

Volume 30, Issue 1**Research Announcement****Institutions and development in developing countries: an empirical assessment**

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Abstract

This paper examines the effect of institutions on economic performance in developing countries. Based on data from the World Bank and the Global Competitiveness Report 2008-2009, we use a sample of ninety-seven developing economies and find that institutions do affect economic development in these countries, unlike the results of previous studies by Mc Arthur and Sachs (2001) and Sachs (2003). We observe that the coefficient estimate of half of the independent variables used as proxies for the role of institutions does not have the anticipated sign due to the severe degree of multicollinearity among statistically significant explanatory variables. Regression results are more robust when interaction terms are included in the statistical model. Statistical results of such empirical examination will assist governments in those countries identify institutional areas that need to be improved upon in order to stimulate economic development

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