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DEMOCRACY, POLITICAL STABILITY, AND DEVELOPING COUNTRY GROWTH: THEORY AND EVIDENCE

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This research project examines the hypothesis that democracy and political stability have significant effects on the economic growth in developing countries vis-à-vis developed countries. Previous empirical studies find rather ambiguous results when testing for the relationship between democracy and growth. This paper extends these past studies by focusing on the effects of democracy and political stability in developing countries. It also attempts to differentiate the effects of political stability and democracy on economic growth. The results of this paper suggest that democracy does not have a significant impact on economic growth. Instead, the results suggest that political stability regardless of regime type has the greatest effects on a country's economic growth.