

The Political context of Development

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Politics represent the societal context through which economics and all related activities and organizations function. When politics dominate society and thus economics, politicians tend to use economic activities and financial institutions and transactions as tools to enhance political power and achieve political ends. Being in control, political elites in developing countries are using their political power not just to dominate economics but to monopolize all major economic and financial activities. Societal control by politics on the one hand, and an expanding influence of economics on the other, have led to creating a new elite in every Third World country that dominates both politics and economics and use them to enrich itself at the expense of the poor, the environment, individual freedoms, and the future of generations to come.

Economic stagnation or low economic growth rates is a phenomenon that most Third world nations, with few exceptions, share today. Yet, they are nations that have little in common in terms of natural resources, population size, literacy rates, quality of education, capital accumulation, technical and scientific knowledge, history, or culture. In fact, neither natural resources, nor population size, nor any of the above factors could by itself explain the state of development or causes of underdevelopment prevailing in any developed or underdeveloped country of the world. There is no doubt that every factor has a role to play in facilitating or hindering economic and non-economic development; however, there other factors that need to be identified and their roles acknowledged and analyzed; one of such factors is the political system, its structure and organization, and the role it plays in societal life.

For example, the economic performance of Nigeria, which is rich in natural resources and has a large population and substantial revenues from oil exports, is less impressive than that of Pakistan which is densely populated and has less land and natural resources and no oil. Saudi Arabia, with a relatively small population, a vast land area, and a tremendous income from oil exports, has failed to perform as well as Taiwan or South Korea which are largely resource poor. In addition, Austria and Hungary are so close in population size, culture, location and resources, yet they differ substantially in terms of economic development and standards of living. While natural resources, technology, capital, education, and populations play important roles in determining the capacity of a country to develop, they could not by themselves explain the lack of progress by so many diversified nations.

Theories of economic development in general have failed to seriously consider the role of politics as a force that could invigorate economic growth, and as an impediment that could retard sociocultural transformation. The interaction between the political process and the economic process has been a major factor influencing, not only societal development in general, but also the wider issues of social peace, economic prosperity, security, and political stability in the world. Most Third World nations today, due primarily to political instability, are neither at peace with themselves nor at ease with the world around them. They are nations in search of efficient economic systems and new sociopolitical and security arrangements to overcome underdevelopment, ethnic enmity, national disunity, and free themselves from suppression and threats of future conflict.

Political stability, social and religious freedoms, and social peace are needed to enhance democracy and improve the functioning of the economic system; they are also needed to develop and maintain national confidence and attract foreign investment, and facilitate the institutionalization of knowledge in society. They are essential elements without which no underdeveloped nation is able to achieve economic development or sociocultural transformation or technological progress and move along the civilizational ladder in a timely manner. When a nation is at peace with itself, it tends to be tolerant of political dissent and cultural diversity, and less tolerant of governmental mistakes and bureaucratic misconduct and political corruption. Yet, when a nation is at war or under a threat of war, it tends to be less tolerant of political dissent and more tolerant of governmental mistakes; it may even acquiesce to the confiscation of individual and group rights. Patriotism demands solidarity and sacrifice in times of war, but calls for popular debate and political participation and official accountability in times of peace.

The two decades following the end of the Second World War had witnessed the independence of many African and Asian nations and the emergence of the Third World. After securing political independence, almost all Third World states raised the issue of economic independence and moved to reject capitalism and western social and political ideas; they also began to blame the West for their state of underdevelopment and past injuries to national pride. Political leaders and traditional intellectuals claimed that capitalism and western democracy serve the interests of western colonial powers and deepen dependency on the international capitalist system and the multinational corporations. Based on this rationale, most nations moved to discredit capitalism, reject democracy, and adopt a hybrid economic system that proved to be unjust, inefficient and unresponsive to consumer needs at home and abroad.

In addition, most states moved to nationalize all major industries and services, primarily

the mining, banking, shipping, transportation, electricity, and export-import activities. Foreign ownership of such industries and economic activities made nationalization at the time an issue of great political and economic importance. State control of these industries became a symbol of national independence and liberation from foreign economic and political dominance. Due to this development and other decisions taken by the nation state to institute economic planning and control the allocation of resources, a new system of state capitalism emerged, and state bureaucracy was put in charge of managing the newly-born national economy.

However, the bureaucracy whose size under the new state system was enlarged substantially to create jobs for the unemployed, was ill-equipped to manage an evolving, largely poor and struggling national economy in need of new ideas and a clear sense of direction. Bureaucracies, by their very nature, tend to be conservative and unimaginative and to be led by officials who are trained in the art of managing stable systems, not in changing and updating operational ones. Consequently, the bureaucracy failed to manage the national economy and achieve the desired economic goals; it could not encourage creative thinking, nor innovative ideas, or handle risk-taking attitudes or new business ventures, causing most economies to suffer serious setbacks and recurring recessions.

“In 1973, European-owned small-and medium-sized businesses in trade, agriculture and light industry [in Zaire] were confiscated. But instead of being sold to experienced African entrepreneurs they were mostly given to about 2000 ‘acquirers’; powerful members of the governing political elite and bureaucracy closely linked to, and dependent on Mobutu’s system of authoritarian personal rule. There followed a period of severe economic disruption caused partly by the incompetent and avaricious way in which this commercially inexperienced class of acquirers managed their enterprises.” (Paul Kennedy: *African Capitalism* 1988 69-70) The example of Zaire was repeated in several other countries causing the national economies to be disrupted, and per capita incomes to decline, and the income and wealth gaps in society to widen, and poverty and inequality to spread and become structural. In Latin America, for example, the decade of the 1980s was a lost decade during which inflation rates skyrocketed, GNPs and per capita incomes declined, corruption spread, and political instability intensified. International economic indicators furthermore show that more than 80 Third World nations have suffered steep declines in their per capita incomes since the 1990s.

In fact, neither the claim that western democracy was incompatible with indigenous cultures and traditional ways of life, nor the rejection of capitalism, nor the adoption of Marxism

had helped any Third World nation escape underdevelopment and dependency. Rejection of capitalism on the one hand, and failure to develop an alternative system capable of achieving national goals on the other led ultimately to economic and political chaos, increased poverty, and deep social injustice, while helping authoritarianism to tighten its grip on society. Feeling threatened and incompetent, the ruling classes in most countries began to tighten political and security control over the masses and concentrate economic and political powers in their own hands. Building strong armies and well trained secret security services, controlling and manipulating the media, and using coercion to co-opt intellectuals and silence dissent had become standard procedures used by dictators to stay in power.

Subsequently, the new state system that gradually emerged became a criminal enterprise to repress people, and an effective political tool to perpetuate individual injustice and collective inequality. Through its five major organs: the army, the police force, the secret service, the bureaucracy, and the mass media, the state became a serious threat to individual rights and economic progress, causing personal initiative and economic creativity to be stifled, and scientific and philosophical inquiry to be arrested, and sociopolitical and sociocultural transformations to move in place without moving in time, and society to miss one opportunity after the other.

The army emerged gradually as the instrument through which political power was seized and protected; the police force became the institution through which domination of the masses and perpetuating political control was effected. The bureaucracy became the major state institution through which power was exercised; and the media emerged as an effective propaganda machine to undermine the opposition, claim state legitimacy, and falsify the consciousness of the masses. Meanwhile, the secret service became the tool of repression through which freedoms were vastly curtailed and all acts of political dissent and free thinking were suppressed or eliminated; even mild criticism of corrupt and corrupting state officials. As a consequence of political control and authoritarianism no state that adopted capitalism or socialism or Marxism or state capitalism was able to achieve its economic goals, free its people from repression and need, or reduce economic and non-economic dependency on the industrialized nations in a meaningful way.

The Politicization of Economics

The politicization of economics by Third World states in general has facilitated the growth of big governments and cancerous bureaucracies and enabled them to dominate most aspects of life in society. Bloated governments tend to confuse issues and muddle responsibility, making it difficult

to hold state officials accountable; they also tend to cause political and economic and administrative corruption to become the norm rather than the exception. To protect elite interests, disguise waste, cover corruption, intimidate political and intellectual opposition, and prevent public debate, big dictatorial governments often resort to consolidating political and military power in the hands of one man, and to exaggerating foreign and domestic threats to national unity. And when threatened by a mass movement for change, they often go to war to silence criticism and demand allegiance to the flag. In fact, keeping a nation at war or under an illusion of constant foreign threat had become a favorite game most Third World rulers enjoyed playing. It was a political and psychological game that helped rulers build huge armies and big governments and maintain efficient and often tyrannical secret service apparatuses to severely punish whoever dared to criticize them or call for reform.

During the 1960s and 1970s most Third World states witnessed the emergence of a consumer society and came to be dominated by strong and authoritarian political elites. National savings were generated primarily by small groups of merchants, agents of foreign corporations, bankers, and politicians using their political power to gain more economic power and accumulate wealth. Profits that were made by such business and political groups came mostly through shadowy deals; and consequently money were deposited in personal foreign bank accounts instead of being invested in local or national economies to help them grow and diversify. Even most of the funds received in the form of loans and foreign aid during the same period were stolen by dictators and corrupt politicians and criminally-minded businessmen to further enrich the rich and deepen the impoverishment of the poor.

For example, in a small Arab country whose GNP is less than \$10 billion and the per capita income is less than \$2,000 the financial assets of the speaker of parliament were estimated in 2005 to have exceeded \$3 billion. And when a leader of another economically and politically struggling Arab nation was asked about the size of his wealth, he answered, "Do you mean before asking me this question or after?" When Mr. Mobutu the late president of Zaire died in 1997, his foreign assets were estimated at about \$7 billion, far more than the entire GNP of the country he ruled.

According to studies conducted by the World Bank and other research institutes capital flight from Third World countries in the 1970s had averaged about 50% of all foreign loans obtained by those nations. In certain cases such as Argentina, Egypt, Nigeria, Peru and Zaire, capital flight was as much as all loans obtained. Egypt's foreign debt, estimated at about \$54 in

1990, was less than 70% of the foreign assets held by Egyptian nationals. In fact, several Third World nations such as Nigeria had been exporting capital since the 1950s. Latin America's bank deposits in US banks in the 1980s exceeded all money transfers to the continent during the same decade.

While the business and banking community perceived its primary role as an agent of foreign trading and financial corporations and industrial interests, Third World political elites failed to alter that perception and create new business and political and legal environments conducive to capital accumulation and domestic investment. The concentration of political power and most economic power in the hands of an inefficient and mostly ignorant state bureaucracy directed by repressive and largely corrupt political elite, had been and continues to be a cause of political instability, widespread poverty, and lack of trust and economic opportunity. As a consequence, sufficient capital accumulation failed to materialize; knowledge workers and talented individuals were allowed, oftentimes forced to migrate; and the badly needed political and social transformations and economic development were never seriously considered.

Capital accumulation is a process through which the national wealth of a nation is increased and its productive capacity is enhanced. The channeling of profits and savings into productive investment activities is the way through which a nation's stock of productive tools and other equipment is increased, and the building of its infrastructure is accomplished. Such activities are important to raising agricultural and industrial productivity, to promoting economic growth and diversification, to facilitating labor mobility, and to expanding domestic markets. Therefore, the sustenance of the capital accumulation process is essential to growing economically, to creating employment opportunities for younger generations, to raising the standards of living, and to reducing poverty.

The communications and information and transportation revolutions and a free trading system have made the movement of people, goods and ideas across national borders easier than ever before. People everywhere have become familiar with the living conditions in most other parts of the world and more aware of the shortcomings of competing social systems and political ideologies. The world's rich are able today to see on television and, at times to experience through travel, the tragic conditions of the world's poor. In turn, the world's poor are also able to realize that material poverty does not by itself define human misery as they became aware of the problems of homelessness, crime, alcoholism, and lack of care for the needy in some industrialized countries living under capitalism and democracy.

The actual failure of the many Third world development strategies is due primarily to the prevalence of a sociopolitical order that does not understand the societal role of economics in transforming national cultures, and is incapable of appreciating the importance of sociocultural transformation in raising labor productivity and motivating people to change and appreciate hard work. The state in most Third World countries have had too much control over the economic process, provided little guidance and financial help to small and middle-sized businesses, gave people little or no incentives to work hard, and created the right conditions for corruption and brain drain. Meanwhile, traditional cultures and cultural values and certain religious ideas were allowed to prevail and convince the masses to be content and accept poverty and oftentimes suppression as fate. In most Arab states, for example, lack of vision on the part of the political and traditional leadership was in most instances exceeded only by lack of honesty and competence.

Politics and Globalization

With the collapse of the Soviet Union and the demise of communism in 1990, the international order that was constructed following the end of WW II came to an end, and a new order began to emerge. While the old order had rested on a military balance of power between two superpowers, the emerging new order is expected to rest on an economic balance of power among several global powers. Ideological and military conflicts, which dominated superpower relations throughout the twentieth century, are more likely to be replaced by economic competition among several nations and giant corporations in the twenty first century. This will eventually lead to replacing the 'nationalist state' of the past whose power had rested primarily on its military might, with a 'trading state' whose global reach and political influence will rest largely on its economic wealth, scientific knowledge, and technological know-how. National security considerations in the near future are therefore expected to be defined more in economic terms and less in military ones.

In addition, the post World War II experience has clearly indicated that having huge armies and devoting substantial financial and human resources to building formidable military establishments and fostering other security institutions had been counterproductive. In the Third World and in the previously Marxist states of Eastern Europe and Central Asia in particular, the military establishment, the state's police and secret service forces were used to waste national resources, repress people, suppress all freedoms, and abort political and economic reform movements.

The experience of the Soviet Union as compared to those of the United States, France, Germany and Japan seems to indicate further that a military budget in excess of 5 percent of GNP presents a heavy national burden, leading to long term economic decline and social decay. For example, the Soviet Union's failure to sustain a military budget in excess of 15% of GNP in the 1980s had been the major force behind the demise of the state and its disintegration by the end of the decade. In the United States, a military budget of approximately 7 percent of GNP during the same period had led the American economy to experience skyrocketing trade and budget deficits, high inflation and interest rates and unemployment, and gradually lose a good deal of its competitive edge. Speculative investing, meanwhile, replaced investment in productive activities, and caused business ethics and consumer confidence to weaken and poverty to increase, and led ultimately to economic recession.

Security, as the experience of many Third World countries has proven, rests not only on military power to defend against possible outside aggression, but, first and foremost, on eliminating the principal sources of internal threats and regional instability. Notable among such sources are denial of national rights for ethnic and cultural minorities, authoritarianism, economic stagnation particularly if coupled with rising expectations, widespread poverty, social injustice, a widening gap between the rich and the poor, and a military buildup that consumes valuable energies and scarce resources. In fact, the prevalence of such conditions usually makes the cruelest manifestations of threat and aggression more internal than external.

The current state of international economic affairs strongly suggests that globalization has forced itself on the world economy, and that attempts to arrest globalization are unlikely to succeed. The search for new markets and resources and investment opportunities has made the world's national economies interdependent and interlinked in ways unknown before. Attempts by any world economic power to disrupt the flow of the world economy will be answered by adopting punitive measures by competing powers that are certain to harm the economies of all parties concerned. Economic independence has long been proven unattainable and harmful; even the formation of a large economic community such as the European Union is incapable of achieving economic independence; its formation and economic consolidation will lead sooner rather than later to creating one economy in need of multidimensional linkages with the rest of the world. In fact, the world economy has passed the stage of interdependence and is fast becoming fully integrated. And in the process, a new economic reality has emerged that requires the development of new analytical frameworks and theories capable of providing new global solutions to global

problems.

The integration of the world economy and the globalization of trade and financial and investment markets have outpaced political transformations at the national, regional and international levels. Consequently, multinational corporations and international organizations and national economies were forced to change to accommodate themselves to the imperatives of economic globalization, largely in the absence of the nation state. In countries where the political elites were able to grasp the implications of global economic change, such as in China, the accommodation served to facilitate continued economic development and enhance the national interest. In contrast, in countries such as Egypt and Argentina, where the political elites have failed to appreciate the imperatives of economic globalization, the failure has impeded societal development in general. This failure was the outcome of ruling elites that think locally and act globally, when the need is for thinking globally and acting locally. Meanwhile, the merchant class, being part of the fast emerging global economy, has been encouraging political corruption as a means to compensate for lack of economic freedom, and a way to enrich itself and ignore its social responsibilities.

Throughout history, societal development had never been even or equal or comprehensive; some regions, certain economic sectors and industries, and particular social classes and ethnic groups usually develop faster and get more, while others develop slower and get much less. Economic globalization is one of those major historical developments that could not avoid creating winners and losers. Though winners are still relatively few, the losers are many and their numbers are on the rise; such numbers cannot be controlled unless the political process intervenes to limit the damage caused by globalization and allocate the benefits more equitably. And while winners are able to link together and create a unique international class whose members are tied together by mutual economic interests and a common culture and even a shared language, losers continue to fight political and ideological battles and ethnic wars they have already lost. Ideological conflicts and political infighting have caused political elites in most countries, particularly in the underdeveloped ones, to lose sight of the larger national objectives.

The dynamics of global economics motivated by competition and cooperation among the world economic powers and giant corporations is expected to lead to creating new political and economic arrangements and groupings. Nonetheless, the most likely outcome will probably lead to dividing the nations of the world into few categories according to their economic potentials and political situations. Such categories are expected to range from the economically advanced and politically stable states to the economically underdeveloped and politically unstable ones.

Attempts by the industrial giants of the world to expand production and investment activity everywhere are leading them to explore new economic horizons, establish new production locations, open new export markets, and develop new business and financial arrangements. Countries that possess a fairly developed infrastructure and have a well-trained and disciplined labor force on the one hand, and enjoy a good degree of political stability on the other are being favored. Others that lack political stability or suffer from conflict or insufficient physical and social infrastructure, and have poorly trained and disciplined manpower are being ignored and forgotten. Nations that lie in between, just like all Arab states, are expected to continue to struggle and experience limited successes in attracting foreign investment and significant failures in implementing sound economic development strategies. All problems that Arabs face today emanate from three major sources: political corruption and authoritarianism, cultural rigidity and religious fundamentalism, and regional instability due to Israeli aggression and American occupation of Arab land and support of Israeli policies.

Any strategy to develop a nation's economy or transform its culture must be realistic and futuristic to succeed; the political framework within which it operates must be free and transparent to motivate people to work hard and allow them to participate in making decisions that affect their lives. Furthermore, a successful development strategy must motivate the winners to share the fruits of their work and the secrets of their successes with the losers. Systems that are inefficient are unjust, because they waste resources that could otherwise be used to benefit man and his environment; and systems that are unjust are inefficient, because they cause the wasting of valuable resources by failing to provide people equal opportunities to develop and reach their potentials. Therefore, economic efficiency dictates justice, and social justice leads to economic efficiency; and without both any national or global political or economic order would be unjust and inefficient and thus inherently wasteful and unstable.

The triumph of Capitalism over Communism and the revival of nationalism and cultural particularism in the 1990s have raised people's expectations anew. Meanwhile, awareness of lifestyles and standards of living prevalent in the rich countries and among the rich classes has caused material gain to become the focal point of the revolution of rising expectations everywhere. But since the production base and economic and political organization of almost all Third World states are very much underdeveloped, high popular expectations are having a devastating impact on the process of economic development and political restructuring and sociocultural change. Unchecked rising expectations, political corruption, economic greed, and

cultural particularism are perpetuating underdevelopment; they are causing the socioeconomic gap between the rich and poor to widen, social injustice to deepen, and social fragmentation and political instability to increase. In fact, the mood of rising expectations has led to creating a consumer society that is more interested in consumption than in production, more inclined to spend than to save, more tolerant of the exploitation of the poor for the benefit of the rich, and more ready to condone lack of freedoms and political and economic corruption for personal material gain.

Throughout world history, nation states in general have tended to accept the minimum cultural diversity in the maximum space under their control. In other words, the prevailing trend was for promoting cultural homogeneity and opposing cultural and social diversity. But in the new age of instant reporting and satellite communications and persistent calls for democracy and freedom, the old trend, particularly in the West, was reversed toward accepting maximum cultural and social diversity in the minimum space under control. However, the intensification of international terrorism and the fast pace of economic globalization and its ability to undermine national cultures for the benefit of minority subcultures, have caused the process of cultural diversification and social integration to slow down or be arrested in many countries.

The Third World nation state, being a relatively newcomer to the world stage, has begun where the developed nations had left off. In order to preserve political unity and foster cultural identity, it moved to impose cultural homogeneity and oppose social and cultural diversity. This attitude and the policies it engendered have led to the suppression of dissent, to the denial of individual and group rights, to intellectual and cultural rigidity, and consequently to perpetuating underdevelopment. Societal development requires, among other things, that human rights be recognized, political and social and economic freedoms be respected, and equal educational and employment opportunities be granted to all citizens. It must be understood, however, that any change in this direction will come at the expense of cultural homogeneity, unquestioned national identity, and may lead to undermining political and social unity.

Authoritarianism and political corruption have left little room for political or academic freedom or freedom of speech or economic initiative. And where there is no academic freedom there will be no real interest in research and development and no accumulation of scientific and technological knowledge. Scientific knowledge and technological progress have long been recognized as important agents of economic development and sociocultural transformation; they are essential to increasing economic productivity, to developing human resources, to facilitating the

efficient allocation of available resources, to effecting a more equitable distribution of income, and to improving the quality of life in general. By failing to take interest in scientific research and technological development, authoritarian states have failed to create an environment conducive to free thinking and academic freedom; they practically closed all doors for genuine social change and economic development. For economics to be free of political control, and for people to participate fully in the economic life of their societies and help transform the sociocultural landscape of their nations, the political system need to be transformed and made more open and participatory, and the political and economic elites need to be made fully accountable.