

Abstract

The Role of Political Stability in Achieving Economic Development

Achieving economic development and increasing economic growth are among the priorities of policymakers in Egypt. The 25th of January 2011 was coincided with sharp decline in economic performance indicators. This resulted in highlighting the importance of studying the determinants of political and economic instability. In this context, the study aims to verify the hypothesis that the political instability and the decline of some institutional factor adversely affect economic growth and development (through estimating the potential effect by applying economic models on a large data set, after monitoring for the chronological order of political and economic events in Egypt during the three years following the revolution). The analysis in this study concluded that the cabinet reshuffle and the two composite indicators of political have a significant negative impact on economic growth and therefore on economic development. Changing the prime minister and/or occupying 50% of cabinet posts by new ministers within a year leads to a decline in the growth rate of GDP per capita by almost 1.39 percentage points. The study ends by suggesting the most importing mechanisms to support the political and economic stability that are strengthening the public trust in the government. Paying attention to the social dimensions if the economic decisions, adopting the concept of inclusive growth and promoting corporate governance due to its positive impact on economic development. Keywords: Egypt, Political stability, economic development.