



The Problematic Relationship between the Rule of Law Index and Economic Growth: An Econometric Study of the Case of Algeria Using the ARDL Model for the Period: (2001-2023)

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Abstract:

This study aims to clarify the relationship between the rule of law index and economic growth in Algeria. This relationship is assumed to be positive, given that the rule of law variable provides a suitable environment that increases productivity and investment, to the extent that growth is enhanced.

Using the Autoregressive Distributed Lag (ARDL) methodology, the econometric study proved the existence of a positive relationship between the rule of law index and growth in Algeria. This relationship stems from the independent variable (rule of law) providing a suitable environment for doing business, creating a real dynamic that raises productivity and growth rates. The econometric study also demonstrated the speed of the dependent variable's response to the independent variable (only two months), which shows the great importance of the rule of law index in achieving the desired growth.

Keywords: Rule of Law Index; Economic Growth; ARDL Methodology.

Introduction:

The challenges imposed by global political and economic conditions have had a significant impact on various countries, both developed and developing. These conditions have compelled all sectors to undertake major reform processes in order to reach specific goals, with growth and development paths being one of their components.

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The approach aimed at achieving prosperity and development must pass through multiple stages, each stage with its own components and foundations on which it is built. However, the solid foundation that is indispensable in any of those stages is achieving a suitable environment that establishes the necessary stability to achieve the desired results.

Achieving stability and minimizing conflicts must be accompanied by laws regulating the various relationships that govern possible transactions within the system constituting the state's wings, whether individuals or institutions. But even with the existence of those laws, the most difficult task lies in how to enforce them and the extent of fairness in their application.

The preceding argument essentially refers to a concept of great importance, which is that of the rule of law. This rule obliges all segments of society to submit and adhere to the governing legal rules and orders with fairness and equality to minimize conflicts and achieve stability.

Submitting to the authority and rule of law must increase internal improvements in the country in terms of providing the necessary justice among individuals, to the extent that it enhances stability and encourages investment and production, which ultimately means continuous development and achieving desirable growth rates, especially in the medium and long term.

Algeria has suffered many crises over time, starting from the colonial period and the devastation it left in all fields, to the crisis of the Black Decade and the accompanying great economic, political, and social deterioration. These and other crises have repeatedly pushed the Algerian state to undertake reform attempts, the latest of which was the launch of economic recovery programs in early 2001. Given that any reform must be accompanied by amendments to laws, Algeria has strived to adapt those laws to the internal conditions of the country.

The amendments implemented in the laws cannot achieve their purpose unless they are accompanied by a fair application of those laws among individuals and institutions, or what is called



the rule of law. Achieving the rule of law in the aforementioned manner will theoretically lead to achieving the desired growth.

Problem Statement:

Based on the above, the following problem statement can be formulated:

What is the relationship between the rule of law index and economic growth in Algeria during the period 2001-2023?

Hypotheses:

To answer the posed problem, the following hypotheses can be formulated as a starting point for the research:

- **First Hypothesis:** The relationship between the rule of law index and economic growth in Algeria is a positive relationship.

- **Second Hypothesis:** The speed of the dependent variable's (economic growth) response to changes in the independent variable (rule of law) in Algeria during the study period.

Answering the posed problem and testing the validity of the formulated hypotheses requires inductive research of the case under study, which can be traced in the following sections, starting with the conceptual framework and ending with the econometric study.

SECTION I: CONCEPTUAL FRAMEWORK OF GOOD GOVERNANCE AND THE RULE OF LAW INDEX:

In this part of the study, we attempt to address the conceptual framework of good governance and its indicators, focusing on the quality of regulations index, while attempting to address the World Bank's criterion for assessing the quality of governance in the medium and long term.

1. Definition of Good Governance:

The basic concept of the term "governance" is based on a set of considerations, foremost of which is the significant expansion that characterized the size of societies and what is related to the change in conditions and the increase in the needs of individuals and organizations. This has raised real problems primarily concerning a pivotal point: the form of managing those changes and the extent of governments' ability to achieve good

management that preserves rights, achieves justice, and meets needs in light of the relative scarcity of resources.

The preceding argument leads to the fact that state governments, with their different orientations, will not be able to manage the affairs of societies alone without the involvement of non-governmental entities such as the private sector, civil society organizations, and non-profit organizations. Therefore, the term "governance" comes to express the way in which officials and governmental and non-governmental organizations participate in formulating public policies and providing services - or in other words - governance reflects how the government interacts with other social institutions, how those parties are connected to citizens and residents, and how decisions are made. (Al-Kayed, 2003, p. 08)

Good governance is basically a concise translation that has become popular for the term "Governance," which has been agreed upon as its scientific translation as "the method of exercising authority for sound management". The subject of good governance is based on how to balance the powers enjoyed by the administration and other stakeholders. Therefore, it is based on two basic elements: transparency and peaceful administration. (Kassas, 2016, p. 71)

1.1. Definitions of some International Institutions and Bodies:

a- World Bank Definition:

The initiator of the term "governance" was the World Bank in 1989 in its study of the economic crisis in sub-Saharan Africa. The Bank defined the term generally as: the exercise of political power to manage the affairs of the state. (Ben Aissa, 2011, p. 105)

With the beginning of the 1990s, World Bank experts developed the concept to become more precise, defining it through the study it conducted in 1992 on governance and development as: the way power is exercised in managing the economic and social resources of the state for development. (Chakabkeb & Adli, 2016, p. 284)



b- United Nations Definition:

It is the exercise of economic, political, and administrative authority to manage the affairs of the state at all levels, and includes the mechanisms, processes, and institutions through which citizens and groups express their interests, exercise their legal rights, fulfil their obligations, and accept mediation to resolve their disputes. (Rekkach, 2016, p. 46)

c- Organization for Economic Cooperation and Development (OECD) Definition:

Good governance is linked to a set of organizations that represent democracy in the people. These organizations are linked by a solid network of laws and responsibility, with goals of achieving benefit for the entire society (OECD).

It is also referred to as a set of ambitious rules aimed at assisting and supporting managers to commit to transparent management within a framework of accountability based on a clear and sometimes unassailable basis, given that all active parties across multiple activities contribute to this, that is, in the field of management.

The term "good governance" has not only represented the focus of attention of international institutions, but has also extended to include the interests of researchers and scholars in various fields affected by this concept, including the political, legal, and administrative fields.

d- Definition of the Arab Human Development Report 2002:

Good governance is governance that enhances, supports, and preserves human well-being, and is based on expanding people's capabilities, choices, opportunities, and economic, social, and political freedoms. It seeks to fully represent all segments of the people, and there is a responsibility to it to ensure the interests of all members of the people. (ROAS, 2002, p. 101)

1.2. Definitions of Some Academics:

a- Definition of (Francois Xavier Merrien):

Good governance relates to a form of effective management, in which agents of different natures share and make their

resources jointly, and all their choices, capabilities, and projects create a new coalition of action based on the sharing of responsibilities. (Ben Abd Al-Aziz, 2012, p. 320)

Through this definition, Merrien focuses on the effectiveness of public agents by adopting decentralization in the management of the public facility, relying on participation in that.

b- Definition of (Bagnasco and Galles):

Good governance seeks to coordinate agents and social groups to reach the special goals discussed and known collectively in an uncertain and fragmented environment and spaces. (Alla & Salet, 2008, p. 05)

c- Definition of Francois Castaing:

He believes that good governance is a way of making decisions effectively within a group where the multiplicity of authority is supposed to be recognized. (Castaing, 2005, p. 110)

d- Definition of Hermut Elsenhans:

Good governance is the process of managing interactions between various elements from the government, the private sector, and civil society. (Ben Aissa, 2015, p. 129- 130)

This definition focuses on the actors in the application of good governance and does not focus on structures, but rather gives a comprehensive picture of how good governance is embodied.

2. Good Governance Indicators, Focusing on the Quality of Regulations Index:

The Worldwide Governance Indicators (WGI) used to measure the quality of governance and adopted by the World Bank are considered the most comprehensive and best used. The measure used six indicators, each indicator can be used independently to measure a topic of governance using hundreds of variables obtained from 31 different data sources, giving it more comprehensiveness that covers about two hundred countries (Kaufmann, 2010). The indicators are as follows:

2.1. Participation and Accountability Index:

It expresses the extent of citizens' ability to participate in choosing their representatives in addition to exercising public



freedoms such as freedom of expression, freedom of the media and press, and freedom of association with different orientations.

2.2. Political Stability Index:

It expresses the conditions that affect the stability of the government and the likelihood of its overthrow by unconstitutional means, including violence and political terrorism.

2.3. Government Effectiveness Index:

This indicator is dedicated to measuring the degree of independence of government work and the quality of its policy implementation in practical reality, especially in terms of providing public and civil services.

2.4. Rule of Law Index:

This indicator measures the extent of trust that dealers express towards the commitment of individuals and organizations to laws and rules, especially in terms of protecting property rights and enforcing contracts, the work of the police and courts, and the likelihood of crime and violence.

2.5. Control of Corruption Index:

It measures the extent to which public authority can achieve illegal gains, and limit the control of stakeholders over the state's governing bodies.

2.6. Regulatory Quality:

This refers to the quality of regulations and regulatory procedures. According to the World Bank Research and Studies Centre, the quality of regulations refers to the extent of the state's ability to choose and implement its policies efficiently and the absence of a gap in reality between regulations and systems and their implementation. This indicator reflects the efficiency of the state, which is measured by the extent of excessive issuance of regulations that hinder local and foreign economic activity, whether related to international trade and capital flows, or those related to production, labour, or credit, which are called market-unfriendly policies.

3. Economic Growth and Its Relationship to the Rule of Law Index:

Economic growth is considered one of the most important variables that has attracted the attention of economists of various schools of thought and eras, given that it is a measure that expresses the extent of the increase achieved in a country's production of various goods and services over time.

It is also considered one of the most important macroeconomic indicators indicating the level of economic activity of the state, which is reflected in the level of per capita income and well-being. Therefore, achieving high and sustainable economic growth rates represents a central and fundamental goal in the economic development plans of various countries, especially developing countries.

SECTION II: THE ESSENCE OF ECONOMIC GROWTH AND A LOOK AT SUSTAINABILITY:

1. Economic Growth and Sustainability:

Most economists agree that economic growth: "Means an increase in gross domestic product or gross national income, which leads to an increase in the average real per capita income over time". (Ajmi'ah, et al, 2006, p. 73)

Based on this definition, two fundamental points can be identified related to the concept of real value (not nominal) as well as continuity over time. In other words, it must be taken into account that the growth achieved must exceed the inflation rate and be characterized by durability in the long term, not transient, disappearing with the disappearance of the causes producing it.

Simon Kuznets, Nobel laureate in Economics in 1971, defines economic growth as: "A long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustments that¹ it demands". (National Planning Institute, 2003, p. 07)

Through the definition, we distinguish the following characteristics:



- Focus on long-term growth and therefore sustainable growth, not transient;
- The necessity of institutional and ideological adjustment, which shows the importance of the institutional system in the growth process.

To judge the extent of continuity and sustainability, in a report prepared by the Commission on Growth and Development entitled "The Growth Report: Strategies for Sustained Growth and Inclusive Development (2008)", sustained growth was defined as "an annual rate of real GDP growth of 7% or more for a quarter century or more", noting that such high rates of growth enable countries to roughly double the size of their economies every ten years (The World Bank, 2008, p. 01). Thirteen economies have already achieved sustained growth during the period (1950-2005)¹. Some have argued that these cases are difficult to explain and cannot be replicated, but reality shows the possibility of other economies joining these cases in the near future, led by India and Vietnam.

Accordingly, we conclude: (Tayba, 2012, pp. 89- 90)

- Sustained growth is characterized by high rates of economic growth exceeding 7% annually, and its continuation for a long period of time exceeding two decades, which has become possible by exploiting the openness recorded in global economies that allows the import of technologies, ideas, and technical knowledge. It also provides an outlet that provides a wide and flexible market for the disposal of products and allows specialization in products with high added value that raise the volume of exports.
- These cases indicate the possibility of achieving sustained growth in many other economies in the future. The process is not

¹ The countries are: China, Japan, South Korea, Singapore, Malaysia, Botswana, Brazil, Hong Kong (related to China), Indonesia, Malta, Oman, Taiwan (related to China), and Thailand.

impossible but requires research into the strategies that enabled these countries to achieve it.

- Sustained growth does not happen automatically because it requires a long-term commitment from economic policymakers and political leaders, so that this commitment is constantly monitored in a scientific and flexible way of thinking.

- Achieving sustained growth is not easy, because if it were, there would be many success stories. Some economies strive to start growing and others fail to do so, while other economies grow rapidly but their level of growth stops at a certain point.

- Sustained growth is not an end in itself unless it achieves other important goals for individuals and society, such as combating poverty, providing job opportunities, increasing real incomes, and contributing to the provision of public services such as education and health. The history of economic thought has not shown any other way to achieve these goals without economic growth.

- The last observation leads us to place sustained growth among the priorities of goals when drawing up economic policies as an aid to achieving development goals, and a necessary condition, although not sufficient, for achieving sustainable development.

2. The Problematic Relationship between Economic Growth and the Rule of Law Index:

The paths that countries can follow to achieve prosperity and economic development cannot be relied upon much in unstable environments. The environment has a decisive role in determining the effectiveness of achieving the desired goals, at the forefront of which is promoting economic growth.

Achieving a suitable environment for doing business must involve laws regulating the various relationships that govern the course of possible activities within the institutional and social framework of countries, a framework that is dominated by a state of instability without real justice in the application of those laws, rules, and provisions.



Justice and equality in the application of laws with the required commitment to implementation by the constituent wings of the state, or what is called the rule of law, must have a significant impact on increasing trust between individuals and institutions, reducing the severity of disputes, and achieving stability, thus creating a suitable environment for life and the practice of all tasks and activities.

The stability achieved by the rule of law gradually leads to the activation of the practice of activities, expansion, investment, and increased productivity, and what that means in terms of greater control over unemployment and inflation rates, with less dependence on the outside to meet domestic needs, thus creating desirable economic stability to add more development and growth.

In the previous argument, the rule of law index remains the cornerstone of any potential development, due to what it implies in terms of good governance with declining rates of corruption and fraud and guarantees the rights and money of those active within the country, which will ultimately be reflected in achieving high growth rates.

3. Econometric Modelling of the Relationship between Growth and the Rule of Law Index during the Period (2001-2023):

Pursuing the path of growth and development according to the desired goals cannot be achieved except with the availability of a set of supporting conditions, foremost of which is the necessity of a suitable legal space that regulates those paths to avoid any form of injustice that may occur between different societal groups.

The necessary existence of legal spaces governing the paths of practical life does not in any way mean the availability of the required justice within societies. There may be laws, but they are not applied or are not adhered to by a wide range of parties constituting the social system, which creates a kind of inequality and leads to the disintegration of the governing ties of those

societies, to the extent that it can negatively affect the paths of growth and development.

Returning to the principle of the rule of law must give political and economic stability supported by a decrease in the level of possible conflicts. This means creating a suitable environment dominated by trust in the practice of various activities, at the forefront of which is the activation of investment and production processes, which means creating a large dynamic that enhances growth.

Algeria (since its independence) has made many attempts to apply the principle of the rule of law, which is a fundamental pillar in the management of the country's economic, political, and social affairs.

These attempts must have a direct impact on the desired economic growth. With this logic, came the necessity to measure the relationship between growth and the rule of law index in Algeria through the following part of the study.

Using the statistical program Eviews and considering the possibility of a linear relationship between the two variables, the proposed model can take the following form:

$$Pib_t = A + \beta_1 RL_t + \varepsilon_t \dots (*)$$

Where:

Pib_t: Represents the development of economic growth rates (according to World Bank estimates).

A: The constant term, which expresses the size of growth under the stability of the rule of law index variable.

The issue of determining the appropriate model to study the relationship between economic growth and the rule of law index must go through researching the degree of integration of the adopted variables. This matter can be traced through the study of stationarity according to the Phillips-Perron test included in the following table:"



Table No. 01: Stationarity Test for Study Variables:

Phillips-Perron Test			
RL	Pib	At Level	
-5.4700	-3.3130	Statistic	With Constant
0.0002	0.0267	Probability	
***	**	Decision	
-6.2558	-3.9643	Statistic	With Constant and Trend
0.0002	0.0263	Probability	
***	**	Decision	
-1.4066	-1.4731	Statistic	Without Constant and Trend
0.1441	0.1281	Probability	
n0	n0	Decision	
At First Difference			
-10.9307	-8.2037	Statistic	With Constant
0.0000	0.0000	Probability	
***	***	Decision	
-18.7481	-8.8188	Statistic	With Constant and Trend
0.0000	0.0000	Probability	
***	***	Decision	
-11.2562	-8.4005	Statistic	Without Constant and Trend
0.0000	0.0000	Probability	
***	***	Decision	

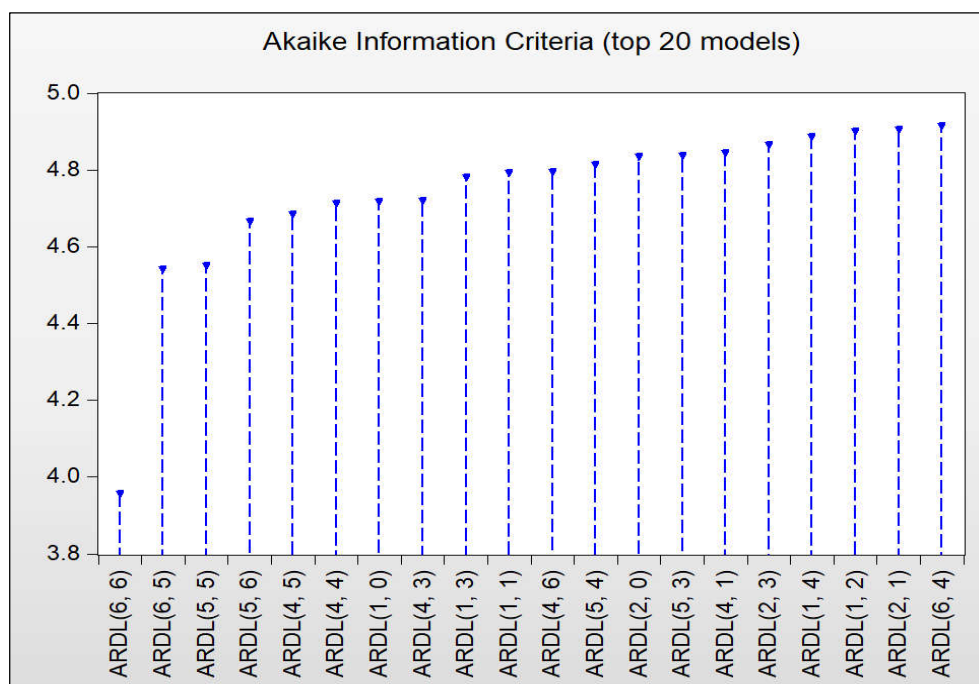
Source: Prepared by the researchers based on Eviews programme output.

From the previous table, it can be observed that the study variables are not stationary at level, which leads to conducting the same test at the first difference to clarify the availability of stationarity for the adopted variables at a significance level of 1%. This result means the integration of both economic growth and the rule of law index at I(1).

The integration of the study variables at a degree not exceeding 1, with reference to the stationarity of the dependent variable at the first difference, leads to suggesting the Autoregressive Distributed Lag (ARDL) methodology as a starting point for studying the relationship between economic growth and the rule of law index.

One of the assumptions upon which the ARDL model is based is the comparison between a large set of models with distributed lags and the selection of the most appropriate model, which can be traced in the following figure:

Figure No. 01: Comparison Between Possible Models:



Source: Eviews programme output.



From the previous statement, the proposed model will be for lags of 6 for both variables, which leads to estimating the relationship according to the proposed methodology for the period 2001-2023, according to the following steps:

By studying the possibility of the existence of a long-term equilibrium relationship and conducting the Bounds Test, it can be observed:

Table No. 02: Bounds Test for the Relationship Model Between Growth and the Rule of Law Index:

F-statistic Value	Critical Values	Significance Level		
		1%	5%	10%
5.178932	Lower Bound I(0)	6.027	4.09	3.303
	Upper Bound I(1)	6.76	4.663	3.797

Source: Prepared by the researchers based on Eviews 10 program output.

From the previous table, the existence of a long-term equilibrium relationship between both economic growth and the rule of law index can be observed, where in this regard, the Fisher test in its calculated value indicates a value exceeding the upper bound of the critical values I(1) at a significance level of 5%.

One of the things that supports the assumption of the existence of a long-term equilibrium relationship, which goes from the independent variables to the dependent variable (cointegration), is the negative and significant value of the error correction coefficient.

This coefficient can be traced through the following table:

Table No. 03: Error Correction Coefficient for the Study Model:

ECM Regression Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(PIB(-1))	3.895021	0.885646	4.397945	0.0218
D(PIB(-2))	2.965737	0.644939	4.598474	0.0193
D(PIB(-3))	2.997836	0.679687	4.410613	0.0216
D(PIB(-4))	3.142450	0.973466	3.228104	0.0483
D(PIB(-5))	2.079546	0.776864	2.676846	0.0753
D(RL)	-0.724715	8.664317	-0.083644	0.9386
D(RL(-1))	-93.25971	23.54032	-3.961702	0.0287
D(RL(-2))	-89.17320	22.53567	-3.956981	0.0288
D(RL(-3))	-38.05592	11.01563	-3.454721	0.0408
D(RL(-4))	-34.22754	10.31635	-3.317795	0.0451
D(RL(-5))	-19.12267	7.521516	-2.542396	0.0845
CointEq(-1)*	-5.487553	1.078384	-5.088680	0.0147
R-squared	0.928850	Mean dependent var		0.070588
Adjusted R-squared	0.772320	S.D. dependent var		2.965587
S.E. of regression	1.415053	Akaike info criterion		3.720200
Sum squared resid	10.01187	Schwarz criterion		4.308351
Log likelihood	-19.62170	Hannan-Quinn criter.		3.778663
Durbin-Watson stat	1.889488			

Source: Eviews programme output

The error correction coefficient with a value of -5.487553 (which is statistically significant at the 5% level) indicates that 548.7% of short-term errors are corrected in the time unit (which is a year), or in other words, the return to the long-term equilibrium position requires 0.1822 years or approximately two months.

The relationship between two important variables such as growth and the rule of law must be studied in the long term. The limited effects in the short term that do not affect the long term cannot be given all that importance from the logic of being a transient relationship that ends as soon as the causes creating it disappear, but the potential effects in the short term that persist in the long term require a deeper and more accurate study.



Considering the relationship between economic growth and the rule of law index in Algeria during the study period, and by following the data in the following table, it can be observed:

Table No. 04: Estimated Model of the Relationship Between Study Variables in Algeria for the Period (2001-2023):

Conditional Error Correction Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	82.44464	24.51258	3.363361	0.0436
PIB(-1)*	-5.487553	1.400380	-3.918616	0.0296
RL(-1)	82.32119	26.09288	3.154929	0.0511
D(PIB(-1))	3.895021	1.152154	3.380642	0.0431
D(PIB(-2))	2.965737	0.876521	3.383533	0.0430
D(PIB(-3))	2.997836	0.950177	3.155029	0.0511
D(PIB(-4))	3.142450	1.313150	2.393063	0.0965
D(PIB(-5))	2.079546	1.058001	1.965542	0.1441
D(RL)	-0.724715	14.67499	-0.049384	0.9637
D(RL(-1))	-93.25971	31.82070	-2.930787	0.0610
D(RL(-2))	-89.17320	30.78567	-2.896581	0.0627
D(RL(-3))	-38.05592	14.31043	-2.659314	0.0764
D(RL(-4))	-34.22754	13.36038	-2.561868	0.0831
D(RL(-5))	-19.12267	10.94350	-1.747400	0.1789
* p-value incompatible with t-Bounds distribution.				
Levels Equation Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
RL	15.00144	3.064027	4.895987	0.0163
C	15.02394	2.521058	5.959376	0.0095
EC = PIB - (15.0014*RL + 15.0239)				

Source: Eviews programme output

From the previous table, the statistical significance of the model estimates at the 5% level can be observed. This significance confirms the great impact of the rule of law index on economic growth in Algeria during the study period and means that any increase in the rule of law index by one unit will lead to

an enhancement of growth rates by 15 units. This is the picture that reflects the importance that must be given to this vital variable to promote growth and development paths.

The econometric model, with its proof of the strong and immediate effect (in a period of two months) of the rule of law variable on economic growth, shows the importance of applying that principle in practical reality, to the extent that it enhances justice and equality between the various segments active in society. This justice will enhance trust between those segments and reduce the severity of disputes, which leads to improving the general climate and what that means in terms of greater attraction of investments of both domestic and foreign types.

Achieving the principle of the rule of law within the geographical borders of Algeria must be accompanied by a set of economic gains, at the forefront of which are:

- **Building a stable investment environment:** When the rule of law is available, investors' confidence in protecting their rights and the safety of their funds increases, which increases the volume of those investments locally and foreignly, and reduces unemployment and poverty rates and improves living standards, which means achieving long-term stability reflected in strong and sustainable growth rates.

- **Improving the efficiency of resource management and combating corruption:** The rule of law places strict controls on corruption and ensures that public resources are spent effectively and transparently, which enhances the efficiency of economic performance and encourages a fair distribution of wealth.

- **Protecting property rights:** Protecting property rights will enhance innovation and productivity, and push business owners and institutions to expand and grow.

- **Stimulating fair competition:** And what that means in terms of creating a clean competitive environment, eliminating monopoly and speculation, and allowing new companies and entrepreneurs with innovative ideas to enter the economic field.



The previous justifications and others give a realistic view of the importance of achieving the principle of the rule of law within the economic, political, and social system of Algeria. This importance can be translated by high investment rates, bringing with them lower unemployment rates, a better standard of living, and flexible and increasing productivity, which gives desirable stability in the long term.

Conclusion:

The issue of achieving economic growth is considered the cornerstone that various countries seek to reach, especially since it is a strong indicator to know the level of progress and prosperity in societies. This growth remains linked to a large set of determinants that regulate the path of its development in the short and long term.

The process of achieving the desired economic growth requires the availability of a suitable environment for conducting business and activities in an atmosphere of transparency and good governance, and what falls under that from the necessity of a solid legal framework governing the relationships between all active parties within the territorial borders of countries.

The issue of the availability of laws regulating various relationships and transactions is not enough alone to create the appropriate atmosphere for conducting activities unless there is justice in the application of those laws. This justice requires the availability of a real rule of law and effective authority in the application of those laws, to the extent that it enhances trust between the various segments.

Algeria, like other countries, has sought to enforce the rule of law and strengthen its sovereignty to provide a conducive and creative atmosphere to drive the wheel of growth and development, and this is based on the premise that this growth cannot be achieved without the availability of the appropriate framework that preserves justice and equality between the various active segments in society.

Econometrically, and considering the relationship between both the rule of law index and economic growth, the field study of the case of Algeria during the period 2001-2023, using the Autoregressive Distributed Lag (ARDL) methodology, proved the availability of that positive relationship, which indicates the importance of that independent variable in making the required difference in the dependent variable.

The positive effect of the rule of law index on economic growth goes beyond the limits of the form of the relationship only, but the econometric study has shown in its merits the speed of response (a period of two months). This immediate response stems from providing the appropriate environment to stimulate investment internally and externally as a result of the confidence it offers, to the extent that it enhances the achievement of sustainable economic growth.

Appendixes:

Table No. 01: Autocorrelation Test for Errors:

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	2.432923	Prob. F(2,1)	0.4129	
Obs*R-squared	14.10187	Prob. Chi-Square(2)	0.0009	
Test Equation:				
Dependent Variable: RESID				
Method: ARDL				
Date: 04/30/25 Time: 16:49				
Sample: 2007 2023				
Included observations: 17				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PIB(-1)	-2.323635	1.244864	-1.866577	0.3131
PIB(-2)	-0.548366	1.119037	-0.490034	0.7099
PIB(-3)	0.600618	0.372572	1.612087	0.3535
PIB(-4)	2.704757	2.137028	1.265663	0.4257
PIB(-5)	-3.638539	1.798230	-2.023400	0.2922
PIB(-6)	-2.353788	2.097162	-1.122368	0.4633
RL	31.10959	19.29108	1.612641	0.3534
RL(-1)	-60.40255	44.55683	-1.355629	0.4046
RL(-2)	56.20810	27.41738	2.050090	0.2889
RL(-3)	46.23269	44.62549	1.036015	0.4887
RL(-4)	16.41811	10.53635	1.558235	0.3632
RL(-5)	-0.671983	9.523122	-0.070563	0.9552
RL(-6)	31.31976	23.20408	1.349752	0.4059
C	114.4029	62.96444	1.816945	0.3203
RESID(-1)	3.352213	2.076527	1.614336	0.3531
RESID(-2)	-3.897410	1.796682	-2.169226	0.2750
R-squared	0.829522	Mean dependent var	3.36E-15	
Adjusted R-squared	-1.727655	S.D. dependent var	0.791039	
S.E. of regression	1.306449	Akaike info criterion	2.421642	
Sum squared resid	1.706808	Schwarz criterion	3.205842	
Log likelihood	-4.583954	Hannan-Quinn criter.	2.499593	
F-statistic	0.324390	Durbin-Watson stat	2.261761	
Prob(F-statistic)	0.900479			



Table No. 02: Normality Test for Residuals:

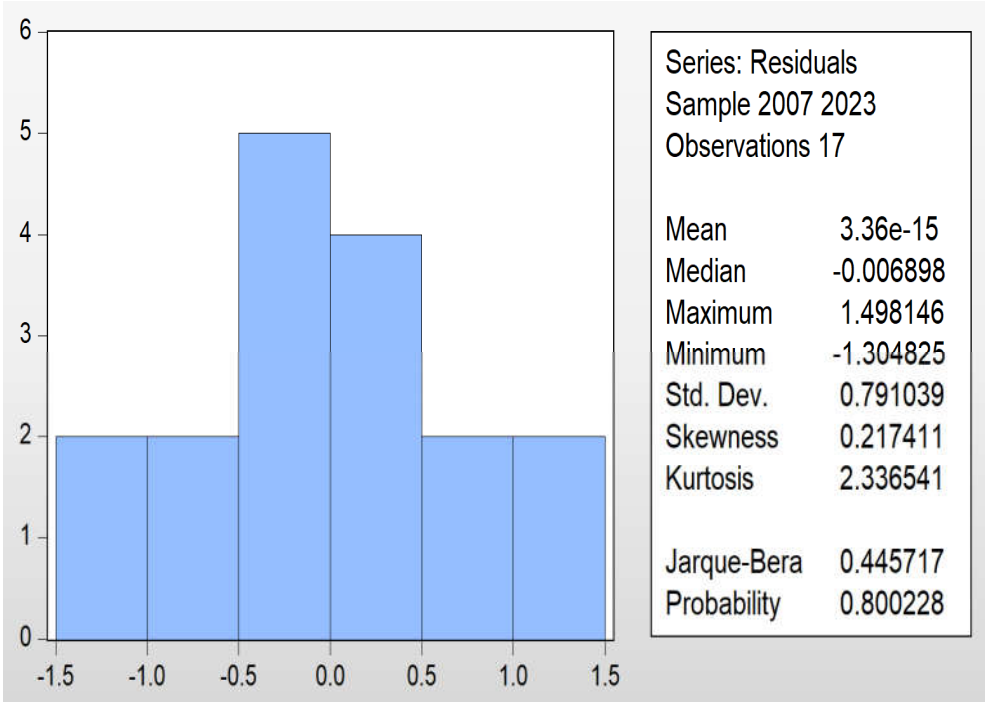
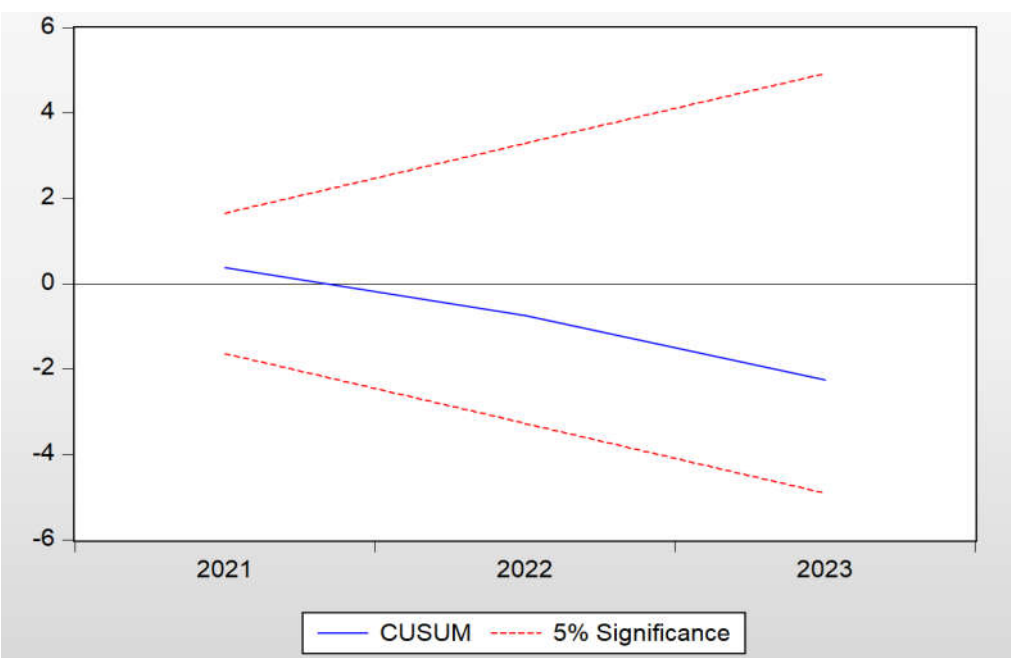


Table No. 03: Structural Change Test.



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