we can see from 1960 onwards consistent growth in GDP per capita as well as a low polity score showing high amount of growth under Park Chung Hee. Referred to as part of the East Asian Miracle, South Korea along with other East Asian countries saw a period of high economic growth over this period of time. But how this growth was manufactured was no

miracle at all. When looking at how this growth was achieved we can first look at the regime style of Park Chung Hee, he took over leadership of South Korea in 1961 following the end of the Korean War²⁹. South Korea had a struggling economy and faced political instability as well. As referenced in Chapter 3 this became an opportunity for a benevolent dictatorship, where Park was able to gain power and began to shape their economy and middle class. As put by Overholt²⁹ “The South Korean/East Asian approach concentrates on giving the vast majority of the population jobs, income and education. That creates political stability and an economic foundation upon which a more sophisticated economy can be built. With an educated, middle class society, sophisticated modern politics becomes stable and relatively efficient. A strong economy and a stable polity in turn provide the foundation for geopolitical stature.” Although South Korea at this time did not have many civil and social freedoms that are afforded under a democracy, with Park as a benevolent leader a social and economic growth model grew during the 1960s and 70s.

When looking further into the economic policies of Park during this period, we can observe that government spending was used to help firms that would in turn grow the economy. Park played a crucial role in this by pushing certain exports such as cars, electronics, and other skill intensive industries during this time³⁰. He played the role of facilitator within the economy by financing companies within these industries stimulating growth. This combined with high import tariffs created an export oriented industrial system. With companies like Samsung and Hyundai benefitting from this as South Korea saw a movement from an agricultural society, to a

²⁹ Overholt, William H. 2011. “Park Chung Hee’s International Legacy”.

³⁰ Kim, Kwan S. “The Korean Miracle (1962–80) Revisited: Myths and Realities in Strategies and Development.” *Asian Industrialization and Africa*, 1995, 87–143. https://doi.org/10.1007/978-1-349-13178-5_4.

manufacturing, to an industrialized society in a short period of time. But this growth economically was not only seen at the top for corporations. As the economy grew a middle class was created using the top percent's economic success, as currency was stabilized, investments in education were made to grow the industrial sector with skilled workers. This was first done through the Five Year plan which moved higher education to a more vocational education, as well as focused education from something that was private to a more public education system. Creating more public schools made a basic education accessible to rural places as well as a more equal education system so that a higher amount of the population could access a proper education³¹. Through another string of policies to increase money spent on education South Korea established a way to achieve education programs that ran shifts to lower student to teacher ratios. Marking a shift in the adult literacy rate in from 22% in 1945 to 87.6% by 1970³². This led to a higher employment rate as well as a rise in wages which in turn fed back to the savings rate. Under Park a model was created albeit imperfect that helped to grow itself through the process of EOI with an incorporation of the middle class through investment into the public sector as well as private.

In looking at South Korea's transition to democracy in 1979 when Park Chung Hee was assassinated by his aide Kim Jae-Kyu³³. There are competing theories for why he was assassinated but that is not for me to engage with, towards the end of his reign he became

³¹ Seth, Michael J. "Strong State or Strong Society?: Educational Development in South Korea, 1961—66." *Korean Studies* 21 (1997): 72–95. <http://www.jstor.org/stable/23719011>.

³² "The Driving Force for the Development of Korea - Koreaneducentreinuk.org." Korean Education Centre, 2015. http://koreaneducentreinuk.org/wp-content/uploads/downloads/2015/04/Education_the-driving-force-for-the-development-of-Korea.pdf.

³³ Lee, Chong-Sik. "South Korea 1979: Confrontation, Assassination, and Transition." *Asian Survey* 20, no. 1 (1980): 63–76. <https://doi.org/10.2307/2644008>.

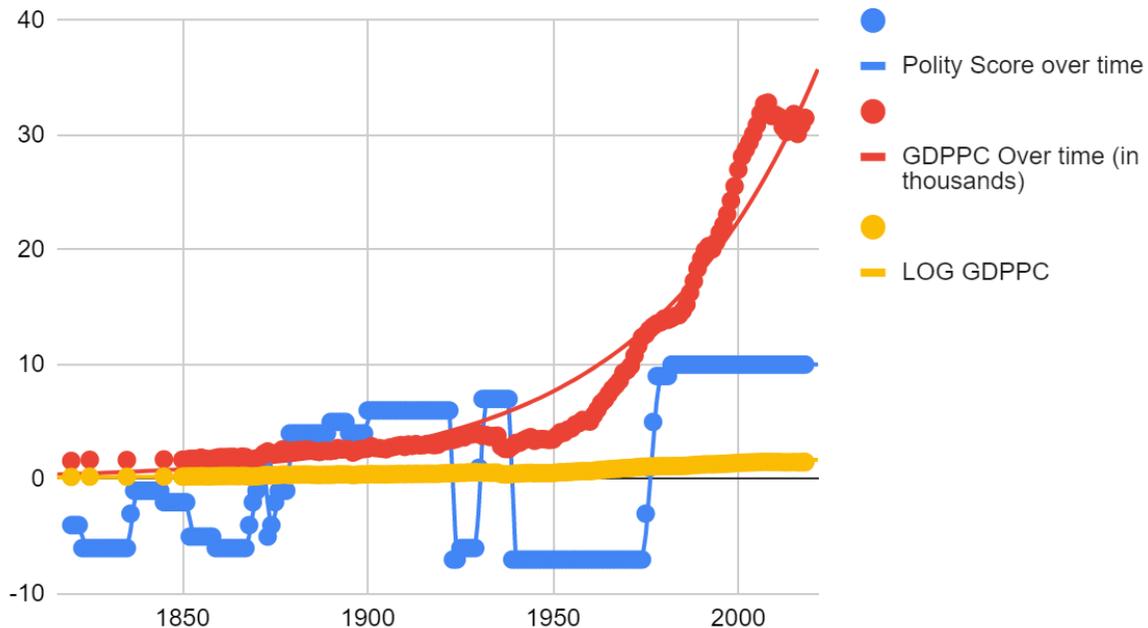
unpopular especially with university students and the country as a whole was shifting towards wanting more individual rights. In the following months a struggle for power came between different political groups but after an election in November of 1979 came an agreement to let political prisoners go, create a new constitution, restore civil liberties, and a new election to happen the following year in August. This did not last, in December 1979 a military coup was led by Chun Doo Huon where his reign lasted until the late 1980s³⁴. After years of pressure from university students and democracy protests, political arrests and a loss of civil liberties for many citizens, democracy was finally achieved. This struggle for democracy had many negative effects during the 1970s and 80s but following the economic growth under Park and Chun Doo Huon, South Korea was left with an educated, wealthy, and modern society. This stability has been consistent since the 1990s as South Korea is in the top 50 richest nations in the world and is known for having one of the strongest democracies as well.

Now we can look at Spain and their economic and political data especially following World War II. This figure below shows their polity score along with the GDP per capita:

Figure 5*: Spain Polity Score Regression

³⁴ Shorrock, Tim. "The Struggle for Democracy in South Korea in the 1980s and the Rise of Anti-Americanism." *Third World Quarterly* 8, no. 4 (1986): 1195–1218. <http://www.jstor.org/stable/3991711>.

Spain



As shown above economic growth for Spain really started to happen after the 1950s under the dictatorship of Frederico Franco. Franco took over following a civil war that ended in 1939 and the early years of his regime were during the second World War where the Spanish were allied with Nazi Germany. Following the war the Spanish were left with a decimated economy, they suffered high inflation, low GDP, and were one of the lowest performing countries in Western Europe following the war³⁵.

Following these tough economic conditions we can look at Franco as that of a benevolent dictator in the way the Spanish economy was able to bounce back via policy introduced in the 1950s and on. As seen in South Korea we can see a similar story unfold under Franco, as a

³⁵ Solsten, Eric, and Sandra W Meditz. "Spain: A Country Study." Spain - the economy - the Franco era, 1939-75. Accessed May 2, 2023. <https://countrystudies.us/spain/51.htm>.

specific anti-market approach was highlighted in Spain. Franco targeted specific industries and state-owned enterprises for the state to invest into. Franco's economic policy was made to take best advantage of the industries that could benefit the state the most, "Severe market controls aimed at economic autarchy were implemented (Barciela 2002). The new state-owned enterprises began by controlling «strategic» industries seeking technical solutions to maximise the amount of production, bypassing the opportunity cost of their decisions (Martín Acuña and Comín 1991). Labour relations were subordinated to the «national interest» and employers and workers incorporated into a single «vertical» union in an attempt to harmonise diverging social and economic interests (González 1979). This economic policy provided, in turn, an advantageous position to those small groups and coalitions which, in exchange for support to the dictatorship, would derive rents from the public sector and even control the state's economic decisions."³⁶ This approach by Franco at first was unsuccessful but then in 1959 the introduction of a more liberalized approach to foreign markets combined with spending control helped lower inflation and made currency compatible with the Bretton Woods system. This 1959 stabilization plan can be compared to the South Korean model in terms of providing economic growth as well as giving the Spanish a comparative advantage in trade.

We can also draw comparisons to the South Korean model as growth in the industrial sector occurred at a rate second to only that of Japan over the course of the 1950s and 60s. Growth in the industrial sector was so accelerated that by the 1960s output levels were five times

³⁶ Prados de la Escosura, Leandro, Joan R. Roses, and Isabel Sanz-Villarroya. "Economic Reforms and Growth in Franco's Spain." *Journal of Iberian and Latin American Economic History*, March 2012.

that of 1950, with a shift that quick some would call it an “economic miracle”³⁷(we have heard that somewhere else before). Government intervention from Franco and the plan to use both the stabilization plan to ensure foreign markets would be part of the Spanish industrialization along with the use of the market abroad were complementary to each other in building the Spanish economy. With this economic growth we see yet another similarity between Spain and South Korea which is within education reform, with a rise in economic growth, demand for education followed. A similar path was used in Spain in the late 1960s and 1970s as education was expanded mainly in the forms of middle schools and vocational training, so kids were kept in school until age 14 as well as a common curriculum was formed, including more investment into education so teachers were better trained which in turn grew educational outcomes³⁸. This entire process reflects a similar path to that of South Korea as Spain saw not only economic growth but overall development of the state via a benevolent dictatorship.

As Franco’s regime did not last forever as he died in 1975, prior to his death he had groomed Juan Carlos, Franco’s chief of state to take over and the plan was to have Francoism without Franco. But Juan Carlos had other plans, with a socioeconomic state that was ready for democracy at the time³⁹. This differs in the path to democracy from South Korea, but Spain enjoyed a much smoother transition as voter participation was relatively high in their first

³⁷ Torre, Joseba & García-Zúñiga, Mario. (2014). Was it a Spanish Miracle? Development Plans and Regional Industrialization, 1950–1975. 10.1057/9781137329905_8.

³⁸ Carabaña, Julio. “Comprehensive Educational Reforms in Spain: Past and Present.” *European Journal of Education* 23, no. 3 (1988): 213–28. <https://doi.org/10.2307/1502857>.

³⁹ Encarnación, Omar G. “Spain after Franco: Lessons in Democratization.” *World Policy Journal* 18, no. 4 (2001): 35–44. <http://www.jstor.org/stable/40209776>.

elections. Overall the legacy of Franco lives on as Spanish politicians afterwards were seen as a group that compromised often and well.

When discussing Spain and South Korea it is important to note that these two countries also had some other similarities that in turn helped their development. Both countries were relatively homogenous, took spending from the United States, as well as other initial conditions for development. To best prove these two countries development path we can bring this back to the theory of Endogenous Democratization from Boix and Stokes as South Korea reached the a per capita income level of 6,000\$ in 1990 just two years after democratization⁴⁰ and Spain reaching this threshold in 1980 just a few years after their democratization⁴¹. Both countries utilized benevolent autocracies to create an industrialized society which in turn was able to create a middle class economy that was educated and taken care of socially. This laid the foundation for a democracy later on whether it be a peaceful transition or not, showing this path to be similar of that of democratization first but rather in cases where the state was not ready for democracy in the early stages of their development.

⁴⁰ "South Korea GDP per Capita 1960-2023." MacroTrends, 2021.
<https://www.macrotrends.net/countries/KOR/south-korea/gdp-per-capita>.

⁴¹ "Spain GDP per Capita 1960-2023." MacroTrends. Accessed May 3, 2023.
<https://www.macrotrends.net/countries/ESP/spain/gdp-per-capita>.

Conclusion:

For my concluding remarks of this paper, I would only like to say one thing. There is no perfect path for development when it comes to what regime is used to make this transition possible. Some states are simply not ready for the democratic principles needed early on and require a benevolent dictatorship, other states can perform development under a democracy. Rather what I can conclude is that a process of industrialization, initial conditions that include overall equality whether that be economic equality or social equality(including a homogenous society), stabilization of the economy and political side, education reform, and an avoidance of conflict during development are all important factors in this process. As the countries mentioned in this paper were able to have all of these. In short this is not a one size fits all practice but rather a system of economic growth and social development to create a state that has an educated and economically stable middle class built by a politically stable government.

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