LUND UNIVERSITY
School of Economics and Management

MEDEG: Master's in Economic Development and Growth

The story that I was never told.

"The long run economic growth of dictatorships and democracies in Asia and South America".

Submitted by

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Abstract:

Winston Churchill once said "democracy is the worst form of government except for all those other forms that have been tried from time to time". Can this sentence be related to economic growth and development? This thesis analyzes the economic outcomes of the two main political regimes (Democracy and Dictatorship) in the developing world and discovers that Churchill's words cannot be applied for long-run growth. The Pooled OLS model employed in Asian and South American nations find that democracy hurts economic growth. Despite this result, the models utilized in the thesis have a low r-squared. Finally, I argue that the evidence found in the thesis is consistent with the theoretical implications of Przeworski, Alvarez, Cheibub, and Limongi (2000) and Huntington (1968).

Keywords: Developing world, Democracy, Dictatorship, Economic growth.

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1. Introduction

As the title of the thesis reflects, the investigation delivered in this thesis is one that has been concerning my thoughts during my master's years. Throughout the masters, I studied different models of economic development and growth, the pros and cons of the models, and the development possibilities that the models generate in different countries. However, the political regime of these states when they were developing was not part of the equation. Despite the models, since I was a kid I have heard the same sentence many times: "Many forms of Government have been tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except for all those other forms that have been from tried time to time…" (Winston Churchill, 11 November 1947)

The theory of economic growth mostly focuses on the nations that had been successful in their development, jumping from "Low income" or "Middle income" countries to "High income" countries, as history does most of the time, telling the history of the winners, not the losers. The states that were successful in their development phase during history are: the United Kingdom with its industrial revolution, the European nations that followed its lead during the XIX century, and the Western offshoots[1]. When all of these countries were developing, they did not have full democratic systems, how the occidental view considers nowadays a system democratic. Nevertheless, they developed and became advanced states, and "High income" countries before or during the XX century. If we advance in history, the last successful nations to become advanced and "High income" countries were Japan, South Korea, Singapore, Hong Kong, and Taiwan. They achieved high and lengthy rates of economic growth in the last 50 years. On a side note, they were the nations most studied in our program (MEDEG, Master's in Economic Development and Growth). Nevertheless, the academic studies seldom mention if they were democracies or dictatorships, and whether or not this affected them in their development process. Most of them were dictatorships during their development process. To sum up, the Western European states and Western offshoots in the XIX century were not a democratic model and neither were the East Asian nations in the 1950s (only Japan was a democracy and it was the most developed country in the area compared to the other ones in the 1950s).

Therefore, my thoughts were: why do the different papers not mention the regime in which the different countries developed? And why do we still assume what Winston Churchill said to be a fact, that democracy is the better regime of the worse? Nonetheless, democracy is not simply a regime based on economic outcomes, but it is also supposed to provide more liberties and rights than an autocracy should, as the philosopher, Spinoza would state it (Bobbio, 1989). Nevertheless, the idea of nation development in the occidental world goes hand in hand with the concept of democracy. Since we are kids going to school in the occidental world the teachers explain to us the virtues of democracy and that most of the developed states are democracies, inserting the idea in our heads that without democracy there is not development. It is believed

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[1] Western offshoots: is referred to Australia, New Zeeland, Canada, and the United States (Maddison, 2007).

that an advanced country must have a democracy and that only that political system can help developing nations. Conversely, it may be that history has a different explanation and the nations that now are considered advanced, were actually closer to being dictatorships during their developing stage.

This is why this thesis aims to study which regimes in the developing world help to have high and lengthy rates of economic growth. The thesis will try to assert if the countries that have been using different development strategies were affected by its political regime, which was ruling the nations. The states that appear in the study form part of four regions (South America, Southeast Asia, East Asia, and South Asia) of the world and two continents (Asia and South America) (See in the maps 1 and Appendix A.2, the countries chosen for the study). I choose these regions because they include the most successful states that have been developing between 1950 until 2008 and the states in those regions implemented different types of developing models, as will be explained in the economic historical background. The period of study is from 1950 to 2008, since it is the period during which the regions implemented developing processes (a different set of policies and models that reform the economy in order to develop the country) as the historical summary shows. Furthermore, the data employed was starting to be available for most of the states in 1950 and its finish in 2008, which was when the financial crisis hit most of the world. Finally, the question I want to ask is, looking to South America and Asia from 1950 to 2008, which regime was better for fostering economic growth: democracy, or dictatorship? Besides that question, I also studied the nations' political transition processes and how these affected their economic growth. The thesis focuses on the transitions because the countries did not have only one regime during the 58 years. They changed between regimes and created transitions from autocracies to parliamentary governments and from democracies to dictatorships.

The literature on the topic (as I will describe in the literature review section) did not reach any consensus during the years in which the theory of economic growth also influenced the different political systems. Furthermore, most of the prominent papers on the topic used a sample of the whole world to compare which regime fosters economic growth (Przeworski, Alvarez, Cheibub & Limongi, 2000; Rodrik, 2000; Almeida & Ferreira, 2002; Helliwell, 1994). In my opinion, including the countries in the frontier of development – which are mostly democracies – can bias the sample, as these nations were not democracies during their development phase. This is one of the reasons I decided to study South America and South, East, and Southeast Asia.

The thesis is structured as follows. First, the present work provides a literature review that summarizes the theories and empirical results with regards to which of the two regimes is better to achieve economic growth. Second, the economic historical summary explains the different paths that the region of the study took for its development. Third, the data and methodology section shows which data is utilized in the thesis and the method that is applied. Fourth, it presents the results and discusses its implications. Finally, a conclusion is reached in the final section of the thesis.

2. Theory
2.1 Literature Review

Since Kelsen's General Theory of the Law and State (1945), the dichotomic classification of political regimes between Dictatorships and Democracies seems to have become the norm. The main difference between the two political systems lies in the level of political liberty. Philosophers have long debated which of the two regimes is best for society. Hobbes, for instance, favored monarchy (dictatorship) in search of peace and order, while Spinoza supported democracy, focusing on the liberties of a population (Bobbio, 1989).

Since Hobbes and Spinoza, the world has changed. Economic growth during their time was very limited. However, with the industrial revolution, economic growth became a recurring topic in the political scene, playing an important role when determining which type of regime would be most propitious for a society's progress (Artige, 2004).

The economic literature has largely contributed to this issue. Mancur Olson (1993) argues that before institutions are clearly defined and established, some form of chaos rules, under which the population lacks the incentive to progress, leading to an economy's stagnation. Under this disorder, Olson (1965) theorizes that small civilizations can arrange voluntary agreements and start to grow. Nonetheless, with large populations, this agreement cannot be achieved voluntarily.

Olson's (1993) theory of the world starts with large societies living on chaos due to *bandits*, which plunder, consequently ridding the population of any incentive to invest. Nevertheless, when one of the robbing bandit clans realizes that they can profit more by protecting the community against the other bandits by taxing for protection, the population's expectations will shift. Specifically, as a more peaceful and less risky context settles in, they start to invest and produce more. The robbing bandit clan will try to receive as much of society's output as possible, as payment for its protection. It is this rate of extraction that determines the progress of the community, its rate of investment, and its output.

In the world of Olson (1993), the leader of the robbing bandits will become the ruler, a dictator. As explained before, the dictator will try to extract as much as possible from the community in exchange for his provision of protection as a public good. This arrangement resolves the chaos, enabling civilizations to progress. However, the dictator will not live forever, so after the death of the ruler, societies will decent into another era of chaos. The short expectations of peaceful times will discourage long-term investments in the community, provoking lower economic growth. For Olson (1993), the disadvantage of a mortal ruler was resolved in past societies by implementing a successor, to be elected in different ways. In the case of Kings, the successor was the son or the closest in the bloodline to the king (dictatorship). In the free city of Athens, free men elected the ruler (democracy). The different types of succession can be classified under two types of institutions: autocracy and democracy. In Olson's model, these two institutions can resolve both the succession and the chaos issues in perpetuity.

Even with the succession issue resolved, the two institutions can receive different outcomes, everything depending on the rate of extraction that the ruler can exert. Since in a democracy the ruler is reelected after a predetermined amount of time, it is believed that the ruler has lower incentives to extract from the society than if he were a dictator. In an autocracy, order, public goods, and investments are provided by the dictator without any consensus needed from society. All the community can do, is hope that their ruler is a benevolent dictator. Otherwise, property rights and the enforcement of contracts will have no validity (Olson, 1993).

In a democracy, the source of public goods, order, and investment are provided by a parliament, which is comprised of different parties, elected by the population. These parties will try to impose their view if they can, and will need to make concessions and reach some compromise with other parties to elect a ruler if they cannot. This mechanism secures the rights of the different parties and society, decreasing the rate of extraction compared to a dictatorship (Olson, 1993).

Douglass North, one of the most influential authors studying the interaction between economic development and institutions, claims that securing property rights is essential for growth. According to North and Weingast (1989), the easier it is for a ruler to alter property rights for his or her benefit, the lower the expected return on investments and, consequently, the economy's output: "for economic growth to occur the government must not only establish a relevant set of rights but make a credible commitment to them" (North & Weingast, 1989).

Democracy – by securing the property rights and enforcing contracts – have a better chance to ensure more investment, and probably deliver more output than a dictatorship (Olson, 1993). Sah and Stiglitz (1991) use another assertion to claim that democracies are better for growth. The assertion appeals to the notion of human errancy. The population differs in their decision-making abilities. Consequently, in a society ruled by a small group of people, the risk suffered by human errancy is not well diversified. Therefore, the government's likelihood of applying the best decision or the worse decision is higher in autocracies than in democracies. In democracies, the fact that the population is involved in the decision-making controls for the deviations, creating an "average" opinion. It is this "average" opinion that makes them less exposed to human errancy.

Rodrik (1999) also develops a theory that is consistent with the two arguments explained above. The theory assumes that domestic social conflicts may affect the resistance of adjustments to external shocks in the domestic economy. The idea is that external shocks can be magnified with distributional conflicts, affecting the policy adjustment of the countries. If the rulers act in opportunistic ways facing the reduction of the economic surplus due to external shocks, they probably will not apply the most efficient adjustment, leading the surplus of the economy to be reduced even further.

A consequence of Rodrik's (1999) argument is that institutions with weaker conflict management run the risk of being largely impacted by external shocks. For Almeida and Ferreira (2002), democratic institutions are better suited for conflict-management solutions. For example, the opportunistic expropriation of property rights can easily occur in an autocracy, because property rights and the enforcement of contracts are more fragile. In a democracy, the

expropriation of private property is scarcer due to the fact that all of the ruling parties will try to protect their possessions as much as they can (Almeida & Ferreira, 2002).

Following this argument, Rodrik (2000) finds that democracies produce less randomness or volatility in their growth, that they deal with inequality more adequately, and (as explained before) they manage shocks better. In the academia, these results yield to the conclusion that democracy helps to build better institutions, ending up with more developed countries.

After presenting dictatorships as the devil and democracies as celestial – as far as economic growth is concerned – some scholars argue that it might not be so clear to classify these institutions. The main argument that democracies secure better property rights can be controversial (Przeworski & Limogi, 1993).

Some of the classical scholars like David Ricardo or Karl Marx expected that universal suffrage would kill property rights. The poor would use democracy to try to expropriate the rich, the rich would be willing to subvert the democratic system to defend their property, and deliver the power to the army. As a result, either capitalism or the democratic system crumbles (Marx, 1952).

In retrospect, the conclusions of Marx and Ricardo may be too strong. There are some countries in the world today which have been democracies since the Second World War and they followed capitalist policies.

While the classical scholars saw the democratic system as a threat to private property, in the 1960s modern scholars saw democracy as a peril for economic growth. Walter Galenson and Karl De Schweinitz (1955) theorized that "democracy frees the pressures for immediate consumption", which would harm the investment rate and therefore economic growth. This view sees democracy as a fragile institution against the pressures of the inhabitants for immediate consumption. Moreover, by letting the population forces win, profits would be reduced, which would result in a decline in investment and saving rate, and with a decrease in economic growth (Huntington, 1968).

Using this idea, Vaman Rao (1984) states that economic development is a process where huge investments are required. Such investments are paid by the delay in the consumption of the society, creating low levels of living standards. Governments are able to produce these policies by enforcing their power over the population. If such policies were put in a referendum, "they [would] surely be defeated".

The arguments explaining that parliamentary government is a peril to growth, rely on certain underlying assumptions. For example, one assumption is that poor people have a higher propensity to consume. This is why democracy is compatible with growth in high-income societies but not with low levels of income. In addition, the scholars in favor of these arguments assume that economic growth will increase if the physical capital of the country is increased (Przeworski & Limogi, 1993). Another flaw of this type of reasoning is, why will dictators behave as "developmentalist"? and not try to maximize the rent that they can subtract (Przeworski & Limogi, 1993).

Some scholars also argue that dictatorships are better in isolating the government and its policies from external pressures, *ergo* favoring growth. The state autonomy favors efficiency, being isolated from private pressures. Moreover, if the state apparatus wants to develop, autonomy will improve state performance. An autonomous state is needed to be able to fight the self-interest of private sectors, and citizens with sufficient power to seize the actual power of the state by lobbing it (Przeworski & Limogi, 1993).

In the line of this debate in which of the two institutions can better foster growth and development, we are going to present some empirical results supporting some of the arguments presented in the literature, shedding some light on the issue. However, the authors do not make clear which institution best fosters economic growth.

The empirical literature shows that, between 1950-1990, poverty seems to not leave room for institutions. In countries with incomes below 3000$, the two types of regimes have similar investment shares, almost identical capital and labor stock growth shares, the same output per worker, and product wages. Poor nations have few investments, have very little TFP[2] contribution to the growth, and can only pay low wages. Although, a few countries could have escaped the poverty trap, most of them remained poor. Moreover, most of these states are governed by dictators and the ones that are (or were) democracies have to fight for survival. In poor nations, there is no difference between regimes quantitatively or qualitatively speaking (Przeworski, Alvarez, Cheibub & Limongi, p. 178, 2000).

Alternatively, wealth differentiates regimes. Wealthier dictatorships invest a larger share of their income, experience a higher growth of the labor force, the elasticity of capital is higher than in democracies but the elasticity of labor is lower. Wealthy autocracies also derive more growth from capital and less from labor and TFP than wealthier democracies. Furthermore, in these states, labor is repressed by forbidding worker unions. This policy helps these regimes employ a lot of labor at a low cost. The relative price of capital and investment is higher in dictatorships, this is why they are utilized efficiently. Nevertheless, because these nations rely on repressed workers, they can pay relatively lower wages than democratic regimes and use the labor force more inefficiently (Przeworski, Alvarez, Cheibub & Limongi, p. 179, 2000).

In one of his works, Pzerworki *et al.* (2000) conclude that the total output grows at the same rate in the two systems, but that differences lie between wealthier countries and poor states. An interesting point is that, for the wealthier states, the two regimes have taken different paths to achieve the same economic growth rate.

In the same line as Pzerworki *et al.* (2000), Helliwell (1994) by analyzing a dataset of 125 countries between 1960-1985, finds that democracy does not affect economic growth. On the other hand, a parliamentary government can have an indirect effect via investments in education for example. With regards to these mechanisms however, the author provides no proof.

Another recent empirical study found that democracy does indeed have a positive effect on economic growth. Knutsen (2013) for instance, finds that a democratic system has a positive

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[2] TFP: Total factor productivity. It is a factor used in growth accounting methods such as the one presented by Robert Solow.

effect in sub-Saharan Africa. The author reports that the democratization of African states since the 1990s has had a positive effect on its economy. Additionally, he uses an interaction variable between democracy and state capacity, with the result being that states with low state capacity – as the sub-Saharan states – grew more with democratic regimes.

After presenting what the academia, both empirical and analytical, has had to say on the debate of whether democracy or dictatorship is better for economic growth, it appears that consensus hasn't been reached. For this reason, this study aims to fill a gap in this field, by analyzing the two continents, which have tried different developing models during the second half of the 20th century and were not in the sphere of the Soviet Union (Eastern Europe). This may shed some light on the question as to which of the two regimes can foster economic growth in the developing world. In this study we analyze the East, Southeast, and South Asia and South America, because they are the regions with the most successful countries that tried to develop during the second half of the 20th century. As we will see in the next section, these were the regions that succeeded and struggled to apply different sets of models and policies to develop its countries. South and East Asia were abandoning the colonial chains of the old European empires to seek a new bright future. Meanwhile, South America was trying to walk away from the resource course. Furthermore, by studying these two continents, the thesis avoids the high-income democracies that were already in the development frontier during the second half of the 20th century, the high-income dictatorships that are driven by commodity prices, the Eastern European countries that choose the soviet model of development and the African countries, that have struggled with economic growth since declaring independence.

2.2 Economic historical background of South America and Asia

This summary serves the thesis to provide a general picture of the economic growth in the different regions. The summary provides a general view of the policies implemented in the different nations and I do not take care of the peculiarities that occurred in the different republics. Some of the states inside the regions are not mentioned because they cannot be studied, due to the lack of data. Others are not mentioned, because they just follow the same growth path of the region or because they were affected by insurgency and civil wars for the duration of the period such as Myanmar (Burma). The countries that form part of the study can be seen in the next map 1.

Map 1. Studied countries and their political systems.
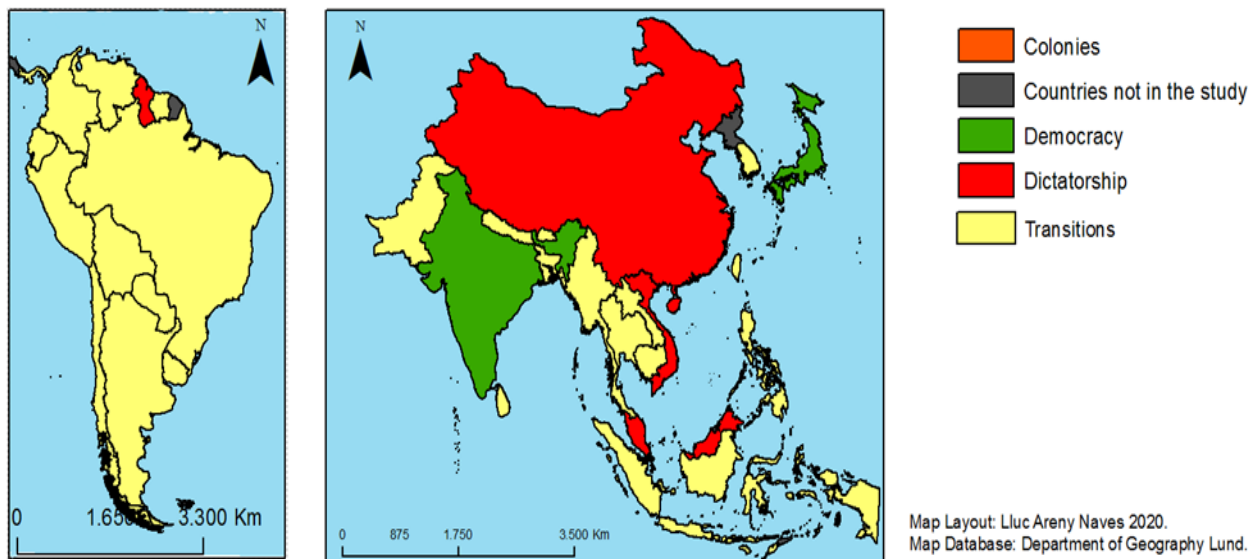
Source: Own elaboration.

Note: The legend informs on the countries that during all the studied period were dictatorships and democracies. It also shows the countries that have had political transitions throughout the study period and countries of the region that are not used in the study.

This section aims to put the readers in perspective on what happened during the period of the thesis study. Specifically, what events marked the economic history of the two continents (South America and South, East and Southeast Asia) from 1950 to 2008.

The history started differently for the two continents after the Second World War (1939-1945). The continents emerged in different positions. South America had been independent of its colonial powers (Spain and Portugal) for more than a century, with only a few countries remaining as colonies of the British, French, and Dutch empires (Guyana, French Guyana, and Suriname). South America mostly sided with the allies during the Second World War, even experiencing a commodity price boom during the conflict. Even if the European markets were closed because of the war, the United States filled the gap and signed preference trade treaties

with the South American Nations (Bulmer-Thomas, p.237, 2003). The South American Export volumes were reduced but the price of the commodities and manufactured products rose (CEPAL, p. 252, 1959).

On the other side of the Pacific, things were different. During WWII Japan invaded most of East and Southeast Asia, expelling the European Empires from the zone and imposing a warfare economy in the countries, to provide Japan with the commodities they needed to feed the war machine. After, the conflict and the defeat of the Japanese Empire, most of the East and Southeast Asian returned to its former European empires. This motivated several wars and declarations of independence from 1945 to 1975, when the second Indochina's war ended, culminating in Vietnam's reunification.

After presenting the situation of the two continents before 1950, I will start to explain how they developed during the period of study. First, the thesis will describe the South America path of growth.

The big economies of South America (Argentina, Brazil, and Chile) were involved in the ISI[3] process since the second quarter of the 20th century, trying to develop its manufacturing industry. WWII allowed these countries to develop heavy industry and change their model of growth from an Export-led growth model[4] to an Inward-looking growth model[5] (Bulmer-Thomas, p.241, 2003). Nonetheless, the early years of the 1950's decade were dominated by another primary export boom triggered by the Korean War (1950-1954). The South American nations benefited from the boom. Once the conflict was over however, a crisis hit the continent. The crisis provided rise to the idea that the South American countries should depend less on its exports of primary commodities and try to develop its manufactured industry. The inward-looking vision with ISI policies was adopted to a greater or lesser extent in most countries on the continent. Two models of growth were created. The first model was commanded by the economies already in the second stage of the import substitution process (Argentina, Brazil, and Chile). The model made it difficult to import machinery and consumer products from outside, trying to stimulate the firms to produce the products and the machinery inside the republic by shifting the nations' investments from the export sector to the sectors that replace the imported products. Furthermore, in the 1950s, other states adopted the later ISI model such as Uruguay and Colombia. The second model applied import substitution policies more softly without harming its export sector, trying to balance between the two sectors (the leader of that group of nations was Venezuela). Finally, some countries like Peru, Ecuador, and Bolivia tried inward-looking policies but they failed in their implementation, which made them return to the traditional export-led growth model. Nonetheless, during that period they tried the diversification of its exports (Bulmer-Thomas, p.257-258, 2003).

The two models failed during the second half of the 1950s to ensure high GDP per capita growth. The dissatisfaction, that was increasing during the first years of the 1960s in the Latin

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[3] ISI: Import Substitution Industrialization.
[4] Export-led growth model: it is a series of economic models that favored the opening of the country to the international markets in order to develop its industries (Weiss, 2005).
[5] Inward-growth model: it is a series of economic models that favored protection policies in order to develop the industry of the country (Taylor, 1998).

continent, led their governments to find a solution in the economic integration of Latin America, creating what some countries in Europe had done in 1958 with the EEC (European Economic Community) (Bulmer-Thomas, p.289, 2003). The LAFTA (Latin America Free Trade Association) was created in 1960 in Montevideo, with ten Latin republics signing the treaty. The LAFTA aimed to eliminate the tariffs for interregional trade by 1971. Moreover, it wanted to develop the interregional trade by providing a bigger market to the countries in the final stages of the ISI process, and help the less developed republics dependent on primary commodities to develop its manufactured sector. However, the nations that already applied the inward-looking perspective had created an elite class that did not want to compete for its share on the national markets. The states had their oligopolies for most of the sectors, which only could live with the high protectionism of the governments from the exterior competition. This led to the failing of LAFTA and in 1969 some states promoted the Andean pact (Peru, Colombia, Bolivia, Ecuador, and Chile), a free trade area with the objective to create a customs union to supply the LAFTA (Bulmer-Thomas, p.294, 2003).

Despite this, the failing of interregional integration South America grew during the 60s. Its GDP per capita growth rates were comparable to the rest of the developing world and the advanced world. Most of the Latin nations were categorized as "Middle-Income countries" by the World Bank. Nevertheless, the profits of South American growth were not divided equally throughout its social classes. Only the elite and the high percentiles of the income distribution benefited from economic growth, with the poor remaining at the same levels as before (World Bank, 1984).

The 1970s decade was marked by the fall of Bretton Woods[6], which triggered a commodity boom that benefited Latin America. The Latin countries changed their mentality and started to open again; the inward-looking era seemed to arrive at its end. The nations adopted new export-led growth policies: export substitution, export promotion, and primary-export development. The export promotion (EP) model attempted to include manufactured exports to the inward-model; the export substitution (ES) tried to shift the resources from the protected sectors to the new export sectors; and the primary-export development (PED) concentrated its resources on the primary commodity sector. However, none of the three models was successful. The economic growth of the 1970s was fueled by exterior borrowing and high primary commodity prices (Bulmer-Thomas, p.315, 2003). When the three policies failed because the countries did not develop bigger export sectors, and debt obligations increased to excruciating levels, a debt crisis appeared in 1982.

In August 1982, the Mexican government threatened with a default on its external public debt. Finally, the old-growth model in Latin America had died, the central role of the state to raise capital accumulation via different policies had failed. In this context, a new economic model (NEM) emerged, in which the state had to play a smaller role, and the Washington consensus[7]

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[6] Bretton Woods: it was a monetary system signed by Western European countries, the United States, Canada, Japan, and Australia. The system worked as a fixed exchange rate system pegged to the dollar (Bartov, Bodnar, & Kaul, 1996).

[7] Washington Consensus: This is a set of free-market economic policies embraced by the IMF (International Monetary Fund), the World Bank and the U.S Treasury. The economist John Williamson coined the term in 1989 (Williamson, 1993).

imposed its view on South America via the loans provided by the IMF and the World Bank. The NEM liberalized the Latin nations, privatized most of its public enterprises and financial markets were deregulated (Bulmer-Thomas, p.354, 2003). This liberalization made the exports of the Latin states climb during the 1980s. Still, the higher volume of exports was not sufficient to counterbalance the fall in prices. Inflation became endemic to the region in the 1980s with most of the nations surpassing two digits of inflation. The adjustments during the 1980s were not reversed until the new decade when capital started to flow inside Latin America again (Bulmer-Thomas, p.404, 2003).

The 1990s saw the integration of the continent in the global markets and the success of some stabilization plans (Ferreira & Tullio, 2002). The decade first year's economic growth was fueled by the entrance of foreign capital. The second rise in foreign debt created the perfect environment for another crisis. The new crisis hit in 1994-1995 and was followed by the Asian financial crisis in 1997 (Mussa, 2002).

 The 2000s saw a new commodity boom that helped the continent to develop. The XXI century also bought the American continent closer to the liberalization of the South American markets during the 1990s and new proposals for interregional agreements between all the American nations and continents. Despite this, South America remains one of the most financially unstable continents (Bulmer-Thomas, p.355, 2003).

After explaining the South Americas path of economic growth, the present work will now explore the Asian track of economic growth.

I will do a summary of the Asian economic history in two different ways. I divide Asia into two: East Asia (Japan, China, Taiwan, South Korea, North Korea, and Hong Kong) and Southeast Asia (Thailand, Malaysia, Vietnam, Laos, Cambodia, Indonesia, Philippines, Myanmar (Burma), Brunei, East Timor, and Singapore) on the one hand, and South Asia (India, Nepal, Bhutan, Bangladesh, Sri Lanka, Maldives, and Pakistan) on the other.

The first years of the 1950s were represented by the struggle of some of the Southeast Asian countries to achieve its independence from the European empires. This period was also marked by the Korean War (1950-1954), in which the Korean peninsula was divided into two nations, namely North Korea (with a communist autocracy) and South Korea (with a capitalist dictatorship). This war helped Japan in becoming the region's first country to develop. Specifically, it helped to develop its export-led growth policy based on the export of manufactured goods to the rest of the world. The government facilitated domestic manufacturers to export their products and the population to save at a high rate. The economic model of Japan exploited the high labor surplus, which was employed in the labor-intensive manufactured sector. The model was a success and Japan skyrocketed its economic growth during the 1950s (World Bank, 1993).

When the Korean war finished, South Korea saw Japan as the model to imitate. Other nations in East Asia followed the Japanese model, most notably the four tigers (South Korea, Taiwan, Singapore, and Hong Kong), which based their export-led model on the Japanese development model. Some differences exist among these countries' development models. For instance, while South Korea and Taiwan used a more interventionist policy in the markets between the 1960s

and the 1980s, Hong Kong and Singapore led the private sector to adjust its capital allocation (Amsden, 1989). The four countries succeeded in their policies and developed an export manufactured sector. The tigers registered high GDP per capita growth for more than 20 years. This culminated in their transition to the state of "High-income" countries, see in appendix A.1 (World Bank, 1993).

During the 1970s, the four tigers and Japan managed to overcome the oil crisis (1973 & 1979) and continue growing (World Bank, 1993). The confrontations that started during the 1950s in Indochina ended in 1975. This led to Vietnam being reunited, and Laos putting an end to its civil war. The two states entered the communist sphere of the Soviet Union with communist dictatorships (Turley, 2019). After the 1970s, the East Asian model of economic growth was seen as a success and other countries started to apply the model.

The second tier/group of countries to follow the East Asian export-led model of growth was Malaysia, Thailand, and Indonesia. The nations also applied different policies on how the state should intervene in the economy. Despite this, their different export-led growth models focused more on investing in fundamentals of economic growth[8] than intervening in the exporting market sectors like South Korea or Taiwan. During the 1970s, the nations started to see increases in economic growth. It is worth noting that most states that applied the East Asian export-led model of growth also underwent a green revolution and land reform on their agriculture sector. The latter had preceded the growth in the manufactured sector. Most nations had a very equal distribution of incomes (World Bank, 1993).

During the 1980s, both East and Southeast Asia were seen as a model of success for economic development, as most of the countries exhibited high rates of economic growth (World Bank, 1993). The 1980s also marked the awakening of China. The reforms implemented by the Chinese government started in 1978 and motivated a swing from a centrally planned economy to an economy managed by private capital. The 'open up' reforms of China marked a milestone in the economic history of the region and the world (Tisdell, 2009).

The 1990s started with the positive performance of all East and Southeast Asian countries. Nevertheless, the entrance in the international economy of China and the recovery of Latin America and its increasing share in the export markets weakened the Asian economies. All came to an end with the financial Asian crisis of 1997 which hit all the East and Southeast Asian countries. Particularly hit by this crisis were South Korea, Thailand, Indonesia, Malaysia, and the Philippines (Radelet, Sachs, Cooper & Bosworth, 1998).

In the 2000s China entered the WTO (World Trade Organization). The world was experiencing another commodity boom, driven by the spectacular economic growth of China. The reforms applied in the financial systems of the Southeast Asian and East Asian countries increased its liberalization and were functioning. These led them to advance to a new era of development and economic growth (Tisdell, 2009; Huang & Wang, 2011).

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[8] Fundamentals: In economics, fundamentals refer to factors that the literature has found to have positive effects on long-term and stable economic growth. These include, among many others, institutional quality, infrastructure, health and education, etc. (Rodrik, 2013).

The next piece describes the path of growth in South Asia. The history of South Asia in the last part of the 1940s begins as in most countries in Asia: with independence from the British rule in 1947-1948. When the British abandoned the region, South Asia was an area with a high share of international trade. However, when the states recovered their independence, the governments shifted their policies to development via protectionism. India, Sri Lanka, Pakistan, and Nepal embraced ISI policies to develop its manufacturing sector and the states grew bigger in order to channel the physical capital formation. During the 1950s and 1960s, the states nationalized the foreign companies, tried to implement land reforms, stimulate indigenous enterprises, and applied protectionism policies which reduced both their participation in global trade and their interregional trade (Roy, p.33, 2017).

In the 1970s, the ISI policies were not delivering the expected results. Nevertheless, the states insisted on the ISI process tightening its financial markets and with more nationalizations. In addition, Bangladesh gained its independence from Pakistan in 1972 and was recognized by Pakistan in 1974 (Roy, p.35, 2017).

The 1980s initiated a new era for South Asia. The remittances from the emigrants working in the Middle East enabled the nations to relax the protectionism policies. The South Asian currencies started to float, and their new labor-intensive manufactures started to increase their share in the world market. There was an ideological shift in the countries as they started to liberalize their markets. The 1980s also saw the green revolution implemented in some zones of South Asia without the governments particularly embracing it (Roy, p.36, 2017).

South Asia completely changed in the 1990s. The governments became smaller and the liberalization was widespread. The years of protectionism led to a divergence between the world economy and the economy of South Asia with the latter falling behind. The liberalization made South Asia converge with the rest of the world. In 1993, the region signed its first intern-regional treaty which expanded the trade between the countries (Roy, p.235, 2017).

The 2000s exhibited the boom in services in India and the rise of its economy, the consolidation of the garment boom in Bangladesh, and the strengthening of interregional trade (Roy, p.309, 2017).

We have exposed a summary of the economic history of the different regions that the thesis is going to study. After the section took special attention to the different developmental policies that the countries applied during these 58 years. I am going to analyze the democracies and dictatorships in South America and Asia, and examine which of the two regimes was more successful in developing growth policies to achieve long-run economic growth.

3. Data & Methodology
3.1. Data

This section is going to introduce the different datasets utilized in the study and why these are used. The first variable presented is "democracy"; a dummy variable with a 1 if the nation has a democratic system and a 0 if the country is a dictatorship. This variable is extracted from the DD index (Democracy & Dictatorship index). "Democracy" is the variable that is going to show if there is an effect of this specific regime on economic growth.

The following unit consists of the clarification of how "democracy" was built and the index from where it is taken. The DD index consists of a minimalistic classification (Dummy variable) of the political regimes, it can only classify between democracy, and dictatorship. There are no "middle cases" as in other datasets. This will be explained later in this section.

The index defines democracy as a political regime where, "the government offices are filled as a consequence of contested elections". The definition can be divided into two parts: "governmental offices" and "contested elections". For a country to be democratic, both the government (executive office) and the parliament (legislative office) must result from an election. Secondly, the government has to be contested in the elections with a political opposition that has a chance to win the governmental institutions. The definition of the variable entails three pieces (Przeworski, 1991):

- "Ex-ante uncertainty: the outcome of the election is not known before it takes place".
- "Ex-post irreversibility: the winner of the electoral contest actually takes office".
- "Repeatability: elections that meet the first two criteria occur at regular and known intervals".

The challenge for Cheibub, Gandhi, and Vreeland (2010) was finding an operational classification that fulfilled the criteria. One of the challenges was to be able to assess if the institutions were filled through contested elections. The authors adopted the following rules to find out if a nation was a democracy and overcome the challenge:

1. "The chief executive must be chosen by popular election or by a body that was itself popularly elected".
2. "The legislature must be popularly elected".
3. "There must be more than one party competing in the elections".
4. "An alternation in power under electoral rules identical to the ones that brought the incumbent to the office must have taken place".

The first two rules are straightforward. Nevertheless, the third and the fourth need a brief explanation of how they work. The third is pretty strict: if there is only one list or one party in the election the country is considered a dictatorship. Moreover, the nation is also considered a dictatorship if the party that is elected by a contested election, after the election, decides to eliminate the election system. The state will be considered a dictatorship from the moment a party starts governing and the elected officials violate the "principle of repeatability" of a democratic regime by forbidding new elections (Cheibub et al., 2010).

For the implementation of the fourth rule, the key factor is the alternation of political parties in power. Moreover, the alternation becomes important only when the rest of the rules are being applied. The rule is complicated to implement because there are certain nations where the elected officials governing the countries never lose their power since they never lose an election. *Ergo*, the creators of the database cannot know ex-ante whether officials would agree to step down if they were to lose an election.

Cheibub *et al.* (2010) use two examples to explain the problem. The first one is Malaysia. From 1957 to 1969, the country held three multiparty elections where the same party won the first two. However, the incumbent party lost the third one. That year, the incumbent government declared the state of emergency, closed the parliament, and rewrote the constitution in a way that the party in power would never lose an election again. This is why the authors code Malaysia as a dictatorship since 1957. A different example is Japan. From 1955 to 1993 the same party won all the elections. Nevertheless, when the party in government lost the voting in 1993, they passed the power to the opposition without any problem. That is the reason why Japan is coded as a democracy since 1955 (Cheibub *et al.,* 2010).

These are clear examples where the researchers can see if a government is willing to pass the power to its opposition. Having seen these examples, there are some cases where the researchers cannot assess if a country is a democracy or an autocracy. One example is Botswana. The same political party has won the elections since its independence. For these types of cases, the authors classify the countries as autocracies (see why in Cheibub *et al.,* 2010). Nevertheless, the authors created a second variable called Type II which classifies the special cases such as Botswana as democracies.

The DD index is chosen for this research, and in order to justify the choice I will compare this scale to two other popular indexes that classify the political regimes of the countries, which turn out to be less useful in this case. The first is FH (Freedom House) and the second is POLITY. The two datasets (FH & POLITY) use a scale of different variables to determine, which countries are democratic, and which are not. Freedom House exhibits two indices of "freedom": one based on the political rights of the population and the other based on the civil liberties, and these two indices are utilized to determine if a country is a democracy. POLITY offers indicators that analyze the authority and power of the executive and how the population participates in the political life of the nation (Cheibub et al., 2010).

Furthermore, most of the economic papers that study which of the two regimes better fosters economic growth (Knutsen, 2013; Rodrick, 2000; Almeida & Ferreira, 2002; Helliwell, 1994) work with the classification illustrated before, which rank the different regimes of the nations in a scale. These scale datasets have a problem with states that are classified in the middle of the spectrum. The problem is that the nation-states are not directly classified as dictatorships or democracies. This ordering can modify the results of the different studies depending on how the author decided to classify the middle scale states. To avoid this problem, Cheibub *et al.,* (2010) created the dataset that works with a dummy variable.

Finally, the three indexes (DD, FH & Polity) have a high correlation in the extreme values, *i.e.* the nations that are clearly defined as democracies such as Sweden, France, or the ones that are

clearly defined as dictatorships such as Saudi Arabia or North Korea. In these cases, the correlation between the three scales is around 90%. Nonetheless, the problem comes when the two indexes not chosen for this thesis (FH & POLITY) have to define the cases such as Botswana or Russia, which are not clear democracies nor autocracies, according to their standards. In these cases, the correlation between the indexes goes down by 20% or 30% points (Cheibub *et al.,* 2010). This is one of the reasons why I choose the DD index. Even if it is a simpler index than the other two, it defines the cases between democracy and dictatorship more clearly. In the DD index, as explained before, there are only two possibilities (dictatorship or democracy), yet the other two scales have "in-between regimes" such as "open Anocracy" and "closed Anocracy" (POLITY) for example.

The two indexes creating these middle categories allow the researchers to manipulate their results by assessing their classifications. By assuming, for example, that a country like Botswana, which has never had a different party in a governing position since its independence, is democratic.

The second reason is that some of the classifications and codes of the two indices seem arbitrary. When the two indices were built, they used different sets of variables and classifications to arrive at a final score/result, which decided the classification for every country. However, two nations that scored differently in each set of variables can arrive at the same outcome and be classified in the same category, for example "closed Anocracy".

After indicate how "democracy" was built. For coding how the nations developed and grew during the period studied here, I am going to use two different datasets. One is the Maddison project database of 2013 and the second one is the World Bank. The first is going to be employed for the analysis, and the second for robustness checks of the model. From the first databank, I take the countries' GDP per capita in 1990 dollars from 1950 to 2008. From the World Bank database, I extract the GDP per capita from 1960 to 2008 in 2010 dollars, because this dataset starts in 1960, ten years later than the Maddison one.

The Stiglitz Commission Report (Stiglitz, Sen, & Fitoussi, 2009) criticizes the use of GDP as a proxy for development. GDP per capita has been criticized as a measure of economic development and welfare because it only considers an economy's output, leaving aside other important variables such as the population's health and leisure (Jones & Klenow, 2016). Nonetheless, for our study, it is a measure that fits all the countries. The GDP per capita is standardized and calculated for all of them in the same manner, which is why, even though it might be a simple measure, it is feasible for this analysis. Moreover, even if it is recently criticized, the measure is mostly exploited in the literature (Przeworski, Alvarez, Cheibub & Limongi, 2000; Rodrick, 2000; Almeida & Ferreira, 2002; Helliwell, 1994).

The next variables are used to mitigate the economic shocks derived from the commodity markets. The types of commodities exported by a country are an important determinant of the countries' vulnerability on external economic shocks. The majority of the developing states in South America (countries studied in this thesis) are dependent on primary commodity exports, as seen in the economic history summary. Nonetheless, the price of this type of commodities is very volatile (Brown, Crawford & Gibson, 2008).

Nations that depend on one or two primary export commodities (for its foreign exchange earnings) are very sensitive to changes in international market prices, as the different crises presented in the historical background section. This might create macroeconomic instabilities inside the nation and complicate its management and economic growth (UNDP, 2011; UNCTAD, 2017).

Rodrik (1999) and Almeida and Ferrera (2002) theorized that democracies can manage better external economic shocks as elucidated in the literature review. With the commodity price variables, I can further assess if this hypothesis fits in my data. For example, if a nation is dependent on one primary commodity and the price of the commodity decreases, you would expect the country to reduce its GDP per capita growth. Yet, if the hypothesis of Rodrik (1999) is accurate, democracies will suffer economically less than dictatorships.

The commodity dependence is typically calculated by the share of export earnings of one commodity or more commodities to the bulk of the total export earnings (UNDP, 2011). The thesis is going to consider that a state is dependent on one primary export if this represents more than 30% of the total exported earnings. This will be examined every year and if a country i in year t has a specific commodity that represents more than 30% of its total export earnings, the study will consider it dependent on that specific commodity.

Studies show that countries with more than 60% of their export revenue consisting of primary commodities are more unstable (UNDP, 2011; UNCTAD, 2017). Nevertheless, the limit of "dependency" is here set to 30 percent because the variable is based on a specific commodity that the country depends on. Furthermore, the variable can capture more easily the instability generated from a drop or increase in the commodity price. This mechanism performs better because it specifies which commodity each nation was producing. Also, it works better than using the same index for all the states in which the different primary commodities are weighted, and the same weighted classification is applied to all the countries.

The commodity variables are constructed with a dataset that records the fluctuation of the prices since 1850 (Jacks, 2019) and the Observatory of Economic Complexity. The Observatory is going to help in assessing which nations are dependent on a primary commodity, and for which years. The Observatory has a record of the share of commodities exported and its revenues for most of the countries since 1962.

Nonetheless for the period 1950 to 1962 there is no data available, so I infer the data via the next method. First, I am going to calculate the average of the share of earnings produced by a specific commodity in which the country was dependent the first 5 years for which there is data available. Moreover, if the share of earnings of a specific primary commodity is more than 30% for the first 5 years, I am going to assume that the nation was already dependent on that specific commodity during the period in which data was not available. For example, rubber had a share higher than 30% of the total earnings of Malaysian exports from 1962 (the first year the Observatory of Economic Development have data) until 1967. Then the study assumes that Malaysia was already dependent on rubber since its year of independence 1957 because the first five years that I have data available Malaysia was dependent on rubber.

Table 1 presents the countries that have been dependent on primary commodities during the study period, and in which years more than 30% of their total earnings in exports came from a specific commodity.

Moreover, the thesis is going to control for political conflicts inside the nations' frontiers. The variable is going to be called "war" and will control for civil wars and conflicts between different states, which affected the territory inside the belligerent countries. The variable will be 0 if there is not an armed conflict during that year and 1 if an armed conflict exists. Coups d'etat that did not lead to civil wars will be counted in a variable that I will explain later. The variable "war" is created with the help of the Uppsala conflict data program. The variable only considers the highest intensity conflicts, such as the civil war of Vietnam, which affect the entire country, it does not consider smaller conflicts or insurgencies in specific provinces, such as the conflict in the province of Kashmir in India. I make that distinction because the civil war in Vietnam affected the whole state but the conflict in the Kashmir region only affects that region, not the entire state of India.

Another control variable used in this thesis is educational attainment. Economic growth is affected by the education levels of the country. There is a general agreement that a nation with educated people is able to create new opportunities for the country, grow, and develop faster (Rodrik, 2000; Barro & Lee, 2015). In order to control for education, I use a variable extracted from the Barro and Lee (2013) dataset. The variable is called "education", and it is an average of total schooling years of every state for its population over the age of fifteen. The variable works as in the next example: a nation has the same average of total schooling years for the population over 15 from 1950 to 1954, and then it changes. The change is produced in periods of five years.

In addition, the model controls for events that only occurred on one of the continents, *i.e.* economic shocks that occurred in one of the two continents, such as the Asian crisis in 1997 (Radelet, Sachs, Cooper & Bosworth, 1998). The variable is called "continent fixed effects" and is equal to 1 if the nation is in South America and 0 if it is in Asia.

Finally, the last variables are employed to control the transition of countries between different political regimes. With the help of the Archigos dataset (Goemans, Gleditsh & Chiozza, 2016) and by using some of their variables, this thesis is going to differentiate between transitions. Archigos dataset incorporates a variable that checks how the deposed political leaders of a country are living after the political transition. One example is Pinochet in Chile, after losing power he lived in the nation without being prosecuted. However, after being deposed from power, Isabel Peron was imprisoned by Videla, the new dictatorial leader of Argentina. This suggests that the transition in Chile from a dictatorship to a parliamentary government was peaceful, while the transition from a democracy to autocracy in Argentina was conflictive (via coup d'etat).

I am going to study if the transitions affected the growth path of the states, and I am going to do this by creating two variables. The first one is called "peaceful transition" and it is a dummy variable coded with a 1 when the deposed leader was living peacefully the next years of his life in his home country and 0 if the transition was not peaceful, or if there was no transition at all.

The second variable is called "conflictive transition". It is also a dummy variable coded with a 1 if the transition was conflictive (the deposed political leader was killed, imprisoned, or had to resort to exile) and with a 0 if there was no conflictive transition or no transition at all. The two variables work as follows: when there is a change in the political regime of a country, the variable will be coded with a 1 until the year there is another political transition. It does not matter if the transition is to democracy or dictatorship, what matters is the change in regime.

These variables are used to determine if the change in the political regime affects the economic growth of the state. I hypothesize that countries with peaceful transitions (from dictatorship to democracy or from democracy to dictatorship) had a lower economic effect because the institutions and the balance of power inside the nations do not change. Nevertheless, if there is a conflictive transition the balance of power might change and the new leaders might have to set up new institutions and laws, which in turn would probably affect the economic growth of the country. Finally, the variables are summarized in table 2 where they illustrate the number of observations with the minimum and the maximum values. Besides, in appendix A.2, the list of countries forming part of the study are shown.

Table 1. Countries with a commodity representing more than 30% share of the total export revenue

Countries	Commodities
Bangladesh	Jute (1972-1974)
Bolivia	Tin (1950-1971), Oil (1974) and Natural Gas (1981-1982)(1984-1991)(2004-2008)
Brazil	Coffee (1950-1971)
Bhutan	Spices (1950-1987), Ferro-alloys (1999-2002), Copper (2007)
Chile	Copper (1950-2008)
Colombia	Coffee (1950-1988)
Ecuador	Bananas (1950-1972)(1990-1992)(1999) and Oil (1973-1977)(1979-1986)(1989)(1992-1993)(2000-2008)
Guyana	Aluminum (1962)(1964)(1966-1973)(1977-1980)(1984-1991), Gold(1999) and Sugar cane (1962-1964)(1972)(1974-1975)(1978)(1983)(1986-1987)(1989-1990)(1992)(1998)
Indonesia	Rubber (1962), Oil (1969-1986)
Cambodia	Rubber (1966)(1969)(1973-1974)(1990), Rice (1963-1968)(1970-1971) and coffee (1978)
Laos	Tin (1950-1973)(1982), Coffee (1964-1967)(1976-1977)(1983)(1985-1986) and Copper (2006-2008)
Sri Lanka	Tea (1950-1981)(1983-1984)
Mexico	Oil (1980-1985)
Myanmar (Burma)	Rice (1950-1971)(1974-1977)(1981) and Natural Gas (2004-2008)
Malaysia	Rubber (1950-1974)
Nepal	Rice (1964-1965)(1967)(1971)(1973-1976) and Jute (1963)(1972)
Pakistan	Jute (1950-1969)
Panama	Bananas (1965-1970)(1972)
Paraguay	Soy (1982-1983)(1987-1990)(1996-2005)(2007-2008), Coffee (1979), Cotton (1984-1985)(1989)(1991-1992)
Singapore	Rubber (1950-1967)
Suriname	Aluminum (1950-2008), Gold(2003-2006)(2008)
Thailand	Rice (1950-1965)(1968)
Uruguay	Gold (1984-1985) and Bovine meat (1972-1974)
Venezuela	Oil (1950-2008)
Vietnam	Rubber (1950-1969), Coal (1976-1980) and Oil (1990)(1992)

Source: Own elaboration. Data from OEC: The observatory of economic complexity. Simoes, A., & Hidalgo, C. A. (2016).

Note: The table presents the countries that were dependent on certain commodities. The commodities on which the countries were dependent and which the years.

Table 2. Descriptive statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Countries	34			1	34
Years	58			1950	2008
GDPGrowth	1940	0.029	0.153	-0.189	0.137
GDP 1950	1956	7.191	0.763	5.966	8.918
Democracy	1890	0.429	0.495	0	1
Peaceful Transition	1937	0.24	0.427	0	1
Conflictive Transition	1937	0.168	0.374	0	1
War	1937	0.088	0.283	0	1
Education	1888	4.885	2.533	0.11	11.46
Tin	1987	-0.003	2.146	-31.863	34.56
Copper	1987	0.005	2.134	-55.652	34.222
Aluminum	1989	-0.008	0.486	-6.918	9.24
Gold	1987	0.024	1.161	-30.229	28.29
Oil	1987	0.712	17.812	-179.13	216.411
Coal	1987	-0.005	.74	-17.333	22.756
Gasnatural	1987	0.076	6.878	-122.441	145.691
Coffee	1987	0.024	8.325	-119.083	118.223
Tea	1987	-0.005	1.51	-27.107	33.986
Rice	1987	-0.047	2.648	-46.535	47.337
Sugar	1990	0.049	3.341	-66.784	117.065
Rubber	1987	0	0.945	-11.538	13.64
Cotton	1987	-0.019	0.57	-19.337	6.565
Beef	1987	-0.006	4.054	-143.358	107.461

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita, DD index for "Democracy", "Peaceful transition" and "conflictive transition" from DD index (Cheibub, Gandhi & Vreeland, 2010) and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

3.2. Methodology

This piece is going to focus on the methods employed to estimate the effects of the two regimes on economic growth as a proxy for the development of the countries. As explained before, the study wants to understand which regime was better to foster economic growth.

The thesis is going to utilize the GDP per capita variables explained in the previous section to estimate the economic growth of the different nations. Moreover, the study is going to convert these values of the GDP per capita in natural logarithms, like Mankiw, Romer, and Wiel (1992) did for estimating the Solow growth model and prove its empirical validity. The natural logarithms are normally used for monetary values, income, salaries, GDP, *i.e.* in general for variables that measure size or level of something. These variables, as an attribute usually are not normally distributed. The transformation of the variables to ln(x) makes the larger values of the variable less extreme, and they make the variables closer to a normal distribution (Hill, Griffiths & Lim, p.152, 2011).

Finally, for our growth model, I employed the same technique applied by Mankiw, Romer, and Wiel (1992) to estimate the GDP per capita growth.

$$GDPGrowth_{i,t} = (\ln GDP_{i,t} - \ln GDP_{i,t-1})$$

Where the GDP per capita growth is the subtraction of the natural logarithm of the GDP per capita of an i country in time t minus the natural logarithm of the GDP per capita of the i nation in time t-1.

Finally, the whole model is presented with all the variables as basically a log-linear distribution in the next equation:

$$GDPGrowth_{i,t} = \beta_0 + \beta_1 \ln GDP_{i,1950} + \beta_2 D_{i,t} + \beta_3 W_{i,t} + \beta_4 TC_{i,t} + \beta_5 TP_{i,t} + \beta_6 Education_{i,t} + \beta_j(X_{j,i,t}) + \varepsilon_{i,t}$$

The equation is formed by $GDPGrowth_{i,t}$ that is the GDP per capita growth of the different countries. Ln $GDP_{i,1950}$ is the natural logarithm of the GDP per capita of the I country at 1950. The $D_{i,t}$ is referred to "democracy", the dummy variable previous explained in the data section with 1 if the i country was a "democracy" at time t or a 0 if it was a dictatorship at time t. $W_{i,t}$ is the war variable and is coded with a 1 if the nation i had an armed conflict within its borders during time t. $TC_{i,t}$ and $TP_{i,t}$, are two dummy variables, which refer to the countries that had transitions during the period of study. $TP_{i,t}$ consist of a variable coded with a 1 if the country i had a peaceful transition and $TC_{i,t}$ is a variable coded with a 1 if the state had a conflictive transition (see page 20-21 for more explanation of how these variables work). $Education_{i,t}$ controls for the level of education of the state i in time t. Finally, $(X_{j,i,t})$ is a vector of different commodity variables that track the oscillation of the prices in the market, which can affect the country i if that state was dependent[9] on that commodity in the period t.

The technique employed to estimate the betas or effects on the economic growth of the nations is the least squared method or OLS, which in a panel data set is called "pooled least squares".

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[9] According to the definition of dependence explained in the variable section. See table 2.

The method pools the data together for the different individuals (in this study case countries), and it assumes that the betas are constant for all the individuals (nations). Furthermore, it assumes that the errors have a 0 mean and the constant variance is uncorrelated, indicating that the errors are uncorrelated over time and individuals. The pooled least squared method has the same desirable characteristics of the least squared method (Hill, Griffiths & Lim, p.541, 2011).

However, applying the pooled method in panel data is restrictive in some ways. The first is the unrealistic assumption, which is the lack of correlation between errors of the same individual (state). Despite the previous statement, if that assumption is violated the estimates will still be consistent. Nevertheless, the standard errors will be incorrect, and the hypothesis test and interval estimates will be invalid. To avoid that issue, different techniques can be employed to have the correct standard errors and validate the hypothesis test and interval estimates. For example the White standards error and the Newey-West standards error techniques correct and control the issue. Using these techniques provides a valid basis for interval estimation and hypothesis testing. The techniques are normally referred to as panel-robust standard errors or cluster-robust standard errors (Hill, Griffiths & Lim, p.542, 2011).

The application of this method (Pooled OLS) is conditional to the characteristics of our main explanatory variable, "democracy". "Democracy" is a dummy variable with low variability; some of the countries studied did not have a change in their political regime during the 58 years of the study. For instance, China was always a dictatorship, and India was always a democracy. This fact excludes the thesis to purpose other methods for estimate our panel data such as fixed or random-effects methods. Applying these two methods will make the variable "Democracy" loose most of its information.

Besides, to our main model, I am going to employ an interaction analysis method for the transition variables. The interaction variables are going to help us to understand if a transition to democracy can produce a better GDP per capita outcome than transitions to dictatorships.

$$GDPGrowth_{i,t} = \beta_0 + \beta_1 \ln GDP_{i,1950} + \beta_2 D_{i,t} + \beta_3 W_{i,t} + \beta_4 TC_{i,t} + \beta_5 TP_{i,t} + \beta_6 (D_{i,t} x TC_{i,t}) + \beta_7 (D_{i,t} x TP_{i,t}) + \beta_8 Education_{i,t} + \beta_j (X_{j,i,t}) + \varepsilon_{i,t}$$

Where $\beta_6 (D_{i,t} x TC_{i,t})$ is the effect of a conflictive transition to a democratic system and $\beta_7 (D_{i,t} x TP_{i,t})$ is the effect of a peaceful transition to parliamentary government. These two variables will help to determine if a transition to a democratic regime can foster economic growth.

4. Empirical analysis

The empirical analysis illustrates up the different results of the model and is going to answer some of the hypotheses formulated in the literature review. Furthermore, the thesis will introduce a more exhaustive analysis of certain variables that can affect economic growth via other channels.

First, the thesis will test the Almeida and Ferreira (2002) and Rodrik (2000) hypothesis described in the literature review. The authors claim that the economic growth in an autocratic regime is more variable than the growth in a democratic regime.

Figure 1. GDP per capita growth variability between regimes.
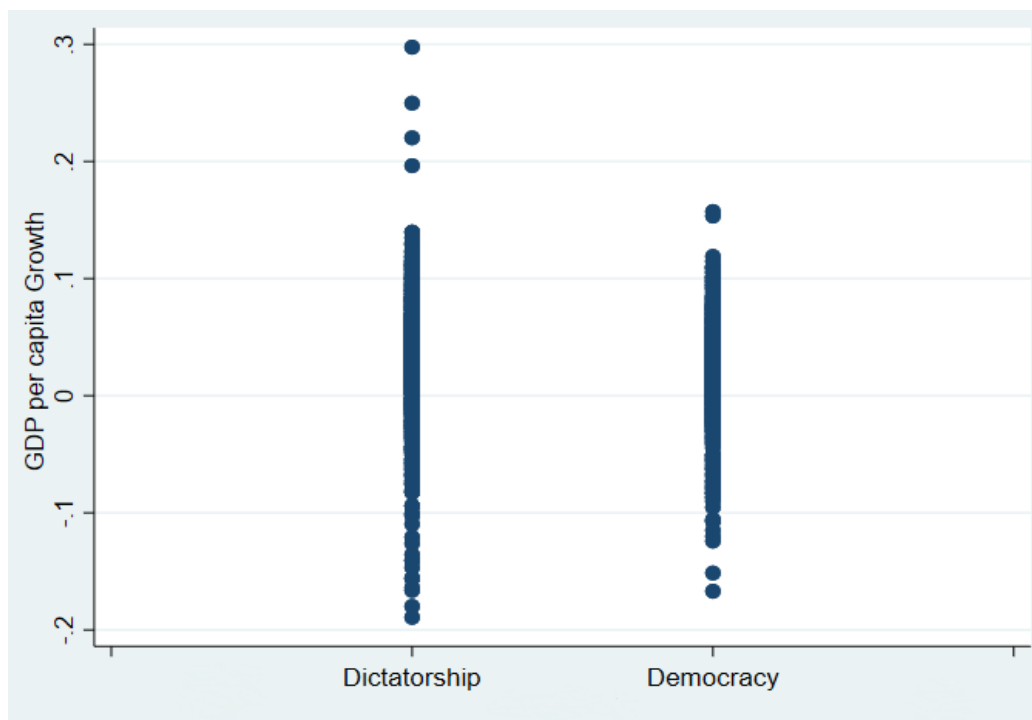
Source: Own elaboration. With data from the Maddison dataset (2013), World Bank and DD index (Cheibub, Gandhi & Vreeland, 2010).

Note: The figure shows the growth of the different countries of the study since 1950 or its year of independence (Bangladesh, 1970; Cambodia, 1953; Malaysia, 1957; Singapore, 1964; Laos, 1953; Guyana, 1966; Suriname, 1975). In addition, China, Hong Kong, Myanmar (Burma), Nepal, Pakistan, South Korea, Taiwan, Thailand start to report its growth in 1951 due to data shortage before that year. Vietnam became one country after the civil war, which finished in 1975, so that is when it enters to the graph. Bhutan reported its first growth in the graph in 1981 due to data shortage. Finally, Guyana, Suriname, and Bhutan are extracted from the World Bank dataset and the rest is extracted from the Maddison dataset (2013).

Figure 1 manifests the variability of GDP per capita growth, and how it relates to the governmental regime. The figure exhibits that dictatorships have more variability in the extremes of the distribution, while the democratic regimes concentrate their values of growth in the middle of the distribution. The figure shows some similarities with the hypothesis of Rodrik (2000) and Almeida and Ferreira (2002). They found that democratic regimes show less growth variability. However, this does not mean that democracies foster more economic growth compared to autocratic regimes. To analyze whether democracies foster economic growth or not, I will employ the model explained previously in the "data and method section". The model is used to estimate table 3, where the first results are presented.

Table 3 shows four different models in two panels. Panel A exhibits the results with all the observations. Panel B presents the results taking out the outliers of the data. The outliers are four different years of different countries that experience radical growth as the case of Ecuador in 1973 that grew more than 20%. These outliers can be seen in figure 1.

The first model is a regression of "democracy" as an explanatory variable and GDP per capita growth as the independent variable alone. In the second model, the GDP per capita growth is regressed on "democracy", the GDP of the countries in 1950 or its year of independence, "war", "education", and continent fixed effects, which are the dummy variable controlling if the country is in Asia or South America. The third model employs the same variables of the second model but it adds the transition variables. Finally, the fourth is the second equation presented in the method section of the thesis. It adds the vector of commodities as a control.

Using these models, "democracy", which is the main variable of the study, proves to have had a significant negative effect on economic growth in both South America and Asia. One year of a parliamentary government provokes a decrease in GDP per capita growth from 0,9% to 0,7% in this part of the developing world. The GDP per capita of 1950 or the year in which the country declared its independence, is negative but insignificant. However, it can be economically significant because the negative sign is interpreted as the poorer countries grow more than the richer ones giving some signal of convergence between the countries (Mankiw, Romer & Wiel, 1992). "Education" is always positive and significant as expected in the data section (Rodrik, 2000; Barro & Lee, 2015). "War", as defined in the data section, is negative and significant as the literature stipulates (Sevastianova, 2009; Gates, Hegre, Nygårg & Strand, 2012). Finally, the transition variables appear to harm economic growth in table 3. In panel B without the outliers, "Conflictive transition" is significant at a five percent level and it has a more negative effect than the "Peaceful transition", which is significant at the ten percent level.

Having described all the variables and its effects let us examine in further detail the variable "democracy". The variable seems to have a negative effect as some of the theories suggested in the literature review section. Ricardo and Marx, Huntington (1968) and Vaman Rao (1984) presented theories of how the democratic system threatens economic growth, and they seem to be in line with the results of table 3. The authors explain this negative effect via the threat of democracy on property rights, which make the societies invest less, and consequently progress less (Marx, 1952; North & Weingast, 1989).

Table 3. **Results of the models.**

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
GDP per capita in 1950		-0.00236 (0.00221)	-0.00348 (0.00230)	-0.00312 (0.00232)
Democracy	-0.00948*** (0.00203)	-0.00768*** (0.00209)	-0.00724*** (0.00217)	-0.00739*** (0.00219)
Peaceful Transition			-0.00403 (0.00256)	-0.00411 (0.00258)
Conflictive Transition			-0.00600** (0.00272)	-0.00605** (0.00274)
Education		0.00263*** (0.000411)	0.00291*** (0.000417)	0.00285*** (0.000422)
War		-0.00963** (0.00451)	-0.0111** (0.00459)	-0.0122*** (0.00432)
Observations	1,687	1,687	1,687	1,687
R-squared	0.012	0.072	0.074	0.090
Continent fixed effects	No	Yes	Yes	Yes
Commodities	No	No	No	Yes
Panel B: Without Outliers				
VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
GDP per capita in 1950		-0.00249 (0.00218)	-0.00367 (0.00227)	-0.00353 (0.00228)
Democracy	-0.00894*** (0.00198)	-0.00714*** (0.00206)	-0.00665*** (0.00215)	-0.00676*** (0.00217)
Peaceful Transition			-0.00429* (0.00254)	-0.00432* (0.00256)
Conflictive Transition			-0.00630** (0.00268)	-0.00628** (0.00270)
Education		0.00267*** (0.000410)	0.00296*** (0.000415)	0.00293*** (0.000417)
War		-0.0113*** (0.00411)	-0.0128*** (0.00419)	-0.0132*** (0.00421)
Observations	1,683	1,683	1,683	1,683
R-squared	0.012	0.078	0.081	0.086
Continent fixed effects	No	Yes	Yes	Yes
Commodities	No	No	No	Yes

Robust standard errors in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita, DD index for "Democracy", "Peaceful transition" and "conflictive transition" from DD index (Cheibub, Gandhi & Vreeland, 2010) and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

Note: The table only content the countries in the Maddison dataset (2013). Excluding Suriname, Guyana and Bhutan. For the Panel B it exclude the outliers, which are years when the countries grow excessively due to different causes. South Korea (1953) final of the war, Ecuador (1973) oil boom and Cambodia (1973) oil boom.

Furthermore, Huntington (1968) and Vaman Rao (1984) theories are in line with the results. The authors stated that democracy "unleashes the appetite of consumption" in the society and therefore harms economic growth via less investment, and less saving rate.

The effects of parliamentary governments between 1950 until 2008 in South America and South, East, and Southeast Asia are further clarified in this unit. In the models, r squared is very small indicating that the models have low explanatory power, as it can be seen in the two panels of table 3. *Ergo*, "democracy", even with a negative effect, does not seem to play an important role in the development of countries. Przeworski and Limogi (1993) and Przeworski, *et al.,* (2000) already questioned if the two types of regimes affect differently the state's economic growth. Their elucidation is that a nation's level of economic growth does not depend on its country's regime. The differences are in the economic growth path (the use of physical capital, labor capital, and TFP) that the regimes take to acquire a certain level of growth.

Another argument of Przeworski, *et al.,* (2000) was that the poor countries with less than 3000$ per capita were "deceived in a poor trap" and they did not grow sufficiently to avoid the trap. This influenced the Przeworski, *et al.,* (2000) results, for the researcher's political regimes did not matter for economic growth. As a consequence of this argument, the thesis is going to test if the hypothesis of the "poor trap" can be validated with my dataset and model.

Table 4, regress the same models as before without outliers but only for countries that had a GDP per capita less than 3000$ in 1950 or in its year of independence. In table 4 appear the same results as before, and it displays the significant negative effect of "democracy". However, the models have less explanatory power than before (less r squared). Przeworski, *et al.,* (2000) results appear to be in line in the set of countries that the thesis study.

Appendix A.1 shows that most of the countries studied in this thesis appear to be surpassing the 3000$ per capita in the final year of the study. It seems that most of the countries did not experience any "trap". Nevertheless, democracy is still negative and has low explanatory power.

Finally, the effect of political transitions in the countries is going to be analyzed more in-depth. As we had seen in table 3, peaceful as well as conflictive transitions have a negative effect on economic growth. The literature supports that result. Transitions create instability in the nation, which damages its economic growth. If societies are not sufficiently mature for a change in their institutions, this change might provoke a decrease in their GDP per capita. (Kaplan, p.98, 2000; Zakaria, p.98, 2003).

Table 4. Results of the models with countries of less than 3000$ per capita in 1950.

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
Ln1950		0.000440	-0.000924	-0.000609
		(0.00286)	(0.00302)	(0.00303)
Democracy	-0.00769***	-0.00790***	-0.00682***	-0.00684***
	(0.00201)	(0.00207)	(0.00217)	(0.00218)
Peaceful Transition			-0.00473*	-0.00469*
			(0.00275)	(0.00276)
Conflictive Transition			-0.00369	-0.00371
			(0.00267)	(0.00269)
Education		0.00244***	0.00267***	0.00262***
		(0.000459)	(0.000471)	(0.000472)
War		-0.0105**	-0.0118***	-0.0122***
		(0.00410)	(0.00420)	(0.00422)
Observations	1,448	1,448	1,448	1,448
R-squared	0.009	0.075	0.077	0.084
Continent fixed effects	No	Yes	Yes	Yes
Commodities	No	No	No	Yes

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita, DD index for "Democracy", "Peaceful transition" and "conflictive transition" from DD index (Cheibub, Gandhi & Vreeland, 2010) and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

Note: Note: The table only content the countries in the Maddison dataset (2013). Excluding Suriname, Guyana and Bhutan. The outliers are excluded, which are years when the countries grow excessively due to different causes. South Korea (1953) final of the war, Ecuador (1973) oil boom and Cambodia (1973) oil boom.

The next part of the empirical analysis is going to focus on the clarification of those effects with the application of two interaction variables; one will be an interaction between "peaceful transition" and "democracy", which includes the countries that had a transition from a dictatorship to a democracy in a peaceful way. Plus, an interaction between "democracy" with "conflictive transition", which include the countries that reached a democratic regime violently, rejecting its dictators. Table 5 presents the results of the two interaction variables.

In the results, the peaceful transitions from democracies to autocracies appear to be negative and significant at five percent. Furthermore, the peaceful transitions from dictatorships to democracies appear to be positive at ten percent significance. It appears, then, that such transitions had a positive effect on economic growth. The conflictive transitions between the two regimes are negative but insignificant. The conclusion derived from the tables (3, 4) was that transitions create instability even if they are peaceful provoking a decrease in economic growth (Kaplan, p.98, 2000; Zakaria, p.98, 2003). Despite the first results, table 5 appears to have a different result. Peaceful transitions to a parliamentary government have a positive effect on economic growth.

Table 5. Results of the models with interaction variables.

VARIABLES	(1) Model 3	(2) Model 4
Ln1950	-0.00329	-0.00318
	(0.00231)	(0.00232)
War	-0.0127***	-0.0131***
	(0.00419)	(0.00421)
Education	0.00296***	0.00293***
	(0.000425)	(0.000427)
Democracy	-0.00779***	-0.00776***
	(0.00262)	(0.00264)
Peaceful Transition	-0.0124**	-0.0122**
	(0.00492)	(0.00498)
Interaction with Democracy and Peaceful Transition	0.0108*	0.0104*
	(0.00582)	(0.00589)
Conflictive Transition	-0.00443	-0.00434
	(0.00348)	(0.00353)
Interaction with Democracy and Conflictive Transition	-0.00374	-0.00392
	(0.00515)	(0.00517)
Observations	1,683	1,683
R-squared	0.083	0.089
Continent fixed effects	Yes	Yes
Commodities	No	Yes

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita, DD index for "Democracy", "Peaceful transition" and "conflictive transition" from DD index (Cheibub, Gandhi & Vreeland, 2010) and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

Note: The table only content the countries in the Maddison dataset (2013). Excluding Suriname, Guyana and Bhutan. The outliers are excluded, which are years when the countries grow excessively due to different causes. South Korea (1953) final of the war, Ecuador (1973) oil boom and Cambodia (1973) oil boom.

The positive effect of the peaceful transition interaction variable could be explained by the larger degree of stability experienced by the countries that accomplished the process of being a democracy via peaceful ways, and the less volatility of growth given by the democratic regime (Rodrik & Wacziarg, 2005). Rodrik and Wacziarg (2005) found that democratic transitions in the long term appear to have a positive effect on economic growth. They did not distinguish between violent democratic transitions or peaceful democratic transitions but still, they found a positive effect of democratization on economic growth as in line with the thesis results.

A peaceful transition implies that the crimes and the abuses of power of the dictator before the transition presumably would be not prosecuted. Moreover, the elite supporting the autocratic regime will not be throw out from the positions of power. They would be swallowed by the new democratic regime. In the transition game, normally peaceful transitions are produced in countries with a "stable" dictatorship, in which the death or retirement of the dictator opens a window for democracy (*i.e.* Spain, Chile). In that game, the autocratic elite still has the power to negotiate meanwhile the opposition has not the power but the willingness to change regime. This creates a more stable transition compared to a conflictive one (Share, 1987).

Peaceful transitions create more stability than conflictive transitions were the elite in power would be imprisoned or prosecuted. Moreover, the new elite in power might force the old elite to abandon the governmental institutions restructuring the national institutions.

Finally, transitions to dictatorship appear to be negative and significant if they are peaceful. The results are supported by the findings of Persson and Tabellini (2006, 2009), who found an average negative effect of 2% points on economic growth in transitions from democracies to autocracies.

5. Sensitivity Analysis

Robustness checks are made to evaluate whether the results that I found before were solid. I utilize in this piece a different dataset for the dependent variable to assess if the results hold for other GDP per capita datasets. The new GDP per capita is in 2010 US$ constant prices and it is extracted from the World Bank dataset, this dataset enables to include new countries, from the continents I studied, such as Guyana, Suriname, and Bhutan but Taiwan is excluded because the World Bank does not have GDP per capita estimates for that nation. Furthermore, the dataset starts in 1960 not in 1950 as the Maddison dataset (2013) and some countries such as Laos, Vietnam, Cambodia, and Bhutan had less data availability than the rest. The estimates of Cambodia start in 1992, Vietnam and Laos in 1983, and Bhutan in 1980.

Consequently, the data will consist of fewer observations but will enable me to assess whether if the thesis results are consistent with different datasets and spacetimes, and giving validity to them. I will employ the same models used before for the estimation. Table 6 and table 7, expose the results for the World Bank data. The table 6 with the same countries as previous analysis minus Taiwan and table 7 with the new countries that the World data dataset enables to introduce. The calculations provide the same results as the previous ones. "Democracy" turns out to be a negative significant variable. The "transitions" and "war" in this case also turn out to be negative but they lose their significance. "War" loses its significance because Vietnam, Laos, and Cambodia do not appear in the dataset until 1983 and 1992 respectively. These nations were affected by civil wars from 1955 to 1975. The conflict in these countries is known as the Second Indochina's war as described in the economic history summary. "Education" has a positive impact on all the results. The natural logarithm of the GDP per capita in 1960 or the year in which the country declared independence is negative and insignificant, as before. Finally, the models have a less r squared. Therefore, the hypothesis of Przeworski, *et al.,* (2000) is still valid. Consequently, political regimes seemed to not affect sensitively the outcomes of the state's economic growth.

Table 6. Results of democratic models with World Bank Data

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
LnGDP1960		-0.00254*	-0.00290*	-0.00292*
		(0.00154)	(0.00159)	(0.00161)
Democracy	-0.0117***	-0.00984***	-0.00909***	-0.00924***
	(0.00244)	(0.00242)	(0.00254)	(0.00255)
Peaceful transition			-0.00374	-0.00384
			(0.00304)	(0.00307)
Conflictive transition			-0.00397	-0.00426
			(0.00318)	(0.00320)
Education		0.00311***	0.00319***	0.00319***
		(0.000529)	(0.000526)	(0.000531)
War		-0.00524	-0.00681	-0.00705
		(0.00506)	(0.00537)	(0.00542)
Observations	1,295	1,295	1,295	1,295
R-squared	0.017	0.069	0.070	0.076
Continent fixed effects		Yes	Yes	Yes
Commodities		No	No	Yes

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Source: Own elaboration. With data from the World Bank dataset for the GDP per capita, DD index (Cheibub, Gandhi & Vreeland, 2010) for "Democracy", "Peaceful transition" and "conflictive transition" from DD index and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

Note: As explained in the Sensitive analysis section Guyana, Bhutan, Suriname are not included in this table. Also, Vietnam, Cambodia, Bhutan and Laos are included in 1983 (Vietnam and Laos), 1980 (Bhutan) and 1992 (Cambodia).

Table 7. Results of democratic models with World Bank Data.

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
LnGDP1960		-0.00204	-0.00212	-0.00214
		(0.00152)	(0.00156)	(0.00158)
Democracy	-0.0100***	-0.00838***	-0.00790***	-0.00805***
	(0.00236)	(0.00232)	(0.00249)	(0.00251)
Peaceful Transition			-0.00158	-0.00168
			(0.00300)	(0.00304)
Conflictive Transition			-0.00132	-0.00162
			(0.00314)	(0.00317)
Education		0.00289***	0.00290***	0.00290***
		(0.000520)	(0.000519)	(0.000525)
War		-0.00484	-0.00539	-0.00563
		(0.00507)	(0.00535)	(0.00540)
Observations	1,400	1,338	1,338	1,338
R-squared	0.012	0.068	0.068	0.074
Continent fixed effects		Yes	Yes	Yes
Commodities		No	No	Yes

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Source: Own elaboration. With data from the World Bank dataset for the GDP per capita, DD index (Cheibub, Gandhi & Vreeland, 2010) for "Democracy", "Peaceful transition" and "conflictive transition" from DD index and Archigos dataset (Goemans, Gleditsh & Chiozza, 2016), "Education" from Barro and Dale dataset (2013) and "War" from the Uppsla conflict dataset: Pettersson, T., Högbladh, S., & Öberg, M. (2019); Gleditsch, N. P., Wallensteen, P., Eriksson, M., Sollenberg, M., & Strand, H. (2002).

Note: As explained in the Sensitive analysis section Guyana, Bhutan, Suriname are included in this table. Also, Vietnam, Cambodia, Bhutan and Laos are included in 1983 (Vietnam and Laos), 1980 (Bhutan) and 1992 (Cambodia).

6. Conclusion

The results of my empirical analysis indicate that democracy had a negative effect on economic growth in Asia and South America, for the sample and time period that I studied. Hence, Winston Churchill's words that started this thesis are not in line with the results. Despite these results, the models employed seem to explain little of what occurred during the 58 years the thesis studies. The conclusion of Przeworski, *et al.,* (2000) appears to be in line with the one I reached, which is that the political regimes have a minimum effect on the GDP per capita growth.

This study contributes to the literature by analyzing the development process of South American as well as South, East, and Southeast Asian nations. The nations of these continents were the ones trying to reach the states in the development frontier during the second half of the 20th century. The policies applied by the countries fail or succeed independently of which type of ruler they had. The results found here question if political regimes, i.e. democracy or dictatorship, are the factors affecting the states' economic growth. It might be that other variables, not controlled for in this study, such as inequality or the political power of the economic elite, affected the performance of the countries more than the actual regime. This should be further explored to understand who has the real power in the nations and how that power is applied.

As argued by Mancur Olson (1993) the extraction rate, what a government can extract from the nation's economy for its "bandits", defines the country's economic outcomes. So, if an elite group (*i.e.* economic elite, military elite, ruling elite…) has sufficient power, in a way that can manipulate the governments without distinction between systems, they can secure a large extraction rate from the economy. Then the elite extraction rate can be related to the nation's economic growth. Milanovic, Lindert, and Williamson (2011) indicate with their study on extraction rates from the pre-industrial era until now, that the extraction rate was (and still is) an important factor disturbing economic growth.

Due to the finding that political regimes do not seem to matter, it is something that we should analyze further. In particular, we should study the mechanisms that elites use to secure any potential extraction rates, from the economy, and how much they extract, and if so, whether this affects the economic growth of the countries.

Finally, all the regressions indicate that "democracy" had a negative effect on economic growth. "Peaceful transition" to a parliamentary system, on the other hand, proved to have a positive effect. It may be that "democracy" is the "evil" in Asia and South America. Nevertheless, when a "successful dictatorship", in the sense that it manages to kick start its state's development trajectory, achieves a certain income level, the elite and population might eventually acknowledge that it is time for a change. Thus, the elite and population can coordinate an accord with a peaceful transition to democracy. They may reach an agreement because the society wants to quit saving and start to consume as discussed in the literature review. In such cases, the interaction variable shows that the democratic system in fact affects the economy positively. This argument is in line with Walter Galenson and Karl De Schweinitz (1955), and Huntington

(1968), where democracy unleashes pressure for immediate consumption. While some nations with a sufficient level of income can support the threat of consumption, states which are still in the developing stage are less likely to do so, leading to less economic growth.

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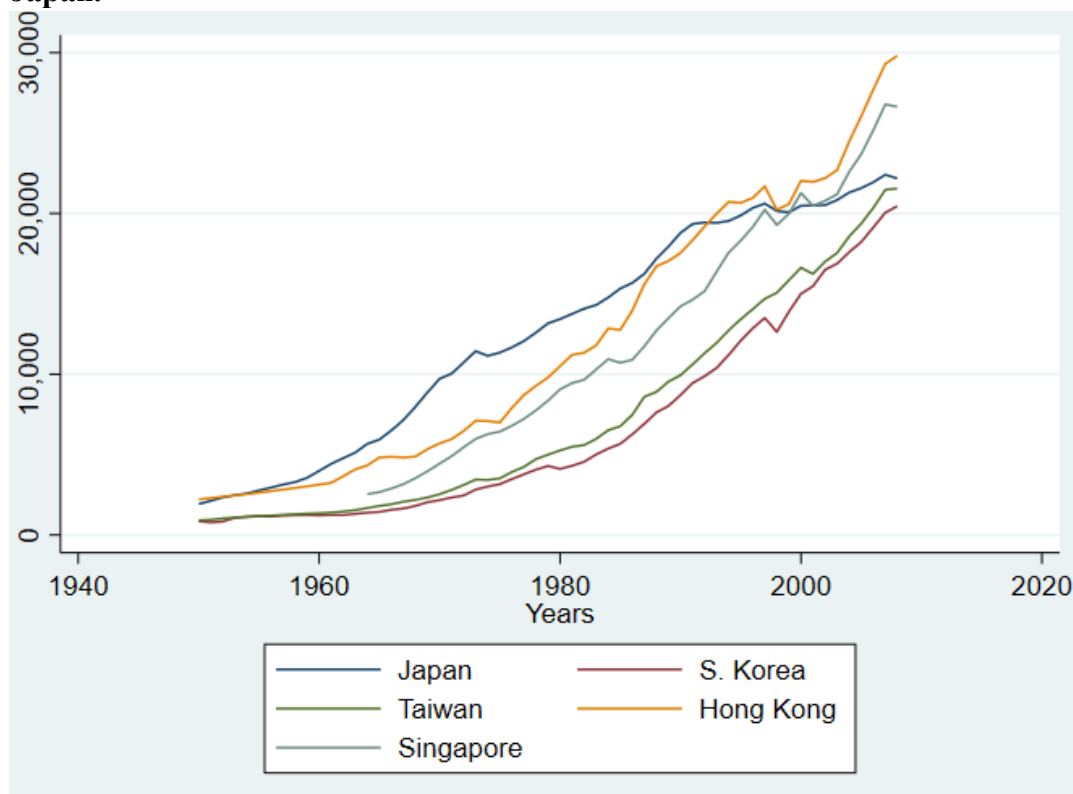
A. Appendix

A.1. Appendix

Appendix figure 1. **East, South, Southeast GDP per capita growth during 1950-2008. Excluding the Asian tigers and Japan.**
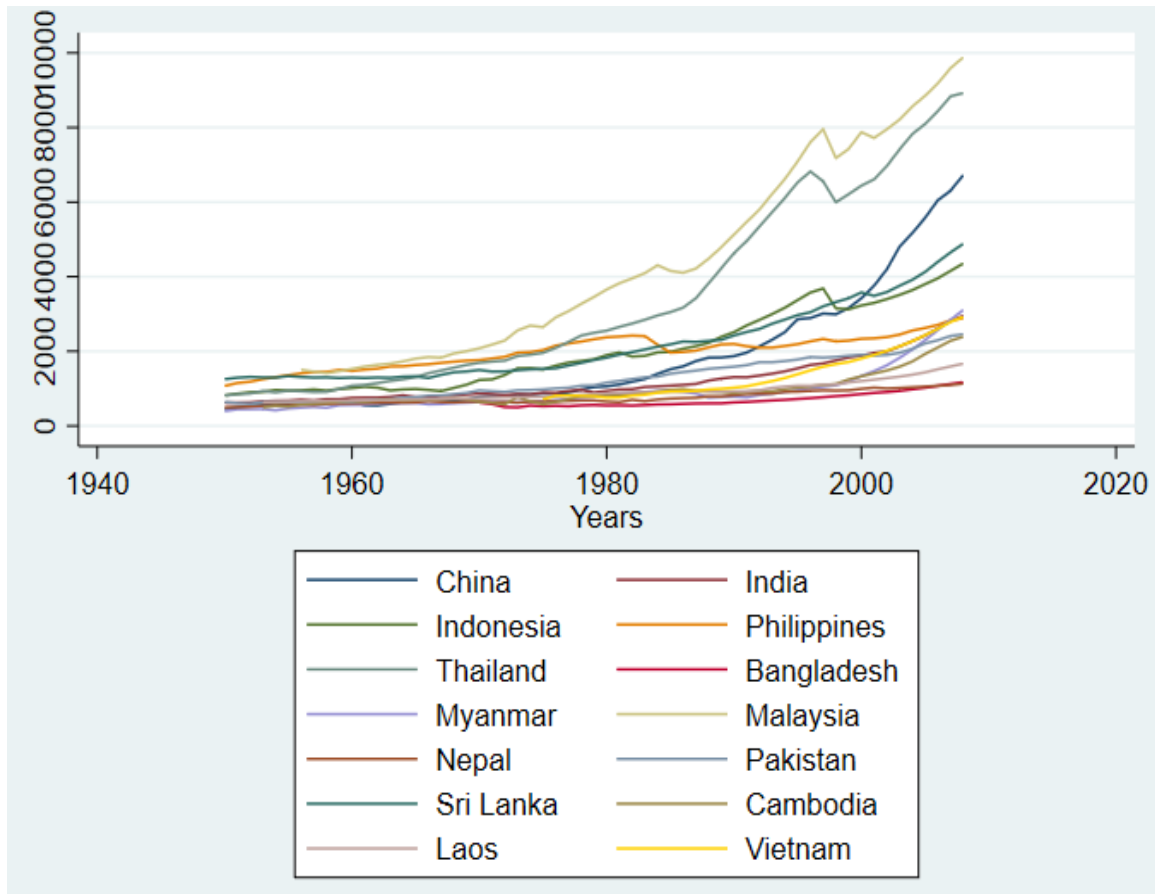
Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita.
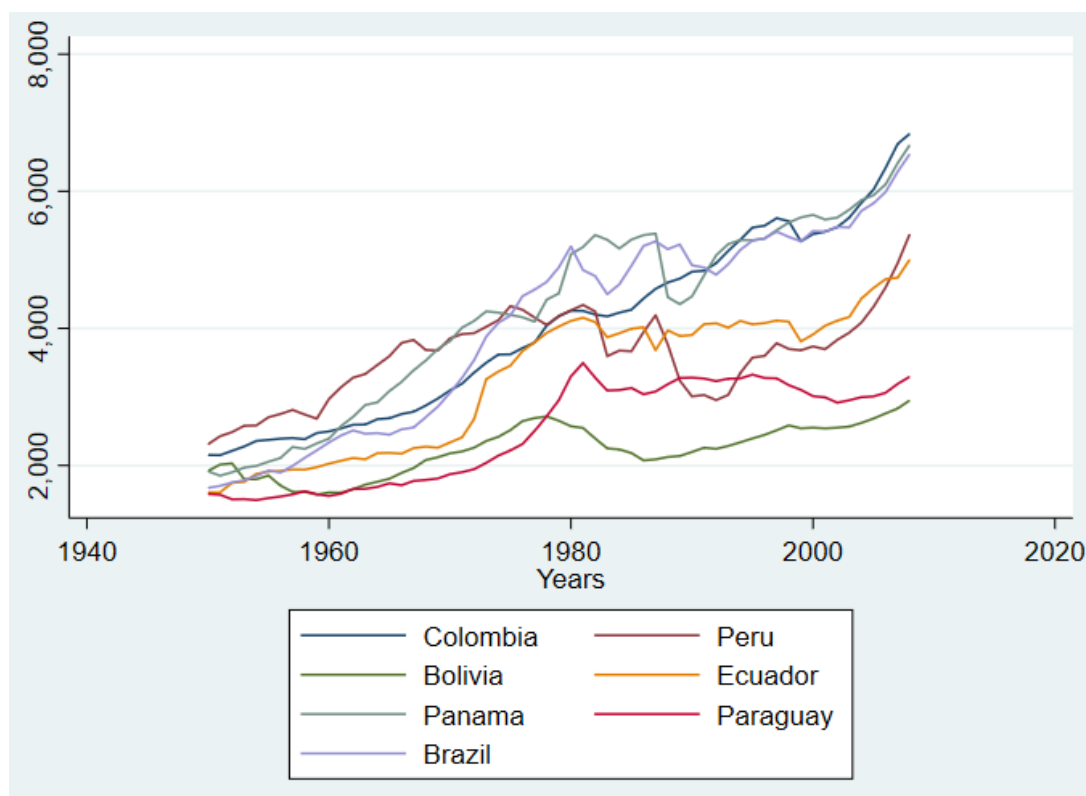
Note: The table only content the countries in the Maddison dataset (2013). Excluding Brunei, Seychelles and Bhutan.

Appendix figure 3. GDP per capita growth of the East Asian Tigers and Japan.

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita.

Appendix figure 2 GDP per capita growth of South America.

Source: Own elaboration. With data from the Maddison dataset (2013) for the GDP per capita.

Note: The table only content the countries in the Maddison dataset (2013). Excluding Guyana and Suriname.

A.2. Appendix

Appendix Table 1. Countries used in the thesis

Countries	Region
Countries included in the two datasets Maddison (2013) and World Bank dataset.	
Argentina	South America
Bangladesh	South Asia
Bolivia	South America
Brazil	South America
Cambodia	Southeast Asia
Chile	South America
China	East Asia
Colombia	South America
Ecuador	South America
Hong Kong	East Asia
India	South Asia
Indonesia	Southeast Asia
Japan	East Asia
Laos	Southeast Asia
Malaysia	Southeast Asia
Myanmar	Southeast Asia
Nepal	South Asia
Pakistan	South Asia
Panama	South America
Paraguay	South America
Peru	South America
Philippines	Southeast Asia
Singapore	Southeast Asia
South Korea	East Asia
Sri Lanka	South Asia
Taiwan	East Asia
Thailand	Southeast Asia
Uruguay	South America
Venezuela	South America
Viet Nam	Southeast Asia
Countries included in only in the World Bank dataset.	
Bhutan	South Asia
Guyana	South America
Suriname	South America
Countries not included because of lack of data	
Brunei	Southeast Asia
East Timor	Southeast Asia
French Guyana	South America
North Korea	East Asia
Maldives	South Asia
Macao	East Asia

Source: Own elaboration