Seminar – Effects of Economic Growth on Political Risk: The Role of Ethnic Polarization

Abstract

This paper studies the effects of within-country variation in national income on political risk. To address causality, we use annual variation in the international oil prices weighted with countries' average oil net-export GDP shares as an instrument for income growth. Our instrumental variables analysis yields two main results: (i) higher income growth is on average significantly negatively correlated with countries' political risk; (ii) the marginal effect of income growth on political risk is significantly decreasing in cross-country differences in ethnic polarization, so much so, that at high levels of ethnic polarization income growth increases political risk while at low levels of ethnic polarization income growth reduces political risk. We provide a simple political economy model to rationalize these results.

About the Speaker

Markus Brueckner is an Associate Professor in the economics department of the National University of Singapore. His research interests are macroeconomics, political economy, and development.

Enquiries

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Lunch will be served at 11.30 am at Staff Lounge.

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