

Does Conflict Disrupt Growth? Evidence of the Relationship between Political Instability and National Economic Performance

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Abstract

Current empirical growth models limit the determinants of country growth to geographic, economic, and institutional variables, but neglect political variables that underlie economic activity. This study draws on conflict variables from the COW project to ask a critical question: How do different types of conflict affect country growth rates? It finds that wars slow the economy, while low-intensity conflict is associated with higher growth. Estimates of intrastate conflict severity indicate that an additional thousand of deaths from civil war reduce annual growth by .21 percentage points, and an additional thousand of deaths from high-intensity interstate conflict reduce annual growth by .48 percentage points. On the other hand, countries involved in low-intensity interstate conflict experience annual growth rates that are .16 percentage points higher. The detrimental effect of conflict on growth is intensified when examining non-democracies, low income countries, and countries in Africa.