

Limited democracy

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The society can work in an environment that is predictable and safe, they do not have to spend excessive resources on either protection or paying off a monopolist, and they can work on maximizing benefits and growth for themselves and therefore the society. A thief imposes a high cost on the society. It is not only



the case that the theft is a redistribution of resources from the haves to the have-nots, it is also the case that theft induces people who have something that could be stolen to take due precautionary measures. If the state-owned and operated law and judicial systems are not good enough, private measures are usually taken. These might take the shape of security agencies, guards, security and alarm systems and so on. Where the thief gains from the act of the theft, if he/she can get away with it, and the pure re-distribution is not hurtful in itself, the overall cost of living with some theft, in terms of higher expenditures on guards and so on, imposes a significant deadweight loss on the society. In other words, though the thief is better off through the act of the theft, not only the person robbed is at a loss, the society loses a lot too when thieves are around.

Of course, for the thief the loss to the society is almost immaterial. But resources spent on guarding property could have been better spent on generating more income for the society, and thus everyone could have been better off as a result of less thieving, but the share of an individual from that overall increase, compared to what she could get from stealing, would be minimal. Hence society loss would not be enough to deter people from stealing. So a thief, if she has a good chance of getting away with thieving, due to a poor legal system and all that, would be strictly better off being a thief.

Now think of a slightly different situation. Suppose in a locality we allowed one person to control all the illegal activities in that area. Now the situation has become radically different from the one given above. The person still gains from stealing, but now if the society loses a lot due to the stealing of this person and others, since this person's income depends a lot on income in the community, this person has a strong incentive to limit the stealing by others in her area. And she has a strong incentive to limit her own stealing as well so that she can play a long-term game and ensure that the community makes enough so that she can have a lot to steal in the time periods that follow.

But the above is not the ideal situation for the community. Though the monopoly power to the single thief does provide the community with some stability and places limits on the thieving from other individuals as the community can 'pay' the monopolist protection money, the community is still of course paying too much and paying money that could have been spent on other things. The monopolist charges too much and imposes a deadweight loss on its consumers still.

The situation is clearly better, in many ways, than the first one though. Here a community spends less on guards, gives to only one person, and does not have to worry about the randomness of robberies.

The third situation is the best one. Here the people,

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as a body, decide to form a structure of governance for the community, they ensure that the long-term interests of the people are safeguarded, ensure that most interests, if not all, are given due representation, ensure that there is a net for people who fall through the cracks, and then also ensure that there is a good, entrenched legal structure in place that can deter individuals from being too adventurous. This is the best of the situations that have been depicted above.

The society can work in an environment that is predictable and safe, they do not have to spend excessive resources on either protection or paying off a monopolist, and they can work on maximizing benefits and growth for themselves and therefore the society (Adam Smith and the second version of his invisible hand).

The first of the situations depicted above is a skeleton version of what anarchy can look like. The second one is the example of a dictatorship of an individual or one particular group, and the last one is the depiction of democracy. There are a lot of things that the depictions do not capture, but they do capture some essential features of each system. Anarchies allow the pursuit of individual goals but at the cost of community and communal goals, due to the voluntary and individual nature of the society, are not enough to bind and shape individual actions to toe the community line.

Dictatorship allows people to pursue their goals more freely, but they have to pay the dictator or the class that is dictating for the protection and this qualifies the freedom under this system. The dictator will of course pursue his/her interests, but the need to play a long-term game and the need to ensure that there is enough in the society to pay for the dictator limit the amount that the dictator can take from the society at any time. And finally, democracy allows the society to balance the interests of the various classes, allows people the space to follow their dreams, and this is done by institutionalizing a structure that delivers justice and fairness through a number of independent and transparent governance structures.

Where a transition from the first structure to the second, that is, from anarchy to dictatorship, is easier to conceptualize, the same is not true about reaching the third form of governance. If one of the 'thieves' is stronger, and can limit the ability of others to rob a society, a society can pay this person to deliver some order and stability in the society.

But the move to a democracy is harder to see. We need a number of things to come through. It would appear that we would need a number of fairly powerful interests that are more or less equally well represented in the society to come together and bargain over an institutional structure where all of the interests need protection and so bargain for a structure that allows for fairness, transparency and

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independent checks on the power of any person who eventually takes over the actual running of the society. An independent judiciary and organized rule-bound police system, an independent and free media and press, a vibrant and free intellectual milieu, and information systems that provide access to most information to all citizens are some of the institutions and governance structures that should come out of the bargaining between the various interests, and these structures should be embedded in the very fabric of the society.

These are not easy conditions to meet. And the likelihood of historical events turning out in a way that facilitates such development of institutions is also very low.

When there is an interest that is very powerful, and is exacting monopoly rents from the society, and is ensuring that no other interest can get organized enough (the situation in a dictatorship), it is hard to see how it will allow the development of institutions that can lead to limitations on its power and a reduction in its rents. This is exactly where we in Pakistan seem to be stuck.

We have one interest, the armed forces of Pakistan, which is extremely organized, and very powerful. It exacts a significant rent from the society, and in return tries to provide some stability and order to the society. And many think that it does a better job of it than any 'democratic' governments that come to power under its overall tutelage. But it does not allow the development of independent institutions that can limit its powers. The constitution, the judiciary, and the press are dependent on the goodwill of the armed forces and thus cannot provide the independent check that the society needs to put on all interest groups.

This is where the present experiment with democracy is going to have problems too. If we assume, as we have in the analysis given above, that interest groups and individuals look after their own benefits, and will not allow those alternatives to develop that limit their own power or interest, then we can be sure that the current experiment is going to run into problems as well.

When the current democratic institutions or interests come close to challenging the interests of the armed forces, whether it be on Kashmir, the size of the army, the defence budget, or the many privileges of the armed forces, there will be trouble for democracy. And this is bound to happen as the current resource distribution is challenged by newly emerging interests, which is going to be challenged soon enough.

Even more importantly, because the other interests know that one interest is too powerful, it induces a shortsightedness in the groups that do get to power every so often. This explains the dance with democracy that we have seen since 1988. The interests that come to power do not work for democracy alone, know that they have to go soon and so become too ambitious and thus create 'reasons' for the dominant interest to strike back.

There is no reason to think that this game will change in the short- or medium-run. The institutional structure of a dictatorship is such that there is no automatic route from there to democracy. This means that one cannot but feel a bit cautious about the current experiment with limited democracy. It would be surprising if it survives beyond a three or four year period.

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