THE EFFECTS OF DEMOCRACY ON NATIONAL GDP PER CAPITA: AN EMPIRICAL INVESTIGATION

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DEDICATION

To all my family members, friends from all the MENA region and across the globe, and colleagues who supported me throughout the process.

ABSTRACT

The growth democracy question has been a subject of fundamental debate for the last few decades. Political regimes seem have been evidently shaping the economic performance, by greatly affecting regulations, enhancing accountability and transparency mechanisms, promoting the well-being of the whole population, and achieving satisfactory performance for the upcoming elections. Hence, this thesis examines the role of democracy in economic growth, by examining its effects on national Gross Domestic Product per Capita (GDPC). It utilizes a novel dataset which includes several democracy variables, such as Representative Government, Fundamental Rights, Checks on Government, and Impartial Administration. We find that the impact of democracy on GDPC is positive and significant. These results come in contrast to lower democracy levels in many emerging markets with relatively high economic growth rates. Finally, the empirical evidence points out that well-established democratic institutions provide economic stability, and they have positive effects on GDPC.

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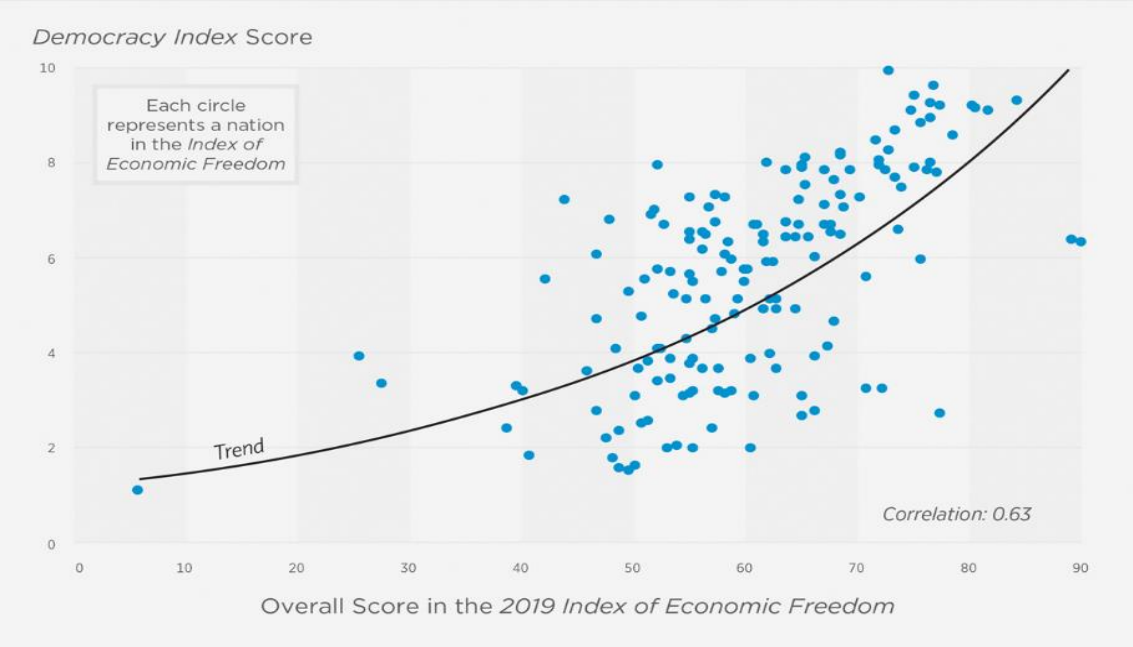
CHAPTER ONE: INTRODUCTION

1.1 THESIS OBJECTIVE

There is a large literature that scrutinized the effect of democracy and democratic institutions on economic growth, economic development and, more generally, economic activities (Diebolt et al., 2013; Henisz, 2000; Persson and Tabellini, 2004; Saha et al., 2009; Weingast, 1995). In fact, the spread of democracy in the last few decades has propelled the debate over the role of democracy in both economic growth and development. The varying types of political and electoral systems have had different macroeconomic effects, depending on their characteristics and their interactive nature with economic and socio-economic circumstances. Empirical models examining the relationship between democracy and economic growth have focused on numerous facets, including the institutional aspects of democracy and its effects on national income per capita, inequality levels in democracies and non-democracies, and economic freedom.

Figure 1 below illustrates the relationship between economic freedom and democratic governance. It is noticeable that economic freedom and democratic governance are positively correlated in an upward trend. It is worth mentioning that low levels of economic freedom shows insignificant correlation. However, this relationship exhibits increases at an increasing rate, with many observations being clustered in the upper middle part of the graph (the correlation coefficient is 0.63). This high correlation manifests a strong tie between democracy and economic growth. For instance, democratic governance provides better and more efficient public sector that pave the way for the private sector to have a more important role in creating jobs, investing in economy and contributing to people's well-being.

Figure 1: Economic Freedom and Democratic Governance



Source : https://www.heritage.org/index/book/chapter-4

Examining the impact of democracy on national economic growth and performance has been extensively addressed by examining the indirect institutional effect of democracy, levels of education, political stability, corruption, and national income per capita (Rodrik, 2000). Heshmati and Kim (2017) suggest that democracy is closely tied to different factors, such as income and wealth inequality, welfare state, nepotism, lobbying, political stability and beyond. Yet, the literature has been far from reaching a consensus over the role of democracy in economic growth and other macroeconomic variables (Ghardallou and Sridi, 2019). In fact, the literature contains various conclusions about the role of democracy in economic growth in either promoting economic growth or producing unsustainable policies because of the regular changes of government. More specifically, democracy may not necessarily have a positive effect on economic growth, as

continuous and possibly erratic changes in government mandates and policies may pose a negative effect on growth rates as in the case in some democracies (Quinn and Woolley, 2001).

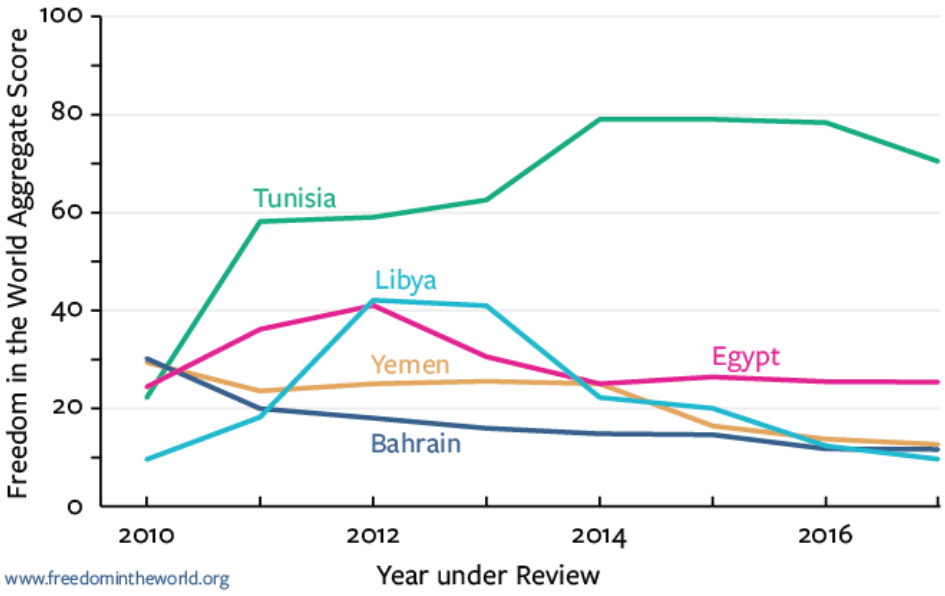
More than 40 countries have transitioned to democracy since 1974, bringing significant economic, political and social changes (Markoff, 2015). These changes have made the research question of quantifying the impact of democracy on economic growth and national income per capita an interesting one for researchers from various disciplines. Consequently, identifying the relationship between democracy and economic growth has been a trending research question among academics and pundits in the economics profession. Relatedly, Huntington's waves of democracy have become an inevitable part of this discussion (Huntington, 1991). For instance, Markoff (2015) argues that the first wave of democracy started in the 1820s and brought a widening male suffrage, followed later by women's suffrage around the time of World War I (WWI). The second wave of democracy took place in the 1960s when more than 30 countries transitioned to democracy, following the end of World War II (WWII). The third wave of democracy came about in the 1980s and brought the demise of several dictatorships in Latin America and Eastern Europe. These political changes resulted in substantial institutional changes, propelling the debate around the role of democracy in national economic growth.

More recently, the Arab Spring that erupted in 2011 in many countries of the Middle East and North Africa (MENA) was often perceived as an unprecedented event in the region. The collapse of several dictatorships and authoritarian regimes during the Arab Spring of 2011 brought back the debate about the effects of democracy on economic growth to the table (Ghardallou and Sridi, 2019). The Arab Spring that started with the deposition of the Tunisian president, Zine El Abidine Ben Ali, creating a snowballing effect that swept the region. Having exacerbating inequality levels and soaring youth unemployment levels, the MENA had so many political and

economic issues, such as high youth unemployment, graft rampant and the authoritarian nature of regimes, which galvanized people to go to the streets (Acar and Dogruel, 2012).

The Arab Spring initially resulted in toppling three dictators in Tunisia, Egypt, Yemen and Libya, propelling protest movements beyond the borders of these countries. As we can see in figure 2, Tunisia seems to have had the most successful one. In fact, Breuer et al. (2015) suggest that Tunisia is the only country that managed to establish some democratic momentum among all Arab Spring countries. Many MENA countries had been affected by the Arab Spring in a way or another, for example, monarchies, such as Saudi Arabia and Qatar introduced public policy reforms in an attempt to fend off the Arab Spring. More specifically, the Qatari Emir announced his intent to establish a parliament, and the Saudi King offered generous welfare schemes (Ogbonnaya, 2013). On the other hand, some countries, such as Libya, Syria, and Yemen, slipped into full blown civil wars where the central authoritarian state has been greatly undermined. This resulted in the surge of non-state military actors, ranging from militias to tribal forces and ethnically and religiously driven armed organizations. Other countries, such as Egypt, failed to institutionalize democracy, and thus falling back into situations similar to the pre-Arab Spring status quo (Ogbonnaya, 2013). Thus, the Arab Spring, with the exception of Tunisia, has not resulted in a well-established democratic governance in many countries.

Figure 2: Democratic Backsliding in the Arab World



Source: www.freedomintheworld.org

The relationship between the type of political regime in place and economic growth has been extensively discussed over the last few decades. Political regimes seem to have been markedly shaping the economic performance, by profoundly influencing regulations, increasing accountability and transparency, promoting the well-being of the whole population, and rigorously working on achieving satisfactory performance for the upcoming elections (Barro, 2016).

Researchers have long assumed that democracy does produce better economic outcomes. This belief stems from the fact that democracy has often buttressed economic growth, by noticeably improving investment levels, increasing accountability mechanisms, reducing rent seeking activities, improving human rights record, and introducing business-friendly regulations

(Nasreen and Shahbaz, 2016). Moreover, Jacob and Osang (2018) argue that democracy has a substantial and robust positive effect on Gross Domestic Product (GDP) by offering high levels of stability and better governance, both of which are primary determinants of economic growth. Also, democracy provides constitutional mechanisms for people to remove bad governments from office. This greatly helps the market in building stronger confidence. Democracy boosts GDP growth by increasing investments, school expenditures, and by introducing economic and institutional reforms (Jacob and Osang, 2018). Public policy reforms attract Foreign Direct Investment (FDI), which is vital determinant of economic growth. They also suggest that democratic reforms make it easier to have trade agreements, which are a vital contributing factor in economic growth (Malikane and Chitambara, 2017).

On the other hand, another strain of studies argue that democracy poses an impediment to economic growth, especially during political transitions due to lack of stable institutions. Mobarak (2005) argues that volatility in growth rates vary among democracies and non-democracies. This author suggests that democracy may not necessarily contribute to growth rates in a meaningful way. In fact, the constant changes in government policies have a detrimental impact on growth rates in many democracies (Quinn and Woolley, 2001). Furthermore, democracy has a net negative effect on growth, especially in ethnically homogeneous states (Bluedorn, 2001). Initially, Weede (1983) argues that democracy has a negative effect on growth rates, especially in less developed countries. The author suggests that the combination of democracy and strong state intervention produces this negative effect. Furthermore, Bluedorn (2001) discusses that models concluding a positive effect of democracy on economic growth may have an endogeneity problem due to lack of good instruments for democracy.

The examination of the relationship between political democracy and economic growth has evolved into a more precise research question, addressing the investigation from an institutional perspective by distinguishing political democracy from economic democracy. Also, countries that adopted liberal economic principles without espousing the political aspect of democracy, have witnessed high growth rates. These measures include protecting property rights, well-regulated credit availability, FDI, and labour market reforms (Polterovich and Popov, 2007). In fact, the four tiger economies in Southeast Asia (Hong Kong, Singapore, South Korea and Taiwan) can be a perfect example of countries that managed to adopt a democratically constructed economic model without fully transitioning into full-fledged democracies. Some of these countries are still considered to varying degrees as autocracies/non-democratic states, subjecting the economic role of democracy into questioning.

In this regard, the dichotomy arises with some emerging markets, especially those in Southeast Asia that have successfully managed to espouse the economic aspect of western democracies, and to thrive economically without having fully developed democratic institutions. This is in line with studies arguing that democracy does not have a direct impact on national economic growth and national GDP per Capita (GDPC) (Knutsen, 2012). Nevertheless, well-established democratic institutions can have a positive impact on curbing corruption and increasing accountability, which would consequently boost national economic growth (Heshmati and Kim, 2017). In this regard, Drury et al. (2006) argue that democracy greatly reduces corruption levels, increasing institutional efficiency and, consequently, stimulating national economic performance.

Despite having corruption in some democracies, the electoral mechanism of democracies presents a significant deterrence mechanism, jeopardizing the prospect of political survival for corrupted politicians. Moreover, De Haan and Siermann (1996) conclude that democratic freedom

and economic growth are positively correlated. In fact, their findings show a positive effect of democracy on investment rate and school enrollment, both of which are fundamental determinants of economic growth. Similarly, authoritarianism appears to be negatively affecting investment, school enrollment and capital inflow. These results show that the effect of democracy on economic growth is profound. Moreover, democracy usually offers higher levels of economic freedom that increases competition and lowers corruption levels. However, democratic states lacking economic freedom are more likely to suffer from corruption. Thus, economic freedom is negatively correlated with corruption (Saha et al., 2009). For instance, it is expected that higher degrees of integration to the world economy through international trade will eventually result in lower corruption levels. More specifically, trade gives equal access to foreign investors, paving the way for fair competition and stronger economic freedom (Sandholtz and Koetzle, 2000).

1.2 THESIS CONTRIBUTIONS

Many previous studies suggest that democracy and well-established democratic institutions may not necessarily result in higher economic growth rates and higher levels of GDPC, but rather they bring more stable growth and improve the well-being of people (Barro, 2016; Baum and Lake, 2003; Lundström, 2005; Sandholtz and Koetzle, 2000). Moreover, well-established democracies are more stable and more likely to experience growth rates than those witnessing democratic transitions. The waves of democracy discussed earlier in this introduction is a perfect example of the varying effect of democracy. This thesis econometrically estimates the effect of democracy on GDPC using democracy indices. The contribution of this thesis is laid down in the following points:

- This thesis meticulously examines the role of democracy on economic growth as depicted through changes in GDPC, using several comprehensive democracy indices, such as representative government, fundamental rights, checks on government, and impartial administration. These indices are extracted from the World Governance Indicators database of the World Bank.
- This thesis contributes to the empirical literature through the empirical evidence derived from econometric models that control for country-specific characteristics (i.e. through fixed-effect and random-effect models). The empirical work has been conducted using a variety of variables ranging from democracy variables to other macroeconomic variables, such as political stability, initial GDP growth rates, FDI, inflation, Gini index, trade openness, school enrollment for different educational levels, and fuel exports, among others.
- This thesis utilizes a comprehensive approach that incorporates a variety of democracy indices instead of using an overall democracy variable in the empirical models. Thus, we attempt to capture democratic principles of states and analyze the democracy growth question in this respect. Also, the use of democracy sub-components will shed light on the distinctive effect of each subcomponent on economic growth. Moreover, this thesis uses different empirical specifications characterized by different combinations of control variables, to disentangle the effect of democracy on economic growth.
- This thesis draws concluding remarks and policy implications extracted from the results of different econometric models and empirical specifications with respect to the economic effect of democracy and its key institutions.

1.3 THESIS ORGANIZATION

The remainder of this thesis is organized as follows. In the subsequent chapter, we present a qualitative discussion of the channels through which democracy and democratic institutions impact economic growth/performance. In chapter 3, we present a literature review of relevant studies that examined the relationship between national economic growth/performance and democracy and democratic institutions. In chapter 4, we present and discuss the data and variables used in the empirical analysis, and we present the descriptive statistics and develop the empirical model. In chapters 5 and 6, we present and discuss the empirical results from different empirical models. In chapter 7, we provide concluding remarks and discuss the policy implications.

CHAPTER TWO: QUALITATIVE ANALYSIS

Social scientists have tended to intrinsically value democracy independently of its effects on people's economic well-being, as a result of the vital importance of Human Freedom indices (Vásquez and Porcnik, 2016). In the same regard, many researchers have been actively devoted to studying the causal relationship between economic growth and democracy, by examining relevant indices that capture both economic performance and democratic aspects. It is worth noting that conventional economic indicators have been critically looked at as lacking vital elements in their formulas, such as income and wealth distribution, people's well-being, freedom and non-material aspects of people's lives (Piketty, 2014). Thus, examining the relationship between democracy and some growth variables with various control variables aims primarily at unfolding this relationship with as little distortions as possible.

The origins of growth have been extensively discussed by Adam Smith following the industrial revolution. At that time, little emphasis was put on institutional development, and the analysis was primarily based on principal elements, such as labour, capital, and market size, with an attempt to breakdown the economic activities (Kurdas, 1988). Furthermore, the emergence of neo-classical schools of thoughts affirmed the role of technological development in the twentieth century, paving the way for the Solow model to gain momentum, especially with regards to decreasing returns to scale, decreasing returns to factors of production, and efficient use of factors of production (Brock and Taylor, 2010).

In the same regard, Romer's model formulates that economy's two sectors as goods-producing sector and R&D (knowledge-producing) sector (Mankiw et al., 1992). These sectors are set to use labour and capital. Romer's model focuses on the importance of knowledge in the labour

market (Shaw, 1992). In this regard, Tavares and Wacziarg (2001) argue that well-established democratic institutions have the proper means to lower income inequality and improve the accumulation of human capital, substantially improving people's livelihood and their living standards, strengthening social mobility, and resulting in better economic performance overall.

The twentieth century witnessed the rise of several emerging markets, particularly in South East Asia. Chia et al. (2007) cite that the institutional reforms implemented in many of these emerging markets raised several research questions about the relationship between economic development and institutional development. In fact, many of these emerging markets did not transition into full-blown democracies, yet their reforms included liberalization of their economies, taking advantage of their cheap labour and lower costs of production in general to establish an export driven economic model.

Well-established democracies tend to be more stable and have better economic growth rates due to the stability that many of these countries enjoy (Gwartney et al., 1999). Moreover, military coup incidence is a primary driver by the lack of stability and security. It has a negative impact on economic growth rates and economic development. In this regard, Doucouliagos and Ulubaşoğlu (2008) examine the relationship between democracy and economic growth, concluding that lack of democratic practices is correlated with lower growth rates and higher instability levels. It is worth noting that the lack of stability drives away FDI, and greatly erodes public confidence in the market, leading to a paranoia in the market that exacerbates the economic downturn.

By the same token, democracy may not bring value in itself to a country's economy, but its presence greatly enhances the GDPC formula (Helliwell, 1994). This is ascribed to the ramifications of democratic states and their sensible policies and investments. More precisely,

people's livelihood has been greatly enhanced by high education expenditures, expanded government spending on infrastructure, adopted market-oriented policies, and safety net for those in need. In that respect, Feng (1997) suggests that democracy has an indirect positive impact on economic growth levels, through the positive effects it brings to the formula with regards to human capital, infrastructure, welfare benefits, and freedom.

Income and wealth inequality have been given more attention by growth economists during the last few years, due to the hidden detrimental impact of inequality on people's well-being (Piketty, 2014). In fact, modern growth models have utterly neglected this factor, by only accounting for indicators, such as GDP, GDPC, and similar variables that may not take into consideration income distribution. More specifically, the United States (US) has experienced modest economic growth rates for the last few decades, yet its inequality levels have been soaring to an extent that the inflation-adjusted average of a US worker's wage in 2019 is less than that of 1979 (Donovan and Bradley, 2018). In this same sphere, Acemoglu et al. (2000) utilize the Kuznets curve on the grounds that democracy results in lower levels of inequality, thanks largely to the institutional development and the public expenditures in different sectors of the economy.

In addition to inequality, corruption appears to significantly affect growth rates. In fact, corruption results in the erosion of public confidence in the state and the local markets, driving away investors and capital in all its forms (Shabbir, 2017). This economic downturn is driven by increases in investment risks, due to the absence of a robust rule of law and order, lack of protection for private property, and the absence of judicial independence and fair competition in the market (Shabbir, 2017). Therefore, corruption has proven to substantially undermine economic growth rates. In this respect, Sandholtz and Koetzle (2000) argue that corruption erodes governments' credibility and trustworthiness, making it harder for the government to effectively implement

growth-oriented policies. Democratization typically appears to bring fundamental institutional changes that are conducive to economic growth. Adopting economic principles in public policy normally leads to better institutional development, which consequently results in consolidating liberties, economic freedom, separation of powers, transparency, fair competition, access to markets by FDI, human capital, educational attainment, and many other indirect effects (Acemoglu et al., 2000).

One of the fundamental channels through which democracy influences economic performance is attracting investments. Having well-established democratic regimes can greatly enhance stability levels and create a business-friendly environment. Moreover, democratically elected officials are more incentivized to attract FDI to improve the economic situation, create employment, and improve their electoral standing for any upcoming elections (Eyigungor and Chatterjee, 2016). Unlike those in dictatorships, politicians in democracies are subject to being unseated at regular occasions through the ballot box (Eyigungor and Chatterjee, 2016). Thus, the mandate and the aim of any ruling party is usually to maintain or increase its popularity among voters, especially in the ridings the party relies heavily on. In this regard, Aghion et al. (2007) address the causal relationship between democracy and economic growth, asserting that democracy does activate the economic engine, thanks to the mechanisms and channels through which democracy operates.

Having solid legal schemes to regulate patenting and to protect intellectual property, democratic countries provide better protection mechanisms for intellectuals, authors, scientists and writers, making them attractive destinations for skilled workers and well-educated immigrants that substantially contribute to economic growth (Song, 2018). In fact, brain drain effect is a vital component through which democracies do receive significant number of well-educated

immigrants who come mostly from non-democracies. Adeyemi et al. (2018) argue that brain drain has become recently a source of concern due to its negative impact on developing countries, especially in Asia and Africa. Thus, even the fastest growing economies in the continent of Asia seem to have their growth hobbled by the brain drain effect of many skilled workers who choose to settle in other countries that are more conducive to their fields of expertise, that retain intellectual property, freedom of expression, scientific research and beyond. In addition to intellectual property, democracy provides a business-friendly environment that liberalizes the financial sector and allows the latter to play its role of providing loans and investing resources. Haber et al (2008) argue that democratic states are positively correlated with financial stability, which is a fundamental prerequisite for economic growth.

It is worth noting that democratising the economy provides many benefits, similar to those experienced by democratic states. In fact, espousing the economic pillars of democracy can boost economic growth while avoiding the uncertainty that comes with elections, due to the change in government. Furthermore, the regular change in government can scale back economic growth, due to the uncertainty around election outcomes and different regulations that could be introduced by new governments (Mobarak, 2005). Therefore, some studies have examined the performance of emerging markets in Southeast Asia and the effect of democratising the economy without necessarily establishing a full-blown democracy (Girling, 1988; Haggard, 2004; Rock, 2017; Wade, 2004). Mathonnat and Minea (2018) suggest that the Chinese model has enjoyed a steadily unprecedented economic growth rates, making it the second largest economy in the world in the span of a few decades.

The African Development Bank argues that people's desire to improve their living standards was the main driver of the Arab Spring uprising of 2011 that swept the MENA region,

toppling several dictatorships and bringing different political and social changes and demands in Tunisia, Egypt, Libya, Yemen, and later in Algeria and Sudan (Ogbonnaya, 2013). Therefore, the lack of democracy in some countries had been a contributing factor in causing instability and therefore, in lower economic growth rates. In other words, the absence of well-established democratic institutions makes it harder to have sustainable economic growth rates, due to the fragile nature of the political and economic situation.

CHAPTER THREE: LITERATURE REVIEW

3.1 ECONOMIC GROWTH AND TYPES OF POLITICAL SYSTEM

Democracy has had mixed results on economic growth rates. A wide range of economies have experienced economic and political transitions. In this regard, in examining the correlation between democracy and economic growth, Feng (1997) argues for an indirect effect of democracy and functioning democratic institutions on stability and economic performance. The findings of this Feng's study suggest a strong negative correlation between military coups and economic performance. In a more expounded and illustrated study, Doucouliagos and Ulubaşoğlu (2008) attempt to study the relationship between democracy and economic growth by addressing the flaws of previous studies, such as using a limited amount of information. Thus, the authors apply a meta-analysis, aiming to redress the compass of previous studies and correct the literature's precedent flaws. It is worth noting that military coups in a country would normally signal the lack of democratic practices in a country's political scene.

In the same regard, Feng (1997) argues that democracy could have a negative direct effect on economic growth due the constant changes of governments that usually come with different policy frameworks. Nevertheless, having democracy could have a positive impact on economic growth through the constitutional and political changes it brings, education expenditures, and investments. This results in placing credence in democratic institutions. This is consistent with results of Doucouliagos and Ulubaşoğlu (2008) that corroborate the fact that democracy does not have a negative impact on economic growth. In fact, their paper's findings suggest that the direct impact of democracy on economic growth is found to be non-significant, but the indirect effect is positively significant. More specifically, democracy has a plausible impact on human capital,

economic freedom, inflation, political stability, government spending, and free international trade. We notice that the positive indirect impact has been detected in both papers.

Also, Gerring et al. (2005) debunk the claim that democracy has a negative effect on economic growth, by initially concluding that democracy does not have a significant impact on economic growth. In more calibrated models of the paper, the authors corroborate the positive and significant impact of democracy on economic performance. Furthermore, the paper's empirical approach contains a set of control variables, including inflation, investment, instability, trade openness, oil stocks, economic growth per capita, population growth, regime durability, government consumption, and life expectancy. Also, Heshmati and Kim (2017) utilize a panel data covering the period between 1980 and 2014, examining the impact of political institutions on economic growth. The authors use static and dynamic models of GDP, re-emphasizing the robust and positive significance of democracy in affecting economic growth. Furthermore, credit guarantees and FDI inflows result in stronger correlation between democracy and economic growth.

De Haan and Siermann (1996) sceptically conclude that democratic freedom and economic growth are positively correlated. Furthermore, the paper's findings cite a positive effect of democracy on investment rate and school enrollment, both of which are fundamental determinants of economic growth. Similarly, authoritarianism appears to be negatively affecting investment, school enrollment, and capital inflow. Therefore, democracy's effect on economic growth is implicitly profound.

Nelson et al (1998) examine the correlation between democracy and economic growth by controlling for other factors. Hence, the paper's findings suggest that countries that enjoy higher levels of political freedom are more likely to have higher GDP growth rates. The authors also

corroborate their claims by arguing that having less democratic institutions, in the case of developing countries, is not associated with higher economic growth rates. More specifically, the absence of democratic institutions is usually associated with higher rates of corruption, nepotism, and rent seeking. Furthermore, authoritarian regimes substantially depress economic freedom levels, making the economy a less tempting environment for FDI. This consequently results in lower economic growth.

Clague et al. (1996) examine the correlation between free elections, property rights, rule of law, and economic activities. More specifically, the authors suggest that having a broader scope of freedom in an institutional dimension ensures people's rights in owning private property, suggesting that well-established democratic states are more inclined to protect property rights, which form a fundamental determinant of economic growth and a vital driving force of economic activities. Nevertheless, Clague et al. (1996) argue that new democracies tend to be institutionally more fragile. Hence, the paper's findings offer promising results for well-established democracies and a potentially promising prospect for newly established democracies, contingent on the way institutional development gets settled.

Ghanem et al. (1999) investigate the role of political freedom and civil liberties in economic liberalization, particularly in the case of previous Soviet Republics. The authors argue that economic liberalization is a critical stage during democratic transitions on which the tenets of economic and political freedom is laid down, paving the path towards economic growth and development. The paper's findings suggest that having a vibrant civil society can stimulate the economy by offering more room for people to express their concerns. It is worth noting that civil society organizations played a vital role in economic liberalization and in boosting economic growth rates in the studied sample of previous soviet republics. Civil society organizations in this

case went through the same transition that the economy goes through starting from lifting government prohibition or control and having more autonomy to operate in the economy.

3.2 ECONOMIC GROWTH AND SEPARATION OF POWERS

Another strain of studies examines the role of democracy in redressing the institutional compass of states by reinforcing the separation of powers in the government and buttressing accountability means. In examining the effect of democracy and press freedom on corruption, Chowdhury (2004) argues that well-established democratic governments are more immune to corruption. However, the degree of democracy may not necessarily play a significant role in combating corruption, since corruption takes time to be dealt with and young democracies may not have the right mechanisms nor the proper means for that. Furthermore, the author suggests that press freedom seems to be highly associated with higher accountability and exposing corruption to the public and the judiciary power. This will indirectly impact economic growth rates and levels in general. The paper's findings suggest that dramatic changes are unlikely to happen, as changes in this regard tend to be more gradual and slower than many models suggest.

In examining the political economy of government responsiveness, Besley and Burgess (2002) argue that media coverage and free press have a significant role in shaping government policies, including the economic agenda and government spending. Moreover, the authors cite that well-established democracies, that are welcoming to free media, have better prospects for economic growth. The paper's findings cite that a functioning democracy creates incentives for politicians to respond to people's demands, and would consequently improve welfare and

economic growth. Also, the paper highlights the conducive role that civil society plays in maintaining democracy, economic growth, and political responsiveness.

In attempting to analyze the economic and political costs of corruption, Sandholtz and Koetzle (2000) argue that corruption erodes many democratic principles and undermines economic prosperity, by jeopardizing confidence in government institutions. The authors suggest that employment levels, FDI, and growth rates precipitously fall when corruption levels surge. More specifically, corruption undermines growth rates through the erosion of public confidence in the system, driving investments away from the market. Furthermore, resources have been empirically proven to be squandered concurrently with rising corruption levels, suggesting some negative correlation between corruption and economic growth rates (Sandholtz and Koetzle, 2000).

Henisz (2000) argues that this correlation is statistically significant. More specifically, the author makes the distinction that the separation of powers and having a functional and independent judiciary system play vital roles in economic growth. Furthermore, the author points out that several studies in the literature have not addressed the issue from a time series perspective, but rather through one estimate in time, falling in the trap of endogeneity. Heo and Tan (2001) use the direct Granger causality test to substantiate the impact of democracy on economic growth. The paper's empirical results suggest that economic growth is strongly associated with, and driven by democracy. The authors argue that further studies should examine the categories and nuances of democracy, delving more deeply into democracy and its detailed operational procedures.

3.3 ECONOMIC GROWTH AND INSTITUTIONAL DEVELOPMENT

There is a literature that focused on scrutinizing the impact of democracy on pay levels, economic development, productivity levels, and human capital. On this subject, Rodrik (1999) examines the impact of democracy on manufacturing jobs and their wage levels, by controlling for labour productivity, living standards, and other control variables. This paper's findings conclude that having democracy is robustly and significantly associated with pay levels amongst manufacturing workers. More specifically, the paper's empirical model suggests that improvements in democratic institutions can substantially enhance the performance of the manufacturing sector in terms of productivity, pay, and technology, among others. The author asserts that competition in democracies seems to be a driving force for economic activities, particularly those associated with the manufacturing sector by offering labour-friendly policies and regulations, and by reducing inequality levels, including the Gini coefficient. Hence, well-established democratic institutions positively affect wages of manufacturing workers, indirectly resulting in higher growth rates and better economic performance.

Aghion et al. (2007) address the causal relationship between democracy and economic growth rate by considering the level of economic development. The authors argue that democratically constructed public institutions have a higher tendency of fostering economic activities by encouraging new businesses, market competition, and innovation. More specifically, democracy appears to be robustly correlated with growth rates of technology related sectors. In fact, the paper's findings suggest that technology progress results in higher demand for democracy. The paper suggests that having a democratic political system in place can have varying effects on different sectors of the economy. Hence, the authors propose tackling these variations for any future contribution to the literature in this regard.

One strain of studies addresses the effect of democracy on people's well-being and stability. On this matter, Baum and Lake (2003) scrutinize the ramifications of democracy by examining government spending on health and education and by using life expectancy and educational attainment as proxy variables for measuring human capital. The authors argue that democracy's strength primarily comes from the services it provides and its ability to increase people's welfare. The paper's findings suggest, however, no statistical significance between having democracy and economic growth rates. Yet, democracy's effect is indirect and contingent on the level of economic development, through increasing life expectancy in poor and middle-income countries and increasing educational attainment at the secondary level in non-poor countries.

In examining the ramifications of democracy, Kurrild-Klitgaard et al. (2006) argue that having political rights and civil liberties result in higher stability levels, and lead to better economic performance. Moreover, the empirical model confirms that higher international trade levels among democracies produce higher stability, and lower probability of violent incidents. The paper's findings show no direct statistical evidence of either supporting or debunking democracy's role in national stability, peace, and economic growth. The authors propose that democracy's indirect role seems to be plausible and future studies could possibly unfold that in a different way.

Weingast (1995) investigates economic and political rights in Western democracies and China, by integrating some elements of federalism. The author claims that protecting both property rights and the way markets function fundamentally shape the debate on the role of democracy in economic growth. The paper's conclusions suggest that the Chinese model managed to espouse several aspects of economic liberalism that greatly shaped China's economic regulatory system and made it comparable to the economic legal schemes in the West. The paper cites that historical

precedents confirm the positive role of international trade in enhancing economic growth through the externalities it brings to the market, and through its regulations and potential improvements that gets transferred.

Rivera-Batiz (2002) argues that democratic institutions affect long-run economic growth by enhancing the quality of governance. The empirical models show that democracy is a considerable determining factor in the total productivity factor between 1960 and 1990. The paper briefly presents an index measuring the effectiveness of governance in democracies, suggesting that the quality of public decisions and the quality of governance in general tend to be substantially higher among democracies. Also, democracies tend to have more channels for communication in terms of media, press and accountability, through the separation of powers that can curb corruption and nepotism.

Persson and Tabellini (2004) examine the correlation between political institutions and economic growth, by scrutinizing the ability of democracies and democratic states to protect property rights, and attract FDI. This ensures fairness in both market competition and government spending, being a primary driver of economic growth and human capital. Furthermore, the accountability aspect of democratic institutions provides a conducive environment for businesses, and incentivises economic activities in the economy at large.

Haber et al. (2008) claim that having a well-established political and financial system is a fundamental prerequisite for economic growth. Furthermore, democratic institutions provide more business-friendly regulations that ensure inclusive financial development without restricting that to the elites, making it possible for people from different economic classes to thrive and prosper economically. The paper's findings indicate that the level of development of democratic institutions reflect, to a large extent, the openness of the financial system in place and the

prevalence of free trade in the respective economy. Moreover, competitiveness in an economy depends largely on the fair rules and regulations that can curb any corruption or nepotism that might hinder economic growth and drive away foreign investors.

In meticulously examining the relationship between democratic institutions and economic growth, Lake et al. (2001) study the way democracy exercises power over the market and economic activities. Furthermore, democracy provides a higher magnitude of public services compared to other categories of political systems, suggesting that democracies perform economically better, due to better regulations, better investing conditions, business-friendly laws, and protection of property rights. The paper's findings propose that democracy induces competition, and stimulates economic activities through infrastructure investments and education expenditures.

Henrik (2011) claims that having a dictatorship is positively correlated with savings rates, due to the uncertainty that comes with not having well-established institutions and lack of basic safety net that would be normally provided in a democracy. The author argues that democracy seems to improve investing conditions by creating better regulations in terms of property rights, and FDI. The paper's conclusions pinpoint that a country's human capital and technological advancement might strongly dictate the way democracy influences economic growth, due to the opportunities and challenges that these two components bring, particularly with respect to labour market and productivity levels.

3.4 ECONOMIC GROWTH AND ECONOMIC FREEDOM

In examining the relationship between democratic institutions and economic freedom, Leblang (1996) attempts to examine the impact of functioning institutions on economic growth. The author seeks to unfold the correlation between economic freedom and economic growth by

focusing on property rights. More specifically, the paper's findings suggest that countries whose laws protect property rights have a higher tendency of economic growth than countries with lower legal emphasis on protecting property rights.

Furthermore, Heo and Tan (2001) argue that the literature has mixed results about the relationship between democracy and economic growth, suggesting that democracy may be contingent on other factors, such as regional factors, economic development strategies, institutional political factors and alliances. By the same token, Leblang (1996) argues that property rights stem from the type of political regime in place and from its institutions that heavily shape the nature of private and public property laws. By the same token, government practices, such as seizing private properties, can significantly undermine economic growth. In other words, witnessing such practices in a country can signify the undemocratic nature of institutions and possibly the lack of democracy in such a country.

In utilizing the before and after approach of empirical testing, Shen (2002) deliberately attempts to unconventionally examine the impact of democracy on economic growth, by comparing the economic performance of 40 countries before and after their democratic transformations, concluding that substantial improvements in economic growth are usually preceded by democratic transformation. The author surprisingly argues that democratic transformation results in lower economic growth rates in rich countries. However, such political transformations entice higher economic growth rates in poor countries.

Goldsmith (1995) argues that economic freedoms and property rights are strong determinant of economic growth. Yet, the paper cites that democracy and freedom might not be something that all countries can afford. The paper's conclusions argue that there is a trade-off between a country's material wealth and democracy, suggesting that poor countries may not be

able to effectively have democratic states. More specifically, democracy with its election campaigns and institutions are all costly, and need to be heavily subsidized from the state, if there is a strong government to stand for that.

Przeworski and Limongi (1993) question whether democracy fosters or hinders economic growth, using the standard neo-classic growth theory and the role of government spending in affecting economic growth. The paper's conclusions is that democracy has mixed results on the economy, depending on other institutional factors, citing evidence from Latin American in the 1960s and emerging markets in Asia. The primary determining factor of economic growth is economic rather than political liberalization. The authors argue that dictatorships have managed to foster economic growth while adopting liberal economic policies, presenting consistent results with emerging markets in Asia, such as in the cases of Asian Tiger economies and China.

Wade (2004) examines the transitions that many South East Asian countries have been through during the last few decades, making them among the fastest growing economies in the world. In fact, emerging markets have become strongly associated with that region due to the economic liberalization policies that have been put in place. The author argues that espousing the economic aspect of democracy can greatly enhance the way markets function, especially if this is coupled with enhanced free trade, focusing on comparative advantage through relatively cheap labour costs in many emerging markets.

3.5 ECONOMIC GROWTH, DEMOCRACY AND HUMAN CAPITAL

Burkhart and Lewis-Beck (1994) utilize time series dataset from 131 nations to study the impact of democratic institutions on economic growth, suggesting that economic development and

democracy are highly correlated. Yet, this correlation does not appear to be a direct one. In fact, the authors argue that countries going under democratic transitions hardly support the premise that democracy brings about economic prosperity. This is largely due to the institutional challenges that come with establishing democratic norms in terms of buttressing the separation of powers and economic freedom and maintaining order while granting more freedom in both the economic and political spheres.

In examining the impact of democracy on economic growth, Knutsen (2012) debunks the negative economic effects of democracy. The author also argues that democracy has an indirect effect on economic growth, by stimulating investments in human capital, strengthening property rights, and combating corruption and nepotism. Hence, democracy eventually results in burgeoning the economy at a faster growth rate. The author presents a review of previous literature in which he critiques these empirical studies, flagging specific issues, such as endogeneity. The author argues that democracy affects institutions that consequently affect labour, human capital and flow of funds. There are many positive externalities of having a democratically constructed system, one of which is boosting economic growth.

In examining the correlation between democracy and economic growth, Glaeser et al. (2004) use a combination of econometric methods, concluding that human capital and institutions are fundamental determinants of economic growth. It is worth noting that democracy has been found to substantially improve human capital and good governance, through education expenditures and separation of powers, respectively. Hence, democracy activates several determinants of economic growth, indirectly affecting economic growth levels.

In dissecting the effect of democracy on economic growth, Minier (1998) examines several neglected aspects of this research question. The author argues that countries going through a

democratic transition have been found to grow faster. By the same token, countries whose institutions became less democratic have been found to slow down economically. The paper's findings also suggest that the impact of democracy on economic growth is not significantly related to improvements in education expenditures or to the magnitude of public and private investments. Hence, the paper ascribes the economic impact of democracy to other factors including productivity levels and changes in income.

Mankiw et al. (1992) examine the determinants of economic growth in light of the Solow model, arguing that democracy if coupled with the accumulation of physical and human capital, consolidates economic growth. More precisely, the authors' results suggest that democracy has mixed results on economic growth, depending on the level of inequality, human and physical capital, stability, saving's rates, education, population growth and other factors that can greatly shape the economic effect of democracy. The paper's findings conclude that well-established democratic institutions typically have an indirect positive effect on economic growth and development in general. Yet, the broader framework is to be unfolded with future research.

3.6 ECONOMIC GROWTH, DEMOCRACY AND INCOME INEQUALITY

Other studies have addressed the correlation between democracy and economic growth by incorporating an income distribution variable in the empirical analysis. In this regard, Perotti (1996) argues that income and wealth disparities, both of which usually coincide with political and social instability, are associated with lower growth rates. Furthermore, the author argues that factors, such as low fertility rates and high education expenditures can greatly enhance economic performance.

Prominent growth models, such as the Solow model, have highlighted the role of technology in economic growth. Yet, more recent studies, such as that of Gwartney et al. (1999), have meticulously highlighted the pivotal role of institutional and freedom factors. In fact, economic freedom is found to be a fundamental determinant of economic growth, according to several estimations, such as those in Gwartney et al. (1999). The authors argue that creating a business-friendly environment is a complicated process that involves several inter-correlated factors. The paper's findings cite that investments in human capital and institutions, both of which are usually robustly correlated with democracy, play a significant role in enhancing economic growth rates.

Barro (1996) examines the economic ramifications of political freedom and standard of living, concluding that factors, such as rule of law, economic freedom, and education levels, have a considerable impact on economic growth rates. In fact, the findings in this study show that the impact of democracy is contingent on the level of political freedom. More specifically, democratic countries with low levels of political freedom appear to have enjoyed higher economic growth rates than those with higher levels of political freedom. The author argues that political freedom is a luxury good that only rich countries can afford. He argues that rich countries are financially capable of trading specific levels of growth rates with further political freedom.

Doucouliagos and Ulubaşoğlu (2008) suggest that the impact of democracy on economic growth tends to vary among regions due to region-specific effects. More specifically, the paper's empirical results show that the impact of democracy on economic growth is found to be greater in Latin American, and substantially lower in Asia. The authors propose that future studies should primarily address the detailed regional differences regarding the role of democracy in economic growth. Also, they recommend incorporating import-substitution and export-oriented strategies in

the analysis, since one of the fundamental differences between Asian economies and Latin American economies is the adopted public policy strategies. Furthermore, the authors recommend extending the analysis to assessing the welfare effects. Gerring et al. (2005) point out that the democracy variable can have mixed results depending on its definition whether dichotomous, where democracy would be a binary variable to distinguish the political system between democracy and autocracy, or continuous that measures the cumulative amount of democratic norms have been in place over time.

Gupta et al. (1998) investigate the interactive relationship between economic growth rates, income inequality, and type of political and institutional regime in place, finding that the model's estimated coefficients at hand are statistically significant. The paper substantiates that economic growth rates in countries with a high democracy index tend to grow substantially faster. More specifically, the paper finds that democracies enjoy average economic growth rates that are relatively higher than non-democracies by around 0.18%. Moreover, income distribution appears to be a salient factor in this empirical approach, by providing more consumer confidence, strong consumption, and further political and economic stability.

3.7 ECONOMIC GROWTH, DEMOCRACY AND PUBLIC POLICY

Heshmati and Kim (2017) explain the nature of the democracy variable, between being a binary variable for democratic or undemocratic countries, and constructing a continuous democracy variable that considers the cumulative number of years a democracy has been in place. This distinction can fundamentally alter the results and profoundly shape our understanding of assessing democracy. Nevertheless, the conclusion of the paper pinpoints that some of the countries espousing growth-friendly policies do not necessarily possess appropriate democratic institutions. More specifically, many undemocratic emerging economies, especially in Asia, have

had stunning records of economic growth, questioning the correlation between democracy and economic growth (Haan and Siermann, 1996).

In scrutinizing the impact of democracy on economic growth, Acemoglu et al. (2014) argue that economic growth is contingent on how well democratic public institutions are established. The authors utilize a dichotomous measure of democracy to mitigate the impact of measurement error. Furthermore, paper's findings suggest that democratization positively affects GDPC by around 20%. Also, having democracy is conducive to investments, schooling rates, business friendly legal reforms, and several other positive externalities. It is worth noting however, that in less developed countries, democracy has been found to be an impediment to economic growth, due to the lack of political stability that it might bring, weak democratic institutions, and other social and institutional factors.

Persson et al. (2007) argue that the electoral rule indirectly induces government spending, which is a fundamental component of GDP and GDP growth. Moreover, a multi-party system tends to have more welfare policies and higher government spending, compared to a single party system. It is worth noting that higher sensible and effective government spending often results in higher economic growth rates. Nevertheless, having government coalitions can result in fractured decision making and less effective fiscal policy. This is a primary challenge to the premise of the paper and, hence, the authors suggest that these factors greatly affect the way electoral systems shape the economic agenda.

Lundström (2005) questions the validity of several economic freedom indices that could elude interesting information, by examining the different categories of economic freedom and the way democracy's tents impact these categories. Furthermore, the author asserts that civil liberties and political rights positively affect economic freedom. The paper's findings suggest that

democracy brings considerable improvements in government operations and regulations, and restraints on international trade and FDI. Nevertheless, democracy does not seem to have a notable effect on the accessibility of sound money by citizens and discriminatory taxation, which is the extent to which governments treat citizens differently with respect to taxation. The author confirms that the claim that democracy negatively affects economic growth rates is not empirically well-supported.

Saha et al. (2009) meticulously scrutinize the effects of democracy on combating corruption and boosting economic growth by examining the interactive effects from 100 countries. The author's results suggest that the combination of economic growth and political freedom is highly associated with lower corruption levels. The paper's findings surprisingly suggest that democracy may not necessarily be accompanied by economic growth. However, when it does, it cultivates a sustainable path of economic and institutional development. This process is usually contingent on the ability of the country to transition successfully and on the time it takes to establish democratic norms away from military coups or foreign interference.

Berggren (2003) asserts that the determinants of economic freedom, which is a fundamental factor of economic growth, are largely embedded in the institutional environment, particularly the ones associated with the governments. More specifically, the author argues that democratic public policy and decision-making appear to be highly correlated with economic freedom. It is worth noting that the author's premise rests upon minimizing the size of the democratic government and its intervention in the economy to boost economic growth. Moreover, restrictive decisions on economic freedom can reduce economic growth levels in both democracies and non-democracies, which are more frequent cases according to the author. Also, the author

argues that having an impartial judicial system to protect private property and economic freedom is a vital factor in safeguarding economic freedom, economic growth, and democracy.

Carlsson and Lundström (2002) examine the relationship between economic growth and political and economic freedom, highlighting the fact that these types of studies maybe subject to a multicollinearity problem due to the way indices are composed. The authors argue that economic and political institutions have a significant and sizable effect on GDP growth. Although some sub-components of economic freedom (such as, monetary policy and price stability, economic structure and use of markets, and freedom of exchange in capital markets) are insignificant. The paper's findings suggest that some sub-components of economic freedom (such as, legal structure and private ownership), are positively and significantly correlated with GDP growth.

3.8 ECONOMIC GROWTH, DEMOCRACY, AND DEMOCRATIC TRANSITIONS

Peev and Mueller (2012) study the institutional changes that occurred in former Soviet Republics following the collapse of the Soviet Union, arguing that democracy does not necessarily bring about economic growth and development, but rather liberalizing economic policies can bring about economic prosperity. The authors cite that well-oriented economic policies in a dictatorship could be more effective in introducing economic reforms and boosting development than in the case of democracies, due to the lack of opposition and long-term vision of those in power who are not concerned about the next elections. The paper discusses the case of Singapore, which has a political system consisting of a single party. Yet, its economic prosperity has largely been built by economic liberalization and economic freedom.

In examining the impact of democracy on economic growth, Sirowy and Inkeles (1990) make several distinctions regarding the theoretical framework. More specifically, they argue that the way of measuring political democracy, whether in a continuous or discrete way, is a vital issue that researchers need to start with. The authors argue that having free and competitive elections is significant in this regard, fundamentally altering the results of any correlation between economic growth and democracy. It is worth noting that the authors' conclusion is consistent with the literature in the way that it detects an indirect correlation between democracy and economic growth. However, it does not establish a direct impact of democracy on economic growth.

In utilizing pooled cross-sectional data covering 125 countries in the span of 25 years between 1960 and 1985, Helliwell (1994) argues that democracy and income are positively and robustly correlated. Furthermore, the impact of democracy and freedom levels on economic growth has been estimated by the author, concluding that countries with higher income levels have a higher tendency of adopting democratic forms of government. The paper's findings show that espousing democratic forms of government initially results in higher economic growth rates. However, this effect tends to slow down as the impact of democracy dissipates with national income levels substantially rising to a level that it would be hardly viable to sustain relatively high economic growth rates.

Helliwell (1994) finds that economic growth rates are negatively correlated with initial savings, and positively correlated with export-to-GDP ratio. The author argues that examining the impact of authoritarian regimes is an interesting question where he compares the economic growth rates of China and India whose political regimes are distinctly different. Despite the absence of democracy in its political regime, China enjoys higher economic growth rates compared to those of India. The author argues that, unlike their peers in India whose primary goal was to get re-

elected, Chinese politicians have been autocrats who managed to focus their efforts on economic development in China. The paper's findings suggest, however, that economic growth is more stable among democratic countries.

In unfolding the ramifications of democratic institutions in a variety of countries, Mobarak (2005) distinguishes the differences between economic development and economic growth by identifying the institutional aspect in terms of having well-established democratic institutions in the country at stake. The author's results appear to substantiate that economic growth rates in democracies are more stable than those in non-democracies. More specifically, non-democratic nations' economic growth rates fluctuate erratically, causing disruptions in people's livelihood, income, and economic stability. Moreover, democracy appears to be bringing about more sustained economic growth and broader safety net in terms of providing government support during rainy days, compared to limited role that the government plays in non-democratic states. Also, democracies seem to have more expenditures in infrastructure, education, and welfare, compared to lower institutional development in most non-democracies. Diversity of sectors is also a fundamental factor in stabilizing economic growth. The paper's findings suggest that democracy is negatively correlated with economic growth rate volatility.

3.9 DEMOCRACY AND ITS INDIRECT EFFECTS

Diebolt et al. (2013) examine unstable and poor democracies that exist in multiple regions, suggesting that associating poverty and democracy could be a misleading trap in the literature. This is due to the number of transitioning states that might have encountered a variety of challenges in terms of establishing democratic norms and institutions. The authors, however, empirically

assert that democracy exerts substantial growth-improving effect, using the shift of democratic states from being a locus in low level to high-level equilibrium. The paper's findings reckon consistent thought with those reviewed in the literature in terms of attributing to democracy a dynamically facilitating role in promoting interdependent economic growth. This largely occurs due to increases in flow of goods and services in the free trade system that many democracies enjoy to various degrees. These increases in trade flows make the global economy, especially between trading partners, well connected and the roots of economic activities intertwined.

Mathonnat and Minea (2018) examine the effect of democracy on economic growth, presenting two different theories. The first one claims democracy poses a negative effect on economic growth due to the redistributive policies that may drive away FDI and discourage economic activities. On other hand, the authors also present the contrary theory that associates democracy with higher economic growth rates, resulting from fostering investments in education and public goods, which indirectly boost economic growth. The paper's empirical models confirm that well-established democracies are less susceptible to internal shocks in terms of severity and magnitude, as democratic institutions prevent leaders from monopolizing the decision-making process, which usually occurs within a specific mechanism and within limits, checks, and balances. The paper's empirical models also suggest that parliamentary, semi-parliamentary, and presidential regimes all have the same effect with respect to economic growth.

Shabbir (2017) examines the effect of corruption on economic growth, by questioning the conditional link between corruption and democracy in boosting economic growth. The paper's findings suggest that having well-established democracy somehow prevents corruption and increases economic growth levels. In this case, corruption appears to be negatively correlated with economic growth levels, compared to a slightly positive relationships between economic growth

and corruption in poorly established democracies. The author argues that having a higher degree of democracy does not only curb corruption, but it also increases long-term investments in vital sectors, such as education, infrastructure and it buttresses the checks and balances of democracy.

Ishtiaq et al. (2016) study the relationship between the political structure of the regime and economic growth. The authors find that democracy does have an indirect and significant positive effect on economic growth in terms of improving economic freedom, judicial independence, and property rights, but it has a negative impact on the financial sector's performance. The authors highlight that the negative impact on the financial sector is much smaller in magnitude compared to the positive impact on economic growth levels. This leads to an overall positive effect as the negative effects on the financial sector is outweighed by the positive effects on economic growth. Moreover, the paper's results suggest that the financial sector does not operate efficiently under a democratic government, even though financial markets are typically liberalised after democratisation.

Malikane and Chitambara (2017) examine the correlation between FDI, democracy, and economic growth by using the generalized method of moment. The authors find that FDI has a direct positive effect on economic growth. Also, the authors conclude that strong and well-established democratic institutions are vitally conducive to economic growth. More specifically, democratic countries are better equipped with absorbing the positive spillovers from FDI, increasing economic growth levels in a sustainable way, due to the fair competition that occurs in democratic countries. The cases of many countries in Southern Africa are consistent with this premise, where countries that implemented institutional reforms were better able to benefit from the capital inflow of FDI.

Acemoglu et al. (2008) examine the statistical significance between income per capita and democracy, using the instrumental variable method and the fixed-effect approach, concluding that democracy does not directly affect economic growth and income per capita. Nevertheless, the real drivers of economic prosperity appear to be the determinants of institutional development. Furthermore, the paper's findings suggest that severe economic conditions lead to the collapse of dictatorships, paving the way for establishing a democracy. Yet, countries going through democratic transitions are subject to severe economic conditions and shocks due to the unstable nature of their political structure. Such situations negatively reflect on democracy's ability to increase economic growth levels.

Ghardallou and Sridi (2019) analyze the economic impact of democracy by dissecting the different layers of the political process and by breaking down its structure in terms of institutions. The authors tackle the developmental aspect in democracies, which seems to be typically better-established compared to non-democracies. The paper's cites contradicting views on the discussion of democracy and economic growth in the sense that there seems to be no consensus, due to the diverse set of evidence from different cases. Starting with the positive effect of democracy on economic growth, democracy brings about property rights, protection of private property, and political stability, all of which encourage growth and stimulate economic growth rate by offering conducive investment conditions for FDI and fair competition for investors. Moreover, democracies invest more in human capital and technology, both of which are contemporary cornerstones of economic development and growth. Ghardallou and Sridi (2019) argue that technological advancements in democracies have played eminent roles in shaping the economic agenda. Hence, the effect of democratic institutions on economic growth levels is unequivocal.

On the other hand, Ghardallou and Sridi (2019) present alternative arguments, such as through the effectiveness of autocratic regimes in the sense that dictators, who are not concerned about political changes and democratic elections, have better prospects of adopting long-term plans, long-term economic agendas, and long-term investments projects. Furthermore, the authors argue that the lack of redistributive measures in non-democratic states creates a good and tempting economic situation for investors, affluent individuals and businesses, by attracting more capital and encouraging business.

Asongu and Nwachukwu (2016) argue that some cases, such as the Arab Spring uprisings that swept the Arab World could manage to boost economic growth rates, only if there was a political will in implementing institutional reforms that can serve towards further development. But corporatism, nepotism, and lobbying activities often hinder these democratic transitions. Ghardallou and Sridi (2019) suggest that the type of electoral system could explicate uneven economic growth rates and uneven levels of development among democratic countries. More specifically, the findings illustrate that parliamentary systems have a relatively higher tendency of pursuing developmental economic agendas.

Also, Ghardallou and Sridi (2019) suggest that having a proportional electoral system allows a relatively more deliverable results with respect to higher economic growth rates. The paper's findings suggest that many factors, such as stability, unemployment, poverty rate, and income inequality, are all decisive in determining the role that democratic institutions play in shaping the economic agenda. For countries going through transitions with high income inequality or high poverty rates, the situation seems to be bleaker in such a transition. Speaking with stability, the authors argue that recently granted freedom of expression might hinder economic growth due to the conflicts it might sparkle.

Rabiul (2018) scrutinizes the role of inequality in relation to democracy and economic growth, by arguing that the effects of inequality on economic freedom and growth is equivocal. In this regard, the author asserts that wealth inequality has a detrimental impact on economic freedom and economic growth by obstructing people's freedom and their ability to choose. This is due to higher lobbying activities, greater nepotism levels and more leverage vested in the top 10%, which might hinder the wheel of economic growth by pushing for protectionist policies. More precisely, this study finds that a one percent increase in wealth inequality results in a decline in economic freedom, lower protection in property rights, and lower growth rates. Nevertheless, the author argues that the interaction effect of having a democratic state with wealth inequality is positive and significant on economic growth. This implies that some inequality is bearable to drive economic growth and reward hard-working talented people. Yet, more extreme wealth concentration might exclude millions from enjoying the fruits of economic growth and development. In fact, the author argues that having high concentration of wealth can threaten democratic institutions and substantially reduce economic growth levels.

Acemoglu et al. (2000) attempt to investigate some outcomes associated with the Kuznets curve, in which democracy results in lower inequality levels, and consequently higher economic growth rates. The paper's findings suggest that democratic institutions provide more economic safety net for the population, by offering more welfare policies and by prioritizing people's economic and political rights. Hence, democracy produces higher economic growth rates on the condition of maintaining political stability. The paper concludes that differences may occur, depending on the country's economic and political circumstances, level of education, and policies introduced in the democratic sphere for stimulating economic growth and investments in human capita and for stifling income inequality.

Apergis (2017) investigates the correlation between well-built democracies and economic crises. Such correlation typically results in lower or even negative economic growth rates. Furthermore, the author suggests that market crashes depend largely on the market structure that is usually regulated by the rules and procedures, which are put forward by the government. In the case of a democracy, laws are more transparent and developed in the legal sense, making it less likely to have market crashes and economic crises. This paper concludes that economic growth is heavily and positively contingent on democracy and the institutions that come with it, due to the institutional stability that the democracy provides.

Comeau (2003) analyzes the components of political economy, which often heavily shape economic growth. This study regresses GDP growth rate on a variety of independent variables, including initial income, population growth, economic and political freedom, elections, among other variables. The author suggests that economic freedom and economic growth play a considerable role in shaping the economic agenda. The former shapes contracts and transactions, while the latter sets the cornerstone of the labour market. They both form the pillars of economic activities and economic growth. The paper also suggests that economic success under non-democratic states is less reliable and sustainable.

Saint-Paul and Verdier (1993) find that democracy boosts economic growth. Nevertheless, this is contingent on income and wealth inequality levels, and public expenditures in education. The authors argue that in some cases, democracy may lead to lower economic growth rates if not coupled with good education expenditures, particularly when there is a rising inequality level. More precisely, democracy stifles equality of opportunities if it does not provide adequate opportunities for disadvantaged segments of the population. Overall, the paper concludes that over

the last two centuries, Western democracies have proven to have more sustained economic growth rates, compared to non-democratic states.

Rodrik (2000) examines the institutional role in shaping economic growth, by studying the correlation between economic growth and having well-established democratic institutions. The author finds that well-made public policies, coupled with strong democratic institutions that provide welfare and safety net for students, are extremely helpful in fostering economic growth. The economic value of democracy stems from the ability to choose based on the agenda and the program, not to mention that elected politicians are more likely to address people's concerns and demands in preparation for upcoming elections. The paper suggests that this an ideal situation, However, it points out that, in many cases, elected politicians pay less attention to public demands, and that public discontent with a lot of politicians could jeopardize the promising economic prospect of democracy.

CHAPTER FOUR: DATA, VARIABLES, AND METHODOLOGY

4.1 DATA AND VARIABLES

This thesis utilizes a unique dataset extracted from both the Global State of Democracy and the World Governance Indicators. These two sources cover a novel and rich dataset from more than 180 countries, for over 30 years. The sample size is around 6,000 observations, diligently collected and compiled to capture the democracy effect in its multifaceted features, along with several macroeconomic variables. The main components of the democracy variables in this dataset include, Representative Government, Fundamental Rights, Checks on Government, Impartial Administration, and Participatory Engagement (where the latter is computed by taking the averages of its sub-elements).

The dependent variable consists of GDPC, which measures the national income per capita at constant US$, to assess the impact of democracy on economic growth. Representative Government is one of the most essential attributes of democracy in this source, which measures inclusive and popular direct and indirect elections. This variable is an outcome from a Bayesian factor analysis of its sub-components, which are: Clean Elections, Free Political Parties, Elected Government, and Inclusive Suffrage. More precisely, the clean elections variable captures the answer to the question “To what extent are elections free from irregularities?”, where the answers have been rescaled to range from 0 to 1. The Inclusive Suffrage variable captures the answer to the question “To what extent do all adult citizens have voting rights?”, where the answers have been rescaled to range from 0 to 1. The Free Political Parties variable captures the answer to the question: “To what extent are political parties free to form and campaign for office?”, where the answers have been rescaled to range from 0 to 1. The Elected Government variable captures the

answer to the question “To what extent is access to government determined by elections?”, where the answers have been rescaled to range from 0 to 1.

Furthermore, Fundamental Rights is a vital attribute of democracy in this source, which measures individual liberties and resources. This variable is an outcome from a Bayesian factor analysis of its sub-components, which are: Access to Justice, Civil Liberties, and Social Rights and Equality. More precisely, the access to justice variable captures the answer to the question “To what extent is there equal, fair access to justice?”, where the answers have been rescaled to range from 0 to 1. The Civil Liberties variable captures the answer to the question “to what extent are civil liberties respected”, where the answers have been rescaled to range from 0 to 1. The Social Rights and Equality variable captures the answer to the question “to what extent are there basic welfare, and social and political equality?”, where the answers have been rescaled to range from 0 to 1.

Moreover, Checks on Government is a fundamental attribute of democracy in this source, which measures effective control of executive power. This variable is the outcome from a Bayesian factor analysis of its sub-components which include effective parliament, judicial independence, and media integrity. More precisely, the effective parliament captures the answer to the question “to what extent does parliament oversee the executive?”, where the answers have been rescaled to range from 0 to 1. The Judicial Independence variable captures the answer to the question “to what extent are the courts independent?”, where the answers have been rescaled to range from 0 to 1. The Media Integrity variable captures the answer to the question “To what extent are there diverse, critical media?”, where the answers have been rescaled to range from 0 to 1.

Also, Impartial Administration is an important attribute of democracy in this source, which measures fair and predictable public administration. This variable is the outcome from a Bayesian

factor analysis of its sub-components, which include predictable enforcement, and absence of corruption. More precisely, the absence of corruption variable captures the answer to the question "to what extent is the exercise of public authority free from corruption?", where the answers have been rescaled to range from 0 to 1. The predictable enforcement variable captures the answer to the question "to what extent is the enforcement of public authority predictable?", where the answers have been rescaled to range from 0 to 1.

Participatory Engagement is an integrative attribute of democracy in this source, which measures instruments of political involvement. This variable is the outcome from a Bayesian factor analysis of its sub-components which include civil society participation, electoral participation, direct democracy and subnational elections. More precisely, the civil society participation variable captures the answer to the question "To what extent do people participate in civil society organizations?", where the answers have been rescaled to range from 0 to 1. The electoral participation variable captures the answer to the question "To what extent do people participate in national elections?", where the answers have been rescaled to range from 0 to 1. The direct democracy variable captures the answer to the question "To what extent are mechanisms of direct democracy available and used?", where the answers have been rescaled to range from 0 to 1. The subnational elections variable captures the answer to the question "To what extent are there free regional and local elections?", where the answers have been rescaled to range from 0 to 1.

Also, we include two more control variables that measure both corruption and political stability. These variables are both extracted from the World Governance Indicators. They are calculated on a scale of 100, in which 100 will be perfectly stable or not corrupt and 0 otherwise. Furthermore, the data includes macroeconomic variables extracted from the World Bank data, including: GDP growth, which measures Gross Domestic Product; FDI, which captures Foreign

Direct Investment in all countries; Inflation, which reflects the increase in the price level of goods and services over time; GDP, which is the Gross Domestic Product; GDPC (in constant 2010 $), which is the Gross Domestic Product per Capita; Trade Openness (expressed as % of GDP), which computes the ratio of trade as a ratio of GDP; School Enrollment, Primary (% gross), which is the percentage of people enrolled in primary education; School Enrollment, Secondary (% gross), which is the percentage of people enrolled in secondary education; School Enrollment, Tertiary (% gross), which is the percentage of people enrolled in tertiary education; Fuel exports, which capture the value of fuel exports; and initial GDP per Capita, Political Stability, which captures the perception of the likelihood of the a politically caused violence, and Control of Corruption, which captures the perception of corruption levels.

Democracy variables are highly correlated, rendering them to be statistically unfeasible to be jointly used in one model without subjecting the model to major econometric issues related to multicollinearity. Having said that, we ran a correlation test to assess correlation between main categories and sub-categories in each group on their own. Table 1 below shows the correlation values between main categories. We find the following correlation values between these variables: Representative Government and Fundamental Rights is 0.845; Representative Government and Checks on Government is 0.888; Representative Government and Impartial Administration is 0.640; Representative Government and Participatory Engagement is 0.903; Fundamental Rights and Checks on Government is 0.906; Fundamental Rights and Impartial Administration is 0.808; Fundamental Rights and Participatory Engagement is 0.841; Checks on Government and Impartial Administration is 0.726; Checks on Government and Participatory Engagement is 0.850; and Impartial Administration and Participatory Engagement is 0.613. This means that including two correlated independent variables will lead to multicollinearity problems in such regression.

Next, we ran a correlation test to assess correlation between Representative Government's sub-categories. Table 2 below shows the correlation results between these sub-categories. We find the following correlation values between these variables: Clean Elections and Inclusive Suffrage is 0.776; Clean Elections and Free Political Parties is 0.865; Clean Elections and Elected Government is 0.844; Inclusive Suffrage and Free Political Parties is 0.612; Inclusive Suffrage and Elected Government is 0.717; and Free Political Parties and Elected Government is 0.841.

We ran a correlation test to assess correlation between Fundamental Rights' sub-categories. Table 3 below shows the correlation results between these sub-categories. We find the following correlation values between these variables: Access to Justice and Civil Liberties is 0.849; Access to Justice and Social Rights and Equality is 0.8045; and Civil Liberties and Social Rights and Equality is 0.770.

Next, we ran a correlation test to assess correlation between Check on Government's sub-categories. Table 4 below shows the correlation results between these sub-categories. We find the following correlation values between these variables: Effective Parliament and Judicial Independence is 0.7480; Effective Parliament and Media Integrity is 0.7728; and Judicial Independence and Media Integrity is 0.7698. Also, we ran a correlation test to assess correlation between Impartial Administration's sub-categories. Table 5 below shows the correlation value. We find that the correlation between Absence of Corruption and Predictable Enforcement is 0.835.

Finally, we ran a correlation test to assess correlation between Participatory Engagement's sub-categories. Table 6 below shows the correlation values between these sub-categories, which are moderately lower compared to the previous ones. We find the following correlation values between these variables: Civil Society Participation and Electoral Participation is 0.482; Civil Society Participation and Direct Democracy is 0.312; Civil Society Participation and Local

Democracy is 0.705, Electoral Participation and Direct Democracy is 0.246; Electoral Participation and Local Democracy is 0.521; and Direct Democracy and Local Democracy is 0.315.

4.2 SAMPLE CHARACTERISTICS

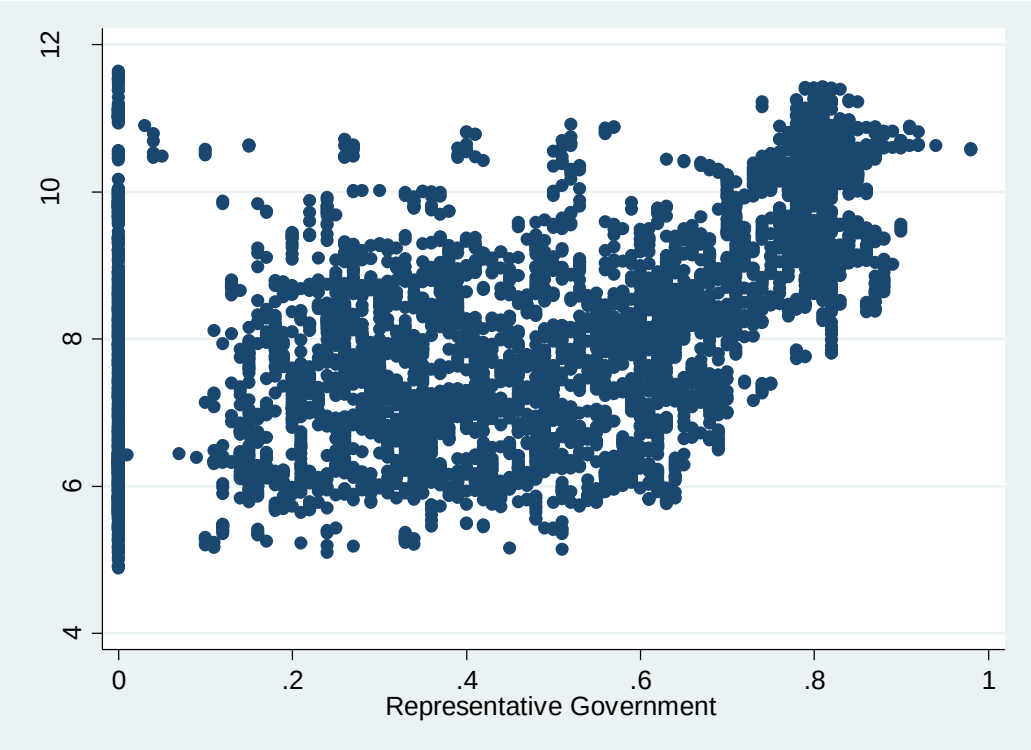
Table 7 presents summary statistics of the variables used in our empirical examination. We observe that the means (and standard deviations) for the main democracy variables are: Representative Government is 0.45 (0.28), Fundamental Rights is 0.54 (0.20), Checks on Government is 0.50 (0.22), Impartial Administration is 0.47 (0.20), and Participatory Engagement is 0.46 (0.21).

The Representative Government variable consists of sub-variables: Clean Elections with an average of 0.49, Free Political Parties with an average of 0.49, Elected Government with an average of 0.64, and Inclusive Suffrage with an average of 0.74.

The Fundamental Rights variable consists of several sub-components which are: Access to Justice with an average of 0.56, Civil Liberties with an average of 0.60, and Social Rights and Equality with an average of 0.45. Also, the Checks on Government variable consists of several sub-components, which include Effective Parliament with an average of 0.49, Judicial Independence with an average of 0.47, and Media Integrity with an average of 0.54. Moreover, the Impartial Administration includes several sub-components: Predictable Enforcement with an average of 0.46, and Absence of Corruption with an average of 0.47. Lastly, Participatory Engagement include Civil Society Participation with an average of 0.39, Electoral Participation with an average of 0.53, Direct Democracy with an average of 0.09, and Local Democracy with an average of 0.53.

The graph below illustrates the relationship between Log (GDPC) and the Representative Government variable. There is a positive correlation between having a representative democracy in place and Log (GDPC) of 0.457. This means that countries with representative governments are more likely to have high Log(GDPC). The graph does indicate that democratically run states are more likely to have higher GDPC levels.

Figure 4.1: Correlation between Log of GDP and Representative Democracy

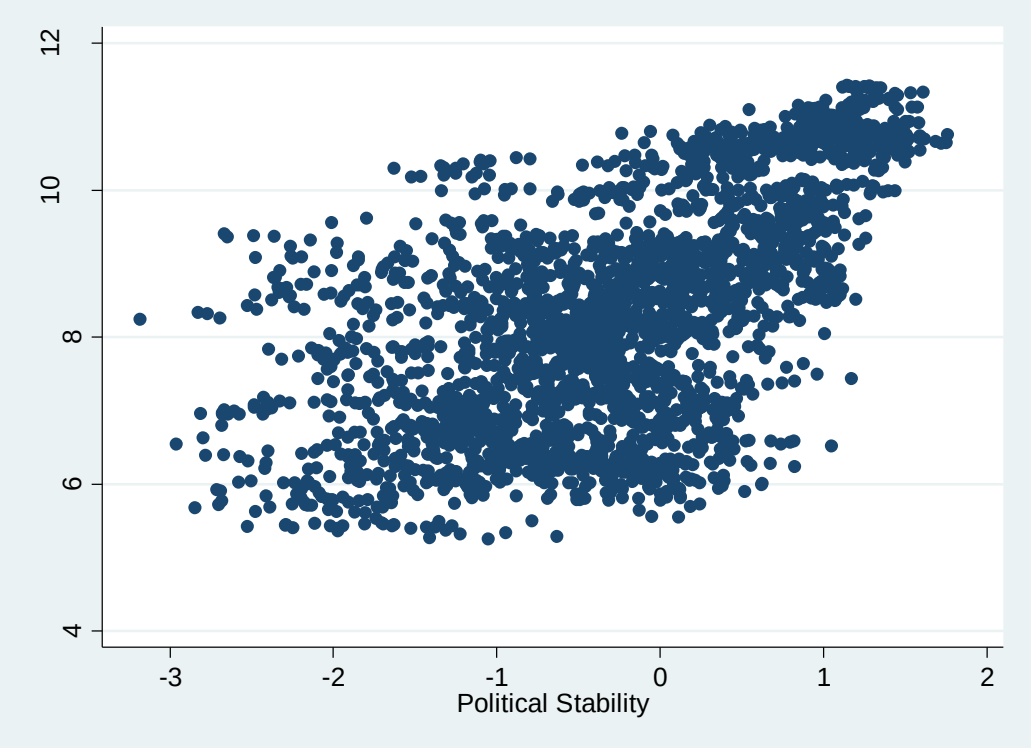


The graph below captures the relationship between Log (GDPC) and the Fundamental Rights variable. There is a positive correlation between having Fundamental Rights in place and Log (GDPC) of 0.493. The graph does indicate that democratically run states are more likely to have higher GDPC levels.

Figure 4.2: Correlation between Log of GDP and Fundamental Rights

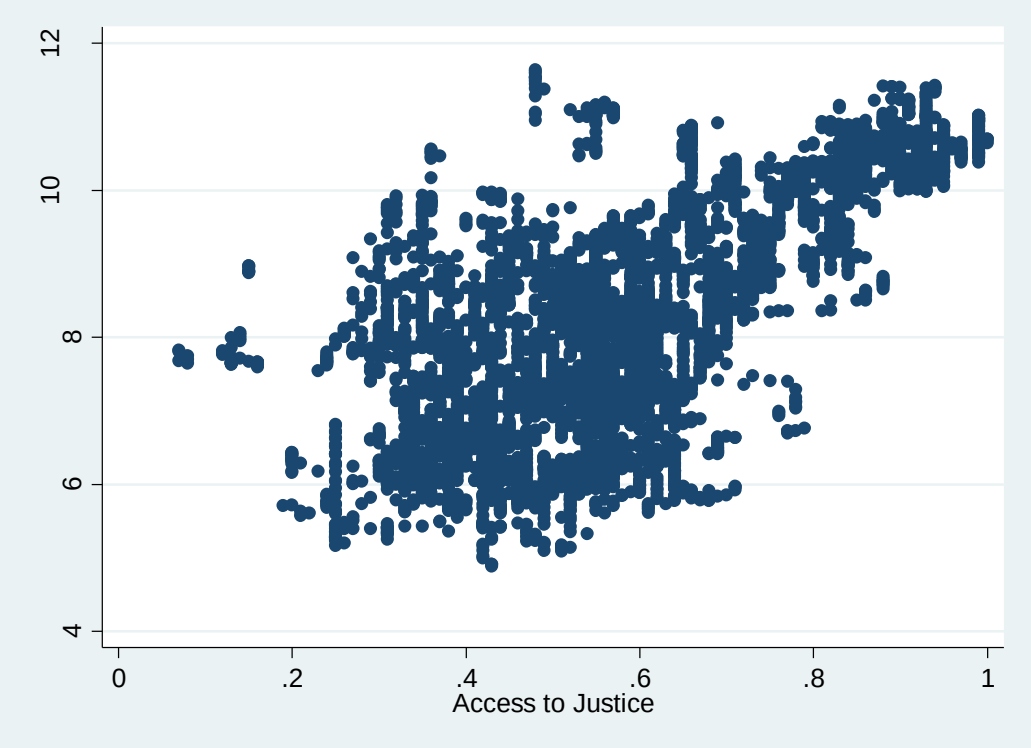
The graph below captures the relationship between Log (GDPC) and the Political Stability variable. There is a positive correlation between political stability and Log (GDPC) of 0.278. The graph does indicate that stable and democratically run states are more likely to have higher GDPC levels.

Figure 4.3: Correlation between Log of GDP and Political Stability



The graph below captures the relationship between Log (GDPC) and the Access to Justice variable. There is a positive correlation between having Access to Justice and Log (GDPC) of 0.497. The graph does indicate that democratically run states are more likely to have higher GDPC levels.

Figure 4.4: Correlation between Log of GDP and Access to Justice



4.3 MODELLING APPROACH

4.3.1 EMPIRICAL SPECIFICATIONS

One of the tenets of democracy is the ability to represent people in the political governing body. Since this thesis attempts to examine the relationship between democracy and economic growth, it is fundamentally important to include the Representative Government variable, along with its sub-components that capture Clean Elections, Inclusive Suffrage, Free Political Parties and Elected Government. These variables are significantly important for this paper, due to the need of empirically assessing the impact of elections, and how inclusive these elections are, the level of freedom political parties enjoy, and how much power does an elected government hold in the

political scene. Furthermore, enjoying fundamental rights is one of the vital principles of democracy. Thus, including the Fundamental Rights variable that captures these rights is inevitable. These rights include Access to Justice, Civil Liberties, and Social Rights and Equality. These variables respectively capture the ability of citizens to access the justice system, and the ability to enjoy civil and social rights that are normally protected to a certain level in democratic states.

Furthermore, having rule of law in place is one of the fundamental principles of democracy. Thus, including the Impartial Administration variable that captures this aspect is critical through the analysis. This includes Absence of Corruption and Predictable Enforcement, capturing how accountable politicians are with respect to corruption practices and how robust the rule of law is with regards to nepotism and favouritism. Furthermore, Participatory Engagement is one of the important principles of democracy. Thus, including the Participatory Engagement variable is also important through the analysis. This includes Civil Society Participation, Electoral Participation, Direct Democracy, and Local Democracy. The previous sub-variables are self-explanatory and explicitly assess specific aspects of democratic governments.

We also include political stability and control for corruption to account for important aspects of democratic states. The basic empirical models uses the GDPC (in constant 2010 US$) as the dependent variable, and covers the following explanatory variables (as discussed earlier): Log (Trade Openness), Log of FDI, School Enrollment (Primary), School Enrollment (Secondary), School Enrollment (Tertiary), Log (Fuel Exports), Political Stability, Inflation, and Control of Corruption. These variables are included to disentangle the effects of democracy on GDPC.

This thesis aims to examine the relationship between GDPC and democracy and governance indices, using the fixed effect and random effect models to control for unobserved

country-specific effects. We note that we refrained from including more than one democracy variable in a regression to circumvent the multicollinearity issues in the empirical model. We ran four different benchmark regressions in each table through different empirical specifications, to capture the effect of each of the democracy variables at hand.

4.3.2 FIXED AND RANDOM EFFECT MODELS

This thesis utilizes fixed-effect and random-effect empirical models to control for unobserved country-specific factors. This section gives a brief theoretical overview of these econometric models. The fixed-effect and random-effect models are developed for distinct objects in interpreting and making inferences from the effect parameters versus doing the same about the effect parameters' distribution in a randomly selected sample. In both estimations, the researcher assesses the confidence intervals and hypothesis tests, and confirms that each procedure is best for a specific goal. These two models employ similar formulas to calculate statistics, and sometimes produce comparable estimates of various parameters and coefficients (Wooldridge, 2010). This could mistakenly insinuate that these models are interchangeable. However, the models present fundamentally different assumptions and conditions. The selection of the model is vital to ensure accuracy in estimating parameters. Moreover, the model puts the analysis into context, by providing a framework of the analysis, its goals and the interpretation of the empirical model (Allison, 2009). Let i (with $i = 1, \dots, N$) represent country and t (with $t = 1, \dots, T$) represent time-period. Then, the unobserved country-specific effects can be represented by the following equation:

$$Y_{it} = \beta' X_{it} + v_{it}, \text{ where } v_{it} = \mu_i + u_{it}.$$

In this empirical specification, X_{it} is a vector of repressors with corresponding vector of coefficients β, μ_i is the unobserved country-specific effects, and u_{it} is the remaining stochastic term. In the fixed effects models, μ_i represent the country-specific parameters, while in the random-effect model, μ_i is a country-specific random element with $Cov(X_{it}, \mu_i)$=0.

Fixed effects estimates are calculated using least squares, and random effects are estimated with a linearly unbiased prediction approach (Wooldridge, 2010). In this thesis, we use the fixed-effect approach to control for the unobserved country-specific effects, which could be manifested in a variety of factors that might have affected GDPC but were not accounted for due various reasons such as, lack of quantitative variables surrounding a variety of political, economic, and geo-economic factors. Thus, the fixed-effect model accounts for the effect of time-invariant variables with time-invariant effects.

Therefore, the fixed-effect (FE) estimator is a vital tool in empirical papers that employ panel dataset in estimating the effects of time-variant explanatory variables. The FE estimator has a unique aspect in the way that it allows arbitrary correlation between several elements, such as the additive, unobserved heterogeneity and the independent variables. It is worth noting that pooled methods that do not eliminate time averages, and the random effects (RE) estimator, assume that the unobserved heterogeneity is not correlated with the covariates. Nevertheless, the framework in which the FE estimator is normally examined is somewhat restrictive: the heterogeneity assumes to have constant coefficients over time. Moreover, Wooldridge (2010) has corroborated that the FE estimator, meets many robustness properties for estimating the population average effect (PAE) or average partial effect (APE).

On the other hand, if the effect is perceived to have a random value, the empirical model is called a random-effect model. The random-effect model is utilized to eliminate the unobserved

variable effect, which is automatically considered to be uncorrelated with all the observed variables. It is worth noting that the RE models can be estimated using the Generalized Least Squares (GLS) approach. The random effect model holds the assumptions in the fixed-effect model, in addition to the condition that α_i is independent of all explanatory variables (Ashley, 2012).

FE models allow for arbitrary correlation between α_i and X_{it}, compared to the RE models that do not. The FE specification is widely considered to be a more convincing tool for providing *ceteris paribus* effects. If the primary explanatory variable is constant overtime, using the FE model is unfeasible (Li, 2002). In this case, the RE model becomes more compatible and accurate. It is fairly common to estimate both the FE and the RE models, and then test for statistically significant differences in the estimated coefficients to determine the preferred approach. It is worth noting that the Hausman test is a vital tool to examine the differences between these two approaches. More specifically, the test characterizes that the RE model should be used as a default unless the Hausman test rejects the null hypothesis. If we fail to reject the test, both RE and FE estimators are similar in the sense that using either of them would be statistically sufficient. Also, some economists would have a close look at the empirical model through α_i, and determine whether this parameter is conceptually regarded as fixed or random parameter, to decide between the FE model and the RE model. The determining factor is whether the assumption that α_i is uncorrelated with X_{it} holds or does not hold. In any case, it is often pointed out that the FE model is almost much more statistically convincing for policy implications, particularly when using aggregated datasets such as in our case (Li, 2002).

CHAPTER FIVE: BENCHMARK EMPIRICAL RESULTS

In this chapter, we present the results from different empirical specifications using fixed effects and random effect models. We use the Hausman test, which is a statistical tool commonly used to decide between fixed or random effect models (see previous chapter). This test is implemented through the null hypothesis implying that the preferred model is the one with random effects against the alternative hypothesis, which implies that the fixed effect model is the favourable one. The results from this test indicate that the null hypothesis is rejected at the 1 percent level (p-value=0.00) across the different empirical specifications. The results from the random effect and fixed effect models are, however, comparable. Given the results from the Hausman test, we discuss the results through the fixed effects model.

5.1 THE IMPACT OF REPRESENTATIVE GOVERNMENT ON GDPC

The empirical analysis examines first the effect of democracy on GDPC through the Representative Government indicator. The results from the empirical specifications with random effects are presented in Table 8, and the results from the empirical specifications with fixed effects are presented in Table 9. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In the first model, the estimated coefficient on the Representative Government (RG) variable is significant at the 1 percent level with a value of 0.177. In other words, an increase of one-unit in RG results in an increase of 17.7 percent in GDPC. Furthermore, the estimated coefficients on the Fuel Exports and

Trade Openness variables are both significant at the 1 percent level, with values of -0.024 and 0.269, respectively. In other words, a one-unit increase in Fuel Exports results in a decrease of 0.024 percent in GDPC. This result is intriguing, since exports, including fuel exports, are normally expected to positively affect GDPC and economic growth in general. However, this negative sign appears to be associated with the fact that many oil-rich countries, such as Venezuela and Nigeria, suffer from many economic (monetary and fiscal) problems, sluggish economic growth, political and social unrest, and/or persistent poverty. Also, the overlap between FDI and Fuel Exports, where significant portion of FDI happens to be in the oil sector in oil-rich countries, diffuses the effect of Fuel Exports on GDPC.

We also find that an increase in Trade Openness by one percent results in an increase GDPC by 0.269 percent. Also, the estimated coefficient on FDI is significant at the 1 percent level with a positive value of 0.096. In other words, an increase in FDI by one percent results in an increase in GDPC by 0.096 percent. The estimated coefficient of the School Enrollment has a positive and significant impact on GDPC at the 1 percent level for primary and tertiary levels. For example, an increase in primary and tertiary education by one-point results in an increase in GDPC by 0.1 and 1.1 percent, respectively. We note that an additional education variable, School Enrollment (Secondary), will be used in the following empirical specifications, and the results will be presented in this table.

Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Again, the Representative Government variable, which captures the type of political regime, has a positive effect on GDPC. In this model, the estimated coefficient on the Representative Government (RG) variable is significant at the 1 percent level with a value of 0.282. In other words, an increase of

RG by one-unit results in an increase of 28.2 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with an estimated value of 0.142. This estimate is lower compared to the estimated coefficient obtained from the previous specification. The estimated coefficient on the Fuel of Exports variable is not significant in this model. This could be the results from introducing the Political Stability variable, which absorbs the political and social instability that features many oil-rich countries.

The estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.038. In other words, an increase of one-unit in FDI results in an increase of 0.038 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the 1 percent level for secondary and primary levels. More specifically, the estimated coefficients on the School Enrollment variables are negative and significant with a value of -0.003 for the primary level, and 0.009 for the secondary level. The negative coefficient at the primary level could be attributed to the high level of correlation with the School Enrollment variable at the secondary level. The estimated coefficients on the Political Stability and Inflation variables are both significant at the 1 percent level, with values of 0.036 and -0.004, respectively. In other words, an increase in the Political Stability index by one-point results in an increase in GDPC by 3.6 percent.

Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. In this model, the estimated coefficient the Representative Government (RG) variable is significant at the 10 percent level with an estimated coefficient of 0.114. In other words, an increase of one-point in RG results in an increase of 11.4 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness trade is

significant at the 1 percent level with a value of 0.153. On the other hand, the estimated coefficient on the Fuel of Exports variable is not statistically significant in this model.

Also, the estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.043. In other words, an increase of one -unit in FDI results in an increase of 0.043 percent in GDPC. The estimated coefficient on the School Enrollment variable does not have a significant impact at the primary level in this model, but it has a positive and significant impact at the tertiary level. The estimated coefficients on the Political Stability, Control of Corruption, and Inflation variables are all significant at the 1 percent level, with values of 0.044, 0.003 and -0.002, respectively. In other words, an increase of one-point in the Political Stability indicator results in an increase of 4.4 percent in GDPC. Also, an increase in the Control of Corruption index by one-point results in an increase in GDPC by 0.3 percent.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. In this model, the estimated coefficient on the Representative Government (RG) variable is significant at the 1 percent level with a value of 0.264. In other words, an increase of one-point in RG results in an increase of 26.4 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is positive and significant at the 1 percent level with a value of 0.135. Meanwhile, the estimated coefficient on the Fuel of Exports variable is not statistically significant in this model.

The estimated coefficient on the FDI variable is significant at the 5 percent level with a value of 0.036. In other words, an increase of one -unit in FDI results in an increase of 0.036 percent in GDPC. The estimated coefficients on the School Enrollment variables have statistically significant impacts at the primary and secondary levels in this model. More specifically, the School Enrollment variable shows a negative effect at the primary level, but positive effect at the

secondary level. Moreover, the estimated coefficients on the Control of Corruption and Inflation variables are both significant at the 1 percent level, with values of 0.003 and -0.003, respectively. We find that an increase of one point in the Control of Corruption indicator results in an increase of 0.3 percent in GDPC.

Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Representative Government (RG) variable is positive and significant at the 1 percent level with a value of 0.254. In other words, an increase of one-point in RG results in an increase of 25.4 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is positive and significant at the 1 percent level with a value of 0.139. Meanwhile, the estimated coefficient on the Fuel of Exports variable is not statistically significant in this model. Also, the estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.035. In other words, an increase of one percent in FDI results in an increase of 0.035 percent in GDPC. School enrollment variables have significant impacts at the primary and secondary levels in this model. The estimated coefficients show negative effect at the primary level but a positive effect at the secondary level. The estimated coefficients on the Political Stability, Control of Corruption, and Inflation variables are all statistically significant at the 1 percent level, with values of 0.026, 0.002 and -0.003, respectively. Hence, these results show that an increase of the Control of Corruption index by one-point results in an increase of 0.2 percent in GDPC, and an increase of Political Stability by one-point results in an increase of 2.6 percent in GDPC.

5.2 THE IMPACT OF FUNDAMENTAL RIGHTS ON GDPC

The empirical analysis continues to examine the effect of democracy on GDPC through the Fundamental Rights indicator. The results from the empirical specifications with random effects

are presented in Table 10, and the results from the empirical specifications with fixed effects are presented in Table 11. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. More precisely, Model 1 has the Fundamental Rights variable has a positive effect on GDPC. We also run five different models, adding a few more variables in each model and changing the combination of variables. More specifically, in the first model, the estimated coefficients on the Fundamental Rights (FR) variable is significant at the 1 percent level with a value of 0.424. In other words, an increase of one-unit in FR results in an increase of 42.4 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.267. We note that an additional education variable, School Enrollment (Secondary), will be used in following empirical specifications, and the results will be presented in this table.

In addition, an increase in Trade Openness by one-unit results in an increase GDPC by 0.267 percent. Moreover, the estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.089. In other words, an increase in FDI by one-unit results in an increase in GDPC by 0.089 percent. The estimated coefficient of the School Enrollment variable appears to have a positive significant impact at the 1 percent level for primary and tertiary levels. For example, an increase in primary and tertiary education by one-point results in an increase in GDPC by 0.1 and 1 percent, respectively.

Secondly, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Again, this model has the FR variable that captures the type of political regime. In this model, the estimated coefficient of the FR variable is significant at the 1 percent level with a coefficient of

0.861. In other words, an increase of FR by one-unit results in an increase of 86.1 percent in GDPC. Furthermore, the estimated coefficient on Trade Openness is significant at the 1 percent level with a value of 0.138.

Moreover. The estimated coefficient on the FDI variable is significant at the 1 percent level with value of 0.030. In other words, an increase of one-point of FDI results in an increase of 0.030 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the 1 percent level for tertiary, secondary and primary levels. More specifically, the estimated coefficients of the School Enrollment variables are negatively significant at the primary level, with a -0.003 coefficient, and a 0.009 at the secondary level. Moreover, the estimated coefficients on the Political Stability variable and Inflation variables are both significant at the 1 percent level, and are 0.040 and -0.003, respectively. In other words, an increase in the Political Stability index by 1-point results in an increase in GDPC by 4 percent.

Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. Also, Model 3 has the Fundamental Rights variable that captures the type of political regime. In this model, the estimated coefficient on the FR variable is significant at the 1 percent level with a value of 0.311. In other words, an increase of one-point in FR results in an increase of 31.1 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.155, respectively. On the other hand, the estimated coefficient on the Fuel of Exports variable is not significant in this model.

Moreover. The estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.038. In other words, an increase of one-unit in the coefficient on the FDI variable results in an increase of 0.038 percent in GDPC. The coefficient on the School Enrollment variable

appears to not have a significant impact at the primary level in this model. However, the coefficient on the School Enrollment (tertiary) variable is positively significant at the 1 percent level. Moreover, the estimated coefficients of the Political Stability, Control of Corruption and Inflation variables are all significant at the 1 percent level, and are 0.044, 0.003 and -0.002, respectively. In other words, an increase of one-unit in Political Stability results in an increase of 4.4 percent in GDPC. Also, an increase of the Control of Corruption index by 1-point results in an increase in GDPC by 0.3 percent.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. In this model, the estimate coefficient on the FR variable is significant at the 1 percent level with a value of 0.793. In other words, an increase of one-unit in FR results in an increase of 79.3 percent in GDPC. Furthermore, the estimated coefficient of the Trade Openness variable is 0.132 which is significant at the 1 percent level.

Moreover, the coefficient on the FDI variable is significant at the 5 percent level with a value of 0.029. In other words, an increase of one-unit of FDI results in an increase of 0.029 percent in GDPC. The estimated coefficient of the School Enrollment variable appears to have a significant impact at the primary and secondary levels in this model. More specifically, the estimated coefficients of the School Enrollment variables are negatively significant at the primary level but are positively significant at secondary level. Moreover, the estimated coefficients of the Control of Corruption and inflation are both significant at the 1 percent level, with values of 0.003 and -0.003, respectively. More precisely, an increase of one-unit in Control of Corruption results in an increase of 0.3 percent in GDPC.

Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that, the estimated coefficient of the FR variable is significant at the 1 percent level with a value of 0.797. In other words, an increase of one-unit in FR results in an increase of 79.7 percent in GDPC. Furthermore, the coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.135.

Moreover, the coefficient on the FDI variable is significant at the 1 percent level with a value of 0.028. In other words, an increase of one-unit of FDI results in an increase of 0.028 percent in GDPC. The estimated coefficient of the School Enrollment variable appears to have a significant impact at the primary and secondary levels in this model. More specifically, the estimated coefficients of the School Enrollment variables are negatively significant at the primary level, but are positively significant at secondary level. Moreover, the estimated coefficients of the Political Stability, the Control of Corruption and Inflation variables are all significant at the 1 percent level, with values of 0.030, 0.002 and -0.003, respectively. More precisely, an increase of Control of Corruption by one-unit results in an increase of 0.2 percent in GDPC, and an increase of Political Stability by one-unit results in an increase of 3 percent in GDPC.

5.3 THE IMPACT OF CHECKS ON GOVERNMENT ON GDPC

The empirical analysis examines next the effect of democracy on GDPC through the Checks on Government indicator. The results from the empirical specifications with random effects are presented in Table 12, and the results from the empirical specifications with fixed effects are presented in Table 13. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few

more variables in each model and/or changing the combination of variables. More precisely, Model 1 has the variable that captures the Checks on Government that has a positive effect on GDPC. We also run five different models, adding a few more variables in each model and changing the combination of variables. More specifically, in the first model, the estimated coefficient of the Checks on Government (CG) variable is significant at the 1 percent level with a value of 0.227. In other words, an increase of one-unit in CG results in an increase of 22.7 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.27.

In addition, an increase in the Trade Openness variable by one-unit results in an increase GDPC by 0.27 percent. Moreover, the estimated coefficient on the FDI variable is significant at the 1 percent level with a positive value of 0.095. In other words, an increase in the FDI variable by one-unit results in an increase in GDPC by 0.095 percent. The estimated coefficient of the School Enrollment variable appears to have a positive significant impact at the 1 percent level for primary and tertiary levels. For example, an increase in primary and tertiary education by one-point results in an increase in GDPC by 0.1 and 1.1 percent, respectively.

Secondly, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Again, the estimated coefficient of the CG variable is significant at the 1 percent level with value of 0.237. In other words, an increase of CG by one-unit results in an increase of 23.7 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with value of 0.145.

Moreover. The estimated coefficient on the FDI variable is significant at the 1 percent level is 0.038. In other words, an increase of one-unit of FDI results in an increase of 0.038 percent in

GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the 1 percent level for tertiary, secondary and primary levels. More specifically, the estimated coefficients of the School Enrollment variables are negatively significant are, -0.003, at the primary level and 0.009 at the secondary level. Moreover, the estimated coefficients of the Political Stability variable and Inflation are both significant at the 1 percent level, with values of 0.042 and -0.003, respectively. In other words, an increase in the Political Stability index by 1-point results in an increase in GDPC by 4.2 percent.

Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient of the CG variable is significant at the 1 percent level with a value of 0.175. In other words, an increase of one-unit in CG results in an increase of 17.5 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.154.

Also, the coefficient on the FDI variable is significant at the 1 percent level with a value of 0.042. In other words, an increase of one-unit of FDI results in an increase of 0.042 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to not have a significant impact at the primary level in this model. However, the estimated coefficient on the School Enrollment (tertiary) variable is positively significant at the 1 percent level. Moreover, the estimated coefficients on the Political Stability variable, Control of Corruption and inflation are all significant at the 1 percent level, with values of 0.047, 0.003 and -0.002, respectively. In other words, an increase of one-unit Political Stability results in an increase of 4.7 percent in GDPC. Also, an increase of the Control of Corruption index by 1-point results in an increase in GDPC by 0.3 percent.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. In this model, the estimated coefficient on the CG variable is significant at the 1 percent level with a value of 0.197. In other words, an increase of one-unit in CG results in an increase of 19.7 percent in GDPC. Furthermore, the estimated coefficient of the Trade Openness variable is significant at the 1 percent level with a value of 0.138.

The coefficient on the FDI variable is significant at the 1 percent level with a value of 0.037. In other words, an increase of one-unit of FDI results in an increase of 0.037 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the secondary levels in this model. More specifically, the estimated coefficient on the School Enrollment variable is positively significant at secondary level. Moreover, the estimated coefficients on the Control of Corruption and inflation variables are both significant at the 1 percent level, with values of 0.003 and -0.003, respectively. More precisely, an increase of one-unit in Control of Corruption results in an increase of 0.3 percent in GDPC.

Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the CG variable is significant at the 1 percent level with a value of 0.205. In other words, an increase of one-unit in CG results in an increase of 20.5 percent in GDPC. Furthermore, the coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.141.

The coefficient on the FDI variable is significant at the 1 percent level whose coefficient is 0.035. In other words, an increase of one-unit of FDI results in an increase of 0.035 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the primary and secondary levels in this model. More specifically, estimated coefficients

on the School Enrollment variables are negatively significant at the primary level but are positively significant at secondary level. Moreover, estimated coefficients on the Political Stability, the Control of Corruption and inflation variables are all significant at the 1 percent level, with values are 0.030, 0.003 and -0.003, respectively. More precisely, an increase of Control of Corruption by one-unit results in an increase of 0.3 percent in GDPC, and an increase of Political Stability by one-unit results in an increase of 3 percent in GDPC.

5.4 THE IMPACT OF IMPARTIAL ADMINISTRATION ON GDPC

The empirical analysis continues to estimate the effect of democracy on GDPC through the Impartial Administration indicator. The results from the empirical specifications with random effects are presented in Table 14, and the results from the empirical specifications with fixed effects are presented in Table 15. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. More specifically, in the first model, the estimated coefficient on the Impartial Administration (IA) variable is significant at the 1 percent level with a value of 0.567. In other words, an increase of one-unit in Impartial Administration results in an increase of 56.7 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.264.

In addition, an increase in Trade Openness by one-unit results in an increase GDPC by 0.264 percent. Moreover, the estimated coefficient on the FDI variable is significant at the 1 percent level with a positive value of 0.096. In other words, an increase in FDI by one-unit results in an increase in GDPC by 0.096 percent. The estimated coefficient on the School Enrollment variable appears to have a positive significant impact at the 1 percent level for primary and tertiary

levels. For example, an increase in primary and tertiary education by one-point results in an increase in GDPC by 0.2 and 1 percent, respectively.

Secondly, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). In this model, the estimated coefficient on the IA variable is significant at the 1 percent level with a value of 0.448. In other words, an increase of IA by one-unit results in an increase of 44.8 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level whose coefficient is 0.145.

Also, the estimated coefficient on FDI is significant at the 1 percent level with a value of 0.040. In other words, an increase of one-unit of FDI results in an increase of 0.040 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the 1 percent level for tertiary, secondary and primary levels. More specifically, the estimated coefficients on the School Enrollment variables are negatively significant at the primary level, with a value of -0.003 coefficient, and a 0.009 at the secondary level. Moreover, the estimated coefficients on the Political Stability variable and inflation variables are both significant at the 1 percent level, with values of 0.041 and -0.003, respectively. In other words, an increase in the Political Stability index by 1-point results in an increase in GDPC by 4.1 percent.

Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. In this model, the estimated coefficient on the AI variable is significant at the 1 percent level with a value of 0.352. In other words, an increase of one-unit in IA results in an increase of 35.2 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.158, respectively.

The estimated coefficient on FDI is significant at the 1 percent level with a value of 0.044. In other words, an increase of one-unit of FDI results in an increase of 0.044 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to not have a significant impact at the primary level in this model. However, the estimated coefficient on the School Enrollment (tertiary) variable is positively significant at the 1 percent level. Moreover, the estimated coefficients on Political Stability variable, Control of Corruption and inflation are all significant at the 1 percent level, with values of 0.049, 0.003 and -0.002, respectively. In other words, an increase of one-unit in Political Stability results in an increase of 4.9 percent in GDPC. Also, an increase of the Control of Corruption index by 1-point results in an increase in GDPC by 0.3 percent.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. In this model, the estimated coefficient on the IA variable is significant at the 1 percent level with a value of 0.339. In other words, an increase of one-unit in IA results in an increase of 33.9 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness is significant at the 1 percent level with a value 0.138. Moreover. The estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.038. In other words, an increase of one-unit of FDI results in an increase of 0.038 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the secondary levels in this model.

Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the IA variable is significant at the 1 percent level with a value of 0.356. In other words, an increase of one-unit in IA results in an increase of 35.6 percent in GDPC. Furthermore, the estimated

coefficient on the Trade Openness variable is significant at the 1 percent level with a value of 0.142. Moreover, the estimated coefficient on FDI is significant at the 1 percent level with a value of 0.037. In other words, an increase of one-unit of FDI results in an increase of 0.037 percent in GDPC.

5.5 THE IMPACT OF PARTICIPATORY ENGAGEMENT ON GDPC

The empirical analysis examines next the effect of democracy on GDPC through the Participatory Engagement indicator. The results from the empirical specifications with random effects are presented in Table 16, and the results from the empirical specifications with fixed effects are presented in Table 17. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. More specifically, in the first model, the estimated coefficient on the Participatory Engagement (PE) variable is significant at the 1 percent level with a value of 0.191. In other words, an increase of one-unit in PE results in an increase of 19.1 percent in GDPC. Furthermore, the estimated coefficient on the Trade Openness variable is significant at the 1 percent level whose coefficient is 0.277.

In addition, an increase in Trade Openness by one-point results in an increase GDPC by 0.277 percent. Moreover, the estimated coefficient on FDI variable is significant at the 1 percent level with a positive value of 0.097. In other words, an increase in FDI by one- unit results in an increase in GDPC by 0.097 percent. The estimated coefficient on the School Enrollment variable appears to have a positive significant impact at the 1 percent level for primary and tertiary levels. Secondly, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). In this model,

the estimated coefficient on the PE variable is significant at the 1 percent level with a value of 0.274. In other words, an increase of PE by one-unit results in an increase of 27.4 percent in GDPC.

Moreover, the estimated coefficient on the FDI variable is significant at the 1 percent level with a value of 0.039. In other words, an increase of one-unit of FDI results in an increase of 0.039 percent in GDPC. The estimated coefficient on the School Enrollment variable appears to have a significant impact at the 1 percent level for tertiary, secondary and primary levels. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. In this model, the estimated coefficient on the PE variable is significant at the 1 percent level with a value of 0.168. In other words, an increase of one-unit in IA results in an increase of 16.8 percent in GDPC.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the PE variable is significant at the 1 percent level with a value of 0.240. In other words, an increase of one-unit in PE results in an increase of 24 percent in GDPC. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that that the estimated coefficient on the Participatory Engagement (PE) variable is significant at the 1 percent level with a value of 0.221. In other words, an increase of one-unit in PE results in an increase of 22.1 percent in GDPC.

CHAPTER SIX: SUPPLEMENTARY EMPIRICAL RESULTS

6.1 ALTERNATIVE EMPIRICAL SPECIFICATIONS

In this chapter, we are going to address the sub-variables that are sub-components of the main variables that were explained in previous sections. The empirical analysis examines first the effect of democracy on GDPC through the Elected Government indicator. The results from the empirical specifications with random effects are presented in Table 22, and the results from the empirical specifications with fixed effects are presented in Table 18. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. More precisely, Model 1 has the Elected Government variable that captures extent of accessing government through elections. More specifically, in the first model, the estimated coefficient on the Elected Government variable is significant at the 1 percent level with a value of 0.073. In other words, an increase of one-unit in Elected Government results in an increase of 7.3 percent in GDPC. Furthermore, the estimated coefficients on the Fuel Exports and Trade Openness variables are both significant at the 1 percent level with values of, -0.023 and 0.278, respectively. In other words, a one-unit increase in Fuel Exports results in a decrease of 0.023 percent in GDPC.

In addition, an increase in Trade Openness by one-unit results in an increase in GDPC by 0.278 percent. Moreover, the estimated coefficient on the coefficient on FDI variable is significant at the 1 percent level with a positive value of 0.098. In other words, an increase in FDI by one-unit results in an increase in GDPC by 0.098 percent. The estimated coefficient on the School Enrollment variable appears to have a positive significant impact at the 1 percent level for primary

and tertiary levels. For example, an increase in primary and tertiary education by one percentage point results in an increase in GDPC by 0.1 and 1.1 percent, respectively. Also, other education variable will be addressed in other models of the same table.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). In this model, the estimated coefficient on the Elected Government variable is significant at the 1 percent level with a value of 0.190. In other words, an increase of Elected Government by one-unit results in an increase of 19.0 percent in GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on Elected Government variable has a significant and positive effect on GDPC, with a value of 0.106.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Elected Government variable that has a significant and positive effect on GDPC at the 1 percent level. In this model, the estimated coefficient on the Elected Government variable is significant at the 1 percent level with a value of 0.186. In other words, an increase of one-unit in Elected Government results in an increase of 18.6 percent in GDPC. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Elected Government variable that has a positive effect on GDPC. In this model, the estimated coefficient on the Elected Government variable is significant at the 1 percent level with a value of 0.177. In other words, an increase of one-unit in Elected Government results in an increase of 17.7 percent in GDPC.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Free Political Parties indicator. The results from the empirical specifications with random effects are presented in Table 23, and the results from the empirical specifications with fixed effects are presented in Table 19. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. We find in Model 1 that the estimated coefficient on the Free Political Parties variable is significant at the 1 percent level with a value of 0.134. In other words, an increase of Inclusive Suffrage by one-unit results in an increase of 13.4 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). In this model, the estimated coefficient on the Free Political Parties variable is significant at the 1 percent level with a value of 0.470. In other words, an increase of Free Political Parties by one-unit results in an increase of 4.7 percent in GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. The estimated coefficient on the Free Political Parties variable is 0.118.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Free Political Parties variable has a significant positive effect on GDPC at the 1 percent level with a value of 0.403. In other words, an increase of one-unit in Free Political Parties results in an increase of 40.3 percent in GDPC. Model 5 also has the estimated coefficient on the Inclusive Suffrage variable that has a positive and significant effect on GDPC with a value of 0.408. In other

words, an increase of one-unit in Free Political Parties results in an increase of 40.8 percent in GDPC.

In Table 20, Model 1 also has the Inclusive Suffrage variable that has a positive effect on GDPC. In this model, the estimated coefficient on the Inclusive Suffrage variable is significant at the 1 percent level with a value of 0.102. In other words, an increase of Inclusive Suffrage by one-unit results in an increase of 10.2 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). In this model, the estimated coefficient on the Inclusive Suffrage variable is significant at the 1 percent level with a value of 0.078. In other words, an increase of Inclusive Suffrage by one-unit results in an increase of 7.8 percent in GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Inclusive Suffrage variable has a significant and positive effect on GDPC, with a value of 0.011.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Inclusive Suffrage variable has a significant positive effect on GDPC at the 1 percent level. In this model, the estimated coefficient on the Inclusive Suffrage variable is significant at the 1 percent level with a value of 0.085. In other words, an increase of one-unit in Inclusive Suffrage results in an increase of 8.5 percent in GDPC. Model 5 also has the estimated coefficient on the Inclusive Suffrage variable has a positive effect on GDPC at the 1 percent level with a value of 0.073. In other words, an increase of one-unit in Inclusive Suffrage results in an increase of 7.3 percent in GDPC.

The empirical analysis examines next the effect of democracy on GDPC through the Clean Elections indicator. The results from the empirical specifications with random effects are presented in Table 25, and the results from the empirical specifications with fixed effects are presented in Table 21. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. We find that in Model 1 the estimated coefficient on the Clean Elections variable that has a significant and positive effect on GDPC, with a coefficient of 0.182. In other words, an increase of Clean Elections by one-unit results in an increase of 18.2 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). We find that the estimated coefficient on the Clean Elections variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.127. In other words, an increase of Clean Elections by one-unit results in an increase of 12.7 percent in GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Clean Elections variable has a significant and positive effect on GDPC, with a value of 0.064

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Clean Elections variable has a significant and positive effect on GDPC at the 1 percent level. In fact, the Clean Elections variable has a coefficient of 0.105. In other words, an increase of one-unit in Clean Elections results in an increase of 10.5 percent in GDPC. Model 5 presents the results from an augmented empirical specification that includes all variables used through the

previous specifications. We find that the estimated coefficient on the Clean Elections variable has a positively significant effect on GDPC at the 1 percent level with a value of 0.100. In other words, an increase of one-unit in Clean Elections results in an increase of 10 percent in GDPC.

The empirical analysis examines next the effect of democracy on GDPC through the Access to Justice indicator. The results from the empirical specifications with random effects are presented in Table 29, and the results from the empirical specifications with fixed effects are presented in Table 26. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. We find that in Model 1 the estimated coefficient on the Access to Justice variable has a positive and significant effect on GDPC at the 1 percent level with a value 0.429. In other words, an increase of Access to Justice by one-unit results in an increase of 42.9 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Again, the estimated coefficient on the Access to Justice variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.627. In other words, an increase of Access to Justice by one-unit results in an increase of 62.7 percent in GDPC. Model 3 also has the Access to Justice variable has a significant and positive effect on GDPC, with a coefficient of 0.113.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. Also, the estimated coefficient on the Access to Justice variable has a significant positive and positive effect on GDPC at the 1 percent level with a value of 0.558. In other words, an increase of one-unit in Access to Justice results in an increase of 55.8 percent in GDPC. Model 5 presents the results from an augmented empirical

specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Access to Justice variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.585.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Civil Liberties indicator. The results from the empirical specifications with random effects are presented in Table 30, and the results from the empirical specifications with fixed effects are presented in Table 27. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Civil Liberties variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.227. In other words, an increase of Civil Liberties by one-unit results in an increase of 22.7 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Again, we find that the Civil Liberties variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.242. In other words, an increase of Civil Liberties by one-unit results in an increase of 24.2 percent in GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Civil Liberties variable has a significant and positive effect on GDPC, with a value of 0.018.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. Also, the estimate coefficient on the Civil Liberties variable has a significant and positive effect on GDPC at the 1 percent level with a

value of 0.198. In other words, an increase of one-unit in Civil Liberties results in an increase of 19.8 percent in GDPC. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the Civil Liberties variable that has a positive effect on GDPC. In this model, the Civil Liberties variable is significant at the 1 percent level with a value of 0.186.

The empirical analysis examines next the effect of democracy on GDPC through the Social Rights and Equality indicator. The results from the empirical specifications with random effects are presented in Table 6.14, and the results from the empirical specifications with fixed effects are presented in Table 28. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Social Rights and Equality variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.681. In other words, an increase of Social Rights and Equality by one-unit results in an increase of 68.1 percent in GDPC.

Also, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). We find that the estimated coefficient on the Social Rights and Equality variable has a positive and significant effect on GDPC at the 1 percent level with a value of 1.492. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated on the Social Rights and Equality variable has a significant and positive effect on GDPC, with a value of 1.269.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient

on the Social Rights and Equality variable has a significant and positive effect on GDPC at the 1 percent level with a value of 1.419. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Social Rights and Equality variable has a positive and significant effect on GDPC with a value of 1.454.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Effective Parliament indicator. The results from the empirical specifications with random effects are presented in Table 35, and the results from the empirical specifications with fixed effects are presented in Table 32. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. We find that the estimated coefficient on the Effective Parliament variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.148. In other words, an increase of Effective Parliament by one-unit results in an increase of 14.8 percent in GDPC.

Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, the estimated coefficient on the Effective Parliament variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.158. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Effective Parliament variable has a significant and positive effect on GDPC, with a value of 0.090.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. Also, the estimated coefficient on the

Effective Parliament variable has a significantly positive effect on GDPC at the 1 percent level at the 1 percent level with a value of 0.149. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Effective Parliament variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.149.

The empirical analysis examines next the effect of democracy on GDPC through the Judicial Independence indicator. The results from the empirical specifications with random effects are presented in Table 36, and the results from the empirical specifications with fixed effects are presented in Table 33. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model, we find that the estimated coefficient on the Judicial Independence variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.465. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, the estimated coefficient on the Judicial Independence variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.290. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. Also, the estimate coefficient on the Judicial Independence variable has a significant and positive effect on GDPC, with a value of 0.356.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. Also, the estimate coefficient on the Judicial Independence variable has a significant and positive effect on GDPC at the 1 percent level

with value of 0.234. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimate coefficient on the Judicial Independence variable has a positive and significant effect on GDPC at the 1 percent level with a coefficient of 0.250.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Media Integrity indicator. The results from the empirical specifications with random effects are presented in Table 37, and the results from the empirical specifications with fixed effects are presented in Table 34. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Media Integrity variable has a positive and positive effect on GDPC at the 1 percent level with a value of 0.113.

The empirical analysis examines next the effect of democracy on GDPC through the Absence of Corruption indicator. The results from the empirical specifications with random effects are presented in Table 40, and the results from the empirical specifications with fixed effects are presented in Table 38. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Absence of Corruption variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.456. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, the estimated coefficient on the Absence of Corruption variable has a positive and significant effect on GDPC at the 1 percent level with a

value of 0.273. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. Also, the estimated coefficient on the Absence of Corruption variable has a significant and positive effect on GDPC, with a value of 0.270.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Absence of Corruption variable has a significant and positive effect on GDPC at the 1 percent level with a value of 0.160. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Absence of Corruption variable that has a positive effect on GDPC. In this model, the Absence of Corruption variable is significant at the 1 percent level with a value of 0.185.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Predictable Enforcement indicator. The results from the empirical specifications with random effects are presented in Table 40, and the results from the empirical specifications with fixed effects are presented in Table 39. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Predictable Enforcement variable has a positive effect on GDPC at the 1 percent level with a value of 0.433. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, has the estimated coefficient on the Predictable Enforcement variable has a positive effect on GDPC at the 1 percent level with a value of 0.273.

Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. Also, the estimated coefficient on the Predictable Enforcement variable has a significant and positive effect on GDPC, with a value of 0.310.

Model 4 presents the results when including the Predictable Enforcement index, but removing the Political Stability index from the empirical specification. Also, the estimated coefficient on the Predictable Enforcement variable has a significant positive effect on GDPC at the 1 percent level. In this model, the estimated coefficient on the Predictable Enforcement variable is significant at the 1 percent level with a value of 0.491. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Predictable Enforcement variable has a positive and significant effect on GDPC with a value of 0.477.

The empirical analysis examines next the effect of democracy on GDPC through the Direct Democracy indicator. The results from the empirical specifications with random effects are presented in Table 47, and the results from the empirical specifications with fixed effects are presented in Table 43. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Direct Democracy variable has a positive effect on GDPC at the 1 percent level with a value of -0.06. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). We find that the estimated coefficient on the Direct Democracy variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.113.

Model 5 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Direct Democracy variable has a positive and significant effect on GDPC. at the 1 percent level with a value of 0.095.

The empirical analysis continues to estimate the effect of democracy on GDPC through the Electoral Participation indicator. The results from the empirical specifications with random effects are presented in Table 48, and the results from the empirical specifications with fixed effects are presented in Table 44. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Electoral Participation variable has a positive effect on GDPC. In this model, the estimated coefficient on the Electoral Participation variable is significant at the 1 percent level with a value of 0.117. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, we find that the estimated coefficient on the Electoral Participation variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.066. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. Also, the estimated coefficient on the Electoral Participation variable has a significant and positive effect on GDPC, with a value of 0.078.

The empirical analysis examines next the effect of democracy on GDPC through the Civil Society Participation indicator. The results from the empirical specifications with random effects are presented in Table 49, and the results from the empirical specifications with fixed effects are

presented in Table 45. As noted earlier, the discussion of the results focuses on the fixed effect estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Civil Society Participation variable has a positive and significant effect on GDPC at the 1 percent level with a value of 0.331. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, the estimated coefficient on the Civil Society Participation variable has a positive effect on GDPC at the 1 percent level with a value of 0.182. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Civil Society Participation variable has a significant and positive effect on GDPC, with a value of 0.103.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Civil Society Participation variable has a significant and positive effect on GDPC at the 1 percent level with a value of 0.146. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Civil Society Participation variable has a positive effect on GDPC at the 1 percent level with a value of 0.145.

The empirical analysis examines next the effect of democracy on GDPC through the Local Democracy indicator. The results from the empirical specifications with random effects are presented in Table 46, and the results from the empirical specifications with fixed effects are presented in Table 42. As noted earlier, the discussion of the results focuses on the fixed effect

estimates. We run the regression over five different empirical specifications, adding a few more variables in each model and/or changing the combination of variables. In Model 1, we find that the estimated coefficient on the Local Democracy variable has a negative and insignificant effect on GDPC. Furthermore, Model 2 shows the results from an alternative empirical specification that adds political stability, and present human capital with School Enrollment (Primary and Secondary). Also, the estimated coefficient on the Local Democracy variable has a positive and insignificant effect on GDPC. Model 3 shows the results when representing human capital with School Enrollment (Primary and Tertiary), and when adding control of corruption variable. We find that the estimated coefficient on the Local Democracy variable has a negative and insignificant and positive effect on GDPC.

Model 4 presents the results when including the Control of Corruption index, but removing the Political Stability index from the empirical specification. We find that the estimated coefficient on the Local Democracy variable has an insignificant and positive effect on GDPC. Model 5 presents the results from an augmented empirical specification that includes all variables used through the previous specifications. We find that the estimated coefficient on the Local Democracy variable has a positive and insignificant effect on GDPC.

CHAPTER SEVEN: CONCLUSION

The type of political regime in place has a considerable effect on a variety of economic and political aspects, including economic growth, living standards, poverty rate and GDPC. This thesis has addressed a trending research question that has been increasingly examined by economists and political scientists, as many countries have witnessed multiple democratization stages over the last few decades (Markoff, 2015). The spread of democracy has brought substantial institutional and economic changes, including toppling down dictatorships, setting up democratic elections, curbing corruption practices, and introducing institutional democratic reforms. This thesis has presented a review of previous studies addressing the effect of democracy on economic performance, economic growth and GDPC. This thesis has also empirically examined the economic impact of several democracy variables, including Representative Democracy, Fundamental Rights, Impartial Administration, Checks on Government, Participatory Engagement, and beyond.

The literature has cited mixed effects of democracy on economic growth, showing positive and negative effects of democracy on economic growth. The first strain of studies has suggested strong correlation between democracy and economic growth, arguing that institutional stability and political stability are the products of having a democratically elected government. More specifically, democratic governments tend to invest more in human capital, education, infrastructure and institutional development (Barro, 2016; Baum and Lake, 2003; Lundström, 2005; Sandholtz and Koetzle, 2000; Rivera-Batiz, 2002). On the other hand, the other strain of studies has argued that having a democratically elected government might result in weaker economic growth rates, due to the constant changes in government policies. These policy changes are direct results of regular elections that usually bring to power different types of parties that usually have varying ideological orientations. These changes significantly hinder the ability of

governments to pursue long-term economic planning and result in replacing government agendas with short-term plans that are aimed at boosting short-term political gains (Feng, 1997).

Many studies have argued for the positive impact of democracy on the economy and for the vital role of having well-established democratic institutions. These studies have corroborated the role of democracy in creating sustainable and solid ground for investments in human capital, workers, education, trade and beyond (Barro, 2016; Baum and Lake, 2003; Lundström, 2005; Sandholtz and Koetzle, 2000; Rivera-Batiz, 2002). These studies have scrutinized the positive role of democracy and democratic institutions on accountability, transparency, freedom of expression, rights and liberties, economic growth and infrastructure spending. Also, Glaeser et al. (2004) argue that human capital and democratic institutions are fundamental determinants of economic growth. This is consistent with our empirical results that include significant coefficients of school enrollment variables, which precisely manifest the human capital aspect, and significant coefficients of Representative Government, Impartial Administration and Checks on Government, that are all democracy variables.

It is often indicated that democratic institutions and the externalities which democracy brings have significant positive effects on economic growth (Glaeser et al., 2004; Sandholtz and Koetzle, 2000). Moreover, having a democratically-built political system can greatly improve the development of human capital, boost various investments and substantially encourage good governance (Glaeser et al. 2004; Gwartney et al. 1999; Lake et al. 2001). Democracy has also other benefits that are tied to economic growth, in terms of setting up economic agendas that can support specific strategic sectors, address structural issues in the labour market, attract FDI and increase international trade (Gerring et al. 2005; Malikane and Chitambara, 2017; Sandholtz and Koetzle, 2000).

In this thesis, we have examined the effects of democracy on national GDPC through several democracy variables. The selected democracy variables have been carefully selected to capture specific aspects of democratic states and the nature of their political regimes. Moreover, we have utilized the fixed and random effect models in our empirical analysis to control for unobserved country-specific factors, and to ensure accuracy in estimating parameters. Furthermore, the model puts the empirical analysis into context, by providing a framework, establishing the objectives, and enabling the interpretation of the empirical model (Allison, 2009). The empirical analysis has examined the effect of democracy on GDPC through main democracy indicators, using the fixed-effect and random effect models. The regressions are implemented over five different empirical specifications.

We have found that the effects of all basic democracy variables on GDPC are positive and statistically significant. More specifically, the coefficients of Representative Democracy are positive and statistically significant. This is consistent with the findings of Sandholtz and Koetzle (2000) that corroborate the positive role of democratic institutions on economic growth. Also, the coefficients of Fundamental Rights are positive and statistically significant. This is consistent with the findings of Kurrild-Klitgaard et al. (2006). Also, these results are in line with Weingast's (1995) findings that corroborate that political and economic rights are fundamental determinants of economic growth. Moreover, the coefficients of Impartial Administration, Checks on Government and Participatory Engagement, are positive and statistically significant. These results are in line with the empirical work of Rivera-Batiz (2002) that confirms the vital role of institutions in enhancing productivity levels.

This democracy growth question has been well-explained by the fact that democracy creates conducive conditions for business activities, higher employment levels, better functioning

institutions and political stability (Glaeser et al. 2004; Gwartney et al. 1999; Lake et al. 2001). The externalities of having a well-established democratic regime have created a cycle of plausible outcomes that have been confirmed to improve the well-being of the population both economically and politically.

Additionally, most estimated coefficients of the democracy sub-variables, including Clean Elections, Free Political Parties, Effective Parliament, Judicial Independence, Absence of Corruption, Civil Society Participation, Predictable Enforcement and Elected Government are positive and statistically significant. However, some sub-variables are either insignificant, such as Direct Democracy and Local Democracy, or mostly insignificant, such as Media Integrity, and Inclusive Suffrage.

The empirical results contribute to the empirical literature by determining the positive effects of several factors on democratic institutions and democratic governance and by identifying the elementary tools required to promote good governance and democratic practices. The empirical findings suggest that having a representative government, that provides fundamental rights and protects the separation of powers, is conducive to improving GDPC. Furthermore, judicial independence and impartial administration also provide a better environment for economic growth and institutional development. As a result of having a democratically elected government, investments in human capital, health care, education, and trade openness are usually prioritized, as democratic governments are better oriented towards serving people's long-term interests. Thus, we have provided policy implications for decision-makers who are keen on introducing democratic and institutional reforms.

Our findings can be used to entice policymakers to develop or adjust national policies by espousing democratic reforms. Political institutions is often viewed as a strong indicator of

democratic governance. Democratically-elected governments tend to favour the development of democratic institutions and the well-being of constituents, by providing plausible policies with respect to economic development, economic regulation, transparency, and FDI (Barro, 2016; Baum and Lake, 2003; Lundström, 2005; Sandholtz and Koetzle, 2000; Rivera-Batiz, 2002). These policies also cover the expansion of trade openness, which is considered a strong indicator of economic freedom. Previous studies have shown that democratic states have easier paths to get engaged in trade agreements (Malikane and Chitambara, 2017). Also, trade openness is a direct outcome of democratic practices that boost economic growth and GDPC level (Gerring et al. 2005; Malikane and Chitambara, 2017; Sandholtz and Koetzle, 2000). Finally, there is another policy dimension that is relevant to the relationship between democracy and human capital. The magnitudes of national educational expenditures are highly correlated with democratic governance at different levels (Acemoglu et al., 2000; Feng, 1997; Helliwell, 1994). Democracies have better educational attainment rates, more developed educational institutions, more incentives for people to get more education. This is mainly due to the fact that research institutions in democracy are well-funded by democratic governments, and the labour market is usually more capable of absorbing high numbers of graduates from a variety of fields (Acemoglu et al., 2000).

Therefore, it's vital for policy-makers, who are keen on achieving satisfactory economic and social reforms, to seriously consider these policy implications, by introducing impartial administration measures, curbing corruption practices, consolidating democratic principles and providing sustainable investments in education as well as vocational training (Malikane and Chitambara, 2017). Having said that, espousing these measures can greatly enhance public governance and provide a framework of public policy reforms that is the essence of this thesis.

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APPENDIX

TABLE 1: CORRELATION AMONG THE MAIN CATEGORIES

	Representative Government	Fundamental Rights	Checks on Government	Impartial Administration	Participatory Engagement
Representative Government	1.000				
Fundamental Rights	0.845	1.0000			
Checks on Government	0.888	0.906	1.0000		
Impartial Administration	0.640	0.810	0.726	1.000	
Participatory Engagement	0.903	0.841	0.850	0.613	1.000

TABLE 2: CORRELATION AMONG REPRESENTATIVE GOVERNMENT SUB-COMPONENTS

	Clean Elections	Inclusive Suffrage	Free Political Parties	Elected Government
Clean Elections	1.0000			
Inclusive Suffrage	0.776	1.0000		
Free Political Parties	0.865	0.612	1.0000	
Elected Government	0.844	0.717	0.841	1.0000

TABLE 3: CORRELATION AMONG FUNDAMENTAL RIGHTS SUB-COMPONENTS

	Access to Justice	Civil Liberties	Social Rights and Equality
Access to Justice	1.0000		
Civil Liberties	0.850	1.0000	
Social Rights and Equality	0.805	0.770	1.0000

TABLE 4: CORRELATION AMONG CHECKS ON GOVERNMENT SUB-COMPONENTS

	Effective Parliament	Judicial Independence	Media Integrity
Effective Parliament	1.0000		
Judicial Independence	0.748	1.0000	
Media Integrity	0.773	0.757	1.0000

TABLE 5: CORRELATION AMONG IMPARTIAL ADMINISTRATION SUB-COMPONENTS

	Absence of Corruption	Predictable Enforcement
Absence of Corruption	1.0000	
Predictable Enforcement	0.835	1.0000

TABLE 6: CORRELATION AMONG PARTICIPATORY ENGAGEMENT SUB-COMPONENTS

	Civil Society Participation	Electoral Participation	Direct Democracy	Local Democracy
Civil Society Participation	1.0000			
Electoral Participation	0.482	1.0000		
Direct Democracy	0.312	0.246	1.0000	
Local Democracy	0.705	0.521	0.315	1.0000

TABLE 7: DESCRIPTIVE STATISTICS

	Mean	Std. Dev.	Min.	Max.
Representative Government	0.450	0.279	0	0.98

Clean Elections	0.488	0.296	0	1
Inclusive Suffrage	0.745	0.321	0	1
Free Political Parties	0.491	0.228	0	1
Elected Government	0.491	0.228	0	1
Clean Elections	0.648	0.338	0	1
Fundamental Rights	0.544	0.198	0	1
Access to Justice	0.560	0.191	0	1
Civil Liberties	0.560	0.229	0.01	1
Social Rights and Equality	0.448	0.197	0	1
Fundamental Rights	0.448	0.197	0	1
Checks on Government	0.50	0.222	0	1
Effective Parliament	0.494	0.228	0	1
Judicial Independence	0.468	0.208	0	1
Media Integrity	0.536	0.249	0	1
Impartial Administration	0.471	0.203	0	1
Absence of Corruption	0.471	0.203	0	1
Predictable Enforcement	0.462	0.205	0	1
Participatory Engagement	0.465	0.214	0	1
Civil Society Participation	0.390	0.196	0	0.88
Electoral Participation	0.535	0.223	0	1
Direct Democracy	0.093	0.146	0	1
Local Democracy	0.530	0.290	0	1
Checks on Government	0.093	0.146	0	1
Effective Parliament	0.442	0.302	0	1
FDI Current	6.04E+09	2.84E+10	-3.95E+10	7.34E+11
Inflation	32.830	421.298	-17.640	23773.13
Gini Index	39.940	9.684	16.2	65.8
Political Stability	-0.251	0.985	-3.315	1.760
Control of Corruption	44.072	29.263	0	100
Log FDI	-2.087	0.295	-5.780	0.733
Log (Trade Openness)	4.139	0.611	-2.112	6.090

Log (Fuel Exports)	1.729	1.623	-0.693	4.610
Log GDPC	24.413	2.096	18.920	30.482

TABLE 8: EFFECT OF REPRESENTATIVE GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Representative Government (RG)	0.192***	0.334***	0.143**	0.305***	0.290***
	(0.035)	(0.059)	(0.064)	(0.060)	(0.060)
Log (Trade Openness/GDP)	0.264***	0.147***	0.154***	0.137***	0.141***
	(0.021)	(0.020)	(0.023)	(0.021)	(0.021)
Log of FDI	0.093***	0.036***	0.042***	0.032**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.005	0.001	0.005	0.006
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.054***	0.056***		0.038***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003	-0.003***
	(0.000)	(0.001)	(0.000)	(0.0006)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 9: EFFECT OF REPRESENTATIVE GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Representative	0.177***	0.282***	0.114*	0.264***	0.254***
Government (RG)	(0.035)	(0.056)	(0.060)	(0.056)	(0.056)
Log (Trade	0.269***	0.142***	0.153***	0.135***	0.139***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.096 ***	0.038***	0.043***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.013)
School Enrollment	0.001***	-0.003***	0.001	-0.004***	-0.003***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.009***		0.009***	0.009***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.010***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	-0.001	-0.007	-0.001	0.000
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.036***	0.044***		0.026***
		(0.011)	(0.012)		(0.011)
Inflation	0.0000	-0.004***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003***	0.003***	0.002**
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 10: EFFECT OF FUNDAMENTAL RIGHTS ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Fundamental Rights (FR)	0.493***	1.207***	0.670***	1.138***	1.129***
	(0.067)	(0.130)	(0.143)	(0.132)	(0.131)
Log (Trade Openness/GDP)	0.257***	0.137***	0.150***	0.128***	0.131***
	(0.021)	(0.020)	(0.030)	(0.020)	(0.020)
Log of FDI	0.084***	0.024	0.034**	0.022	0.020
	(0.019)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.007	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.056***	0.056***		0.041***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.004***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2494	1478	1375	1479	1478

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 11: EFFECT OF FUNDAMENTAL RIGHTS ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Fundamental Rights (FR)	0.424***	0.861***	0.311***	0.793***	0.797***
	(0.065)	(0.128)	(0.139)	(0.128)	(0.128)
Log (Trade Openness/GDP)	0.267***	0.138***	0.155***	0.132***	0.135***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.089***	0.030**	0.038***	0.029**	0.028**
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.004***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.001	-0.007	0.000	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.040***	0.044 ***		0.030***
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.002**
			(0.001)	(0.001)	(0.001)
Number of Obs.	2494	1478	1375	1479	1478

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 12: EFFECT OF CHECKS ON GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Checks	0.259***	0.381***	0.311***	0.331***	0.338***
on Government	(0.047)	(0.083)	(0.089)	(0.084)	(0.083)
(CG)					
Log (Trade	0.263***	0.149***	0.154***	0.138***	0.142***
Openness/GDP)	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.092***	0.036***	0.040***	0.032**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment	0.001***	-0.004***	0.001	-0.004***	-0.004***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.010***		0.010***	0.011***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.011***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.007	0.000	0.006	0.008
	(0.006)	(0.006)	(0.000)	(0.006)	(0.006)
Political Stability		0.061***	0.060***		0.044***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.005***	0.005***	0.004***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 13: EFFECT OF CHECKS ON GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Checks	0.227***	0.237***	0.175**	0.197***	0.205***
on Government	(0.046)	(0.079)	(0.084)	(0.079)	(0.078)
(CG)					
Log (Trade	0.270***	0.145***	0.154***	0.138***	0.141***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.095***	0.038***	0.042***	0.037***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment	0.001***	-0.003***	0.001	-0.003	-0.003***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.009***		0.009***	0.009***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.010***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	0.002	-0.007	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.042***	0.047***		0.030***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003***	0.003***	0.003***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 14: Effect of Impartial Administration on GDPC (Results from Empirical Specifications with Random Effects)

	Model 1	Model 2	Model 3	Model 4	Model 5
Impartial Administration (IA)	0.742***	0.827***	0.663***	0.676***	0.686***
	(0.079)	(0.103)	(0.111)	(0.107)	(0.107)
Log (Trade Openness/GDP)	0.251***	0.146***	0.160***	0.137***	0.141***
	(0.021)	(0.021)	(0.029)	(0.021)	(0.021)
Log of FDI	0.092***	0.039***	0.045***	0.036***	0.034**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.002***	-0.003***	0.006***	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.008	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.060***	0.064***		0.045***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.004***	0.004***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 15: EFFECT OF IMPARTIAL ADMINISTRATION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Impartial Administration (IA)	0.567***	0.448***	0.352***	0.339***	0.356***
	(0.078)	(0.100)	(0.107)	(0.102)	(0.102)
Log (Trade Openness/GDP)	0.264***	0.145***	0.158***	0.138***	0.142***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.096***	0.040***	0.044***	0.038***	0.037***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.002***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.041	0.049***		0.031***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002*	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.002**
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 16: EFFECT OF PARTICIPATORY ENGAGEMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Participatory Engagement (PE)	0.214***	0.312***	0.199***	0.253***	0.225***
	(0.056)	(0.080)	(0.092)	(0.081)	(0.081)
Log (Trade Openness/GDP)	0.273***	0.152***	0.158***	0.141***	0.145***
	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.095***	0.036***	0.041***	0.033**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.000	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.006	0.001	0.006	0.008
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.054***	0.057***		0.039***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002 ***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 17: EFFECT OF PARTICIPATORY ENGAGEMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Participatory Engagement (PE)	0.191***	0.274***	0.168***	0.240***	0.221***
	(0.055)	(0.075)	(0.085)	(0.075)	(0.075)
Log (Trade Openness/GDP)	0.277***	0.146***	0.156***	0.139***	0.142***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.097***	0.039***	0.042***	0.037***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.000	-0.004***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.001	-0.006	0.000	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.036***	0.044***		0.026***
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.002**
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 18: EFFECT OF ELECTED GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Elected Government	0.073***	0.190***	0.106***	0.186***	0.177***
	(0.026)	(0.036)	(0.037)	(0.036)	(0.036)
Log (Trade Openness/GDP)	0.278***	0.144***	0.155***	0.137***	0.139***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.098***	0.038**	0.043***	0.036***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023***	-0.001	-0.007	-0.002	-0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.033***	0.038***		0.023**
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 19: EFFECT OF FREE POLITICAL PARTIES ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Free	0.134***	0.470***	0.118***	0.403***	0.408***
Political Parties	(0.045)	(0.090)	(0.096)	(0.091)	(0.091)
Log (Trade	0.277***	0.142***	0.154***	0.135***	0.138***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.097***	0.036***	0.042***	0.035***	0.034***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment	0.001***	-0.003***	0.001	-0.003***	-0.003***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.009***		0.009***	0.009***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.010***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	-0.001	-0.007***	-0.002	-0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.040***	0.046***		0.030***
		(0.010)	(0.011)		(0.011)
Inflation	0.000	-0.004***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003***	0.003***	0.002***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 20: EFFECT OF INCLUSIVE SUFFRAGE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Inclusive Suffrage	0.102***	0.078**	0.011	0.085***	0.073*
	(0.027)	(0.040)	(0.044)	(0.039)	(0.040)
Log (Trade Openness/GDP)	0.281***	0.149***	0.157***	0.140***	0.144***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.097***	0.038***	0.041***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003 ***	0.001	-0.004***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009 ***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.000	-0.006	0.000	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.038***	0.046***		0.0265 ***
		(0.011)	(0.012)		(0.011)
Inflation	(0.000)	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 21: EFFECT OF CLEAN ELECTIONS ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Clean Elections	0.182***	0.127***	0.064	0.105**	0.100**
	(0.031)	(0.047)	(0.050)	(0.047)	(0.047)
Log (Trade Openness/GDP)	0.268***	0.147***	0.155***	0.140***	0.143***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.096***	0.039***	0.042***	0.037***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	0.001	-0.006	0.000	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.039***	0.046***		0.028***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.004***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 22: EFFECT OF ELECTED GOVERNMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Elected Government	0.079***	0.193***	0.094***	0.184***	0.170***
	(0.026)	(0.039)	(0.040)	(0.039)	(0.039)
Log (Trade Openness/GDP)	0.274***	0.150***	0.158***	0.139***	0.142***
	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.095***	0.036***	0.041***	0 .032**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.005	0.000	0.005	0.006
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		-0.003***	0.053***		0.036***
		(0.001)	(0.013)		(0.012)
Inflation	0.000	0.052***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.011)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 23: EFFECT OF FREE POLITICAL PARTIES ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Free	0.151***	0.572***	0.180***	0.474***	0.477***
Political Parties	(0.046)	(0.094)	(0.102)	(0.096)	(0.096)
Log (Trade	0.272***	0.146***	0.155***	0.136***	0.140***
Openness/GDP)	(0.021)	(0.020)	(0.030)	(0.021)	(0.021)
Log of FDI	0.094***	0.033**	0.040***	0.030**	0.029*
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment	0.001***	-0.004***	0.001	-0.004***	-0.004 ***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.011***		0.011***	0.011***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.010***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.004	0.000	0.004	0.006
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.058***	0.060***		0.043***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.005***	0.004***	0.004***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 24: EFFECT OF INCLUSIVE SUFFRAGE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Inclusive Suffrage	0.101***	0.066	-0.017	0.074*	0.055
	(0.027)	(0.043)	(0.048)	(0.043)	(0.043)
Log (Trade	0.277***	0.155***	0.160***	0.143***	0.147***
Openness/GDP)	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.095***	0.036**8	0.040***	0.032**	0.030**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment	0.001***	-0.004***	0.001	-0.004***	-0.004***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.010***		0.010***	0.010***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.011***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023 ***	0.007	0.002	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0 .058***	0.062***		0.040***
		(0.011)	(0.013)		(0.018)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.005***	0.005***	0.005***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 25: EFFECT OF CLEAN ELECTIONS ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Clean Elections	0.197***	0.178***	0.103**	0.145***	0.138***
	(0.031)	(0.050)	(0.054)	(0.050)	(0.050)
Log (Trade Openness/GDP)	0.262***	0.152 ***	0.157***	0.141***	0.145***
	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.093***	0.036***	0.041***	0.033**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.000		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.006	0.001	0.006	0.008
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.058***	0.059***		0.041***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 26: EFFECT OF ACCESS TO JUSTICE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Access to Justice	0.429***	0.627***	0.113	0.588***	0.585***
	(0.072)	(0.125)	(0.134)	(0.124)	(0.124)
Log (Trade	0.271***	0.143***	0.158 ***	0.136***	0.139***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.092***	0.032**	0.040***	0.031**	0.030**
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment	0.001***	-0.003***	0.001	-0.004**	-0.003**
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.009***		0.009***	0.009***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.010***		0.010***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.003	-0.006	0.002	0.003
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.040***	0.044***		0.028***
		(0.011)	(0.012)		(0.011)
Inflation	(0.000)	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003***	0.003***	0.003***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2494	1478	1375	1479	1478

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 27: EFFECT OF CIVIL LIBERTIES ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Civil Liberties	0.227***	0.242***	0.018	0.198***	0.186***
	(0.044)	(0.084)	(0.090)	(0.084)	(0.084)
Log (Trade	0.270***	0.149***	0.157	0.141***	0.144***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.093***	0.036***	0.041	0.035***	0.033***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment	0.001***	-0.003***	0.001	-0.003 ***	-0.003***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.009***		0.009***	0.009***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0.011***		0.010		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023***	0.001	-0.006	0.000	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.039***	0.046		0.028***
		(0.011)	(0.011)		(0.011)
Inflation	(0.000)	-0.003***	-0.002	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003	0.003***	0.003***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 28: EFFECT OF SOCIAL RIGHTS AND EQUALITY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Social Rights and Equality	0.681***	1.492***	1.269***	1.419***	1.454***
	(0.073)	(0.114)	(0.130)	(0.114)	(0.114)
Log (Trade Openness/GDP)	0.251***	0.110	0.133***	0.107***	0.107***
	(0.020)	(0.018)	(0.027)	(0.018)	(0.018)
Log of FDI	0.077***	0.028**	0.032**	0.028**	0.026**
	(0.018)	(0.013)	(0.014)	(0.013)	(0.013)
School Enrollment (Primary)	0.000	-0.002***	0.000	-0.003***	-0.003***
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.007***		0.007***	0.007***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.009***		0.008***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	-0.004	-0.009	-0.005	-0.004
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.050***	0.053***		0.040***
		(0.010)	(0.011)		(0.010)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.002***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 29: EFFECT OF ACCESS TO JUSTICE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Access to Justice	0.535***	1.028***	0.511***	0.993***	0.974***
	(0.074)	(0.127)	(0.139)	(0.128)	(0.127)
Log (Trade Openness/GDP)	0.260***	0.142***	0.153***	0.132***	0.135***
	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.087***	0.026*	0.035***	0.023	0.022
	(0.019)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.011***		0.011***	0.011***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.009	0.002	0.009	0.011*
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.056***	0.056***		0.040 ***
		(0.011)	(0.013)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.002	0.004***	0.004***
			(0.007)	(0.001)	(0.001)
Number of Obs.	2494	1478	1375	1479	1478

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 30: EFFECT OF CIVIL LIBERTIES ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Civil Liberties	0.248***	0.379***	0.133***	0.323***	0.302***
	(0.045)	(0.088)	(0.096)	(0.089)	(0.089)
Log (Trade	0.265***	0.154***	0.160***	0.142***	0.146***
Openness/GDP)	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.090***	0.032**	0.039***	0.029**	0.028**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment	0.001***	-0.004***	0.001	-0.004***	-0.004***
(Primary)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment		0.010***		0.011***	0.011***
(Secondary)		(0.000)		(0.000)	(0.000)
School Enrollment	0 .011***		0.011***		
(Tertiary)	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.006	0.001	0.006	0.008
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.055 ***	0.059***		0.040***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.005***	0.005***	0.004***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 31: EFFECT OF SOCIAL RIGHTS AND EQUALITY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Social Rights and Equality	0.715***	1.611***	1.419***	1.521***	1.553***
	(0.074)	(0.118)	(0.134)	(0.119)	(0.118)
Log (Trade Openness/GDP)	0.245***	0.112***	0.132***	0.103***	0.107***
	(0.020)	(0.020)	(0.029)	(0.020)	(0.020)
Log of FDI	0.074***	0.025**	0.030**	0.024*	0.021
	(0.018)	(0.014)	(0.015)	(0.014)	(0.014)
School Enrollment (Primary)	0.000	-0.003***	0.000	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.008***		0.008***	0.008***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.009***		0.009***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.001	-0.002	0.001	0.003
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.064***	0.064***		0.050***
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003 ***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.004***	0.004***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 32: EFFECT OF EFFECTIVE PARLIAMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Effective Parliament	0.148***	0.158***	0.090	0.149***	0.149***
	(0.035)	(0.051)	(0.055)	(0.051)	(0.050)
Log (Trade Openness/GDP)	0.271***	0.146***	0.156***	0.138***	0.142***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.097***	0.039***	0.042***	0.037***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	0.001	-0.007	0.000	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.041***	0.045***		0.029***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 33: **EFFECT OF JUDICIAL INDEPENDENCE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)**

	Model 1	Model 2	Model 3	Model 4	Model 5
Judicial	0.465***	0.290***	0.356***	0.234***	0.250***
Independence	(0.063)	(0.088)	(0.093)	(0.088)	(0.088)
Log (Trade	0.267***	0.146***	0.148***	0.138***	0.142***
Openness/GDP)	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.096***	0.038***	0.041***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School	0.001***	-0.003***	0.001	-0.003***	-0.003***
Enrollment	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
(Primary)					
School		0.009***		0.009***	0.009***
Enrollment		(0.000)		(0.000)	(0.000)
(Secondary)					
School	0.010***		0.010***		
Enrollment	(0.000)		(0.000)		
(Tertiary)					
Log (Fuel	-0.022***	0.002	-0.006	0.001	0.002
Exports)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.043***	0.050***		0.031***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control			0.003***	0.003***	0.003***
of Corruption			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 34: EFFECT OF MEDIA INTEGRITY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Media Integrity	0.113***	0.047	0.014	0.010	0.018
	(0.040)	(0.070)	(0.074)	(0.069)	(0.069)
Log (Trade Openness/GDP)	0.278***	0.149***	0.157***	0.142***	0.145***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.096***	0.038***	0.041***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009**8
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.041***	0.047***		0.029***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 35: EFFECT OF EFFECTIVE PARLIAMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Effective Parliament	0.161***	0.214***	0.138***	0.205***	0.290***
	(0.035)	(0.054)	(0.059)	(0.055)	(0.069)
Log (Trade Openness/GDP)	0.266***	0.151***	0.157***	0.139***	0.135***
	(0.021)	(0.021)	(0.030)	(0.021)	(0.026)
Log of FDI	0.094***	0.036***	0.040***	0.032***	0.055***
	(0.018)	(0.015)	(0.016)	(0.015)	(0.019)
School Enrollment (Primary)	0.001	-0.004***	0.001	-	-0.001
	(0.000)	(0.001)	(0.001)	0.004***	(0.008)
				(0.001)	
School Enrollment (Secondary)	0.001***	0.010***		0.010***	0.014***
	(0.000)	(0.000)		(0.000)	(0.001)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.007	0.000	0.006	0.0232***
	(0.006)	(0.006)	(0.007)	(0.006)	(0.008)
Political Stability		0.060***	0.059***		-0.018
		(0.011)	(0.012)		(0.015)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1521

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 36: EFFECT OF JUDICIAL INDEPENDENCE ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Judicial Independence	0.550***	0.511***	0.565***	0.442***	0.457***
	(0.065)	(0.092)	(0.098)	(0.092)	(0.092)
Log (Trade Openness/GDP)	0.259***	0.150***	0.146***	0.008	0.141***
	(0.021)	(0.021)	(0.030)	(0.006)	(0.021)
Log of FDI	0.092***	0.035***	0.040***	0.032**	0.030**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.019***	0.008	0.001	0.442***	0.009
	(0.006)	(0.006)	(0.007)	(0.093)	(0.006)
Political Stability		0.063***	0.065***		0.045***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 37: EFFECT OF MEDIA INTEGRITY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Media Integrity	0.129***	0.133***	0.097***	0.081	0.092
	(0.041)	(0.074)	(0.079)	(0.074)	(0.074)
Log (Trade Openness/GDP)	0.273***	0.154***	0.159***	0.143***	0.147***
	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.093***	0.036***	0.040***	0.032**	0.030**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010 ***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.011***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.007	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.061***	0.061***		0.043***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 38: EFFECT OF ABSENCE OF CORRUPTION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Absence of Corruption	0.456***	0.273***	0.270***	0.160***	0.185***
	(0.078)	(0.091)	(0.097)	(0.093)	(0.093)
Log (Trade Openness/GDP)	0.271***	0.147***	0.158***	0.140***	0.143***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.098***	0.041***	0.044***	0.038***	0.037***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.002***	-0.003***	0.001	-0.003 ***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.043***	0.050***		0.031**
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003	0.003***
			(0.001)	(0.006)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 39: EFFECT OF PREDICTABLE ENGAGEMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Predictable Enforcement	0.443***	0.273***	0.310***	0.491***	0.477***
	(0.055)	(0.091)	(0.090)	(0.085)	(0.085)
Log (Trade Openness/GDP)	0.260***	0.147***	0.156***	0.138***	0.141***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.093***	0.041***	0.039***	0.032**	0.031 **
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.043***	0.042***		0.024**
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.002**
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 40: EFFECT OF ABSENCE OF CORRUPTION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Absence of Corruption	0.635***	0.602***	0.542***	0.439***	0.465***
	(0.080)	(0.095)	(0.102)	(0.098)	(0.098)
Log (Trade Openness/GDP)	0.260***	0.149***	0.160***	0.139***	0.143***
	(0.021)	(0.021)	(0.029)	(0.021)	(0.021)
Log of FDI	0.095***	0.041***	0.047 ***	0.037***	0.036***
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.002***	-0.003***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.009	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.064***	0.067***		0.047***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.004***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 41: EFFECT OF PREDICTABLE ENGAGEMENT ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Predictable Enforcement	0.523***	0.602***	0.510***	0.735***	0.708***
	(0.056)	(0.095)	(0.096)	(0.090)	(0.090)
Log (Trade Openness/GDP)	0.250***	0.149***	0.156	0.138***	0.141***
	(0.021)	(0.021)	(0.029)	(0.020)	(0.020)
Log of FDI	0.088***	0.041***	0.037	0.025*	0.024
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.011***	0.011***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.011***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.019 ***	0.009	0.002	0.007	0.008
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.064***	0.052***		0.034***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.004***	0.004***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 42: EFFECT OF LOCAL DEMOCRACY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Local Democracy	-0.025	0.052	-0.001	0.059	0.055
	(0.037)	(0.039)	(0.045)	(0.039)	(0.039)
Log (Trade Openness/GDP)	0.288***	0.148	0.157***	0.141***	0.144***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.099***	0.038***	0.041***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003 ***	0.000	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.022***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.036***	0.042***		0.025**
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2488	1481	1375	1482	1481

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 43: EFFECT OF DIRECT DEMOCRACY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Direct Democracy	-0.060	0.113***	-0.027	0.092	0.095**
	(0.050)	(0.049)	(0.059)	(0.048)	(0.048)
Log (Trade Openness/GDP)	0.287***	0.144***	0.158***	0.137	0.140***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.100***	0.039***	0.041***	0.037***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.041***	0.047***		0.030***
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 44: EFFECT OF ELECTORAL PARTICIPATION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Electoral Participation	0.117***	0.066**	0.078**	0.052	0.041
	(0.028)	(0.032)	(0.035)	(0.033)	(0.033)
Log (Trade Openness/GDP)	0.273***	0.153***	0.161***	0.145***	0.148***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.099***	0.039***	0.042***	0.037***	0.036***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003 ***	0.001	-0.003 ***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010 ***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.025***	0.002	-0.006	0.001	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.037***	0.044***		0.027***
		(0.011)	(0.012)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003**8
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2463	1485	1381	1486	1485

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 45: EFFECT OF CIVIL SOCIETY PARTICIPATION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH FIXED EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Civil Society Participation	0.331***	0.182***	0.103***	0.146***	0.145***
	(0.040)	(0.061)	(0.065)	(0.061)	(0.061)
Log (Trade Openness/GDP)	0.260***	0.144***	0.154***	0.138***	0.141***
	(0.020)	(0.019)	(0.028)	(0.019)	(0.019)
Log of FDI	0.094***	0.038***	0.041***	0.036***	0.035***
	(0.018)	(0.014)	(0.014)	(0.014)	(0.014)
School Enrollment (Primary)	0.001***	-0.003***	0.001	-0.003***	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.009***		0.009***	0.009***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.024***	0.001	-0.007	0.000	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Political Stability		0.040***	0.046***		0.029**
		(0.011)	(0.011)		(0.011)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.003***	0.003***	0.003***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 46: EFFECT OF LOCAL DEMOCRACY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Local Democracy	0.006	0.103***	0.071*	0.119***	0.112***
	(0.037)	(0.042)	(0.049)	(0.042)	(0.042)
Log (Trade Openness/GDP)	0.282***	0.154***	0.160***	0.143***	0.146***
	(0.021)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.095***	0.035**	0.040***	0.032**	0.030**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.000	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.010***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.019***	0.008	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		-0.003***	0.056***		0.039
		(0.001)	(0.013)		(0.012)
Inflation	0.000	0.056***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.012)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2488	1481	1375	1482	1481

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 47: EFFECT OF DIRECT DEMOCRACY ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Direct Democracy	-0.054	0.109**	-0.037	0.075	0.080
	(0.051)	(0.052)	(0.064)	(0.053)	(0.052)
Log (Trade Openness/GDP)	0.287***	0.151***	0.161	0.140***	0.144***
	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.098***	0.037***	0.040	0.033**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.003 ***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.011		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.007	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.061***	0.060		0.042***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002	-0.003 ***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 48: EFFECT OF ELECTORAL PARTICIPATION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Electoral Participation	0.118***	0.052	0.054	0.025	0.009
	(0.029)	(0.035)	(0.038)	(0.035)	(0.036)
Log (Trade Openness/GDP)	0.270 ***	0.158***	0.163***	0.145***	0.148***
	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.096***	0.036***	0.040***	0.032**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.002***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.011***		0.011***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.023***	0.007	0.001	0.007	0.009
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.057***	0.059***		0.041 ***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.001)	(0.001)	(0.001)
Number of Obs.	2463	1485	1381	1486	1485

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.

TABLE 49: EFFECT OF CIVIL SOCIETY PARTICIPATION ON GDPC (RESULTS FROM EMPIRICAL SPECIFICATIONS WITH RANDOM EFFECTS)

	Model 1	Model 2	Model 3	Model 4	Model 5
Civil Society Participation	0.341***	0.230***	0.134*	0.173***	0.171***
	(0.041)	(0.065)	(0.070)	(0.066)	(0.066)
Log (Trade Openness/GDP)	0.255***	0.149 ***	0.156***	0.139***	0.143***
	(0.020)	(0.021)	(0.030)	(0.021)	(0.021)
Log of FDI	0.091***	0.036***	0.040***	0.032**	0.031**
	(0.018)	(0.015)	(0.016)	(0.015)	(0.015)
School Enrollment (Primary)	0.001***	-0.004***	0.001	-0.004***	-0.004***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)
School Enrollment (Secondary)		0.010***		0.010***	0.010***
		(0.000)		(0.000)	(0.000)
School Enrollment (Tertiary)	0.010***		0.011***		
	(0.000)		(0.000)		
Log (Fuel Exports)	-0.021***	0.007	0.001	0.007	0.008
	(0.006)	(0.006)	(0.007)	(0.006)	(0.006)
Political Stability		0.059***	0.060***		0.042***
		(0.011)	(0.012)		(0.012)
Inflation	0.000	-0.003***	-0.002***	-0.003***	-0.003***
	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Control of Corruption			0.005***	0.005***	0.004***
			(0.000)	(0.001)	(0.001)
Number of Obs.	2515	1491	1384	1492	1491

Notes: *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level.