

LIBERAL REFORMS AND ECONOMIC GROWTH: ANALYZING GLOBAL SCALE CORRELATIONS

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The research based on assessment of liberal reforms economic efficiency in the XXI century, evaluates prospects of liberalization as an instrument of national economy modernization, practically proves the role of the national economy liberalization as a tool for its adaptation to trends and interests of, first and foremost, the global market; offered theoretical conclusions about prospects of liberalization as an instrument of economic reforms in the XXI century, directions of the state presence theorization in the market in terms of business liberalization multidirectional economic effect.

Key-words: Business liberalization, government regulation, reform, modernization, global economy

Introduction

Diversity of the world economy and countries positioning in the global division of labor determines an ambiguity effects of government regulation reformations both initiated by legitimate authority, and often externally imposed. These consequences are distributing in a wide range - from rapid economic growth, competitive advantages' of a global scale accumulation, abrupt increasing of level of local population life - to economic sovereignty loss and whole range of social problems formation.

However, even a cursory analysis of liberal reforms' results shows a presence of certain patterns, which accounting and extrapolation can improve the quality of economic forecasting in reforming macroeconomics.

It generally determines a relevance of the *research problem* - to determine relationships between the results of economic progress and dynamics of state regulation's liberal reforms, forming the basis for forecasts and economic development's plans for individual countries or their classification groups.

The purpose of the study is to clear determination of the modern countries' economic achievements (primarily in terms of their material well-being and integration into the world economy) by efficiency of liberal reforms implementation in 2000-2014.

Economic liberalization results in today's world

To conduct the study we used the results of annual World Bank experts' evaluations Doing Business (DB), which for the past 20 years annually monitor conditions of doing business in more than 130 countries around the world and make an annual summary rating of countries (Tab.1, 2).

Later in the study DB indexes were used as indicators of business liberalization in the world, and dynamics of DB rankings changes simultaneously considered as a dynamic of

business environment liberalization. As an indicator of business environment modernization's economic results identified macro-economic indicators combined into three groups:

- Static indicators of countries' material well-being (current level of GDP, GDP per capita and official unemployment);
- Dynamic indicators of countries' material well-being (annual growth of GDP and GDP per capita rates);
- Trade performance of countries (absolute value of the national imports and exports, ratio of exports and imports to national GDP).

Table 1 – Doing business, 2015
(countries rating, calculated by Doing Business expert group)

Rank	Country	Rating	Rank	Country	Rating
1	New Zealand	86,79	127	Guinea	45,54
2	Denmark	84,4	128	Cameroon	44,11
3	Korea, R.	83,88	129	Nigeria	44,03
4	USA	83,13	130	Bangladesh	43,4
5	United Kingdom	82,46	131	Congo	41,88
6	Sweden	81,72	132	Liberia	40,1
7	Norway	81,61	133	Angola	39,64
8	Finland	81,05	134	Chad	38,22
9	Canada	80,9	135	Congo Z.A	38,14
10	Australia	80,08	136	Eritreya	27,61

All macroeconomic indicators were taken from the World Bank statistics database for 136 countries in 2000 - 2015. To determine the liberalization impact on business dynamics of the economic development in world's advanced countries the indices of corresponding data sets correlation were analyzed.

The study was conducted in two stages.

At the first stage the correlation between business dynamics liberalization and economic achievements of the world in the 21st century was held on 6 groups of countries classified by their GDP per capita (Tab. 2).

Table 2 – Considered groups of countries of the world (compiled by the authors)

№	Group	National GDP per capita, USD	Number of considered countries
1	With high income	> 40000	17
2	With high average income	20000 – 40000	14
3	With average income	10000 – 20000	17
4	With low average income	5000 – 10000	24
5	With low income	1000 – 5000	42
6	With very low income	< 1000	22

Fig. 1 shows an impact of liberal reforms on economic achievements of groups of the countries of the world (made by author)

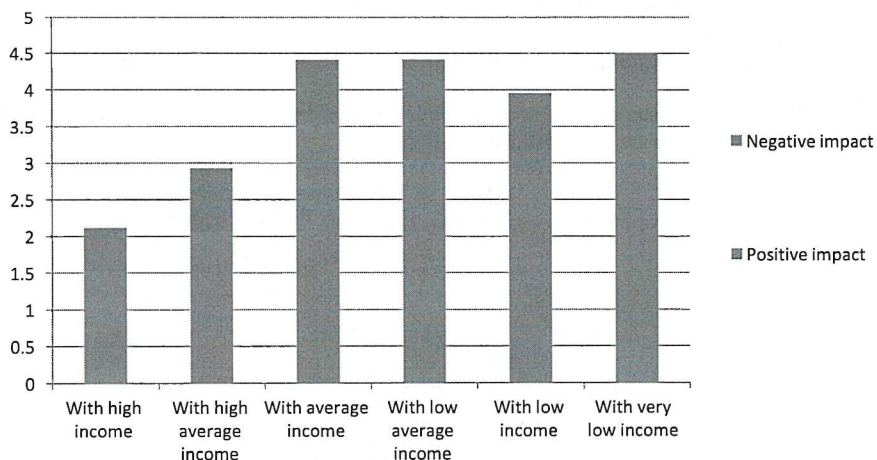


Figure 1 - The impact of liberal reforms on the modern countries economic performance (compiled by author)

As shown in Fig. 1, the greatest influence (mostly positive) business regulation reforms have in countries of average and low income. It generally follows the effect of diminishing utility in the economic systems.

Table 3- Indicators of the correlation between liberalization dynamics and main macroeconomic indicators of countries' groups (calculated and compiled by the author)

	Static indicators of countries' material well-being			Dynamic indicators of countries' material well-being		Trade performance of countries			
	GDP	GDP per capita	Unemployment	GDP growth	GDP per capita growth	Import	Import dynamic	Export	Export dynamic
With high income									
With high average income									
With average income							0,59	0,65	
With low average income	0,54							0,5	
With low income								0,5	
With very low income	0,63	0,54					0,64	0,68	

At the second phase of the study we analyzed effects of economy liberalization in 11 geographical regions (such as: Africa - 36 countries, Latin America - 18 countries, Middle East - 14 countries, Asia-Pacific region - 13 countries, South Asia - 6 countries, countries of former Soviet Union - 11 countries, Eastern Europe - 14 countries, Southern Europe - 6 countries, Western Europe - 8 countries, Northern Europe - 6 countries, North America - 2 countries).

Comparing indices of correlation between economic development and commercial activities liberalization in 11 groups of countries we can identify that maximum economic impact (both positive and negative) business environment liberalization had in 2010-2016 in the countries of Southern and Eastern Europe, the minimum one - in the US and Canada, as well as in developed countries of North, Central and Western Europe. It is also worth noting that the most positive economic impact of business environment liberalization had in Eastern Europe and in Asia Pacific region. The greatest negative impact of liberalization in 2010-2016 was typical for Southern Europe and South and Central Asia.

Comparing the liberal reforms effectiveness in groups of countries it may be noted that in general, the deepening of business liberalization trend in the world has been largely positive macroeconomic effects (exceptions are South Asia and Southern Europe), mostly defined an economic progress of countries in Eastern Europe, Asia-Pacific and Latin America.

We can test an effect of business environment liberalization on dynamics of main macroeconomic indicators in countries' groups in 2010-2016. The highest positive impact of economic liberalization was observed in 2010-2016 on countries' export opportunities and state of national import. Also liberalization had a positive impact on employment (an inverse correlation with the unemployment rate).

Exports and imports analysis demonstrates very high level of their positive correlation with dynamics of liberalization in countries of Africa and Eastern Europe and simultaneously an absence of both positive and negative impacts on the structure and dynamics of exports in the US and Canada. Noticeable positive impact on the value of GDP economic reforms had in Asia Pacific, Latin America and Africa, and high negative correlation is only typical for the countries of Southern Europe. An economic growth's dynamics as a result of business liberalization has accelerated significantly in the CIS and Eastern Europe.

The highest growth of personal income is result of the business liberalization was observed in 2010-2016 years is the Asia-Pacific region, Africa, Latin America and the Middle East.

Finally, it is worth noting that in most groups of countries (except CIS countries, South, Central and Western Europe) was marked a low, but negative correlation between the dynamics of liberal reforms and unemployment. Therefore, the business environment liberalization in most countries is forcing an employment.

Conclusions

African countries have a maximum positive correlation between "doing business" conditions and national exports and imports. Similarly, Latin America and the Middle East countries have a high degree of correlation between the business freedom performance and countries' achievements in world trade, as well as the magnitude of the GDP both in absolute and per capita terms.

It is interesting to highlight that in the CIS and South Asia's countries significant direct correlation between business development and local population employment was found (which, for example, in Europe or the Middle East countries is not noticeable). Countries of Asia-Pacific region and CIS also save export and import growth's dependence on internal business regime.

If to consider the business liberalization impact on the macro-economic indicators European region is heterogeneous. For example, Eastern Europe is much more responsive to the business environment simplification (in terms of the countries participating in world trade, as well as national welfare). In the economically more developed countries of Central Europe the business environment simplifying significantly enhances only their export potential. Finally, in the countries of Southern Europe's liberalization is a leading factor of national welfare growth.

Assessing the impact of countries' business environment on national GDP growth, we can determine that the regions where business environment liberalization highly stimulated the national GDP growth (Africa, Latin America, Asia-Pacific) the smallest positive correlation of DB index change with GDP dynamics in absolute terms was observed (!). At the same time, the CIS and Eastern Europe countries, where the business liberalization determined the maximum GDP growth in absolute terms, are outsiders in the correlation between DB index and dynamics of national product growth. The similar situation is forming in the analysis of the correlation between the DB index dynamics and GDP per capita. The business liberalization determines the maximum growth of GDP per capita in Africa, Latin America, the Middle East and the Asia-Pacific region, but the maximum absolute values of GDP per capita in Eastern and Southern Europe.

To substantiate this trend, proved by GDP and GDP per capita analysis we can by higher rate of population growth in the countries where business liberalization maximum stimulates an economic growth, and by low starting rates of economic development at the time of statistical data collection (2010). On the one hand, to ensure rapid economic growth from low starting marks (especially low level of welfare) is much easier.

However, high levels of economic growth dynamics do not find its incarnation in the highest absolute numbers of both GDP and GDP per capita due to population growth of the lasts (in some countries, such as Angola or Kenya - the dynamics of population growth exceeds the dynamics of national economic growth). For example, economic growth of 1.5-2.0% will ensure the growth of GDP per capita in real terms in Germany, the US or Russia, but not, for example, in Kenya, with a population growing at 2.1% year or in Niger with the natural population growth almost at 3.4% per year (CIA World Factbook, 2015).

Liberal reforms have maximum impact on employment growth in the CIS and South Asia, while in the more economically developed countries of Europe this effect is practically absent.

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ANALYZING OF MACRO-REGIONAL COMPETITIVENESS AND ECONOMIC GROWTH CORRELATION

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This study aims to analyze the impact of regional technological, capacity, and demand competitiveness on regional economic growth. The data used come from the World Development Indicator, OECD Main Science and Technology Indicator, Patent Database for 135 developing countries for the period of 2005-2015. These countries are grouped into six regions according to the UN classification: Asia Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. Therefore, there were 60 observations in the analysis. The independent variables are the regional internet per capita (lines), expenditure for research and development (%GDP), tertiary school enrolment (%), net royalty and license payment (US\$ million), and corruption index. The dependent variable is the regional GDP (US\$ million). The panel data were analyzed using a random effect regression model. The results of the study show that statistically the regional internet per capita, research and development expenditure, tertiary school enrolment, and corruption perception index has positive significant impact on regional economic growth. Meanwhile, the regional net royalty and license has negative impact on the regional economic growth.

Key-words: Economic growth, competitiveness, panel data, regression, developing countries.