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INFLUENCE OF SELECTED INSTITUTIONAL FACTORS ON THE ECONOMIC GROWTH: CASE OPEN MARKETS

Abstract:

This article's goal is to judge impacts of selected institutional factors on economic growth. Institutional economics, which started developing its modern approach after 1990 is closely in connection with Index of Economic Freedom presented by The Heritage Foundation. The article shows comparison of selected institutional variables (Open Market category) with economic development of particular countries' both theoretical framework and empiric analysis. Empiric section uses data of The Heritage Foundation on which the connection between selected indicators and economic progress (represented by income per capita) is compared. Markets) on the economic growth. The research part concentrates on testing selected basic preconditions that countries striving for economic growth should meet. These requirements are defined by the Heritage Foundation organization and published under the abbreviation IEF. After the economic crisis of 2008/09 the index became a target of criticism and its methodology was doubted by many.

Influence of these factors have been tested several economists with positive results. This study, however, did not confirm theory about positive correlation between trade openness and economic growth in mid-term horizon. Similarly, there is no direct connection between influence of FDI inflow and economic development. On the other hand, study showed positive correlation between R&D expenditures and economic growth. Similarly, economics with friendly business environment reach better economic condition.

Keywords:

institution economics; economic growth; trade, investment freedom

JEL Classification: E02, O30, R33