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Curse of Democracy: Evidence from 2020

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Abstract

Countries with more democratic political regimes experience bigger GDP loss and more deaths from Covid-19 in 2020. Using five different instrumental variable strategies, we find that democracy is a major cause of the wealth and health losses. This impact is global and is not driven by China and the US alone. A key channel for democracy's negative impact is weaker and narrower containment policies at the beginning of the outbreak, *not* the speed of introducing policies.

Keywords: Democracy, Economic Growth, Public Health, Pandemic, Instrumental Variables

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