



## Chapter 2

# Political Governance and Sustainable Development: The Role of Theory

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### **ABSTRACT**

*Economic development is one of the most controversial issues of economic history. The experience in development research of the past 50 years has demonstrated that development is possible but not inevitable. Governance over the last few decades has moved into the spotlight of development economists. The relationship between governance and development has been a highly debated topic. Therefore, the main purpose of this chapter is to critically examine the evidence on the governance-development relationship by providing systemic reviews of recent theoretical debate. This chapter is divided into three main sections. First, the chapter traces the concepts, elements, and theories of economic development, starting with Adam Smith and his classical school and finally recent theory on development which focus on institutions. The second section examines different perspectives of governance and identifies key governance indicators. The final section explores selected theories of governance and development emanating from several disciplines in the social sciences.*

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## **INTRODUCTION**

Economic development is one of the most controversial issues of economic history. The experience in development research of the past fifty years has demonstrated that development is possible but not inevitable. While few developing countries have succeeded in rapid societal and economic growth, narrowing the gap between themselves and the more advanced countries and bringing millions of their citizens out of poverty, many more countries have seen the development gap grow and poverty increase.

Governance over the last few decades has moved into the spotlight of development economists. The relationship between governance and development has been a highly debated topic. While some authors argue that governance shows positive effects on growth, others are of the view that it is not the case.

Therefore, the main purpose of this chapter is to critically examine the evidence on the governance-development relationship by providing systemic reviews of recent theoretical debate. This chapter is divided into three main sections. First, the chapter will trace the concepts, elements and theories of economic development, starting with Adam Smith and his classical school and finally recent theory on development which focus on institutions, policies, laws and regulations in the realm of “New Institutional Economics”. The second section examines different perspectives of governance and identify key governance indicators. The final section explores selected theories of governance and development emanating from several disciplines in the social sciences, as well as from interdisciplinary perspectives, in addition to discussing the theoretical implications of incorporating the governance of states in explaining development and growth difference across countries.

## **THE CONCEPT OF ECONOMIC DEVELOPMENT**

### **What Is Development?**

The aim of economic development in its simplest form is to create the wealth of a nation. Before the 1970s, rapid economic growth was considered a good proxy for development and its other attributes (Todaro & Smith, 2011). In this direction economic performance is measured by the market value of all officially recognised final goods and services produced by a country in a year referred to as the gross domestic product (GDP).

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