

# [Interaction political and economic institutions](https://assignbuster.com/interaction-political-and-economic-institutions/)

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Interaction Political And Economic Institutions
“ North (1990) states a definition of institutions as constraints on behavior imposed by “ the rules of the game” in society: “ Institutions include any form of constraint that human beings devise to shape human interaction.” (Roland)
Rodrik (2007), found that “ economic institutions (such as property rights, regulatory institutions, institutions for macroeconomic stabilization, institutions for social insurance, institutions for conflict management, etc.) are the major source of economic growth across countries”. The economic and political institutions are in growing phases in every country and most of the developing countries are in the growth phase for almost every institution. The economic and political institutions are such two patterns of thought that play a coin for research work more deeply and which affect the other and vice versa have been in a dialogue for a period of time. To access the both institution’s effect the scholars started to take interest in this regard, in the early 1960s. The political and economic institution's power remains in the hands of some groups, especially in Asian countries. The Myrdal gave a term “ the soft Asian State” to explain the phenomena of working of the state in controlling these institutions and by giving almost power in few hands to show allegiance towards British Raj and shaking the defiance in 1857 in the subcontinent society by some colonial Rulers. ( Burki, 2012)
The economists Acemoglu, Johnson and Robinson stated that the difference in growth pattern of economic and political institutions in different countries especially in developing and developed countries is depends upon its historical evolution of institutions and those countries which are in developing phase in Africa for example colonizers made their own rule and try to snatch the power of these institutions and overemphasize their rules over them. (" The role of," 2011)
The growth and development in economic institutions can't be ensured till the good governance and their good decision-making ability in processing the country's economy. Bardhan(1993) found, that the challenge for a country either it is developed or underdeveloped, she must pass a commitment for making the policies for the economic institution without worrying about the groups or colonizers that try to drag country's institutions in apart ways. (" The role of," 2011)
Penalosa, Flachaire, and Konte (2011) argued that both institutions of politics and economics are playing important role in growth of developing or developed countries. The developing countries tend to show that weak political institutions and where the dictatorial government can have improved economic institutions, for example, several East-Asian economies and their study found that political institutions are not only necessary for the growth of economic institution's growth. The better management in upper hands of the country’s heads if properly manage the economic institutions to take proper steps and don’t shatter it into parts.
To assess the role of political and economic institutions is not easy to understand especially in developing countries as these both institutions have not only a role in development of a country and any country's economy is made after many social and political challenges and shaped in a proper manner and can be a great source for reserve distribution. The political institutions should be defined as formal or informal so to determine the difficulties and hurdles faced by settlers of the institutions in every society. A study suggested, " the more pluralitarian the electoral system is, political polarization and federalism help poor countries to achieve better economic performance."(Pereira, Teles, 2011)
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