

AN EVIL IN POLICY MAKING FOR DEVELOPING NATIONS: BUREAUCRACY OR UNCERTAINTY

ABSTRACT

This study empirically analyzes the relationship and impact of bureaucracy and uncertainty on economic policies. In order to meet objective of this study, Panel data was collected from 1995 to 2013 for 80 developing countries. Different panel co-integration techniques have been applied to test hypotheses. Different panel unit root test have been used to check the stationarity. After taking first difference, variables become stationary. Hypothesis of the study were tested using Pedroni Residual Co-Integration Test and results indicated that long run relationship exist among the variables. Afterwards, we practice Vector Error Correction, to measure short run dynamics and deviation from equilibrium in the long run. It was obvious from results that long run relationship exists with both bureaucracy and uncertainty. Finally, to check the strength and nature of relationship between the variables Fully Modified Ordinary Least Square (FMOLS) technique was performed. It is concluded that Bureaucracy and uncertainty are co-integrated with economic policies in developing nations.