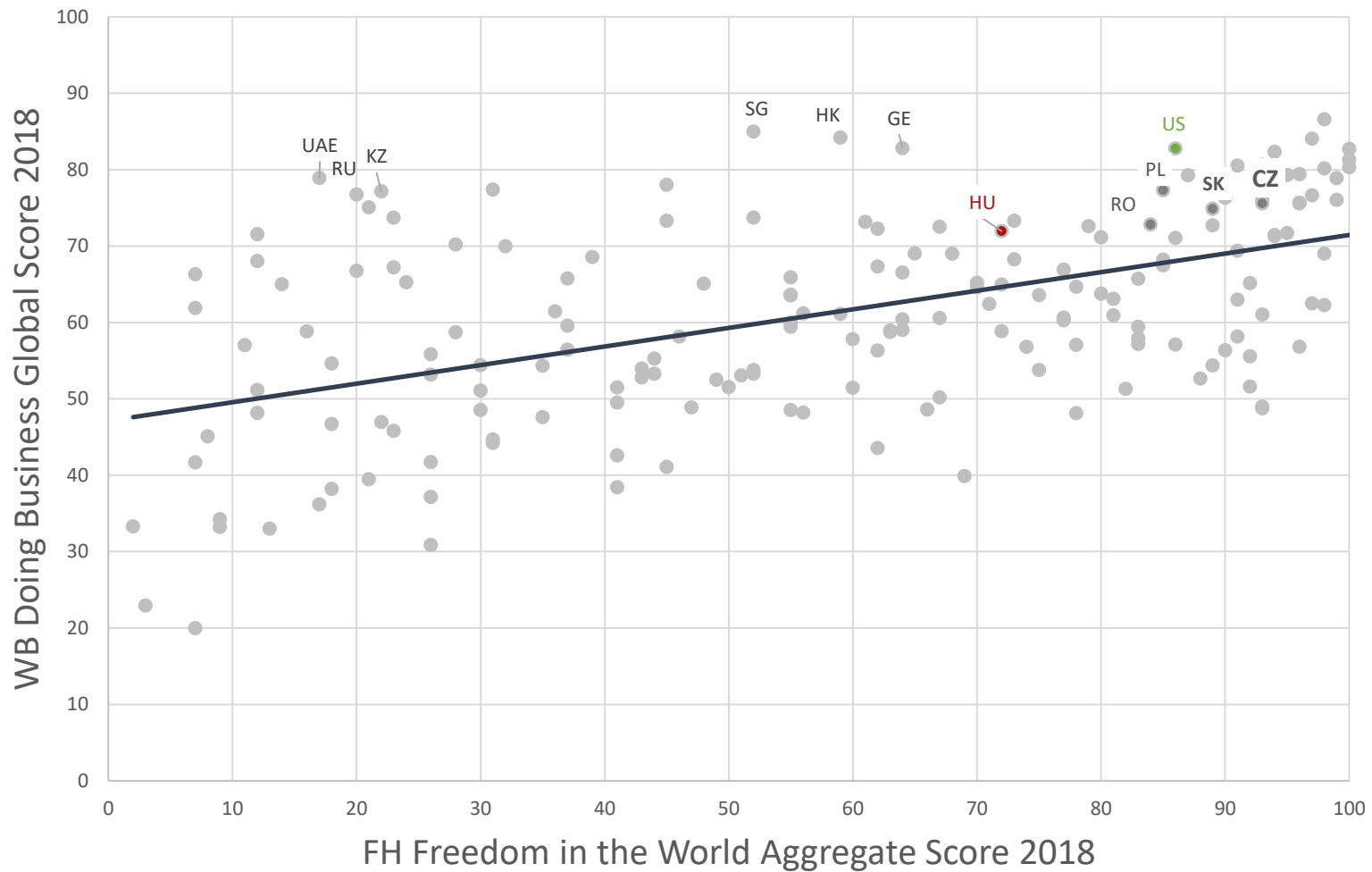


PUZZLE



Data sources: <https://freedomhouse.org/content/freedom-world-data-and-resources>, <https://www.doingbusiness.org/en/data/doing-business-score>

A historical map of Budapest, Hungary, showing the city's layout with streets, buildings, and landmarks. The map is in sepia tones and includes various labels in Hungarian, such as 'Szechenyi tér', 'Palota', and 'Vásárcsarnok'.

CHALLENGE 1 – METHODOLOGICAL

- Problem of external validity (country case studies)
- Causation *not just* correlation (cross country data)
- No/limited use of (quasi)experimental methods

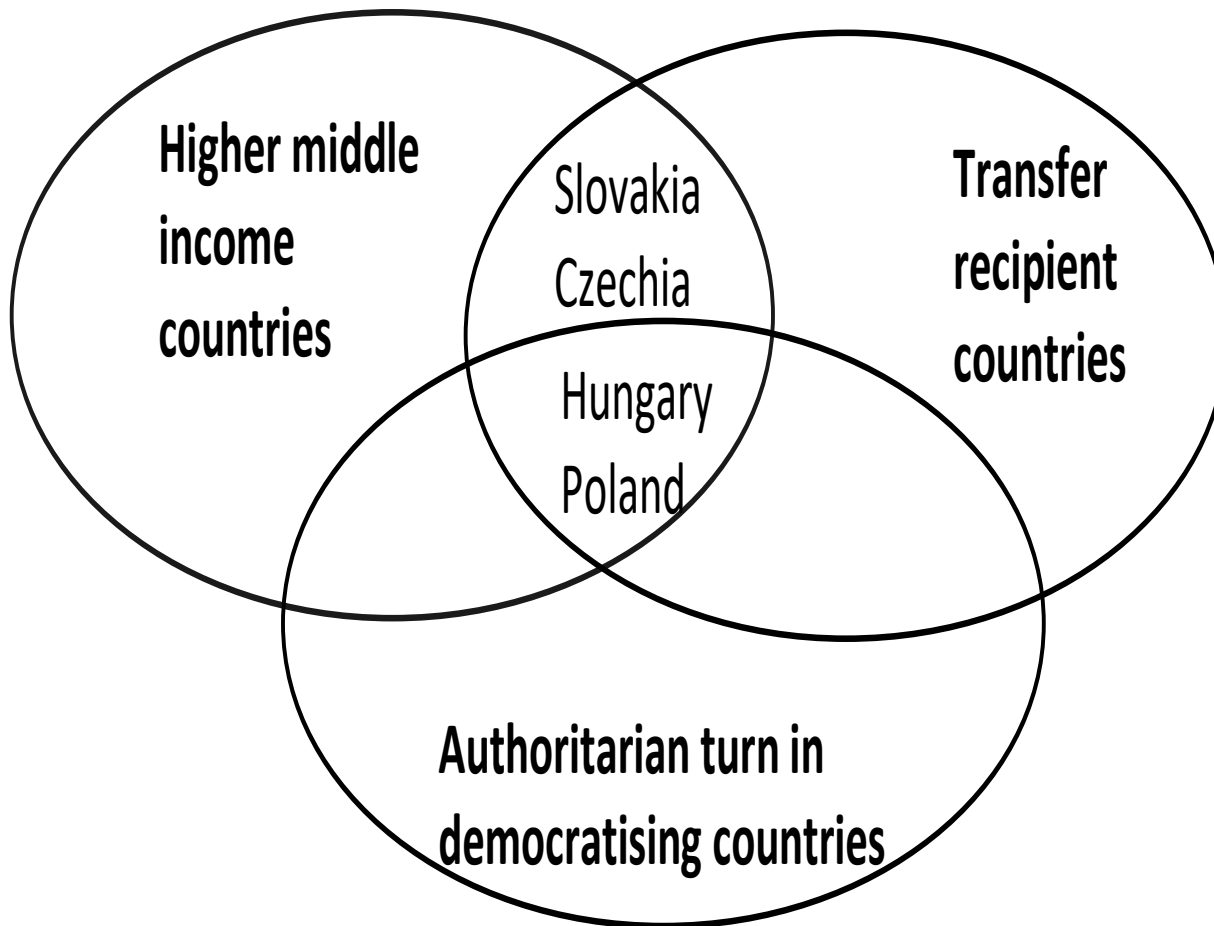
CHALLENGES 2 – TOO MANY FACTORS



CHALLENGE 3 – REGIONAL / CONTEXTUAL NATURE



REFERENCE CASES FOR CEE



WHAT DO WE KNOW? – INCONCLUSIVE RESULTS

“Controlling for the economic determinants of growth, democracy has no effect on growth, either positive or negative.”(Alesina and Perrotti 1994:353)

Many argue that some consequences of democracy have a **positive effect**:

- Civic/economic freedoms (Tavares and Wacziarg 2001)
- Stable legal system (Clague 1997)
- Better governance (Isham et al 1997, Havrylyshyn et al 2003))

A historical map of Budapest, Hungary, showing the city's layout with various districts and landmarks. The map is in a sepia tone and includes labels for several locations such as 'Szechenyi-telep', 'Palota legelő', and 'Víztorony'. The title '... AND NEGATIVE EFFECTS (!)' is overlaid in large white text on the top left of the map.

... AND NEGATIVE EFFECTS (!)

- Higher redistribution, slower physical capital accumulation (Schiffbauer and Shen 2010, Feng 2003, Rao 1985)
- Instability of economic policies, social conflicts (Isham et al 1997)
- Increasing influence of special interest groups, state capture (Olson 2009)

INTERACTION W/ COUNTRY/ LOCAL CONTEXT



LESSONS FROM REFERENCES COUNTRIES

Transition countries

- Stronger political and civil rights have a positive impact on economic development (Apotle 2011, 25c, 20y)
- Political freedom has no effect on economic development (Piatek et al 2013, 28c, 18y))
- Little variation among countries, studies use different subgroups

It is hard to say anything conclusive 😞



Middle income countries

- Political change has no significant effect on economic slowdowns in general (Eichengreen et al 2013)
- Good institutions reduce the probability of economic slowdown episodes (Aiyar et al 2013)

Hybrid regimes

- Unstability - negative effect on economic performance (Kenyon and Naoi 2010, Rocha and Rakner 2008)

Transfer recipient countries

- Development aid helps *if only if* public institutions are good (Burnside and Dollar 1997, Svensson 1999, Tavares 2003)

SO WHAT ?????

Institutions

/property rights, dispute resolution, (human) capital formation/

Economic freedoms  civil liberties

Good governance

(collaboration, gov. effectiveness & innovation)



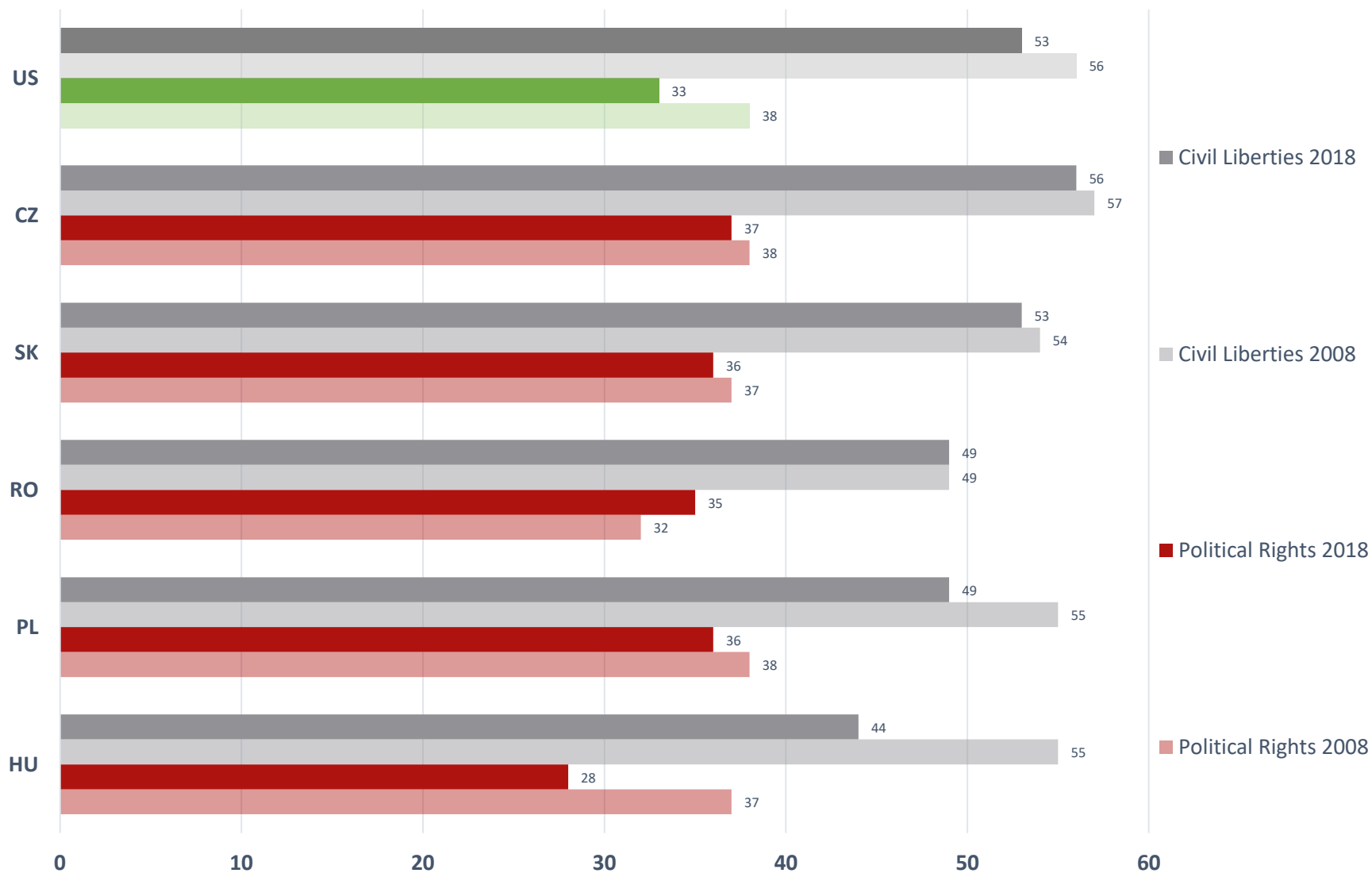
Thank you for your attention!

petra.reszketo@budapestinstitute.eu

www.budapestinstitute.eu

REFERENCES

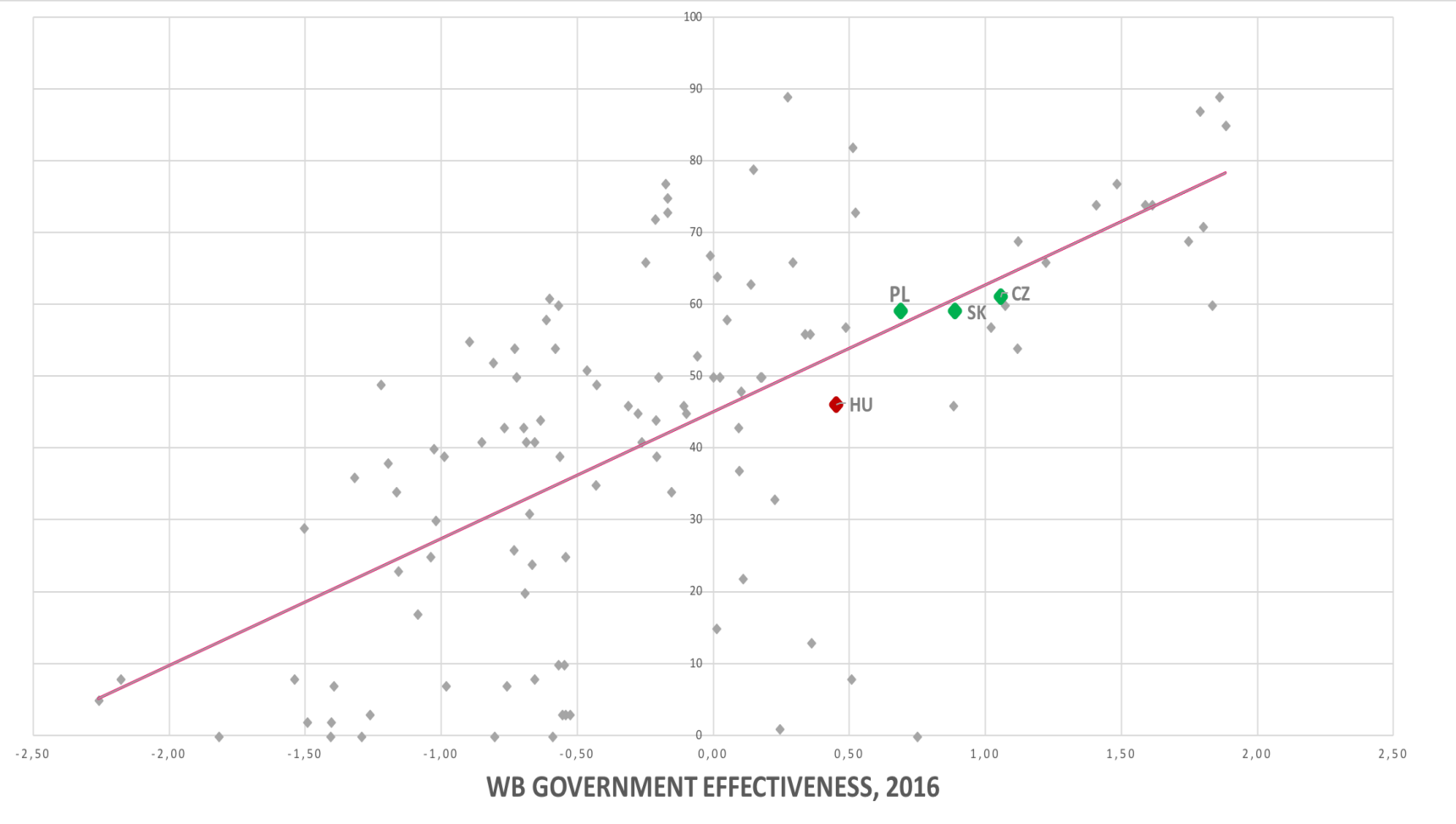
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Data source: <https://freedomhouse.org/content/freedom-world-data-and-resources>



OBI TRANSPARENCY, 2017



Data source: <https://www.internationalbudget.org/open-budget-survey/data-documents/>, <https://freedomhouse.org/content/freedom-world-data-and-resources>