Editorial Introduction

Following the success of our first issue in December 2015, this issue consists of the topics on democracy and growth, inequality and population size, and south-south trade considerations.

The nexus between democracy and growth is an important issue in economics and political economy, generating an extensive body of literature discussing definitions of democracy and the nature of its causality. Empirical studies, however, have so far proven inconclusive. The first article of this issue, "Democracy and Growth: Global Causal Evidence for Heterogeneous Political Regimes and Economic and Social Policy", by Tran Van Hoa contributes to the literature through a simultaneous equation model to introduce circular causality between democracy, growth, and income based on conventional democracy-growth causality hypotheses. The paper uses a data set from 2008 for 162 countries. The model employed is a three-simultaneous-equation model of democracy, growth and per capita real income based on conventional hypotheses for open economies to introduce circular causality. The article provides empirical evidence to support the hypotheses linking democracy and growth. The findings confirm bi-directional causality for overall data, and for full and flawed democracies, but is mixed for countries with less democratic institutions. Policy implications suggest the relevance of democratic institutions for promoting growth. However, care should be taken in data selection and drawing conclusions of causality.

Regarding the issues on income inequality, economists have long used Gini Coefficient as a measurement of income inequality. The degree of income inequality and size of population can be expected to have some kind of a relationship. However, there is yet a study that examines an appropriate degree of income inequality as measured by Gini Coefficient for a country given the population size. High degree of income inequality can cause economic, social and political disruptions (i.e. adverse impacts on growth and poverty, concentration of economic and political power, etc.) which in turns favour the rich and prohibit social mobility. On the other hand, low income inequality is detrimental in its own way- equality of income generates no incentive to take lucrative actions, which further lead to poor initiatives and slow technological progress. Other social problems like riots and protests may ensue. The authors, Thitithep Sitthiyot and Kanyarat Holasut, hypothesized that there ought to be an optimal level of income inequality to avoid these adverse effects. They postulate that the degree of social, economic and political diversities for any country is reflected by population heterogeneity in that country. This study uses income inequality and population data of 69 countries in 2012 from the World Bank. The relationship between the level of income inequality (Gini Coefficient) and natural logarithm of population size is found to be non-linear, which can be best described by a second-degree polynomial function. About one-fifth to one-third of countries in the sample have Gini Coefficients close to appropriate values while those of the other two-third to four-fifth are either too high or too low. The finding of this article recommends policy makers to take into account targeted Gini Coefficient prior to any attempt to reduce or raise income inequality. The paper posits that for a given level of population, countries that achieve targeted level of income inequality are more likely to attain higher economic growth, compared with those which are far from their appropriate level of income inequality.

On trade growth amongst developing nations, the share of the trade in goods exported by these nations has grown rapidly over the past two decades, fueled in large part by China's rapid growth. Though many developing countries still face various issues in conducting trade, the share of South-South trade is increasing in times of instability and uncertainty in developed economies. The South-South cooperation represents the collaboration between developing countries across various dimensions including politics, economics, trade, investment and technology. The third article, "South-South Trade Growth Prospects and Policy Implications" by Panit Buranawijarn, focuses mainly on one aspect, trade, and through a review of the data and literature, explores the characteristics, motivations, and effectiveness of South-South trade. The article focuses on the involvement of China and India in South-South Trade due to the large roles that they play in both Asia and the Global South. Though there are theoretical justifications for reducing trade barriers between developing countries, factors such as the wide range of developing countries and the unbundled structure of production and the trade in intermediate goods makes it difficult to determine whether South-South trade is more beneficial compared with trade orientations. On the other hand, there are many reasons why more advanced developing countries such as China may encourage the South-South Cooperation agenda through investment and developmental aid for political and security reasons. Policy-wise, in the face of economic and political uncertainties in the West, and given the long-standing difficulties of the WTO Doha Development Round, developing countries may see advancing South-South trade as providing greater stability. However, making the best use of South-South Cooperation and Trade for development will depend on the circumstances of each individual country.

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