

We sincerely thank the reviewer for revising our manuscript carefully. We are especially grateful for the constructive comments and suggestions, which helped improving our research. Below, we have tried to respond to each comment. Reviewer's original comments are listed (in bold) followed by our response (in italics).

Major comments

1.1. The period of study is 2002-2013. That means that it only contains two years after the 2011 Arab spring, making it very difficult to identify its effect. One may argue that the method that the authors use does not focus on a single event but assesses the relationship between democracy indices and growth, and the other dependent variables. However, what the variations of those indices captured over the period is unclear. Specifically, one may wonder whether there were enough meaningful variations in democracy to identify any effect.

In that respect, there is a debate in the literature about how to identify democratic transitions. Papaioannou and Siourounis (2008) argue that only transitions that have survived at least five years should be taken into account, while Acemoglu et al. (forthcoming) impose no such constraint. The authors may want to refer to those papers to interpret their own results. They should try to determine if there were meaningful moves towards or away from democracy in their sample.

Acemoglu, D., Naidu, S., Restrepo, P., and Robinson, J.A. (forthcoming). "Democracy does cause growth." *Journal of Political Economy*.

Papaioannou, E., and Siourounis, G. (2008). "Democratisation and growth." *Economic Journal*, 118(532), 1520–1551.

RESPONSE:

As you have already mentioned, it is difficult to identify the effect of the Arab Spring only two or three years after its emergence. For this reason, we have focused our attention on studying the simple moves of democracy on economic growth. In addition, Papaioannou and Siourounis (2008) and Acemoglu, et al. (forthcoming) found a positive effect of democracy on economic growth, which is inconsistent with our results. This is why we have not referred to those papers when interpreting our results. We have only referred to those which have used the same empirical methodology and found the same results.

In response to this comment, we provided a graph that captures the evolution of democracy in the Arab world to show how the democracy index has evolved during the last decades.

In addition, it is worth noting that, in our paper, we are interested in the Arab world as little empirical studies have been conducted on this region. For this reason, we haven't expanded our sample because the main objective of our paper is to study the relationship between democracy and economic growth in that particular part of the world in order to show its specificities (especially when interpreting our results and proposing the recommendations). In addition, we have chosen the 2002-2013 period, as the application of the GMM method requires that the number of years should not exceed the number of countries.

PS. The Acemoglu et al. paper was mentioned in the references as a working paper. The references list is updated and the proposed references are included in the text.

1.2. To answer the above question, one should know what the 16 countries of the study are, but they are not specified in the paper.

RESPONSE: *The list of countries used in the study is provided in the appendix.*

1.3. The authors motivate their focus on Arab countries by “the specificities of the region”, but do not describe those specificities. They ought to. This is important, because focusing on a sample that is too homogeneous would prevent identifying the effect of democracy on growth.

RESPONSE: *To address this comment, we included a footnote that exposes some specificities of the region (Please see footnote 2).*

1.4. The review of the literature is patchy, as important references are missing. An easy way to survey the literature until a decade of years ago is to refer to Doucouliagos and Ulubaşoğlu (2008). The recent paper by Acemoglu et al. (forthcoming) would allow complementing the list of references.

Doucouliagos, H., & Ulubaşoğlu, M. A. (2008). « Democracy and economic growth: a meta-analysis.” American Journal of Political Science, 52(1), 61-83.

RESPONSE: *There is a huge number of papers that have studied the democracy-growth nexus and it is not possible to include all references. We have included the references that are, in our point of view, the most influential and that have used the same methodology as ours (simultaneous equations method).*

To address this comment, *we revised the literature review and included the proposed references.*

1.5. Unless I am mistaken, the empirical model uses yearly observations. That mixes short- and long-run phenomena. More to the point, a specification based on the neoclassical growth model cannot be used, especially if no lag is allowed between the explained and explanatory variables. The authors should therefore choose a specification that matches their dataset or vice versa.

RESPONSE:

Estimating an economic growth equation with annual data may provide fallacious answers about the long-term growth process. Generally, to take into account the long-run effects, empirical studies take averages of five years or more of data in order to smooth out cyclical fluctuations (Grier and Tullock, 1989; Mendoza et al., 1997). However, this may result in a loss of degrees of freedom. An alternative method to capture the long-run effects is to use many lags of the independent variables in a model with annual data (Kocherlakota and Yi, 1997;

Bleaney et al. 2001). For this reason, to pick up long-run effects in our model, we run regressions with longer lags of democracy. The results remain the same for all equations (The results are available upon request). Interestingly, one might notice that some variables are not available for longer periods and some countries of the sample have missing data. Hence, estimating all the equations of the model using intervals of five-year would not be possible. In addition, it is necessary to mention that the use of five-year periods may overshadow the post-Arab revolution dynamics of democracy indicators.

Specific comments

2.1. The authors ought to have their paper language edited. Some sentences are awkward.

RESPONSE: *We apologize for the mistakes. We have improved the language of the paper.*

2.2. The authors should check their list of references. Several papers have now been published or accepted for publication (e.g. Acemoglu et al. 2014).

RESPONSE: *We have updated the references list.*

2.3. “we suppose that democracy affects economic growth through its impact on FDI inflows and public consumption expenditure.” (p. 7). The statement is inaccurate, because the level of democracy appears as an explanatory variable in Equation 1. The authors therefore explicitly assume a direct effect of democracy.

RESPONSE: *We replaced “suppose” by “advocate”.*

2.4. “The regressions suggest that democracy has a positive and insignificant effect on economic growth [...]” (p.9). If a coefficient is statistically insignificant, then it is not distinguishable from zero and has not sign.

RESPONSE: *The sign is delated.*

2.5. Equations 1 to 4 are likely estimated as a system. They should therefore be reported in a single table. The opposite is misleading.

RESPONSE: *Provided as requested.*

References:

Bleaney, M., N. Gemmel and R. Kneller (2001), “Testing the Endogenous Growth Model: Public Expenditure, Taxation and Growth over the Long Run,” Canadian Journal of Economics 34(1), 36-57.

Grier, K. and G. Tullock (1989), "An empirical analysis of cross-national economic growth, 1951–80," Journal of Monetary Economics 24, 259–276.

Kocherlakota, N. R. and K. M. Yi (1997), "Is there endogenous long-run growth? Evidence from the United States and the United Kingdom," Journal of Money, Credit and Banking 29, 235–262.

Mendoza, E., G. Milesi-Ferretti, and P. Asea (1997), "On the effectiveness of tax policy in altering long-run growth: Harberger's superneutrality conjecture," Journal of Public Economics 66, 99–126.