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DETERMINANTS OF EFFICIENCY OF ECONOMIC SYSTEMS IN LATIN AMERICA

Abstract:

This paper investigates the determinants of efficiency of economic systems across Latin American countries during recent periods of economic liberalization. The empirical analysis considers fourteen Latin American countries representing different varieties of capitalism. The indicators relate to the period between 1995 and 2014. Consistent with extant literature, the empirical analysis of the sample economic systems suggests that the source of inefficiency is regulatory. The most resounding conclusion is that higher economic role of the state tends to be associated with lower efficiency of the economic system. The results also shows that one of the most important positive factors in economic systems' efficiency is competition. The quality of institutions and demographic factors are the other influencing determinants in efficiency of economic systems. Moreover, the analysis of the indicators shows that richer countries exhibit better efficiency. Strategies for better quality of institutions and competition, and better level of education may help to increase the efficiency of economic systems in Latin America.

Keywords:

economic system, efficiency, institutions, Latin America

JEL Classification: P00, P17, O54