

## **Abstract**

Several authors report regressions where inflation slows economic growth. These results have been criticized because of their sensitivity to the sample analyzed and because there does not appear to be a strong theoretical reason for believing that inflation significantly lowers growth. Indeed, researchers have suggested that inflation proxies for inflation uncertainty or poor economic policy. More specifically, empirical and theoretical work suggests that political stability may create both high growth and low inflation. In this paper, we investigate the possibility that political stability may be behind the inflation-growth nexus. We also employ a better measure of inflation uncertainty that is derived from surveys of forecasters. We find that political stability can explain the negative relationship between inflation and growth in our sample. Further, our new measure of inflation uncertainty is unable to overcome the multicollinearity problems with inflation and is also outperformed by political stability