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<p>Tiivistelmä-Referat-Abstract</p> <p>The aim of this study is to find causes that have led to economic growth decline in SSA, and differences in growth rates across countries in SSA and overtime. At independence (early 60s) SSA was characterised by young political institutions that turned out to be of authoritarian rule, an acute shortage of skilled labour, a predominance of peasantry, widespread poverty and resurgent ethnic rivalries. These kinds of background on several occasions led to conflicts and has not been conducive for economic growth. The economic as well as the political crisis carried on into the early 90s. Most countries pressed for multiparty system in early 90s and by mid 90s SSA saw the birth of democracy. Stability was restored and over 70 per cent of SSA experienced positive growth rates.</p> <p>It is hypothesised that democracy (freedom) is the bedrock behind economic growth in SSA. This is empirically tested on 34 countries of SSA, between 1965-2000, with the use of panel data method. Freedom index is measured in ascending order from 1 to 7. In the ordinary least squares estimations, I have found that one-unit increase in freedom index, increases growth rate by a third (.33) of a percentage points. A country that moves 3 levels of freedom from lower to higher levels, increases growth rate by 1 %. The freedom variable has been found to be statistically significant and of practical importance in most cases. There are numerous channels through which freedom variable affects economic growth, under the present study the most important are- the budget balance, government consumption, public expenditure, public investment, for these variables are under the direct dominion of government and are subject to scrutiny, transparency and accountability. The efficiency and effectiveness of these variables are an incentive to domestic investment, better terms of trade, and low illiteracy rates, in their respective roles. All the above variables have turned out to be of both statistical significance and of practical importance. The point that this study highlights is that for any of these variables to become effective in their respective roles, they need to be under an enabling environment of democratic institutions.</p> <p>Democracy (freedom index) is a key determinant of growth in as far as it is associated with improved governance. In cases where this association is absent, freedom index loses its key importance to growth. However, any conclusions should be based on both empirical findings as well as on theory. Freedom of political rights and civil liberties is the engine behind government effectiveness, regulatory quality, political stability, law and order and low corruption.</p>			
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