



Policy stability and government efficiency

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There are certain particularities that underline the competitiveness of countries. We consider these characteristics as attractiveness indicators and asked respondents to our Executive Opinion Survey to select the top five indicators (from a list of 15) for their respective economies. Among these indicators we include cost competitiveness and the availability of skilled workforce. In the Criterion of this month, we focus on the dynamics between one of the attractiveness indicators, specifically policy stability, and a set of relevant variables related to government efficiency.

We observe that for nine out of the top 20 countries in the 2016 overall competitiveness ranking (see table below), survey respondents believe that the stability of government policy is one of the top three attractiveness indicators of their respective countries.

Table1. Competitiveness and policy stability

Country	Overall competitiveness ranking 2016	Policy stability - attractiveness rank
Switzerland	2	1
Singapore	4	1
Denmark	6	2
Norway	9	1
Canada	10	3
Luxembourg	11	1
Germany	12	3
Qatar	13	1
New Zealand	16	1

We conduct several statistical tests to identify the most relevant variables in determining policy stability. We find that the effectiveness of the legal and regulatory framework, and the effective implementation of government decisions are highly significant in determining the stability of policies. The legal and regulatory framework and the fair administration of justice are similarly fundamental for government efficiency. Interestingly, we find no evidence that policy stability have a strong role in government efficiency; although the interaction among both indicators is positive. In any case, results suggest that the effectiveness of the legal and regulatory framework is the most influential and the common variable in determining both the stability of the policy context and government efficiency.

We thus assess which indicators have a significant impact on the effectiveness of the legal and regulatory framework. We find that the adaptability of government policy, the effective implementation of government decisions, bureaucratic efficiency, the fair administration of justice and the transparency of government play a meaningful role in determining the effectiveness of the legal and regulatory system.

Divisive politics increase the likelihood of political polarization and thus of instability and insecurity in the socio-political environment. The findings herein summarily discussed are a reminder of the importance of a stable and effective political context for the achievement of long-term value creation beyond purely economic gains; that is, for the competitiveness of countries.