CIVIL RIGHTS, DEMOCRACY AND ECONOMIC DEVELOPMENT: A CROSS COUNTRY ANALYSIS

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CERTIFICATE

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Dedicated to *My family*

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LIST OF ABBREVIATIONS

GDP = Gross Domestic Product

GDPPC = Gross Domestic Product Per Capita

WDI = World Development Indicator

ICRG = International Country Risk Guide

PWT = Penn World Tables

GMM = Generalized Method of Moments

GFCF = Gross Fixed Capital Formation

FDI = Foreign Direct Investment

OLS = Ordinary Least Square

2SLS= Two Stage Least Square

IMF = International Monetary Fund

UNFPA = United Nations Fund for Population Activities

AWP = Awami Worker Party

CRC = Convention on the Rights of Children

PPP = Pakistan People's Party

CEDAW = Convention on Elimination of all forms of Discrimination against Women

UNICEF = United Nations International Children's Emergency Fund

UDHR = Universal Declaration of Human Rights

ABSTRACT

Civil rights, being true essence of democracy, crucially affect the economic growth and development of countries. The empirical literature points out that democracy improves economic growth of countries along with significant role of civil rights. The present study aims to empirically analyze the impact of democracy and civil rights on economic development in panel of 86 countries for the period 1990-2017. The panel is divided into three clusters as high, middle and low income countries, based on income levels. This relationship is empirically tested by employing instrumental variable regression, particularly 2SLS estimation technique. The findings of the study suggest that there exists a statistically significant and negative relationship between democracy and economic development and also between civil rights and economic development, to assert the exclusive impact of these two. But there exists a complementarity between democracy and civil rights. The study confirms a significant positive relationship between the interaction of democracy civil rights and economic development, which implies presence of both democracy and civil rights is mandatory for economic growth and development. The findings of the study shows that democracy and civil rights are complementary as far as economic development is concerned. So, the selected sample of countries needs to prioritize the resolution of issues linked with both democracy and civil rights for smooth functioning of the economy.

Keywords: Democracy, Civil Rights, Institutions, Public Policy

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Chapter 1

Introduction

"Democracy rests upon two pillars: one, the principle that all men are equally entitled to life, liberty and the pursuit of happiness; and the other, the conviction that such equal opportunity will most advance civilization".[1] Louis D. Brandeis

Political economy has been an area of great interest for research since last few decades. A coherence among politics and economy is assumed to crucially affect the smooth functioning of societies. Democracy, being a form of government, values citizen views and welcomes their extensive participation. Provided with a right to choose their representative, citizens exercise the rights provided to them by the state (Banerjee et al., 2011; Waqas & Khattak, 2017). The article 2 of the "Universal Declaration of Human Rights" clearly specifies the rights and liberty of a person irrespective of the caste, color, creed or difference in political opinion.[2]

Democracy, a blend of two Latin words *Demo* (people) and *Krata* (rule), emerged in the late twentieth century and took its shape in ancient Greece (Krane & Marshall, 2003). According to Sen, from Magna Carta in 1215 to French Revolution, democracy was entrenched there in all the struggles for the rights of the people. This eventually paved way for the evolution of democracy to its absolute form as a system of government. The

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[1] "https://louisville.edu/law/library/special-collections/the-louis-d.-brandeis-collection/business-a-profession-chapter-22"
[2] Assembly, U. G. (1948). Universal declaration of human rights. *UN General Assembly*.

intrinsic value of democracy can never be ignored in this modern era when freedom of expression and general public's choice is the prior axiom for establishment of sound economies in world of now-a-days. This right of equal treatment, social and economic equality in spite of differences in race, color, gender, disability or religion is designated as Civil Rights.[3] The overlapping essence of democracy and civil liberties has bridged the differences among both. The development of democracy over the years has helped understanding the importance of Civil Rights in the world around us. Democracy has been foreshadowed a resolution of the state oppression by the theorists and political scientists (Davenport & Armstrong, 2004). The stability and coherence in the economic affairs in a state owes a lot to the harmony and civil right provision to its people. The true meaning of democracy was assumed to serve the people by providing them liberty and equal entitlement to life. Also, the performance of the government so significantly impacts the economies of the world that detaching these two in today's world is not plausible.

But today, democracy in its true essence is questionable in delivering what it aims to. Democracy as an idea and as a system is fundamentally contested. The issue has greater intensity in current time as democracy experienced a serious crisis in the last decade. A decline in global freedom due to a net decline in civil liberties has alarmed the situation (House, 2018). In Pakistan, where there are two different poles of Islam and Liberalism, the issue has got its severity. The state failed to secure the rights of the people and is struggling to prove its democratic rule. Similarly, the issue has got hype globally due to the mere chanting of slogans for the rights of the people. The democracy-growth nexus

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[3] Oxford Advanced Learner's Dictionary,
https://www.oxfordlearnersdictionaries.com/definition/english/civil-rights

since times of Lipset has led the economies to shift from an authoritarian set up to more democratic one (Rustow, 1970). This democratization has still not filled the gap which was prevailing in the current accounts due to autocratic regimes. There is democracy and civil rights but yet there is no improvement in economic performance of the countries. Globally, the different countries are practicing different forms of democracy and exercising the civil rights in their respective form but the question lies that do that actually have an effect on the economic performance. Do this complementarity between civil rights and democracy actually speed up the economy or it is merely a myth?

The present study aims to find the answer to the posed question. Based on secondary data from World Development Indicators (WDI), International Country Risk Guide (ICRG), Penn World Table (PWT) 9.0, Freedom House and Polity IV the study has used panel data of 86 countries from 1990-2017. The panel has been decomposed into three clusters. Based on World Bank country classification by income levels[4] the three clusters are low-income, middle-income and high-income countries. The classification is done due to diverse institutional and economic situation in these countries. Instrumental variable technique, particularly Two Stage Least Square (2SLS), has been used due to the issue of endogeneity in the econometric models.

1.1. Problem Statement

The institutional variation across the countries has made a significant effect on the economy. But this variation is not fulfilling the economic targets set by the governing

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[4] https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending groups

bodies. Democracy and civil rights across different countries are not performing their objectives. In multi-ethno cultural societies, civil rights are even more complex and it makes the situation worse by not achieving its objectives of high economic growth and development. If civil rights and better form of democracy is there, the economies may perform in other way around. They may flourish and prosper with improved civil rights and democracy situation.

1.2. Research Questions

Considering the above scenario, we can propose that there is democracy and civil rights across different countries but their current status is causing is no improvement in economic performance. So the present research aims to explore the answer to the following questions

- Do civil rights and democracy effect economic development in high, middle and low income countries?
- What are the hurdles in the way of practicing democracy and civil rights?
- Why there are differences in terms of civil rights and democracy across the countries?
- Whether there is any complementarity between civil rights and democracy in causing economic development in the selected low, middle and high income countries?

1.3. Research Hypotheses

The main quest of the present research revolves around the idea of impact of civil rights and democracy on economic growth and development. How they interact with each other and influence the economic performance. So the present research has following hypotheses

- There exist no significant relationship between civil rights, democracy and economic development in high, middle and low income countries.
- There is no complementarity between civil rights and democracy in causing economic development in the selected low, middle and high income countries.

1.4. Research Objectives

On the basis of the given research questions, following are the objectives of the research

- To examine whether democracy and civil rights affect economic development in high, middle and low income countries
- To test the complementarity between democracy and civil rights in causing economic development
- To explore the hurdles in way of exercising democracy and civil rights
- To understand how the hurdles in terms of divergence in democracy and civil rights can be resolved

1.5. Public Policy Relevance of the topic

Democracy serves as the organization of authority in a country and the success of public policy underlies the notion of rule by the people. This idea of rule by the people provides

base to democratic governments in countries with multi-cultural backgrounds and development levels. The basic function of democratic government is to provide citizens a sovereignty to exercise their civil and political rights. So democracy and public policy are interconnected as the organization of authority affects the policy design, formulation as well as the implementation. The policy makers formulating the public policy are elected by the citizens.[5] Considering this, the present research is important in the discipline of public policy as citizens influence the policies based on their interests and desires.

1.6. Significance of Study

Democracy and civil rights across different countries are not performing their objectives. In multi-ethnic and multi-cultural societies, civil rights are even more complex and the democracy is unable to achieve its objectives. This is the motivation of the study that why democracy and civil rights do not operate as they are meant to be and what are those hurdles which creates disconnect between the literature and the real world. Furthermore, the study has introduced a new terminology by interacting democracy and civil rights.

1.7. Organization of Study

Chapter 2 of the study has given an overview of the existing literature. Chapter 3 has focused on data sources and estimation method deployed. Chapter 4 has discussed the results. Chapter 5 contains the situational analysis of democracy and civil rights with

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[5] Krane, D., & Marshall, G. S. (2003). Democracy and public policy. *içinde Jack Rabin (der.), Encyclopedia of Public Administration and Public Policy, New York: Marcel Dekker*, 1-7.

special reference to Pakistan and lastly chapter 6 has concluded the study providing recommendations established upon the findings.

Chapter 2

Literature Review

2.1. Introduction

Democracy and civil rights are intertwined due to their common essence. Civil rights provision vary from one state to the other, which infers its dependence on institutional structure. The use of force in dictatorship prohibit freedom while democracy stimulates autonomy. Democracy is often considered as a source to mitigate the force and oppression by making the government representatives more accountable. Scholars like Przeworski and Barro confirm the importance of politics, in other words democracy, for economic development. Thus there exists a relation between democracy, civil rights and economic development.

The present study is focusing on civil rights, democracy and economic development. Therefore, this chapter has mainly discussed the empirical studies carried out on the relationship among democracy, civil rights and economic development. The chapter has been divided into three sub-themes. The first part discussed the genesis of democracy and economic development followed by the relationship between democracy and civil rights. The last section discussed the relationship between civil rights and economic development.

2.2. Democracy and Economic Development

The literature for democracy and economic growth mainly highlights the ideas of Conflict School and Compatible School. The conflict school claims that economic growth is impeded by democratic regimes while compatible school contends that democracy is conducive for economic growth. These contradictory arguments of the both schools of thought originated the Sceptical School which asserts that there is no relationship among democracy and economic development (Baum and Lake, 2003). Brunetti (1997) compared 17 studies comparing positive, negative and no relationship between democracy and economic growth. But there are indirect ways through which democracy impacts the economic performance.

Democracy effects the economic development through the channels of literacy, urban development, human capital and spending on social infrastructure (Crenshaw, 1995; Stockton, Heo, & Ro, 1998). Tavares and Wacziarg (2001) made an attempt to find the empirical relationship between democracy and economic growth. They, including Acemoglu, Naidu, Restrepo and Robinson (2019), evidenced that democracy does cause economic growth. As democracy increase human capital accumulation by spending more on social sector, which in turn is conducive to growth in the long run. There is link between democracy and investment also which percepts that democracy promotes economic development by attracting foreign investment. Democracy determines the international image of a state and helps attracting foreign investment so it needs to be promoted prior to economic development (Aleksanyan, 2013). Due to accountability of the representatives, democracy strengthens the property rights and democratic institutions have significant

positive effect on Foreign Direct Investment (FDI). This implies that democracy improves economic condition of state through investment channel (Asiedu and Lien, 2011). Political stability is also crucial for economic growth and development of a country. Barro (1991) tested the effects of political instability and found that it weakens the economic growth and hinders the development. This direct negative impact of political instability is also confirmed by (Alesina and Perotti, 1994).

A very common assumption about poorly delivered democracies is that poorly educated and low-income countries have poor democracies. This low level of service delivery is due to weak institutions. Karim and Zouhaier (2012) asserts that a healthy institutional environment ensures the security of property rights and prompts the tangible and intangible investment which act positively on overall economic performance. Both economic and political institutions provide incentive structure for organizational structure thus achieving an optimal solution to the state affairs. The formal economic constraints or property rights are specified and enforced by political institutions. The incentive structure provided by these basic institutions creates opportunities for other subsequent organization. (North, 1991).

2.3. Genesis of Democracy and Civil Rights

Civil rights are taken as sum of social, political, economic and religious rights of a person which are affected by the institutional structure of a society. The institutional structure in terms of politics implies the governing bodies and the form of government prevailing there in the state. Similarly, in democracy the power is vested in the citizens to live their life harmonizing their rules and interests. According to Rustow, father of transitology,

democracy is ingrained in men innate. In his article, Rustow (1970) argued that the societal structure as religious places, family is the basic democratic institutions that pave a way for democratic stability. To answer the question of improving the stability of democracy, he projected that the genesis of democracy differs across countries and at different time periods. Democratic institutions allow the state to make credible commitments even in foreign relations as state would be held accountable by the public in case of an international dispute. Successful or we can say ideal democracies reflect public satisfaction and have similar policy preferences. Further, having similar preferences ensures provision of civil rights.

One of the most widely accepted intention of democracy is fortification of individual rights. This liberty or freedom is anticipated as being free from government control. Instead government tend to provide the individual protection and security and use assets to stop the forces that may are a threat to the society. Mesquita (1999) asserts that democratic leaders are more concerned about peace and they spend more on mitigation of violence which signifies their concerns towards civil right provision. Souva (2004) is of view that economically developed democracies are less likely to experience interstate conflicts and disturbances in terms of civil rights. He inferred that impact of political institutional correspondence is dependent on the economic institutions.

Democracy and civil rights strongly influence the policy process. Ethnic politics also plays a vital role in slow policy influence where votes are sold cheaply to poor people (Helliwell, 1994). The author conducted a set of field experiments to examine how campaigns, a candidate's performance and accountability affect the voting behavior and

found that these campaigns are an effective way of informing the community about the policy process. The author also highlighted the impact of incumbent performance on voting behavior and found that democracy serves as a form of government where communities participate to choose representatives to govern them.

Pande (2011) addressed this key question in his study that whether the informed choices enforce better governance or not. He also tried to find that how voters can reliably identify the candidate which they are choosing and how voters can access credible platforms or sources of information on which they can rely. Upon addressing this question that why democracy has not delivered better politicians he found that citizens if are made better informed can elect better performers but unfortunately in poor democracies, the citizens are not provided the mandatory information that can improve governance. The author discussed the behavior of voters in both rich and poor countries. He found that the countries with more educated people are the richer ones and have better governance.

Caldeira and Holston, in their article, emphasized that without civil rights democracy certainly loses its effectiveness in prevention of violence among the masses as well as by the state actors. This results in occurrence of violence in a democratic society. There is overwhelming evidence that while new democracies achieve success in establishment of formal democratic rules through constitutions and legal codes, the systematic violation of civil rights leads to the de-legitimization of these formal arrangements. The outcome is a chaos enacted by the state and non-state actors which further causes marginalization of minorities, gender-based violence and child abuse like incidences (Caldeira and Holston, 1999).

Democracy in Pakistan is exceptional as it is a mixture of Islam and Liberalism. Waqas and Khattak (2017) discussed the hindrances faced by democracy in Pakistan and stated that it is misunderstood both by religious scholars as well as by seculars. The political culture of the country is so distorted that the general public make their decision based on what is decided by the *Baradri*. Due to diverse cultural history the country faces legal and cultural pluralism. In democracy, citizens can ensure informed choices by actively participating in the democratic process and the representatives exercise the power transferred to them by the citizens. A strong institutional set up may overcome this issue but the country is unable to cope up with it. This halted the individual participation which is the true essence of democracy. This individual participation can be enhanced by the role played by media.

Media is one of the major stakeholders in operating structure of a society. The significance of media in the glorification of democracy is worth speaking. Media has been a source of information to the general public that helps them make their decisions and exercise their rights. Ramsden (1996) made an effort to explore the idea that how media can influence the voter behavior towards a candidate. He made an argument that the voter tend to make his perceptions in a way he or she is portrayed by the media. He argued that victory of the candidate is possible majorly because of media's cooperation. The author believed that media is aware of the average voter's ability to consider while presenting a candidate's information and his prospects. The coverage media provides to the issues and even during campaigns help people to get informed about their choices and this way media plays a crucial role in restructuring democratic philosophies. The role democratic institutions play in maintenance of peace and prosperity in the developing world are quite

distinguished from the western democracies. Political democracy is necessary and grossly sufficient in insuring civil rights and assurance of the rule of law.

2.4. Civil Rights and Economic Development

There is overwhelming evidence that asserts that countries who have property rights and rule of law tend to grow at higher rates than those who lack this feature (Scully, 1988). Hall (2007) in his article asserts that discrimination always created unrest in the societies and protection of civil rights shape up a positive image of the country. Along with other pre-conditions like better education, higher income and economic growth rate and better social infrastructure countries tend to grow more rapidly if they have less civil wars and citizens are provided with more cushioned environment to live (Easterly, 1999). (Adam and Filippaios, 2007) evidenced that civil liberties and FDI have positive link. Repression in civil liberties boosts level of FDI in a country. This impact is through improvement in private property rights provision. (Karim et al. 2012) confirms that civil liberties have a positive association with economic growth. He was of view that political and civil rights precede growth and economic development. (Aixalá and Fabro, 2009) verified that greater level of political and civil rights enhance growth by improving education and human capital. Democratic countries are characterized by high civil and political liberties. Even though democracy is more complex, one can claim that the respect of the civil and political liberties of the citizens are its most important aspects. Political liberties involve, as Gastil (1982) points out, the *"…rights to participate meaningfully in the political process. In a democracy this means the right of all adults to vote and compete for public office, and for elected representatives to have a decisive vote on public policies"*. Conversely, civil

liberties ideals involve a series of various economic, political and civil liberties enjoyed by the citizens of the country, such as freedom of expression and belief, association and organization rights, rule of law and personal autonomy.

(Isham, Kaufmann and Pritchett, 1997) examined the association between governance and government efficacy. For which they conducted a study examining the government projects financed by World Bank. They concluded that increasing citizen voice and public accountability—through both participation and better governance—can lead to greater efficacy in government action. They are of view that civil liberties seem to be a powerful force for improving performance even in lesser democratic locales, while if there were to be improvement in democracy without increases in civil liberties, it would have no impact on performance. Civil liberties in all forms of expression and incorporation of citizens' voice, tend to improve a country's economic performance and for designing the necessary arrangements to deliver government services of all types, from roads to schools. These linkages need to be better understood and incorporated—in ways that will vary, perhaps enormously, from sector to sector so that it can take shape of development activities. Property rights if granted lead to better economic performance. Respect for property rights is only possible if civil liberties and political rights are guaranteed. It is of view that democratic system can give complete credibility to property rights protection policies, key to economic development.

As cited by the literature, we see that democracy is stimulates economic development and countries need civil rights to be exercised for the smooth functioning of the economies. In spite of this, democracy and civil rights are not exercised by the people

in its true sense. They are not performing and achieving their desired objective. The present study aims to incorporate the need for interaction of civil rights and democracy in explaining economic development.

Chapter 3

Model Specification and Data Analysis

3.1. Introduction

Democracy, a form of government, values citizen views and welcomes their extensive participation. Civil rights are the rights provided to these citizens by the state. Since democracy and civil rights have an overlapping essence, their effectiveness in determining the economic development depends on how they interact with each other. The study aims to assess the impact of democracy civil rights separately as well as to evaluate how these two interact with each other to impact the economy.

This chapter presents the econometric model of the study and the variables included, how and why these variables are used. The chapter also focuses on methodology to be used and how each variable is expected to behave and affect the dependent variables. The fourth section discusses the conceptual framework developed for this study. The later section discusses the data sources.

Following a mixed method approach, the study has done both the quantitative and qualitative analysis. Employing instrumental variable regression for developed econometric model, the quantitative part of the study has examined the impact of democracy and civil rights on economic development. While the qualitative part has done a situational analysis of democracy and civil rights situation in the policy context with special reference to Pakistan.

3.2. Conceptual Framework

To construct the conceptual map of the study, various concepts have been adopted from literature. The figure 1 shows the conceptual map constructed for the present research.
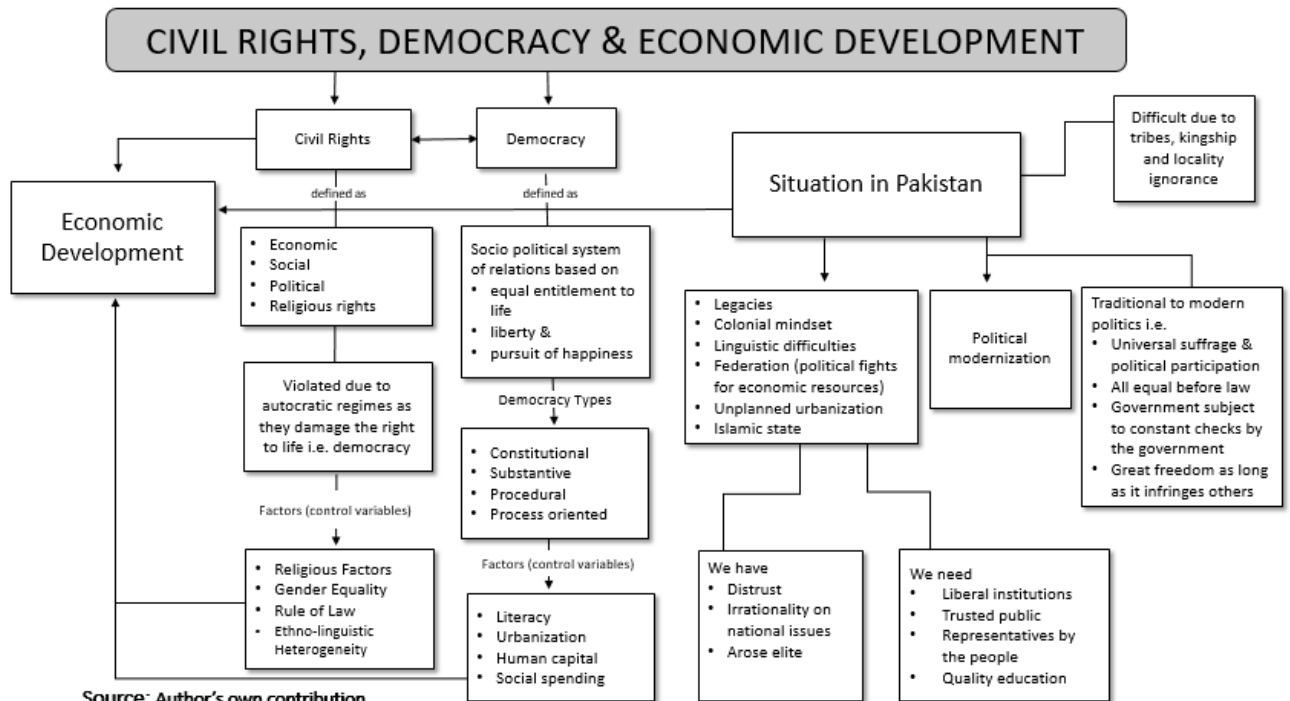
Source: Author's own contribution
Figure 1: Conceptual Map

Civil Rights are the economic, social and political rights of a person and democracy is defined as socio-political system of relations based on "equal entitlement to life, liberty and pursuit of happiness" in a society. There are various forms of democracy varying across countries. They are constitutional, substantive, procedural and process oriented. Democracy and civil rights are linked as the essence of democracy is liberty or freedom to exercise the socio-economic rights provided to an individual by the state. The failure of all forms of democracy in their respective shape and similarly the violation of civil rights provided by the state creates unrest in a society thus impeding the economic development. The study has incorporated the variables that cause democracy and civil rights. These are

mainly urbanization, human capital, religious factors, gender equality, rule of law and ethnic heterogeneity. The separate heading for the situation in Pakistan is incorporated to discuss the democracy and civil rights situation in the policy context with special reference to Pakistan. Illiteracy, distrust of general public on their elected representatives, ignorance and irrationality over national issues is the prime reason of unrest in the society. The country is in dire need of political modernization, quality education changed mindset, awareness and a collective effort by the government as well as the local bodies to implement the law and order situation to an optimal level as to ensure the protection of rights of every individual residing inside the state of Pakistan.

3.3. Model Specification

The GDP equation is based on the work of (Barro, 1999) while the indicators affecting democracy and civil rights are selected on the basis of literature. Econometric models developed for economic development, democracy and civil rights include the core independent variables and the control variables X, Y and Z. The three models for the three core variables are:

$$GDP = \alpha_0 + \alpha_1 dem_{it} + \alpha_2 + \alpha_3 dem \times CR_{it} + \alpha_4 X_{it} + \mu_1 \dots \dots eq\ (1)$$

$$X = GDP_{it-1}, GFCF,\ GFCF_{it-1}, FDI, inf, HC, TRD, PD, NR, Aid$$

$$dem = \beta_0 + \beta_1 GDP_{it} + \beta_2 CR_{it} + \beta_3 Y_{it} + \mu_2 \dots \dots (2)$$

$$Y = GDP_{it-1}, dem_{it-1}, URB, FDI, HC$$

$$CR = \gamma_0 + \gamma_1 GDP_{it} + \gamma_2 dem_{it} + \gamma_3 Z_{it} + \mu_3 \dots \dots eq(3)$$

$$Z = GDP_{it-1}, CR_{it-1}, CR_{it-2}, \text{RT}$$

Where

GDP = Gross Domestic Product

GDP_{it-1} = Lagged Value of Gross Domestic Product

GFCF = Gross Fixed Capital Formation

$GFCF_{it-1}$ = Lagged Value of Gross Fixed Capital Formation

Dem x CR = interaction between democracy and civil rights

FDI = Foreign Direct Investment

inf = Inflation

GS = Government Stability

HC = Human Capital

TRD = Trade

NR = Natural Resource Rent

Aid = Aid

dem = Democracy

dem_{it-1} = Lagged Value of Democracy

CR_{it-1} = Lagged Value of Civil Rights

Urb = Urbanization

PD = Population Density

RT = Religious Tensions

CR = Civil Rights

μs = Error Terms

t = 1990-2017

n = 86

3.4. Description of Variables

3.4.1. Dependent Variables

The analysis has been divided into three broad sub categories; economic development, democracy and Civil Rights. The three indicators are used both as dependent and independent variables. The particular section will discuss them as dependent variables.

3.4.1.1. Gross Domestic Product (GDP)

For economic development, Gross Domestic Product Per Capita (GDPPC) has been used as an indicator. According to World Development Indicators (WDI), GDP is the value of all the final goods and services produced in an economy in a year. The study has used log of GDP per capita as an indicator of economic development. GDP per capita is calculated

by dividing GDP by midyear population. It is defined as the gross value of all the final goods and services for each individual. The measure of GDP used in the study is log of GDP per capita in constant 2010 US dollars.

3.4.1.2. Democracy

Democracy, often referred as form of government is taken as dependent variable in the 2nd equation of the econometric model. Pol2 variable has been taken from Polity IV index as a measure of democracy.

3.4.1.3. Civil Rights

Civil rights are the socio-economic and political rights provided to a person by a state. It is the dependent variable in the 3rd equation of the econometric model. Due to non-availability of the data for this variable, Civil Liberty has been used as proxy for the Civil right. Civil Liberty is defined as "the right to free expression as well as right to a degree of autonomy provide by freedom of religion, education, travel and other personal rights" (Gastil, 1986). The civil liberty indicator used from Freedom in the World dataset has been extracted from Freedom House. The Freedom House data for civil liberty comprises of freedom of expression, rule of law, free economic activity and equality in opportunity for men, women and minority groups.

3.4.2. Independent Variables: Core Variables

The core independent variables of the model comprise of Gross Domestic Product, Democracy, Civil Rights and the interaction between democracy and civil rights.

Log of Gross Domestic Product Per Capita (GDPPC) is taken as the independent variable for the democracy and civil rights equation. In the meanwhile, the lagged value of log of GDPPC is also taken as one indicator for the all three equations. The measure of GDP, democracy and civil right used in the study has been described earlier. The interaction of civil rights and democracy has been incorporated to assess the complementarity between them. The assertion is that even if civil rights are not there in the society, democracy still paves way for a better economy and the states may have higher growth rates in presence of democracy. In other words we can say that democracy is instrumental for economic performance of the countries.

3.4.3. Independent Variables: Control Variables

Among the control variables for X, the study used log of Gross Fixed Capital Formation (GFCF), log of Foreign Direct Investment (FDI), log of inflation, trade, human capital, log of aid, natural resource and lagged value of log of GDPPC, trade and GFCF in the GDP equation. For democracy equation, lagged value of log of GDPPC and democracy, literacy, urbanization, human capital, log of FDI and population density are the control variables for Y. Lastly, civil rights equation has incorporated religious tensions, lagged value of CR and log of GDPPC as control variables for Z.

3.4.3.1. Gross Fixed Capital Formation (GFCF)

Gross Fixed Capital Formation (GFCF) is one of the key indicator of GDP equation. According to World Development Indicators it includes the land, machinery and the construction of all the physical infrastructure for social, commercial and industrial

purposes. The lagged value of log of GFCF is also taken as an important indicator as GDP is affected by the previous value of log of GFCF also. Log of GFCF is expected to have positive significant impact on the economic growth as it plays an encouraging role for economic growth and development. The measure of GFCF taken in this study is as share of GDP.

3.4.3.2. Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) refers to the cross border direct equity flow between the economies. It is sum of short and long term capital, earnings from re-investments and equity capital. It is also taken in log form. Higher capital inflow in a country means higher growth so log of FDI is expected to have a positive effect on GDPPC. The measure of FDI taken in the study is the net inflows in the economy from foreign investors, and is divided by GDP.

3.4.3.3. Inflation (INF)

Inflation often defined as the change in rate of price as a whole. Inflation rate taken here as for GDP deflator is the ratio of GDP in current local currency to GDP in constant local currency. It is taken in log form and is expected to have negative relationship with the GDPPC growth.

3.4.3.4. Trade (TRD)

Trade, defined as the sum of exports and imports of goods and services, plays a pivotal role in growth of an economy. It is self-evident that higher trade values tend to show more

production in an economy. So, this indicator is expected to have a significantly positive impact on GDPPC. It is taken as share of GDP in the present study.

3.4.3.5. Natural Resource Rent (NRR)

Natural resource rent is defined as the sum of rents of the natural resources like oil, coal, gas, forests and other minerals. For any country natural resources are of vital source of earning profits. It is expected to have a positive significant impact on GDPPC. It is taken as a share of GDP.

3.4.3.6. Aid (AID)

For aid, net official development assistance is used as an indicator for GDP equation. It consist of disbursements of loans taken from official agencies of the members of Development Assistance Committee (DAC). It is taken to improve the economic performance of the countries which usually is at higher interest rates on concessional terms. It is expected to have a negative significant impact on GDPPC as dependence on foreign aid at higher interest rate burdens the economy. It is taken in constant 2016 US dollars.

3.4.3.7. Urbanization (URB)

The annual percentage of urban population growth is used as measure of urbanization. It refers to people living in the urban sectors and the gradual change in their life style, employment and other day to day activities after shift from rural to urban set up. It is calculated on the basis of World Bank estimates of population. It is expected to stimulate growth as higher urbanization groups tend to achieve higher growth along with other influencing factors.

3.4.3.8. Population Density (PD)

Population density is defined as the mid-year population divided by the total land area. From the resource perspective, population density is expected to have a negative relationship with economic development as more dense population cannot participate in production activity rather they consume the present resources to the level of depletion. In the present study, it is measured as people living per square kilometer of area.

3.4.3.9. Human Capital (HC)

Human capital refers to the education and skill development of an individual in a society. It is expected to have a positive relation with GDPPC as more education and skill are conducive to economic growth. A well-educated and aware society knows how to exercise its rights so it is expected to have a positive effect on democracy also.

3.4.3.10. Religious Tensions (RT)

For religious factors, the study used religious tensions as an indicator. It is defined as the domination (or intension to do) of state or government by a single religion or religious group. By this domination the civil law is usually replaced by religious law thus creating unrest in the society as the religious freedom is controlled by inexperienced and self-interested people. This indicator is expected to have a negative relationship with the civil rights as more tension means less civil rights of the people.

3.5. Data and Data Sources

The study has used panel dataset for 86 countries for the period 1990-2017. The 3 clusters are made according to World Bank country classification by income levels. The three clusters are low-income, middle-income and high-income level countries. On the basis of data availability, data has been extracted for the required indicators. The data for GDPPC, GFCF, FDI, inflation, natural resource, Aid, urbanization and population density has been extracted from World Bank Indicators (WDI). For religious tensions data has been used from International Country Risk Guide (ICRG). For human capital, data has been extracted from Penn World Table 9.0. For indicator of Civil Rights, civil liberties data from Freedom House database has been used and for democracy Pol2 indicator has been used from Polity IV Index.

Chapter 4

Results and Discussion

4.1. Introduction

The political scenario of the nations significantly impact the economies around the globe. Democracy and civil rights go hand in hand when it comes to the concerns of economic growth. A more democratic society tends to have more civil rights thus having a substantial effect on the economic growth and development. The serious issue on behalf of governance and its intrinsic values is posing a question on the significance of democracy as a system of government. In this regard, the present study aims to test the relationship of GDP, democracy and civil rights on three set of countries.

The chapter mainly discussed the estimations and its results. The first section attempted to explain the choice of estimation technique used. The later part discussed the results of the estimation and its analysis.

4.2. Estimation Technique

The study used panel data for 86 countries from 1990-2017. Starting from the choice of using Ordinary Least Square (OLS) method, the model suffers from simultaneity bias or endogeneity problem. Since democracy and civil rights are affected by level of economic development and growth, the level of economic development is also affected by democracy and civil rights. Lack of rights lead to ethnic or religious tensions causing damage to the

physical and human capital, which in turn affects the investment resulting a decline in economic growth and development.

Economic development is considered an important determinant of democracy that countries who achieve higher growth rate have the choice of having a more representative or democratic operations in their society. Similarly, economic development is also a pre-requisite for the provision of civil rights. Due to this the causality in the above mentioned models is not just from the independent variables to the dependent variables, rather from the error term too. This correlation among error term and the independent variables lead to the problem of endogeneity.

One of the core assumption of OLS is that correlation among the independent variables and error term is zero i.e. *Cov* $(X_i, \mu_i = 0)$. When this assumption is violated, problem of endogeneity arises. Due to this problem, OLS estimators are always biased. Gauss-Markov theorem, which states that OLS estimators are BLUE, doesn't hold in this case. To deal with this problem instrumental variables are used in the study.

Using instrumental variables, we are able to get consistent and unbiased slope estimates. A good identification of instrumental variables means that variation in independent variable is explained by those instruments introduced, not by the error term and that variation does not lead to change in dependent variable. Instrumental variable technique can be used by running Two Stage Least Square (2SLS) or Generalized Method of Moments (GMM). The study has used 2SLS to cater the problem of endogeneity.

4.3. Results and Discussion

This sections contains the results of the 2SLS regression. It is divided into three sub-sections. The first sub-section discusses 2SLS results for high income countries for all three models of GDP, democracy and civil rights. The second discusses it for middle income countries for all three models and the last part discusses it for low income countries respectively.

4.3.1. High Income Countries

4.3.1.a. Gross Domestic Product

Table 4.1.a shows the results of 2SLS regression for high income countries, taking log of GDP per capita as the dependent variable. The table comprises 11 columns, each showing the results of the particular variation in the model. The specification shows the addition of one variable and the effect on all other too.

The model II shows the results of democracy and civil rights, showing a negative significant relationship between democracy, civil rights and GDP per capita. The results shows the exclusive effect of democracy and civil rights on the economic development. However the complementarity between democracy and civil rights in model IV shows a significant positive relationship with GDP per capita.   This shows that presence of both democracy and civil rights is conducive for growth in an economy, in higher income countries. The addition of other variables including log form of GFCF, FDI made the model better fit with significant positive relationship with GDP per capita. The results for GFCF

were negative and significant but addition of trade made it positive and insignificant. Human capital also signifies a positive relationship with GDP. However, model X shows that aid has a negative effect on growth and development in an economy. Model XI is the final model estimated, showing significant positive results of GFCF, FDI, human capital and trade. Moreover, population also signifies negative relationship with GDP per capita. The instruments used here includes human capital and different lags of GFCF, FDI, inflation, aid, natural resource rent and GDP. The model is best fit with value of R square 99% and is highly jointly significant at 1% level of significance.

Table 4.1. a: 2SLS Results of Regression for GDP in High Income Countries Dependent Variable: Log of GDP per Capita											
Explanatory Variables	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Constant	9.472*** (0.008)	10.050*** (0.0218)	10.812*** (0.0257)	12.258*** (0.0754)	12.058*** 0.144345	11.040*** (0.1365)	11.134*** (0.1328)	11.113*** (0.1237)	10.541*** (0.1427)	0.2009 (0.0254)	0.1639*** (0.0285)
Democracy		-0.747*** (0.0264)	-1.211*** (0.0240)	-2.7694*** (0.0802)	-2.7999*** 0.082435	-1.5860*** (0.0884)	-1.6835*** (0.0862)	-1.4180*** (0.0824)	-1.2176*** (0.0881)	-0.0257*** (0.0093)	-0.1460*** (0.0184)
Civil Rights			-0.8079*** (0.0199)	-2.7379*** (0.0972)	-2.7366*** 0.097206	-1.3964*** (0.1024)	-1.4074 (0.0995)	-1.0984*** (0.0946)	-0.8409*** (0.1005)	-0.0274*** (0.0105)	-0.1190*** (0.0164)
Dem x CR				2.1570*** (0.1066)	2.1593*** 0.106629	0.6669*** (0.1128)	0.750243 (0.1097)	0.4368*** (0.1040)	0.2003* (0.1079)	-0.016(0.1) (0.0111)	0.0795*** (0.0173)
Log of GFCF					0.0721(0.1) 0.044473	0.0915** (0.0402)	-0.1742 (0.0439)	-0.0962*** (0.0410)	0.0075(0.8) (0.0418)	0.0320*** (0.0044)	0.0149*** (0.0053)
Log of FDI						-0.1559*** (0.0061)	-0.16391 (0.0059)	-0.2319*** (0.0064)	-0.2373*** (0.0064)	-0.0066*** (0.0008)	0.0018* (0.0014)
Human Capital							0.2915*** (0.0219)	0.2363*** (0.0208)	0.2530*** (0.0206)	0.0147*** (0.0021)	0.0107*** (0.0024)
Log of Inflation								-0.1405*** (0.0066)	-0.1529*** (0.0066)	-0.001(0.8) (0.0007)	0.0007*** (0.0008)
Trade								0.0472(0.3) (0.0533)	0.0028(0.9) (0.0527)	-0.0399*** (0.0054)	0.0368* (0.0060)
1st Lag of Trade									0.4310*** (0.0533)	0.0338*** (0.0055)	0.0192*** (0.0064)
Natural Resource Rent									0.0030*** (0.0005)	0.0002*** (5.5E-05)	-0.0009*** (0.0001)
Aid										-0.0009*** (0.0002)	-0.0011*** (0.0003)
1st Lag of Log of GDPPC										0.9714*** (0.0018)	0.9946*** (0.0035)
Population Density											-0.0001*** (0.00001)
Adjusted R²	0.0000	0.2135	0.4954	0.5570	0.5572	0.6375	0.6579	0.7035	0.7141	0.9969	0.9962
F statistics	-	808.68***	1461.45***	1247.57***	936.86***	1047.10***	954.30***	883.19***	740.64***	81872.8***	77586.4***
No. of Observations	2975	2975	2975	2975	2975	2975	2975	2975	2975	2975	2975

Instruments: Lag of Capital Formation, Lag of Foreign Direct Investment, Lag of GDPPC, Lag of Inflation

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.1.b. Democracy

Table 4.1.a show the results of 2SLS regression taking democracy as dependent variable. The tables consist of 9 columns. Model II shows a negative significant relationship between democracy and civil rights but addition of human capital in model IV made it significantly positive. Human capital itself has a positive effect on democracy. Urbanization also signifies a significant positive relationship with democracy. Model IX shows the final form of the model showing a significant positive relationship of civil rights and GDP per capita with democracy. This implies that presence of civil rights and higher economic growth strengthens democracy. The lag of democracy and civil rights signifies a positive effect on democracy. The model is best fit with value of R square 99% and is highly jointly significant at 1% level of significance.

Table 4.1. b: 2SLS Results of Regression for Democracy in High Income Countries									
Dependent Variable: Democracy									
Explanatory Variables	**I**	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**
Constant	0.8869*** (0.0018)	1.0100*** (0.0017)	2.309*** (0.0251)	2.2432*** (0.0255)	0.0303*** (0.0022)	0.0299*** (0.0022)	0.0301*** (0.0022)	0.0305*** (0.0022)	0.03051*** (0.0022)
Civil Rights		-0.6458*** (0.0049)	-0.7395*** (0.0050)	-0.7313*** (0.0050)	0.0034*** (0.0005)	0.0035*** (0.0005)	0.0085*** (0.0015)	0.0087*** (0.0015)	0.0087*** (0.0015)
Log of GDP			-0.1233*** (0.0023)	0.3897*** (0.0430)	0.0205*** (0.0031)	0.0201*** (0.0031)	0.0215*** (0.0032)	0.0229*** (0.0032)	0.0229*** (0.0032)
1st Lag of Log of GDP				-0.5078*** (0.0425)	0.0233*** (0.0031)	-0.0231*** (0.0031)	-0.0244*** (0.0031)	-0.0262*** (0.0031)	-0.0262*** (0.0031)
1st Lag of Democracy					-0.9991*** (0.0005)	0.9988*** (0.0005)	0.9989*** (0.0005)	1.0018*** (0.0006)	1.0018*** (0.0006)
Human Capital						0.0004** (0.0002)	0.0003** (0.0002)	0.0004** (0.0002)	0.0004** (0.0002)
2nd Lag of Civil Rights							-0.0049*** (0.0014)	-0.0051*** (0.0014)	0.0051*** (0.0014)
Urbanization								0.0005*** (8.1E-05)	0.0005*** (8.1E-05)
Adjusted R²	0.000000	0.4281	0.4833	0.4875	0.9972	0.9972	0.9972	0.9972	0.997229
F statistics	-	18215.8***	11784.4***	7963.42***	1937780.***	1550459.***	1292732.***	1110474.***	1110474.***
No. of Observations	21630	21595	21595	21595	21595	21595	21595	21595	21595

Instruments: Lag of Civil Rights, Literacy, Lag of Gross Domestic Product, Lag of Democracy

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.1.c. Civil Rights

Table 4.1.c comprises of 8 columns showing VIII variations in the model. For civil rights as dependent variable, GDP has a significant positive relationship. But with the addition of the first lag, it becomes negative. Democracy and civil rights has positive significant relationship with each other. Religious factors include the religious tensions in a society so when tensions in a society due to religion increase it adversely affects the civil rights. Therefore religious factors signifies a significant negative relationship with civil rights. Model VIII is the final estimated model. It shows a significant positive relationship of first lag of GDP with civil rights indicating that countries that have higher economic growth tend to have more civil rights. A significant positive relationship between democracy and civil rights shows that countries who have democracy have vested more civil rights to their people. In addition to this, the model signifies a negative relationship of religious factors with civil rights. The model is a good fit with high joint significance of 1%.

Table 4.1. c: 2SLS Results of Regression for Civil Rights in High Income Countries Dependent Variable: Civil Rights							
Explanatory Variables	**I**	**II**	**III**	**IV**	**V**	**VI**	**VIII**
Constant	0.4875*** (0.0061)	0.8906*** (0.1084)	5.8851*** (0.1170)	5.8542*** (0.1130)	6.6623*** (0.1454)	0.7624*** (0.0927)	0.7252*** (0.0962)
Log of GDP		-0.0419*** (0.0112)	0.4860*** (0.0112)	-2.6182*** (0.1402)	-2.7458*** (0.1397)	-0.3710*** (0.0725)	-0.3616*** (0.0737)
Democracy			-1.0133*** (0.0178)	-0.925311 0.018149	-0.8287*** (0.199)	-0.0947*** (0.0122)	0.0913*** (0.0126)
1st Lag of Log of GDP				2.132263 0.139886	2.2032*** (0.1390)	0.3077*** (0.0707)	0.3014*** (0.0718)
Religious Factors					-0.4065*** (0.0404)	-0.0454** (0.0201)	-0.0418** (0.0204)
1st Lag of civil rights						0.8851*** (0.0088)	0.8564*** (0.0178)
2nd Lag of Civil Rights							0.0330* (0.0179)
Adjusted R²	0.000000	0.0038	0.4917	0.5257	0.5398	0.8893	0.8894
F statistics	-	14.014***	1671.3***	1271.9***	992.21***	5253.8***	4258.5***
No. of Observations	3360	3360	3360	3360	3360	3360	3255
Instruments: Lag of Foreign Direct Investment, Lag of Democracy, Urbanization, Lag of GDPPC							
Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.							

4.3.2. Middle Income Countries

4.3.2.a. Gross Domestic Product

Taking log of GDP per capita as dependent variable, table 4.2.a shows the result of 2SLS regression for middle income countries. The table comprise of 11 columns showing general to specific variation in the core model. Initially, model IV showing interaction between democracy and civil rights, signifies a negative effect on GDP per capita in middle income countries. Log of GFCF and FDI shows a significant positive on log GDP per capita. Human capital also has significant positive impact on GDP in middle income countries as for higher income countries. Log of inflation and aid negatively affects GDP as more dependence on aid leads to less innovation thus impeding economic growth. Natural resource rent significantly and positively affects GDP growth as natural resources are an important source of national income. The final model XI shows that complementarity between democracy and civil rights is mandatory for the growth of GDP per capita as democracy and civil rights alone do not impact GDP in middle income countries. Trade, GFCF, FDI and human capital have positive significant impact on GDP per capita while aid population density and inflation hamper growth in middle income countries. The final model has value of R square is 80% and is jointly significant at 1%.

Explanatory Variables	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Constant	7.7219*** (0.0056)	7.1573*** (0.0122)	8.618*** 0.038002	7.304*** (0.0828)	6.0464**8 (0.0942)	6.0255*** (0.0938)	1.8525*** (0.0955)	1.2272*** (0.0941)	1.2281*** 90.0940)	3.9477*** (0.0969)	7.6314*** (0.2308)
Democracy		0.9059*** (0.0176)	-0.108*** 0.030382	1.465*** (0.0935)	1.5419*** (0.0921)	1.6991*** (0.0922)	3.0155*** (0.0828)	3.0827*** (0.0803)	3.1014*** (0.08030	2.0836*** (0.0752)	-0.4412** (0.1779)
Civil Rights			-1.457*** 0.036008	0.2075** (0.1002)	0.2856*** (0.0987)	0.44823*** (0.0987)	2.7202*** (0.0910)	-2.7854*** (0.0883)	2.8055*** 90.0882)	1.6501*** (0.0817)	-2.9912*** (0.2018)
Dem x CR				-2.113*** (0.1189)	-2.152 (0.1171)	-2.2876*** (0.1168)	-3.7687*** (0.1046)	-3.8597*** (0.1015)	-3.8849*** (0.10140	-2.5769*** (0.0944)	0.1107** (0.2219)
Log of GFCF					0.3792*** (0.0142)	0.3276*** (0.0145)	-0.3754*** (0.0128)	0.3976*** (0.0124)	0.3985*** (0.0124)	0.3325*** (0.0113)	1.3683*** (0.0309)
Log of FDI						0.0595*** (0.0037)	0.0248*** (0.0034)	0.0106*** (0.0033)	0.0106*** (0.0033)	0.0115*** (0.0030)	0.3008*** (0.0083)
Human Capital							1.1515*** 90.0131)	1.2288*** (0.0129)	1.2223*** (0.0129)	1.0452*** (0.0123)	0.0257** (0.0326)
Log of Inflation								0.1632*** (0.0042)	0.1618*** (0.0042)	-0.097*** (0.0039)	-0.1560*** (0.0098)
Trade									0.2714*** (0.0352)	0.1922*** (0.0320)	0.1629** (0.0737)
Natural Resource Rent										0.0139*** (0.0005)	0.0277*** (0.0014)
Log of Aid										-0.191*** (0.0034)	-0.0659*** (0.0081)
Population Density											-0.0076*** (0.0001)
Adjusted R²		0.1016	0.1525	0.1726	0.1971	0.2052	0.3799	0.4163	0.4173	0.5304	0.801745
F statistics		2625.5***	2236.0***	1616.5***	1428.1***	1205.8***	2705.0***	2707.3***	2383.1***	2747.7***	942092.2***
No. of Observations		23200	23200	23200	23200	23200	23200	23200	23200	23200	23200

Instruments: Lag of Civil Rights, Lag of GDPPC, Lag of Capital Formation, Lag of Foreign Direct Investment, Lag of Inflation

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.2.b. Democracy

The 7 columns of table 4.2.b shows regression results of democracy as dependent variable for middle income countries. First lag of log of GDP and civil rights are having a significant positive relationship with democracy in middle income countries with inclusion of human capital. Human capital itself has significant positive relationship with democracy as higher skills and education lead to awareness among the individuals of society thus having a more wakeful society who can practice their rights wisely. The lag of GDP per capita and democracy have significant positive impact on democracy respectively. The model is overall a good fit with joint significance at 1%.

Table 4.2 b: 2SLS Results of Regression for Democracy in Middle Income Countries
Dependent Variable: Democracy

Explanatory Variables	I	II	III	IV	V	VI	VII
Constant	0.6470*** (0.0016)	1.170736 (0.0022)	1.2996*** (0.0110)	1.3013*** (0.0110)	0.1609*** (0.0063)	0.1574*** (0.0065)	0.1584*** (0.00697)
Civil Rights		-0.9721*** (0.0037)	-0.9934*** (0.0041)	-0.9934*** (0.0041)	-0.0993*** (0.0034)	0.0965*** (0.0037)	0.1124*** (0.02703)
Log of GDP			-0.0150*** (0.0012)	-0.0807*** (0.0217)	-0.1171*** (0.0102)	-0.1193*** (0.0103)	-0.0631*** (0.01312)
1st Lag of Log of GDP				0.0657*** (0.0217)	0.1137*** (0.0102)	0.1153*** (0.0102)	0.0591*** (0.01308)
1st Lag of Democracy					0.8879*** (0.0028)	0.8887*** (0.0028)	0.8860*** (0.00306)
Human Capital						0.0028** (0.0013)	0.0043*** (0.00144)
2nd Lag of Civil Rights							-0.2144*** (0.02743)
Adjusted R^2	0.0000	0.6738	0.6738	0.6739	0.9275	0.927554	0.918040
F statistics		70002.75***	35249.85***	23509.86***	95729.41***	76592.57***	63975.32***
No. of Observations	30920	30920	30920	30920	30920	30920	30880

Instruments: Lag of Civil Rights, Literacy, Lag of GDPPC, Lag of Democracy

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.2.c. Civil Rights

Taking civil rights as dependent variable, table 4.2.c shows the results of 2SLS in middle income countries. Model II to IV shows weakly significant negative relationship among GDP and civil rights while Model V shows a strongly significant positive affect of GDP on civil rights. For middle income countries, the tensions in religion also shows weak civil rights and here too the religious factors have a strongly negative affect on civil rights which implies fragile civil rights with higher religious tension. The first lag of civil rights is also positively related with the current value. The model is a good fit with adjusted R square 95% with high joint significance of 1%.

Table 4.2 c: 2SLS Results of Regression for Civil Rights in Middle Income Countries Dependent Variable: Civil Rights						
Explanatory Variables	**I**	**II**	**III**	**IV**	**V**	**VI**
Constant	0.5261*** (0.0016)	0.998*** (0.0022)	1.1968*** (0.0093)	1.1946*** (0.0093)	1.1490*** (0.0092)	0.1235*** (0.0048)
Log of GDP		-0.7191** (0.0030)	-0.7050* (0.0030)	-0.7047* (0.0030)	0.6906*** (0.0030)	0.0769** (0.0021)
Democracy			-0.0258*** (0.0011)	0.0855*** (0.0218)	0.0673*** (0.0214)	-0.0658*** (0.0087)
1st Lag of Log of GDP				-0.1114*** (0.0218)	-0.0781*** (0.0214)	0.0648*** (0.0087)
Religious Factors					-0.1273*** (0.0039)	-0.0192*** (0.0016)
1st Lag of civil rights						0.90330*** (0.0026)
Adjusted R^2	0.000000	0.6983	0.7041	0.7044	0.7167	0.9529
F statistics	-	55374.09	28470.00	19008.50	15135.20	96934.53***
No. of Observations	23920	23920	23920	23920	23920	23920
Instruments: Lag of GDPPC, Lag of Civil Rights, Aid, Lag of Democracy, Literacy						
Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.						

4.3.3. Low Income Countries

4.3.3.a. Gross Domestic Product

The table 4.3.a shows 2SLS regression results with log of GDP per capita as dependent variable for low income countries. Here civil rights and log of GDP have a significant positive relationship which implies if there are more rights provided to people there will be more growth in low income economies. A significant positive relationship with democracy means the same. However, in the model IV of given table, the interaction between democracy and civil rights shows insignificant positive affect of this complementarity on GDP per capita. This means for low income countries the notion of democracy and civil right conducive to growth does not hold. Low income countries have poor situation in terms of rights and decision making power. The two variables individually have significant positive impact on GDP but their joint presence does not affect GDP growth rate. Log of GFCF, FDI, trade and human capital have significant positive affect on GDP per capita. Natural resource rent in this case of low income countries have negative relationship with GDP per capita. The natural resources are not formally institutionalized so there is more exploitation of resource rents in low income countries. Aid also negatively affects GDP per capita in low income countries as more dependence on aid hampers GDP growth.

Table 4.3. a: 2SLS Results of Regression for GDP in Low Income Countries
Dependent Variable: Log of GDP per Capita

Explanatory Variables	I	II	III	IV	V	VI	VII	VIII	IX	X	XI
Constant	5.9635***(0.0085)	5.963***(0.0266)	5.7449***(0.0506)	4.7624***(0.0666)	5.0304***(0.0932)	5.0464***(0.0903)	4.7453***(0.0705)	4.8920***(0.0672)	4.8802***(0.0670)	4.9984***(0.0666)	5.1575***(0.0914)
Democracy		-.0005(0.9)(0.0390)	0.2256***(0.0591)	1.7014***(0.0901)	1.6302***(0.0913)	1.6868***(0.0886)	0.7052***(0.0756)	0.9553***(0.0732)	0.9460***(0.0730)	0.7754***(0.0736)	0.7515***(0.0742)
Civil Rights			0.2199***(0.0433)	2.2654***(0.1078)	2.2150***(0.1079)	2.3576***(0.1052)	0.3066***(0.1055)	0.8001***(0.1047)	0.7690***(0.1047)	0.5464***(0.1050)	0.5217***(0.1053)
Dem x CR				-3.920***(0.1924)	-3.8787***(0.1916)	-4.2056***(0.1877)	1.2996***(0.1735)	2.1939***(0.1741)	2.1748(0.9)(0.1735)	1.6101(0.9)(0.1806)	1.5726(0.8)(0.1811)
Log of GFCF					-0.0720***(0.0176)	-0.0975***(0.0172)	0.0487***(0.0141)	0.0065(0.6)(0.0138)	0.0030(0.8)(0.0138)	0.0402***(0.0143)	0.0525***(0.0151)
Log of FDI						0.0505***(0.0043)	0.0177***(0.0035)	0.0163***(0.0033)	0.0151***(0.0033)	0.0272***(0.0034)	0.0288***(0.0035)
Human Capital							0.4415***(0.0144)	0.4571***(0.0136)	0.4652***(0.0137)	0.4104***(0.0147)	0.3914***(0.0165)
Log of Inflation								-0.0807***(0.0053)	0.0808***(0.0053)	-0.0745***(0.0052)	-0.0722***(0.0053)
Trade									0.0667***(0.0181)	0.0866***(0.0177)	0.0747***(0.0183)
Natural Resource Rent										-0.0086***(0.0009)	-0.0086***(0.0009)
Log of Aid											-0.0235**(0.0092)
Adjusted R²	0.0000	-0.00059	0.0139	0.1861	0.1951	0.2447	0.5483	0.5982	0.6014	0.6223	0.623643
F statistics	-	0.0001***	12.938***	154.99***	121.70***	134.84***	324.70***	346.19***	306.80***	293.13***	265.447***
No. of Observations	1694	1694	1694	1694	1694	1694	1694	1694	1694	1694	1694

Instruments: Lag of Capital Formation, Lag of Foreign Direct Investment, Lag of Inflation, Population Density, Lag of Democracy

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.3.b. Democracy

Table 4.3.b show results of democracy as dependent variable. Here current value of GDP is negatively related with democracy however the first lag signifies a positive relationship among the two variables. First lag of democracy is significantly positively related with its current value. Human capital also signifies a positive relationship with democracy. In final model VII, civil rights GDP, human capital shows a significant positive affect on democracy in low income countries. The model has value of R square 0.72 and is jointly significant at 1% level of significance.

Explanatory Variables	I	II	III	IV	V	VI	VII
			Table 4.3. b: 2SLS Results of Regression for Democracy in Low Income Countries				
			Dependent Variable: Democracy				
Constant	0.6275*** (0.0047)	1.4197*** (0.0595)	0.7617*** (0.0436)	0.7677*** (0.0436)	0.3961*** (0.0365)	0.4006*** (0.0366)	0.3934*** (0.0362)
Log of GDP		-0.1299*** (0.0097)	0.0078*** (0.0073)	-0.1447** (0.0568)	-0.1340*** (0.0453)	-0.1301*** (0.0454)	-0.1246*** (0.0449)
Civil Rights			-0.4771*** (0.0103)	-0.4789*** (0.0103)	-0.2114*** (0.0114)	-0.2083*** (0.0116)	0.2549*** (0.0133)
1st Lag of Log of GDP				0.1522*** (0.0562)	0.1292*** (0.0448)	0.1266*** 90.0448)	0.1179*** (0.0443)
1st Lag of Democracy					0.5544*** (0.0165)	0.5520*** (0.0166)	0.5811*** (0.0169)
Human Capital						-0.0074(0.1) (0.0046)	0.0118** (0.0046)
2nd Lag of Civil Rights							0.0855*** (0.0124)
Adjusted R^2	-0.000000	0.0825	0.5596	0.561071	0.7203	0.7206	0.727015
F statistics	-	179.02***	1258.6***	844.23***	0.1103***	1021.8***	879.4117***
No. of Obs	1980	1980	1980	1980	1980	1980	1980

Instruments: Lag of Civil Rights, Literacy, Lag of Gross Domestic Product, Lag of Democracy

Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.

4.3.3.c. Civil Rights

Table 4.3.c shows regression results of 2SLS for civil rights in low income countries. Log of GDP has negative affect on civil rights which confirms that GDP growth is mandatory for better situation in terms of civil rights. Low income countries have lower values of GDP due to which they do not have better civil rights. However, First log of GDP and democracy have significant effect on civil rights. Religious tensions in low income countries, same as for the other two groups of middle income, is negatively related with civil rights. This confirms that tension due to religion dominance creating unrest in society thus having lower scores for civil rights. The model has value of R square 0.58 and is jointly significant at 1% level of significance.

Table 4.3. c: 2SLS Results of Regression for Civil Rights in Low Income Countries Dependent Variable: Civil Rights					
Explanatory Variables	**I**	**II**	**III**	**IV**	**V**
Constant	0.3710*** (0.0079)	-1.0173*** (0.1123)	0.3936*** (0.0821)	0.4822*** (0.0900)	0.4890*** (0.0898)
Log of GDP		0.2276*** (0.0183)	0.0932*** (0.0127)	0.0861*** (0.0130)	-0.2206** (0.1030)
Democracy			-1.0070*** (0.0222)	-1.0160*** (0.0225)	0.0226*** (1.0088)
1st Lag of Log of GDP				-0.0615*** (0.0258)	0.3047*** (0.1014)
Religious Factors					-0.0506** (0.0260)
Adjusted R²	0.0000	0.0815	0.5806	0.5817	0.5836
F statistics	-	154.27***	1195.70***	801.21***	605.99***
No. of Obs	1727	1727	1727	1727	1727
Instruments: Lag of GDPPC , Lag of Democracy, Literacy					
Note: * Significant at 10% level of significance; ** Significant at 5% level of significance; *** Significant at 1% level of significance. Parenthesis () shows robust standard errors.					

Chapter 5

Civil Rights and Democracy in Pakistan: Situational Analysis

All the ills of democracy can be cured by more democracy – Al Smith (SMITH)

Encyclopedia describes "democracy" as "rule by people" and is evolved by the Greek word "demokratia" coined in the middle of 5th century BCE. Democracy is the finest system of the government provided it is observed in accordance to its real essence. Developed nations across the world are a living example of how rule of the people, for the people and by the people themselves sets highest life quality standards for everyone. The ideas, societal norms and philosophies enshrining the various concepts of civil and democratic rights have existed for centuries as these are inherent to all human beings regardless of creed, sex, nationality, gender, language or any other form of distinction. However, in modern times, the mention of human rights has become louder due to social revolution and enhanced reporting.

Islamic Republic of Pakistan came into its being with a manifesto of establishment of a separate democratic Islamic state for the Muslims of South East Asia. Since the inception of Pakistan, democracy has been in a constant state of confused affairs riding in a roller coaster, with events leading sometimes either in its favor or totally against it. Democracy has gone through many trials resulting in situations that were either overpowered by Monarchs resulting in marshal law or mid-term elections.

Quaid e Azam stated in his broadcast talk on Pakistan to people of USA on 26th February 1948:

"The constitution of Pakistan is yet to be framed. I don't know what the ultimate shape of the constitution is going to be. But I am sure it will be of complete democratic type embodying essential principals of Islam. These principals are as applicable in actual life as were 1300 years ago. Islam and its idealism have taught us democracy. They have taught us justice, equality and fair play to everybody. We are the inheritors of glorious traditions and are fully aware of our responsibilities as framers of future constitution of Pakistan".

Pakistan has suffered mainly due to lack of a proper political culture. Political culture refers to "*attitude towards the political system and its various parts, and attitudes towards the self in the system*" (Almond & Verba, 1963). Political culture is basically the set of ideas that is followed by a certain community in order to practice their right and beliefs about their participation in the stream of their country's politics. Pakistan is divided into cast and biradari system which mainly dominates in a lot of areas based on the ethnic superiority of certain ruling classes in those areas. A setup is followed where generations over generations the rule game just runs within the same families. This idea of social superiority in communities remains constant years after years and in generations that follow. (Ahmad, 2006). Various surveys explain how individual opinions are masked and caste/biradari decides. According to Lipset

"Perhaps the most widespread generalization linking political systems to other aspects of society has been that democracy is related to state of economic development" (Lipset, March 1959).

Pakistan had to start from scratch and build everything of its own just to prove that the two nation theory was the most authentic theories to save Muslims of subcontinent. Jinnah was well aware of the false coins in his pockets. (Khan, 2009). There was a political chaos after the assassination of Liaqat Ali Khan with a feeble economy of Pakistan. Two wings of Pakistan were separated by 1000 miles hostile territory and a difference of cast, culture and language. Due to immigration of literate Hindus and Sikhs to India a very high illiteracy rate was left in Pakistan which also contributed to its ailing situation at the start of its journey.

Pakistan was made in the name of Islam therefore a Religious role was always there to play the country's policy making. The Objective Resolution passed by the Constituent Assembly in 1949 was well taken by Muslim majorities but certainly went under the tables in the books of minorities. "98 percent Muslim population" was taken as a point by certain Religious scholars to advocate and preach a system based on Quran and Sunnah, mainly due to their political interest and earn a vote bank. Thus completely ignoring the first address of Muhammad Ali Jinnah on August 11, 1947 stating

"Religion, caste, color or creed has nothing to do with the business of the state"
(Quaid e Azam Muhammad Ali Jinnah speeches as Governer General of Pakistan (1947-1948)).

Following Independence it took three Governor Generals, four Prime Ministers, two constituent assemblies (1947-1954 & 1955-1956) and nine years of protracted constitution making process to finally form the first constitution of Pakistan 1956 which was then abrogated by the First Martial law on 7th October 1958. (Constitution Net, 2018) As the time proceeded another constitution was enacted by General Ayub Khan, a military dictator, to support good governance. It lasted only as long as his era did. Later, after the separation of East Pakistan, under the rule of Zulfiqar Ali Bhutto a final constitution of 1973 was formulated which is still followed in the country with some amendments. Despite of the breakdown of democracy in 1978 and 1999, the constitution is still any intact. (Constituition Net, 2018)

Hamid Khan writes that any country needs a well-entrenched and strong political parties system. Unfortunately Pakistan has failed to develop into strong wills of national political vehicle. Feudalism has been a key force responsible for deterioration of political system in Pakistan. Feudal lords have mainly ruled in a way to open gates for the bureaucracy's supremacy whether civil or military. At a provincial consultation the president of the Awami Worker Party (AWP) said "Feudalism damaged democracy in Pakistan. Democracy and Feudalism cannot work together. If you want a successful democracy, you need to make some constitutional changes. We cannot progress further if feudalism exists" (Masood, 2016)

During Bhutto's era, East Pakistan separated in 1971 and Pakistan was left with the West Wing and a disputed region of Kashmir. Pakistan's civil governments suffered derailment because of the interventions from the military leadership thus resulting in three

marshal laws in its brief history. Pakistan met internal and external threats due to its weak governance.

The dismemberment of Pakistan left Yahya Khan with no option but to handover the government to Pakistan People's Party. Although PP won the 1977 elections but Pakistan national alliance a 9 party coalition charged him with rigging the vote. (Asia Society, 2012). Post Zia and Bhutto, Nawaz Sharif came to limelight. And then the seat game began to run between either Pakistan People's Party (PPP) or Pakistan Muslim League (N). Major parties called for a boycott in 1985, President Zia wanted to make the constitution more comfortable for his rule. The 8th amendment came out as the blow to the people's faith in democracy. 1988 elections came out as the first to hold on political parties' platform for the first time in 15 years with PPP clearly wining the elections.

Nation overall had lost their faith in democracy and all they could see was corruption and self-rule by the bureaucratic and military elites. Nawaz Sharif was appointed in PM's office in 1990 and later dismissed in 1993 despite of his improved GDP's and increased investments in state. Later the government was taken over by Benazir Bhutto and even later in 1997 there was another victory by Pakistan Muslim League (N). So the power basically went to and fro.

Kargil issue break out in 1999 worsened situation between Pakistan and India over the Kashmir issue. General Musharraf was aggressive on his beliefs and resultantly the then Prime Minister Mian Mohammad Nawaz Sharif's passive behavior led Musharraf to give another setback to democracy by imposing marshal law on 12th October 1999. In July

2001, Musharraf declared himself the president thus giving a full stop to the democratic journey of Pakistan for a period of 10 years. (Snellinger, 2019)

Beside bad governance another issue that caused a huge economic deficit was the Afghan refugee influx. Russian war and Talibanization ended up with a huge displacement of Afghanis across the border. This came up as a burden to feeble Pakistani economy which was already struggling to meet its ends for its own people. Millions of registered and unregistered refugees were hosted by Pakistan where it had to spend over 200 billion dollars as stated by Former Minister of State and Frontier Regions Abdul Qadir Baloch during his interviews to news agency. (Express Tribune, 2013)

Pakistan has suffered a long history of terrorism. There has been a loss of lives and damage to infrastructure to a great scale that left Pakistan dependent on foreign aid. Democratic government's failed in completing their tenure which again added to a questionable state of affairs. Pakistan's war on terror came out as another blow to its struggling economy.

Since early 2000s Pakistan's economy was increasing in a rapid manner until it came to a slow growth rate to 4.1 percent in 2007-2008 and 2 percent in 2008-2009. This decline is heavily due to the disturbed internal affairs mainly the "war on terror". (2008-2009). Recent surveys have shown a considerable improve in the economy. Current government has tightened the policies that resulted in an increase to 5.8 percent. Current Account Deficit reached 3.3 percent of GDP in FY19 compared to 3.7 percent in July-Feb FY18 (World Bank Organization, 2019)

Quaid e Azam Muhammad Ali Jinnah answered to an interview to an American audio in 1948 stated:

"Every person no matter what is his color, caste or creed, is first, second and last citizen of this state, with equal rights privileges and obligations. You are free to go to your temples, you are free to go to your mosques and any other place of worship in this state of Pakistan – that has nothing to do with the business of the state".

Now the question arises that did Pakistan really fulfil the ideology of its creation? Religious extremism has been a major concern since the very birth of the state. If the chapter one of the constitution of Pakistan is opened, it would clearly state about the fundamental human rights. But unfortunately, those rights have never been really provided. Rights of minorities have been up to a level to giving a right of double voting. But the real essence would only come if these rights are practiced and granted as well as guarded. Recent case of Asia Bibi a Pakistan Christian woman who was accused of Blasphemy was isolated, beaten and then arrested on the charge of blasphemy. The husband of Asia Bibi, Ashiq Mesih, in an interview to BBC said

"We are living in constant fear, there is always a feeling of anxiety and insecurity, that anything could happen to us. I just let the children go to school - they are not allowed to play outside, we have lost our freedom."

In October 2018, the case was finally given a verdict where Asia Bibi was announced innocent and given a bail after 9 years of her arrest. The case dismissing was unapproved by a major lot and many took to streets asking to reconsider the decision. There was

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massive backlash from different areas. Khadim Hussain Rizvi and his party, Tehreek e Labaik led to roads to block and protest. According to BBC news on 29th January 2019 Government's strict response held them back and Asia was safely given a refuge in Canada. (BBC, 2019)

Previously the same case of religious extremism went down to a level when Salman Taseer former governor of Punjab was assassinated in broad daylight by his own security guard, Mumtaz Qadri. The same TLP organization declared Qadri a hero and considered it an act of bravery. This incident was carried in response to Taseer's visit to Asia at Sheikhupura prison in 2010 where then he requested the president to pardon Asia and revise the blasphemy laws. On the other hand, the same TLP upon the death sentence and execution of Qadri in 2006, launched a massively big rallies for the funeral and celebrated it as that of a Martyr (Jaffery, 2019). There are plenty of other examples to quote. Express Tribune issued a report stating the "Timeline of Major attack on minorities" on March 28, 2016. Report mentions some major attacks on the minorities including *"deadliest attack on Christians killing at least 83 in twin suicide bombing in Peshawar"* on September 22, 2013. Report also stated *"Hundreds of protestors set ablaze more than 200 houses belonging to Christians in Joseph Colony, after Sawan Masih, a member of the colony was accused of blasphemy"* on 7th march 2013. (Express Tribune, 2016)

Gender based violence had been another very mentionable chaos of the society. Despite of the equality status given to women by Islam and the constitution of Pakistan. Unluckily, it was not practiced in accordance. According to Pakistan demographic and Health survey 2012-2013, up to 32 percent women have experienced violence and one out

of two never shared the domestic violence they experienced (PDHS, 2013). United Nations Fund for Population Activities (UNFPA) states that patriarchal society is the root cause of such cases in general. (United Nations Fund for Population Activities, 2017)

According to Official figures announced by Ministry of Human Rights, 8648 human rights violations were reported in the country between January 2012-Sept 2015. This all included cases of acid burning, violence against women, rape, sexual harassment and domestic abuse. (Research Society of International Law, 2017)

Illiteracy, ignorance and failed set of ideas toward gender equality are a main reason behind such cases. Justice, law formation and implementation and strict punishment for the culprits can only be a way out to deal such situations. Though Judiciary and slow case handling had been a cause of concern in Pakistan but in recent years the situation has improved as compared to past. The recent rape and murder case of a young girl named Zainab from Kasur faced a huge outrage from public. Social media campaigns resulted in the grant of justice to the young girl's family. The murderer was sentenced to death and hanged on 17th October 2018. (Dawn News, 2018)

In a major development Pakistan's parliament in May, passed equality laws for transgender thus giving them a complete right of self-identification and to have an identity registered on all official documents like CNIC, Passport etc. (Human Rights Watch, 2019)

According to official figures, less than 60 percent of Pakistan people are literate. While Pakistan is signatory to a host of conventions intended to protect human rights including Universal Declaration of Human Rights (UDHR), Convention on the Rights of Children

(CRC), Convention on the elimination of all forms of Discrimination Against Women (CEDAW) etc. The real problem lies in the weak implementation of laws and related punishment on breaking the laws. A report on the United Nations International Children's Emergency Fund (UNICEF) organization's website states on its official website that a clear lack of awareness and poor law enforcement has led to the risking security situations at even domestic levels. (UNICEF, 2018)

It is not that there has been no progress. It is just that there is a dire requirement of changed mindset, awareness and a collective effort by the government as well as the local bodies to implement the law and order situation to an optimal level as to ensure the protection of rights of every individual residing inside the state of Pakistan. Only then, it can achieve its standard as a developed and an established nation and country.

Chapter 6

Conclusion and Policy Recommendation

Institutions are a bridge between masses and elites. They embodies and formulate rules that manage the state's socio-political and economic affairs. They have the power to stop the forces that may are a threat to the society. According to Chang, institutions are endogenous to economic growth, they cause as well as affect economic growth and that economic growth and development further refine the socio-political institutions of the state (Wallis, 2011). Institutions have both formal and informal constraints that shape up the society. Democracy, as a form of government, has a crucial effect on economic development. Civil rights are the result of those formal rules and informal customs that make the society civilized and democratic. Freedom of speech, religious liberation and pursuit of happiness are the core elements of democracy and civil rights. The empirical literature of the study also confirms this notion that democracy and civil rights are conducive to economic growth and development.

Using secondary data for 86 countries, the study confirms that there exist a positive relationship between democracy, civil right and economic development if there exists a complementarity between democracy and civil rights. Democracy alone is not a workable solution to the problem of economic crisis. Civil rights, in form of better institutions are a solution to address this issue. North (1991) argues that institutions perpetually grow by connecting the past, present and future. The growth of a market is based upon connection and cooperation of its agents. Similarly, the growth of institutions depend upon the

cooperation between the individuals and groups. So the countries which were not developed in past or at present cannot be developed in near future too. The economic history suggests that advanced economies of today are the evolved one which were very primeval at their initial stages. Division of labor, game theory, economies of scale all are concepts developed after years of evolution of economic markets. Resultantly today we are at stage where we are looking forward to knowledge economies, which are far more advanced than just the economic growth and development of the states. Set of formal and informal constraints once formulated needs to be implemented in an efficient manner. If this does not happen, democracy also fails to root out the contradiction. There is need to have some cognitive rules which are self-enforcing and self-confirming. Therefore it is important to regulate the formal and informal institutions. Democracy, civil rights and economic development are endogenous to each other which confirms their dependence on each other. The analysis of control variables depicts that human capital strengthens democracy and ultimately improves economic development. Urbanization in high income countries supports democracy and thus the economic development but is insignificant for middle and low income countries.

Given the democracy and civil rights situation in the world around us, the intrinsic value of democracy even then cannot be ignored. Based upon the findings of the research the study has following recommendations

- Governments in low and unstable economies should put more emphasis on stability of administrative machinery so that macroeconomic policies made can be executed in efficient manner.

- Transparency of institutions and improvement in the quality of beaurucracy is the dire need of most of the badly governed institutions. Corruption control is one of the key way through which investment level can be enhanced in any democracy.

- Legislature and street level beaurucracy needs to work together. Importance of a stable political environment cannot be ignored for the implementation of consistent and coherent policies. So, there is a need for joint venture of policy makers and political parties.

- The investment in human capital must be augmented to make people aware of their rights and responsibilities. From supply side, provision of right education should be ensured. By right education we mean the general public should be wakeful about which representatives they may elect.

The objectives of this research are well achieved but still the study leave venue for further researchers. Given that democracy and civil rights are necessary for economic development, future research can be conducted to measure the parameters of ideal democracy and its comparison with democracy in Pakistan. This may help elevating democracy situation in the country that may improve economic growth too. By taking convenience sampling, a survey-based research may be conducted for the current form of democracy in Pakistan and an index of civil rights can be made so that democracy and civil rights performance in Pakistan and in turn economic status can be improved. The study has done division of sample countries on the basis of income, but further research can be

conducted by taking the sample of countries on the basis of colonial rule or religion and

see how democracy civil rights work with interaction of colonial rule or religion.

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Appendix A

Table 1: Summary of Definitions and Sources of Variable		
Variable	**Definition**	**Source**
GDP per capita	It is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is taken as the GDP per capita of the initial available year for a country and is taken in terms of constant 2010 US dollars.	World Development Indicators, World Bank
Democracy	The data of the latest version of Polity IV is taken, where for each year and country, a "Polity Score" is determined which ranges from -10 to +10, with -10 to -6 corresponding to autocracies, -5 to 5 corresponding to anocracies, and 6 to 10 to democracies. The data is standardized in such a way that it ranges from 0(Extreme Dictatorship) to 1(Ideal democracy).	Polity IV, (Marshall & Jaggers, 2000)
Civil Rights	Civil Liberty is measured on a one-to-seven scale, with one representing the highest degree of Freedom and seven the lowest.	Freedom in the world, Freedom House
Gross Fixed Capital Formation	It includes the land, machinery and the construction of all the physical infrastructure for social, commercial and industrial purposes. It is taken as share of GDP.	World Development Indicators, World Bank
Foreign Direct Investment	It is the net inflows of investment as share of GDP.	World Development Indicators, World Bank
Inflation	It is measured by the annual growth rate of the GDP implicit deflator, which shows the rate of price change in the economy as a whole. The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency.	World Development Indicators, World Bank
Trade	It is measured as the sum of imports and exports of goods and services as share of GDP.	World Development Indicators, World Bank
Natural Resource	It is measured as the per cent share of natural resources exports (including	World Development Indicators, World Bank

	agricultural and raw material exports, fuel exports, food exports, and ores and metals exports) in GDP	
Aid	It is Official Development Assistance (ODA) and other official aid received in constant 2016 US dollars.	World Development Indicators, World Bank
Urbanization	It is people living in urban areas as defined by national statistical offices. It is calculated using World Bank population estimates and urban ratios from the United Nations World Urbanization Prospects, taken as annual percentage.	World Development Indicators, World Bank
Population Density	Population density is midyear population divided by land area in square kilometers. Population counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the country. Land area is a country's total area, excluding area under inland water bodies, national claims to continental shelf, and exclusive economic zones. It is taken as annual percentage.	World Development Indicators, World Bank
Human Capital	Human Capital Index, based on years of schooling and returns to education	Penn World Table 9.0
Religious Tensions	A measure of religious tensions arising from the domination of society and/or governance by a single religious group -- or a desire to dominate -- in a way that replaces civil law by religious law, excludes other religions from the political/social processes, suppresses religious freedom or expressions of religious identity.	International Country Risk Guide

Appendix B

Table 2: Division of Countries based on Income Levels		
Income Level	**No. of countries**	**List of Countries**
High-income	35	Bahrain, Israel, Japan, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Austria, Belgium, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Ireland, Italy, Lithuania, Luxembourg, Netherlands, Norway, Portugal, Slovenia, Sweden, Canada, United States, Chile, Australia, New Zealand, Germany, Hungary, Mexico, Switzerland, United Kingdom
Middle-income	40	Bangladesh, Bhutan, Cambodia, India, Iran, Indonesia, Jordan, Malaysia, Pakistan, Philippines, Thailand, Turkey, Vietnam, Angola, Egypt, Guinea, Kenya, Namibia, Nigeria, South Africa, Sudan, Zimbabwe, Zambia, Albania, Bulgaria, Romania, Dominican Republic, Honduras, Nicaragua, Argentina, Colombia, Paraguay, China, Cuba, Georgia, Libya, Maldives, Mauritius, Mauritania, Tunisia
Low-income	11	Ethiopia, Madagascar, Malawi, Niger, Syrian Arab Republic, Eritrea, Liberia, Mozambique, Tajikistan, Yemen, Nepal