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Institutions, Economic Reform, and Democratic Consolidation in Mauritius

Deborah Bräutigam

With more than fifty countries having made transitions to democracy between 1986 and 1996, the dilemmas of democratic consolidation loom as the next challenge for policymakers and scholars. Although political scientists have devoted increasing attention to democratic consolidation and economic reform, our understanding of their mutual influence remains relatively limited.¹ As one recent study noted, "if success means resuming growth under democratic conditions, the evidence for successful recipes turns out to be much thinner than for disasters."² This article analyzes the experience of Mauritius, one of sub-Saharan Africa’s few fully consolidated democracies that is also notable for three periods of successful stabilization and adjustment. Nicknamed by the media “Africa’s little tiger, “ Mauritius is a small, ethnically heterogeneous island nation located four hundred miles off the coast of Madagascar. During the difficult 1980s it implemented stabilization and liberalization policies that bolstered export-led growth while maintaining comprehensive social services, improving income distribution, and raising GNP per capita to $3150, almost eight times the $460 average for sub-Saharan Africa.³

In consolidated democracies, as Juan Linz and Alfred Stepan put it, democratic processes are “the only game in town.”⁴ Elections are not always won by the same party; conflicts are habitually resolved within the rules and institutions of the regime; the rule of law protects the freedoms of civil society; and democratic practices are “deeply internalized” in the expectations of citizens and rulers and in the workings of society.⁵ The literature on democratic consolidation and economic reform suggests that four institutional variables—rules of representation, rules governing public-private relations, rules structuring distribution and social policy, and rules governing economic policymaking power—explain much of the variance in countries’ abilities to achieve both democratic consolidation and economic reform. This paper agrees that Mauritius’s democracy was marked by particular institutional features that underpinned the inclusion of the major social actors (including ethnic groups) in the reform coalition, enabling democratic consolidation to proceed along with economic reforms. In part because of these features, successive governments were able and willing to use side payments to compensate losers, reward cooperation, and maintain reform coalitions. However, the institutional structuring of political conflicts in Mauritius is only part of the explanation. We also need to know why and how particular institutions were chosen and why political actors in
Mauritius agreed to abide by the rules they crafted when similar rules in so many other African countries were suspended. While interests play a role, these choices can not be understood purely as a function of interests; increasingly, research has had to acknowledge the independent role of ideas and ideology. Shared ideology can shape peoples’ perceptions of their interests, increase trust, cooperation, and social capital, ease difficult economic policy reforms and help overcome collective action and distributive dilemmas. Two major ideas present at independence shaped the path of democratic consolidation and economic reform in Mauritius, Fabian socialism and export-led growth as a development model. Reinforced through favorable trading relationships with the OECD countries and linkages formed with businesses in Hong Kong and other newly industrializing Asian countries, the ideas held by Mauritian elites supported the development of export-led growth with equity, underpinning the broadly shared normative consensus on democracy.

Explaining Democratic Consolidation and Economic Reform

Although many believe that democracies have greater problems in implementing painful reforms than authoritarian regimes, evidence has accumulated that both new and established democracies are in fact capable of effective stabilization and adjustment. Nonetheless, difficult economic reforms are indeed fraught with risks for standing governments. In the summer of 1994, for example, the democratic government of another of Africa’s longest surviving democracies, Gambia, fell to a military coup sparked by economic difficulties. Such experiences have prompted caution among scholars and analysts. In fact, a recent review article called the literature on democratic consolidation considerably “more pessimistic than the literature on transitions.” What factors explain why some countries are able to meet the “double challenge” of resuming growth and consolidating new democracies?

The pioneering work on these issues tends to focus on domestic variables, in particular, on institutions and the way institutions structure solutions to the problems of collective action and distribution accompanying reform. It has suggested some hypotheses and raised many questions about the interactions among institutions, economic factors, and democratic consolidation, including the impact of initial institutional arrangements on later options, the degree to which economic policymaking needs to be insulated from legislative influence and the impact such insulation might have on consolidating new democracies, the relationship among social policy, economic reform, and democratic consolidation, and the design and management of economic and political institutions that link state and society.

Rules of Representation Many scholars hold that institutional choices made at the time of transition affect both the consolidation of democracy and later efforts at
economic management. Perhaps the best known is the establishment of the rules of representation, such as parliamentary versus presidential systems, proportional representation, consociational arrangements, and minimum vote threshold. Rules that allow conflict to be contained without polarization or fragmentation help democracies to consolidate without imploding under the pressures of economic transitions. Haggard and Kaufman’s research suggests that broad-based, two party systems, consociational systems, and multiparty systems dominated by either center-left or center-right coalitions are more likely to manage these pressures well.11 The rules that structure party systems can emerge from bargains and compromise, or they can be imposed by the more powerful actors. These political conditions, too, will likely shape later prospects for democratic consolidation.12

Technocracies and Democracies One of the strongest conclusions of recent research on policy reform is that successful reform requires the empowerment of technocrats and insulated decision making.13 Stabilization and adjustment are likely to require institutional innovations that shift power to technocrats and the executive branch of government, frequently short-circuiting the legislature.14 However, others warn that by their very nature technocracies directly undermine democracies. Rather than insulate policy from the demands of legislatures, reforms will be sustainable politically only if they are carried out in a democratic manner, even if the resulting package is more costly or less (economically) rational.15 Some research suggests that initial “stroke of the pen” stabilization decisions (interest rates or exchange rate decisions, for example) should be set by insulated agencies but that adjustment policies (privatization, trade liberalization, deficit reduction, and taxation reform) need to be subject to legislative or popular influence. However, the latter group of policies also affects stability through their impact on the balance of payments and the government’s fiscal position, and it is difficult to see just where the line should be drawn to benefit both the reforms and the democracy.

Social Policy, Distribution, and Democracy Some research suggests that the consolidation of democracies depends in part on their choice of distributive outcomes, the balance between winners and losers.16 Democratic leaders such as those in India and Costa Rica, who traditionally used social spending to address citizens’ demands, are able both to legitimize their democracies and distribute costs of reform more equitably.17 In addition, countries with more equal income distribution seem to be able to solve collective action problems associated with reform more easily.18

Little agreement exists on which social policies and what circumstances are most useful in fostering democratic consolidation. Bresser Pereira, Maravall, and Przeworski argue that in order to strengthen both democracy and the economy governments must guarantee a minimum income to all “whose subsistence is threatened by the reforms,” before beginning stabilization or adjustment.19 Other research sug-
gests that only some losers need to be compensated. To what extent and in what conditions do the consolidation of democracy and the sustainability of economic reform depend on the institutionalization of safety nets and social welfare policies?

Public-Private Linkages  In the design and management of institutions linking government, business, and labor, institutions that link the state with private sector groups can help overcome collective action dilemmas that accompany stabilization and adjustment. Haggard and Kaufman suggest that concertation is best served by small numbers of internally cohesive actors but are pessimistic about the prospects of even limited democratic corporatism in developing countries. An alternative to formal corporatism is tripartite councils of business, labor, and government that require negotiations over wage levels and other economic policies. However, they can also be unrepresentative, leaving large portions of the population outside and weakening democracies. Coalitions also link actors in the state with private sector groups, and the ability of governments to compensate losers and to reward and punish coalition partners may be an important explanatory variable marking successful economic reforms under democratic conditions. For example, Waterbury attributes much of Turkey’s successful combination of export-led growth and democratic transition to the side payments the government made to keep the “minimal winning coalition” together. Which sets of rules work better for inclusion, linkage and concertation, and coalition maintenance, and under what conditions?

Thus, four institutional features might explain the disparate ability of countries to manage the “double challenge” of democratic consolidation and the resumption of economic growth: rules of representation (party systems, consociationalism, electoral regulations); rules governing the distribution of economic policymaking power among technocrats, the executive, and the legislature; rules structuring distribution and social policy; and rules structuring relations among government, business, and labor.


Mauritius had no inhabitants when it was discovered by the Dutch. Colonized later by the French, then taken over by the British, the island became home to a number of ethnic groups, primarily South Asians (Hindu and Muslim, 52 and 16 percent, respectively), Creoles of African ancestry (27 percent), Chinese (3 percent), and Franco-Mauritians of European ancestry (2 percent). It currently has 1.1 million inhabitants. Poor and dependent on sugar cane exports thirty years ago, Mauritius has become a striking anomaly in Africa. By the mid 1990s its income distribution was on a par with the highly equitable newly industrializing East Asian countries;
unemployment was below 2 percent; the government deficit was only 2.2 percent of GDP; and average annual growth rates topped 6 percent for almost four decades while the rest of Africa stagnated. Mauritius exported light bulbs to Zimbabwe, anthurium to Europe, handmade model ships to Japan, and knitwear to countries around the world. Although it has adhered to democratic practices since independence (with a brief exception, discussed below), economic reforms clustered during the initial stabilization associated with independence (1968–1975), the economic crisis, stabilization, and vigorous structural adjustment of the late 1970s and early 1980s (1976–1983), and the period of sectoral adjustment and continued liberalization from 1984 to the present. During the first two of these periods, democratic practices were challenged by economic and political turbulence.

Stabilization and Adjustment in the New Democracy, 1968–1975 At independence in 1968 Mauritius had a primary commodity export economy, dependent upon plantation cultivation of sugar. Its population was growing at over 4 percent per year, unemployment was high, and GDP fell that year by 7 percent due to a drop in sugar export receipts. Riots between Creoles and Muslims after the 1967 parliamentary elections heightened the fears held by many that communal violence would tear the new nation apart. The coalition government that took power in 1967 was led by the Mauritian Labor Party (MLP), based on the largely Hindu plantation workers and small-scale sugar farmers, and included two smaller parties, one appealing primarily to Muslim and the other to Hindu voters. The Parti Mauricien Social Démocrate (PMSD), made up largely of European planters and Creole voters frightened by the prospect of Indo-Mauritian domination, also won approximately a third of the legislative seats.

With the memory of communal riots during the election period still fresh, the government nevertheless acted decisively to stabilize the economy by imposing a public sector wage freeze and increasing government-controlled transport fares. In an additional effort to increase employment for the predominantly young population, the new government decided to supplement the colonial emphasis on commodity exports and import substitution industrialization with a new focus on manufactured exports. The Export Processing Zones (EPZ) Act of 1970 provided incentives that directed entrepreneurial energies on the island into manufacturing export-led growth. Between 1971 and 1975 EPZ exports grew at 31 percent per annum, and EPZ employment expanded by 38 percent.

These reforms were implemented despite the apparent chaos in the new democratic government. After taking office, the ruling coalition disagreed so bitterly over personal and policy issues that it rapidly came apart, and the MLP invited the conservative PMSD into the government. Within a year, both parties confronted the rapid rise of a new party, the radical Mouvement Militant Mauricien (MMM), founded as a nonsectarian, class-based alternative to the communal politics of the MLP.
and the PMSD. Quickly gaining the support of many urban and some sugar sector unions, the MMM won a stunning victory in a major by-election in 1969. The government was so alarmed that it postponed the 1972 elections, imposed a state of emergency, temporarily arrested MMM leaders, and banned many of the unions. Nevertheless, the MMM pushed the government toward extending a safety net to the rural and urban poor by subsidizing rice and wheat flour (beginning in 1973–74) and giving fertilizer subsidies to the small-scale Hindu sugar producers, a major constituency. To bolster its support among the disaffected youth, the government also announced a policy of free secondary education, simultaneously lowering the voting age to eighteen. In spite of the threat the postponement of elections in 1972 posed to the consolidation of Mauritius’s young democracy, the 1976 elections were held as scheduled. The MMM won the most seats but not a majority. The MLP again put together a coalition government with the conservative PMSD.

**Second Economic Crisis, Stabilization, and Adjustment, 1976–1983** After the 1976 election the economy began to slide toward crisis again. The sharp rise in oil imports in 1973–74 combined with poor harvests in the mid 1970s depressed earnings in the important sugar sector and led to a sharp deterioration in the balance of payments. Under continued pressure from the MMM and with its own, more moderate Fabian socialist beliefs, the MLP supported significant wage increases, and spending on social welfare services increased more than 500 percent between 1972 and 1979. An increasingly overvalued exchange rate and higher wages contributed to a sharp drop in the rate of growth of exports from the EPZ towards the end of the decade, and new investment stagnated. Unemployment rose to 20 percent.

In 1978 the government approached the IMF for standby financing but backed off after social protests against the first few attempts to comply with targets demanded by the IMF. By 1979 the government deficit reached 13 percent of GDP, and foreign debt rose to US$226 million from US$33 million in 1972. The government again approached the IMF. Beginning in 1980, Mauritius successfully adhered to stabilization policies through a series of IMF standby agreements and World Bank structural adjustment programs. Between 1980 and 1986, for example, despite inflation, wage hikes were held to approximately 60 percent of the rise in the consumer price index, a regressive value-added sales tax of 5 percent was implemented, food subsidies were reduced (but not eliminated), many price controls were lifted, and education and welfare benefits were curbed.

The austerity policies were hugely unpopular. As 1982 began, devaluation of the rupee and the lifting of price controls pushed inflation over 30 percent, the economy was in recession, and unemployment hovered at 21 percent. Yet inflation, the budget deficit, and the current account deficit all began to fall in 1982, although unemployment remained high for several more years. Despite the political instability that accompanied the austerity and adjustment program, a succession of governments
kept to the targets of five consecutive IMF standby arrangements and two consecutive World Bank structural adjustment programs.

The political handling of the second round of crisis and stabilization reflected in part the greater maturity and accumulated learning of a democratic government in its second decade. The devaluation of 1979 sparked a brief general strike, led by the MMM. The government reacted initially with repression, but soon reversed course and began to negotiate with the opposition.

Discontent built up in the population, however, and by the June 1982 election Mauritians were ready for change. The MMM had worked hard to moderate its radical image and campaigned on a social democratic platform emphasizing redistribution, tax reform, and greater government control over the economy. Twenty-two parties contested the 1982 elections, but voters gave all sixty seats and a majority of votes to the MMM and its coalition partners. With Sir Anerood Jugnauth (a Hindu) as prime minister, and MMM founder Paul Bérenger (Franco-Mauritian) as finance minister, the MMM and its left-of-center coalition took office. After surveying the situation, Bérenger reluctantly decided that the government had no choice but to keep to the targets of the IMF/World Bank-funded stabilization program. Unemployment rose to 30 percent when the MMM trimmed the government work force. Yet this adherence to economic orthodoxy enraged many within the MMM. Beset by defections from the coalition, the MMM finally split. Bérenger and two-thirds of the MMM ministers resigned while Sir Anerood formed a new, pragmatic left-of-center party, the Mouvement Socialiste Mauricien (MSM), to lead the government. New elections were called in August 1983. The MSM joined with the MLP and the PMSD in a coalition called the Alliance, running against the MMM, and won two-thirds of the legislative seats, although actual votes were almost evenly divided. During this difficult time both governments managed to avoid the heavy-handed repression that had characterized immediate postindependence politics.

Export-Led Growth and Adjustment, 1984–Present  Boosted by the recovery of sugar prices and the sustained take-off of export manufacturing, Mauritius entered the boom years of the past decade. The government continued to tread carefully between popular demands (vocalized by the MMM in opposition) and the requirements of stabilization and adjustment. During the long years of austerity, governments had negotiated annual wage increases that were generally below the cost of inflation. In July 1987 the government’s Pay Research Bureau recommended an average salary increase of 30 percent for public servants. Subsequently, the turnout for the 1987 elections was 90 percent. The Alliance remained in power with a two-thirds majority of seats, even though the vote was again very close. The government was able to use its majority to pass additional public sector wage increases in September 1988 that brought the total average increase to 60 percent. It also implemented a more expansive expenditure policy, making university education free of
charge (although entry remained highly competitive). At the same time, adjustment went forward with the passage of the Sugar Industry Efficiency Act of 1988, the replacement of quotas with tariffs, and some liberalization of the financial sector and the exchange rate.

Between 1988 and 1991 higher wages, higher food crop prices, and higher oil prices due to the Gulf crisis led to renewed inflation, but through a somewhat heterodox approach combining price controls and tightened monetary policy the government succeeded in taming inflation by 1991. Elections were held in September 1991 and won by a surprise coalition between Sir Anerood’s MSM and the party he had earlier abandoned, the MMM. In 1992 growth turned up again, new EPZ firms were established, and exports rose 25 percent.\(^{30}\) Elections were held again in December 1995, and Sir Anerood’s Alliance coalition was finally defeated when Sir Anerood’s attempt to raise support from the Hindu majority by promoting the ethnically charged issue of official status for Asian languages backfired with the electorate. The MMM deserted the MSM to join a broad-based left-of-center coalition with the Mauritius Labor Party, which won 63.7 percent of the votes and captured all sixty directly elected national assembly seats.\(^{11}\) While political issues have remained contentious, the main issues are similar to those that trouble many middle and high income countries: social security and pension solvency, illegal drugs, and accusations of political corruption.

### Explaining Democratic Consolidation and Economic Reform in Mauritius

The past fifteen years have served to consolidate the Mauritian model of stable, democratic, export-led growth. The country has shifted from a highly protected economic regime that relied overwhelmingly on sugar for both employment and revenues to an increasingly liberalized export powerhouse patterned closely along the lines of the newly industrializing East Asian countries. Mauritius has experienced six democratic elections and two peaceful changes of leadership. We can consider the democracy firmly consolidated. How was Mauritius able to consolidate its democracy while implementing a series of difficult economic reforms?

### Rules of Representation: Structure of the Party System

Political relationships in Mauritius are governed by complex rules that have nevertheless maintained stability in a context of centrifugal tendencies. The British bequeathed a Westminster-type parliamentary democracy to Mauritius, with a long tutelage period, similar to India and Ceylon (Sri Lanka). Under a highly restricted franchise, the first elections took place in 1885, involving mostly the French and Creole propertied classes; Indo-Mauritians did not win seats in parliament until 1926. The Mauritius Labor Party (MLP) was established in 1936, and all literate, adult males were given the vote in
1947, with universal suffrage adopted in 1959. By independence in 1968 much of the male electorate had had almost a generation of experience in the forms of democracy.

The series of electoral commissions that established the country’s electoral system were careful to avoid democratic structures that might exacerbate the country’s ethnic divisions. For instance, single member constituencies were considered but dropped when it was realized that Hindus would be overrepresented. Likewise, the Muslim community pressed for a consociational system of separate voter rolls with a certain number of seats held for each community, but this idea was also abandoned as planners were concerned with promoting national unity, not preserving existing divisions. Thus, the parliamentary system in Mauritius was deliberately structured in a modified consociational fashion, with a nod to ever present ethnic concerns. The system contained twenty districts with three members from each district and an additional two from the island of Rodriguez. Eight additional seats were allocated to “best losers” in order to ensure representation from all the country’s major ethnic groups. The eight allocated seats also make it more difficult for one party to gain a majority of seats through votes alone, since more than 10 percent of seats are reserved. They thus encourage parties to run in coalitions. Members are elected through first-(three)-past-the-post rules which impede fragmentation, even though with low entry barriers numerous parties put up candidates and have a chance as “best losers.” Finally, as in Japan, the system tends to give somewhat disproportionate power to rural districts with lower populations than urban districts.

In many ways, Mauritius fits Haggard and Kaufman’s hypothesis that consociational and multiparty systems governed by center-left or center-right coalitions are best able to contain the pressures of economic transitions. Yet the make-up of the coalitions (which in Mauritius have sometimes been hard to identify as center-left or center-right) may be less important than the fact that the system forces coalitions to be built on a regular basis. The extraordinary ability of Mauritian political parties and ethnic groups to forge a consensus and build coalition governments has its roots in necessity. All governments since independence have been coalitions of parties. Only once has a party (the MMM) secured a majority of seats by itself, but because it had applied to the electoral commission to run under a coalition arrangement with another party, it was obliged to form a coalition government. By making consensus necessary, the rules of the party system steered both left and right away from extreme positions on economic policy, which helped both to manage economic reform and to consolidate the democratic system.

**Rules Governing the Distribution of Economic Policymaking Power** Delegating economic decision-making power to insulated agencies is one way to solve problems of collective action and distribution because it reinforces economic reform and keeps democracies on track. Yet, in general, policymakers in Mauritius were sur-
prizingly uninsulated, suggesting that democratic consolidation is compatible with different economic policies and different phases of policy implementation. Mauritius did experience a brief authoritarian period in its initial stabilization efforts in the early 1970s. The early attempt to implement austerity policies provoked considerable public unrest and led the new democratic government to repress the more radical parties, media, and unions and to postpone the 1972 elections. Yet the initial suspension of democracy was never repeated, and policy decisions in Mauritius remain hotly debated among all political parties and the lively local press.

Nevertheless, some parts of the economic bureaucracy are insulated in Mauritius. In 1976, not long after the initial stabilization efforts, the government established an independent central bank that has generally followed a conservative path in setting interest rates and monetary policy. In addition, in 1981 parliament passed legislation giving the finance minister the sole authority to contract new loans, although this measure was intended more to centralize control over government debt obligations than to insulate policymakers. Mauritius did not rely on decrees and technocratic “change teams.” In fact, as the country struggled with its most severe economic difficulties in the early 1980s, policymaking became at times exceptionally open. For example, in 1983 the new minister of finance took the unprecedented step of publishing his letters to the IMF and the World Bank outlining their agreements with the government. As even the World Bank noted, in Mauritius “many economic policies are decided by polling and party alignment, rather than by technocratic professional work.”

In this regard, state capacity may be a more important explanatory variable than autonomy. The Mauritian government has made particular efforts to build up its institutional capacity, particularly in support of export-oriented industrialization. Early in the implementation of the EPZ technical assistance projects and high sugar prices financed the institutional strengthening of the ministry of commerce and industry. In the early 1970s foreign consultants trained Mauritians to staff new bureaus of project evaluation, export marketing, investment promotion, and monitoring and enabled the government to establish an export insurance program and an intensive promotional campaign. Mauritius also hired capacity when necessary, particularly in the late 1970s as the initial, export-led growth reforms were under way. By 1992 the World Bank attributed the successful foundations of Mauritius’s economic recovery and the renewed health of its export-led growth strategy in part to stronger institutional capacity. The focus on capacity without much autonomy suggests that openness in policymaking can coexist with policies that promote growth and equity.

Rules Structuring the Management of Public-Private Relations Although Mauritius can not be described as corporatist, institutional mechanisms ensure that labor, business, and government meet periodically to negotiate wage rates and other
key economic parameters. The Mauritius Employers’ Federation (MEF), a peak association for industry and commerce, represents business interests on the island, as does the Mauritius Tax Payers’ Association. Exporters are also organized in the Mauritius Export Processing Zone Association (MEPZA), which the government recently invited to become “an actual collaborator with government in policy making.” The first formal unions were established after the passing of the Industrial Association Ordinance in 1938; sugar plantation workers were the first to organize. By the mid 1990s labor was represented in a half dozen different federations, including the Federation of Civil Service Unions, the Mauritius Labour Congress, and the General Workers Federation. Over time, institutional innovations served to shape labor-government interactions in distinctive ways that gave labor a voice (more precisely, several voices) while impeding the development of a strong labor movement.

In this regard, the most important institution was probably the Industrial Relations Act of 1973, passed by an MLP-PMSD government alarmed by the rise of the radical MMM with its urban union support. The act sharply lowered barriers to forming trade unions, allowing unions to be formed by groups of seven workers. The immediate result was a proliferation of unions, from eighty-nine in 1974 to 283 in 1979 and 365 in 1984. Arbitration became compulsory, and strikes were legal only if the tribunal agreed that arbitration had failed.

Other institutions supporting dialogue with labor include a tripartite committee, which has met since the early 1970s to negotiate and establish recommendations on annual cost of living adjustments in wage rates, the Pay Research Bureau, and the National Remuneration Board, which establishes minimum wage scales annually for most categories of blue collar work. Although unions are legal in the EPZs, organizing the bonded factories is difficult due in part to their scattered locations around the island. By the early 1990s as few as ten percent of EPZ workers belonged to unions, although some three-quarters of agricultural workers remained unionized.

Rules governing the relations between labor and the government are complex and reflect the ambivalence of government concern with urban labor and unemployed youth as potentially destabilizing forces and the various linkages established between political parties and unions. The MLP’s early power base was in the rural areas, and its ties to rural workers’ organizations blunted the power of the agrarian elites after independence. Some sugar workers’ unions became affiliate members of the MLP. The MMM with its urban power base is closely tied to the General Workers Federation (GWF); MMM founder Paul Bérenger is the general secretary of the GWF. These multiple party linkages make for some inconsistencies in support of labor interests. Sugar workers, for example, an important coalition partner of the MLP, were highly protected. In contrast, while the Mauritius Labor Party governed Mauritius, EPZ workers were offered only minimal protections, and the MLP resisted applying statutory minimum wages to the EPZ.

How do the rules governing public-private relations affect democratic consolida-
tion and growth? Democratic consolidation requires institutionalized channels for "voice" by both labor and business. Growth requires political stability, the predictability that regularized bargaining over wages and other policies permits, and the regular exchange of information between the state and the private sector. While as a democracy the state is not very autonomous in Mauritius, the institutions structuring private-public relations offer labor and business formal opportunities to engage in dialogue with government over matters of concern to them and to shape some aspects of policy. This dialogue has supported democracy, and it has also apparently supported growth. While democratic corporatism would have required greater internal cohesion and stronger, disciplined peak associations, the weaker institutions in Mauritius have not impeded tripartite agreement on policies that restrained wages and tightened credit during austerity periods, enabling the government to adjust more rapidly than other African countries to external shocks and high levels of debt while keeping coalitions together through judicious use of side payments to the most vocal losers.

Rules Structuring Distribution and Social Policy The idea of social harmony in diversity is broadly shared among Mauritians, and they have come to expect that governments will use their time in office not only to promote growth but also to build social equity, create employment, and improve the standard of living of those at lower income levels. Social services are an important payoff to the large Indo-Mauritian community, and as in the European social democratic tradition the provision of a minimum of social insurance has made the more open, trade-dependent economic model of Mauritius sustainable despite the labor flexibility required by openness.45 Social services have largely been financed by an efficient system of progressive taxes on sugar exports that captures a portion of the higher prices Mauritian sugar enjoys under the Sugar Protocol of the Lomé Convention. These taxes landed most heavily on the small number of large-scale, primarily Franco-Mauritian planters and more lightly (or not at all) on the many small Hindu planters, but planters retain enough of the benefit of higher sugar prices negotiated under Lomé to ensure their cooperation with the high level of benefits they are required to provide to sugar workers.46 Other social policies are broad in scope and include some price controls, subsidies on basic food staples, old age social security (OASS) benefits, and subsidized housing loans for low income households. Wage levels in the public sector explicitly promote ideas of equity: the after-tax earnings at the highest levels are kept at a maximum of 6.5 times the lowest salary levels.

Because Mauritians governed in democratic coalitions, ruling coalitions needed to offer side payments to supporters of coalition partners who might defect, and this need affected developments over the long term. As the EPZ scheme began in the early 1970s, the government had to contend with the opposition of the Franco-Mauritian planters, who (probably correctly) thought that the zone would eventual-
ly raise the wages of sugar workers through competition, leading to higher labor costs for them. However, the government responded by encouraging plantation owners to join the export zones rather than fight them. At first encouragement was indirect through high export taxes on sugar for large planters, which gave incentives to planters (PMSD supporters) to sell off land to their tenants (Labour Party supporters) or to establish bonded export factories on their land. Later, during the stabilization and adjustment of the early 1980s, the Mauritian Development Bank was directed to assist the government to "democratize" the economy by offering $18 million in unsecured small business loans to unemployed Mauritians (particularly graduates) who wished to establish small EPZ firms.\(^{47}\) This program accounts in part for the fact that half of the EPZ firms are owned by local people. In addition, the choice to institutionalize the EPZ as a system of bonded factories that could be located anywhere on the island was politically popular, permitting broad-based, widespread local participation by capital and labor, providing employment close to peoples' homes, and avoiding the enclave development that leads to dualism.

Keeping coalitions together necessitated compensatory mechanisms, and the pattern of side payments to coalition partners first used in the postindependence stabilization became institutionalized in later years. One example comes from the legislative battles to overcome the collective action problems posed by the need to increase efficiency in the sugar sector. The Sugar Industry Efficiency Act was passed in 1988 after heated bargaining in parliament and among the government, employers' organizations, and unions in the sugar industry. The MSM-MLP coalition pushed through continued protection for rural workers, an important constituency, continuing the thrust of the earlier Security of Employment (Sugar Industry) Act of 1966. At the same time, however, large employers (supported by coalition partner PMSD) gained because the act made it easier for employers to reduce employment through attrition, removed duties from agriculture machinery, lowered export taxes, and made low interest loans available for mechanization. Small-scale planters (in general, MLP supporters) were exempted from export taxes altogether and given assistance to diversify from sugar into exports of tea, cut flowers, and other agricultural products.

Although in times of economic crisis the government cut spending and reduced or eliminated some subsidies, shifting much of the burden to labor, it was always able to maintain the most visible social subsidies on flour and rice. It increased free education to include first secondary and later university education, while keeping entry barriers high and thus overall costs more affordable.\(^{48}\) And although under the first stage of structural adjustment many price controls were reduced or eliminated, the Alliance government fought inflation in the early 1990s in a modified heterodox fashion by temporarily reimposing price controls or limits on distribution markups for a wide variety of imported and local products, including bread, frozen chicken, and school textbooks. In its maintenance of subsidies and guaranteed family allot-
ments for rice and flour, the government comes close to guaranteeing a minimum income to its citizens, as Bresser Pereira, Maravall, and Przeworski advocate. Successive governments gave consistent support to broad groups of disadvantaged people, particularly rural sugar workers. Targeted side payments to other groups — small-scale farmers, unemployed school leavers, disgruntled plantation owners, displaced government workers — ensured social peace while directing their energies in directions that promoted growth-oriented industrialization.

**Ideology and Institutions** Two sets of ideas already present at independence — Fabian democratic socialism and an East Asian-style development model — serve as constraints on political actors. Sir Ramgoolum, head of the Mauritius Labor Party and prime minister from independence until June 1982, was (along with the rest of the MLP leadership) a self-confessed Fabian socialist, and this shared ideological commitment to social democracy sets the boundaries within which party-based bargaining shapes the details.\(^{49}\) As one leader commented in 1990: “Most of us in the government have a central-leftist political training, so we can’t talk about liberalization in the Thatcherite way.”\(^{50}\) The government’s refusal, despite external pressures, to remove food subsidies completely during the economic crisis of the late 1970s and early 1980s can be attributed in part to political calculations, but it is also partly due to the broadly shared concern with social welfare. Commitment to social welfare during the adjustment period helped Gini coefficients to improve from .50 (in 1965) to .37 (1987).\(^{51}\) Yet unlike other former British colonies which were also influenced by Fabian ideas of social justice and dirigiste governments, Mauritius combined these concerns with an East Asian, not South Asian, development model, emphasizing manufactured export-led growth.

The East Asian model of labor-intensive, export-oriented industrialization was proposed initially by prominent Sino-Mauritian Sir E. Lim Fat, who also provided the contacts with Hong Kong and other East Asian investors who came to dominate foreign investment in the EPZs.\(^{52}\) The reunification of Hong Kong with the People’s Republic of China in 1997 and import quota restrictions in Hong Kong’s traditional markets spurred interest among East Asian industrialists in Mauritius. Although the majority of firms in the EPZ are owned by Mauritians, who have invested 45 percent of all EPZ capital, Hong Kong investors come in a close second with 27 percent of EPZ firms and 52 percent of EPZ exports.\(^{53}\) Hong Kong investors also brought ideas that stimulated domestic investment.\(^{54}\) These ideas merged well with the island’s accumulation of human capital, its healthy, literate population, to provide the basis for export-led industrialization.

Because the government was convinced early on that export-led growth based on manufacturing was the most viable strategy to increase employment and meet the demands of their most vocal constituents without directly attacking the base of privilege of their most powerful constituents, the government tended to intervene with
this strategy in mind. The idea of export-led growth was effectively institutionalized
in the EPZ and its supporting legislation in 1970. Creating an alternative channel for
accumulation in the EPZ ensured that economic reforms were not a zero-sum game
for the sugar barons. Import-substitution industrialists were also given incentives to
establish bonded factories for export production. Finally, the strategy was in fact
home-grown, not imposed on the country by outside experts, and enjoyed a broad
consensus among Mauritians.

Conclusion

Democracy in Mauritius successfully survived several painful stabilization and
adjustment episodes and a transition to export-oriented industrialization. It balanced
distributive demands and growth requirements to achieve an average 7 percent
growth rate with increased equity over the decade of the 1980s. Institutional vari-
ables partly explain democratic consolidation and adjustment in Mauritius. First, the
multiparty system allowed modified consociationalism and promoted the building of
moderate coalitions, thus impeding fragmentation and polarization. Second, autono-
my plays a small role in the rules governing the distribution of economic policy-
making power, and democracy may therefore be compatible with a range of more
open approaches to policymaking. The initial stabilization in the early 1970s was
marked by repression. However, later stabilization conflicts, though provoking heat-
ed rhetorical battles, ultimately were resolved in a remarkably consensual manner
with little reference to autonomous agencies (aside from the central bank) or tech-
nocratic “change teams.” In Mauritius, state capacity is more important than auton-
omy in explaining the ability of successive governments to implement growth-pro-
moting reforms. Third, the government has established a number of inclusionary institutions
that bring labor and business together with government to decide on some of the key
economic parameters of the country, but government keeps the upper hand in these
negotiations and balances the interests of its main constituency, rural workers,
against those of the small agrarian oligarchy and the less well organized manufac-
turers and factory workers. Finally, informal rules governing the use of side pay-
ments and other compensatory coalition maintenance tactics are important in
explaining the ability of the government to maintain support while implementing
difficult reforms.

Explanations for successful democratic consolidation and economic reform that
focus on the state and its institutions or on society and its demands still leave impor-
tant questions unanswered. One of these questions is the role of shared ideas that
shape a country’s development model. Mauritian leaders undoubtedly learned the
idea of social democracy during their colonial socialization. They maintained their
commitment to democratic socialism through the twenty-five years of independence when, almost without exception, other democratic regimes in Africa fell to military dictatorships or became one party states. Almost simultaneously with independence, international contacts reinforced the idea of export-led industrialization as a development strategy, while the concerns of Hong Kong investors, the sugar protocol of the Lomé Convention, and other critical linkages eased the transition and consolidation of export-led growth. These ideas were critical in the consolidation of Mauritius’s successful economic policies, which in turn may have been critical in the consolidation of democracy in Mauritius.

NOTES


5. Ibid, p. 16.
8. For a summary of this literature, see Marc Lindenberg and Shantayanan Devarajan, “Prescribing Strong Economic Medicine: Revisiting the Myths about Structural Adjustment, Democracy, and Economic Performance in Developing Countries,” Comparative Politics, 26 (January 1993), 169–82.
27. “Learning” is also important in explaining different experiences with democratic transition and presumably, consolidation. See Nancy Bermeo, “Rethinking Regime Change,” Comparative Politics, 22 (April 1990), 361.
28. “The government briefly arrested major strike leaders, but through a process of dialogue and modest accommodation, the government slowly addressed workers’ concerns about wages and other issues and the strike dissipated.” Bowman, p. 78.
29. World Bank, Mauritius: Managing Success, p. 68.
33. This discussion draws on Bowman, pp. 31–40; and Simmons, pp. 71–189.
34. Interview, the World Bank, Washington, D.C., June 18, 1996. See also Gulhati and Nallari, p. 50.
36. Gulhati and Nallari, p. 36.
39. Gulhati and Nallari, p. 36.
42. Gulhati and Nallari, p. 35; World Bank, Mauritius: Managing Success, p. 64.
43. Showkutally Soodhun, “En insulant Imrith, c’est toute la classe syndicale que Bërenger insulte” (April 1, 1996), p. 8; Bowman, p. 111.
45. Lange and Garrett.
47. Bowman, p. 128.
49. Rowman, p. 69.
52. Bowman, p. 127; Roberts, p. 108.