

Regression Analysis

Because GDP per capita is one of the primary measures used to assess economic well-being, we additionally look at how it relates to IPRI via a regression analysis. We find that a high IPRI score is strongly correlated to economic development, which we measure in GDP per capita. A one point increase in the IPRI score predicts a \$8,960 increase in GDP per capita (R-squared=0.63). Similarly, the results show that the IPRI components – LP, PPR, and IPR – are highly correlated with GDP per capita.”

The regression analysis shows a correlation and does not necessarily prove causality. One way to address the problem of simultaneity to some extent is to lag a property rights measure when estimating its impact on the economic outcome variable. However, with only five years of data available at the moment, this strategy is not as effective. This is especially true considering that changes in institutions usually do not produce large changes in outcomes in such a short term.

Additionally, the nature of the data collected allows us to control for unobserved time-invariant country characteristics (i.e., systematic differences that do not change or change very slowly). The positive relationship between IPRI scores and GDP per capita holds, controlling for such country-specific differences.

Conclusion

The 2011 *International Property Rights Index* (IPRI) provides important insight as the global economy attempts to climb out of a serious economic downturn. Clearly delineated property rights are a *sine qua non* for a flourishing economy. They can also encourage a quicker recovery by providing a sense of security to entrepreneurs and investors. At a time when economies are struggling to recover, the world economy could use an infusion of economically viable assets that currently lack legal representation or are poorly enforced.

The 2011 IPRI finds that among the 129 countries included in the index those countries at the top of the IPRI ranking continue to enjoy an overwhelmingly higher GDP per capita than those at the bottom. This relationship holds for components of the IPRI as well, reaffirming that countries with robust legal and political systems are better positioned to reap the benefits of both physical and intellectual property rights.

The 2011 IPRI demonstrates that despite challenging economic times, most countries continue to improve their property rights regimes, setting themselves on a path to economic development. However, prospects for recovery will most likely be slower and weaker than need be among the few countries that did not improve property rights.

While the evidence presented here is quite compelling, the authors invite readers to study further the relationship between property rights and economic outcomes using the IPRI data. Hopefully, further study will more fully unravel the link between secure property rights and economic well-being.