

**INVESTIGATING THE CROSS COUNTRY CAUSAL RELATIONSHIP BETWEEN  
INSTITUTIONS AND ECONOMIC PERFORMANCE: A PANEL COINTEGRATION  
ANALYSIS**

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**ABSTRACT**

This paper analyzes the long-run dynamics between quality of institutions measured by recently developed Index of institutionalized social technologies, and Economic performance in the sample of 84 countries covering the period 2002-2006. Panel cointegration tests and FM OLS (Fully Modified OLS) estimators are used to test for cointegration. Institutional quality and growth are found to have long run positive cointegrating relationship.

**KEYWORDS:** Institutions, Growth, Panel Cointegration, FMOLS