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DEMOCRACY AND ECONOMIC GROWTH IN MIST COUNTRIES: AN EMPIRICAL ANALYSIS

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Abstract

Studies on institutions, which are one of the main determinants of economic growth, have been increasing intensively in recent years. In this context, despite many empirical and theoretical studies on the relationship between democracy and economic growth, there is no consensus about the effect of democracy on economic growth. This study analyzes the relationship between democracy and economic growth for MIST (Mexico, Indonesia, South Korea, and Turkey) countries. Firstly, the cross-sectional dependence was examined in the study for the 1973–2021 period. The second generation panel unit root test (Pesaran CADF (2007)) was chosen because of the cross-sectional dependence among the series. The stationarity of the variables at I(1) is ensured. Having determined the cointegration relationship (Westerlund Durbin-H test (2008)) between the series, the Panel CCE estimator was used to estimate the cointegration coefficients. Kónya causality test was used for the causality between democracy and economic growth. It is found that an increase in the level of democracy boosts the economic growth. It is suggested that the MIST nations continue to undertake policies targeted at establishing democratic institutions that contribute to economic progress.

Keywords: *Democracy, Institutions, Economic growth, Panel data analysis.*

MİST ÜLKELERİNDE DEMOKRASİ İLE EKONOMİK BÜYÜME: AMPİRİK BİR ANALİZ

Öz

Ekonomik büyümenin temel belirleyicilerinden biri olan kurumlar üzerine yapılan çalışmalar son yıllarda yoğun bir biçimde artmaktadır. Bu bağlamda, demokrasi ile ekonomik büyüme arasındaki ilişkiye dönük birçok ampirik ve teorik çalışmaya rağmen demokrasinin ekonomik büyüme üzerindeki ne tür bir etki oluşturduğu konusunda ortak bir kanı bulunmamaktadır. Bu çalışmada, demokrasi ve ekonomik büyüme arasındaki ilişki MIST (Meksika, Endonezya, Güney Kore ve Türkiye) ülkeleri için analiz edilmiştir. 1973-2021 döneminin baz alındığı çalışmada öncelikle yatay kesit bağımlılığı incelenmiştir. Serilerde yatay kesit bağımlılığı nedeniyle ikinci kuşak panel birim kök testi (Pesaran CADF (2007)) seçilmiştir. Değişkenlerin I(1) mertebede durağanlıkları sağlanmıştır. Seriler arasında eşbütünleşme ilişkisi (Westerlund Durbin-H test (2008)) tespit edildikten sonra eşbütünleşme katsayılarının tahmini için Panel CCE tahmincisi kullanılmıştır. Demokrasi ve ekonomik büyüme arasındaki nedensellik ilişkisi için Kónya Nedensellik sınaması yapılmıştır. Demokrasi seviyesindeki artışın ekonomik büyümeyi arttırdığı bulgusuna ulaşılmıştır. MIST ülkelerinde ekonomik büyümeye katkı sağlayan demokratik kurumların inşasına dönük politika uygulamalarının sürdürülmesi önerilmektedir.

Anahtar kelimeler: *Demokrasi, Kurumlar, Ekonomik büyüme, Panel veri analizi.*

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1. INTRODUCTION

Studies are underway intensively regarding economic growth that enhances living standards and forms a basis for increasing their welfare levels. Research by economists shows that successful economic growth is achieved through high levels of physical and human capital accumulation and continuous technological development. However, this result raises an important question: Why are some nations able to achieve this successfully while others are not? (Snowdon and Vane, 2005:633). When addressing this question, Dani Rodrik (2003) offers a useful framework by emphasizing the difference between the deep and approximate determinants of economic growth. As suggested by Rodrik, physical capital, human capital, and productivity growth are three approximate determinants that increase per capita output. Geography, integration (trade) and institutions are the deep determinants of economic growth (Rodrik, 2003:4-5).

The idea that institutions deeply affect the wealth of nations is based on Adam Smith's The Wealth of Nations published in 1776. In this sense, particularly for the last half century, economists have tended to focus their analysis of the deeper determinants of growth on the role of institutions. Economists have emphasized the effectiveness of legal systems, including property rights, corruption, regulatory structures, and the quality of governance. (North, 1990; Olson, 1993; Acemoğlu et al., 2001, 2002; Hibbs, 2001; Glaeser ve Shleifer, 2002; Snovdon and Vane, 2005; Chang, 2006). North defines institutions as "the rules of a game in a society, or in a more formal way, the constraints that shape human interaction that are imposed by people." North makes a binary distinction between formal and informal institutions. State power and public enforcements (laws, rules and regulations) are deemed formal institutions, while institutions that arise from mutual relationships and interactions in society are defined as informal institutions. North emphasizes that institutions play an important role in promoting or hindering economic performance (North, 2010:9-12). Considering the importance of these issues, recent literature of political economy on growth has focused on the relationships between economic freedom, democracy and growth (Bhagwati 1995; Barro, 1996, 1997, 1999; Clague et al., 1996; Minier, 1998; Durham, 1999; Landman, 1999; Olson et al., 2000).

The perspective that a stable democracy is good for continuous growth is increasingly gaining support. The most important foundations of democracy's positive effect on economic growth are to provide political stability, create economic freedom and protect property rights. It is clear that property rights, which reduce transaction costs and play an effective role in developing specialization and international trade and increasing the motivation of economic actors to work and invest, will never be fully guaranteed in autocratic forms of government. It is a well-known fact that property rights are only protected in economies where democracy exists and develops. It is attention-grabbing that almost all countries that perform well have the common feature of stable democratic governments (North, 1990; Olson, 1993; Alesina and Perotti, 1996; Sen, 1999; Rodrik, 2000, 2007; Acemoğlu and Robinson 2000a, 2000b, 2000c, 2000d, 2006, 2009). Furthermore, democracies have positive effects on economic growth with high human capital, low inflation, low political instability and high levels of economic freedom (Doucouliagos ve Ulubaşoğlu, 2008). In societies where democracies are dominant, governments responsive to the demands of its people pave the way for long-term growth through services such as public health and education (Baum and Lake, 2003). Gerring et al. (2005) suggest that a democratic regime's sustainability prompts significant physical, human, social and political capital. The authors suggest that all four types of capital can have an impact on economic growth performance (Gerring et al, 2005:325-326).

There are three theoretical approaches to the relationship between democracy and economic growth/development (Sirowy and Inkeles, 1990: 128-134; Barış and Erdoğmuş, 2018: 86-91). The conflict perspective is the first of these approaches. According to the conflict perspective, the authoritarian rule is essential for ensuring a quick and stable economic growth. The conflict perspective's central thesis is that economic progress is hampered by democratic governance structure. Supporters of this viewpoint consider economic growth and democracy as opposing forces at odds with one another. The compatibility perspective is an alternative perspective that opposes the use of a centralized authority to carry out economic growth. The assertions made by supporters of the authoritarian paradigm are heavily opposed by supporters of the democratic approach. The theory behind this strategy is that democracy and economic development can coexist and even assist one another (Papaioannou, E. and Siourounis, G. 2008; Acemoğlu et al., 2019; Boese-Schlosser and Eberhardt, 2022).

The compatibility perspective paradigm states that to assure economic progress, it is important to enforce contracts, uphold law and order, etc. Although it is known that an authority is required for the implementation, they vehemently disagree with the notion that the citizen should be under the control of a central authority, which comes at a significant expense in terms of rights and liberties. The skeptical perspective is the third and last approach. The defenders of this strategy are not certain that there is a systematic relationship between economic progress and democracy. They are skeptical about whether democracy or autocracy is a better political system for economic development. Proponents of this theory state that politics alone is of little importance, and it is necessary to focus on institutional structures rather than democratic or autocratic approaches (Butkiewicz and Yanikkaya, 2006). The meta-analysis study of Doucouliagos and Ulubasoglu (2008) can be given as an example of this approach.

Whether democracy promotes economic growth or vice versa was another question that needed to be answered in the context of democracy and economic development. In recent years, this kind of question has been frequently explored. According to Lipset (1959), welfare and development foster and promote democracy. Bhagwati (1995) dismisses the "cruel dilemma," which was prevalent in the 1960s when emerging nations had to make a decision between democracy and economic progress. This assertion is supported by the fact that numerous nations, particularly those with transitional economies, have had rapid development rates since making the switch to democracy. The idea that democracy promotes economic growth has been supported by numerous studies in the field of institutional economics in recent years, particularly those by Acemoglu and Robinson (2000a, 2000b, 2006 and 2009) and Snowdon and Vane (2005).

In the past, various nations of East and Southeast Asia, particularly South Korea, and some nations of Latin America, particularly Chile under the regime of General Pinochet attained substantial and high growth (Rodrik, 2007:168). Despite the non-democratic management style, they are now growing quickly, particularly in China and Russia. Autocratic states, now in power, are creating a “signal” or “foresight” environment that suggests they will experience economic growth even in the absence of the installation of democratic institutions in their developing nations. In this context, it is clear that authoritarianism has become more prevalent in recent years, particularly in emerging nations.

Global freedom is under grave threat, according to the 2022 World Freedom Report chapter titled “The Global Expansion of Authoritarian Rule.” The published research claimed that authoritarian regimes’ policies had spread globally and nations seeking to find a middle ground between democracy and authoritarianism were shifting more and more in that direction. Only 25 countries saw an improvement in democratic advancements, though democratic gains fell in 60 nations when compared to the year 2021. According to the reports, the percentage of people who live in non-free nations has risen to more than 38% as of today, the highest level since 1997. In addition, it has been reported that only 20% of the world’s population currently resides in free nations (Freedom House, 2022:1-2).

On a worldwide scale, a variety of measures are used to assess democracy. An evaluation of the democratic status of countries can be made by subjecting them to certain scoring based on some indicators. Some of the commonly used indices in the literature are: (i) Freedom House Index, (ii) Polity Index, (iii) Bollen Index, (iv) Poe and Tate Index, (v) Democracy Index, (vi) Vanhanen Index, etc. (Sırım and Eraslan, 2020:122).

In addition to the Democracy Index prepared by the news unit of the British magazine, The Economist, which is heavily used today and is one of the most used indexes by researchers is the US-based Freedom House index. Freedom House, founded in 1941 and headquartered in Washington, is a non-governmental organization that conducts research on human rights, political freedom and democracy. Annual global reports on political rights and civil liberties are released, with descriptive texts and numerical scores for every nation and selected subset of areas. The 2022 edition covers events from January 1, 2021 to December 31, 2021 in 195 nations and 15 regions. The index is divided into two sections: political rights, which cover issues like political engagement and free and fair elections, and civil liberties, which cover issues like free speech and the rule of law. A total of 100 points, or 40 points for political rights and 60 points for civil liberties make up the index. The last stage of scoring uses the average of the scores in the categories of political rights and civil liberties to assess the level of freedom in each nation. Both high and low scores represent a healthy degree of democracy and freedom. The scores that were created between one and seven correspond to those listed. The range of total scores corresponds to the highest degree of freedom (1), the lowest degree of freedom (7), and so on. The status of the nation is determined by these average scores, which are stated as the fundamental formula of “Free (1.0-2.5), Partly Free

(3.0-5.0), and Not Free (5.5-7.0)". As of the 2020 edition, the Freedom House no longer publishes scores of 1–7 as a separate element of its results, even if the fundamental formula for converting scores to status remains the same. However, the raw data that may be downloaded still contains ratings (Freedom House, 2019; Freedom House, 2022).

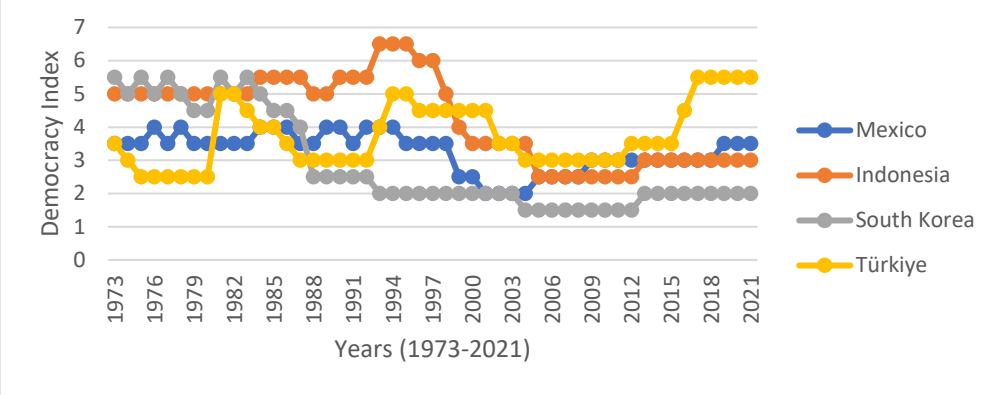

Figure 1: The Course of Democracy Index in MIST Countries

Figure 1 depicts the evolution of the democracy index for the four nations that make up the current study—Mexico, Indonesia, South Korea, and Turkey—from 1973 to 2021. Similar circumstances may be found in the four nations we have discussed today where authoritarianism is on the rise. Since 2009, Mexico has departed from the category of "partly free," as has Indonesia. Even if South Korea's democracy rating climbed from 1.5 to 2 as of 2013, it still qualifies as "free." On the other side, Turkey has had the designation of "not free" since 2017.

It is helpful to outline the characteristics that distinguish the MIST countries, the focus of the current study, on a worldwide level. In his paper titled "Building Better Global Economic BRICs," Jim O'Neill (2001), an economist with the US investment bank Goldman Sachs, offers the strongest growth outlook and a strong economic BRIC. He listed the four economies (Brazil, Russia, India and China) that have the most potential when naming the acronym "BRIC," which is taken from the first letters of the nation names. By 2011, Jim O'Neill had begun to refer to Mexico, Indonesia, South Korea and Turkey collectively as MIST. According to O'Neill, MIST countries constitute the new layer of emerging markets. There are a number of common factors that make MIST countries important. These countries have a strong demographic structure, a large and young population, and a large market. Furthermore, each country's economy accounts for approximately 1% of global GDP, and they are all members of the Group of Twenty (G-20) (Fillingham, 2012; Śledzik, 2012).

MIST countries are located in different geographies. Their proximity to the US, Europe and China, as well as their high level of financial market activity and openness to the outside world have played an important role in the formation of the group. Their developing social structure, along with the development of their consumption patterns besides a rising middle class with a certain level of consciousness are important factors in the formation of the MIST countries (Çelebi Boz et al., 2019: 1114). In addition, their geopolitical positions determine their significant roles in the global economy. In the last decade, the average annual growth rates of Mexico, Indonesia, South Korea and Turkey were 2%, 4.7%, 3.06% and 5.98%, respectively. The total population of the mentioned group of countries is around 537 million, which corresponds to approximately 14.7% of the world's population. Mexico is the second largest economy in Latin America after Brazil, and the 15th largest economy in the world. Indonesia has the largest economy in Southeast Asia and is the 16th largest economy in the world. South Korea is the 12th largest economy in the world among 196 countries in terms of current prices as of 2022. Turkey is among the top 20 largest economies in the world according to the nominal GDP (www.ticaret.gov.tr.).

The study attempted to investigate the connection between democratic development and economic growth in MIST nations. It adds to the body of knowledge by examining the relationship between democracy and long-term economic growth in these four G-20 member nations. Their growth rates make them stand out and they also have a sizable domestic market in addition to the emerging market class. The study is distinctive in that there has never been a direct comparison between democracy and economic growth in MIST countries. After the introduction in this framework, a few literary studies are provided. The data set, the techniques and the conclusions are described in the third section.

2. LITERATURE REVIEW

Some studies directly related to economic growth and the democracy index in the economic literature are included in this section of the study. The studies conducted with panel data analysis are presented below.

Barro (1996) conducted a panel analysis of 100 countries to determine the relationship between democracy and economic growth from 1960 to 1990. The findings show that the relationship between democracy and economic growth is not on a linear plane. The study shows that the rule of law, free markets, low levels of public consumption, and high levels of human capital have positive effects on growth. After controlling for the real GDP per capita with the aforementioned variables, the overall effect of democracy on economic growth is seen to be weakly negative. As a conclusion, democracy speeds up economic growth in countries with low degrees of political freedom while slowing it in countries with moderate levels.

Leblang (1997) used panel data analysis to examine the years 1960–1989 in order to ascertain how democracy affected economic growth in 70 different nations. It has been determined that democracy has a favorable impact on these nations' economic growth.

In a sample of 96 nations, Feng (1997) looked at the impact of political stability and democracy on economic growth over the years 1960–1980. The study's empirical results, which were based on the 3-Stage Least Squares Method, demonstrate that democracy indirectly promotes growth (through regime change and constitutional government change).

In his study of 90 nations, Rodrik (2000) examined the correlation between a nation's per capita GDP growth rate for the years 1970–1989 and its degree of democracy. It was discovered that there was a statistically significant positive link between the two factors. According to the study, democracy promotes the development of solid institutions, which promotes economic growth.

Through a variety of routes, Tavares and Wacziarg (2001) attempted to experimentally establish the link between democracy and economic growth for 65 industrialized and developing nations between 1970 and 1989. It has been determined that democratic institutions enhance economic growth by reducing income inequality and expanding access to education, both of which increase the accumulation of human capital. However, they discovered that democracy slows economic growth due to lower rates of physical capital formation and higher government consumption of GDP (GDP). In light of all the relevant indirect impacts, they came to the conclusion that democracy generally has a negative impact on economic growth.

Butkiewicz and Yanikkaya (2006) examined how democracy and the rule of law impacted economic growth in 100 nations between 1970 and 1999. They observed that while the implementation of democratic institutions had no impact on development performance, the protection of the rule of law had a favorable impact on growth in these countries.

Sekmen and Özkan (2012) looked into the possibility of a link between the degree of democracy and economic development. For this purpose, the period 1971-2009 for developed countries, including Austria, Belgium, Denmark, France, Italy, the Netherlands, and the United States; the 1974-2009 period for developing countries, including Argentina, Chile, Egypt, Greece, India, and Turkey; and the 1973-2009 period for some Eastern European countries, including Albania, Bulgaria, the Czech Republic, Estonia, and Romania, is taken as a basis. The findings indicate that while democracy has no effect on economic growth in developed nations, it has a negative impact on it in several developing Eastern European nations.

In a panel data frame for the years 1980–2005 for 28 sub-Saharan African nations, Jaunky (2013) examined the connection between democracy and economic growth. Both the Panel FMOLS and Panel DOLS methodologies were used to quantify the impact of democracy on economic growth. It has been discovered that democracy increases GDP. Additionally, it has been concluded that economic growth also affects democracy positively.

In 17 MENA countries between 1983 and 2012, Raichdi and Saidi (2015) attempted to empirically evaluate whether democracy promotes economic growth. The study's panel data analysis (fixed effects, random effects, and generalized moments method) revealed that democracy had a statistically significant negative impact on economic growth.

The relationship between democracy and economic growth was examined for 15 MENA countries from 1999 to 2012 by Acaravci et al. (2015). It has been concluded that the conflict approach is valid for these countries. So, democracy has a detrimental impact on per capita income. Furthermore, no causal connection between economic growth, the rate of democratic development, and the rate of rise in internet usage was discovered in the study.

In his research on the MINT (Mexico, Indonesia, Nigeria, and Turkey) countries from 1990 to 2012, Hayaloğlu (2015) addressed the connection between democracy and economic growth using three distinct models. All three of the democracy indices that have been utilized have shown a correlation between democracy and economic growth that is favorable.

Azerbaijan, Belarus, Armenia, Georgia, Moldova, Russia, and Ukraine were the countries studied by Şahin (2017) in their study of the relationship between democracy and economic growth. In the study covering the period from 1995-2015, it was determined that there is a statistically significant and long-term relationship between the democracy index and the economic growth variable. To say it another way, it has been determined that advancements in democracy encourage economic growth. Furthermore, the study found that while there is no causative link between democracy and economic growth in these nations over the short term, there is a long-term, bidirectional causal link between democracy and economic growth.

To ascertain the link between economic growth and democracy, Heshmati and Kim (2017) investigated at 144 countries between 1980 and 2014 for their study. Empirical findings using panel data demonstrated that democracy has a significant favorable impact on economic growth. Additionally, it was discovered that democratic countries have greater marginal effects than non-democratic nations when it comes to credit guarantees and foreign direct investment inflows, two of the most significant factors that positively relate economic growth and democracy.

Bozkurt et al. (2018) explored the effect of democracy on economic growth by using the panel data technique with data from 1972–2016 for 8 countries included in the emerging market economy. A long-term relationship has been identified between democracy and economic growth. The cointegration coefficients were estimated by the Panel AMG method. In Brazil, India, Turkey and Chile, the increase in the level of democracy positively affects economic growth; In Argentina, China, Indonesia and South Africa, it was concluded that an increase in the level of democracy negatively affects economic growth.

Koçak and Uzay (2018) investigated at 38 high-, middle-, and low-income nations' institutional quality and economic growth from 1995 to 2013. Economic growth has been shown to benefit from the institutional nature embodied by democracy and economic liberty. The aforementioned relationship is not one-way; institutional quality has also been proven to be significantly impacted by an increase in economic growth.

The relationship between economic growth and democracy was examined by Acemoglu et al. (2019) in a study that covered the years 1960 to 2010 and included 175 countries. According to research, democracy has a statistically significant and advantageous impact on economic growth (an increase in GDP), and over the long run, democratization raises per capita GDP by about 20%. An increase in GDP is supported by elements like promoting a democratic investment climate, raising enrollment rates, facilitating economic changes, lowering social discontent, etc.

Mathonnat and Minea (2019) analyzed relationship between democracy and economic growth volatility (EGV) for the period 1975-2007 by using a panel of 140 countries in their study. The findings show that democracies significantly reduce EGV compared to dictatorships.

Colagrossi et al. (2020) examined 188 studies (2047 model) that deal with the relationship between democracy and economic growth with a meta-analytic analysis. The authors also compared the impact of democracy on growth with the impact of human capital on growth in a subsample of 111 studies (875 models). The findings show that democracy has a positive and direct effect on the economy.

The table below lists a few studies that were subjected to a literature review.

Table 1. Research on the Relationships Between Democracy and Economic Growth (Literature)

Author(s)	Country Group/ Term	Insitutional Indicator	Conclusion
Studies the Results That Democracy Has a Positive Effect on Economic Growth			
Leblang (1997)	-70 Countries -1960-1989	- Democracy	Democracy has a positive effect on economic growth.
Feng (1997)	-96 Countries -1960-1980	- Democracy - Politic Stability	Democracy has a positive effect on economic growth.
Rodrik (2000)	-90 Countries -1970-1989	- Democracy	Democracy has a positive effect on economic growth.
Jaunky (2013)	-28 Sub-Saharan Africa Countries -1980-2005	- Democracy	Democracy has a positive effect on economic growth.
Hayaloğlu (2015)	-MİNT Countries -1990-2012	- Democracy	Democracy has a positive effect on economic growth.
Şahin (2017)	-7 Countries (Transition Economies) -1995-2015	- Democracy	Democracy has a positive effect on economic growth.
Heshmati and Kim (2017)	-144 Countries -1980-2014	- Democracy	Democracy has a positive effect on economic growth.
Koçak and Uzay (2018)	-38 Countries -1995-2013	- Democracy and - Economic Freedoms	Democracy and economic freedoms have a positive effect on economic growth.
Bozkurt et al. (2018)	-8 Countries (Emerging Market) -1972-2016	- Democracy	Democracy has a positive effect on economic growth in Brazil, India, Turkey, and Chile; In Argentina, China, Indonesia, and South Africa, democracy has a negative effect on economic growth.
Acemoğlu et al. (2019)	-175 Countries -1960-2010	- Democracy	Democracy has a positive effect on economic growth.
Mathonnat and Minea (2019)	-140 Countries -1975–2007	-Democracy	Democracies significantly decrease EGV (Economic Growth Volatility) compared to dictatorships.
Studies the Results That Democracy Has a Negative Effect on Economic Growth			
Barro (1996)	-100 Countries -1960-1990	- Democracy	Democracy has a negative effect on economic growth.
Tavares and Wacziarg (2001)	-65 Countries -1970-1989	- Democracy	Democracy has a negative effect on economic growth.
Raichdi and Saidi (2015)	-17 MENA Countries -1983-2012	- Democracy	Democracy has a negative effect on economic growth.
Acaravcı et al. (2015)	-17 MENA Countries -1999-2012	- Democracy	Democracy has a negative effect on economic growth.
Studies the Results That Democracy Has a Negligible Effect on Economic Growth			
Butkiewicz and Yanikkaya (2006)	-100 Countries -1970-1999	- Democracy - Rule of Law	It has been concluded that while democracy has no effect on growth, the rule of law has no effect on it.
Doucouliagos and Ulubaşoğlu (2008)	-84 Countries -1983-2005	-Democracy	There is no significant relationship between democracy and economic growth.

Sekmen and Özkan (2012)	-Selected Developed Countries (1971-2009) - Selected Developinf Countries (1974-2009) - Selected Eastern European Countries (1973-2009)	- Democracy	In affluent countries, democracy has no effect on economic growth; but, in some developing countries and particularly Eastern European nations, it has been demonstrated that democracy has a detrimental affect.

Unlike previous studies, the current study attempts to estimate the relationship between the democracy index and economic growth in MIST countries, which attract attention in the international arena due to their robust demographic structure, young population, large market, and growth performance, using dynamic/next generation panel econometric methods. In addition, trying to directly determine the direction and severity of the relationship between the two variables for MIST countries is compatible with the goal of closing the gap in the literature.

3. DATASET, METHODS AND FINDINGS

3.1. Data Set

The following mathematical model and equation were employed in the study to ascertain the connection between democracy and economic development in the MIST (Mexico, Indonesia, South Korea, and Turkey) countries.

lnGDP=f (lnDEM, lnGCF, lnFDI)

$$lnGDP_{it}=\alpha_{it}+\beta_1 lnDEM_{it} + \beta_2 lnGCF_{it}+\beta_3 lnFDI_{it}t\ \varepsilon_{it} \quad (1)$$

The units of i in the model; t is the time, β is the slope parameter and ε is the error term. Equation 1 shows the GDP per capita US dollars as well as the democracy index as InDEMit. InGCF (Gross capital formation) and lnFDI (Foreign direct investment, net inflows) variables are included in the model as control variables, representing capital and investment. Data on per capita GDP, GFC and FDI are sourced from the World Bank database (World Development Indicators). Data on the Democracy Index was also obtained from Freedom House. The index in question has been scaled and altered to accept a value between 0 and 100. By taking the study's variables' natural logarithms and adding them to the analysis, it was linearized. For the analysis, annual data were used between 1973 and 2021.

3.2. Econometric Method

3.2.1. Cross-Sectional Dependence Tests

Testing the cross-sectional dependence is the first stage of the empirical study. In panel data analysis, the assumption that a shock to the cross-section series impacts all sections in the panel equally is unrealistic and restricting. The type of unit root test, cointegration test, cointegration coefficient estimator, and causality tests to be utilized in the analysis are chosen using the cross-sectional dependence test.

To examine the panel's variables and its cross-sectional dependence, Pesaran (2004) CD and CD_{LM} tests, Pesaran, Ullah and Yamagata (2008) LM_{adj} tests, and Breusch-Pagan's (1980) LM test were all employed. While "There is no cross-sectional dependence" is the null hypothesis (H_0), "There is cross-sectional dependence exists" is the alternative hypothesis (H_1). As a consequence of the study, H_0 is rejected and it is concluded that there is a cross-sectional dependence if the probability values of the tests are less than 0.05.

The LM (Langrange Multiplier) test, developed by Breusch-Pagan (1980), is used when the time dimension (T) was large and the cross-sectional dimension (N) was small. Equation was shown in equation 1.

Calculated as $LM=T \sum_{i=1}^{N-1} \sum_{j=i+1}^{N} \hat{\rho}_{ij}^2$ (2)

The main hypothesis in the equation shown by the LMtest statistic;

Estimates of the cross-sectional correlations between the residuals were displayed in $\hat{\rho}_{ij}$.

$$\hat{\rho}_{ij} = \hat{\rho}_{ji} = \frac{\sum_{t=1}^{T} \hat{v}_{it}\hat{v}_{jt}}{(\sum_{t=1}^{T} \hat{v}_{it})^{1/2}(\sum_{t=1}^{T} \hat{v}_{jt})^{1/2}} \quad (3)$$

There is no cross-sectional dependence under the H_0 hypothesis. Under the H_0 hypothesis, N is constant and goes to T→∞. Statistics have an asymptotic Chi-square distribution with N(N-1)/2 degrees of freedom. The $CDLM_1$ test gives good results when the time dimension is greater than the cross-section dimension (T>N).

The CD and CDLM tests developed by Pesaran (2004) have been considered to compensate for the Breusch-Pagan LM test and give better results in cases where the cross-section size (N) was larger than the time dimension (T). CD and CDLM test statistics were calculated using the equations shown below, respectively.

$$CD_{LM}=\sqrt{\frac{1}{N(N-1)}}\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\left(T\hat{\rho}_{ij}^{2}-1\right) \quad (4)$$

$$CD=\sqrt{\frac{2T}{N(N-1)}}\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\hat{\rho}_{ij}^{2}$$

Developed by Pesaran, Ullah, and Yamagata (2008), the LMadj (Bias-adjested CD) test applies the inappropriate Breusch-Pagan (1980) LM test to the case where T and N are large have adapted, while N goes to infinity when N is small and T is large enough (Yerdelen Tatoğlu, 2017: 237-245).

The LMadj (Bias-adjested CD) test was calculated by the equation shown below.

$$LM_{adj}=\sqrt{\frac{2}{N(N-1)}}\sum_{i=1}^{N-1}\sum_{j=i+1}^{N}\hat{\rho}_{ij}^{2}\frac{(T-K-1)\hat{\rho}_{ij}-\hat{\mu}_{Tij}}{\upsilon_{Tij}}\sim N(0,1) \quad (6)$$

Each of the four tests' null and alternatives hypotheses were as follows:

H_0: There is no cross-sectional dependence.

H_1: There is a cross-sectional dependence.

3.2.1. Homogenity Tests

The homogeneity or heterogeneity of the slope parameters with respect to the units must be determined before choosing the cointegration tests and estimate techniques. The homogeneity of the slope coefficients was examined using the S Test, which was created by Swammy (1970) and is considered the first study in this area. Pesaran and Yamagata (2008) created this exam, which they then converted into a Delta test form. In this test;

$Y_{it}=\alpha+\beta i X_{it}+\varepsilon_{it}$

The slope coefficients in such a generic cointegration equation are examined to determine whether they vary from one cross-section to another. The following were the test's hypotheses:

H_0: $\beta i=\beta$ The slope coefficients are homogeneous.

H_1: $\beta i\neq\beta$ The slope coefficients are not homogeneous.

The panel is first estimated via OLS (Ordinary Least Squares) and then through the Weighted Fixed Effect Model to generate the required test statistics. Pesaran and Yamagata (2008) contributed to the field by developing Swamy's test for homogeneity tests of slope coefficients. It is accepted that the Delta (Δ) tests developed by Pesaran and Yamagata (2008) and widely used in econometric analyses give better results. It is generally acknowledged that the Delta (Δ) tests created by Pesaran and Yamagata (2008) and frequently utilized in econometric analysis produce better outcomes. Two different test statistics were developed by Pesaran and Yamagata (2008). Delta (Δ) test statistic shown in equation 5 is used for large samples, while Δadj test statistic shown in equation 6 is used for small samples.

$$\Delta=\sqrt{N}\left(\frac{N^{-1}\tilde{S}-k}{\sqrt{2k}}\right) \quad (7)$$

$$\Delta_{adj}=\sqrt{N}\left(\frac{N^{-1}\tilde{S}-E\left(\tilde{z}_{it}\right)}{\sqrt{var\left(\tilde{z}_{it}\right)}}\right) \quad (8)$$

N stands for the number of cross sections, S for the Swamy test statistic, k for the number of explanatory variables, and Var (z It) for the standard error. The cointegration coefficients are considered to be homogenous if the test probability values obtained as a result of the study are more than 0.05, which prevents H0 from being rejected. However, if the probability values of the test are less than 0.05, the H0 hypothesis is rejected and it is concluded that the cointegration coefficients are heterogeneous (Pesaran and Yamagata, 2008:57; Yerdelen Tatoğlu, 2017:237-246).

3.2.3. Panel Unit Root Test

Two different tests are employed to determine whether the variables are stationary when undertaking panel data analysis. Second-generation unit root tests are used in place of first-generation unit root tests when there is cross-sectional dependence and heterogeneity. The CADF test, created by Pesaran, is one of these examinations (2007). The existence of the unit root in time series data can be checked using a heterogeneous panel unit root test created by Im, Pesaran, and Shin (IPS) (2003). Extended Dickey-Fuller (ADF) regression is the foundation of this test. When there are external economies or shocks, standard IPS testing can produce false conclusions. As a result, Pesaran's (2007) cross-sectional extended IPS test is employed. The stationarity of each cross-section in the panel is calculated with CADF statistics. The stationarity of the panel is determined by taking the average of the unit root statistics obtained from each cross section with the CIPS statistics. In his model for unit root tests, Pesaran (2007) substituted the first differences of each series (individually) for the deviations of the expected components and used the cross-sectional averages of the lag levels (Pesaran, 2007:266).

The alternative hypothesis (H_1) in Pesaran's panel unit root test method is "Part of the cross sections are stationary," while the null hypothesis (H_0) is "Each cross-section is not stationary."

H_0: $\hat{b}_i=0$ *, for all cross sections.*

H_1: $\hat{b}_i<0$ *, i=1,2…,*N_1*,* $\hat{b}_i=0$ *, i=*N_1*+1,* N_2*+2,…,N.*

In this context, the CADF Test Model was created as follows:

$$\Delta y_{it}=\alpha_i+b_i y_{i,t-1}+c_i \bar{y}_{t-1}+d_i \Delta \bar{y}_t+e_{it} \quad (9)$$

Simulations demonstrate that even when time (T) and cross-section length (N) have very tiny values, panel unit root tests with extended cross-sections produce useful and significant findings. This model can be applied in situations where the cross-section dimension is larger than the time dimension (N>T) as well as situations where the time dimension is larger than the cross-section dimension (T>N) (Pesaran, 2007:267). The following formula is used to create the CIPS statistic's equation, which asymptotically has a standard normal distribution:

$$\text{CIPS (N, T)} = \text{t-bar}=N^{-1}\sum_{i=1}^{N} t_i \text{ (N, T)} \quad (10)$$

The t-statistical averages of the lagged variables in the equation are computed using the formula above after the CADF regression model for the entire panel is estimated using the CIPS unit root test. The table values generated in a fixed, constant, and trended form are compared to the crucial values (Δy_{it} and ti) acquired as a consequence of the CADF and CIPS tests. Stationarity is attained if the critical values are fewer than the critical values shown in Pesaran (2007).

3.2.4. Durbin-Hausman Panel Cointegration Test

The cointegration test is applied to test the existence of a long-term relationship between the series. Second-generation/generation tests, like unit root tests, should be used when there is cross-sectional dependence and heterogeneity. One of these tests is Westerlund's Durbin-Hausman (2008) cointegration method. In this method, the dependent variable must not be absolutely stationary at the level, I(0). One of the advantages of this method is that the independent variables can be used even if they are stationary at the level. Another advantage of this test is that different test statistics can be calculated for hypotheses that consider panel homogeneity and panel heterogeneity.

The Durbin-Hausman test includes two distinct cointegration tests. The Durbin-Hausman panel statistic DH_p is based on the presumption of panel homogeneity, and while calculating the test statistic, common constant and trend variables are employed for the countries that make up the panel. Based on the premise that the panel is heterogeneous, Durbin-Hausman group statistics (DH_g) calculate test statistics using constant and trend

variables unique to the nations that make up the panel (Westerlund, 2008:203-205). The statistics for DH_p and DH_g are as follows:

$DH_p=\hat{S}_n(\widehat{\emptyset}-\widehat{\emptyset})^2\sum_{i=1}^{n}\sum_{t=2}^{T}\hat{e}_{it-1}^2$ (11)

$DH_g=\sum_{i=1}^{n}\hat{S}_i(\widehat{\emptyset}\imath-\widehat{\emptyset}\imath)^2\sum_{t=2}^{T}\hat{e}_{it-1}^2$ (12

The null hypothesis for the Durbin-H panel statistic is H_0: $\emptyset i$=1ve i=1,….,n which means "There is no cointegration in the entire panel," while the alternative hypothesis is H_1^p: Øi = Ø ve Ø<1 means "There is cointegration for the panel." For the Durbin-H group statistic H_0: $\emptyset i$=1 "There is no cointegration for all units" and H_1^g: $\emptyset i$<1. "There is cointegration for some units." is in the form.

3.2.5. Estimating The Co-Integration Coefficients

One technique for estimating cointegration coefficients is the Common Correlated Effects (CCE) estimator Pesaran (2006) developed. When the variables are not stationary at level, the series are cointegrating, the slope coefficients are heterogeneous, and there is cross-sectional dependency, the panel CCE estimator is employed as an estimation technique. This method's ability to produce findings that exhibit a consistent and asymptotic normal distribution even whether the time dimension is larger or smaller than the cross-section dimension is one of its most significant benefits (Pesaran, 2006:967).

3.2.6. Kónya Causality Test

This causality test was developed by Kónya (2006) using the Seemingly Unrelated Regression (SUR) estimator created by Zellner (1962). The Kónya (2006) causality test is said to yield meaningful results since the SUR estimator is thought to be a more effective estimator than the OLS (Least Squares) estimator. Kónya (2006) causality test is a test based on Wald tests with country-specific bootstrap critical values. The fundamental hypotheses are disproved if the estimated Wald test statistical values are higher than the critical values. One benefit of this test is the assumption that the panel is not homogeneous. This makes it possible to assess Granger causality independently for each panel member nation. Another benefit of this test is that simultaneous correlation between nations is enabled, which enables the utilization of the extra information offered by the panel data. Additionally, because of this test, cointegration and unit root analyses are not necessary to do causality analysis (Gövdeli, 2018:383-384).

The bivariate model's bootstrap panel causality model is provided below.

$$y_{1,t}=\alpha_{1,1}+\sum_{l=1}^{mly_1}\beta_{1,1,l}y_{1,t-1}+\sum_{l=1}^{mlx_1}\varphi_{1,1,l}x_{1,t-1}+\mu_{1,1,t} \quad (12)$$

$$y_{1,t}=\alpha_{1,2}+\sum_{l=1}^{mly_1}\beta_{1,2,l}y_{2,t-1}+\sum_{l=1}^{mlx_1}\varphi_{1,2,l}x_{2,t-1}+\mu_{1,2,t} \quad (13)$$

⋮

$$y_{N,t}=\alpha_{1,N}+\sum_{l=1}^{mly_1}\beta_{1,N,l}y_{N,t-1}+\sum_{l=1}^{mlx_1}\varphi_{1,N,l}x_{N,t-1}+\mu_{1,N,t} \quad (14)$$

and

$$x_{1,t}=\alpha_{2,1}+\sum_{l=1}^{mly_2}\beta_{2,1,l}y_{1,t-1}+\sum_{l=1}^{mlx_2}\varphi_{2,1,l}x_{1,t-1}+\mu_{2,1,t} \quad (15)$$

$$x_{1,t}=\alpha_{2,2}+\sum_{l=1}^{mly_2}\beta_{2,2,l}y_{2,t-1}+\sum_{l=1}^{mlx_2}\varphi_{2,2,l}x_{2,t-1}+\mu_{2,2,t} \quad (16)$$

⋮

$$x_{N,t}=\alpha_{2,N}+\sum_{l=1}^{mly_2}\beta_{2,N,l}y_{N,t-1}+\sum_{l=1}^{mlx_2}\varphi_{2,N,l}x_{N,t-1}+\mu_{2,N,t} \quad (16)$$

In the given equations, y: lnGDP represents GDP per capita US dollars, and x: lnDEM represents the democracy index. N: the total number of participating nations I = 1,...,N), t: the time period (t = 1,...,T), and l: the lag length.

Each equation is calculated using a distinct sample because it is specific to a different nation. All of the equations use the same variables, yet they all use different observations. Each equation uses preset variables, and the possible connection between individual regressions is in cross-section dependence (Kónya, 2006:981). For any nation, Granger causality can be found. For instance, (i), when all $\varphi_{1,i}$'s are not equal to zero and all $\beta_{2,i}$'s are equal to zero, there is a one-way Granger causality link between lnGDP and lnDEM. (ii), One-way Granger

causation exists between lnDEM and lnGDP when all $\beta_{2,i}$'s are not equal to zero and all $\varphi_{1,i}$'s are equal to zero. (iii), When neither all $\varphi_{1,i}$ nor all $\beta_{2,i}$'s are equal to zero, there is bidirectional causality between lnGDP and lnDEM. (iv), If both all $\varphi_{1,i}$ and all $\beta_{2,i}$'s are equal to zero, there is no causal connection between lnGDP and lnDEM.

3.3. Prediction Results

A cross-sectional dependence test should be run for the variables and the panel equation in order to determine the cointegration test and test the stationarity of the series. In light of this, the outcomes of the cross-sectional dependence applied to the series and the entire panel are shown bel

Tablo 2. Cross-Sectional Dependence Test

Tests/Variables	lnGDP		lnDEM		lnGCF		lnFDI		MODEL	
	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.
LM(Breusch, Pagan 1980)	48.64	0.000*	32.931	0.000*	32.842	0.000*	38.087	0.000*	24.310	0.000*
CDLM(Pesaran 2004 CDlm)	12.309	0.000*	7.774	0.000*	7.749	0.000*	9.263	0.000*	5.286	0.000*
CD (Pesaran 2004 CD)	-4.886	0.000*	-5.326	0.000*	-5.176	0.000*	-4.941	0.000*	4.440	0.000*
LMadj (Pesaran et al. 2008)	15.355	0.000*	5.65	0.000*	11.558	0.000*	1.647	0.000*	6.017	0.000*

Note: *, It is stated that the null hypothesis is rejected at the 1% significance level.

The results of the panel and variable cross-sectional dependence tests are displayed in Table 2. The null hypothesis, which is rejected at the 1% level of significance, is that there is no cross-sectional dependence. The findings show that any MIST country will be impacted by shocks that may happen there.

Table 3. CIPS Unit Root Results (Constant)

Test/Variables	lnGDP	lnDEM	lnGCF	lnFDI	ΔlnGDP	ΔlnDEM	ΔlnGCF	ΔlnFDI
	Test Statistics		Test Statistics		Test Statistics		Test Statistics	
CIPS	-2.091	-1.427	-2.390**	-3.270*	-4.421*	-4.774*	-5.026*	-5.410 *

Note: The maximum lag length was determined to be 3, and the optimal lag lengths were determined using the Schwarz information criterion. * Stationarity was determined at the 1% significance level. CIPS test critical values were determined as -2.55, -2.33, and -2.21 for 1%, 5%, and 10% in Table II [b] (Pesaran, 2007:280).

The results of the Pesaran (2007) CADF unit root test, one of the second-generation unit root tests that consider cross-section dependency for determining the stationarity of the series, are presented in Table 3. According to Table 3. the lnGCF and lnFDI variables are stationary at the level. Since the level values of the series are greater than the CIPS table critical values, the null hypothesis is rejected and it is concluded that the series is not stationary for lnGDP and lnDEM variables. When the first difference in the series is taken, it can be observed that the test statistic values that are obtained are less than the crucial values for the CIPS table, confirming the series' stationarity at the 1% level of significance.

Table 3. CIPS Unit Root Results (Constant and Trend)

Test/Variables	lnGDP	lnDEM	lnGCF	lnFDI	ΔlnGDP	ΔlnDEM	ΔlnGCF	ΔlnFDI
	Test Statistics		Test Statistics		Test Statistics		Test Statistics	
CIPS	-2.091	-1.427	-2.390**	-3.182*	-4.421*	-4.774*	-5.390*	-5.410 *

Note: The maximum lag length was determined to be 3, and the optimal lag lengths were determined using the Schwarz information criterion. * Stationarity was determined at the 1% significance level. CIPS test critical values were determined as -3.06, -2.84, and -2.73 for 1%, 5%, and 10% in Table II [c] (Pesaran, 2007:281).

Both the lnGDP and lnDEM series possess unit roots at the level, according to the CADF unit root test results in Table 4, which include the constant and trend models. H_0 is rejected and it is determined that the series is not stationary because the CADF critical table values in Pesaran's (2007) study are less than the t statistical values. The H_0 hypothesis is disproved at the 1% level of significance by taking the initial difference between the two series, which demonstrates that the series is stationary.

Tablo 5. Homogeneity Test Results

Test	Test Statistics	Probability Value
Δ	9.054	0.000*
Δ_{adj}	9.543	0.000*

Note: *, Indicates that the null hypothesis is rejected at the 1% level of significance.

The heterogeneity of the slope coefficients of the variables in the cointegration equation were tested using the Δ ve Δ_{adj} test statistics, which are shown in Table 5. The findings in Table 3.5 demonstrate that, at the 1% level of significance, the slope coefficients are heterogeneous.

Tablo 6. Cointegration Test Results

Tests	Test Statistics	Probability Value
Durbin-H Group Statistics	3.566	0.000*
Durbin-H Panel Statistics	7.098	0.000*

Note: *, demonstrates that at the 1% significance level, the null hypothesis is rejected.

The Durbin-H Cointegration Test, developed by Westerlund (2008) is one of the techniques to be used to test the existence of a cointegration relationship between the series in situations when the cross-sectional dependence and slope parameters are heterogeneous. Based on the presumption that the panel is heterogeneous, the Durbin Hausman group statistic is a metric used to assess the cointegration connection.

The results of the cointegration test in the constant and trend models are displayed in Table 6. According to the Durbin-Hausman group statistics (DH_g), which is based on the heterogeneity assumption in the panel, the null hypothesis stating that there is no cointegration relationship between the series was rejected. At the 1% significance level, it was determined that there was a cointegration link between the series. The long-term cointegration coefficient estimate was started after the cointegration relationship had been established.

Tablo 7. Cointegration Coefficient Estimation Results

Variables/Countries	lnDEM		lnGCF		lnFDI	
	Coefficient	Probability	Coefficient	Probability	Coefficient	Probability
Mexico	-0.6472354	0.001*	0.9759499	0.000*	0.2240116	0.000*
Indonesia	-0.6791289	0.000*	0.7046377	0.000*	0.118687	0.000*
South Korea	-0.4901559	0.000*	0.7752453	0.001*	0.120627	0.000*
Türkiye	-0.6281603	0.000*	0.5137032	0.021**	0.0650932	0.072***
MODEL	-0.4910658	0.000*	0.742384	0.000*	0.1321047	0.000*

Note: *, ** and *** respectively refer to the significance levels of 1%, 5% and 10%

On a scale from 1 to 7, Freedom House assesses democracy index scores. A number that is near to 1 denotes a better degree of democracy, while a score that is more closely near to 7 denotes a decline in democracy. Because of this, negative cointegration coefficients indicate that the economy is growing. Panel CCE estimator was used to determine the effect of the democracy index on economic growth. Table 7 shows the long-term coefficient results for the panel as a whole and for the countries included in the panel. The elasticity coefficient of the democracy index in MIST countries for the 1973–2021 period is roughly –0.50, which is significant at the 1% level, according to the panel CCE estimator. In other words, a decrease of 1 unit in the democracy index (increase in the democratic level) increases economic growth by 0.50 units. The effect of democracy on the economy is positive at the 1% significance level for the panel in general and for each of the three countries (Mexico, Indonesia, South Korea, and Turkey). In other words, the development of democracy paves the way for

an increase in economic growth in these countries. As a result, it may be claimed that these nations are appropriate for the Compatibility Perspective. The results are broadly consistent with the studies that have been reported in the literature (Leblang, 1997; Feng, 1997; Rodrik, 2000; Jaunky, 2013; Hayaloğlu, 2015; Şahin, 2017; Heshmati and Kim, 2017; Bozkurt et al., 2018; Koçak and Uzay; 2018; Acemoğlu et al., 2019; Mathonnat and Minea, 2019). The effect of lnFDI and lnGCF (control variables) on economic growth are positive. The Kónya Causality Test was used to establish the causal connection between the variables. In Indonesia, a one-way causality relationship from democracy to economic growth was determined, and a one-way causality relationship from economic growth to democracy was determined in Turkey.

Tablo 8: Causality Test Results

	H_0:lnDEM↛lnGDP					H_0:lnGDP↛lnDEM			
		Critical Value					**Critical Value**		
Countries	**Statistics**	**1%**	**5%**	**10%**	**Countries**	**Statistics**	**1%**	**5%**	**10%**
Mexico	1.293	5.509	4.162	3.488	**Mexico**	1.311	9.971	7.598	6.565
Indonesia	14.579*	11.170	9.626	8.802	**Indonesia**	0.156	7.133	5.436	4.565
South Korea	0.006	8.316	6.366	5.486	**South Korea**	2.452	22.760	18.154	16.145
Türkiye	1.233	4.991	3.520	2.874	**Türkiye**	2.322*	2.608	1.929	1.609

Note: *, refer to the significance levels of 1%. Critical values were obtained with 10,000 bootstrap replications.

The causation association between economic growth and democracy in MIST countries is shown in Table 8 by the panel. The Konya (2006) causality test was used to identify the causal relationship in question. In the findings, a causal relationship was determined from the 1% significance level from the democracy index to economic growth in Indonesia. In addition, a causal relationship was found at the 5% significance level from economic growth to democracy index in Turkey.

4. CONCLUSION

The MIST countries have a young and high population, a solid demographic structure and a large market. Although these countries are located in different geographies, they are leading countries in terms of economic wealth in their regions. These countries are members of the G-20 and have a broad market with high trade openness. Each of these factors contributes to the MIST countries being regarded as the leading economies of the future. The guidance of these countries to a sustainable growth process depends on their economic policies. One of the research areas is focused on discovering the relationship between democracy and economic growth.

The current study used data from the period 1973-2021 to examine the relationship between economic growth and democracy in Mexico, Indonesia, South Korea and Turkey, which are part of the MIST group. The model used in the study showed that democracy has a positive effect on economic growth in MIST countries and at the time of the research, the consistency approach was applicable to this group of countries. The results of the study are noteworthy in that they suggest that the increasing trend of authoritarianism globally will not set an example for MIST countries with young and dynamic demographics and high growth rates.

Mexico did not experience a military coup process like other states in Latin America during the 20th century. However, constitutional institutions have lost their energy and reached our day under the influence of many bureaucratic and authoritarian ruling elites. Because Mexico was ruled by one-party system for many years, its people lacked justice, security and property rights. With the end of one-party system in the early 2000s, a more pluralistic system was brought to the country. Today, free and fair elections are held in Mexico and there is a political system that has witnessed the expansion of political tolerance and freedom of expression (Öztürk, 2021). We can say that this political atmosphere has had a positive impact on economic growth.

Indonesia, the world's fourth most populous country and is remarkable for its high fertility and young population, has been subjected to an authoritarian rule in the periods after having its independence in 1949. However, it is one of the most stable countries in the region. Building fiscal and economic reforms in Indonesia

thanks to democracy allowing for the formation and balance of institutional structures can be shown (Karış, 2020:9) as an example to the positive effect of democracy on economic growth.

It is remarkable that South Korea, which joined a heavy war in 1950 and was divided into North and South Korea on the 38th parallel in 1953, has experienced many military coups in the last 80 years. However, the fact that democracy developed human capital through education channels (Gerring et al., 2005:327; Mathonnat and Minea, 2019:594), has enabled South Korea to become a pioneer in the international trade by producing information and communication technologies. This is notable in terms of democratic countries typically having better-educated populations, higher investment shares and lower fertility rates (Gründler and Krieger, 2016:20). In a similar vein, Turkey has been subject to many military coups in the last 80 years and its geopolitical location can hinder to achieve political stability. However, it is noteworthy that there have been many efforts towards democratization, including European Union reforms (Boese-Schlosser and Markus Eberhardt, 2022:7-10). Ensuring the supremacy of law in democratic regimes has paved the way for building institutional structures, increasing economic freedoms through democratic reforms and increasing production, investment, and employment, thus contributing to the economic growth.

Increasing the level of democratic development in MIST countries can create a macroeconomic stability environment in the country's economy by increasing economic freedom, ensuring the supremacy of law, controlling corruption and protecting property rights. Macroeconomic stability can encourage both domestic and foreign investments in an economy. Democratization can create a low inflation and low political instability environment, providing a basis for increased economic growth. Furthermore, it allows for the development of high human capital by increasing literacy rates and improving public health services. All of these factors point to the combination of the necessary factors for achieving economic growth.

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