BOOK REVIEW

BLUEPRINT FOR A NEW DEMOCRACY


Economic growth is an effort to increase production capacity to achieve additional output, which is measured using the Gross Domestic Product (GDP) and Gross Regional Domestic Product (GRDP) in a region. Economic growth will generate additional income for the community in a certain period, through the process of using production factors to produce goods and services. Meanwhile, democracy is a value that gives freedom to every human being to make his own choices. Human choice is very diverse and thus makes democracy have a universal value, according to Amartya Sen. The existence of democracy enables the citizens to carry out political participation and have political freedom. Similarly, the government will always be responsible and open in carrying out its government obligations. So that through democracy, every nation can shape their values and build understanding about their needs, rights, and obligations.

One of the forms of an institution in a country is politics. Related to this, Allan Drazen states that politics influences the economy because politics will provide a boundary and market environment as a form of control of consumers and companies. The relationship between economy and politics was also agreed upon by Lucian Pye, who argued that political development was a prerequisite for economic development so that political stability was needed to achieve economic stability.

In this regard, this article focuses on the substance of the book entitled “Edge of Chaos: Why Democracy is Failing to Deliver” Economic Growth - and How to Fix It “by Dambisa Moyo, besides trying to discuss whether democracy is a driver of economic growth or vice versa. Regarding the article’s title, one chapter of this book is dedicated to the solutions offered by Dambisa Moyo. Overall, this book describes how the government’s failures and the existence of short-term politics bring citizens to skepticism about democracy. This situation seems to have contributed to long-term economic growth.

At the beginning of her book, Dambisa Moyo described the chaos that was barely uncontrolled throughout the Soviet Union. Then, market capitalist democracy began to emerge, not only in the Soviet Union but also in developing countries, which promised economic prosperity and peace for its citizens and signaled a new era of stability and growth. However, less than thirty years later, all signs pointed toward the edge of chaos. The condition of the world that leads to the edge of chaos makes the world consider that no matter what the government does, it seems to fail. This failure is perhaps most worrying in the United States—the world’s leading economy for most of the past century. This failure is proven by many living standards, including deteriorating real wages, worsening
poverty statistics, and the stagnant amount of work.

According to the 2017 Edelman Trust Survey, only 41 percent of a general global population trusts the government. Meanwhile, the 2015 Pew Research Center stated that public trust in the government continued to be at a low level of only 19 percent. Public trust in the government is at a low level in developing countries. Together with the evidence that citizens in emerging markets see authoritarian leaders as more trustworthy than democratic politicians, it seems that people across the globe are skeptical of the ability of democratic governments to act effectively, including as good custodians of the economy. The root of skepticism on democracy becomes major forces bringing us to the edge of chaos.

Skepticism has embedded in both business and the democratic political system as a predilection for short-termism. This phenomenon of political myopia can be detrimental to a country’s economic success because it is a barrier in the prospect of long-term economic growth. Short-termism is at the heart of liberal democracy—in its design and practice. By design, Western politicians have relatively short political horizons: they are often in office for terms of fewer than five years. So they find their duties regularly interrupted by elections that distract from the job of addressing long-term policy challenges. As a result, politicians are naturally and rationally drawn to focus their efforts on seducing their electorates with short-term sweeteners—including economic policies designed to quickly produce favorable monthly inflation, unemployment, and GDP numbers.

The economist David Ricardo came up with a hypothesis that consumers are forward-looking. His thinking can be extended to voters, who are essentially the same group of people. Numerous empirical studies have found that in practice, the Ricardian theory did not hold. Moreover, contrary to Ricardo’s assumption, consumers were, in fact, short-term thinkers. In order to achieve sustainable economic growth, we need better-quality decision making by political and business leaders, as well as a policy that prioritizes long-term prosperity over short-term political point-scoring.

Political myopia is the central obstacle on the path of growth in advanced economies. The electoral cycles embedded in democratic systems taint policymaking, as politicians, driven by the rational desire to win elections, opt for short-term quick fixes that tend to undermine long-term growth. Meanwhile, they neglect to address more entrenched, longer-term economic challenges, such as worsening education standards, the imminent pension crisis, and deteriorating physical infrastructure, that do not promise immediate political rewards.

Signs of danger are finally visible from policymakers who are no longer able to provide strong and sustainable economic growth. Meanwhile, economic growth is imperative for fulfilling human demands and improving lives. Economically, growth promises to reduce poverty and raise living standards, while politically, growth is the sine qua non for free markets, free people, and the rule of law. Moreover, individually, growth is essential to allowing people to maximize their potential.

Then, in addition to the above, economic growth is important because it is a prerequisite for democracy, not the other way around. The poorer a country is, the less likely it is to sustain democracy. Economists have found that income is the greatest determinant of how long democracy lasts. These cases are in line with broader statistics indicating that freedoms have declined over the past decade. Seventy percent of the world’s democracies have become so illiberal that they are indistinguishable from authoritarian regimes, according to a 2015 Freedom House report that described global freedom as being in decline for the ninth consecutive year.

The reason to reform democracy is to make government more effective and make the state better equipped to address the economic headwinds undermining the global economy. The solution to this myopic frame must be for democratic policymakers to better match their approach to long-term economic challenges with political cycles. Crucially, this will first and foremost require the reform of the political system over and above the reform of the capitalist
market system, as we must primarily ensure that the state and political leaders are incentivized to set policies for the long term and are dissuaded from myopic thinking.

To prevent the short-term thinking of politicians, Dambisa Moyo provided several solution options. First, policymakers should bind their governments and their successors more firmly to policies. A key problem with government is time inconsistency—the fact that policies committed to and enacted by an incumbent are routinely unwound, thereby creating policy uncertainty, which in turn hurts investment and ultimately impedes economic growth.

Second, democracy must impose tighter restrictions on campaign contributions so that it can reduce the disproportionate impact of wealthy voters in determining election results and policies. Third, in order to improve the quality of lawmaking, officeholders should be paid salaries competitive with those of private-sector leaders, as well as performance bonuses. Fourth, change the election cycle so that it extends the term of office of politicians in the office. The purpose of such changes is to adjust political attention to long-term economic challenges better, and specifically to match the political cycle with the length of the business cycle.

At the end of his book, Dambisa Moyo offers a proposal he calls the term “Blueprint for a New Democracy.” The proposal offers a weighted voting system, where the amount of voting power depends on the qualifications of voters, whether it is determined through citizenship tests or perhaps based on education or the voting profession.

The book written by Dambisa Moyo excels in presenting statistical data to explain the conditions of democracy and the international economy of the world, so it clearly illustrated the conditions that place a country at the edge of chaos. Then, several proposed solutions by Dambisa Moyo in preventing short-term thinking by politicians should be appreciated. However, among the proposed solutions, the proposal regarding the electoral system with weighted voting at the end of the book “Edge of Chaos: Why Democracy is Failing to Deliver Economic Growth - and How to Fix It “seems to have raised criticism because it violates democracy.

It is related to one of the main characteristics of democracy is the principle of political equality, so that political power must be divided as widely and as evenly as possible. With the existence of a weighted voting system, there would be limited political participation from the voters and the principle of representative democracy by the people would be hampered. The emergence of the idea of a weighted voting system may also be related to his view as one of the educated people who can get weighted sound proportions. However, the voting system enactment enabled the emergence of disappointment and jealousy due to the classification of voting power in which profession and voter’s education level are the key parameters.

Thus, the final solution offered by Dambisa Moyo does not seem right to apply. However, the process of seeking political stability must not stop, so that economic stability can be realized and the principle of democracy that we embrace is able to produce good economic growth.

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