

ECONOMIC GROWTH, DEMOCRATIZATION AND PEACE: PERSPECTIVES IN THE ASIA-PACIFIC REGION

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- I. Introduction
- II. Free Trade, Economic Growth and Democracy
 - 1. Trade as the Engine of Economic Growth
 - 2. Does Economic Growth Foster Democracy?
- III. Democracy, Economic Development and Peace
 - 1. How does Democracy affect Economic Development?
 - 2. Democratic Peace
- IV. Conclusion: Implications for Future

I. Introduction

The geopolitical and economic importance of the Asia-Pacific region needs no more emphasis. Even if we count only the coastal regions of the countries in its compass, it accounts for a quarter of the world's population, two fifths of its surface, more than a third of its economic activity and a most diverse range of culture, language, religion, government and history on earth. It must be a cliché by now to underline that the Asia-Pacific region is currently one of the fastest growing economies in the world. For instance, throughout the 1980s East and Southeast Asia grew at an average of 8 percent a year, compared with 2.5 percent for the world as a whole. (*Newsweek*, November 15, 1993) "Altogether, the 15 APEC members around the Pacific Rim have more than 2 billion people, engage in 40% of all international trade and account for half the total world production of goods and services." (*Time*, November 22, 1993) Indeed we are now witnessing what early in this century Mr. John Hay, the U.S. President

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Theodore Roosevelt's Secretary of the State, foresaw when he dubbed the Pacific "the ocean of the future". In the year 2000, the gross world product will be bigger than it was in 1990 by the \$7.5 trillion (in 1990 dollars). A half of the increase will be contributed by East Asia, according to the IMF prediction. Also, between now and 2000 Asia as a whole will, World Bank forecasts, account for half of the growth in world trade. ("A Survey of Asia: A Billion Consumers," *The Economist*, October 30, 1993)

Nearly all countries in the Asia-Pacific region are the front-runners of free trade and anti-protectionist policies. ASEAN members are endeavoring to turn the region into the most open trading area in the world. Taking the lead in global trade liberalization, APEC members are making strides to realize an ambitious vision of free trade in the region, which will boost economic dynamism to a unprecedented degree: Targets, with a blueprint to remove the region's trade and investment barriers by 2010 for developed countries and 2020 for developing countries, were agreed to at 1994 APEC Summit in Bogor, Indonesia; and "Action Agenda" calling for members to start implementing initial liberalization plans followed in 1995 Summit in Osaka, Japan. (See, for a detail, *Asian Wall Street Journal*, August 1, 1994; August 30, 1994; *Far Eastern Economic Review*, November 30, 1995, 14-15)

The economic success of the Asia-Pacific region is also accompanied by a brighter democratic prospect. Economic development in many countries of the region is gradually being matched by growing social pluralism and political maturity, leading to greater individual freedoms, more political democracy and enhanced human rights. Undemocratic regimes suffer from various symptoms of their ultimate decline. Some have already been replaced by new, reform-oriented leadership. A long-held monopoly of power by ruling parties' has begun to erode in Japan and the Republic of Korea. And the torch of democratization is likely to be passed on to Taiwan, and eventually to other neighbors in the region.¹⁾

1) Democratization currently under way in many parts of the world appears to be a part of world-historical development. As Samuel P. Huntington aptly describes it, the "third wave" of democratization in this century rolled first through Southern Europe in the 1970s, then Latin America and some areas of Asia, and eventually Eastern Europe in the late 1980s and early 1990s. By Huntington's account, the net number of democracies went from zero before 1828 to 59 in 1990. The current third wave has seen the number of democracies increased by about

The concurrent economic prosperity, growing free trade and multilateral cooperation, and burgeoning political pluralism and democratization of the Asia-Pacific region pose to us a theoretically intriguing and politically challenging question: Will economic growth conjoined with expanding free trade promote democracy and peace? This article probes the relationship between economic growth, democracy, and international peace in general as well as in reference to the evolving Asian political-economic context. Put our argument bluntly, it goes as the following:

- (1) Economic growth via free trade fosters more democracy in Asia;
- (2) Democratization will, in turn, help further economic development by facilitating economic reform, and by bringing social equity, efficiency in resource allocation and security of property rights, and;
- (3) Democracy, joining forces with the region's economic prosperity, will bring nations together for closer cooperations and more peaceful relations.

In the following sections, we will first note that trade within as well as between nations promotes economic growth. Next, we will examine the logic and evidence attesting to a reciprocal causal relationship between prosperity and democracy; that prosperity derived from sustained economic growth promotes more democracy, and democracy fosters further economic growth and reforms

30. (See Samuel P. Huntington 1992) Doh Chull Shin in his recent review of the studies on the third wave of democratization observes:

The past two decades have witnessed remarkable progress for democracy. Since 1972 the number of democratic political systems has more than doubled, from 44 to 107. Of the 187 countries in the world today, over half -- 58 percent -- have adopted democratic government. With the collapse of communism, moreover, democracy has reached every region of the world for the first time in history. And it has become "the only legitimate and viable alternative to an authoritarian regime of any kind."(See Doh Chull Shin, 1994)

required for sustaining it. Third, we will demonstrate some historical and systematic record showing that there is almost no risk of war among democracies. In concluding part, some prescriptive policy implications will be drawn from our earlier presentation.

II. Free Trade, Economic Growth and Democracy

1. Trade as the Engine of Economic Growth

The positive contribution of free trade to economic growth and prosperity is regarded as undisputed knowledge among economists. International trade enables enterprises and nations to specialize according to their comparative advantage, to raise productivity, and to realize gains from trade by enlarging the size of the market. Few would disagree on the observation that the engine of the vigorous economic growth in the Asia-Pacific region is trade. As the *Time* magazine pointed out, "Freedom to export has been the womb for every Asian 'economic miracle' from Japan and Taiwan to miracles-in-the-making Thailand, Indonesia and China." (*Time*, November 22, 1993) Suffice to put East Asian economic performance in stark contrast to, say, Latin America's for the past decades to illustrate this point. Since 1965 eight East Asian economies -- Hong Kong, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand -- have together grown at an annual rate of nearly 6 percent, three times as fast as Latin America and more than twice as fast as the rest of East Asia. The export performance of these East Asian economies has been particularly dramatic, with their share of world exports of manufactures leaping from 9 percent in 1965 to 21 percent in 1990. (Data quoted in *The Economist*, October 2, 1993, 29) Recent policy shift toward economic reform emphasizing market liberalization and export-oriented growth in India, which had taken the line of import-substitution-industrialization, also accentuates that outward-looking, open trade policy is a better choice for viable economic development.

Thus, it is of no doubt that free trade is instrumental to bringing higher economic growth. (See, for example, Bela Balassa 1981; World Bank 1988, 1993; S. Schlosstein 1991; W. McCord 1991) Two challenges to the positive

trade-economic growth link are dependency/world-system model and strategic trade theory. ²⁾ However, the former is poorly supported by empirical evidence, while the latter does not reject on the wholesale scale the validity of the free trade-economic growth link. Economies of the open, trade-promoting countries have grown faster than most of those with closed or protectionist policies. The way countries in the Asia-Pacific region looks to the future is in line with theory and policy prescribed by the positive trade-economic growth linkage.

2. Does Economic Growth Foster Democracy?

What factors or conditions are favorable to or promote democracy is perhaps one of the most researched and debated topics in political science. The best-known early theory on democracy, modernization theory, posit that once a society reaches a certain level of economic development, stable democracy is likely to emerge and consolidate. In other words, to run the risk of oversimplification, the more economic development, the more democracy. ³⁾

Lerner and Lipset suggested a complex of interrelated social and economic conditions as prerequisites for political democracy. (Daniel Lerner 1958; Seymour M. Lipset 1959, 1994) Drawing upon survey data from Middle Eastern countries, Lerner figured out urbanization, education, and media growth (or communication) as the essential factors for the process of democratic development. He viewed urbanization to be a factor stimulating education, which in turn accelerates media growth and eventually democratic development.

Lipset, on the other hand, by conducting comparative research at the aggregate level with emphasis on the socioeconomic characteristics of societies as causal factors of democratization, initiated a new trend in which the focus is shifted from individual to system characteristics. Lipset's argument, through its expansion by subsequent scholars, started a discussion about the impact of socioeconomic development on political democracy with the observation that

2) For an informative discussion of these contending positions and relevant references, see Erich Weede 1994.

3) The seminal work in this perspective, of course, is Seymour M. Lipset 1959, 69-105. For the most recent view of the same author, Seymour M. Lipset 1994, 1-22.

"[p]erhaps the most widespread generalization linking political systems to other aspects of society has been that democracy is related to the state of economic development." (Lipset 1959, 75) Lipset's theoretical position is derived from the widely shared observation that greater economic affluence in a country has long been thought of as a condition favorable to democracy and stable political change.

Lipset compared mean values and ranges of socioeconomic development for four groups of countries: (1) European and English-speaking stable democracies, (2) European and English-speaking unstable democracies and dictatorships, (3) Latin American democracies and unstable dictatorships, and (4) Latin American stable dictatorships. After comparing European and Latin American countries on the interrelated dimensions of wealth, industrialization, education, and urbanization measured by such socioeconomic indicators as per capita income, telephones per 1,000 persons, percentage of employment in agriculture, literacy rate, and percentage of urban dwelling in cities of different sizes, he first shows that European stable democracies scored on average higher in all of these dimensions than European dictators and then that a comparison of democracies and unstable dictatorships with stable dictatorships in Latin America yields very similar results at a lower level of development. His conclusion was that "economic development involving industrialization, urbanization, high educational standards, and steady increase in the overall wealth of the society, is basic condition sustaining democracy, it is a mark of efficiency of the total system." (Seumor Lipset 1959, 86)

The crux of Lipset's argument runs as following: industrialization leads to increases in wealth, education, communication, and equality; these developments are associated with a more moderate lower and upper class and a larger middle class, which is by nature moderate; and this in turn increases the probability of stable democratic forms of politics. The logic for this argument is that higher levels of literacy, education, and urbanization are usually associated with higher levels of economic development, and they provide civil understandings and supports necessary democratic institutions and practices. Increasing economic benefits for the masses intensify demands for the political benefits of democracy. Economic development can spread authority and

democratic aspirations among a variety of people, thus fostering democracy.(See also Robert A. Dahl 1989)

To be fair, it should be, however, noted that he added that "the stability of a given democratic system depends not only on the system's efficiency in modernization, but also upon effectiveness and legitimacy of the political systems."(Lipset 1959, 86) It is, therefore, possible to infer that, by considering effectiveness and the legitimacy of the system as well as socioeconomic development, Lipset was arguing for socioeconomic development as a necessary but not a sufficient condition for the establishment and/or maintenance of a democratic political system.

Nonetheless,"[t]here were two key problems with Lipset's analysis," as Helliwell points out:

First, because his measures of economic development derived from the period *after* that used to classify political regimes, Lipset's correlations were unable to establish whether it was economic development which led to democracy or *vice versa*.

Secondly, the Second World War, while no doubt to some extent a consequence of the lack of democracy in many of the European countries, also led to destruction of their economic capacities, hence providing a correlation between low postwar incomes and low prewar levels of democracy that could not be used directly to support the conclusion that low levels of income lead to low levels of democracy."(John F. Helliwell 1994, 227)

In a similar fashion, Coleman subdivided 75 developing countries as competitive, semicompetitive, or authoritarian on the basis of their democratic political performance in the late 1950s. Comparing the mean scores of each group on indicators of economic development, as well as the individual scores of countries in each category, Coleman reached two conclusions:

- (1) The major hypothesis that economic development and competitiveness are positively correlated is validated when countries

are grouped into major differentiating categories of competitiveness and when mean scores of economic development are employed; but (2) the hypothesis is weakened by negative correlations found when the economic scores and relative competitiveness of individual countries are considered. To this should be added the caveat that economic modernization constitutes only one dimension of the ensemble of determinants shaping political institutions and behavior in the countries with which we are concerned [developing countries].(James S. Coleman 1960, 532-81)

This optimistic position soon faced challenges from the development both in the real world and in the academic debates. Historical developments have undermined the validity of these theories. Despite substantial economic growth, a number of the Third World countries, contrary to the common wisdom, regressed into authoritarianism rather than democracy. The return to authoritarian rule in some Third world countries during the 1960s and 1970s seemed to empirically invalidate modernization theory. Samuel P. Huntington warned against the optimism by pointing out that the political instability may result from modernization because of the gap between social mobilization and political institutionalization.(Samuel P. Huntington 1968) Guillermo O'Donnell called our attention to the elective affinity between economic growth and authoritarianism. His theory of bureaucratic authoritarianism in fact demonstrates that with a certain level of economic development some types of authoritarian regimes are more likely to emerge. ⁴⁾ Bauer also asserted that the process of development would inevitably give rise to the emergence of a new, stronger, and more lasting authoritarian rule.(P. T. Bauer 1981)

4) (Guillermo O'Donnell 1973; David Collier, ed. 1979) O'Donnell made an important methodological critique of cross-national statistical analyses. He argues that causal inferences from quantitative cross-national evidence imply the assumption that the causal conditions which affect the chances of democracy today are the same as those which shaped democratic developments during the early rise of capitalism. That is, causal explanations requiring historical information about processes cannot be tested directly with cross-sectional data. Hence, it is highly problematic to draw diachronic conclusions -- about changes over time and thus about causation -- from cross-sectional analyses.(O'Donnell 1973, 5-8)

Turbulent historical development and academic critique notwithstanding, as Burkhart and Lewis-Beck declare, "the notion of economic development as a 'requisite' to democracy has survived increasingly sophisticated statistical tests"(Ross E. Burkhart et al. 1994, 903): Quantitative, cross-national research that undertakes to test the validity of each contending view mostly supports the optimist's position.⁵⁾ More sophisticated measures and methods were utilized to test the Lipset and Coleman hypothesis arguing that socioeconomic development and the level of democracy of the system are positively related. Authors developed scale measurements of democracy that are more refined than the common dichotomous perception of democracy. Correlation and regression analyses by Cutright, Cutright and Wiley, Bollen, to name but a few, provided empirical support for a positive linear relationship between levels of economic development and democracy in a system.(Philips Cutright 1963, 253-64; Philips Cutright and James A. Wiley 1969, 23-41; Kenneth Bollen 1979, 572-87) .

Subjecting quantitative scores on the basis of scales of economic development, of "communications development" as well as of "political development" or, in effect, democracy, each combining several specific measures, for 77 countries to a correlational analysis, Cutright confirmed that political institutions are interdependent with the level of social and economic development. Cutright reported that the correlation between the indices of communication development and democracy (or political development) was 0.81 while the correlation of democracy with economic development was 0.68, significantly lower. Cutright and Wiley selected 40 countries that were self-governing throughout the period from 1927 to 1966 for conducting a correlational analysis. After studying democracy in relation to social and economic development in four successive decades, 1927-36, 1937-46, 1947-56, and 1957-66, they concluded that the positive association between social and economic development and democracy held for all four periods and that the data suggested a causal priority especially for economic development. According to them, economic development entails division of labor and social differentiation to which representative democracy is the most adequate constitutional response.

5) For quantitative research on the topic, see, for example, Chung-Si Ahn 1981; Kenneth A. Bollen ed al. 1985; Robert W. Jackman 1975.

Increasing literacy and related aspects of social change foster a population's interest and capability in political participation and thus engender pressures for democratization.

Bollen tackled the question of political democracy and the timing of development by examining a sample of 99 countries. After testing the hypothesis that "the earlier a country begins to development, the higher its level of democracy," he found no significant association between the timing of development and political democracy. Instead, his analysis demonstrates a rather robust association between economic development and democracy. In addition, Brunk, Caldeira, and Lewis-Beck recently found that economic development alone accounts for more variance in democracy than the other independent variables taken together.(Gregory G. Brunk ed al. 1987, 459-70)

However, the positive effect of economic development on democracy is not in the unanimous agreement among quantitative researchers. Two recent empirical studies, exploring a series of cross-sectional data over time, challenge the validity of this position.(Zehra F. Arat 1988, 21-36; Lev S. Gonick and Robert M. Rosh 1988, 171-99) On the basis of apparently better data -- larger samples of nations and wider time span for testing than most preceding research⁶⁾ -- they report a disturbing result: "Only a few countries fit the models suggested by modernization theory... It can be concluded that increasing levels of economic development do not necessarily lead to higher levels of democracy, even for the less developed countries."(Arat 1988, 30) Gonick and Rosh echo Arat: "Economic development... is not the most important factor affecting the degree to which a political system can be characterized as a 'liberal democracy'... Our application has allowed us to reject the findings of Lipset."(Gonick and Rosh 1988, 189, 196)

Taking issue with Arat and Gonick and Rosh, Burkhart and Lewis-Beck conduct a dynamic pooled time series analysis of a data set from 131 nations (N = 2,036).(Burkhart and Lewis-Beck 1994) Using generalized least squares-autoregressive moving average estimates(GLS-ARMA), they find strong economic development effect on democracy and refute the challenge. According

6) Arat test a sample of 95 countries and Gonick and Rosh of 116 nations respectively. Both include communist countries for testing. They also extend the measurement of democracy into the 1970s: to 1977 for Arat and to 1979 for Gonick and Rosh.

to them, both studies of Arat and of Gonick and Rosh are flawed: "(1) they measure democracy error-laden data, (2) the data do not extend past the 1970s, (3) the models are misspecified, in particular with regard to world-system-position interaction effects, (4) estimation procedures are not dynamic and fail to utilize more efficient estimation techniques such as GLS-ARMA, and (5) causality tests are not administered."(Burkhart and Lewis-Beck 1994, 907) ⁷⁾ Another recent study also confirms the positive relationship of economic development with democracy.(Axel Hadenius 1992) Constructing an index of democracy for 132 developing nations with focus upon the electoral process and the degree of political freedom, Hadenius employs regression analysis to investigate the correlates of democracy and finds that the earliest formulation of modernization theory, positing that socioeconomic development correlates positively with democratic government, hold true even when the data base is limited to developing nations. He even argues that there is "no connection whatever between an asymmetrical degree of development and democracy."(Axel Hadenius 1992, 90)

The quantitative cross-national research has reached a number of consistent results. Among them, most outstanding is the finding that

there exists a stable positive relationship between social and economic development and political democracy. This cannot be explained away by problems of operationalization. A whole array of different measures of development and democracy were used in the studies [on the topic], and this did not substantially affect the results.

This result cannot be invalidated either by arguing that it may not apply to certain regions of the world. Nor can it be explained by diffusion from a single center of democratic creativity, though some associations with former British colonial status as well as the proportion of Protestants were found by Bollen. It also cannot be

⁷⁾ In fact, with regard to the handling of pooled data challenging research results of Arat and Gonick and Rosh have their own problems, as Burkhart and Lewis-Beck criticize. Arat relied exclusively on OLS in her pooled analysis. Gonick and Rosh neglect the autocorrelation problem. According to Stimson, autocorrelation and heteroskedasticity are virtually "inherent" in pooled data. See James A. Stimson 1985, 919

explained by a particularly close correlation between development and democracy at the highest levels of development, because samples consisting only of less developed countries exhibited substantially the same patterns. Finally, the close concatenation of level of development and democracy cannot be accounted for by a special association between early modernization and democracy since the explicit inclusion of measures of the timing of development did not significantly affect the relationship between level of development and democracy. (Dietrich Rueschemeyer et al. 1992, 29)

In sum, empirical studies indicate that "economic development causes ... democracy" and that "economic development substantially improves a nation's democratic prospects." (Burkhart and Lewis-Beck 1994, 907)

Economic development tends to help foster democracy. Why? The causal link seems to be two-fold. One is consistent with time-honored common wisdom ever since Aristotle emphasized the role of the middle class in maintaining stable democracy in his *Politics*. Economic growth inevitably enlarges the size of the middle class. Newly forming middle class growingly demands for more political and social freedom proportional to their improved level of living. Also, as people grow richer, democracy is one of the things they want, and it becomes ever more difficult for governments to deny them.

The other explanation is recently offered by Rueschemeyer, Stephens, and Stephens, on the basis of multiple case studies covering Europe, South and Central America and the Caribbean countries. (Rueschemeyer et al. 1992) In an interesting way, they stress a democratizing role of the working class. According to them, industrial capitalism encourages democracy by fostering structural conditions that empower the working class. Democracy emerges from and reinforces changes in the relative balance of power among classes and social groups. Capitalist industrial development is likely to cause the power of the most intransigently antidemocratic groups to decline. On the other hand, as the capitalist development goes on, an expanding division of labor enlarges the number of urban subordinate classes. Furthermore, it contributes to an increasing differentiation of these subordinate classes. These subordinate groups

stand to gain more from an expanding franchise and functioning representative institutions than they would get otherwise. Therefore, they press for more democracy and inclusionary politics. In contrast, dominant classes tend be hostile to more democracy to the extent that they lose more than gain as the system expands to include more subordinate groups. As John D. Stephens notes, "Capitalist development is associated with the rise of democracy in part because it is associated with a transformation of the class structure strengthening the working class." (John D. Stephens 1993, 438) Democracy is, in this regard, the outcome of the contradictory nature of capitalist development, which empowers the subordinate classes, especially the working class, by facilitating to them the capacity for self-organization.

In Europe where the industrial development occurred step by step over an extended span of time, the inclusion of social groups into political arena proceeded sequentially, starting from middle class first and then moving toward on to working class. Compared to European case, the political consequences of rapid industrial development in Asia are to be determined by the conjoining demands for democratization of both middle class and the working class simultaneously. Nevertheless, economic development has increased the size of the classes that stand to gain more from a wider political franchise. A growing size of the urban middle class and working class are constituency demanding wider inclusionary politics. Thus, it is reasonable to say that economic growth tendentially improves conditions for more democracy because it widens a space in which a broader political inclusion is possible. The following remark is illuminative for this causal link:

We doubt very much whether South Korea's Park Chung Hee or Taiwan's Chiang Kai-shek were themselves committed to the clear-cut democratic path taken by their successors. But their decision to open up their economies and bring development to the people put in motion the first real checks on their regimes' political power and set in motion the liberalization that came later. (*Far Eastern Economic Review*, April 14, 1994)

III. Democracy, Economic Development and Peace

1. How Does Democracy Affect Economic Development?

Needless to say, the relationship between economic development and democracy is not a one-way traffic but a two-way interaction. Now let us discuss the other side of the coin: the role of democracy in economic development. Does democracy foster economic development?

The relationship between the regime type of a political system and the economic performance of a country has been a subject of academic interest and controversy that has captured the imagination of the students of economics as well as comparative politics for a long time.⁸⁾ In the past decades the discussion centered around the question of whether a democratic or an authoritarian system would induce faster growth. Empirical studies testing the link between political systems and economic growth have been met with mixed success: "the empirical studies conducted did not support either of the hypothesis in a systematic way."(Brunetti and Weder 1995, 125)

Sirowy and Inkeles, surveying previous studies on the effects of democracy on economic growth, distinguish three perspectives on the topic: (1) a conflict perspective, in which economic growth is seen to require an authoritarian regime to implement the kinds of policies needed to facilitate rapid growth; (2) a compatibility perspective, which argues that democracies are as capable as authoritarian regimes of combining redistribution and growth in such a way to broaden markets and achieve economic expansion; and (3) a sceptical perspective, which doubts any systematic linkage between democracy and growth. Of the thirteen studies they survey, three find an unqualified negative effect of democracy on growth, four find a negative effect in some

8) There is enormous amount of quantitative research testing the relationship between regime types and economic growth. For a sampling of recent research, see Aymo Brunetti and Beatrice Weder 1995, 125-34; Stephan Haggard 1990, chap. 10; John F. Helliwell 1994, 225-48; Adam Przeworski and Fernando Limongi 1993, 51-69; L. Sirowy and A. Inkeles 1990, 126-57.

circumstances and regime types, and six find no relationship.(Sirowy and Inkeles 1990) Przeworski and Limongi, after examining previous empirical studies on the topic, make an assessment that "we still do not know what the facts are."(Przeworski and Limongi 1993, 60) Of twenty-one findings they examine, eight found in favor of democracy, eight in favor of authoritarianism, and five discovered no differences. Przeworski and Limongi, summing up their own survey, conclude that "we do not know whether democracy fosters or hinders economic growth."(Przeworski and Limongi 1993, 64) They, even wondering about the relation between statistics and ideology, take note of the fact that "among the 11 results published before 1988, eight found that authoritarian regimes grew faster, while none of the nine results published after 1987 supported this finding."(Przeworski and Limongi 1993, 60) Indeed, as Brunetti and Weder observe, "[i]deological differences played no small part in this debate."(Brunetti and Weder 1995, 125) Brunetti and Weder report a similar result: "Of twenty empirical studies which analyze the democracy-growth link, two find a negative, ten no, five a conditional and three a positive correlation."(Brunetti and Weder 1995, 127)

Sirowy and Inkeles attribute the discrepancies among the results of empirical studies to differences in time period, country coverage, and uneven matching of political and economic measures.⁹⁾ They are especially critical of the lack of a clearly specified growth model in which the effects of democracy can be assessed and the general failure to account for other key factors, many of which might be presumed to be correlated with democracy, that influence economic growth.(Sirowy and Inkeles 1990) Przeworski and Limongi even point out invalidity of inference from the regression results from methodological perspective. (Przeworski and Limongi 1993, 62-64) We suggest that the mixed, and thus confusing, result in the literature may be a function of a misconceived dichotomy between democracy and non-democracy often employed by researchers. If democracy may be analytically dealt to be a homogenous

9) However, the last point calls for a critical perusal. For quantitative works using the same data base also display a similar diversity in results. According to Brunetti and Weder, of ten more recent studies working with Gastil's data, five report no relationship, two a conditional relationship and three a positive relationship between the degree of democracy and economic growth.(Brunetti and Weder 1995, 127)

category, non-democracy may not. For non-democracy as a residual category is not so homogenous as democracy. Hence, to be methodologically sound, cross-national quantitative research aiming to test the relationship between regime type and economic development requires a subdivision of the latter category.¹⁰⁾

Although quantitative research yields a somewhat mixed result, we would argue that democracy induces economic growth, at least, in the long run. As Mancur Olson recently argues, democracy is far more conducive to long-term economic growth than dictatorship, even of an apparently benevolent kind. (Mancur Olson 1993, 567-76) He argues that democracies do a better job over the long run in protecting property rights, an observation that is consistent with the long-sustained economic lead of the stable democracies. Economic history -- and, more recently, the historic collapse of communism -- shows that security of property (protection from theft, legal or otherwise) is the foundation for material progress. Security of property is more firmly anchored under democracy than under autocratic rule. Regard for individual rights is necessary for lasting democracy and regard for exactly the same rights is also needed if there is to be any lasting commitment to security of property and enforcement of contracts. That is, the conditions necessary for a lasting democracy are the same necessary for the security of property and contract rights that generates further economic growth consequentially. According to *the Economist*, "One of the main reasons why democracy promotes growth is that it offers the security of property rights that is necessary for capitalistic progress." (*The Economist*, August 27, 1994)

A lot of studies also confirm a positive contribution of democracy to economic development. Above all, there is no firm basis for the superiority of non-democracy in bringing economic development. Lewis and Finer rejected the proposition that autocracy guarantees rapid economic growth. (W. A. Lewis 1970; S. E. Finer 1962) Dick found no conclusive evidence to support that

10) Cf. Georg Sorenson 1990; For instance, Sorenson differentiates among what he calls "authoritarian state-elite enrichment regimes" (whose rulers are only interested in their own well-being), "authoritarian growth regimes" (who push growth at the expense of welfare), and "authoritarian developmentalist regimes" (who promote welfare and growth simultaneously). But he leaves the issue unexamined by failing to probe the typology. His analysis stops short of evaluating the substantive merits of different policy approaches.

authoritarian states were universally capable of achieving faster growth than countries with competitive political institutions.(G. W. Dick 1974, 817-27) Finer observed that some one-party systems brought about economic disaster, while others performed reasonably well economically.(S. E. Finer 1971) Comparing the compound growth rates of per capita output and Farrell-type efficiency measures for 115 market economies over the period 1960-80 with measures of political, civil, and economic liberty, Scully finds that the institutional framework has significant and large effects on the efficiency and growth rate of economies.(Gerald W. Scully 1988, 652-62) According to him, "politically open societies, which bind themselves to the rule of law, to private property, and to the market allocation of resources, grow at three times (2.73 to 0.91 percent annually) the rate and are two and one-half times as efficient as societies in which these freedoms are circumscribed or proscribed."(Gerald W. Scully 1988, 661) Grier and Tullock, using dichotomous transformations of Gastil's 1978 index of civil liberties in equations for GDP growth, find that political repression has a negative impact on growth in Africa and in non-OECD western hemisphere.(Kevin B. Grier and Gordon Tullock 1989, 259-76) Their analysis shows a stronger negative effect from a dichotomous variable with the value 1.0 for 27 countries, 21 of which are in Africa, with the lowest levels of civil liberties in a pooled time-series cross-section equation covering per capita growth for 113 countries from 1950 to 1981. Pourgerami, with a measure of democracy based on Amnesty International reports of human rights violations, finds that more democracy (i.e. few infringements of civil liberties) is good for growth.(Abbas Pourgerami 1988, 123-41) In a similar vein, according to Surgit Bhalla, a former economist of the World Bank, an improvement of one mark (on a seven-mark scale ranging from free to not free) in civil and political freedom raises annual growth per head by roughly a full percentage point.(*The Economist*, August 27, 1994, 17)

Second, evidence provided by area specialists also accentuates that democracy induces development. Berg-Schlusser in a survey of African countries found that authoritarian states had the highest rate of GNP growth, but were unable to improve the overall standard of living as measured by the disparity reduction rate of the Physical Quality of Life Index (PQLI). Polyarchic

states had relatively good records in both respects, whereas praetorian regimes scored lower in each instance.(D. Berg-Schlosser 1985) In a study of eleven Latin American countries Karen Remmer shows that democratization has not reduced the governmental capacity to manage debt crises. According to her, new democracies outperformed their authoritarian counterparts "in promoting growth, containing the growth of fiscal deficits, and limiting the growth of debt burden."(Karen Remmer 1990, 327)

Third, democracy is better than non-democracy in managing economic crises. According to a recent research finding reported in the *New York Times*, democratization does increase the governmental capacity to manage economic crises.(Sylvia Nasar 1993, 1, 5) Amartya Sen emphasized the virtue of democracy in handling economic disaster: "there has never been a famine in any country that's been a democracy with a relatively free press. I know of no exception. It applies to very poor countries with democratic systems as well as rich ones." He goes on to say that democracies have always been successful in preventing famine because it is "a more effective guarantee of timely action."(Sen 1993, 44) That is, Sen's study indicates that democratization would not cause the declines in the national economy.

Fourth, democracy provides human welfare better than other regime type does. A cross-national study of physical quality of citizens' lives on the basis of historical data on infant mortality, life expectancy, and literacy of 115 countries confirms the positive effect of democracy on human betterment. Shin reports that

citizens in capitalist countries experience a significantly better physical quality of life than those in socialist countries. In capitalist societies, moreover, citizens of democratic states experience a far better quality of life than those of nondemocracies. Even in democracies, citizens of consistently democratic states were found to be 30 percent better-off than those of inconsistently democratic states. Even after statistically controlling for differences in their economic wealth, consistently democratic states were able to meet the basic needs of the common people as much as 70 percent more than

consistently nondemocratic states.(Doh Chull Shin 1994, 156)

So, as Shin concludes, "it is reasonable to assert in the affirmative that democratization promotes economic development and also contributes to the enhancement of citizen welfare."(Doh Chull Shin 1994, 156) In sum, as the Economist asserts, "Economic freedoms can promote the political sort; political freedoms promote economic growth."(*The Economist*, August 27, 1994, 10)

Thus, we come to a conclusion that civil and political freedoms are prerequisites for material advancement of individuals and sustained economic growth of nations. Not only economic growth fosters democracy, but also democracy helps further economic development. As *the Economist* observes,"across scores of countries and centuries of history, democracy has promoted growth, far more effectively and consistently than any other political system."(*The Economist*, August 27, 1994, 9)

2. Democratic Peace

Then, does democracy bring a safer and more peaceful world? The relative pacifism of democracies among themselves is widely acknowledged in the relevant literature.¹¹⁾ Extensive research on the relationship between democracy and international conflict has revealed two empirical patterns. First, democracies are no less likely to become involved in foreign wars, crises, or potentially

11) In 1795, Immanuel Kant prophesied that democracies, just then beginning to emerge on the world scene, would be relatively pacific in their relations with one another. In 1976, Melvin Small and J. David Singer affirmed this hypothesis with data drawn from the succeeding 150 years of international conflict -- a finding that was subsequently replicated in other studies of interstate war (Melvin Small and J. David Singer 1976, 50-69). In 1986, Michael Doyle interpreted Kant for the modern world (Michael Doyle 1986, 1151-69) With this article, the "law" that democracies do not fight one another became widely accepted by scholars and, increasingly policy makers. See, for example, Stuart A. Bremer 1992, 309-41; Bruce Bueno de Mesquita and David Lalman 1992; William J. Dixon 1993, 42-68; Nils Petter Gleditsch 1992, 369-76; David A. Lake 1992, 24-37; Zeev Maoz and Nasrin Abdolali 1989, 3-35; Zeev Maoz and Bruce M. Russett 1992, 245-67; Zeev Maoz and Bruce M. Russett 1993, 624-38.

violent disputes than states organized under alternative governing arrangements.(Steve Chan 1984, 617-48; William K. Domke 1988; Maoz and Abdolali 1989; 1976) It means that democracy per se does not entail any discernable pacifying effect on foreign policy. Yet a second and equally compelling pattern is that democratic states rarely, if ever, fight wars against one another. (Chan 1984; Doyle 1986; Maoz and Abdolali 1989; James L. Ray 1993, 251-76; Randolph J. Rummel 1979; Randolph J. Rummel 1983, 27-71; Small and Singer 1976) In fact, democracies seldom even engage one another with threats of military violence, and when disputes do arise, they hardly ever result in military hostilities.(Bremer 1992; Maoz and Abdolali 1989) Taken together, these two empirical patterns have come to be known as the "democratic peace."(Bruce Russett 1993) There is little doubt about the existence of the democratic peace.

Conducting a statistical analysis of the democratic peace since World War II, Russett recently confirms that democratic states are less likely to engage in militarized disputes with one another. Democracies hardly ever fight each other although they show no disinclination to fight nondemocracies or to skirmish with each other short of warfare. Russett's analysis of various nonindustrialized polities also yields a confirming result that "democratically organized political units are less likely to fight each other than are non-democratic ones."(Bruce Russett 1993, 99) In the case of nonindustrial societies, political units characterized by a high degree of political participation (a surrogate measure for democracy in a preindustrial society) are unlikely to fight each other.

There is almost complete agreement among those who have systematically and quantitatively analyzed the empirical evidence that democracies rarely, if ever, fight each other. The strong disposition of democracies to avoid war each other seems to be in nearly universal agreement among the theorists of international relations. It is not an exaggeration to comment that "they almost never fight each other.... This absence of war between democratic states comes as close as anything we have to an empirical law in international relations."(Jack S. Levy 1989, 270)

Why democracies are more pacifying than non-democracies? According to Bueno de Mesquita and Lalman, democracies are pacifying because they can

easily reassure each other:

Democracies confronting one another are less likely to engage in violence than are mixed dyads because each believes the other is likely to be averse to using force (that is, to be dovelike), and each state is more likely to be dovelike. Leaders averse to using force who confront rivals also believed (with sufficient confidence) to be averse to using forces do not use force. (Bueno de Mesquita and Lalman 1992,155)

Between democracies and non-democracies such reassurance is impossible. After examining the respective impact of measures of institutional constraints and normative restraints on war-proneness of pairs of nations during the past half-century, Russett concludes that while democracies are not less belligerent in general, they are certainly more peaceful in their relations with each other. Democracies tend to share common international institutions, and this in itself may discourage fighting. In addition, his analysis suggests that democratic norms provide a more powerful inhibition to warfare among democracies than do institutional constraints (which, nevertheless, remain influential). (Russett 1993) However, democracies are not weak in terms of their winning capabilities once they are at war. According to Lake, democracies have also been even about twice as likely to win wars as have dictatorships. (Lake 1992) Thus, democratization reduces the risk of war among nations. By avoiding war each other, democratizing political systems would lead to a more peaceful world order. More democracy would also bring about an enhanced international position of the country.

IV. Conclusion: Implications for Future

So far, we have argued that free trade in the Asia-Pacific region promotes economic prosperity of both individual countries and the region as a whole. Economic prosperity promotes and requires democracy. Democracy, once

established, will make a positive feedback to a sustained economic development. And the growth and maturity of democracies are likely to reduce the level of international conflict and help neighboring countries cooperate each other for a lasting peace.

If this line of argument is correct, the key to open up the benign linkage is, first of all, to promote national and international environments conducive to free trade and anti-protectionist policies. Indeed, it is mainly through trade and commerce that "developing nations learn the important virtues required for civil society and the rule of law: the importance of due process, the value of hard work and primacy of contracts." (*Far Eastern Economic Review*, April 14, 1994, 7) Free trade contributes to prosperity. Prosperity helps democracy to bloom, and extend the "zone of peace." It is in this connection that Mr. Lee Kuan Yew, the former Prime Minister of Singapore, correctly warned against the rising tide of protectionism in his speech to the American Congress in the 1980s that "the alternative to free trade is not just poverty, it is war." (*The Economist*, October 30, 1993, 24)

If all nations in the Asia-Pacific region were to take the advantage of free trade, to become democracies, and to engage in peaceful relations, then we need more than just to emphasize the importance of free trade. Free trade enhances democracy and peace when none of the regional countries take advantage of others. A positive growth-democracy-peace link can not be realized if trade serves only to the interests of a minority at the cost of the majority, or if it is politically manipulated to serve mainly to the expansionist aims of the major powers.

A commanding reality in the Asia-Pacific region is that no nation can prosper in isolation from the others. However, in spite of the positive development on the whole, there are still many anomalous "Asian contradictions" that pose serious challenges for the future. For example, multilateral trade talks on the economic and political agenda for the Asia-Pacific community still lack a clear vision and common definition of situations across the region. Some countries call for an exclusive regional bloc that would appear to exclude others in the region. Some even fear that the U.S. is "scheming to transform the APEC into a trading bloc with discriminatory outside tariffs."

Skeptics further view that the APEC is a 'big brotherism' in a new form, using Asia as an alternative market the U.S. can dominate, should the GATT round collapse.

In addition, many of the Asian people are still kept in mired poverty amidst the booming Pacific age. If this poverty persists, the region can not enjoy long-term stability in trading, let alone democracy and peace. Furthermore, hostility and mutual suspicions, lingering danger of civil war and territorial disputes are not likely to disappear soon in Asia. Despite the coming of the post-Cold War era and amongst the booming economy and burgeoning democracy, military build-up is still going on in many countries. A new network of political leadership is called for in the Asia-Pacific region in order to solve these contradictions.¹²⁾

What is to be done if all nations are to take the advantage of free trade, to become more democratic, and to engage in peaceful relations? At the multilateral level, there is a need to institutionalize regular consultation among summits on global and regional issues. The region as a whole needs to upgrade its current level of interdependence. For this, countries in the Asia-Pacific region should cooperate together to make the APEC framework work more effectively. The authority of the APEC summit meeting can be enhanced so as to better coordinate other regional or sub-regional networks. Its scope can be further increased to act as a functioning forum for security cooperation, so that the mechanisms can also serve to settle the regional disputes peacefully, reducing the endangering arms race as well.

A precondition for the extended scope and authority of the APEC is that, first of all, none of the members dominates the rest or commits actions detrimental to the regional interest. Second, it must also serve positively to cater for the global human interests, especially, in such areas as education, health, environments, and preservation of natural resources. Third, the scheme should be made to produce substantial international cooperation in promoting democracy, economic development, peace and human rights in Asia. For this, it is desirable

12) Ironically, the United States is currently being criticized for going protectionism with its super 301 clause.

to set up an institution within the APEC framework which monitors on regular basis the progress of the region in achieving these objectives.

On national level, economic policies should be kept open, not closed, among the countries in the region. Also, the region must be open to imports and investments from the rest of the world. Exclusive trading bloc and 'big brotherism' will hinder the growth of the open regionalism. Open regionalism means not only the abolishment of trade barriers inside the region. It also requires imposing no discriminatory barriers against the rest of the world. Additionally, it should be emphasized that policies of providing helping hands to those peoples and countries who are in extreme poverty is very important in the process.

On the level of leadership, we need to foster an emergence of a new, transformational leadership, a leadership that is capable of nurturing changes toward a positive loop on prosperity-democracy-peace linkage. A new, transformational leadership is necessary in order to end the old way of doing politics, and to facilitate changes in the way people look at and act for politics in the global age. Such a leadership has to pass the test of democratic processes and build a new kind of authority being called for in an age of the 'grassroots democracy'. The task of transformational leadership is to nurture a renewed spirit of community solidarity and foster active citizenship to build democracy. In order to do that, the leadership should be able to bring out the best in most of their peoples at this crucial turning point of human history.

Nations rose and fell. They grew, prospered, and led the peoples successfully toward the joy of democratic life, when the state was capable of revitalizing the civic competence. Democracy, of which the basic principle is to respect and enhance political freedom and human rights, is the first and foremost ingredient in the growth of the civic competence. Democracy can bring the process of economic development under humane control. Peace is possible when there are democracy and economic prosperity. Peace, in turn, makes democracy and economic prosperity real. Thus, the pivotal lynchpin of prosperity and peace is democracy. Therefore, the future of Asia-Pacific region hinges largely upon how to nurture democratic leadership that could resourcefully work out measures to fulfill a positive causal loop between economy, polity and peace in the region.

In former Soviet Union and East Europe, the collapse of communist regimes and recent stagnation of their societies after the transition to democracy were caused by a combination of grave economic failure of the regimes and poor organizations of their civil society. In Asia, however, the prospect for deepening democracy is brighter in that the authoritarianism is being kicked out in the course of economic success and growing social plurality. Economic development stimulated the rise of civil society and a proliferation of the nongovernmental organizations. Expanding material base has also made the transition to democracy relatively easier by producing economic room for conflicting groups to make mutual adjustment. For example, the relatively smooth political transition in South Korea since 1987 was a lot indebted to the fact that the growing economy provided rooms for major contending groups to settle for negotiation and compromise rather than direct confrontation. Also, expanding industrial return largely explains the current labor peace in South Korea. Thus, we believe that growing economic dynamism in the Asia-Pacific region will provide favorable soil to the growth and emergence of a new and more democratic leadership in the near future.

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