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PD en Economía: Instrumentos del Análisis Económico

THE ECONOMIC EFFECTS OF POLITICAL INSTITUTIONS

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Introduction: Political Institutions are enduring practices or organisations with an explicitly political orientation that encompass the constitutional elements of a polity. It is widely claimed that Democracy, Political Rights and Civil Liberties have an impact on the economic development of countries. Objective Political Institutions such as the Electoral Rules employed in translating votes into seats in Parliaments -Majority Rules, Proportional Representation and Mixed Systems could influence economic policies and ultimately economic growth. Political Institutions vary across countries and they might be one of the reasons why there is an uneven level of economic performance across and within different regions around the world. **Objectives:** This doctoral thesis aims at uncovering these three caveats: •Have Political Institutions the same effect on the different industries of an economy? •What are the economic aftermaths of Electoral Rules? •Which is the kind of Political Institutions that promote inequality? (Under construction) **Methodology:** This doctoral thesis is placed at the empirical strand of the Political Economy literature, and combines theoretical foundations with statistical analyses, such as panel data models which include temporal, cross and within-country information. **1st Hypothesis:** Higher levels of Democracy, Political Rights and Civil Liberties are widely associated with higher economic competition and innovation. The ultimate effect of these institutional changes might be growthenhancing only for those industries that are technologically advanced. **2nd Hypothesis:** Since they need less percentage of the vote share to win the elections, Majority Rules politicians might promote certain special interest groups -such as big industries- instead of engaging in more general public projects -health, education or casework projects. **Main findings:** •Changes towards freer, more democratic Political Institutions have a positive effect on technologically advanced industries, but reduce growth rates of backward industries. •Majority Rules systems favor those manufacturing industries that employ a large number of workers. The differential effect of the three Electoral Rules systems is blurred in large countries. **Conclusion:** Certain industrial characteristics seem to play a crucial role on the economic aftermath of Political Institutions. Using more suitable econometric techniques than previous attempts to study the differential effect of Political Institutions, I find that higher levels of Democracy favor technologically advanced industries. However, backward industries are harmed by higher democracy levels. Majority Rules seem to promote those industries that gather a great part of the workers in manufacturing industries. However, other industries do not benefit from this kind of Electoral Rules. Consistently with extant findings, my results suggest that Majority Rules politicians might be more responsive to cater special interest groups at the expense of the general public.