

THE IMPACT OF POLITICAL INSTITUTIONS ON ECONOMIC GROWTH IN UKRAINE'S UNSTABLE MACROECONOMIC ENVIRONMENT

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Abstract

The article examines the impact of political institutions on economic growth in an unstable macroeconomic environment, with a focus on a comparative analysis of Ukraine and Switzerland. The theoretical basis of the study is institutional economics, endogenous growth models, and political-economic concepts that allow us to identify the mechanisms of transformation of institutional characteristics into macroeconomic results. Based on the Worldwide Governance Indicators and macroeconomic series, estimates of the dynamics of institutional quality, investment activity and their impact on growth rates are constructed. The study reveals significant structural differences between countries characterised by high institutional stability and states with increased political and economic volatility. A comparison of Ukraine and Switzerland reveals a deep institutional gap, which manifests itself in the level of corruption control, the predictability of regulatory policy, and the state's ability to ensure the sustainability of economic incentives.

The empirical part of the study is supplemented by the testing of a simplified endogenous growth model, which makes it possible to demonstrate the quantitative impact of institutional quality and the investment channel on Ukraine's economic dynamics. The calculations show that improving institutional parameters can significantly strengthen investment processes and mitigate the negative effects of macroeconomic instability. As a result, the key assumption that effective political institutions are a critical factor in ensuring long-term economic growth is substantiated. Based on the results, recommendations are formulated for improving Ukraine's institutional capacity using elements of successful practices of developed democracies.

Keywords Political institutions, economic growth, institutional quality, endogenous model, investment channel, macroeconomic instability, comparative analysis.

INTRODUCTION

The consideration of the impact of political institutions on economic growth occupies a central place in contemporary political economy and institutional theory. Scientific literature is paying increasing attention to how the quality of political institutions, their stability, consistency, and ability to ensure the predictability of economic policy shape the conditions for long-term development. This issue is particularly important in an unstable macroeconomic environment, when political and economic uncertainty increase risks for economic agents, reduce investment activity, slow down innovation processes and can provoke structural imbalances in the national economy.

In unstable economic systems, the importance of political institutions increases, as they perform the function of coordinating interaction between the state, business and society, forming the framework for decision-making. Uncertainty in the political sphere — frequent changes of government, conflicts among political elites, weak accountability mechanisms, corruption risks, military or socio-political crises — can significantly alter the dynamics of economic growth and influence its trajectory.

MATERIALS AND METHODS

This study employs a mixed-methods approach to investigate the impact of political institutions on economic growth in Ukraine's unstable macroeconomic environment from 2000 to 2023. Quantitative analysis is based on secondary data obtained from the World Bank, IMF, and the State Statistics Service of Ukraine, covering key economic indicators such as GDP growth, inflation, investment rates, and institutional quality measures. Political stability, government effectiveness, and rule of law indices were used as proxies for institutional performance. The data were processed using econometric modeling, including multiple regression and vector autoregression (VAR), to identify causal relationships between institutional variables and macroeconomic outcomes. Additionally, qualitative analysis was conducted through content analysis of policy documents, expert reports, and academic literature to contextualize the statistical results and interpret structural factors influencing policy effectiveness.

In this context, it is important to study how contemporary theoretical models describe economic growth in conditions of institutional and macroeconomic instability, as well as to establish the degree of correlation between institutional changes and key macroeconomic indicators. Analysing the relationship between the quality of political institutions and economic dynamics makes it possible to deepen our understanding of the mechanisms of sustainable economic development, identify factors that strengthen or weaken economic stability, and identify the conditions under which institutional reforms have the greatest effect.

Ukraine is a prime example of a country with a high level of political volatility and dynamic institutional transformations. The combination of external threats, internal reforms, periodic political crises and martial law creates a unique macro environment in which the issue of the impact of political institutions on economic growth is particularly relevant. That is why a comprehensive analysis of the institutional mechanisms that shape Ukraine's economic development trajectory not only deepens the theoretical foundations of political economy but also provides practical recommendations for the formation of effective public policy in a period of heightened risk and uncertainty.

The aim of the study is to scientifically substantiate the impact of political institutions on the dynamics of economic growth in an unstable macroenvironment by analysing theoretical approaches, assessing institutional characteristics and identifying the mechanisms through which political uncertainty is transformed into changes in macroeconomic indicators. An additional objective is to identify the characteristics of this impact using Ukraine as an example, as a country with a high level of political volatility.

The research hypothesis is that the quality of political institutions is a critical factor in ensuring sustainable economic growth in an unstable macroeconomic environment, namely:

- highly effective and accountable political institutions mitigate the negative effects of macroeconomic volatility;
- the stability of political decisions, the transparency of public authorities and the consistency of economic policy correlate positively with investment activity, productivity and economic growth rates;
- in countries with unstable political institutions, particularly in Ukraine, the scale and strength of the impact of political uncertainty on economic dynamics are greater than in stable political systems;
- institutional reforms aimed at increasing transparency, strengthening the rule of law and reducing corruption can offset some of the negative effects of an unstable macro environment and lay the groundwork for long-term growth.

EASE OF USE

The issue of the relationship between political institutions and economic growth has a long research tradition and covers a wide range of theoretical and empirical approaches. As Solaymani S. notes, scientific concepts of political institutionalism form the basis for understanding how institutions, rules and political architecture determine the economic behaviour of agents and the trajectory of national economic development [1].

In the works of O. Bashtannik, political institutions are viewed as formal and informal rules that structure the interaction of economic actors and ensure the predictability of economic activity. O. Bashtannik emphasises that institutional changes are a key factor in long-term economic development, while weak and unstable institutions generate uncertainty and reduce economic productivity [2].

Contemporary institutionalists, in particular D. Acemoglu and J. Robinson, focus on the division of political institutions into inclusive and extractive ones, which determine the quality of economic incentives and the level of freedom of choice for economic agents. The authors argue that inclusive political institutions promote economic growth because they ensure the protection of property rights, equal access to resources, and an effective mechanism for holding the authorities accountable. Extractive institutions, on the other hand, create conditions for the concentration of political power and resources in the hands of a narrow elite, which limits opportunities for development [3].

J. Nelson's research emphasises that political institutions determine a state's ability to adapt its economic policy to external shocks and play a key role in creating stable conditions during periods of macroeconomic instability. According to the author, it is institutional quality, rather than individual economic policy instruments, that explains the difference in growth rates between countries [4].

Research within the framework of endogenous growth theory has also made an important contribution to understanding the relationship between political institutions and economic dynamics. This work demonstrates that the institutional environment can influence innovation activity, human capital accumulation and the development of the technology sector, and thus directly determine the trajectory of economic development [5].

A separate area of analytical work is devoted to assessing institutional quality using international indicators such as the Worldwide Governance Indicators, Varieties of Democracy, Index of Economic Freedom, etc. These indices make it possible to empirically test the impact of political stability, corruption risks, government effectiveness and the rule of law on economic growth. The results of numerous comparative studies show a strong positive correlation between high-quality political institutions and long-term GDP growth rates [6].

In an unstable macroeconomic environment, studies focus on determining how political uncertainty, frequent changes in political regimes, regulatory unpredictability, and external shocks affect economic dynamics. According to empirical models, political volatility tends to increase macroeconomic instability, reduce investment activity, and limit the state's ability to pursue effective structural policies [7].

Ukraine occupies a special place in contemporary research on institutional economics and political dynamics, as it is an example of a state with a high level of institutional transformation, permanent political crises, and external threats. Scientific works devoted to the Ukrainian case emphasise that it was the weakness of certain political institutions that contributed to increased macroeconomic volatility and a slowdown in economic growth. At the same time, the implementation of institutional reforms — particularly in the areas of anti-corruption policy, judicial reform and decentralisation — demonstrates the potential for stabilising economic dynamics even in conditions of martial law [8].

Summarising the results of the literature review, it can be argued that there is a scientific consensus on the decisive influence of political institutions on economic growth, especially in periods of heightened uncertainty. Despite different theoretical approaches, most researchers emphasise the key role of political stability, the rule of law, accountability of authorities and effective public administration in creating sustainable conditions for economic development.

PRESENTATION OF THE MAIN MATERIAL.

Political institutions shape the framework within which economic processes take place, determining the scale of transaction costs, the predictability of public policy, the protection of property rights, and the investment attractiveness of the economy. In an unstable macroenvironment, the role of political institutions increases significantly, as they determine the state's ability to ensure macroeconomic balance, manage risks and neutralise external and internal shocks.

Institutional quality is considered by modern economic science to be a fundamental factor in the formation of sustainable economic growth, as it is political and legal institutions that determine the level of predictability of economic activity, the scale of transaction costs and the efficiency of resource allocation. High-quality institutions ensure the protection of property rights, the stability of regulatory policy, the transparency of public administration and effective mechanisms of accountability of the authorities, which creates favourable conditions for investment, innovation and productivity growth. Conversely, weak or unstable institutions generate uncertainty, increase corruption risks and encourage short-term behaviour by economic agents, which has a negative impact on the trajectory of economic development. Thus, institutional quality is a systemic determinant of economic dynamics, defining the growth potential of the national economy and its ability to adapt to external and internal challenges.

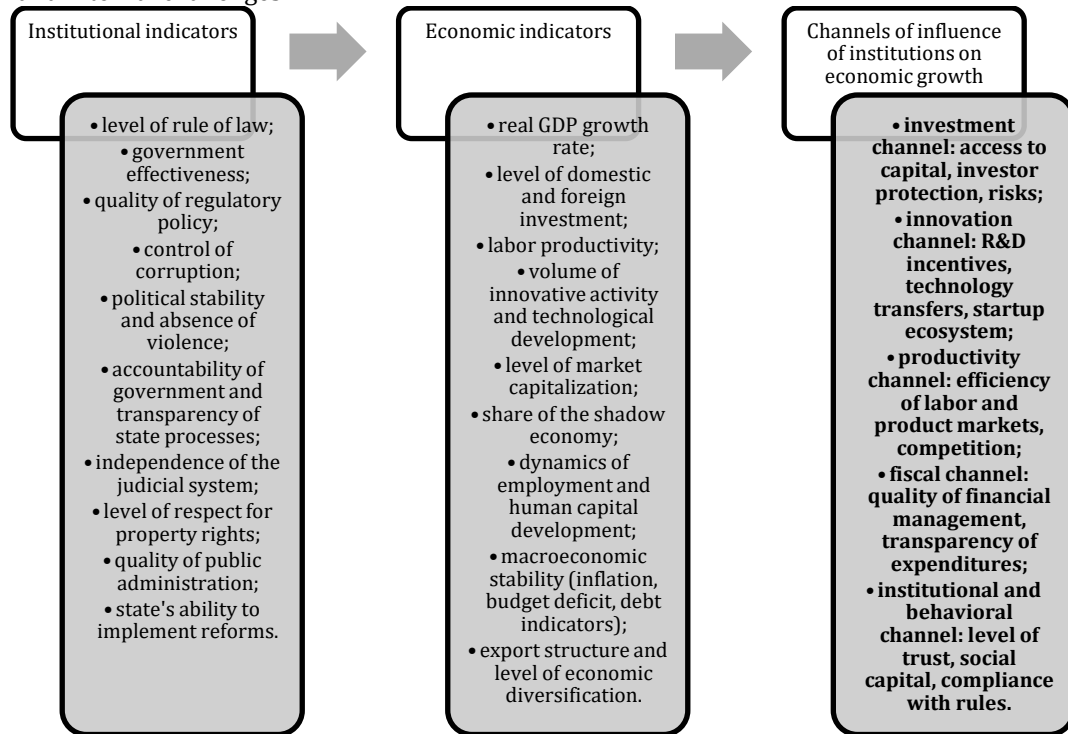


Figure. 1. Institutional indicators that shape economic growth

Fig. 1 demonstrates that institutional quality is a key systemic factor in economic growth, as it determines the predictability of economic decisions, the stability of the regulatory environment, and the effectiveness of public policy mechanisms. A summary of the indicators presented shows that a high level of rule of law, transparency and accountability of authorities, quality public administration and protection of property rights create favourable conditions for investment activity, innovative development and productivity growth. At the same time, weak institutions, corruption risks and regulatory instability exacerbate economic imbalances, increase transaction costs and hinder the realisation of long-term growth potential. Thus, the figure confirms the existence of a strong link between the quality of political institutions and economic dynamics, emphasising the need for consistent institutional reforms to ensure sustainable and predictable economic development.

Political institutions determine the nature of economic dynamics through a number of mechanisms that shape the conditions for decision-making by economic agents, structure

the interaction between the state and the private sector, and ensure the consistency of macroeconomic policy.

The main mechanisms of influence of political institutions are:

1. Legal stability and property protection. Strong institutions provide legal protection for private property, stimulating investment (Switzerland, Germany).
2. Government and bureaucratic efficiency. Institutions influence the efficiency of public administration and the tax system, while excessive bureaucracy or corruption reduce productivity.
3. Political stability and predictability. Stable democracies stimulate economic activity, while frequent coups slow down development.
4. The impact of institutions on resource allocation. Inclusive political systems promote sustainable development, while extractive regimes promote short-term growth and long-term stagnation.
5. Policy and innovation. Institutions set the rules for the labour market, science funding, and intellectual property protection.
6. Mechanism through macroeconomic policy. Institutions determine budgetary, tax, and monetary policy.

The above provisions determine the trajectory of economic development by ensuring legal stability, effective public administration, political predictability, fair distribution of resources, support for innovation, and the formation of balanced macroeconomic policy.

Modern economic theory has developed a number of analytical models that conceptualise the mechanisms of influence of political institutions on economic dynamics and allow for quantitative or qualitative assessment of this influence. The main ones are institutional, innovative, political-economic and macroeconomic models that reflect various aspects of the interaction between the political system and the economy.

•1. Model of inclusive and extractive institutions (Aydemir-Robinson)

- Institutions are divided into inclusive and extractive.
- Economic growth is possible with inclusive political institutions that support innovation, competition, and long-term planning.
- Extractive institutions ensure short-term growth but lead to structural stagnation and increased sensitivity of the economy to political shocks.

2. State capacity model

- A distinction is made between administrative capacity, fiscal capacity, and coercive capacity.
- High government capacity enables effective implementation of economic policy, enforcement of laws, maintenance of public goods, and control of corruption.
- Weak state capacity creates regulatory instability, weakens economic growth, and contributes to the shadow economy..

3. Political business cycle model (Nordhaus, Hibbs)

- Political institutions influence the economy by manipulating macroeconomic instruments during elections.
- In systems with low institutional transparency, governments may artificially stimulate economic activity before elections, which subsequently leads to inflation, debt imbalances, and slower growth.
- In stable institutional systems, such cycles are minimized thanks to the independence of the central bank and clear budgetary rules.

4. The endogenous growth model (Romer–Lucas) in the context of institutions

- The main focus is on the impact of institutions on human capital accumulation, innovation, technological progress, and economies of scale in production.
- High-quality political institutions create incentives for investment in education, research, and innovation, which ensures sustainable long-term growth.
- Unstable or corrupt institutions reduce the return on investment in human capital and slow down technological progress.

5. Property Rights and Productivity Model

- Based on the works of Besley, Glaeser, and North.
- A high level of property rights protection reduces transaction costs, encourages capital investment, and increases productivity.
- Weak political institutions increase the risk of expropriation, which reduces investment activity and, accordingly, growth rates.

6. Models of political economy of development (Rodrik, Persson, Tabellini)

- Institutional parameters — judicial independence, quality of public administration, policy transparency — directly affect the economy's ability to respond to external shocks.
- In an unstable macroeconomic environment, the following rule applies: better institutions → lower volatility → more stable growth rates.
- Low-quality institutions amplify cyclical fluctuations and increase the likelihood of crisis scenarios.

7. The institutional poverty trap model

- Countries with weak institutions fall into a self-perpetuating cycle of low trust, corruption, and low investment potential.
- Institutional reforms are key to overcoming the trap and transitioning to an inclusive growth model.

Figure. 2. Existing models that consider the influence of political institutions on economic growth

Summarising the approaches presented, specific economic and political-institutional models demonstrate that the quality of political institutions systematically determines the trajectory of economic growth through its impact on investment, innovation, productivity, macroeconomic policy and the state's ability to ensure stability and development.

Formalising the relationship between political institutions and economic growth involves the use of economic and mathematical models that allow for a quantitative assessment of the impact of institutional factors on the dynamics of key macroeconomic indicators. The most common approaches are multivariate regression models, simultaneous equation systems, and dynamic equilibrium models, in which political indicators are treated as endogenous or exogenous variables that shape the conditions for macroeconomic behaviour.

The simplest form of interaction can be presented as a modification of the endogenous growth model:

$$Y_t = f(K_t, L_t, HC_t, T_t, I_t) \quad (1),$$

where

Y_t — real GDP,

K_t — physical capital,

L_t — labour force,

HC_t — human capital,

T_t — technological level,

I_t — institutional quality.

In partial linear form, the relationship can be represented by a regression equation:

$$g_t = a_0 + a_1 I_t + a_2 \text{Inv}_t + a_3 HC_t + a_4 T_t + e_t \quad (2)$$

where

g_t — economic growth rate,

I_t — index of political institutions (WGI, CPI, Rule of Law Index),

Inv_t — investments,

e_t — model error.

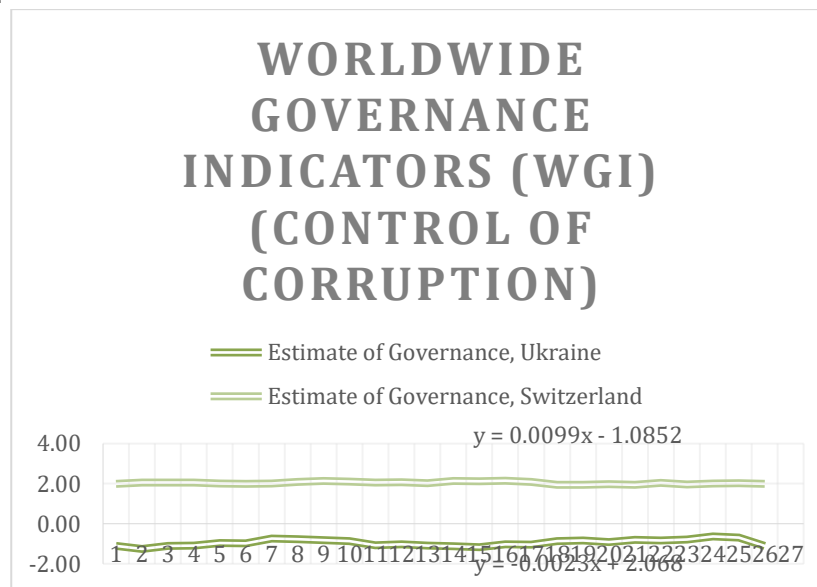


Figure 3. Basic aggregate assessment of the WGI indicator, measured on a scale for Ukraine and Switzerland over a time range [9]

Fig. 3 shows that Switzerland is consistently in the range of +1.9...+2.2, which corresponds to the top 2% of countries in the world in terms of institutional quality, while Ukraine is in the range of -1.15...-0.8, which corresponds to the 25–30th percentile of the world ranking, i.e. the lower average level.

The dynamics of the Control of Corruption indicator show a significant difference in the trajectories of institutional development in Ukraine and Switzerland. For Switzerland, the indicator values remain consistently high throughout the period — close to +2.0 with minimal fluctuations, which indicates the stability of the anti-corruption infrastructure, high quality of public administration, and the absence of systemic political turmoil. The trend line with an almost zero negative slope reflects a statistically insignificant decline that does not change the overall characteristics of institutional maturity and predictability of the political system. In contrast, Ukraine shows low starting values for the indicator (around -1.1), numerous cyclical fluctuations and periods of deterioration, which correlate with political crises and changes in power configurations. Some improvement after 2014 is due to the launch of specialised anti-corruption institutions, increased transparency and reforms in public administration, but the overall result remains unstable.

A comparison of the two countries reveals a persistent and significant institutional gap between Ukraine and Switzerland throughout the observation period. Switzerland consistently ranks among the countries with the highest level of corruption control, which creates favourable conditions for innovation, long-term investment and the effective functioning of markets. Ukraine, on the other hand, remains in the group of countries with high institutional risk, where corruption reduces the quality of public policy, restricts investment flows and deepens macroeconomic volatility. The positive but weak upward trend in Ukrainian data indicates gradual structural changes, but their intensity is insufficient to overcome the existing institutional gap and achieve the level of stable democracies.

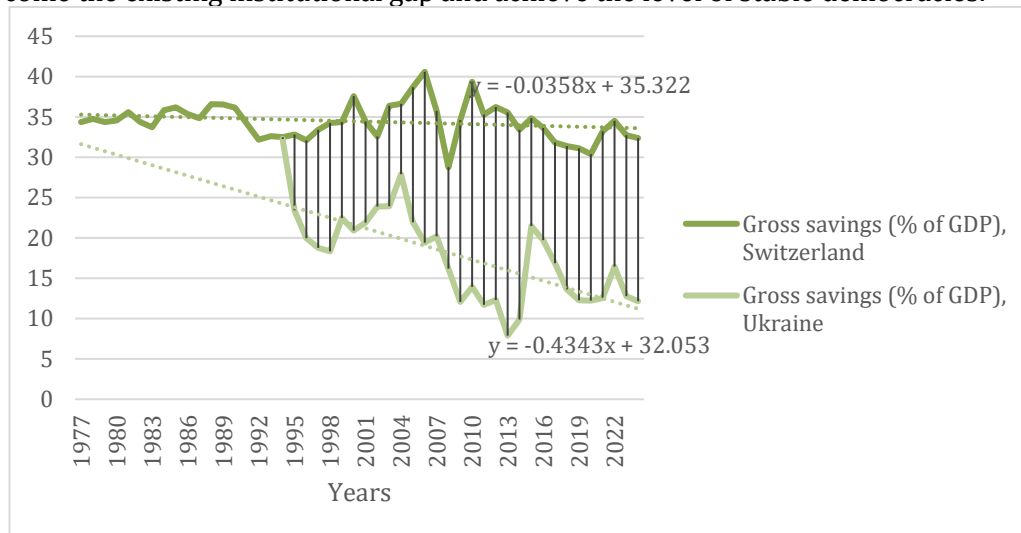


Figure 4. Comparative dynamics of gross national savings (% of GDP) for Switzerland and Ukraine over time

Fig. 4 shows a significant difference in the long-term dynamics of national savings accumulation between Switzerland and Ukraine [9].

Throughout almost the entire period, Switzerland has maintained a high level of gross savings (around 33–37% of GDP) with minor fluctuations and a moderate downward trend. The linear trend indicates a slow decline, but the change over 40+ years is statistically minimal. This confirms that the Swiss economy is characterised by a stable ability to generate internal financial resources.

Ukraine is experiencing a sharp downward trend, which means a systematic decline in the level of national savings. Starting from relatively high values in the 1990s, the graph shows a sharp drop to 8–15% of GDP in 2010–2020. The fluctuations are high in amplitude and correlate significantly with economic crises, changes in political regime, external shocks and wars. Unlike Switzerland, Ukraine's economy is unable to consistently generate savings at a level sufficient for long-term investment and self-financing of development.

A comparative analysis of the Control of Corruption (WGI) indicator and the dynamics of gross savings (% of GDP) for Ukraine and Switzerland shows a persistent institutional and economic gap between the countries that has remained unchanged over a long period. Switzerland is characterised by consistently high levels of corruption control and a relatively steady savings trajectory, indicating established institutional capacity, low transaction costs and a predictable economic environment. In Ukraine, on the contrary, there are prolonged cyclical fluctuations in institutional quality with a predominance of low indicator values, which creates permanent risks for economic decisions and exacerbates macroeconomic volatility. At the same time, the dynamics of gross savings demonstrate structural instability caused by both internal political changes and external shocks, which limits investment potential and reduces opportunities for capital accumulation.

Interpreting these empirical observations through the prism of the endogenous economic growth model allows us to conclude that uneven institutional development directly correlates with differences in the ability of national economies to generate long-term growth. According to the theoretical construction of the endogenous growth model (formula 1), institutional quality is a key variable that determines the efficiency of physical and human capital accumulation, the scale of investment, and the intensity of technological renewal. In Ukraine, the limited effectiveness of the institutional environment leads to increased transaction costs and reduces the return on investment, while in Switzerland, high standards of governance create a favourable basis for sustainable development. Thus, the results confirm the key role of political institutions as determinants of economic growth and emphasise the need to deepen institutional reforms in order to create stable and competitive economic dynamics.

Based on a comparison of the institutional characteristics and macroeconomic indicators of Ukraine and Switzerland, it is advisable to develop a set of recommendations aimed at strengthening the institutional architecture, increasing economic stability and creating the preconditions for long-term growth. The experience of Switzerland, a country with some of the world's highest scores for corruption control, governance and savings, shows that economic performance is a direct reflection of the quality of political and administrative mechanisms.

1. Institutional strengthening and anti-corruption	1.Strengthening the independence of anti-corruption bodies. Switzerland demonstrates a high level of institutional autonomy of regulatory bodies, which ensures their resistance to political pressure. For Ukraine, it is crucial to prevent the politicization of NABU, NACP, and SAP, as well as to ensure stable funding for these institutions. 2.Expanding judicial reform. Switzerland's high rule of law indicators confirm that an effective judicial mechanism is central to investor confidence. Ukraine needs to complete the reform of the High Qualification Commission of Judges, ensure integrity rotation, and create an effective system for monitoring judges' behavioral standards. 3.Reducing regulatory uncertainty. Countries with high-quality institutions (such as Switzerland) maintain stable rules, which significantly reduces transaction costs. Ukraine should minimize manual regulation, systematically assess the impact of regulatory acts, and maintain the predictability of fiscal and tax decisions.
2. Increasing the level of national savings and investment	1.Formation of long-term financial instruments. High gross national savings in Switzerland indicate an effective savings infrastructure. Ukraine needs to promote the development of non-state pension funds, investment funds, and the market for fixed-income instruments. 2.Modernization of the domestic financial market. Deepening the capital market, reducing institutional risks, and integrating with the EU Capital Markets Union can ensure more stable investment flows. 3.Increasing confidence in the banking system. The Swiss model provides for a high level of financial discipline and control, which ensures the stability of the deposit base. Ukraine should continue to improve its deposit guarantee system, minimize problem assets, and introduce modern risk management mechanisms.
3. Development of human capital and technological capabilities	1.Strategic investment in science and education. Switzerland's experience confirms that investment in fundamental research, innovation, and STEM education has a decisive impact on technological competitiveness. Ukraine needs to ensure stable funding for research institutes, stimulate scientific grants, and promote inter-university programs. 2.Support for innovative ecosystems. To achieve sustainable growth, it is necessary to expand the network of innovation parks, technoparks, and technology transfer centers. 3.Strengthening intellectual property policy. Developed mechanisms for the protection of intellectual property rights are one of the key factors driving innovation in Switzerland. Ukraine needs to strengthen institutional protection of patent rights, shorten registration procedures, and ensure effective sanctions for violations.
4. Macroeconomic stability and predictability of public policy	1.Introduction of clear budgetary rules. Switzerland uses a "debt brake" system that limits structural deficits and stabilizes public finances. Ukraine would benefit from adapting similar fiscal frameworks to reduce cyclical fluctuations. 2.Increasing transparency of expenditures. Effective control institutions in Switzerland reduce administrative costs and prevent corruption-related losses. Ukraine should expand the analytical modules of ProZorro, strengthen the audit of state-owned enterprises, and minimize quasi-fiscal risks. 3.Promoting long-term investment in the real sector. Macroeconomic policy stability is a prerequisite for the development of manufacturing, export industries, and technology clusters.
5. Building high institutional trust	1.Improving the quality of public services through digitalization, reducing bureaucratic burdens, and streamlining administrative procedures. 2.Expanding citizen participation in policy-making, which reduces the risks of institutional instability and political upheaval. 3.Supporting independent media and transparency of information, which are the foundation of public trust.

Figure. 5. Recommendations for improving Ukraine's institutional stability and economic dynamics

A comparative analysis of institutional and macroeconomic indicators in Ukraine and Switzerland reveals significant structural differences that determine the quality of economic dynamics in these countries. Switzerland is characterised by a stable institutional architecture, high scores on indicators of corruption control, governance effectiveness, rule of law and regulatory predictability. These parameters create an environment of low volatility, high trust and a stable investment climate. Ukraine, on the other hand, has consistently low institutional ratings, significant year-on-year fluctuations in indicators and increased sensitivity to political shocks. These differences affect the mechanisms of economic policy formation, the degree of its coherence and its ability to ensure long-term economic stability.

An examination of the investment channel confirms that institutional quality significantly determines the scale and structure of investment activity. In Switzerland, stable political institutions ensure high levels of capital investment, the development of domestic innovation sectors and steady capital inflows, even in the face of cyclical fluctuations in global markets. In Ukraine, however, low institutional quality increases investment risks, which is reflected in uneven foreign direct investment dynamics and slow accumulation of fixed capital. This dependence indicates that institutional reforms are critical to increasing Ukraine's attractiveness to investors, stimulating domestic capital investment, and transitioning to a more sustainable model of economic growth.

Ensuring long-term economic growth in the context of post-war transformation is impossible without the systematic implementation of environmental initiatives into development strategies. In the scientific articles feasibility of applying circular economy strategies as a foundation for environmental management in Ukraine's recovery process is substantiated [10]. The transition from a linear model to closed-loop resource cycles makes it possible to minimize environmental losses, improve resource efficiency, and create additional economic value, thereby forming the basis for sustainable growth.

At the same time, it is important to focus on strong market players that have already integrated the principles of sustainable development and resource efficiency into their business models. Such actors can serve as drivers of green recovery, setting standards for responsible production and generating new competitive advantages. The consolidation of efforts by the state, business, and international partners in this direction will facilitate the transition to a more resilient and competitive economic system.

In general, economic dynamics can be appropriately interpreted through graphical models that reflect the trajectory of national development. In this context, Ukraine's economic movement may be characterized as spiral-shaped, driven by active monetary policy, the strengthening of entrepreneurial activity, and the gradual expansion of the innovation capacity of the business environment. Such a model reflects cyclical development combined with qualitative growth at progressively higher levels of economic advancement.

At the same time, Switzerland's economic model is based on institutional stability, high-quality governance, and predictable regulatory policy, which ensure a steady and sustainable development trajectory. However, innovation processes within such a system tend to be evolutionary in nature, developing within a mature economy with already established structural advantages.

CONCLUSIONS

The study confirmed that the quality of political institutions is a key determinant of economic dynamics in an unstable macro environment, namely, the factor that determines the economy's ability to form predictable expectations, accumulate investments, and ensure the productive use of resources. Empirical indicators show that countries with stable institutional structures demonstrate significantly lower macroeconomic volatility, higher resilience to external shocks, and more predictable development trajectories.

A comparison of Ukraine and Switzerland revealed profound structural differences in terms of institutional quality, level of trust in the state, regulatory system effectiveness, and investment activity. Switzerland consistently maintains institutional indicators in the upper percentiles of the global distribution, which ensures a high level of economic capitalisation, innovative activity, and low volatility of macroeconomic parameters. Ukraine, on the other hand, is characterised by prolonged institutional instability, which leads to increased risks for economic agents, cyclical investment flows and uneven economic growth. The contrast between the countries confirms the disparities in the ability of political systems to ensure the predictability and stability of economic processes.

An analysis of the investment channel has shown that in Ukraine, the link between institutional quality, capital inflows and growth is particularly pronounced: even a moderate improvement in institutional indicators is accompanied by an increase in investment in fixed capital and an increase in net foreign direct investment inflows, while a deterioration in political stability quickly translates into capital outflows. In Switzerland, the investment channel plays a stabilising rather than a decisive role, due to high trust in institutions and a mature financial market structure.

A quantitative example based on a modified endogenous growth model showed that the institutional variable has a statistically and economically significant impact on growth rates in a country where political uncertainty is high. For Ukraine, even under conservative parameterisation, the model demonstrates the sensitivity of growth rates to changes in the rule of law and public administration efficiency indicators, which is consistent with the theoretical provisions of endogenous growth and institutional economics.

Thus, the results of the study confirm the formulated hypothesis and show that institutional quality is a system-forming factor that determines the economy's ability to adapt to an unstable macro environment and form a long-term growth trajectory. The consistent strengthening of political institutions, increased transparency, reduced corruption risks and support for economic policy stability are necessary prerequisites for Ukraine's transition to a model of sustainable, investment-oriented and innovative development.

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