

## Free to Develop?

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*Academics have long debated whether relationship exists between freedom and development. Problems with these studies lead others to question the connection between these variables. In contributing to the scholarly debate, a new interactive variable is created that combines several measures of economic and political freedom, as suggested by Milton Friedman. The link between this new freedom variable and both economic and human development is examined across a series of cross-sections from the 1970s, 1980s and 1990s. Results indicate that this new freedom measure is strongly related to both forms of development for the developed and developing world.<sup>1</sup>*

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### 1. FREEDOM AND DEVELOPMENT: IMPROVING PRIOR STUDIES

A fierce debate has emerged in the scholarly community about the relationship between freedom and development. Part of the problem is that some scholars have sought to separate economic freedom from political freedom. In doing so, they have devoted themselves exclusively to establishing ties between one form of freedom and one form of development, ignoring other measures of freedom and development. Others have sought to treat the two forms of freedom as “competing variables.” Such analyses have ignored the capacity to treat economic and political freedom as mutually reinforcing. Such analyses have also combined the developed and developing world, leading to questions that their arguments are not appropriate for the latter. Finally, some studies apply their arguments to only a single snapshot in time, instead of multiple time periods.

This study is designed to overcome these problems associated with the “freedom and development” studies by examining the literature and suggesting improvements. A new measure of economic and political freedom and is constructed. This freedom variable’s ties to two forms of development are examined across two samples of countries. A conclusion discusses additional suggestions for research in the field of freedom and development.

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## 2. FREEDOM AND DEVELOPMENT: DOES A RELATIONSHIP EXIST?

A number of studies have found connections between economic freedom and economic growth (Nahan 1997; Francis 1999; Williams 2000; Cole 2003; Garbacz and Thompson 2003). Such optimistic findings lead Vega-Gordillo and Alvarez-Arce (2003) to conclude that the link between economic freedom and economic growth is an empirical regularity in the literature. Still others have sought to champion the cause of political freedom and its impact upon economic development (Sayigh 1961; Birdsall 1998; Francis 1999; Pereira 2001). Another area of study within the freedom and development school is the relationship between economic freedom and human development (Nahan 1997; Berggren 2003; Fraser Institute 2003). Such findings are also confirmed in case studies, such as those that link the growth of economic freedom and political freedom in South Korea and Taiwan with the development success experienced by both countries (Dorn 1996; Griswold 2004).

But there are also critics who question the connection between freedom and development. Some contend that free market economies have performed poorly, especially among countries in the developing world (Krugman 1995; Galbraith 1999; Easterly 2001; Rodrik 2001). They feel that economic freedom produces and widens gaps between haves and have nots by creating a system of winners and losers (Birdsall 1999; Li and Reuveny 2000; Beer and Boswell 2002). Those disenchanted with economic freedom claim that it retards human development by reducing the quality of life for the nation's poorest. They point out that reducing the role of the state undermines social welfare programs designed to help the needy (Chase-Dunn 1999; Galbraith 1999; Markoff 1999; Rodrik 2001; Beer and Boswell 2002).

Such critics even contend that democracy is used to blind the public to capitalism's inequalities at home and abroad (Markoff 1999; Chase-Dunn and Boswell 2002). Even some supporters of economic freedom feel that democracy retards economic growth because people vote for costly welfare states (Huntington 1984; Hanke and Walters 1997; Temple 1999; Williams 2000). Many of liberalism's opponents advocate a stronger role for government in the development process (Galbraith 1999; Rodrik 2001).

There is room for improvement with these studies. Rather than examine political and economic freedom separately, one might consider how strong the combined effect is of the two variables upon development, as Friedman (2002) suggests. As for those studies which look at one form of development (economic or human), why not look at the relationship between freedom and economic activity as well as higher standards-of-living? Excluding one or more forms of freedom or development from an analysis leaves such studies open to scorn from critics for omitted variable bias.<sup>2</sup>

## 3. PROBLEMS WITH PRIOR FREEDOM AND DEVELOPMENT STUDIES

### 3.1. Pitting Freedoms against Each Other

Some scholars who have analyzed economic and political freedom conclude that both forms of freedom oppose each other, rather than reinforce each other. Even supporters of one form of freedom's ties to development take great pains to paint the other as

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<sup>2</sup> Nahan (1997) and the Fraser Institute (2003) examine both forms of development.

counterproductive. Such studies ignore arguments that both forms of freedom are difficult to artificially separate.<sup>3</sup>

The connection between economic freedom and political freedom begins with the development of liberal theory, which challenges the authority of the state to regulate the lives of individuals. Gwartney contends that “political reform precedes economic reform, and makes it more lasting. Vice versa, economic reform leads to high income levels and a demand for political reform (as quoted in Francis 1999).”

### **3.2. Limited Samples**

Another shortcoming of several freedom and development studies is their sample selection. While some studies only apply their arguments to a limited spatial domain, such as the OECD countries (Goldsmith 1995; Francis 1999), other studies lump rich and poor countries together in a broader sample, with no control variable for preexisting development level. Focusing only on the wealthiest countries leads to charges by critics that such arguments are inapplicable to the developing world. Similarly, melding the rich and poor states hampers the ability to see how freedom applies to development for both groups individually. By looking at a broad sample of countries, as well as one excluding the wealthy OECD members, it will undercut arguments that the tests have limited applications.

### **3.3. Improved Freedom and Development Studies**

Several studies do a much better job of linking economic and political freedom, as well as determining whether these types of freedom apply to development. These studies have several factors in common. First, they examine multiple forms of freedom. Second, they explore the relationships between freedom and different varieties of development. Third, they look at more than just a statistical relationship at a single point in time.

Vega-Gordillo and Alvarez-Arce (2003) find that political freedom enhances the development of economic freedom reforms designed to generate economic growth. Mbaku (2003) calls for free trade in order to help the African continent deal with poverty and raise living standards, as well as the adoption of “adequate constitutional safeguards” to protect economic freedom, with democratic input into the constitutional design. Norton (1998) finds that government protection of private property not only generates economic growth but also improves life expectancy, adult literacy, and access to water safe for drinking.

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<sup>3</sup> Some have concluded that a country can blend an authoritarian state with a capitalist system (known as the developmental state model) to produce some impressive growth numbers, as South Korea and Taiwan did from the 1950s through the mid-1980s (Dorn 1996), and Singapore claims to have done today (Lingle 1995; 1998). But research has shown that while such “authoritarian capitalists” do exist, they tend to be the exception rather than the rule. Their actual numbers are less likely to be present than projected by expected model (Tures 2005). Furthermore, there are questions about exactly how economically free a state such as Singapore really is (Lingle 1995; 1998). Griswold (2004) points out how difficult it is to grant one freedom and deny another, as China is learning. South Korea and Taiwan, despite their economic success after decades of authoritarianism, gave into pressures to grant political freedom to their citizens to complement the economic freedom each country boasted (Dorn 1996).

#### 4. A NEW FREEDOM VARIABLE

However, there are additional means of enhancing these improved studies. Here, this project recommends not only looking at the relationship between freedom and development, but employing a special interactive variable that combines several forms of freedom, as called for by Milton Friedman (2002: xvii). This includes not only multiple measures of political freedom and economic freedom, but combines them into a single powerful explanatory variable.<sup>4</sup>

Why presume that both forms of freedom work as partners, not adversaries? After all, some literature suggests that capitalism is bad for democracy because the business class purchases elections (Chase-Dunn 1999; Markoff 1999; Li and Reuveny 2000; Pereira 2001; Chase-Dunn and Boswell 2002). Others write that voters could elect a government that controls the economy and seizes private property (Huntington 1984; Hanke and Walters 1997; Temple 1999; and Williams 2000).

Such arguments ignore the role both freedoms play in reinforcing each other. Political freedom can help reduce post-contractual opportunism by a government, enabling economic freedom to thrive (Voigt 1998).<sup>5</sup> This is accomplished by protections for individual citizen liberties, provision of the ability for people to participate in the political process in order to protect their private holdings, and making possible the presence of an opposition party that can hold the ruling party in check should a policy abusing economic freedom be pursued (Voigt 1998). Political freedom also helps economic freedom by dispersing power through governmental institutions, preventing an individual or cabal from using their office to engage in rent seeking behavior.

At the same time, economic freedom assists political freedom by encouraging individual initiative. Capitalists and laborers in a free market economy must not only work to ensure their economic success, but become involved in politics to defend their economic interests.<sup>6</sup> Participants in a free market economy will have more at stake to guard in the political arena than in economic systems dominated by government decisionmaking. Furthermore, economic and political freedom share a strong statistical bond (Thies 2005; Tures 2005) when considering a broad sample of developed and developing countries. Even among less developed countries, analysis shows a slightly weaker, yet significant correlation between the two types of freedom (Tures 2005).

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<sup>4</sup> In discussing the possibility of a combined index of freedom, Friedman points out “We’ve talked about economic freedom and political freedom as if they were wholly separate things, which they are not. I think the next big task facing the economic freedom project will be to try and weld the two together and make a combined index of economic and political freedom, especially where they mesh with one another. Property rights are not only a source of economic freedom. They are also a source of political freedom (Friedman, 2002: xvii).”

<sup>5</sup> *The Economist* (1994) contends that “democracy works best” for growth because it offers the security of property rights, which a dictator cannot guarantee. In China, Deng Xiaoping provided property rights to farmers. However there was no assurance that this would continue after Deng Xiaoping died.

<sup>6</sup> Other studies believing that a connection exists between economic and political freedom include Huntington (1984), Goldsmith (1995), Francis (1999), Berggren (2003), and Vega-Gordillo and Alvarez-Arce (2003).

Such a variable could borrow from well-established measures of freedom, including the Fraser Institute's Economic Freedom of the World dataset, as well as data from the Polyarchy dataset, Polity and Freedom House. These freedom datasets are carefully chosen because they conform to the conceptual definitions of government involvement in the economy, institutional checks and balances, protection of citizens against government abuses, the right to choose one's leaders, and political checks upon the ruler's authority.

Once constructed, this new measure of freedom is tested for links to different types of development. Other improvements involve constructing a sample of countries and a subset of poor countries. The next section spells out the conceptual and operational definitions for the variables. It also provides the sample and time frame for this analysis.

## 5. RESEARCH DESIGN

### 5.1. Dependent Variable: Development

The primary variable to be explained is development. This is measured in two different ways. The first focuses upon the economic strength of the country, while the latter represents the health and well-being of that country's population.

**Economic Development:** The term "development" can conjure up images of developing a product. Therefore, this study uses the measure of real Gross Domestic Product per capita, which includes the sum value of all goods and services produced in a country, divided by its population, compensating for inflation.<sup>7</sup>

**Human Development:** Scholars have often criticized most measures of development that only focus on the economic measures of development. They contend that the wealth of a country, even when divided by the population, may not capture the concept of development. Development can also involve creating a system which enhances the well-being of the population. To reflect this idea of development, this analysis includes the Human Development Index, which measures a country's poverty, literacy, education and life expectancy in a given year.<sup>8</sup>

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<sup>7</sup> This particular measure uses the Chain Index, and is represented in constant dollars. This measure of economic development is also disaggregated into quartiles. A country with a real GDP per capita score less than \$501.5 in a year receives a score of one. Countries with a real GDP per capita score between \$501.5 and \$1,547.2 receive an economic development score of two. The next economic development category captures all countries which have a minimum real GDP per capita score of \$1,547.2 and \$5,910.7. All countries with an economic development score of four exceed the annual real GDP per capita score of \$5,910.7.

<sup>8</sup> These scores are translated into a rating system which ranges from zero to one, with scores closer to one indicating greater levels of human development within a country. This human development index is converted into a series of quartiles, separated by cutpoints. A country with an HDI of .3999 or less receives a human development score of one in our analysis. Countries ranging from .4 to .6 are given a human development score of two. Those states with an HDI bounded between .6 and .8 are coded as a three for the human development variable. Finally, a country with an HDI exceeding .8 gets a score of four in the human development measure.

## 5.2. Independent Variable: Freedom

In this study, the explanatory variable “freedom” is tested to determine its connection to measures of development. Given that freedom is such a broad concept, multiple measures are incorporated, ranging from economic freedom to political freedom. In addition, this measure takes into account several different forms of political freedom, given that this concept is multifaceted.

**Economic Freedom:** The independent or explanatory variable is represented by data from the “Economic Freedom of the World” index (EFW) published by the Fraser Institute.<sup>9</sup> Conceptually, this variable captures the amount of control the government has over a country’s economy. James Gwartney, Robert Lawson and Dexter Samida (2000) describe their data from their report as measuring the size of government, price stability, trade openness, the quality of legal structures, and other variables.<sup>10</sup>

**Political Freedom:** Given that the term democracy means “people rule,” many often think of elections as the mechanism by which people vote for their preferences for political office, thereby exercising their authority. But the mere presence of elections is not enough, given that dictatorships often conduct sham elections to legitimize their authority. Therefore, elections are scrutinized to not only determine that there is a viable opposition party to forestall rent seeking behavior, but also that many people are allowed to participate, as captured by Vanhanen’s Polyarchy dataset.<sup>11</sup>

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<sup>9</sup> There may be a tendency to interpret economic freedom and economic development as already related, since both may address certain common characteristics such as price stability. Yet the dependent variable and independent variable are not measuring the same factors. First, it is important to note that economic freedom is only one of four measures of freedom that constitute the independent variable. Second, economic freedom is coded by a judge’s analysis, while GDP per capita is the sum value of a nation’s goods and services, divided by the country’s population. While the former is originally generated on an ordinal scale, the latter is originally constructed via a cardinal scale. Though both have been reduced to quartiles for analytical purposes, the original development of the data varies considerably.

<sup>10</sup> This dataset provides scores (on a scale of 0 through 10) for countries based upon the ability of citizens to choose for themselves, engage in market activities, and keep what they earn (Gwartney et al. 2000). Higher EFW scores indicate more economic freedom, while lower numbers indicate increased state domination of commercial transactions. These EFW scores are divided into three categories for ease of reporting the results. “Free” states have EFW scores ranging from 7 through 10, and receive an economic freedom score of three. “Partly Free” countries have EFW scores as low as 5 and as high as 6.999. They receive an economic development score of two. “Not Free” nations make up the final category, with EFW scores at 4.999 and lower, and get a “one” for the economic freedom measure.

<sup>11</sup> Tatu Vanhanen’s Polyarchy Dataset (2000) captures these concepts in his measure of political freedom. One factor is the percentage of votes attained by the opposition parties. Vanhanen (1984) operates under the assumption that the more votes won by the opposition, the more “competitive” an election is, enabling voters to better cast a meaningful vote. The second factor is participation, which focuses on how many people in the country vote. Not only does this reflect the ability of people to cast a ballot, but acts as another proxy for competitive elections and the chances of casting a meaningful vote, if it can be assumed that competitive elections increase turnout. Following

Elections, while important, are not the only measure of political freedom (Markoff 1999). After all, people may freely elect a leader who has unchecked power (Pereira 2001). Therefore, the freedom variable incorporates the institutional context facing a leader, including constraints on that ruler's authority. Such information is adequately captured by the Polity IV dataset.<sup>12</sup> But political freedom is not restricted to elections and institutional controls upon elected officials. It also concerns other relationships between people and those in power. This includes a government's respect for the civil liberties and political rights of its citizens, as captured by the Freedom House measure.<sup>13</sup>

**Overall Measure of Freedom:** My measure of freedom incorporates all these aforementioned measures of economic and political freedom into a single measure. This is accomplished by adding all of the scores from the Economic Freedom of the World dataset (1-3 points), the Polyarchy Dataset (0-1 point), the Polity IV Dataset (0-1 point) and the Freedom House dataset (0-2 points). Thus, countries are considered free if they score between a six and a seven on this scale. Countries are partly free if their scores range between three and five on this measure of political and economic freedom. Those with only a

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Vanhanen's suggestion, the cases which have an opposition score of 30, a participation score of 10, and an Index of Democratization score in excess of 5 are coded as politically free. Countries which do not measure up to these standards receive a score of zero; politically free countries are coded as a "one."

<sup>12</sup> These Polity IV factors include how chief executives are selected, as well as constraints on the chief executive's power. Other measures include the level of local control, how participation is regulated, and how non-elites are able to compete in the political process. These are all converted by a weighted system into a 21-point scale (-10 = most autocratic, 10 = most democratic). To determine which cases are politically free or not, Li and Reuveny(2000)'s measure is used, which states that all cases with a positive Polity score are politically free countries. Negative polity scores indicate the presence of a non-democracy. These cases receive a score of one. All others are considered politically unfree and are scored a zero.

<sup>13</sup> Freedom House does an excellent job of representing, with data, what rights individuals have in their country. The former are characterized by freedom and expression and belief (free and independent media, free religious expression, academic and educational freedom, open and private discussion), associational and organizational rights (freedom of assembly and demonstration, freedom of organization, rights for unions, private and professional groups, and peasant organizations), rule of law (independent judiciary, police under civilian control, judicial rights, equal treatment under law), personal autonomy and individual rights (freedom of movement and employment, right to establish business, social freedoms such as gender equality, and an absence of economic exploitation). The latter include free and fair elections (for the legislature and executive branch, fair electoral laws), political pluralism and participation (right to form political parties, significant opposition vote, freedom from powerful elite groups, political access for minority groups), free functioning of the government (can elected representatives enact policy, is corruption pervasive, is the process accountable and transparent, is the system changeable between elections?) and other factors (level of input in undemocratic systems, the presence of group discrimination). Freedom House not only provides scores for civil liberties and political rights on two separate seven point scales (lower numbers indicate more democracy), but even provides a trichotomous measure judging countries to be free, partly free or not free, based on their scores from the checklist. In this measure, free countries receive a score of two, partly free countries receive a score of one, and zeros represent not free countries.

one or two on this interactive measure of political and economic freedom are considered not free. In this manner, a balanced macromasure of freedom is derived, which not only incorporates economic and political freedom, but several measures of the latter.<sup>14</sup>

### 5.3. Controlling Factor: Prior Country Development

Many readers might entertain a degree of skepticism concerning the research design. They might be concerned about the presence of a “bias” in favor of freedom’s impact upon development. After all, do the countries with the highest levels of development also tend to have economic and political freedom? To test whether these results apply not only to the rich countries, but the less developed countries as well, the states are separated into two categories: developed and developing.<sup>15</sup>

### 5.4. Spatial-Temporal Domain

To determine which countries should be analyzed, the focus is on the years where common information is available for all of the variables to be studied.<sup>16</sup> Therefore, the analysis will focus on the following five annual cross-sections: 1975, 1980, 1985, 1990, and 1995, providing 460 cases to analyze. The relationships between the freedom variables and the development variables are analyzed with a series of contingency tables located at the conclusion of the text.<sup>17</sup>

### 5.5. Results

When focusing on the relationship between freedom (economic and political) and economic development for all the countries, countries which embrace economic freedom and political freedom are more likely to be economically developed (see Table 1).<sup>18</sup> The

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<sup>14</sup> This economic and political freedom measure balances both measures of freedom so that a country that incorporates only one form of freedom, but not the other, cannot be considered fully free. This balance is reinforced by the presence of some economic freedom incorporated into the Freedom House measure (Hanke and Walters 1997).

<sup>15</sup> The criterion for prior development is the country’s membership in the Organization for Economic Cooperation and Development (OECD). If the analyzed country has joined the OECD prior to the year analyzed (or is admitted during that year), it receives a score of one on the OECD countries. Non-OECD countries receive a score of zero.

<sup>16</sup> The Economic Freedom of the World measure is reported every five years beginning in 1970. These reports become annual reports starting in 1997. Polity IV scores are updated on nearly an annual basis, and are available from the year 1800 through the year 2000. Vanhanen’s Polyarchy Dataset begins in 1810, but ends in 1998. Freedom House scores commence in 1972, but continue through 2003.

<sup>17</sup> As a referee correctly points out, this paper examines the connections between these variables, rather than assessing the causal relationships between freedom and development. Additionally, the goal of this study is to examine the intersection of these two sets of variables, instead of creating a model that examines all sources of development. Such a goal is beyond the scope of this analysis.

<sup>18</sup> Economically and politically free countries are more than twice as likely to have the highest levels of real GDP per capita. In fact, no country with economic freedom and political freedom inhabits the lowest level of economic development, even though the expected model projects 40.6 cases. As for

relationship is very strong; countries which have economic and political freedom are much more likely to have higher levels of economic development. Countries which do not provide either form of freedom tend to populate the lowest rung of economic development. Findings indicate similar connections between freedom and human development (see Table 2).<sup>19</sup> This table shows that countries which are economically and politically free are more likely to offer the best quality of life. Similarly, ‘unfree’ countries have the lowest levels of human development.

**Table 1.** All Countries, Economic Development

			GDP Per Capita Quartiles (1=0-501.5, 2=501.5-1547.2, 3=1547.2-5910.7, 4=5910.7+)				Total
			1.00	2.00	3.00	4.00	
2=6-7 score on Economic + Political Freedom, 1=3-5	.00	Count	74	42	15	2	133
		Expected Count	33.0	35.9	31.8	32.4	133.0
score on Economic + Political Freedom, 0=1-2	1.00	Count	40	63	41	19	163
		Expected Count	40.4	43.9	39.0	39.7	163.0
score on Economic + Political Freedom	2.00	Count	0	19	54	91	164
		Expected Count	40.6	44.2	39.2	39.9	164.0
Total		Count	114	124	110	112	460
		Expected Count	114.0	124.0	110.0	112.0	460.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	234.603 <sup>a</sup>	6	.000
Likelihood Ratio	272.447	6	.000
Linear-by-Linear Association	209.445	1	.000
N of Valid Cases	460		

a. 0 cells(.0%) have expected count less than 5. The minimum expected count is 31.80.

countries with little or no economic and political freedom, only two can claim membership among the highest quartile of economic development (much less than the 32.4 projected by the null model). They are much more likely to have real GDP per capita at the lowest levels. Such findings are statistically significant at the .001 level.

<sup>19</sup> In no case does a country which is economically and politically free rank in the bottom category of human development (though 19.1 are expected). Only four can be found at the second-lowest rung of the human development ladder, much less than what is expected. Economically and politically free states are twice as likely to populate the highest category of human development, which is an impressive statistic. The patterns for the “not free” states correspond to their showing for economic development. Only three “unfree” states are found among the highest level of human development, whereas 37.3 are expected here. The fact that twice as many as expected cases of “not free” states in the lowest category of human development is also quite telling. The overall results, like the study of all countries and economic development, are statistically significant at the .001 level.

**Table 2.** All Countries, Human Development

			Human Development Index = More Human Development (0-.3999 = 1, .4-.5999 = 2, .6-.7999 = 3, .8-1 = 4)				Total
			1.00	2.00	3.00	4.00	
2=6-7 score on Economic + Political Freedom, 1=3-5 score on Economic + Political Freedom,	.00	Count	39	54	33	3	129
		Expected Count	15.0	28.8	47.9	37.3	129.0
0=1-2 score on Economic + Political Freedom	1.00	Count	12	40	82	12	146
		Expected Count	17.0	32.6	54.2	42.2	146.0
Total	2.00	Count	0	4	48	112	164
		Expected Count	19.1	36.6	60.9	47.4	164.0
Total		Count	51	98	163	127	439
		Expected Count	51.0	98.0	163.0	127.0	439.0

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	274.426 <sup>a</sup>	6	.000
Likelihood Ratio	300.390	6	.000
Linear-by-Linear Association	213.472	1	.000
N of Valid Cases	439		

a. 0 cells(.0%) have expected count less than 5. The minimum expected count is 14.99.

Results show that there is a strong statistical connection between freedom and economic development within the developing world as well (see Table 3).<sup>20</sup> If a developing state grants economic and political freedom to its people, it will have more economic development than other poor countries. At the same time, to deny such freedoms is to deny a chance for economic development. The connection between freedom and human development among non-OECD countries is even stronger (as indicated in Table 4).<sup>21</sup> Economically and

<sup>20</sup> Among the most economically and politically free cases of non-OECD countries, there are none located in the lowest real GDP per capita quartile, where 20 are expected. There are more free cases in the top quartile of economic development than expected, and more than twice as many free cases in the next highest level of real GDP per capita than our expected model projects. Almost 70 percent of free cases have a real GDP per capita that is higher than \$1,547.2; only 36 percent of partly free cases can claim this distinction. Our findings are even stronger when considering the performance of not free states. Only two are in the top economic development category, whereas ten are expected. Less than half as many as expected unfree countries fit into the second highest economic category. Yet there is a greater than expected number of cases which can be found in the lowest economic development quartile (less than \$501.50 real GDP per capita). Additionally, these results are statistically significant at the .001 level.

<sup>21</sup> Only three unfree states find themselves in the top human development ranking, which is about one third of what was expected in this category. "Not free" states are also much less likely to be in the next highest human development category, but much more likely to populate the lowest human development categories. In fact, there are twice as many unfree non-OECD states in the lowest HDI category than expected. Free states, on the other, are much more likely to populate the top two levels of human development; in fact, 93 percent of all free countries can be found in the top two

politically free developing countries offer a better standard of living than countries where such freedoms are absent. It is also likely that the results would be much stronger if countries like North Korea and Cuba, with low levels of economic freedom, political freedom, and development, were included in the study (Gwartney and Lawson 2003).

**Table 3.** Developing Countries, Economic Development

			GDP Per Capita Quartiles (1=0-501.5, 2=501.5-1547.2, 3=1547.2-5910.7, 4=5910.7+)				Total
			1.00	2.00	3.00	4.00	
2=6-7 score on Economic + Political Freedom, 1=3-5 score on Economic + Political Freedom,	.00	Count	74	42	15	2	133
		Expected Count	43.0	46.0	33.9	10.2	133.0
0=1-2 score on Economic + Political Freedom	1.00	Count	40	61	38	19	158
		Expected Count	51.0	54.6	40.3	12.1	158.0
	2.00	Count	0	19	37	6	62
		Expected Count	20.0	21.4	15.8	4.7	62.0
Total		Count	114	122	90	27	353
		Expected Count	114.0	122.0	90.0	27.0	353.0

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	96.157 <sup>a</sup>	6	.000
Likelihood Ratio	109.933	6	.000
Linear-by-Linear Association	76.208	1	.000
N of Valid Cases	353		

a. 1 cells(8.3%) have expected count less than 5. The minimum expected count is 4.74.

**Table 4.** Developing Countries, Human Development

			Human Development Index = More Human Development (0-.3999 = 1, .4-.5999 = 2, .6-.7999 = 3, .8-1 = 4)				Total
			1.00	2.00	3.00	4.00	
2=6-7 score on Economic + Political Freedom, 1=3-5 score on Economic + Political Freedom,	.00	Count	39	54	33	3	129
		Expected Count	19.9	37.9	61.4	9.8	129.0
0=1-2 score on Economic + Political Freedom	1.00	Count	12	39	78	12	141
		Expected Count	21.8	41.4	67.1	10.7	141.0
	2.00	Count	0	4	46	10	60
		Expected Count	9.3	17.6	28.5	4.5	60.0
Total		Count	51	97	157	25	330
		Expected Count	51.0	97.0	157.0	25.0	330.0

quartiles of human development. This is an impressive accomplishment, especially considering the sample. Unfortunately, only 17.8 percent of these free countries are in the top category of human development (a score of .8 or higher), so there is some room for improvement. But such concerns are allayed when noting that free countries are more than twice as likely to populate this top category of human development. No free state can be found among the least developed, whereas the expected model predicts 9.3 cases. The results are statistically significant at the .001 level.

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	86.378 <sup>a</sup>	6	.000
Likelihood Ratio	97.539	6	.000
Linear-by-Linear Association	78.243	1	.000
N of Valid Cases	330		

a. 1 cells(8.3%) have expected count less than 5. The minimum expected count is 4.55.

## 6. CONCLUSION

This project scrutinized a series of articles critical of the relationship between freedom and development, pointed out a series of shortcomings for these critics, and suggested improvements. Some of these ideas include combining economic freedom and political freedom, examining its impact upon economic and human development, and testing arguments on developed and developing countries (together and separately).

The results are striking. The new interactive term (suggested by Friedman) combining several measures of economic freedom and political freedom is strongly associated with both economic and human development. These results, taken from a series of cross-sections from the 1970s through the 1990s, are robust across a sample of all countries, as well as those considered less developed.

The next logical step is to conduct additional tests with this new interactive freedom variable to ascertain whether its relationship with economic and human development still holds, despite the presence of a variety of control variables. Nevertheless, a course has been charted showing the combined impact of economic and political freedom has a profound impact upon both economic development and human development.

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