ABSTRACT

Factors that determine economic growth are one of The most widely discussed topics in The economics literature. The neoclassical economic model is The Theory most often used to explain economic growth NeverTheless, The exogenous and endogenous growth Theory is not able to provide a satisfactory answer regarding economic growth. This study aims to analyze empirically The influence of political institutions and economic institutions on economic growth. This study uses panel data from 124 countries in The world in 2016-2019. By using The Index of Freedom Economics from The Heritage Foundation as a measure of institutional quality and The Fixed Effects Model with country fixed effects and year fixed effects as analytical models, this study finds that political institutions and economic institutions are positively related to GDP per capita growth. In general, this study confirms that institutional quality plays a role in increasing economic growth.

Keywords: Institutions Quality, Growth Economic, Fixed Effect Model

JEL: O430

SEMARANG

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