



ENHANCING ECONOMIC GROWTH THROUGH DEMOCRACY –DRIVEN GROWTH

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ABSTRACT

This study analyzes the relation between democracy levels and gross domestic product (GDP) growth and sector growth across high democracy indexed countries and low democracy indexed countries using the Democracy Index. The analysis uses the secondary data from authentic sources (World Bank Group, Economist Intelligence Unit); it compares economic growth and sector focus differences in high democracy nations versus low democracy nations. The finding reveals that the high democracy indexed nation's well archive the growth and are more focused on service sector growth and manufacturing sector, compared to the low democracy indexed nations, which have a low growth rate archive and are mainly focused on agriculture sector growth.

Keywords: Democracy Index, GDP, Sector wise growth, Growth, World Bank data, Economist Intelligence Unit.

Introduction

The level of democracy in countries influences their economic growth and the structural framework of the nation and sector-wise contribution also change. This study uses the democracy index to find the high-democracy nations and low-democracy nations. The democracy index represents the level of democracy; it measures some indicators grouped into five categories: electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture. These are the five categories; under them are 60 indicators, each given a rating on a 0 to 10 scale. The study analyzes the relationship between democracy levels, as measured by the democracy index, and GDP (Gross Domestic Product) growth alongside sectorial growth patterns, focusing on contrasting high democracy index countries with low democracy indexed nations. The analysis uses the secondary data from authentic sources.

Objectives

- 1) To give overview of the Democracy Index
- 2) To analysis the democracy-driven growth
- 3) To compare the sector-wise growth difference in the high democracy state and low democracy state

Literature Review

Densumite, (2023) “The relationship between Democracy and economic Growth: An Empirical Analysis” According to this paper, to empirically investigate the relationship between democracy and economic growth in 33 countries from 2010 to 2020, studies conclude that democracy has a positive effect on growth.

Acemoglu, et al. (2019) “Democracy Does Cause Growth” This study provides evidence that democracy has a positive effect on GDP per capita. A result shows that democratizations increase GDP per capita by about 20 percent in the long run. In addition, GDP per capita before and after democratization compares both data to conclude as a difference with GDP per capita. Using a panel of countries from 1960 to 2010, they estimate the impact on economic growth of the unprecedented spread of democracy around the world that took place in the past 50 years. They evidence suggests that democracy does cause growth and that its

effect is significant and sizable.

Boese-Schlosser and Eberhardt (2023) “How Does Democracy Cause Growth?” In this paper, they determine the underlying institutions that drive this relationship using data from the Varieties of Democracy project. This study concludes that incentives and opportunities, as well as the distribution of political power shaped by underlying institutions, in combination with the extent of the market, endogenously form an ‘economic blueprint for growth’ that likely differs across countries.

Helliwell (1992), “Empirical linkages between democracy and economic growth” They using data from 125 countries over the period from 1960 to 1985, this paper evaluates the two-way linkages between democracy and economic growth. The effects of income on democracy are found to be robust and positive. The effects of several measures of democracy on growth are assessed in a comparative growth framework in which growth of per capita GDP depends negatively on initial income levels, as implied by the convergence hypothesis, and positively on rates of investment in physical and human capital.

Hallerod and Ekbrand (2023) “Is Democracy Associated with Reduction of Poverty, Child Mortality, and Child Deprivation in Low-income Countries?” In this paper, they use data from 51 low- and lower-middle-income countries covering the period 1995–2019 to analyze poverty (\$1.90/day) and child mortality as well as the degree to which children are malnourished, deprived of immunization, and lack education. The author central aim is to test whether democracy contributes to the decrease in poverty and improvement of children’s living conditions. They also conclude that democracy counterbalances the detrimental effects of corruption on children’s school attendance.

Methodology

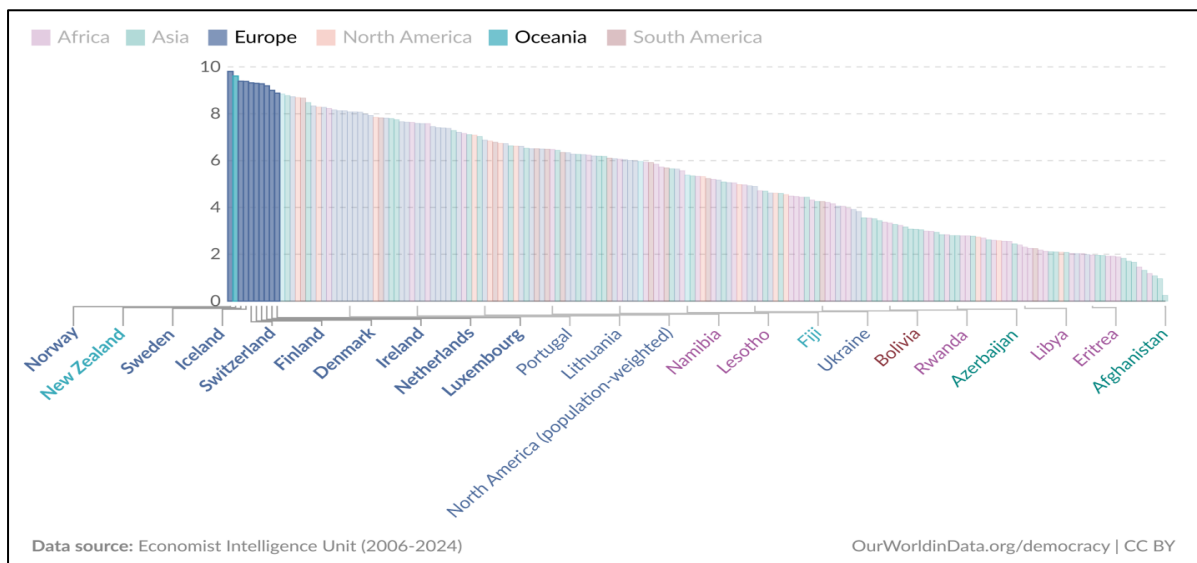
The study analyzes the democracy country's growth well compared to the low democracy nations. This paper used the secondary data from various authentic websites, such as World Bank Data, Economist Intelligence Unit, etc. These studies compare both the level of nations' growth and the sector-wise difference between the high-democracy nations and the low-democracy nations.

Analysis and Interpretation

The Economist Group estimates the democracy index every two years; they measure the quality of democracy of all the nations. Divide the nations in the six largest continents by landmass: Africa, Asia, Europe, North America, Oceania, and South America. In addition, they categorize the overall nations into four regime types, such as full democracies, flawed democracies, hybrid regimes, and authoritarian regimes, with the help of the ranking of the nations in their level. This study focus on comparing the top ten high democracy index countries with the bottom ten democracy-indexed nations and their growth level and sector-wise focus differentiation between us.

The high democracy nations are mostly on the European continent and one nation from the Oceania continent. In addition, there more of the low democracy nations are placed on Asia and Africa continents.

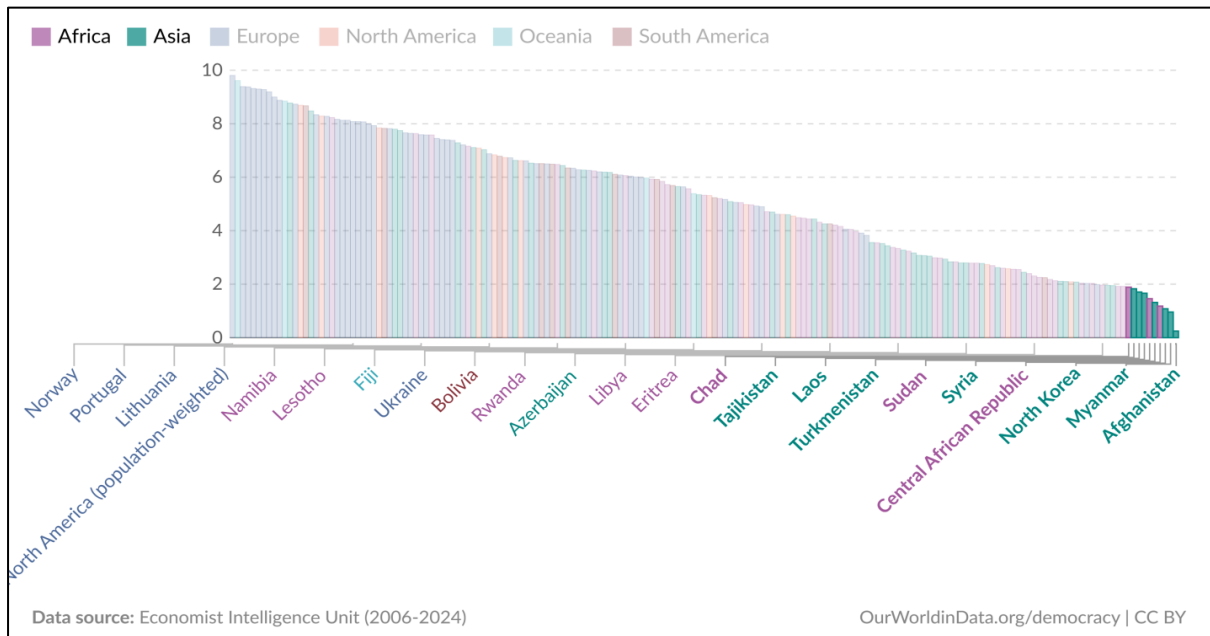
Figure: 1 -High Democracy Indexed



Source: Ourworldindata.org

Figure 1 represents the first ten high democracy nations in the Democracy Index 2024; they are Norway, New Zealand, Sweden, Iceland, Switzerland, Finland, Denmark, Ireland, the Netherlands, and Luxembourg.

Figure: 2 -Low Democracy Indexed



Source: Ourworldindata.org

Figure 2 shows the last ten low-democracy nations in the democracy index 2024; they are Chad, Tajikistan, Laos, Turkmenistan, Sudan, Syria, Central African Republic, North Korea, Myanmar, and Afghanistan.

Table: 1 -High democracy indexed country GDP (2024)

High Democracy Indexed Country	(2024) GDP \$ Billion	Agriculture % of GDP	Industry % of GDP	Manufacturing % of GDP	Service % of GDP
Norway	483.7	2	37	6.2	51.8
Newzealand	260.2	4.6	19.6	8.9	67.4
Sweden	610.1	1.1	22.6	13.8	65.9
Iceland	33.5	4	19.4	7.6	65.5
Switzerland	936.6	0.6	24.7	17.7	72
Finland	299.8	2.5	22.1	13.9	62.9
Denmark	429.5	0.7	24	16.8	64
Ireland	577.4	1.1	30.8	27.2	61.8
Netherland	1,227.50	1.7	17.9	10.4	70.3
Luxembourg	93.2	0.2	9	3.4	81.9

Source: world Bank data

Table 1 shows the GDP growth of nations with high democracy ratings. The total average

GDP is 495.15; the high growth contributed to by the service sector and a very low agriculture sector contribution in the high-level democracy-indexed country.

Table: 2 -Low democracy indexed country GDP (2024)

Low Democracy Indexed Country	(2024) GDP \$ Billion	Agriculture % of GDP	Industry % of GDP	Manufacturing % of GDP	Service % of GDP
Chat	20.6	32.2	29.7	-	31.6
Tajikistan	14.2	22.9	33.6	14.6	34.7
Laos PDR	16.5	16.8	29	9.1	43.5
Turkmenistan	64.2	11.3	39.3	-	49.4
Suden	49.9	22.1	23	-	54.9
Syria	20	43.1	12	-	44.9
Central Africa Republic	2.8	32.5	17.8	18	40.5
North Korea	-	-	-	-	-
Myanmar	74.01	20.8	37.8	22.5	41.4
Afghanistan	17.2	34.7	13.4	7.5	46.4

Source: World Bank data

Table 2 reviews the low democracy indexed nation GDP. The total average GDP= 27.95, High in Agriculture sector contribution, Very low in service sector contribution.

Findings

- ❖ Yes, democracy drives growth; data comparing the low-democracy nation and high-democracy nations' GDP as a finding are very well-documented, and diplomatic growth is aided by high-democracy nations. The average total GDP of low democracy nations is 27.95 billion dollars. However, the high democracy nation's average total GDP is 495.15 billion dollars; it shows democracy-driven growth well compared to the low democracy nations.
- ❖ The low democracy indexed nations contribute more to or focus on the growth of the agriculture sector and service sector; they contribute very little to the industrial and manufacturing sector. But the high democracy-indexed nations have very good growth in the industrial and manufacturing sectors. As a result, it shows that less democracy-indexed nations are very poor at resource allocation and management. Because movement between the primary sector and the secondary sector needs more democracy fulfillment. That is why low democracy-indexed nations have very little growth in industrial and manufacturing sector contributions.

Conclusion

In this study, it concluded that the high democracy indexed nations are performing well on economic growth compared to the low democracy indexed nations. It says democracy plays a main role in economic growth and the sector- wise movements. If the country missed the democracy role, they would be not only backward in society but also in the economically.

Reference

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