

# Unbundling Democracy: Which Institutions Drive Long-run Economic Growth?

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## Democracy, Institutions and Long-Run Growth

- ▷▷ Existing research finding: the '**democratic dividend**' for economic prosperity is **positive and large**.
- ▷▷ But how do these studies **define democracy**?
  - ▶ Which building blocks of democracy and institutions drive economic prosperity in the long-run?
  - ▶ We start with **Liberal Democracy** and 'drill down' to its individual building blocks to answer this question.

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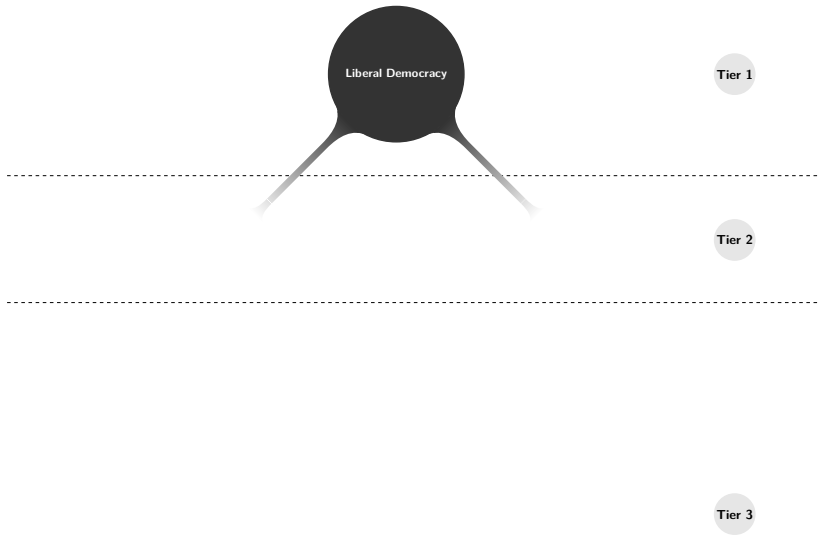
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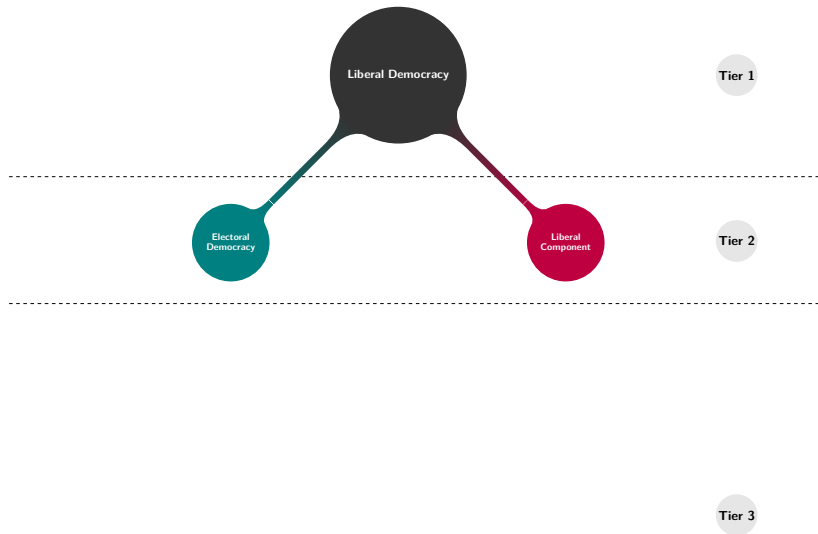
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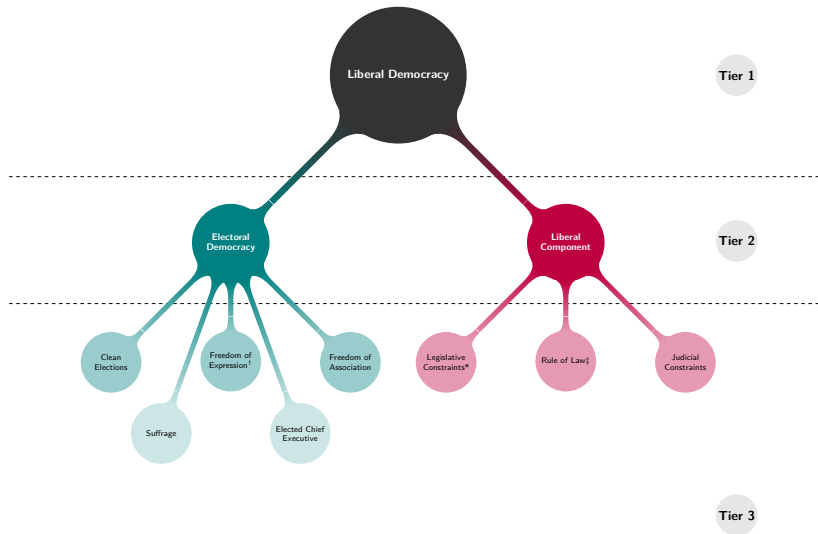
# Building Blocks of Liberal Democracy (V-Dem)



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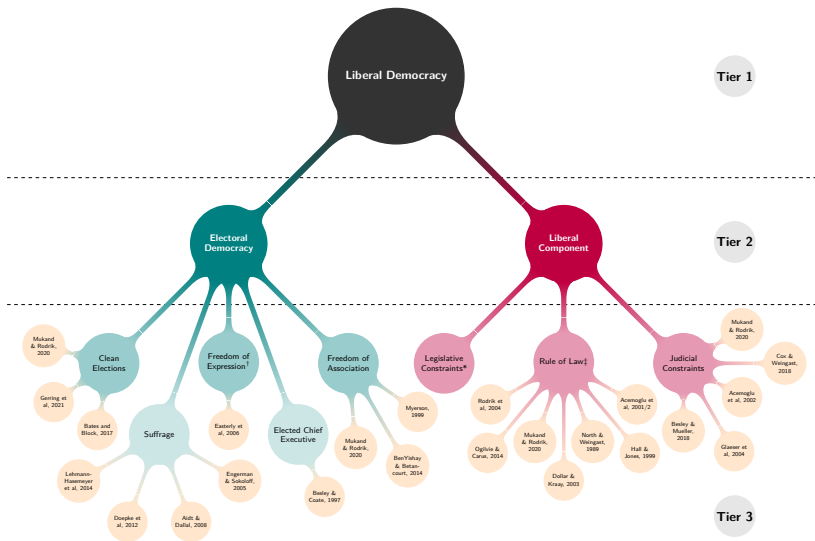


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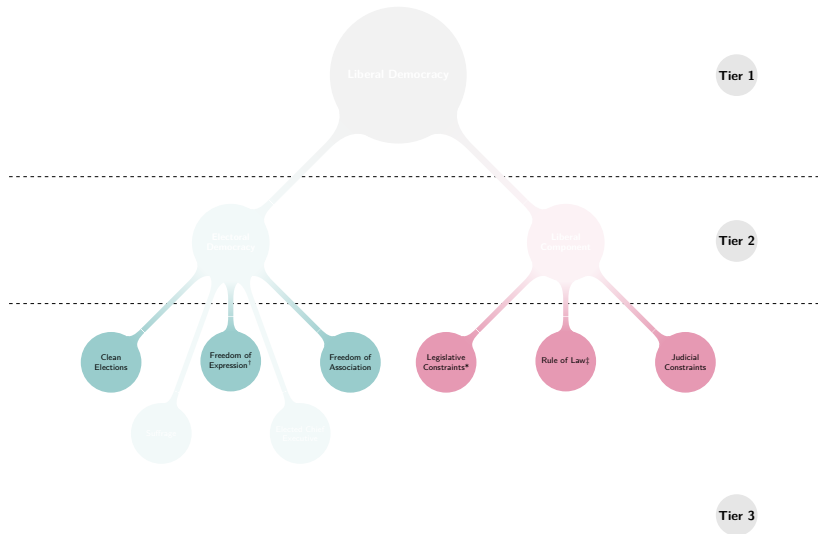




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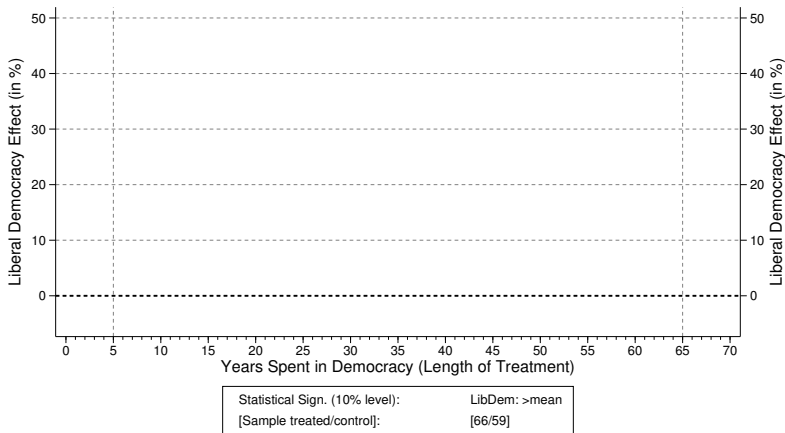


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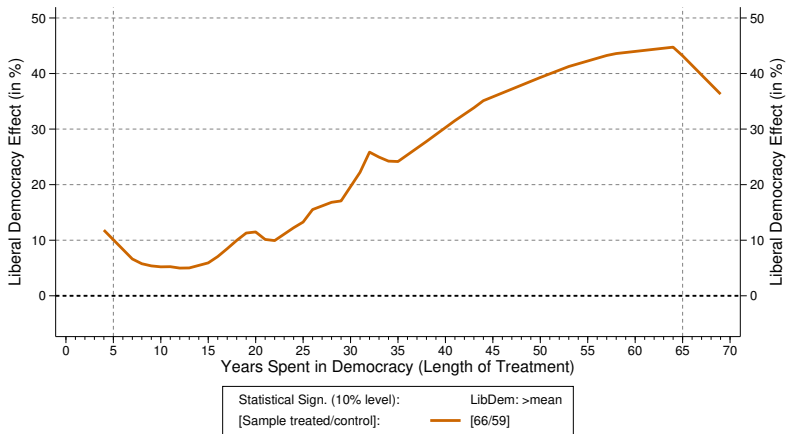
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## Liberal Democracy has a perpetual growth effect



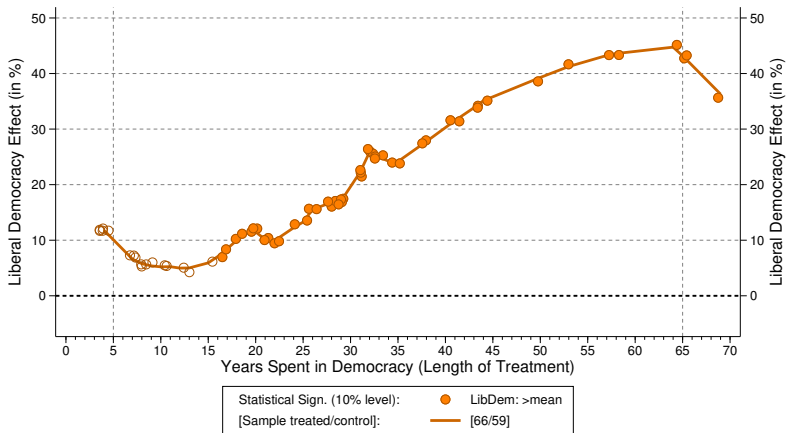
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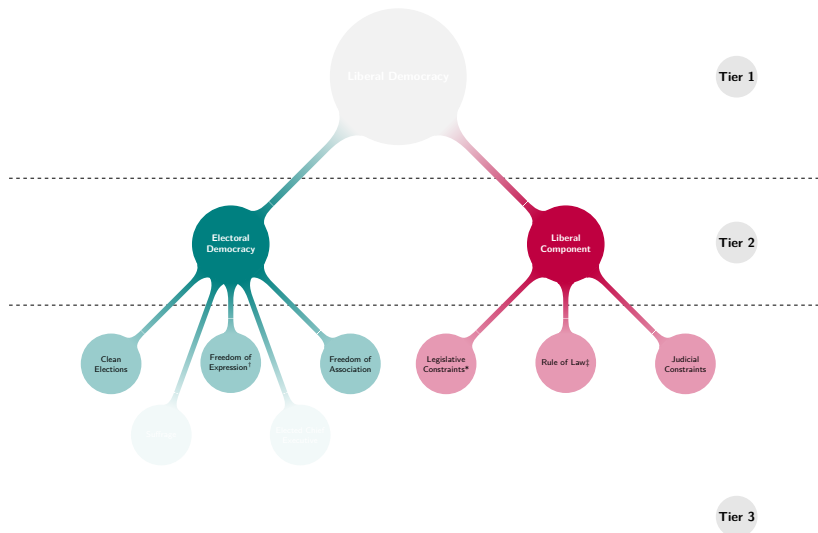


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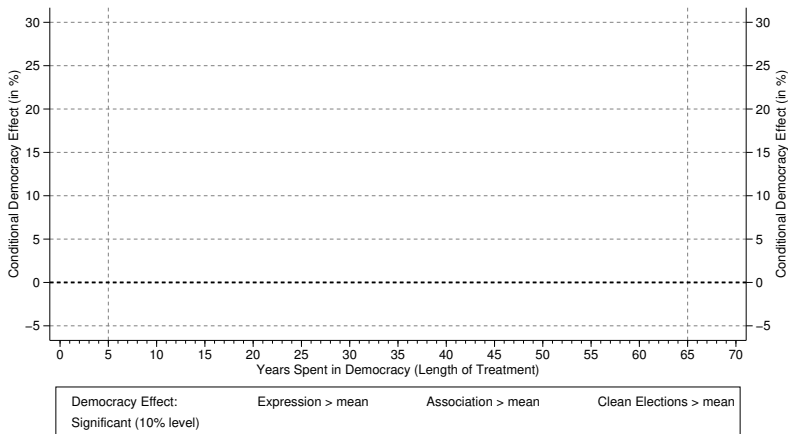


# Which of the lower-level building blocks drive economic prosperity in the long-run?



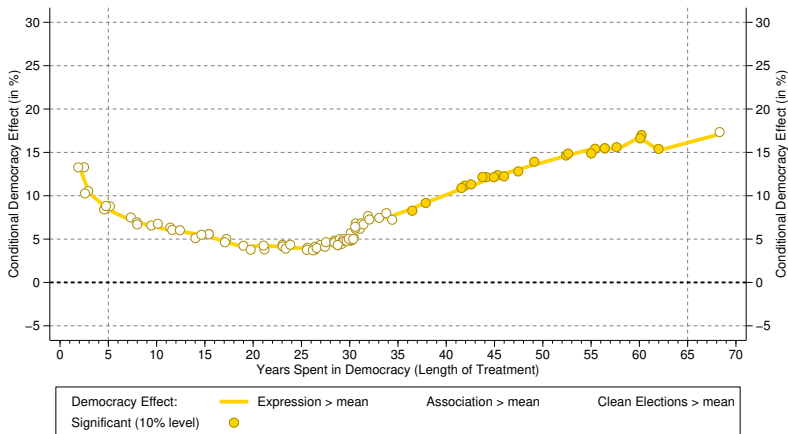
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### Building Blocks of Polyarchy/Electoral Democracy (Tier 3)



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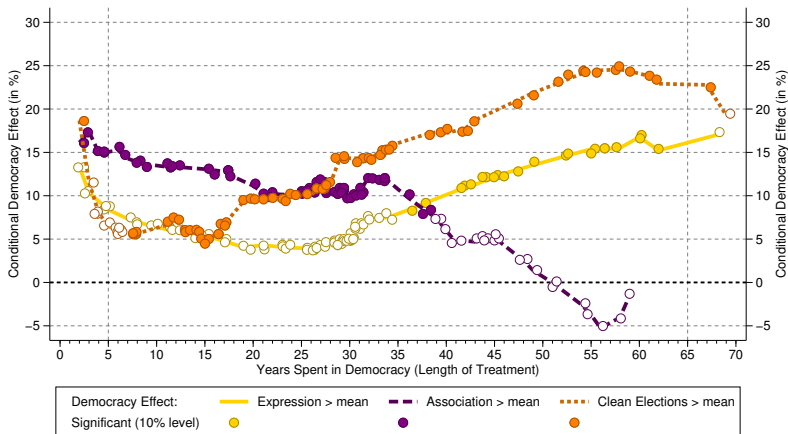
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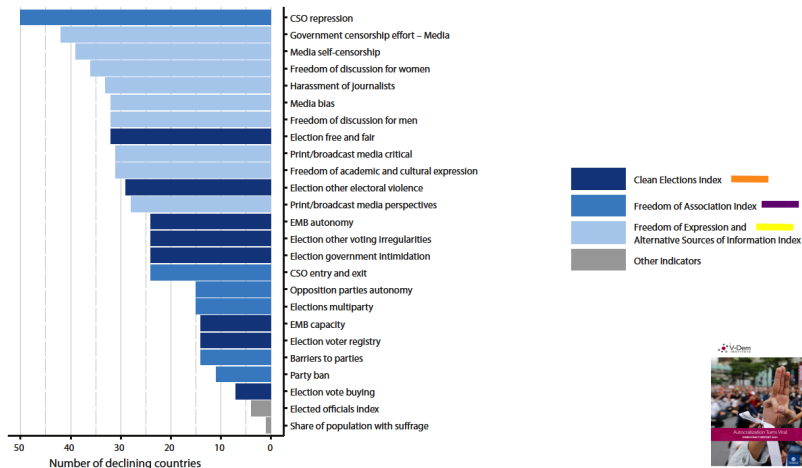
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# Implications of the current Wave of Autocratisation for Long-Run Economic Prosperity

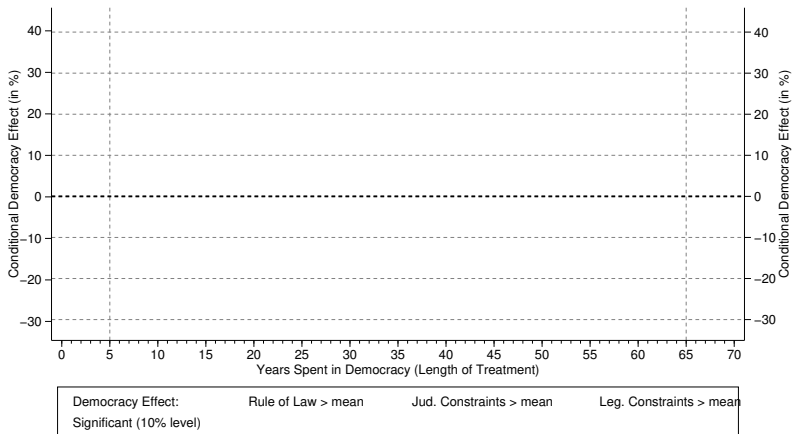
**FIGURE 13: INDICATORS OF DEMOCRACY DECLINING, SUBSTANTIALLY AND SIGNIFICANTLY, 2010–2020**



Source: V-Dem *Democracy Report 2021* – Autocratisation turns viral

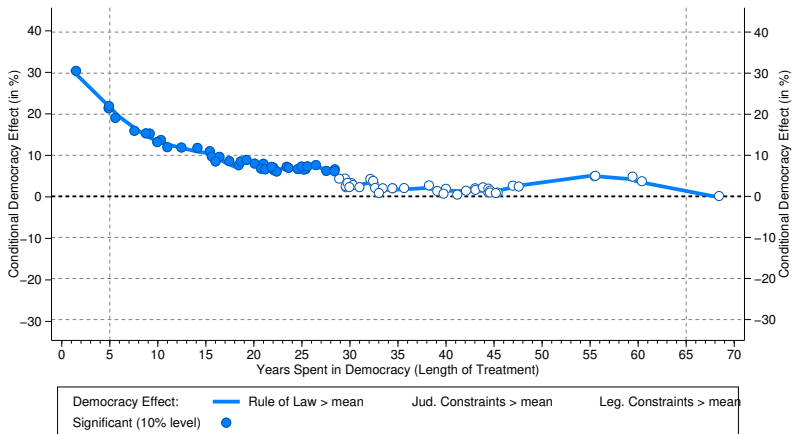
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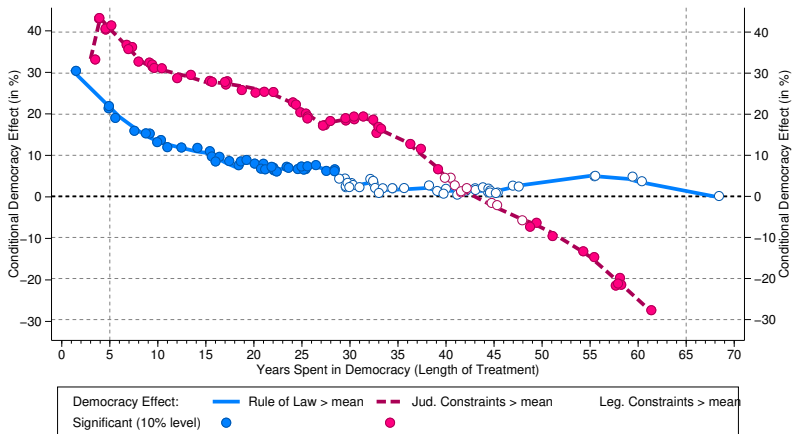
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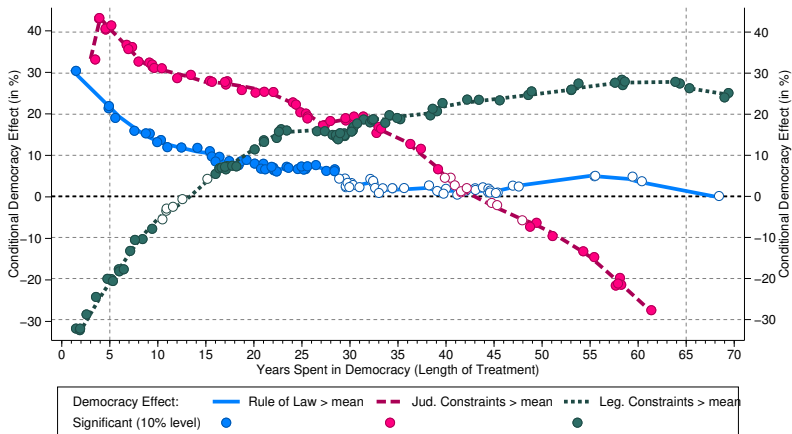
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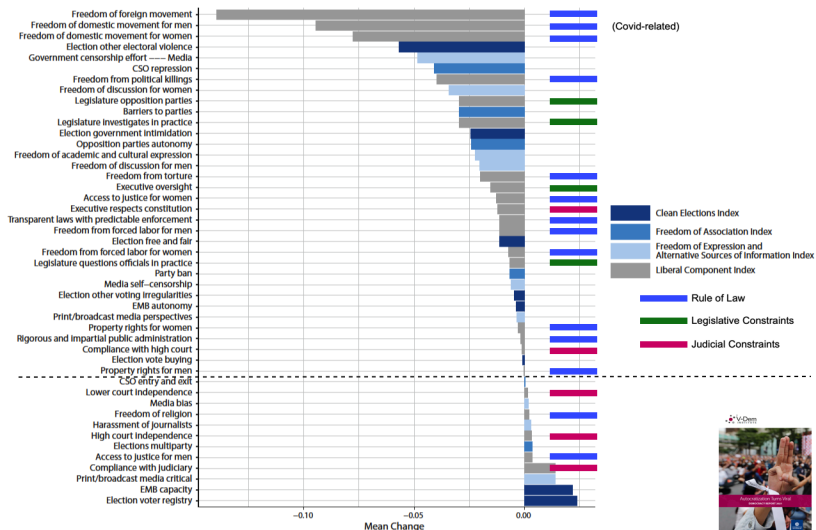
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**FIGURE 8: CHANGE ON INDICATORS COMPOSING THE LIBERAL DEMOCRACY INDEX, 2019–2020**



Source: V-Dem *Democracy Report 2021 – Autocratisation turns viral*



## Concluding Remarks

### ▷▷ What are the building blocks of the positive liberal democracy-growth relationship?

- ▶ Drill down on 'Liberal Democracy' to see which institutions matter (most).
- ▶ Causal treatment effect models, trace institutions-growth effect over time spent 'in democracy'.

### ▷▷ Findings:

- ▶ becoming a 'liberal democracy' has a perpetual effect on economic growth;
- ▶ freedom of expression and clean elections drive the long-run growth process (electoral democracy);
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**Thank you!**

Markus Eberhardt and Vanessa Boese