



Impact of Autocratic and Democratic Regime on the Economic Growth of Pakistan (1980 -2014)

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Abstract

This research study aims to investigate the interactions between the two types of political regimes: Autocracy and Democracy, and the economic performance or growth in Pakistan. Moreover, it also aims to study a diverse set of variables that include inflation rate, GDP growth rate, unemployment rate, investment rate, and the like to assess the impacts of shifts in the political regimes on these variables. The study analyzes the impacts of different economic policies on the rate of economic growth in Pakistan. For the purpose of research, this study derives its variables from the World Bank, Economic Surveys of Pakistan, and Pen World Table that cover the period from 1980 to 2014. Moreover, to carry out the research, Time Series Analysis is applied to study the statistical impact of the different political regimes on the economic growth in the country. The results of the study indicate that the economic activity in the country increases in the autocratic regimes and the growth rate in the GDP increases. Thus keeping in this view, it is concluded that autocratic regimes have a positive impact on the economic growth of the country.

Introduction

After 69 years of instability and volatile political dynamics, and proclaimed Independence, Pakistan is a state which still has parts of its system captivated in uncertainty. Uncertainty and instability have clawed upon most crucial and important parts of the country's system; ranging from security to economy. The rapidly shifting political regimes in the country have given birth to an unnerving environment in the nation that stretches far beyond the basic foundations of security, society, and welfare; this environment profoundly influences the more significant aspects of economy, health, growth, GDP, and the general population.

Furthermore, the interplay of ethnic and religious disparities, sectarianisms, religious fundamentalism, and diaspora of individuals in the already bleak structure of the country fuelled the weakening of the state structure. Considering the glaring link between the changing political regimes and effects on economic growth, this study focuses upon "Economy" that is an indicator of growth. The findings of this research thoroughly study the impact of changing political trends and government regimes, and their impact on Pakistan's volatile economy.

Reflecting upon the stark relationship between changing political regimes and economic growth, Acemoglu et al., (2003) argue that, "Nations that have sought after distortionary macroeconomic policies, including high inflation, huge budget deficits and misaligned exchange rates, seem to have endured more macroeconomic unpredictability, and developed at a slow pace amid the post war period. Does this mirror the causal impact of these macroeconomic policies on economic results? One motivation to suspect that the answer might be no is that nations seeking after poor macroeconomic policies additionally have frail institutions, including political

institutions that don't compel legislators and political elites, incapable authorization of property rights for investors, prevalent corruption, and a high level of political instability.”

Along the similar vein, Pakistan has witnessed different epochs ever since gaining independence in 1947 which represent varied economic policies and arrangements according to the political regimes that changed over the course of 69 years. The initial eleven years, starting from 1947 to 1958 marked the growing phase of the country when the economy was trying to settle down. Pakistan was a newly independent state that was trying to boost its weak economic foundations and underdeveloped economic sectors. Thus, the country was riddled with profound problems of refugees, low resources, and minimal political framework that posed challenges to a newly born state.

The era after this period is known to be the “Golden Era” in the Decade of Development under Ayub Khan (1958-68) (Zaidi, 2015). This period was characterized by high episodes of economic growth and significant hikes in the industrial and agricultural production under the military regime of Ayub Khan. Under Ayub’s rule, Pakistan witnessed a GDP rate of 5.79 that put Pakistan on a high pedestal in the global arena, and made it the first country to achieve the status of developed country at that time (Zaidi, 2015; Husain 2010). The era following Ayub’s military rule is regarded as highly significant period in the history of Pakistan; the five and a half year era of Zulfikar Ali Bhutto (1971-77) made him the most prominent leader of his time in the wake of his illiberal economic policies, and his rhetoric on Islamic Socialism. Bhutto’s nationalization policy was the main cause for the downfall in the economic growth trends, and his policies owed to the country’s failure in its journey towards distributive justice, modernization, and economic prosperity. The economic growth rate fell considerably, and the country failed to excel in its manufacturing and industrial sector.

The period following Bhutto's regime brought about the second military rule in the country that lasted for a decade under the rule of Zia-ul-Haq (1977-88). This period changed Pakistan for worse and it is known to be the most brutal regime out of the three preceding regimes in the country. Zia's policies changed the course of the whole nation, and brought the development and modernization process to a complete halt. Whilst his economic policies were liberal, his political arrangements and policies, Islamization practices, and the Afghan war sowed the seeds for future violence and intolerance that still haunts Pakistan.

Practices such as smuggling, ethnic violence, sectarianism, Jihadist movements, and military-civilian rifts deeply damaged the society of Pakistan, and put a considerable strain on the economy of the country. During his period, there was slow growth in the country; GDP grew at 6.6 per cent per annum (Husain, 2010). However, this growth was offset by later deficits in government budgets due to which Pakistan had to resort to assistance by IMF. This regime set the ground for deep-rooted harm that held severe repercussions for a longer period of time.

The period following the death of Zia-ul-Haq (1988-99) was characterized by nine changing political regimes which marked heightened political turmoil and instability, and slowed economic development. Mian Muhammad Nawaz Sharif and Benazir Bhutto frequently took turns ruling the country during this period that brought about ever-changing socio-economic policies in the country that aggravated the problems facing Pakistan. Husain (2010) explains that during this era, "GDP growth rate fell to 4 per cent, foreign investments dried up, and the manufacturing sector recorded an all-time low. Moreover, this period was riddled with high budget deficits, increasing inflation and poverty rates, high accumulation of public and external debts, stagnation of exports, and worsening of social indicators." All of this points to the abysmal fate that had conjured upon the whole nation. The interplay of lack of political will and

capability, highly parochial and personal politics, and widespread governance issues brewed a troublesome environment in the country that trickled down to the following years, and painted a rather bleak picture for the upcoming government.

Pakistan experienced yet another military coup at the hands of General Pervez Musharraf who overthrew Nawaz Sharif, and took charge of the country that was plunged in deep-rooted issues of weak balance of payments, high domestic indebtedness, rising unemployment and inflation, and heavy fiscal deficits. However, this period marked the revival of the economy of the country in the form of structural policy reforms and economic development policies. These measures breathed new life into the economic structure of the country as the “GDP growth rate increased from 3 per cent to 7 per cent in 2001-02” (Husain, 2010). Moreover, poverty was reduced considerably, and there was a sharp decline in unemployment from 8 per cent to 6.4 per cent (Husain, 2010). Stability in exchange rate, rise in foreign reserves, and growth in investment also sparked rejuvenation of the crippled economy of the country.

However, this blissful atmosphere didn't persist for long, and the governance crisis turned their ugly heads towards the country again in the form of judicial crisis, assassination of Benazir Bhutto, sectarian violence, and mismanaged transition from military to civilian political regime. These disturbances were augmented by the global economic crisis, recession in the OECD countries, and the global war on terrorism; all these had severe repercussions for Pakistan, and it was once again targeted by extreme disturbance and uncertainty. After the end of a decade long military rule of Musharraf (1999-2008), the following governments of Pakistan People's Party and Pakistan Muslim League came in the forefront to pick up the country once again, and lead it toward economic prosperity and development.

After experiencing two notorious military regimes, Pakistan was exhausted. It had witnessed decades of military coups and rapidly changing economic and social policies, which put immense strain on the nation's already depleting resources, and put deep seated pressures on the weak state structure. From embarking on the journey to being labeled as a developed nation to facing myriad challenges in the shape of evolving political regimes, Pakistan had to step down from its agenda of taking over the global arena by storm. This series of unfortunate events carried severe consequences which are still being experienced by the country in the form of illiteracy, extremism, terrorism, poverty, political turmoil and instability, sectarian violence, ethnic cleavages, and low economic development.

Ranging from Ayub's revolutionary period of economic growth and fast paced development, and Bhutto's regime of illiberal economic policies and arrangements coupled with nationalization policies for industries, universities and other organizations to Islamization period of Zia combined with his conservative social policies; Pakistan experienced instability on a scale that was greater than that of its counterparts, and it witnessed a mix of policies according to the different regimes that was not compatible with the ideology of the country. The Musharraf military regime paradoxically revived the country's economy and economic prosperity only to be struck again by the external and internal forces that were bent upon sullyng the country's economy.

Pakistan has witnessed twenty-three government regimes in the past sixty years. Categorically, fourteen elected prime ministers, five interim governments and thirty-three years of autocratic rule; the average life of a politically elected government has been 2.2 years. In contrast to ever changing political scenario, the economic policy of the country has changed twice only. The question being addressed through this research studies the direct relation of

economy and Pakistan's government, distinguishing between the two strategic types of government systems, and declaring whether democracy promotes economic growth or is it a by-product of autocracy.

It's beyond the shadow of doubt that the nature of policy making has a differentiated impact on economic policies and economic welfare in general. Therefore, we will study the nature of two different regimes under discussion with contrast to Pakistan and its economy, moving towards the conclusion of determining which political trends promote greater economic well-being. In addition, Table 1 summarizes the shifts of the regime from democratic to autocratic, and the reasons that owed to these transitions. Moreover, the names of the leaders who ruled each regime are also mentioned from the period 1977 to 2008.

Many scholars and theorists argue over the role of institutions in the economic growth of the country. Schmieding (1992) states that institutions "include not just bureaucracies and administration but also, and all the more significantly, the whole collection of formal laws, rules and controls and in addition the casual conventions and behavior patterns that constitute the non-budget imperatives under which monetary specialists can seek after their own individual ends" (p. 233). Thus, in comprehensive and precise terms, institutions are the formal principles and informal standards and norms that together with the enforcement system create the culture, human communications and interactions, and social conduct and behavior. Two sorts of institutions i.e., economic and political are viewed as extremely useful in upgrading and augmenting economic growth and development.

Economic institutions are additionally useful in allocation of assets and resources and deciding the development capability of a nation. Political institutions, on the other hand, decide

the imperatives and motivations in the political field. Not all people and gatherings of people have the same arrangement of decisions. In this way, the political force is the choosing and decisive body that has gone to a choice. Thus, given the person's inclinations and set of institutions, that group will pick the institution of its own decision that has more prominent political will. Better economic and political foundations or institutions lead to higher financial development and resultantly, higher monetary development require more refined and quality economic and political institutions.

Thus, theoretical and empirical research studies by Acemoglu et al., (2005) demonstrate that a basic reason for distinction in economic development is contrast in institutional performance. Rodrik et al., (2004) set up the significance of institutions over topography and discover positive effects on income. Their outcomes show that the nature of establishments and institutions trumps everything else. Persson and Tabellini (2006) investigate the role of political institutions and contend that it is excessively complicated to distinguish the effect of political regimes from inside the cross-section variation as the idea of democracy is excessively expansive. Other theorists also shed light on the notion that poor political institutions promote corruption and bad governance that leads to poor economic growth in the country. Moreover, few studies have been conducted in Pakistan to assess the impacts of political institutions and governance on macro-economic growth. For instance, Khawaja and Khan (2009) observe that good administration and better institutional quality are vital conditions for great economic outcomes. Also, Qureshi et al., (2010) discover positive and huge effect of political insecurity (where political unsteadiness is characterized as regular bureau changes and government in crisis) on inflation in Pakistan.

Considering the different perspectives offered by myriad scholars and theorists on political institutions and economic growth, we shall now direct our focus on the two types of political institutions or regimes: Autocracy and Democracy. Marshal et al., (2012) describes democracy as a “form of government where recruitment of the chief executive is more open and competitive, with considerable restraints on the successful candidate.” It is a sort of government where the official is recruited through a competitive process of election, with official enlistment directed by either a constitution or an arrangement of rules and regulations, or both, and there is an accountability framework whose force is equivalent to the executive making it an impressive mechanism of checks and balances in the political system.

Democratic government is generally viewed as a "good" government framework principally on the grounds that it secures the interests of voters; choices are by and large made by consensus and accord; rulers or strategy creators are more responsible to their electorate; individuals have freedom and liberty to express their feelings; and an organized accountability system requires the policies and strategies to be effective and efficient. Furthermore, protection and freedom of interests of the people especially property rights nurture a positive environment for long-term growth and economic success.

Autocracy, on the other hand, is one where the official has unhindered power and acquires the position by compelling seizure of force. It is a framework in which holding of force by an individual or holding by a gathering of people (not limited by constitution, laws and so on). It may take several forms such as single-party, military, or dictatorship. Autocratic regimes, without legitimate and true political force, utilize the instruments of state power to win or look after coalitions, develop new unions or take coercive measures against refractory people and groups.

Scholars and research experts all over the globe have drawn various conclusions by conducting studies on the correlation between political regimes or institutions and economic growth in both developing and developed countries. Some have presented empirical evidence in favor of a positive relationship between the two aforementioned variables; whilst others have concluded their studies by establishing a negative relation between the two variables. Along the similar vein, many scholars and theorists have conducted research to assess the impact of democracy and autocracy on economic growth in different countries to establish a relationship between these variables.

Similarly, fewer studies have been conducted by researchers in the context of Pakistan. Zakaria and Fida (2009) found a powerless negative relationship between per capita monetary development between democratic government and monetary development. They asserted that the macro-economic performance in the country had been better during autocratic regimes as compared to democratic regimes. However, more in-depth research and statistical tools are required to better assess the impact of political regimes on the economic performance and growth of the country.

For the purpose of conducting research studies on the complex phenomena of political regimes and economic growth, the specifications of the variables in the study must be concrete. As the two independent variables of the study have been explained above, the dependent variable of Economic growth must also be elaborated. Economic growth is defined and described as the increase in the aggregate levels of output or production in a given time period, generally a year. Measuring the economic growth or overall production in a country is a daunting task; for the purpose of measuring the output of a country, the measure of Gross Domestic Product (GDP) is

employed by various statistical agencies and researchers worldwide. This is mainly because it is relatively comparable across myriad countries as it is guided by international guidelines.

For the purpose of this research study, the term “Economic growth rate” pertains to the percentage change in the output of a country from the preceding year, and the term “Economic growth” refers to the per capita economic growth rate. Furthermore, a wide range of variables has been employed for the purpose of the research that measures the economic growth rate in the country according to different regimes. These variables range from inflation rate, investment rate, life expectancy rate, domestic debt, external debt, investment rate, to unemployment rate, population growth rate, life expectancy rate, and so on. The changes in variables are assessed to observe the effects of different political regimes on economic growth.

Pakistan is a fascinating case study as a result of three fundamental reasons. To begin with, Pakistan's economic growth and development stayed humble amid the period under consideration. Normal output per capita development vacillated around the mean of 2 percent. However, the economic growth patterns vary in different political regimes. For instance, development under the dictatorial administration, by and large, is higher than under a democratic administration. Second, in mid 1960s, Pakistan economy was developing at a normal per capita development of 4 percent. It was developing with other East Asian economies and was considered as miraculous economy (Husain, 2009).

However, over the time it has been observed that Pakistan economy stayed immature and greater part of East Asian economies have changed their financial status. Thirdly, Pakistan economy experienced continuous change in its political administrations. In its aggregate existence of 69 years, Pakistan put in 32 years in autocratic administrations. The building

widespread argument over the uneven growth trends in the country under different regimes motivated us to analyze what determines the patterns of growth under different types of regimes, and how changes in political regime affects the economic growth in the country.

Furthermore, in the study we use the term “Regimes” to denote the different types of political powers that came into force. These are either democratic administrations or autocratic administrations that ruled the country. We have also shed light on the contributions by numerous scholars and research analysts in the review of literature in our study. This has helped to draw vast comparisons between the assertions and findings of myriad scholars and theorists, and has been useful to describe different relationships between the independent and dependent variable. Moreover, the review of literature has allowed for in-depth understanding of the topic, and has defined the course of our study by offering various explanations of the variables under study. The gap in the literature is also identified to shape our research to fulfill those gaps, and offer more insight into the field or the topic.

The main contribution of our research study is that it offers more deep-rooted analysis to Autocracy-Growth Nexus. Most of the literature on the topic under consideration revolves around the Democracy-Growth Nexus, and its proponents argue that democracy and economic growth bear a positive relationship as it leads to economic growth. Thus, this notion has been contested by our study as it attempts to study a very comprehensive range of variables under both democratic and autocratic regimes to observe the linkage between autocratic administrations and economic growth. The counter arguments and findings will also fill the gaps relating to autocracy and economic growth in the present literature. Furthermore, the study will also contribute to the research and studies conducted in Pakistan.

These are either too narrow or too broad, and they don't succeed in answering questions pertaining to the political regime change and economic growth. Pakistan has witnessed frequent and rapid changes in its political regimes due to which the economic development has been highly influenced. Despite, the research work conducted on this topic in Pakistan is minimal and doesn't offer deep insight into this area of research. For the purpose of bringing this rather significant topic under limelight and offering a broad perspective to the general people of Pakistan, we have conducted this study.

Moreover, the previous studies conducted on this topic have decomposed mainly due to the fact that they only took into account a small range of variables. These were mainly productivity levels, economic growth rates, standard of living, poverty rates, and the like. However, in this research study, we have involved a very wide range of variables that have been extracted through numerous sources, such as World Bank Data or Pen World Tables. This has allowed our study to be well composed of different variables that measure economic growth or GDP of the country, and they also demonstrate changes under any regime shifts. Studying a broad spectrum of variables has improved the credibility of our research, and has also contributed to the Pakistan's literature on political regimes and economic growth.

This research study is primarily significant to the country as it will influence various aspects of the society. The study will give immense and in-depth knowledge to the government or public sector of the country, which will be able to analyze the findings of the study, and will be able to draw strong and concrete recommendations from the study that offers both qualitative and quantitative data and information. This will help them learn from their past experiences to improve the future prospects. Moreover, the variables studied from the time period of 1980 to 2014 will fill the gaps in the literature in the academia. The study will help the end users gain

instant data on economic indicators and variables from one source, as sifting through multiple sources increases the work flow, decreases productivity, and makes it harder to find the data from a single source.

Thus, by conducting research on political regime change and economic growth, we aim to study the relationships between the three variables, and we intend to establish links between these variables. Considering the minimal flow of literature that is currently present in the country, we also aim to augment it by adding our in-depth analysis and findings based on statistical results. This will help the society of Pakistan gain valuable knowledge and information regarding the topic that is pivotal to the development of the country. Another objective of this study is to offer a different perspective to other researchers and scholars, which goes beyond the regular Democracy-Growth Nexus. This will be useful in presenting the information and data in a different light so that people understand another view or perspective as well to broaden their span of understanding.

The study, moreover, aims to present the relationships between variables more clearly so that the readers are able to gain in-depth knowledge about the statistical analysis of the variables. The study employs a very wide range of different economic variables and applies statistical tools to measure their performance and change in different and frequently changing regimes. Thus, this research intends to offer a very detailed insight into the trends of economic growth in different political regimes by presenting elaborate information about the variations in numerous variables.

This paper progresses as follows: the next section contains a detailed literature review of the topic under study that includes numerous theories and research studies by various scholars

and theorists. It is followed by data methodology which is employed in the research study. The theoretical framework is explained further followed by the results and analysis, and recommendations.

Literature Review

Recently, much of the literature and writing on economic development have increased new whims from the debate of political establishments and frameworks and their impact on economic growth. Focal question to the argument is whether democracy capacitates as a blasphemy constraining a nation's development potential, or whether democracy can advance development through the opening of the business sectors and markets, and shielding of property rights.

Research on the distinctive impacts of democratic systems versus dictatorships on financial development has produced blended results. However, existing studies have, to a great extent, concentrated on the contrasts between democracies and autocracies. Few studies focus overtly between autocracies that classify and report laws, i.e. organizations, and autocracies that run in an impromptu way, for instance dictatorships. Evidence proposes that not all democracies or autocracies follow similar ideals or principles. The question accordingly remains; which kind of autocracy or democracy can advance development, and which prove to be unfavorable.

Democracy is defined as a popular government operating in a country based on majority votes. According to Schumpeter (1942), "contestation is the defining or the prominent feature of democracy." This highlights the fact that contestation or elections form an integral part of a democratic framework, and it pertains to the election of an appropriate legislature and executive body by the population of a country according to their will. Jamali et al. (2007) state that, "The

appointment of a legislative body is particularly essential in present-day democratic systems. The regulation of laws constrains interest groups or stakeholders in their reaction to the imbalances that surface. The legislature does so by providing a legal structure that supports property rights through the vicinity of codified law.”

Whereas, autocracy has a completely different set of characteristics that, according to Jamali et al. (2007) are that, “dictatorial administrations don't have generally or universally characterized laws. The ruler possesses the power to discriminate at an impulse, and grab whatever he esteems fitting anytime and it permits constrained active participation by the general public.” Thus, autocratic systems do not sustain the feature of elections or voting, and it simply places one authoritarian ruler on the top of the hierarchy who possesses all the control and command of the entire nation. This implies the fact that autocracy inhabits the interplay of other sectors of the society and uses power to diminish activities that may not seem fitting by the ruler of the state.

The two opposing political frameworks have been studied closely by myriad scholars, especially the aspect of political regimes and the impact on economy and growth. It has been found by various authors that each regime has diverse influences on the economic growth and prosperity of any nation. Among other several factors that are involved in the progress and advancement of any country, political regimes form an integral part and play a pivotal role in shaping the economy of any country. The political situation, political system and the kind of government are all necessary cogs in the state machinery as they determine the direction of a country's political administration and its long-term economic development.

According to Kuznets (1973), “growth is not determined by advancing technology alone; rather, if technological expansion is combined with flexible and steady socio-political institutions that safeguard rights and freedom of the individuals, sufficiency in conditions for economic growth will be achieved.” This sheds light on the fact that political framework is the necessary component that aids in kick-starting the engine of growth of the country. Thus, many scholars considerably argue over a focal question facing the researchers in past several years: which type of regime produces positive effects for the economy of a country. Scholars have since then attempted to draw a distinct line between autocracy and democracy, and they attempted to study the relationships between regimes and growth very closely, producing insightful conclusions.

According to Durham (1999), “there are two opposing views regarding the aspect of political regimes and economic growth; these are the authoritarian view and the democratic view.” The authoritarian view pertains to autocratic regimes being less disposed to the cycle of political business. Kurth (1997) explains that "autocracies are more effective in stimulating economic growth and investment by quashing wages, labor or trade unions, and aggregate demand." Furthermore, adding to the debate of regime changes and economic growth, Galenson (1959) and Huntington (1968) state that, “autocracies are more effective than democracies in mustering resources for investment.” An additional argument for an autocracy is the "autocracies are capable of forcing firms for investment and export, declining particularistic pressures for fruitless usages of resources” Haggard (1990). Furthermore, dictatorships also give birth to stability in a country, as Hewlett (1980) recalls that “authoritarianism, enforced by a military regime, prevented social turmoil in Brazil in the 1960s and led to stabilization of the economy.”

However, many scholars hold the opposing belief that democracies lead to better growth in economies as compared to military regimes that are assumed to be detrimental to economic

development. This is referred to as the democratic view. It is widely believed by these scholars that democracies or political sovereignties and economic growth strengthen each other and nurture economic growth. According to Olson (2000), "democracies lead to the long-lasting success of economies whereas; autocracies may only produce short term miracles in the economy." He also debated that, "democracies protect property rights better than military regimes and these lead to increased economic activities; contrastingly, autocracies produce more uncertainty and crisis."

As per North (1990), "no one but a democratic government can drive the government to act in light of a legitimate interest of the entire polity. The absence of democratic control empowers autocrats to rip-off assets as opposed to utilizing them for financial advancement." Contrastingly, democratic government empowers the substitution of politicians that utilize assets inefficiently or just for the prosperity of the cream of the crop. Thus, democracy forces responsibility on governments. At last, Goodell (1985) contends that "just democracies might create predictable "rules of the game," and this consistency encourages investment." Briefly, scholars who deduce that democratic governments deliver quicker financial development assert that democratic systems dispense resources superior to autocracies. Moreover, democracies secure property rights that diminish instability and improve investment.

In the present literature, there are two comprehensively opposing perspectives relating to this connection between development of democracy, and the degree of democracy; the 'comparability perspective' and the 'conflict perspective'" (De Haan and Siermann, 1995). He further elaborates that, "the comparability perspective is upheld by a school of economists and political researchers that keep up that democratic government beneficially affects development both straightforwardly and indirectly. Then again, the conflict perspective is shielded by the

second school of thought that keeps up that democratic government adversely affects development.

According to Nelson and Singh (1998), “supporters of the conflict perspective point to nations, for example, Hong Kong, and Taiwan, which accomplished "super development" regardless of the fact that the governments of these nations were authoritative in nature.” Moreover, De Haan and Siermann state that "advocates of the comparability perspective contend that democracies formulate a framework of checks and balance that viably control legislative force and limit the potential for the usage of unpopular policies. Furthermore, it has too been contended that democratic governments are better able to secure private property, which economic analysts assert to be the 'foundation of material progress.'"

Likewise, human capital is another channel through which democratic government could impact development as its give more significant weight towards the essential needs of the open. Barro (1996), in his experimental study exploring the relationship between a democratic system and economic development, finds a non-direct relationship in which more democratic system upgrades development at low levels of political freedom, however, it discourages development once a moderate level of political freedom has been accomplished.

Przeworski and Limongo (1993) state that, “In the 1960s the perspective developed that democratic government involves weights for immediate consumption, which happens at the expense of investment and hence of development. The defenders of this perspective trust that if the solid measures, which are required to boost savings and also investment, were put to vote, they would fizzle; subsequently authoritarian administrations are more qualified to encouraging investments.” This highlights the important point that military regimes or autocracies are better

in promoting investments as they give more weight and importance to immediate consumption as opposed to a long-term approach, and also they negate the idea of cuts in consumption as a substitute for boosting more investments which makes autocratic regimes better than democracies.

On a similar vein, Minier (1998) argues that "centralized power in autocratic regimes grants them more ability to coordinate economic growth as compared to the democratic regimes, particularly in developing nations." Furthermore, Przeworski and Limongo (1993) further add up to the point of view of autocratic regimes by stating the notion of "state autonomy." While elaborating on this idea, they assert that "autocracies protect the state from particularistic weights; state sovereignty favors development. The thinking behind this is the state must be protected from private weights and pressures if it aims to make the economy work effectively. State autonomy is conceivable just under military regimes, and it protects the state from 'pressures of distributionists'." They also shed light on literature of collective action of the people of a state to support their argument that democracies emasculate investments, by explaining that, "individuals act in collectively sub-optimum way as economic agents, for instance when they underinvest; and they collectively act in a sub-optimum way as citizens when they unite into interest groups that pressurize governments to allocate incomes in their favor".

Feng (1997) describes that "two topics in the study of the political economy of development are the relationship between democratic system and growth, and the relationship between political steadiness and economic progress." He further adds that "three schools of thought have worked on the relationship; the 'contention school' contends that democratic government thwarts financial development, especially in low-income countries." Sirowy and Inkles (n.d) offer two hypothesis in the backing of this case; "the 'repercussions of premature

democratic government slow development’, and ‘democracies can't devise policies essential for growth." Moreover, it has also been contended that a country's rapid growth requires authoritarian control and condensed freedom, and that developing nations, specifically, can't accomplish fast economic development without a strong, unified government.

Furthermore, the second school of thought Feng (1997) talks about is, “the ‘compatibility school’; herein the supporters argue that democracy leads to economic growth and enhances the prospects of such rapid development. They further reason that democratic procedures and the presence and implementation of basic common freedoms and political rights produce the social conditions most conducive for economic growth and improvement. Economic and political freedom upgrade property rights and competition in markets, thus stimulating economic growth.” Lastly, the third school of thought Feng (1997) brings under discussion is known as, “the ‘sceptical perspective’ that maintains that democracy has no effect on economic growth, and for rapid growth to occur, other components must be in place, for instance, strategies of development or types of state institutions.” Keeping the current rich literature in view, various cross-country studies have been conducted, and empirical evidence has been gained to establish the hypothesis and eliminate ambiguity from the current literature. One of the findings, detected by Kormendi and Meguire (1985) was that "there is a weak positive impact of democratic freedom on economic growth." Likewise, Adelman and Morris (1967) discovered that "there is a negative effect of democracy on economic growth." Other studies that were conducted present a rather ambiguous picture of the question under consideration.

Antic (2004) conducted his study over the period of 1951-99 wherein he concluded that "on the basis weighted average, during this period, dictatorships had more positive effects on growth of GDP per capita as compared to democracies." Furthermore, in his study, Antic

asserted that "While employing weighted linear regression, it was concluded that autocratic regime had a better and significant influence on the GDP per capita growth in the same period." Thus, he rightly established that over the past fifty years, dictatorship brought about miracles and worked its magic that positively impacted the GDP per capita growth, whereas democracy had no positive influences on GDP per capita.

Furthermore, other theories have also been developed that present a completely contrasting view regarding autocracy, democracy, and economic growth. Along the same vein, Lindert(2003) proposes the view that, "most of the studies and literature on democracy and autocracy and growth look into the future without taking into account the historical perspectives." This entails that democratic or authoritarian regimes are thought to form powerful legacies, and the combined impact of historical frameworks or perspectives and the current status of regimes is of ultimate importance in order to grasp the causal effect of type of regime on possible political economic or social outcomes.

Likewise, it is also widely believed that "countries, where education levels are high and economic development, is rapid; democracies tend to flourish there, such as in Europe or U.S" (Sen, 2013). However, evidence proves that this is not accurate for many countries such as China. This contrast gives the insight into the communist rule in China and elaborates that the country was not dominated by absolute democracy. Moreover, Timikoru et al. (2015) state that "there are various nations, for example, Russia, Egypt, and Cuba, which have risen out of a dictator administration. Autocratic nations additionally made tremendous economic progress, take for case Egypt; and under Putin, Russia likewise recuperated nearly well after the financial destruction amid the 1990s."

Thus Timikoru et al. (2015) conclude that "any nation's economic prosperity has been based upon the many years of historical advancement that has helped nations to reach, what we see today; for instance, Germany, before receiving protected majority rules system in 1949, was either the autocratic administration or under fascism." And likewise, it is concluded that "dictator or democratic governments are developed over a long time frame, and there are other cultural and social inputs that contribute" (O'donnell and Schmitter, 2013). Similarly, in an autocratic government, leaders or rulers can accomplish more than democratic government systems, because of the fact that their policies won't be impeded by any administrative, legal or media requirements. For instance, in the late 1970s, Deng Xiaoping settled on a choice to privatize the agribusiness, and in a limited time frame, farm items expanded drastically. Also, the authoritarian principles in Taiwan, South Korea, and Chile made speedy turnarounds in the economy (Timikoru et al. 2015). In autocracies, the eventual fate of a nation unequivocally relies on the authority. Accordingly, it can be contended that a far-sighted authority in autocratic administration can pace up the economy as happened in China.

Nelson and Singh (1998) adopt a different perspective regarding the question whether democracy leads to positive effects on the economic growth. They focus on the low developing countries (LDCs) and determine whether political regimes affect the economy of these developing nations and also, which political regime has positive repercussions for the countries. They shed light on the view that, "for developing nations, an entirely contrasting hypothesis has been developed which proposes that democracy is detrimental to growth in the economy." Moreover, on the similar lines, Andreski (1968) affirm that, "notable scholars hold the notion that "democracy first" is not as valid for developing nations as it is accurate for the Western world" (p. 79-81). The reason given for this claim is that democracy is known to be an

extravagance – a system that is unaffordable to the low-income nations, and the dwellers or citizens of these countries don not pay much heed to the civil rights and liberties and democracies as people in rich and mature countries do.

Nelson and Singh (1998) give out several explanations of holding the above view; firstly, “the likelihood of corruption and bribery among politicians and bureaucrats is heightened among the LDCs amidst the existence of democracy and political freedom.” Moreover, democratic regimes impede growth by promoting pressures from interest groups whose primary objective it to seize the major share of country's wealth and power. Additionally, democratic regimes harbor trade or labor unions and motivate them to demand excessively high wages that increase the probability of strikes and boycotts, resulting in loss of national output.”

Faust (2007) carried out a study of the twentieth century Mexico and the changes in autocratic regimes that took place there. He states that "Mexico's financial improvement amid the most recent century has been portrayed by times of amazing development but also by times of turmoil and emergency. After its first long haul development period under the autocracy of Porfirio Diaz, the Mexican Revolution, and its drawn out consequence truly inhibited the capability of Mexican economic advancement. From this point forward, the solidification of the one-party overwhelming administration of the PRI since the late 1930s took birth with the supposed Mexican 'economic miracle'.”

Thus quite noticeably, the discrepancies in economic well-being in Mexico occurred under authoritarian regimes, and these regimes have had many variances – autocracy being the dominant characteristic of the political system in the country. The autocratic regimes in the country were based on diverse institutional settings and alliances that led to differences in

economic developments under different settings. Faust (2007) concludes that "autocratic systems based on extensive coalition and those outfitted with a steady apparatus of succession somewhat emulate the institutional set up of democratic systems. In this way, these dictatorships show disproportional high stages of economic performance. Proof from twentieth century Mexico underpins this contention. Separating twentieth century Mexican history in four periods of various types of authoritarian regimes exhibits how the measure of the authoritarian coalition and the presence of a mechanism for political succession influence economic results."

These findings were supported by the evidence was given by Faust (2007) that asserted that "the regime of Diaz in Mexico, marked by autocratic coalition achieved political stability all across the country and gained access to the country's most significant factors or resources of production." According to Haber et al. (2003), "the regime was not institutionalized and comprised of military, bureaucratic and economic personnel." Furthermore, Diaz's regime was signified by large territorial span, sound economic policies such as more substantial investments in mining, light industrial sectors, and infrastructure development; all of which marked the rise of economic rejuvenation, and improved foreign relations with the United States and other international investors. According to Aggarwal (1996), the government attempted to increase influx of capital by negotiating its external debt to avoid outflows, and discovery of oil in the country further improved the financial situation in Mexico. This exhibited how the economic policies developed with the advent of Diaz's regime and consequently, it led Faust to conclude his findings in the favor of small autocratic coalition with succession mechanism (p. 50-55).

They also elaborate that, "democratic systems and freedom may result in loss of effectiveness of the government in preserving discipline and law and order, and it may also cause hindrances in maintaining the legitimacy of the government in the sound implementation of

policies that will hamper the smooth functioning of a democratic government.” To support this perspective, Kohli (1986) states that, “democratic regimes promote consumption at the expense of savings among LDCs that hinders economic growth; whereas the authoritarian regimes are considered to limit consumption, promote savings and boost national output and growth.”

Likewise, Lee (1994) states that "democracy or political freedom is not necessary for fostering growth; however for LDC's, economic freedom is the factor for success." Moreover, the principle of "growth first, democracy later" is supported by the defenders of the autocratic regimes as they maintain that the four Eastern Tigers: Hong Kong, Singapore, Taiwan and South Korea achieved great economic prosperity and hyper growth under the dictatorship (Nelson and Singh, 1998). Ultimately, it was found in the descriptive analysis of countries studied by Nelson and Singh (1998) that economic freedom was the major proponent of economic development as opposed to political freedom or liberties, and the authoritarian regimes that acknowledge other factors of economic success can promote high economic growth in LDCs.

Thus, building on these viewpoints, many theorists support autocratic regimes by asserting that democracies damage the pace of growth in an economy, produce irregular wage movements across the country and hinder the steady and rapid economic growth. Similarly, fifteen empirical surveys were conducted and assessed by Sirowy and Alex (1990) wherein they discovered that, “out of fifteen, eleven represent conditional or no significant relations between economic growth and democracy, and three empirical pieces of evidence out of the surveys favor the negative relationship between growth and democracy." This exhibits how multiple authors and scholars produce contradictory theories regarding the linkages between autocracy, democracy, and economic growth.

Theoretical Framework

Political instability has now become a characteristic of Pakistan. The country's short history of sixty-nine years has been shrouded with political turmoil, uncertainty and numerous changes in its regime, eighteen to be exact. The supreme law of Pakistan has also tasted the instability which seems to be a consistent trait of the country. Pakistan has witnessed three constitutions with the current constitution (enforced in 1973) having undergone twenty-one amendment. These amendments have been as simple as removing certain clauses from the constitution, to as complex as changing the whole system of governance from parliamentary to semi-presidential and then back to parliamentary. What is more troublesome is the constant disturbances the political system of the country has experienced. The back-and-forth tug of war between autocracy and democracy has instilled confusion and a sense of chaos among the approximately 190 million inhabitants of the country. This power struggle has resulted in a deep divide amongst the population, and all have contending views. One school of thought believes that it is indeed autocracy that Pakistan needs in order to grow and prosper. On the other hand, there exists another school of thought which prescribes democracy as the best medicine for Pakistan's ailing condition.

This debate has only heated up more over the past few decades and has led to multiple theories and conclusions over whether autocracy or democracy is the suitable modus operandi for running the country. These discussions have been particularly aimed at the economy of Pakistan and how each political system affects the economic growth of the country. Economic growth, thus, has been considered as the litmus test for enforcement of autocracy or democracy. Many researches in the past have focused on the pros and cons of each political system. There is also extensive literature present which focuses on the direct and indirect effects of each political

system on factors such as the military, foreign relations, political stability and the economy in particular. However, none of these investigations have neither concluded and consensus nor have focused primarily on Pakistan. We attempt to do just that in this research and by running regressions regarding multiple economic variables, we will yield an analysis which may determine which political system has best suited Pakistan in terms of economic growth.

Autocracy and Democracy Defined

However, before we begin our discussion, let us first clearly differentiate between autocracy and democracy. Focusing on autocracy first, it is composed of two Greek words; *auto*, meaning self, and *kratia*, meaning authority or rule. Literally, the word means self-rule—that is having unprecedented power to do whatever one wills to do. Autocratic governments are thus characteristic of an absolute government, where an individual or a small group of people hold unchecked powers and authorities to rule according to their own desires, whether selfish or for welfare, rather than the rule of law. These autocratic rulers are not answerable to any other agency or institution for their actions. An autocratic government is characterized by an arbitrary rule, which is not bound by law; a rule which is exercised according to the interest of the ruler rather than the interest of the general public; and, in most case, a rule defined through coercion and fear.

Thus, autocracy can be summarized as the rule of one, where one person or a group has supreme power in all the spheres of the government. Another feature of an autocratic government is the lack of processes or channels for the public to express their needs and wants to the government (no elections). Autocracies are considered to be highly efficient as decisions do not have to pass through long hierarchies and groups and can be implemented rapidly. However,

this efficiency comes with the loss of individual rights and the maintenance of power by the autocrat through the use of brute force.

Democracy, on the other hand, is the government by the people. It is derived from the Greek words, “*Demos*” and “*Kratos*”. *Demos* means the people or a community, while *kratos* means power of rule. Thus, literally, democracy can be referred to as the ‘rule by the people’. However, there are two definitions of democracy: according to the first definition it is a form of government in which the public participates in political decisions by the rule of majority. The second definition is described as liberal and constitutional democracy and structural limitations from the perspective of freedom of speech and religion, and for the purpose of ensuring that every citizen is guaranteed individual and social rights.

Democracy is unique from other forms of government with respect to the rights enjoyed by the individuals and societies. The democratic government visualizes a society where people are given the liberty to participate in political decision making, which is basically the essence of democracy. By giving the individuals this liberty, democracy also helps raise the living standards of people. This is because of this reason that individuals follow a lifestyle they desire and deserve, as well as contribute in the best way for it to be realized that it can only be done through democracy.

Democracy is highlighted by its individual models that suit its system. These models provide individuals and societies with certain rights and responsibilities. Thus, when individuals comply with the values of the political structures, it results in a healthy institution and a workable system; otherwise the institutions founded in the political system fail.

Thus, it can be noted that democracy is, firstly, the rule of the people, and secondly, that the people exercise or express their powers through some channel or system of representation. This system, in Pakistan (and majority of democratic states) is usually elections, which are held periodically, and where the people cast their votes and support a person or a political party which best reflects the public's interest.

Focusing on Pakistan

The sharp contrast between both these political systems is quite evident from the descriptions provided. However, the actual implementation is far more explicit and troublesome. Considering the fact that Pakistan has witnessed four different military dictatorships and countless rapidly-changing democratic regimes, especially in the 1990s, it is no surprise that the country faces much political conflicts and instability, as well as an ideology crisis. These have become more evident with time as much of the population remains confused as to what the ideal political system of Pakistan should be.

The Democratic Peace Theory

Many factors are considered while debating this issue. Among others, peace and stability in each political system is also compared. Multiple theories have been put forward advocating which political system yields better results in terms of curtailing wars and uprisings. One such theory is the 'Democratic Peace Theory' whose crux is that the probability of a war occurring in a democratic country remains very low, taking all other factors into account. The theory, which dates back as far as Immanuel Kant, states that a democratic political culture can result in a peaceful mean for conflict resolution which also has the characteristic of spreading to other democratic states. Thus, this element of globalization will result in peace if it occurs alongside

economic interdependence and internal organization. The basis of this theory is that wars can be costly, risky and can, directly and/or indirectly, affect a wider segment of the population. Thus, the likelihood of the incumbent being voted out of the government if the incumbent advocates for wars is extremely high. As a result, a solid incentive is present for the incumbents to not engage in any conflicts or wars.

Shifting the focus to Pakistan, upon glancing at the country's history, it can be observed that Pakistan has engaged in four major wars, all with its neighboring country India. Closely examining these Indo-Pak wars will reveal that excluding the war of 1947, where Quaid-e-Azam Muhammad Ali Jinnah was the Governor General, the war of 1965 and the war of 1971 all took place when there was an autocratic leader in power. Indeed, during the war of 1965, General Ayub Khan was the president of the country, having assumed power through a coup back in 1958. In addition, during the war of 1971, General Yahya Khan was in power after General Ayub Khan's resignation. Both these wars were highly damaging and some consequences are still faced by Pakistan to this day. However, there are exceptions to the democratic peace theory.

The relatively recent Kargil war of 1999 should not be forgotten, which occurred in the Kargil district of occupied Kashmir. The armed conflict took place during the democratic regime of Prime Minister Nawaz Sharif, although Nawaz Sharif denies having any knowledge of Pakistani troops engaging in war with India back in 1999. The Kargil war turned out to be highly damaging for Nawaz Sharif, who still faces heavy criticism of the war, considered by some to be the biggest blunder in Pakistan's history. However, much of the criticism is also targeted towards General Pervez Musharraf, who was the Chief of Army Staff during the war. In the war's aftermath, Nawaz Sharif was ousted from power by General Pervez Musharraf, and was placed

on house arrest. As a result of this coup, General Pervez Musharraf became the President of Pakistan, thus beginning the country's fourth military dictatorship.

Peace and stability in Pakistan is not limited to armed conflicts alone. Relatively, civil unrest has occurred more often in the country during autocratic leaderships rather than democratic government. To name some recent examples of such instances, the judges' strike and the campaign to free the Chief Justice occurred during General Pervez Musharraf's regime. This unrest and instability deeply wounded the credibility of the president and was one of the factors which led to his ultimate resignation. Benazir Bhutto's murder, which resulted in huge civil disputes, ultimately causing emergency to be declared in the country also took place unluckily during the regime of Pervez Musharraf. Looking back in history, it can be seen that much of the civil disputes which occurred in the country took place in the 1970s and 1980s, with the unrest reaching its peak when Zulfikar Ali Bhutto was sentenced to death in 1978.

Thus, the preceding regime of General Zia-ul-Haq was characterized by civil unrest, resulting from unfavorable policies and the use of force on the population to secure the population's allegiance. Thus, in most ways, the democratic peace theory does correctly apply to Pakistan. An autocratic government is assumed to lack legitimacy as it comes into power through unconventional means, for example, a military coup, and thus, is less appealing to the residents of the nation. An incumbent in a democratic government is seen to hold more legitimacy due to the fact that the incumbent achieves power through appropriate channels such as elections.

Although facing such censure, there exists a stronghold among the population who advocates for autocracy as being the cure for the stagnant economic growth and worsening security conditions of the country. This school of thought finds the democratic system of

Pakistan disorganized and fraught with corruption and lack of transparency. According to multiple literatures, it is stated that political parties are a prerequisite to democracy as these parties are the only source of conveying the voices of ordinary people to the assemblies. Political parties are linked in their roles in the formation of a modern democratic state, and thus these parties must be organized. Members must have specific interests and they must adopt constitutional means for the seizure of power. However, this is rarely the case in Pakistan.

In addition, these political parties must have strong external linkages (relationship between political parties and citizens of the state) as well as internal linkages (relationship between the members of a specific party). In Pakistan, both these linkages are almost non-existent. Internal linkages are mostly depends upon family, feudalism and nepotism. There exist no criteria or qualification required for members to enter into a political party. Even then, we see members of one political party disbanding their party and switching to another and other members actively talking against the party they are a key member of. Such lack of cohesion reflects poorly on the state, which questions the capability of these political parties to serve the interest of the general public when they themselves exist in such a disordered state. External linkages are in a much worst state. Political parties are usually more interested in serving the interests of the district from where they belong rather than the whole province or the country. No efficient or effective channel exists for the mobilization of the public's general interest, and the leading political parties seem the least bit interested to develop such a mechanism.

The Selectorate Theory

Advocates of autocracy also state that political leaders and rulers gain utility from revenue which is not spent on public goods and services. This provides these leaders an incentive

to not follow-up on the demands of the public and spend as little as possible, in order to increase their own utility. This point was reiterated in the Selectorate Theory formulated by Bruce Bueno de Mesquita of New York University (NYU), Alastair Smith of NYU, Randolph M. Siverson of UC Davis, and James D. Morrow of the University of Michigan. The basic crux of this theory is that smaller parties survive longer than larger parties. It states that if the winning party (or coalition) is small, the least costly method of buying support of the coalition is through private goods. However, if the winning part is large, the rulers are forced to shift their allocation of goods from private to public in order to win support. Thus, larger parties produce larger public welfare. However, as public goods flow to the entire state, benefits of membership in the winning party decline and the exclusivity element is distorted. Given the current state of the political parties in Pakistan and the massive sizes of each political party, it is no surprise why many of these members jump-ship and leave for other political parties or ventures. This has resulted in majority of the population to question the credibility of these political parties in the running the affairs of their state when these parties are unable to handle the affairs within their own specific coalitions themselves.

Hypothesis and Conclusion

Based on our observation of the data we have collected for our research, we believe that the lack of legitimacy of autocratic regimes is one of the sole reasons why they outperform democratic regimes. These military dictators are highly unfavorable when they enter into the office and thus make it their mission to keep the people of the country happy by emphasizing on economic and social factors which the population demands. On the other hand, political incumbents enter office through elections. As a huge sum of money is spent on the elections, the first priority of the political incumbent is to recoup all the money he/she has spent on the

elections, as well as make enough money to finance the next elections. In addition, majority of the political leaders are considered to be corrupt and have accumulated a large some of their wealth through malpractices. Upon assuming power and responsibility of the state, these political leaders make it their mission to conceal their ill-gotten wealth and protect it from their assets from be frozen. The differences in these priorities thus reflect massively upon the state.

Another observation we made was that bureaucracy mostly remains the same, regardless of whether there is an autocratic leader in the office or democratic. Why is it that there exists a marked difference in economic growth and output in both these political systems? We believe that, keeping bureaucracy as a constant, the leadership is the independent variable which directly affects the economic growth. In our opinion, an honest, committed and a dedicated ruler who focuses on national interests rather than his/her own selfish desires can filter through this same motivation down to the roots of the bureaucracy which can result in a synergetic effect and result in higher productivity. However, if the motivation behind assuming power is the fulfillment of selfish desires of the ruler, the bureaucracy shall perform its tasks with the same incentive, as the ruler's motive trickles down to the bureaucracy.

To test our hypothesis, we have collected data regarding the economic performance of Pakistan through certain regimes, as well as data on social indicators. Multiple regressions shall be performed to yield results which shall be extensively analyzed and reanalyzed to ensure accuracy of the results.

Methodology

This paper sheds light on the various autocratic and democratic regimes, their policies, and their respective effects and contribution to the economy of Pakistan. Mostly the analysis of

quantitative data and various variables and indicators influencing the economic growth would be analyzed.

Research Objectives

The objective of this research is to determine the relationship between the two kinds of regimes in Pakistan; autocratic and democratic on the economy of Pakistan. It focuses on the trends after the disintegration of West and East Pakistan.

Research Questions

This research aims to answer the following questions:

1. *How did the two forms of political regimes (autocratic and democratic) in Pakistan affect the economic growth in the country?*
2. *How does economic policy affect the GDP Growth Rate in autocratic and democratic regime?*
3. *How does economic policy affect the inflation rate in the autocratic and democratic regime?*

Research Hypothesis

Alternative Hypothesis (H1) – *There is a statistically significant impact of autocratic regime on economic growth.*

Null Hypothesis (H0) – *There is no statistically significant impact of autocratic regime on economic growth.*

Variables

An independent variable is the variable the researcher has control over, what he can choose and manipulate, but in some cases this control is not possible as the variable is fixed.

On the other hand, dependent variable is the condition that is measured during the experiment, and is affected by the experiment too. It depends on and responds to the independent variable.

In this research, the economic growth and inflation are taken as the dependent variable, as they indicate the economic growth in the country. We had over thirty variables to measure the impact on the economic growth. Our regression is carried on seven independent variables (total investment, merchandise trade, cash surplus, exports, growth in exports, public debt, and unemployment).

Definition of Variables

Democracy is the government by the people, which comes in to power by vesting the power of appointment in the people. The supreme power is entrusted in the citizens who decide their ruler and they exercise this directly or indirectly through a system of representation usually involving elections.

An autocratic regime is the self-appointed political government that comes in to power due to force or authority of its command. It is the rule by one, where a single person in power makes all strategic decisions of the government and country, in the absence of any system of representation.

The macroeconomic policies; fiscal policy, and monetary policy are studied as the dependent variables, which are used by various governments to support and run their governments in the most effective manner.

Fiscal policy works through changes in the level of government spending, the level and types of taxation imposed, and the aggregate of government borrowing. The economic activity is regulated directly by the recurrent and capital expenditure of the government, and indirectly through the influence of spending, taxation and government transfers on private consumption, investment and net exports. Fiscal policy is used as an instrument to stabilize the fluctuations in economy. This policy works on the discretion of government or the influence of the automatic stabilizers. For example, to counter recession and reflect positively on the economic growth the government increases the aggregate demand by increasing its spending and cutting taxes.

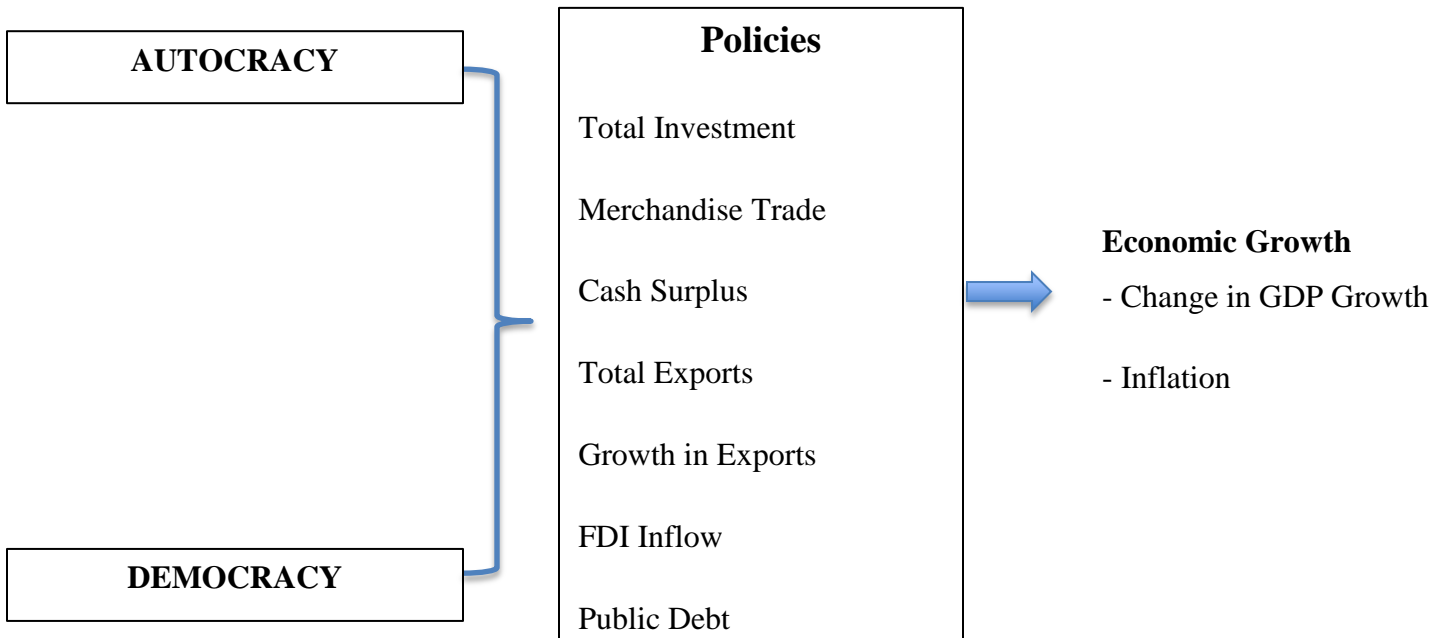
Monetary policy works with adjusting the interest rates and money supply in the economy. These instruments are adjusted according to the need of the economy. For example, at the time of inflation, there is a need to cut spending. For this purpose, interest rates can be made higher, while money supply can be narrowed to discourage spending. By altering the money supply, government is able to influence the interest rates across the financial system. Moreover, these changes in interest rates in turn can impact economic activity by affecting savings and investments.

All of these policies in the respective regimes respond to the dependent variable, Gross Domestic Product, which is the aggregate market value of all final goods and services produced in a country in a given year, equals total consumer spending, investment, government spending, and the difference between the country's exports and imports.

Conceptual Framework

EXPLANATORY VARIABLES

CAUSUAL VARIABLE



Reverse Causality

Reverse causality refers to a direction of cause and effect contrary to the common presumption or specified two-way relationship. It is a sub category of the endogeneity problem, which suggests that the explanatory terms are correlated with the error term. It denotes the explanatory variable x has an impact on y (dependent variable), but at the same time y has an impact on x .

In this research, it is established that regime type being the independent variable impacts the economic growth.

The problem of reverse causality can be put in to perspective as a limitation in this research, suggesting that the economic growth can be studied as the independent variable that impacts the success or failure of an autocratic or democratic regime.

During Musharraf's years in power, the regime pursued coherent and promising policies of liberalization, deregulation and privatization. Moreover, he prioritized the utmost need of economic recovery, institutional reforms and good governance. For this purpose the government practiced a two-folded strategy of ensuring macro-economic stability and introducing structural reforms for self-sustainable growth, which resulted in the expansion of the economy at an average rate of 7% per annum, reaching 9% in 2004-05. Thus, this attributed the success of Musharraf's regime to the policies and reforms that contributed to the economic growth.

However, the unsatisfactory impact of Pakistan Muslim League Nawaz (PML-N) government can be attributed to the country's debt burden that has pushed up by over one tenth in the first year in office, and at the same time its failure to restructure the Debt Management Office. Moreover, the government had to borrow billions per day to run the daily affairs of the country as the expenditure rose, while the tax revenues fell short of targets. Thus, the economy didn't do well not because of the democracy, but the soaring amount of debts, and cutbacks on tax revenues.

Techniques

Regression: OLS

OLS is an appropriate method when concluding about average relationships. It interprets the relation between the independent variable and the conditional average of the dependent variables.

OLS determines the level of variation of the average dependent with one unit increase in the independent variable, while keeping all other variables constant and unchanged.

However, a problem with using OLS as a method is that the data material needs to be homoscedastic in order for the results to give precise estimates. Homoscedasticity implies that the variance in the dependent variable is equal over all values of the independent variables.

To establish and study the link and relationship between the variables, a regression model is formulated:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n \quad \textbf{(Equation 1)}$$

Equation is the generic equation that we have used in our research. Y in this equation represents the depending variables, β represent the coefficients of the independent variables. We have used seven different independent variables that are represented by X in this equation.

$$\begin{aligned} \text{Growth in GDP} = & \beta_0 + \beta_1 \cdot \text{total investment} + \beta_2 \cdot \text{merchandise trade} + \beta_3 \cdot \\ & \text{cash surplus} + \beta_4 \cdot \text{total exports} + \beta_5 \cdot \text{growth in exports} + \beta_6 \cdot \text{public debt} + \\ & \beta_7 \cdot \text{unemployment} \quad \textbf{(Equation 2)} \end{aligned}$$

Equation 2 will be used to study the impact of the independent variables on the growth of the GDP.

$$\begin{aligned} \text{Inflation} = & \beta_0 + \beta_1 \cdot \text{total investment} + \beta_2 \cdot \text{merchandise trade} + \beta_3 \cdot \text{cash} \\ & \text{surplus} + \beta_4 \cdot \text{total exports} + \beta_5 \cdot \text{growth in exports} + \beta_6 \cdot \text{public debt} + \beta_7 \cdot \\ & \text{unemployment} \quad \textbf{(Equation 3)} \end{aligned}$$

Equation 2 will be used to study the impact of the independent variables on the growth of the GDP.

The dependent variables used in the equations are GDP growth rate and the inflation. GDP growth rate shows the GDP growth in terms of percentage and the inflation indicates the percentage change in price index over time

The independent variables that we use in the equations are total investment, merchandise trade, cash surplus, exports, growth in exports, public debt, and unemployment. Total Investment shows the sum of investments, merchandise trade shows the total merchandise exports and imports divided by GDP value, Cash surplus indicates the amount exceeding the cash needed to meet the expenses, total exports indicate the sale of goods/services produced in Pakistan sent to the other countries, growth in exports shows the rate of increase in exports, public debt indicates the liabilities owed by the federal government, and the unemployment shows the percentage of individuals without a livelihood opportunity (see Appendix 1 for further details).

Time Series Analysis

Time series analysis facilitates to analyze data in order to extract meaningful statistics and other characteristics of the data. Moreover to predict future values based on previously observed values, this method is employed.

In this paper, data of various autocratic and democratic regimes from 1980 to 2014 are used to determine the effects of each on the overall level of economic growth in Pakistan.

Data Sources

Data collection is a mechanism to obtain material for any research. The data can be classified as primary data and secondary data. Primary data is the first-hand data that the researcher collects himself through methods like interviews, observations, surveys, or questionnaires. Secondary data is collection of relevant data that is already available through

various sources. These sources can be published data, annual reports of companies, government reports and statistics, library sources, and so on. This type of research is also known as 'desk research'. For the purpose of this research, there is dependency on the secondary data sources.

To be able to study the effects of democratic and autocratic regimes on the growth of the economy of Pakistan, we study the Gross Domestic Product (GDP) as the dependent variable.

As for the independent variables, a total of 67 variables are studied. The annual time series data for the years 1980 to 2014 is analyzed that mostly covers the socio-economic and political situation of the country.

The variables under consideration in this study include: Cash Surplus/Deficit as a percentage of GDP, the share of various sectors of economy in GDP, levels of capital investment, and savings.

Moreover, the social and demographics of the country, also the employment and job market would be studied. The rural and urban population of Pakistan would be analyzed by studying the differences between the two living standards and trends in migration.

Discussing the indexes and percentages of the contributions of the trends and inclination of government expenditure in various sectors and segments of the society and public goods would be examined too.

Furthermore, the balance of payments and international trade's activity during different regimes time would also be studied to be able to study the impact of exports, imports, and remittances on the growth of the economy.

Furthermore, unless mentioned otherwise, the data sources are World Bank, The Economic Surveys of Pakistan, and Pen World Table.

The World Bank is a vital source of financial and technical assistance to developing countries around the globe. It has an Open Data initiative that is intended to deliver all users with access to World Bank data, in accordance to the Open Data Terms of Use. The data catalog is a listing of available World Bank datasets, including databases, pre-formatted tables, reports, and other resources. The data bank provides an analysis and visualization tool that comprises of collections of time series data on a variety of topics.

The Economic Survey of Pakistan is published every year and summarizes the annual performance of the country.

Penn World Tables are the conclusive source for obtaining real national accounts data. The national accounts for each country are collected in their own respective currencies but are later adjusted using detailed price data to obtain real national accounts in a common currency (U.S. dollars) across countries. These tables support the comparisons of Gross Domestic Product and other economic, political and social indicators across countries, and for all manner of research on development and growth.

Limitations

While carrying out our research, we as a group faced various hurdles. Some of the obstacles were easily overcome during the research; however other challenges were unavoidable.

First, due to the time constraints, we were unable to collect qualitative data that created certain complications in the analysis. This made the research more objective, and lacked

perspective of people who possessed applicable knowledge. Thus, this increased reliance on quantitative and secondary data, and deprived the research of descriptive data.

Moreover, even after various attempts, it was difficult to collect an exhaustible amount of data on all relevant indicators of various regimes and their respective policies. There was no or incomplete data available for the years preceding 1980s, which might have added loopholes to the evaluation and gaps in the interpretation. Mostly average data of a decade was available in most of the sources, which wasn't of much use to the research as the objective was to look at annual performances and draw comparisons with the two regimes: Autocracy and Democracy.

Subsequently, these factors limited our study as it led to collection of inadequate data to be studied and analyzed.

Results and Analysis:

Descriptive Statistics:

Descriptive Statistics of our sample for both types of regime since 1980 are given in Table 2. Various variables are presented along with their units, number of observations, mean, standard deviation and their range. Between 1980 and 2014, Pakistan's average GDP was USD 87.6 billion, the annual average growth of the GDP was 4.8%. Average inflation in this entire time period has been around 8.6%. Between 1980 and 2014, the country has seen over 16 years of autocratic governments and around 19 years of democratic governments.

The country hasn't seen any cash surplus in these 35 years and the average budget deficit has been 4.92% of the GDP. The annual average investment in the economy is 18.02% of the GDP. Government's expenditure has been 11.26% of the GDP, Average spending on the

education per annum is just 2.1%, spending on health has been much lower and is 0.57% of the GDP. Average population growth is of 2.52%. Around 68% of the population is rural, and around 32% of the population is urban, however by 2014, the urban population has been around 38%. On average 5.2% of the population has been unemployed for these 35 years.

The average exports of goods and services equal to 14.1 % of the GDP while the growth in export per annum is around 6%. Share of services sector in the GDP is the highest with an average of 50% of the GDP, followed by agriculture's share of 25.89%, industry's 23%, and manufacturing's 15%. On average, the country has a public debt of over PKR 3000 billion, external debt of over PKR 1500 billion, domestic debt of over PKR 2000 billion. The personal remittances are over USD 4000 million.

Correlation between different variables:

In a correlation there can be two types of relationships, positive relationship and negative relationship. Positive relationship is when one variable increases, the other variable also increases and vice versa. Negative relationship is when one variable increases, the other variable decreases and vice versa.

Correlation of GDP growth rate and inflation with total investment, merchandise trade, cash surplus, exports, and growth in exports, public debt, and unemployment is given in Table 3.

GDP growth had a positive relationship with growth in exports of 31%, with merchandise 11%, with cash surplus 50%, with total investment 49%, with total exports 29%. GDP growth had a negative relationship with public debt of 22% and 15% with unemployment.

Inflation (change in CPI) has a positive relationship of 64% with merchandise, and 12% with public debt. It has a negative relationship with growth in exports of 17%, with cash surplus it is 52%, with total investment it is 15%, with total exports it is 18 % and with unemployment it is 59%.

Statistical Description of Autocratic and Democratic Regimes

Table 4 shows the statistical description of Autocratic Regimes and Democratic Regimes with numerous variables, the number of observations, mean and standard deviation of the data.

Between 1980 and 2014, Pakistan has seen over 16 years of autocratic regimes and over 19 years of democratic regimes. There have been two governments in the 16 years of autocratic regimes and six governments in the 19 years of democratic regimes. The GDP averages around USD 64 billion in autocratic regimes and around USD 107 billion in democratic regimes. However, these numbers do not prove anything. The comparative analysis of GDP growth rate, budget deficit and inflation has a significant difference. GDP growth rate in the autocratic regimes averages around 6.03% and it averages around 3.9% in democratic regimes. Inflation in autocratic regimes is around 6.3% and around 10.4% in democratic regimes. The average budget deficit in the autocratic regimes is around 3.3% and it is around 6.3% in the democratic regimes. According to our data, the budget deficit of the coalition governments in 1990s had a budget deficit of around 7%, compared to just 3.3% in the autocratic regime of General Musharraf. Growth in exports has been around 11% per annum in the military regimes and around 2.8% in the democratic regimes. Public Debt in the autocratic regimes is roughly around PKR 2000 billion, and around PKR 5000 billion in the democratic regime. This, however, does not account

the time value of money. The average unemployment in the autocratic regimes in these 16 years is around 2%, and around 4.6% on average in the 19 years of democratic regimes.

Comparisons of the GDP growth rate, inflation, budget deficits, growth in exports, public debt, and unemployment rate are not the complete proof of our claims; however they do support the hypothesis to some extent.

Empirical Results

In Regression, the (size of the) coefficient of one variable gives the effect that it creates on the other variable; the sign of the coefficient gives us the direction of the effect i.e. we get to know that how much will the dependent variable change by changing the independent variable by one. Table 5 has the regression analysis of the dependent variables (GDP growth rate and inflation) and independent variables (total investment, merchandise trade, cash surplus, exports, growth in exports, public debt, and unemployment). For increase in one unit of the independent variable, there will be an increase/decrease in the dependent variable by the coefficient.

Table 5 shows the estimated impact of autocratic regime and democratic regime on economic growth (GDP per capita and Inflation). Columns (1.1 and 1.2) in table 5 show the potential impacts of autocratic regime on the economic growth of the country; while columns (2.1 and 2.2) show the potential impacts of democratic regime on the economic growth of the country. There is no serial correlation in the model we are using; hence we estimate the coefficients by simple ordinary least square regression (OLS), i.e. simple linear regression. The robust standard errors are reported in parenthesis, and the p-value which indicates the significance or insignificance of the coefficients is also given.

GDP Growth Rate:

We begin our analysis by estimating equation 2 for the period 1980 – 2014 for autocratic and democratic regime. Columns 1.1 and 2.1 in the table 5 show the impact of autocratic and democratic regime on the GDP growth rate of the country. Table 5 shows that the total investment has an impact on the GDP growth rate of the country. It is positive and significant. The impact is higher in the autocratic regime and column 1.1 shows that with an increase of 1% in the total investment there is a 0.3% increase in the GDP growth rate; however the increase in the democratic regime is only of 0.013%.

We can see a similar trend in merchandise trade, exports, and growth in exports. All three of these independent variables have a positive and significant impact on the growth rate of the country. With an increase of 1 unit in the merchandise trade (% of the total GDP), there is an increase of 0.28% in the GDP growth rate of the country in autocratic regime, the increase is a 0.19% in the GDP growth rate in the democratic regime. Similarly, with an increase of 1% in the exports (of the total GDP), there is an increase of 0.88% in the GDP growth rate for the year during autocratic regime, compared to 0.65% in the GDP growth during democratic regime. The impact of the growth rate on the economic growth is positive and significant in autocratic regime while it is positive and highly insignificant in the democratic regime. With an increase of 1% in the exports during the autocratic regime, the GDP growth rate increases by 0.236%; however there is a mere increase of 0.008% in the GDP if the exports grow by 1%.

We fail to find any impact of public debt on the economic growth of the country and there is a very low change in the GDP growth rate after the increase or decrease in the public debt of the country. Table 4 shows that the cash surplus during the autocratic regimes is of -3.3% i.e. almost double the cash surplus of democratic regime. Table 5 shows that with an increase of 1% in the cash surplus, there is a significantly positive impact on the GDP growth rate in the

autocratic regime and the GDP growth rate increases with 3.89%. The increase is comparatively low during the democratic regime with an increase of just 1.3% in the GDP growth.

According to table 4, the unemployment averages around 2.1% in autocratic regime and around 4.6% in democratic regime. Table 5 shows that the effect of unemployment of the GDP growth rate is significantly different in both regimes. In autocratic regime, with an increase of 1% in the total employment, there is an increase of 0.91% in the GDP growth rate; however it only increases the GDP growth rate by 0.15%.

We find that different variables have significantly positive impact on the GDP growth rate of the country in the autocratic regime. The impact is comparatively less in the democratic regimes.

Change in CPI – Inflation:

We begin our analysis by estimating equation 3 for the period 1980 – 2014 for autocratic and democratic regime. Columns 1.2 and 2.2 in the table 5 show the impact of autocratic and democratic regime on the change in CPI i.e. it indicates the inflation in the country. Although the GDP growth rate is an enough indication of the significantly positive economic growth in the autocratic regime, we still take inflation as one of the independent variables. Inflation is good for the economic activity in the country; however an uncontrolled increase in the inflation affects the consumers as their purchasing power decreases as a result.

With an increase of 1 unit in the total investment, merchandise trade, and cash surplus in the autocratic regime, we see an increase of 0.14%, 1.22%, and 1.2% in the inflation respectively. This rise in the inflation rate signifies the increase in the economic activity in the country as all three of these variables have a positive growth on the GDP as well and they result

in revenue generation. There is negative impact on the inflation with the increase in exports and growth in exports; however the impact is not significant.

Total investment and cash surplus does not increase the economic activity in the democratic regime as the inflation rate decreases with the increase in total investment and cash surplus. Merchandise trade, however, has a positive effect on the inflation and the economic activity increases as a result of the increase in the merchandise trade. There is negative impact on the inflation with the increase in exports and growth in exports; however, just like in the case of autocratic regime, the impact is not significant.

Hence our results indicate that the activities that generate resources increase the economic activity in the country in autocratic regime. The impact isn't significant or the activities that can generate revenues do not increase the economic activity in the country.

Discussion

Empirical results show that democratic regimes fail to play an effective part in the economic process. This naturally raises the question, why does this happen in Pakistan? Why democracy is not as effective for a positive economic growth? After all, democracy has strong institutions, and it is highly accountable to the constituents. In order to understand the reasons, we have analyzed the situation on the basis of the statistical description of the data and further research

Pakistan's democratic governments have a long history of being politically unstable. Since the inception of Pakistan in 1947, not a single government up to 2013 has been successful in completing a five-year parliamentary tenure. Resultantly, the average duration of a democratic government from 1980 till 2014 is 2.85 years, whereas the average duration of an autocratic

regime is 8.5 years. It is clear that democratic regimes do not have adequate time to dedicate to building sound and efficient institutions, or the regimes do not possess enough time to pursue a policy steadily and obstinately.

Theory states that democracy stimulates economic growth because political parties are accountable and responsive to the constituencies. For Pakistan, this notion is essentially invalid; governments mostly enjoyed their terms without much consideration given to electoral consequences. The reasons for this are twofold:

First, Pakistan's education levels and literacy rates are considerably low. Furthermore, more than two-thirds of the population of the country still resides in rural areas. A high fraction of rural inhabitants combined with low literacy levels point out that a significant number of Pakistanis are unmindful of the power of the vote and the repercussions on the prevalent political system. In addition, Pakistan's politicians are very well informed of this situation and exploit or manipulate the voting power of the citizens.

Secondly, Pakistan has a strong *Briadri* system, that pertains to the family or kinship system in the country. If the leader of the *Biradri* decides to vote in a certain manner, other family members, without considering the capabilities of the prospective candidates, must follow suit or they would face severe consequences. Ahmed (2008) concluded while examining the impact of this system on voting behaviors that "*Biradari* seems to be stronger than political fidelity" (p. 47-48). Shawar and Asim (2012) found that more than 55% prefer to vote on the basis of the *Biradari* system.

One of the main arguments in favor of democratic regime is that democracy promotes economic growth because under democratic regime the rights of individuals and firms are more

protected. The secure property rights encourage the investment behavior which promotes growth. However, in case of Pakistan we see a little evidence in favor of secure property rights. According to Arshad (2014), higher level of democracy fails to increase share of total investment as well as private sector investment (see Figure 1). He also contends that democratic regime not only shakes the domestic investors' confidence but also fails to improve foreign investors (see Figure 2).

In contrast, the autocratic regimes have specifically focused on the adoption of market oriented policies. The second military leader initiated a program of corporatization to stimulate the corporate sector and the private sector. In 1984 he promulgated the Companies Ordinance to control the corporate sector. The third military ruler set up a regulatory body (SMEDA: Small and Medium Enterprises Development Authority) to further advance the industrial sector, and to develop small and medium enterprises (Arshad, 2014).

The military government also decentralized power to the local level as a strategy to strengthen their government and to obtain public support. In 1980 General Zia enacted the Local Government Ordinance with the aim to empower local and provincial governments through delegation of power from the top to the grassroots level. In 2000 the third military government formulated another Local Government Ordinance, and through this certain provincial functions were devolved to the local level. Kang and Arshad (2012) contend that the seeming purpose of all three military regimes was “to introduce a form of so-called democracy.”

Recommendations

Considering the empirical evidences and statistical results of our research, we have come up to the conclusions that autocratic regimes produce better results, and have a more positive

effect on the economic growth of Pakistan. Drawing on our findings and the current uncertain and unstable situation in Pakistan, we have derived a few recommendations for the current government so that it can take the country towards economic prosperity.

First, the rate of employment was higher during autocratic regimes in the past. This had a positive significant effect on the economic growth during autocratic regimes. Keeping this in view, the current government must enact sound policies to increase the rate of employment in the country to have positive effects on the economic growth of the country. New opportunities and job openings must be created for the potential workforce of the country, and the fresh graduates must be provided equal and unbiased opportunities for employment. The rate of voluntary and involuntary employment must be kept to a minimum to boost the rate of long term economic growth.

Moreover, opportunities for trade and investment must also be opened up for both local and foreign investors in the country. Benefits such as tax concessions, easy loan schemes, and tax rebates must be extended to the foreign investors in the country to stimulate economic growth by increasing investment. A stable and safe political environment must be created by the government of Pakistan by curbing the social issues in the country to foster a progressive environment for growth. Likewise, trade opportunities must also be opened up for both local and foreign traders. This can be done by building the required infrastructure of trade, and by setting up Economic Zones or Industrial Zones that could boost the growth in the country. Exports should also be encouraged to improve the balance of payments of the economy, and this can be facilitated by extending benefits to the exporters in terms of less taxes and embargoes.

Furthermore, the government should allocate a larger portion of the budget to the education sector of the country. Education is a basic right of an individual as has been recognized by the Constitution of Pakistan. Keeping this in view, the government should put in serious efforts to revolutionize the current education situation in the country to raise a population that is well aware and well informed. Educational institutes in both rural and urban areas must be standardized, and the institutions of the country must be efficient and effective in enforcing a sound educational policy in the country. There should be a political will, and the government must minimize corruption at all levels to fully achieve the objective of high literacy.

The societal ills of the nation must also be curbed, and the government of the country must refrain from power struggles, partisan politics, *Zamindar* systems, and *Biraadri* system. Corruption, misuse of power, personal agendas, and family politics; all of this must be eradicated by the government to foster a positive environment in the country. The government must focus on formulating sound economic policies such as corporatization, privatization, industrialization, and decentralization to harbor an environment that is conducive to growth. True and sincere efforts on the part of the government can go a long way in achieving high prosperity and success for Pakistan that can take the country to new heights.

Summary and Conclusion

Whether democracy is beneficial for the economic advancement of the country or autocracy is heavily debated in the literature. Contending theoretical arguments and empirical research compelled us to re-analyze the relationship between the two political regimes and their impacts on the economic growth to determine how each regime effects the growth in an economy. Moreover, considering the regional significance of Pakistan, and its diverse cultural

background coupled with a troubled history; an attempt has been made to study the statistical significance of impacts of political regimes on the economic growth or GDP growth of the country using time series data for the period of 1980 to 2014.

A brief overview of the history of Pakistan will provide us an insight into how the shifts in political regimes came about. Pakistan has had a very rough past since its inception in 1947; it had failed to build strong economic and political foundations that contributed to the problems it later faced. Pakistan had faced political instability, experienced three military coups, military or autocratic regimes that stretched to eight years, while growth remained uncertain during these periods. Between 1980 and 2014, Pakistan has seen over 16 years of autocratic regimes and over 19 years of democratic regimes.

There have been two governments in the sixteen years of autocratic regimes and six governments in the nineteen years of democratic regimes. Statistical evidence proves that Pakistan performed better in terms of economic growth during these regimes. To solve the question of 'Why', a statistical analysis is then carried out to study the impact of the two kinds of political regimes on the GDP growth rate of the country. This is done by studying a vast range of variables under each regime, and in the end conducting an analysis on the overall impact of the regimes on the GDP growth rate in the economy.

Through the time series analysis and regression of the variables employed for the research, we have found considerable results that support the notion that autocratic regimes have positive effects on economic growth. Through the statistical research, we have found that autocratic regimes created higher employment, had a higher rate of GDP, had lower budget deficits, and sustained lower public debts. In addition, empirical evidence proves the statistical

impacts of different variables under each regime on the GDP growth rate of the country. The rate of investment under autocratic regime has a higher significant positive impact on the GDP growth rate as compared to democratic regime.

Furthermore, similar trends were witnessed regarding growth in exports; autocratic regimes had a higher significant positive impact of this trend on the GDP growth rate as compared to the democratic regime. Similarly, the impact of increase in employment was more significant as compared to democratic regimes. Thus, it can be concluded from these findings that different variables have significantly positive impact on the GDP growth rate of the country in the autocratic regime. The impact is comparatively less in the democratic regimes. Likewise, rise in inflation rate signifies increase in economic activity of the country as it increases the variables of trade, exports, and cash surplus that generate revenue. We found that the variables that increased the economic activity in the country increased under the autocratic regimes as compared to democratic regimes.

Thus, these trends and statistical results gave us sound knowledge and deep-rooted insight into how the different variables affect the GDP growth rate in the country under democratic and autocratic regime. In Pakistan, the autocratic regimes have proved to be positive and beneficial for the economic growth in the country, and democracy has failed to be an agent of growth and prosperity in the nation. There are myriad reasons that owe to this phenomena in our country; these reasons could range from lack of political will and partisan politics under democratic regimes, power struggle that exploits the citizens of the country, lack of sound institutions that fail to cater to the needs of the population, *Biraadri* system that is embedded in the society of Pakistan, to lack of education and low literacy rates in the country, demoralization of the people of Pakistan due to less freedom and rights, and high extremism and fanaticism.

In addition, a review of the autocratic regimes shows the reasons that owe to the success of autocracy in Pakistan. The military rulers put in effort to formulate sound policies consistently to protect the property rights of the people, or to legitimate the regimes. They use tools such as decentralization and devolution, industrialization, or corporatization to strengthen or fortify their government. Democratic regimes, on the other hand, are highly unstable, fail to cater to the needs of the people or be responsive to their demands, and persistently involve in struggles of power and wealth.

Thus, autocratic regimes have been fruitful for the economic prosperity and advancement of the nation as can be viewed through statistical and empirical research. If democratic governments fail to produce and stimulate an environment that is conducive to economic growth of a nation, then in the long term this can be detrimental to the future growth and prosperity of the nation.

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TABLES

Table 1: Details of Regime Change to and from Democratic Regime

Transition	Who	Whom	When	Why
Democratic to Autocratic	Military Chief (Gen. Zia ul Haq)	Prime Minister (Zulfiqar Ali Bhutto)	July 7, 1977	Deteriorated law and order situation, and political uncertainty and instability.
Autocratic to Democratic	Acting President (Ghulam Ishaq Khan)	(President) (Gen. Zia-ul-Haq)	August 17, 1988	Death of the President in a plane crash
Democratic to Autocratic	Military Chief (Gen. Pervaiz Musharraf)	Prime Minister (Mian Nawaz Sharif)	October 12, 1999	Kargil War and Military confrontation
Autocratic to Democratic	Acting President (Mohammadmian Soomro)	President (Gen. (Rtd.) Pervez Musharraf)	August 18, 2008	Completion of tenure and handover charge.

Source: *Pakistan's National Assembly website*

Table 2: Descriptive Statistics (1980 – 2014)

Variable	Unit	Obs.	mean	Std. Dev.	Min	Max
GDP	USD (billion)	35	87.60	16.18	23.69	246.9
GDP Growth Rate	%	35	4.89	1.18	1	10.2
Inflation	Change in CPI - %	35	8.57	3.78	2.9	20.3
Cash surplus	% of GDP	24	-4.92	1.61	-8	-2
Merchandise Trade	% of GDP	25	31.72	2.69	26.9	37.8
Capital Investment	% of GDP	35	18.03	1.61	14.12	20.82
Savings	USD (billion)	35	19.46	4.04	6.06	55.59
Share of Agriculture	% of GDP	35	25.89	2.36	21.47	31.56
Share of Industry	% of GDP	35	23.31	1.68	20.2	27.1
Share of Manufacturing	% of GDP	35	15.69	1.24	13.39	18.56
Share of Services Sector	% of GDP	35	50.80	2.76	45.56	56.04
Exports (Goods & Serv.)	% of GDP	35	14.10	2.05	9.9	17.4
Growth in Exports	% age	35	6.76	3.90	-15.5	33.47
FDI Inflow	% of GDP	35	.95	.90	.1	3.9
Total investment	% of GDP	35	18.02	1.98	14.11	22.9
External debt	PKR (billion)	35	1570.94	115.01	86	5076
Domestic debt	PKR (billion)	35	2052.88	288.78	58	10920
Public debt	PKR (billion)	35	3631.42	340.81	145	15996
Personal remittances	USD (million)	35	4322.21	484.50	996	17066
Govt. expenditure	% of GDP	35	11.26	2.15	7.78	16.78
Spending on Education	% of GDP	32	2.11	0.86	1	3.02
Spending on Health	% of GDP	35	0.57	0.27	0.05	1.19
Population	In thousands	28	125859.2	5685.8	85219.12	169340.5
Rural population	% of total pop.	35	67.48	2.82	62	72
Urban population	% of total pop.	35	32.51	2.82	28	38
Population Growth	% age	35	2.52	.63	1.7	3.4
Fertility	Births/Woman	35	4.94	1.22	3.07	6.54
Life expectancy	Age	35	62.90	2.70	58.07	67.1
Child Mortality Rate	/1000 births	35	94.08	17.05	66	122
Employment in Agr.	% of total employ.	33	47.42	3.61	42	54
Employment in Indust.	% of total employ.	33	19.91	1.28	17	23
Employment in Ser. Sec.	% of total employ.	33	32.87	3.38	27	37
Unemployment	%	30	5.27	1.99	1	16

Note: Detail of variables is at Appendix 1

Table 3: Correlation (1980 – 2014)

	GDP Growth Rate	Inflation
Growth in exports	0.31	-0.17
Merchandise	0.11	0.64
Cash Surplus	0.50	-0.52
Total investment	0.49	-0.15
Total Exports	0.29	-0.18
Public debt	-0.22	0.12
Unemployment	-0.15	-0.59

Note: Detail of variables is at Appendix 1

Table 4: Autocratic Regimes and Democratic Regimes (1980 – 2014)

Variable	Unit	Autocratic Regimes			Democratic Regimes		
		Obs.	mean	Std. Dev.	Obs.	Mean	Std. Dev.
No. of years	Years	16			20		
GDP	USD (billion)	16	63.67	9.6	19	107	35.6
GDP Growth Rate	%	16	6.03	2	19	3.92	1.8
Inflation	Chg. in CPI - %	16	6.3	2.8	19	10.4	3.5
Cash surplus	% of GDP	8	-3.32	0.7	16	-6.3	1.3
Merchandise Trade	% of GDP	8	31.25	3.75	17	31.9	2.1
Capital Investment	% of GDP	16	18.19	1	19	17.9	2.0
Savings	USD (billion)	16	15.7	9.4	19	22.6	8.5
Share of Agriculture	% of GDP	16	26.2	3.3	19	25.5	1.1
Share of Industry	% of GDP	16	23.5	1.8	19	23.17	1.6
Share of Manufacturing	% of GDP	16	15.7	1.2	19	15.6	1.2
Share of Services Sec.	% of GDP	16	50.3	3.1	19	51.2	2.4
Exports	% of GDP	16	13.2	2.0	19	14.8	1.8
Growth in Exports	% age	16	11.4	1.1	19	2.8	1.5
FDI Inflow	% of GDP	16	0.96	1.15	19	0.94	0.65
Total investment	% of GDP	16	18.76	1.74	19	17.3	1.9
External debt	PKR (billion)	16	1017	92	19	2037	192
Domestic debt	PKR (billion)	16	1079.6	101	19	2872	335
Public debt	PKR (billion)	16	2113.4	170	19	4909	520
Personal remittances	USD (million)	16	3049.1	700	19	5394	552.6
Govt. expenditure	% of GDP	16	10.17	1.79	19	12.18	2.02
Spending on Edu.	% of GDP	16	2.1	0.4	16	2.16	0.89
Health Expenditure	% of GDP	16	0.59	0.09	19	0.58	0.1
Population	In thousands	16	126597	16127	12	124875	11002
Rural population	% of total pop.	16	68.5	2.6	19	66.6	2.7
Urban population	% of total pop.	16	31.5	2.5	19	33.3	2.7
Population Growth	% age	16	2.64	0.6	19	2.40	0.49
Fertility	Births/Woman	16	5.2	1.3	19	4.7	1.15
Life expectancy	Age	16	61.9	2.9	19	63.6	2.2
Child Mortality Rate	/1000 births	16	99.5	18.2	19	89.4	14.9
Employment in Agr.	% of total emp.	15	47.9	4.6	18	47	2.4
Employment in Indust.	% of total emp.	15	20.1	0.8	18	19.7	1.5
Employment in Ser.	% of total emp.	15	32.2	4.2	18	33.4	2.4
Unemployment	%	13	2.1	1.7	17	4.6	1.3

Note: Detail of variables is at Appendix 1

Table 5: Regime Effect on GDP Growth Rate and Inflation

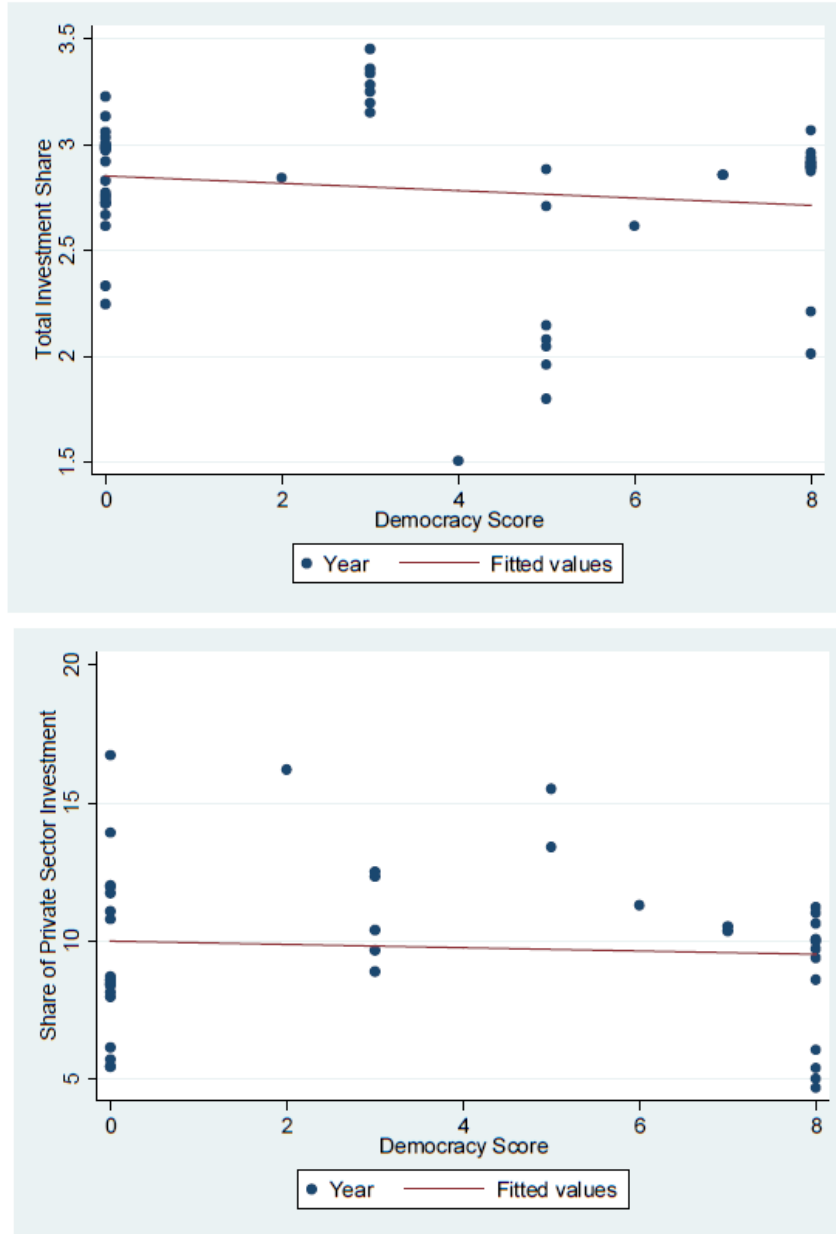
	Autocratic Regime		Democratic Regime	
	GDP Growth (1.1)	Inflation (1.2)	GDP Growth (2.1)	Inflation (2.2)
Total investment	0.309*** (0.021)	0.1468** (0.020)	0.013131*** (0.032)	-0.8219*** (0.021)
Merchandise trade	0.282*** (0.011)	1.22** (0.13)	0.1978*** (0.017)	0.4341* (0.022)
Cash Surplus	3.89*** (0.016)	1.2* (0.009)	1.3** (0.192)	-0.8*** (0.021)
Exports	0.8831*** (0.015)	-0.1545** (0.008)	0.6549*** (0.007)	-0.4287** (0.003)
Growth in exports	0.236*** (0.009)	-0.0389** (0.003)	0.008475*** (0.013)	-0.01282** (0.013)
Public debt	0.00219*** (0.013)	-0.0016** (0.021)	0.000386*** (0.016)	- 0.00089*** (0.019)
Unemployment	-0.9748*** (0.008)	-0.8457* (0.071)	-0.15884*** (0.004)	-0.8005* (0.005)

Note: Dependent variables are the GDP per capita growth and the inflation. Robust standard errors are in the parenthesis. All variables are in natural logarithms. Estimations are based on annual time series for the period from 1980 to 2014. See Appendix 1 for variable details.

*** ($p < 0.05$); ** ($p < 0.10$); * ($p > 0.10$).

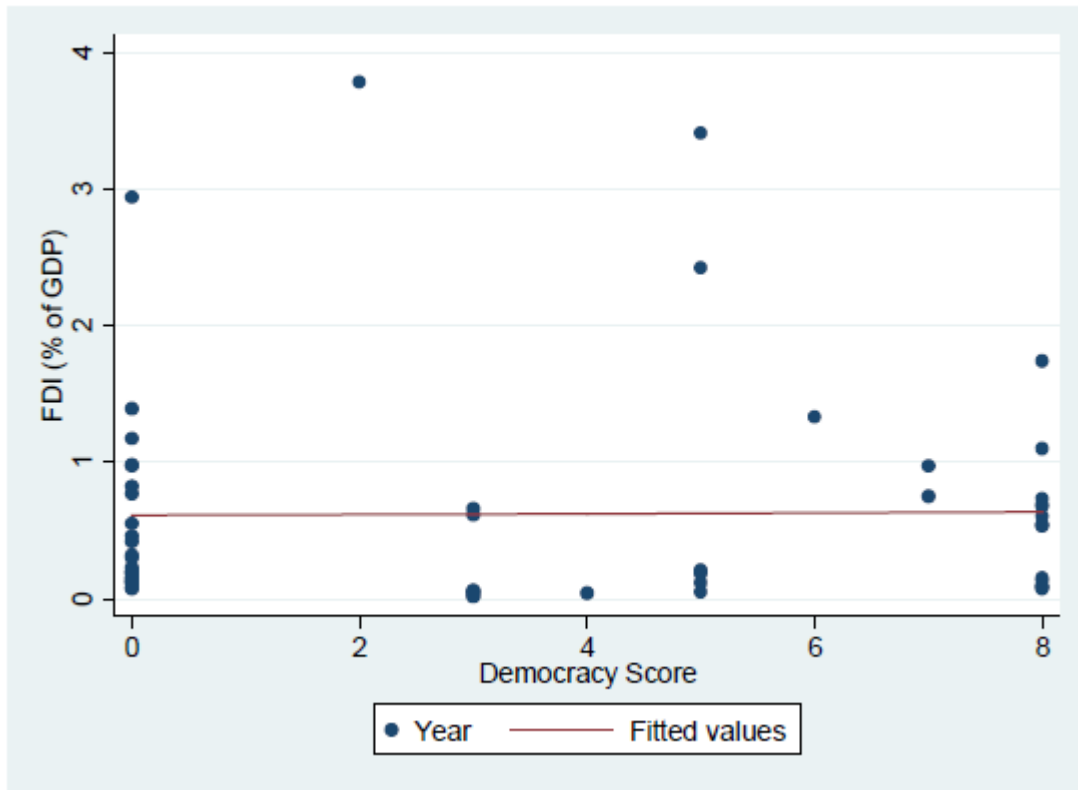
FIGURES

Figure 1: Investment Shares and Democracy



Note: Higher value means more democracy. Data Source: Arshad (2014)

Figure 2: FDI and Democracy



Note: Higher value means more democracy. Data Source: Arshad (2014)

APPENDIX

Appendix 1: Variable Definitions

Variable	Definition	Rationale	Source
GDP	Gross Domestic Product - sum of a country's economic activity.	To measure Pakistan's economic activity	World Bank
GDP Growth Rate	GDP growth in terms of percentage.	Measure of economic growth – dependent variable	
Inflation	% change in price index over time	Measures macroeconomic conditions – dependent variable	
Cash surplus	Cash exceeding the cash needed to meet expenses.	Measure access assets	
Merchandise Trade	Total merchandise exports and imports divided by GDP value.	Change in total trade	
Capital Investment	Funds and fixed assets invested in an organization.	Measures wealth of an organization	
Savings	Left over income earned after deduction consumption.	To measure fiscal policy.	
Share of Agriculture	Agricultural products as a proportion of GDP.	Measures contribution of the agriculture sector in economic activity.	
Share of Industry	Industrial products as a proportion of GDP.	Measures contribution of the Industrial sector in economic activity.	
Share of Manufacturing	Manufacturing sector's production as a proportion of GDP.	Measures contribution of the manufacturing sector in economic activity.	
Share of Services Sector	Production of tertiary sector as a proportion of GDP.	Measures contribution of the tertiary sector in economic activity.	
Exports	Sale of goods/services produced in one country sent to the other.	Measurement of trade	
Growth in Exports	Rate of increase in exports.		
FDI Inflow	Foreign Direct Investment of other countries to acquire ownership in the recipient country.	Measures provision of external financing resources	
Total investment	A sum of investments	To measure the sources of funds invested	
External debt	A proportion of liabilities owed to non-resident of an economy.	To measure the borrowings of an economy.	
Domestic debt	Liabilities owed to resident of an economy.	To measure debt management policy.	
Public debt	Liabilities owed by the central government.	To measure debt management policy.	

Personal remittances	Employee compensation and personal transfers.	To measure the financial policy.	
Govt. expenditure	Total government spending.	To measure size of the government.	OECD
Spending on Education	Total spending on public and private Education sector as a % of GDP.	To measure education spending	World Bank
Health Expenditure	Total spending on public and private health sector as a % of GDP	To measure health spending.	
Population	All resident of a country.	To measure the recipients of public services	
Rural population	All residents of villages/rural areas.	To measure policies targeting rural sector.	
Urban population	All residents of cities/urban areas.	To measure policies targeting urban sector.	
Population Growth	Increase in number of residents of a country.	To measure the growth rate of population	
Fertility	The ability of women to reproduce.	-	
Life expectancy	Average life of a country's residents		
Child Mortality Rate	Probability of the death of 1 out of 1000 new-borns.		
Employment in Agr.	People of working age involved in attaining livelihood in agricultural sector.	To measure human capital.	World Bank
Employment in Indust.	People of working age involved in attaining livelihood in Industrial sector.		
Employment in Ser.	People of working age involved in attaining livelihood in tertiary sector.		
Unemployment	% of individual without a livelihood opportunity.		

Source: Authors' Compilation