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Generally, the more freedom a country has the higher the GDP per capita is. Countries should promote and establish free regimes in order to have the best economic output. In this research, political and economic freedom play a big part of why "freer" countries have more success.



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INTERNATIONAL POLITICAL ECONOMY: HOW DOES FREEDOM CORRELATE WITH ECONOMIC SUCCESS?

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# International Political Economy: How Does Freedom Correlate with Economic Success?

# Abstract

It is thought by many that the size of a nation's economy determines the amount and kind of services that any individual in that nation can access. This paper explores how freedom affects a country's economic success in terms of GDP per capita. The conclusions are that the amount of freedom a country has, as determined by Freedom house measures, does have an effect on Gross Domestic Product per Capita.

Generally, the more freedom a country has the higher the GDP per capita is. Countries should promote and establish free regimes in order to have the best economic output. In this research, political and economic freedom play a big part of why "freer" countries have more success.

# Introduction

The research effort will examine both theoretical aspects associated with political economy, the role of the state and economic policy, and how that affects the economic success of a country. Another way of stating it is how a country's sovereignty affects their economy. Traditional economic theory points out that the more freedom given the more economic success is inclined. An example is free trade (Jevons, pg. 4). Political Economy as defined in the Theory of Political Economy. The original term was used for studying production, buying, and labor, and their relations with law, custom, and government, as well as with the distribution of national income and wealth (Jevons, pg. 5).

Over time, political economy refers to how the policies and laws as well the government structure correlates with economy. How those aspects increase or decrease the countries' economies. The way of measuring economic success in this paper is through Gross Domestic Product per capita (GDP per capita). The per capita GDP is especially useful because it compares one country to another as it shows the relative economic performance of the countries.

A rise in per capita GDP signals growth in the economy and tends to translate as an increase in productivity (www.investopedia.com). The GDP per capita is a measure of the total output of a country that takes the gross domestic product (GDP) and divides it by the number of people in the country. For a better understanding the equation is below. (http://useconomy.about.com):

$$\frac{\text{GDP} = C + I + G + (X\text{-}M)}{\text{The population of people}}$$

In the equation, "C" and "I" are consumption and investment in this equation, which are expenditures on final goods and services from the country. "X-M" are the exports-minus-imports part of the equation, often called net exports. This adjusts the equation by subtracting the part of this expenditure not produced domestically (the imports), and adding back in domestic area (the exports). The "G" stands for government spending. This alone is the overall GDP of a country but when divided by the population of the people it is GDP per capita.

After defining the terms of economic success, it is important to define the measure at which a country is considered free. I chose to use Freedom House determination of political and civil measures to decide whether a country is free or not.

Freedom House is a U.S.-based non-governmental organization (NGO) that conducts research and advocacy on democracy, political freedom and human rights (Freedom House.Org) Freedom House was founded in October 1941, and Wendell Willkie and Eleanor Roosevelt served as its first honorary chairpersons. It describes itself as a "clear voice for democracy and freedom around the world" (Freedom House.Org).

The organization has an annual Freedom portion in the World report, which assesses each country's degree of political freedoms and civil liberties. It is frequently cited by political scientists, journalists, and policy-makers. Freedom of the Press and Freedom of the internet, which monitor censorship, intimidation and violence against journalists, and public access to information, are among its other signature reports (Freedom House.Org).

Freedom House is a respected resource in the political science field. Freedom House is a nonprofit organization. Headquartered in Washington, D.C., it has field offices in about a dozen countries, outside of the U.S. including Ukraine, Hungary, and much more.

Freedom House is a broad organization, so the main data used from in this research is the annual "The Freedom in the World Report." Freedom in the World is a yearly survey and report by U.S.-based Freedom House that attempts to measure the degree of democracy and political freedom in every nation and significant disputed territories around the world.

The report produces annual scores representing the levels of political rights and civil liberties in each state and territory, on a scale from 1 (most free) to 7 (least free) (Freedom House.Org). Depending on the ratings, the nations are then classified as "Free", "Partly Free", or "Not Free". The report is often used by researchers in order to measure democracy and correlates highly with several other measures of democracy such as the Polity data series. The way of scoring the countries based off of the following structure. A state must have satisfied the following criteria (Freedom House Org):

1. A competitive, multiparty political system;

2. Universal adult suffrage for all citizens (with exceptions for restrictions that states may legitimately place on citizens as sanctions for criminal offenses);

3. Regularly contested elections conducted in conditions of ballot secrecy, reasonable ballot security, and the absence of massive voter fraud that yields results that are unrepresentative of the public will; and

4. Significant public access of major political parties to the electorate through the media and through generally open political campaigning.

My results suggest that a country's freedom probably contributes to economic prosperity. However, the more control the political system has the weaker the economy becomes. These results in the paper suggest that freedom may be important for economic growth.

# Explanation

Economic success and growth is very important in today's society. Economic Growth is often seen as the 'holy grail' of economic policy. This simplistic emphasis on economic growth is that it basically improves living standards. Economic success reduces poverty. Growth doesn't directly reduce poverty. But, without economic growth it is very difficult to make any meaningful and sustained reduction in poverty. That in turn means growth is especially important in developing economies.

Economic success also reduces unemployment. A stagnant economy leads to higher rates of unemployment and the consequent social misery. A growing economy generally means people can get more jobs or better job to improve themselves.

Growth helps with budget deficits. For example, the Great Recession has led a corresponding rise in budget deficit. Economic growth is essential to improve governments budget deficits and decrease the chance of a recession occurring.

Lastly, it advances people's living Standards. If managed correctly, economic growth enables an increase in resources for important public services like education and health care.

Another key point about this is that economic growth enables an increase in social spending without a corresponding increase in tax rates. From readings above, economic success is very important to the people and the citizens because without it people wouldn't live the same way. Which is why it is important to distinguish what affect the economy and in what way, such as freedom.

Political scientists have studied the modernization theory that emphasizes the positive relationship between economic development and the freedom of a country. Modernization theory emerged in the 1950s as an explanation of how the economic societies of North America and Western Europe developed (www.utwente.nl).

The theory argues that societies develop in fairly predictable stages though which they become increasingly complex and successful. Development depends primarily on the importation of technology as well as a number of other political and social changes believed to come about as a result. These include such things as freedom and the rights given to the their people (www.utwente.nl).

In other words, the theory states that economic development will increase or not depending on the type of regime in a country. Since the late-1980s, the wave of democratization and increase in freedom has spread across the world.

For example, in South Korea and Taiwan ordinary people who reaped benefits from economic growth, hindered the attempt of authoritarian leaders to perpetuate their monopoly on power (Dongsuk, 2004, pg. 1). On the other hand, China and Malaysia had dictatorial rulers who led economic development but have succeeded in retaining power by withholding the political rights of ordinary people (Dongsuk, 2004, pg. 4). In addition, other scholars have argued that authoritarian leaders have succeeded in maintaining their power by forging an alliance with business elites and high-ranking military officers.

In Asia, where culture says people's obedience is emphasized to a higher authority and where political rights have been sacrificed, such as China and Singapore, seem to never have freedom but yet have economic success (Dongsuk, 2004, pg. 3). This situation makes the modernization theory questionable. But my research encourages and reestablishes the political scientists' belief that the direct relationship between economic development and freedom correlate with each other.

# Literature Review

The concerns motivating the types of governance and economic productivity have a distinctive intellectual heritage. Broadly speaking, analysis of the operation of bureaucracies and their freedom level and economic efficiency dates back to Max Weber (plato.stanford.edu). Maximilian Weber was a German sociologist, philosopher, and political economist who profoundly influenced social theory, social research, and the discipline of sociology itself. Weber is often cited among some of the best political scientists, such as Émile Durkheim and Karl Marx. He is frequently referred to as the "Father" of the disciplines of public administration and sociology. The early analysis was largely theoretical and not analytical.

The connection between economic development and freedom, a crucial component of the regimes, has been an analytical topic in the more recent years. Similarly, though research on freedom and economic success goes back generations, as can be seen in the work of Weber and his contemporaries. It is only more recently that scholars have begun to ask methodical questions relating the incentives of government to outcomes in developing countries.

In the 1950s, the common wisdom in policy and academic circles characterized the key obstacle to development as capital, so that economic growth and success depended on the transfer of capital to capital-starved poor countries (Keefer, 2004 pg. 2). By the 1980s development thinking had shifted to concern with the governmental policies of developing country governments, typically trade barriers, state ownership of industry, human rights of the citizens and loose management of the macro-economy. These two approaches might be seen as the external and the internal theories of the cause of growth in economies.

Experience and research then showed that reasonable economic policies were possibly a necessary but certainly not a sufficient condition for economic growth and development. The work of North (1981, 1990) was particularly important in setting the intellectual stage for this new focus, which this paper seeks to investigate (www.hoover.org). Douglass Cecil North was an American economist known for his work in economic history. He won the Memorial Prize in Economic Sciences. The main idea of his research includes but is not limited to renewed research in economic history by applying economic theory and quantitative methods in order to explain economic and government institutional change (www.hoover.org). Dr. North systematically linked country characteristics such as the security of property rights directly to the economic prosperity of nations.

The correlation between economic success and a country's freedom has been researched extensively by the United Nations and other international organizations. Direct comparisons between economic indicators and freedom ratings are the fundamental bases of investigation under this theory. By comparing GDP per capita, this research is literally taking a look at how the average citizen in that country is living and ways to improve that standard of living. Understanding that freedom is possibly an element of realizing economic success could lead to promoting freedom across the world. Also, another interesting thing to consider is to what extent freedom affects the economy. By covering the steps of pervious research similar to this topic, this paper intends to more deeply explore the linkage between economic success and governmental freedom.

The idea of promoting freedom is based on the possibility that freedom is an aspect of conducting economic success. If this is so we should promote freedom across the world. Also, what we should consider is to what extent freedom affects the economy. By covering the steps of pervious research similar to this topic, this paper is able to go more in-depth about economic success and governmental freedom.

The main term to look at more in-depth is political freedom. Political freedom is the liberty to exercise one's rights as guaranteed under the laws of the country. Some examples would include elections and freedom of speech within media sources. Economic freedom is the second important term to define. Economic Freedom is choosing how to produce and use your own resources, while respecting others. Economic freedom gives the market personal choice and voluntary exchange.

The literature confirms that the relationship of freedom and political economy has been extensively discussed. An important article entitled "Economic Freedom, Culture, and Growth" examined how cultures as well as some aspects of government are related to economic success (Williamson, 2009, pg. 1). Williamson discusses culture and economic freedom, and how both independently play a role in economic development. The strength of their impact can only be better understood when both are included in the economic growth regression. It is beyond the scope of this current work to include the cultural part of the equation. It will concentrate on the two types of freedom gotten from Freedom House.

The concept and cornerstones of economic freedom are (1) personal choice, (2) voluntary exchange coordinated by markets, (3) freedom to enter and compete in markets, and (4) protection of persons and their property from aggression by others (Williamson, 2009).

Economic freedom is present when individuals are permitted to choose for themselves and engage in voluntary transactions as long as they do not harm the person or property of others. While individuals have a right to their own time, talents, and resources, they do not have a right to those of others. Thus, individuals do not have a right to take things from others or demand that others provide things for them.

The use of violence, theft, fraud, and physical invasions are not permissible in an economically free society, but otherwise, individuals are free to choose, trade, and cooperate with others, and compete as they see fit. It has been found that the impact of culture is greatly diminished, while economic freedom continues to have a significant impact on the economy (Williamson, 2009 pg. 3). The findings of the paper suggest that economic freedom is more important than culture for growth and economic outcomes.

Philip Keefer's article "A review of the political economy of governance" basically explains the progress made in understanding the effects of different dimensions of governance freedom on economic development, and what leads a country to have "good governance." Since the term "governance" has been used to embrace concepts that are heterogeneous with respect to their effects on economic development it is important to realize the impact that the performance of governance has on the economy. The exact definition of governance is not specified in the article but mention the focus of governance includes these elements economic development to secure property rights, voice and accountability, and the performance of the bureaucracy (Keefer, 2004, pg. 2). Developing policy responses to "bad governance" will depend on separately examining these six various elements – the security of property rights, the quality of bureaucratic performance, corruption, violence and accountability. Keefer mentions in the article that the government is measured on its governance by numerous different variables such the government lack of response to citizens' complaints, political stability (how long the government has been in the country), and rule of law (if the people are actually abiding the laws) (Keefer, 2004, pg. 7).

"Democracy Vs. Dictatorship, Comparing the evolution of economic growth under two different regimes" is research to really compare and contrast examples (Schiffbauer, 2010). The article explains how a democratic society is often regarded as a essential for economic growth and development. Yet, most empirical studies are not capable of identifying a positive link between GDP growth and freedom indexes.

In addition, it is an empirical fact that most developing countries are dictatorships. Also many poor dictatorships have experienced high growth performances and emerged from poverty, such as South Korea, China and Egypt. Against this background, it is of interest to analyze in which ways the growth performance between autocratic and democratic economies may differ, in particular among low-income countries.

The reading compares the growth paths of the economies that differ only in their political regimes (Schiffbauer, 2010, pg. 1). The key finding is that having more freedom was a positive indicator of the form of investments in education or productive public capital (infrastructure. A higher marginal (inter-temporal) utility of consumption today versus consumption tomorrow in low-income countries (for example, subsistence level of consumption) was also found.

In the framework, they demonstrated that poor but large and stable dictatorships exhibit a higher equilibrium growth rate than comparable (equally poor) democracies. Moreover, there still exists a particular threshold value in income such that the growth-reducing impact of dictatorial consumption (corruption) outweighs the higher (initial) public investments.

An alternative hypnosis that was found is to what level is economic development affecting political freedom? How do foreign investments affect the political economy of a country? Is the more democratic a country is mean more investment the country will receive?

According to Stephen Knack (2000, pg. 251), foreign aid potentially can contribute to democratization in several ways: (1) through technical assistance focusing on electoral processes, the strengthening of legislatures and judiciaries as checks on executive power, and the promotion of civil society organizations, including a free press; (2) through conditionality; and (3) by improving education and increasing per capita incomes, which research shows are conducive to democratization (Stephen Knack, 2000, pg. 251).

Many foreign aid donors include the promotion of democratic government as a major goal of their foreign aid programs. For example, the U.S. Agency for International Development (USAID) alone spends millions annually on democracy-related programs, including elections support, the strengthening of parliaments, judiciaries and political parties, and fostering the growth and power of ''civil society organizations'' such as labor unions and women's and human rights groups.

Even when awarded for other purposes, aid can promote democracy indirectly by ''modernizing'' societies. Literacy and increased incomes are key aspects of modernization often believed to increase the demand for democratic government (Stephen Knack, 2000, pg. 252).

Much aid, of course, is intended to improve economic growth, and many aid programs are targeted at improving literacy and access to education. If aid promotes democracy, then countries with higher aid levels should exhibit improving ratings on the democracy indexes (rated by Freedom House) over time if other things equal. Therefore more foreign aid a country will receive, the more likely chance that the economy is stable.

The article Democracy and Economic Growth: A Meta-Analysis by Hristos Doucouliagos and Mehmet Ali challenges the consensus of an inconclusive relationship with a meta-analytic review and a quantitative assessment of the democracy-growth literature. The article applies meta-regression analysis to the population of 470 estimates derived from 81 papers on the democracy-growth association.

The results are consistent with democracies being associated with higher human capital accumulation, lower inflation, lower political instability and higher economic freedom. Political Freedom is measured by surveys conducted in different countries. The article breaks down freedom in numerous different ways such as: 1. freedom to join and form organizations, 2. freedom of expression, 3. right to vote, 4. eligibility for public office, 5. right of political leaders to compete for support and votes, 6. alternative sources of information, 7. free and fair elections, and 8. Government policies depend on votes and other expressions of preference (Hristos Doucouliagos, 2008, pg. 7). This is similar to the Freedom House approach.

Additionally, there is some evidence that democracies are associated with larger governments and more restrictions on international trade. The results also point to the existence of country- specific and region-specific democracy-growth effects. In particular the reported evidence shows that growth effect of democracy is higher in Latin America and lower in Asia.

The paper concluded that whatever other effects democracy may have on society, its net effect on the economy is not detrimental.

The relationship between political democracy and economic growth has been a center of debate in the past fifty years. A corpus of cross-country research has shown that the theoretical divide on the impact of democratic versus authoritarian regimes on growth is matched by ambiguous empirical results, resulting in a consensus of an inconclusive relationship (Hristos Doucouliagos, 2008). Supporters of democracy argue that the motivations of citizens to work and invest, the effective allocation of resources in the marketplace, and profit maximizing private activity can all be maintained in a climate of liberty, free-flowing information and secured control of property (Hristos Doucouliagos, 2008).

Democracies can limit state intervention in the economy, are responsive to public's demands on areas such as education, justice and health, and encourage stable and long run growth (Hristos Doucouliagos, 2008). The proponents of democracy argue that most of the assumptions of the conflict view can be refuted with good reasons. Implementation of the rule of law, contract enforcement and protection property rights do not necessarily imply economic success or progress.

But the latter could have a tendency to confiscate assets if it can expect a brief tenure. Or even in the long run, for more corrupt and extravagant use of resources, internally inconsistent policies, and short-lived and volatile economic turn out. The motivation of citizens for work and investing, the effective allocation of resources in the marketplace, and profit maximizing private activity can be maintained with higher political rights and civil liberties.

In addition, Doucouliagos argues that democracies rarely engage in military conflict with each other, and this promotes world peace and economic growth. They are also more likely to provide less volatile economic performance. The article also talks about the other side of democracy. For instance, there is an argument that democracies lend themselves to popular demands for immediate consumption at the expense of profitable investments, cannot be insulated from the interests of rent-seekers, and cannot mobilize resources swiftly.

Democracies are said also to be prone to conflicts due to social, ethnic, and class struggles. He notes other authors favor authoritarian regimes to suppress conflicts, resist sectional interests and to take coercive measures necessary for rapid growth, and they are skeptical on whether regimes, rather than markets and institutions, matter for growth (Hristos Doucouliagos, 2008).

The article "Political freedom, economic freedom, and income convergence: Do stages of economic development matter?" by Zhenhui Xu and Haizheng Li has many different elements of the total research in political economy. Economic growth and income convergence are among the most extensively studied subjects in the growth literature. Early research was typically built on the neoclassical growth model and focused on the economic determinants of growth.

The contributions by Nobel Laureate Douglass North (1990) led to a plethora of research that introduced institutional elements as additional determinants of growth. The article found that countries with a unified society and stronger institutions of conflict management grew faster than countries with a divided society and weak institutions of conflict management.

Among various non-economic determinants of economic growth and income convergence, the roles of economic freedom and political freedom comprise one of the most studied topics in the literature (Zhenhui Xu , 2008). Xu argued that democratic political systems would promote economic growth better than authoritarian regimes because a democratic political system permits active and voluntary citizens' participation and thus creates conditions conducive to growth.

In this paper, they tested the hypothesis that the effects of political freedom on promoting economic growth are realized and detectable at later stages of social and economic development when sound political and economic institutions are in place. When developing countries first begin their long journeys to democracy, improvements in political freedom are typically marginal (Zhenhui Xu , 2008). The lack of sound economic and political institutions in a majority of developing countries makes them vulnerable to shocks and crises and can often be a source of economic and political instability in those countries. Under such circumstances, more political freedom may make it harder for the governments in developing countries to make tough but necessary decisions such as effective governances and unpopular reforms.

On the other hand, the countries with healthy social and economic institutions can handle negative shocks better. As such, the contribution of political freedom to social and economic development will be realized and detected. Only a handful of the countries suffered declines in their per capita real GDPs. They include Chad, the Democratic Republic of Congo, Ghana, Guinea-Bissau, Haiti, Madagascar, Nicaragua, Sierra Leone, Togo, and Zambia. From the data in the article, countries with higher degrees of economic and political freedom experienced larger increases in per capita real GDP (Zhenhui Xu , 2008, pg. 186).

The measure used for economic success and living standards is per capita real income. This is the same for this overall research paper as stated in the introduction. Economics with rising per capita real incomes have a greater capacity to provide a better quality of the economy and a higher standard of living. As the standard of living rises, so do other quantitative and qualitative indicators, such as increased life expectancies, decreased illiteracy rates, and declined infant mortality rates (Zhenhui Xu , 2008, pg. 195).

The important question thus involves the factors that contribute to such convergence. Specifically, we want to know how social and political determinants, like economic freedom and political freedom, as well as other important economic determinants, such as investment and employment, affect the process of income convergence (Zhenhui Xu , 2008, pg. 5).

The data in the article for economic freedom were collected from the Fraser Institute's Economic Freedom of the World: 2005 Annual Report by Gwartney and Lawson. The Fraser Institute has been monitoring economic freedom around the world and publishes an index of economic freedom for every economy in the world on a five-year basis (Zhenhui Xu , 2008, pg. 180).

The index of economic freedom is constructed according to the survey of a broad range of critical economic variables such as the size of government, legal structure and security of property rights, access to sound money, freedom to exchange with foreigners, and regulation of credit, labor, and business. The highest possible rating of economic freedom for any economy is 10, and a higher rating means more economic freedom.

The Political freedom are collected from Freedom in the World Country Ratings 2005 compiled by the Freedom House (Zhenhui Xu , 2008, pg. 189). The Freedom House has been watching political freedom around the world and monitors political freedom in each country on an annual basis using two criteria. Political rights and civil liberties, the range of the ratings for each criterion is from one to seven, and lower ratings mean more political freedom as stated in the introduction. From reading this article, there was a lot in common in the methodology section including the Freedom House data.

Generally the articles mentioned had to two different sections of their reading. There seems to be a theoretical portion and a statistical portion of the reading. Theories seemed to generate from Marxism. Marxism is an economic and sociopolitical worldview and method of socioeconomic inquiry based upon a materialist interpretation of historical development, a dialectical view of social change, and an analysis of class-relations within society and their application in the analysis and critique of the development of capitalism (Nisbet).

Marxism seems to fit the relationship between social views and economic view and put them together in a sort of way. When researching the statistical data a lot of the source was from the World Bank. The World Bank is an international financial institution that provides loans to developing countries for capital programs. The World Bank's official goal is the reduction of poverty. According to the World Bank's Articles of Agreement, all of its decisions must be guided by a commitment to promote foreign investment, international trade, and facilitate capital investment (McLellan, 2003).

The literature review overall seem to concur with the research in this paper. Freedom seems to have some sort of positive impact on GDP per Capita. With the addition of a linear regression we are able to take a more in-depth look at how freedom affects the economy of a country. The reason for using linear regression was to see how freedom affect different countries in detail as explained in the methodology.

# Methodology

My research methodology requires gathering relevant data from the specified documents and compiling databases. I will analyze the material and arrive at a more complete understanding the relation between a country's freedom and economic success. Statistical Package for the Social Sciences (SPSS) will be used. The potential relationship will be examined first by using Crosstabs then tested with simple regression. I hope to shed light on the following question through my research: how does the combination of political and economic freedom affect the GDP per capita of countries? For example, China has a high GDP overall yet their freedom level is low according to Freedom House whereas, the United States also has high GDP and a very high level of freedom. This leads to the question what role does freedom play in a country's economic success?

This project will utilize quantitative methodological tools, but is rooted in a qualitative epistemological position. That position recognizes the importance of locating the research within a particular social and economic context. It also seriously examines the social economic construction of these contexts and the identities participants that construct within them. The GDP per Capita data comes from the World Bank as an Excel file and will be input into SPSS.

The GDP per Capita information was from the World Bank is an international financial institution that provides loans to developing countries for capital programs. The World Bank's official goal is the reduction of poverty. According to the World Bank's Articles of Agreement (as amended effective 16 February 1989), all of its decisions must be guided by a commitment to promote foreign investment, international trade, and facilitate capital investment.

The World Bank collects and processes large amounts of data and generates them such as the analysis of GDP per Capita and basic economic models. These data and models have gradually been made available to the public, which encourages further analysis. It is freely accessible under the Creative Commons Attribution License and it is from here that I generated the GDP Per Capita numbers.

The GDP Per Capita is from the World Bank and the World Bank supplies loans to countries internationally. In order to supply such a thing the World Bank must know the financial condition of the country to know whether or not to hand out loans. The long respected Freedom

House is a non-profit organization, whose work and has been cited in textbooks and across the world. Both of these resources are great tools that are used in this paper.

The "Freedom Data" is from the Freedom House Organization. Freedom House annually surveys, collates, and analyses data in order to rate freedom levels in a country. It annually publishes the results in the "The Freedom in the World Report" which determines a country's rating based upon the levels of political rights and civil liberties in each state and territory, using a rating from 1 (most free) to 7 (least free) (www.freedomhouse.com, 3/18/14). Depending on the ratings, nations are classified as "Free", "Partly Free", or "Not Free".

"The ratings process is based on a checklist of 10 political rights questions and 15 civil liberties questions. The political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). Scores are awarded to each of these questions on a scale of 0 to 4, where a score of 0 represents the smallest degree and 4 the greatest degree of rights or liberties present."

I used crosstabs to ensure that there was a relationship between freedom and GDP per capita in order to run a linear regression.

I used the underlying scores which can be combined to create continuous, interval level variables for political and economic freed in a combined scale. When tested the seven underlying freedom variables returned a Cronbach's Alpha of .982. Therefore I added them to create a Total Freedom Scale of range.

SPSS is a software package used for statistical analysis. The function I will use is bivariate linear regression. It provides a basic picture of the interrelation between two variables and can help find interactions between them. Regression analysis is a statistical process for estimating the relationships between continuous variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (in this case freedom and GDP per Capita).

While examining the plotted data, I found that the original relationship of freedom and economic success for the total database of countries was shaped like an S-curve, which skewed the results enormously. So in order to balance out the data, I decided to take out the top 25 countries in GDP per Capita because at the top of the S-curve both freedom and GDP per capita are so high that freedom really didn't show much of a relationship on the economy. There is not much room for improving the economy by adding freedom when a country is very near the top of the scale in freedom. Most of the effect comes at the lower and middle parts of the scale.

I also took out the 10 countries labeled as "single-resource" country because no matter what type of freedom the country had the economic success was so heavily based on one natural resource the country traded. These changes allowed the research to be focused on the middle range countries and showed significant results (www.washingtonpost.com, 3/18/14). The list is below:

(1) Mongolia

(2) Sierra Leone

(3) Turkmenistan

(4) Bhutan

(5) Libya

(6) Iraq

(7) Laos

(8) Timor-Leste

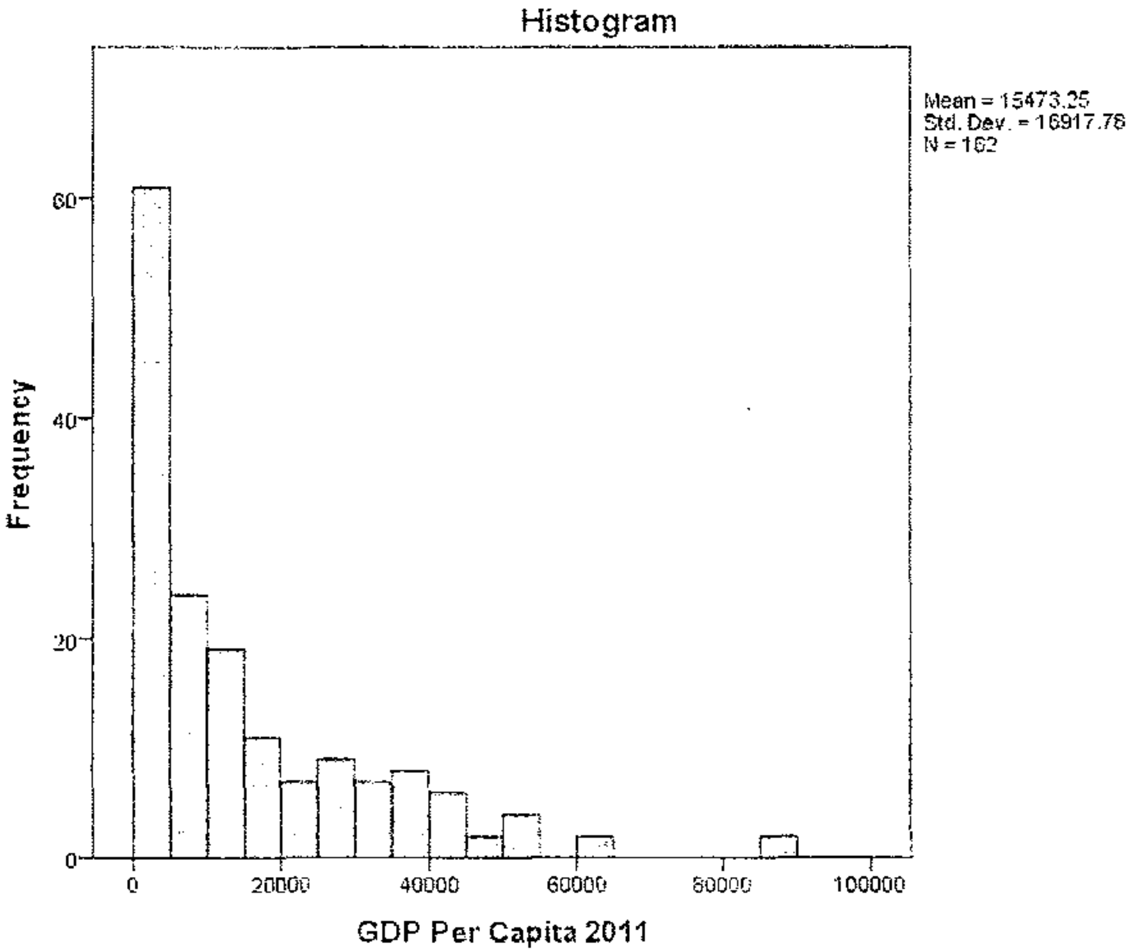
(9) Eritrea

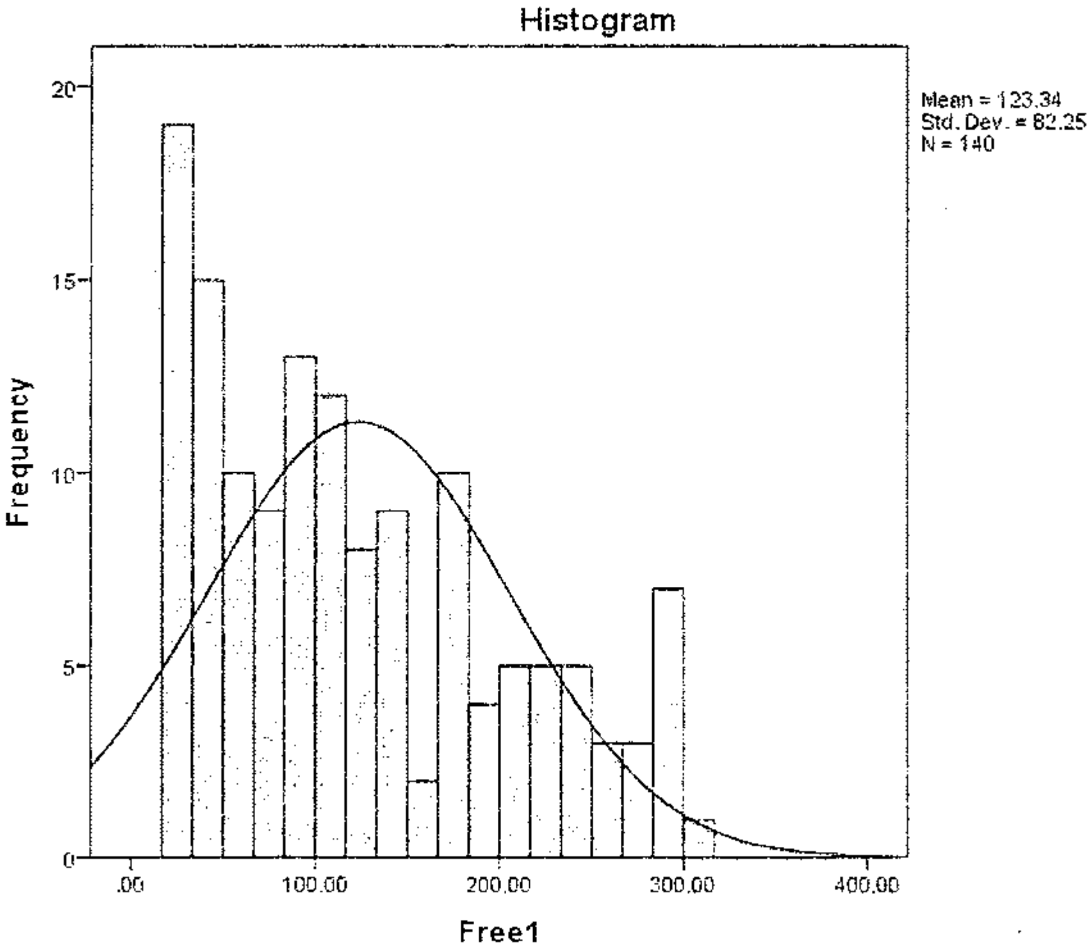
(10) Zambia

In conclusion this research compares the ratings for 144 countries from Freedom House with the GDP Per Capita from the World Bank and is computed using SPSS in order to examine the bivariate regression results.

# Results and Discussion

The results were very tricky in the fact that it was hard to show the best data outcome. So in order to fully show what I did during the research I did three different methods of the results. Looking at the histograms below will serve as a reference.


Histogram
Mean = 15473.25
Std. Dev. = 16917.78
N = 162
Frequency
0
20
40
60
0
20000
40000
60000
80000
100000
GDP Per Capita 2011




Looking at the graphs above there was really no clear way to divide the data into three categories. I initially wanted to divide the GDP Per Capita into three groups the low-income, middle-income and compare the high-income countries with their freedom levels. The outstanding large amounts of first data make it hard to just to split different groups. The both histogram graphs show a big skew to the right. Therefore in crosstabs I analyzed the data using the median, the mean and finally by dividing into the 1/3 percentile. The GDP per Capita is from 2011 in American currency. The frequency represents the number of countries at different GDP per Capita amounts. Chi- Squared and Cramer's V are cross tab indicators to see how closely two variables are. It explains how likely are you to see high GDP in a free country or a low-income country with low levels of freedom.

Using the median for dividing the data into low and high resulted in an analysis based on the economically successful and unsuccessful. For all countries, the value of the GDP Per Capita was $8,973.50. Countries above the median were considered "high income GDP" and those below as "low income GDP". I then compared the country's GDP ranking with its freedom level ranking also divided at the median into low and high freedom.

Chi-Square was used to and the results of that analysis confirm that a relationship does exist between freedom and GDP Per Capita. The Chi-Square during the crosstabs was .000 showing strong significance, which gave me the go-ahead to start linear regression using SPSS. The Cramers'V of .484 shows a moderately strong relationship between freedom ranking and GDP per capita. Therefor the bivariate regression is expected to yield results of interest.

Analysis of the crosstab tables found that, GDP Per Capita and level of freedom are very closely related. For example 56 out of 162 countries were found to be both high-income GDP's and free countries, The Approximate Significance is less than .05, which means we reject the null hypothesis, indicating that there could be a relationship between the variables. Cramer's V solidifies the relationship, with the .484 indicating a strong relationship as it's around .500. The analysis based on dividing countries into high and low halves supports the relationship between GDP and level of freedom.

A second crosstab analysis measured by dividing the sample at the mean and it showed very similar results. The final analysis examined the data by splitting it into thirds by cases, refining economic success into 3 GDP Per Capita income levels: high, middle, and low. Again, the results were highly similar.

Next I did regression analysis. I took all the countries that did not have at least the minimum freedom score and gave them a minimum score on the assumption that Freedom House could not receive the data from those countries. While the relationship is still mildly curvilinear, it is close enough to linear to be useful in explaining the linkage. The results are below:

**Coefficients**[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1515.800 | 1008.401 | | 1.503 | .135 |
| | Free1 | 44.373 | 6.810 | .485 | 6.516 | .000 |

This means that for every point of freedom on the 300-point scale of freedom, a country will gain $44 in GDP per capita. R2 is .235, nearly ¼ of the change in GDP can be explained by the change in overall freedom. For countries with low GDP per capita, such as Somalia with 4 additional points of freedom, the country could potentially double their GDP per capita. The equation for the regression is GDP = 0 + 44.37(X), as X represents the amount of freedom available.

Given that the Cronbach's Alpha showed a very large amount of similarity among the variables used to build the Freedom Scale, it is reasonable to treat it as an interval level variable. This means that any increase of a single unit should be the equivalent of any other unit. Given that, any increase in freedom should lead to a corresponding increase in Gross Domestic Product per capita.

For an example, Somalia, a very repressive country has a GDP per capita of $150. According to this research if Somalia was to gain four additional points of freedom then Somalia could double its GDP per capita. More repressive counties can increase their GDP by small amounts of freedom.

While freedom has been recognized as potentially important for economic growth, a comprehensive study examining the detailed relative effects were not in this research. The paper is one attempt to start ideas and more research towards the topic.

While this regression does not separate out exactly which single steps on the various individual scales that were combined to create the total scale are of most impact on the economy, the relationship is robust enough to support the idea that any increase in freedom is good for the overall economy. There many different areas within freedom where a country could improve such as political freedom or economic freedom. But there also could be different impacts on GDP per capita as well. This paper does not decipher that but it is an interesting concept.

The results indicate that freedom is relatively important for growth for GDP per capita and the overall economy, though do not dismiss the economic growth of non-free countries. But I do suggest that using a simple linear regression over a series of multiple years in individual counrries is a good subject for future research and will give better results.

One possible explanation for this finding is that in free countries economic involvement is not forced, in a free country individuals rely on themselves and own improvement to make more money. In a not free country the government seems to hand their citizens' things and almost "babies" the citizens, thus making the people not reach for self-improvement, knowing that the government will give them resources anyway. However, there are countries that are partly free and not free that are economically successful in terms of GDP Per Capita. So a question arises from the results and that is to what extent does freedom affect a country's economy? What type of freedom will have the most impact on GDP per capita? I think in this research you have to get more in depth about what freedom is. In order to take the next step you must use a more comprehensive definition of freedom .

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