

## COMPARISON OF SOCIAL POLICY PRACTICES IN OECD COUNTRIES WITH PANEL ANALYSIS

Asst. Prof. Mehmet ERÇORUMLU (Ph.D.) 

### ABSTRACT

*This study employs a panel data analysis method to examine the impact of social policy practices in OECD countries on economic development levels. The advent of the Industrial Revolution and subsequent technological developments have led to a widening of the development gap between countries. The study examines the relationships between governance components and gross domestic product (GDP) in detail. Governance is a pivotal factor in the formulation of social policies, with the involvement of the state, private sector and non-governmental organisations. The study demonstrated the impact of the rule of law and other governance components on economic growth. It has been argued that governance practices and social policies have a significant effect on development on a global scale.*

**Keywords:** Governance, Social Policy, OECD Panel Data Analysis, Economic Development, OECD Countries.

**Jel Codes:** C23, C33, E62, H53, I38.

## OECD ÜLKELERİNDE SOSYAL POLİTİKA UYGULAMALARININ PANEL ANALİZİ İLE KARŞILAŞTIRILMASI

### ÖZ

*Bu çalışma, OECD ülkelerindeki sosyal politika uygulamalarını ve bu politikaların ekonomik gelişmişlik seviyeleri üzerindeki etkisini panel veri analizi yöntemiyle incelemektedir. Sanayi Devrimi ve teknolojik gelişmelerle başlayan ekonomik ve sosyal dönüşümler, ülkeler arası gelişmişlik farklarını arttırmıştır. Çalışmada, yönetim bileşenleri ve gayrisafi yurtiçi hasıla (GSYİH) arasındaki ilişkiler detaylı bir şekilde ele alınmıştır. Yönetişim, devlet, özel sektör ve sivil toplum örgütlerinin katılımıyla sosyal politikaların şekillendirilmesinde kritik bir rol oynamaktadır. Çalışma, hukukun üstünlüğü ve diğer yönetim bileşenlerinin ekonomik büyüme üzerindeki etkilerini ortaya koymuştur. Yönetişim uygulamaları ve sosyal politikaların küresel ölçekte gelişme üzerinde önemli etkileri olduğu vurgulanmıştır.*

**Anahtar Kelimeler:** Yönetişim, Sosyal Politika, OECD Panel Veri Analizi, Ekonomik Gelişmişlik, OECD Ülkeleri.

**JEL Sınıflandırma Kodları:** C23, C33, E62, H53, I38.

\* Bandırma Onyedli Eylül University, Manyas Vocational School, Department of Social Security, Balıkesir/ Türkiye, E-mail: mercorumlu@bandirma.edu.tr.

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## 1. INTRODUCTION

The Industrial Revolution, particularly in the late 18th century, precipitated profound alterations in the economic and social structures of countries. The technological advancements that originated with the Industrial Revolution have markedly enhanced the developmental levels of Western countries, particularly, and contributed to the ascension of economic prosperity and social advancement in these countries (Dinler, & Özdemir, 2009; Gerber, 1987).

The rate at which innovations brought about by the Industrial Revolution spread throughout the world is considerably higher than in previous periods. This situation has enabled the rapid development of contemporary societies, commonly referred to as the information society, and the rapid adoption of innovations on a global scale. Nevertheless, developing countries that have not yet completed the industrialization process encounter numerous challenges in adopting these innovations. Prior to the advent of the Industrial Revolution, there were no discernible differences in the pace of technological advancement between countries. However, following the advent of the Industrial Revolution, the process of industrialization served to accentuate the disparities in development levels between countries. Acemoglu (2003) proposed that the establishment of secure property rights through the restructuring of governance in countries such as England, the Netherlands, Germany, and France played a pivotal role in the accelerated growth of these nations. Addition to the industrial revolution, factors such as securing property rights, supporting competitive markets, and protecting individual freedoms have also stimulated economic growth in countries such as England. These factors, highlighted by Rosenberg (& Birdzell (1992), have led to the development of financial institutions and significant changes among economic institutions in the UK. The industrial revolution and subsequent technological advances have become one of the most important factors determining the development levels of countries. These processes have further deepened the economic and social differences between developed countries and developing countries.

Although social policy practices vary between countries, they are an important policy area that profoundly affects the economic and social structures of countries. These policies have been shaped by a variety of economic, social, and political factors throughout history, giving rise to the implementation of distinct social policy models in each country. Social policy can be defined as the manner in which a society responds to the social and human issues that arise as a consequence of economic developments. The primary objective of these policies is to guarantee social justice, rectify economic imbalances, and enhance the quality of life for citizens.

The historical genesis of the concept of social policy can be traced to the second half of the 19th century in Germany, where it was first articulated by Prof. Dr. Wilhelm Heinrich Riehl. It subsequently became a scientific term with the establishment of the Social Policy Society, which was coined by Riehl and later founded in Germany in 1873 (Kaufmann, 2013). The economic and social changes brought

about by the Industrial Revolution, the harsh conditions experienced by the working class, and the increasing class conflicts have created a pressing need for the development of social policies. This necessity established the foundation for the establishment of the social state concept and the development of social rights.

Özdemir and İnce (2021) employed a research design in which the data of the 20% group with the lowest share of national income was used as an indicator of poverty in 36 OECD countries, including Turkey, between 2000 and 2018. This was done in order to examine the effect of social assistance expenditures on poverty in Organisation for Economic Co-operation and Development (OECD) countries. The panel cointegration test method was employed in the analytical process. The findings indicated a negative correlation between poverty and social assistance expenditures, with poverty decreasing as social assistance expenditures increased. Conversely, an increase in poverty was observed as social assistance expenditure decreased.

The implementation of social policy is contingent upon the historical, cultural, and political structures of each country. These models can be broadly classified into three categories: liberal, corporatist, and social democratic. Incorporating the rights and protection of employees is a fundamental tenet of corporatist models. In contrast, social democratic models prioritize the equitable distribution of wealth and the provision of universal social rights. Advocating for the development of policies that prioritize social justice is paramount. Liberal models are typically defined by minimal government intervention and a strong reliance on market mechanisms. In these models, the role of the state is to shape policies through this participatory structure. The state's limited regulation is not only open to itself, but also to a multi-layered range of actors including public structures, economic actors, and non-governmental organizations. The concept of governance is emerging as a structure that constrains the regulatory role of the state and supports the limited but effective state understanding of neoliberal ideology. In a broad sense, governance can be defined as a process of globalization that brings together a multitude of actors and decision-making processes. In other words, in the context of globalization and the questioning of the regulatory functions of the state, governance emerged as a solution in areas where neoliberal policies were insufficient after the 1990s. Developed as a new understanding of public and economic management in places where market mechanisms and the downsizing of the state were insufficient. Governance encourages the practice of establishing networks of relationships with different actors, such as public-private partnerships and deliberative coordination mechanisms, which are not limited to the state or the market (Jessop, 2005; Börzel & Risse, 2010). Global governance functions as a set of rules and institutions that regulate the economic, social, and political problems faced by the international community. Good global governance necessitates respect for human rights, adherence to the rule of law, and the promotion of democracy and participation. Additionally, it should support values such as freedom, security, diversity, justice, and solidarity (ILO, 2004). Furthermore, the effects of governance, as a consequence of globalization, on social policy also emerge as an important area of

investigation. The structure of social policy in the triangle of worker representatives, employers, and the state tests the institutional assets and governance abilities of states in the development of globalization. In accordance with the stipulations between worker representatives and employers, national regulations are attributed to states, international regulations are attributed to labor organizations, and states assume the role of implementing international rules by accepting them. Consequently, the concept of participatory democracy becomes meaningful when the dialogue between workers and worker representative organizations is strengthened. While the participatory democracies of developed countries provide them with economic strength, the perception of the welfare state also highlights their social policies.

Given the considerable attention devoted to governance in new economic approaches, it is crucial to comprehend and elucidate the interconnections between countries' social policies. In this context, the objective of this study is to examine the relationships between the development levels of selected OECD countries and social policy practices using the panel data analysis method.

## **2. GLOBAL GOVERNANCE AND SOCIAL POLICIES**

### **2.1. Governance in the Context of Social Policies**

Social policy is concerned with the issues that affect individuals in their daily lives, such as employment, education, health, housing, and security. These issues are essential for the functioning of society and are intertwined with the social, economic, and political dimensions of social life. The efficacy and productivity of these policies are not solely contingent upon past practices; they are also influenced by future visions. Social policy is a dynamic field that adapts to the evolving challenges faced by individuals and societies, striving to enhance the quality of life. Furthermore, Social policy is inextricably linked to the fundamental rights and freedoms of individuals. The fundamental principles of equality, rights, and social justice serve as the foundation for these policies. The concept of equality is predicated on the notion of providing individuals with fairer starting points through the equalization of opportunities and outcomes. This reflects an understanding of equality that is compatible with differences within society and manifests itself in practice as providing equal opportunities (Taylor-Gooby, 2011: 55-60). In contrast, social justice concerns the manner in which the benefits of society are distributed. It plays a pivotal role in determining the social policies and regulations necessary to ensure this distribution is made fairly. In Rawls's view, social justice serves as the foundation for determining rights and obligations within the primary institutions of society (Rawls, 2017: 33). Governance plays a pivotal role in the shaping and implementation of these social policies. Governance facilitates the inclusion and efficacy of policies by ensuring the active participation of the private sector, non-governmental organizations, and the state in the policy-making process. The concept of governance has a profound impact on a range of fields, including politics, economics, and labor relations. The concept of governance allows for the reshaping of the parties, levels, and issues in industrial relations based on

social dialogue. In this context, the state assigns active roles to groups representing capital and labor on a local scale in the process of regulating economic and social institutions. The objective is to provide flexibility and assurance through the use of various forms of coordination with the renewed social partners (Erdut, 2004: 137; Clark, 2000: 170-171; Keune & Marginson, 2013: 480-481).

It is widely acknowledged that governance has the potential to redefine the role of the state in the context of civil society and social services. Furthermore, it is believed that governance may facilitate the establishment of new collaborations and dialogues in this field. The concept of governance is now a matter of various actors at local, national, and global levels. It is defined by the joint efforts of governments, the private sector, non-governmental organizations, and international businesses (Erdut, 2004: 143). The governance approach encourages a more inclusive management approach by ensuring the participation of various actors in decision-making processes. This process represents a transition from state-centered management to society- and individual-centered management. It also emphasizes the decreasing role of the nation-state in relation to global governance and the increasing importance of networks formed by public, private sector, and non-governmental actors. (Dingwerth & Pattberg, 2006: 189; Hazenberg, 2013: 2-3; Rajagopal, 2013: 171).

In the context of globalization and technological developments, governance has expanded the role of civil society in policy-making processes at both the national and international levels. This has the effect of supporting a more equitable and inclusive social structure. In this context, governance ensures that common interests regarding economic and social policies are discussed more extensively and that a greater number of actors have a voice in this process.

## **2.2. The Relationship Between Governance Tools and Social Policies**

In the contemporary era, as the phenomenon of globalization intensifies, the potential for crises in international markets and financial systems to spread across the globe, beyond the boundaries of specific regions, has become a significant concern. The resolution of these crises necessitates the collective action of states and their strict adherence to the principles of global governance. In particular, the adoption of governance principles such as transparency, accountability, and the rule of law plays a critical role in preventing excessive risk-taking and speculative movements, which are the main causes of economic crises (Das, 2009: 31; Dingwerth & Pattberg, 2006: 195).

The rule of law, as a fundamental element of good governance, is conducive to the long-term success of economic strategies and market-oriented policies. In addition, good governance must be supported by robust institutional frameworks at the domestic level. This necessitates amicable collaboration between governmental and market actors. Compliance with governance principles is crucial to guarantee that the most disadvantaged and vulnerable segments of society are included in decision-making processes and that resources are distributed equitably (Sözen & Algan, 2009: 2). The rule of law necessitates the fair and impartial application of its principles, which serves to protect the

rights of those who are particularly vulnerable. Furthermore, the rule of law provides the opportunity to appeal through independent bodies in resolving conflicts, which should be accepted and embraced by all stakeholders (Aras & Crowther, 2009: 3).

The interaction of governance and social policy is essential for the effective implementation of laws and justice, which in turn facilitates people's access to fundamental rights, such as property, education, decent work, and freedom of expression. This is essential to reinforce legislation at both the national and local levels, ensuring that all citizens are aware of and able to exercise their rights. In order to ensure the effectiveness of an independent judicial system, it is necessary to support it with transparent and accountable government institutions (ILO, 2004: 55-56). It is thus imperative that structural adjustments be made to ensure that all citizens, regardless of their socioeconomic status, are afforded equal opportunities in accordance with the principles of social justice.

Economic transparency is a crucial factor in ensuring the efficient distribution of resources, which in turn expands the potential for economic growth. In light of the ongoing globalization and democratization processes, the necessity for transparency has become increasingly apparent, given the growing interdependence of national economies. This situation results in the rapid dissemination of developments on a global scale to local economies, thereby underscoring the importance of comprehending these interactions. International organizations, such as the International Monetary Fund (IMF), the World Bank, and the Organization for Economic Cooperation and Development (OECD), contribute to this process by making recommendations to national states to increase transparency (Kondo, 2002: 8-9; Scholte, 2004: 217). Transparency is a fundamental element of governance and is directly related to accountability. The primary objective of transparency is to reinforce the responsibilities and accountability of individuals and entities occupying economic, social, and political positions for the outcomes of the policies they implement. Accountability is a fundamental principle of democratic governance, serving as the foundation for the relationship between rulers and the governed. The effective functioning of this relationship is crucial for the sustenance of democracy (Hazenberg & Alessandro, 2013: 308).

European Union (EU) institutions and social stakeholders at the European level exemplify exemplary practices in this field by adopting the principles of transparency and accountability. Transparency at the EU level represents a primary trajectory of governance, preventing information asymmetry and encouraging the conscious and active participation of individuals in governance-related discussions (Stevenson & Wolfers, 2008: 108). In this context, ensuring transparency enables individuals from all segments of society to actively participate in decision-making processes and play an effective role in these processes, thus allowing a more inclusive and fair approach to be adopted in shaping social policies.

### 3. METHOD AND MATERIAL

#### 3.1. Presentation of Data

The objective of this research is to conduct panel data analysis using World Bank Governance Index data and gross domestic product data of the OECD founding countries in the period 1996-2018. The World Bank Governance Index is employed to represent the social policy level, while the gross domestic product values provided by the World Bank source are utilized to represent the development level.

In the analysis, the E-views program, frequently utilized in econometric applications, is employed, along with tests commonly utilized in panel data studies. While gross domestic product is represented by a single time series, the World Bank Governance Index comprises multiple components. The aforementioned components are listed as follows (Canikalp & Ünlükaplan, 2015):

- **Freedom of Expression and Accountability:** This indicator represents the degree of media freedom, freedom of expression, and the the ability of citizens to choose their government
- **Political Stability and Non-Violence:** It signifies the potential for the government to be removed from Office through violence.
- **Government Effectiveness:** This indicator represents the quality of services and independence of bureaucracies, including the ability to make policies free from political pressures and reliability.
- **Regulatory Quality:** It measures policies that encourage private sector development and the effectiveness of government regulations.
- **Rule of Law:** This indicator represents the prevalence of crime and violence, the quality of the justice system, and compliance with rules by institutions and societies.
- **Preventing Corruption:** This indicator measures efforts to prevent the misuse of public power for personal gain or privileges.

The data on these governance components were obtained from the World Bank, with the dataset covering the period from 1996 to 2018. While data for some countries may be missing or incomplete for certain years, the analysis focuses on the 20 founding countries of the OECD. This dataset comprises 23 years of data from 20 countries, resulting in 460 observations. However, data for the USA and Germany for certain years is not available, reducing the total number of observations to 454. Nonetheless, no data loss occurred in calculating gross domestic product values. Overall, the dataset provides a comprehensive view of the gross domestic product values of 20 countries over a 23-year period, consisting of 460 units.

### 3.2. Model of the Research

The following model was initially developed to ascertain whether social policy practices, as represented by the level of governance, exert an influence on the explanation of gross domestic product values in the OECD founding countries. If this were the case, the model sought to determine the direction and extent of this impact in economic terms.

$$GDPH_{it} = \beta_0 + \beta_1 \text{Socialite} + \varepsilon_{it}$$

$GDPH_{it}$ : t. i per year. the country's gross domestic product

$\beta_0$ : regression coefficient constant for all units

$\text{Socialite}_{it}$ : t. i per year. country's level of social policy implementation

$\varepsilon_{it}$ : t. i per year. It shows the country's accidental mistake.

The following model was constructed with the objective of determining the influence of countries' governance components on gross domestic product.

$$GDPH_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \varepsilon_{it}$$

**X1:** Control of Corruption

**X2:** Government Effectiveness

**X3:** Political Stability and Nonviolence

**X4:** Editorial Quality

**X5:** Rule of Law

**X6:** Freedom of Expression and Accountability

### 4. RESULTS

The variables used to determine the level of governance, representing the social policy implementation level of the 20 OECD founding countries, are as follows: Control of corruption (X1), government effectiveness (X2), political stability and non-violence (X3), quality of regulation (X4), rule of law (X5) and freedom of expression and accountability (X6). These variables are also included in the analysis assuming that they affect the level of development represented by gross domestic product amounts in this study. Therefore, the primary hypotheses of the study are as follows:

**H0:** There is no relationship between the level of implementation of social policies and the level of development.

**H1:** There is a relationship between the implementation of social policies and the level of development.



Before testing the above claim, descriptive statistics of the governance components in the implementation of social policies, which are the independent variables of the analysis, are included (Table 1):

**Table 1. Descriptive Statistics of Independent Variables**

	<b>X1</b>	<b>X2</b>	<b>X3</b>	<b>X4</b>	<b>X5</b>	<b>X6</b>
<b>Average</b>	1.500.864	1.453.571	0.794787	1.358.862	1.446.509	1.271.953
<b>Median</b>	1.729.341	1.629.398	0.948053	1.507.755	1.661.286	1.377.236
<b>Maximum</b>	2.459.118	2.346.357	1.758.681	2.045.453	2.100.877	1.800.992
<b>Minimum</b>	-0.570129	-0.312862	-2.009.063	-0.081912	-0.416483	-0.860242
<b>Standard deviation</b>	0.704177	0.538845	0.622613	0.448806	0.557951	0.431376
<b>Observation</b>	454	454	454	454	454	454

As indicated in Table 1, the independent variable with the highest mean is the control of corruption. Following this, the next highest means are observed for the effectiveness of the government and the rule of law, respectively. The indicator with the lowest average is political stability and non-violence. The indicator of political stability and non-violence encompasses a wide range of phenomena, including armed conflicts, social unrest, terrorism, political murders, security risk, ethnic, religious, and regional conflicts, government stability, and internal conflicts (Canikalp and Ünlükaplan, 2015). Due to its broad scope, it is a relatively external factor compared to other indicators and is challenging to control. Consequently, it can be posited that this indicator has the lowest average. Upon examination of the median values, it becomes evident that they do not significantly differ from the rankings derived from the mean. This indicates that there is no significant disparity between the governance components and the data representing the implementation of social policies. Similarly, the standard deviation is low for all variables, indicating that the data is distributed close to the mean.

The control of corruption (X1) indicator exhibited the highest value of 2,459,118, representing the first independent variable, with Denmark consistently showing the highest values between 1998 and 2010. The lowest value is observed in Turkey, with a value of -0.570129, consistently ranking lowest throughout the period. During this period, Iceland, Norway, and Sweden also attained the highest values in terms of control of corruption on several occasions. Subsequently, the countries with the lowest values in the corruption control indicator are Greece and Italy.

The second independent variable, the government effectiveness (X2) reached its highest value of 2,346,357, also corresponding to Denmark. In certain years, Switzerland, Sweden, Norway, Iceland, and the Netherlands attained the highest values in the government effectiveness indicator. The lowest value is observed in Turkey, with a value of -0.312862, consistently ranking lowest throughout the period, followed by Greece and Italy.

The third independent variable, the political stability and non-violence (X3) indicator, reached its highest value, 1,758,681, corresponding to the Netherlands in 1998. In general, data on political stability and non-violence indicators are relatively high in countries such as Iceland, Norway, and Luxembourg. The lowest value is observed in Turkey, with a value of -2,009,063. Turkey consistently ranks last among the OECD founding countries in this regard, followed by Greece and Spain.

The regulatory quality indicator (X4), which represents our fourth independent variable, reached its highest value of 2,045,453. This value pertains to the Netherlands in 2014. The second-highest value was recorded in the Netherlands in 1998. A number of countries, including Denmark, Sweden, Switzerland, the United Kingdom and Luxembourg, were identified as having high levels of regulatory quality. The lowest score is observed in Turkey, with a value of -0.081912. Turkey is followed by Greece in the ranking.

The Rule of Law (X5) indicator, which represents our fifth independent variable, reached its highest value, 2,100,877. This value pertains to Denmark. Other countries with similarly high values in terms of the rule of law include Norway and Sweden. The lowest value is observed in Turkey, with a value of -0.416483. Turkey consistently exhibited the lowest values in terms of the rule of law between 1996 and 2018. The countries that follow Turkey in this regard are Greece and Italy.

The final independent variable, the freedom of expression and accountability (X6) indicator, reached its highest value, 1,800,992. This value is comparable to that observed in Denmark in 2001. In countries such as Norway, Sweden, and the Netherlands, this indicator has exhibited a gradual increase in value over time. The lowest value is observed in Turkey, with a value of -0.860242. Turkey is followed by Greece and Italy.

Table 2 presents descriptive statistics for the dependent variable, namely the amount of gross domestic product.

**Table 2. Descriptive Statistics of the Dependent Variable**

	<b>GDPH</b>
<b>Average</b>	41220.75
<b>Median</b>	39214.45
<b>Maximum</b>	123678.7
<b>Minimum</b>	3053.947
<b>Standard deviation</b>	21900.57
<b>Observation</b>	460

The gross domestic product (GDP) value is employed as a proxy for the level of economic development. The mean value of the GDP in all OECD founding countries is 41,220.75. With regard to the components of the level of implementation of social policies, the data is less closely aligned with the average. This indicates that there is greater variability in gross domestic product across countries.

The gross domestic product indicator exhibited the greatest value, 123,678.7, while the lowest value was 3,053.947. The values in question pertain to Luxembourg's 2014 and Turkey's 1996, respectively.

In the initial equation, where the dependent variable is gross domestic product and the independent variables are six variables that constitute the components of the level of implementation of social policies, the level of explanation of the dependent variable by all variables except political stability and non-violence (X3) and freedom of expression and accountability (X6) was found to be statistically significant. (Table 3).

**Table 3. Testing the Coefficients for Model 1**

	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>p value</b>
<b>X1</b>	9370.129	4110.176	2.279739	0.0231
<b>X2</b>	-27624.40	5037.664	-5.483574	0.0000
<b>X3</b>	-2285.280	2291.609	-0.997238	0.3192
<b>X4</b>	18635.03	4375.692	4.258761	0.0000
<b>X5</b>	23162.22	6165.838	3.756541	0.0002
<b>X6</b>	7676.930	4304.467	1.783480	0.0752
<b>R-squared</b>	0.387037			
<b>Adjusted R-squared</b>	0.380196			
<b>Durbin-Watson</b>	0.098564			

Notes: \* Significant at %5 level.

With the exception of X3 and X6, for which the p-values are above 0.05, the remaining variables exhibit p-values below 0.05, thereby demonstrating a statistically significant relationship with the dependent variable, gross domestic product. The equation of this model is as follows:

$$\text{GDP} = 9370.12890526 \cdot X1 - 27624.4017855 \cdot X2 - 2285.28034473 \cdot X3 + 18635.0250467 \cdot X4 + 23162.2195313 \cdot X5 + 7676.93010319 \cdot X6$$

In Model 1, the R-squared value, which is a measure of the model's significance, was found to be 0.387037. The quantity R-squared is employed to indicate the explanatory power of a model. In this instance, the R-squared value of 0.387037 indicates that 38.70% of the variation in the dependent variable can be attributed to the independent variables. Nevertheless, the ratio indicates that the dependent variable cannot be adequately explained by this model. Furthermore, the Durbin-Watson test statistic value is 0.098564, indicating the presence of autocorrelation in the model. Consequently, a fixed-effect model will be constructed and the coefficients will be subjected to further testing.

**Table 4. Testing Coefficients for Model 2**

	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>p value</b>
<b>X1</b>	1359.043	4336.009	0.313432	0.7541
<b>X2</b>	-31965.35	4063.666	-7.866135	0.0000
<b>X3</b>	-14970.86	2573.510	-5.817292	0.0000
<b>X4</b>	21951.93	5955.957	3.685710	0.0003

<b>X5</b>	12228.22	4328.784	2.824862	0.0050
<b>X6</b>	-6381.578	5969.490	-1.069032	0.2857
<b>C</b>	57437.81	7844.534	7.322016	0.0000
<b>R-squared</b>	0.743248			
<b>Adjusted R-squared</b>	0.728251			
<b>Durbin-Watson</b>	0.281308			

Notes: \* Significant at 5% level.

The fixed effect model is depicted in Model 2. As illustrated in Table 4, the R-squared value, which is a measure of the model's significance, was found to be 0.743248. The explanatory power of the model, as indicated by the magnitude of 0.743248, is such that 74.32% of the change in the dependent variable can be attributed to the independent variables. Given that the R-squared value is higher than that of the first model, it would be reasonable to select the second model. Nevertheless, it would be prudent to examine the random effect model in the event that the values yield more favourable outcomes.

With the exception of X1 and X6, for which the p-values are above 0.05, the remaining variables exhibit p-values below 0.05, thereby demonstrating a statistically significant relationship with the dependent variable, gross domestic product. The equation of this model is as follows:

$$\text{GDP} = 1359.04299638 * X1 - 31965.3481341 * X2 - 14970.8579383 * X3 + 21951.9310733 * X5 + 12228.216759 * 2 + [CX=F]$$

**Table 5. Testing Coefficients for Model 3**

	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>p value</b>
<b>X1</b>	7220.173	4091.875	1.764515	0.0783
<b>X2</b>	-32309.31	4016.881	-8.043381	0.0000
<b>X3</b>	-12643.95	2497.063	-5.063530	0.0000
<b>X4</b>	29112.24	5625.573	5.174982	0.0000
<b>X5</b>	11975.03	4259.750	2.811204	0.0052
<b>X6</b>	-2206.564	5618.460	-0.392735	0.6947
<b>C</b>	31899.96	6706.057	4.756888	0.0000
<b>R-squared</b>	0.230495			
<b>Adjusted R-squared</b>	0.220166			
<b>Durbin-Watson</b>	0.245468			

Notes: \* Significant at 5% level.

The R-squared value for the random effect model 3 is 0.230495, which is significantly lower than the R-squared value for the fixed effect model. Consequently, it is recommended that the fixed effect model be selected. The method for determining which model should be preferred between the fixed effect model and the random effect model is the Hausman test. A further decision can be made by examining the results of the Hausman test.

**Table 6. Hausman Test**

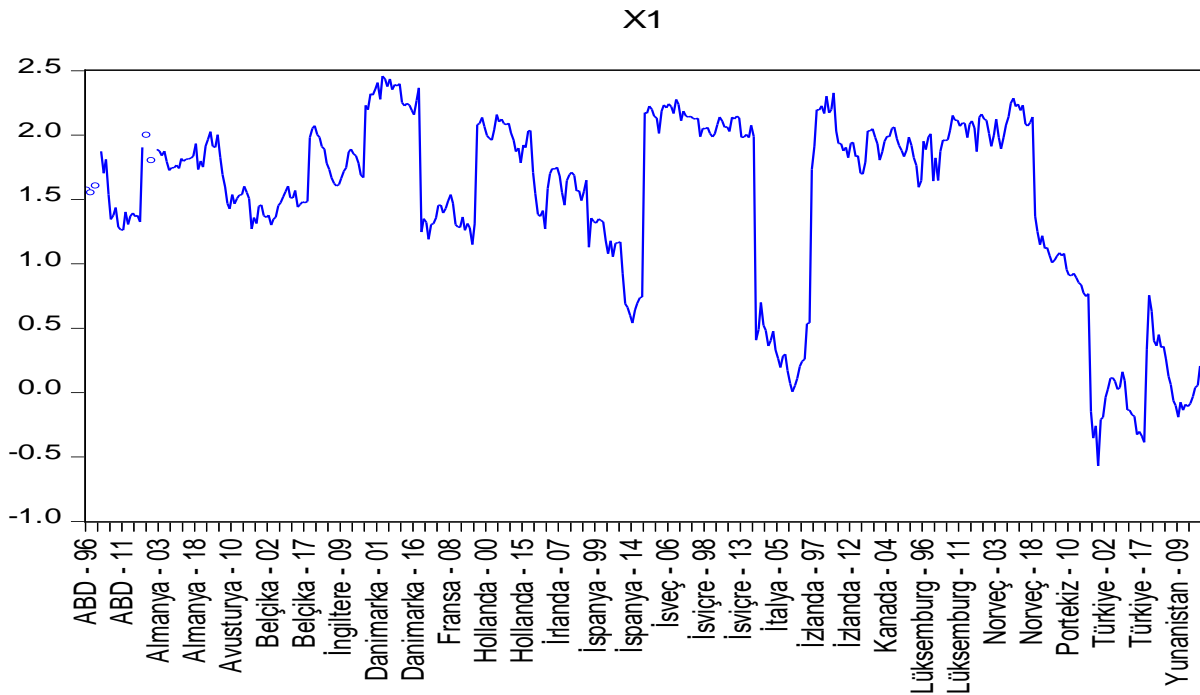
Hausman Test	Chi-Sq. Statistics	Chi-Sq. Degrees of Freedom	P value
Random Effect Model	32.704170	6	0.0000

Notes: \* Significant at 5% level.

A p-value of less than 0.05 indicates that the hypothesis that the random effect model is more suitable than the fixed effect model is rejected. In the Hausman test, the p-value is less than 0.05. This outcome indicates that the fixed effect model should be selected. The results of the Hausman test and the R-squared values indicate that the preferred model is the fixed effect model.

In order to ascertain the stationarity of the series included in the analysis, it is necessary to conduct unit root tests. In addition to unit root tests, it is also possible to measure stationarity with the help of graphs of the series. The graph of the independent variable X1 is presented in Figure 1.

**Figure 1. Graph of Variable X1**



As demonstrated by the graph of the variable X1, the series is not stationary. Upon applying the extended Dickey-Fuller unit root test (ADF), a unit root test, to the aforementioned situation, the following values were obtained (Table 7).

**Table 7. ADF Unit Root Test (X1)**

ADF Fisher Unit Root Test	Statistics	P Value
	44.0027	0.3059

Notes: \* Significant at 5% level.

The P-value, which is greater than 0.05, indicates that the series is not stationary. In order to render the series stationary, it is first necessary to take the first order difference. Upon taking the first difference of the series of variable X1, it becomes evident that the series has become stationary (Table 8).

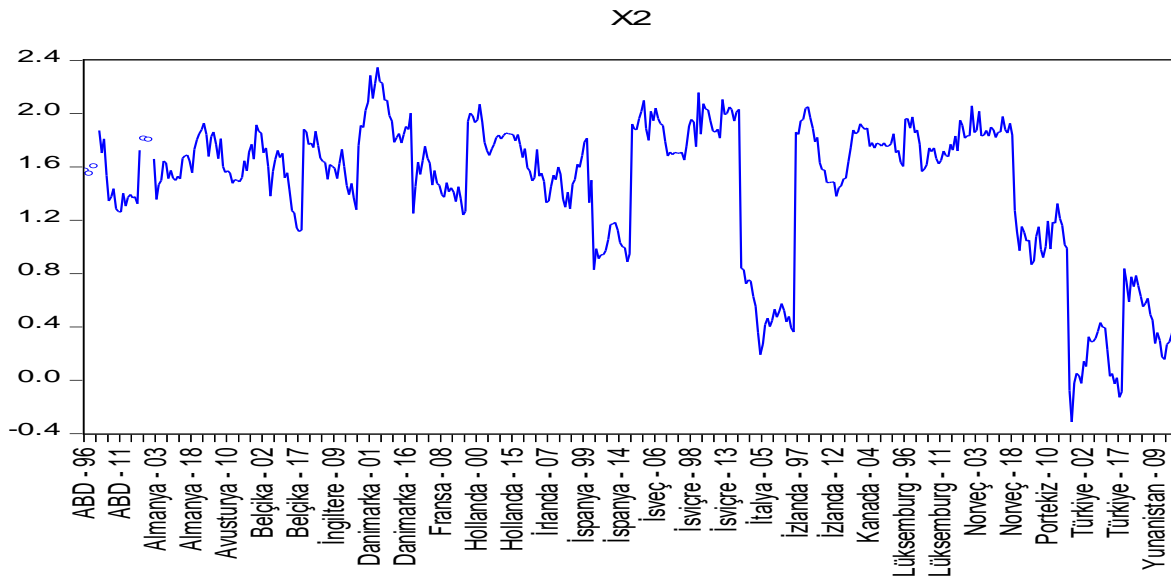
**Table 8. ADF Unit Root Test (First Order Difference X1)**

ADF Fisher Unit Root Test	Statistics	P Value
	233.502	0.0000

Notes: \* Significant at 5% level.

The graph of the second independent variable, X2, included in the analysis is presented in Figure 2. Upon examination of the graph, it becomes evident that the series is not stationary. Upon application of the extended Dickey-Fuller unit root test (ADF), the values presented in Table 9 were obtained.

**Figure 2. Graph of Variable X2**



**Table 9. ADF Unit Root Test (X2)**

ADF Fisher Unit Root Test	Statistics	P value
	46.5163	0.2218

Notes: \* Significant at 5% level.

Table 9 indicates that the p-value is greater than 0.05, which is a statistically significant result. Consequently, the series is not stationary. In order to render the series stationary, it is reinterpreted by taking its first order difference (Table 10).

**Table 10. ADF Unit Root Test (X2) (With First Order Difference)**

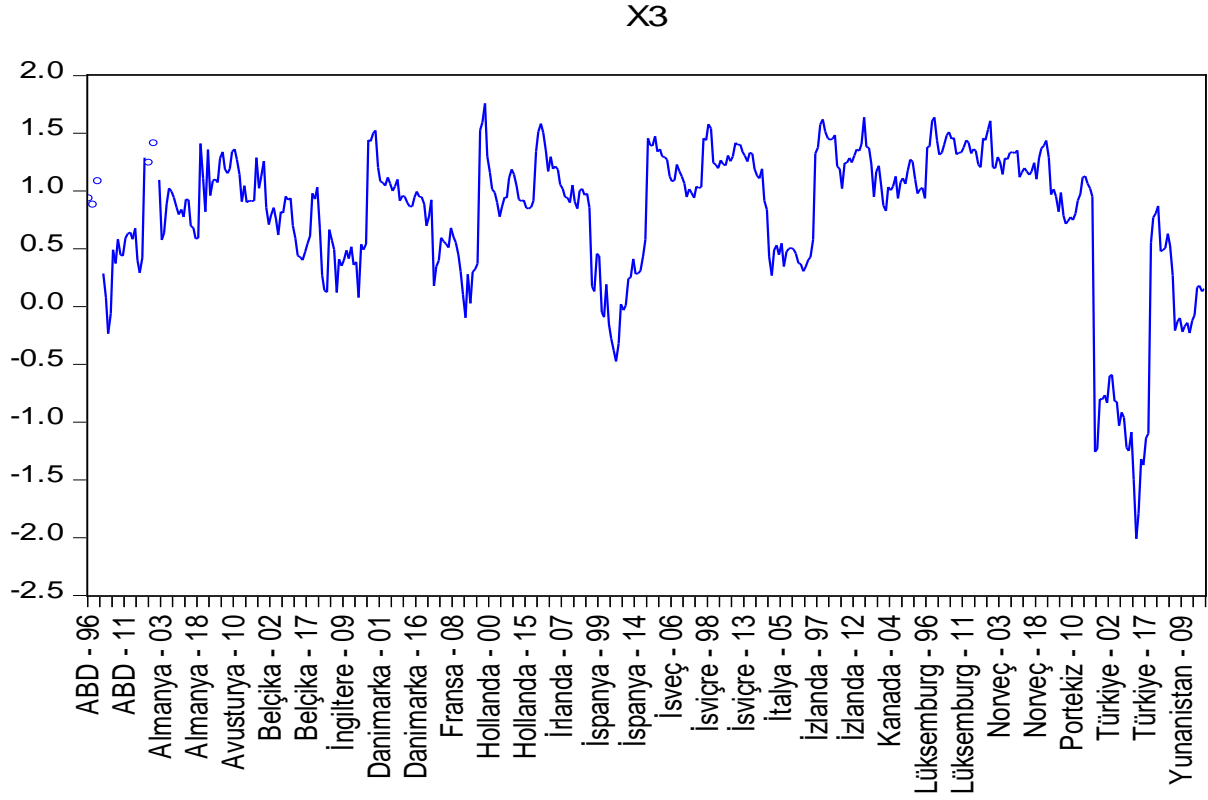
ADF Fisher Unit Root Test	Statistics	P value
	265.915	0.0000

Notes: \* Significant at 5% level.

Upon examination of the stationarity of the series of the variable X2 through the application of the first difference, it was observed that the p-value was less than 0.05.

The graph of the independent variable X3 is presented in Figure 3.

**Figure 3. Graph of Variable X3**



Upon executing the Dickey-Fuller unit root test (ADF), the following values were obtained and presented in Table 11.

**Table 11. ADF Unit Root Test (X3)**

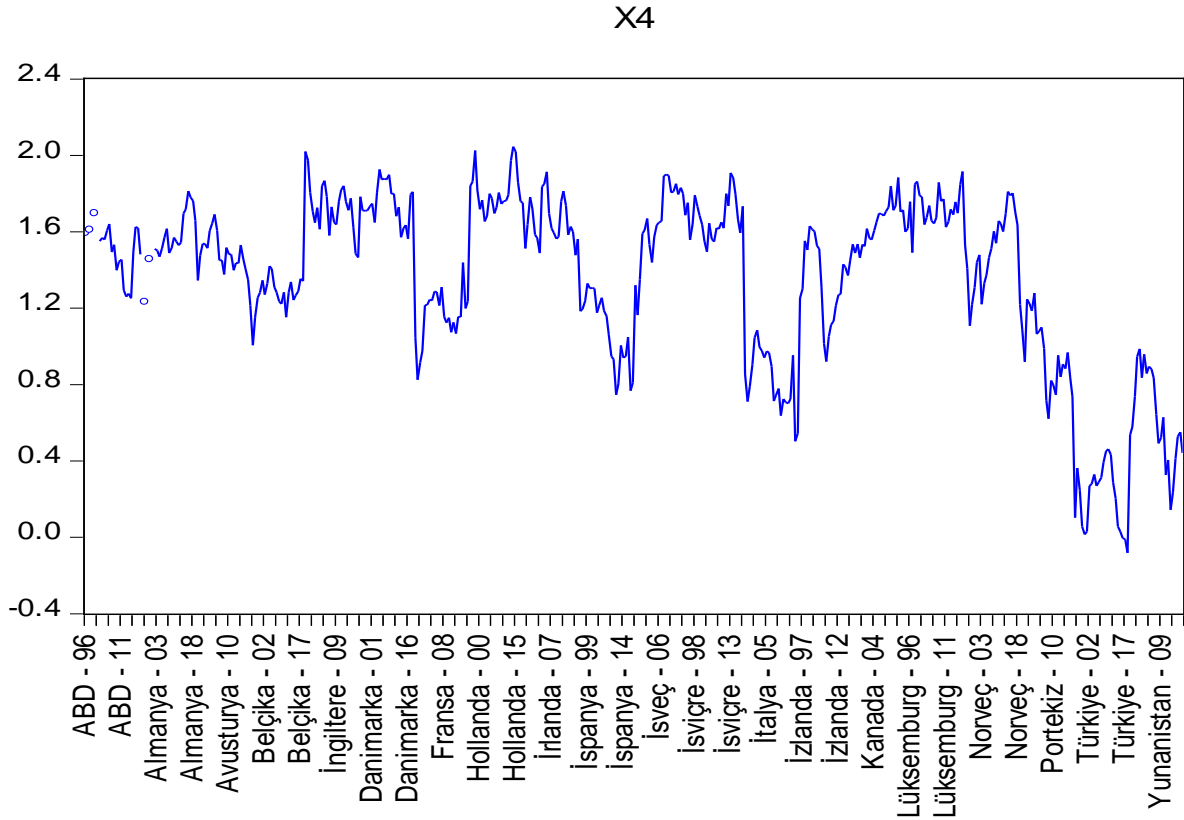
ADF Fisher Unit Root Test	Statistics	P value
	60.5387	0.0196

Notes: \* Significant at 5% level.

The graph in Figure 3 and the p-value being less than 0.05 in the ADF unit root test indicate that the series of the X3 variable is stationary.

The graph of X4 is as follows: Upon examination of the graph, it becomes evident that the series is not stationary (Figure 4). Upon application of the extended Dickey-Fuller unit root test (ADF), the values presented in Table 12 were obtained.

**Figure 4. Graph of Variable X4**



**Table 12. ADF Unit Root Test (X4)**

ADF Fisher Unit Root Test	Statistics	P value
	24.2129	0.9769

Notes: \* Significant at 5% level.

It is necessary to re-examine the stationarity of the variable X4, which was previously identified as non-stationary through both graphical analysis and unit root testing. This can be achieved by taking the first difference (Table 13).

**Table 13. ADF Unit Root Test (X4) (With First Order Difference)**

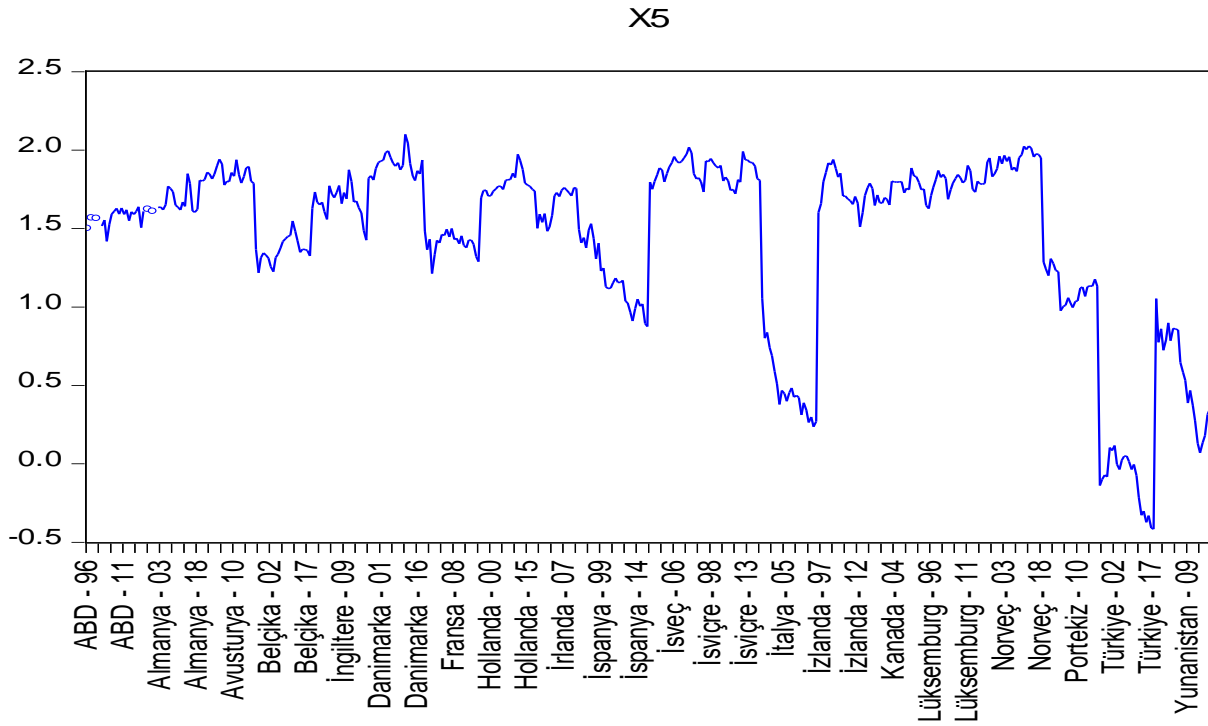
ADF Fisher Unit Root Test	Statistics	P value
	261.666	0.0000

Notes: \* Significant at 5% level.

As illustrated in Table 13, the series of variable X4 becomes stationary when the first difference is taken.



**Figure 5. Graph of Variable X5**



As illustrated in Figure 5, the series of the X5 variable is not stationary. Upon testing for stationarity with the ADF unit root test, the resulting values are presented in Table 14.

**Table 14. ADF Unit Root Test (X5)**

ADF Fisher Unit Root Test	Statistics	P value
	39.6776	0.4846

Notes: \* Significant at 5% level.

In order to render the series of variable X5 stationary, it is necessary to conduct a further test by taking its first difference. Upon application of the ADF test, which entails taking the first-order difference, it becomes evident that the series in question has become stationary (Table 15).

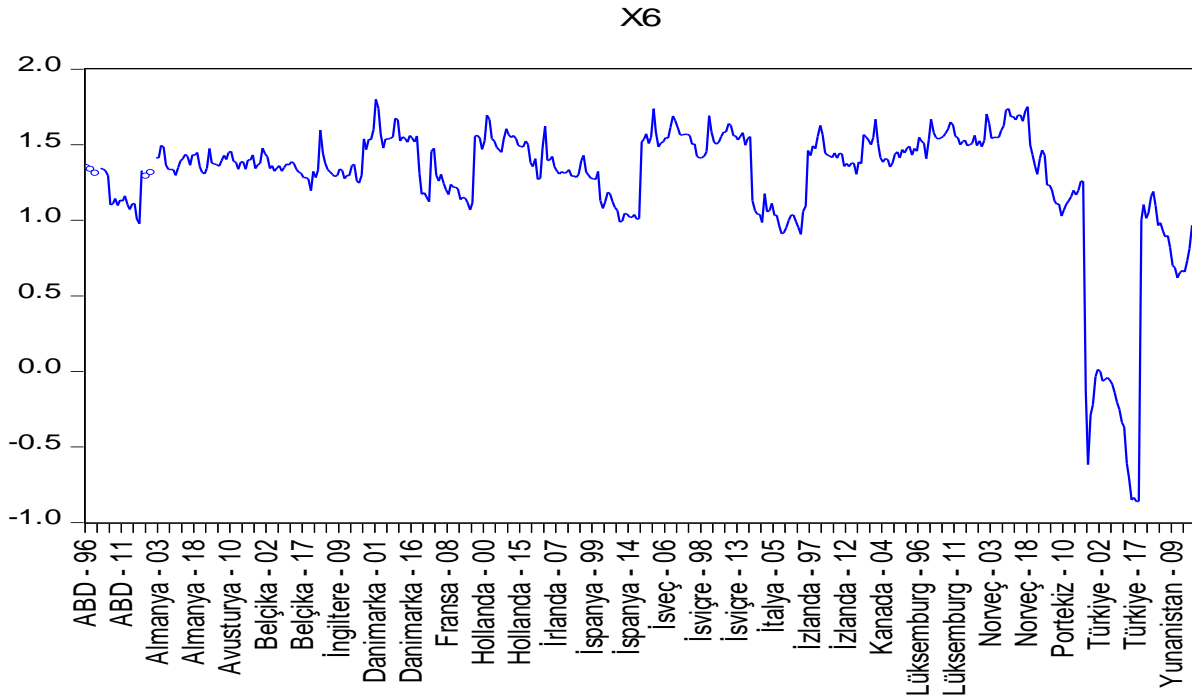
**Table 15. ADF Unit Root Test (X5) (With First Order Difference)**

ADF Fisher Unit Root Test	Statistics	P value
	228.465	0.0000

Notes: \* Significant at 5% level.

The graph of the variable X6, which is the last independent variable included in the analysis, is presented in Figure 6. The ADF unit root test results are presented in Table 16.

**Figure 6. Graph of Variable X6**



**Table 16. ADF Unit Root Test (X6)**

ADF Fisher Unit Root Test	Statistics	P value
	25.1863	0.9674

Notes: \* Significant at 5% level.

The graph of the series of the variable X6 and the ADF unit root test indicate that the series is not stationary. Consequently, the stationarity of the series should be re-examined by taking it as a first-order difference (Table 17).

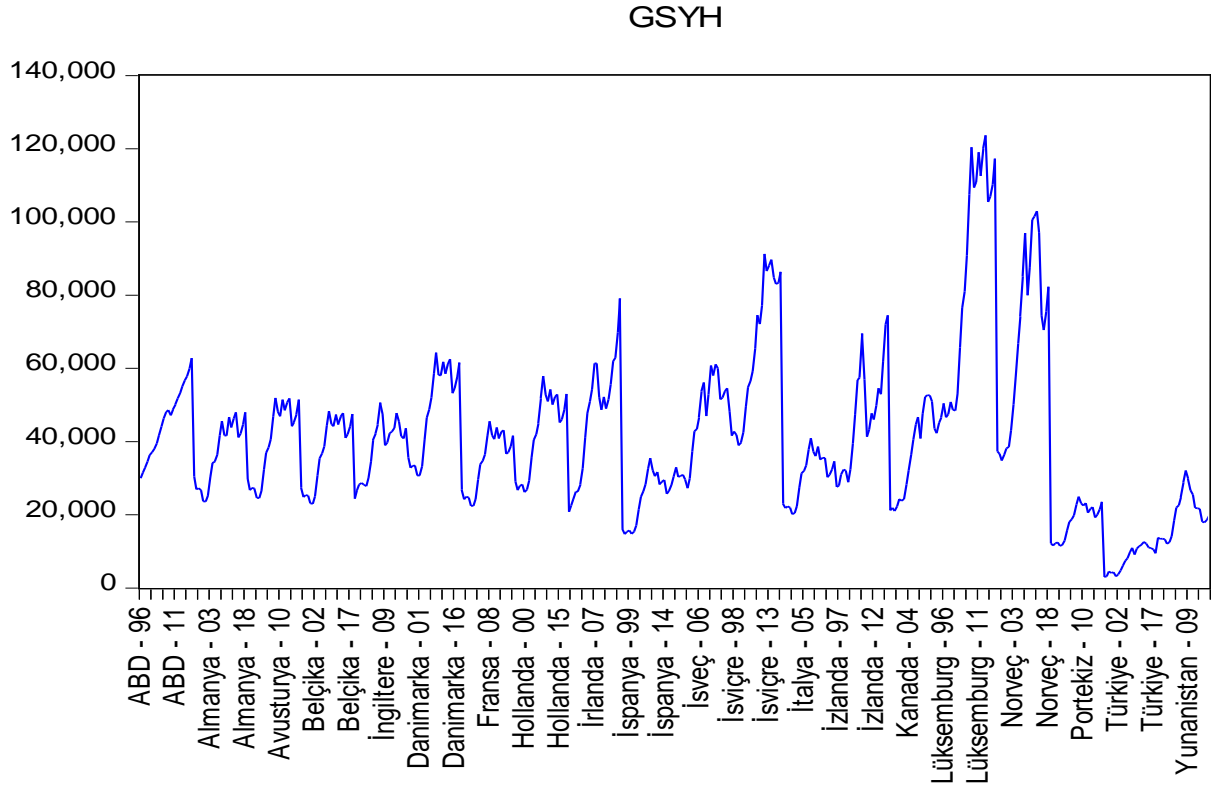
**Table 17: ADF Unit Root Test (X6) (With First Order Difference)**

ADF Fisher Unit Root Test	Statistics	P value
	309.677	0.0000

Notes: \* Significant at 5% level.

In order to ascertain the stationarity of the series of the dependent variable gross domestic product, the graphical method (Figure 7) and the ADF unit root test were employed. Consequently, the series of the dependent variable, gross domestic product, is also not stationary.

**Figure 7. Graph of Gross Domestic Product Variable**



**Table 18. ADF Unit Root Test (Gross Domestic Product(GDP=GSYH))**

ADF Fisher Unit Root Test	Statistics	P value
	5.61883	1.0000

**Notes:** \* Significant at 5% level.

Given that the dependent variable gross domestic product series is not stationary, it must be treated as a first-degree difference and subjected to further testing with the ADF unit root test (Table 19).

**Table 19. ADF Unit Root Test (Gross Domestic Product) (With First Order Difference)**

ADF Fisher Unit Root Test	Statistics	P value
	191.116	0.0000

**Notes:** \* Significant at 5% level.

The dependent variable, gross domestic product, which was found to be stationary by taking its first difference, was examined in a fixed-effect model together with variables X1, X2, X4, X5, and X6, which were made stationary by taking their first differences. The results are presented in Table 20.

**Table 20. Testing Coefficients in Fixed Effect and Stationary Model**

	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>p value</b>
<b>DIFFERENCE X1</b>	1834.217	2261.049	0.811224	0.4177
<b>DIFFERENCE X2</b>	-2857.228	2096.918	-1.362584	0.1738
<b>DIFFERENCE X4</b>	-23.88176	1996.196	-0.011964	0.9905
<b>DIFFERENCE X5</b>	7732.812	3147.558	2.456766	0.0144
<b>DIFFERENCE X6</b>	-8606.012	2968.459	-2.899152	0.0039
<b>X3</b>	460.3961	964.6193	0.477283	0.6334
<b>C</b>	857.1455	784.2250	1.092984	0.2751
<b>R-squared</b>	0.071845			
<b>Adjusted R-squared</b>	0.016570			
<b>Durbin-Watson</b>	1.706213			

**Notes:** \* Significant at 5% level.

The equation for the fixed-effects and stationary model is as follows:

$$\text{DIFF\_GSYH} = 1834.21702348 \times \text{DIFF\_X1} - 2857.22816927 \times \text{DIFF\_X2} - 23.8817648947 \times \text{DIFF\_X4} + 7732.8116791 \times \text{DIFF\_X5} - 8606.01241184 \times \text{DIFF\_X6} + 460.396103752 \times \text{X3} + 857.145481159 + [\text{CX}=\text{F}]$$

$$\text{DIFF\_GSYH} = 1834.21702348 \times \text{DIFF\_X1} - 2857.22816927 \times \text{DIFF\_X2} - 23.8817648947 \times \text{DIFF\_X4} + 7732.8116791 \times \text{DIFF\_X5} - 8606.01241184 \times \text{DIFF\_X6} + 460.396103752 \times \text{X3} + 857.145481159 + [\text{CX}=\text{F}]$$

As illustrated in Table 20, the only variables with a p-value below 0.05 are X5 with 0.0144 and X6 with 0.0039. The effects of the rule of law and freedom of expression and accountability variables on gross domestic product, which represents the level of development, are statistically significant. Nevertheless, although the effect of the freedom of expression and accountability variables on the level of economic development is statistically significant, it is economically meaningless because its coefficient is negative. This indicates that this variable exerts a negative influence on the level of development. The rule of law variable is the sole component of the implementation and governance of social policies that affects the level of development. This is due to both the positive coefficient and the statistical significance of the variable. The fixed-effect and stationary model indicates that the rule of law exerts a significant and positive influence on the level of development from an economic and econometric perspective.

Table 21 presents the values of the fixed-effect but non-stationary model. Although the fixed effect and stationary model produces significant results, it is weak in terms of the power of the explanatory variables to explain the explained variable. The R-squared value was found to be 0.071845. This value indicates that the explanatory variables can only explain the explained variable by 0.71%.

**Table 21. Testing Coefficients in Fixed Effect and Non-Stationary Model**

	<b>Coefficient</b>	<b>Standard Error</b>	<b>t-statistic</b>	<b>p value</b>
<b>X1</b>	1359.043	4336.009	0.313432	0.7541
<b>X2</b>	-31965.35	4063.666	-7.866135	0.0000
<b>X3</b>	-14970.86	2573.510	-5.817292	0.0000
<b>X4</b>	12228.22	4328.784	2.824862	0.0050
<b>X5</b>	21951.93	5955.957	3.685710	0.0003
<b>X6</b>	-6381.578	5969.490	-1.069032	0.2857
<b>C</b>	57437.81	7844.534	7.322016	0.0000
<b>R-squared</b>	0.743248			
<b>Adjusted R-squared</b>	0.728251			
<b>Durbin-Watson</b>	0.281308			

**Notes:** \* Significant at 5% level.

The equation of the fixed effect and stationary model is as follows:

$$\text{GDP} = 1359.04299638 \cdot \text{X1} - 31965.3481341 \cdot \text{X2} - 14970.8579383 \cdot \text{X3} + 12228.216759 \cdot \text{X4} + 21951.9310733 \cdot \text{X5} - 6381.57829081 \cdot \text{X6} + 2 + [\text{CX}=\text{F}]$$

As illustrated in Table 21, the variables with a p-value of 0.05 or less than 0.05 are X2, X3, X4, and X5. Consequently, the variables of government effectiveness, political stability, and non-violence, regulatory quality, and rule of law are statistically significantly associated with gross domestic product (GDP), which represents the level of development and is the dependent variable. However, among these variables, only the regulatory quality and rule of law variables have positive coefficients and are economically meaningful. Consequently, the quality of regulation and the rule of law exert a significant and positive influence on the gross domestic product, which represents the level of development in the fixed-effect and non-stationary model. Furthermore, the R-squared value of this model is 0.743248, indicating that the independent variables account for 74.32% of the variation in the dependent variable.

In both fixed-effect and stationary models, as well as fixed-effect but non-stationary models, the rule of law variable is the component of the implementation of social policies that has an economically and econometrically significant impact on the level of development and affects it positively. The parameter of the rule of law encompasses a range of topics, including violence, trust in law enforcement, security of property rights, independence of the judiciary, and respect in legal relations between authority and citizens. The study conducted by Canikalp and Ünlükaplan (2015) also includes data on the rule of law variable in Turkey between 1996 and 2013. It can be observed that Turkey, which had a value below zero from 1996 to 2002, exhibited a positive value in 2003. It is hypothesised that the harmonisation reforms implemented in the legal domain within the context of the European Union harmonisation process contributed to this transition.

The final section of the analysis examines the relationship between the dependent variable, gross domestic product, which represents the level of development, and the rule of law variable, one of the

components of the level of implementation of social policies. In both the fixed-effect and stationary model and the fixed-effect and non-stationary model, the effect of the rule of law variable on gross domestic product, which represents the level of development, is economically and econometrically meaningful. Once the significant effect has been revealed, it is important to ascertain the causal relationship between gross domestic product and rule of law variables. In order to achieve this, a Granger causality test is employed. The results of the Granger causality test are presented in Table 22.

**Table 22: Granger Causality Test**

<b>Dependent Variable: Rule of Law</b>	<b>Chi-sq</b>	<b>Degrees of Freedom</b>	<b>P değeri</b>
<b>Gross domestic product</b>	18.89793	5	0.0020
<b>Dependent Variable: Gross Domestic Product</b>	<b>Chi-sq</b>	<b>Degrees of Freedom</b>	<b>P değeri</b>
<b>Rule of law</b>	8.034913	5	0.1543

**Notes:** \* Significant at 5% level.

As indicated in Table 22, there is a statistically significant causal relationship between gross domestic product and the rule of law variable at the 0.05 level of significance. Given that the p-value is 0.002, which is less than 0.05, There is no evidence of a causal relationship between the rule of law and gross domestic product at the 0.05 significance level (p-value: 0.15). This indicates that the gross domestic product variable exerts a significant causal effect on the rule of law variable.

## 5. CONCLUSION

The concept of the modern age is open to interpretation, with different definitions emerging in the process of its description. Although the terms "information society" and "technology age" are frequently employed to describe the post-industrial society, the majority of definitions and classifications are based on economic, cultural, social, and political transformations, technological advances, and the changing needs of societies. The earliest transformations and developments in societies were brought about by the advent of agriculture. This was followed by the influence of industrialisation and mechanisation, which further shaped the course of societal evolution. Currently, societies continue to undergo transformation and progress as a result of the increasing technological and knowledge-based advancements.

The advent of globalisation and technology has precipitated a multitude of social changes on a global scale. Nevertheless, as in history, the inability of almost every country to access the world's resources simultaneously or to keep pace with the latest developments leads to differences and even gaps in terms of development levels between countries. These disparities, observed both before and after the advent of industrialisation, are also evident in the contemporary era, particularly in the context of technological advancements. A country is considered underdeveloped or developing if it is unable to produce technology and therefore unable to export technological products. Conversely, a country is considered developed if it is able to catch up with technological developments, make significant investments in this field, produce technology, and export the technological products and services it

produces. . In the contemporary era, technology and information represent one of the most significant factors influencing the advancement of developed countries. A comparable phenomenon can be observed in the context of industrialisation. While countries that completed their industrialisation in the early years reached the status of developed countries and increased the welfare level of their countries, countries that were not industrialised in this period attempted to continue their production by traditional means. Despite their efforts to industrialise, these countries encountered difficulties in reaching the same level of development as those that had already completed the industrialisation process.

Although every period and the waves affecting the world have many positive aspects, it is also the case that they can sometimes have negative outcomes. For example, the Industrial Revolution facilitated the introduction of numerous innovations, laying the foundation for enhanced production capacities and increased wealth. Nevertheless, the advent of machine-based production has resulted in the decline of certain industries that rely on human labour. The expansion of production also gave rise to the problem of surplus supply, which subsequently gave rise to a series of crises in the following years.

Although there is considerable diversity in the definitions of the concept of development, in general, the achievement of development depends on the consistent implementation of actions in accordance with the determined goals. The necessity of classification according to development levels is necessitated by the existence of developed countries or institutions. Those countries that are not considered to be developed are classified as either underdeveloped or developing countries. It should be noted that this classification is made from an economic perspective. Classifications can be made by taking into account a number of determinants, including national income, national income per capita, and welfare level. Nevertheless, the concept of development can be considered not only in economic terms but also in a multitude of other aspects, including social, cultural, and political. Nevertheless, an economic perspective is the most appropriate when considering development, as it allows for the emergence of concrete findings.

Although there are opinions that a country being in the underdeveloped class may develop in the future and that this situation should be considered as the first step before development, it is of the utmost importance that some moves can be taken in a timely and effective manner. Conversely, an examination of the historical development of developed countries reveals that the characteristics observed in today's underdeveloped countries are not present. This situation precludes the possibility of evaluating development as the next step of underdevelopment. This approach suggests that countries are in a state of stagnation due to the perception of underdevelopment as a static phenomenon. It is acknowledged that there are numerous perspectives on this matter, and that it is not feasible to identify a singular, definitive development process.

It is well established in the academic literature that approaches to the concept of development view physical capital and the increases in physical capital that occur with population growth as the keys to economic development. Technological advances represent a fundamental element in the process of economic development. The impact of advanced technology on economic growth and development is a consequence of the dominance of countries that produce and export technology in international competition. Furthermore, countries with a robust technological foundation are able to accumulate sufficient capital and allocate a significant proportion of their accumulated capital to the field of technology. Such investment contributes to the stability and growth of these countries. Furthermore, the capacity to integrate technology into production stages facilitates production processes and enhances production capacities. This advantage provides these countries with a significant contribution to their economic development.

In the contemporary era, the rapid and simultaneous dissemination of various negative phenomena, often influenced by the forces of globalization, can frequently give rise to sudden shocks and crises, the origins of which are often unforeseen. The global financial crisis of 2008 and the pandemic that emerged in 2019 serve as illustrative examples of the rapid and simultaneous dissemination of negative phenomena that are experienced across the globe. Such periods of global economic turbulence have the potential to inflict significant damage on all countries, regardless of their level of economic development. Consequently, the level of social policy implementation has become as important as the country's development level. In countries that have reached a certain social level, the development of roles and duties, as well as the implementation of coordination and stabilisation measures, are important developments that affect and improve public order. Consequently, the incorporation of institutions into economic analyses represents a significant advancement within the discipline of economics. The transformation of growing and increasingly complex structures into sensitive systems necessitates the incorporation of governance with social policies. One of the fundamental principles of contemporary economic approaches is the establishment of a framework within which this system can be placed. It is similarly vital that political structures adapt to the ever-changing landscape of the modern world, ensuring that they remain flexible and able to evolve in line with the demands of the times.

The panel data analysis, which constitutes the application part of this study, focuses on the relationship between countries' governance levels, which express social policy implementation, and their development levels. In this context, the period 1996-2018 constitutes the time series of the panel data analysis, while the 20 founding countries of the OECD constitute the horizontal section data. Given that the earliest data on governance levels obtained from the World Bank is from 1996, the starting point was accepted as 1996. The World Bank data set, which includes governance data until 2021, exhibits some deficiencies after 2018. Consequently, the final year of analysis was set at 2018. Despite the inclusion of governance data from numerous countries, it is evident that the data for each year cannot



be obtained with regularity from certain countries. In countries belonging to the OECD or the European Union, data appears to be added with greater regularity, on an annual basis. For this reason, it was deemed appropriate to limit the sample to the 20 countries that are the founders of the OECD. As Turkey is among the countries in question, the OECD's founding members are included in the analysis.

The World Bank's assessment of social policy implementation is based on six components, which collectively reflect the level of governance in a given country. The aforementioned components are as follows: freedom of expression and accountability, political stability and non-violence, government effectiveness, regulatory quality, rule of law, and prevention of corruption. These components collectively constitute the World Bank Governance Index, which represents the level of equality, justice, social trust, and welfare, which are the outputs of social policies. It is anticipated that countries with robust social policy implementation and effective governance will exhibit elevated levels of the World Bank Governance Index indicator. A descriptive analysis reveals that the most successful countries in terms of the implementation of social policies are Denmark, Sweden, Switzerland, Norway, and the Netherlands. These countries demonstrate a robust social policy governance framework, as evidenced by consistently high values across nearly all components and years observed.

The countries with the lowest values in almost every component and in almost every year are Turkey, Greece, and Italy, according to the implementation of social policies represented by governance components. It should be noted that these observations are limited to the 20 OECD founding countries and do not reflect the global rankings. Nevertheless, it is acknowledged that the concept of good governance in the context of social policies is still evolving and has not yet reached a stable state. Moreover, the development of a reliable and valid measurement tool for social policy practices is currently challenging. The results are shaped according to the components that are assumed to best represent the implementation of social policies.

Although defining and measuring social policies is challenging and complex in the existing literature, defining and measuring the level of development is relatively straightforward. Although it is possible to define and measure progress and development in a multitude of areas, it is common practice to focus on and measure economic development in particular. For this reason, gross domestic product values, which are frequently used to measure the level of economic development, are included in this study. The values were obtained from the World Bank. In these data, which are available on an annual basis, no instances of missing observations were identified for any year.

Panel data analysis is the preferred method for the analysis of cross-sectional and time series data. In this study, the decision was made to employ panel data analysis given the 23 years of observations from 20 countries. In the initial phase of the analysis, descriptive statistics were employed to provide an overview of the data. Subsequently, models were included to reveal the relationship between the dependent and independent variables.

The Hausman test was employed to select between the fixed effect model and the random effect model. The results of the Hausman test indicate that the fixed effect model is a more suitable choice for prediction. Furthermore, the fixed-effect model exhibited a higher R-squared value, indicating the explanatory power of the independent variables in explaining the dependent variable, than the random model. This situation was once more included in the findings of the study, resulting in the selection of the fixed model.

Among the variables examined in terms of stationarity, it was concluded that only the data pertaining to political stability and non-violence were stationary. The results of the stationarity tests, conducted using both graphical analysis and unit root tests, were found to be consistent across both methods. It has been observed that, with the exception of the series pertaining to political stability and non-violence, which were found to be stationary, the series of all other variables can be made stationary by taking first-order differences. The values and equations of both the model established with stationary series and the model established with non-stationary series were subjected to examination.

The stationary and fixed effect model yielded results indicating that the variables representing the rule of law, freedom of expression, and accountability have a statistically significant effect on gross domestic product (GDP), which is a measure of a country's level of development. However, given that the effect of freedom of expression and accountability variables on the level of economic development was found to be negative, it was deemed to have no economic significance. The variable representing the rule of law was identified as the sole social policy implementation component that affects the level of development. The variable demonstrated a positive effect and statistical significance. Due to the low R-squared value in this model, the coefficients were tested with a non-stationary and fixed model.

The non-stationary and fixed-effect model identified a number of statistically significant variables on the gross domestic product (GDP), which represents the level of development. These included variables related to government effectiveness, political stability and non-violence, quality of regulation and rule of law. Nevertheless, among these variables, only those related to regulatory quality and rule of law exhibited a positive effect. The results indicate that regulatory quality and rule of law have a significant and positive effect on gross domestic product in a fixed-effect and non-stationary model. Moreover, the R-squared value of this model is 0.743248, which is also noteworthy. In comparison to the stationary and fixed-effect model, this model demonstrates a greater capacity to explain the independent variable.

In both models, the independent variable that has a significant and positive impact on the level of development is the rule of law variable. The Granger causality test was employed to ascertain the direction of causality between the rule of law and gross domestic product. The Granger causality test indicates that there is no causality relationship between the rule of law and gross domestic product at the 0.05 significance level. Nevertheless, there is a significant and positive causal relationship from

gross domestic product to the rule of law. This indicates that there is a unidirectional Granger causality between the rule of law and gross domestic product.

Finally, the contribution of studies aiming to understand and measure the concepts of social policy implementation and development, both theoretically and empirically, and to reveal the relationships between them, to economic policies and development strategies, is of great importance. In the field of economics, it is important to recognise that numerous variables, which are often considered external or unmeasurable, may play a role in defining the implementation of social policies. Consequently, it is of the utmost importance to prioritize studies that can assist in elucidating the intricate nuances of social policy practices in the context of globalization.

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