

Remarks by Larry Diamond, IIS Board of Visitors Meeting, November 22, 2002

“Why a Center on Democracy, Development and the Rule of Law”

I want to talk to you today about the newest IIS Center, the Center on Democracy, Development and the Rule of Law. Why a center spanning these three themes (and indeed a fourth, sovereignty)? Why at Stanford? Why now?

Let me address first the moment we are at in world history. The past two decades have seen the greatest expansion in the number of democracies in the history of the world. If we define democracy, minimally, as a system of government in which the principal positions of government power are filled at regular intervals through free, fair, competitive, and inclusive elections, then the percentage of states in the world that are democracies has exploded—from about 25 percent in 1974 to well over 50 percent today.

When I was beginning graduate school here at Stanford in the mid-1970s, democracy was a rare phenomenon, confined mainly to the rich and Western countries of the world. It was where the world had seemed to be going immediately after World War II, but not where it seemed headed in the future. The intellectual fashions of the time, however, discounted several things:

- the universal hunger of peoples everywhere to live in dignity and freedom;

- the growing momentum of international human rights covenants and principles;
- the rise of international organizations and institutions to promote democracy;
- the deepening failure of most authoritarian regimes;
- and the trajectories that would lead most of the successful East Asian developmental dictatorships to become victims of their own success.

There is no precedent in world history for the situation we have today. Not only are the majority of states (somewhere between 100 and 120) democracies, but also, most of the world's authoritarian regimes today try to present and legitimate themselves as democracies. They have elections with multiple political parties. Opposition parties sit in parliament. They have constitutions that *look* democratic, with judiciaries which they claim are independent. Only a quarter of the world's states lack any real degree of political pluralism and competition, and only about one in eight makes no gesture at all to the formal architecture of democracy.

Yet, if democracy has spread more widely than ever before, it is also rather thinner on the ground than it once was. Many of the democracies that have come into being during the last two decades are, to varying degrees, illiberal democracies. They have elections that are more or less free and fair. But they do not have a secure rule of law. They are not well governed. And they are not

stable. These troubled democracies and near democracies or ambiguous regimes, encompassing more than sixty states in Africa, Asia, Latin America, and the former Communist states, confront three inter-related crises of governance that threaten their survival as democracies. Understanding how these challenges or crises of governance interact tells us much about why need a Center on Democracy, Development, and the Rule of Law.

One problem is that most of these countries are not developing, or at least not very rapidly. Their economic growth rates are weak or even negative. They need to restructure and open up their economies, privatize inefficient public corporations, and reform state regulations and structures in ways that will stimulate domestic capital formation and attract foreign investment. But to date, economic reform has been partial, and in these countries, the hoped-for surge of investment and growth has not materialized. Moreover, to the extent that public companies have been privatized, it has been in the crudest sense of literally “stealing the state.” And restructuring has often been done with inadequate consideration for the human consequences in terms of unemployment and insecurity, that is, without an adequate safety net. As a result, many citizens remember their authoritarian regimes as having offered better and more secure times, materially. That is a dangerous comparison if it persists or grows.

I have already suggested the second challenge. One reason why economies have performed so poorly is that corruption is rife throughout politics, state administration, and judicial life. Corruption raises transaction costs and discourages long-term productive investment. It drains state energy and resources away from endeavors that improve public welfare, into wasteful ventures and foreign bank accounts. When it reaches the grand scale it has in many countries, it benefits the few, not the many, aggravating inequality. It damages public faith in politics and political leaders, and heightens the stakes in elections to the point of fostering political violence and fraud.

The third problem is the inability of many of these states to manage ethnic, religious, and regional diversity. That is not unrelated to the other two. Violent ethnic conflict is stimulated by a context of poverty, corruption, and lawlessness, where people feel desperate and distrustful, and where raw power determines the distribution of resources and life opportunities. In the absence of economic growth and some fairness, transparency, and neutrality in governance, communities collide in the quest for a stagnant stock of resources, with no confidence in one another or faith in the future.

All of these problems feed on one another, eroding the entire fabric of institutional life. Fearful and cynical, citizens shirk their legal obligations and flee into uncivic networks and hierarchical chains of clientage that can offer protection

or short-term advantage. The failure of states to provide justice, welfare, order, and accountability opens the political arena to populist mobilization, violence, exploitation, and the steady depletion of truly collective enterprises—the state, the nation, the legitimate economy. In the most dreadful cases, the nation descends into civil war and the state collapses altogether.

In many countries that are called “developing” but that plainly are not, there is no way to confront any one of these challenges in isolation. Unless governance is improved across the board, in a systemic fashion, they are not going to develop economically or become stable politically. And most of the countries that are furthest from democracy present the most serious problems.

Increasingly, international donors (including the United States Agency for International Development, which I have served as a consultant for the past year) recognize that bad governance—involving the absence or grave weakness of democracy, accountability, and the rule of law—constitutes the core of the development challenge. That is why they are moving, with devices like the Millennium Challenge Account proposed earlier this year by the Bush Administration, to reward poor but decently governed countries with significant increases in development assistance.

There are dense linkages between democracy, development, and the rule of law, with good governance as a unifying theme. Competitive, free and fair

elections provide an instrument to remove venal and ineffectual leaders. Civic freedom gives citizens the non-electoral means to monitor the conduct of public officials and participate in making public policy through various associations, movements, and media. Leaders in a democracy have more incentives (and more institutional means and obligations) to govern in the public interest, to explain and justify their decisions, and to consult a broad range of constituencies before making decisions. With such participation and debate, the public is more likely to feel some sense of ownership of the resulting policies. As a result, policies will be more sustainable, and government more legitimate.

When democracy is tempered and reinforced by a strong system of legal and regulatory oversight, so that all individuals are equal under the law and all public officials are responsible for their conduct under the constitution and the laws, resources are used to advance the public good. Public institutions perform their designated roles. The system of government is supported and stabilized by a societal consensus. Disputes are settled peacefully. And investment flows in, attracted by the low transaction costs associated with governmental transparency, legitimacy, and a rule of law. In these circumstances, economies grow, human welfare improves, trade expands, political stability and capacity deepen, and countries become more responsible and resourceful members of the international

community. This is the path to development in the contemporary, globalized world, and it has diffuse positive spillover effects.

But developmental pathologies also spill over into regional and global consequences, and these are becoming ever more manifest and destructive. Poverty is entrenched through corruption and distorted, wasteful investment. Chronic fiscal deficits drain—and then drive away—international resources. The absence of the rule of law permits—and poverty drives or facilitates—wanton environmental destruction and depletion of the earth’s biodiversity, threatening the global ecological balance (and robbing us of new medical breakthroughs) in ways that cannot yet be fully fathomed. In the absence of any state capacity and will to address problems of public health, infectious diseases such as HIV/AIDS, tuberculosis, and new viruses proliferate, mutate, and spread across borders. The blatant venality and injustice of regimes backed by the West fosters anti-modernist and religious fundamentalist movements of rage against the West, especially against the United States. In the fertile soil of a weak state and feckless legal system, organized criminal and terrorist networks take root, threatening the rule of law internationally through terrorist violence, trafficking in arms, drugs, and persons, piracy, kidnapping, counterfeiting, money laundering, and fraudulent commercial schemes.

These are the reasons why we all have such a big stake in understanding—and through understanding, promoting—the democracy-development-rule of law nexus. I think it goes without saying that the imperative to understand and advance these positive dynamics in the world has heightened greatly since September 11.

Our new Center is just getting started. We have a huge agenda ahead of us. But let me tell you very briefly in conclusion a little bit about what we have done and are planning this year, and why we are so well situated to excel. We will look at these problems both regionally and thematically. In focusing thematically, we are able to zero in on some crucial theoretical and policy dynamics. That is what we will do on January 31 and February 1 when we hold a conference on corruption, and particularly the way it is fed by social networks and embedded in particular types of contractual relationships. This conference will bring together scholars from all four dimensions of our Center, and a number of leading specialists from around the world.

Looking regionally is what we did last weekend, with a conference on Transitions from Communist Rule that brought together many of the leading experts on political change in the 27 countries of Central and Eastern Europe and the Former Soviet Union. This conference, which will lead to an edited book, seeks to understand why postcommunist regimes have taken such different paths

and forms, and what factors might promote democracy, development, and the rule of law in those states, especially in the former Soviet Union, that are clearly lagging in these regards.

It is already clear from our conference that the answers to this last question will heavily involve the roles of the international community, and of specific international policy actors, including the United States. This brings us to the fourth leg of our Center, on sovereignty, and the ways it is evolving and eroding in the contemporary world.

With some intellectual stimulus from our good friend David Hamburg, we have also resolved to organize a pair of workshops analyzing international efforts to promote democracy. One meeting will look at what in general we can learn from international policies and institutions (over the past decade in particular) to promote democracy and good governance. The other will consider how these lessons might apply to the toughest, most intractable part of the world for democratic development, the Middle East.

This is already a very broad and exciting agenda, involving scholars from a variety of disciplines and schools. But it does not adequately reflect the scope of work and thinking already underway on human rights, judicial reform, comparative constitutionalism, economic performance, policy innovation, and the international environment in which these are fostered and constrained. Neither does it reflect

the great potential our Center has to enrich teaching and training at Stanford, by devising new courses and enriching existing ones (graduate and undergraduate), and potentially through new programs of professional training.

No academic center in the United States addresses the study of these problems in such a focused and inter-disciplinary way. No University is better situated than Stanford to advance understanding and influence policy on these issues that will heavily shape the character of the world in the coming decades.

I hope we can count on your support as we move forward.