

Preface

This book is about political institutions and economic performance. Recent years have witnessed a surge of literature on political and economic development, with the relationship between political systems and economic performance constituting an important component. Rising interest in this topic is a result of two grand trends that have, over the previous two decades, fundamentally altered how billions of people live and work: political democratization and economic liberalization. Beginning in the early 1990s, economists, political scientists, and sociologists have made this area of study one of the most dynamic and fruitful in the social sciences. It will remain one of the most important research topics—if not the single most important topic—in the field of international and comparative political economy for many years to come. The need to study the relationship between these two types of development is imperative, requiring explication and elaboration.

The purpose of this book is to investigate the circumstances under which democracy plays a crucial role in economic growth and development. In the exploration of this connection, other major facets of political life, such as government capacity and political stability, are examined. The interaction of the political and economic systems is perhaps the most basic fact of the world in which we are living.

I was motivated to write this book by a desire to bring together political analysis and economic approaches. I believe that economic activities are fundamentally human affairs and are therefore subject to the influence of political institutions that may inhibit or advance optimal production and consumption under the assumptions of neoclassical economics. When I set out to study the political economy of growth and development, I found that a new

perspective was warranted. In a typical study of economic growth, political scientists tend to leave important details concerning economic conditions out of their consideration, whereas economists tend not to spend much time on a systematic explanation of political regimes. As Buchanan and Wagner lament, "The criteria for good [economic] theory are necessarily related to the political institutions of the society. . . . This necessary linkage or interdependence between the basic political structure of a society and the economic theory of policy has never been properly recognized by economists, despite its elementary logic and its overwhelming empirical appearance" (1977, 4–5).

Combining theoretical exposition with data analysis and case studies, this book emphasizes the conceptualization and operationalization of problems, subjecting theoretically driven implications to hypothesis testing. Each substantive chapter deals with the relationship between political systems and a particular aspect of economic performance or social development, such as economic growth, inflation, private investment, human capital, income distribution, economic freedom, and demographic trends. Ultimately, the fundamental relationships between political life and economic pursuits can be identified and examined through a systematic and integrative analysis.

The genesis of this book can be traced back to 1992, when I started teaching International Political Economy at the University of California, Riverside. Political and economic development was a recurrent issue surfacing throughout the class meetings. My interest in the subject was stimulated by the growing nexus between politics and economies in everyday life and by the increasing interdisciplinary collaboration among economics, political science, and sociology in academic pursuit. How is economic development defined and measured? How is democracy conceptualized and operationalized? Does democracy lead to higher or lower growth rates of an economy? Does economic development cause transitions to democracy? Are political democracy and political stability related? Do they have any consequences on growth or vice versa? What are their impacts on investment, education, inflation, economic freedom, and income equality? Answers to these questions require careful theoretical elaboration predicated on various assumptions, well-designed cross-country multivariate statistical investigation, and in-depth historical and country-specific case analysis.

Elements of the book began in my lecture notes, followed by the publication of over 50 articles on the political economy of economic development in political science and economics journals and as book chapters. Some chapters were adapted from earlier journal articles, while most were written for the purpose of presenting an organic whole of political and economic development. While I have published on the political economy of growth and development in the regions of sub-Saharan Africa (Feng 1996), Latin America (Feng 1995, Feng and Hsiang 1998), and Pacific Asia (Feng 2000a; Feng, Gizelis, and Lee 2002; Feng, Hsiang, and Lee 2002), this book intends to provide a *general* framework for theorizing about political economy of development and testing the related hypotheses.

As I wrote each chapter, imaginary readers, comprising both my colleagues from political science and economics and my past and future students, remained in the back of my mind. My hope is that this book will serve as useful complementary reading for courses in international political economy, international relations, comparative politics, economic growth, development economics, and studies of democracy and social development.