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# ECONOMIC REFORM

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November 30, 2009

## Building Partnerships for Prosperity and Democracy

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### Article at a glance

- The same conditions that allow for the creativity and entrepreneurship which make markets work are also the same mechanisms that build a vibrant civil society and the mechanisms of accountability which make democratic institutions work.
- Democracies that commit to deliver results as well as hold elections, that also build the institutions of democracy and of strong markets which are necessary to deliver results – those are precisely the countries to stand with and help in their development.
- If we do not couple economic growth with the development of democratic institutions, then we will see greater instability, precisely because we've taken those first steps toward democracy and we haven't accompanied it with market growth.

*This article is based on the closing remarks by Anne-Marie Slaughter, at Democracy that Delivers: An International Conference on Improving the Quality of Democratic Governance and Economic Growth, held in Washington, D.C. on October 27, 2009. The views expressed in this article are those of the author, and do not necessarily reflect those of the U.S. Department of State or the U.S. Government. To comment on this and other Economic Reform Feature Service articles, visit <http://www.cipe.org/featureservice>.*



published by the

**Center for International Private Enterprise**

an affiliate of the U.S. Chamber of Commerce

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## Introduction

When I was looking down the agenda for today I was very struck by its similarity to something that Secretary Clinton said in her speech to the Council on Foreign Relations in July.

And so I went back and checked and she said, “Whether in Latin America or Lebanon, Iran or Liberia, people who are inspired by democracy, who understand that it is about more than just elections – that it must also protect minority rights and press freedom, develop strong, competent and independent judiciaries, legislatures and executive agencies, and commit to deliver results – these are the people who will find that Americans are their friends, not adversaries.”

That seems to me to frame precisely what we’re talking about, democracies that commit to deliver results as well as hold elections, that also build the institutions of democracy and of strong markets which are necessary to deliver results – those are precisely the countries that we want to stand with and help in their development.

And I was very intrigued in reading the agenda for today, the description that “Through mechanisms that foster widespread participation in economic policymaking, resilient democracies cultivate creativity from individuals and communities at the grassroots level. In turn, creativity and effective policy unleashes entrepreneurs in thriving market economies, allowing truly resilient democracies to deliver growth and prosperity for their citizens.”

I thought that was a wonderful explanation of the causal links, to put my academic hat on for a minute, between markets and democracies. We are also spending a huge amount of time thinking about the roots of innovation, and how we not only stimulate innovation in this country but how we build it into our development policy.

Those same conditions that allow for the creativity and entrepreneurship which make markets work are also the same mechanisms that build a vibrant civil society and the mechanisms of

accountability which make democratic institutions work. In many ways you filled in the explanation for how it is that we need to insure that democracy delivers to insure that democracy survives.

And that’s really where I want to focus my remarks: to think about why democracy has to deliver. What happens when it doesn’t deliver? It may be a fitting end to your day to think about the darker underside of what happens when democracy does not deliver.

## Growth and Governance

### Building democratic stakeholders through economic growth

One of the things that those of us who believe in the democratic peace, the proposition that liberal democracies are far less likely to go to war with one another, also know the corollary, that is, democratizing countries, new democracies, are often far more likely to go to war. They are far more likely to be unstable, to have civil conflict or conflict with their neighbors.

So there’s a paradox. If you get to mature democracies you’re in much better shape if you’re thinking about building peace and stability throughout a region or in the international system, but the process of getting there is very dangerous precisely because you have new mechanisms that are very vulnerable to the claims of nationalism or ethnic chauvinism, religious conflicts, or attempts to appeal to people’s baser instincts.

So from that perspective when we talk about democracy delivering, what we’re really talking about is democracy, democratic institutions, working hand-in-hand with economic growth. And that economic growth builds stakeholders in peace and stability.

People who have something, even if they have only a little, if they have more than what they had previously, then they become stakeholders in the peaceful resolution of disputes because they have something to lose.

They are stakeholders in the rule of law, and obviously then in educational systems, in health systems and all the things that will continue to build the economic growth that they're enjoying.

So the first place to start is to think about democracy delivering by building stakeholders in a more peaceful order. And if we don't do that, if we do not couple economic growth with the development of democratic institutions, then we will see greater instability, precisely because we've taken those first steps toward democracy and we haven't accompanied it with market growth.

### **Democracy must cultivate market opportunities**

The second way in which democracy and market growth go together is that democracy has to create opportunity. This, again, is obviously a corollary of economic growth, but they don't always go hand-in-hand. To build those stakeholders in peace and stability, in the rule of law, democracy has to create opportunities so that parents can imagine, can realistically see, a better life for their children.

That, of course, means that you move away from class-based preferences, or religious-based preferences, or ethnic-based preferences, toward market preferences, towards some more merit-based system.

We see this phenomenon all the time in supporting microfinance. Through microfinance programs women who are completely marginalized suddenly have the means to bring in even a small income for their families, to develop a position in the community, to create opportunity for themselves and for their children.

That story regarding women can be told with respect to Dalits in India or indigenous people in much of South America and other parts of the world. The point is that strong markets create those opportunities on a merit basis, at least more on a merit basis, than the traditional system of preferences in a particular country.

### **Building trust and building from trust**

The third way in which I think market mechanisms and strong democratic institutions go together is that democracies have to build trust. Democracies are, by their nature, pluralist. That means we coexist but we don't necessarily trust one another. Still, there has to be a minimum level of trust. There has to be trust in the basic system, in the ability to hold governments accountable in enough transparency to be able to know what your government is doing, and then of course, to vote it out.

That, again, is very linked to strong market institutions. Indeed, the cutting edge of development efforts focuses less on providing aid directly to citizens and much more on giving citizens and communities the tools to hold their governments accountable through transparent budgeting and other systems that really allow people to track funds, to know what their governments are spending and to hold them accountable. That's, of course, the same kind of transparency that you need for well functioning markets.

### **Transforming structures for growth and governance**

Fourth, and related to trust, democracies have to build self-reliance. Bill Drayton, the founder of Ashoka, describes development policy in terms of the familiar parable of giving people fish and then teaching people to fish. And he says we obviously have to give fish in some instances, in humanitarian situations, and we certainly want to teach people to fish where we can, and that's building capacity.

But he says what we really need to do is to change the structure of the fishing industry. What he's really saying is that if you want to see economic growth across many different countries, if you want to see vibrant regional growth, you need to change the structure of many things in the world, beginning with the creation of markets that give people the ability to help themselves, give them the means to be self-reliant and to develop themselves rather than through our assistance.

## Preparing for hard times

And finally, and perhaps more unexpectedly, I think democracies also have to provide basic safety nets for their citizens. They must provide a minimum level of security, so that the gains so hard fought, the opportunities grasped, will not disappear completely in downturns, in times of disaster or unexpected catastrophe.

This is not so much about building market mechanisms and institutions so much as recognizing openly that markets also fail. Any effort to build markets as part of strong and vibrant democracies has to recognize that there will be market failures and has to prepare for those market failures. Prevent them when we can, but know they will happen, and when they happen we have to be ready for them.

Particularly in a new democracy, often making the transition from a system that however brutal, did provide for its people through heavy state intervention, people expect that minimum. A market system must be able to provide it. It seems to me equally important that we recognize that markets fail and be ready to do that.

## Conclusion

To conclude, markets help democracy deliver in all these ways: they build stakeholders in peace; they help break down traditional systems of preferences and replace them with merit based preferences; they build a minimum level of trust because the same level of transparency that is necessary for a market to operate is necessary to hold a government at least minimally accountable; and they build self-reliance, and the capacity to help oneself – all of which serves to build the safety net we will need when markets inevitably fail. I only wish I'd been able to be here today to listen to all the strategies, to fill in the how of what I've been talking about. But overall it's exactly conferences like this and strategies like this

that can help fill in the infrastructure of democracies through support for elections, and diplomacy, and civil society. In the end those democracies have to deliver and that will be up to the people themselves in a strong functioning market economy.

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*This article is based on the closing remarks by Anne-Marie Slaughter, at Democracy that Delivers: An International Conference on Improving the Quality of Democratic Governance and Economic Growth, held in Washington, D.C. on October 27, 2009.*

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