

Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Political Instability Measures					
<i>Country-by-country OLS (PI^{OLS})</i>	98	-0.52	1.56	-3.00	1.70
<i>Fixed Effects (PI^{FE})</i>	98	-0.19	1.23	-4.34	1.47
<i>Arellano-Bond System (PI^{AB})</i>	98	0.23	0.93	-2.54	1.48
<i>Arellano-Bond Difference (PI^{ABDIFF})</i>	98	1.32	0.77	-0.99	2.86
<i>Anderson-Hsiao (PI^{AH})</i>	98	0.02	1.40	-2.50	2.06
<i>Count Measure of Transitions (Polity)</i>	191	0.66	1.14	0	7
<i>Count Measure of Transitions (Gastil)</i>	191	1.13	1.44	0	6
<i>Political Assassinations</i>	119	5.41	10.90	0	67
<i>Riots</i>	119	56.66	111.04	0	884
<i>Successful Coups</i>	119	1.33	1.89	0	9
<i>Unsuccessful Coups</i>	119	1.58	2.63	0	15
<i>Riots in Democracies</i>	111	14.64	40.23	0	307
<i>Coups in Dictatorships</i>	94	0.98	1.28	0	5
Policy Volatility Measures					
<i>Fiscal Policy (Country-by-country OLS)</i>	92	-2.47	0.71	-3.99	-0.71
<i>Trade Policy - (X+M)/GDP (Country-by-country OLS)</i>	92	-2.45	0.69	-3.91	-0.69
<i>Trade Policy - Import Duty (Anderson-Hsiao)</i>	79	0.81	1.01	-1.48	2.49
<i>Output Volatility</i>	91	1.48	0.51	0.56	2.80
Controls					
<i>Gini coefficient (Dollar-Kraay)</i>	134	39.97	11.03	19.25	75.73
<i>Gini coefficient (Deiningner-Squire)</i>	116	42.90	11.19	19.49	68.60
<i>Share of Median Quintile in Income</i>	131	14.85	3.08	5.46	20.85
<i>Land Gini</i>	101	65.62	15.74	31.21	93.31
<i>Share of Natural Capital in Total Capital Stock</i>	108	52.61	28.41	8.7	98.98
<i>Ethnolinguistic Fractionalization</i>	85	11.84	10.75	0	54.20
<i>British Colonial Dummy</i>	112	0.42	0.30	0	0.93
<i>Civil Rights (Gastil)</i>	130	0.28	0.45	0	1
<i>Trade Exposure (X+M)/GDP</i>	128	0.36	0.40	0	2.98
<i>Domestic Distortions</i>	169	0.35	0.51	0	5.62
<i>Year of Accession to WTO/GATT</i>	180	1978.32	21.40	1948	2006
<i>Presidential System Dummy</i>	91	0.61	0.47	0	1
<i>No of Executive and Legislative Elections</i>	92	4.08	2.15	0	9
<i>Inflation</i>	157	0.81	2.21	0.01	12.20
<i>Terms of Trade Volatility</i>	143	19.35	17.18	0.00	93.14
<i>Overvaluation of Exchange Rate</i>	105	116.09	41.48	50.47	381.94
<i>Government Expenditure as Fraction of GDP</i>	88	2.63	0.31	1.94	3.45

Table: Political Instability by Decade

	<i>Fixed effects</i>	<i>Random effects</i>
<i>Assassinations</i>	0.022 (0.015)	0.031** (0.012)
<i>Strikes</i>	-0.006 (0.031)	0.016 (0.023)
<i>Riots</i>	0.005 (0.005)	0.008* (0.004)
<i>Successful Coups</i>	0.151* (0.08)	0.254*** (0.07)
<i>Unsuccessful coups</i>	-0.04 (0.044)	-0.037 (0.039)
<i>constant</i>	-0.491*** (0.092)	-0.617*** (0.094)
<i>No. of observations</i>	262	262
<i>R²</i>	0.15	0.16

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level

Table: First-Stage Regressions

	<i>Gini-Dollar Kraay</i>		<i>Gin-Deininger Squire</i>		Q3	
<i>land inequality</i>	0.195*** (0.063)	0.152* (0.079)	0.232*** (0.054)	0.202** (0.088)	-0.001*** (0.0002)	-0.0004 (0.0003)
<i>schooling inequality</i>	0.148*** (0.04)	0.22*** (0.063)	0.187*** (0.054)	0.177** (0.081)	-0.001*** (0.0001)	-0.001*** (0.0002)
<i>natural capital share</i>		-0.331** (0.142)		0.003 (0.177)		0.001 (0.0004)
<i>fractionalization</i>		-0.899 (5.178)		0.86 (5.577)		-0.01 (0.015)
<i>British colony</i>		1.138 (2.766)		2.04 (3.472)		0.007 (0.008)
<i>Middle East & North Africa</i>		-8.081** (3.727)		-2.982 (4.344)		0.019 (0.017)
<i>East Asia</i>		-4.58* (2.402)		-2.973 (3.111)		0.004 (0.008)
<i>Latin America & Caribbean</i>		0.415 (3.551)		1.235 (3.844)		-0.009 (0.012)
<i>constant</i>	21.438*** (4.197)	25.65 (5.06)	20.8*** (3.742)	23.096*** (5.644)	0.2*** (0.013)	0.191*** (0.015)
<i>No. of observations</i>	57	57	52	52	57	57
<i>R²</i>	0.29	0.4	0.35	0.38	0.27	0.37
<i>Joint significance test</i>	13.4***	4.62***	17.99***	6.93***	13.81***	4.41***

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level

Robustness: Political Instability and Inequality (Alternate Measures)

	<i>Gini WIDER-IV</i>			<i>Wage Inequality-IV</i>		
	PI^{OLS}	PI^{FE}	PI^{GMM}	PI^{OLS}	PI^{FE}	PI^{GMM}
<i>inequality</i>	0.251*** (0.072)	0.175*** (0.055)	0.126*** (0.042)	1.196** (0.511)	0.868** (0.414)	0.455* (0.262)
<i>natural capital share</i>	-0.015 (0.043)	0.002 (0.030)	-0.002 (0.023)	-0.125 (0.140)	-0.067 (0.104)	-0.035 (0.058)
<i>fractionalization</i>	-0.879 (1.467)	-0.985 (1.160)	-0.524 (0.913)	-2.998 (2.544)	-2.526 (2.066)	-0.904 (1.336)
<i>British colony</i>	-0.545 (0.635)	-0.485 (0.445)	-0.568 (0.383)	-4.164* (2.514)	-3.111 (1.951)	-1.888 (1.178)
<i>Middle East & North Africa</i>	0.386 (1.056)	0.187 (0.894)	0.076 (0.711)	-0.770 (1.853)	-0.540 (1.476)	-0.053 (0.962)
<i>East Asia</i>	0.720 (0.675)	0.705 (0.454)	0.589* (0.342)	-0.009 (1.350)	0.263 (1.011)	0.355 (0.624)
<i>Latin America & Caribbean</i>	-1.731 (1.199)	-1.132 (0.948)	-0.988 (0.717)	-1.840 (2.176)	-1.207 (1.720)	-0.531 (1.082)
<i>constant</i>	-10.923*** (2.247)	-7.480*** (1.683)	-4.944*** (1.320)	-3.051*** (0.776)	-2.227*** (0.664)	-1.018*** (0.353)
<i>No. of observations</i>	53	53	53	55	55	55
R^2	0.34	0.32	0.22	0.12	0.09	0.05
<i>Joint significance test</i>	7.15***	6.77***	5.94***	2.18*	1.86*	2.16*
<i>OID Test (p-value)</i>	0.12	0.18	0.82	0.53	0.73	0.22

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level

Robustness: Political Instability (alternate measures) and Inequality

	<i>Gini Dollar Kraay-OLS</i>		<i>Gini Dollar Kraay-IV</i>		<i>Gini Deininger Squire-OLS</i>		<i>Gini Deininger Squire-IV</i>	
	PJ^{AH}	PJ^{ABDIFF}	PJ^{AH}	PJ^{ABDIFF}	PJ^{AH}	PJ^{ABDIFF}	PJ^{AH}	PJ^{ABDIFF}
<i>inequality</i>	0.032*	0.005	0.187***	0.070**	0.043**	0.005	0.265**	0.100*
	(0.019)	(0.011)	(0.068)	(0.032)	(0.019)	(0.010)	(0.106)	(0.052)
<i>natural capital share</i>	0.035**	0.005	0.053**	0.006	0.027*	0.002	-0.007	-0.017
	(0.013)	(0.008)	(0.026)	(0.013)	(0.014)	(0.008)	(0.046)	(0.018)
<i>ethnolinguistic fractionalization</i>	1.948**	1.006**	0.463	0.675	1.502*	0.880*	-1.020	0.012
	(0.769)	(0.416)	(1.291)	(0.636)	(0.805)	(0.464)	(1.754)	(0.854)
<i>British colony</i>	-0.162	0.025	-0.794	-0.374	-0.073	0.029	-1.157	-0.512
	(0.379)	(0.211)	(0.537)	(0.327)	(0.380)	(0.231)	(0.829)	(0.451)
<i>Middle East & North Africa</i>	1.904***	0.840**	1.518*	0.739*	1.564***	0.713**	-0.206	0.005
	(0.448)	(0.338)	(0.795)	(0.413)	(0.476)	(0.335)	(1.270)	(0.635)
<i>East Asia</i>	0.348	-0.200	1.505**	0.104	0.554	-0.248	1.150	-0.071
	(0.565)	(0.347)	(0.608)	(0.376)	(0.561)	(0.404)	(0.716)	(0.388)
<i>Latin America & Caribbean</i>	1.298***	0.418**	0.054	-0.055	0.826*	0.211	-2.122	-0.987
	(0.410)	(0.192)	(0.917)	(0.417)	(0.457)	(0.195)	(1.710)	(0.825)
<i>constant</i>	-3.021***	0.411	-8.685***	-1.958*	-3.311***	0.554	-10.885***	-2.698
	(0.766)	(0.505)	(2.275)	(1.108)	(0.701)	(0.450)	(3.478)	(1.719)
<i>No. of observations</i>	72	72	57	57	65	65	52	52
R^2	0.37	0.19	0.2	0.08	0.38	0.16	0.18	0.04
<i>Joint significance test</i>	6.84***	1.99**	6.26***	2.82**	7.69***	1.66	3.37***	1.55
<i>OID Test (p-value)</i>			0.45	0.55			0.56	0.8

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level

Robustness: Policy Volatility and Political Instability (Alternate Measures)

	<i>Fiscal Policy</i>				<i>Trade Policy</i>			
	<i>PI^{AH}</i>	<i>PI^{ABDIFF}</i>	<i>PI^{AH} IV</i>	<i>PI^{ABDIFF} IV</i>	<i>PI^{AH}</i>	<i>PI^{ABDIFF}</i>	<i>PI^{AH} IV</i>	<i>PI^{ABDIFF} IV</i>
<i>political instability</i>	0.263*** (0.058)	0.217** (0.096)	0.738*** (0.264)	1.105* (0.666)	0.196*** (0.050)	0.246*** (0.083)	0.412*** (0.101)	0.680** (0.275)
<i>openness</i>	-0.013 (0.222)	-0.299 (0.283)	0.382 (0.718)	-0.748 (0.498)				
<i>domestic distortions</i>	0.713** (0.307)	0.635 (0.411)	1.975* (1.026)	2.467 (1.568)				
<i>accession</i>					0.009*** (0.003)	0.008** (0.003)	0.013*** (0.004)	0.009* (0.005)
<i>Presidential system</i>	0.207 (0.233)	0.355 (0.254)	-0.243 (0.400)	0.100 (0.354)	0.051 (0.218)	0.228 (0.214)	-0.313 (0.283)	0.070 (0.257)
<i>no. of elections</i>	-0.010 (0.048)	-0.032 (0.050)	0.048 (0.074)	0.088 (0.116)	-0.051 (0.037)	-0.057 (0.041)	-0.025 (0.035)	0.003 (0.048)
<i>Middle East & North Africa</i>	-0.215 (0.219)	-0.187 (0.220)	-0.971** (0.380)	-1.003* (0.610)	0.127 (0.156)	0.150 (0.173)	-0.059 (0.118)	0.037 (0.229)
<i>East Asia</i>	0.092 (0.202)	0.186 (0.247)	0.048 (0.296)	0.350 (0.457)	-0.073 (0.134)	-0.002 (0.119)	-0.235 (0.149)	0.062 (0.233)
<i>Latin America & Caribbean</i>	-0.108 (0.167)	-0.012 (0.178)	-0.254 (0.240)	-0.031 (0.266)	-0.039 (0.194)	0.047 (0.203)	-0.132 (0.193)	0.069 (0.243)
<i>constant</i>	-2.728*** (0.322)	-2.937*** (0.382)	-2.988*** (0.636)	-4.674*** (1.657)	-19.346*** (6.236)	-17.693*** (6.382)	-26.843*** (7.941)	-21.172** (9.088)
<i>No. of observations</i>	81	81	67	67	81	81	67	67
<i>R²</i>	0.44	0.31	0.36	0.18	0.46	0.41	0.29	0.3
<i>Joint significance test</i>	11.29***	4.77***	4.45***	1.91**	10.32	10.87	10.3	5.37
<i>OID Test (p-value)</i>			0.5	0.13			0.08	0.02

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level

Political Instability Unrelated to Polity				Policy Volatility			
	Gini-Dollar Kraay	Gini-Dollar Deininger Squire	Q3		Fiscal policy	Trade policy	Import duty
				<i>political instability unrelated to polity</i>	-0.126	-0.116	0.101
					(0.084)	(0.073)	(0.134)
<i>inequality</i>	-0.010	-0.007	-0.031	<i>openness</i>	-0.382		
	(0.015)	(0.015)	(0.040)		(0.373)		
<i>natural capital share</i>	-0.036***	-0.041***	-0.036***	<i>domestic distortions</i>	0.372		
	(0.011)	(0.010)	(0.010)		(0.467)		
<i>fractionalization</i>	1.097*	1.254**	1.026*	<i>accession</i>		0.006*	0.012**
	(0.565)	(0.569)	(0.571)			(0.003)	(0.006)
<i>British colony</i>	-0.361	-0.560*	-0.427	<i>Presidential system</i>	0.415*	0.333	0.501
	(0.312)	(0.301)	(0.290)		(0.241)	(0.201)	(0.362)
<i>Middle East & North Africa</i>	0.478	0.359	0.403	<i>no. of elections</i>	-0.059	-0.082*	-0.146**
	(0.335)	(0.357)	(0.341)		(0.049)	(0.043)	(0.071)
<i>East Asia</i>	0.422	0.215	0.432	<i>Middle East & North Africa</i>	-0.032	0.324	0.050
	(0.327)	(0.347)	(0.325)		(0.235)	(0.247)	(0.351)
<i>Latin America & Caribbean</i>	0.867***	0.642*	0.678**	<i>East Asia</i>	0.222	0.067	-0.363
	(0.312)	(0.331)	(0.301)		(0.259)	(0.137)	(0.278)
<i>constant</i>	-0.674	-0.543	-0.514	<i>Latin America & Caribbean</i>	0.068	0.163	-0.050
	(0.625)	(0.639)	(0.744)		(0.172)	(0.201)	(0.278)
				<i>constant</i>	-2.620***	-14.501**	-23.156*
					(0.362)	(6.396)	(11.926)
<i>No. of observations</i>	71	64	69	<i>No. of observations</i>	81	81	73
<i>R²</i>	0.22	0.26	0.22	<i>R²</i>	0.28	0.36	0.38
<i>Joint significance test</i>	5.35***	5.47***	5.23***	<i>Joint significance test</i>	3.79***	5.84***	5.93***

Standard errors in parentheses; *** - significant at 1% level, ** - significant at 5% level * - significant at 10% level