



Globalization and Liberties

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Because of the development in communication and transportation technologies, countries across the globe have integrated in various aspects of economic development. Countries are transporting products, finances, information, ideas, and culture more frequently and that has affected their economic growth as well as the level of national liberties. The effect of globalization has been examined on democracy (Li and Reuveny, 2003), on budgetary autonomy (Heinemann, 2000), on inequality (Beer and Boswell, 2001), on economic growth (Dollar and Kraay, 2001). These studies have used trade flows, capital flows, capital account openness, and openness to trade as proxies for globalization. Study by Rodrik (1996) supports the hypothesis that countries with low democratic rights attract less foreign investment. The effect of foreign direct investment depends on the political structure in the country (Greider, 1998). Based on the political structure in the country, foreign direct investment may not have a liberalizing effect.

This study is an empirical analysis of the relationship between globalization and liberties. More specifically, this study analyzes the effects of different dimensions of globalization on different components of liberties. Overall index of globalization consists of three dimensions. These are (1) Economic Integration: flows of goods, capital, and services. (2) Social Integration: flows of ideas, information, and people. (3) Political Integration: flows of governmental policies, treaties, and international organizations.

A country that has high overall globalization index, does not necessarily has high scores in all three dimensions of globalization. For example, United States is highly ranked in social and political integration, but is not highly ranked in economic integration. France is highly ranked in political integration as measured by participation in international organization, peacekeeping and treaties, but because of high subsidies and tariffs, does not have high economic integration. Hong Kong and Singapore are highly ranked in economic integration but not as highly ranked in overall and political integration.



Liberties in countries can be measured by three different measures, such as, political rights, civil liberties, and economic freedom. Political rights index involves free and fair governmental election, freedom to form political parties, independence of political party from religion. Civil liberties involve freedom of expression, belief, religion, press, associational and organizational rights, and respect for the rights of minorities. Economic freedom involves private ownership of resources, personal choice, and freedom to compete. Freedom House has constructed indices for political rights and civil liberties for different countries. Each index takes a value of 1 to 7. Lower value of an index means more liberties in the country. An index of 7 means no democratic rights in a country. Even though different measures of liberties may be correlated to each other, countries are not equally ranked in three measures of liberties and countries don't improve equally in all measures of liberties.

The impact of globalization (as well as of its components) is examined (1) by looking at the trend of liberties overtime for high and low global countries. (2) by examining the correlation coefficients among different dimensions of globalization and different measures of liberties. (3) by estimating a linear regression model.

Data for liberties are from Freedom House and for globalization are from Foreign Policy. Globalization is expected to have a positive affect on liberties. Overtime trend for three measures of liberties is compared for two groups of countries. Countries are divided into two groups based on the average value of globalization index of 2.78. Countries with globalization index of up to 2.78 are classified as low global countries and those with an index of more than 2.78 are as high global countries. Relationship between globalization and liberties over time is presented in Table 1. High globalized countries have relatively more civil liberties, political rights, and economic freedom than low globalized countries.



Table 1
Globalization and Liberties
Globalization and Civil Liberties:

Countries	1975	1990	1995	2001	2003	2005
Low GI	5.5	5.9	6	5.8	6.2	6.3
High GI	4	3.2	4.4	4.0	3.9	3.8

Table 1 - continued

Globalization and Political Rights:

Countries	1975	1990	1995	2001	2003	2005
Low GI	5.1	5.3	5.9	5.7	6	5.9
High GI	3.2	3.5	3.4	3	3.2	3.1

Table 1 - continued

Globalization and Economic Freedom:

Countries	1975	1990	1995	2001	2003	2005
Low GI	5.2	5.8	5.7	6.5	6.7	6.6
High GI	4.1	4.5	4.7	4.5	4.7	4.6

Correlation coefficients among three dimensions of globalization and three measures of liberties are presented in Table 2. The results show that overall globalization index is significantly related only to political rights and civil liberties, and not to economic freedom. Political and economic integration have a significant correlation with only political rights and civil liberties and not economic freedom. Social integration does not have a correlation with any measures of liberties. These results



indicate that political and economic integration are more important for political rights and civil liberties than social integration.

Table 2
Correlation: Globalization Components and Liberties Measures

	ECON-INT	SOC-INT	POL-INT	GI	EF	CL
SOC-INT	0.087					
POL-INT	0.343**	-0.027				
GI	0.830**	0.089	0.721**			
EF	-0.130	-0.015	-0.095	-0.143		
CL	-0.483**	-0.071	-0.244**	-0.538**	0.060	
PR	-0.464**	-0.113	-0.206*	-0.501**	0.084	0.952**

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

The effect of globalization is estimated using the following linear equation: $Y = \alpha + \beta X + \epsilon$, Where Y stands for different measures of liberties and X stands for different components of globalization. The empirical results of the above equation are presented in Table 3. Overall globalization effect both civil and political liberties significantly, but the effect on economic freedom is not significant. Even though overall index of globalization is important for liberties, most important components of globalization are economic and political integration. Social integration does not seem to have any impact on liberties. The estimated results are in line with the correlation presented in Table 2.



Table 3

Regression Analysis

Dependent Variable: Civil Liberties

Constant	5.10 (16.49)	5.21 (13.79)	5.08 (14.48)	3.02 (20.01)	3.74 (12.27)
GI	-0.69 (-7.39)				
ECON-INT		-0.52 (-5.59)	-0.55 (-6.35)		
SOC-INT		2.45E-005 (0.006)		-0.002 (-0.43)	
POLI-INT		-0.068 (-0.93)			-0.21 (-2.73)
R ²	0.56	0.51	0.51	0.04	0.24

Table 3 - continued

Dependent Variable: Political Rights

Constant	5.22 (13.73)	5.38 (11.84)	5.28 (12.47)	2.96 (16.60)	3.69 (10.12)
GI	-0.75 (-6.59)				
ECON-INT		-0.58 (-5.26)	-0.62 (-5.98)		
SOC-INT		-0.004 (-0.96)		-0.007 (-1.27)	
POLI-INT		-0.06 (-0.90)			-0.22 (-2.36)
R ²	0.52	0.42	0.48	0.12	0.21



Table 3 - continued
Dependent Variable: Economic Freedom

Constant	15.01 (2.23)	15.07 (2.12)	14.93 (2.06)	8.55 (2.08)	10.49 (1.88)
GI	-3.06 (-1.54)				
ECON-INT		-2.07 (-1.11)	-2.44 (-1.40)		
SOC-INT		-0.01 (-0.08)		-0.01 (-0.16)	
POLI-INT		-0.88 (-0.60)			-1.41 (-1.01)
R ²	0.143	0.143	0.13	0.015	0.095

This paper examined the effect of overall globalization as well as of its three components on different measures of liberties to determine which of three measures of liberties are most affected by globalization. Empirical results show that globalization promotes liberties. Even though overall globalization is important, not all components of globalization have statistically significant impact on liberties. Political and economic integration appear to have been major factors in promoting political rights and civil liberties. Social integration is not a significant factor in bringing liberties. Globalization does not seem to have any significant impact on economic freedom. In summary, globalization is good for liberties, especially civil liberties and political rights. Countries that are more global enjoy more liberties. This research will be expanded in the future to account for the simultaneous effect of liberties on globalization.

Appendix: Variable Definitions

SOC-INT	Social Integration
ECON-INT	Economic Integration
POL-INT	Political Integration
CL	Civil Liberties



PR Political Rights
EF Economic Freedom

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