

Political Regimes, Political Stability and Debt Dependence in African Countries of Franc Zone: A Logistic Modeling

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Abstract : The factors behind the debt have been the subject of several studies in the literature. Pioneering studies based on the 'double deficit' approach linked indebtedness to the imbalance between savings and investment, the budget deficit and the current account deficit. Most studies on identifying factors that may stimulate or reduce the level of external public debt agree that the following variables are important explanatory variables in leveraging debt: the budget deficit, trade opening, current account and exchange rate, import, export, interest rate, term variation exchange rate, economic growth rate and debt service, capital flight, and over-indebtedness. Few studies addressed the impact of political factors on the level of external debt. In general, however, the IMF's stabilization programs in developing countries following the debt crisis have resulted in economic recession and the advent of political crises that have resulted in changes in governments. In this sense, political institutions are recognised as factors of accumulation of external debt in most developing countries. This paper assesses the role of political factors on the external debt level of African countries in the Franc Zone over the period 1985-2016. Data used come from World Bank and ICRG. Using a logit in panel, the results show that the more a country is politically stable, the lower the external debt compared to the gross domestic product. Political stability multiplies 1.18% the chances of being in the sustainable debt zone. For example, countries with good political institutions experience less severe external debt burdens than countries with bad political institutions.

Keywords : African countries, external debt, Franc Zone, political factors

Conference Title : ICPSPE 2018 : International Conference on Political Science and Political Economy

Conference Location : Paris, France

Conference Dates : March 15-16, 2018