

ABSTRACT

Today almost all countries in the world are experiencing the third wave of democracy. This has made many countries change their government systems to become democracies. One of the reasons why they changed the system of government is the failure of the autocratic government to increase economic growth. This study aims to analyze the relationship between democracy and economic growth. This study uses the fixed effects model with a sample of 130 countries from 2011-2020. Democracy is measured by the index of polyarchic, liberal, participatory, deliberative, and egalitarian democracy from the Variety of Democracy (V-DEM) dataset. The results show that there is no linear relationship between democracy and economic growth, on the contrary, there is a non-linear relationship in both the country fixed effects and year fixed effects models. In the country fixed effects the relationship is inverted U-shaped, while in the year fixed effects it is U-shaped.

Key Words : Democracy, Economy Growth

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