

Democratization and the conditional dynamics of income distribution

Online Appendix

Michael T. Dorsch* Paul Maarek†

October 26, 2018

Abstract

Despite strong theoretical reasons to expect that democratization equalizes income distributions, existing empirical studies do not find a statistically significant effect of democratization on income inequality. This paper starts from the simple observation that autocracies are heterogeneous and govern quite extreme distributional outcomes (also egalitarian). Democratization may drive extreme income distributions to a “middle ground”. We thus examine the extent to which initial inequality levels determine the path of distributional dynamics following democratization. Using fixed effects and instrumental variable regressions we demonstrate that egalitarian autocracies become more unequal following democratization, whereas democratization has an equalizing effect in highly unequal autocracies. The effect appears to be driven by changes in gross (market) inequality, suggesting that democratization has lead, on average, to redistribution of market opportunities, rather than to direct fiscal redistribution. We then investigate which kinds of (heterogeneous) reforms are at work following democratizations that may rationalize our findings.

Keywords: Democracy, inequality, non-linearity, middle ground

JEL Codes: D30, O15, P48

* *Corresponding author.* School of Public Policy, Central European University, Nádor u. 9, 1051 Budapest, Hungary; DorschM@ceu.edu; +36 1 327 3000 extension 2751.

† LEMMA, Université Panthéon Assas, Paris 2, France; paul.maarek@u-paris2.fr.

A Online Appendix

In this online appendix, we provide (i) more details on some of our benchmark specifications, (ii) some further results, (iii) additional robustness tests, and (iv) results from all of the main text MI regressions performed over five-year panels.

A.1 Supplementary information for our baseline analysis

Table A1 presents the democratization episodes in our analysis. For each episode, we list also the pre-democracy initial level of inequality that is used for the interaction term and the change in the net Gini coefficient ten years after the democratization episode. Note that these calculations on the Gini coefficient are made on the median imputed series.

Table A2 presents the first-stage regressions from the 2SLS estimations that we presented in columns (7) and (8) of Table 3. Note that in Table 3 we have demonstrated that the set of instruments easily passes the Cragg-Donald test of IV strength. We include F-statistics on joint hypothesis tests for the set of excluded instruments for each of the first-stage regressions, which together yield the high C-D F-statistics we reported in Table 3.

Table A3 replicates our baseline regression table but with the inclusion of four lagged dependent variables. Note that for every specification only the first lag is statistically significant and, moreover, its estimated coefficient remains very close to those from Table 3. Likewise, the coefficient estimates of interest and the calculated long-run effects of democratization are very close to those from our baseline table of results.

In Table 4 we presented estimates from regressions where we lagged the democracy variable over longer time periods (5 and 10 years, respectively) using the multiply imputed data in OLS. In Online Appendix Table A4 we present the second stage of 2SLS estimations using the median imputed series. For ease of comparison, we also run the OLS estimations using the median imputed series. Columns (1) – (4) presents results with the democracy indicator lagged 5 years, while columns (5) – (8) present results with the democracy indicator lagged 10 years. Table A5 presents the first-stage regressions from the 2SLS procedure. Here as well, we show the joint F-stats on the set of excluded instruments for each of the first-stage regressions, which combine to yield a Cragg-Donald F-stat which easily confirms the strength of the set of excluded instruments.

In Table 5 we presented estimates from regressions where we excluded geographical regions one at a time from our sample. There we reported OLS regressions with the multiply imputed data as well as the second stage of 2SLS regressions with the median imputed series. In Online Appendix Table A6 we report the first-stage regressions from the 2SLS estimates from Panel B of Table 5 using the median imputed series.

Similarly, in Table 6 we reported estimations indicating that our main result is robust to estimation using alternative democracy indicators, both with OLS over the multiply imputed data and 2SLS with the median imputed series. Online Appendix Table A7 reports the first-stage regressions from the 2SLS estimates of columns (4) – (6) in Table 6 using the median imputed series.

A.2 Investigating the exclusion restriction

In Table A8, we include a battery of time-varying co-variates into the 2SLS regressions in order to block off channels through which the exclusion restriction might be violated. The table presents results from the second stage of the 2SLS procedure estimated on the median imputed series. In all cases, the set of excluded instruments remains strong when we control for these time varying variables, coefficients of interest remain highly statistically significant, and the calculated long-run effects are quite close to those from the baseline specification.

First, regional waves of political liberalization may be associated with regional waves of economic liberalization, increasing trade flows within regions and leading to increased inequalities in the home country as factors specific to tradeable production should see incomes grow. If regional democratic waves lead to increases in inequality through this effect on regional trade, this would imply a violation of the exclusion restriction. Accordingly, column (1) controls for export’s share of GDP to shut off the possibility that the instrument set’s relevance is driven by this channel. Similarly, column (2) controls for economic openness, proxied by the ratio of total trade (exports + imports) to GDP.

Next, migration patterns may be affected as countries in a region democratize. Theoretically, the effect on inequality in the home country could go either way. High-skill labor may leave in favor of the labor markets in the democratizing neighboring countries. Political instabilities in the region may also lead to refugee flows, which would affect the supply of low-skill labor. As migration data is only spottily available over the panel that we are interested in, column (3) thus controls for the change in the home country’s population as a proxy for changes in migration patterns.

Relatedly, regional democratization may be associated with civil conflicts, which may destroy capital assets held abroad in the region by the wealthy, reducing inequalities in the home country. Also, civil conflict in the region may catalyze refugee flows, affecting inequalities in the home country. We calculate the regional share of the countries where there was an armed conflict between the government and one or more internal opposition groups, using the data provided by UCDP/PRIO (Themnér and Wallensteen 2013). Column (4) controls for this civil conflict variable.

Finally, we construct a time-varying regional average Gini coefficient measure that picks up regional trends in income inequalities that could be associated with regional trends in political liberalization. Column (5) includes this powerful “reduced form” control for the vector of potential violations to the exclusion restriction from regional spillover effects.

The last column adds all of the channel controls at the same time. The set of excluded instruments remains very strong throughout these specifications that include additional the time-varying controls, which buttresses our confidence in the validity of our set of excluded instruments. Table A9 presents the first-stage results from these specifications using the median imputed series.

In the paper, we have tried to convince the reader that the exclusion restriction was satisfied. First using some economic intuition and then by controlling for numerous channels through which our instrument could have directly impacted the degree of income inequality in the home country. However, despite those efforts we cannot be sure that the exclusion restriction is fully satisfied. We have implemented the methods of Conley et al. (2012) that allows for making valid inference when the exclusion restriction condition is relaxed (i.e instruments are not fully exogenous). In other words, what would be the bound of the estimates (at 90%) of the true effect of democratization (and its interaction with inequality) if the instrument would directly affect the variable we seek to explain (the degree of inequality). In order to implement the method, we need to specify for each instrument we use how they are related and explain our dependent variable. That is, the (true) coefficients of the instrument when included directly in the OLS specification. We specify a coefficient for our instruments corresponding to 20% of the coefficients of our main variables in the OLS estimates of Table 3 column (4) (an interval of -0.10/0.10 for the instruments for our democracy variable and -0.0054/0.0054 for the interaction term). Specifying such a clear and sizable violation of the exclusion restriction is a conservative test of the estimates. The bound of the coefficients estimates for the democratization variable and its interaction do not include zero. This suggests that even taking into account the possibility that the exclusion restriction is not satisfied, the true impact of our variable of interest is still different from zero. The bound at 90% interval is 0.20/2.78 for democracy and -0.061/-0.003 for its interaction.

A.3 Additional sample restrictions

In addition to the sample restrictions that are presented in the main text, we have considered several additional restrictions. In Table A10, we drop countries according to their transparency of economic information using transparency data from two different sources. First, we restrict the sample according to the index provided by Hollyer et al. (2014) in

columns (2) and (3). In columns (4) and (5), we restrict the sample according to the transparency index from the Freedom House. For both of these indicators, we have taken the country averages over the sample period. Then we dropped the least transparent countries, defined by the 10th and 25th percentile of these indexes. Using the multiply imputed data, Table A10 shows that the results are robust to systematically dropping the least transparent autocratic countries. If one is concerned that mis-reporting of inequality data by autocratic countries could drive the results, this test should be assuaging.

Further, Table A11 performs some jackknifed estimations. For both OLS and 2SLS we present the estimated coefficients and standard errors averaged over regressions that drop one country at a time. Note that for this exercise, we have used the median imputed series as the jackknifing procedure is not supported with multiply imputed data. First we jackknife all countries (164 regressions) and then we jackknife only the countries that have experienced a democratic transition (52 countries) over the period of our baseline sample. Estimation results and predicted long-run effects at the 10th/90th percentile Gini are quite stable from this exercise, providing some evidence that our results are not being driven by any one influential case.

A.4 Alternative dynamic panel data estimators

Since fixed effects regression estimates can be biased by the inclusion of lagged dependent variables (Nickell 1981), we also estimate our baseline specification with the LSDVC bias-corrected dynamic panel data estimator and a standard generalized method of moments (GMM) estimator in Table A12. Note that for these exercises as well, we have used the median imputed series as these estimation procedures are not supported with multiply imputed data.

In Table A12 we first estimate the baseline result in OLS for comparability. Next, we show that the OLS results are confirmed by the point estimates and standard errors when employing the LSDVC estimator in column (2). We then employ the standard generalized method of moments (GMM) estimator along the lines of Blundell and Bond (1998) system GMM, which has been proven to be more stable than the difference Arellano-Bond GMM estimators which takes the variables of the model in difference and uses the lags of the variables in levels as instruments. Indeed, one concern with the difference Arellano-Bond GMM estimators is that past level have been often proven to be weakly correlated with the variables in difference making the instruments weak (especially if the variables are close to a random walk). Hence, the original equation in levels is added to the system and Arellano and Bover (1995) show that those additional instruments often increase efficiency. In this

equation, variables in levels are instrumented with lags of their own first differences. As is standard in the literature and given the first order autoregressive term, we use all the lags from the second one as an instrument (the option by default). Following Acemoglu et al. (2017), we include the lagged dependent variable as a control, remove country fixed effects by taking forward orthogonal differences (for the equation in difference), collapse the number of lags used as instruments, and report the AR(2) p-value. This last second order autocorrelation test ensure that we do not have a higher order autocorrelation in our data which would make the second lag invalid as an instrument. We also provide the standard Hansen over-identification test. We provide estimates using the two-step GMM (one-step give very similar results). The two-step GMM results have been proven to be more asymptotically efficient estimates than one-step results. However, the standard errors of the two-step may be downward biased. We thus apply the correction on the standard error suggested by Windmeijer (2005). Column (3) of table [A12](#) displays the result for this specification. The results obtained using the GMM estimator are in line with with our baseline estimates. The Hansen test is basically satisfied. Unfortunately, the AR(2) tests is basically not satisfied suggesting our model may be not well-specified. The second lag for the GMM instrument may be correlated with the residual and should not be used as an instrument. The next columns deal with this specification problems. In column (4), we start using GMM instruments from the third lag instead of the second lag. Given the fact the AR(3) test is basically satisfied, this should be a valid instrument. The magnitude of coefficients are only slightly affected and remains very similar to the OLS and IV estimates. In column (5) we even start considering instrument from the fourth lag. Here again, the coefficients estimates are only marginally affected and results are in line with our baseline results. Finally, column (6) provide estimates using the more simple Arellano and Bond (1991) estimator using only the equation in difference (instrumented with levels). Here again, given the fact the AR(2) test is not satisfied, we start using lag from the third one for GMM instruments. Estimated coefficient are very close to the system GMM estimates.

A.5 Further robustness tests

Alternative democracy indicators. In the main text we have considered estimation over some alternative democracy indicators. In Online Appendix Table [A13](#), we present OLS estimations using the multiply imputed data for four additional alternative democracy indicators. In column (1) we construct a binary indicator from the Polity 2 index using a more stringent cut-off of 4 to define a country as a democracy. Column (2) employs the binary democracy indicator provided by Cheibub, Gandhi, and Vreeland (2010). Columns

(3) and (4) employ the flexible machine learning index of Gründler and Krieger (2016). In column (3) we create a binary variable when the machine learning index crosses its midpoint of 0.5, whereas in column (4) we simply use its raw data.

Controlling for autocratic regime type. Additionally, we have checked that our results are not being driven by the transition experiences of certain types of autocratic regimes, which may be correlated with inequality. Using the database of Geddes et al. (2014) on autocratic breakdown and transitions, we have coded autocratic regimes into four broad binary variables: military rule, monarchical, party rule, and personal rule. We then interact the democracy indicator with the lagged binary regime indicator to investigate the extent to which the regime type matters for inequality dynamics following democratization. Table [A14](#) demonstrates that regime type does not matter and the coefficients on the interaction term with initial inequality levels remain stable and statistically significant.

Simplified Interactions. In Table [A15](#), for transparency, we employ simpler constructions of the interaction term. In column (1), the pre-democracy inequality variable is simply the level of inequality during the year of democratization, which we keep fixed for periods following the democratization. In column (2), we simply interact the democracy indicator with the raw, once-lagged Gini data, allowing it to change during the period of the democratic switch.

A.6 The mechanisms

Tables [A16](#) and [A17](#) present the underlying sub-sample regression results that are used to construct the coefficient plot figure in our investigation into the mechanisms which may be driving the effect of democratization on inequality levels. The Fraser Institute data is only available in a five-year panel, so we have lagged the democratization regressor five years for all of the 12 regressions that we present in the Tables [A16](#) and [A17](#). As testing a variety of mechanisms could be subject to the multiple-testing critique, we have also calculated the Bonferroni-corrected confidence intervals, following Dunn (1961), and constructed the analogous coefficients plot figure with these corrected confidence intervals in Figure [1](#). In that figure, the lines about the point estimates represent 99.2% confidence intervals, which are the Bonferroni-corrected 95% confidence intervals for testing the impact of the same treatment on 6 different outcomes. Statistically significant asymmetric effects remain for the infant mortality, primary education, and regulatory quality variables.

A.7 Five-year panels

We re-estimate all of the MI regression specifications we have presented in the main paper using five-year panels. Starting from 1960, we take the variables' values in the first year of each five-year panel. Variables that are lagged one period are thus lagged five years. Results are qualitatively consistent with those from the estimations using annual data. In Table [A18](#), we show that the OLS estimations over alternative samples (dropping geographical regions) holds for the five-year panels, as it did for the yearly panels in the main text Table 5. Now using the five-year panel, Table [A19](#) reconsiders the three alternative democracy indicators that we used in main text Table 6. We additionally report the results using the binary indicator from Cheibub et al. (2010). Here results are also largely confirmed. Table [A20](#) also confirms the results from the main text Table 8. We lose some statistical significance in the regression with the market Gini data, but the point estimates continue to imply that the long-run effect for the market Gini is quite close to that of the net Gini. That there is no effect of democracy on fiscal redistribution, for neither the low nor the high inequality sub-samples, is also verified using the five-year panels.

Table A1: Democratic switches in our baseline sample, using composite method

Year	Country	Initial Gini	Δ Gini	Year	Country	Initial Gini	Δ Gini
1997	Albania	36.5	2.5	1972	Malaysia	44.3	3.3
1973	Argentina	37.7	-0.7	1983	Malaysia	47.1	0.3
1983	Argentina	36.0	5.5	2008	Maldives	46.9	-2.5
1998	Armenia	32.2	6.0	2007	Mauritania	36.0	-2.5
1972	Bangladesh	27.6	7.6	1994	Mexico	45.2	1.2
1991	Bangladesh	32.3	6.0	1990	Nepal	46.2	-3.8
2009	Bangladesh	39.1	0.3	2006	Nepal	43.4	-2.1
2007	Bhutan	48.9	-4.9	1999	Niger	32.6	0.3
1985	Brazil	51.1	1.2	2010	Niger	37.2	-5.9
1990	Bulgaria	27.1	4.1	1999	Nigeria	38.5	3.2
2003	Burundi	36.7	-1.8	1972	Pakistan	34.5	2.2
1993	Central African Republic	49.8	-7.3	1988	Pakistan	35.7	-1.5
1983	Sri Lanka	41.0	5.8	2008	Pakistan	35.2	1.9
1989	Chile	49.2	1.9	1990	Panama	49.7	-0.9
1992	Taiwan	26.5	3.8	1979	Peru	51.5	1.8
1999	Croatia	28.4	-1.3	1993	Peru	55.1	-2.0
1983	Fiji	43.8	3.3	1986	Philippines	47.6	0.4
1990	Fiji	46.9	-1.1	1989	Poland	27.1	2.9
1999	Djibouti	32.6	7.2	1975	Portugal	35.1	-2.1
1996	Ghana	34.8	2.1	1994	Guinea-Bissau	41.4	-7.7
1986	Guatemala	50.2	-5.9	1999	Guinea-Bissau	41.5	-5.8
2010	Guinea	38.1	-4.8	2005	Guinea-Bissau	38.4	-0.2
2006	Haiti	50.9	3.0	1991	Romania	20.9	8.0
1989	Hungary	23.5	3.7	2000	Senegal	39.1	-5.2
1999	Indonesia	37.5	3.0	1996	Sierra Leone	44.7	-6.1
2002	Kenya	41.1	0.5	2001	Sierra Leone	45.5	-10.4
1987	Korea, South	30.5	-1.7	1983	South Africa	58.5	-3.2
2005	Kyrgyzstan	36.7	-5.4	1976	Spain	32.1	0.2
2010	Kyrgyzstan	33.6	-2.3	1974	Thailand	43.6	1.0
2005	Lebanon	44.0	-7.3	1978	Thailand	44.2	4.7
1993	Lesotho	49.0	1.1	1992	Thailand	47.2	-3.1
1999	Lesotho	51.7	-0.5	2008	Thailand	43.8	-2.3
1991	Madagascar	41.8	-1.3	1985	Uruguay	37.9	2.0
1994	Malawi	49.7	-9.9	1991	Zambia	50.5	-3.6

Notes: Democratic switches are coded as in the baseline specification. Data on inequality are taken from the median imputed series.

Table A2: First stage estimates from Two-Stage Least Squares specification

	Column 7	Column 8	
	democracy _{t-1}	dem _{t-1}	dem _{t-1} × $\overline{\text{gini}}$
neighbor _{t-1}	0.431*** (0.11)	0.578 (0.40)	-19.607 (14.79)
neighbor _{t-6}	0.171* (0.10)	0.171* (0.10)	4.954 (4.16)
neighbor _{t-1} × $\overline{\text{gini}}$		-0.004 (0.01)	0.900** (0.37)
log GDP per capita _{t-1}	0.028 (0.10)	0.021 (0.10)	0.129 (3.87)
Gini _{t-1}	-0.012** (0.01)	-0.011 (0.01)	-0.578** (0.27)
Joint F on excluded IV's	8.70	5.93	5.94
Joint F p-value on excluded IV's	0.000	0.001	0.001
Country & year fixed effects	yes	yes	yes
Excluded instruments	2	3	3
N	3905	3905	3905
Countries	164	164	164

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively. The F-stat is on the individual endogenous variable first-stage regressions - it is not the Cragg-Donald F-stat that we report in the main text tables.

Table A3: Effect of democracy on the net Gini coefficient – 4 lagged DV's

	Multiple imputations (all 100 series)				Median imputed series			
	Ordinary Least Squares				Ordinary Least Squares	Two Stage Least Squares – Stage 2		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
democracy _{t-1}	-0.065 (0.11)	0.971*** (0.36)	-0.060 (0.11)	1.045*** (0.39)	-0.108 (0.11)	1.580*** (0.37)	0.203 (0.40)	1.605*** (0.52)
democracy _{t-1} × $\overline{\text{gini}}$		-0.026*** (0.01)		-0.027*** (0.01)		-0.041*** (0.01)		-0.040*** (0.01)
log GDP per capita _{t-1}	0.443** (0.18)	0.380** (0.17)	0.457** (0.18)	0.386** (0.18)	0.410** (0.17)	0.293* (0.17)	0.402** (0.17)	0.294* (0.17)
Gini _{t-1}	0.904*** (0.03)	0.908*** (0.03)	0.900*** (0.03)	0.905*** (0.03)	0.903*** (0.02)	0.910*** (0.02)	0.905*** (0.02)	0.910*** (0.02)
Gini _{t-2}	0.006 (0.03)	0.005 (0.03)	0.007 (0.03)	0.006 (0.03)	-0.037 (0.02)	-0.037 (0.02)	-0.035 (0.02)	-0.036 (0.02)
Gini _{t-3}	0.007 (0.03)	0.006 (0.03)	0.007 (0.03)	0.007 (0.03)	0.037 (0.02)	0.035 (0.02)	0.038 (0.02)	0.035 (0.02)
Gini _{t-4}	-0.026 (0.02)	-0.026 (0.02)	-0.022 (0.03)	-0.022 (0.03)	-0.027 (0.02)	-0.025 (0.02)	-0.027 (0.02)	-0.025 (0.02)
Joint F-test p-value	–	0.013	–	0.013	–	0.000	–	0.003
L-R effect at 10th p. Gini	–	1.54	–	1.84	–	2.43	–	3.04
L-R effect at 90th p. Gini	–	-3.30	–	-3.32	–	-4.61	–	-3.81
Excluded instruments	–	–	–	–	–	–	2	3
C-D F-stat on excl. IV's	–	–	–	–	–	–	87.98	55.32
Hansen J-stat p-value	–	–	–	–	–	–	0.76	0.86
Country & year FE's	yes	yes	yes	yes	yes	yes	yes	yes
N	3659	3659	3500	3500	3500	3500	3500	3500
Countries	165	165	161	161	161	161	161	161
Democratic changes	60	60	59	59	59	59	59	59

Notes: Robust standard errors clustered by country are in parentheses. Stock-Yogo weak identification test for the set of instruments has critical values for 10% / 25% maximal IV size of 13.43 / 5.45 for the 2SLS specification with three excluded instruments and 19.93 / 7.25 for the 2SLS specification with two excluded instrument. Referring to the Cragg-Donald (C-D) F-statistic, the test's null hypothesis that the set of instruments is weak is easily rejected. The Hansen J-statistic tests for exogeneity of the set of instruments and has null hypothesis that the set of instruments is exogenous, cannot be rejected. The panel runs from 1963 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A4: Effect of democracy on the Gini coefficient, with longer lag periods

	Median imputed series							
	5-year lag democracy				10-year lag democracy			
	OLS		2SLS		OLS		2SLS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
democracy _{t-a}	0.011 (0.10)	0.902*** (0.30)	0.294 (0.35)	1.395*** (0.45)	0.095 (0.08)	1.039*** (0.29)	-0.057 (0.33)	2.006*** (0.44)
democracy _{t-a} × $\overline{\text{gini}}$		-0.022*** (0.01)		-0.031** (0.01)		-0.023*** (0.01)		-0.057*** (0.01)
log GDP per capita _{t-1}	0.369** (0.18)	0.323* (0.18)	0.359* (0.19)	0.300 (0.19)	0.226 (0.18)	0.187 (0.19)	0.234 (0.18)	0.150 (0.19)
Gini _{t-1}	0.884*** (0.01)	0.882*** (0.01)	0.886*** (0.01)	0.882*** (0.01)	0.886*** (0.01)	0.881*** (0.01)	0.886*** (0.01)	0.873*** (0.01)
Joint F-test p-value	–	0.012	–	0.008	–	0.002	–	0.000
L-R effect at 10th p. Gini	–	1.77	–	3.70	–	2.59	–	1.72
L-R effect at 90th p. Gini	–	-1.96	–	-1.50	–	-1.35	–	-7.45
Excluded instruments	–	–	2	3	–	–	2	3
C-D F-stat on excl. IV's	–	–	114.81	66.64	–	–	84.38	45.34
Hansen J-stat p-value	–	–	0.954	0.975	–	–	0.088	0.083
Country & year FE's	yes	yes	yes	yes	yes	yes	yes	yes
N	3275	3275	3273	3273	2510	2510	2505	2505
Countries	162	162	162	162	141	141	141	141

Notes: a represents 5 years in columns (1) – (2) and (5) – (6). a represents 10 years in columns (3) – (4) and (7) – (8). The first stage of the 2SLS regressions are presented in the next table. Stock-Yogo weak identification test for the set of instruments has critical values for 10% / 25% maximal IV size of 13.43 / 5.45 for the 2SLS specification with three excluded instruments and 19.93 / 7.25 for the 2SLS specification with two excluded instrument. Referring to the Cragg-Donald (C-D) F-statistic, the test's null hypothesis that the set of instruments is weak is easily rejected. Robust standard errors clustered by country are in parentheses. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A5: First stage estimates from Two-Stage Least Squares specifications with longer lags

	Median imputed series					
	Column 3	Column 4		Column 7	Column 8	
	democracy _{t-5}	dem _{t-5}	dem _{t-5} × $\overline{\text{gini}}$	democracy _{t-10}	dem _{t-10}	dem _{t-10} × $\overline{\text{gini}}$
neighbor _{t-a}	0.470*** (0.11)	0.831** (0.35)	-10.186 (12.81)	0.454*** (0.12)	1.025*** (0.37)	-2.401 (13.18)
neighbor _{t-a-5}	0.165* (0.10)	0.170* (0.10)	5.159 (4.04)	0.146 (0.09)	0.153* (0.09)	4.649 (3.91)
neighbor _{t-5} × $\overline{\text{gini}}$		-0.009 (0.01)	0.687** (0.33)		-0.014 (0.01)	0.473 (0.33)
log GDP per capita _{t-1}	0.050 (0.11)	0.038 (0.11)	0.811 (4.27)	0.038 (0.13)	0.028 (0.13)	0.274 (5.51)
Gini _{t-1}	-0.012* (0.01)	-0.011 (0.01)	-0.630** (0.29)	-0.006 (0.01)	-0.007 (0.01)	-0.418 (0.32)
Excluded instruments	2	3	3	2	3	3
Joint F on excl. IV's	9.56	7.42	5.45	8.29	7.42	4.36
Joint F p-value on excl. IV's	0.000	0.000	0.001	0.000	0.000	0.006
Country & year FE's	yes	yes	yes	yes	yes	yes
N	3273	3273	3273	2505	2505	2505
Countries	160	160	160	136	136	136

Notes: Robust standard errors clustered by country are in parentheses. a represents 5 years in columns (1) – (2) and 10 years in columns (3) – (4). The F-stat is on the individual endogenous variable first-stage regressions - it is not the Cragg-Donald F-stat that we report in the previous table.

Table A6: Effects of democracy on the net Gini coefficient for alternative samples – First stage

	Excluding USSR & Warsaw Pact		Excluding North Africa & Middle East		Excluding Sub-Saharan Africa		Excluding Latin America & Caribbean		Excluding Asian & the Pacific	
	Column (1b)	Column (2b)	Column (3b)	Column (4b)	Column (5b)	Column (6b)	Column (7b)	Column (8b)	Column (9b)	Column (10b)
	dem_{t-1}	$dem_{t-1} \times \overline{gini}$	dem_{t-1}	$dem_{t-1} \times \overline{gini}$	dem_{t-1}	$dem_{t-1} \times \overline{gini}$	dem_{t-1}	$dem_{t-1} \times \overline{gini}$	dem_{t-1}	$dem_{t-1} \times \overline{gini}$
regional share _{t-1}	0.169 (0.42)	-32.156* (16.99)	0.655 (0.40)	-18.064 (15.29)	0.844** (0.40)	-9.483 (14.44)	0.635 (0.47)	-17.941 (16.81)	0.333 (0.48)	-27.667 (17.49)
regional share _{t-1} × \overline{gini}	0.006 (0.01)	1.187*** (0.41)	-0.005 (0.01)	0.849** (0.37)	-0.010 (0.01)	0.657* (0.37)	-0.003 (0.01)	0.980** (0.46)	0.003 (0.01)	1.126*** (0.42)
regional share _{t-6}	0.162 (0.10)	4.874 (4.42)	0.143 (0.10)	4.008 (4.39)	0.153 (0.11)	4.085 (4.59)	0.199** (0.10)	5.173 (3.47)	0.234** (0.11)	7.612 (4.74)
log GDP per capita _{t-1}	0.071 (0.10)	1.553 (4.16)	0.010 (0.10)	-0.279 (4.10)	0.102 (0.11)	3.130 (4.63)	-0.025 (0.10)	-1.802 (3.62)	-0.130 (0.11)	-4.165 (4.97)
Gini _{t-1}	-0.017** (0.01)	-0.776** (0.30)	-0.010 (0.01)	-0.606** (0.30)	-0.001 (0.01)	-0.141 (0.30)	-0.013* (0.01)	-0.680** (0.29)	-0.010 (0.01)	-0.530* (0.31)
Excluded instruments	3	3	3	3	3	3	3	3	3	3
First-stage joint F-stat	5.43	6.76	5.27	5.08	6.43	4.78	8.32	6.31	4.96	6.01
First-stage joint p value	0.002	0.000	0.002	0.002	0.000	0.004	0.000	0.001	0.003	0.001
Country & year FEs	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
N	3571	3571	3574	3574	3043	3043	3114	3114	3187	3187
Countries	143	143	150	150	121	121	134	134	136	136

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1964–2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A7: First stage estimates from Two-Stage Least Squares specification, alternative democratization indicators

	Column 4		Column 5		Column 6	
	dem. _{t-1}	dem. _{t-1} × $\overline{\text{gini}}$	dem. _{t-1}	dem. _{t-1} × $\overline{\text{gini}}$	dem. _{t-1}	dem. _{t-1} × $\overline{\text{gini}}$
neighbor _{t-1}	1.041*** (0.38)	0.421 (14.65)	17.564*** (6.10)	262.244 (219.09)	0.511 (0.53)	-20.800 (18.80)
neighbor _{t-6}	0.174* (0.10)	6.212 (4.24)	2.359* (1.29)	86.749 (58.19)	0.119 (0.09)	4.095 (3.88)
neighbor _{t-1} × $\overline{\text{gini}}$	-0.017* (0.01)	0.309 (0.35)	-0.295** (0.14)	-1.507 (5.27)	-0.004 (0.01)	0.810* (0.45)
log GDP per capita _{t-1}	-0.066 (0.09)	-2.962 (3.54)	-0.356 (1.41)	-40.661 (57.33)	0.067 (0.10)	2.097 (3.90)
Gini _{t-1}	-0.006 (0.01)	-0.324 (0.28)	-0.056 (0.10)	-4.436 (3.97)	-0.007 (0.01)	-0.409 (0.30)
Excluded instruments	3	3	3	3	3	3
Joint F on excluded IV's	6.49	3.82	5.83	3.37	2.99	2.95
Joint F p-value on excl. IV's	0.000	0.011	0.001	0.020	0.033	0.035
Country & year FEs	yes	yes	yes	yes	yes	yes
N	3661	3661	3551	3551	3955	3955
Countries	143	143	143	143	162	162

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively. The F-stat is on the individual endogenous variable first-stage regressions - it is not the Cragg-Donald F-stat that we report in the main text tables.

Table A8: Effect of democracy on the Gini coefficient, with other time-varying controls. Investigating the exclusion restriction

	Median imputed series – 2SLS, second stage					
	(1)	(2)	(3)	(4)	(5)	(6)
democracy _{t-1}	1.542*** (0.55)	1.548*** (0.55)	1.648*** (0.46)	1.416*** (0.45)	1.362*** (0.46)	1.638*** (0.56)
democracy _{t-1} × $\overline{\text{gini}}$	-0.035*** (0.01)	-0.035*** (0.01)	-0.041*** (0.01)	-0.032*** (0.01)	-0.033*** (0.01)	-0.037*** (0.01)
log GDP per capita _{t-1}	0.444** (0.19)	0.435** (0.20)	0.244 (0.15)	0.326* (0.17)	0.295* (0.16)	0.340** (0.17)
Gini _{t-1}	0.890*** (0.01)	0.890*** (0.01)	0.890*** (0.01)	0.892*** (0.01)	0.890*** (0.01)	0.884*** (0.01)
(exports / GDP) _{t-1}	-0.004 (0.00)					0.002 (0.01)
(total trade / GDP) _{t-1}		-0.002 (0.00)				-0.003 (0.00)
population _{t-1}			0.000** (0.00)			0.000* (0.00)
regional share civil conflict _{t-1}				0.654* (0.37)		0.437 (0.37)
regional mean gini _{t-1}					0.014 (0.02)	0.015 (0.02)
Joint F-test p-value	0.008	0.007	0.000	0.021	0.008	0.007
L-R effect at 10th p. Gini	4.14	4.18	3.44	3.79	3.14	4.08
L-R effect at 90th p. Gini	-2.18	-2.13	-3.94	-2.17	-2.78	-2.34
Excluded instruments	3	3	3	3	3	3
C-D F-stat on excl. IV's	63.08	63.00	74.95	72.57	75.17	59.68
Hansen J-stat p-value	0.818	0.861	0.942	0.944	0.764	0.9317
Country & year FE's	yes	yes	yes	yes	yes	yes
N	3764	3764	3905	3905	3905	3764
Countries	161	161	164	164	164	161
Democracy changes	63	63	67	67	67	63

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A9: Effects of democracy on the net Gini coefficient with other time varying controls – First stage

	Column (1)		Column (2)		Column (3)		Column (4)		Column (5)		Column (6)	
	dem _{t-1}	dem _{t-1} × gini	dem _{t-1}	dem _{t-1} × gini	dem _{t-1}	dem _{t-1} × gini	dem _{t-1}	dem _{t-1} × gini	dem _{t-1}	dem _{t-1} × gini	dem _{t-1}	dem _{t-1} × gini
regional share _{t-1}	0.296 (0.44)	-27.919* (15.93)	0.297 (0.43)	-27.851* (15.79)	0.578 (0.40)	-19.722 (14.95)	0.583 (0.39)	-18.899 (14.59)	0.559 (0.37)	-18.975 (14.40)	0.334 (0.42)	-25.217 (15.74)
regional share _{t-1} × gini	0.003 (0.01)	1.081*** (0.39)	0.003 (0.01)	1.082*** (0.39)	-0.004 (0.01)	0.903** (0.37)	-0.004 (0.01)	0.879** (0.36)	-0.003 (0.01)	0.883** (0.36)	0.002 (0.01)	1.006** (0.39)
regional share _{t-6}	0.143 (0.10)	4.075 (4.12)	0.138 (0.10)	3.876 (4.10)	0.171* (0.10)	4.944 (4.15)	0.170* (0.10)	4.759 (4.12)	0.166* (0.10)	5.121 (4.09)	0.140 (0.09)	4.143 (3.90)
log GDP per capita _{t-1}	-0.037 (0.11)	-2.110 (4.35)	-0.038 (0.11)	-2.053 (4.28)	0.021 (0.10)	0.164 (3.95)	0.020 (0.10)	0.035 (3.84)	0.015 (0.10)	0.314 (3.96)	-0.025 (0.12)	-1.402 (4.59)
Gini _{t-1}	-0.012* (0.01)	-0.619** (0.29)	-0.012* (0.01)	-0.611** (0.29)	-0.011 (0.01)	-0.577** (0.27)	-0.010 (0.01)	-0.561** (0.27)	-0.011* (0.01)	-0.553** (0.28)	-0.011 (0.01)	-0.522* (0.29)
exports _{t-1}	0.002 (0.00)	0.081* (0.05)									-0.003 (0.00)	-0.094 (0.15)
total trade _{t-1}			0.001** (0.00)	0.058** (0.03)							0.003 (0.00)	0.105 (0.08)
population _{t-1}					-0.000 (0.00)	-0.000 (0.00)					0.000 (0.00)	0.000 (0.00)
regional conflict _{t-1}							-0.037 (0.26)	-6.066 (11.25)			-0.017 (0.27)	-3.995 (11.25)
regional mean gini _{t-1}									0.004 (0.01)	-0.123 (0.42)	-0.005 (0.01)	-0.420 (0.45)
Excluded instruments	3	3	3	3	3	3	3	3	3	3	3	3
First-stage joint F-stat	4.48	5.57	4.53	5.62	5.91	5.86	5.81	5.71	5.94	5.82	4.33	4.95
First-stage joint p value	0.005	0.001	0.004	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.006	0.003
Country & year FE's	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
N	3764	3764	3764	3764	3905	3905	3905	3905	3905	3905	3764	3764
Countries	161	161	161	161	165	165	165	165	165	165	161	161

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1961 – 2010 for all specifications. ***/**/* represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A10: Effects of democracy on the net Gini, alternative samples restricted by transparency scores

	Multiple imputations (all 100 series) – Ordinary Least Squares				
	Full sample	HRV transparency data		FH transparency data	
	(1)	> 90th p. (2)	> 75th p. (3)	> 90th p. (4)	> 75th p. (5)
democracy _{t-1}	0.975*** (0.47)	0.920*** (0.32)	0.862*** (0.32)	1.011*** (0.34)	1.050*** (0.35)
democracy _{t-1} × $\overline{\text{gini}}$	-0.026*** (0.01)	-0.023*** (0.01)	-0.022*** (0.01)	-0.026*** (0.01)	-0.028*** (0.01)
log GDP per capita _{t-1}	0.356** (0.16)	0.231 (0.18)	0.168 (0.18)	0.274* (0.16)	0.218 (0.17)
Gini _{t-1}	0.905*** (0.01)	0.902*** (0.01)	0.902*** (0.01)	0.904*** (0.01)	0.907*** (0.01)
Joint F-test p-value	0.008	0.014	0.019	0.009	0.005
L-R effect at 10th p. Gini	1.83	2.12	1.88	1.98	1.81
L-R effect at 90th p. Gini	-3.52	-2.53	-2.53	-3.48	-4.26
Country & year FE's	yes	yes	yes	yes	yes
N	4103	3563	3099	3802	3194
Countries	169	143	121	150	122

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A11: Effects of democracy on the gross Gini coefficient, jackknifed estimates

	Median imputed series					
	OLS			2SLS		
	Baseline	Jackknifed all countries	Jackknifed transitions	Baseline	Jackknifed all countries	Jackknifed transitions
	(1)	(2)	(3)	(4)	(5)	(6)
$democracy_{t-1}$	1.465*** (0.33)	1.407*** (0.37)	1.198*** (0.50)	1.446*** (0.45)	1.422*** (0.51)	0.896 (0.51)
$democracy_{t-1} \times \overline{gini}$	-0.038*** (0.01)	-0.036*** (0.01)	-0.033*** (0.01)	-0.034*** (0.01)	-0.034*** (0.01)	-0.027** (0.01)
$\log GDP\ per\ capita_{t-1}$	0.309* (0.16)	0.300* (0.18)	0.357 (0.24)	0.316* (0.17)	0.301 (0.19)	0.362 (0.25)
$Gini_{t-1}$	0.892*** (0.01)	0.895*** (0.01)	0.901*** (0.01)	0.893*** (0.01)	0.897*** (0.01)	0.906*** (0.01)
Joint F-test p-value	0.009	0.000	0.000	0.003	0.013	0.080
L-R effect at 10th p. Gini	2.69	2.61	1.69	3.43	3.50	0.67
L-R effect at 90th p. Gini	-4.27	-4.30	-4.95	-3.00	-3.04	-4.97
Jackknife repetitions	–	164	52	–	164	52
Country & year FE's	yes	yes	yes	yes	yes	yes
N	3905	3905	3905	3905	3905	3905
Countries	164	164	164	164	164	164

Notes: Clustered standard errors clustered are in parentheses in columns 1 and 4. In columns 2 and 5, we compute jackknifed average estimates and standard errors by dropping one country at a time, for all countries in the sample (164). In columns 3 and 6, we compute jackknifed average estimates and standard errors by dropping one country at a time, for all countries that have experienced a transition to democracy (52). The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A12: Effects of democracy on the the Gini coefficient, LSDV and GMM regressions

	Median imputed series					
	OLS	LSDVC	System GMM			Diff. GMM
	(1)	(2)	(3)	(4)	(5)	(6)
democracy _{t-1}	1.356*** (0.32)	1.112*** (0.26)	1.243** (0.50)	1.182* (0.66)	1.529** (0.60)	1.693** (0.77)
democracy _{t-1} × $\overline{\text{gini}}$	-0.035*** (0.01)	-0.029*** (0.01)	-0.035** (0.01)	-0.034** (0.02)	-0.042*** (0.02)	-0.049** (0.02)
log GDP per capita _{t-1}	0.334** (0.16)	0.4835*** (0.10)	0.071 (0.14)	0.063 (0.08)	0.052 (0.09)	0.146 (0.13)
Gini _{t-1}	0.891*** (0.01)	0.941*** (0.01)	0.957*** (0.02)	0.976*** (0.02)	0.968*** (0.02)	0.949*** (0.03)
Joint F-test p-value	0.000	0.000	0.016	0.023	0.023	0.013
L-R effect at 10th p. Gini	2.33	3.56	3.42	4.31	7.01	3.22
L-R effect at 90th p. Gini	- 4.09	-6.25	-12.68	-24.14	-19.42	-15.80
Number of instruments	–	–	278	274	270	270
Hansen's J-test p-value	–	–	1.000	1.000	1.000	1.000
AR(1) p-value	–	–	0.000	0.000	0.000	0.000
AR(2) p-value	–	–	0.060	0.053	0.062	0.048
AR(3) p-value	–	–	–	0.174	0.174	0.143
Year fixed effects	yes	yes	yes	yes	yes	yes
N	4103	4103	4103	4103	4103	4103
Countries	169	169	169	169	169	169

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1961 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A13: Effects of democracy on the net Gini coefficient with alternative democracy indicators

	Multiple imputations (all 100 series) – OLS			
	Polity IV binary – 4	CGV binary	Machine binary – 0.5	Machine continuous
	(1)	(2)	(3)	(4)
democracy _{t-1}	0.721** (0.32)	0.965** (0.39)	0.834** (0.37)	1.391** (0.57)
democracy _{t-1} × $\overline{\text{gini}}$	-0.019** (0.01)	-0.025*** (0.01)	-0.020** (0.01)	-0.032** (0.01)
log GDP per capita _{t-1}	0.370** (0.17)	0.390** (0.18)	0.436* (0.23)	0.473* (0.24)
Gini _{t-1}	0.907*** (0.01)	0.900*** (0.01)	0.886*** (0.01)	0.883*** (0.02)
Joint F-test p-value	0.039	0.025	0.085	0.051
L-R effect at 10th p. Gini	1.50	1.76	1.93	1.21
L-R effect at 90th p. Gini	-2.47	-3.25	-1.51	-0.81
Country & year FE's	yes	yes	yes	yes
N	3858	3847	3000	3000
Countries	143	169	163	163

Notes: Robust standard errors clustered by country are in parentheses. For the continuous measures of democracy, the long-run effects are calculated for a within-sample one-standard deviation of the Machine learning index. The panel runs from 1960 – 2010 for all specifications, except for the machine learning specifications, in which the panel runs from 1981 – 2010. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A14: Effects of democracy on the Gini coefficient – controlling for regime type

	Multiple imputations OLS		Median imputed series 2SLS	
	(1)	(2)	(3)	(4)
democracy _{t-1}	-0.043 (0.10)	1.036*** (0.37)	0.214 (0.34)	1.455*** (0.44)
democracy _{t-1} × $\overline{\text{gini}}$		-0.027*** (0.01)		-0.035*** (0.01)
log GDP per capita _{t-1}	0.425** (0.17)	0.359** (0.17)	0.405** (0.16)	0.316* (0.17)
democracy _{t-1} × military _{t-2}	-0.002 (0.29)	0.011 (0.29)	-0.265 (0.28)	-0.174 (0.28)
democracy _{t-1} × monarchy _{t-2}	-0.261 (0.64)	-0.208 (0.64)	-0.847*** (0.23)	-0.716*** (0.23)
democracy _{t-1} × party _{t-2}	0.017 (0.40)	-0.011 (0.40)	-0.224 (0.33)	-0.201 (0.33)
Gini _{t-1}	0.902*** (0.01)	0.905*** (0.01)	0.890*** (0.01)	0.893*** (0.01)
Joint F-test p-value	–	0.011	–	0.003
Long-run effect at 10th p. Gini	–	2.13	–	3.40
Long-run effect at 90th p. Gini	–	-3.50	–	-3.10
Excluded instruments	–	–	2	3
C-D F-stat on excluded IV's	–	–	128.76	78.52
Hansen J-stat p-value	–	–	0.973	0.828
Country & year FE's	yes	yes	yes	yes
N	3898	3898	3898	3898
Countries	163	163	163	1653

Notes: Robust standard errors clustered by country are in parentheses. Stock-Yogo weak identification test for the set of instruments has critical values for 10% / 25% maximal IV size are 13.43 / 5.45 for 2SLS specifications with three excluded instrument and are 19.93 / 7.25 for 2SLS specifications with two excluded instruments. Referring to the Cragg-Donald (C-D) F-statistic, the test's null hypothesis that the set of instruments is weak is easily rejected. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A15: Effects of democracy on the net Gini coefficient with simple interactions

	Multiply imputed data – OLS	
	Fixed initial inequality interaction	Once lagged initial inequality interaction
	(1)	(2)
democracy _{t-1}	0.857** (0.39)	0.809** (0.39)
democracy _{t-1} × $\overline{\text{gini}}$	-0.022** (0.01)	
democracy _{t-1} × gini _{t-1}		-0.021** (0.01)
log GDP per capita _{t-1}	0.364** (0.17)	0.377** (0.18)
Gini _{t-1}	0.912*** (0.01)	0.909*** (0.01)
Joint F-test p-value	0.057	0.067
Long-run effect at 10th p. Gini	1.61	1.58
Long-run effect at 90th p. Gini	-3.23	-3.05
Country & year FE's	yes	yes
N	3905	3772
Countries	164	164

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1960 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A16: Effects of democracy on redistribution and public goods

	Fiscal Redistribution		State capacity		Infant mortality	
	Low Gini (1)	High Gini (2)	Low Gini (3)	High Gini (4)	Low Gini (5)	High Gini (6)
democracy _{<i>t</i>-5}	-0.198 (0.35)	-0.084 (0.38)	-0.134 (0.11)	0.536*** (0.12)	0.026 (0.12)	-0.991*** (0.32)
log GDP per capita _{<i>t</i>-1}	0.453 (0.56)	-0.274 (0.54)	-0.001 (0.02)	-0.035 (0.03)	0.907*** (0.31)	1.173*** (0.44)
Country & year FE's	yes	yes	yes	yes	yes	yes
Lagged DV's	1	1	1	1	1	1
N	1802	1648	1709	1593	1759	1648
Countries	100	97	93	88	99	97

Notes: Robust standard errors clustered by country are in parentheses. The samples run from 1965 – 2010. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A17: Effects of democracy on economic freedoms

	Regulatory quality		Property rights		Freedom to trade	
	Low Gini (1)	High Gini (2)	Low Gini (3)	High Gini (4)	Low Gini (5)	High Gini (6)
democracy _{<i>t</i>-5}	0.513*** (0.13)	0.107 (0.15)	0.064 (0.22)	0.112 (0.26)	0.828** (0.39)	0.069 (0.28)
log GDP per capita _{<i>t</i>-1}	-0.802*** (0.17)	-0.522*** (0.18)	-0.669** (0.33)	-0.158 (0.44)	-0.765* (0.40)	-0.468 (0.44)
Country & year FE's	yes	yes	yes	yes	yes	yes
Lagged DV's	1	1	1	1	1	1
N	340	295	334	282	335	307
Countries	69	64	69	64	68	62

Notes: Robust standard errors clustered by country are in parentheses. Regulatory quality indexes are available in five-year panels over the period 1975 – 2010. The democracy variable switches to one if a country switches in any of the years during the five-year panel. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

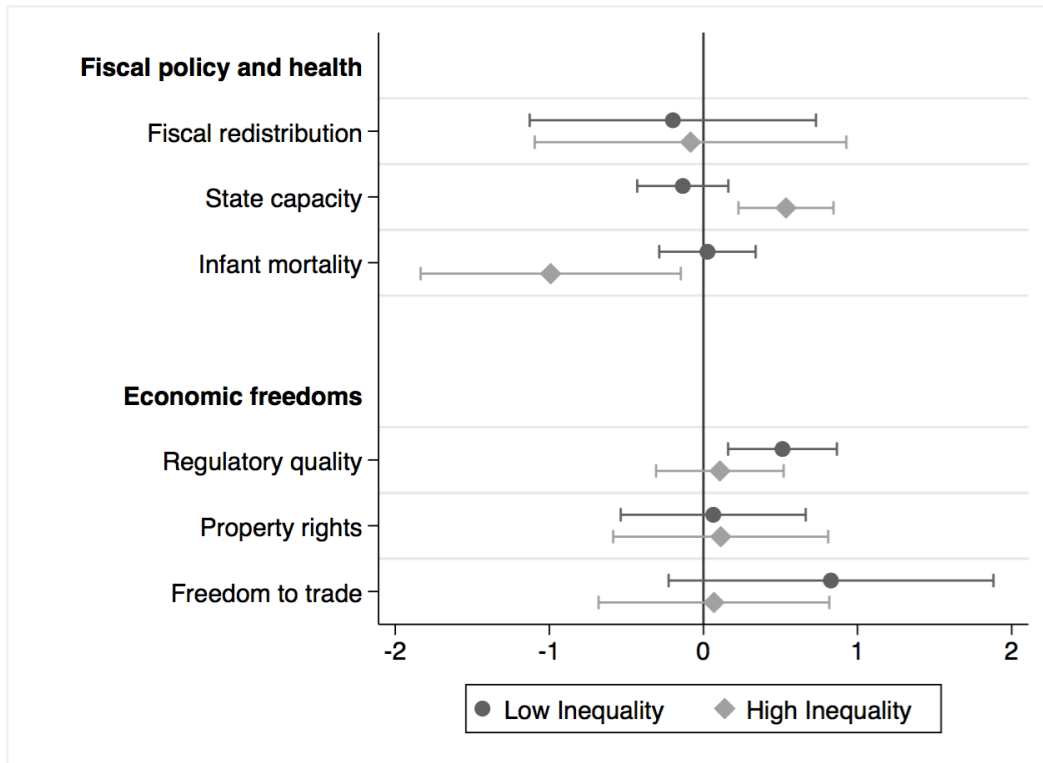


Figure 1: The estimated marginal effect of a democratic transition on a series of policy areas for the sub-samples with high initial inequality (gray diamonds) and low initial inequality (black dots), where the sub-sample cut-off is a net Gini coefficient of 38.55. The lines about the point estimates represent 99.2% confidence intervals, which are the Bonferroni-corrected 95% confidence intervals for testing the impact of the same treatment on 6 different outcomes.

Table A18: Effects of democracy on the net Gini, alternative samples, 5-year panels

	Multiple imputations – Ordinary Least Squares				
	Excluding USSR & Warsaw Pact	Excluding N. Africa & Middle East	Excluding S. Saharan Africa	Excluding Latin Am. & Caribbean	Excluding Asia & the Pacific
	(1)	(2)	(3)	(4)	(5)
democracy _{<i>t-5</i>}	4.408** (2.01)	4.286*** (1.46)	3.659*** (1.32)	3.227* (1.78)	4.704*** (1.74)
democracy _{<i>t-5</i>} × $\overline{\text{gini}}$	-0.116** (0.05)	-0.114*** (0.04)	-0.096*** (0.03)	-0.090* (0.05)	-0.122*** (0.04)
log GDP per capita _{<i>t-5</i>}	1.600** (0.80)	1.338* (0.77)	1.164 (0.82)	1.632* (0.84)	2.066* (1.06)
Gini _{<i>t-5</i>}	0.579*** (0.06)	0.566*** (0.06)	0.574*** (0.06)	0.563*** (0.06)	0.533*** (0.06)
Joint F-test p-value	0.050	0.011	0.015	0.196	0.016
L-R effect at 10th p. Gini	1.87	1.63	1.52	0.95	1.88
L-R effect at 90th p. Gini	-3.61	-3.63	-2.98	-3.16	-3.34
Country & year FE's	yes	yes	yes	yes	yes
N	647	655	566	507	578
Countries	139	147	118	129	135

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1965 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A19: Effects of democracy on the net Gini coefficient with alternative democracy indicators, 5-year panels

	Multiple imputations – Ordinary Least Squares			
	Polity IV binary – 0	Polity IV continuous	CGV binary	Boix et. al. binary
	(1)	(2)	(3)	(4)
democracy _{<i>t</i>-5}	4.714*** (1.49)	0.294** (0.12)	4.332** (1.68)	2.927** (1.45)
democracy _{<i>t</i>-5} × $\overline{\text{gini}}$	-0.119*** (0.04)	-0.008** (0.00)	-0.110*** (0.04)	-0.071* (0.04)
log GDP per capita _{<i>t</i>-5}	1.555** (0.75)	1.448* (0.83)	1.564** (0.76)	1.643** (0.77)
Gini _{<i>t</i>-5}	0.585*** (0.06)	0.522*** (0.06)	0.570*** (0.05)	0.563*** (0.06)
Joint F-test p-value	0.007	0.039	0.030	0.132
L-R effect at 10th p. Gini	2.40	0.79	2.09	1.59
L-R effect at 90th p. Gini	-3.31	-1.37	-3.00	-1.66
Country & year FE's	yes	yes	yes	yes
N	676	676	714	711
Countries	143	143	160	159

Notes: Robust standard errors clustered by country are in parentheses. For the continuous measures of democracy, the long-run effects are calculated for a within-sample one-standard deviation of the Polity IV index. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

Table A20: Effects of democracy on the gross Gini coefficient and fiscal redistribution, 5-year panels

	Multiple imputations – Ordinary Least Squares			
	Net Gini	Market Gini	Fiscal redistribution	
	(1)	(2)	Initial inequality	
			Low (3)	High (4)
democracy _{<i>t</i>-5}	4.104*** (1.47)	3.173 (2.19)	-0.011 (0.02)	0.008 (0.02)
democracy _{<i>t</i>-5} × $\overline{\text{gini}}$	-0.109*** (0.04)	-0.079 (0.05)		
log GDP per capita _{<i>t</i>-5}	1.549** (0.76)	1.448* (0.81)	-0.006 (0.03)	-0.014 (0.02)
lagged DV	0.563*** (0.05)	0.595*** (0.05)	0.207** (0.10)	0.246** (0.10)
Joint F-test p-value	0.016	0.264	–	–
Long-run effect at 10th p. Gini	1.62	0.65	–	–
Long-run effect at 90th p. Gini	-3.34	-3.15	–	–
Country & year FE's	yes	yes	yes	yes
N	714	714	358	356
Countries	160	160	82	89

Notes: Robust standard errors clustered by country are in parentheses. The panel runs from 1965 – 2010 for all specifications. *** / ** / * represent significance at the 0.01 / 0.05 / 0.10 levels, respectively.

References

- Acemoglu, D., Naidu, S., Restrepo, P., Robinson, J., 2017. Democracy does cause growth. *Journal of Political Economy*, in press.
- Arellano, M., Bond, S., 1991. Some specification tests for panel data: Monte Carlo evidence and an application to employment equations. *Review of Economic Studies* 58 (2), 277–298.
- Arellano, M., Bover, O., 1995. Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics* 68 (1), 29–51.
- Blundell, R., Bond, S., 1998. Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics* 87 (1), 115–143.
- Cheibub, J., Gandhi, A., Vreeland, J., 2010. Democracy and dictatorship revisited. *Public Choice* 143 (1-2), 67–101.
- Conley, T. G., Hansen, C. B., Rossi, P. E., 2012. Plausibly exogenous. *Review of Economics and Statistics* 94 (1), 260–272.
- Dunn, O. J., 1961. Multiple comparisons among means. *Journal of the American Statistical Association* 56 (293), 52–64.
- Geddes, B., Wright, J., Frantz, E., 2014. Autocratic breakdown and regime transitions: A new data set. *Perspectives on Politics* 12 (02), 313–331.
- Gründler, K., Krieger, T., 2016. Democracy and growth: Evidence from a machine learning indicator. *European Journal of Political Economy* 45, 85 – 107.
- Hollyer, J. R., Rosendorff, B. P., Vreeland, J. R., 2014. Measuring transparency. *Political Analysis* 22 (4), 413–434.
- Nickell, S., 1981. Biases in dynamic models with fixed effects. *Econometrica* 49, 1417–1426.
- Themnér, L., Wallensteen, P., 2013. Armed conflicts, 1946–2012. *Journal of Peace Research* 50 (4), 509–521.
- Windmeijer, F., 2005. A finite sample correction for the variance of linear efficient two-step GMM estimators. *Journal of Econometrics* 126 (1), 25–51.