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POLITICAL STABILITY AND ECONOMIC DEVELOPMENT OF THE STATE: EXAMPLE OF SINGAPORE

Serhii Teslenko,
Postgraduate Student at the Department of Politology
Taras Shevchenko National University of Kyiv (Kyiv, Ukraine)
ORCID ID: 0000-0002-2190-6173
s.teslenko1506@gmail.com

Abstract. The article examines the impact of political stability on the economic development in Singapore. An attempt has been made to find an answer to the question of which regime determines economic growth: authoritarian or democratic.

The study used descriptive, systematic and comparative methods, which allowed to analyze the impact of political stability on economic development of Singapore.

The Singapore case should be viewed more as an exception to the rule than as an example of explaining the economic efficiency of authoritarian regimes. The study concludes that Singapore's sustainable development cannot be explained by the influence of only one independent variable – political stability. Many other factors should be taken into account: cultural, historical, geographical, human.

The economic success of this state was largely due to a consistent policy focused on achieving long-term results – economic growth and effective and rational planning, which became possible thanks to the political stability of the state.

Key words: political stability, economic growth, democracy, political leadership, authoritarianism, Singapore.

Introduction

Despite the large number of works devoted to the search for evidence of the existence of causal links between the type of political regime and the economic development of the state, there is still no empirically proven evidence that a democratic regime promotes economic growth. As a rule, researchers specializing in this issue focus on economic conditions that create a background favorable for the functioning of a democratic regime (Adam Przeworski, Fernando Limongi, Seymour Martin Lipset). However, the answer to the question of whether there is a causal link between the establishment of democracy and high growth rates has not yet been found. Singapore as an example of an authoritarian state can serve as evidence refuting this thesis. When explaining these phenomena, the researchers argue about the decisive influence of the human factor (a talented leader who takes into account the specifics of his state and, in accordance with this, conducts a reasonable economic policy), which ultimately affects the growth rate of total income (Matthew Baum, David Lake).

Economic growth is influenced by many factors, among which political variables occupy an important place, in particular, the type of political regime. A huge number of works are devoted to the problem of the influence of the type of political regime on economic growth, but there is no final opinion about which regime most contributes to economic growth: authoritarian or democratic (Przeworski, Limongi, 1993: 51; Durham, 1999:. 81).

One of the possible channels of influence of the regime on growth is the political stability provided by the regime (Alesina, 1992: 5; Aisen, Veiga, 2011: 3). Political stability is one of the necessary conditions for the state to achieve high rates of economic growth. In particular, political stability contributes to the formation of a favorable climate for foreign investment, creating guarantees for investors that their investments will be safe.

The main purpose of the study is to analyze which regime, authoritarian or democratic, provides political stability that has a positive impact on economic growth; to determine the specifics of political stability in Singapore; to describe its impact on the rate of economic growth in the country.

Research methods

The study used descriptive, systematic and comparative methods, which allowed to analyze the impact of political stability on economic development of Singapore.

Descriptive method helped to carry out the general research of the development of the state in conditions of authoritarianism.

Systematic method made it possible to analyze political stability in the context of economic development of Singapore.

Using a comparative method, the case studies of the achieving stability in democratic and authoritarian regimes.

Results

Political stability is a complex and multidimensional concept, and in part, therefore, in both domestic and foreign political science there is no generally accepted definition of this category. In ordinary consciousness, stability is inevitably associated with a state of stability and immutability of something. Political stability is a more concretizing concept that limits the dimension of stability within the political space, therefore, its identification with the immutability of the state is erroneous, since the political system is distinguished by its dynamism and ability to transform and adapt to a changing external environment, therefore, political stability appears in a slightly different light.

The question of why some dictatorial regimes are experiencing high growth rates, while other dictatorships are in a state of decline in economic development, has been raised in many works. For example, "Political Instability and Growth in Dictatorship" (2005) by Jody Overland, Kenneth L. Simons and Michael Spagat, "The Economics of Autocracy and Majority Rule" (1996) by Martin C. McGuire and Mancur Olson, Jr., "Making Autocracy Work" (2007) by Timothy Besley and Masayuki Kudamatsu.

The rates of economic growth are influenced by various variables, among which are political, economic, cultural and human factors, which are manifested in the personality of the political leader of the state who is pursuing a particular course in the economy. As one of the possible explanations for the existence of a relationship between regime and growth, researchers, (in particular, Jody Overland, Kenneth L. Simons and Michael Spagat in the study "Political instability and economic growth in dictatorships" (2000), Samuel P. Huntington in "Political Order in Changing Societies" (1968) put forward the following hypothesis. The political regime (authoritarian or democratic) does not directly affect the level of economic development of the state; rather, the regime provides conditions, in particular, political stability, which is one of the components of the regime, which in turn determines the rate of economic growth. According to this hypothesis, political stability and economic growth are closely interconnected with each other. As S. Huntington notes, "what is really important for ensuring sustainable economic growth is not the institutions of democracy or dictatorship, but political stability, which can be ensured thanks to viable political institutions" (Huntington, 1968: 45).

Huntington distinguished political systems according to two main parameters: according to the level of political institutionalization, by which he understood the process of "endowing certain institutions and procedures with value in public perception" and according to the level of involvement of the population in politics. Therefore, the stability of society depends on the relationship between the level of political activity of the population and the level of political institutionalization. The level of political institutionalization in a society with a low level of political activity can be much lower than in a society with a higher level of political activity of the population, but still a society with a low level of both may turn out to be more stable than a society with a higher level of institutionalization and still a higher level of political activity of the population.

Among the studies devoted to the analysis of stability in the context of economic growth, one can single out the work of a professor at Harvard University Alberto Alesina and professor at the Bocconi University of Italy Roberto Perotti "The Political Economy of Growth" (1994), in which they analyzed how the following variables affect economic growth: concentration of capital, political instability, political freedom and democratic institutions, inequality in the distribution of income. "Growth is not influenced by democracy or dictatorship, but by political instability, which manifests itself in a propensity for coups d'état, as well as in frequent power changes" (Alesina, Perotti, 1994: 356). Alesina's studies have shown that the level of GDP is lower in states where there is a possibility of a fall in the regime and an early change of government (Alesina, 1992: 27).

Socio-political instability creates an unfavorable political and economic environment, which increases the risks for investors and, as a result, decreases the inflow of investments into the state. Political instability limits the horizon for government action due to the uncertainty of the political process and a possible change of power, which will probably not continue the course of the previous leadership. This fact makes it impossible to implement long-term economic policy, hindering the growth of macroeconomic indicators of the state. Which regime, democratic or authoritarian, provides stability that promotes economic growth? There is no definite answer to this question. On the one hand, in states with high economic growth rates, democratic regimes are mainly functioning (Lipset, 1993: 14). But on the other hand, there are examples in history of economically effective authoritarian regimes (for example, Singapore).

The dichotomy of short-term – long-term policy was subjected to close analysis by researchers when explaining the choice of a political leader of the course of state development (Salhi, Bolle, 2007: 13). One possible explanation is as follows. The answer to the question of which regime (authoritarian or democratic) provides the political stability necessary to achieve sustainable economic growth rates has not yet been found. However, many researchers note that the number of economically successful democracies is much greater than the number of economically developed autocracies. Considering the consequences of globalization, the creation of a single zone of world trade, active processes of democratization, the growth of interdependence of states, in many respects confirm this thesis.

Political stability in this case is defined as the length of time a political leader is in power (the probability of his forcible removal from power is minimal). The longer a political leader is in power, the more likely it is that political programs will be oriented towards the long term. Thus, guarantees will be created for foreign investors that the political situation in the state will not change, and the political development of the state can be predicted, relying on long-term programs adopted by the government. Such a theory cannot be extrapolated to all authoritarian states, especially since the idea that the longer a political leader is in power, the more likely is stagnation and stagnation. But Singapore is showing the opposite example.

On the contrary, a democratic leader knows that his term of office is limited to the next elections, so in order to ensure himself the maximum likelihood of re-election, he seeks to pursue policies that are aimed at achieving results in the short term. But on the other hand, there are many successful economically developed democracies, for example, the democracies of Western Europe, in which the level of political stability (according to the WGI data) is quite high, despite the competition between parties and their leaders in the process of election races.

According to the World Bank's annual Doing Business report, which measures the ease of doing business in 183 countries based on a number of indicators, including investor protection, getting credit, starting a business, taxation, and others, over the past 5 years, Singapore has firmly taken the 1st place (the index of ease of doing business has been calculated by the World Bank since 2009) (Ease of Doing Business in Singapore).

According to research carried out by the Political & *Economic Risk* Consultancy (PERC) around the world, Singapore is the country with the lowest level of political risk in East Asia. In this case, political risk is understood as a set of conditions that potentially pose a threat to the political stability of the state, the absence of which can lead to a deterioration in the country's business climate (Gomez, Can-Seng, 2006: 10).

PERC research suggests that the threat of political risk in Singapore is minimal, in part due to the low likelihood of replacement of the ruling People's Action Party by one of Singapore's current opposition parties. Despite the formal existence of several political parties and the holding of regular elections, power has invariably belonged to the People's Action Party since 1969, which has an absolute majority in parliament and is in no way limited by the electoral and time frames, since the likelihood that one of the existing opposition parties tends to zero. The results of the 2011 parliamentary elections are clear evidence of this.

The People's Action Party received an absolute majority of votes (60,14%), while retaining the majority of seats in parliament (81 out of 84). These circumstances give the Singaporean government the opportunity to promote and implement, as many researchers note, effective in the long term, but unpopular political programs.

The problem of political risk is typical for all countries of the world. For democracies, a regular change of government is a normal practice, which in most cases does not pose a threat to the country's investment attractiveness and the business climate. However, if a regular change of government is a normal practice for democratic states, then, accordingly, the irremovability of power in authoritarian states may be associated with stagnation and stagnation. But the case of Singapore is showing the opposite effect. Despite the authoritarian regime, the absolute dominance of the ruling party, the leadership of Singapore was able to achieve and maintain high growth rates. Despite two oil crises, the 1997–1998 Asian financial crash. and the global recession, Singapore's economic indicators continue to grow steadily (GDP in a downturn reaches 5%, while in a favorable global financial environment, GDP growth reaches 15%) (Parrado, 2004: 32).

It is worth noting in particular that the Singaporean experience is unique in nature and attempts to extrapolate it in the process of explaining the economic efficiency of other autocracies are erroneous and may lead to incorrect conclusions. Its uniqueness is due to many factors: the specific historical post-colonial past, geographical location, professionalism and the competence of the political leadership. One of the most important non-tax advantages of Singapore for foreign investors is its socio-political stability and effective management, which largely determine the favorable business environment in Singapore.

The peculiarities of public administration in Singapore and the specificity of the programs and policies of long-term orientation carried out by its government are largely due to its historical past. The Republic of Singapore has a long history, being first one of the colonies of the British Empire, then during the Second World War being occupied by the Empire of Japan, in the post-war period Singapore returned to British control, but retained a significant degree of autonomy and self-government. The next stage in the history of Singapore is associated with its entry into the Republic of Malaysia as a result of the union with the Federation of Malaysia. Singapore acquired the status of an independent state in 1965, when the conflict between the Popular Action Party and the National Front led to the separation of Singapore from Malaysia and its transformation into a sovereign independent state.

After the country gained independence, Singapore was a small island state, which did not even have fresh water. Relations with neighboring states were tense. The leadership of Singapore faced many tasks, on the solution of which the further fate and vector of development of the state depended. Singapore owes much of its success to Prime Minister Lee Kuan Yew, who outlined his goal of "turning Singapore into a financial and trade center for Southeast Asia" (Yew, 2000: 24).

In 1961, the Council for Economic Development was established in order to promote the country's industrialization processes, create jobs and promote economic development, which is still the country's leading government agency to plan and implement strategies to enhance Singapore's position as a regional and global business center.

One of the priority areas of the policy pursued by Lee Kuan Yew is attracting foreign investment and creating a favorable business climate. To do this, it was necessary to provide a stable political environment, eradicate corruption, which, after Singapore gained independence, reached enormous proportions, in other words, it was necessary to create conditions that would guarantee foreign investors the safety of their investments. It was Lee Kuan Yew who laid the foundations for long-term policy (Lee Kuan Yew was in power for 40 years) and defined the principles of stability and efficiency as the defining principles in the process of developing policy.

Singapore owes much of its economic prosperity to the thoughtful and rational policy of its leadership, which is focused on long-term results. An example is the Land Use Planning and Infrastructure Development Policy, which is managed by the Ministry of National Development of Singapore. In 1971, the Singapore government adopted the Concept Plan, which has been regulating housing policy in Singapore for more than 40 years, planning industrial clusters and large infrastructure projects in the state. Concept Plan is an example of one of the effective efficient planning tools in Singapore.

The Concept Plan is amended every 10 years to reflect changing external conditions. When analyzing long-term policies, including planning policies, special attention should be paid to the geographical features of Singapore, which is a unique example of an island city-state, for which, since gaining independence, the issues of land and territory shortages have become almost paramount. Therefore, the long-term nature of land-use planning policy is largely due to the peculiarities of geographic location. The Singapore government was aware that mistakes caused by policy shortsightedness could lead to negative consequences that would be very difficult to overcome. As the head of the Housing Development Board Dr. Cheong Koon Hean said, "we can't just walk away from the mistakes we made and start over just because there is no room for it" (Hean, 2008: 18).

In the process of formulating reforms and the course of state development, a political leader inevitably faces a dilemma between economic policies aimed at achieving long-term economic growth and not giving results in the short term and, on the contrary, economic policies aimed at obtaining maximum benefits in the short term, in particular, a redistributive policy that ensures an increase in the welfare of citizens. It should be noted that the leaders of autocratic states, despite their long term in power, do not always strive to pursue a policy of ensuring long-term economic growth (Robinson, Acemoglu, 2006: 124). The case of Singapore rather does not explain the reasons for the economic efficiency and inefficiency of all existing autocracies, but represents a unique case-exception in studies devoted to the relationship between the type of political regime and the economic development of the state.

The Government of Singapore adopts policies and strategies aimed at achieving long-term results. Such programs are often characterized by economists as "cost effective, but politically unpopular" (Caplan, 2009: 9). For example, the approval of a project for the provision of medical services on a paid basis, the introduction of taxes on the use of roads, an increase in taxes for employers, the removal of restrictions on the import of goods. If such programs, which in the short term do not give a pronounced result, were adopted in democratic states, then most likely the political leader would not have been elected for the next term. B. Kaplan offered his explanation for the adoption of unpopular political programs in Singapore.

The essence of his theory was that ordinary citizens of Singapore have a fairly high knowledge of economics and support the decisions taken by the Singapore government, as they contribute to the achievement of high rates of economic growth. B. Kaplan admits the controversy of his hypothesis and the lack of empirical evidence and research, but cites as an example the opinion polls in Singapore conducted by the World Values Survey in 2002. For example, in response to the question «income should be evenly distributed in society or should we increase the difference in income in order to stimulate economic growth», the majority of the population (68%) chose the second option. Also, 58,8% of Singaporeans supported the option that «maintaining a high level of economic development should remain a priority in the implementation of political programs» (Caplan, 2009: 14). B. Kaplan emphasizes that the data of public opinion polls in Singapore cannot be taken as unconditional confirmation of his hypothesis that Singaporeans support programs that are ineffective in the short term, because they understand their importance in achieving long-term economic growth. The uniqueness of the phenomenon of Singapore gives the right to the existence of any hypothesis.

The fiscal policy of Singapore, which is aimed primarily at achieving economic growth in the long term, rather than cyclical regulation and income distribution, can also be cited as an example of a long-term policy. Singapore has managed to achieve some of the highest investment performance in the world thanks in large part to a prudent fiscal policy that has sustained budget surpluses over the years and fosters high savings rates. Singapore has built up a significant level of foreign exchange reserves that serve to build investor confidence and protect against external economic shocks.

Conclusions

Singapore is a prime example of the implementation of economic transformation under the conditions of authoritarianism. Its case should be viewed more as an exception to the rule than as an example of explaining the economic efficiency of authoritarian regimes.

The economic success of Singapore was influenced by many factors, not only political (good governance, professionalism and competence of political leaders, political stability), but also geographical features (Singapore is a small island state), cultural (there is a large number of studies devoted to the study of “Asian values”) and many others.

Therefore, an explanation of Singapore’s economic growth using only an authoritarian regime and the political stability it provides will be incomplete. Political stability was seen in this case as the length of time a political leader was in power and the likelihood that the political leadership would not be removed as a result of an armed uprising or coup d’état.

Singapore’s development was largely due to a consistent policy focused on achieving long-term results – economic growth and efficient and rational planning, which became possible thanks to the political stability of Singapore.

In accordance with the purpose, the study performed the following tasks:

1. It is analyzed how the regime (authoritarian or democratic) determines high rates of economic growth. Studies show that today there is no unified position regarding the poverty of authoritarian states and the unequivocal wealth of democratic ones. However, in quantitative terms, the latter prevail. Singapore is an example of an exception.

2. The characteristic features of the political stability of the considered Singapore have been determined:

– effective political leadership;
– political programs and strategies aimed at achieving long-term results;
– social consolidation.

3. The influence of political stability on the development of the state is described. Singapore still demonstrates staggering economic growth rates and one of the best living standards in the world, traditionally ranking in the top ten in terms of GDP per capita.

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