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The Relationship between Political and Economic Development in Selected Countries

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Abstract

Political and economic development are like two wings of a developed system. In fact, in a developed system, political and civic development is directly and intuitively important and should not be justified and assessed indirectly and with its effect on the economic system. Of course, economic development creates conditions for political development in countries, which shows the necessity of examining these two categories. The present paper used the simultaneous equation system to examine the relation between economic indicators and political indicators of development during 2006-2014 in two groups of developed and developing countries. The results of this study showed the direct and positive effect of political development on economic development, as well as the direct and positive effect of economic development on political development. Therefore, based on the evidence of the present study, sustainable development can be created by establishing appropriate platforms and the correlation between political and economic development.

Introduction

The emergence of new governments outside of the European continent that emerged after decolonization led to a collapse in the habits of international relations and shook traditional analyzes of European social and political issues. In this situation, the question arises which political response to the requirements of economic modernization is appropriate so that a society that is still considered as a farming community in terms of population, techniques and values can become an urban and industrial society. Part of these issues directly relate to political power and government performance. The empirical evidence suggests that a vulnerable borning government that is deprived from a sense of legitimacy, doesn't emerge within a mature framework, but is born in an atmosphere of civil war, tribal and racial battles. The lack of economic and political balances that followed decolonization has become a major issue in international politics and an incentive to help the Third World. These incentives naturally exacerbated the development perspective. Of course, it

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should be recalled that the attitude to political development does not originate from the requirements of the time, but is essentially derived from a philosophical and scientific tradition that introduces development as a continuous improvement. This tradition forms one of the strongest foundations of the social sciences and has profoundly influenced the economy and then politics. From the beginning of the 1950s, economic analysis played a pivotal role in the study of the phenomenon of modernization in politics (Hirschman, 1958; Higgins, 1959). These economic analyzes led to the emergence of the idea of internal growth, in the sense that there are buds of political development in every society. With the invention of a particular type of development, economics has been the cornerstone of political development in the nineteenth century.

It should be noted that empirical studies have generally focused on the components of political and economic development, but the relationship between these two categories has not been considered generally. Studies in the literature on political development and the process of theories indicate that the parameters of development and political backwardness cannot be accurately measured due to the inquantitativeness of the qualitative elements of political development (Bashiriyeh, 2001). Here are some of these studies.

One of the indicators of political development is the people participation in social and political institutions. Tavares and Wacziarg (2001) state that the effect of competitive elections in developing countries is like a double-edged sword. Elections may create two modes: in the first mode, voters force the government to function well and promote democracy. Somehow, election encourages good political incentives. The election forces politicians to respond that this has direct economic and social effects. In the latter mode, elections may spark disputes and impair politics in general. Block (2002) examined the economic policies of

countries in electoral cycles, and found that developing countries increase the fiscal deficit in the election year, and change in arrangement will be followed in the post-election years. Shi and Svensson (2006) found that the political budget cycle in developing countries was considerably more significant than developed countries. Similarly, Brender and Drazen (2005) showed that the political budget cycle is limited to "new democracies" in the data of developed and developing countries. Collier and Chauvet (2009) examined how far the elections in developing countries improved sovereignty and economic development policies and how far the election has forced governments to improve their performance. Elections in developing countries have a periodic effect on politics. An election that is not free and fair will not lead to government accountability. So it can be said that elections are an effective means for accountability, and the accountability of politicians leads to good policies and, ultimately, economic development.

We examined the positive effects of election on the economy. Now we want to know how the election may weaken and ultimately have a negative effect on the structure of economic and political policies. Voters have little information about costly economic policies. As a result, they may not be able to monitor government performance. Ethnic bias may also bring out outcomes out of attention to performance (Bossuroy, 2007). Wantcheckon (2003) in a field experiment showed that ethnic election promises are more effective than public goods promises. In most developing countries, ethnic diversity expands this issue. The fraud and bribery in the elections can also be checked. A randomized trial by Vicente (2007) showed that bribes have been effective in the election. Even this illegal strategy may be more effective than promise and good economic policies. As said, election effect has a vague result in the specific circumstances of many developing countries, it cannot easily be assumed that we will have a victory for accountability.

Lake and Baum (2003) stated that the effect of democracy on economic growth is indirect and conditional on the level of development. However, Przeworski (2004) stated that democracy is unlikely to be established in poor countries. This is more likely in middle income countries. There is, of course, little chance that dictatorship exists in a country with high per capita income. The fact that economic development is the result of democracy, is not absolutely true. The effect of income distribution is difficult to assess performance, but it seems that dictators are more vulnerable for the proper distribution of income. In sum, it seems that dictatorships die under a wide variety of conditions. Some during the economic boom, some during the recession, some on the death of the dictatorship founder, some in the event of a defeat in the foreign war and some under international pressure. If democracy emanates in poor countries, it is extremely fragile and vulnerable to poverty and recession, while democracy cannot be conquered in the rich countries. Therefore, it is obvious that most poor countries are run by dictatorship.

Good governance depends on how much citizens can control the behavior of political authorities. Clearly, when people's information is raised about government performance, accountability also increases and space for economic rent and its elimination is more prepared. Regards the accountability of statesmen, Barro (1973) and Ferejohn (1986) have shown a solution: this problem lies in the absence of a control mechanism, such as regular elections with legislative supervision. If we assume that voters elect wit a look at the past and that the election is established by the legislator accountable to people, then depending on the support of the voters, politicians refuse to rent to provide good services. Adsera et al., (2000) considered reading the newspaper as an interest in political accountability. The level of reading newspaper has a strong effect on the overall indicators of quality and productivity and corruption in the government. The level of reading newspaper in the developed and developing countries varies greatly. They point out that reading a newspaper only influences the quality of the state in a democratic state, and it loses its power in the conditions of the autocratic government because of the government's pressure on the media. Reading the newspaper leads to an increase in the information of people, and this increase also influences political participation information. In general, this increased political information and increased political participation lead to a rise in the quality and productivity of the state and less corruption.

Florian Schatz (2013) examined how social accountability reduces corruption in administrations. The corruption in government departments is largely due to economic incentives coupled with lack of systematic supervision and the rule that the corruption can be reduced through political accountability. The accountability mechanism is a tool and how it is used affects corruption. This mechanism is effective when it pushes public opinion to strengthen horizontal accountability or boycott of power (public mobilization) through the electoral accountability mechanism. Accountability is a power, and government officials have more accountability when citizens have more demand power.

Canes-Wrone & Leon (2014), by examining two cycles related to the political uncertainty in the election indicated that GDP has a close relationship with theories of opportunistic model and opportunistic cycle. Increasing consumption of non-durable goods and government expenditures are indicators of this political cycle. In the opportunistic cycle, uncertainty exacerbates the ruling party's motivation to manipulate the economy and boost their chance. The level of political development affects these electoral cycles. In countries with a low level of political and economic development, these cycles become stronger.

The organization of this article is as follows: after the introduction in the first section, the second section provides the theoretical foundations of political development and economic development and the relationship between them. In the third section, by reviewing the channels of communication between economic and political development, this communication has been evaluated in the selected developed and developing groups over the period 2006-2014 through the equation system and conclusion is presented at the end of the article.

Theoretical foundations

The purpose of economic development in its simplest form is wealth creation for a nation. By early 1970, rapid growth was considered a serious development variable (Todaro and Smith 2009). Currently, the World Bank uses Gross National Income (GNI) to compare the wealth of countries. Experience in 1950 and 1960 showed that rising GDP growth is a prerequisite for a better life for people (Todaro and Smith, 2003). However, the first generation of development models was the structural change model that was obtained after World War II. This model was first explained by focusing on the mass injection of capital to achieve rapid growth of GDP (Todaro and Smith, 2009). Therefore, each country needs investment to produce more. For investment, more savings are needed, and if domestic savings are not enough, foreign savings should be mobilized.The other generation of development models with the view to international affiliation in the development process was based on Marxist ideas. The reason for the lack of development is the dominance of developed countries over them, and multinational corporations in developing countries are more developed than developed countries (Hein, 1992). In this theory, developing countries gain very little business interest. This unequal trade was created against poor countries commercially, to provide the means to exploit developed countries (Cohen 1973; Dos Santos, 1973).

In the 1980s, neo-classic counter-revolutionary economists argued that lack of development is not done by developed countries or international organizations, but rather from within the state itself through inefficient allocation and corruption and price induction (Meier, 2000). In response to the inefficiency of the public sector, counterrevolutionary economists, like Bauer (1984), Lal (1983), Johnson (1971), and Little (1982) focused on the promotion of a free market, the elimination of government imposed prices to support domestic production, subsidies and public ownership.

Another part of traditional neoclassical thoughts called the traditional neoclassical growth model, is originated from the Harrod-Domar and Solow growth model. Three goals are considered in this theory: first is increase in the amount of work and quality (through population growth and education), second is increase in capital through savings and third is investment and advancement in technology. Of course, technological changes are considered exogenous in Solow model (Solow, 1956). Therefore, the policies of liberation, stabilization and privatization of central elements were placed on the agenda of national development. However, empirical results do not match the results of this model, and many African countries with the same model achieved only a 0.5% growth (World Bank, 2000). An endogenous growth or new growth theory emerged in 1990 to justify the poor performance of many less developed countries in which neoclassical theoretical policies were prescribed. Contrary to the Solow model in which technological changes are considered as an exogenous factor, the new growth models point to the fact that despite the multiplicity of the technology growth, projected transfer and convergence is not achieved (World Bank, 2000).

Contemporary growth theorists (Roemer 1988, Lucas 1988, Aghion & Howitt 1992) recognized technological changes as the result of knowledge generation. They emphasized that productivity increases are

achieved through knowledge rather than labor and capital. This theory argues that a large part of the investment should go towards human capital (education), infrastructure and R & D (Meier, 2000). However, this theory is criticized because of the lack of attention to social institutions. In the past two decades, the discussion of social institutions and arrangements that had long been neglected and referred to as general assumptions or constants, was taken into consideration. Douglas North, with the book "Institutions, Institutional Changes and Economic Performance" (1990), took an important step towards reviewing institutions on economic performance. In the third millennium, an increasing number of thinkers, including Acemoglu, Johnson and Robinson (2001) and North (2005) paid particular attention to the institutions to explain the causes of the country's growth and development. They stated that the cause of weakness or lack or corruption of institutions is the root of underdevelopment. Gradually, the concept of development refers to the balance between economic, political and cultural development. As a result, political underdevelopment became significant in the development process.

Since the nineteenth century to today, three trends have emerged in political development studies: the first trend is in the direct line of classical developmentism. This trend aimed at setting universal explanatory theories. The second trend following the politics reform through farewell to macroeconomic views merely seeks for a common ground of all the political modernization processes, and ultimately the third trend seeks to achieve a comprehensive and unique explanation of the political development in any society by referring to history.

First we should say that the common feature of all the classical theories is qualitative technique. For the first time, Lipset (1959) tried to prove that a political game is considered competitive or democratic only when it relies on a degree of economic development. Using

correlation model, he proved that there is a correlation between political development and economic and social factors. He compared some countries in terms of different economic indicators, such as national income, industry, education and urbanization, and concluded that there are significant differences between the developed political systems and the backward political systems.

In the book "An Introduction to Democracy" (1956) and in the book "Politics, Economics and Welfare" (1957), Dahl concluded that democracy can be realized gradually and only in the form of Polyarchy. As societies progress and become more sophisticated, the number of social groups and leaders interested in leading these groups also increases. These leaders have no choice but to constantly negotiate with each other and colligate on different issues. In the light of such competition and ongoing negotiations, people will be able to apply their opinions in public affairs. The equilibrium that was achieved before this process allows for the realization of a particular form of democracy. On this basis, polyarchy forms the ultimate goal of political development. At the same time, polyarchy does not comply with any political dynamisms; its acquisition is conditional on purely economic and social development. Russett (1965) establishes reciprocal relations between several economic, social or cultural indicators (per capita income, urbanization, literacy, number of radios, beds of hospitals ...) and fewer political indicators, such as participation in election, government share in GNI. These relations naturally confirm the development outlook on the basis of the interaction between economic efficiency and political efficiency. For example, Russett showed that achieving each stage of economic development also leads to an increase in the rate of participation in elections (Dahl, 1971). Robert Dahl considered the increase in GNI as a major factor in political transformation. Dahl emphasizes precisely that reaching a certain stage of national income is a direct prerequisite for the

political transformation of societies and the establishment of polyarchy.

Shils (1960), with a profound theoretical reconstruction, states that modernization is no longer a product of economic or social transformations, and this is a starting point for defining the political development distinct of economic development. He states that all the progressing governments have a common goal and that it is modernization or dynamism, democracy, and egalitarianism. The set of these demands leads the new governments to a pattern of modernity that is nothing but Western democracy, except that some modifications will be done in it to adapt to the geographic environment alien to it. What is a barrier to this prosperity in Third World societies is a set of unfavorable data for democracy. These data are the result of a deep gap between the few newly-modernized elites from the masses of those who are unwillingness to modernity and are interested in the rules and values of the traditional society. These trends lead to plurality in political structures, and a temporary gap between the elites and the masses is restored, and the traditional structures of society gradually replace themselves with the new institutions and practices emerging from the West.

Almond and Coleman (1960) considered the political community as interconnected elements. They know political development as a process in which traditional non-Western systems find the characteristics of more developed societies, and these characteristics are generally the broad participation of members of society in political and non-political activities. According to Almond and Paul, political development is the result of events originating from the international environment, domestic environment or political elites within the political system. If a political system in the present situation is not able to cope with progressive challenges, it can be considered as developed when it has the capabilities needed to successfully deal with such challenges. Otherwise, the result will be a backward or negative development. In functionalism analyzes, Almond similes political development to a calm and continuous transmutation that affects the entire community. However, this theory does not justify the status of Third World countries in the revolution, riots and coups. This opens a way for the new developmentism theory.

Pye (1967) describes elements of the new method of political development in the following triangle: enhancing equity, improving political efficiency, structural differentiation. Of course, the basis for the work of Pye is how each society get to know these signs and how acts against their emergence, and of course such a deal would not be free from tension and rupture. This is the central source of the crisis attitude, and systems must overcome it to ensure the progress of their political development. In the third world countries, these crises are more intense and these crises are considered as a reason for the prolongation of the modernization process, and it should be noted that lack of overcoming any of these crises can exacerbate another crisis. After Pye, Huntington responds to the above requirements with the notion of institutionalization as a common ground of all political development trends. According to Huntington's classification, the concerned communities are politically advanced if they can respond to the necessity of institutionalization, otherwise the modernization will be at the expense of political decandece. The institutionalization criteria are attaining the highest level of complexity, independence, and continuity through the organizations and the rituals of the system. In the framework of modernization, two political systems might emerge based on the fact that the process of institutionalization is accompanied by the expansion of political participation or not: civil society or developed society, which reduces the social forces and balances their entry into the political scene with the role of the institutions that can organize their participation. In contrast to the degraded society, there is a direct and immediate

confrontation of the social forces that each uses its own methods to achieve its goal; therefore, political participation is associated with disorder due to the low level of institutionalization (Huntington, 2006). In these theories, development is no longer considered as a continuous process, but it may be accompanied by reactions and decadences. Thus, this theory diverges from the simplistic conception of linear development that is specific to theories of classical development. Huntington shows that there is no pre-determined relationship between economic development and political development (Badie, 1984).

Apter (1965), like Huntington, believes in a decisive distinction between development and modernization, but this distinction is made to prioritize the modernization analysis. Development is a universal process that includes all the changes that lead to the improvement of social classifications or the new division of social roles. In contrast, modernization is a special phenomenon which has a limited meaning in Apter's view and implies the entry of new social roles originating from the industrial community in the traditional community. In sum, the modernization aims to prepare the superstructure of a traditional society for the acceptance of the industrial economy. Modernization, by its very nature, undermines normative convergence, which is a factor in maintaining the function of the traditional society, and this leads to a kind of disorder and anomaly that entails a profound political response. The scope of this response reflects a highly political state, which is a feature of the changing society. This situation, i.e. the political processes resulting from it, create social and economic transformation, and this is considered a privileged topic. However, given this viewpoint, tradition and modernity does not look duplicated and incompatible. In fact, the special task of the political system is precisely organizing the combination of tradition and modernity and, as a result, eliminating the tensions originated from it.

The relationship between political development and economic development is not exactly clear, and its policies cannot be generally prescribed for all countries in the world. There are many theories in this regard that one of them is the primacy of the market to democracy. Friedman (1990) states that politics is not separate from the economy, and the free economy is a prerequisite for political freedom. As a result, political freedom cannot survive and all political development and economic development are intertwined. He believes that there is a close relation between politics and economics. Empirical evidence emphasizes the relation between political freedom and the free market. Friedman contends that there is no society in any place and time that has considerable political freedom without having to use a free market to organize much of its economic activities. He believes that free economy might exist in a country, but there is no political freedom, but its contrary is not possible, and economic constraints would spread to the realms of human liberties.

Other than Friedman, this attitude has even strict supporters. Theorists who confirmed the economic prerequisites for the transition to democracy went one step further and stated that a free market was not enough per se for transition to democracy, but it was necessary that countries pass through the necessary economic minimums and stay at that level or higher (Karl, 1990). Inglehart and Welzel (2005) argue that the commonplace professions in society influence the way people look and the readiness of society for transition to democracy. For example, in ancient China and Egypt, it was necessary for agriculture to restrain huge rivers that required management and concentration, which would lead to a concentration of power, but in Western Europe, late Middle Ages, agriculture was based on rainfall. This raised the formation of an agricultural system based on property rights and widespread access to the market, and people became more independent in daily activities. This contributed to the formation

of the idea of human rights and limited primary democracy in these areas. Another group of thinkers state that, based on the theory of historical vital points, in parts of history, we are seeing developments in societies in which society is guided to a new path. Theorists of this approach believe that issues such as economic crises and military conflicts are among the factors that can lead to major changes in the direction of society (Hall and Taylor, 1998). Among the serious supporters of this theory are Acemoglu et al., (2001). They point to vital historical points in which institutions may be created that lead society to growth and democracy, or to poverty or dictatorial democracy. So, income and democracy evolve together, but it does not necessarily lead to economic growth. They finally point out that emphasis on historical factors does not mean that these factors are the only or most important determinants of democracy and there are many factors that are not explained by historical variables. Also, higher incomes and higher education increase tendency to political participation, but it is unlikely that the pro-democracy movements in the world will only be driven by the effects of education and income.

Another group considers economic development as a process of transition from political development, which in this view, political and civil development is directly and intuitively important, their importance should not be justified indirectly and in terms of their effect on the economy. The development of the political system is historically prior to economic and social development, and these freedoms and rights impede economic growth and development. It is assumed here that the negation of civil rights and fundamental freedoms will help to stimulate economic growth and it is necessary for rapid economic development. There is little evidence that authoritarian politics contributes to economic growth in

practice. Empirical evidence suggests that economic growth is more the product of a friendlier economic environment than a political system with weak democracy level. Of course, it should be noted that some relatively authoritarian governments such as South Korea, Singapore, and China have had faster economic growth rates than less-authoritarian countries such as India and Jamaica after reforms, but there is in fact a rather insignificant overall evidence that authoritarian governments are beneficial to political development. In interpreting this theory, Sen believes that political liberties and political development contribute to the promotion of economic security and development. Social opportunities facilitate economic partnerships, and economic facilities can help to create abundant personal facilities and generate public resources for social amenities. For Sen, even in Smith's view, successful market economies require diverse values such as mutual trust and confidence. In support of his claim, he refers to Adam Smith (1976), in "Wealth of Nations", which states when individuals in a particular country trust in the wealth, truth and precision of a particular banker, when they believe that he is always ready to pay financial bonds when they ask for. These bonds are like gold and silver (Schumpeter, Sen., 1981).

Estimation of research model and analysis of results

In this study, the model is estimated using the simultaneous equation system and data of 20 developing countries[2] with similar economic and political structure and 20 developed countries[3] with similar economic and political structure during 2006-2014. And the reason for choosing this timeframe is the limitation on the release dates of extracted attributes from the Bertelsmann Foundation[4], since the first year of

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[2] Afghanistan, Armenia, Brazil, Central African Republic, Egypt, India, Indonesia, Iran (Islamic Republic of), Iraq, Kenya, Libya, Mali, Pakistan, Sudan, Tajikistan, Thailand, Turkey, Uzbekistan, Venezuela, Zimbabwe

[3] Australia, Austria, Canada, China, Denmark, Finland, France, Germany, Italy, Japan, Korea (Republic of), Malaysia, New Zealand, Norway, Romania, Serbia, Singapore, Switzerland, United Kingdom, United States

[4] https://www.bertelsmann-stiftung.

publication in 2006 was that we used in the data for all years.

The research model for testing the hypothesis is as follows:

1) $GNI_{it} = \alpha_{i0} + \alpha_{i1} PD_{it} + \alpha_{i2} HDI_{it} + \alpha_{i3} FDI_{it} + \alpha_{i4} UR_{it} u_1$

2) $PD_{it} = \beta_{i0} + \beta_{i1} GNI_{it} + \beta_{i2} FDI_{it} + \beta_{i3} TLR_{it} + \beta_{i4} FP_{it} + u_2$

PD indicates political development indicators that, according to the literature, result from the average rule of law data and political participation from the Bertelsmann Foundation, as well as data on political legitimacy (political stability and absence of violence/terrorism), and the World Bank's political voice and accountability (WDI)[5]. GNI[6] represents per capita income and HDI represents the human development index, is derived from the geometric mean of per capita income, literacy rate and life expectancy. The reason for using HDI as an indicator for explaining economic development is the relative importance of this index to explain the welfare of the current countries. In fact, for modeling, there is no comprehensive statistical information. For this reason, we have to use this indicator to explain economic development, which, of course, explains the use of this indicator in economic development research in the research literature.

FDI an indicator of foreign direct investment, UR as urbanization rate and TLR, total literacy rate are extracted from the World Bank. FP represents political freedom and is extracted from the Freedom House Foundation[7], and then, the proposed model is estimated using the observations. According to the hypothesis, "political development leads to economic development and economic development leads to political development" and based on the hypotheses, equations (1) and (2) and the system of equations are designed. Simultaneous equation system is a suitable model for indicators that have a bilateral relationship. According to thee research literature, political and economic indicators establish a bilateral systematic relationship. Thus, for this reason, we use the simultaneous equation model. According to the literature, changes in political development are expected to lead to positive changes in economic development, and, conversely, changes in political development also bring about positive changes in economic development. Before model estimation, statics of model variables need to be checked and the test results are presented in Table (1):

Table 1. Results of unit root tests of model variables

Variable name	Fisher **Phillips – Perron test**	
	Prob	Statistic
GNI (-1)	0.00	222.40
PD	0.00	121.44
HDI	0.00	346.99
FDI	0.00	122.85
UR	0.00	186.92
EDU	0.00	65.93
FP	0.00	30.30

Source: Research findings

As seen from the table above, the results obtained from the unit root test indicate that the existence of a single root rejects model variables, and all the variables are static.

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[5] http://www.worldbank.org
[6] gross national income
[7] www.freedomhouse.org

In addition to testing the unit root in the system of equations, order and ranking conditions should also be considered. To detect in an equation system with m simultaneous equation, there is a simultaneous equation when the number of predetermined variables that exist in the equation above is less than the number of endogenous variables in the specified equation minus 1, $K-k \geq m-1$. If $K-k = m-1$, then the equation under study is exactly specified and if $K-k > m-1$, the situation would be too specific. The results of this study are presented in Table (2).

Table 2. Checking the order condition

Detectability	Number of endogenous variables of equation minus 1 (m-1)	Number of exogenous variables out of equation (K-k)	Equation
Too specific	1	2	GNI
Too specific	1	2	PD

Source: Research findings

To explain the ranking condition and detectability, all three equations are presented in Table (3). According to the deterministic table of the matrix of the coefficients of variables outside the equation, the equations under consideration are too specific.

Table 3. Reviewing the ranking condition

FP	EDU	UR	FDI	HDI	PD	GNI	1	Equation
0	0	$-\alpha_4$	$-\alpha_3$	$-\alpha_2$	$-\alpha_1$	1	$-\alpha_0$	GNI
$-\beta_4$	$-\beta_3$	0	$-\beta_2$	0	1	$-\beta_1$	$-\beta_0$	PD

Source: Research findings

The estimation of equations is performed in a three-stage least squares system. The results obtained from the estimation are presented in Table (4). The estimation results indicate that the coefficients are consistent with the theory. The main indicator of political development has a positive effect on per capita income as the main index of economic development, and by increasing political development, per capita income increases, which is in general consistent with theories of Sen (1999, 1992 and 1985). In political development equations, the increase in per capita income contributes to political development, which is largely consistent with the theories of Friedman and Friedman (1990) and Karl (1990) and Inglehart and Welzel (2005), and Przeworski (2004) and Baum and Lake (2003).

In developing countries, the effect of human development is significant with higher coefficient. As highlighted in the research's background, in developing countries due to the low level of human development, the intensity of effect on the economic development is greater. Foreign direct investment has had a positive effect on economic development in developed

countries, but this effect has negatively affected political development. Also, in developing countries, this effect is negative and not significant, but it has a significant positive effect on political development. This shows that developing countries increase their foreign relations and political diplomacy through foreign investment, which ultimately leads to an increase in political development. This issue has been studied more thoroughly and more precisely in the second model. Urbanization rate has a positive significant effect on economic development in both countries, indicating that industrialization and development are growing in urbanization. Increasing literacy in developed countries has a positive significant effect on political development, while this is not significant for developing countries, which can be considered through the channel of government accountability and people demanding. This suggests that, due to the

lack of accountable institutions and organizations, increasing education and, as a result, demands does not increase accountability and, as a result, political development. This is in line with the research by Adsera et al. (2003).

The high political freedom data indicates dictatorship and the lower level show greater degree of democracy. Consequently, it has an inverse relation with political development, and as we obtained in the table, in both countries, political freedom has a significant positive effect on political development, which, according to the literature, political freedom is a matter which is of great importance in development and should not be evaluated by its effect on economic or political development. This result is broadly in line with the original idea of the research.

Table 4. Estimating model of 2006-2014

Equations	Model variables	Developed		Developing		Universal	
		Coefficients	Prob	Coefficients	Prob	Coefficients	Prob
Economic Development (Per capita income)	PD	369.45	0.00	15.02	0.28	197.78	0.00
	HDI	196.48	0.39	208.69	0.00	375.94	0.00
	FDI	4.34	0.00	-1.76	0.32	2.44	0.03
	UR	545.30	0.00	148.75	0.00	263.98	0.00
Political development	GNI	0.003	0.00	0.002	0.50	0.003	0.00
	FDI	-2.7	0.00	4.82	0.00	-5.25	0.73
	EDU	1.52	0.00	0.017	0.83	0.10	0.04
	FP	-7.49	0.00	-6.10	0.00	-8.84	0.00

Source: research findings

Discussion and conclusion

This paper examined the interactions between the indicators of political development and economic development in selected developed and developing countries during 2006-2014 using the simultaneous equation system. Initially, this relation is examined for developed countries and then for developing countries, and eventually it is estimated in a model

including both groups. In developed countries, a relation exists between economic development and political development, the literature confirms this, and the increase in per capita income and economic development increase the political accountability of the officials, increase people's participation in democratic institutions, increase the political legitimacy of the government and

increase the rule of law in the country. On the other hand, an increase in these indicators increase the per capita income and economic development of the country. To better define the model and certify the development literature, the instrumental variables are added, and the coefficients of these variables also confirm this. In the group of developing countries, this relation is not significant despite being positive. This inconsistency can be sought in the structure and political and economic characteristics of most of these countries. In spite of increasing per capita income, due to the lack of regulator and accountable institutions, asymmetric information and the existence of government rents and privileges, increasing incomes do not result in political development, and even in some cases it may increase the focus of power over the environment. Also, the slight improvement and reform of the indicators of political development in these countries were merely demonstrative and cross-sectional, and therefore it doesn't improve the economic condition. We should keep in mind that short-term and superficial reforms cannot make significant changes in the conditions of the country, which indicates that this result is consistent with the comprehensive development literature. In the general model, the relation between the indicators of political development and economic development is positive and significant. The political proposal that can be presented is that although political development generally leads to economic development and vice versa, but it should be noted that in developing countries, the path to development is degenerating

without the responsible and accountable institutions.

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