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Exploring the Interplay between Leadership and Institutions: A Qualitative Systematic Literature Review of Their Role in Driving Economic Growth

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***ABSTRACT**. This qualitative systematic literature review examines the interplay between leadership and institutions in driving economic growth. The study synthesizes evidence from influential and recent research on institutional quality, political selection, leadership capabilities, democracy, and national economic performance. The findings indicate that institutions provide the structural framework shaping incentives, accountability, political selection, and economic opportunities, while leadership influences policy implementation, institutional reform, and strategic decision-making. The review further shows that leadership capabilities are institutionally conditional: experienced and capable leaders are more likely to enhance economic performance when supported by accountable and growth-oriented institutions. In contrast, under non-democratic settings, leadership capabilities may contribute more strongly to regime stability than economic growth. The study concludes that sustainable economic development is best explained through the joint and recursive relationship between institutions and leadership, rather than by either factor alone.*

***Keywords** Leadership; Institutions; Economic Growth; Political Selection; Institutional Quality*

INTRODUCTION

Economic growth remains a central concern in economics, political economy, and development studies because substantial differences in income, productivity, and prosperity persist across countries. While classical and neoclassical theories emphasize capital accumulation, technological progress, labor productivity, and human capital, political economy research increasingly highlights the importance of institutions in shaping incentives, resource allocation, property rights, political constraints, investment, and innovation (Acemoglu et al., 2005). Historical evidence further suggests that institutional arrangements can have persistent effects on contemporary economic performance (Acemoglu et al., 2001).

However, an exclusive focus on institutions may underestimate the role of political leaders who operate within, interpret, and transform institutional systems. National leaders make strategic decisions, allocate public resources, appoint policymakers, implement reforms, respond to crises, and influence policy credibility. Thus, economic growth cannot necessarily be understood through institutional conditions alone without considering the capabilities, experiences, incentives, and decisions of political leaders. Besley (2005) addresses this issue through the concept of political selection, arguing that institutions influence not only government behavior but also the characteristics and

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quality of individuals who obtain political power. Companies with strong political connections are better equipped to manage these risks compared to those without similar networks (Eka Wahyu Kasih, et al, 2024).

The relationship between leadership and institutions should therefore be viewed as interactive rather than competitive. Institutions establish formal rules, incentives, and constraints, but leadership quality influences how effectively these arrangements are implemented. Conversely, capable leaders may be limited by weak institutions, political instability, or inadequate accountability mechanisms. Economic development consequently reflects the interaction between institutional structures and leadership capabilities. Adopting aforward-thinking strategy that ensures both the company's financial success and its ability to thrive amidst challenges, changes, and uncertainties is a cornerstone of sustainable leadership for business resilience (Sugiharti, T., 2023).

Recent evidence from Shi (2025) strongly supports this integrated perspective. Using a cross-country panel covering 135 countries from 1950 to 2010, Shi finds that national leaders and institutions jointly contribute to cross country income differences. Leaders in democratic systems tend to possess more diverse pre tenure work experience than those in non-democratic systems. Moreover, experienced leaders are associated with stronger economic performance in democracies but greater regime stability in non democracies. These findings indicate that leadership capabilities do not produce identical outcomes across institutional environments. Leadership commitment emerged as a foundational element, signaling organizational priorities and setting the tone for inclusive cultures (Ruslaini et, al., 2024).

Shi's (2025) findings move beyond the traditional question of whether “leaders matter” or “institutions matter” by emphasizing how they interact. Democratic institutions may create political selection mechanisms that increase the likelihood of capable individuals reaching leadership positions, while experienced leaders may subsequently use institutional mechanisms to promote economic growth. In non-democratic settings, however, leadership capabilities may be directed more toward regime stability than economic development. Differences in political selection and the institutional role of leaders may therefore contribute to persistent income gaps across political systems.

This perspective is consistent with institutional theories emphasizing the dynamic relationship between political power, institutions, and economic outcomes (Acemoglu et al., 2005). Institutions shape who possesses political authority, while leaders emerge through institutional processes and exercise power within institutional constraints. Leaders may subsequently preserve, strengthen, weaken, or transform institutions, making the relationship between leadership and institutions recursive and co-evolutionary.

Leadership capability is also connected to human capital theory. Barro (2001) emphasizes that education and human capabilities contribute to productivity and long-term economic development. Applied to political leadership, this suggests that knowledge, professional experience, and cognitive capabilities may influence the quality of economic policymaking. Political leaders must address complex issues involving fiscal management, international relations, crisis response, institutional reform, investment, and social coordination. Diverse professional experience may therefore strengthen problem-solving capacity and policy effectiveness.

Empirical research further indicates that political careers, leadership transitions, and incentives can affect economic outcomes. Li and Zhou (2005), for example, demonstrate that political turnover and personnel control mechanisms can influence economic performance in China. Such evidence challenges purely deterministic institutional explanations by highlighting the importance of individual agency, particularly during periods of political transition, economic crisis, policy reform, and institutional change.

Nevertheless, the literature remains fragmented. Institutional research commonly focuses on political regimes, property rights, accountability, and state capacity, whereas leadership studies emphasize individual characteristics, education, experience, and leadership behavior. A qualitative systematic literature review is therefore appropriate for integrating these perspectives across economics, political economy, development studies, and leadership research.

Accordingly, this study, entitled "Exploring the Interplay between Leadership and Institutions: A Qualitative Systematic Literature Review of Their Role in Driving Economic Growth," aims to systematically synthesize the interconnected roles of leadership and institutions in explaining economic growth. The study is guided by three questions: (1) How does existing literature conceptualize the relationship between leadership, institutions, and economic growth? (2) Through what mechanisms do leadership characteristics and institutional arrangements jointly influence economic performance? (3) What theoretical and empirical gaps remain across different political and economic contexts?

Ultimately, neither "institutions matter" nor "leaders matter" should be treated as mutually exclusive propositions. Institutions provide rules, incentives, constraints, and political selection mechanisms, whereas leaders bring capabilities, experience, preferences, and strategic choices into institutional processes. Economic growth is therefore better understood as the outcome of a complex interaction in which institutions shape and constrain leadership, while leaders implement, preserve, or transform institutions.

LITERATURE REVIEW

The relationship between political leadership, institutions, and economic growth has become increasingly important in political economy and development economics. While traditional growth theories emphasize capital, technology, human capital, and productivity, institutional approaches argue that these processes are shaped by political and economic rules that influence power, property rights, investment, innovation, and productive activity (Acemoglu et al., 2001, 2005).

Acemoglu et al. (2001) demonstrate that historically rooted institutional differences can generate persistent differences in economic development. Their colonial origins hypothesis suggests that colonial strategies created either inclusive institutions that protected property rights or extractive institutions that concentrated power, producing long-lasting consequences for prosperity. Acemoglu et al. (2005) further identify institutions as a fundamental cause of long-run growth because they influence incentives for human capital accumulation, technological adoption, investment, entrepreneurship, and resource allocation.

However, institutions do not operate independently. Political leaders interpret institutional rules, make strategic decisions, appoint policymakers, allocate resources, and may strengthen, weaken, or transform institutional arrangements. Consequently, leadership and institutions should increasingly be viewed as complementary explanations of economic development. Institutions shape who enters political office, the incentives leaders face, and their degree of discretion, while leaders influence institutional implementation and transformation (Shi, 2025).

The relationship between institutions and growth is also closely connected to political power. Acemoglu et al. (2008) argue that powerful groups often preserve institutions that protect their interests, even when these arrangements generate economic inefficiency. Political power can therefore produce institutional persistence. At the same time, changes in political power may create opportunities for institutional transformation, demonstrating that institutions are dynamic outcomes of political competition rather than fixed structures (Acemoglu et al., 2011).

Research on democracy further highlights the importance of institutions. Acemoglu et al. (2019) provide evidence that democracy has a positive causal effect on long-run economic growth through increased investment, education, economic reforms, and broader economic participation. Nevertheless, countries with similar institutions may experience different economic trajectories because the effectiveness of institutions also depends on the quality of political leadership. Leaders may promote reform and investment, but they may also pursue rent-seeking or prioritize political survival.

Besley (2005) addresses this issue through the concept of political selection. Political institutions influence not only politicians' behavior after entering office but also the pool of individuals willing and able to compete for political power. Political selection therefore represents a critical mechanism linking institutional quality and leadership capability. Competitive and accountable systems may encourage competent and experienced individuals to enter political office, whereas systems characterized by concentrated power may prioritize loyalty or regime survival.

The importance of individual leadership has also been examined by Easterly and Pennings (2025), who estimate the growth contributions of national leaders. Their findings suggest that most leaders cannot be reliably identified as having large positive or negative effects on economic growth, although a relatively small number demonstrate substantial contributions. Importantly, average economic growth during a leader's tenure is not a reliable indicator of individual performance because economic outcomes are influenced by inherited conditions, external shocks, and institutional factors. Leadership effects must therefore be interpreted within their broader context.

Leadership capability can also be understood as a specialized form of human capital. Barro (2001) emphasizes the importance of knowledge and skills for productivity and economic growth. Applied to political leadership, education, professional experience, strategic knowledge, and problem solving ability may influence policy decisions and economic outcomes.

Empirical research supports this perspective. Li et al. (2020) find that political leaders' educational attainment is positively associated with the speed of economic liberalization, particularly among leaders educated in economics, social science, and natural science. Education may influence leaders' analytical capabilities, policy preferences, and understanding of economic reform. Similarly, Potrafke (2025) shows that politicians with business backgrounds can influence globalization, market-oriented reforms, public investment, infrastructure expenditure, and economic performance. However, business experience may also generate conflicts of interest.

These findings indicate that leadership quality is multidimensional. Education, occupational experience, managerial expertise, political experience, and exposure to diverse institutional environments may influence leadership performance through different mechanisms. A systematic review is therefore needed to integrate these diverse perspectives and identify which leadership characteristics are most consistently associated with economic outcomes.

The strongest recent development in this literature is the explicit integration of leadership and institutions. Using a cross-country panel of 135 countries from 1950 to 2010, Shi (2025) identifies two important findings. First, national leaders in democracies possess more diverse pre-tenure work experience than leaders in non-democratic systems. Second, experienced leaders are associated with stronger economic performance in democracies but greater regime stability in non-democracies.

Shi (2025) measures leadership capability through the richness of experience in public sectors (REPS), conceptualizing diverse work experience as a form of general human capital. A particularly important implication is that the same leadership capability can generate different outcomes under different institutional conditions. In democracies, experienced leaders may contribute more directly to economic performance, whereas in non-democracies, their capabilities may be directed toward maintaining political order and regime survival.

Shi (2025) strengthens these findings through instrumental variable approaches, regression discontinuity analysis based on close elections, quasi-random leadership transitions, and an endogenous growth model incorporating political selection and institutional transitions. The study suggests that differences in political selection and the role of leaders may contribute to persistent income gaps between democratic and non-democratic countries.

Political selection is therefore central to understanding the leadership–institution relationship. According to Besley (2005), institutions influence the incentives and constraints faced by potential candidates and consequently affect who obtains political power. Shi's (2025) findings suggest that democratic institutions may select leaders with more diverse professional experiences, although democratic selection does not automatically guarantee superior economic performance (Easterly & Pennings, 2025).

The interaction between leadership and institutions also extends to political stability. Shi (2025) finds that experienced leaders in non-democratic systems are more strongly associated with regime stability than economic growth. In democratic systems, leaders may face stronger incentives to demonstrate competence through economic performance because political survival depends on electoral competition and accountability. In contrast, non-democratic leaders may prioritize elite coalitions and regime preservation.

The literature can therefore be grouped into several major streams. The first emphasizes institutions as fundamental determinants of economic development (Acemoglu et al., 2001, 2005). The second focuses on political selection and leadership characteristics (Besley, 2005; Barro, 2001). The third examines observable characteristics such as education and professional experience (Li et al., 2020; Potrafke, 2025). The fourth investigates individual leader effects on growth (Easterly & Pennings, 2025). Finally, the most recent stream integrates leadership and institutions, particularly through Shi's (2025) analysis of their joint effects on economic development.

Despite these advances, several gaps remain. Institutional and leadership research often remain separate, and there is limited systematic synthesis of the mechanisms through which institutions condition leadership effects. Leadership quality is also measured differently across studies, including education, professional experience, political experience, and individual value added, making direct comparison difficult.

Moreover, many studies focus on isolated causal relationships rather than integrating political selection, institutional quality, leadership capability, policy implementation, and economic growth into a comprehensive framework.

Based on the reviewed literature, the relationship can be conceptualized as an interactive system: Institutions → Political Selection → Leadership Quality → Policy Decisions → Economic Growth. At the same time: Leadership Quality → Institutional Implementation and Reform → Institutional Performance → Economic Growth. These relationships may also generate feedback effects: Economic and Political Outcomes → Distribution of Power → Institutional Change → Future Political Selection.

Overall, the literature demonstrates that institutions and leaders should not be analyzed as independent determinants. Institutions shape the environment in which leaders emerge and operate, while leaders influence how institutions function and evolve. Sustainable economic growth is therefore most likely when capable political leadership operates within effective institutional systems that support productive policies, accountability, investment, innovation, and long-term development.

METHODS

This study employs a qualitative systematic literature review (SLR) to examine the interplay between leadership and institutions and their joint role in driving economic growth. A systematic review enables the transparent and reproducible identification, evaluation, and synthesis of existing knowledge (Page et al., 2021), while the qualitative approach facilitates a deeper examination of mechanisms, contextual conditions, and interactions rather than estimating a single pooled effect size (Noyes et al., 2024).

The review aims to synthesize how previous studies conceptualize the relationship between leadership, institutions, and economic growth; identify relevant leadership characteristics and capabilities; examine how institutions influence political selection and leadership effectiveness; explore their joint mechanisms; compare effects across political contexts; and identify remaining research gaps. This perspective is consistent with Shi's (2025) argument that leadership experience produces different outcomes depending on institutional context.

The review follows the PRISMA 2020 framework to ensure transparency in literature identification, screening, eligibility assessment, and final inclusion (Page et al., 2021). The protocol documents the search strategy, databases, keywords, eligibility criteria, screening procedures, quality appraisal, and synthesis process, while qualitative evidence synthesis guidance is applied to examine contextual variation and explanatory mechanisms across political and institutional settings (Noyes et al., 2024).

The literature search covers major international academic databases across economics, political economy, political science, development studies, and leadership research. Search terms combine three domains: leadership, institutions, and economic growth, including political leadership, national leader, leadership capability, political selection, governance, democracy, economic growth, and economic performance. Boolean operators and iterative adjustments are used to capture alternative disciplinary terminology.

Studies are included when they examine political or national leadership and economic outcomes, investigate institutions or governance in relation to economic development, or provide theoretical or empirical evidence on leadership–institution interactions. Eligible sources include peer-reviewed journal articles, high-quality academic book chapters, and authoritative English-language scholarly publications with sufficient methodological and substantive information. Studies focusing solely on private-sector leadership, institutions without leadership mechanisms, or leadership without macroeconomic relevance are excluded, along with editorials, non-academic publications, duplicates, and inaccessible full texts.

The selection process consists of identification, title and abstract screening, full-text eligibility assessment, and final inclusion, with the overall process reported through a PRISMA 2020 flow diagram (Page et al., 2021). Methodological quality is assessed using flexible criteria emphasizing conceptual clarity, methodological rigor, data quality, credibility of empirical identification or analytical reasoning, and relevance to leadership, institutions, and economic growth. Both seminal and recent studies are considered to balance theoretical foundations and contemporary developments (Noyes et al., 2024).

A structured data extraction form records bibliographic information, research objectives, theoretical perspectives, research designs, leadership and institutional variables, economic outcomes, key findings, causal mechanisms, contextual conditions, limitations, and research implications. The evidence is analyzed through thematic synthesis, which is suitable for integrating heterogeneous studies across theoretical orientations, research designs, and institutional contexts (Thomas & Harden, 2008; Noyes et al., 2024). The analysis involves meaning-based coding, descriptive themes, and higher-order analytical themes.

The final analysis is guided by an integrated framework: Institutional Environment → Political Selection → Leadership Capability → Policy and Institutional Action → Economic Growth. A reciprocal relationship is also recognized, whereby leadership capability influences institutional implementation and reform, institutional quality, and future economic performance. This recursive perspective reflects how institutions shape leader selection and incentives, while leaders may strengthen, transform, or weaken institutions, with economic outcomes subsequently influencing political power and institutional change (Acemoglu et al., 2001, 2005, 2008; Besley, 2005; Shi, 2025).

Review rigor is strengthened through transparent documentation, multiple databases, predefined eligibility criteria, structured data extraction, and iterative thematic coding. The synthesis emphasizes theoretical coherence, methodological credibility, and explanatory relevance rather than merely the frequency of findings (Page et al., 2021; Noyes et al., 2024).

RESULTS

The relationship between political leadership, institutions, and economic growth has become an increasingly important topic in political economy and development economics. While traditional growth theories emphasize capital accumulation, technological progress, human capital, and productivity, institutional approaches argue that these processes are fundamentally shaped by political and economic rules governing incentives, property rights, political power, investment, innovation, and productive activity (Acemoglu et al., 2001, 2005).

Acemoglu et al. (2001) demonstrate that historically rooted institutional differences can generate persistent variations in economic development. Their colonial origins hypothesis suggests that colonial strategies produced either inclusive institutions that protected property rights and encouraged broad participation or extractive institutions that concentrated political and economic power. These institutional differences have consequently generated long-lasting effects on national prosperity. Acemoglu et al. (2005) further identify institutions as a fundamental cause of long-run growth because they influence incentives for investment, human capital accumulation, entrepreneurship, technological adoption, and efficient resource allocation.

However, institutions do not operate independently of political actors. Political leaders interpret institutional rules, make strategic decisions, appoint policymakers, allocate public resources, and may strengthen, weaken, or transform institutional arrangements. Consequently, leadership and institutions should be viewed as complementary rather than competing explanations of economic development. Institutions influence who obtains political authority, the incentives leaders face, and the constraints under which they operate, while leaders influence how institutions are implemented and transformed.

The relationship between institutions and economic growth is also closely associated with political power. Acemoglu et al. (2008) argue that powerful groups may preserve institutions that protect their interests, even when those arrangements reduce economic efficiency. Political power can therefore generate institutional persistence, while changes in the distribution of power may create opportunities for institutional transformation. Institutions should consequently be understood as dynamic outcomes shaped by political competition and changing power relationships.

Research on democracy further highlights the importance of institutional arrangements. Acemoglu et al. (2019) provide evidence that democracy has a positive causal effect on long-run economic growth through mechanisms associated with investment, education, economic reforms, and broader participation. Democratic institutions may therefore contribute to growth by promoting accountability, political inclusion, and policy adjustment. Nevertheless, institutions alone may not fully explain why countries with similar institutional structures experience different economic trajectories. The effectiveness of institutions may also depend on the quality of political leadership responsible for operating within them.

Research on political leadership challenges the assumption that national economic outcomes can be explained solely by structural variables. National leaders influence fiscal policy, trade liberalization, public investment, regulation, education, and institutional reform. Their capabilities, professional experiences, education, beliefs, and backgrounds may therefore affect economic performance.

Besley (2005) provides an important theoretical contribution through the concept of political selection. He argues that political institutions affect not only politicians' behavior after entering office but also the characteristics of individuals who seek and obtain political power. Political selection therefore represents a central mechanism linking institutions and leadership quality. Competitive political systems, accountability mechanisms, transparency, and political participation may increase the likelihood that competent and experienced individuals enter public office. Conversely, systems characterized by concentrated power may prioritize loyalty, elite connections, coercive capacity, or regime survival.

The importance of individual leaders has also been examined in the broader literature on leader effects. Easterly and Pennings (2025) estimate the idiosyncratic growth contributions of national leaders and find that most leaders cannot be reliably identified as having large positive or negative effects, although a relatively small number demonstrate substantial contributions. Their findings also show that average economic growth during a leader's tenure is not a reliable measure of that leader's actual performance because economic outcomes are affected by inherited conditions, external shocks, and institutional factors. Leadership effects must therefore be interpreted within their broader political and economic context.

Leadership capability can also be understood as a specialized form of human capital. Barro (2001) emphasizes that knowledge and skills contribute to productivity and long-term economic development. Applied to political leadership, education, professional experience, strategic knowledge, and problem-solving capabilities may influence the quality of policymaking. Political leaders must address complex issues involving fiscal management, investment, international relations, institutional reform, and economic crises. Diverse professional experience may therefore strengthen the capacity to manage complex policy environments.

Empirical research further suggests that observable leadership characteristics influence economic outcomes. Li et al. (2020) find that political leaders' educational attainment is associated with the speed of economic liberalization, particularly among leaders educated in economics, social sciences, and natural sciences. Similarly, Potrafke (2025) shows that politicians with business backgrounds can influence market-oriented reforms, public investment, infrastructure, and broader economic policies, although business experience may also create conflicts of interest.

These findings indicate that leadership quality is multidimensional. Education, occupational experience, managerial expertise, political experience, and exposure to diverse institutional environments may each contribute differently to leadership performance. A systematic review is therefore necessary to identify how different studies conceptualize leadership quality and which dimensions are most consistently associated with economic outcomes.

The most important development in the contemporary literature is the increasing recognition that leadership and institutions should be analyzed jointly. Institutions influence political selection, while leadership quality affects how institutions are implemented and transformed. Shi (2025) provides one of the clearest recent empirical formulations of this interaction.

Using a cross country panel dataset covering 135 countries between 1950 and 2010, Shi (2025) identifies two major stylized facts. First, national leaders in democracies possess more diverse pre tenure work experience than leaders in non-democratic systems. Second, leaders with more diverse work experience are associated with better economic performance in democracies but contribute more strongly to regime stability in non-democracies.

Shi (2025) measures leadership capability through the richness of experience in public sectors (REPS), which captures the diversity of relevant pre tenure work experience. This approach conceptualizes leadership experience as a form of general human capital that may improve political decision making and the management of complex policy environments. A particularly important contribution is the finding that the same leadership capability can produce different outcomes under different institutional regimes.

In democratic systems, experienced leaders may contribute more directly to economic performance because political accountability and electoral competition create incentives to pursue growth enhancing policies. In non-democratic systems, however, leadership capabilities may be directed more strongly toward maintaining political order and regime survival. Thus, institutional environments determine the channels through which leadership capabilities are translated into outcomes.

Shi (2025) strengthens these findings through instrumental variable strategies, regression discontinuity analysis based on close elections, quasi random leadership transitions, and an endogenous growth model incorporating political selection and institutional transitions. The study suggests that differences in political selection mechanisms and differences in the role played by leaders can contribute to persistent income gaps between democracies and non democracies.

Political selection is therefore a critical mechanism connecting institutions and leadership. According to Besley (2005), institutions influence the incentives and constraints faced by potential candidates, thereby affecting who seeks political office and who ultimately obtains power. Electoral systems, accountability mechanisms, political competition, party structures, and voter information may consequently influence the quality of selected leaders. Democratic institutions may thus contribute to economic performance not only through direct institutional mechanisms but also by influencing the characteristics of individuals selected into leadership positions.

The literature can broadly be organized into five interconnected research streams. The first emphasizes institutions as fundamental determinants of economic development (Acemoglu et al., 2001, 2005). The second focuses on political selection and the characteristics of political leaders (Besley, 2005). The third examines observable leadership capabilities, particularly education and professional experience (Barro, 2001; Li et al., 2020; Potrafke, 2025). The fourth investigates direct individual leader effects on economic growth (Easterly & Pennings, 2025). The fifth and most recent stream explicitly integrates leadership and institutions, particularly through Shi's (2025) analysis of their joint effects on economic development.

Taken together, the literature suggests that economic growth is generated through interconnected mechanisms. Institutions shape economic incentives and political selection; political selection influences leadership quality; leadership quality affects policy decisions and institutional implementation; and these decisions subsequently influence economic and political outcomes. These outcomes may then reinforce or transform existing institutional arrangements. The relationship between leadership and institutions is therefore dynamic and recursive rather than linear.

Despite significant advances, several gaps remain. First, institutional economics and leadership research have frequently developed as separate streams. Institutional studies commonly emphasize structural incentives, property rights, political power, and accountability, whereas leadership studies focus on individual characteristics such as education, experience, professional background, and personal capabilities. Although Shi (2025) provides an important integration, the broader literature remains fragmented.

Second, there is limited systematic synthesis concerning the mechanisms through which institutions condition leadership effects. Existing studies demonstrate that democracy, political competition, professional experience, and education matter, but the pathways linking these factors to economic growth remain dispersed across disciplines. Third, leadership quality is measured differently across studies, including education, occupational experience, political experience, managerial expertise, and leader-specific value added, making direct comparison difficult.

Based on the reviewed literature, the relationship between leadership, institutions, and economic growth can be conceptualized as an interactive system: Institutions → Political Selection → Leadership Quality → Policy Decisions → Economic Growth. At the same time, leadership can influence institutional development through: Leadership Quality → Institutional Implementation and Reform → Institutional Performance → Economic Growth. These processes may also generate feedback effects: Economic and Political Outcomes → Distribution of Power → Institutional Change → Future Political Selection.

Overall, the literature demonstrates that institutions and leaders should not be analyzed as independent determinants of economic development. Institutions shape the environment in which leaders emerge and operate, while leaders influence how institutions function, are implemented, and evolve. The accumulated evidence therefore supports the proposition that sustained economic growth is most likely when capable political leadership operates within effective institutional systems that promote accountability, productive policies, investment, innovation, and long-term development.

DISCUSSION

The qualitative systematic literature review indicates that the relationship between leadership, institutions, and economic growth is best understood as an interactive and mutually reinforcing system. Rather than acting as separate determinants, institutions shape the selection and incentives of political leaders, while leaders influence institutional implementation, reform, and adaptation. Economic growth consequently emerges from the interaction among institutional structures, leadership capabilities, policy decisions, and broader economic conditions.

The literature consistently identifies institutions as fundamental determinants of long-run economic development. Acemoglu et al. (2001) show that historically rooted institutional differences, particularly between inclusive and extractive systems, have persistent effects on contemporary economic outcomes. Acemoglu et al. (2005) further argue that institutions shape incentives for investment, innovation, human capital accumulation, and efficient resource allocation.

However, the review also shows that institutional quality alone cannot fully explain cross country differences in growth. Similar institutional arrangements may generate different outcomes because institutions depend on political actors for interpretation and implementation. Leaders influence fiscal priorities, public investment, regulation, economic reform, and responses to crises. Therefore, institutional effectiveness depends partly on the capabilities and incentives of those who govern.

Political selection emerges as a central mechanism linking institutions and leadership. Besley (2005) argues that political institutions influence not only the behavior of leaders after they enter office but also the characteristics of individuals who seek and obtain political power. Political competition, accountability, and transparency can therefore affect the quality and capabilities of political leaders.

This mechanism is supported by Shi (2025), who finds that national leaders in democratic systems tend to have more diverse pre tenure work experience than leaders in non democratic systems. Democratic institutions may therefore influence economic performance indirectly by increasing the likelihood that individuals with broader professional capabilities enter political leadership.

The review identifies leadership capability as an important but multidimensional factor. Education, professional experience, managerial competence, political experience, and cognitive capacity may influence leaders' ability to formulate and implement effective policies. Barro (2001) highlights the broader role of human capital in economic growth, while Li et al. (2020) show that leaders' education can accelerate economic liberalization.

Shi (2025) provides further evidence that diverse professional experience can improve leadership effectiveness. Leaders with richer work experience are associated with stronger economic performance in democratic settings. However, Easterly and Pennings (2025) caution that most national leaders do not demonstrate statistically identifiable individual effects on economic growth, emphasizing the importance of inherited economic conditions, global shocks, and institutional factors.

One of the most important findings is that institutions condition the effects of leadership capabilities. Shi (2025) shows that experienced leaders are associated with better economic outcomes in democracies but greater regime stability in non democracies. This suggests that the same leadership capability may generate different outcomes depending on institutional incentives and political objectives.

In democratic systems, electoral competition and accountability may encourage capable leaders to pursue policies supporting investment, employment, and economic growth. In non democratic systems, leadership capabilities may instead be directed toward maintaining elite coalitions, political order, and regime survival. Therefore, leadership quality alone does not determine economic performance; institutional context determines how leadership capabilities are translated into outcomes.

The literature also highlights the importance of democratic institutions. Acemoglu et al. (2019) find that democracy has a positive causal effect on long run economic growth through mechanisms including increased investment, educational expansion, and economic reform. Democracy may also strengthen the relationship between leadership capability and growth by creating competitive political selection and accountability mechanisms.

Nevertheless, democracy does not automatically guarantee effective leadership. Easterly and Pennings (2025) show that only a relatively small number of leaders have clearly identifiable effects on national growth. This suggests that institutional quality creates enabling conditions but does not eliminate differences in leadership competence or decision making.

The review further demonstrates that leadership effectiveness should not be measured exclusively by economic growth. Shi (2025) finds that experienced leaders in non democratic systems are more strongly associated with regime stability than economic performance. This distinction reveals that political systems shape leaders' incentives and definitions of success.

Where political survival depends on elections and public accountability, leaders may have stronger incentives to deliver economic results. Where political survival depends primarily on elite support or coercive capacity, leadership capabilities may be directed toward maintaining political stability. This explains why capable leadership can produce different outcomes across institutional environments.

The relationship between leadership and institutions is also dynamic. Institutions influence political selection and leadership behavior, but leaders can strengthen, reform, weaken, or replace institutions. Acemoglu et al. (2008) emphasize the role of political power in institutional persistence, while Acemoglu et al. (2011) show that changes in political power can create institutional transitions.

Economic outcomes can subsequently influence political legitimacy, power distribution, and future institutional development. The relationship can therefore be represented as a feedback system: Institutions → Political Selection → Leadership Capability → Policy and Institutional Action → Economic Growth. At the same time: Leadership → Institutional Reform and Implementation → Institutional Quality → Future Political Selection and Economic Performance.

The findings indicate that neither institutions nor leadership alone provides a sufficient explanation for economic growth. Institutions establish the incentives, constraints, and political selection mechanisms within which leaders operate, while leaders influence policy implementation and institutional evolution. The most effective pathway to sustained growth is therefore likely to occur when capable leaders operate within accountable and adaptive institutional systems.

Overall, the review supports an integrated perspective in which political selection, leadership capability, institutional quality, accountability, policy implementation, and institutional transformation form interconnected mechanisms of economic development. Sustainable economic growth is consequently best understood as the outcome of the dynamic and reciprocal interaction between effective institutions and capable leadership.

CONCLUSION

This qualitative systematic literature review examined the interplay between leadership and institutions in driving economic growth. The findings indicate that economic development cannot be explained by institutions or individual leaders alone; rather, national economic outcomes emerge from their interaction.

Institutions provide the political and economic framework governing incentives, property rights, accountability, political power, investment, and innovation (Acemoglu et al., 2001, 2005). They also shape political selection by influencing who gains access to leadership positions and the incentives leaders face in office (Besley, 2005). Thus, institutional environments affect both leadership characteristics and the extent to which leadership capabilities can generate economic benefits.

Leadership attributes such as professional experience, knowledge, education, managerial competence, and political experience may influence economic performance, but their effects depend strongly on institutional context. Shi (2025) finds that experienced leaders are associated with stronger economic performance in democratic systems, while in non-democratic systems they are more closely linked to regime stability. Democratic institutions may further enhance the economic benefits of capable leadership through accountability, competition, and responsive governance (Acemoglu et al., 2019). However, democracy does not automatically ensure effective leadership, as economic outcomes are also influenced by inherited conditions, global shocks, technological change, and institutional factors (Easterly & Pennings, 2025).

Likewise, concentrated political power does not necessarily promote development. Rizio and Skali (2020) show that autocratic leadership does not systematically produce superior economic growth and may generate harmful economic outcomes. Leadership authority without institutional accountability can therefore strengthen decision-making capacity without guaranteeing broad-based development. Overall, the relationship can be summarized as: Institutions → Political Selection → Leadership Capability → Policy and Institutional Action → Economic Growth, while Leadership → Institutional Implementation and Reform → Institutional Quality → Future Political Selection and Economic Performance.

The central conclusion is that the economic value of leadership is institutionally conditional. Capable leaders are more likely to promote sustained growth when operating within accountable institutions that encourage investment, innovation, and long-term development. Conversely, institutional incentives may direct leaders toward political survival or regime stability rather than economic progress. Future research should therefore examine how leadership and institutions interact and co-evolve in explaining differences in economic development across countries.

LIMITATION

Despite its theoretical and practical contributions, this qualitative systematic literature review has several limitations. First, the findings are constrained by database coverage, search strategies, keywords, publication types, and language criteria. Relevant studies may have been excluded because of indexing limitations, language restrictions, or differences in terminology; therefore, the review represents identified literature rather than the entire body of global research.

Second, conceptual and methodological heterogeneity limits direct comparison across studies. Leadership and institutions are measured using diverse indicators, while differences in datasets, periods, methodologies, and causal identification strategies may contribute to variations in findings. Developing universally applicable measures and models therefore remains challenging. Third, identifying the independent causal effect of leadership on economic growth is difficult because economic outcomes are also shaped by global conditions, technological change, conflicts, commodity prices, financial crises, demographic transitions, and inherited structures. As Easterly and Pennings (2025) emphasize, economic performance during a leader's tenure cannot automatically be attributed to that individual.

Fourth, the review focuses primarily on national political leadership and formal institutions, with limited attention to subnational, bureaucratic, business, and civil society leadership, as well as informal institutions and cultural norms. Future research should examine leadership institution interactions across regional, organizational, and sectoral contexts. Finally, leadership effects vary across economic and political contexts, while the reciprocal relationship between leadership and institutions is difficult to capture through static frameworks. Future studies should employ longitudinal, mixed-method, and comparative approaches to better explain how leadership and institutions jointly support sustainable and inclusive economic growth.

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