Variables and description

**Adjusted net national income per capita (constant 2015 US$)**

Adjusted net national income is GNI minus consumption of fixed capital and natural resources depletion. This accounts for the depreciation of value of the Fixed Assets used in production. The deduction for the depletion of natural resources, which covers net forest depletion, energy depletion, and mineral depletion, reflects the decline in asset values associated with the extraction and harvesting of natural resources.

**GNI per capita (constant 2015 US$)**

**GNI per capita is gross national income divided by midyear population. GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.**

**Gross fixed capital formation (constant 2015 US$)**

**Gross fixed capital formation (formerly gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings.**

**GDP per capita (constant 2015 US$)**

GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Intuitively we thought that GDP was interesting to look at as we anecdotally agreed that the countries we know with high GDP per capita were also good liberal democracies in general. The reason for choosing GDP per capita in favor of GDP PPP adjusted or just GDP, is that we thought it wouldn’t be reliable as large countries and populous countries would score better than less populous countries. The justification for choosing GDP in favor of GNI per capita, gross fixed capital formation and adjusted net national income is primarily that GDP gives information on everything produced within the countries borders, whereas GNI is measured on everything that is produced by companies in the entire world that is registered in the country, making more confusing and “fluffy”. The secondary reason is that it is easier for the layman to understand and as they all intuitively seemed to be collinear, GDP was chosen. GDP per capita is also interesting to look at theoretically, as previous studies have found a correlation between democracy and GDP per capita (*Democracy and Economic Growth*, n.d.).

**GDP per capita growth (annual %)**

Annual percentage growth rate of GDP per capita based on constant local currency.

This variable is chosen because we thought it would be interesting to look at how developing countries scored as we hypothesize that the biggest growth would happen in developing countries. We wanted to see how the development of democracy and growth of GDP would correlate. Interestingly previous studies have found a correlation between GDP growth and democracy (Acemoglu et al., 2014).

**Gini index**

**The Gini index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. If using OECD countries, we can count on that the method used to calculate was OECD modified scale. Then we can use GINI index.**

**Gini Index could be interesting as there has been evidence to suggest that democracy can reduce the Gini score in countries** (Zang et al., 2020)**. A possible catch could be the lack of standardization in measuring Gini scores across the world** (*Understanding the Gini Coefficient*, n.d.)**.**

**Imports of goods and services (constant 2015 US$)**

**Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments.**

**Income share held by highest 20%**

**Percentage share of income or consumption that accrues to the fifth (wealthiest) quintile.**

**Income share held by lowest 20%**

**Percentage share of income or consumption that accrues to the first (poorest) quintile.**

**Research and development expenditure (% of GDP)**

Gross domestic expenditures on research and development (R&D), expressed as a percent of GDP. They include both capital and current expenditures in the four main sectors: Business enterprise, Government, Higher education, and Private non-profit. R&D covers basic research, applied research, and experimental development.

R&D could be interesting as it has been shown before to have an impact on democracy. We hypothesize that R&D expenditure is a good indicator of democracy, as investment into research and development would encourage creative thought and free thought, there furthering the democratic process. Previous studies have also shown a positive correlation between R&D investment and democracy (Tran, 2022).

**Tax revenue (% of GDP)**

**Tax revenue refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue.**

**We found this interesting as the democracies that we think work best all have high taxes. We think there might be a correlation between tax revenue and democracy. This is backed by previous studies** (Prichard et al., 2018)**.**

**Total natural resources rents (% of GDP)**

**Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.**

**We found this interesting as we hypothesize that this would be a negative correlation, as anecdotally we would think that countries with a high score in this would be middle eastern countries and countries with lower GDP, where their main export is natural resources. These are countries that we thought of as not having a high democracy score. It has been shown that political stability suffers under natural resources rent** (Zallé, 2023)**.**

**Universal Economic Fitness Metric**

Universal Economic Fitness (UEF) includes both a measure of a country’s diversification and ability to produce complex goods on a globally competitive basis.