

# Leaders educated in economics spur faster economic growth, study finds

November 19 2019, by Tim Newton, Joseph Paul

---



Credit: CC0 Public Domain

Want your pipes fixed? Call a plumber. Need an illness diagnosed? See a doctor. Looking to boost your country's economy? Choose a leader who

was educated in economics.

The latter advice comes from Craig Brown, a visiting assistant professor of finance at Purdue University's Krannert School of Management who focuses on the intersection of finance and politics.

Brown pored over the educational and professional backgrounds of 1,681 government leaders, including several United States presidents, and the [economic](#) data of 146 countries from 1950 to 2014. He found that economies performed better in countries after politicians educated in economics took power. The research is published online in the *Journal of Monetary Economics*.

"When I look at cases within the U.S., such as Ronald Reagan and Bill Clinton, who both studied economics, the story is consistent with what I find in the broader sample," he said. "It is easy to find other examples across the globe: Singapore, a country that is well known for its economic success, benefited from the effective leadership of Lee Kuan Yew throughout his long tenure; and Thabo Mbeki presided over the greatest economic expansion in South Africa since the country's experience with fully democratic elections in 1994. Both of these leaders studied economics."

During the 65-year period, Brown found that GDP per capita grew by 1.53% in the year after countries transitioned from incumbents with a non-economic backgrounds to newly chosen presidents, prime ministers or other governmental leaders with an undergraduate or advanced degree in economics. Conversely, GDP per capita shrunk by 1.24% in countries in the year after leaders with non-economic backgrounds exchanged power. Brown found that growth was sustained, on average, during the following years of an economist's tenure, although most subjects of his study were in power for much less time.

"In presidential systems, there is a fixed period of time that the president has in order to implement policies," he said. "Whereas in parliamentary systems, the regime length is not as rigid, so the economic effect is stronger for presidents compared to parliamentary leaders, such as prime ministers."

Brown hand-collected government leader data and also drew from economic data maintained by the World Bank. He also analyzed tax data from the World Tax Database to test one fiscal policy possibly driving his results: a reduction in the top personal income tax rate. First-year GDP growth likely was in anticipation of policies proposed by economic leaders, who over time tended to cut personal income tax rates for wealthy citizens, he said.

"When I look at fiscal policy, economic leaders eventually lower the top personal income tax rate," he said. "So, what seems to be happening is that there is growth that happens pretty quickly in the first year in anticipation of what an economic leader will do on the [policy](#) front."

Growth was more pronounced in countries that allowed politicians' wide-ranging authority to enact economic policies promised on the campaign trail. To measure government authority, Brown used the Polity data series, which separates regimes into four categories: full autocracy, part autocracy, part democracy and full democracy.

"In mixed regimes, where there are some autocratic mechanisms, the effect seems to be stronger compared to cases of pure democracies," he said.

**More information:** Craig O. Brown. Economic Leadership and Growth, *Journal of Monetary Economics* (2019). [DOI: 10.1016/j.jmoneco.2019.11.004](https://doi.org/10.1016/j.jmoneco.2019.11.004)

Provided by Purdue University

Citation: Leaders educated in economics spur faster economic growth, study finds (2019, November 19) retrieved 3 May 2024 from <https://phys.org/news/2019-11-leaders-economics-spur-faster-economic.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.