

## EXECUTIVE SUMMARY

The U.S. government emphasizes the importance of stable political leadership as a necessary condition for economic growth. Contrary to this view, I show that high leadership turnover is strongly associated with high economic growth both in autocracy and in democracy. The effect of “unstable” leadership is stronger in democracies than autocracies because democratic political systems have institutions that promote competition over policy ideas rather than over the distribution of private benefits to cronies. Two institutions are shown to be particularly important in promoting such public goods as a fair legal system, transparent decision making and accounting, a strong national defense, and a healthy, growth-oriented infrastructure. These two institutions are a large selectorate (the set of people with a say in choosing leaders) and a large winning coalition (the set of people whose support keeps the incumbent in office).

Political leaders are eager to stay in office and, contrary to the neoclassical economic model, are not benign agents of the people in whose name they lead. Because autocrats depend on small groups of supporters, they emphasize the use of private benefits to their cronies as the means to gain political loyalty and stay in office. This means that they generally have little incentive to pay attention to the overall quality of their public policies.

Democrats, in contrast, require the support of a large coalition to stay in power. Because private rewards have to be spread thinly to many people, democrats find it easier to compete for office by providing public goods that benefit everyone rather than private benefits for a few cronies. This means that, in democracies, political competition is over policy ideas. Two effects follow from the fact that democratic leaders must build large coalitions: Democratic leaders provide better policies to improve their chances of surviving in office, and because competition is over policy ideas, they are more easily turned out of office in favor of

a political challenger than are autocrats. Thus, autocrats have longer terms in office and produce less-efficient economic growth. The U.S. government emphasis on stable leadership as a necessary condition for growth is mistaken and can lead to global economic contraction rather than expansion.