

Economic Freedom, Globalization and Human Rights: Can We Have It All?

Wesley T. Milner
University of Evansville

Over the last twenty years and especially with the end of the Cold War, the world has experienced a rapid evolution to a more interdependent economy. Further, this globalization has filtered into the political arena at both the domestic and international levels. These developments have provided an environment where the domestic human rights practices of states can be more closely scrutinized. Over the last fifteen or twenty years, human rights practices (in the aggregate) have indeed improved. Having said that, one need not look far to find egregious situations that still exist. Also, this trend toward greater human rights provision has not followed a direct path. In the immediate aftermath of the Cold War, numerous countries ironically experienced an upsurge in human rights abuses (Milner, Poe, and Leblang 1999).

While there has been much scholarly and media attention on human rights, it would be inaccurate to state that there has been consensus on the nature and extent of human rights. Indeed, there has been a glaring lack of agreement as to what human rights are and how the discipline should accurately measure rights related concepts. One of the most widely accepted frameworks of basic rights is offered by Shue (1980), who argues that there are at least three basic rights: security, subsistence, and liberty. Indeed, these are incorporated in the core U.N. treaties and covenants that provide a complex array of rights.

Ultimately, the most policy-relevant issue with which I am concerned is determining what makes some regimes promote human rights while others do not. This is an especially important objective since we can only provide intelligent prescriptions to insure human rights conditions if we as scholars can adequately explain human rights variations. To this end, I build upon the existing theoretical and empirical research to develop a multi variate model that attempts

to explain variation in the broadly conceived notion of human rights. Breaking from the traditional human rights literature, I employ an international political economy model that centers on economic freedom and increasing globalization and their effects on both security rights and basic human needs.

Section II details the definitions and measurement for both security rights and basic human needs. Section III lays out the analytical and theoretical basis for each independent variable in the model. Finally, the findings are presented in Section IV with a discussion of these results and concluding statements in Section V.

The dependent variables: definition and measurement

Basic human needs

For the sake of clarity, it is imperative for me to specifically define and operationalize the phenomena that I attempt to explain. In terms of basic human needs, many would agree that these include unpolluted air and water; sufficient food, clothing and shelter; and minimal public health care. While the provision of these is somewhat more controversial than security (i.e., integrity of the person) rights, they are nonetheless essential if one is to realize a relatively healthy and substantive life. If a person is lacking in these basic human needs, the result can be just as painful and deleterious as when a person's physical security is violated.

In his extensive examination of basic human needs, Moon (1991) argues that the provision of these needs requires few compromises concerning alternative normative goals. This addresses the ongoing debate concerning the trade-off between growth and equality. Assuming that basic needs should at least not be withheld by sovereign governments, the issue of measurement still needs to be addressed. Typically, social scientists investigating the complexities of development have used gross national product as a measurement of progress. Advantages of this yardstick include its widespread availability for comparison cross-nationally and over time. However, numerous problems with GNP as a measure of overall well being have been exposed by various scholars (e.g., Hicks and Streeten, 1979). As a result, various agencies such as the UN, AID, OECD and UNESCO have searched for alternative measurement tools.

The most commonly used composite was developed by the Overseas Development Council and Morris (1979). This Physical Quality of Life Index (PQLI) is the unweighted arithmetic means of infant mortality, life expectancy and literacy.¹ For each indicator, the performance of each country is evaluated on a scale of 0 to 100, where 0 represents the worst performance (since 1990) and 100 represents the best performance (i.e., expected this century).² While this index is not without its own detractors, I am persuaded by the extensive justifications of Morris (1979, 1996) and Moon (1991) that succinctly address many of the criticisms of the PQLI.

Security rights

The next aspect of human rights I examine is the more traditional security rights or integrity of the person. Abuses that violate the integrity of the person are execution, torture, forced disappearance, and imprisonment/detention of persons, either arbitrarily or for their political and/or religious beliefs. For my purposes here, the rights insuring protection against the above violations are referred to as either integrity of the person rights or security rights.

¹More specifically, the indicators are a) number of infant deaths per 1000 live births, b) life expectancy at age one and c) the percentage of population fifteen years of age and older who are literate.

²In constructing his index, Morris (1979, 20-38) lays out six criteria which all composite measures should meet. These are 1) it should not assume that there is only one pattern of development, 2) it should avoid standards that reflect the values of specific societies, 3) it should measure results, not inputs, 4) it should be able to reflect the distribution of social results, 5) it should be simple to construct and easy to comprehend, and 6) it should lend itself to international comparison. The PQLI indeed meets all of these criteria.

Though defining security rights is rather straightforward, measuring their provision is more challenging. Notwithstanding, the substantial work utilizing the events-based approach,³ I am persuaded by the arguments surrounding the standards-based approach (e.g., Lopez and Stohl 1992). The measure I employ is the five point Political Terror Scale, or PTS (Gibney and Dalton 1996), which was created from the annually published human rights reports of Amnesty International.⁴ They are coded so that a "A5" represents a country where these rights are not abused, while the lowest score, "A1", is assigned to countries that are the worst human rights disasters.⁵ Details of the scale can be found in Appendix A.

Analytical framework

Global integration

Hypothesis: The greater extent to which a country is integrated into the international political economy, the more likely it will guarantee security rights and basic human needs.

³The events approach involves coding cases of repressive events from newspaper accounts. Typically, the number of these events is summed for a particular period (a month or year) and the number of events is considered a measure of repression. Some difficulties with this approach as a means to measure levels of human rights violation (e.g., Western bias) have been identified (e.g., Poe and Tate 1994).

⁴Following the lead of Poe and Tate (1994), missing cases are filled in using similar codings gained from the U.S. State Department Reports.

⁵In order to be consistent with the scales of the other variables, the original five-point security rights scale is recoded so that countries with more severe human rights violations exhibit a lower rating while nations with fewer violations are assigned a higher rating.

This hypothesis is surrounded by the long-standing theoretical debate between realism/neorealism and liberalism/globalism. As illustrated by Holsti (1985), globalism predicts that growing interdependence of nations will result in a global society or community. This involves trade, technology, communication, and the vast network of transnational relationships between private citizens, associations and companies (52).@ Indeed, in the last twenty years, the increasing speed of technological developments has transformed the way in which governments and individuals conduct their affairs. The onslaught of the computer has revolutionized the financial and trade markets into a worldwide market place. Further, in the aftermath of the debt problems of Latin America in the 1980s and more recently with the Asian financial crisis, IMF and World Bank influences over developing countries= domestic economic policies (and indeed the developed world=s need to remedy the crises) strengthens the argument that interdependence is increasing.

To my knowledge, there are only two scholars who have linked the level of incorporation into the global system with variations in human rights practices. Gurr (1986) contends that since nations on the periphery of the system are not subject to retribution, they can engage in state terrorism against their citizens. Indeed, it appears that the most egregious violators have been those countries with little (or no) connection to the outside world (e.g., Cambodia under Pol Pot, Albania during the Cold War, North Korea until very recently) because the potential sanctions placed on them would have little effect. In employing an empirical test of Gurr=s initial work, Webster (1994) finds marginal support for the hypothesis that linkages with the international system have a positive impact on states= respect for human rights.

The incorporation of a nation into the international community should, therefore, have a positive effect upon a regime=s treatment of its citizenry. With the advances in worldwide communication, this argument makes intuitive sense. Further, integration into the world community would result in information concerning domestic human rights abuses being dispersed more quickly to the outside world and therefore bring pressure on the

offending government (Webster 1994, 95). Continuing this line of reasoning, we could expect improvements in human rights practices and basic human needs as a result of expanded integration.

While there are many definitions of globalization, interdependence, and internationalization, my conceptualization is rather straightforward. For our purposes here, I define globalization as the degree to which nations are economically and politically incorporated into the overall international system. In measuring global integrations, I examine three separate but associated components. These are integration into the postwar Bretton Woods system, trade openness, and financial openness.

For my measure of Bretton Woods regime integration, I look to Webster's (1994) measurement of membership in the World Bank, the GATT and the IMF. A simple dichotomous rating is applied where a country is coded a 1 if it is a member and 0 if it is not in any given year. Membership is then totaled so that the highest possible score for a nation is three and the lowest is zero. The data indicating membership come from various issues of *The Political Handbook of the World*.

Trade openness is measured as exports plus imports as a percentage of gross national product. Unfortunately, there has been little success in accurately estimating financial openness for the vast majority of countries throughout the world. Data on gross financial inflows and outflows as a percentage of gross national product simply is not available at this time. Until very recently, studies of capital controls were limited to indirect measures such as covered interest differentials (Kasman and Pigott 1988) or a dichotomous indicator of whether or not nations imposed restrictions on capital flows (Alesina, Grilli, and Milesi-Ferretti 1994).

In moving beyond the simple dichotomous discussion of whether countries impose restrictions on capital, I have tracked the trends for each of the various capital controls for both the OECD and non-OECD nations as reported by the IMF. Ultimately, I have chosen to combine these measures of capital controls into one overall indication of international financial openness. This variable ranges from zero to six (according to how many individual capital restrictions were imposed for a given country in a given year). In

order to simplify interpretation, I have recoded this measure where zero indicates the least open economy and the value six indicates the most open international market.⁶

Economic freedom

Hypothesis: The higher the level of economic freedom in a country, the more likely the government will guarantee security rights and basic human needs.

Before I address the issue of how to operationalize economic freedom, it is important for us to make the linkage between economic choice and basic human needs. Tying in with the literature on economic development, it can be argued that economic freedom is indeed related to GNP. Economic theory suggests that higher incomes and increasing living standards are dependent on increases in the production of goods and services that are valued by society. Gwartney, et al. (1996) suggest that as a nation reaches high levels of economic freedom, it will enjoy swift growth.⁷ Because economic growth can be seen in part as a process of discovery, nations with greater economic freedom should tend to have higher rates of growth than those with low levels of freedom. Therefore, higher levels of economic freedom should result in higher levels of per capita GNP as compared to lower levels of freedom.

⁶For a comparable measurement of international financial openness, see Quinn (1997).

⁷This is contingent on the fact that this economic freedom is indeed credible and potentially long-lasting.

Scully (1988) supports this position in his analysis of 115 market economies from 1960-1980. He found that politically open societies that guarantee private property rights and the market allocation of resources grow at three times the rate and are two and one-half times as efficient as societies in which these freedoms are not guaranteed. Gwartney, et al. (1996) empirically show that on average, countries with more economic freedom have a higher per capita GDP. If the argument that increased levels of GNP result in higher physical quality of life, then economic freedom should (at least indirectly) have an effect on basic human needs.

In defining economic freedom, it is perhaps easier to begin with an identification of losses in freedom. Jones and Stockman (1992) point out that constraints imposed by a third party on voluntary transactions will result in a loss of economic freedom, which is the sum of the losses in consumer and producer surplus in those constrained transactions. From a positive framework, I can say that individuals possess economic freedom when a) property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and b) they are free to use, exchange, or give their property to others as long as these actions do not violate the identical rights of others (Gwartney, et al. 1996).⁸ In choosing an appropriate measure of economic freedom, I am faced with essentially three choices—the Fraser Institute, Freedom House, and the Heritage Foundation. Fraser Institute provides the most comprehensive index, incorporating 17 components that cover four areas of economic freedom. These areas include 1) money and inflation, 2) government operations and regulations, 3) takings and discriminatory taxation, and 4) international exchange. A zero to ten rating scale is used for each component. Details of the ten-point Fraser index are shown in Appendix C.⁹

⁸It is important to note the distinction between economic freedom and political and civil liberties. Nations may indeed exhibit high levels of political rights and civil liberties while at the same time achieve a relatively low level of economic freedom. Examples include Sweden, India and Israel.

⁹While there is a striking degree of similarity between the rating systems of Freedom house, Fraser Institute, and Heritage Foundation, I have chosen to use the overall superior Fraser measure for my analysis. First it is more comprehensive both in its

combined indicators and its historical nature covering the period from 1975-1995. Although this study concentrates on the single year of 1990, further research is being conducted which examines the entire twenty-year period. Further, the Fraser Institute better addresses a number of very complex methodological issues that arise in creating an index such as this.

Democracy

Hypothesis: The more democratic a government, the more likely it will guarantee security rights and basic human needs.

Recent literature on human rights has found a relatively strong relationship between democratic forms of government and protection of human rights. It appears that there are a number of theoretical justifications for this conclusion. Henderson (1991) was one of the first to empirically test this hypothesis that the more democratic the government, the less likely that it will oppress its citizens. Because the democratic process is built on bargaining and compromise, it provides a substantive alternative for dealing with conflict. We are also warned by Henderson that democracy must truly be legitimate in the sense that functional institutions are in place that can insure participation of various interests. Poe and Tate (1994) in their pooled cross-sectional study of integrity of the person rights substantially extended the findings of Henderson (1991, 1993) with different measures of democracy.

Turning more specifically to democracy and its effect on basic human needs, a number of scholars have proposed that democracies are better equipped to provide their citizens with these rights. Moon and Dixon (1985), Rosh (1986), Spalding (1986) and Moon (1991) find that political democracy is associated with higher levels of basic needs satisfaction, even when controlling for wealth (i.e., GNP). These conclusions are bolstered by the fact that the authors utilize different measures of democracy.¹⁰ For this work, I adopt the definition of Bollen (1980, 1993) who defines political democracy as the extent to which the political power of the elite is minimized and that of the nonelite is maximized (1980, 372).

¹⁰Spalding (1986) and Rosh (1986) offer the definition provided by Arat (1984, 1991) and Moon and Dixon expanded on their operationalization of democracy in later works.

The measure that most closely meets my definitional and practical means is Jagers and Gurr's Polity III democracy measure, which covers 161 nations from 1946 through 1994. Jagers and Gurr (1995) argue that there are three essential, interdependent components of democracy in the context of Western liberal philosophy. These are adequate political institutions, sufficient constraints on the executive and guarantees for civil liberties. The eleven-point scale and the associated weights of categories are presented in Appendix D.¹¹

Control variables

While the focus of this paper analyzes international political economy variables associated with increasing globalization, there are a number of other factors that have garnered much interest in the development literature as well as human rights studies. In my desire for the most comprehensive (as well as parsimonious) model of international political economy and basic human rights, I therefore control for a number of these variables. These include economic development, economic growth, international war, civil conflict, level of population and population growth.

From an operationalization standpoint, I follow a number of authors (McKinlay and Cohan 1975, 1976; Mitchell and McCormick 1988; Poe and Tate 1994) in using gross national product per capita for level of economic development and percentage growth in GNP per capita for economic growth.¹² To operationalize both international war and civil war, I utilize the scales proposed by Small and Singer (1982). In measuring the population variables, I incorporate the natural logarithm of total national population. The log is employed to overcome the skewed distribution of total population that would otherwise hamper the statistical assumptions. In measuring population growth, I utilize the average percent increase in national population from year to year.

¹¹Jagers and Gurr (1995) provide an excellent comparison of Polity III with some of the most utilized constructs of democracy.

¹²While GNP is considered the traditional and most popular approach, there have been several alternatives offered such as energy consumption (Henderson 1991).

Findings

To summarize the hypotheses of the model, it is expected that economic freedom, global integration and democracy will have a positive effect on basic human rights (both subsistence and security) as measured by the Physical Quality of Life Index and Political Terror Scale, respectively. Further, the analysis controls for the effects of economic development, economic growth, presence of civil and/or international war, and level of population and population growth. It is assumed that economic development will have a positive effect on basic human rights while each of the other controls are expected to have a negative effect. Table 1 contains descriptive statistics for all the variables used in the analysis.¹³ In order to test these hypotheses empirically, regression analysis was performed for 96 countries for the year 1990 (see Appendix D). The results of this procedure are illustrated in Tables 2 and 3.

Based on the proposed hypotheses, the analysis presents some very interesting, if not surprising results. Overall, both models (basic human needs and security rights) were significant ($p < .001$) with Model 1 explaining 80 percent of the variability of the physical quality of life and Model 2 explaining slightly less than 60 percent of the variability in integrity of the person rights. In considering its impact on security rights, global integration has significant and positive influence. However, in looking at basic human needs, globalization has a significantly *negative* effect. This calls into question whether international policy prescriptions can be uniformly implemented for all aspects of human rights and basic human needs.

While economic freedom has been shown to greatly impact economic development (Gwartney, et al. 1996; Scully 1988), it apparently has no direct effect on either basic human needs or security rights. Perhaps the most revealing is not that economic

¹³Because of multicollinearity problems with certain components of the global integration measure, the Bretton Woods measure was utilized instead of financial openness or trade openness.

freedom failed to confirm our assumptions, but that its relationship to human rights is

Table 1. Descriptive Statistics

<u>Variable</u>	<u>Standard</u>	<u>Observation</u>	<u>Mean</u>	<u>Deviation</u>	<u>Minimum</u>	<u>Maximum</u>
Subsistence Rights		117	69.79	19.47	27.70	94.00
Security Rights		157	3.51	1.22	1.00	5.00
Economic Freedom		109	4.63	1.53	0.60	9.30
Bretton Woods		161	2.49	0.80	0.00	3.00
Democracy		130	4.45	4.36	0.00	10.00
In GNP per Capita		166	7.33	1.48	4.38	10.38
GNP Per Capita Growth	152		3.56	10.51	-45.76	25.64
Civil War		157	0.07	0.25	0.00	1.00
International War		157	0.07	0.25	0.00	1.00
In Total Population		175	15.59	1.84	11.13	20.85
Population Growth		175	2.45	8.28	-48.45	86.03
Valid Observations		96				

Table 2. Determinants of Basic Human Needs

<u>Independent Variable</u>	<u>Parameter Estimate</u>	<u>Standard Error</u>	<u>Standardized Estimate</u>	<u>t</u>
Constant	3.471	13.078		.265
Economic Freedom	-.276	.707	-.022	-.391
Bretton Woods	-3.361*	1.687	-.113	-1.993
Democracy	1.165***	.318	.273	3.666
In GNP per Capita	7.870***	.913	.679	8.617
Per Capita GNP Growth	-0.007	.109	-.004	-.068
Civil War	8.591*	4.098	.105	2.096
International War	-4.993	3.741	-.067	-1.335
In Total Population	.880	.643	.070	1.370
Population Growth	-0.049	.110	-.028	-.452
R ²	.80			
Adjusted R ²	.78			
SEE	8.45			
F	39.57***			
Number of Countries	96			

Table 3. Determinants of Security Rights

Parameter	Standard	Standardized
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<u>Independent Variable</u>	<u>Estimate</u>	<u>Error</u>	<u>Estimate</u>	<u>t</u>
Constant	2.436	1.196		2.038
Economic Freedom	-0.072	.065	-.090	-1.112
Bretton Woods	.387**	.152	.210	2.552
Democracy	.0004	.028	.016	.163
In GNP per Capita	.459***	.085	.584	5.428
Per Capita GNP Growth-	.0009	.011	-.087	-.942
Civil War	-1.837***	.399	-.326	-4.608
International War	-.532	.365	-.103	-1.457
In Total Population	-.182**	.059	-.223	-3.108
Population Growth	-.002*	.011	-.192	-2.233
R ²	.58			
Adjusted R ²	.54			
SEE	.82			
F	14.21**			
Number of Countries	96			

* p#.05 ** p#.01 *** p#.01

in an opposite direction from that hypothesized. The unexpected result will be explored in the next section.

The complex issue of democracy and democratization is quite instructive during the immediate aftermath of the Cold War. Level of democracy exhibited by a country is seen as a very successful indicator of citizens' physical well being. These results are not surprising in that they confirm the findings of Moon and Dixon (1985) and Moon (1991). This is an important finding, however, in that the measure of democracy used here (i.e., Polity III) is different from that of the above authors. In explaining integrity of the person rights, however, democracy has virtually no effect. This in connection with previous trend analyses (Milner, Poe, Leblang 1999) suggest that, on a systemic level, moves towards democracy might actually be destabilizing and result in no improvement or even greater repression. This would be in keeping with the assumption of Fein (1995) that the relationship between democracy and human rights is a curvilinear (rather than linear) relationship.

Turning to the control variables, level of economic development is the most important predictor of governments meeting the basic needs of their population. This supports the findings of Park (1987) and Moon and Dixon (1985) in their assessment of physical quality of life. It appears that these findings are contrary to Goldstein (1985) and others who question the linear relationship between GNP and basic human needs. In terms of security rights, economic development also has a statistically significant impact albeit reflected with a meager coefficient. Economic growth is seen to have no discernible effect on human rights in general. The population variables indicate no influence on basic human needs but statistically significant (negative) influence on security rights.¹⁴

Discussion and conclusion

¹⁴Again, the reader should note the small parameter estimates.

This study has attempted to explain cross-national differences in provision of basic human needs and security rights on a comprehensive data set covering ninety-six countries for the year 1990. A regression model was presented to test a number of hypotheses from a variety of theoretical perspectives. While the overall models go a great distance in explaining the variation in physical quality of life and, to a lesser extent, integrity of the person, the more interesting and useful product of this effort is discerning the effects of the individual variables.

While the results surrounding global integration are not uniform, there are some potential explanations. The question raised is whether globalization affects various aspects of human rights in different ways. This study suggests that in comparing basic human needs and security rights, this is indeed the case. For security rights, global integration has significant and positive influence that is in keeping with conventional wisdom. Concerning basic human needs, however, global integration has a significantly *negative* effect. There is some theoretical justification to believe that negative factors surrounding globalization will have a negative impact on provision of subsistence rights, especially in developing nations. Economic and political integration could result in pressures to liberalize economies which could hamper efforts to improve overall healthcare and education (at least in the short-run).

In drawing inferences from the performance of economic freedom and economic development in our model, we must proceed with caution. Table 2 shows that economic development, measured as per capita GNP, had a highly significant effect on physical quality of life and, to a lesser extent, integrity of the person. However, economic freedom had virtually no effect. Furthermore, the direction of relationship suggests that economic freedom might actually have a negative effect on human rights. Does this mean that policy makers should refrain from encouraging nations (especially in the developing world) to move toward a market economy and greater integration into the international community?¹⁵ Economic theory would tell us

¹⁵Spalding (1986) would argue just such a policy if moving toward free-market capitalism takes away resources from social policies.

otherwise. However, as seen in the theoretical section above, the connection between economic freedom, development, and human rights can be far from simple. The main aspect here probably involves the issues surrounding inequality and distribution. Gwartney et al. (1996) indeed found empirical evidence that, on average, countries with more economic freedom have a higher per capita income. By altering our model and considering GNP as the dependent variable, I also found similar support for this assertion with our data from the early 1990s. While these conclusions appear valid, they say nothing about the development trade-offs with basic needs and income equality. Greater economic freedom does, it seems, result in increased economic growth and level of GNP. However, the bulk of this effect on PQLI may be indirect (through GNP) rather than direct.

Another explanation for these results may come from the limited nature of this study. Economic freedom measured at one point in time (as we have done here) does not indicate how long this particular level of freedom has been present or whether it has been increasing or decreasing. Further, it cannot reveal whether future restrictive policies are very likely or not. Some of the countries which have not historically had high levels of economic freedom have recently experienced the largest improvements (e.g., Jamaica, Chile, Iceland, Malaysia, Pakistan). Countries as diverse as Singapore, Chile, Mauritius, Japan, United Kingdom, and Portugal have enjoyed a consistently upward trend in economic freedom over the last twenty years. However, other nations that early on had reached a certain level of economic freedom, have severely declined in the freedom awarded their citizens (e.g., Nicaragua, Iran, and Venezuela). The success of any liberalization policy is dependent on the credibility of the change. This credibility can only be achieved with a certain amount of time, which will be dependent upon historical factor as well as contemporary political situations. Therefore, we can expect a time lag between policies instituting economic freedom and their effect on economic development and provision of human rights (Gwartney, et al. 1996, 90-97).

From this investigation, it is safe to conclude that the more democratic a nation is, the more likely it will adequately provide for

the subsistence of its citizens. Moon and Dixon (1985, 690) conclude that the democratic success is probably less a function of conscious redistribution than other changes to the political economy caused by representative processes. Our findings are more potent in that numerous scholars have reached similar conclusions by analyzing a variety of countries over different time periods with diverse conceptualizations and measurements for democracy. However, when we consider security rights, the linear relationship between democracy and human rights can be called into question (i.e., Fein 1995). Nevertheless, from a foreign policy standpoint, I believe that the world community should continue to encourage greater democratization in an effort to foster improvement in basic human rights. During the early stages of transition though, it is imperative that the international community remain vigilant in their demands for improving rights.

Considering the effects of overall population level and population growth rate, it appears that this study has shed no definitive light on the diverse conclusions of previous authors. Henderson (1993) found that population growth had an adverse effect on human rights while level of population had no bearing. This was directly contrary to the more advanced study of Poe and Tate (1994) that argued overall population was deleterious to security rights but growth was not significant. Future research is obviously still needed to better explain the complexities surrounding population pressures.

While this paper has contributed to the existing literature on basic human rights, it has raised as many questions as it has answered. Future research will hopefully continue on this path of discovery and help the world community better provide for its individual citizens. In addressing the perplexing questions of economic development, much would be accomplished by extending this study to include the entire time series from 1975 through 1995. By utilizing a pooled cross-sectional design, it is likely that the dynamics surrounding these variables will become more apparent.

Appendix A. Security Rights Scale (Political Terror Scale)

In order to be consistent with the scales of the other variables, the five-point security rights scale is recoded so that countries with more severe human rights violations exhibit a lower rating while nations with fewer violations are assigned a higher rating.

1. The terrors of [level 2] have been expanded to the whole population... The leaders of these societies place no limits on the means or thoroughness with which they pursue personal or ideological goals.

2. The practices of [level 3] are expanded to larger numbers. Murders, disappearances are a common part of life.... in spite of its generality, on this level terror affects primarily those who interest themselves in politics or ideas.

3. There is extensive political imprisonment, or a history of such imprisonment. Execution or other political murders and brutality may be common. Unlimited detention, with or without trial, for political views is accepted.

4. There is a limited amount of imprisonment for nonviolent political activity. However, few persons are affected, torture and beatings are exceptional.... Political murder is rare.

5. Countries [are] under a secure rule of law, people are not imprisoned for their view, and torture is rare or exceptional.... Political murders are extremely rare.

For further details on coding and content analysis, see Gibney and Dalton (1996).

Appendix B. Components of Fraser Institute Index of Economic Freedom

- I. Money and Inflation (Protection of money as a store of value and medium exchange)
 - A. Average annual growth rate of the money supply during the last five years minus the potential growth rate of real GDP.
 - B. Standard deviation of the annual inflation rate during the last five years
 - C. Freedom of citizens to own a foreign currency bank account domestically
 - D. Freedom of citizens to maintain a bank account abroad
- II Government Operations and Regulations (Freedom to decide what is produced and consumed)
 - A. Government general consumption expenditures as a percent of GDP
 - A. The role and presence of government-operated enterprises
 - A. Price controlsCthe extent that businesses are free to set their own prices
 - A. Freedom of private businesses and cooperatives to compete in markets
 - A. Equality of citizens under the law and access of citizens to a nondiscriminatory judiciary (This variable is included only in the 1995 index.)
 - A. Freedom from government regulations and policies that cause negative real interest rates
- II Takings and Discriminatory Taxation (Freedom to keep what you earn.)
 - A. Transfers and subsidies as a percentage of GDP
 - A. Top marginal tax rate (and income threshold at which it applies)
 - A. The use of conscripts to obtain military personnel
- IV Restraints on International Exchange (Freedom of exchange with foreigners)

- A. Taxes on international trade as a percent of exports plus imports
- B. Differences between the official exchange rate and the black market rate
- C. Actual size of trade sector compared to the expected size
- D. Restrictions on the freedom of citizens to engage in capital transactions with foreigners

Source: Gwartney, et al., *Economic Freedom of the World: 1975-1995*. Vancouver: Fraser Institute, 16.

Appendix C. Democracy Indicators in Polity III

<u>Authority Coding</u>	<u>Democracy Score</u>
Competitiveness of Political Participation	
(a) Competitive	3
(b) Transitional	2
(c) Factional	1
(d) Restricted	0
(e) Suppressed	0
Competitiveness of Executive Recruitment	
(a) Election	2
(b) Transitional	1
(c) Selection	0
Openness of Executive Recruitment	
(a) Election	1
(b) Dual: Hereditary/Election	1
(c) Dual: Hereditary/Designation	0
(d) Closed	0
Constraints on Chief Executive	
(a) Executive Parity or Subordination	4
(b) Intermediate Category 1	3
(c) Substantial Limitations	2
(d) Intermediate Category 2	1
(e) Slight to Moderate Limitations	0
(f) Intermediate Category 3	0
(g) Unlimited Power of Executive	0

Appendix D. Countries included in the analysis

Algeria	Guatemala	Poland
Argentina	Haiti	Portugal
Australia	Honduras	Romania
Austria	Hong Kong	Rwanda
Bangladesh	Hungary	Senegal
Belgium	Iceland	Sierre Leone
Belize	India	Singapore
Benin	Indonesia	Somalia
Bolivia	Iran	South Africa
Botswana	Ireland	South Korea
Brazil	Israel	Spain
Bulgaria	Italy	Sri Lanka
Burundi	Jamaica	Sweden
Cameroon	Japan	Switzerland
Canada	Jordan	Syria
Cen. Afr. Republic	Kenya	Taiwan
Chad	Madagascar	Tanzania
Chile	Malawi	Thailand
Columbia	Malaysia	Togo
Congo	Mali	Trinidad/Tobago
Corte d'Ivoire	Malta	Tunisia
Costa Rica	Mauritius	Turkey
Cyprus	Mexico	Uganda
Czechoslovakia	Morocco	United Kingdom
Denmark	Nepal	United States
Dominican Rep.	Netherlands	Uruguay
Ecuador	New Zealand	Venezuela
Egypt	Nicaragua	Zaire
El Salvador	Niger	Zambia
Fiji	Nigeria	Zimbabwe
Finland	Norway	
France	Pakistan	
Gabon	Panama	
Germany	Paraguay	
Ghana	Peru	
Greece	Philippines	

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