

# Regime Type, Institutional Capacity And Economic Development: A Theory-Driven Comparative Reassessment Using Latin American Evidence (1980 – 2024)

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## Abstract

This study reassesses the relationship between regime type and economic development by analysing how institutional capacity mediates this linkage in six Latin American countries between 1980 and 2024. Although debates often frame democracies as development-enhancing and authoritarian regimes as either efficient or unstable, Latin America's institutional heterogeneity, commodity dependence, and political volatility reveal that regime labels alone cannot account for divergent development trajectories. Using a Structured-Focused Comparison within a qualitative comparative case study design, the research applies standardised analytical questions across cases and draws on triangulated quantitative indicators and qualitative evidence. Structured-Focused Comparison qualitative Comparative Case Study was used. All the cases were examined with the aid of standardised questions on regime type, institutional capacity and development indicators, backed up by triangulated qualitative and quantitative data. Divergent development outcomes cannot be explained by regime type. Strong institutions favour democracies, whereas weak institutional competencies demise both democratic and authoritarian systems. The outcomes of authoritarian and hybrid regimes are mixed, whereas institutional strength always leads to stability and development over time. Institutional capacity rather than regime type is what determines the developmental pathways in Latin America.

**Keywords:** regime type, institutional capacity, economic development, Latin America, comparative case study, governance.

## 1. Introduction

The debate on whether democracies or authoritarian regimes offer superior economic development is yet to be resolved, particularly in regions that are highly institutionalised (Da Silva & Mourão, 2024; Li & Xu, 2023; Murakami & Hamaguchi, 2021; Novoa, 2021). Latin America is quite different due to the similar structural constraints and the most diverse political path (Grinberg, 2023; Lopes et al., 2020). While prevailing perspectives emphasise the developmental benefits of participation, accountability, and transparency versus the authoritarian advantages of policy continuity and rapid decision-making, regional outcomes remain highly inconsistent. Although studies have been done extensively, there are varied results regionally. In this paper, the discussion on Latin America, which is one of the least

institutionally homogeneous places, economically volatile, and politically unstable (Mosquera et al., 2021; Ospina-Mateus et al., 2023; Sepulveda et al., 2021). The common colonial histories, reliance on commodities, disparities and global shock vulnerabilities in the region are juxtaposed against the differences in the political regimes and state capacity of the region, making it a useful location to re-examine the performance of regimes in developing.

In the region, democracies that have strong bureaucracies, including Chile and Uruguay, have been much more stable, and democracies such as Venezuela and Nicaragua have suffered democratic backsliding and institutional erosion. Mexico and Argentina are examples of hybrid or wavering courses due to the disproportionate institutional capacity (Malla & Pathranarakul, 2022). Such a mix of familiar structural settings and divergent policy-institutional performance predisposes Latin America to be the perfect study of the interaction between regime type and institutional capacity to influence development (Li & Xu, 2023; Oleg et al., 2023). The years between 1980 and 2024 can be seen to represent the major transformations in politics and economics, including the third. Largely, the democratic erosion has followed the rise of democratisation and the debt crises, neoliberal reforms, commodity booms, and recent turmoil. Examining over four decades of change permits a subtle insight into the institutional change over the long term and the policy coping mechanisms in short-term crises, which offer a solid foundation to the analysis of the role of institutions and regimes in development.

Nevertheless, despite existing abundant research, the prevailing scholarship usually approaches the regime type-development relationship as linear because one type of government is by definition more likely to yield better economic outcomes. To a large extent, the role of the capacity of state institutions in mediating this relationship is ignored in this work. Regime-based explanations run the risk of being oversimplified because they do not consider the variation in the strength of bureaucracy, the ability to implement policies and the quality of governance across different countries that have undergone similar external conditions.

The study seeks to re-evaluate the relationship between the regime type and economic development by centring its view on the institutional capacity. The study shifts away from two-pole regime comparisons and focuses on how the interplay between political authority, bureaucratic capability, and coherent policymaking defines development paths across five decades of diverse Latin American contexts.

This is because the study disproves the traditional belief that development outcome is a direct result of regime type. It posits instead that institutional capacity, which is the conditioning of how political regimes translate authority into policy effectiveness, takes the form of institutional capacity, which includes, but is not limited to, bureaucratic professionalism, quality of governance, and capabilities of implementation. It provides a more detailed picture of why the trends of development are different in Latin America by comparing six different but structurally related cases.

The novelty of this article lies in the inclusion of the regime type and institutional capacity, as well as long-term economic performance, within a single comparative model. The study focuses on the interplay between political and institutional variables as opposed to considering them independently. Its long-term and multi-country considerations are a thorough and theory-guided re-examination, uncommon in the present literature.

Based on these objectives, the study is informed by the following research questions:

- How do different regime types influence economic development trajectories in selected Latin American countries?
- To what extent do institutional capacity and governance quality mediate the effect of regime type?
- Do classical and contemporary theories explain the observed patterns?

## **2. Literature Review**

### **2.1 Classical Views**

The connection between the type of regime and economic performance is not new in classical political development literature (Malozemov & Tarasov, 2020; Treisman, 2020). Modernisation theory Theorists assume that the prospects of democracy are reinforced by the increasing

income levels, whereby at a certain level of per-capita income, the prospects of democratic consolidation are high, asserting that the higher the level of per-capita income, the better the prospects of democracy. Conversely, the authoritarian efficiency hypothesis argues that authoritarian regimes are able to expedite development by repressing vested interests as well as initiating speedy economic reforms (Gamidullaeva et al., 2020; Garedow, 2021; Li & Xu, 2023). Cases of East Asia are frequently mentioned, but Latin American examples are found to have mixed results: whereas under Pinochet, Chile, the average GDP growth of 7 per cent per year (1985-1990) was fairly normal, other dictatorships like the military junta in Argentina experienced severe economic decline and hyperinflation (Rivera et al., 2023; Zapata-Cantú & Gonzalez, 2021; Zehab, 2022). Those theories of democratic accountability respond by pointing out that representative institutions create a sense of stability, long-term investment, transparency and social expenditure, which diminishes the proceedings of volatility typical of personalist or military governance. In general, classical views present conflicting explanations, although none can best describe the periodic oscillations of Latin America between growth, stagnation and political instability (Delbianco & Dabús, 2023; Ricaurte et al., 2024; Tovar-García, 2023).

## **2.2 Contemporary Political Economy Approaches**

Neo-institutional theorists like Acemoglu, Robinson, and North transform the debate about regimes into the quality of the institutions, which are inclusive and provide property rights as well as participation and extractive institutions where power is concentrated in the hands of elites (McCloskey, 2021; Mirza, 2023). This model is consistent with Latin American trends, where institutions are weak, which tend to be more significant determinants of economic performance than regime form (Argandoña et al., 2022; Cimini et al., 2020; Eaton & Giraudy, 2025). In addition to this, the state capacity literature (Soifer, Slater, Waldner) highlights professionalism in the bureaucracy, fiscal extraction, and policy coherence as one of the key requirements of sustained development (Baklouti & Boujelbene, 2021; Kozak, 2020). Empirical research indicates that the more bureaucracies have the capacity to exercise it, the lower corruption levels and the more stable growth paths that they have had historically, with the government effectiveness index of Chile always being above + 1.0 on the World Bank scale. Recent research on competitive authoritarianism and hybrid regimes also shows that formally democratic institutions are compatible with a lack of accountability and concentrated executive power, which creates developmental instability (Mostofa & Subedi, 2021).

## **2.3 Latin America in Theoretical Perspectives**

The political history of Latin America is marked by the repetition of cycles of democracy, dictatorship and hybrid regimes, which are determined by coup, populist movements and changing party formations (Hatab, 2023; Lozano & Garzón, 2020; Rivera et al., 2023). Hidden limits like commodity dependence (as shown by the ratio of the export concentration of 55% in most economies of the region) are devastating to policy independence in external shocks (Mansurov, 2023; Shapoval, 2022). Inequality is high, and the average of regional Gini coefficients is 0.46, which further limits the ability of states and political legitimacy. The conditions make it difficult to use universalist regime theories, which presuppose stable institutions, diversified economies, and predictable transitions. The Latin American cases are often not linear in development and can be instrumental in refuting the world views of regime type and economic performance (Lozano & Garzón, 2020; Shen et al., 2023; Zapata-Cantú & Gonzalez, 2021).

## **2.4 Identified Gaps**

The literature indicates a number of gaps. Comparative work has not adequately focused on democratic, authoritarian, and hybrid cases through theory-based comparative work when the same investigation is conducted using a single analytical framework. Institutional capacity as a moderating variable has received little attention in moderating the relationship between the regime type and development outcomes. The regionally based reconsiderations of world

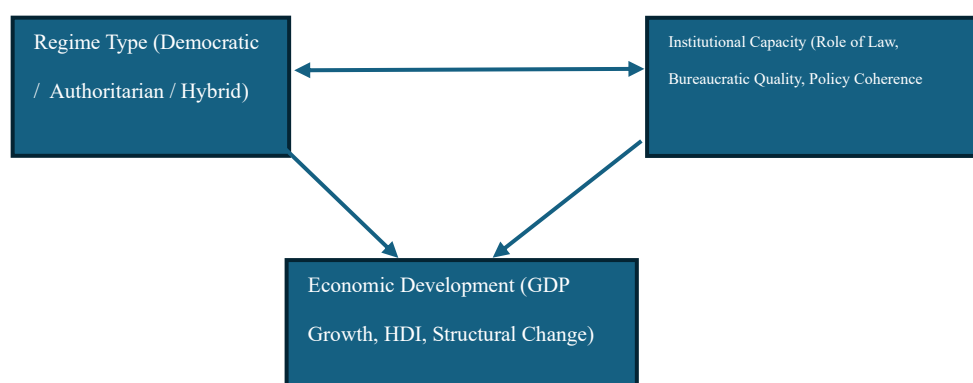
theories are also needed because the historical flux and institutional heterogeneity of Latin America have made it difficult to draw generalisations based on other parts of the world.

### 3. Conceptual Framework

#### 3.1 Key Concepts and Operationalisation

The study is constructed based on three basic concepts that need to be operationalised accurately in order to lend to theory-based comparative analysis. Regime type is determined according to internationally established standards based on V-Dem Liberal Democracy Index, Polity5 regime scores, and Freedom House civil liberties and political rights ratings as a democratic, authoritarian, or hybrid regime (Knutson, 2021). This multi-dimensional situation considers formal institutional set-ups along with the de facto political practices. The measurement of economic development is done using various indicators to measure quantitative as well as qualitative improvement (Li & Xu, 2023). These are the GDP growth, Human Development Index (HDI) scores and the structural transformation measures, including the export diversification, the replacement of primary sectors with manufacturing and services. One of the focal moderating variables is the institutional capacity, which is measured with the use of the rule-of-law metrics, bureaucratic quality, policy coherence, and the effectiveness of the state in general. Although the statistical information is applicable in subsequent empirical chapters, in the conceptual framework, measurement logic pays attention to numerical values.

**Figure 1: Conceptual Framework**



#### 3.2 Hypotheses

- H1: Democracies lead to a more stable long-term development since the electoral accountability, deliberative processes, and institutionalised policymaking processes minimise policy volatility.
- H2: The authoritarian regimes can create a temporary economic growth due to the centralisation of decisions made, but the regimes find it hard to maintain the growth where the institutions are weak.
- H3: The role played by regime type has a moderating role through institutional capacity, whereby high-capacity states, irrespective of regime labelling, are always ahead of low-capacity states, and the focus is less on regime type and more on the quality inherent in governance.

#### 3.3 Analytical Model

The concept of an analytical model transforms regime type to be an indirect determinant of economic development in terms of institutional capacity and policy stability. Regime characteristics are causally related to the strength of bureaucracy, performance in the rule of law, and policy coherence, which are also associated with long-term developmental outcomes. This paradigm emphasises intermediation, as opposed to mere correlation.

#### 3.4 Case Selection Logic

The research of Most Different Systems Design is conducted in a common Latin American setting, with extensive political variance, but a regional comparison. The sample of the six

countries includes countries with regime diversity, institutional capacity disparities, the presence of long-term longitudinal data, and their significance to key debates in comparative politics and development theory.

## **4. Methodology**

### **4.1 Research Design**

The research is based on a Comparative Case Study design due to the Structured-Focused Comparison approach that was established by George and Bennett. This approach is quite appropriate to theory-based inquiry as it subjects each case to a set of standardised analytic questions; however, it can be interpreted in a rich context. It is also structured in the sense that all the cases are analysed by the same theoretical prism, regime type, institutional capacity, and development outcomes, and focused on the sense that only the most relevant variables and historical sequences are examined. The design improves the validity of cross-case comparisons and allows the identification of causal pathways, which is suitable in reassessing classical and modern theories in a variety of Latin American experiences between 1980 and 2024.

### **4.2 Data Sources**

The research relies on both quantitative and qualitative data in order to have rigorous triangulation. The regime measures are informed by V-Dem Liberal Democracy Index, Polity5 regime scores and Freedom House ratings, which offer a complementary judgment on both de jure rules and de facto political practices. The data gathered on economic development comes from the UNDP Human Development Index (HDI), the World Development Indicators (WDI), and the Economic Commission for Latin America and the Caribbean (ECLAC), which provides valid indicators of growth, human welfare, and structural change. In complement to quantitative trends, academic scholarship, policy reports and reports specific to a country all provide qualitative evidence that can be included in the analysis to explain the dynamics of governance, institutional reform, crisis, and political transition, which may not be fully explained by numerical data.

### **4.3 Case Study Questions (Applied to Every Case)**

The same structured questions are used for the countries in order to come up with similar insights. The first part of the analysis refers to the prevailing type of regime in 1980/2024, with significant changes or mixed-system arrangements. These development path, with the shifts in economic growth, shifts in HDI, and structural changes between the primary sectors and manufacturing or services. The study determines the impact of institutional capacity and governance features, including rule of law, quality of bureaucracy and stability of policy, on developmental performance. Lastly, cases are analysed to identify support or disprove hypotheses H1, H2 or H3, and hence connect empirical evidence to the conceptual framework.

### **4.4 Validity and Comparative Logic**

The triangulation validity is added based on the quantitative indicators and qualitative accounts to create a multidimensional insight into every case. Key cause mechanisms are identified using process tracing, especially at critical points of time like democratic transitions, economic shocks, constitutional change or commodity shocks. The research has also taken into consideration the structural constraints such as commodity dependence, external financial pressure and market volatility worldwide so that regime effects are not exaggerated and the comparative logic is theoretically sound and robustly empirical.

## **5. Within-Case Analyses**

### **5.1 Chile (Democratic / High Institutional Capacity)**

Chile is one of the most coherent economic policymakers and has a strong institutional capacity, which is a stable democracy in Latin America after its shift to democracy in 1990. Audited rule of law performance, independent bureaucracy and insulated technocratic agencies contributed to maintaining steady growth, poverty alleviation, and structural diversification. The improvement in HDI in Chile was a consistent increase that had been witnessed since the

beginning of the 1990s, and the macroeconomic system in Chile was resilient towards external shocks. These trends are very strong in favour of H1, that democratic accountability enabled long-term stability, and H3, that high institutional capacity increased developmental outcomes.

### **5.2 Argentina (Democratic / Institutional Volatility)**

In spite of the fact that Argentina has continued in terms of democracy since 1983, its institutional setting has been characterised by macroeconomic instability, unpredictable fiscal policy and unpredictable regulatory frameworks. The repetitive changes of the inflation, crises of debt and changes in the policy suggest institutional weakness but not regime-type failure. As much as democratisation provided accountability, bureaucratic instability and politicisation of the economic management nullified the gains. Therefore, Argentina supports H1 but strengthens H3 to show that even in a democratic regime, weak institutions are a hindrance to development.

### **5.3 Mexico (Electoral Democracy / Hybrid Tendencies)**

Mexico's transition from a dominant-party system to a more competitive electoral democracy occurred gradually, producing moderate but uneven improvements in governance. State capacity, the shift of Mexico to a more competitive electoral democracy started with the dominance of the party system and was a long process with moderate yet uneven results in governance. The state capacity is not the same throughout, and there are great federal institutions, but weaker subnational enforcement. The results of development have been insignificant, with average GDP growth and rising HDI. These patterns confirm H1, as the democratisation contributed to the accountability, and H3, as the institutional capacity remains a factor in explaining the disparities in development at the subnational level.

### **5.4 Cuba (Authoritarian / State-Led Development)**

Despite the lack of economic dynamism and market liberalisation, Cuba has high social indicators in terms of health and education. The dictatorial state upholds a high level of bureaucratic centralisation and low productivity and innovation incentives. These characteristics defy naive authoritarian efficiency models: although the state is efficient in supplying the population with the benefits, the stagnation in the economy constrains development on a general basis. H2 is more debatable, and H3 is partly supported as it is institutional rigidity limiting development even in the strong administrative apparatus.

### **5.5 Venezuela (Authoritarian Shift / Institutional Decline)**

Venezuela belongs to the transformation of electoral democracy to authoritarianism with institutional degradation, hyperinflation, and economic crash. The dependent relation on resources, as well as the concentration of power by the executive, undermined the checks and balances to such an extent that the living standards and the state capacity dropped considerably. This instance clearly supports H2, which shows how tenuous authoritarian-led development is, and H3, which shows how institutional failure was the main determinant of the developmental failure.

### **5.6 Nicaragua (Competitive Authoritarianism / Weak Institutions)**

Competitive authoritarianism has been consolidated in Nicaragua since the end of the 2000s, through diminished checks and balances, less political competition and less bureaucratic independence. Indicators of development are stagnant, and structural change is very low. This example fits the H2, which demonstrates the restrictions of authoritarianism without the power of institutions, and H3, which again proves the capacity of institutions as a decisive factor.

**Table 1: Comparative Summary Table**

Country	Regime Type	Institutional Capacity	Development Outcome	Hypothesis Alignment
Chile	Democracy	High	Stable, sustained growth & HDI gains	H1, H3

<b>Argentina</b>	Democracy	Volatile	Cyclical growth, recurrent crises	Mixed H1, strong H3
<b>Mexico</b>	Electoral Democracy / Hybrid	Moderate	Moderate growth, uneven improvements	Partial H1, H3
<b>Cuba</b>	Authoritarian	Strong (administrative)	High social welfare, low economic growth	Mixed H2, partial H3
<b>Venezuela</b>	Authoritarian Shift	Low	Severe decline, institutional breakdown	Strong H2, H3
<b>Nicaragua</b>	Competitive Authoritarian	Weak	Stagnant development	H2, H3

## 6. Cross-Case Comparative Analysis

### 6.1 Regime Type and Development

An analysis of the six cases of Latin America shows that democracies tend to have more consistent long-term developmental trends, but it does not show a homogenous relationship. Chile is an example of the best accordance with classical democratic development theories: responsible institutions, predictable policymaking, and plausible checks to executive power promoted the stable growth and advancements in human development. Under electoral democracy, Mexico is also registering moderate improvements, but the capacity improvement and the continued hybrid nature tend to restrict the amount of development benefits achieved. Although Argentina, during this entire period, is a democracy, it is plagued by a lot of economic volatility, indicating that democracy is not a lead to stability in the absence of institutional capacity. The outcomes of authoritarian regimes are very diverse. Despite its authoritarian form of organisation, Cuba has good social indicators, and Venezuela and Nicaragua are characterised by a dramatic economic shrinkage, institutional weakening and stagnation in development. These tendencies support the claim that the type of regime is a valuable yet inadequate predictor of development, which needs further consideration of governance and institutional processes.

**Table 2: Hypothesis Alignment by Country**

Country	Supports H1 (Democracy → Stability)	Supports H2 (Authoritarian Short-Term Growth Limits)	Supports H3 (Institutional Capacity as Moderator)
Chile	Strong	—	Strong
Argentina	Mixed	—	Strong
Mexico	Partial	—	Strong
Cuba	—	Mixed	Partial
Venezuela	—	Strong	Strong
Nicaragua	—	Strong	Strong

### 6.2 Institutional Capacity as a Key Determinant

The crossover evidence is solidly in favour of institutional capacity as the key factor in the developmental outcomes. A contrast between Chile and Argentina shows that although states may share similar types of regimes, they can diverge incredibly from each other because of the differences in administrative capabilities, economic policy coherence, and performance in the rule of law. The strong bureaucracy and credible institutions of Chile facilitated the steady growth, and the weak fiscal institutions and non-policy instability of Argentina led to frequent crises. Unequal institutional capacity among the federal and subnational levels is one of the main explanations for the moderate development of Mexico as one of the hybrid or transitioning states. A comparable dynamic seems to be in Cuba and Venezuela: both dictatorial, but Cuba still has fairly well-organised administrative agencies, particularly in health and education, and

Venezuela has had its institutional breakdown under concentrated executive authority, resulting in one of the severe economic terminations in the region. These comparisons confirm that H3 (institutional capacity as a moderator) can provide a stronger explanation of divergent outcomes in comparison with regime labels.

**Table 3: Comparative Institutional Capacity and Outcomes**

Country	Regime Type	Institutional Capacity	Development Outcome
Chile	Democratic	High	Stable growth, high HDI, strong diversification
Argentina	Democratic	Low–Moderate	Volatile growth, recurrent crises
Mexico	Hybrid/Electoral Democracy	Moderate	Gradual, uneven development
Cuba	Authoritarian	High (bureaucratic)	Strong welfare, low economic dynamism
Venezuela	Authoritarian Shift	Very Low	Economic collapse, hyperinflation, institutional erosion
Nicaragua	Competitive Authoritarian	Low	Stagnant growth, limited structural change

### 6.3 Historical and Structural Legacies

There is also a significant impact of historical legacies on political and economic pathways. Colonial institutions developed extractive forms of governance that continue to change in different forms in Latin America, affecting the ability of states to raise income, uphold the rule of law and resolve political conflict. The covered nations like Chile and Mexico, which have had long authoritarian histories, have experienced successful transitions, but still exhibit institutional residues of centralisation and elite power. Dependence on commodities also continues to be a structural constraint throughout the region: overdependence on oil exports led to a state of complete vulnerability in Venezuela during price crises, and in Argentina due to dependence on agricultural goods, boom and crises. The structural isolation of Cuba from the world markets and the lack of diversification in Nicaragua do not give development options as well. These structural and historical aspects are compounded with regime specifics as well as institutional quality, resulting in combined outcomes on the developmental growth patterns in the long term.

### 6.4 Causal Mechanisms Identified

In the six cases, it can be seen that a number of causal mechanisms are recurring. Stability in policies: those countries that have a predictable policy environment, like Chile, can attract investment and overcome external shocks better. The quality of bureaucracy is just as crucial, to the extent that successful state agencies can improve delivery and continuity even after elections or the shift of leadership. This is facilitated by governance coherence, which involves coordination between ministries as well as subnational governments in facilitating sustained development, particularly when a federal system is large, such as Mexico. Resilience of the states to cope with the crisis is the feature which separates successful and unsuccessful cases. Venezuela and Nicaragua show that institutional weakening causes resilience failures, and Chile shows that accrued institutional power can sustain governments during economic crises. These processes explain why institutional capacity a mediator of the interaction between regime type and development and why simplistic regime-based approaches is can no longer be used to evaluate the Latin American processes.

## 7. Discussion

The results of this comparative study indicate that regime type is a very but not a reliable or sufficient predictor of the outcome of economic developments in Latin America (Jarrín-V et al.,

2021; Murakami & Hamaguchi, 2021; Novoa, 2021; Ocampo, 2020). There are diverse paths of democracies, regimes with hybrid features, and authoritarian regimes themselves, and there are great differences even within countries which have the same formal system title (Carrillo-Maldonado, 2023; Panaro & Vaccaro, 2022). The Chile and Argentina cases are a sharp contrast to each other: decades of democracy in both countries, but the development trajectories are dissimilar based on the institutional capacity and consistency of the policy. These totalitarian regimes like Cuba and Venezuela demonstrate that centralised power can yield effective high social welfare results in one society and disastrously poor economic performance in another (Carrillo-Maldonado, 2023; Peñalver, 2023). These trends point to the fact that regime type cannot be sufficient to explain long-term developmental performance, but it interacts with more fundamental institutional mechanisms that determine what a state does, continues to do in its policies, and remains resilient. This makes it necessary to redefine regime theories that have held the traditional assumption that there is a direct relationship between regime form and economic outcomes (Blofield et al., 2021; Delbianco & Dabús, 2023).

The institutional capacity is always found to be the strongest force in the six cases. Regardless of whether it is democratic or authoritarian, countries with high-quality bureaucracies, effective rule-of-law frameworks, and high levels of policy stability have more sustainable development (Malla & Pathranarakul, 2022; Oleg et al., 2023). The example of Chile best demonstrates it, given that the country's excellent institutional framework allowed making policies predictably, managing crises, and keeping development indicators at a high level (Felzensztein et al., 2021; Valenzuela-Levi, 2020). Argentina demonstrates that democratic institutions that lack associated bureaucratic capacity and fiscal restraint result in cyclic crises and stagnation in the development process (Knudsen, 2023; Malla & Pathranarakul, 2022). The case of the dramatic collapse of Venezuela highlights that the importance of institutional erosion: as the administrative capacity and limits on executive power became weakened, the Venezuelan economy and society began to collapse rapidly, despite having very rich natural resources (Jraissati & Jakee, 2022; Polga-Hecimovich, 2021). Institutional capacity, both predicting long-term growth paths and the capacity of states to respond to external shocks, reform and uphold policy coherence, is observed across the region (Callegari & Feder, 2022; Imam & Jalles, 2025). The main hypothesis that the quality of institutions mediates the role of the type of the regime in development, which is the main factor of the divergence outcome in Latin America (Da Silva & Mourão, 2024; Garcés-Velástegui, 2022; Rivera et al., 2023).

The Latin American examples can be of special value to the wider global discussion of the issue of hybrid regimes and developmental authoritarianism (Sarsfield et al., 2024; Sepulveda et al., 2021; Tovar-García, 2023). Hybrid regimes, i.e., formal democracies that are mixed with authoritarian policies, have increased in the modern world of political economy, and new concerns have emerged regarding the prospects of development of partial democratisation (Ficek, 2023; Morlino, 2021). The example of Mexico and Nicaragua is such. The example of Mexico shows that the hybrid forms could be used to facilitate moderate development in cases where institutional capacity is not completely uniform (Cid & Lerner, 2023). In the meantime, Nicaragua demonstrates the failure of hybrid regimes characterised by weak bureaucracies and strong executive power to bring significant structural change (Buben et al., 2024; Vernet, 2022). The results are consistent with the trends in the global society that have been observed in other nations like Turkey, Hungary and Malaysia, where hybridisation leads to mixed economic results that are highly dependent on the inherent strength of state institutions (van As, 2025). The discourse of developmental authoritarianism, which has long existed, through the prism of East Asian experiences, presupposes that centralised power can bring about rapid and sustainable economic growth. Latin America, however, makes this story complicated (González & Gutiérrez, 2020; Lozano & Garzón, 2020; Ruano et al., 2021). Cuba illustrates that even authoritarian governments are capable of doing well in the provision of social welfare, whilst at the same time stagnating economically, but Venezuela illustrates how authoritarian consolidation in the absence of institutional protection can cause severe development crises. These comparative lessons put a warning on the need to generalise models of developmental authoritarianism and emphasise the role of institutional capacity and the quality of governance in the outcome.

The findings of this analysis also narrow down and provoke a number of theoretical frames. Traditionally, the modernisation theory holds that economic progress brings democracy and that an increase in income leads to the establishment of political stability. The Latin American experience, however, defies this progressive development (Grinberg, 2023; Pata et al., 2023; Peres & Ravnjak, 2023). The examples of such countries as Argentina show that the comparatively high-income level does not always result in stable institutional development and the predictability of economic governance. Uruguay and Chile demonstrate that democratic consolidation and development are supported by institutional power, not only by income (Chouhy, 2022; Villegas Plá & Peña, 2025). The results, therefore, become problematic to the modernisation theory that assumes that the natural course of economic development culminates in democratic stability and illustrates that institutional channels have a more decisive role than structural economic changes (Jarrín-V et al., 2021; Li & Xu, 2023; Tashtamirov, 2023).

In this study, neo-institutionalism is better empirically validated. The discussion of the idea of inclusive and extractive institutions by Acemoglu, Robinson, and North is very similar to the trends observed in Latin America (Gómez-Méndez & Hansen, 2021; Murakami & Hamaguchi, 2021). Historically, countries with good and broad-based institutions, like Chile and Uruguay, were able to experience more stable growth and those with extractive and weaker institutions, like Venezuela, were able to collapse despite varying regime types (Korman, 2022; Rosales & Jiménez, 2021). Nevertheless, this work perfects neo-institutionalism too, proving that even the quality of the institutions is conditioned by the historical heritage, political movements and structural limitations, showing that the institutions cannot be completely exogenous and stagnant. Rather, they develop based on the interaction of political actors, regime incentives and external pressures, which introduces complexity to the theoretical framework.

The authoritarian efficiency hypothesis is not very supported. Although this implies that long-term development plans can be successfully adopted by authoritarian regimes because no immediate political consequences are experienced, the Latin American examples indicate that these results are contingent (Lopes et al., 2020; Pata et al., 2023; Sepulveda et al., 2021). Cuba is an example of administrative efficiency, but not very broad economic dynamism; Venezuela is an example of how the executive powers can ruin the institutional capacity and growth opportunities; and Nicaragua exemplifies stagnation of competitive authoritarian systems that lack bureaucratic unity. Authoritarian efficiency, therefore, seems to be only possible when strong, coherent institutions exist in a state that is much less prevalent than the theory supposes. The results put across the importance of the shift in the approach to the classification of regimes in favour of an approach that is more comprehensive, based on the idea of institutional capacity, the quality of governance and the history. Due to these differences in the political development of Latin America and common structural limitations, it is a critical area where long-standing assumptions can be reevaluated within the comparative political economy and regime theory (Loseva & Osipov, 2023; Rivera et al., 2023; Sepulveda et al., 2021).

## 8. Conclusion

The research aimed to review the correlation between regime type and economic development in Latin America between 1980 and 2024, and the results are clear that political regime cannot explain the divergent paths of economic development of the region. Although democracies tend to be more stable and, in the long run, achieve better results, this is observed only in cases where the democratic institutions are empowered by strong bureaucratic capacities, coherent policymaking and credible governance frameworks. Authoritarian and hybrid regimes do not always permeate or encourage development; on the contrary, most of their performance is largely dependent on whether the institutions that hold them together are strong or weak. The examples of Chile and Uruguay show the development of democracies that attain long-term development due to high institutional capacity, whereas Argentina serves as an example that democratic governance without the stability of institutions results in instability. Equally, the examples of Cuba, Venezuela, and Nicaragua demonstrate that dictatorships or semi-democracies can be effective, stagnant, or fail based on how strong or weak their bureaucracies, budgeting, and regulation systems. Among the general findings, therefore, is that regime type does count, but only in conjunction with institutional quality.

The key contribution of the study is the creation of a moderated model of explanation that puts the core of the nexus of regime development on the capacity of the institution. The model does not consider regime type as a causal variable but views it as a contextual variable whose developmental effect is mediated by the factors of bureaucratic professionalism, strength of rule of law, and policy stability, as well as state effectiveness. This combined strategy offers a more precise template of why similarly categorised regimes can yield different results and why the quality of institutions, other than regime typologies, emerges as the most reliable predictor of long-term development in Latin America. It also clarifies the current theoretical controversies by showing that none of the three theories, modernisation theory, authoritarian efficiency, and neo-institutionalism, is sufficient to explain the variation in the real world, and a more synthetic approach is required to explain it.

The implications of the findings on policy and governance are obvious. Promoting sustainable development in Latin America (as in analogous situations in other parts of the world) should be more about reinforcing institutions to promote transparency, enforce rules, provide economic policy coherence and bureaucratic independence. State capacity, regardless of whether this is increased in an incremental way, would have greater benefits of development as compared to regime change itself.

The moderated model needs to be expanded in future studies in a number of ways. Subnational comparisons would help us clarify the way that institutional capacity differs across countries and influences local development. The quantitative extensions would be used to test the model in other regions outside Latin America, whereas longitudinal research of regime changes would help to better understand how institutional resilience is created or weakened in times of crisis.

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