

# **Links between democracy and economy/quality of life**

Evidence from European sources

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# Relevant sources

- Literature reviews + theory
  - McKay & Vizard (2005)
  - Sano & Marslev (2016)
- Empirical evidence
  - Blume & Voigt (2007)
  - **Koob, Jørgensen, Sano (2017)**
- INEKO public opinion poll, 2016-17
- Data on economic growth, demography and poverty indicators in the EU

# Lee thesis

- Named after Lee Kuan Yew, who was the first prime minister of Singapore in 1959-1990
- Thesis:
  - There is a trade-off between human rights and economic growth
  - Denying political and civil rights is acceptable if it promotes economic development and the general wealth of the population
- Is it true?
- Is it a case of current expansion of China?

# McKay & Vizard

- Title: Rights and Economic Growth: Inevitable Conflict or 'Common Ground'?
- Authors: McKay, A. & Vizard, P.
- Overseas Development Institute (UK based think-tank), 2005
- Conclusion: Rights and economic growth might be mutually complementary
- Further research needed

# Sano & Marslev

- Title: The Economy of Human Rights. Exploring Potential Linkages between Human Rights and Economic Development.
- Authors: Marslev, K. & Sano, H-O.
- Danish Institute for Human Rights, 2016
- Key question: Human rights are the right thing to do in normative terms, but are they also the smart thing to do in economic terms?
- Conclusions: Reduced inequality, human development, effective institutions and governance, and absence of conflict and instability can spur economic growth

# Blume & Voigt

- Title: The Economic Effects of Human Rights
- Authors from Germany: Lorenz Blume, Stefan Voigt
- Kyklos, International review for social sciences, 2007
- Methodology:
  - Empirical examination of the economic effects of violating human rights
  - Using data between 1990 and 2000 in a pooled ordinary least squares (OLS)-estimation
  - No long-run effects, just lag of 3 years

# Blume & Voigt: Findings

- No significant negative impact of human rights on welfare and growth (argument against Lee's thesis)
- Human rights are conducive to economic growth, but the estimated direct effect of the CIRI Empowerment Index on economic growth and investment is found to be insignificant. However, there is significant positive effect on productivity.

# Koob, Skriver & Sano

- Title: Human rights and economic Growth, An econometric analysis of freedom and participation rights
- Authors: Sigrid Alexandra Koob, Stinne Skriver Jørgensen, Hans-Otto Sano
- The Danish Institute for Human Rights, 2017
- Key question: Do human rights have a positive effect on economic growth?

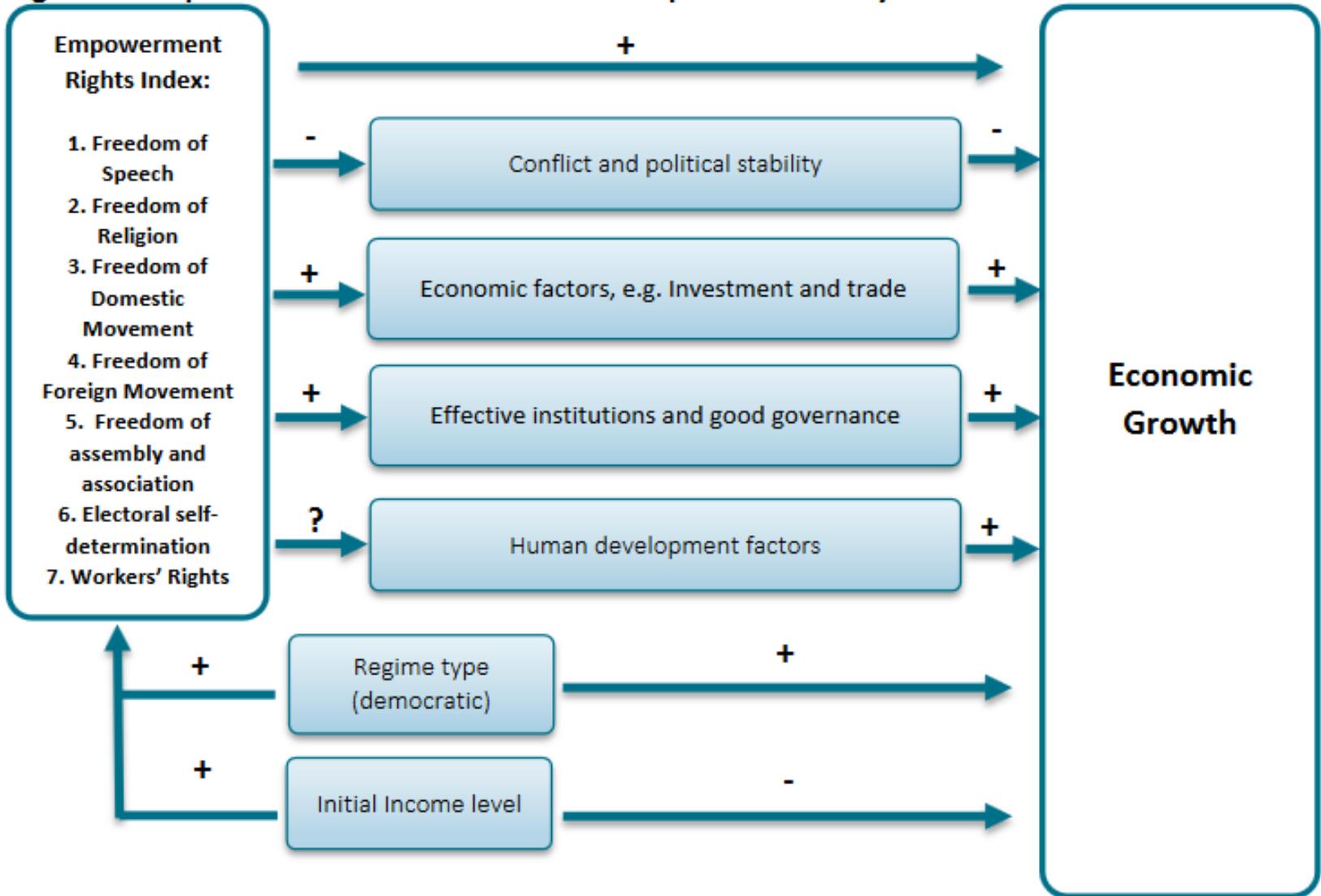
# Methodology

- Dynamic panel data estimation method
  - Granger Causality tests, Standard Within estimation and Generalized Method of Moments (GMM) estimation
- 167 countries between the years 1981-2011
- Freedom and participation rights measured by CIRI Empowerment Index:
  - Freedom of domestic and foreign movement, freedom of speech, freedom of assembly and association, workers' rights, electoral self-determination and freedom of religion
- GDP growth is chosen as the economic variable

# Methodology

- GDP level included (due to conversion effect)
- Testing covariates (intermediate variables):
  - Regime type: Democracy/Autocracy
  - Conflict and political instability
  - Economic factors: Total factor productivity, unemployment rate, total investment, trade
  - Effective institutions and good governance: government effectiveness, rule of law, control of corruption
  - Human development factors: human capital, life expectancy

**Figure 2: Graphical overview of variables and expected causality.**



# Methodology

- Regions analyzed:
  - Sub Saharan Africa
  - Europe and Central Asia
  - Asia: South Asia, East Asia and Pacific
  - Middle East and Northern Africa
  - Americas: North America, Latin America and the Caribbean
- Sub-Saharan Africa + Europe and Central Asia together make up more than 50% of total sample

# Key findings 1/3

- Granger causality test: There is a significant causal effect from freedom and participation rights to economic growth, when accounting for the respect for these rights 10-15 years back in time
- In contrast, there is no significant causal relation for the reverse directional flow, running from economic growth to freedom and participation rights
- The study rejects the claim of the Lee thesis

# Key findings 2/3

- The long-run effect of the measured rights on growth is positive and significant
- This is mainly driven by the right to freedom of speech, freedom of assembly and association and electoral self-determination
- The effect may partly be channeled through economic (trade, productivity, investment) and institutional (control of corruption, government effectiveness) factors

**Table 4: The effect of freedom and participation rights on GDP per capita growth**

	Within estimates		System-GMM estimates	
	(1)	(2)	(3)	(4)
Empowerment index	0.06 (0.07)	0.24*** (0.09)	0.41*** (0.10)	0.35*** (0.11)
GDP per capita (lagged)	-1.79*** (0.61)	1.18 (0.73)	-1.26** (0.59)	-0.5 (0.52)
<b>Long-run effect of empowerment index</b>	<b>0.33**</b> (2.39)	<b>0.41***</b> (3.05)	<b>0.76***</b> (4.00)	<b>0.98***</b> (3.37)
Lags of empowerment index	10	15	10	15
Lags of GDP growth	2	4	2	4
N	2626	1890	2626	1890
Countries	148	145	148	145
Time periods	21	16	21	16
AR2-test			-1.18	-0.59
Instruments			154	154
Sargan test			141.68	132.52

*Note: The dependent variable is GDP per capita growth. GDP per capita in levels is included as lag 10 (column 1 and 3) or 15 (column 2 and 4) according to the number of lags of the empowerment index. Number inside ( ) are standard deviations except for long-run effects where numbers in ( ) are z-values and \*:  $P < 0.1$ , \*\*:  $P < 0.05$ , \*\*\*:  $P < 0.01$ . N is the total number of observations. The AR2-test denotes the test statistics of serial uncorrelated residuals of second order and the Sagan test denotes the test statistics for the test of overidentified restrictions.*

**Table 6: The effect of the sub-indicators on GDP per capita growth**

	Panel A: Within estimates						
	Freedom of religion	Freedom of speech	Freedom of domestic movement	Freedom of foreign movement	Freedom of assembly and association	Electoral self-determination	Worker rights
Short-run effect	-0.56 (0.41)	-0.14 (0.22)	-0.37 (0.38)	-0.19 (0.38)	0.72*** (0.25)	0.46** (0.20)	-0.17 (0.19)
GDP per capita (lagged)	-4.22** (1.85)	-2.09*** (0.62)	-4.21** (1.72)	-4.25** (1.77)	-1.89*** (0.59)	-2.18*** (0.60)	- 1.98*** (0.61)
Long-run effect	<b>-0.18</b> (2.30)	<b>1.23**</b> (2.06)	<b>-0.47</b> (-0.75)	<b>0.71</b> (1.09)	<b>1.87***</b> (3.44)	<b>2.39***</b> (4.77)	<b>0.06</b> (0.12)
N	2942	2652	2977	2982	2644	2652	2647
Countries	165	148	165	165	148	148	148
Time periods	21	21	21	21	21	21	21

**Note:** The dependent variable is GDP per capita growth. All models include 2 lags of GDP per capita growth and 10 lags of the sub-indicator. GDP per capita in levels is included as lag 10 according to the number of lags of the sub-indicator. Number inside ( ) are standard deviations except for long-run effects where numbers in ( ) are z-values and \*:  $P < 0.1$ , \*\*:  $P < 0.05$ , \*\*\*:  $P < 0.01$ . N is the total number of observations. System-GMM estimates can be found in Annex 2 Table A.2.9.

# Key findings 3/3

- The effect is positive and significant for Sub-Saharan Africa and Europe and Central Asia
- Non-OPEC and non-Soviet countries are the main drivers behind the positive long-run relation

**Table 7: The regional effect of freedom and participation rights on GDP per capita growth**

	Panel A: Within estimates						
	Sub-Saharan Africa	Europe and Central Asia	East Asia and Pacific	Middle East and Northern Africa	Latin America and Caribbean	South Asian, East Asia and Pacific	America
Short-run effect	-0.13 (0.09)	0.12 (0.08)	0.12 (0.08)	0.07 (0.08)	0.08 (0.09)	0.14 (0.08)	0.08 (0.09)
Regional Short-run effect	0.52*** (0.14)	-0.16 (0.20)	-0.41* (0.22)	-0.06 (0.35)	-0.04 (0.15)	-0.36** (0.18)	-0.05 (0.15)
GDP per capita (lagged)	-1.85*** (0.62)	-1.66*** (0.60)	-1.90*** (0.64)	-4.25** (1.77)	-1.79*** (0.63)	-1.84*** (0.63)	-1.80*** (0.63)
Long-run effect of region	0.34*** (2.74)	1.40*** (3.92)	0.59* (1.74)	0.71 (1.09)	-0.39 (-1.49)	0.15 (0.46)	-0.39 (-1.47)
N	2626	2626	2626	2626	2626	2626	2626
Countries	148	148	148	148	148	148	148
Time periods	21	21	21	21	21	21	21

**Note:** The dependent variable is GDP per capita growth. All models include 2 lags of GDP per capita growth and 10 lags of the empowerment index. GDP per capita in levels is included as lag 10 according to the number of lags of the empowerment index. Number inside ( ) are standard deviations except for long-run effects where numbers in ( ) are z-values and \*:  $P < 0.1$ , \*\*:  $P < 0.05$ , \*\*\*:  $P < 0.01$ . N is the total number of observations.

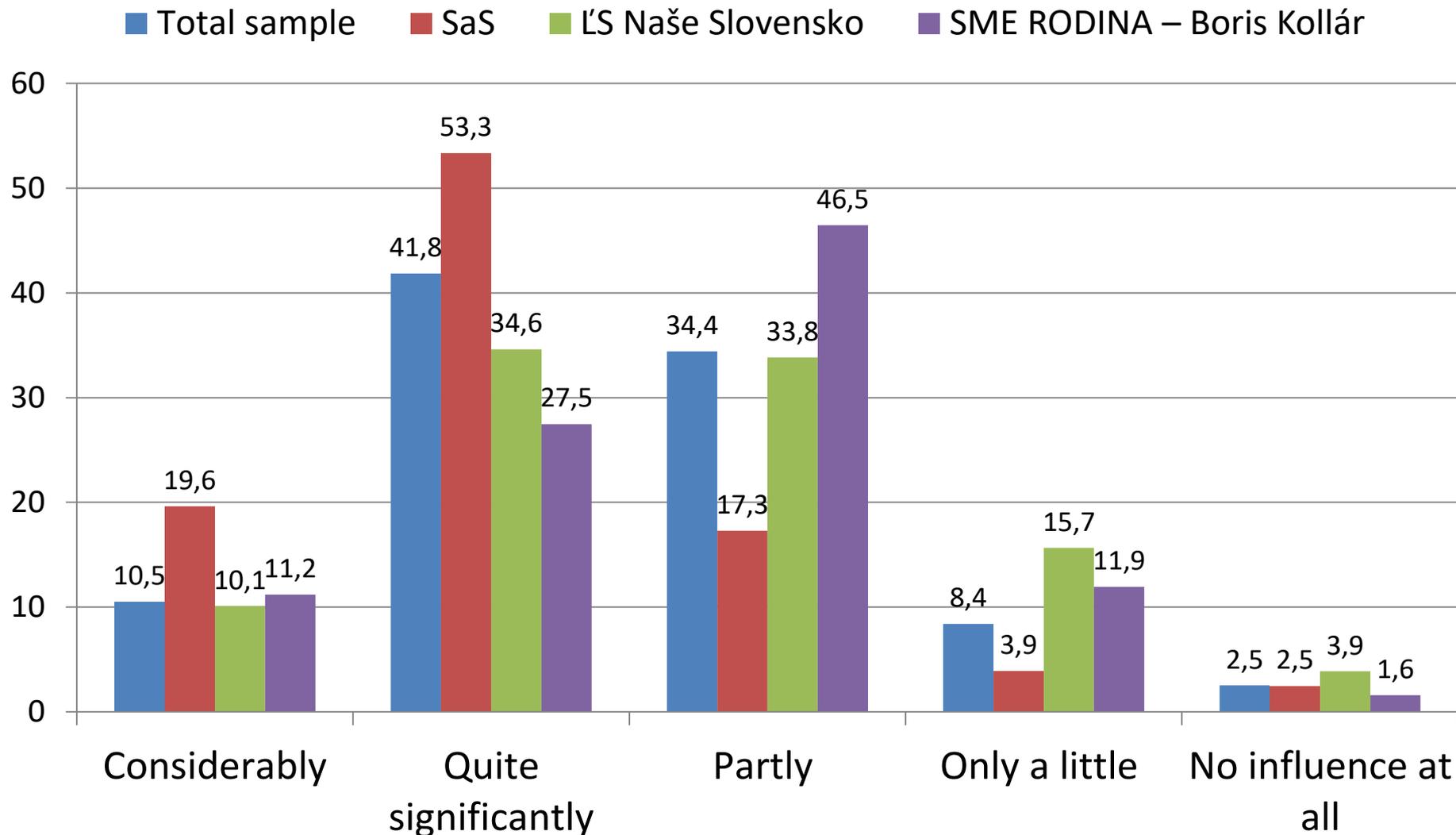
# Disclaimers

- Simple, three-level assessment of respect for freedom and participation rights under CIRI index
- Expert (not sample survey) assessments of the human rights situation
- More detailed country case studies needed

# INEKO survey

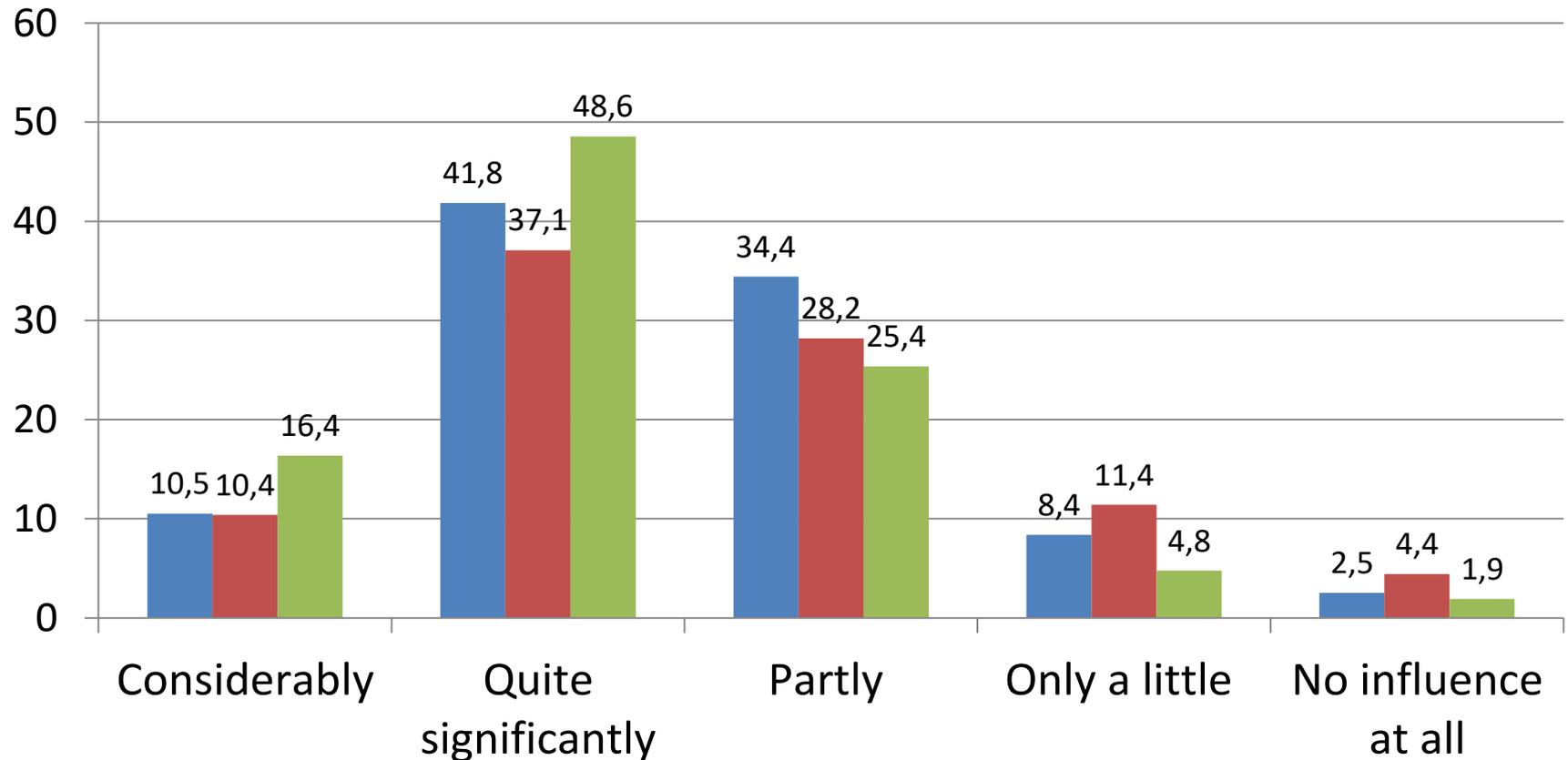
- Representative public opinion poll, Slovakia, November 2016
- Voters of extremist right-wing (neo-nacist) and of anti-establishment populist political parties:
  - Are less aware of the relation between the quality of democracy and the quality of life
  - Are most willing to support the exit of Slovakia from the EU
  - Mostly accept establishment of a dictatorship or a return to the socialist regime

# How does the quality of democracy influence the quality of life (in %)?



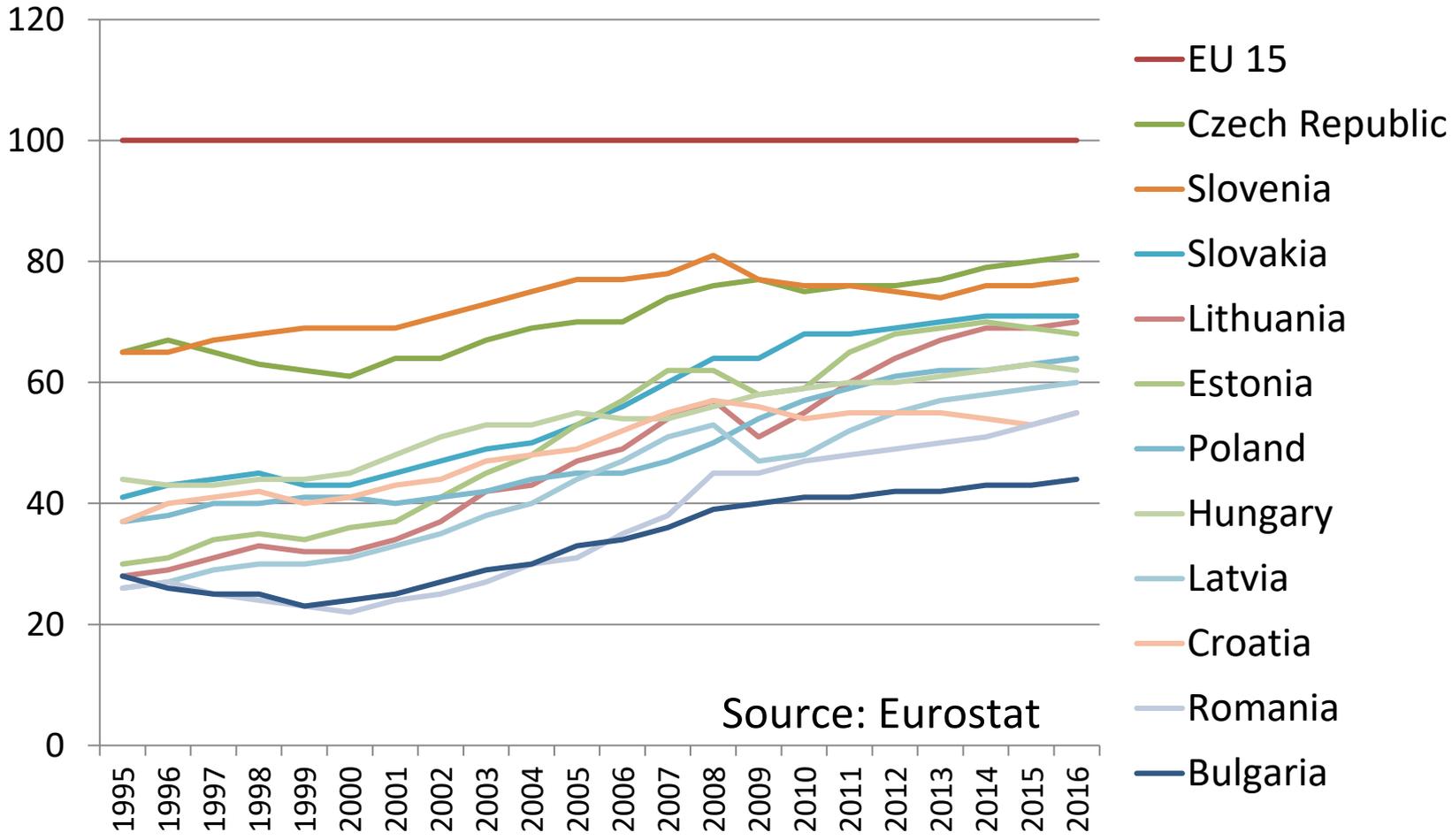
# How does the quality of democracy influence the quality of life (in %)?

■ Total sample ■ Primary education ■ Tertiary education



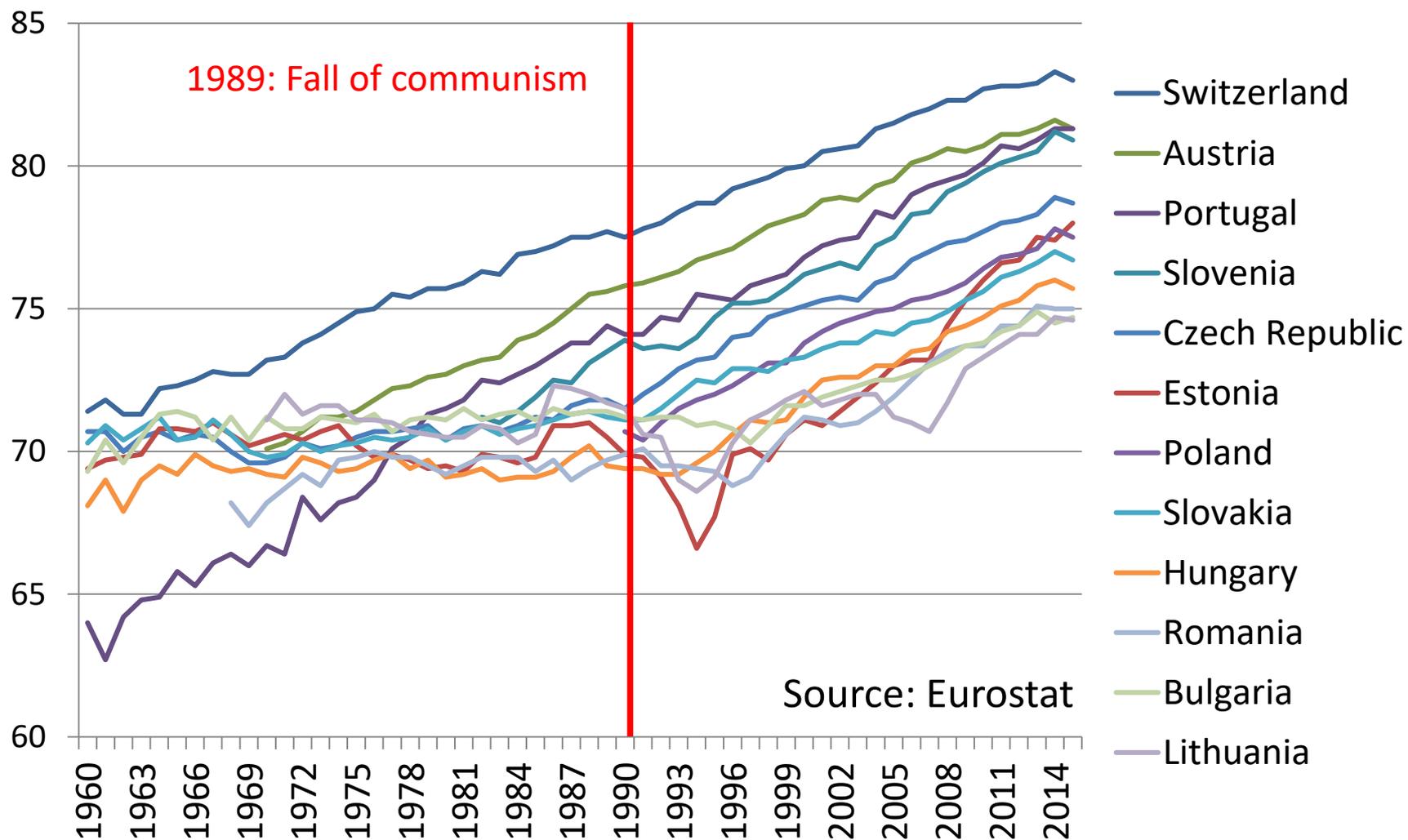
# Catching-up process in the EU

## GDP per capita in % of EU15 (in PPS)



Source: Eurostat

# Life expectancy at birth (in years)



Source: Eurostat

# Poverty rate (in %)

	2005	2016
Czech Republic	19.6	13.3
Hungary	32.1	26.3
Poland	45.3	21.9
Slovakia	32.0	18.1
EU 27	25.8 (2007)	23.4

Source: Eurostat

**People at risk of poverty or social exclusion**

# Bad and very bad health (in %)

	2005	2016
Czech Republic	8.7	7.3
Hungary	16.0	8.2
Poland	12.6	8.4
Slovakia	11.8	6.7
EU 27	6.7 (2007)	5.8

Source: Eurostat, EU-SILC survey, from population 18-64 years

# Inability to keep home warm (in %)

	2005	2016
Czech Republic	9.3	3.8
Hungary	17.7	9.2
Poland	33.6	7.1
Slovakia	13.6	5.1
EU 27	10.9 (2007)	8.7

Source: Eurostat, EU\_SILC survey

**Inability to keep home adequately warm**

# Inability to afford holiday (in %)

	2005	2016
Czech Republic	40.6	28.9
Hungary	66.3	50.7
Poland	70.6	41.2
Slovakia	59.2	44.9
EU 27	36.5 (2007)	32.5

Source: Eurostat, EU\_SILC survey

**Inability to afford paying for one week annual holiday away from home**

# Inability to afford meal (in %)

	2005	2016
Czech Republic	17.8	9.5
Hungary	31.2	19.1
Poland	35.3	6.4
Slovakia	41.4	17.0
EU 27	10.1 (2007)	8.3

Source: Eurostat, EU\_SILC survey

**Inability to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day**

# Inability to face expenses (in %)

	2005	2016
Czech Republic	42.9	32.1
Hungary	57.3	50.8
Poland	62.6	37.9
Slovakia	59.3	37.9
EU 27	35.2 (2007)	36.1

Source: Eurostat, EU\_SILC survey

**Inability to face unexpected financial expenses**

# Inability to make ends meet (in %)

	2005	2016
Czech Republic	10.6	7.1
Hungary	13.8	17.1
Poland	25.0	8.4
Slovakia	12.5	10.1
EU 27	9.2 (2007)	9.0

Source: Eurostat, EU\_SILC survey

**Inability to make ends meet**

# Inability to afford a car (in %)

	2005	2016
Czech Republic	15.5	8.0
Hungary	22.5	20.6
Poland	24.5	7.3
Slovakia	28.5	12.0
EU 27	9.8 (2007)	7.7

Source: Eurostat, EU\_SILC survey

**Persons who cannot afford a personal car**

# Other indicators

- Arrears (mortgage or rent, utility bills, hire purchase)
- Ability to afford drink or meal with friends, to participate in leisure activities, to spend small amount of money on themselves, to use public transport
- Share of housing costs in disposable income
- Persons who cannot afford telephone, TV, computer, washing machine, etc.
- Persons who cannot afford to replace worn-out furniture, etc.

**Thank you for your attention!**

<http://ineko.sk/>