

ABSTRACTS

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DEMOCRATIZATION AND ECONOMIC GROWTH: THEORETICAL ASPECT

The article highlights the issues of the influence of political factors, in particular, democracy, on economic growth. The impact of political system on economic growth has been the *subject* of heated scientific *debate* over the decades. Countless *studies show that* economic growth largely depends on the economic policy pursued by the government. Among main political determinants of economic growth are amount of public spending, stability of the political regime, level of democracy, level of economic freedom, effectiveness of the protection of private property rights.

The author has investigated evolution of views on democracy and economic growth nexus. Despite the fact that the relationship between economic growth and democracy has been ardently discussed since the mid-20th century, the debates on this issue are still ongoing and the question of whether democracy helps or hinders economic growth remains open. A number of studies have shown that democratization contributes to economic growth under low levels of political will, but hinders economic development as soon as a country has reached a moderate level of political freedom.

The theoretical literature review has helped critically examine existing hypotheses of the existence of a reciprocal relationship between democratization and the level of economic growth. The first hypothesis denies the existence of any link between democracy and economic growth. According to the second hypothesis, there is a reciprocal relationship between democracy and economic growth. The third hypothesis suggests the existence of mediated impact of economic development on democracy (i.e. economic development leads to democracy, but democracy hinders economic development). Researchers who stick to the fourth hypothesis assume the existence of a positive nonlinear impact of democracy on economic growth: in countries with low levels of economic development democracy does not affect economic growth, but at a stage of moderate growth it can contribute to the economic development until the country has reached a certain level of political freedom.