

ABSTRACT

How important is economic freedom and political stability in sustaining economic growth?

To answer the above questions, this paper conducts a series of statistical tests to answer these questions. This study aims to analyze the influence of the variables economic freedom and political stability and the channels of these two variables, namely Total Factor Productivity, Labor and Foreign Direct Investment (FDI) on economic growth in eight ASEAN countries (Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand and Singapore).

This study uses panel data covering eight ASEAN countries with the 2008-2019 observation period. Using the Ordinary Least Square (OLS) method, the selected model is the fixed effect model (FEM). The results of this study indicate that the Economic Freedom variable has a positive and significant influence on economic growth. The Political Stability variable has a positive and significant influence on economic growth. The Total Factor Productivity (TFP) variable has a negative and significant influence on economic growth. Labor variable has a positive and significant influence on economic growth. The Foreign Direct Investment variable has a positive and significant influence on economic growth.

Our findings add to the empirical literature on the importance of economic freedom and political stability in sustaining economic growth in a country.

Keywords: Economic Freedom, Political Stability, Economic Growth