

**Political Freedom, Economic Freedom, and Prosperity:
International Trade Policy as a Measure of
Economic Freedom**

**Lawton Lanier Nalley
and
Andrew Barkley**

“I believe that free societies have arisen and persisted only because economic freedom is so much more productive economically than any other method of controlling economic activity.”

(Milton Friedman, Foreword in Gwartney, et al., 1995)

Since the time of Adam Smith, if not before, economists and economic historians have argued that the central ingredients for economic progress include freedom to choose and supply resources, competition in business, trade with others, and secure property rights (North and Thomas, 1973). In 1962, Milton Friedman boldly asserted in *Capitalism and Freedom* that economic freedoms, in the form of free markets, and political freedoms, in the form of civil liberties and democracy, were necessary conditions for the attainment of high levels of per capita income. The objective of this research is to measure the impact of political and economic freedom on economic growth for a cross-section of nations during the 1970-2000 time period. In *Capitalism and Freedom*, Friedman (1962) contended that price support programs in agriculture and trade barriers were not only unjustifiable, but hampered economic growth. Today, it is widely accepted among economists that, *ceteris paribus*, countries with fewer restrictions on trade will grow faster than those nations that place restrictions or barriers on trade.

Duncan and Quang (2004) found that trade liberalization can

lead to faster economic growth by reducing distortions in relative prices and allowing activities characterized by comparative advantage to flourish. Bhagwati and Panagariya (2003) claimed that sustained economic growth can not be achieved without rapid growth in trade, which requires a reduction in trade barriers. This claim is based on the alternative result of trade diversion¹ which can cause the misallocation of resources and have adverse effects on the economy. Bhagwati and Panagariya (2003) also stated that in the last four decades there is virtually no example of a country with sustained rapid economic growth possessing high and non-declining barriers to trade. Therefore, openness to international trade is included in a regression model to quantify the impact of government intervention in international trade on economic growth. The results provide some empirical evidence that Friedman's hypotheses are correct, contributing to our understanding of the relationships between political freedom, economic freedom, and economic growth. The results also show that nations with higher degrees of openness to international trade have been characterized by higher levels of economic growth.

The Role of Political, Civil, and Economic Freedom in GDP Growth

Several studies, including Vega-Gordillo and Alvarez-Acre (2003), have quantified a direct correlation between the levels of civil, economic, and political freedom and the rate of national economic growth. Gwartney and Lawson (1997) defined political freedom as a situation where citizens are completely free to participate in the political process; and where elections are fair, competitive, and free from corruption. They also defined civil liberties to include freedom of the

¹Trade diversion refers to the shifting of trade away from a low-cost producer towards a higher-cost producer, as a result of a reduction in trade barriers with the country of the relatively high-cost production.

press, freedom of association, freedom of religion, and freedom of speech. Economic freedom is defined by Freedom House (2004) as the presence of these characteristics: (1) property acquired without the use of force, fraud, or theft is protected from physical invasion by others; and (2) citizens are free to use, exchange, or give property to another as long as their actions do not violate the identical rights of others.

Vega-Gordillo and Alvarez-Acre (2003) proclaimed that democracy should facilitate economic growth through the development of an institutional framework that is more compatible with incentives to engage in productive transactions. Wittman (1989, 1995) and Baba (1997) argued that democracy enables the development of institutions that guarantee the transparency of the policy-making process and that institutions such as property rights are crucial to economic growth. Rodrick (2000) demonstrated empirically that participatory democracies are associated with higher-quality growth, defined as more predictable long-term growth rates, greater short-term stability, better resilience to adverse shocks, and a broader distribution of wealth.

Numerous studies have demonstrated a positive correlation between economic growth and political rights and economic freedom, including Gastil (1978), Scully (1988, 1992), Goldsmith (1995), and Leblang (1996). However, Przeworski and Limongi (1993, 1997) and Barro (1996) found little to no correlation between political rights, democracy and economic growth. Barro (1996) found a nonlinear relationship between democracy and growth: democracy enhanced growth at low levels of political rights or freedom, but depressed growth as more political freedom was obtained. Although there are exceptions throughout the literature, economic theory suggests that the adoption of economic freedom by a society is more likely to promote higher economic growth than a society that is characterized by lower levels of economic freedom. Gwartney et al. (1995) pointed to several fundamental reasons why this theory is likely to hold. First, secure property rights and low taxes will encourage individuals to engage more intensely in productive activities. Second, greater freedom of exchange

will expand the realization of gains derived from specialization and economies of scale. Gwartney et al. (1995) asserted that freedom to enter and compete in markets can enhance both efficiency of production and direct resources to their most highly-valued sources. Further, they provided evidence that economic, political, and civil freedoms are related to economic growth. Even if democracy exists, protectionism can diminish economic growth, even with the existence of economic, political, and civil freedoms. This possibility is the foundation upon which the present research is built.

According to Bhagwati and Panagariya (2003), we now have considerable evidence supporting the hypothesis that openness is a necessary condition for rapid economic growth. This is backed by findings that conclude that impediments or distortions to trade (tariffs, quotas, subsidies) lower economic growth (Dollar, 1992; Ben-David, 1993; Sachs and Warner, 1995; and Frankel and Romer, 1999). Studies that found a negative relationship between trade liberalization and growth are typically associated with heavily-regulated economies (Djankov and Murrell, 2003; Wacziarg and Wallack, 2004). Bolaky and Freund (2004) stated that for economic growth to reach its peak, the government must not only liberalize trade, but also needs to deregulate industry. This result reinforces Duncan and Quang (2004), who found that even if trade liberalization and democratization are implemented, economic growth can be mitigated through government intervention.

Many studies have shown that the removal of trade barriers, or increasing the degree of openness, has led to higher levels of economic growth. Sachs and Warner (1995) concluded that an index used as a degree of openness is positively correlated with domestic growth. Dollar and Kraay (2001a, 2001b) found that more trade, or openness, promotes growth. Trade between nations is often reduced by a tax on international trade, or tariffs on imported products from other countries. Grossman and Helpman (1995) asserted that regional trading blocs are not a movement toward free trade. Instead, they cause more trade diversion than trade creation: a reduction of trade barriers, even

when free trade exists to certain trade partners, can decrease domestic GDP per capita.

Conceptual Model

Using data from the Organization for Economic Co-operation and Development (OECD) countries, a multiple regression is used to test whether openness to trade, political rights, civil liberties, subsidies, and taxes on international trade had an impact on economic growth, as defined by the level of per capita GDP. As political and/or civil rights are enhanced, we expect increases in the level of per capita GDP. It is hypothesized that as government subsidies increase, per capita GDP decreases. Trade barriers are also expected to lower per capita GDP, since resources are not allocated to their highest-return use, and consumers are unable to purchase goods and services from the lowest-cost source. Multiple regression models are developed to test the hypothesis that less government intervention and economic freedom are associated with higher levels of per capita GDP.

Model

Four OLS regressions were estimated to quantify the relationships between government intervention, the level of political rights and civil liberties, subsidies and taxes on trade, and the natural log of per capita GDP (LNGDP), as in equation (1):

$$\text{LNGDP}_{it} = a + \beta_1 \text{Pop}_{it} + \beta_2 \text{Open}_{it} + \beta_3 \text{Civil}_{it} + \beta_4 \text{Tax}_{it} + \beta_5 \text{Sub}_{it} + e_{it} \quad (1)$$

where *Pop* is the population (World Bank, 2005) for a nation *i* in year *t*. *Open* refers to the share of trade as a percentage of GDP in nation *i* in time period *t*, defined as exports plus imports divided by GDP (Penn World Table, 2004). *Civil* is the Freedom House value for civil liberties for nation *i* in time period *t*. *Tax* represents taxes on international trade as a percentage of total revenue in nation *i* in year *t*, and *Sub* is the percentage of total public expenditures in GDP (Penn World Table,

2004). Since civil liberties and political rights are correlated, separate regressions are estimated to capture the impact of each measure on economic growth.² A second regression replaced *Civil* with political rights:

$$\text{LNGDP}_{it} = a + \beta_1 \text{Pop}_{it} + \beta_2 \text{Open}_{it} + \beta_3 \text{Political}_{it} + \beta_4 \text{Tax}_{it} + \beta_5 \text{Sub}_{it} + e_{it} \quad (2)$$

where *Political* is the Freedom House measure of political rights for a nation at time period t . To test if the aggregate status of the degree of freedom of a country is a determinant of the level of per capita GDP, a third regression was estimated, as in (3):

$$\text{LNGDP}_{it} = a + \beta_1 \text{Pop}_{it} + \beta_2 \text{Open}_{it} + \beta_3 \text{Status}_{it} + \beta_4 \text{Tax}_{it} + \beta_5 \text{Sub}_{it} + e_{it} \quad (3)$$

where *Status* is the Freedom House measure of the overall status of economic freedom for the nation in year t . The tax on trade (*Tax*) and import duties (*Duty*) had a correlation coefficient of 0.97. Therefore, *Duty* was omitted from the model due to potential collinearity. Model IV quantifies the effect of import duties as a percent of tax revenue (*Duty*), defined as all levies issued on goods at a point of entry of a country, by including import duties (*Duty*), and excluding taxes on trade (*Tax*), as in equation (4).³

²A reviewer suggested the inclusion of an interaction variable between population (size) and openness to trade to account for the possibility that small nations may be more open to trade. Following this good idea, the empirical model was estimated including an interaction term between *Open* and *Pop*, and the results of the four models are presented in Appendix Table A1. The interaction term is statistically significant in two of the four regression models. The results are qualitatively identical to the regression results reported in Table 2.

³At the suggestion of a conference participant, a regression was estimated with an interaction term between tax on trade and import duties. The results demonstrated no statistically significant impact of tax on trade, import duty, or the interaction

$$\text{LNGDP}_{it} = a + \beta_1 \text{Pop}_{it} + \beta_2 \text{Open}_{it} + \beta_3 \text{Civil}_{it} + \beta_4 \text{Duty}_{it} + \beta_5 \text{Sub}_{it} + e_{it} \quad (4)$$

Data

Data from 1970-2000 were collected for all 30 Organization of Economic Co-operation and Development (OECD) countries.⁴ Summary statistics and variable definitions are reported in Table 1. Data pertaining to civil liberties (*Civil*) and political rights (*Political*) were obtained through Freedom House. Freedom House also reports the aggregate status of freedom for each nation (*Status*), where the numerical scores for political rights and civil liberties are averaged. Data including population, level of openness, and real GDP per capita were gathered from Penn World Table version 6.1. Subsidies and tax on international trade were collected from the World Bank.

Results: Economic, Political and Civil Freedoms

Economic theory and previous literature suggest that increases in political rights and/or civil liberties, together with an increasing degree of economic freedom, are expected to have a positive impact per capita GDP. In Table 2, some empirical evidence is presented that supports this theory. The estimated coefficient for political rights (*Pol*) is -0.205; an increase of political rights (a decrease on the Freedom House scale) by 1 unit would increase the per capita GDP by 20.5%. The negative relationship between GDP per capita and lower levels of political rights is revealed in Figure 1. The estimated coefficient on civil liberties is -0.233; an increase of civil liberties (a decrease on the Freedom House scale) by 1 unit would increase the per capita GDP by

term between the two when the three variables were included in a regression trial.

⁴The Organization for Economic Co-operation and Development (OECD) is a group of 30 member countries sharing a commitment to democratic government and the market economy (OECD). Some countries did not join the OECD until after 1970, including Australia 1971, Mexico 1994, Czech Republic 1995, Hungary 1996, Korea 1996, Poland 1996, and the Slovak Republic 2000. Data were included in the analysis for these countries from the onset of their availability through the year 2000. For the variables tax on trade and subsidies, the dates of initial reporting are: Czech Republic 1992, Slovak Republic 1993, Germany 1999, Hungary 1972, and Poland 1984.

Table 1. Summary Statistics for Variables Used in Per Capita GDP Regressions.

Variable	Mean	Std. Dev.	Min.	Max.
Per Capita GDP (\$/person) ¹	15,866.31	5,776.77	3,033.92	37,916.75
Population (1,000) ²	34,238	50,670	209	275,423
Trade Openness (%) ³	65.55	38.55	10.70	233.53
Civil Liberties (1-7) ⁴	1.73	1.19	1	6
Political Rights (1-7) ⁴	1.49	1.10	1	7
Status on Freedom (1-3) ⁵	1.13	0.37	1	3
Tax on Trade (%) ⁶	3.45	4.66	0	29.11
Import Duties (%) ⁷	3.68	5.02	0	31.14
Subsidies (%) ⁸	53.87	15.60	0	76.18

¹Real GDP per capita is a Laspeyeres index, obtained by summing consumption, investment, government and exports, and subtracting imports. The yearly data are obtained by extrapolating the 1996 values in international dollars from the Geary aggregation using national growth rates (Penn World Table, 2004).

²Penn World Table, 2004.

³Trade Openness is the value of exports plus imports divided by GDP. The export and import figures are in national currencies, obtained from the World Bank and United Nations data archives (Penn World Table, 2004).

⁴Freedom House measures national political rights and civil liberties in an annual survey, where each nation is given a score for each category. A score of 1 corresponds to the greatest freedom, and a score of 7 is the least freedom (Freedom House, 2001).

⁵Freedom House reports the aggregate status of freedom for each nation; the numerical scores for political rights and civil liberties are averaged and used to assign each country the status of "Free," "Partially Free," or "Not Free" (Freedom House, 2001).

⁶Taxes on international trade as a percentage of total revenue include duties, export duties, profits of export or import monopolies, exchange profits, and exchange taxes. Current revenues include all revenue from taxes and nonrepayable receipts (other than grants) from the sale of land, intangible assets, government stocks, or fixed capital assets, or from capital transfers from nongovernmental sources. It also includes fines, fees, recoveries, inheritance taxes, and nonrecurring levies on capital (World Bank, 2005).

⁷Import duties are all levies collected on goods at the point of entry. The levies may be imposed for revenues or protection purposes, and may be determined on a specific or *ad valorem* basis (World Bank, 2005).

⁸Subsidies and other current transfers as a percentage of total expenditure are all unrequited, nonrepayable transfers on current account to private and public enterprises (World Bank, 2005).

Table A1. Political Determinants of Per Capita GDP: 30 OECD Nations, 1970-2000.*

Dependent Variable: Natural Log of Per Capita GDP.

Dependent Variable Mean = 9.590 S.D. = 0.432

Variable	Model I	Model II	Model III	Model IV
Constant	9.748** (0.050)	9.511** (0.053)	9.856** (0.067)	9.752** (0.050)
Population	1.24e-06** (2.05e-07)	2.91e-05** (3.96e-07)	3.01e-06** (4.08e-07)	1.20e-06** (3.68e-07)
Openness	0.007** (0.0002)	0.001** (0.0003)	0.001** (0.0003)	0.008** (0.0002)
Civil Liberties	-0.233** (0.009)	—	—	-0.234** (0.009)
Political Rights	—	-0.192** (0.01)	—	—
Status of Freedom	—	—	-0.531** (0.032)	—
Tax on Inter- national Trade	-0.016** (0.002)	-0.018** (0.002)	-0.020** (0.002)	—
Import Duties	—	—	—	-0.015** (0.002)
Subsidies	0.003** (0.0007)	0.006** (0.0007)	0.005** (0.0007)	0.003* (0.0007)
Open/Pop	-6.30e-11 (1.40e-08)	-7.28e-8** (1.48e-08)	-7.48e-08** (1.53e-08)	2.36e.09 (1.39e-.08)
R ²	0.68	0.61	0.58	0.68

*Standard errors are in parentheses. The number of observations is equal to 719.

**Denotes statistical significance at the one percent level.

23.3%. Civil liberties (*Civil*) have a slightly stronger association to GDP per capita than political rights (*Pol*). The estimated coefficient for *Status* was -0.570; an increase in *Status* (a decrease on the Freedom House scale) by 1 unit would increase the per capita GDP by 57%. The marginal effect for the *Status* variable is larger than the political rights and civil liberties variables, due to the range of its scale (1-3), compared to that of the civil/political scale (1-7). The *Status* variable illustrates that overall democratization and GDP are positively correlated.

Results: Subsidies and Barriers to Trade

All four regression models indicated that population had a small, positive association with per capita GDP. Theory suggests that a larger labor force could have a larger earnings potential, since resources could be shifted out of less efficient industries with fewer transactions costs than in smaller nations, *ceteris paribus*. Counter to expectations, subsidies had a positive correlation with per capita GDP, a result that violates the notion that government intervention causes market distortions and thus lowers potential per capita GDP. Reverse causality could explain this result: countries with a high standard of living may be better able to afford to subsidize industries.⁵ Intuitively, low-income countries are less able to afford direct subsidies. However, once a nation has a relatively high standard of living, it could devote money to protecting domestic industries at the expense of efficiency. It is likely that higher levels of per capita GDP occur in spite of higher subsidy levels, rather than because of them. Further research is needed to investigate the potential direction of causality from high per capita income to higher levels of subsidies.

The results of taxes on international trade and import duties as

⁵Additional regression trials for a sample of 10 low-income Asian nations demonstrated that subsidies had a negative impact on per capita GDP. This result is in line with the idea that high-income nations can afford to subsidize industry, causing the estimated positive relationship between subsidies and the level of national income. Restated, government grows with the standard of living.

Table 2. Political Determinants of Per Capita GDP: 30 OECD Nations, 1970-2000.*

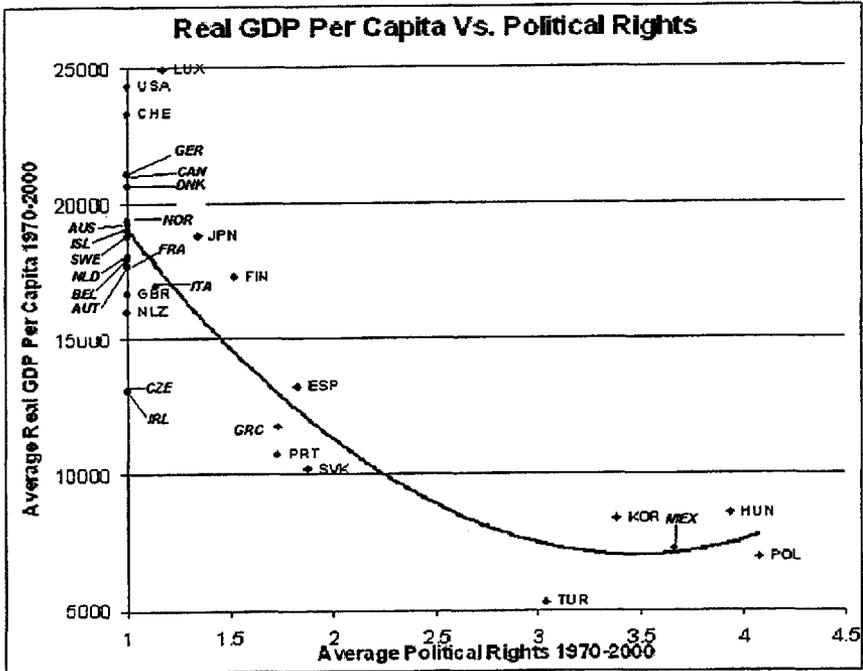
Dependent Variable: Natural Log of Per Capita GDP.
 Dependent Variable Mean = 9.590 S.D. = 0.432

Variable	Model I	Model II	Model III	Model IV
Constant	9.748** (0.050)	9.494** (0.054)	9.865** (0.068)	9.752** (0.050)
Population	1.24e-06**	-1.32e-06**	1.38e-06**	1.25e-06**
Openness	0.001**	0.001**	0.001**	0.001**
Civil Liberties	-0.233**	—	—	-0.233**
Political Rights	—	0.205** (0.01)	—	—
Status of Freedom	—	—	-0.570** (0.031)	—
Tax on International Trade	-0.016** (0.002)	-0.016** (0.002)	-0.002** (0.002)	—
Import Duties	—	—	—	-0.015**
Subsidies	0.004** (0.0006)	0.006** (0.0007)	0.006** (0.0008)	0.004** (0.0007)
R ²	0.68	0.59	0.57	0.68

*Standard errors are in parentheses. The number of observations is equal to 719.

**Denotes statistical significance at the one percent level.

Figure 1. Political Rights and Real GDP Per Capita: 1970-2000¹



¹A score of 1 corresponds to the countries enjoying greatest freedom and a score of 7 to countries with the least freedom (Freedom House, 2001).

a percentage of total revenue are more in line with our *a priori* expectations. Unlike subsidies, taxation and import duties do not require financial outlays. Therefore, a low-income country is not constrained by existing revenue to initiate a tax or import barrier. As reported in table 2, the estimated coefficient for tax on international trade equals -0.016, significant at the one percent level. If a nation distorts international trade via taxation, it is likely to experience lower levels of per capita GDP, providing some empirical evidence that liberalization of trade can enhance economic growth.

This evidence is reinforced by the marginal effects of direct trade barriers such as protectionist import duties. Model IV results demonstrate a negative relationship between per capita GDP and import duties, with a statistically significant estimated coefficient equal to -0.015. These findings are parallel with previous trade literature such as Bhagwati and Panagariya (2003) and Grossman and Helpman (1995) that suggests that liberalizing trade accelerates economic growth.

Results: Openness

The results of the degree of openness to trade (Penn World Table, 2004) confirm the earlier findings that trade liberalization contributes to an increase in per capita GDP. The estimated coefficients are statistically significant. This reaffirms that protectionist policies such as tariffs, taxes on trade, and closing an economy to trade were associated with lower levels of per capita GDP. The results presented here of the effects of openness on per capita GDP are consistent with Romalis, 2005; Panagariya, 2004; Acemoglu, et al., 2002; and Sachs and Warner, 1995. Trade openness is associated with an increase in the level of per capita GDP, reinforcing Friedman's claim that economic freedoms, in the form of free markets, and political freedoms, in the form of civil liberties and democracy, are necessary conditions for high levels of per capita income.

National Analysis

The regression results represent aggregate, cross-sectional

OECD data. These results can be illuminated by the experiences of several nations. Portugal is an example of a country that has improved both political and civil rights, with simultaneous economic growth. The correlation coefficient between Portuguese GDP and civil liberties is -0.86 : as civil liberties go up (a decrease in the Freedom House scale), GDP goes down. The correlation coefficient for political rights and GDP in Portugal is also significant at -0.61 . Poland's political and civil rights were once repressed but now flourish, concurrent with increased GDP per capita. Data from 10 years prior and 10 years after the break-up of the Soviet Union mirror the aggregate model results, where increased political/civil rights are associated with higher levels of per capita GDP. The average per capita GDP in Poland for the 10 years 1980 to 1989 was 11% less (\$6,589) than the 10 years 1990 to 2000 (\$7,263). This can be attributed to the increased political and civil rights going from an oppressive 10-year average (1980-1989) of 5.6 and 4.7 respectively, to a more free 1.7 and 2.0, respectively.⁶ These results do not contradict those of Barro (1996), who estimated a nonlinear relationship between democracy and growth may exist, in which more democracy enhances growth at low levels of political freedom, but depresses growth when a moderate level of political freedom has been obtained. This paper does not attempt to address "when" but rather "if" the two are connected. Barro (1996) stated that free markets and property rights can contribute to a nation's welfare.

⁶The five-year average per capita GDP in Turkey fell from \$4,668.93 (1975-79) to \$4,556.53 (1980-84). Simultaneous with this decrease in the standard of living was a decrease in political rights and civil liberties. On a scale of 1 (greatest freedom) to 7 (least freedom), political rights declined from a score of 2 in 1975-79 to 3.8 in 1980-84, and civil liberties from a score of 3 in 1975-79 to 5 in 1980-84. Improvement in average per capita GDP, political rights, and civil liberties occurred between the two five-year periods 1980-84 and 1985-89—per capita increased 5300.47, political rights solidified from 3.8 to 2.4, and civil liberties improved from 5 to 4.2.

Conclusion

This research examined whether economic freedom, in the form of free markets, and political freedoms, in the form of civil liberties and democracy, were associated with the level of per capita income in a cross-section of 30 nations during the 1970-2000. Openness to international trade was used as an indicator of economic freedom. Greater openness to trade and fewer trade restrictions were correlated with per capita GDP at a statistically significant level. Despite the accepted notion that subsidies are an inefficient economic tool, the regression results demonstrated a positive relationship between subsidies and per capita GDP. This result is likely a reflection of countries with high standards of living subsidizing inefficient domestic industries: government grows with the standard of living. Restated, a low-income country is less likely to subsidize industries through direct payments due to budget constraints, whereas a high-income country that is not affected by those constraints can subsidize domestic industries. Both political rights and civil liberties were shown to have a positive, statistically significant relationship with per capita GDP. These results suggest that more democratic societies tend to have higher levels of per capita GDP. These empirical results support Friedman's 1962 claim in *Capitalism and Freedom* that economic freedom and political freedom are prerequisites for a nation's prosperity.

References

- Acemoglu, D., S. Johnson, and J. Robinson. 2002. "The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth." Mimeo, MIT, Nov. 25, 2002.
- Baba, S. A. 1997. "Democracies and Inefficiency." *Economics and Politics* 9: 99-114.

Barro, Robert J. 1996. "Democracy and Growth." *Journal of Economic Growth* 1, 1 March: 1-27.

Bhagwati, J., and A. Panagariya. 2003. "Bilateral Trade Agreements Are A Sham." *The Financial Times*. July 14.

Ben-David, D. 1993. "Equalizing Exchange: Trade Liberalization and Income Convergence." *Quarterly Journal of Economics*, 108, 653-79.

Bolaky, Bineswaree, and Caroline Freund. 2004. "Trade, Regulations, and Growth." World Bank Policy Research Working Paper No. 3255, March 24, 2004.

Djankov, S., and P. Murrell. 2002. "Enterprise Restructuring in Transition: A Quantitative Survey." *Journal of Economic Literature*, Vol. 40 (3) 739-792.

Dollar, D. 1992. "Outward-Oriented Developing Countries Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976-1985." *Economic Development and Cultural Change*, 40 (3), April: 523-544.

Dollar, D., and A. Kraay. 2001a. "Trade, Growth, and Poverty." *Finance and Development*, 38, 16-19.

Dollar, D., and A. Kraay. 2001b. "Growth is Good for the Poor." Policy Research Working Paper 2587, World Bank, Washington, DC.

Duncan, Ron, and Doan Quang. 2004. "Trade Liberalization, Economic Growth and Poverty Reduction Strategies." Working Paper, The Australian National University.

Frankel, J., and P. Romer. 1999. "Does Trade Cause Growth?" *American Economic Review* 89 (3) June: 379-99.

Freedom House. 2001. *Freedom in the World: The Annual Survey of Political Rights and Civil Liberties, 2003-2004*. New York: Freedom House.

Freedom House. 2004. *Freedom in the World: The Annual Survey of Political Rights and Civil Liberties, 2003-2004*. New York: Freedom House.

Friedman, Milton. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press.

Gastil, Raymond D. 1978. *Freedom in the World: Political Rights and Civil Liberties*. New York: Freedom House.

Goldsmith, Arthur A. 1995. "Democracy, Property Rights and Economic Growth." *The Journal of Development Studies* 32, 2 December: 157-174.

Grossman, G. M., and E. Helpman. 1995. "The Politics of Free-Trade Agreements." *American Economic Review* 85, 667-690.

Gwartney, James, and Robert Lawson. 1997. *Economic Freedom of the World: 1997 Report*. Vancouver: Fraser Institute.

Gwartney, J., R. Lawson and W. Block. 1995. *Economic Freedom in the World 1975-1995*. Vancouver: Fraser Institute.

Leblang, David A. 1996. "Property Rights, Democracy and Economic Growth." *Political Research Quarterly* 49, 1 March:5-26.

North, D., and R. Thomas. 1973. *The Rise of the Western World: A New Economic History*. New York: Cambridge University Press.

Organization for Economic Co-operation and Development OECD Website, "OECD convention membership." <http://www.oecd.org/>

Panagariya, Arvind. 2004. "Miracles and Debacles: In Defense of Trade Openness." *World Economy*. 278:1149-1171.

Penn World Table. 2004. Center for International Comparisons CIC, University of Pennsylvania.

Przeworski, Adam, and Fernando Limongi. 1993. "Political Regimes and Economic Growth." *Journal of Economic Perspectives* 7, 3 Summer: 51-69.

Przeworski, Adam, and Fernando Limongi. 1997. "Modernization Theories and Facts." *World Politics* 49 January: 155-183.

Rodrick, D. 2000. "Institutions for High-Quality Growth: What They Are and How to Acquire Them." NBER Working Paper no. 7540.

Romalis, John. 2005. "Market Access, Openness and Growth." Working Paper University of Chicago, Graduate School of Business, and NBER. January.

Sachs, J.D., and A.M. Warner. 1995. "Economic Reform and the Process of Global Integration." *Brookings Papers on Economic Activity*, 1-95.

Scully, Gerald W. 1988. "The Institutional Framework and Economic Development." *Journal of Political Economy* 96, 3 June: 652-662.

Scully, Gerald W. 1992. *Constitutional Environments and Economic Growth*. Princeton, N.J.: Princeton University Press.

Vega-Gordillo, Manuel, and José L. Álvarez-Arce. 2003. "Growth and Freedom: A Causality Study." *Cato Journal* 23:2, Fall:199-215.

Wacziarg, R., and J. Wallack. 2004. "Trade Liberalization and Intersectoral Labor Movements." *Journal of International Economics*. 64:411-439.

Wittman, D. 1989. "Why Democracies Produce Efficient Results." *Journal of Political Economy* 97: 1395-1424.

Wittman, D. 1995. *The Myth of Democratic Failure: Why Political Institutions Are Efficient*. Chicago: University of Chicago Press.

World Bank 2005. World Development Indicators Online. <https://publications.worldbank.org/WDI>.