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Machine Politics and Informality: Evidence on Electoral Volatility, Institutional Quality and the Shadow Economy

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Is there a causal link between corrupt machine politics and informality? This paper is the second stage in tackling this question whereby data from 64 democracies is explored through an instrumental variable approach. The hypothesis is that machine politics shapes institutional quality in democracies and thereby determines informality. The conceptual framework is based on the political exchange space and the portfolio theory of electoral investment. Machine politics is proxied by electoral risk, and institutional quality is measured by the index of the rule of law. Instruments of machine politics are searched for among de-jure political institutions. However, these rules reach significance only when they interact with instruments from de-facto institutions. In this way, ethnic fractionalization, proportional rule and a small-district magnitude bring about centrifugal forces in the party system, which negatively affect the rule of law, whereas the age of the democracy and parliamentary regimes through their centripetal effect enhance institutional quality. The policy implication suggests that pro-development institutional design must tackle the interactions between de-jure and de-facto institutions that are responsible for the stability of the effective number of parties.

Fuente: https://www.banrep.gov.co/es/machine-politics-and-informality-evidence-electoral-volatility-institutional-quality-and-shadow