

# The Impact of Social Trust and System Support on Economic Freedom

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## **Abstract**

This paper explores how social trust and attitudes towards market institutions and innovation relate to economic freedom as measured by the Economic Freedom in the World Index (EFW). I find high interpersonal social trust is positively associated with higher levels of economic freedom, as are perceptions of greater respect towards individual rights. Countries where respondents expressed higher levels of political interest had higher levels of economic freedom, as did countries that did not see democracy as bad for the economy. Countries where respondents rated their system higher and expressed optimism about its future were associated with higher levels of economic freedom. However, other personal attitudes towards markets and innovation are not found to be correlated with political institutions that impact economic freedom. I argue that high interpersonal trust allows individuals to overcome collective action problems through social norms rather than authoritative coercion, thus leading to greater economic freedom.<sup>1</sup>

KEYWORDS: ATTITUDES, ECONOMIC FREEDOM, POLITICAL VALUES, WORLD VALUES SURVEY.

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## **Introduction**

This research explores how individual attitudes related to interpersonal social trust, economic policies, and innovation, as measured in the World Values Survey (WVS; Stonefish and Kwantes, 2014) relate to Gwartney et al's (1996, 2015) Economic Freedom in the World (EFW) index. I find higher interpersonal social trust as measured on a ten-point scale is associated with significant increases in economic freedom. In addition, countries where respondents valued leisure over work, expressed higher levels of political interest, did not believe that democracy was bad for

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the economy, rated their political system relatively highly and expressed greater optimism about its future were all associated with higher levels of economic freedom as measured by the EFW.

Acemoglu and Robinson (2012) averred that nations prosper (or not) on the basis of political and economic institutions. Social scientists have devoted increasing attention to the relationships between social trust and institutions since Putnam et al (1993). Putnam (2000, 19) follows Hanifan (1916) in defining social trust as a form of capital: “those tangible assets [which] count for most in the daily lives of people: goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit. Zak and Knack (2001) explored the relationship between trust and economic growth. One hypothesis derivable from this is that high trust nations display more openness to free exchange with strangers due to shared and mutually-understood informal norms. Therefore less central coercion and state intervention is required. If this is so then higher trust societies should promote economic freedom.

As Dalton and Shin (2006, 9) point out, “a liberalized economy facilitates new and innovative activities” and profess, following Sen, that a free, competitive market economy of individual initiative is built on the same premise of individual freedom and the rule of law: self-expression quite different from either command economics or sociopolitically corporatist state-directed markets based on political direction and public-private partnerships, which inevitably devolve into crony capitalism (Dalton and Shin, 2006, 1 – 9). However, regression tests conducted for this paper produced null findings in the relationship between the mean of individual attitudes and national EFW ratings on most of these issues in the countries surveyed.

Berggren and Jordahl (2006) found that economic freedom (EFW) contributed to higher levels of trust in a causal relationship. However, the data available to them asked respondents to rate trust on a binary variable. That way of asking about trust has the potential of creating a social

approval bias in the responses. Starting in Waves 5 and 6 the WVS has started asking respondents to rate trust on a ten-point scale, which allows them finer gradation in their responses, potentially minimizing social approval bias. I suggest this will change the results of tests. Following the hypothesis of McCloskey (2010), I also test the relationship between attitudes toward innovation and technological change and economic freedom. Finally, if the indices related to self-expression values measure what they purport to measure, including people's freedom to express their preferences and undertake activities without authoritative constraint across the board (in economic as well as social relations), then we should expect the self-expression values index to be associated with greater economic freedom. Economic freedom allows one to engage in self-expression autonomously from the political authority of others.

### **Data and Methods**

The primary dependent variable for this study is the Economic Freedom in the World Index (EFW) developed by Gwartney et al (1996), using data for the year 2013 from Gwartney et al (2014). The EFW index consists of 42 distinct measures divided into five broad areas: size of government, rule of law and property rights, sound money, freedom to trade internationally, and economic regulation. Updated annually, the index of Economic Freedom been used in over 400 research papers published in peer-reviewed journals. Prior research has found that economic freedom is causally associated with promoting economic growth, human development, higher living standards, lower infant mortality, greater life expectancy, happiness, political liberties and civil rights (Hall and Lawson, 2014 for an overview of this literature; also Lawson and Clark, 2010).<sup>2</sup> Countries with high levels of Economic Freedom are also associated with higher levels of

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<sup>2</sup> Only eight of the 198 papers that used the EFW as an independent variable in an empirical study had significant findings associated with normatively negative outcomes (Hall and Lawson, 2014, 8). Over two thirds found Economic Freedom to be causally associated with normatively positive outcomes (improved economic growth, living standards, happiness, and the like).

political freedom (Lawson and Clark, 2010), questioning the belief that the former can be subject to authoritative control without affecting people's ability to enjoy the latter.

Non-democratic states also face policy constraints stemming from broad social attitudes or preferences.<sup>3</sup> This paper adopts the congruence theory which posits that the relation between public values and institutions "functions in a long-term perspective" (Dalton and Shin, 2006, 10). In this case it does not necessarily matter what originally prompts the underlying values (i.e. if Confucian values lead to high interpersonal trust and interpersonal trust is associated with market exchange, then, in general, after controlling for other relevant factors,<sup>4</sup> we should expect more open economies develop in countries with high social trust).

Free exchange requires trust that exchange participants will uphold their end of the bargain. As Arrow (1972) wrote, "virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time." Since no contract can explicitly cover every contingency, this means that even in a legalistic environment exchange rests on tacit or implicit understandings between the parties. These norms are expected to be largely self-enforcing, as costs of litigating departures from the norms would reduce the value of engaging in the exchange (Zak and Knack, 2001). Therefore we can expect high-trust societies to have higher

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<sup>3</sup> Through their influence, a country's institutions, including but not limited to education systems, the press, and general media may even promote or disparage certain attitudes among the population. For the purpose of the present paper I do not inquire as to what causes some attitudes to flourish and grow and others to decline in influence. For one recent, short examination of this question, particularly in how it relates to changing ideas about economic policies, see Lopez and Leighton, 2012.

<sup>4</sup> This part is key and probably ought not have to be stated explicitly, but it is quite possible that a given underlying value system contributes to a variety of institutions, even countervailing ones. Thus if one adopts the perspective of Pye (1985, 61; 1999) it is possible that a value system contributes to political and social institutions that themselves are negatively associated with, say, market exchange, and thus *on net* a polity which adopts the platonic form of that value system as a whole will correlate with lower economic freedom. But this of course is why we do not just cross tabulate uncontrolled correlations: we control to isolate factors and identify which ones pull or push in which directions. If a country has high social trust but lacks rule of law due to embracing a political theory that fails to value free exchange by refusing to protect property rights, then naturally free exchange, and thus economic freedom will be extremely low and impoverished. On the other hand it will develop a highly technocratic civil service, probably justifying its hierarchical status by reference to scientific public policy.

levels of economic freedom and rely less on authoritative administrative decision-making on allocation.<sup>5</sup>

Key independent variables of interest (Appendix B) are all drawn from the World Values Survey's dataset. Years vary by country included in the study.<sup>6</sup> The ten-point interpersonal trust scale (A168a) was used as the main measure of trust (adopting interpersonal trust as a measure, following Inglehart and Welzel, 2005 and Shin and Dalton 2006),<sup>7</sup> on a range where ten is the highest level of trust and one the lowest.

McCloskey posits that development (what Inglehart and Welzel, 2005, describe as the human development sequence) requires first, foundationally, a re-valuation in attitudes and how ideas are expressed: attitudes towards bourgeois innovation, creative expression, and what is at first tolerated and then encouraged. It should follow then that societies with greater optimism about innovation and market institutions will be associated with higher levels of economic freedom. To explore this I performed regressions on over forty variables from the WVS that could plausibly be hypothesized as generating social pressure for greater economic freedom (see Table 1, below).

This paper follows the practice of Inglehart and Welzel (2005, 2006) in not disaggregating between developed and less-developed countries, if only to maintain the variation we are studying. Daulton (2014, 128) observes an “apparent trend . . . towards what might be termed *libertarian attitudes*” unfolding across the world. The WVS contains two index variables related to this trend which are often used by behavioral researchers: the “Autonomy Index” (Y003) and the “Post-

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<sup>5</sup> A counter-hypothesis would be that if a population cannot trust each other in exchanges, neither could they trust an authoritative/authoritarian administrator to benevolently allocate resources on their behalf: that is, to not engage in particularistic distribution. However such places clearly exist; c.f. Olson (1991, 1996, 2000) as people are often readily lead to believe that they cannot achieve the gains of cooperation without forced coordination. For an illustration of how they historically have, see Ostrom (1990) and Stringham (2002; 2003).

<sup>6</sup> This means waves employed in this research are 3, 4, and 5. Ideally all data would come from the same wave, but the WVS does not include all countries or questions in every wave. Tests on social trust all came from Wave 5, as it was the first wave in which the ten-point social trust scale was used.

<sup>7</sup> I explored the data for an alternative trust measure that better captured things but this was the best fit.

material Values” (or “Emancipative Values”) index (Y001). I thus test whether countries with higher levels on the Autonomy Index and Post-material Values index also have significantly greater EFW scores to see if those measures are associated with greater ability to engage in self-expression in economic individuality / entrepreneurship.

I use data from the WVS 5 and 6 to explore trust on a ten-point scale, covering 70 countries. These countries are the ones for which the 10-point Trust Scale question (A168a) was asked. They range in population from Cyprus, with just over one million people, to the most populous country in the world, China. National Per capita incomes (in purchasing power parity) ranged from \$1220 (Ethiopia) to \$62,860 (Norway). The sample is thus reasonably representative.

Both national and individual level controls are employed. Polity IV scores to control for regime type (supplemented Pemstein et al (2010, 2014) Unified Democracy Scores for robustness checks).<sup>8</sup> The Polity IV scores are transformed into a scale from -10 to 10. To control for level of development the log of purchasing power parity income per capita,<sup>9</sup> supplemented by life expectancy and urban percentage for robustness checks from the World Bank’s World Development Indicators are used. Robustness tests using the average of the respondent-reported scale of personal income (X047) substituting for PPP per capita are also included in the analysis. Finally, individual level controls used are: the average of respondent’s highest level of education attained (X025), respondent’s marital status (X007), and respondent age (X003). “Older” countries, and countries with different marital status profiles, may have different preferences and risk profiles.

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<sup>8</sup> There are many definitions of democracy (c.f. Lijphart, 2012) and thus a variety of indices to measure it. Stable or livable democracy, for example, might require as preconditions certain institutions or norms that are not necessarily exclusive to democracy nor required for its establishment (just for its maintenance) – thus research will tend to find that all well-established democratic polities tend to have certain elements (left vague here), and due to the zeitgeist of the age that tends to want to associate anything of positive nature with democracy and democratization in celebratory manner, decide then to incorporate them into their definition of democracy. This is not necessarily warranted, but beyond this caveat I will not explore this theme further at this time.

<sup>9</sup> The straight log of per capita income was also tested for robustness, but not found to affect the results significantly.

For example, countries with a larger share of older demographic cohorts or a large share of unmarried adults may have greater spending on social programs (see Lindbeck and Weibull, 1987). If this is the case such spending would affect their Size of Government (Component 1 in the EFW), and thus total EFW score.

The analysis clustered the data by country, producing an averaged result. For the time being, I did not attempt to conduct a time series analysis. Cross sectional data of 71 countries from the WVS and EFW were used in the core regressions that test the main hypothesis. (See list in Appendix A).

**Table 1: Summary of Variables with Null Findings**

<b><u>WVS Code</u></b>	<b><u>Description</u></b>	<b><u>N of Countries</u></b>
A005	Work Important	86
A029	Child Independence	87
A032	Child Responsibility	87
A034	Child Imagination	87
A042	Child Obedience	87
A170	Life Satisfaction	87
A173	Choice and Control Over Life	86
A189	Come up With a New Idea	71
A190	Be Rich	71
A191	Live Secure	71
A192	Have a Good Time	71
A193	Help People	61
A194	Be Successful	71
A195	Risk Accepting	71
A198	Tradition Important	71
C006	Financial Satisfaction	86
C059	Secretary Paid More	74
C060	How Business should be managed	61
E018	Respect for Authority	87
E025	Sign a Petition	84
E035	Income Inequality	87
E036	State vs Private Ownership	85
E037	Government Responsibility	87
E039	Competition Good/Harmful	85
E040	Hard Work Pays Off	82
E041	Wealth Accumulation	83
E046	New and Old Ideas	53
E064	Welfare vs Low Taxes	14
E121	Democracy's Squabble	59
E127	Free Markets	9
E217	Science & Tech making lives better	68
E218	Tech increase opportunity	68
E220	Technology/Science or Faith	68
E234	World better/worse off Science/Tech	69
F114	Claiming Government Benefits	86
F115	Avoid Transport Fare	85
F116	Cheat on Taxes	83
F117	Accept Bribe	87
F198	Fate vs. Control	48
Y001	Emancipatory Values	85
Y003	Autonomy Index	87



**Table 2: EFW and Trust Scale**

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>	<b>Model 6</b>
DV:	EFW 2013	EFW 2013	EFW 2013	EFW 2013	EFW 2013	EFW 2013
Trust Scale	0.253** (-2.84)	0.239* (-2.43)	0.255** (-2.78)	0.250** (-2.72)	0.252** (-2.66)	0.251* (-2.63)
Polity 2	0.016 (-1.19)	0.0115 (-0.81)	0.0156 (-1.08)	0.0155 (-1.12)	0.0151 (-1.01)	0.0154 (-1.02)
logPPP	0.290** (-3.21)		0.288** (-2.91)	0.282* (-2.16)	0.279* (-2.07)	0.264 (-1.83)
Pers Income		0.119 (-1.11)				
Highest Edu	0.0685 (-0.68)	0.178 (-1.77)	0.07 (-0.68)	0.0668 (-0.65)	0.0683 (-0.65)	0.0687 (-0.65)
Urban %				0.0458 (-0.09)	0.043 (-0.08)	-0.0111 (-0.02)
Age	0.0141 (-0.7)	0.0513** (-2.92)	0.0153 (-0.6)	0.0148 (-0.7)	0.0159 (-0.61)	0.0127 (-0.45)
Marital Status			0.0165 (-0.08)		0.0163 (-0.07)	0.0171 (-0.08)
Life Expect						0.00568 (-0.31)
Constant	1.726* (-2.31)	2.040* (-2.47)	1.648 (-1.3)	1.784* (-2.04)	1.705 (-1.23)	1.598 (-1.11)
N	71	71	71	70	70	70

t statistics in parentheses

\*p&lt;0.05, \*\*p&lt;0.01, \*\*\* p&lt;0.001

## **Results and Analysis**

Table 1 displays null findings variables from the WVS that measure economic and social beliefs that relate directly to attitudes that could generate political pressures that might affect economic freedom positively or negatively. Models to test the relationship used the same controls as in Models 1 – 6 (Table 2). All were found to be statistically insignificant at even the .10 level.<sup>10</sup> The number of countries available to test in the WVS sample (right-hand column) are high enough

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<sup>10</sup> Due to this, regression results for this test are not included in the paper.

to make regression analysis possible, with the exception of model 19, below. The variables range from attitudes with obvious direct connections to economic policy through questions with a more diffuse, generalized impact, such as attitudes towards authority, about corruption, and about change and innovation, and the level of choice and control over one's own destiny. All were found to have no statistically significant relationship with economic freedom as measured by the EFW. They lead to neither higher nor lower EFW scores. In two cases, attitudes towards welfare vs. low taxes, and attitudes towards free markets specifically, could be due to the small sample size. The indexes for autonomy and post-material/emancipatory values were not associated with freedom in the economic sense – vital to distinguishing emancipation and libertarianism from progressivism (what Lijphart, 2012, terms “consociationalism”). These results support the analysis of Duch and Strøm (2004) of one prominent empirical operationalization of a libertarian vs. authoritarian values scale. Duch and Strøm used data from the Eurobarometer, the WVS, and party manifestos to question the claim that the left is libertarian and the right authoritarian when properly measured.

Table 2, Models 1 – 6, are the main regressions on the WVS trust scale. Model 1 tests EFW against Social Trust using Polity IV scores, the log of national per capita purchasing power (PPP) income per capita, with the mean of respondent ages and highest levels of education as controls. Model 2 substitutes the mean of respondent's personal income for the log of PPP. Model 3 is a repeat of Model 1 but adding the national mean of marital status. Model 4 substitutes urban percentage for marital status to further control for level of development. Model 5 adds marital status back into the model, and Model 6 includes Life Expectancy. The control variables were not employed here as a test. This paper does not endeavor to enter the debate on the causal relationship between economic freedom and democratization.

Across all six tests a consistent and stable relationship was found between interpersonal social trust and economic freedom, with statistical significance at the .01 threshold for all models save for Model 2, which was significant at the .05 level. Substantive significance is illustrated in Figure 1, below. This relationship remained the case across several robustness tests (Table 3).

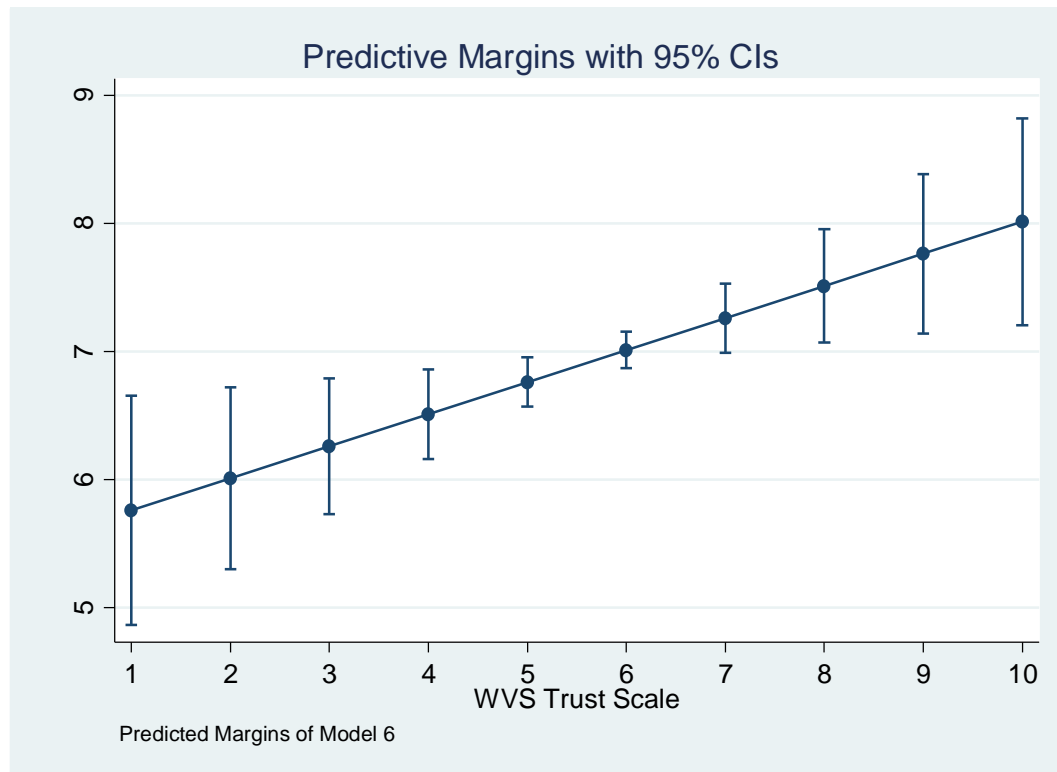


Figure 1: Marginal Effects of Social Trust Scale on Economic Freedom in Model 6. All other variables held constant.

Figure 1 shows the relationship between the WVS Trust Scale and national EFW score. A move from one standard deviation below the mean in Social Trust (4.96) to one standard deviation above the mean (6.56) is associated with a .4 gain in EFW. Put another way, changing from a mean national trust of 4 to a mean national trust of 8 would be associated with approximately 1 point gain in EFW. This may not seem like a lot, but recall that countries in the sample have EFW Scores ranging from 5.2 to 8.5, a gap of 3.3 points.

**Table 3: Robustness Tests**

	<b>Model 7</b>	<b>Model 8</b>	<b>Model 9</b>	<b>Model 10</b>
<b>DV:</b>	EFW 2013	EFW 2013	EFW 2013	EFW 2013
Trust	0.149 (-0.22)			
Trust Scale		0.227* (-2.43)	0.213* (-2.12)	0.249* (-2.08)
Polity IV	0.0121 (-0.69)			0.0186 (-1.14)
UDS 2012		0.188 (-1.62)	0.187 (-1.58)	
logPPP	0.245 (-1.44)	0.234 (-1.69)		0.178 (-1.11)
Personal Income			0.0654 (-0.61)	
Life Expect	0.0125 (-0.59)	0.00438 (-0.24)	0.0145 (-0.85)	0.00642 (-0.33)
Urban %	-0.588 (-0.91)	-0.0156 (-0.03)	0.42 (-0.86)	-0.0437 (-0.07)
Highest Edu	0.151 (-1.25)	0.0847 (-0.81)	0.125 (-1.2)	0.0677 (-0.63)
Marital	-0.0448 (-0.18)	-0.0383 (-0.17)	-0.00897 (-0.04)	-0.0211 (-0.09)
Age	0.0197 (-0.64)	0.00253 (-0.09)	0.0152 (-0.55)	0.0242 (-0.8)
Political Interest				0.11 (-0.34)
Ideology				0.00604 (-0.05)
Constant	2.595 (-1.64)	2.595 (-1.61)	2.805 (-1.71)	1.705 (-1.09)
N	86	70	70	66

t statistics in parentheses

\*p&lt;0.05, \*\*p&lt;0.01, \*\*\* p&lt;0.001

Table 3 shows the results of robustness tests. It replicates the findings of Berggren and Jordahl (2006) with respect to Trust as measured in a dichotomous variable. Trust as measured using a ten-point scale remains significant below the .05 threshold across a variety of alternative

specifications. In this table, “ideology” (E033 from WVS) is measured on a ten point scale where higher numbers correspond to being further to the right and lower to further to the ideological left. National ideology has distinct content by country and is unlikely to be determined by economic freedom or trust. It is thus a potential instrument to determine direction of causation. Dependent variables are EFW and the trust scale in alternating models. Models 15 and 16 employed only the Trust Scale from the older Wave 5 WVS. Across all tests, EFW and Trust Scale were statistically significant independent variables in relationship to each other. Ideology is uncorrelated to the dependent variable of Economic Freedom but does correlate statistically to Trust as a dependent variable. Higher ratings in ideology are thus found to be associated with higher levels of social trust, which are in turn associated with greater levels of economic freedom.

**Table 4: Trust, EFW, and Ideology**

	<b>Model 11</b>	<b>Model 12</b>	<b>Model 13</b>	<b>Model 14</b>	<b>Model 15</b>	<b>Model 16</b>
<b>DV:</b>	EFW 2013	Trust Scale	EFW 2013	Trust Scale	EFW 2013	Trust Scale Wave 5
Trust Scale	0.268* (-2.65)		0.265* (-2.49)			
EFW 2013		0.397* (-2.65)		0.372* (-2.49)		0.763** (-3.08)
Trust Scale Wave 5					0.252** (-3.08)	
Ideology	0.0197 (-0.17)	0.413** (-3.19)	0.0206 (-0.17)	0.451** (-3.45)	0.000693 (-0.01)	0.438* (-2.41)
Polity	0.0177 (-1.15)	-0.00292 (-0.15)	0.0174 (-1.1)	-0.00592 (-0.31)	0.0296 (-1.56)	-0.035 (-1.04)
logPPP	0.198 (-1.73)	-0.0287 (-0.20)	0.197 (-1.33)	-0.193 (-1.09)	0.0945 (-0.68)	-0.238 (-0.99)
Urban %			-0.00774 (-0.01)	0.912 (-1.48)	0.44 (-0.86)	0.582 (-0.65)
Highest Edu	0.0703 (-0.68)	0.147 (-1.17)	0.0686 (-0.65)	0.126 (-1.01)	-0.0184 (-0.17)	0.186 (-1.03)
Age	0.0277 (-1.02)	0.00783 (-0.24)	0.0283 (-1.01)	0.0184 (-0.55)	0.0267 (-0.94)	0.0285 (-0.57)
Marital	-0.0345 (-0.16)	-0.256 (-0.95)	-0.0319 (-0.14)	-0.261 (-0.98)	0.127 (-0.48)	-0.172 (-0.37)
Constant	1.919 (-1.39)	0.578 (-0.34)	1.928 (-1.33)	1.214 (-0.7)	2.835 (-1.72)	-1.593 (-0.54)

N 67 67 66 66 49 49

t statistics in parentheses

\*p<0.05, \*\*p<0.01, \*\*\* p<0.001

**Table 5: Other Variables of Interest**

	<b>Model 17</b>	<b>Model 18</b>	<b>Model 19</b>	<b>Model 20</b>	<b>Model 21</b>	<b>Model 22</b>	<b>Model 23</b>
	EFW 2013	EFW 2013	EFW 2013	EFW 2013	EFW 2013	EFW 2013	EFW 2013
Leis/Work	-0.482* (-2.12)						
Pol. Interest		0.585* (-2.21)					
Egal/Compet			-0.836* (-2.93)				
System Rate				0.259* (-2.61)			
Future System					0.317** (-2.78)		
Demo Bad Econ						1.329** (-2.86)	
Indiv Rights							0.476* (-2.21)
Polity	0.0269 (-1.21)	0.0209 (-1.24)	-0.0859** (-3.75)	0.0640* (-2.26)	0.107* (-2.62)	0.0386 (-1.81)	0.0196 (-1.12)
logPPP	0.118 (-0.78)	0.236* (-2.15)	0.387* (-3.12)	0.0396 (-0.23)	0.0517 (-0.26)	0.03 (-0.2)	0.133 (-1.15)
Highest Edu	0.0716 (-0.47)	0.112 (-0.98)	0.659** (-4.11)	0.206 (-1.32)	0.231 (-1.39)	0.248 (-1.8)	0.22 (-1.78)
Age	0.00788 (-0.19)	0.0194 (-0.69)	0.0556 (-1.36)	0.033 (-0.86)	0.0427 (-1.07)	0.0427 (-1.22)	0.032 (-1.11)
Marital	-0.195 (-0.58)	-0.0322 (-0.14)	1.110** (-3.64)	-0.432 (-1.13)	-0.22 (-0.55)	-0.334 (-1.06)	-0.0235 (-0.10)
Constant	7.272** (-2.75)	1.981 (-1.41_	-1.606 (-0.81)	3.756 (-1.84)	1.435 (-0.69)	0.736 (-0.38)	2.064 (-1.44)
N	61	87	14	52	45	59	81

t statistics in parentheses

\*p&lt;0.05, \*\*p&lt;0.01, \*\*\* p&lt;0.001

Table 5 shows additional results of interest. Countries where people value leisure over work relative to countries where the reverse is the case have higher EFW scores. Countries where respondents value egalitarianism vs. competition have a finding contrary to expectations: higher economic freedom in countries where respondents expressed a desire for greater egalitarianism, lower in countries where more competition is valued. However, this could be due to the low sample

size and may indicate nothing more than a need to ask the question in a greater variety of countries. A question asking respondents on a four point scale whether democracy was bad for the economy or not, where higher numbers indicated disagreement with the question was also tested. The regression results indicate that a one point increase in disagreement with the premise that democracy is bad for the economy was associated with a 1.3 point *increase* in EFW, at the .01 level of statistical significance. If respondents in 59 countries are correct, then democracy is not bad for economic freedom. Countries where respondents perceived individual rights as being respected, also measured on a four-point scale,<sup>11</sup> likewise had higher EFW scores. Surprisingly, though, with lower statistical and substantive significance than disagreement with the premise that democracy is bad for the economy. Finally, greater interest in politics and a high rating for the national political system were both associated with greater levels of EFW. Tellingly, countries where respondents expressed optimism about the future of their political system in ten years' time were associated with even greater statistical and substantive increases in EFW. See Appendix C for graphs on these findings and their marginal effects on EFW.

## **Conclusion and Further Research**

Few attitudes that one might expect to see translated into political policy seem directly associated with increased levels of economic freedom. These include attitudes related to preferring private ownership over state control, levels of risk acceptance or aversion, and attitudes on whether responsibility for people's station in life is largely government or personal and whether hard work pays off or not. Further, "post-material values" and the "autonomy index," found by scholars to translate into policy on other issues, are not associated with improvements in economic freedom.

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<sup>11</sup> The scale used in this study was reversed from that asked in the WVS, so that higher ratings equated with greater reported respect for individual rights.



The key positive findings are in social trust and engagement with national politics. Social capital is positively correlated with economic freedom. Engagement in this sense is being politically interested. It is not necessarily voting, and as noted above, activities such as signing a petition are statistically unrelated to economic freedom or, by that measure, its opposite (statist interventionism and policies that are counter to EFW's ratings).

Theoretically social trust could simultaneously generate strong informal norms conducive to flourishing voluntary interaction and exchange and *also* to joining together in political action (c.f. Lijphart, 2012) to cooperate “communally” as Putnam outlines (1993, 2000, 2007) to trust the state to take care of their wants and needs (see also Golden and Min, 2013). If this is the case then social trust, interpersonal social capital is a concept the impact of which is to a large degree dependent upon the meaning or implications various societies attribute to it. That is, how it translates into policy is a matter of ideological suasion, rather than being a deterministic outcome of the general concept.<sup>12</sup> However, in practice social trust tends to be associated with greater reliance on private cooperation than state coercion. This is also, possibly ironically to some, found to be tied not only to perceptions of greater respect for individual rights in the respondent's country but also to greater interest in and optimism about the national political system, both in the present and its future. Interestingly as well, given that the results show at best an unstable relationship between democracy and EFW scores once other factors are controlled for, countries where respondents reject the belief that democracy is bad for the economy show significantly greater levels of economic freedom. This may simply be because such countries *have* greater levels of EFW. However the other results on system support and political interest suggest that undermining

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<sup>12</sup> See Peterson (1999) and Haidt (2012).

this attitude could lead to decreases in EFW, as few other public attitudes that might restrain government intervention seem to have any impact on EFW.

These observations and correlations form a foundation for further exploration and understanding of WVS and FWD data. Further enrichment in question data along the lines of the recent WVS shift from a binary measure of social trust to a ten-point scale, and the availability of longitudinal may illuminate relationships between social trust and economic freedom. This may also allow for measures examining relationships between the directions of change in each. The WVS could introduce or re-ask questions that relate more directly to attitudes about free market exchanges. It may also be useful to dig deeper into the comparative differences various societies attach to the concept of social trust, when these understandings of the implications of social trust differ from one society to another, which may reveal different policy implications. The interesting puzzle of why attitudes supporting (or opposing) economic freedom across a range of questions are not found to be associated with either increased levels of economic freedom or its opposite is also worthy of in-depth exploration, particularly in light of the finding that respondents who are optimistic about their political system and do not think democracy is bad for the economy *are* found to be associated with higher levels of EFW. These findings suggest that the respondents, at least, do not *perceive* that there is a fundamental disconnect between public preferences and public policies. That is, their optimism on this score and its association with greater economic freedom runs counter to the conclusion that politics simply does not translate public preferences into policy.

## **Appendix A: Countries in Study Models 1-6**

Algeria	Mali
Argentina	Mexico
Armenia	Moldova
Australia	Morocco
Azerbaijan	Netherlands
Bahrain	Nigeria
Brazil	Norway
Bulgaria	Pakistan
Burkina Faso	Peru
Canada	Philippines
Chile	Poland
China	Qatar
Colombia	Romania
Cyprus	Russia
Ecuador	Rwanda
Egypt	Serbia
Estonia	Singapore
Ethiopia	Slovenia
Finland	South Africa
France	Spain
Georgia	Sweden
Germany	Switzerland
Ghana	Taiwan
Hungary	Thailand
India	Trinidad & Tob.
Indonesia	Tunisia
Iran	Turkey
Italy	Ukraine
Japan	United Kingdom
Jordan	United States
Kazakhstan	Uruguay
Korea, South	Vietnam
Kuwait	Yemen, Rep.
Kyrgyz Republic	Zambia
Lebanon	Zimbabwe
Malaysia	

## **Appendix B: Statistical Summary of Main Variables**

<b><u>Statistical Summary</u></b>							
Variable	Obs	Mean	Std. Dev.	Min	Max	WVS	Reversed
EFW 2013	153	6.857	0.811	3.2	9		
EFW 2013 in data	71	6.958	0.728	5.2	8.5		
Trust Scale	71	5.757	0.806	4.209	7.635	A168A	
Trust Scale Wave 5	50	5.718	0.949	3.795	7.823	A168A	
Trust	77	0.278	0.145	0.028	0.665	A165	
Polity IV	146	4.767	5.889	-10	10		
uds2012	148	0.408	0.860	-1.997	2.153		
logPPP	153	9.249	1.216	6.37	11.79		
Urban %	152	0.591	0.228	0.087	1		
Personal Income	89	4.701	0.800	2.247	6.514	X047	
Highest Education	88	4.646	0.753	3.296	6.29	X025	
Marital Status	89	2.711	0.404	1.785	3.864	X007	
Respondent Age	89	40.646	4.914	29.787	50.218	X003	
Life Expectancy	152	70.849	9.511	45.55	83.83		
Political Interest	89	2.385	0.300	1.636	3.1	E023	
Egal/Compet	14	3.213	0.423	2.249	3.93	E063	
System Rating	54	4.735	1.175	2.343	8.737	E111	
Future System	47	6.195	0.982	3.069	8.664	E113	
Demo. Bad Econ	61	2.746	0.213	2.251	3.173	E120	
Individual Rights	82	2.622	0.404	1.944	3.744	E124	Yes

## Appendix C: Graphs

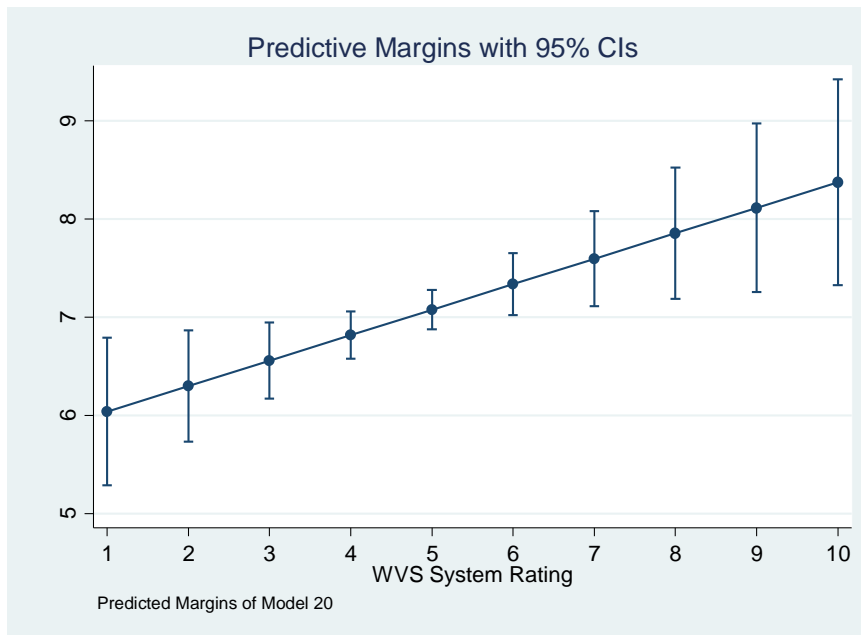


Figure 2: Marginal effects of respondent's rating of current national political system on EFW (Model 20). All other variables held constant.

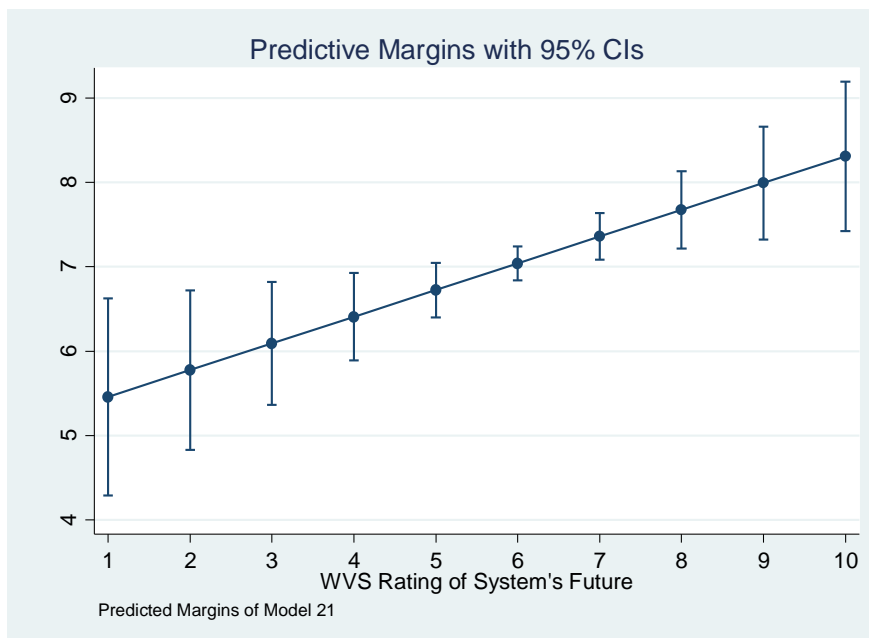


Figure 3: Marginal effects of respondent's rating of expectations of national political system in ten years on EFW (Model 21). All other variables held constant.

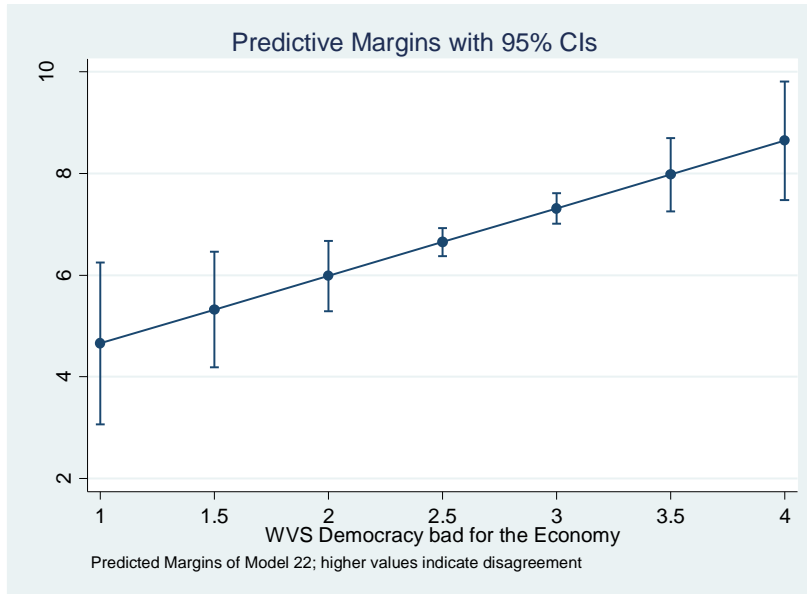


Figure 4: Marginal effects of respondent's response to the claim that democracy is bad for the economy on EFW (Model 22). All other variables held constant.

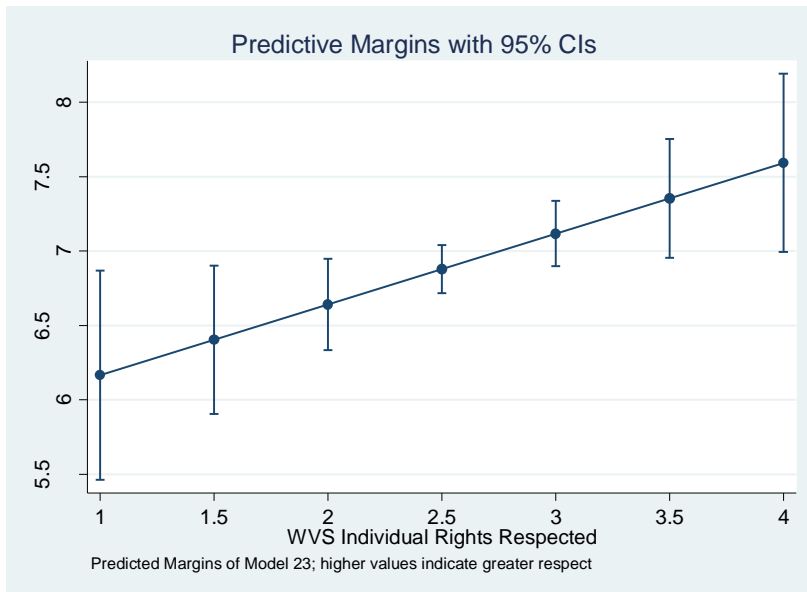


Figure 5: Marginal effects of responses to whether individual rights are respected in the respondent's country on EFW (Model 23). All other variables held constant.

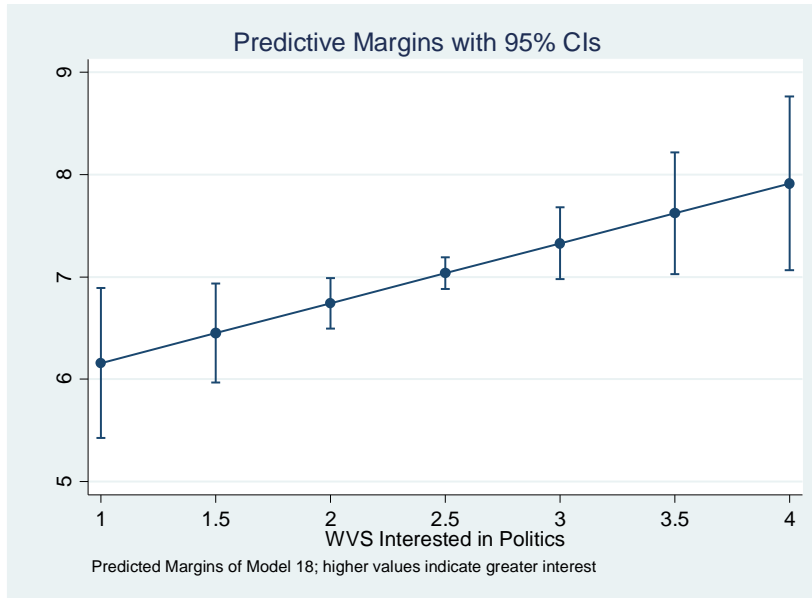


Figure 6: Marginal effects of respondent's level of political interest on EFW (Model 18). All other variables held constant.

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