

A Causal Analysis of the Relationship between Democratization and Economic Growth

Abstract

The long run relationship between democratization and economic growth has been previously considered by a number of researchers, and yet no clear consensus has emerged concerning the causal relationship between these two important measures of progress. In this study of 154 countries from 1961 to 2007, we build on previous studies by considering the countries in regional groups. We also consider the relationship over discrete time intervals as suggested by Sali-i-Martin (1997). The data used are the growth rate of GDP per capita and the polity index. The polity index examines concomitant qualities of democratic and autocratic authority in governing institutions. Various econometric techniques are used to analyze the direction of causality and a sensitivity analysis is conducted to test for robustness. Preliminary results provide some evidence that democratization tends to cause economic growth capita GDP growth, but these results vary by country and time period.

JEL classification: F43; F50; P16

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