

MIXED COUNTRIES METHOD: A NOTE ON CORRUPTION, DEMOCRACY, AND ECONOMIC DEVELOPMENT

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ABSTRACT

The purpose of this study is to investigate the impact of corruption and democracy on economic development in economies with different democracies. Ordinary least squares (OLS) method is performed using unbalanced panel data for 146 countries over the period 1984 till 2009. Using mixed countries method, this study contributes to the literature by examining the relationship between corruption and democracy with the economic development in terms of the degree (the intensity) of democratic accountability and corruption one at a time. The results show that corruption has a negative impact on economic growth in democratic countries, and it weakens the economies where governmental institutions are effective and moreover it has no significant effect on less democratic countries and on economies where governmental institutions are not effective.

Keywords: *Democracy, Corruption, Economic growth, mixed countries risk.*