

Does Economic Liberty lead to Happiness? A Comparative Analysis

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Abstract

This paper focuses on establishing that economic liberty doesn't exist alone. It is affected by GDP growth rate, human development and human rights. The inter-linkages of these parameters affect the level of happiness and satisfaction in the country. The relevant data for all the five parameters are collected from various sources uniformly for a period of 25 years (1990-2015) to conduct a growth trend analysis. The paper focuses more on trends than on actual numbers. Four countries are selected; India and China (group1) and USA and Canada (group 2) to make comparison. In both the groups, the trends suggest that economic liberty is positively affected by high GDP growth rate and high human development and negatively affected by low human rights. The collective impact of these parameters affects happiness and satisfaction in a country. It is not necessary that economic growth and happiness will immediately respond; they might take time. The concept taken in consideration is more theoretical than quantitative. Some data are unavailable for the selected time period and analysis is done accordingly. Based on these findings it can be suggested that in the coming future the markets will become more complex as the economies will expand and will depend more on global markets, making global impact of economic situations more prominent. Governments have to realise that their policy decisions for human development, human rights and economic actions will help keep happiness levels high.

The paper is completely original. It is inspired by the capability approach of Amartya Sen.

KEYWORDS: Economics Liberty, GDP growth rate, Human Development, Human Rights, Happiness and Satisfaction.

1. INTRODUCTION

Liberty is not a new concept. It has been talked about for centuries now. Liberty is a state of being free, being sovereign. In a modern state the citizens expand their outreach and freedom towards 'living the lives they want to live and are capable along with seeking and creating opportunities' as they define and redefine their relation with the government, winning as much sovereignty as they deem fit which depends on and emanates from the concerned political economy. In last few centuries the meaning and structure of a 'society' has changed over and over again. From a chaotic and unruly state, now societies' are organized, civilized and protected by political and demographic boundaries. This transition has changed the way people think about themselves, their fellow beings

and the authoritative powers of the society. People have more options to make choices from for a better life. These choices also include the Economic Choices. The Liberty to make an economic choice varies from society to society.

Economic freedom means not only controlling one's own money but is the ability of people to engage in economic pursuits — producing and selling and buying goods, services, and labour — by their choice.

The meaning of liberty and its roots

Magna Carta (Claire, B & Julian, H. 2014) a 13th century document gave the first essence of Liberty to the people. It was a symbol in the battle against oppression. At this time, for the first time the people said, 'no taxation without representation'. This actually means 'one has the right over what one earns', in simple terms, a freedom from slavery of any kind. Magna Carta's main clause was that no man would be arrested and called guilty without a fair trial. The 'Due Process of Law' is a 'direct import' from Magna Carta'.

Thomas Hobbes' 'State of nature where everybody was the Lord' and where people were at the risk of physical and other harm and a king or a monarch would thus exercise the ultimate power to control them.

John Locke, a 17th century philosopher in his writing, 'Two Treatises of Government', said that Human nature is selfish but characterized to reason and tolerance. People, he thought, could not pursue their goals with harmony and cooperation with others. Thus individuals saw the benefits of giving up few rights to the central authority in return of overall protection and mutual rights and thus the need for the 'government' arose. (Graham, R. 2017). John Locke begins his 'Second Treatise' with an account of individuals as free and equal moral subjects or persons bearing pre-political rights: even if they differ in terms of natural power, intelligence and skill, they remain equal in terms of their moral status. (Locke's Second Treatise of Government-Paul Kelly-2007).

Rousseau not only rejects Hobbes's claim that men must choose between being free and being ruled, he positively asserts that it is only through living in a civil society that men can experience their full freedom. And while he does not accept Hobbes's picture of man in the state of nature as an aggressive and rapacious being, Rousseau speaks less of innocence and more of brutishness of man in a state of nature. Man in the state of nature, as he is depicted in the 'Social Contract', is a 'stupid and imaginative animal'; it is only by coming into a political society that he becomes 'an intelligent being and a man'. (The Social Contract- Jean-Jacques Rousseau- Penguin-Translation first published in 1968).

Later, JS Mill said that Liberty is self-regarding and other-regarding. A person's free space ends when he starts to harm no other individual's liberty (Colin, H). Today Liberty means an individual's rights that he gets in a society from the government on forgoing some freedom. Liberty is a fundamental right which can for life, speech, expression, etc. One of the most important and recent work on liberty is by Amartya Sen.

1.1 Capability approach by Amartya Sen

(First published in 1980 (Thomas, W))

This approach talks about an individual's capability to live a life that he deserves or asks for himself. Here 'poverty' is understood as deprivation in the capability to live a good life, and 'development' is understood as capability expansion. Individuals can differ

greatly in their abilities to convert the same resources into valuable functioning. Amartya Sen states, “The ‘good life’ is partly a life of genuine choice, and not one in which the person is forced into a particular life – however rich it might be in other respects.” He says that the objective of human development is to increase the capabilities and enlarge people’s choices. Most critical one is to lead a large healthy life, to be educated and to enjoy decent standards of living. Sen correlates development and freedom and says that individual’s development depends on the freedom he or she has. He describes five main freedoms as political, economic, social, transparency guarantees and protective security. Here he suggests that economic freedom cannot alone lead to higher development.

1.2 Economic liberty, economic growth and pursuits of happiness

Overall development of a society or a country depends on the individuals of the country taken together. And hence if all the individuals have the freedom and the capability to develop, the country grows; there is overall development and economic growth in the country. When we talk about the Pursuits of Happiness, we can say that education, health, social security, possession of wealth and property etc. leads to increased happiness in a society. If the people have enough resources and freedom to explore their desired capabilities in their lives, then they would be happy. Economic growth in return creates more economic opportunities for the people. Hence Liberty, Growth and Happiness are related and move in a same direction.

2. LITERATURE REVIEW

This whole idea of economic liberty, its elements and the parameters depending upon it is not an easy analysis to be done. It is done in steps. Defining what economic liberty is very important. Different philosophers and economists have given more or less the same definition of economic liberty. They explain it as a person’s freedom to make his own economic decisions; starting from basic decision of buying and selling to the complex ones of business and investment. It is something which becomes a reality by virtue of a number of factors, political, civil, judicial, etc. Next step is to see how economic liberty affects other parameters like economic growth, satisfaction of people, quality of life, etc. There are a lot of studies done to develop the complete concept of economic liberty. Amartya Sen’s capability approach is one of the recent one which talks about individuals ability to make choices in his life. The following Literature Review may be looked into in order to develop the concept.

Lane Kenworthy (2016), analyses the basic definition of economic freedom as ‘the ability of people to engage in economic pursuits — producing, selling, and buying goods, services, and labour — as they choose’. This economic freedom is a means to other valuable ends. Studies have shown that economic freedom is a key to higher economic growth, raising living standards and political freedom. At the same time the exercise of economic freedom depends on the ability of a person to make his own choices. His analysis of how the nature of a country and its government affect economic freedom is interesting. It is important to make this analysis because once the basic needs of the people are met through the governments, people tend to want more security, greater opportunity, and enhanced fairness. They are even willing to allot their present and future

income for this and expect the government to take the responsibility of providing them with these things. His study shows that how it is not important that a rich country will have higher economic freedom or a less developed country will have higher economic freedom.

Economic freedom is affected by a lot of factors and hence its measurement is not that easy. James Gwartney and Robert Lawson (2002) say, 'The key ingredients of economic freedom are personal choice, voluntary exchange, freedom to compete, and protection of persons and property', 'Personal ownership of self is an underlying postulate of economic freedom. Because of this self ownership, individuals have a right to choose—to decide how they will use their time and talent. On the other hand, they do not have a right to the time, talents, and resources of others. Thus, they have no right to demand that others provide things for them.' Their explanation of economic freedom is for a person's own choices and how his resources and talent will affect it. This is similar to the idea of liberty discussed by JS Mill. The key ingredients mentioned by them cannot be present in a society without institutions and policies. Government institutions and policies provide the infrastructure for economic liberty. It is also very interesting to understand that economic liberty in return restricts government's interference in the lives of individuals.

Amartya Sen in his book 'Development as Freedom', talks about political freedom along with economic, civil, transparency and protection security freedoms. He explains that all these five freedoms put together are important and further explicates how economic freedom cannot exist without the rest of them.

The four other liberties enhance a person's abilities to make his own economic choices. David A. Clark (2005) explains that according to this approach capability has to be created and the people should have the opportunity to get maximum out of their capabilities to get utility (happiness and satisfaction). A person cannot get what he wants or doesn't economically advance till he is able to do what his wants with his capabilities. This means that to meet the end objective of economic growth or satisfaction of better standard of living, an individual should be capable to make his own decisions. This can be done only if he has a developed skill or talent, knowledge and resources to support him to make choices. This improves people's situations and brings them out of poverty. Lack of opportunities and lack of states interest in proving people with opportunities can result in low standard of living. He gives a critical analysis of Sen's approach. People question that Sen's approach revolves around a very idealistic concept of democracy.

Democracy is the most preferred and modern political arrangement but it not that simple. Democracy advocates liberty and equality but it doesn't always give desired results. As the number of people participating in the political system increase and they share equal rights, the opinions and conflicts in the state increase, leading to a complex situation. So it is not important that the democratically elected government will take policy measures to increase economic liberty. Here again it is important to understand that when the government increases liberty in the state, the State's say decrease. Another criticism is that the capability approach is difficult to apply in a real system. It is not that easy and now to use this concept to get the desired results is still confusing for the governments.

Peter Avans (2002) supports Amartya Sen's concept, saying that we should evaluate development in terms of the expansion of the 'capabilities' of people to lead the kind of lives they value. He points out that in today's fast moving markets, inequality of resources is a problem. Development in today's world is generally measured and studied in terms of GDP growth rate. Whereas when we talk about living standards, people's satisfaction and their development, we should consider the expansion of their capabilities. Sen also suggests that sometimes GDP should be replaced by human development to study the level of development and satisfaction in a state.

Equality in a society also affects the happiness of the people. Level of equality tells how people are treated in a society. Richard V. Wilson (1955) says that, 'Liberty has been viewed as protecting the unfettered expression of individuality in all its forms and equality as a set of limitations on human action. It depends how a certain constitution or government defines liberty in a country but this should be same for all. Equality and liberty are overlapping at times. The irony here is that equality leads to restriction in an individual's liberty. But for a society to function in harmony and in interest of all the stake holders, equality is must. Also democracy's main concept is based on equality. In reality, equality depends more on the real situation of the people, their level of development and the available resources. Government's willingness for development and state's policies can be equal for all but their use and results can be different for different people and this is never equal.

Gerald P. O'Driscoll Jr.(2005) explains that in the present environment free markets are the paths to development. These free markets and their functioning mainly depend on private property, the rule of law, and a stable monetary system. All these depend on the level of economic and political liberty and they further determine the level of happiness in the country. The level of economic freedom depends on the constitution of the country and also the ideology of the authorities.

Fuat Edral (2004) explains that economic growth is at the heart of economic policy discussions. He says higher growth rate means greater national output, potentially higher living standards and an enhanced ability to attain economic and social objectives. Freedom –whether economic, political or civil freedom- makes up what economists refer to as the 'institutions' of an economy. Increased freedom is indicative of the trend to go to 'good institutions' and thus to economic growth. He raises the concern that there is no one way to measure economic liberty.

Gustav Ranis (2004) explains in that nations may enter either into a virtuous cycle of high growth and large gains in human development, or a vicious cycle of low growth and low rates of HD improvement'. All the parameters important to make people capable to make choices are more or less included in human development. Human development focuses on increasing freedom by increasing wellbeing of people. For increased wellbeing, people should be educated, healthy, safe and should have proper problem solving mechanism. Therefore governance, law and order, education system and health system comes into picture.

Daniel M. Gropper, Robert A. Lawson, and Jere T. Thorne Jr's (2011) research shows that GDP per capita exerts a strong positive influence on happiness. The statistical impact

of both economic freedom and GDP per capita appears to diminish as the other increases, but the combined effect of simultaneously increasing both economic freedom and GDP per capita, particularly for poorer and less free nations, is positive.

Ilkay Yilmaz and Mehmet Nasih Tag (2016) also say that there is a relation between economic freedom and happiness. They found that regulatory efficiency and open markets positively affect happiness. The open market is one of the main indicators of economic freedom.

All the above arguments are close based of the ideal concept of economic freedom, happiness and development. These parameters don't always behave in the same manner. Also they take time to behave or react. For example economic freedom leads to economic growth and happiness but parameters like happiness take time to reflect. Happiness changed over a period and not immediately to the changing trends of liberty. Also political liberty and economic liberty stay on war footing. In all types of countries rich or poor, developing, developed or under developed, the economic liberty is in hands of the state. The state has the responsibility of fair judicial system, proper healthy and education systems and other activities to increase people's capabilities. If the government fails to create good infrastructure for economic liberty, there is no use if it. Economic liberty is only useful when it comes into action. Most of the literature focuses on the concept and the relation between different liberties and development and satisfaction parameters, but it doesn't talk about how to deliberately get this into action. How can governments really use this concept to get the desired results of increased growth and happiness.

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and order, education system and health system comes into picture.

3. RESEARCH METHODOLOGY

3.1 Objectives of the Study

3.1.1 To establish that economic liberty doesn't exist alone. It is affected by GDP growth rate, human development and human rights.

3.1.2 To explore the inter-linkages among economic liberty, GDP growth rate, human development, human rights and their impact on satisfaction and happiness in developing and developed countries.

3.2 Rationale of Selection of Different Indicators For this Study

The focus of the paper is mainly on economic liberty in developed and developing countries. It is based on work of Amartya Sen, 'Development as Freedom', in this book he stresses that, economic liberty cannot exist on its own. It needs political, social, transparency guarantee and security protection liberty to exist in the country. Any country's growth and economic liberty move in the same direction and country's satisfaction and happiness shows similar trends.

However, there are no indexes or proper methodology available to estimate political, social, transparency guarantee and protection security liberties, therefore to demonstrate that economic liberty does not exist alone, GDP growth rate, human development index, human rights and satisfaction and happiness levels are taken into consideration for this paper.

Economic liberty is represented by index of economic freedom. The economic freedom index represents the freedom to prosper within a country without intervention from a government or economic authority. Individuals are free to secure and protect their human resources, labor and private property. It is calculated as an average of 12 quantitative and qualitative factors; Property rights, government integrity, judicial effectiveness, government spending, tax burden, monetary freedom, business freedom, labour freedom, fiscal health, trade freedom, investment freedom and financial freedom. The data been taken from heritage.org for a periods of 20 years to estimate trends.

Gross domestic product is the total value of goods produced and services provided in a country during one year. To show GDP growth rate, data has been taken from data.worldbank.org.

Human development index is a composite statistic (composite index) of long and healthy life, knowledge and decent standards of living indicators. Human development index's data has been taken from UNDP database.

Human rights are the rights, which are believed to belong to every person and can be used as social freedom. Happiness or satisfaction in the country is measured by simply asking people how happy they are. Their answers are affected by personal reasons, political and social factors and economic status. The data on human rights and happiness and satisfaction are taken from "Our World in Data" database.

To analyse and compare economic trends, four countries have been selected for the purpose of this study. These are divided into two groups India and China come under Group 1 and USA and Canada come under Group 2. As per the classification given by World Bank and IMF, the countries are classified in three categories. World Bank's divisions are low-income countries, middle-income countries and high-income countries. Whereas IMF's divisions are, advanced countries, the low category is the group of PRGT-eligible countries, other countries are included in the middle group. Under World Bank ranking India and China are put under middle-income countries (developing countries) and USA and Canada is put under the high-income countries (developed countries). IMF has same classification for these four countries.

Both the countries in each group have similar economic, demographic and historical parameters. In group 1, neighbouring countries, India and China have similar development patterns and have been in close competition to each other. They introduced economic reforms in a gap of almost a decade, China introduced the reforms first. There demographic parameters are also similar. India is currently focusing on its manufacturing industry whereas China is trying to build its service sector. Both these countries will be major business hubs in next 10-15 years. They have cheaper labour and low manufacturing cost. Under group 2, USA and Canada are each other's largest trading

partners. So any economic changes in any one of them or globally, affect both the countries. Both the countries have similar structure of manufacturing and service industries. Both the countries are close in the economic freedom index. As the study tries to establish something that is more of a theoretical study, it requires to focus more on trends than on actual numbers.

3.3 Limitations:

- 3.3.1 The concept taken in consideration is more theoretical than practical or quantitative.
- 3.3.2 All the variables taken into consideration are measured in different scales. It is not possible to convert them into one common scale and represent on one graph.
- 3.3.3 As the study focuses to show the trend mainly for 1985-2015, for some parameters the data was incomplete.
- 3.4.3 The data on human rights and happiness and satisfaction was available from 1993-2014 for group 1 and from 1998-2014 for USA and from 2004-2009, for Canada in group 2. Canada's data is unavailable for the period before 2004 and after 2009.

4. FINDINGS

As the objective is to demonstrate that economic liberty cannot exist alone, both the groups are compared on five parameters; economic liberty, GDP growth rate, human development, human rights and happiness and satisfaction level to explore their inter-linkages. GDP growth rate and human rights are studied from 1985-2015, economic liberty and human development from 1990-2015 and happiness and satisfaction from 1995-2015 for group 1 and from 2000-2015 for group 2. Economic liberty is the first and most important parameter. Higher economic growth leads to higher economic development. Human development and human rights are important in promoting this relation. All these parameters further affect happiness and satisfaction in a country. Before analysing the five parameters, it is imperative to analyse the basic features of the selected countries (Table 1 and 2).

Table1: Relevant Indicators of Group 1 Countries

	INDIA	CHINA
Population (2016)	1,324,171,354	1,403,500,365
Area	3,287,263 km ²	9,596,961 km ²
GDP (Nominal) per capita (2018)	\$1,989	\$9,376
HDI (2015)	0.624	0.738
Political System	Federal parliamentary constitutional socialist republic	one-party socialist republic

Sources: <https://www.indexmundi.com>

Table 2: Relevant Indicators of Group 2 Countries

	USA	Canada
Population (2016)	325,719,178	35,151,728
Area	9,833,520 km ²	9,984,670 km ²
GDP (Nominal) per capita (2018)	\$61,687	\$40,409

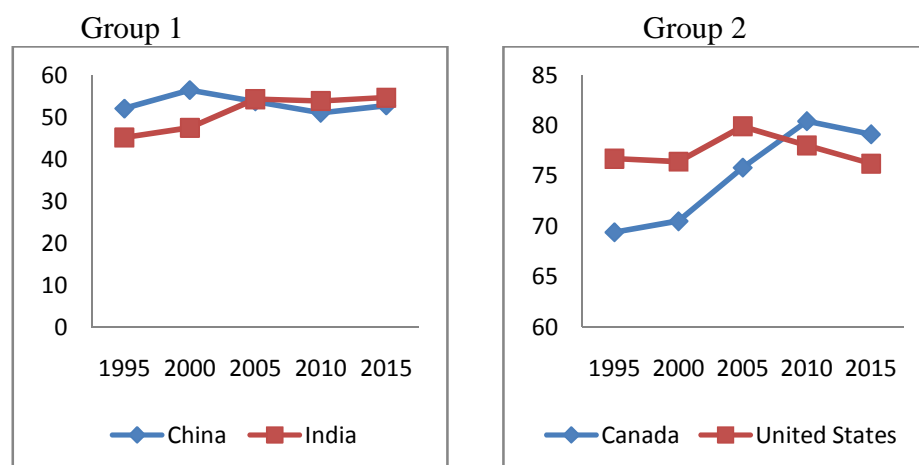
HDI (2015)	0.920	0.920
Political System	Federal presidential constitutional republic	Federal parliamentary constitutional monarchy

Sources: <https://www.indexmundi.com>

4.1 Economic Liberty Trends

In group 1, from the year 1995 to 2005, China had more economic freedom than India. In this period from 1995-2000, China and India, both saw a rise in economic freedom. Economic liberty increased in India from the year 2000-2005, whereas it decreased in China. This was mainly because Indian government increased its spending and the trade and investment freedom in the country improved. This was the result of economy catching up with the economic reforms. In China, the government spending fell in this period along with fall in investment and financial freedom. In the year 2005 both were almost at the same level. From 2005-2015, India's economic liberty was more than that in China because of the rise in trade and investment freedom in India. China's GDP growth rate also fell in this time period.

Figure 1: Economic Liberty trends from 1995 to 2015



Source: Table 1, Annexure

(In Figure 1, y-axis represents economic liberty on the scale of 0-100, higher the better. Economic liberty here is calculated as an average of 12 quantitative and qualitative factors.)

In terms of Economic freedom both the countries remained quite close because of similar economic structures. China was ahead of India in 1995 mainly because it opened its markets before India and gave more freedom to trade and to do business. Later India showed an upward trend because it encouraged people to make their economic choices and to do business in a free and fair environment so that overall economy can flourish.

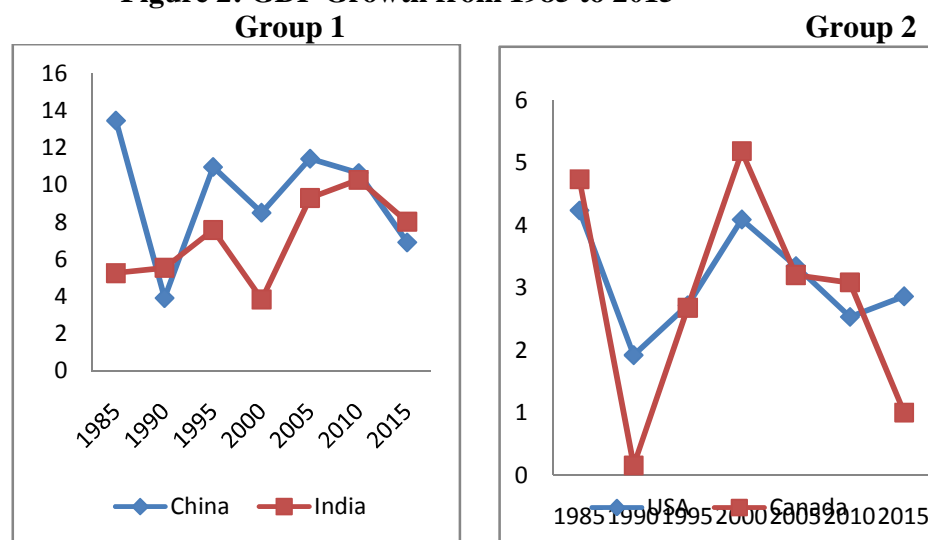
In group 2, from 1995 to 2005, USA has more economic liberty than Canada. In 2005 Canada saw a leap in economic freedom as more investment, trade and business freedom was given to the people. In the year 2010, both were close. USA saw a fall from 2010-2015 because recession and major failures in the economy. At this time the government

had to control the economic activities. Canada was almost at the same level. In terms of Economic Freedom, USA is slightly ahead of Canada. Both the countries more or less have the same policies and operate in free markets.

4.2 GDP Growth Trends

In-group 1, in 1985, China's GDP was far above India's. The main reason was the Economic Reforms of 1978. These reforms opened the markets for free trade and investment. Whereas at this time India only introduced some export reforms and the political system was still not stable. From 1985-1990, China faced a sharp fall whereas India was almost at the same level. One reason for this was the Gulf War. Fall in China's graph was the result of some civil unrest in the country after the death of liberal Communist Party leader Hu Yaobang and people's frustration for slow reforms than promised. India more or less remained the same because the economic conditions didn't improve. In 1991, India adopted new economic policies to open up their markets for free trade. And China started recovering from the fall. China had a perfect number of labour to work in factories. The government spending was also high, there was a reduce in poverty levels and the government spent a lot in human development to have skilled labour. So from 1990-1995, both the countries saw an increase. From 1995-2000, again there was a fall but China was still above India. China saw a fall because of marginal rise in income of rural and urban areas which led to people saving more. The demand fell. Whereas in India the low performance of manufacturing, construction and service industries led to fall in growth. Both the countries were at the same level in 2010, after which both saw a fall and by the year 2015, India was doing better than China. This was mainly because of global recession of 2008 which effected the global markets and trade. In this period China has performed better than India mainly because of the combination of faster aggregate output growth and lower population growth in China compared to India.

Figure 2: GDP Growth from 1985 to 2015



Source: Table 2, Annexure

(In Figure 2, y- axis represents the gross domestic product growth (annual) in percentage. GDP is the total value of goods produced and services provided in a country during one year.)

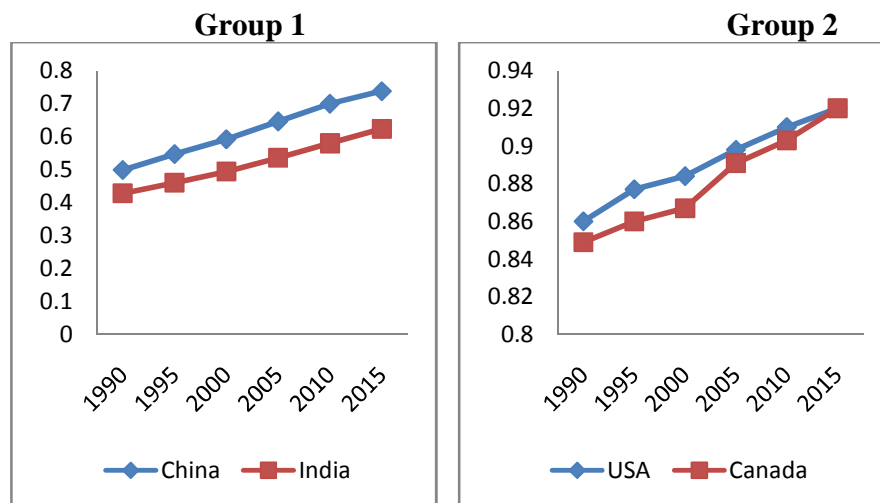
In 1985, Canada’s GDP was above USA’s. in group 2. From 1985 to 1990, both the countries experienced a fall in their GDPs. USA’s fall was because of many events. In 1987, there was a black Monday, when the stock markets crashed led by saving and loan crisis in 1989 and recession. Whereas Canada could not deal with the mounting fiscal deficits and public debt started in 1980s. In 1990, Canada was far below USA. Till 2000, both saw an increase, with Canada taking a leap as it improved its fiscal deficit. In 2005, both had very close GDPs. USA again saw a fall because of major terror event, 9/11, its war with terrorism and Iraq War. In Canada, there was a fall in government spending, the savings of the people increased and the trade weakened. 2008 recession affected both the countries and weakened the economies. In the year 2015, USA took the leap and recovered. Whereas in Canada the real consumption faced a slow growth and the economy found it difficult to deal with this along with global problems.

4.3 Trends in Human Development

In Group 1, both the countries saw an increasing graph from 1985 to 2015. China was throughout above India and the gap increased from 2005. China always focused more on Human Development than India. China started investing in Human Development along with the reforms of 1978. It knew that it needed skilled labour to make full use of the reforms. Skilled labour meant increase in productivity and output. India realized this much later but still it invested less in Human Development than China. Weak health and education departments are the reasons for low Human Development in India.

As shown in figure 3, in Human Development Index, USA has been always ahead of Canada in group 2 countries. In the year 1995 both the countries saw an increase. In 2000, Canada’s HDI growth fell but by 2005, it again increased. USA has always invested more in its people. Good schooling and health systems are the reason for this in USA. In USA, the social security system also contributes to better human development.

Figure 3: Human Development Index from 1990-2015



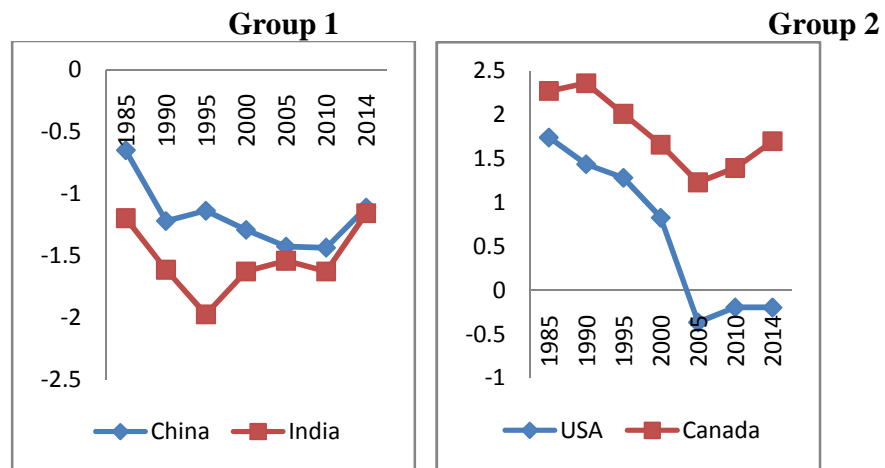
Source: Table 3, Annexure

(In Figure 3, y- axis represents human development index on scale from 0-1; higher values are better. HDI takes into consideration longevity and health of people, the level of knowledge and if people have decent level of living or not.)

4.4 Trends in Human Rights Indicators

In human rights indicators, China has been above India throughout till in the year 2014 when they are at the same point. But it has to be noted that both the countries have been in negative. Both saw fall from 1985-1990, India’s human rights level started increasing after 1995. After 1995, China saw a fall till 2010. Human Rights in China have been better than India because of better law and order. Also in India the diversity in culture and religions has caused a lot of civil disturbances and brutality. India has improved its law and order over time and the human rights have improved.

Figure 4: Human Rights (Social Liberty Indicators) 1985 to 2014



Source: Table 4, Annexure

(In Figure 4, y-axis represents the human rights score. It shown as the standard deviation from the average of observed physical integrity abuses. This means zero represents the average, better countries are above zero and worst countries are in negative.)

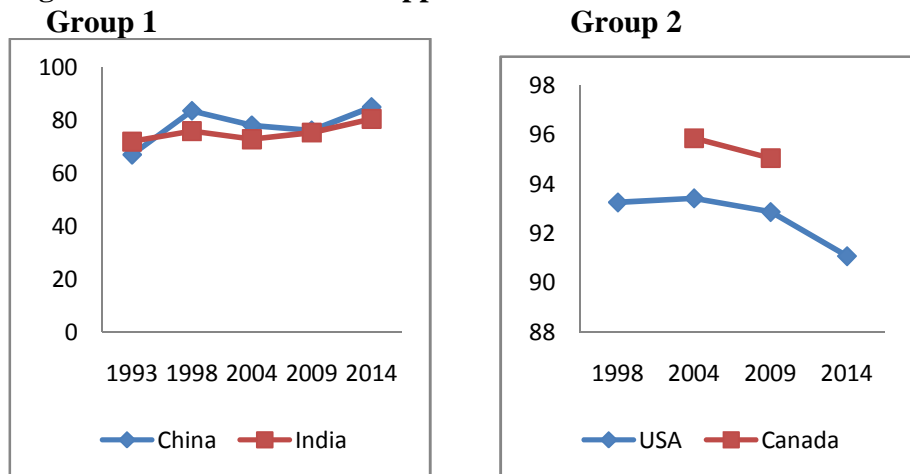
Canada was always been above USA in providing Social Freedom or protecting human rights. From 2000-2005, both the countries saw a fall. USA went in negative this can be because of 9/11 attacks. After the attacks, police brutality increased and a lot of people were arrested with no reason in order to crack down terrorist activities. From 2005-2010, both saw a raise. USA was still in negatives. Canada continued facing an increase. Canada because of population advantage, has better human rights. Culturally also people in Canada are more civilized and don’t create any chaos in the country.

4.5 Trends in Satisfaction and Happiness

In the year 1993, India was happier than China. From 1993- 1998, China’s happiness level increased as the economy improved after a fall in 1990. From the year 1998-2009, China has been slightly happier than India. In 2009, both were at the same level. Again

China took the leap till 2014. It can be seen that happiness and satisfaction among people in both the countries is more or less same. This is because of similar economic structures and other features of developing countries. China and India's political freedom and characteristics are very different; India has more fair political system with multiple political parties whereas in China there is only one party. But the level of human development and the situation law and order is better in China, which makes people happier. Also in China people are now used to the political system and they don't object much.

Figure 5: Satisfaction and Happiness from 1993-2014



Source: Table 5, Annexure

(In figure 5, y-axis represents satisfaction and happiness in percentage. This report is simply created by conducting a survey, which asks people how happy, and satisfied they are. Their answers are affected by personal reasons, political and social factors and economic status.)

In Group 2, Canada has seen more satisfied and happy people than USA. The gap is large. From 2009-2014, when USA saw a fall because of terror activities and aftermath. Here again in Canada the population is low, the health and education systems are better, people are more civilized and the human development is also high, so the country has better satisfaction levels in comparison to USA (Figure 5).

(The data on human rights and happiness and satisfaction are taken from <https://ourworldindata.org/happiness-and-life-satisfaction>. Happiness and satisfaction level was available from 1993-2014 for group 1 and from 1998-2014 for USA and from 2004-2009, for Canada in group 2.)

5. DISCUSSION

As findings show, in the year 1985, GDP growth rate was higher in China than in India. This was mainly because China introduced economic reforms in 1789, a decade before India did. India was struggling increasing fiscal deficit during 1985-1990. Its growth rate was almost at the same level, whereas China's growth rate saw a sharp fall from 1985-1990, because of civil disturbances in the country. In 1990, India brought economic reforms in the country and experienced slight rise in GDP growth rate and human

development. But the economic liberty and human rights variables still fell. At this time India was still coping up with the economic reforms. It was from 1995-2000, that the economic liberty started responding to the economic reforms. In the same period, in 1995 human rights were at the lowest in India and they took a leap and improved drastically by 2000. But it was still negative, which means that the human rights were below the world average. Happiness and satisfaction saw a slight rise in this period. From 2000-2010, China's human rights fell, economic liberty fell from 2000-2005 and then slightly raised. At this same time the happiness and satisfaction levels in China also fell. Whereas in 2010-2015, human rights and happiness increased and economic liberty saw a slight rise (almost same). From 2000-2005, in India economic liberty and happiness and satisfaction moved in the same direction (fell). From 2010-2015 also, human development, economic liberty, human rights and happiness and satisfaction saw a rise in both the countries. GDP growth rate saw a fall due to global problems. Overall China's human development, human rights, happiness and satisfaction and economic liberty was more than India's because of early economic reforms.

In case of USA and Canada findings suggest, from 1995-2005, Canada's GDP growth rate was more than USA's. In this period Canada's HDI increased at the same time and in similar way as its human rights and happiness and satisfaction. This was because Canada improved its fiscal deficit drastically in this period. In USA too from 1995-2000, saw a rise in rise in GDP growth rate, human development and economic liberty. In USA after 9/11 in 2002, it was seen that the human rights level fell and became negative, which means that the level of human rights in USA was below the average human rights level of the world. This was the result of government's increased operations to crack down terrorism which led to arrests of many innocent people. And there was a fear among the people. This period hence also saw a fall in happiness and satisfaction. And the economic liberty didn't see any increase. From 2000-2010, in USA, economic liberty and human development raised and human rights saw improvement. But happiness and satisfaction was still low. From 2010-2015, GDP growth rate in Canada fell and increasing Economic freedom became stagnant in this period. From 2010-2015, in USA, satisfaction and happiness levels fell, economic freedom also fell and human rights indicators became negative. In both USA and China both the countries saw similar trends of HDI, economic freedom, human rights (social liberty indicators) and satisfaction and happiness levels. All four increased or decreased at same time in many intervals from 1985-2015.

In both the groups it can be seen that the economic liberty is affected by the levels of human development, GDP growth rate, human rights and it further affects the happiness and satisfaction in the country. These inter-linkages are more prominent in group 1 than in group 2. In group 1, it can be seen the GDP growth rate, human development, economic liberty and happiness and satisfaction have increased more in 2015 than in 1990. In group 2, it can be seen that GDP growth rate and happiness and satisfaction levels are less in 2015 than they were in 1990. Whereas human development and economic liberty have increased. In both the groups the human rights level has decreased. In developing countries with economic reforms the opportunities became better leading to more economic activities and hence happier people.

Economic liberty or happiness and satisfaction don't immediately react to the change in other parameters. They take some time. Economic liberty reacts to the collective change in the other parameters. It is seen that when the human development and GDP growth rate is high, economic liberty still falls with the decreasing human rights. Further leading to decrease in the happiness and satisfaction.

6. CONCLUSION

The paper started with the discussion of the meaning of liberty. The main philosophers who worked on the idea of liberty are Rousseau, John Locke, J.S. Mill and latest contributions of Adam Smith. The present day definition of liberty is – ‘the state of being free within society from oppressive restrictions imposed by authority on one's behaviour or political views.’

Further the discussion went to Amartya Sen's renowned theory of the Capability Approach from his book 'Development as Freedom'. He correlated development and freedom and says that individual's development depends on the freedom he or she has. Here he suggests that economic freedom cannot alone lead to higher development. The person has to be educated and healthy to exercise his economic liberty carefully.

This paper focused on establishing the relation between Economic liberty and happiness and satisfaction levels in a country taking Amartya Sen's theory as the base. Amartya Sen said that it is important that an individual achieves the best of his capabilities to come out of poverty and to be satisfied in his life. He also stated the responsibility of the state to help the person achieve his capabilities with availability of all the basic facilities, education, health, skill training etc. Having economic liberty is one thing but whether a person is capable to exercise that liberty is another. A person cannot make full use of economic liberty till the time he is not healthy or educated enough. Hence human development Index comes into picture here. HDI is a result of state's policies and actions. It takes into account health, education and standard of living of the people. Better human development in a country results to better use of economic liberty.

Human rights (taken as social rights indicator) is an important parameter to understand the quality of life of the people in a country. If the people are not socially safe or are vulnerable to the social or physical abuse, they cannot enjoy a good, safe life. Economic liberty is negatively affected by low social or human rights. Gross domestic product growth is also related to these parameters. When markets open for free trade and investment, the impact is not only micro but also macro. It can be seen in Group 1, when China and India introduced economic reforms, there was a rise in their GDP growth. At macro level, in Group 2, both USA and Canada's GDP growth increased in the period of group 1 reforms. Economic reforms at micro scale create opportunities at macro scale also. When reforms take place, they also increase economic liberty in long run. Economic liberty also leads to better measures of growth.

All these above discussed parameters contribute to the satisfaction and happiness levels. Increased economic liberty gives people a feeling that they are independent to make their own economic decisions. The systems are regulated by the governmental bodies but are not controlled by these bodies. People can make the best of these opportunities; of course

knowing only when they are healthy, educated and safe. Economic Liberty makes people happier and more satisfied in life. When GDP improves and government takes positive decisions for trade, human development and human rights, the opportunities for the people become better. Economic liberty has no meaning when there are no opportunities or options for the people to make a choice from.

So it can be concluded that economic liberty cannot exist alone. It is affected by human development, human rights and GDP growth rate in a country. Healthy, skilled and educated people with safe lives are capable to take better decisions and make best of the opportunities. These opportunities are a result of state's policies and the country's economic parameters. The best use of these opportunities in turn affect the GDP and its growth. In all this the state has a major role to play. In the end we reach to satisfaction and happiness of the people. When people have economic freedom, good opportunities and full capability to decide and use these opportunities, they feel more satisfied and happy. They get a sense of freedom and a feeling that they can make a better living.

This paper studied concepts which are more theoretical than practical. The implication of the paper is that in the coming future the markets will become more complex. As free trade will increase, the micro level economic situations will start imparting global markets greatly and vice versa. The governments have to understand that this can lead to pressure on economic liberty. The economic opportunities and choices in a country can decrease or can increase due to global economic impact. The government will have the responsibility to regulate parameters like human development and human rights to help economic liberty increase in good times so that happiness and satisfaction is maximized. In war like situations, when economic growth may fall, it will be government's responsibility to protect country's happiness and satisfaction by preparing people for the worst. This will be done by increasing human development. Strategic decisions of the government will help control economic liberty, economic growth and further help increase the happiness and satisfaction in the country.

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ANNEXURE

Table 1: Economic Liberty trends from 1995 to 2015

Country	China	India	Canada	United States
1995	52	45.1	69.4	76.7
1996	51.3	47.4	70.3	76.7
1997	51.7	49.7	67.9	75.6
1998	53.1	49.7	68.5	75.4
1999	54.8	50.2	69.3	75.5
2000	56.4	47.4	70.5	76.4
2001	52.6	49	71.2	79.1
2002	52.8	51.2	74.6	78.4
2003	52.6	51.2	74.8	78.2
2004	52.5	51.5	75.3	78.7
2005	53.7	54.2	75.8	79.9
2006	53.6	52.2	77.4	81.2
2007	52	53.9	78	81.2
2008	53.1	54.1	80.2	81
2009	53.2	54.4	80.5	80.7
2010	51	53.8	80.4	78
2011	52	54.6	80.8	77.8
2012	51.2	54.6	79.9	76.3
2013	51.9	55.2	79.4	76
2014	52.5	55.7	80.2	75.5
2015	52.7	54.6	79.1	76.2

Index of Economic Freedom, www.heritage.org

Table 2: GDP Growth from 1985 to 2015

Country	Canada	China	India	US
1985	4.734083	13.443396	5.254299	4.238738
1986	2.161816	8.939709	4.776564	3.511614
1987	4.096465	11.688931	3.965356	3.461748
1988	4.429401	11.234515	9.627783	4.203972
1989	2.323974	4.185868	5.947343	3.680524
1990	0.154346	3.907114	5.533455	1.919370
	-			
1991	2.125692	9.294076	1.056831	-0.074085
1992	0.882976	14.216164	5.482396	3.555396
1993	2.655236	13.867576	4.750776	2.745857
1994	4.493475	13.052159	6.658924	4.037643
1995	2.677708	10.949227	7.574492	2.718976
1996	1.611048	9.928372	7.549522	3.795881
1997	4.279812	9.230769	4.049821	4.487026
1998	3.881759	7.837614	6.184416	4.449911
1999	5.163211	7.667486	8.845756	4.685200
2000	5.182690	8.491508	3.840991	4.092176
2001	1.770819	8.339911	4.823966	0.975982
2002	3.010016	9.130646	3.803975	1.786128
2003	1.802273	10.035603	7.860381	2.806776
2004	3.085961	10.111223	7.922943	3.785743
2005	3.201382	11.395776	9.284825	3.345216
2006	2.623413	12.719479	9.263965	2.666626
2007	2.062748	14.231388	9.801360	1.778570
2008	1.000361	9.654289	3.890957	-0.291621
	-			
2009	2.949588	9.399813	8.479784	-2.775530
2010	3.083514	10.636140	10.259963	2.531921
2011	3.141219	9.536443	6.638364	1.601455
2012	1.745472	7.856262	5.456388	2.224031
2013	2.475002	7.757635	6.386106	1.677332
2014	2.855739	7.297666	7.505220	2.569194
2015	1.000882	6.900205	8.010053	2.861587

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

Table 3: Human Development Index from 1990-2015

Country	China	India	Canada	United States
1990	0.499	0.428	0.849	0.86
1991	0.507	0.432	0.853	0.861
1992	0.518	0.439	0.855	0.866
1993	0.528	0.445	0.854	0.871
1994	0.538	0.453	0.858	0.874
1995	0.547	0.46	0.86	0.877
1996	0.557	0.468	0.863	0.878
1997	0.565	0.474	0.862	0.881
1998	0.574	0.481	0.861	0.884
1999	0.583	0.489	0.864	0.885
2000	0.592	0.494	0.867	0.884
2001	0.6	0.499	0.872	0.887
2002	0.61	0.505	0.877	0.889
2003	0.622	0.518	0.881	0.892
2004	0.634	0.526	0.886	0.895
2005	0.646	0.536	0.891	0.898
2006	0.659	0.546	0.894	0.901
2007	0.672	0.556	0.897	0.905
2008	0.682	0.563	0.898	0.907
2009	0.691	0.569	0.898	0.907
2010	0.7	0.58	0.903	0.91
2011	0.703	0.59	0.907	0.913
2012	0.713	0.599	0.909	0.915
2013	0.723	0.607	0.912	0.916
2014	0.734	0.615	0.919	0.918
2015	0.738	0.624	0.92	0.92

<http://hdr.undp.org/en/2016-report>

Table 4: Human Rights (Social Liberty Indicators) 1985 to 2015

Country	China	India	Canada	United States
1985	-0.65166	-1.19972	2.26987	1.7428
1986	-0.64353	-1.1716	2.36913	1.63083
1987	-0.75948	-1.33424	2.42497	1.52818
1988	-0.97185	-1.48657	2.44188	1.50895
1989	-1.37306	-1.55806	2.42122	1.47816

1990	-1.22342	-1.61594	2.35812	1.43773
1991	-1.01838	-1.71575	2.24908	1.25329
1992	-0.9928	-1.86185	2.08364	1.20619
1993	-0.97741	-2.04648	2.07084	1.28859
1994	-1.1482	-2.03529	1.97454	1.31272
1995	-1.14038	-1.97747	2.00843	1.28412
1996	-1.12575	-1.89121	2.0759	1.24974
1997	-1.22766	-1.75962	2.04869	1.19609
1998	-1.28203	-1.6869	1.93625	1.12588
1999	-1.27341	-1.61423	1.84735	1.01675
2000	-1.29477	-1.6302	1.65795	0.828106
2001	-1.31188	-1.68754	1.49946	0.518297
2002	-1.37263	-1.72585	1.3389	0.308952
2003	-1.39388	-1.63772	1.3414	0.087547
2004	-1.40746	-1.58155	1.31429	-0.243617
2005	-1.4294	-1.543	1.22905	-0.366195
2006	-1.37836	-1.56895	1.15497	-0.362788
2007	-1.31596	-1.63662	1.07341	-0.295633
2008	-1.42417	-1.65805	1.12855	-0.23465
2009	-1.44708	-1.65398	1.3561	-0.231353
2010	-1.43895	-1.63029	1.39295	-0.193752
2011	-1.40096	-1.55647	1.5271	-0.194516
2012	-1.29196	-1.36864	1.63761	-0.2285
2013	-1.21209	-1.24952	1.6999	-0.211881
2014	-1.11445	-1.15886	1.69724	-0.195931

<https://ourworldindata.org/human-rights>

Table 5: Satisfaction and Happiness from 1993-2014

Country	China	India	Canada	United States
1993	67.00201	72		
1998	83.60001	75.88236		93.255516
2004	78.11245	72.87712	95.85706	93.416664
2009	76.21921	75.36232	95.05088	92.868591
2014	84.99563	80.51865		91.081085

<https://ourworldindata.org/happiness-and-life-satisfaction>