

Liberal Democracy and Economic Development in Islamic world

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Liberal democracy face several obstacles such as lack of supporting institutions and promoting democracy and freedom, dictatorships that ruled for long periods, political instability (after the Arab Spring), and also economic underdevelopment, which is a result of the factors above mentioned and a reason sometimes too.

In this presentation we will focus on the role of social contract as the basis for a link between development and democracy.

Synopsis of Theoretical Reviews

The relationship between democracy and economic growth has become one of the more important topics in political economy at the present time, in order to support some treatises on the form of the political regime and its impact on the economic performance, so the choosing between different development goals and social justice will be difficult in the absence of a clear vision on the impact of the kind of political system in the factors that required to achieving the economic performance optimization.

Regarding the conceptual or theoretical approaches to the connection between liberal democracy and economic development, there are two causal directions that analysts tend to think about:

First, **conflict perspective** where Fundamental to the conflict perspective is the claim that economic growth is hindered by the democratic organization of the polity, In other words, democracy and

economic growth are seen as being competing concerns; hence trade offs in the political realm are considered necessary. Moreover, in this view successful and rapid economic growth requires an authoritarian regime that suppresses or delays the extension of basic civil and political rights and the development of democratic procedures and institutions, because these latter would otherwise subvert the national development project. (1) How democracy affected negatively on growth? Perhaps with the political freedom various pressure groups have a voice in the political arena. Their demands for redistributive policies may imply legislative deadlocks. Or their demands may be resolved by increasing the size of government, in particular, the size of distributive programs rather than of productive expenditure. Furthermore, democratic institutions may be slow in responding to external shocks.(2)

Second, **compatibility perspective** where the proponents of democratic model sharply object to the charges levied by proponents of the authoritarian model. Although the compatibility model concedes that economic development requires an authority to enforce contract, ensure law and order, and so on, the strongly disagree with the assumption that development needs to be commanded in all respects by a central authority, an assumption that takes a heavy toll in terms of citizen rights and freedom. Of course, the proponents of the democratic model challenge the authoritarian model on such assumption as the propensity of the well off to save in a manner that is beneficial to the nation , the prevalence of distortions of economies in democracies, the degree of corruption in the third world democracies, the tendency of democracy to faster internal divisiveness and conflict , and the cost of political competition to the accumulation of capital and scale of investment. So the proponents of the democratic model are quick to point out numerous weaknesses of centralization under authoritarian rule. These weaknesses

include a relative deprivation of the informal sector, a distorted size distribution of enterprises, a tendency toward corruption and waste, and the limited capacity of the center to handle problems in the periphery of society.(3)

The argument that democracy produces better macroeconomic performance is based on classical liberal ideas about how political competition affects state policy making. According to this argument, state officials in nondemocratic regimes are predators, using the state apparatus to extract revenue from society. Producers must surrender some of their output to these predatory officials and thus have little incentive to invest. Non Democratic leaders with secure tenure and therefore long time horizons promote a limited amount of investment and growth to maximize their revenue, whereas insecure autocrats simply plunder society at will. Consequently, although investment levels and growth rates vary among nondemocratic regimes, they generally remain low. Predatory leaders typically maintain themselves in power with repression and by using public spending and employment to create patronage networks and co-opt popular unrest, further undermining macroeconomic performance. We should therefore expect nondemocratic regimes to produce high inflation and slow growth because of the mediating effects of low investment rates, large fiscal deficits, loose monetary policy (because money is printed to finance public expenditures), chronic trade deficits, and inefficient state bureaucracies and public enterprises .

By contrast, democratic institutions force state officials to serve society's general interests. Free, competitive elections limit predatory behavior. Political parties and a free press keep voters informed and provide useful feedback to decision makers. Representative institutions reduce decision-making costs and curb special interests. Democratic regimes are more legitimate, reducing political instability and making it easier for public

officials to carry out painful policies. These mechanisms ensure that macroeconomic policy will be fairly effective under a democratic regime. Democratic institutions also enhance personal freedom strengthening property rights and thus promoting investment.

We would therefore expect to find low inflation and high growth rates under democratic regimes because investment is plentiful and productive; fiscal monetary, and trade policy are prudent; wages and employment remain at satisfactory levels; and political instability is low.(4)

Islam and Liberal Democracy

The relationship between Islam and liberal democracy is a relationship characterized by different opinions as a result of the multiplicity of views in Islamic societies. In particular, and away from the fact that the state system is Islamic or mixed political system, the real problem lies in the social and economic consequences for it. And it is important to note the difference between the position of Islam as a religion of democracy and the position of the Muslims themselves to democracy. The main advantage of liberal democracy is provides political stability required for economic growth and that is exactly what the Muslim nations needed after the legacy of colonial and irrational dictatorial rule, where Muslim societies suffering from the existence of internal conflicts arising from differences in doctrine , ethnicity , nationalism and corruption . Of course the most important reasons for that back to the lack of a social contract agreed upon by the public.

The difference between Islam and liberal democracy is not in the fact that Islam is the celestial religion while the democracy is a the ideology of humanitarian, but in the tardiness of developing the Islamic political thought, on the other side, both the Islamic system and the liberal democracy have several principles in common like rule of law, separation

of powers, protection of human rights and economic freedom, so there are possibility to occurrence of convergence and benefit from the development of Western political thought .

The important question here: Is Islam responsible to make many of the Islamic countries is authoritarian regimes?

Certainly that Islamic *Sharia* does not encourage unjust authoritarian rule, But implementation of justice and according to the *Shura*, and I think it's kind of dictator noble, but the problem is that there are no clear standards on how to choose this ruler; and *Shura* if was possible before 1400 years ago, it is not possible now because of the size of population. And if democracy has been applied, it may be lead the owners of anti-democratic thought to reach the rule and they behave like authoritarian ruler in the name of democracy, as happened in Egypt when the Muslim brotherhood take the power, Where emerging democracies easily turn into military dictatorships as a result of the absence of institutions that enhance and consolidate this fragile democracies.

It's not phenomenon that most of Islamic countries are authoritarian according to the latest annual reports of Freedom House where all Muslim countries are not free or partial free despite the presence of free elections in some countries, this led to the spread of tyranny, political corruption in Islamic societies, and a decline in economic growth.

Islam and Development via Social Contract

Islam relies on a set of ideas that make up the Islamic economy (Which is the study of the economy in light of the principles of Islam) or make the economy in line with Islamic *Sharia*; this definition is not deal with some principles of capitalist economy like rate of interest and taxation, where the taxation system in capitalism is differ from *Zakat* that only tax that Islamic government can impose upon Muslims, Where it is stated in the

Quran (Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase)(5), the verse obliging the government to take the Zakat.

The basic problem is that, this tax is not for the public services but it is part of the worships imposed on Muslims, so there are problematic in understanding the theory of the social contract by the Muslim ruler.

Seymour Martin Lipset Indicates the importance of economic development as a necessary condition to get the democracy (6), in the sense that the social contract depends on economic development and improve the necessities of life of people to become parties in this contract because people can participate in political life when the economic growth is increasing, and motivate them to it via tax system Which is the mechanism of the social contract.

The correlation between wealth and democracy implies that transitions to democracy should occur primarily in countries at the middle levels of economic development. In poor countries democratization is unlikely, in rich countries it has already occurred. In between there is a political transition zone; countries in that particular economic stratum are most likely to transit to democracy and most countries that transit to democracy will be in that stratum. As countries develop economically and move into this zone, they become prospects for democratization. (7)

The Solution

The low levels of economic development in Muslim countries associated with despotic regimes and political instability; became the reasons and effects at the same time, so we cannot isolate the effect of economic underdevelopment on the evolution of political thought, the causes and the consequences spin in a same circle.

Certainly there are a huge amount of suggestions and solutions that can be viewed in relation to economic development and liberal democracy, but I think the education is the more factor can affecting on Islamic societies, which aims to produce educated generations known how to defend on his rights and expresses its duties, as parties in the social contract, and that is the critical corner in any debate about the reasons of underdevelopment in the Islamic world ,and it is the key to achieve economic development, and defending the emerging democracy where the promotion of liberal democracy lead to greater the well-being.

The References

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