Chapter 3

Impact of Peace and Economic Freedom on the Prosperity of Middle East and North African Countries

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ABSTRACT

Significant improvements have been experienced in global prosperity in the recent years, but there have been considerable differences at prosperity levels of different regions. Western Europe and North Africa were the most prosperous regions of the world in 2017, while Sub-Saharan Africa and Middle East and North Africa were the least prosperous regions of the world in 2017. However, Middle East and North Africa and Sub-Saharan Africa are also the least peaceful regions of the world. In this regard, this chapter analyzes the effect of peace and economic freedom on prosperity in Middle East and North African countries with panel data analysis. The results of empirical analysis revealed that both peace and economic freedom are significant determinants of prosperity.

INTRODUCTION

Prosperity has a meaning beyond the wealth and simultaneously consists of economic wealth and social well-being (Legatum Institute, 2016). In this context, prosperity is a multidimensional concept and the major dimensions of the prosperity are described by Stiglitz et al. (2009) as following:

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Material living standards (consumption, income, and wealth),
Health,
Education,
Personal activities,
Political voice and governance,
Social connections and relationships,
Environment, and
Insecurity.

So economic prosperity and social well-being are the key indicators of life quality and development level for both individual level and country level. The prosperity has been raised worldwide during the past two decades. However, the prosperity has not been grown and distributed equally in the world. Western European was the region with the highest prosperity as of 2017. North America, Latin America and the Caribbean, Eastern Europe, Asia-Pacific, Middle East and North Africa (MENA), and Sub-Saharan Africa followed Western Europe in terms of prosperity (Legatum Institute, 2018).

The causes underlying prosperity have drawn attention in the related literature recently. Many economic, institutional, social, and structural factors have been revealed as the determinants behind the significant variations among the prosperity levels of the societies (Acemoglu and Robinson, 2012). In this paper, we focus on the effect of peace and economic freedom on the prosperity. Peace can be a strong stimulant for prosperity through components of both economic wealth and social well-being, because civil wars, conflict, and violence cause a loss to human and physical capital and raise uncertainty and in turn constrain the economic growth. In this context, peace marketing may contribute to the prosperity by contributing to the economic growth through encouraging a peaceful environment for the societies. However, increasing prosperity also contributes to the sustainability of peaceful environment raising living standards, improving health care, education, institutions, social life, and security. On the other side, policies raising the components of economic freedom tend to increase the economic growth and in turn make a contribution to the prosperity.

In this study, we will investigate the effect of peace and economic freedom on the prosperity in MENA region with the least prosperity after Sub-Saharan Africa in the world in 2017. The prosperity index increased relatively small amount during 2007-2015 and decreased in 2016 and 2017 in MENA region, although wealth has been risen during this period.

In the relevant literature, the studies have generally explored the impact of peace and economic freedom on the economic growth. But economic growth is only one dimension of the prosperity. So this paper will be one of the early studies
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