Introduction
Democracy and modernization may have a reciprocal relationship: economic development can affect the political stability and development, while political stability can affect economic performance.

This study examines the situation in South East Asia countries, prior and after the 1997-1998 financial crisis. By dividing countries in the region into two categories, democratic and non-democratic, this study aims to examine the impact of political development on the economic performance of these countries in the context of a financial crisis recovery.

Research Questions
1. Did non-democratic countries experience a bigger economic drop in the 1997-1998 financial crisis?
2. Is there any difference between democratic and non-democratic countries’ economic performance in the time after the crisis?
3. Did democratic countries recover faster from the crisis?

The underlying hypothesis in the study is that democratic development sheltered countries from the economic crisis and help them recover faster.

Data
The observations are country-level data from 19 countries in the South East Asia region, from 1987 to 2007. The study also examines the 9 countries which suffered the most economic distress. These countries are: Cambodia, Indonesia, Japan, Korea-the Republic of, Laos, Malaysia, Philippines, Singapore and Thailand. The data sources are World Bank indicators and Polity IV project.

Methods
OLS regression are carried out predicting GDP growth between 1987 and 2007, controlling for democratic development and multiple socio-economic controls.

Results
The regression results show that non-democratic countries are affected more by the crisis than democratic countries. The time of the crisis (1998) experienced a bigger drop in GDP growth than democratic countries at a significant level (p < 0.05).

Key findings
1. The regression results show that non-democratic countries did not experience a bigger drop in GDP growth than democratic countries at the time of the crisis (1998).
2. There is no significant difference in GDP growth in post crisis years between democratic and non-democratic countries.
3. It took comparable times for both democratic and non-democratic countries to recover from the crisis.

Case Study: Indonesia
Indonesia is a distinct case of the intertwined links between democracy and economic growth. A significant drop in economic performance forced the country to become more democratic through a 1998 reform which also caused political instability.

Thailand and Japan are examples of countries with higher democratic development relative to Indonesia. Data shows that both countries experienced comparable drops during the crisis, and needed approximately the same amount of time to recover.

Committee Members: Lisa Cook, Ph.D., Siddharth Chandra, Ph.D., and Valentina Bali Ph.D.