



*The Case for Democracy:*

## Does Democracy Cause Economic Growth, Stability, and Work for the Poor?

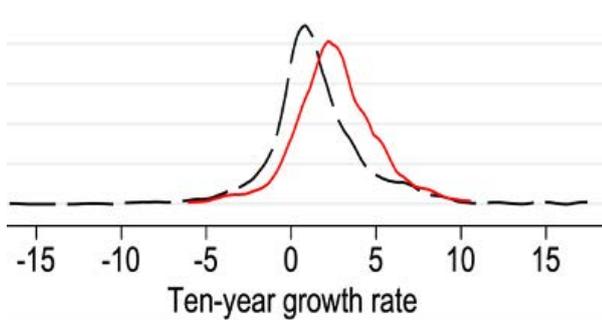
**Scientific Evidence Shows:**

- Economic growth is higher in democracies than in autocracies.
- Democratization leads to better economic development.
- Democracy acts as a safety net for the economy – Democracies have fewer and less severe financial crises.
- Democracy provides mechanisms for more equitable growth that reduces poverty and empowers marginalized individuals.

### Democracy Causes Growth

Recent, state-of-the-art scientific studies provide clear evidence: democracy causes growth (Acemoglu et al. 2019). Knutsen (2020) also (2020) presents evidence that **average GDP/c growth has been higher in democracies than in autocracies since 1800 until today**, with the exception of the turbulent period of 1900-1939. For instance, mean GDP/c growth was twice as high in democracies compared to autocracies between 1970 and 1989.

**FIG. 1. MEAN GROWTH RATES FOR DEMOCRACIES AND AUTOCRACIES 1800S-2000S, DEMOCRACIES IN RED (KNUTSEN 2020).**



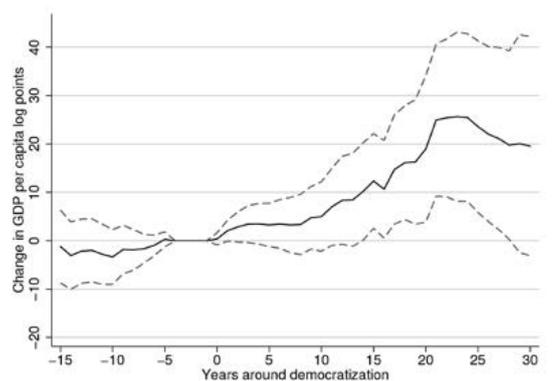
An influential “study-of-many-studies” demonstrates that democracy also has a clear and robust indirect positive effect on growth through increasing human capital, regime stability, and economic freedom (Doucouliagos & Ulubaşoğlu 2008).

### Democratization Causes Higher Growth

*Democratization* is also evidently good for economic growth. **Countries that democratized increased their GDP/c by about 20% in the 25 years following democratization** – compared to countries that remained autocracies (Acemoglu et al. 2019). For instance, Lithuania democratized after gaining independence in 1990 and nearly doubled its GDP/c by 2018. Neighboring Belarus on the other hand,

which remained an autocracy, only increased its GDP/c by 63% in the same period.

**FIG. 2. EFFECT OF DEMOCRATIZATION ON GDP/C[LOG] (ACEMOGLU et al 2019).**



Yet, the *immediate* effect of democratization might be less noticeable due to the turbulence of introducing new institutions. One should, therefore, expect it to take a few years before the dividends of democracy kick in.

Finally, **the positive effect on growth increases over time**. For example, having a democratic system in place for seven years or more increases GDP/c growth by about one extra percentage point *per year* compared to the early years after democratization, and to countries that did not democratize (Papaioannou & Siourounis 2008).

The argument – using a few cases such as China, Rwanda, and Singapore – that autocracies are better at development, is incorrect. The most rigorous available scientific evidence demonstrates that autocracies does not perform better than democracies in terms of economic growth. For the vast majority of countries, democracy leads to greater economic growth.

## Democracy Gives Stable, Predictable Growth

Democracy also acts as a safety net against more catastrophic economic outcomes. **From 1990 to 2009, only 7% of democracies experienced negative growth rates, whereas over 30% of autocracies did.** About one in 20 autocracies had negative growth rates of over 10% (Knutsen 2020).

While autocracies can experience periods of strong economic performance, they frequently also suffer from deep economic crises. For example, Mugabe's Zimbabwe had negative GDP growth rates (topping -16% on annual basis) each year between 1999 and 2008. That is more representative of autocracies than present-day China. As the evidence cited shows, autocracies are much more prone to lower economic growth, and to negative growth, than democracies.

Democracy acts as a safety net because of the stronger political incentives to see to the interests of the population. Accountability mechanisms for punishing inadequate political performance are lacking in autocracies (Knutsen 2020).

About a half of the world's poorest lives in countries with relatively fair elections (Pande 2020). While democracy does cause greater growth, does it lead to more equitable growth that works for the poor? Recent, robust evidence shows that more high-quality democracy leads to concrete dividends for the poor.

For instance, making the electoral process more accessible for the less educated in Brazil reduced the number of invalid votes by 10%. This was followed by a 34% increase in public health spending over the next 8 years (Fujiwara 2015). Evidence from Sierra Leone shows that increasing citizens' participation in the election debates leads to politicians spending 2.5 times more on development projects for the people (Bidwell et al. 2020). Data from Delhi demonstrates that democratic transparency leads councilors to substantially increase spending toward aiding the poor (Banerjee et al. 2020).

As these examples highlight, increasing the level and quality of democracy increases the inclusion of marginalized groups, and leads to substantial dividends making democracy work for the poor (Pande 2020).

## REFERENCES

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*The Case for Democracy week 22-25 March 2021 set out to gather evidence on what democracies deliver with a focus on: economic development, human development, domestic and international security, and combating climate change. With increasing levels of autocratization around the world, the Varieties of Democracy (V-Dem) Institute in collaboration with the Directorate-General for International Partnerships of the European Commission initiated this joint project. The objective is to build a strong case for policy makers and other development actors to continue their engagement for promotion and protection of democracy. The 'Case for Democracy' week was partly funded by the European Union and was organized by Nazifa Alizada, Dr. Vanessa Boese, Prof. Staffan Lindberg, Martin Lundstedt, Natalia Natsika, and Shreeya Pillai.*

## ABOUT V-DEM INSTITUTE

V-Dem is a unique approach to conceptualization and measurement of democracy. The headquarters – the V-Dem Institute – is based at the University of Gothenburg with 23 staff, and a project team across the world with 5 Principal Investigators, 19 Project Managers, 33 Regional Managers, 134 Country Coordinators, Research Assistants, and 3,500+ Country Experts. V-Dem is one of the world's largest data collection projects on democracy.



Department of Political Science  
University of Gothenburg  
[contact@v-dem.net](mailto:contact@v-dem.net)  
+46 (0) 31 786 30 43  
[www.v-dem.net](http://www.v-dem.net)  
[www.facebook.com/vdeminate](https://www.facebook.com/vdeminate)  
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