Abstract
The aim of this paper is to show the impact of the quality of political institutions on economic growth: the case of developing countries. In this sense, we will try to have the link between corruption governance and economic performance in developing countries. At this level, we are dealing with an empirical study using panel data for a group of 30 developing countries over the period 1998-2011. Indeed, our results show that improving the quality of political institutions is associated with a decrease in the level of corruption and sustainable economic growth in developing countries. Finally, we conclude that the governance increases government accountabilities to citizens and also strengthens their commitment to policies chosen especially in the fight against corruption.

Keywords
Corruption, Governance, Economic Growth, Developing Countries, Panel Data

I. Introduction
New Institutional Economics (NIE) is presented as a set of currents of thought which involves modernization of the economic analysis of institutions in the seventies. Indeed, the objective of the NIS is to determine the role of political institutions in economic coordination. In fact, these institutions include laws, property rights traditions, customs ... etc. Thus, the NIE has, as goal, to show the importance of political institutions for the development of the economic performance of nations. In addition, the quality of institutions in a country influences its ability to ensure economic growth and improve the quality of life of its population. Therefore, several institutional indicators, such as property rights, governance, political stability, legal systems, and the control of corruption in a country were used to examine the interaction between institutional quality and economic growth. Accordingly, several studies have been devoted to the study of the relationship between institutional quality and economic performance. In this context of analysis, as several authors, [1, 8, 11, 23, and finally [7] showed that political institutions cause the economic growth. However, over the years ninety "good governance" is presented as a necessity for the macroeconomic stability of the country. Indeed, "good governance" implies growth and sustained economic development (Frischtack, 1994) . Therefore, the target of the "good governance" is to improve the economic and social development of this country. It looks like the transparency of public action, control of corruption, free markets, democracy, and the rule of law. In this framework, empirical studies showed that governance and the institutional quality are strongly correlated with economic growth. In fact, "good governance" which means, among other things, political rights or the freedom of expression, increases the likelihood that corruption is exposed. In this context, corruption can affect growth through its effect on institutional quality. Increasing the quality of governance leads to reduced corruption and therefore an increase in the rate of growth.

II. Theoretical Background
Firstly, it gives a great impression of the existence of a negative relationship between economic growth and the level of corruption. Similarly, in a broader context there is a link between governance and economic performance (Kaufman and Kraay, 2002) . Indeed, improving the quality of institutions is a necessity and this aimed to achieve a level of sustainable development. Thus, several authors have shown that the difference in rates of economic growth in different countries can be explained by the difference in the quality of the environment in which agents operate. In fact, this environment includes institutions, rules, laws, policies and government regulations of the country. Thus, a good institution is characterized by structures and laws that weaken incentives uncertainty and support the efficacy and subsequently increased economic performance. However, the influence of political institutions on economic growth is well established. In fact, the impact of these institutions, market structures and economic policy importance for economic growth and long-term (Cornelious and al. 2002 to 2003: 2) . Indeed, the growth competitiveness index is defined as a group of institutions, structures and policies. In fact, it was designed to define the factors that influence economic growth. To be more precise, it was designed to achieve a growth rate of per capita GDP higher in the medium term (Hu and Sachs, 1997). In addition, the measurement of the quality of governance is a very difficult work to do. Indeed, in 2003 the World Bank has prepared a set of indicators to assess the quality of governance. In this sense, a distinction is made between governance at the macroeconomic level and governance at the microeconomic level. In terms of macroeconomics, governance means "the traditions and institutions through which authority is exercised in a country" (Kaufman, Kraay and Zoido-Lebato, 1999 a and b) . For this purpose, resource efficiency and adequacy of policies depend on the ability of leaders. In fact, we can distinguish between "good" or "bad" governance. This differentiation is related to the mechanism of coherence between the government, the market and civil society.
In terms of microeconomics, "corporate governance" refers to "the set of organizational mechanisms that have the effect of delineating the powers and influence management decisions, in other expression, that" govern "their conduct and define their discretionary space "(Charreaux, 1997, p.1) . According to this
In this sense, several theoretical and empirical studies have demonstrated that governance and corruption are as determinants of the economic performance of countries. Thus, one of the perks of governance on the latter is its ability to limit the negative impact of corruption on economic growth.

At this level, governance increases government accountability to citizens, there by strengthening their commitments to policies chosen in the fight against corruption.

In fact, in the study by Kaufman, Kraay and Mastruzzi (2003), the overall governance is calculated as the average of the following six measures: citizen participation and accountability, political stability and absence of violence and the effectiveness of public authorities and the regulatory burden, rule of law and lack of corruption.

Thus:

- The citizen participation and accountability (Voice and Accountability): Measures the ability of a country’s citizens to participate and choose the government. It is based on a number of indicators measuring various aspects of the political process, civil liberties and human rights and political;
- Political stability and absence of violence (Political Stability): Measures the likelihood that the government in power will be destabilized or overthrown by unconstitutional means and/or violent or threatened by the public such as terrorism;
- The government effectiveness (Government Effectiveness): Measures aspects of quality and availability of public service, the bureaucracy, the competence of civil servants, the independence of the administration of political pressure and the credibility and transparency of the government’s reform commitments and policies;
- The burden of regulation (Regulatory Quality): Focuses policies themselves, including measures of the impact of anti-market as price controls or inadequate bank supervision and monitoring as well as the perception of the blockage imposed by excessive regulation as price controls or inadequate bank supervision and under-capitalization as well as the perception of the blockage imposed by excessive regulation in areas such as foreign trade and business climate;
- The rule of law (Rule of Law): Includes several indicators that measure the confidence of citizens in accordance with the laws and rules of society. These include perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts proceedings;
- Lack of corruption: Measuring the extent of corruption, defined as the use of public power for personal interests and private profit in terms of wealth and gain corrupted.

Similarly, mention may have the effect of corruption on economic growth in the country. In reality, these effects depend on bureaucratic or institutional characteristics. For this, the level of corruption depends on institutional quality.

In addition, several studies have shown the extent of the quality of political institutions in determining economic performance. Indeed, Zak (2002) mentioned that the authorities put in place the institutions to protect property rights. In this sense, the authority shows that countries with low growth rates are economies that do not adequately defend property rights. In contrast, economies that have property rights effectively carry out economic growth rate higher (Knack, 2002; Schoneder, 2005 and Acemoglu et al., 2001).

In this section, we focus on the indirect impact of governance on economic performance. In fact, improving economic growth, governance and the fight against corruption reinforce parallel. Therefore, they are closely related. However, the indirect effects of corruption on governance manifested by limitation of the latter by political competition. Indeed, to be effective as anti-corruption strategy, governance must be associated with a sustainable economic development.
Fig. 4: Evolution of Economic Growth and Regulatory Quality
Source: Presentation by the author’s own outcome data from WDI, 2011 and ICRG

This fig. 2 shows that the stability policy has a key role in the sustainability of economic performance. Indeed, we note though, for our sample, there is a positive relationship between the two variables. And subsequently the quality of governance as measured by political stability had a positive impact on economic growth. In fact, taking as a measure of the quality of political institutions, Bureaucratic Quality and GDP per capita (PPP, 2000) as a measure of economic performance for the year 2011, although we note that there is a positive correlation between the two variables (fig. 3). Therefore, for sustainable economic growth, it must be independent of the administration from political pressure and the credibility and transparency of the government’s reform commitments and policies.

Based on this fig. (4), we see that he is a positive relationship between changes in GDP/capita and Regulatory Quality. Therefore, we must liberalize the economies of developing countries and adopt the policy of market economy and it aimed to encourage trade and promote the business climate.

According to this fig. (5), we can see well in 2011 and a sample of thirty developing countries, there is a positive correlation between the two variables. Indeed, for sustainable economic growth must respect the laws and rules of society is this aimed to mitigate the negative effects of crime and have a legal system and legal contracts more effective.

This fig. (6) shows that there is a positive relationship between economic growth and control of corruption. Thus, these last adverse effects on indicators of economic performance. For this reason, and to combat corruption must be of good institutions that are characterized by incentive structures and laws that reduce uncertainty and support the efficacy (A. Bouzid, 2012). Similarly, we must democratize political institutions in developing countries to mitigate the negative effects of corruption and then promote sustainable economic growth.

IV. Econometric Analysis of the Interaction Political Institutions and Economic Growth in Developing Countries

In this context, this work will be devoted to determine the effects of political institutions on economic growth in developing countries.

A. Specification of the Econometric Model

We seek to test the extent to which institutional variables affect the economic growth of developing countries for the period 1998-2011 and a sample of thirty countries. In fact, following the work of [6, 9, 16, 21], the objective of our empirical study, is to add institutional variables in our model whose endogenous variable is an indicator of economic performance such as GDP per capita in logarithm. Therefore, we consider the following model:

\[ y_{it} = \alpha + \beta_1 RD_{it} + \beta_2 SP_{it} + \beta_3 QB_{it} + \beta_4 QR_{it} + \beta_5 ED_{it} + \beta_6 CORR_{it} + \epsilon_{it} \]

With the individual specific effect, \( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \) and \( \beta_6 \) are parameters to be estimated and \( \epsilon \) is the error term.

B. Database and Presentation Variables

In this analysis, we study empirically the interaction between institutional variables and economic growth, using a macroeconomic indicator and institutional indicators calculated for several years and taken from different databases.
1. The Macroeconomic Variable
The indicator of macroeconomic performance used in this work is represented by \( y \) the level of real GDP per capita (in constant U.S. dollars, 2000). The actual macroeconomic variable is taken from the database of the World Bank (WDI, CD-ROM, 2011).

2. Institutional variables
Institutional variables are assumed to database "International Country Risk Guide (ICRG)" owned by Political Risk Services. This database includes more than 75 data sets over 140 countries, covering the period 1984 to present and relate the economy and foreign trade, risk assessment and economic, political and social indicators. In this analysis, we will try to measure the effect of a legal and democratic economic development of developing countries. At this level, we used six indicators database (ICRG), which are the Democratic Responsibility (RD), Stability Policy (SP), Bureaucratic Quality (QB), the Regulatory Quality (RQ), the State Rights (ED) and the index of corruption (CORR). Indicators RD, ED, and QR CORR range from 0 to 6. Quality Bureaucratic is 0 to 4. Finally, the Political Stability of 0 to 12. Thus, higher scores indicate better institutional qualities, in other expression, greater democratic accountability, a more effective judicial system, a better bureaucracy, less corruption, better quality and low bureaucratic government instability.

C. Econometric Strategy

1. Specification Tests or Tests of Homogeneity
To estimate our baseline model by appropriate techniques, we will use the specification tests or homogeneity. These tests are based on statistics of Fisher. This is to determine how our model must be specified, if the Panel hypothesis can be accepted. We will see that our analysis is then based on the notion of homogeneity of parameters of our model. These specification tests aim to make a diagnosis and the possible need to integrate heterogeneous dimension and how this heterogeneity must be specified. Thus, if the constants are fixed, then heterogeneity is detected only in the constant and in this case we use the techniques or Least Squares Within Dummy Variables (LSDV) to estimate our model individual effects. By cons, if these constants are random, then we use the method of Generalized Least Squares (GLS) to estimate our model.

In fact, econometrically this amounts to testing the equality of coefficients of our theoretical model studied in the individual dimension. On the economic front, the specification tests back to determine if it is reasonable to assume that the impact of institutional variables on economic growth and identical for all developing countries, or on the contrary, there are specific to each countries.

<table>
<thead>
<tr>
<th>Variable</th>
<th>with constant</th>
<th>With constant and trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \ln y_t )</td>
<td>-0.5787</td>
<td>-13.8219*</td>
</tr>
<tr>
<td>(0.2814)</td>
<td>(0.0000)</td>
<td></td>
</tr>
<tr>
<td>RD_t</td>
<td>-5.3451*</td>
<td>-6.4851*</td>
</tr>
<tr>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td></td>
</tr>
<tr>
<td>SP_t</td>
<td>-4.8053*</td>
<td>-5.3278*</td>
</tr>
<tr>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td></td>
</tr>
<tr>
<td>QB_t</td>
<td>7.0109</td>
<td>9.6681</td>
</tr>
<tr>
<td>(1.0000)</td>
<td>(1.0000)</td>
<td></td>
</tr>
<tr>
<td>QR_t</td>
<td>-9.4806*</td>
<td>-9.1738*</td>
</tr>
<tr>
<td>(0.0000)</td>
<td>(0.0000)</td>
<td></td>
</tr>
<tr>
<td>ED_t</td>
<td>-2.7019*</td>
<td>-2.9281*</td>
</tr>
<tr>
<td>(0.0034)</td>
<td>(0.0017)</td>
<td></td>
</tr>
<tr>
<td>CORR_t</td>
<td>-3.9884*</td>
<td>-2.9571*</td>
</tr>
<tr>
<td>(0.0000)</td>
<td>(0.0016)</td>
<td></td>
</tr>
</tbody>
</table>

*Means with stationary series in levels.

Table 2: Statistics Stationarity LLC (2002)

Source: Calculations by the Author

From this Table 2, we note that all the following variables are stationary in levels except for QB variables (for both cases) and GDP / capita (case without trend) since the calculated values of test statistics LLC (2002) are less than the critical value of the standard normal distribution the risk threshold of 5% (-1.645).

D. Direct Effects of Political Institutions on Economic Growth
We try to show the impact of political institutions on economic growth: the case of developing countries. The test of [13] to show what method, we must remember. The estimation result is presented in the table below.
Table 3: Dependent Variable: Log GDP/capita

<table>
<thead>
<tr>
<th>Variable</th>
<th>Within</th>
<th>GLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constante</td>
<td>3.20 (0.30)</td>
<td>3.04 (16.79)</td>
</tr>
<tr>
<td>RD(_i)</td>
<td>0.17 (1.66)**</td>
<td>0.18 (17.9)**</td>
</tr>
<tr>
<td>SP(_i)</td>
<td>0.22</td>
<td>0.22 (1.57)**</td>
</tr>
<tr>
<td>QB(_i)</td>
<td>0.04 (0.22)</td>
<td>0.23 (1.16)</td>
</tr>
<tr>
<td>PR(_i)</td>
<td>0.21</td>
<td>0.21 (2.55)**</td>
</tr>
<tr>
<td>ED(_i)</td>
<td>-0.36 (2.32)**</td>
<td>-0.26 (1.73)**</td>
</tr>
<tr>
<td>CORR(_i)</td>
<td>-0.18</td>
<td>-0.17 (2.03)**</td>
</tr>
<tr>
<td>N</td>
<td>420</td>
<td>420</td>
</tr>
<tr>
<td>R(^2)</td>
<td>0.068</td>
<td>0.1</td>
</tr>
<tr>
<td>t-Hausman</td>
<td>15.32</td>
<td>0.018</td>
</tr>
</tbody>
</table>

Note: The values between parentheses represent statistics student, (****) significant at 1% level, (**) significant at 5% level (*), significant at 10% level.

Source: Calculations by the Author

According to the table, we can conclude that our model is specified by a panel with fixed individual effects since the Hausman statistic is greater than the critical value of chi-square with six degrees of freedom (\(x^2(6) = 12.59\) for \(\alpha = 5\%\)). In this case, the estimate with Within (unbiased estimator) is most appropriate. Based on the results of Table (2), it shows that there is a good correlation between the quality of political institutions and economic growth, except in the case of the rule of law indicator (ED). By cons, corruption has a negative correlation with economic performance. Indeed, we can conclude that the indicators that are meaningful, those that have higher coefficients having the most important role in enhancing economic growth are the Regulatory Quality (PR, 0.21), Responsibility democratic (RD, 0.17) and Political Stability (SP, 0.22). In fact, Bureaucratic Quality indicator positively affects economic growth but no statistical significance. By cons, indicators States law (ED; -0.36) and corruption index (-0.18) negatively affect the economic growth of developing countries. But, without giving too much attention to the sign of these coefficients, we can conclude that institutional variables have a positive correlation with economic performance. This result is similar to theoretical explanations treated by, [5, 15, 22] Acemoglu and al (2001).

At this level, we can confirm that the quality of political institutions does not necessarily lead to beneficial outcomes such as high economic growth, but it can be so bad that the persistence of results becomes less likely. These results are based on the implementation of good policies.

Nevertheless, corruption adverse effects on economic growth. So we can conclude that the causes for the high level of corruption causing subsequent poor economic performance of developing countries, is the presence of democratic political institutions less or sometimes non-democratic developing countries.

V. Conclusion and Policy Recommendations

The quality of political institutions is a rule of the game more important in determining the form of economic behavior and in explaining the economic performance of countries. Indeed, this work has focused on empirically study the interaction between the quality of political institutions and economic performance for a group of 30 developing countries over the period 1998-2011. Thus, we concluded that the institutional failures that characterize developing countries lead to destabilize their long-term economic growth. However, a higher degree of democratization would be a better improvement in economic growth.

Similarly, corruption was one of the main institutional failures representatives in developing countries. However, there is no doubt that corruption has a detrimental impact on economic performance. Therefore, it is clear that corruption is more severe in countries with low income levels that are less integrated into the global economy and are generally the most populous. The political determinants of this problem can be explained by a lack of democracy increases corruption this is in accordance with the theory of Olson (1982) that shows the most stable democracies in the long run retreat activities more clearly rent-seeking. However, this corruption was a higher level in developing countries suffering from a weak legal system and poor quality of bureaucrats who earn low wages.

References


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