

Exploring the Interplay of Democracy and Inclusive Growth: A Comprehensive Analysis

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Abstract: *In the modern political world, the conflict between democracy and authoritarian rule is a prevalent topic of discussion. While some contend that tight and authoritarian leadership is required for both state stability and economic progress, others favour modest but steady growth under the democratic selection of the government by the people. The ideal political system for any state is the one that respects citizens' rights. A democracy's economic and social progress might not happen quickly, but it is sustainable. A democratic system does have drawbacks, though, and both citizens and leaders are aware of them. Equal access to markets and resources by every individual in society, or the inclusive growth, guarantees that everyone may take part in the process of growth by increasing their chances of participation in the policymaking, either directly or indirectly. In its simplest form, inclusive growth refers to a strategy and outcome for ensuring that all people participate equally in the economy. The concept of inclusive growth has been the core theme for government policies in contemporary times.*

Keywords: inclusive growth, democracy, sustainability, development, OECD, poverty

1. Introduction

It is often contested in the modern political world whether Democracy is the best form of governance or whether an Authoritarian form of government is necessary for a prosperous nation. Many thinkers suggest a strict and authoritative government is the builder of a stable state and boosts economic growth by many folds, like in the case of countries like the UAE, Saudi Arabia, China, Russia, etc., but still, others favour the slow but steady growth of a nation by the government chosen directly by its citizens, like in the USA, India, Nepal, the UK, etc. But no matter what, an accountable government, which is liable for its actions to the citizens, is the best for any state in liberal terms as it is held responsible for its actions, and in this regard, a good democratic system, preserving the rights of the people, fulfils the case.

Economic and social growth in a democracy may not necessarily be quick, but it is stable. The highlighting point is that there are shortcomings in a democratic system; it is definitely not another utopia, but these shortcomings are known both to the citizens as well as the leaders, and they together work constantly for optimal solutions. As Shihata has pointed out, that is not always the case, but usually “more democratic countries are also more developed, and more developed countries are also more democratic”. This is visible in the fact that the majority of Organisation for Economic Co-operation and Development (OECD) nations that top the list of the world's most prosperous nations have democratic forms of administration.¹ Furthermore, when prosperity is more evenly spread among demographic groups, economies expand quicker and more vigorously—not to mention for longer periods of time.²

¹Shihata, I. F. (1997). Democracy and development. *International and Comparative Law Quarterly*, 46(3), 635–643. <https://doi.org/10.1017/s0020589300060826>

²The case for inclusive growth. (2021a, April 28). McKinsey & Company. <https://www.mckinsey.com/industries/public-sector/our-insights/the-case-for-inclusive-growth>

And with the prosperity of society at its core, came the concept of ‘Inclusive Growth’. With a long-term perspective that is broad-based and takes into account the many players, inclusive growth is seen as an essential condition for decreasing poverty. While inclusion refers to having equal access to markets and resources, it is also viewed as a way to ensure that everyone can participate in the growth process by expanding their chances for profitable employment. In essence, inclusive growth is a result and a method for ensuring that everyone participates in the economic process by equally participating in its advantages.³

‘Inclusive Growth’- The Soul of Modern Democracy

Growth in terms of a state can never be limited to the economy, but the social and political dimensions are equally important. Democracy is the rule of the majority, so public opinions and issues are the primary focus of governance. In a democracy, ordinary citizens participate meaningfully, albeit indirectly, in-state activities, including the creation and enforcement of laws and regulations. But apart from the majority's interests, the overall development of society is the heart of a fair democracy. The core of a good modern democratic system is ‘Inclusive Growth’. The United Nations Development Programme (UNDP) defines it as ‘the process and the outcome where all groups of people have participated in the growth and have benefited equitably from it’. To increase the well-being of all members of society, especially the most vulnerable and marginalised groups, inclusive growth is a strategy for economic development. It is a tactic that guarantees that the gains from economic progress are shared fairly and that everyone has the chance to take part in and contribute to the process of development. The phrase ‘inclusive’ has been used to describe growth episodes at least since the turn of the century, when Kakwani and Pernia used it to emphasise the characteristics of what they believed to be pro-poor growth. Pro-poor

³Sumalatha, B. S., & Roy, V. P. N. (2020a). Inclusive growth in India: issues and challenges. In *Encyclopedia of the UN sustainable development goals* (pp. 1–10). https://doi.org/10.1007/978-3-319-71058-7_82-1

growth is defined as “one that enables the poor to actively participate in and significantly benefit from economic activity” and the term ‘inclusive economic growth’ was used to emphasise the distinctive characteristics that set pro-poor growth apart.⁴

The UNDP emphasizes that inclusive growth should also evaluate other aspects of human development, such as access to education, healthcare, social services, and adequate work prospects, in addition to only economic statistics like Gross Domestic Product (GDP) or the Net National Product (NNP). Its main goal is to provide a climate that allows everyone to participate equally in decision-making processes and have access to resources. In the context of the Sustainable Development Goals (SDGs) established by the United Nations, inclusive growth is strongly related to the overarching objective of ending poverty and achieving sustainable development on a global scale. Countries may endeavour to reduce inequality, foster social cohesion, and ensure that no one is left behind in the pursuit of growth by placing a high priority on inclusion. The UNDP and other organizations frequently promote policies and programmes that remove structural impediments, discriminatory practices, and systematic disparities in order to achieve inclusive growth. Inclusive growth comprises comprehensive growth, pro-poor growth and shared growth among every section of society.

If we look over the Inclusive Development Index 2018 by the World Economic Forum (WEF), we will notice that all the top nations have some form of Constitutional or Democratic system. The top five countries were Norway, Iceland, Luxemburg, Switzerland and Denmark. The biggest democracy in the world India, which according to WEF is in an improving trend stood at the 62nd spot.⁵ As per the Multidimensional Poverty Index (MPI) 2018, published by the Oxford Poverty and Human Development Initiative (OPHI) and the UNDP,⁶ the Indian democracy lifted 271 million people above poverty between 2005-06 and 2015-16, with the poorest regions, groups, and children, reducing poverty fastest.

Democracy and Stable Growth

Usually, it is observed that the economy of a democratic nation shows a slow but steady development, it may be because a democratic system doesn't allow immediate radical changes as in that of India, where any constitutional change requires the majority in the parliament. The decisions often require the approval of the majority and even face backlash from unsatisfied citizens like in the case of the Farm Acts, 2020 in India, which was repealed after the backlash of the farmers.⁷ A democracy creates a free

environment for the market and both public as well as private sectors offer their services in an independent environment. But still, a healthy check is maintained by the government in every field preserving the interests and rights of people. A country performs better across a range of governance and development indices, including economic success, the longer it has been governed democratically, according to research.⁸

According to a paper published by the Massachusetts Institute of Technology, “Democracy significantly increases development. Indeed, countries switching to democratic rule experienced a 20 per cent increase in GDP over 25 years, compared to what would have happened had they remained authoritarian states”.⁹ Environments that are favourable for the development and unrestricted functioning of private firms tend to be fostered by stable, transparent governments founded on respect for human rights and the rule of law.¹⁰

If we take the example of the biggest democracy in the world, since 1947 after independence, India has achieved tremendous progress in raising growth, income levels and living standards. The GDP increased from USD 30.6 billion in 1950 to USD 3.39 trillion in 2022.¹¹ But according to WEF in order to achieve the broad-based improvements in living standards that polities eventually use to measure the economic success of their nations, GDP growth is necessary but not a sufficient prerequisite.¹² Thus, more dimensions are also considered when speaking of inclusive growth. While addressing the members of parliament in 2015, President Pranab Mukherjee highlighted that inclusive growth should be a key driver behind sustainable development rather than a slogan and the government's primary aim is ensuring that inclusive growth includes the poorest of the poor.¹³ In another case, Nepal after becoming a democratic republic in 2008 has also shown tremendous progress in improving the GDP of the nation i.e., from USD 12.5 billion to USD 33.7 billion in 2020.

<https://indianexpress.com/article/explained/explained-what-is-the-farm-laws-repeal-bill-2021-7646896/>

⁸Merkel, W. (2012). *The Dynamics of Democratization: Dictatorship, Development, and Diffusion*. Edited by Nathan J. Brown. Baltimore: Johns Hopkins University Press, 2011. 344p. \$29.99 paper. *Perspectives on Politics*, 10(4), 1005-1007.

⁹*Study: Democracy fosters economic growth*. (2019, March 7). MIT News | Massachusetts Institute of Technology. <https://news.mit.edu/2019/study-democracy-fosters-economic-growth-acemoglu-0307>

¹⁰Repucci, S. (2015, August 3). Democracy is good for business. *Freedom House*. <https://freedomhouse.org/article/democracy-good-business>

¹¹*GDP (current US\$) - India*. (n.d.). World Bank Open Data. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN>

¹²*The Inclusive Development Index 2018*. (2018b, January 22). World Economic Forum. <https://www.weforum.org/reports/the-inclusive-development-index-2018>

¹³“Inclusive growth” should not be a mere slogan but a fundamental driving force for sustainable development, says President. (2013, January 14). Press Information Bureau. <https://www.pib.gov.in/newsite/PrintRelease.aspx?relid=91552>

⁴ Ranieri, R., & Ramos, R. A. (2013). Inclusive growth: Building up a concept. *RePEC: Research Papers in Economics*. <https://www.econstor.eu/bitstream/10419/71821/1/736729240.pdf>

⁵*The Inclusive Development Index 2018*. (2018a, January 22). World Economic Forum. <https://www.weforum.org/reports/the-inclusive-development-index-2018>

⁶*271 million fewer poor people in India | United Nations Development Programme*. (2018, September 20). UNDP. <https://www.undp.org/india/271-million-fewer-poor-people-india>

⁷ Sharma, H. (2021, December 3). Explained: What is the Farm Laws Repeal Bill, 2021? *The Indian Express*.

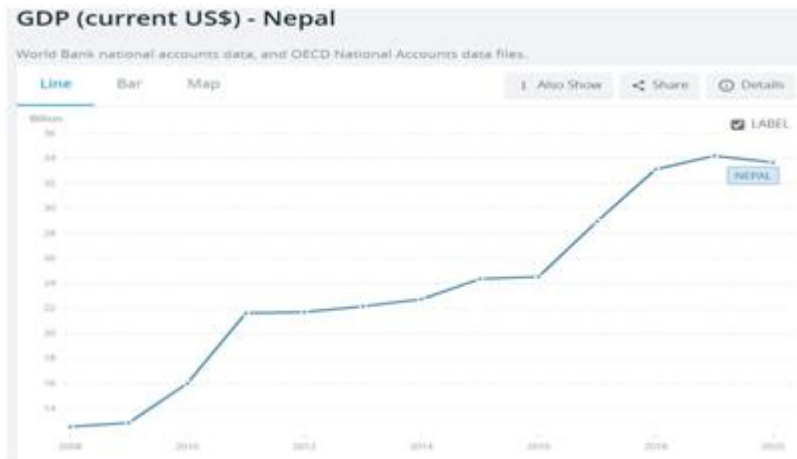


Figure: GDP growth of Nepal from 2008-20 (source: World Bank) [GDP (current US\$) - Nepal. (n.d.). World Bank Open Data. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2020&locations=NP&start=2008>]

As known, Democracy is “the government by the people, for the people, and of the people”. Social concerns are given priority, and the government, through different programmes and policies, works for the upliftment of society. Since there is direct involvement of different sections of society in the government, their concerns and requirements for inclusive growth are directly dealt with. Through representatives, citizens influence policymaking. A good democratic system also guarantees civil and political rights; the judiciary also checks the government's actions and prevents abuse of power. Democracy promotes ‘equality’, everyone is treated equally in the eyes of the law, and the fundamental rights of the people are protected. As the world enters the 21st century, more and more countries are abolishing discrimination based on caste, creed, sex, religion, colour, and race. Every section of society enjoys the same rights and privileges on paper in a truly democratic regime.

Education is given paramount importance in the social upliftment of a nation. It is also not that in only big democracies the principles are followed or stressed as they are on a more attentive global watch. The benefits of democracy are visible in the smaller powers too. Taking the example of a small Himalayan nation Nepal we can see that after the end of the Rana family regime, Nepal has made significant progress. In the field of education over the last 2 decades, the net enrolment rate in primary schools has risen to 97 per cent. UNICEF has been supporting the cause through the School Sector Development Plan (SSDP, 2016–2022) and the consolidated equity strategy for the school education sector (2014).¹⁴ As per a report by the National Planning Commission, Nepal succeeded in lifting 3.1 million citizens out of multidimensional poverty between 2014 and 2019. In the case of India, in the 2011 census, about 73% of the population was literate, with 81% for men and 65% for women. Compared to 1951 the rates were 18%, 27% and 9% respectively.¹⁵ Also, the poverty rate in India after the Britishers left was 70 per cent which was reduced

to 21 according to the World Bank international poverty line. The democratic environment has also promoted equal rights for women, LGBTQ+, and ethnic minorities throughout the world. According to research,¹⁶ higher engagement of women and people of colour in the labour market through better talent allocation is thought to be responsible for up to 40 per cent of the GDP growth in the US economy between 1960 and 2010.

Obstacles to Ideal Democracy

Democracy is often characterised as “mobocracy”, as ignorant citizens are easily led away by unscrupulous demagogues. As is known, democracy works on the system of majority rule, which often produces quantity rather than quality. Society divides based on self-interest, creating a void between the majority and the minority. To overcome this, a democracy requires highly conscious social elements with high civic qualities. Dalton, while addressing the challenges to democracies by the citizens themselves, stated that contemporary democracies are in a difficult situation today. This threat does not originate from adversaries inside or outside the country. Instead, the threat comes from the democratic system's constituents, who have grown cynical of democratic institutions, sceptical of politicians, and disillusioned with how the democratic process works.¹⁷

Corruption and inefficiency of the system are other major setbacks for a healthy democracy. Votes are often bought by political leaders and parties from underprivileged and poor voters. Casteism and communalism also affect the election results. M. S. Golwalkar, in his book *Bunch of Thoughts*, describes democracy as “is to a very large extent only a myth in practice...The high-sounding concept of ‘individual freedom’ only meant the freedom of those talented few to exploit the rest.” An effective political education may solve the problem to a great extent where active citizens are educated enough to exercise their democratic rights

¹⁴Education. (n.d.). UNICEF Nepal. <https://www.unicef.org/nepal/education>

¹⁵Pathania, Rajni (January 2020). "Literacy in India: Progress and Inequality" (PDF). www.bangladeshsociology.org. Bangladesh e-Journal of Sociology. 17 (1). Retrieved 18 October 2021.

¹⁶The case for inclusive growth. (2021b, April 28). McKinsey & Company. <https://www.mckinsey.com/industries/public-sector/our-insights/the-case-for-inclusive-growth>

¹⁷Dalton, R. J. (2004). Democratic challenges, democratic choices. In *Oxford University Press eBooks*. <https://doi.org/10.1093/acprof:oso/9780199268436.001.0001>

prudently. Growing income disparity is a problem in many industrialized economies, which calls into question the advantages of globalization. Economists and other development practitioners are renewing their efforts to make economic growth more inclusive and have focused their attention on how to share prosperity equitably in light of the growing backlash against perceived job losses associated with the free movement of goods and people, particularly in the US and Europe.

2. Conclusion

As the Greek writer Herodotus has defined democracy, it is a “*form of government in which the supreme power of the state is vested in the hands of the community as a whole*”. It is a democratic form of government in which a person can enjoy freedom, liberty, and equality of opportunity in comparison to other forms of government. It is Democracy that creates a responsible leader who acts as a representative for the citizens and works for their betterment. Human rights are protected by the system. The system works towards a welfare state. Living examples are countries like the USA, EU nations, and Nordic countries. Accountable leadership and political institutions are formed under democracy. The growth may not be booming like in the case of China or the Arab Spring, but it is stable. Although there are certain prerequisites for successful work, democracy can still be considered the best form of government.

In successful democracies, the overall development of citizens is the prime focus, and government policies are even moulded to fulfil these conditions. The outcome may not be quick but definitely a stable and sustainable one, like India began focusing on inclusive growth as early as the 11th five-year plan (2007–2012), and succeeding administrations have continued to implement public policies with this goal. India’s extreme poverty has significantly decreased over the past ten years thanks to a per-capita GDP that has doubled.¹⁸ Due to rising inequality and its effects, the idea of inclusive growth has become central to the development programmes of the states. It can be concluded that For shared prosperity to exist, there must be inclusive growth.

¹⁸Sumalatha, B. S., & Roy, V. P. N. (2020b). Inclusive growth in India: issues and challenges. In *Encyclopedia of the UN sustainable development goals* (pp. 1–10). https://doi.org/10.1007/978-3-319-71058-7_82-1