Democracy, Authoritarianism and the Inflow of Foreign Direct Investments: A Critical Examination of a Debate and its Associated Consequences for Social Science Research

Sri Lanka Journal of Social Sciences and Humanities
Volume 2 Issue 2, August 2022: 1-8
ISSN: 2773 692X (Online), 2773 6911 (Print)

Published by Faculty of Social Sciences and Languages, Sabaragamuwa University of Sri Lanka
Website: https://www.sab.ac.lk/sljssh
DOI: http://doi.org/10.4038/sljssh.v2i2.66
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Received: 11 October, 2021, **Revised:** 30 March, 2022, **Accepted:** 04 June, 2022.
How to Cite this Article: Salami, A.T. (2022). Democracy, authoritarianism and the inflow of foreign direct Investments: A critical examination of a debate and its associated consequences for social science research. *Sri Lanka Journal of Social Sciences and Humanities, 2*(2), 1-8.

Abstract

Are debates of value to social science research? To what extent has the debate on the preconditions and determinants of foreign direct investments (FDI) helped in the understanding of the totality of the forces, factors, and processes of international capitalism? How does the knowledge of the preconditions and determinants present themselves as the knowledge of the debate on how best to attract and stimulate FDI? To what degree/extent do regimes necessarily influence and shape the determinants and preconditions of FDI attractions and stimulations? How can the research on the preconditions and determinants of FDI be designed in such a way and manner that the purpose of the scholarship is best served? What are the associated consequences of the choice and technique of the research design? The article attempts a review of the significant initiatives that give meaning to the debate on the affinities of FDI to either democracy or authoritarianism and presents the debate within the intellectual foundation stones of the understanding and grasp of international political economy. The method of data collection is qualitative and scattered in the diverse sources of information on the subject of study. The objective is to contribute meaningfully to understanding the debate and chart future research directions. The study finds out that while the debate on the subject matter is scintillating, it is, however, convoluted by three interrelated failures and shortcomings: (i) lack of clear specification of the research period, (ii) lack of detailed examination of the domestic economy of study, and (iii) lack of comparative study of the periods, which altogether compound the likelihood of in-depth knowledge and generalization, the ultimate goal of academic debates.

Keywords: Democracy. Authoritarianism. Foreign Direct Investments (FDI), Foreign Direct Investments Inflow. Foreign Direct Investments Pre-Conditions and Requirements, Democracy/Authoritarianism Divergence.

INTRODUCTION

Following the 1980 Berg Report and the injection of "political conditionalities" by the Breton Woods Institutions (BWI), in particular, the International Monetary Fund (IMF) and the World Bank (WB) in their financial relationships with the developing countries, the intellectual issue on how best to attract and stimulate Foreign Direct Investments (FDI) became subsumed within the great debate ignited by the famous Report. The Report recommended, among others, the democratization and liberalization of the totality of social networks and bonds that exist in state-society relations of countries in the Sub-Saharan region of Africa. Specifically, the Report canvassed for the introduction of reforms in the conduct and administration of public affairs, especially in the political machinery and institutions responsible for the maintenance of law and order and the provision of essential services. Prior to the release of the Report in 1980, the social space and academic arenas of the Sub-Saharan Region of Africa were filled with the idea of a 'developmental state' and the conclusion that soldiers as "modernizers" should be encouraged and supported in the extent of being saddled with responsibilities and innovations relating to the advancement of development and social progress. The emergence of the "Asian Tigers" in the global system of international production, distribution, and consumption without having to copy the "Japanese miracle" helped to develop the thesis/argument that for the Third World to develop, they must go the way of authoritarianism. Social science research became focused not only on the reasons for, and strategies of the emerging "praetorian rule", but more importantly on the attributes of praetorians that allow for rapid industrial growth and development. Social scientists, in particular political economists, consequently investigated (and still continue to investigate) the relationship between authoritarianism and economic performance.

The introduction of the policies of *glasnost* and *perestroika* following the ascension to power of Mikhail Gorbachev in 1985 in the then Soviet Union and the disintegration that eventually followed, again ignited the debate on the precon-

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ditions and determinants of FDI as a reliable source of capital for the purpose of development of the Third World. The consequent liberalization and marketization of the remnants of state-socialism in Poland, Hungary, and Romania, to name just a few, side by side with the implementation of adjustment programmes and the births of all kinds of models of democratization in the 1980s in Africa, helped to redirect and refocus the age-long debate on the appropriate path to, and requirements of, development. As the debate raged on, there was a lack of determination of both the theoretical and empirical relationships, or the validation of the assumed theoretical and empirical relationships between the "new additional ties" and/or "political conditionalities" as postulated and propounded by the BWI and their intellectual hangers-on on the one hand, and the stimulation of FDI on the other. The lack of focus on the theoretical and empirical relationships obviously reveals the fact that perhaps certain preconditions are important for FDI to be stimulated and as well attracted on a permanent basis. The emerging debate has thus assumed interesting and far-reaching dimensions in recent times, especially with the contradictory conclusions of Jensen (2003) on the one hand, Li and Resnick (2003) on the other, and the middle-of-the-road approach/finding of Choi and Samy (2008). It is important therefore that research be focused on the specific character and dynamics of the debate in such a way to build a thorough understanding of the factors, forces, and processes that regularly shape the stimulations and attractions of FDI.

LITERATURE REVIEW

The literature review of the study is here approached from the perspective of enhanced conceptual amplifications accomplished by critiquing the competitive notions on the subject matter of FDI to establish equivalencies, differences and distinctions between and among the notions as they exist in extant literature. The other section of it discusses, examines and analyzes the specific conclusions of the authors, and further determines the extent of their originalities and uniqueness within the existing plurality of knowledge and understanding in relation to the FDI debate.

Overcoming Conceptual Ambiguities: Operationalizing the Key Concepts

The concepts that need to be urgently defined include democracy, authoritarianism, foreign direct investments (FDI), foreign direct investments inflow, foreign direct investments pre-conditions and requirements, and democracy/authoritarianism divergence. The apt question is: How have these concepts been viewed and conceptualized in the article? Democracy, it is here recalled, is one that means many things to many people. It is famously defined as the "government of the people, by the people, and for the people". Popular as the definition is, there is the difficult problem of understanding what the definition meant by government, and the urge to want to know what form of governmental arrangement that is being referred to, and who the people are. Government can be despotic or kind and people can either be the selected few or the mass public. The definition introduces into political and social discourses the problematic issue of how best to quantify the *unquantifiable*, and measure the *immeasurable* especially given the fact that the "mass public" is either an expression of emotion or an expression of political activity. Government can as well be used to mean the people; particularly the voting population/ electorate. It can further be used to mean a formalized institutional arrangement/political machinery where inputs are turned into outputs. Government equally keeps changing even within the formalized institutional arrangement. Accepted that indices such as free, fair and periodic elections, free press, an independent judiciary, competitive multi-party system, and independent electoral bodies, among others, have not only been formulated and served as yardsticks of assessment, they are all, at best, world view/perspective conveying certain sense impressions about how societies are organized or ordered. Consequently, how free and fair is a "free and fair election"? The indices, without argument, collectively provide useful insights into the workings of liberal democracies all over the world. Democracy, therefore, should not be used to only describe the processes and procedures of political recruitments in which political parties and individuals compete for political power. Rather, democracy is the totality of rules, procedures, processes, practices and principles that regularly define and shape citizens' orientation to politics and competition over political and social goodies in manners that are open, transparent and accountable. It is a service/call for action in the system of allocation and distribution of governmental values which makes processes and procedures of government unique to it as sanctions become imposed when the rules, procedures and processes become violated.

Authoritarianism is used in the article to refer to a form of government characterized by: (1) the restriction of liberty, (2) the absence of parliamentary institutions, (3) tradition-oriented society, and (4) a clique exercising political power - usually military/religious leaders and bureaucrats. It is important to ask the question: To what extent can the above characteristics serve the purpose of indices or the establishment of parameters with which to measure the extent to which the exercise of political power is authoritarian? The question is critical to research, in particular a research that is oriented towards determining the degree and level to which FDI respond to the processes and practices of authoritarian rule and administration. Again, it is important to emphasize the fact that authoritarianism as a political regime or form of government is rooted in the unique forces and factors that have given rise to it in national political systems. It is finally important to stress that it is not the same thing as totalitarianism because an authoritarian regime is not necessarily tyrannical and seeks not to totally control the political life of its citizens. Authoritarianism hence becomes the exact opposite of democracy and democratic rule since its procedures and processes of government are not rooted in the established nuances of majority rule and popular participation in decision-making processes.

Foreign Direct Investments (FDI) is the totality of investments that enter a country from both private and public sources. Private sources of investments are investments being owned by global citizens in their individual capacities. They are largely portfolio investments in share capital. Public sources of investments include loans, grants and technical assistance/aid which governments either at bilateral, regional and multilateral levels made available to themselves within the web of interactions that can be technically described as state-state relations. Foreign Direct Investments Inflow (FDII) both conveys and indicate the volume, nature, character, contents, sectoral allocation, diversity and plurality of sources and movements of foreign direct investments across the countries, sub-regions and continents of the world expressed either quarterly, or periodically, or annually, whichever that is applicable, and as captured in the framework and instrumentation of representation and analysis. Foreign Direct Investments Pre-Conditions and Requirements (FDIPR) are the sum total of the factors, forces and processes of law, politics and administration, among others, that do allow for the attractions and stimulations of foreign direct investments on a regular and permanent basis usually put in place by countries. They are in specific clear terms the measures and procedures of public policies that are carefully articulated, consciously designed, institutionally enshrined in legal books and documents, advertised and made available through the broad means of media communications detailing the readiness by a country to allow for injection into its economy on regular and permanent basis inflow of foreign direct investments. Democracy/Authoritarianism Divergence (DAD) is a measure of the extent to which the remarkable differences and distinctions between democratic and authoritarian rule do allow for significant observations and results in the inflow of foreign direct investments.

Democracy/Authoritarian Debate and the Stimulation of Foreign Direct Investment: Understanding the Debate in Context and Perspective

Which has the greatest affinity to the stimulations and attractions of FDI, democracy or authoritarianism? The question has in recent times engaged the attention of scholars and treatises of different conclusions have emerged. There are two dominant intellectual dimensions to the studies and research on FDI stimulations and attractions. These dimensions, it has become important to emphasize, exist as perspectives, especially in the disciplines of economics and political science where an avalanche of materials and information sources compete for recognition. It is of importance to note further that the present study is a significant attempt to employ the perspective of political science to seek to understand the debate on FDI attractions and stimulations. The above emphasis is to underscore a point of note and as well clarify the focus of the article. Apart from the dominance of economics and political science on the academic issue of FDI attractions and stimulations, there are also the perspectives of sociology, especially following the works of Poona, Thompson and Kelly (2000), Sheen, Wong, Chuan and Fang (2000), Sen and Wheeler (1989), Blackbourn (1982), Edington (1984), Fan (1995), Forbes (1986), among others. Accepted to the utility and significance of multi-disciplinary orientation to academic study, in particular to the present effort, each perspective, it is important to note, however, directs its research attention to reflect on the character of each discipline. This no doubt confuses a lot of issues by the very fact that scholars generally encourage a form of analysis that tends to tear apart what ordinarily should have united the social sciences together. Studies were not generally directed at solving existing problems but meant to outwit one another especially in the contained logic of reasoning and in the sophistication of methodology arising there-from. One thing that continues to make social science, and by extension, social science research outstanding and unique among the class of world disciplines, it is here recalled, is its problem-solving mentality. In other words, social research is only appreciated to the extent to which it can help in solving specific societal problems through a presentation that is anchored in the principle of "systematization" with the intention of bringing about clarity through clear-cut methodological substantiation. The imperative need to make a distinction between economics and political science perspectives to the understanding of the debate on FDI is not only to keep to these requirements but to as well emphasize how the divergent disciplines of the social sciences affect the emerging treatises on FDI. This is the explanation and the reason for the existing character of scholarship on FDI studies and research, a character that only emphasizes on statistical sophistication without the concern to making the sophistication relevant to social policy needs and considerations. It has no doubt created considerable confusion which in turn has affected the age-long defining attributes of social science and social science research.

Extant literature on FDI is generally dominated by the research efforts of very distinguished economists such as Dunning (1970, 1973, 1980, 1981, 1988, among others), Caves (1996), Aharoni (1966), Barros (1994), Balasubramanyam and Sapsford (1994), Bos, Sanders and Secchi (1974), among others. Employing the framework of the "theory of firm behavior" within the greater concept of "economic rationality", these economists tried to explain why firms, in particular the MNEs, seek economic operations all over the world. Among these categories of economists, Caves (1996) stands out even though not as popular as Dunning in the citation. Appropriately titled: *Multinational Enterprise and Economic Analysis (2nd ed)*, Caves presents a highly complex explanatory analysis of the MNE as an economic organization. Employing the tools of econometrics without proper definitions, Caves presents an explanatory mode of MNE activity in the very tradition that confuses, not only because of the associated statistical elegance and theoretical sophistication but primarily because he chose to limit his understanding and conceptualization of "economic analysis" to that form of analysis that is purely academic rather than emerging from the details of daily life activities and challenges confronting MNEs in which decision-makers (investors) either regularly face or live with. In the other words, Caves (1996) approaches his subject of intellectual preoccupation from the perspective of isolationism, a perspective that fails to recognize the intertwined nature of stark, social realities. In the preface to the book, Caves (1996: xi) notes boldly and without apology that: "*Students will find these expositions terse but (one hopes) adequate when augmented by appropriate professorial arm-waving. The hard cases are the sections on general equilibrium theory in chapters 2, 5 and 7" (my emphasis).* As part of the series titled: Cambridge Survey of Economic Literature, Cave's *Multinational Enterprise and Economic Analysis (2nd ed),* from 1996 onwards, exert a serious effect on the contemporary studies and research on FDI, especially from the perspective of "economic analysis" even though he never thought it necessary to distinguish between what he meant by economic analysis and the broad understanding of economics and its science following the "methodical debate" of the 1960s in the social sciences as a whole. Part of the responsibilities of this article is to situate the character of the emerging literature on FDI stimulations and attractions within a framework of reasoning that should help to enhance the specific political science understanding of the issues and problems, especially how the understanding of the issues and problems would in turn help in the shaping of recommendations on how best FDI can be stimulated and attracted with the return to political and constitutional democracy in most of the Third World countries beginning from the 1990s.

However, before efforts will be made to reflect and or focus on the political science perspective to the problematic issue of attracting and stimulating FDI, and hence in the emerging debate, it is considered important to provide a very comprehensive examination and analysis of theoretical discourse on

FDI stimulations and attractions first, from the perspective of economics to be able to understand the debate better since the discipline of economics is much inundated with materials on FDI attractions and stimulations. The economics perspective no doubt provides the much-needed intellectual foundation stones to the understanding of the focus of the article, foundation stones that are important as well to the shaping of the arguments that will be advanced here and hereafter. Therefore, the article seeks to further theoretically explore, expatiate and elaborate on the determinants of FDI. The immediate question is: What is the nature of the explanations of these "theoretical determinants" of FDI? Before then, it is here observed that the varied intellectual explanations are embedded (depending of course on the type of explanation) in certain assumptions which are in most cases very clear and straightforward to understand. However, as they are yet to be empirically validated, they are best referred to as hypotheses and hence they remain as "hypothetical explanations". Beyond the considered need to ensure clarity in the presentation and analysis of the debate on FDI, there is also the need to stimulate further research and build on the avalanche materials on FDI attractions and stimulations. To begin with, what are the core assumptions that underline these hypotheses? To what extent have the hypothetical explanations and analyses been able to comprehensively capture the nitty-gritty of FDI inflow? And finally, of what relevance are they to the analyses of the developing countries experience? These are indeed inescapable critical questions significant for knowledge advancement, especially as the advancement relates to the problematic issue of stimulating and attracting FDI. Obadan (2004) classified these determinants into seven. They include differential returns hypothesis, size-of-market hypothesis, growth hypothesis, protectionist policies, need-for-raw materials hypothesis, investment climate and other factors.

Before a focus is made on the political science perspective, it is of importance to examine first, the arguments, points and assumptions of those who combine together the perspectives of economics with political science. In this regard, working independently, two joint works of Motta and Norman (1996) and Globerrman and Shapiro (2003) remain outstanding in literature. Putting the research question and hence the debate in clear and specific terms, Motta and Norman (1996) ask very elegantly that: "Does economic integration cause foreign direct investment? According to them: "Our primary motivation is to formulate, a more satisfactory explanation of the spectacular growth of foreign direct investment in the emerging regional blocs of Europe, North America and the Pacific Rim than is currently available" … in the tradition of recent game- theoretic models of foreign direct investment (Horstmann and Markusen 1987, Smith 1987, Rowthorn 1992, Motta 1992). However, these models are two-country models and so, for several reasons, do not allow us to investigate the effects of economic integration and the attendant global regionalism to which it is giving rise", (Ibid: 758). This does not only point to the confusion in which the perspective of economics has brought to the understanding of a more wider social science perspective to the subject of FDI determinants and the preconditions for their attractions and stimulations, it has, again, from the angle of methodological and conceptual clarification, muddled-up all the expected gains of the research. This is because, if the authors did state in clear, unambiguous terms, that the investigation is rooted in the tradition of "game-theoretic models" which to them have their inherent problems (which they knew and pointed out), the question then becomes inevitable, why the use of the same method for the purpose of data collection and analysis without provisions for adjustments that would, in turn, make the "game-theoretic models" useful for their research? The classification and categorization of the efforts of Motta and Norman (1996) as sharing both the perspective of economics and political science are as a result of the modest understanding of the idea of economic integration and the various forces and factors propelling the drive towards regionalism and regional political trappings globally. What Motta and Norman (1996) needed to have done was to allow the process of data collection and analysis to be influenced by the same framework of research accomplishment which had earlier informed the framing of the topic and research question. The only academic justification that tied the research to a political science orientation is the reference to the "regional blocs of Europe, North America and the Pacific Rim" which gave rise to the European Union (EU), North Atlantic Free Trade Association (NAFTA), and the Association of South East Asians Nations (ASEAN), which, in political science, are best referred to as territorial federal systems.

In their contributions to FDI studies using the combined perspectives of economics and political science, Globerman and Shapiro (2003: 19) examined "… the statistical importance of *governance infrastructure* as a determinant of United States foreign direct investment" (my emphasis). According to them: "… governance infrastructure comprises public institutions and policies created by governments as a framework for economic, legal and social relations" (Ibid: 20). They go further to break down the infrastructure in specific terms as"…those elements that can affect the investment decisions of multi-national corporations MNCs. A beneficial governance infrastructure might before include: an effective, impartial, and transparent legal system that protects property and individual rights; public institutions that are stable, credible and honest; and government policies that favor free and open markets". (Ibid: 20-21). Relying on Kaaufmann, Kraay and Zoido-Lobaton (1999) formulated indices of "governance infrastructure", but what Globermann and Shapiro (2003) prefer to call "meta indices" or KKZL indices, the six governance measures which included (voice, political freedom and civil liberties: political instability, terrorism and violence; the rule of law, crime, contract enforcement and property rights; the level of graft and corruption in public and private institutions; the extent of regulation and market openness, including tariffs and import controls; measures of government effectiveness and efficiency). Focusing on over one hundred and forty-three countries in the world and studied between 1995 and 1997, Globermann and Shapiro (2003) sought to know the extent to which governance infrastructures helped in stimulating FDI of the United States origin to what they described as: (as) all countries, (b) developing and (c) transition economies. For the purpose of attracting FDI, they found out that: "… improvements in governance are likely to be more important for developing and transition economies than for all countries and average". (Ibid: 36). They also found out further that: "Developing economies are the least likely to receive any positive FDI, and improvements in governance that put those countries over the minimum threshold will encourage positive FDI flows" (Ibid: 36). Finally, they found out that: "…. Countries whose legal systems originate in English Common Law attract more United States FDI, other things being equal" (Ibid: 36).

The two types of research of Motta and Norman (1996), and that of Globerman and Shapiro (2003), were no doubt based on issues of importance to a political science study of FDI. However, the impression should not be created that prior to 1996 and 2003 that there were not political science studies on FDI. Of course, there were, but the studies then were ideologically based and they, therefore, focused on the desirability or otherwise of FDI, the broad activities of MNEs, (all subsumed in the ideological hurricanes of international political economy), and without a deliberate examination of the scientific relationship between FDI and "governance infrastructure". But following the collapse of the then Union of Soviet Socialist Republic (USSR), the revolution of the "democratic waves" in both Africa and Eastern Europe, the rise of leaders (military and civilian) imbued with nationalist spirits, the development agenda (pre and during the cold war) resurfaced as there were new challenges that attended these developments. In Africa and Eastern Europe, there were, among others, massive unemployment; degradation and poor conditions of social facilities; de-industrialization; etc, the solutions to which call for rationalization, state roll-back, privatization and commercialization and renewed efforts at stimulating and attracting FDI. All these developments ignite a political science perspective on the stimulations and attractions of FDI, especially as military regimes tried to democratize politics while at the same time implementing structural adjustment programmes.

Taking the bull by the horns, and appearing jointly in the same issue of *International Organization*, Jensen (2003), and Li and Resnick (2003), working independently, came up with conflicting findings on whether or not FDI inflows responded to democracy or democratic governance or democratic institutions: three changing concepts that are being used to differently describe what Globermann and Shapiro (2003) prefer to call "governance infrastructure". To be able to understand the debate on FDI attractions and stimulations, the purpose of the article, the study by Jensen (2003: 612), and his conclusion that: "There is simply no empirical evidence that multinationals prefer to invest in dictatorships over democratic regimes. On the contrary, the empirical evidence in this article suggests that democratic regimes attract as much as 70 percent more FDI as a percentage of GDP than authoritarian regimes", are first and foremost here examined.

To begin with, what precisely was Jensen (2003) problem of study? Jensen's problem arose from the broad critique of the theories and models of FDI. In his words, and specifically attacking John Dunning's thesis on FID stimulations and attractions revolving around the ownership, location and international argument (commonly referred to as OLI theory of FDI), Jensen (2003: 592) observes that: "Although the OLI framework and the horizontal/vertical/ knowledge capital models of multinationals all remain strong tools for understanding the motivations for MNEs' investment decisions, *they still do not go far enough in answering of the more important questions of international development* (my emphasis). The attraction and stimulation of FDI, rather than responding to OLI thesis/argument as already advanced by John Dunning, according to Jensen (2003), are fundamentally dependent on specific MNEs investment decisions. He boldly argues: "FDI remains a firm-level decision, but countries have differed in their abilities to attract it. *The question remains, what are these country-specific factors that affect FDI inflows?"* (Ibid: 592) (my emphasis). "Which countries attract FDI?", and "what… country specific factors" affect FDI inflows, consequently became the research questions with which to address the age-long theoretical concern about how to explain the determinants of FDI especially given the fact that FDI is "… a key element of the global economy", and that it is as well "… an engine of employment, technological progress, productivity improvements, and ultimately economic growth" (Ibid: 187).

Specifying that these factors include, among others: policy stability, sound and excellent macro-economic and monetary policies, tax holidays and concessions, efficient social infrastructure, etc., Jensen (2003), argues that these factors in themselves add to the "credibility" of political regimes and hence help in the reduction of "political risks" that are associated with FDI inflows. According to him: "Democratic institutions can be a mechanism by which to decrease political risks" (Ibid: 594). Democratic institutions, therefore, provide a better environment for the purpose of attraction of FDI since, and according to him, an increasing number of "veto players" like the legislature, Supreme Court, etc, already serve as "institutional constraints" which may help ensure the credibility of democracies "… by making the possibility of policy reversal more difficult" (Ibid: 594-595).

Le and Resnick (2003) on the other hand, found something contradictory and quite significant to that of Jensen (2003). Jensen (2003), it is here recalled, found out that: democratic governance" helps to attract FDI. In the case of Li and Resnick (2003), two results emerged. They are that (1) "democratic institutions" help to stimulate FDI, and (2) also that "democratic institutions" hinder FDI inflows. The findings are indeed wonderful when placed within the array to the literature on the determinants of FDI, especially in the wake of the increasing economic globalization and political democracy. To be able to understand the details and dimensions of the debate on the theory of FDI, Li and Resnick's (2003) study demand a very deep and profound analysis. In the fashion in which Jensen's (2003) study was previously examined, the question is again asked: What was the problem that confronted the study of Li and Resnick (2003)? According to them: "… the lack of an adequate explanation for the effect of democracy on FDI suggests an important gap in how scholars explain interactions between economic globalization and political democracy" (Ibid: 176). For this singular reason, they engaged themselves with the specific question: "… does increased democracy lead to more FDI inflows to LDCs?" (Ibid: 176). They were able to find out what they referred to as "a theoretical synthesis and extension" (Ibid: 177).

The questions can now be boldly asked: How can the differences in the conclusions reached between Jensen (2003) and Li and Resnick (2003) be explained, and to what extent does the explanation that is here provided help to underscore the importance of this article? The differences between them can be explained largely by the methods adopted in going about sourcing for data and in the analysis arising therefrom. For Jensen (2003), the methods of data collection and the empirical tests of the relationship between FDI and democracy took four different dimensions. According to him, "The first set of tests estimates the effects of democratic institutions on FDI inflows in a cross-section of countries in the 1990s. These tests examine the general relationship and the robustness of the findings on the effects of democracy on FDI inflows. The second set tests the relationship by using a time-series cross-sectional analysis of more than 100 countries for almost thirty years". (Ibid: 596). He continues: "The third set of empirical tests employs a Heckman selection model to further examine the robustness of the relationship. The final set examines the causal mechanism linking democracy and FDI by examining the effect of democratic institutions on sovereign debt ratings" (Ibid:

596-597). In the case of Li and Resnick (2003) data collection method was based on an assessment of "… both the positive and negative effects of democratic institutions on FDI inflows with empirical tests covering 53 developing countries from 1982 to 1995". (Ibid: 176).

It is apt to ask: what are the shared differences and similarities in their methods of data collection, and to what extent do the differences and similarities help to advance the debate on the preconditions and determinants of FDI further? These are indeed important and challenging questions. Let us consider the differences first. They include: (1) while Jensen (2003) examined only 53 developing countries; (2) Li and Resnick (2003) specified the category of the 53 examined countries, and limited them to the developing world, which is not what Jensen (2003) did even though we know that the term and or expression: developing, is very unique; (3) Jensen (2003) methods of data collection were not uniform and certain, they generally reflect on the type of test that was to be carried out; for example, under time-series cross-sectional test, he increased the number of countries to 114 and studied them between 1970-1997. They share the following similarities: (1) they were both quantitative in nature and placed within a known body of knowledge on qualitative research methodology; (2) they both relied on the same source such as polity in their understanding of what and what democratic indicators are.

Now to the second component of the question: To what extent do the differences and similarities help to advance the debate on the preconditions and determinants of FDI further? The differences and similarities tend to underscore the very nature of social science research methodology and the very meaning and understanding of what science is in social science. Social science understanding of science is based on certain essential characteristics whose intention of the formulation is to ensure that using the same method by another social scientist, the same conclusion can be reached or arrived at. While it cannot be fully said that Jensen (2003) and Li and Resnick (2003) made use of the same method (since they differ in techniques of properties), the fact remains that the conclusion of the two studies reflected on the nature of the subject matter of social science characterized as it were by irregularities and lack of uniformities.

MATERIALS AND METHODS

The discussion and presentation of the materials and methods in relation to the study urgently require making some important points of note and emphasis. Academic debate, especially in relation to the discourse on FDI attraction and stimulation requires ingenuity to be able to make significant contributions and efforts aimed at ensuring the understanding and comprehension of the debate. The debate, in particular its knowledge and understanding, therefore requires carefully formulated mental intuitions and instrumentations that are capable of enabling critical assessment and evaluation of the conclusions reached by the authors from the perspective of their logical consistencies and grasp of realities on the subject matter. Because the discourse on the subject matter of FDI is embedded in diverse methods, especially in relation to the collection, aggregation, and analysis of data, the methodology that is here adopted is unarguably qualitative and technically arranged in line with the thematic engagements of the issues and problems of research. The first theme tackles the conceptual issues in relation to the ambiguities in the knowledge and understanding of FDI through the study-specific operationalization of key concepts. The second thematic arrangement of the accompanying qualitative research methodology entails the organization of books and other information materials on the knowledge and understanding of the debate in line with the subject matters of political science, economics and sociology, thereby providing a data source that is eclectic and embedded in the multidisciplinary engagement/subject matter of the social sciences as a whole.

RESULTS AND DISCUSSION

The appearance in 2008 of the study by both Choi and Samy adds a new dimension to the existing studies and debates on the preconditions and determinants of FDI. The immediate question then becomes: what are these new dimensions? To what extent are the existing findings on FDI attractions and stimulations affected by the new study? What makes the study new? And finally, what does the article hope to benefit from the 2008 study? However, before attempts are made to answer the questions, it has become important to point out the shared conceptual commonalities in the works of Choi and Samy (2008), Jensen (2003), and Li and Resnick (2003). Given the fact that Jensen (2003) used the word, "democratic governance" Li and Resnick (2003), and Choi and Samy (2008) "democratic institution", meant that they were all influenced by the same liberal understanding and interpretation of what the democratic attributes are. Their understandings do not differ as well from Globerman and Shapiro (2003) conceptual terminology of "governance infrastructure". They all share the same conceptual framework of reasoning of the liberal perspective; though with marked differences in both the methods of data collection and the subsequent analyses that followed. While Jensen (2003) and Li and Resnick (2003) arrived at different conclusions, the conclusions/findings of Choi and Samy (2008) seem to agree with Jensen (2003) partially and more with Li and Resnick (2003), yet retaining their identity and stature. These identities and stature are here described as "a new dimension".

Consequently, what precisely is this "new dimension"? How can its newness be explained? Answers to the above questions require that the problem of study by Choi and Samy (2008) be instantly focused upon. According to Choi and Samy (2008: 84), "*One of the most interesting dimensions of this topic is whether democratic regimes are capable of drawing more FDI than authoritarian ones".* (my emphasis). They go further: "If MNEs *prefer investing more resources in democracies to un-democracies, and their investment leads to a positive sum of economic growth, national leaders should have an incentive to adopt and hold on to a democratic political system for better national well-being… In this sense, the way democratic leaders conduct their foreign policy regarding FDI may determine the fate of future national wealth and their political survival in the midst of economic war"* (Ibid: 84) (my emphasis). Choi and Samy conclude that: *"Unfortunately, existing literature has produced seemingly contradictory theoretical argument and reported inconclusive empirical findings on the relationship between democratic institutions and FDI inflows. Some studies find that MNEs are more likely to invest in democratic countries…, while others report that authoritarian regimes experience a large amount of FDI inflows* (Ibid: 84) (my emphasis). Given the research problem stated above, what Choi and Samy (2008) did, and according to them, was to "… deconstruct Jensen and Li and Resnick's causal mechanisms underlying the democracy-related arguments of veto players, audience vests, and democratic hindrance with respect to foreign investment and then introduce three accurate measures to capture each of those three causal arguments. *The empirical results reveal that democratic institutions are, at best, weakly associated with increases in FDI inflows, While multiple veto players (and counter-intuitively democratic hindrance) may be positively associated with increases in FDI, audience costs are not linked to FDI activities" (Ibid: 84) (my emphasis).*

For a thorough appreciation of the import of the finding by Choi and Samy (2008), some concepts need to be urgently explained. They are the concepts of (1) veto players, (2) audience costs, and (3) democratic hindrance. Their explanations will also help in the understanding of the answers that will be provided to the questions earlier raised at the beginning of the subsection. So, what are "veto players", "audience costs", and "democratic hindrance"? According to Jensen (2003: 594), veto players: "… can include chambers of the legislature, a supreme court, separation of the executive and legislative branches of government, or federal actors". As institutions of any democracy, they tend to guide against or checkmate the likelihood of the emergence of authoritarian instincts by any leader, the possibility of nationalization and the expropriation of multinational enterprise, a generally considered risk of foreign investment. In the opinion of Jensen (2003:295) if: "Multinational that enters foreign markets can be reasonably confident that the government policies in place when the firm entered the country will continue over time", then FDI becomes encouraged under such a circumstance. "Audience costs" is used to describe the consequence that waits for any political leader in a democracy who decides to renege on his promise. According to Jensen (2003: 295), "If the government makes agreements with multinational firms and reneges on the contracts after the investment has been made; democratic leaders may suffer electoral costs. The potential for these electoral backlashes may constrain democratic leaders". He continues: "In democracies, citizens have the incentive and the opportunity to replace leaders with tarnished reputations through the electoral mechanism. Thus the leadership turnover in democratic systems (or the potential for leadership turnover) can be associated with more market-friendly policies for multi-national". (Ibid: 595). "Veto players", and "audience costs" thus become hindrances to the possibility of developing policies that are not favorable to the attraction of FDI in a democracy.

Now back to the critical questions earlier raised. First, what are the new dimensions which the findings of Choi and Samy (2008) have added to FDI studies and research? It is here recalled that Jensen (2003) and Li and Resnick (2003) contradictory conclusions/findings are already known. However, the findings by Choi and Samy (2008:84) that: (1) "… democratic institutions are, at best weakly associated with increases in FDI inflows", (2) "… multiple veto players may be positively associated with increases in FDI…", and (3) "audience costs are not linked to FDI activities", jointly provide new thinking and dimension to the causal factors either propelling or hindering FDI stimulation and attraction. Among others, there are the fresh insights into the theoretical understanding of the liberal attributes of democracy such as rule of law, competitive elections, etc. it is no doubt implied that the indices through which these attributes are being measured need reformulation and refinement to perhaps accommodate a broad conceptualization of these attribute along mid-points, a broad conceptualization that should, apart from achieving a middle position, in turn accommodate situational exigencies and characteristics. This practice means in effect that the Polity Data series on democracy should be re-evaluated to accommodate the new thinking. This specifically means for instance, that free press can be measured not in terms of individual right to own media houses/newspapers, but the extent to which the right to publish as well as it responsibility for national security and stability.

The findings of Choi and Samy (2008) have no doubt significantly affected the existing conclusions/submissions on FDI studies and research. First, it has faulted solidly the existing sources of data measuring the differential elements of democracy and authoritarianism, as already argued above. Second, it has cautioned us against accepting the existing conclusions and findings. Third and final, it has pointed the direction to how new studies and researches can both influence and challenge the received paradigms on how FDI investigations are best done. What makes the findings of Choi and Samy (2008) new can be seen in two areas viz (1) in the development of their research problem, and (2) in the way in which data were in turn collected and analyzed. The development of their research problem, contrary to existing patterns, is rooted in: (1) the contradictory findings of existing works, particularly in the works of Jensen (2003) and Li and Resnick (2003); (2) the theoretical underpinnings in which the concept of democracy was examined; (3) the diversity in which the entire study was conducted. Finally, the newness of the findings Choi and Samy (2008) can be anchored in the discovery that "audience costs" are not related to FDI activity. This is the first study ever to come up with this type of discovery, and it is indeed novel.

What is the lesson for scholarship and by extension the implication for social research of the examination and analysis of the studies by Jensen (2003), Li and Resnick (2003), and Choi and Samy (2008)? Put it in another way, what is the implication of the contrasting conclusions by Jensen (2003), Li and Resnick (2003), and Choi and Samy (2008) to the debate on FDI attractions and stimulations? The three studies have only confirmed the controversies surrounding the effect of democracy on FDI inflows. Being a very controversial area of research, the lessons are many. In the first place, it requires that the period of any research on FDI needs be clearly defined and an understanding of the concept of democracy within the context of the research needs as well be specified, examined, and in turn placed within the historical context of the changing dynamics that both brought about the regime under study. It further enjoins the research to critically examine the nature of the economy under study so as to provide a convincing framework with which to in turn examine how the factors, forces, and processes of FDI attractions and stimulations are linked together. Finally, for the article and study to contribute meaningfully to the body of knowledge on the controversial area of the effect of democratic institutions on FDI, it should be deeply comprehensive by focusing not only on the period as contained and specified in the study but more seriously by contrasting the period with other periods to show their changing dynamics.

CONCLUSION

In the article, the debate on the affinities of FDI to either democracy or authoritarianism has been approached in a manner that helps to reveal the associated historical and intellectual foundation stones in the standard fashion of qualitative research methodology. The concepts of democracy, authoritarianism, foreign direct investments (FDI), foreign direct investments inflow, foreign direct investments pre-conditions and requirements, and democracy/ authoritarianism divergence were defined in such a way that their applications in the article are easily understood. The debate constitutes an important element of the understanding of the contemporary international political economy as FDI moves across countries, regions and continents of the world. The different conclusions reached are equally important to the study and analysis of FDI. Research issues and problems are equally as diverse as the existing conclusions. They however constitute the vitality, strength and sophistication in which contemporary social science research methodology can be placed as scholars and researchers continuously engage themselves in the search for the knowledge and prediction of the preconditions and determinants of FDI.

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