

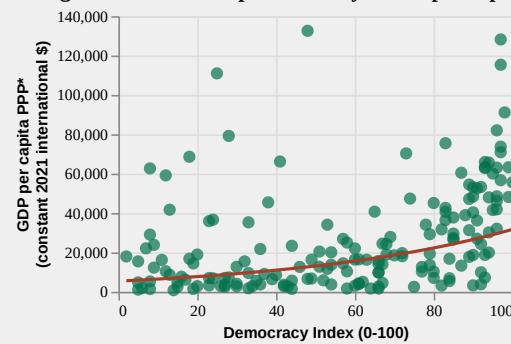
Democracy paradox

If it causes growth, why is it moving backward?

At first glance, the relationship between democracy and economic development does not appear entirely clear. While most Western developed countries, such as the United States, Germany, and Sweden, combine high levels of democracy with strong economic performance, there are also wealthy non-democratic states like Saudi Arabia, Qatar, and Singapore that challenge this pattern. As shown in Figure 1, although there is some correlation between a country's Gross Domestic Product (GDP) and its level of democracy*, this relationship is not conclusive.

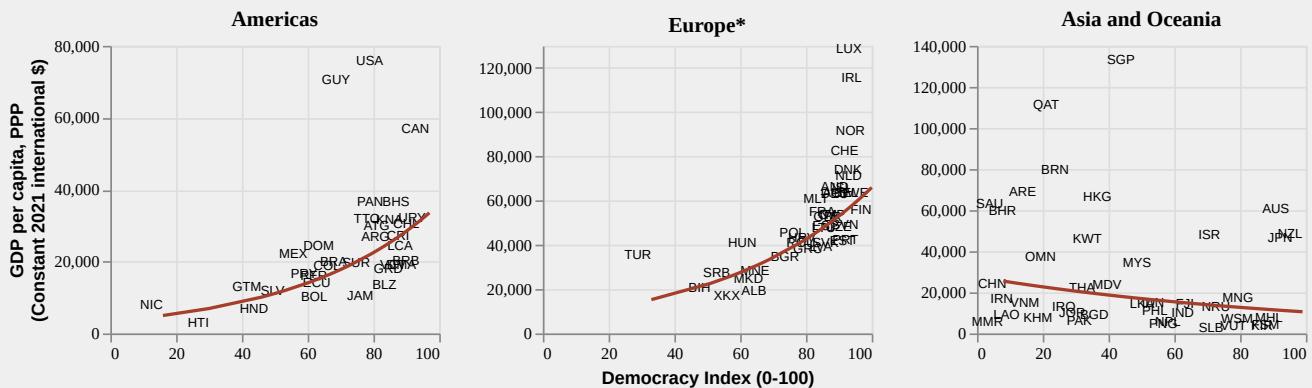
When this relationship is examined by region, as illustrated in Figure 2, more distinct patterns emerge.

Figure 1: Relationship Democracy - GDP per capita (2024)



*PPP: Purchasing Power Parity. Refers to the adjustment of income for differences in price levels between countries.
Source: Freedom House (2025) and World Bank (2025).
Each point represents a country

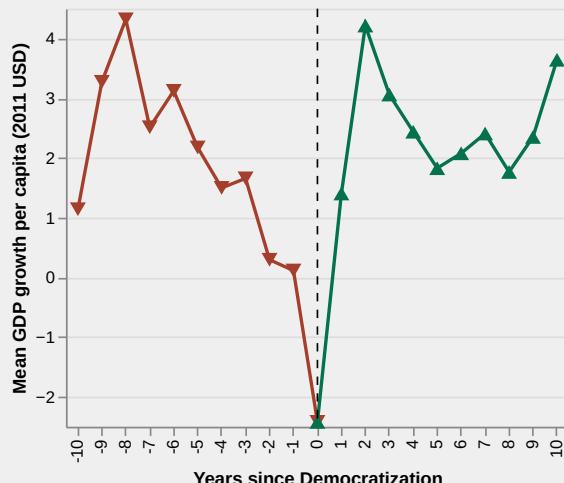
Figure 2: Relationship Democracy - GDP per capita by Region (2024)



*The Freedom House definition of Europe does not include Eurasia countries: Russia, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Source: Freedom House (2025) and World Bank (2025). Each country is represented by its ISO3 code.

Figure 3: GDP growth before and after Democratization



Source: PolityV (2018) and Maddison Project (2020)

This pattern can be explained by several factors. Economic growth depends on multiple variables (human capital, technological progress, and natural resource endowments) making it difficult to isolate the specific influence of political institutions. Moreover, some countries may experience growth even under extractive systems where power and resources are concentrated in the hands of a few.

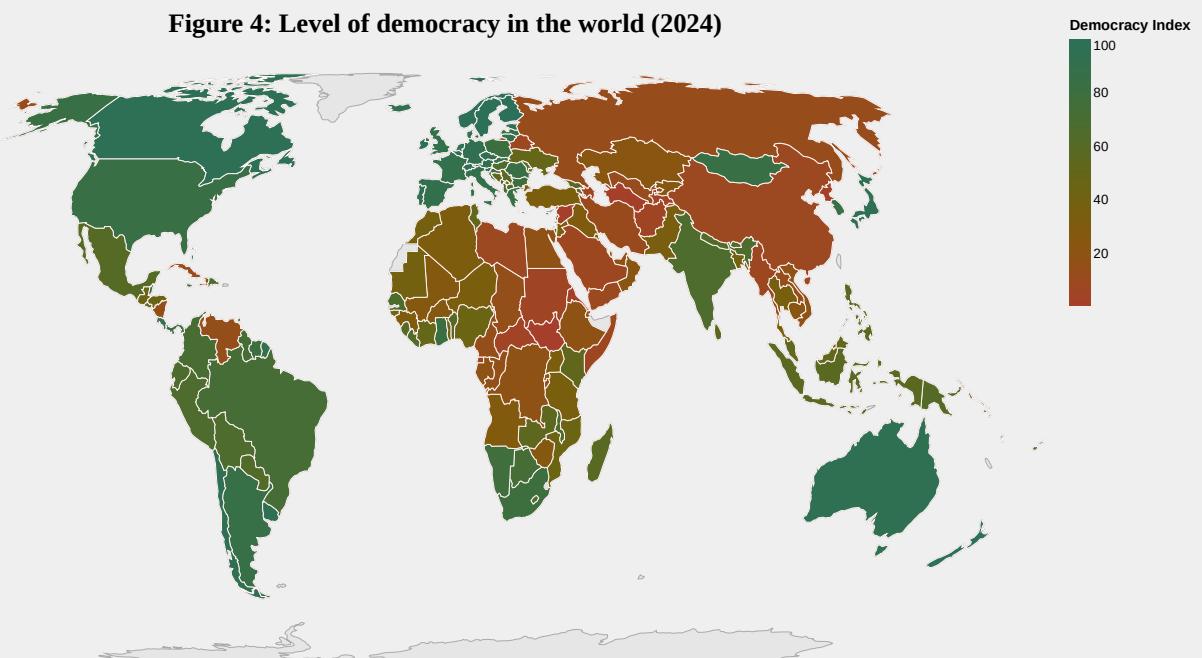
However, the relationship between democracy and economic growth becomes evident when focusing on countries that have passed democratic transitions. Figure 3 shows the average economic growth before and after a transition to democracy (over a 20-year span). As the figure suggests, democratization acts as a game-changing factor for countries following this path, boosting their economies in a consistent and sustained way.

*The level of democracy is based on the Freedom of the World Index published by Freedom House. This index analyzes the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and of belief, associational and organizational rights, the rule of law, and personal autonomy and individual rights.

Moreover, a study of Acemoglu, Naidu, Restrepo and Robinson (2019) found that democratizations increase GDP per capita by about 20 percent in the long run. This may help explain why democracy has increasingly been adopted worldwide over the past two centuries.

Nevertheless, a considerable portion of the world's population still lives under non-democratic regimes, as illustrated in Figure 4. Furthermore, democratic backsliding has become increasingly visible in recent years (See Figure 5).

Figure 4: Level of democracy in the world (2024)



Source: Freedom House (2024)

So, if it causes growth, why is it going backwards?

Democratic consolidation processes are not linear. Following Acemoglu and Robinson (2012), the growth generated by democracy can alter the balance of power creating new economic and political elites that challenge existing ones. When institutions remain weak, these elites (old or newly emerging) have incentives to capture the state, restrict political competition, and manipulate institutions to preserve their privileges. Under such conditions, the growth that democracy fosters can paradoxically lead to a process of democratic backsliding.

After crises such as the COVID-19 pandemic, democracy has faced renewed pressures and attacks. As Figure 6 illustrates, countries with stronger democratic institutions are generally better equipped to resist these challenges and experienced smaller declines in democratic quality. In contrast, those still in transition or under authoritarian regimens remain more vulnerable to institutional capture.

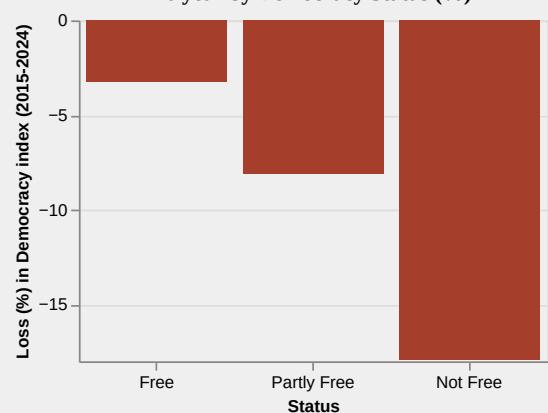
Democratic backsliding is not an anomaly in history. Rather, it reflects a common pattern in which authoritarian and democratic waves alternate over time, often reinforced by regional dynamics. Periods of autocratization have been recurrent throughout history, yet so too have waves of democratization, emerging when social, economic, and technological conditions align to favor greater inclusion and participation.

Figure 5: Average Democracy Score in the World (2015-2024)



Source: Freedom House (2024)

Figure 6: Loss of Democracy in the last 10 year by Democracy Status (%)



Source: Freedom House (2024)

Conclusion and reflection

While democracy continues to face significant challenges, empirical evidence consistently indicates that it offers the most ideal framework for sustainable, and resilient development. Periods of democratic backsliding should not be interpreted as systemic failure, but rather as critical junctures that test the robustness of democratic institutions. Democracies have their own mechanisms of accountability, participation, and institutional renewal that reinforce its capacity for self-correction and reform.

In an increasingly interconnected world, where democratic experiences circulate beyond national boundaries, new waves of political openness may emerge, fostered by more informed and demanding societies. Historical experience suggests that episodes of regression are often temporary, whereas the aspiration for freedom, equality, and representation persists as a central driver of human progress.

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