

DEMOCRACY WORKS | 2014

The Democratic Alternative from the South

INDIA, BRAZIL, AND SOUTH AFRICA

Executive Summary

This executive summary is based on the report, *The Democratic Alternative from the South: India, Brazil, and South Africa*, written by Ann Bernstein, edited by Anne Applebaum and published by the Legatum Institute in London, and the Centre for Development and Enterprise in South Africa (2014).

After the fall of the Berlin Wall, Western democratic capitalism seemed to have triumphed. But the 2008 economic crisis, and the relative decline of Western influence which followed, significantly undermined the appeal of Western democracy in the developing world. While Western powers struggled to overcome political gridlock, the Chinese political establishment, using a mix of market mechanisms and state capitalism, continued to deliver high levels of growth, lifting millions out of poverty.

As a result, it is now far more respectable to advocate authoritarianism in the developing world than it was a decade ago. A battle of ideas—a global contest between democratic and authoritarian approaches to growth and development—is now playing itself out in countries across the globe.

But one important piece of the debate is missing. The global conversation rarely refers to the large and diverse group of democratic market economies beyond the industrialised world. To correct that omission, the Centre for Development and Enterprise in South Africa and the Legatum Institute in London set out to examine the relationship between political democracy and inclusive economic growth in three important developing democratic societies: India, Brazil, and South Africa—three very different countries which face some remarkably similar challenges.

This document is the culmination of three workshops held in Delhi, Rio, and Johannesburg; a dozen papers commissioned from scholars in all three countries; three country reports; and the contribution of four think tanks on four continents. All of these papers are available at www.cde.org.za and www.li.com.

In this report, we start by exploring the achievements of the three countries over the last three decades. In response to economic crises, they have each overcome significant hurdles to set their countries on the path to prosperity and inclusion of the poor and disadvantaged within vibrant democratic cultures. The progress made is often insufficiently acknowledged by many of their own citizens as well as outsiders.

Secondly, we illustrate the advantages of democracy by documenting the institutions each society has created to combat corruption—a plague prevalent throughout the world. Thanks to democratic freedoms and independent institutions, each has mechanisms to cope with corruption that no authoritarian regime can match.

Thirdly, we focus on the challenges facing the three societies as each enters a difficult new phase: high costs of doing business; inflexible labour markets; declining manufacturing sectors; reluctance to establish public-private partnerships to build essential infrastructure; schooling systems that fail to deliver quality education; and national and local governments with limited capacity. All three find their economic competitiveness slipping in a tough global environment. Urban lower and middle class citizens are now more frequently protesting against poor services, high taxes, unemployment, and corruption. Despite their achievements, India, Brazil, and South Africa still have a long way to go in moving large parts of their population out of poverty and reducing inequalities.

As a consequence, the fourth section of the report argues that bold, multi-faceted reform packages are needed in India, Brazil, and South Africa. Democracy can prove an advantage in implementing this second wave of vital reforms, as long as reformers use democratic processes and institutions to their advantage. Each country needs to redefine its 'national interest' and build a new political consensus, a coalition for reform. This consensus must include a more determined and vocal commitment to market economics, because fast inclusive growth and effective delivery will be difficult to achieve in these societies in any other way.

In the final section, we conclude that these three countries offer a democratic alternative from the South. Each has managed to achieve faster growth without sacrificing the political freedoms and legitimacy that democracy provides. Their citizens do not need less democracy in order to grow or to improve the lives of the very

poorest, but rather more. All three countries now need a second wave of remarkably similar and bold reforms: a deepening of democracy, transparency, and accountability; further market liberalisation; a more competent state with a positive attitude to business; and a new approach to expanding opportunities for the poor—in order to return to higher, more inclusive growth, and to ensure political stability.

Looking at India, Brazil, and South Africa, we believe it is possible for these essential reforms to take place. Democracies can make bold decisions in the national interest that change the terms of debate, deal with vested interests, and reshape politics and the trajectory of a society. After all, these three countries have done it before.

Are autocracies the best means of producing inclusive economic growth for the vast majority of the population? The evidence from these three developing democratic societies is compelling, and leads us to respond with a resounding 'no'. It is not necessary, as some argue, to give up individual freedoms, rule of law, independent institutions, a free press, and regular elections if you are struggling with the challenges of poverty. On the contrary, democratic rights and freedoms can, in numerous different ways, help to promote sustained development, higher economic growth, and effective routes out of poverty.

Although none of these countries offers a blueprint, they do offer lessons which are relevant for other developing societies.

There is a democratic, market-based alternative emerging from the South. India, Brazil, and South Africa embody it.

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Full Report:

- *The Democratic Alternative from the South: India, Brazil, and South Africa*
- *Executive Summary*

Country Reports:

- *India and the Pursuit of Inclusive Growth*
- *Brazil and the Pursuit of Inclusive Growth*
- *South Africa and the Pursuit of Inclusive Growth*

Research Papers:

- *India: Democracy and Economic Growth* by Ila Patnaik
- *India: Democracy, Growth and Development 1951-2012* by Surjit S. Bhalla
- *India: Democracy and Corruption* by Eswaran Sridharan
- *India: Uneven Innovation Amid a Noisy Democracy* by Rishikesh T. Krishnan
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- *Brazil: Democracy and Inclusive Growth* by Simon Schwartzman and Maína Celidonio de Campos
- *Brazil: Democracy and Corruption* by Marcus André Melo
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- *South Africa: Post-Apartheid Democracy and Growth* by Nicoli Nattrass
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- *South Africa: Democracy, Poverty and Inclusive Growth Since 1994* by Jeremy Seekings
- *South Africa: Innovation and Democracy* by Charles Simkins