



Review Paper

Good governance nexus economic development - examining western rhetoric in reference to eastern realities

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Abstract

The idea of 'good governance' is one of the frequently discussed terms in the areas of development and public policy discourses mainly after the down fall of the Soviet Union up-to-date. The European Union (EU), International institutions such as the World Bank, International Monetary Fund (IMF) and soon have repeatedly argued that 'good governance' is a necessary (pre)condition to ensure economic development in a given country. And, this idea has been dominant, and forcefully imposed on the side of third world countries for decades. However, latter developments experiences from East Asian countries, mainly the Asian Tigers, proved that without good governance, a country can realize a continuous sustainable economic development. Therefore, in this article, the writer summarizes the major debates on the subject matter, and argues in favor of against the idea that 'good governance' is a must for economic development by taking the case of Asian Tigers.

Keywords: Asian Tigers, Economic Development, Good Governance, Sustainable, Third World countries.

Introduction

The concepts of 'good governance' and 'economic development' have attracted the attentions of policy makers, development thinkers, development agencies and development schools since the post-cold war era. And, the debate on the relationship between these two concepts have been there for decades and yet unsettled. Scholars and some international organizations such as the United Nation's (UN), the World Bank (WB), International Monetary Fund (IMF) and European Union (EU), for example, argue in favor of good governance. They claim that 'good governance' is a necessary (pre)condition for economic development of a given society. In line with this claim, a Report from Australian Government's Overseas Aid¹ concluded that the main reason for the difference between two countries' level of economic development while having more or less the same resources is due to the difference in the status of good governance they have. According to the same report, the difference manifested in terms of level of transparency, accountability, and corruption of public officials, public fund management, status of human right protection and the level of military influence in the daily lives of citizens¹.

Contrary to this claim, some argue that to tell developing countries how to develop is an out fashioned ideology². In other words, to give an order to the developing countries that the only and sole way to economic development is only by realizing good governance are western neo-liberalists rhetoric. From post development perspective, this is just a clear ignorance as if there is no any other way to development, and is therefore to put

oneself at position of 'I know what is better for you and I safeguard of you, and you don't know what you need.' History shows us most, if not all, development paradigms have emerged somewhere in the west, and get tested in the developing countries. The Least Developed countries (LDCs) have been the laboratories to the paradigms of the west to realize whether they work or not.

However, look at your surroundings! There is another way to economic development in contrary to what the westerners claim. You can see what happened in East Asian countries mainly the so called "Asian Tigers" such as South Korea, Taiwan, Singapore and Hong Kong is an empirical evidence for this. These countries had a bad human right record, no freedom of speech, no democracy. But, they secure a miraculous fast and sustainable economic development within few decades in the East Asian region. South Korea, for instance, was under Park Chung-hee's military dictatorship (1961-1979), realized a remarkable economic development within a number of decades³. This indicates that it is possible to realize economic development in the absence of good and / or democratic governance.

Generally, the aim of this paper is to entertain the major arguments on the relationship between good governance and economic development. To this end, the paper is divided in to five parts. In the first part, an introduction to the debates is presented followed by the concepts of good governance and economic development. The third section is devoted in dealing the major components of good governance while the fourth part

is all about the major arguments for and against good governance. And finally, at last, the conclusion is presented.

Understanding ‘Good Governance’ and ‘Economic Development’

What does it mean by Good Governance?: ‘Governance’ and ‘good governance’ are two quite different concepts. The term governance comprises both ‘good’ and ‘bad’ forms of governance while ‘good governance’ is one aspect of governance. Therefore, before discussing the term ‘good governance’ it is better to have an idea of what ‘governance’ is. In fact, it is hard to find out a universal binding definition given to the term due to the fact that there are a number of definitions given by various scholars, politicians, policy makers and institutions in different times. For instance, the World Bank defines good governance as “the manner in which power is exercised in the management of a country’s economic and social resources...”¹ while the Asian Development Bank understood the concept as “the management of the development process, involving both the public and the private sectors...”¹ From this we can conclude that the meaning given to the term varies across institutions, and is closely linked with the aim, mission, agenda and institutional objectives a given institution.

The next question is-“what about good governance means?” Like governance, term “good governance” has a lot connotation. For instance, from administration point of view, ‘good governance’ can be understood as “an accountable and transparent public administrative system where there is effective public management with a capacity of designing policies and implementing⁴.” Moreover, it can also be defined as a kind of governance by a legitimate government where there is a popular participation, freedom of expression and association in which public officials are accountable and transparent with a predictable behavior⁵.

The concept of ‘Economic Development’: Though the term ‘economic development’ is popular, it is controversial. Within this concept, there one crucial idea .i.e. “Development.” So, what is “Development?” is now the question. There are a lot of answers to this question. In fact, there is no universally agreed definition of development. For instance:

Traditionally, [in its narrowest sense], in strictly economic terms, development meant achieving sustained rates of growth of income per capita to enable a nation to expand its output at a rate faster than the growth rate of its population⁶.

Besides, some argue that development is beyond economic issue. The right parameter for categorizing a person or nations as poor or non-poor is not economic growth. Rather, the degree of freedom you exercise matters a lot. Because, “Economic growth cannot be sensibly treated as an end in itself⁷.” In other words, development shall concerned with enhancing the lives citizens lead and the amount of freedoms they enjoy. This is a

new paradigm shift in the definition of development. Furthermore, International organizations such as UNDP treat development in terms of Human development which consists of education, health, and adjusted real income per capita as the component of indicators of development⁶. Having this in mind, now it is the time to discuss what does ‘economic development’ mean?

Traditionally, economic development was defined from its quantitative aspect-i.e. growth in output and per capita income⁶. The problem with this definition was realized in the 1950s and 1960 where many developing countries secured economic growth yet standard of living of the poor people did not change, didn’t reduce the level of poverty, illiteracy and poor health status⁶. Besides, defining economic development in terms of GDP, GNP or per capita is too narrow. This way of understanding economic development with a single indicator (i.e. only economic indicators), of development excludes non-economic indicators such as access to education, health, healthy environment or social justice and others. This indicates economic development is a broad concept which includes both economic and non-economic indicators in which it is evolutionary concept where through course of time many definitions has been provided from various perspectives and will continue to be as such. Hence, there is no single binding definition of the term. In fact, economic development is not an overnight happening, but a long process.

Some scholars argued that economic development has also something to do with material aspect of individuals. For instance:

Economic development is primary concerned with the material improvement of the poor in which there is a significant change in input and output, eradicating mass poverty, improvement in literacy rate, reducing early death and child mortality rate by which there is an underlying structural change in the economy in which there is a transition from agriculture to industrialization⁸.

Broadly speaking, economic development encompasses three major areas: i. Policies that government undertakes to meet broad economic objectives including inflation control, high employment, and sustainable growth. ii. Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged. iii. Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others⁹.

To sum up, for so many decades, the issue of economic development was thought as if exclusively associated with under developed countries. However, this concept is also relevant to the so called developed world¹⁰. Economic

development is a process whereby an economy of a given nation increases over a long period of time in which there is a significant improvement in the standard of living of people that can be manifested in economic and non-economic terms.

Major Components of Good Governance

Since the early 1990s, the notion of "good governance" has been so popular in the international development discourses. The term is a broad concept, and is characterized by a lot of things. For instance, some institutions notes that good governance has 8 major characteristics: participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law¹¹. While the United Nations Development Programme (UNDP) identifies Participation, Rule of law, Transparency, Responsiveness, Consensus orientation, Equity, Effectiveness and efficiency, Accountability and Strategic vision as the major components of good governance¹².

Many countries recognize this concept through their legal instruments. For instance, Ethiopia, in its 1995 FDRE constitution, in the second chapter under the section of fundamental principles of the constitution, lists down some core concepts which are basic components of good governance mainly democratic governance (i.e. Article 8 Sovereignty of the people, Article 9 Supremacy of the Constitution, Article 10 protection of Human and Democratic Rights, Article 11 Separation of State and Religion, and Article 12 Conduct and Accountability of Government)¹³.

Major debates on 'Good Governance' nexus 'Economic Development'

There has been several scholastic debates on the idea that "can a country realize an economic development in the absence of good governance?" Accordingly, this section of the paper entertains some of the major debates on the area, first, in favor of good governance as a necessary precondition for Economic Development, then, the counter argument to the first claim.

Argument in favor Good Governance nexus Economic Development: Favoring good governance agenda vis-à-vis (economic) development was popular in international development discourses in the post-world war II era and since the end of cold war. The main theme of the argument is, 'without good governance, developing nations cannot reduce poverty and hunger.' Thus, bad governance is viewed as the utmost cause for all evils of undeveloped societies¹.

European Union (EU), International Monetary Fund (IMF), World Bank (WB), and development agencies, donors, etc...have claimed that the underdevelopment of the third world countries is not due to lack of sufficient resources, rather the absence of 'good governance.' They strongly noted that what it has to come first before the agenda of economic growth and

alleviate poverty is good governance. They calls for the governments' of the LDCs to leave the market, and capitalism is the best way to realize economic development for the fact that governments are not productive, and are rent seekers².

A paper entitled 'Good Governance and Its Relationship to Democracy and Economic Development', presented on Global Forum III on Fighting Corruption and Safeguarding Integrity held on Seoul from 20-31 May, indicates that economic growth can be attained at any form of governance whether it is good or bad, but economic development is only attainable in a good governance¹⁴. In other words, assuming a country is growing economically doesn't mean that necessarily "benefits of growth are channeling to the poor, or to expanding their social and economic opportunities". This position is similar with the thought "economic development is not primarily concerned with economic growth but more directly aimed at improving human wellbeing of the poor, in other words, human development, and is only attainable in the prevalence of good governance¹⁵".

The United States Agency for International Development (USAID), indicated that behind the term 'good governance,' there is one unavoidable meaning- 'democratic governance⁶'. Thus, democratic government plays a critical role in coming up with policies and strategies which are market based and liberal¹⁶.

Argument against Good Governance nexus Economic Development: Many scholars, development agencies and donor have been arguing that good governance is a precondition for economic development. However:

...[if the argument without good governance economic development is unthinkable] is valid, how have Japan, Korea, Taiwan, Malaysia and Thailand achieved rapid economic growth and development through poor accountability (in terms of western yardstick), low level of transparency, convoluted legal frameworks that do not nurture rule of law?¹...

The reason why the Asian Tigers rapidly develop economically in the last 50 years is not due to the prevalence of good governance in these countries². Rather, due to the rapid economic growth in few decades is due to the fact that they create strong "state capacity to achieve and sustain high rates of investment and to implement policies that encouraged the acquisition and learning of new technologies rapidly. The development miracle of East Asian countries is a successful indigenous method of solving their respective development problem which is nonwestern model². Their concern was primarily how to achieve economic development and they did it while there were under nondemocratic leadership.

Besides, the real secret of development of Asian Tigers is not democracy, rather it is: Their outward-looking industrialization. The ever-increased exportation of manufactured goods had been 'the leading engine' of wonderful transformation of small, weak 'kittens'

into 'tigers' of the Asian economy... Thus, successful catching up development of the East Asian NICs had been outcome of the unique, economic and political, external conditions that matured in the region and the world capitalist economy at dawn of these countries' fascinating industrial takeoff¹⁷ ...

Generally, the case of Asian Tigers is exceptional to the general consensus of the west that good governance is a precondition for development at large and economic development in particular. And, these countries grew due to the fact that they promoted high savings, investment, export-oriented industrial policy, complementing the high investment in education, maintaining relatively high-quality education, and largely cheap labor markets¹⁸.

Conclusion

The agenda of good governance has been one of the most discussed and debated issues in the areas of development, politics and international relations since the end of 1980s. Development researchers, international donors, and development agencies have thought a on the relationship between economic development and good governance, and they continue to disagree and come up with a different stances and findings. However, the experience mainly from Asian Tigers reveal that economic development is possible even under dictatorial leadership. Notwithstanding, it is undeniable the importance of good governance.

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