World Academy of Science, Engineering and Technology
International Journal of Humanities and Social Sciences
Vol:9, No:6, 2015

The Relationship between Democracy, Freedom, and Economic Development

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Open Science Index, Humanities and Social Sciences Vol:9, No:6, 2015 publications.waset.org/10001565/pdf

***Abstract*—**In this study, firstly democratic thoughts which directly or indirectly affect economic development and/or the interaction between authoritarian regimes and the economic development and the direction and channels of this interaction were studied and then the study tried to determine how democracy affects economic development. It was concluded that the positive contributions of democracy to economic development were more determinant than the effects that were either negative or restrictive in terms of development. When compared to autocracy, since democracy is more successful in managing social conflicts, ensuring political stability and preventing social disasters such as famine, it contributes more to economic development. Democracy also facilitates delegation of authority, provides a stable investment environment and accelerates mobilization of resources in accordance with economic growth/development. Democracy leads to an increase in human capital accumulation and increases the growth rate through reducing income inequality. It can be said that democratic regimes are the most appropriate ones in terms of increasing economic performance and supporting economic development through their strong institutional structures and the assurance they will ensure in property rights.

***Keywords*—**Autocratic Regime**,** Democracy, Economic Development, Economic Freedom.

I. Introduction

THE relationship between economic growth and development with democracy and freedom has been a matter of concern for social scientists since the 19th century and has become an important issue in the present day due to the increase in democratic movements.

In the history of economics from Adam Smith to the present corporate structure determination of output level in an economy is considered to be a very important factor [1]. With changes and transformation in the corporate structure if freedom and democracy are curtailed, the market will be prevented from functioning freely and also there will be a restriction on the extent to which individuals deal with other individuals freely in an environment.

The concepts of democracy and freedom have an important place in the institutional structure of an economy and how the concept of democracy affects the growth and development of an economy are also discussed. According to Lipset who promoted such debates (1959), "The more-well-to-do a nation, the greater the chances it will sustain democracy." with this statement pointed out the link between the level of development of a country and its probability of being democratic [2], [3].

Democracy by definition generally is an effective form of public administration and also a management system that provides individual and social rights. The qualities and advantages that come with democracy provide people with freedom in their lifestyle.

A democratic form of government leads to significant changes in the social lifestyle of the people. In democratic countries individuals and the public do not only participate in the public administration of the country but also the property rights of individuals are protected, their educational level and standard of living are increased and it is more peaceful. Production rights and freedoms that are provided in democratic societies do not only lead to efficiency by also an increase in investment. Because democracy affects the life of individuals and communities in order to find out whether there exist a relationship between economic growth and development has been the subject of many researches and varying opinions on such topics has been proposed. While some researches advocate a relationship between democracy and economic development others express the existence of no relationship between democracy and economic growth. Of the various researches which advocates that there exist a relationship between democracy and economic growth they emphasise that the there exist an inverse relationship. Moreover there is no one sided relationship between and growth and development but rather a two sided relationship since both growth and development has influences on each other.

Since the existence of mankind the freedom of individuals or a community which can be referred to as voluntarily doing things has been integral part of mankind. These freedoms should not be construed as an attack on the rights of others; otherwise it restricts the rights of others. In this sense, freedom is a form of right and a responsibility too. The ability of a person to act with free will in every area, the implementation of ideas and in the return the state conducting activities to help protect the freedom of people and providing supportive properties of transportation served as the starting point of the ideas and theories that established the concept of freedom. Most of the time freedom just like the concepts of equality, democracy, wealth and individualism are used extensively. Capitalism which can be defined as the production and distribution of goods aimed at the satisfaction of human needs, even though does not conclusively defines freedom opens up a large community living area. Under capitalist economies

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freedoms (at least economic freedom) can be improved. Moreover freedom becomes a necessity because without freedom the goal of economic activities cannot be reached [4].

II. The Relationship between Democracy and Economic Development and Growth

The word democracy traces its meaning from the ancient Greek words "demos" meaning people or citizens or community groups and "kratos" meaning power or rule. In this sense the classical definition of democracy is the rule by the people or people's self-governance [5]. There are two definitions of democracy according to [6]. According to the first definition, democracy is a form of government in which political decisions are taken by the participation of all citizens under the principle of majority. The second definition is known as a liberal and constitutional democracy and structural limitations in the context of speech and freedom of religion, as organized in order to ensure that all citizens be guaranteed individual and social rights. That is a form of government established by majority decision.

In terms of the freedoms enjoyed by individuals and societies under the concept of democracy it is distinct from other forms of management. Democratic government envisages a society where individuals are provided with the rights and freedoms to actively participate in decision making. The basis of democracy which is individual liberty, envisions a society that provided basic rights and freedoms to individuals and their ability to be participants in management and decision makers. Democracy by allowing for the freedom of individuals does not only make it possible for individuals to participants in the management process and decision makers but by so doing also helps to raise the living standards of the individuals. For people to live the lifestyle they want and deserve as well as making contributions the best way for this to be realized is through democracy.

In order to characterize the functioning of democracy there is the need to focus on three basic concepts. These concepts are the individual, the society and the state. Democracy in this sense is not only limited to the written legal rules regulating the relationship between these three concepts but also instead of looking into the cultural make up of these concepts focuses on how the system is interpreted. Therefore if a society desires the qualities of democracy, there is the need to have a pro forma definition of the relationship that exist between these three concepts as well as understanding how the social value of framework of this relationship is discussed in terms of the individual, the individual rights in a democratic society so as to achieve a democratic society. In this sense, at the society level the level of individual rights in our society can be said to be proportional to democracy. However, each individual request it would be appropriate for it to be said whether there exist individual rights.

Like any other political system democracy is founded on a unique political and legal system. In the context of this system the structure and functioning of the state is formed. Therefore, the representative bodies of the state are formed in the framework of the system. Among these institutions the ones that readily come to mind include parliament, judiciary, security agencies, educational institutions, and financial organisations. On the other hand just like every political structure democracy also has individual models that suit its system. This model provides individuals and societies with certain rights as well as responsibilities. In instances where individuals comply to the values stipulated by the political structures it leads to healthy institutions and the working of the system. Otherwise the working of the institutions founded in the political system fails [7].

A. Approaches that Assert to a Positive Effect of Democracy on Economic Development

Researchers who are of the view that democracy has a positive effect on economic growth suggest that democracy affects economic growth directly or indirectly. Accordingly, democracy, by changing the direction of institutional structures in terms of the role played by firms and individuals, increases their contribution to the economy and thus makes a positive impact on growth. It can be observed that the world's richest countries are the most democratic countries in the world. Of the countries with the highest level of human development, 42 out of such 49 countries practise democracy [8]. Economic growth and development is not only influenced by democracy but are also influenced by technological superiority, physical and human capital. In terms of creating an appropriate medium for growth and development democracy is an important factor.

Rao (1984) by arguing that there exist a trigger effect between savings and economic growth emphasised the importance of dictatorship to development [9]. On the contrary Olson argued that due to the inefficiency associated with dictatorships ensuring individuals rights as well as rights of the society leads to an increase in economic stability and success. Olson identified dictatorship as one of the causes of inefficiency with rulers of the country playing the game the way they want. Although there can be economic growth in non-democratic countries, in the rulers of the country play the game by putting their interests are the forefront which is the source of wasting resources. In democratic regimes however, the main objective of democratic structures is to consider the benefits to the people and as such any behaviour that goes against the interest of the country is questioned [10].

Democracy and economic growth should be underlined as complementary and concepts that reinforce each other. In instances where these two concepts that are democratization and development are separated from each other it has been seen through history that there are great difficulties. On the contrary, the merging of democratization and economic development helps both to be firmly rooted. For the consolidation of political democracy, economic and social measures are needed to encourage economic development. Similarly, to ensure the success of economic development/ growth strategies democratic participation has to be implemented [11].

Democracy which is in contrast to other systems that are based on the interests of individuals and society, allows the

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country to work on welfare enhancing and increase investments. However under other systems those who hold political power use state resources to favour their own interests. According to Barro, if dictators have the power to steal the welfare of a country and invest in non-productive areas, then that explains the negative effect of autocratic management on economic growth with a lot of examples which can be sited in states in Africa, Latin America, Philippines and some Eastern European states [12].

In emphasising the difference between authoritarian regimes a distinction has to be made between "bureaucracy" and "autocracy". Bureaucracy which is overly pervasive in the public sector ensures managers in fulfilling the interests of the public and is a regime that is not the exclusive property of mangers of public income. Former socialist countries and Latin American countries are examples of bureaucratic authoritarian regimes. In contrast, under autocracy although the state has a small volume of revenues mangers have the ownership of all or a significant portion of public revenues. Two conclusions can be drawn from this distinction. The first being dictatorship in both forms of the services provided by the state which is either excessive or lacking leads to economic inefficiency and low growth. Secondly, since dictatorship does not provide an effective mechanism to ensure accountability, managers of economy use most of the resources on behalf of themselves and waste resources [13].

Under democracy, there exist accountability mechanisms which allow for managers of resources to account for inefficiency and bad distribution of resources in the event of losing political power. In addition democracy through the protection of individual's property rights helps to reduce uncertainty in the economic environment and hence encourages investment. Bardhan is of the view that democracy's idea of protecting private property rights raised in the near term with a little forced manner indicates that an idea has been proposed. According to him if majority in the country are poor, if democratic mechanisms works property rights of the minority may be under a constant threat. Of course, democracy is more suitable to the rule of law, but the problem here is the ability to give an account (accountability) or being able to see into the future rather than liability (predictability) is in danger and for a predictable set of authoritarian regimes contract the claim could not provide a clear framework to be clearly established [14].

Democracy by creating a free press, freedom of choice and competition allows for a more efficient use of resources. Democracy facilitates economic delegation, ensures a stable investment environment and mobilizes national energy and resources in line with economic growth and development [15]. Also democracy, in case of deterioration in economic performance, there are advantages in providing perseverance. Under democratic regimes in case of any economic crisis possess the chance of changing governments. In addition, the regime of democracy is not only about economic performance but also relies on legal legitimacy.

Bhagwati, by comparing democracy to authoritarian regimes is of the view that democratic regimes is essential for continuous development, and leads to an environment that facilitates the emergence of technical innovation and development of entrepreneurship. Authors who are of the view that for development the influence of democracy cannot be made in absolute terms admits that democracy leads the expansion of markets and expansion of competition than can lead to obvious growth. Even if countries have democratic institutions that facilitate the creation of new ideas and technologies, the absence of markets for these ideas and technologies will limit the opportunity to convert it into efficient production. As a result, to achieve continuous development democracy and the market should be considered as twin pillars [16].

B. Approaches that Assert to a Negative Effect of Democracy on Economic Growth

In discussing the relationship between democracy and economic growth some works are of the view that there exist no relationship between democracy and economic growth or the alleged relationship between democracy and economic growth is not that strong. Examples of such researches were made by A. Przewoski and F. Limongi who stressed that stressed that it is difficult to establish a stable bond between democracy and development [13]. Democracy as compared to other regimes as having adverse effects on development and the existence of an inverse relationship between growth and democracy are some of the claims on which a variety of thesis are based on.

The first of these is, for democracy to lead to economic development there has to be large investments that are essential for development. Based on this with the existence of voting rights under democracy priority is given to urgent consumption decisions more than long-term economic decisions and in this way long term risky and costly investments are interrupted. The average voter based on his/her daily needs and consumption that is considering the short-term satisfaction; tend to choose the party that promises income assistance and social services. Likewise, workers having the right to demand higher wages through strikes and demonstrations serve as the cause of low private investment and low productivity. In this case, governments are inclined to spend a lot of public revenues on transfers rather than investments and in an effort to be re-elected leads to directions being made towards irrational short-term, short-sighted policies [17]. From the view point that investment is the driving force for economic growth along with democratization when both public and private investments are wrongly directed and are inadequate, by growth rates falling development will be delayed and the economy stagnates [13].

Another view put forward in this regard is that there exist widespread corruption and bribery in developing democratic countries especially the least developed where there are bureaucrats and politicians. Entrepreneurs are also sources of ensuring productivity in the society and labour productivity however time has to be devoted to check corruption and bribery since such entrepreneurial activities involving lobbying [18], [19]. Also, democratic institutions' decision

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making process because of the time lag involved in taking decisions and implementing them may remain weak and ineffective.

Another opinion is that dictators can keep themselves in power through inefficient voting as well as printing and rigging of votes. Accordingly, the authoritarian government will reduce the growth rate to subsidize inefficient industries, affected by layoffs etc., and without affecting the redistribution process can take more rational decisions that will lead to growth. Some features commonly associated with democracy such as missing markets, 'rent-seeking' inefficiencies, presence of incomplete information and economic losses caused by the phenomenon of deadweight loss may not apply to authoritarian regimes.

The relationship between democracy and economic growth is an important work of Barro. Barro by examining the relationship between economic growths in his work in 1994 by studying the 1960-1990 period generally stated that democracy has a negative effect on the growth [20]. It was argued that democracy on its effect on growth up to a certain level has a positive impact, while at the next level after reaching maturity affects growth negatively. Countries which practises democratic governance at certain stage, with political rights being least developed will lead to the weakening of economic growth and investment [12].

A research made by Stephanie Olk in the year 2003 also expressed a view point similar to that of Barro. Olk by considering the relationship between democracy and economic growth noted that democracy when considered as a function of growth can be expressed in an S-curve. At first with absence of democracy, with some economic developments the political system is increasingly improved, however with the country becoming more democratised and thus leading to a complete democratization the economic growth and development are not increased [21].

Another opinion claiming that democracy adversely affects growth is the claim that pressure groups will be adversely affected by the growth of democratic institutions. In this way, supported markets and industries are expected to fail. Failure of the economy is expressed by not efficiently supporting companies to aid economic growth leading to reduced and limited level of economic growth [22]. Tavares and Wacziarg by studying the relationship between economic growth, the reduction of physical capital investment in democracy and cost of increased expenditure by the government led to adverse effects on economic growth [23].

C. Approaches that Assert to a Weak Relationship between Democracy and Economic Growth

In studies aimed at explaining the relationship between democracy and economic growth some studies are of the view that there exist no relationship between democracy and growth while other studies are of the view that there is a strong bond between democracy and growth. Despite the presence of strong democratic institutions in the economy of developed countries, it is alleged there either exist a link between the two concepts or there exist a weak relationship between the concepts. Adejumobi who stressed that the development/ growth of a country is not mandatorily determined by the form of political regime stressed under certain countries under authoritarian regimes showed considerable flexibility in terms of the implementation of economic policies and structural reforms and thus indicates the cause for obvious growth. Latin America's model of bureaucratic authoritarianism in 1970 and 1980's together with East Asia's progressive authoritarian regimes in the 1980's and 1990's are instructive in terms this subject. Factors that lead to economic development are neither the types of political regimes or political management styles but the nature of the state. For these to influence a country's economic development it is essential for the existence of a developmental state. For third world countries to achieve the dual objectives of "democracy/development" the countries need progressive democracy [15].

According to Adejumobi, a developmental state which has nationalist tendencies is needed firstly to figure out the problems associated with development. A progressive state should be autonomous and legitimate. Society must be able to act independently of conflicting social forces. The state's legitimacy is realised by a having a democratic nature. Progressive governmental economic policies and practices with effective and powerful bureaucracy have the capability to manage state institutions which require the presence of a close relationship with the private sector. Progressive state should also be compatible with the progressive governmental process and should be able to raise elite. Such elite by believing in the supremacy of rule of law will provide a favourable environment for investment [15].

Olk in his work in the year 2003 explored the relationship between democratization and economic growth in African countries and explained the existence of a weak relationship between them. In addition authors who examined the relationship between economic performance and democracy argued that the high performance of an economy was not linked to the democracy and to ensure the continuation of Olk's regime economic growth was needed, and the lack of economic growth will prepare the ground for the end of dictatorship [21].

Evidence that there exist no relationship between democracy and economic growth were written in the 1990's by Sirowy and Inkeles. Their works highlighted the study of different periods after the Second World War [24]. According to the work done by Sala-i Martin and others in the year 2004 also provided similar results. Studies conducted in 88 countries between the periods of 1960-1990 detected no strong correlation between economic growth and political rights [25].

The instability in the relationship between economic growth and democracy was emphasised by Przewoski and Limongi. Democracy in some ways has some adverse effects on development and growth [13]. Capitalism is not compatible with the classical conception of democracy and ultimately the protection of private property rights will fail. Economic growth is necessary in order to ensure the protection of civil liberties of the individual as well as social rights. If there can be an effective regime for the protection of these rights

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determining such a regime will be controversial. According to D. North for autocratic countries without democracy, even if the rights and freedoms of the individuals could be ensured there wasn't sufficient evidence to validate this hypothesis [26].

III. Impact of Democracy on Economic Growth and Development

The subject of analysing the interaction that exist between the concepts of democracy, economic growth and development focuses on whether democracy has a greater influence on economic growth and development or the opposite is true. The first and most important work on this subject was written in 1959 by Lipset. Lipset in his study stated that democracy was a prerequisite for economic growth and development [3]. Based on this opinion, in forming democratic rules a prerequisite condition was that there has to be economic growth and development [27]. Lipset argued that the ability to ensure the continuity of a country's democracy, is connected to economic growth and development and this influences the development of democracy. According to Lipset economic development entails increasing the literacy rate and educational level of individuals, which develops people's point of education and their ability to understand and hence move away from the adoption of radical doctrines [3].

Lipset who emphasised on the economic structure and political culture being the fundamental variables needed to establish and maintain democracy also focused on modernization and tolerance. In determining the impact of economic development on democracy, Lipset emphasised that political culture and the social structure which affects both concepts are associated with each other. Accordingly, with industrialized wealth and income the education level can be raised, increases the communication and equality between people and makes the difference between high and low income populations moderate. Economic development in the form of social stratification structure which aims at expanding the lower class base rescues the social stratification from having a pyramid shape with mid-bloated role or middle class comparable to a diamond cross-section. Thus, each time a more tolerant middle class is expanded; it strengthens the possibility of increasing democratic governance [3].

Lipset's views were shared by Muller and Huntington. Muller argued that economic growth and development led to a labour flow towards the agricultural, industrial and service sectors and thus increasing the size of the middle class found in cities. This increase according to Muller would strengthen democracy [28]. Huntington was however of the opinion that would lead to a better educated populace and a larger middle class citizenship behaviour and attitudes which will develop confidence and technical skills in the community and thus accelerate the democratization process [29].

One of the remarkable works that supported and contributed to the opinions of Lipset was done by Bollen. Bollen by first examining developed countries and later developing countries tested the hypothesis that developing countries were more democratic. Bollen's estimation results showed the validity of this hypothesis. The result of Bollen's study concluded that the development level of a country is an important factor is deciding whether it is democratic or not [30].

These views which began with the contributions of Lipset set forth a continued open discussion and criticism on the relationship between the concepts of democracy, growth and development. Education in this interaction although not a prerequisite for democracy, is considered by everyone to be a significant factor. However a thesis which suggests that education is always inevitable in the democratization process may not always be correct. Moreover the claim that economic development is always a necessary and sufficient condition for the democratization process that is the existence of a linear relationship in this regards is not always true either.

The timing of the transition to democracy in the economic growth-democracy interaction is extremely important. Despite the fact that high level of income associated with early industrialisation aids the democratic process, inequalities in income distribution frequently leads to instability in the democratization process. The contrary is true, that is a decrease income inequality in advanced stages of industrialization will lead to more stable structure in the democratization process. The main reason is that, despite the urban middle class or working class contributing to the process of democracy, the reaction of the power exhibited by such classes will remain relatively weak.

The second claim that economic development will lead to democracy was put forward by Talcott-Parsons. This view which is functionalist and which is formed from opposing interests in the complex network of the modern economy however argues that democracy can be used as a tool. Accordingly, with economic development the emergence of social groups together with the legal systems in the framework of the numerous conflicts can be resolved through the existing political systems which are considered functional democracy than dictatorship. A last explanation as to why economic development leads to democracy is that dictatorship and/or single-party administration had degenerated over time in terms of managing the high technological society [31].

IV. The Singular Role of Institutional Set-Ups under Democracy to Economic Development

Przewoski and Limongi in their research emphasised on the difficulties in establishing a stable relationship between democracy and economic development [13]. Democracy in some respects may be considered as an obstacle to growth and economic restructuring. In this context, it is believed that ensuring individual rights as well as social and civil liberties will enable economic growth. But here of the doubtful claims is the idea that democracy is a regime that actually cannot protect and guarantee such rights and liberties.

Democracy, for the reason of frequent elections is often influenced by pressure groups. In this case, if candidates wish to win the votes of candidates in their various constituencies have to develop programmes that will meet the demand of the constituents within the shortest possible time. Thus the goal here is mostly in favour of short term solutions inclined

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towards consumption rather than investment. Also the process of lobbying which is allowed can greatly affect the distribution of benefits by the government. This distribution is generally seen to be outweighed by political criteria rather than economic criteria. Pressure groups can also act irrationally.

The fragility of democratic regimes in terms of weak structures however that mean there could be enough power in the hands of an individual to lead to dictatorship. However public power is a clear reality which dictators can use in their favour. In addition, the dictator has relative autonomy. Namely, as in democracy, while election periods are not close the dictator may give priority to the realization of long-term goals. This reality is considered as one of the major causes of the massive industrialization that took place in some countries after the Second World War. But the said case of management of political preferences will never be a guarantee that the direction of economic development is clear. Arbitrary administrative boundaries of the dictator, offers him the power to govern itself and the possibility to invest in other areas such as safety and hegemony [32].

With these explanations in terms of the movement towards dictatorship, economic development based on democracy leads to more uncertainties. If it can be said that economic growth can be influenced by political institutions, to explain this situation with political regimes essentially prevents the emergence of different opinions. Economic difficulties pose obstacles to the transition to liberal democracy. A. Pourgerami stressed that democratization in terms of the political perspective rests on some preconditions not only from the financial point of view but by taking into consideration the cultural terms outlined the following five categories [33]:

a. The existence of a system based on the market economy and free exchange.
b. A certain level of material well-being.
c. The existence of an adequate level of education.
d. A certain level of sufficient majority and the presence of a social structure.
e. The existence of a culture that tends to respect different ideas and different sections of the society.

Pourgerami focused only on the importance of the first of these preconditions and even stated that this requirement could be considered necessary and sufficient. That is the most important requirement of making democratization possible can be the implementation of free-market economy. In analysing of which of the preconditions are necessary there is the need to do verification in terms of the following two judgements:

a. Democratic countries are countries which implements a free market economy (sufficient condition).
b. Democratic countries have to implement free market economy (necessary condition).

In practice though in confirmation of this hypothesis in spite of the fact that these qualities listed above are appropriate, the format of event handling in this way is made with a very clear deterministic approach and remains confidential. In the study, in claiming there exist five prerequisite and giving priority to one of them exhibits a materialistic perspective.

In the light of the economic activity in commercial exchanges and the resultant profit that result from such process could provide a significant improvement in illuminating the relationship between democracy and economic growth. Not only in terms of the economic profit but also the extent to which democracy is descriptive in addressing the economic process is becoming more powerful. Democracy likewise illustrates growth in this respect. However, such an approach is insufficient for these two reasons [34]:

a. Business processes should be considered as an external factor which started to move towards democracy. In business or trade there also exist some preconditions and rules which has to be obeyed. Thus to illuminate the beginning of the development process there is the need to consider putting out business rules.
b. Traditional approaches to economic and social development in particular the progressive nature are not addressed adequately. However in the development process, although these qualities are essential these prerequisites are not enough. The important thing is the order of realization of these conditions. The problems faced by the former Eastern Bloc Countries reveals more clearly the size of the event. Logical and rational approaches in the process of realization of reforms such as legal reforms should be given priority in order to ensure development. Substantive rules of law has to be included in the society, property rights and contracts have to be determined, privatization policies have to be implemented and also there has to be free competition to work towards ensuring macroeconomic stability.

As a result a debate questioning the causes of economic development, in the development process examining the role played by institutional structures there is the need to examine the institutional structure and role played by individuals in order to shed better light on the their influences.

Under the progressive development concept, each one could be classified into three major phases in terms of the subject of research. The first step is linking the stage of economic freedom with civil rights at market conditions. With the realisation of this phase there would be increases in exchange and thus begin the development process. In the second stage, the connection of democratic qualified institutions to changes in market supply and demand. In the third and final stage is the realisation of economic growth which emerges as a result of political democracy [32].

Research on the role of economic development agencies has formed the subject of numerous empirical studies. Findings from these studies will be insufficient unless questions from each of the two different corporate groups are assessed separately. These organization groups include:

a. In the first group, market relations do not occur in the absence of institutions. Property rights implied by these institutions, and businesses that are contracted which adopts laws covering civil rights.

b. In the second group, guaranteeing the implementation of civil rights of institutions with the administrator of the institution not being controlled by the people.

Distinctions made between institutions are important to provide an assessment of the development stages. Recognition of rights and freedoms is to ensure the formation of exchange relations in the market. Conscious of the ability to have choices and having the power to influence the developmental process individuals would like such rights and freedoms to be guaranteed under a democratic roof. Thus democratic institutions on one hand providing individual of having the freedom to influence commercial and legal applications on the other hand will start the process of emergence of natural rights [32].

V. Entrepreneurship in Democracy and Compliance with Exchange Capability

To ensure economic growth requires a favourable behaviour in terms of the population growth structure. The main element of the spirit of entrepreneurship is a sufficient number of people. Entrepreneurs as explained by Schumpeter are people who are ready to take risks and bring about new composition of production, not content with the sample solution of the past and are continuously innovative [35]. Innovation when protected by copyrights of property (patents, etc.) offers a real competitive advantage to business [36]. It should also be acknowledged these changes are brought about naturally as a result of the population growth [35].

Under a capitalist economic system entrepreneurs continuously seek to investigate the possibilities of producing at the least cost and making products which satisfies the desire of consumers. However, determining consumer's needs and satisfaction in the public sector is difficult because of the lack of initiative in demonstrating the efforts to be made in a large event and thus to observe innovation. One of the basic principles of economics is the assumption that the rational behaviour of individuals only to pursue their own interests. In public ownership framework however, in determining the desire and satisfaction of consumers, searching for new products and production techniques, efforts aimed at improving technology and demands for producing at the least cost are not based on an individual's interests. On the contrary, the decisions of the public authority are considered to be what the consumer desires. Thus there are often increases in unemployment and lack of innovation and increases in cost as result of political interests and unions [37].

For economic growth, there is the need to comply with changes in essential institutional factors. This ability to comply with the changes being the key factor of growth is multidimensional in nature. First, if individuals prefer to enjoy social and statutes holidays instead of working basically because they have such rights it hampers economic growth. However, it is necessary to distinguish between operational capacity and the ability to adapt to changes. For example before the First World War in different regions in France villagers worked under very difficult conditions, however showed a strong resistance to changes in their working methods. Thus changes in the working methods led to small increases in productivity. What should be understood here is there exists a close relationship between economic growth and the ability to conform to changes.

Secondly, employees must not only accept changes in their work habits but also changes in their employment level, the extent of work and also the ability to relocate to new regions. This occupational geographical mobility although very common in the US, is very low in France and other European countries.

Thirdly, the behaviour of capital owners in easily using their capital for entrepreneurial activities is very necessary. Economic growth requires a significant investment effort. The substantial investment effort complimented with external assistance would lead to a strong national economy if savings are directed to productive investments, and not diverted or used for non-productive expenditure areas. The success of organising financial markets, making enough saving as result of these developments together with the necessity of supporting development in the economy largely depends on the attitude of owners of high income. As a result, individuals must be able to accept without hesitation and adapt to new situations.

Institutions in a market economy, namely, the various actors of the economy in terms of making rules to safeguard social rights and how they relate with each other has to be supportive of individual behaviours. If society embraced how easy behaviour adaptation to change, individuals would benefit greatly from the wealth of economic growth and there would be suitable solutions to problems related to revenue distribution [35]. Due to the existence of state-owned companies' employees in such companies show little intent to work hard and be innovative enough to venture into investment activities. Adaptations to change can easily be achieved when there exist more private companies. In particular foreign companies would like to invest in democratic countries. As investment increases economic growth increases as well.

VI. Determinants of Economic Development under Democratic Regimes

Democracy does have some decisive impacts on economic growth. Economic freedom and economic growth are mutually complementary. Under autocratic regimes where power is held by an individual could prevent investment in the economy. This situation would lead to economic growth inhibitory effects. Some important determinants of economic growth in democracy are:

A. Political Instability

Political instability and uncertainty about future policies adversely affect economic growth under democratic regimes. To ensure economic growth it is important to have a stable political system of management. Political instability leads to acts which are often in the interest of the government and not the peoples and thus leads to the emergence of various

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conflicts. This causes investors to refrain from making investments thus hampering economic growth [38].

B. Political Regimes

The characteristics of political regimes in democracy are also important defining features of economic growth. The electoral system, the powers of the executive branch which determines the economic performance of a country and the organisational structure of democratic institutions affects economic growth [39].

C. Quality of Administration, Transparency and Corruption

Democracy has a positive impact on the quality of management and transparency. The work done by the administrator should be transparent and this is seen by everyone as a means to ensure better development of democracy. Indirectly, it will have a positive impact on economic growth. Conversely, reducing the quality of management as a case of corruption and abuse of democracy will have an adverse effect on economic growth.

D. Size of the Public Sector

A common factor widely regarded as having an adverse effect on economic growth is excess or huge public spending. Excessive government spending will lead to a reduction in the national savings rate. The state's resources will go to pay interests on loans taken to meet the public expenditure. Again excessive public expenditure can also lead to debt crisis. This situation negatively affects economic growth.

Under autocratic regimes however military spending was larger. They had to raise taxes to finance military spending. This therefore led to a reduction in economic growth. Less public expenditure made by democratic regimes by lowering the tax rates will increase economic growth [40].

E. Trade Liberalisation

The degree of liberalisation of foreign trade can also be affected by the policy makers. Protectionist policy implementation is seen more under autocracy. However, lobbying could also lead to high level of protection of a group's interest under democracy. A lot of researches have illustrated a positive impact an increase in foreign trade on economic growth. In countries where there exist a liberalization of foreign trade there has been increases in competition and technological developments. Thus in this way democracy will lead to increase in economic development [41].

VII. Conclusion

Democracy happens to be one of the main features required for economic growth and development. Democracy provides a stable investment environment that facilitates and accelerates the movement of economic evolution and economic development in parallel with the growth of national resources. The world's democratic countries being democratic is no coincidence but rather as a result of the role played by democracy in aiding economic growth. Transparency and management qualities inherent in democracy are superior to authoritarian regimes. In terms of ensuring the elimination of social conflicts and political stability, democracy is superior to authoritarian regimes. Again, the famine in terms of the rebellion against social democracy can be said to be superior. A look at countries governed by dictators and authoritarian regimes in the world exhibit a clear sign of economic retardation.

Under autocracy, there is more spending on military. Taxes are increased to finance military spending. In this case economic growth is impeded. Uncertainties arise due to political instability in authoritarian regimes. Therefore, they are particularly concerned with specific investments fuelled by personal interests which lead to a reduction in economic growth. Under democracy however by decreasing income inequality and increasing human capital accumulation, the growth rate is increased.

The creation of constitutional institutions under democracy which favours a free market economy leads to an increase investment and also an increased confidence in the private sector thus leading to increased economic growth. Hence, democracy with a strong corporate structure, management quality, transparency and increasing support of economic growth determinants such as liberalization of foreign trade helps to contribute positively to the level of economic performance. According to our research results, democracy has a positive impact on economic development.

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Open Science Index, Humanities and Social Sciences Vol:9, No:6, 2015 publications.waset.org/10001565/pdf