

PSCI 4012

Global Development

Political Institutions and Development

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Today's Plan

- What are political institutions?
- Political institutions and economic growth
- Critiques of the institutionalist approach
- Group discussion

Political Institutions

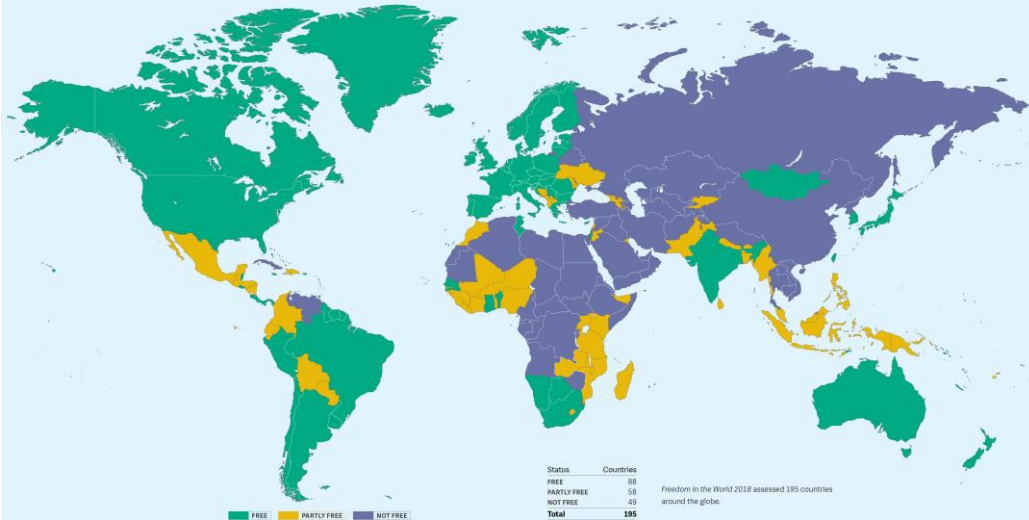
- Political institutions: rules and procedures that determine the distribution of political power within a society, and that condition the political interaction between members of the society
- Dimensions of political institutions:
 - political regime
 - party systems
 - electoral systems
 - decentralization
 - ...

Political Institutions

- Regime types:
 - Democracy
 - > Presidential Democracy
 - > Parliamentary Democracy
 - Autocracy
 - > Dominant party regime
 - > Personalist regime
 - > Military regime
 - > Monarchy
 - > Theocracy
 - > Totalitarian communism

Political Institutions

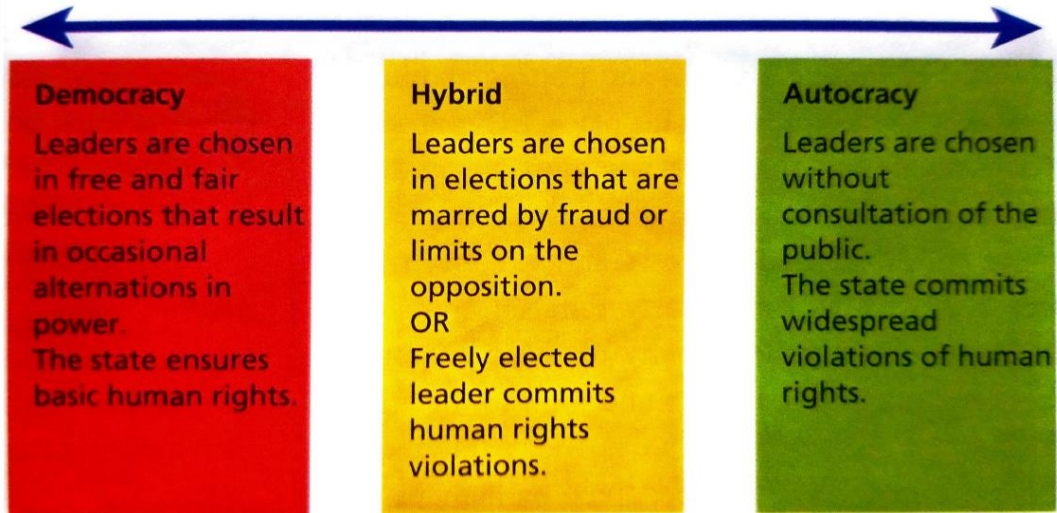
FREEDOM IN THE WORLD 2018



Political Institutions

Figure 10.1

Political Regime Continuum



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- Three views on the democracy and development relationship:
 - democracy causes economic growth
 - democracy hinders economic growth
 - economic development causes democracy

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Democracy causes growth, because :

- Democracies have lower corruption, lower rent-seeking behavior, and stronger property rights
- Democracies have freely operating media that helps holding the political leaders accountable
- Non-democracies are more prone to economic disaster
- Famines almost never occurs in democracies

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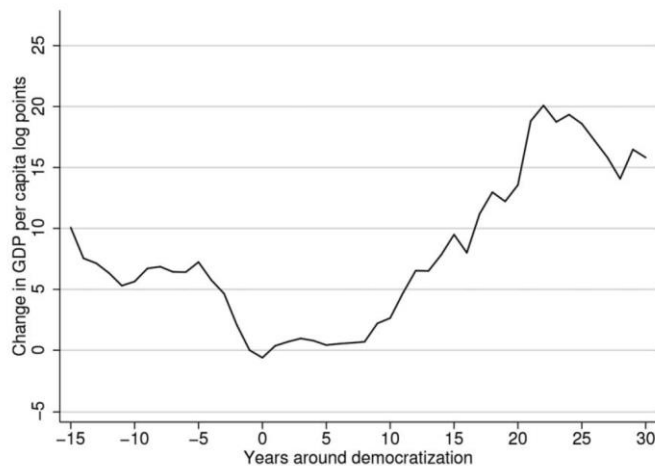


FIG. 1.—GDP per capita before and after a democratization. This figure plots GDP per capita in log points around a democratic transition relative to countries remaining non-democratic in the same year. We normalize log GDP per capita to 0 in the year preceding the democratization. Time (in years) relative to the year of democratization runs on the horizontal axis.

Source: Acemoglu et al (2019)

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Democracy hinders growth, because :

- the poor prefer current consumption over future consumption, and democracies translate the poor's preferences into economic policy
- democracies allow the self-interested, narrow groups that want to acquire rents to organize and lobby the government, which distorts economic policy in favor of a small subset of the population
- democracies are slow to respond economic emergencies

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Economic development causes democracy, because:

- a functioning democracy is possible with a highly educated society and a large middle class, which are characteristics of developed societies
- less developed countries cannot afford professional bureaucracy and independent judiciary, therefore a functioning democratic system is less likely in LDCs

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Przeworski and Limongi (1993):

- There is not a straightforward relationship between regime type and democracy
- “Politics does matter, but regimes do not capture the relevant difference. Postwar economic miracles include countries that had parliaments, parties, unions and competitive elections, as well as countries ran by military dictatorships.”

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- The Poor Economics view on Institutions and Development
 - political institutions probably matter
 - institutions change slowly and requires a lot time and resources
 - to make economic progress we should focus on smaller scale changes

Group Discussion

- China and economic development
- What can explain China's rapid and sustainable economic growth in the last few decades?
- Can China sustain high economic growth rates without democratization?