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How does Rule of Law impact

Economic Growth?

Outline :-

1. Introduction

1.1. Definition of rule of law according to Salmond.

1.2. Thesis Statement:- Economic growth depends on many factors. Key among those factors is adherence to the rule of law and protection of property and contractual rights by a country's government; so that market can work effectively and efficiently.

1.3. Research by Harvard Review.

2. How does rule of law impact economic growth?

2.1. Property rights protection

2.2. Contract enforcement

2.3. Fair competition and market efficiency

2.3.1. Increase in GDP.

2.3.2. Case studies:

i. India

ii. Venezuela

2.4. Investor confidence and Foreign Direct Investment.

2.5. Reducing corruption and improving governance.

2.5.1. Research by Harvard Business Law Review.

2.6. Human Capital development.

2.6.1. Increase in physical capital

2.6.2. Increase in human capital

2.6.3. Technological innovation

2.7. Economic perpetuity backed by Rule of Law.

3. Conclusion:

According to Salmond, the rule of law refers to the idea that every person, including government agents, is answerable to and subject to the law. He believed that observing ^{this is essential} in the fight against injustice and the exercise of arbitrary power. Without rule of law, a country cannot prosper economically. According to a research by Harvard Business Law Review by Sanjai Bhagat, 134 countries during the period 1984 - 2014 was considered by him and find a significant positive relation between rule of law and GDP per capita. Notably, this positive relation is getting stronger with time. Additionally, they document that lesser corruption in the political system is correlated with higher levels of GDP per capita. So, it is evident that economic growth depends

on many factors. Key among those factors is adherence to the rule of law and protection of property rights and contractual rights by a country's government so that markets can work effectively and efficiently. Rule of law helps boosting economy in many ways.

Hazrat Ali (R.A) said, "A society can survive with disbelief but not with injustice." The rule of law ensures that property rights are respected and enforced. Property rights are the rights of individuals and firms to own, use, and dispose of property as they see fit. The definition of property includes physical property as well as the right to your training and experience. When individuals and businesses have confidence that their property (land, assets, intellectual property) is secure, they are more likely to invest, innovate, and engage in productive activities. Secure property rights encourage capital formation and entrepreneurship, which contribute to economic growth.

Secondly, a robust legal system ensures that contracts are honored. Contractual rights are based on property rights and they allow individuals to enter into agreements with others regarding the use of their property providing recourse through the legal system in the event of non-compliance. When contracts are

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enforceable, businesses can engage in transactions with confidence. Reliable contract enforcement reduces transaction costs, encourages investment, and facilitates trade, all of which promote economic development.