

A Study of Economic Growth in Relation to Education, Health and Political Stability in Selected Countries

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ABSTRACT

Economic growth is a primary objective for nations worldwide, driven by various factors, including investments in education and health. Economists widely acknowledge the significance of these sectors as key contributors to economic progress. This study examines the relationship between economic growth and government expenditure on education and health across forty one randomly selected countries. Utilizing secondary data collection methods, the analysis employs diverse statistical techniques to explore the impact of these variables on economic growth.

The findings indicate that health expenditure significantly influences economic growth, albeit with a negative impact. Conversely, government spending on education does not demonstrate a statistically significant effect on the economic growth of the sampled countries. These results provide insights into the differential roles of health and education investments in shaping economic trajectories and highlight the complexity of their interplay. This study contributes to the broader understanding of how resource allocation in critical sectors affects national economic performance.

Keywords: *Economic growth, education, government expenditure, health, investment*

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1. INTRODUCTION

Economic growth is a fundamental objective for nations worldwide, as it reflects the overall improvement in living standards, productivity, and national wealth. Numerous factors influence the economic trajectory of a country, among which education, health, and political stability play a crucial role. Economists have long emphasized the significance of investment in education as a key driver of economic growth. Human capital theory, championed by Schultz and Becker, asserts that education enhances labor productivity, fosters innovation, and accelerates technological advancements, ultimately leading to sustainable economic development, (Shehbaz, H., & Ali, M. (2024). Studies consistently demonstrate a strong correlation between higher education levels and increased economic growth rates, as seen in the rapid economic advancements of countries such as South Korea and Finland. Strategic investment in education not only strengthens workforce skills and competencies but also facilitates technological adoption and innovation, reinforcing long-term economic prosperity, (Sairmaly, F. A. (2023). Health is another critical determinant of economic growth. The relationship between health and economic productivity has been well-

documented over the past century, with improvements in public health contributing significantly to economic development. Theories of economic growth, such as those proposed by Robert Solow in the 1950s, initially focused on physical capital and technological progress; however, the role of human capital, including health and education, has gained increasing prominence in growth models. Healthy individuals tend to be more productive, have higher work capacity, and contribute positively to overall economic output. Additionally, good health during childhood is linked to improved cognitive development and educational attainment, enhancing workforce quality and long-term economic performance. Empirical research, such as that conducted by Bleakley (2007), underscores the positive association between better health outcomes and economic growth, highlighting the need for targeted investments in public health systems.

Political stability is also a crucial factor influencing economic performance. A stable political environment fosters predictable government policies, effective governance, and institutional efficiency, all of which are essential for economic development. Political instability, on the other hand, leads to frequent policy shifts, macroeconomic volatility, and diminished

investor confidence, negatively impacting economic growth. Countries experiencing political stability often exhibit stronger economic performance, as governments can implement long-term development strategies without disruptions caused by civil unrest or abrupt policy changes. The relationship between political stability and economic growth has been widely explored in economic research, underscoring its importance in shaping macroeconomic outcomes.

This study aims to examine the interrelationship between economic growth and three crucial factors: investment in education, investment in health, and political stability. Specifically, the research will investigate whether economic growth is significantly influenced by these variables across selected countries. By analyzing these relationships, the study seeks to provide valuable insights for policymakers, enabling them to develop balanced strategies that enhance economic performance. Furthermore, this research will offer comparative perspectives on countries at different stages of development, illustrating how variations in investment and stability impact economic growth. Ultimately, the findings will contribute to the formulation of long-term planning and development policies that prioritize sustainable economic advancement.

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2. RELATED WORKS

The relationship between human capital investment and economic growth has been extensively studied in economic literature. Schultz (1960) emphasized that investment in education and other aspects of human capital accelerates economic development by increasing productivity and innovation. Mercan and Sezer (2014) found a positive relationship between education expenditure and economic growth in the Turkish economy over the period 1970–2012, suggesting that a greater allocation of resources to educational investment could make the economy more dynamic. Similarly, Hanushek and Woessmann (2020) argue that educational quality, measured by cognitive skills, is more critical than merely increasing years of schooling. Their findings suggest that countries that focus on improving educational quality—through better teacher training, curriculum reforms, and access to educational resources—are likely to experience higher rates of economic growth.

Aghion et al. (2019) highlight the role of innovation-driven growth, which relies heavily on a well-educated workforce. Their research indicates that countries that invest significantly in higher education and research institutions tend to lead

in technological advancements and innovation, which in turn drive economic expansion. In a similar vein, Lucas (1988) introduced the concept of endogenous growth, suggesting that human capital accumulation significantly contributes to long-term economic growth. Additionally, Psacharopoulos and Patrinos (2018) found that returns to education remain high globally, with higher levels of education yielding greater economic benefits, particularly in developing economies.

Political stability is another crucial factor influencing economic growth. Barro and Lee (1994) analyzed the impact of political instability on economic development in 116 economies over the period 1965 to 1985, finding that political instability negatively affects GDP growth. Similarly, Nazeer and Mansur (2017) examined the impact of political instability on foreign direct investment (FDI) in Malaysia using time-series data from 1984 to 2013. Their empirical results suggest a positive relationship between political stability and GDP growth, indicating that stable governance provides the necessary institutional framework for sustainable economic expansion.

Countries characterized by political stability attract more FDI, promote domestic entrepreneurship, and maintain

consistent economic policies (Alesina & Perotti, 1996; Knack & Keefer, 1995). This stability fosters confidence among investors and reduces uncertainty, thereby stimulating economic activity and long-term investments (Acemoglu et al., 2001). Similarly, Rodrik (2021) emphasizes the importance of political stability in maintaining investor confidence and reducing economic uncertainty. Rodrik argues that countries with stable governance structures are better able to implement long-term economic policies that promote growth and development. In the context of global economic volatility, political stability acts as a buffer against external shocks, reducing risks for both domestic and international investors.

The role of health in economic development has also been well-documented. Bloom et al. (2001) highlight that healthy individuals are more productive, reducing absenteeism and increasing labor efficiency. Investments in healthcare infrastructure and disease prevention contribute to economic growth by lowering healthcare costs and improving workforce health (Bloom & Canning, 2008). Cutler, Deaton, and Lleras-Muney (2006) demonstrated that improvements in public health accounted for a substantial portion of GDP growth in the 20th-century United States. Weil (2021) provides evidence

that healthier populations contribute to economic growth by increasing labor productivity and reducing absenteeism. Additionally, Smith et al. (2022) found that investments in universal healthcare access improve human capital development and lead to higher economic output, especially in developing nations.

The interconnection between economic growth, education, health, and political stability is often synergistic. A stable political environment encourages governments to prioritize investments in education and healthcare, which in turn foster human capital development and economic growth (Gylfason, 2001). Conversely, economic growth enables countries to allocate more resources to healthcare and education, leading to improved human capital and higher productivity (Bloom & Canning, 2000). More recent research by Sachs et al. (2023) highlights that sustainable development policies that integrate education, health, and governance reforms contribute to long-term economic resilience and social stability.

In conclusion, the literature indicates that economic growth is not only dependent on capital and labor but is also significantly influenced by human capital investment, political stability, and healthcare

improvements. Policies that promote education quality, ensure political stability, and enhance public health are essential for sustainable economic development. Future research should further explore the interactions between these factors in emerging economies, particularly in the context of technological advancements and digital transformation.

3. METHODS

3.1 Study design and population

This research adopts a correlational research design to examine the relationship between investment in health, education, and political stability with economic growth. A descriptive research design is also employed to explore various factors influencing these relationships. The descriptive approach provides actionable insights that can inform policy development and decision-making. The study focuses on a sample of 41 countries selected from different regions worldwide, ensuring a diverse representation of economic and political conditions.

3.2 Method of data collection and analysis

The study relies on secondary data collection methods, utilizing published books, government reports, journal articles, and data from reputable

international institutions such as the World Bank and the International Monetary Fund (IMF). These sources provide reliable and comprehensive datasets essential for analyzing the economic, educational, health, and political stability indicators of the selected countries.

For data analysis, the study employs JASP software (version 2.2.5) and utilizes statistical tools such as ANOVA, regression analysis, t-tests, and p-tests. Correlation and regression analyses are conducted to assess the strength and direction of relationships between economic growth and the independent variables—education, health, and political stability.

3.3 Theoretical background

The theoretical foundation of this study is rooted in economic growth theories that emphasize the role of human capital and institutional stability. Human capital theory, as proposed by Schultz and Becker, highlights the impact of education and health investments on labor productivity and economic expansion. Similarly, Solow's growth model recognizes technological progress and human capital accumulation as key drivers of economic development. Furthermore, the relationship between political stability and economic growth is supported by institutional economic theories,

which suggest that stable governance enhances investment confidence, policy consistency, and macroeconomic stability, leading to sustained economic growth. By integrating these theoretical perspectives, this study aims to provide a comprehensive understanding of the interconnected factors influencing economic performance across nations.

4. RESULTS

Findings show that Africa exhibits the most instability, and Australia the least. Asia leads in economic growth, with South America at the lower end. Europe and North America lead in education levels, while Africa trails. North America has the best health outcomes, while Africa has the worst. The standard deviations across the metrics indicate varying levels of consistency within each continent's data. High standard deviations in Asia and South America suggest a wide range of values, whereas lower standard deviations in Australia and North America suggest more consistent outcomes (Figure 1, 2, 3, 4).

The correlation of political stability is $r=0.291$ with a p-value of 0.064. This indicates a moderate positive correlation, but the p-value suggests it is not statistically significant at the conventional $\alpha=0.05$.

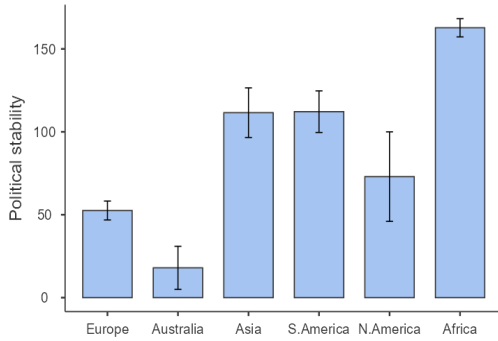


Fig 1: Bar graph of mean political stability of continents

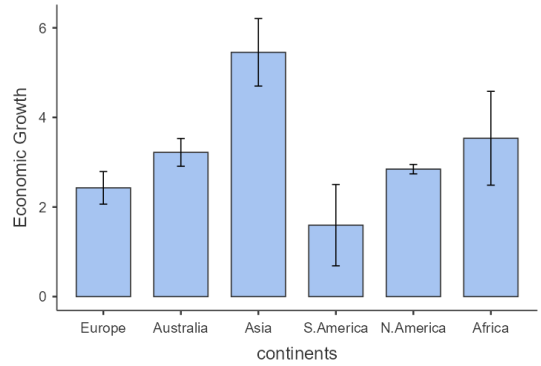


Fig 2: Bar graph of mean economic growth of continents

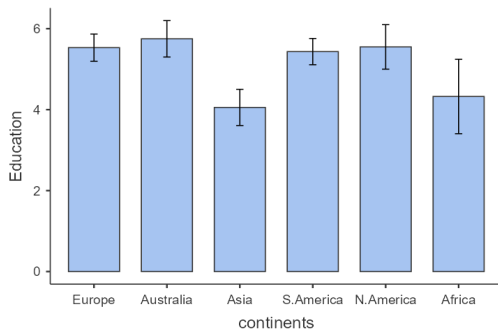


Figure 3: Bar graph of mean education of continents

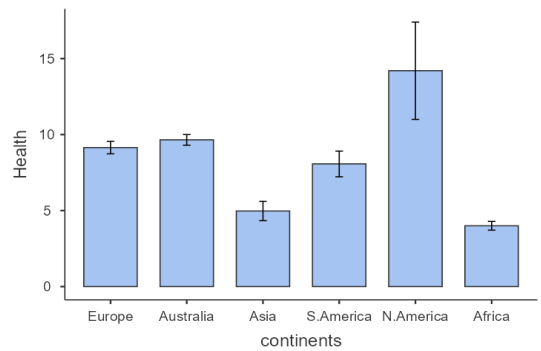


Figure 4: Bar graph of mean Health of continents

Table 1: Correlation analysis between the variables studied

	Economic Growth	Political stability	Education	Health
Economic Growth	Pearson's r	—		
	p-value	—		
Political stability	Pearson's r	0.291	—	
	p-value	0.064	—	
Education	Pearson's r	-0.142	-0.516	—
	p-value	0.377	<0.001	—
Health	Pearson's r	-0.463	-0.652	0.495
	p-value	0.002	<0.001	<0.001

The correlation of education is $r=-0.142$ with a p-value of 0.377. This indicates a weak negative correlation and is not statistically significant. The correlation of health is $r=-0.463$ with a p-value of 0.002. This indicates a moderate negative correlation and is statistically significant (Table 1)

Table 2: Model summary and test of regression model

R	R ²	F	df1	df2	p
0.474	0.224	3.57	3	37	0.023

Findings show that the fitted regression model is significant as a whole also the p-value indicates that there is a less than 5% chance that the observed relationship

Table 3: Coefficient table for a regression model

Predictor	Estimate	SE	t	P-value
Intercept	5.06894	2.19066	2.314	0.026
Political stability	0.00109	0.00916	0.119	0.906
Education	0.19663	0.28066	0.701	0.488
Health	-0.3752	0.14551	-2.578	0.014

this model. The coefficient for health is negative and statistically significant (p-value of 0.014). The negative sign suggests an inverse relationship (Table 3).

5. DISCUSSION

The regression model has an R² of 0.224, indicating that it explains 22.4% of the variance in Economic Growth. The overall model is statistically significant ($p = 0.023$). The coefficient of political

is due to random variation. Also the value of coefficient of determination shows that 22.4% of the variation in the dependent variable is due to independent variables (Table 2).

The coefficient for political stability is very close to zero and not statistically significant (p-value of 0.906). This suggests that political stability does not have a meaningful effect on the dependent variable in this model. The coefficient for education is also not statistically significant (p-value of 0.488). This suggests that education does not have a significant impact on the dependent variable in

stability is 0.00109 with a p-value of 0.906, indicating that Political Stability does not significantly affect Economic Growth. The coefficient of education is 0.19663 with a p-value of 0.488, showing that Education does not have a statistically significant effect on Economic Growth. The coefficient for Health is -0.37516 with a p-value of 0.014, suggesting a significant negative impact on Economic Growth. This means that higher levels of Health are

associated with lower Economic Growth, controlling for other variables. Overall, while the model identifies Health as a significant predictor, the non-significant results for Political Stability and Education suggest that these variables may not be directly influential in the context of this model.

5.1 Limitation

This study is based on secondary data sources, which may not always reflect the most accurate or precise representation of real-time economic conditions. Since the data used in the research is derived from published reports and governmental sources, potential limitations in data accuracy and completeness must be acknowledged. Additionally, the study focuses on data from the year 2018, which may not fully capture recent economic trends or changes in political and social conditions. As a result, the findings should be interpreted with caution, considering possible variations in economic growth determinants over time.

6. CONCLUSION

This study investigates the impact of Political Stability, Education, and Health on Economic Growth using a regression analysis. The results reveal that Health is a significant predictor, with

a notable negative effect on Economic Growth. In contrast, Political Stability and Education do not show significant effects on Economic Growth within this model, indicating their influence may be less direct or require more complex interactions to be evident. Overall, while the model provides valuable insights, the limited explanatory power (22.4% of variance explained) underscores the need for additional research to fully understand the dynamics at play and to explore other potential factors influencing Economic Growth

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