You Get What You Vote For: Electoral Determinants of Economic Freedom

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Abstract: While several cross-sectional studies (La Porta et. al. 2002, Norton 2002) examine institutional and cultural determinants of economic freedom, changes in economic freedom remain unexamined. I find changes in voter preferences for economic freedom to be a significant determinant of changes in economic freedom in a panel of 25 OECD countries. The voter preference measure is robust to several alternative specifications, including the addition of institutional variables.

I. Introduction[1]

It is difficult to overstate the importance of economic freedom. The system of natural liberty arising from man's propensity to truck, barter and trade has been lauded since the days of Smith. Recently, indices produced by the Fraser Institute and the Heritage Institute have allowed for empirical testing of the consequences of economic freedom. The results are striking. Gwartney, Lawson and Holcombe (1999) find economic freedom increases economic growth, even after correcting for demographics and human and physical capital. Sturm and de Haan (2000a, 2001) find increases in economic freedom lead to increases in economic growth. Grubel (1998) finds strong correlations between economic freedom and per capita GDP, economic growth, employment, human development, life expectancy, literacy and abatement of poverty. De Soto (2000) finds that the underdevelopment of the third world can largely be ascribed to a lack of enforceable, tradable private property right – the absence of economic freedom. In addition to confirming some of the findings listed above, Dawson (1998) argues that economic freedom correlates strongly with other types of freedom. While the literature exploring the consequences of economic freedom continues to develop, it does not seem premature to conclude that economic freedom can be considered desirable on a variety of consequentialist dimensions, regardless of one's assessment of rights-based arguments concerning private property.

The literature exploring the determinants of economic freedom is far more nascent, however. De Haan and Sturm (2000b) argue that increases in measures of

democracy predict increases in economic freedom in developing countries. Heckelman (2000) finds that economic growth may precede the "government intervention" component of the Heritage Foundation's economic freedom index, but that, on the whole, economic freedom precedes growth. La Porta, López-de-Silanes, Pop-Eleeches and Shleifer (2002) find English forms of judicial independence and common law structures correlate with higher economic freedom. Norton (2002) finds that cultural variables, including religion, ethnicity and linguistic background, are important determinants of economic freedom. Specifically, he finds that the strength of a country's property rights is increasing in the proportion of people of Protestant faith, decreasing in the proportion of people of Islamic faith, and increasing in linguistic and ethnic homogeneity.

Determinants of changes in a country's level of economic freedom remain relatively unexplored, and completely unexplored for developed countries. De Haan and Sturm restrict their analysis to developing countries, while La Porta et al. and Norton use cross-sectional analysis in their work. This paper explores changes in economic freedom in the OECD as a function of an obvious, but heretofore neglected, variable; namely, changes in voter preferences for economic freedom. The exploration here is preliminary in nature, but nevertheless provides reasonably strong conclusions. Changes in voter preferences for economic freedom correlate strongly with changes in economic freedom in the developed world.

II. Data

This paper seeks to examine changes in levels of economic freedom over time in the developed world. While several measures of economic freedom are used in the literature, only the Fraser Institute economic freedom index (Gwartney and Lawson,

2001) provides time series data over a sufficient range of dates to make feasible an empirical examination of determinants of change over time.[2] Caudill et. al. (2000) use principal component analysis to find that the available measures of economic freedom track approximately equally well; as such, we here use the measure providing the longest time series. The Fraser Institute measure scores countries on several component measures that are aggregated to provide an index measure of economic freedom at five-year intervals beginning in 1970. The most recent dataset provides seven observations per country, and consequently six observations of changes in economic freedom. The Fraser Institute Economic Freedom Index is now fairly commonly used in the literature (see Ali (1997); Easton and Walker (1997), for example); its construction here will not be discussed in depth. In short, the index assigns countries a score ranging from 1 to 10, based on the burden of inflation, regulation, taxation, and impediments to currency exchange, with 10 representing the highest level of economic freedom. Meriting greater discussion is the measure of median voter preference.

Panel analysis of the effect of voter preferences on policy outcomes is made difficult by the lack of a measure of voter preferences that is comparable both across countries and over a time series. Survey data often provides reasonable cross-sectional measures of voter preferences, or good time-series within particular countries, but rarely constructs cross-national time series. The lack of good data is understandable – accumulating survey data is very costly, especially when attempting to ensure questions are worded in such a way that the answers will be comparable across different language communities.

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[2] The Heritage Institute measure provides annual observations, but beginning only in 1995.

To avoid these difficulties, this paper makes use of an alternate, and relatively unexplored, data source on voter preferences. Political parties issue policy manifestos or policy position papers in the lead-up to elections in most democracies. The Manifesto Research Group (Budge et. al, 2001) codes political party manifestos using a salience measure: the proportion of statements in each party manifesto corresponding to any one of fifty-six common issue dimensions. Given a limited amount of space in manifestos and a limited voter attention span, parties will place heaviest emphasis on those issues that they feel will resonate most strongly with voters.[3] The MRG dataset includes 25 democracies (see Appendix for full list) in the post-war period.

The above data provides a measure of relative party emphasis rather than of absolute party position. Parties placing the same emphasis on an issue, and consequently showing the same scoring in the Manifesto Research Group's measure, may nevertheless hold opposite positions on that issue. Proponents of salience coding argue that many issues are effectively unidirectional (Budge 1992, 1999); a political party that places little weight on environmental concerns, for example, will simply not spend much time discussing environmental issues rather than spending a great deal of effort explaining why we shouldn't care about the environment. And, referring to the list of issue categories in the appendix, the most obviously bipolar issues are accorded two categories in the data set: positive and negative.[4]

By grouping issue-categories together, a political party's positional stance can be extracted. Laver and Budge (1992, 1993) combine exploratory factor analysis and a

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[3] A full list of issue categories is included in the appendix.
[4] Laver and Garry (2000) suggest the use of an alternative coding mechanisms to determine relative party policy positioning. However, data has not yet been compiled using the new proposed position-based coding.

priori reasoning to determine issue categories that can be grouped to construct a net measure of right/left party position. The sum of pro-Right issue categories is subtracted from the sum of pro-Left issue categories.[5] So, a purely left-wing party manifesto will earn a score of 100 while a purely right-wing manifesto will earn a score of -100. Laver and Budge find that their measures track other measures of party right/left positioning in a range of countries. Kim and Fording (1998, 2001a, 2001b) extend this analysis. They find that manifesto-based party ideology scores correlate strongly with the "expert assessment" of party positioning developed by Castles and Mair (1984) and with Eurobarometer measures of popular assessments of party ideology. We have good reason to believe, then, that manifesto-based party ideology scoring provides a reasonable proxy for party ideology.

We can construct a reasonable proxy for median voter left-right policy preferences by simply combining electoral returns with party left-right policy position data under fairly reasonable assumptions. First, voters must be able to identify a left-right continuum and be able to place themselves on that continuum. Second, left-right ideology must be an important part of individual voting decisions. Third, the components of "right" and "left" ideologies must be consistent across countries. Kim and Fording (1998) show that these assumptions are consistent with the relevant literature.[6]

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[5] Kim and Fording (1998) follow a slightly different procedure from Laver and Budge (1992, 1993): they use the formula [(Left-Right) / (Left+Right)]. I follow Laver and Budge in using a difference measure; subsequent analysis will test both measures. Kim and Fording report that their measure correlates with the Laver-Budge measure at 0.95; I expect that results using the revised measure will not change greatly.

[6] Kim and Fording also assume sincere voting. They augment their measure to account for strategic voting and find that the augmented measure correlates with the original measure at 0.99; strategic voting should not greatly affect the median voter positions derived using their procedure.

Kim and Fording calculate the median voter position as follows: $M = L + \{(50-C)/F\}*W$.[7] The resulting measure of median voter left-right positioning, they argue, conforms to conventional wisdom about differences in ideology between parties and across time, and correlates with other measures used in the literature. They find that their measure of median voter ideology correlates strongly with other measures of mass ideology, including Eurobarometer scores and Stimson's (1991) measure of American policy mood. Stevenson (2001) uses the Kim and Fording measure, among other proxies for voter ideology, in work assessing shifts in popular ideology. He finds that analysis based on the Kim and Fording data provides results quite similar to that based on other measures of popular ideology.

The Kim and Fording measure provides a reasonable proxy for voter right-left preferences. I use this measure as the basis for my measure of voter support for economic freedom. I separate the right-left index into those components that a priori seem relevant to economic freedom and those that do not. Categories relevant to economic freedom include: free enterprise, incentives, protectionism: negative, economic orthodoxy, welfare state reduction, market regulation, economic planning, protectionism: positive, controlled economy, welfare state expansion, and nationalization. I construct a measure of net platform support for economic freedom by subtracting the percentage of anti-economic freedom statements from the percentage of pro-economic freedom

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[7] Where M = Median voter position; L = Lower end of the interval containing the median; C = Cumulative frequency (vote share) up to but not including the interval containing the median; F = Frequency in the interval containing the median; W = Width of the interval containing the median.

statements.   I then calculate median voter positions over the right-left index, the "economic freedom" right-left index, and the "non-economic" right left index.[8]

As noted earlier, the Economic Freedom Index (EFI) provides measures of economic freedom taken at five-year intervals. Average median voter positions[9] over the five years prior to an EFI measurement were constructed. While alternate weighting schemes were contemplated to discount voter preference measurements from the earlier parts of the five-year intervals, such efforts seemed likely to yield curve-fitting and unreliable results. Differences in political institutions across countries may lead to differences in the speed of policy response to changes in voter preferences. While varying lag structures would provide one means of correcting the problem, such measures would be rather *ad hoc*; controls for differing political institutions and country fixed effect estimation may provide a better solution. Average median voter position over the interval between EFI measurements seemed the most natural measure of voter preference as was retained for use in this analysis.

Since changes in economic freedom are the subject of this investigation, first differences in the EFI and average median voter positions were taken. First differences in voter positions are used because percentage changes prove problematic when scores

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[8] Please see the appendix for a full listing of issue categories. The delineation of economically relevant and non-relevant categories is slightly problematic. The "Economic Incentives" category is described as "Need for wage and tax policies to induce enterprise; encouragement to start enterprises; need for financial and other incentives such as subsidies." The measure was included on the pro-economic freedom side as it seemed most likely that the first two parts of the description would map into reduced business taxation and reduced labour market restrictions, and would outweigh the third, anti-market, component. The regression results in Table 2 were replicated using a measure of net pro-market statements that excluded the "Economic Incentives" category. Results proved robust to this change. Significance levels dropped slightly with the modified measure of voter preferences, as would be expected if omitting the category provided a worse proxy for voter preferences.

[9] Mean voter positions, simply being the sum of the vote share for each party multiplied by that party's net policy position [Mean voter position = Σ(vote share party i * position of party i)], were also constructed. In no regression did mean voter position provide a better predictor of policy outcomes than median voter position.

fall in the interval [-1, 1] too frequently: a change in median voter position from any number to 0.2, for example, is grossly inflated.[10] An integer year dummy variable was added to allow for a time trend.

III. Estimation and Regression Results

Table 1: Summary Statistics

Variable	N	Mean	Std. Dev.	Min	Max
Δ Freedom	146	0.190	0.682	-2.243	2.346
Initial Freedom	146	6.916	1.513	3.115	9.077
Initial Preference	146	-5.283	5.975	-22.220	4.858
Δ Freedom Preference	146	0.709	5.655	-14.602	19.4407
Initial Conservatism	146	-4.476	9.683	-39.585	10.080
Δ Conservatism	146	1.449	7.873	-26.413	48.462
Initial Right-Left	146	-9.683	12.308	-44.475	9.844
Δ Right-Left	146	2.197	10.960	-42.686	48.113

We seek to explain changes in economic freedom over time. As such, the first difference in economic freedom scores (*Δ Freedom*) is taken as the dependent variable. Summary statistics are provided in Table 1, above. The first series of regressions, reported in Table 2, below, conduct simple tests of the relationship between voter preferences and economic freedom. In Regression 1, Economic Freedom in 1970 (*Initial Freedom*) and a year variable are the only independent variables. Initial levels of economic freedom were included to account for convergence: highly-ranked countries have less "room to improve" than do more benighted regimes. In Regression 2, average median voter position over economic freedom in the five years prior to 1970 (*Initial Preference*) and first differences in average median voter positions (*Δ Freedom Preference*) are added to the right hand side of the equation. In Regression 3, average median voter preferences over non-economic components of the right-left index in 1970

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[10] Specifications using percentage changes were also run; results proved moderately robust to the changes: while coefficient signs did not change, significance levels dropped substantially.

(*Initial Conservatism*) and first differences in those preferences (*Δ Conservatism*) are added as explanatory variables. In each of these three, OLS regression with robust standard errors for clustering around countries was used.[11] Regression 4 uses country fixed effect estimation with each of the time-varying variables listed above. Regressions 5 and 6 replicate Regressions 2 and 4 but use the aggregate right-left measure of voter preferences (*Right-Left*) as explanatory variable rather than the disaggregated economic freedom and conservatism measures.

Table 2: Economic Freedom and Voter Preferences.
Dependent Variable: *Δ Freedom.*

	Reg 1	Reg 2	Reg 3	Reg 4	Reg 5	Reg 6
Initial Freedom	-0.127	-0.127	-0.118		-0.118	
	$7.3^{\dagger\dagger\dagger}$	$6.34^{\dagger\dagger\dagger}$	$8.43^{\dagger\dagger\dagger}$		$7.52^{\dagger\dagger\dagger}$	
Initial Preference		0.005	0.005			
		$2.00^{\dagger}$	1.65			
Δ Freedom Preference		0.025	0.022	0.023		
		$2.94^{\dagger\dagger\dagger}$	$2.67^{\dagger\dagger}$	$2.30^{\dagger\dagger}$		
Initial Conservatism			-0.002			
			0.85			
Δ Conservatism			0.013	0.013		
			1.47	$1.79^{\dagger}$		
Initial Right-Left					-0.000	
					0.30	
Δ Right-Left					0.012	0.013
					$2.15^{\dagger\dagger}$	$2.47^{\dagger\dagger}$
Year	0.025	0.025	0.025	0.025	0.026	0.025
	$4.84^{\dagger\dagger\dagger}$	$4.65^{\dagger\dagger\dagger}$	$4.78^{\dagger\dagger\dagger}$	$3.79^{\dagger\dagger\dagger}$	$4.91^{\dagger\dagger\dagger}$	$3.79^{\dagger\dagger\dagger}$
Constant	0.474	0.481	0.389	-0.438	0.370	-0.440
	$2.31^{\dagger\dagger}$	$2.18^{\dagger\dagger}$	$2.30^{\dagger\dagger}$	$2.64^{\dagger\dagger\dagger}$	$2.10^{\dagger\dagger}$	$2.62^{\dagger\dagger}$
N	146	146	146	146*	146	146*
R^2	0.179	0.2202	0.2429	0.1730**	0.2173	0.1477***
P>F	0	0	0	0	0	0.0001

* (25 groups, avg 5.8 obs/group, max 6, min 4) **(within = .1745, between = .0.2204) ***(within = 0.145, between = 0.316)
Note: coefficient estimates are followed by robust t statistics.
† denotes significance at the 10% level; †† denotes the 5% significance level; ††† denotes the 1% significance level.

[11] These specifications were also estimated by least absolute deviations and proved robust to the alternative estimation technique, though the time trend becomes insignificant using this method.

In all specifications, initial levels of economic freedom enter significantly and negatively. Countries that were freer in 1970 showed lower increases in economic freedom than lower-ranked countries; countries ranked highly in 1970 had little upward room to move. Stronger baseline preferences for economic freedom result in larger increases in economic freedom, though the measure is rarely statistically significant. Baseline *Conservatism*, however, does not significantly affect a country's economic freedom. Changes in *Conservatism* measure have some predictive power in fixed effects estimation of changes in economic freedom. The time trend proves positive and significant in all specifications; economic freedom increased overall in the sample of countries examined, for reasons not captured in the other independent variables.

Changes in preferences for economic freedom prove significant in all specifications. Evaluating at sample means[12], a standard deviation increase in median voter preference for economic freedom yields a 0.21 standard deviation increased change in economic freedom – the expected change in economic freedom rises from 0.19 to 0.33. Specifications using the disaggregated *Freedom Preference* measure have slightly more predictive power than specifications using the *Right-Left* measure.

It seems clear that changes in voter preferences lead to changes in economic freedom outcomes. I move on to examine whether these results are robust to the addition of the institutional variables suggested by La Porta et. al. (2002), who find supreme court tenure, administrative court tenure, power of administrative law judges over the executive, case law, constitutional rigidity, judicial review, federalism, and legal origin to be significant determinants of economic freedom in a cross-section of countries.

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[12] Using results from Specification 2

Table 3 Voter Preferences, Economic Freedom, and Legal Institutions.
Dependent Variable: Δ Freedom

	Initial Freedom	Initial Preference	Δ Freedom Preference	Institution	Institution * Δ Freedom Preference	N	R^2
No institution	-0.127	0.005	0.025				
	6.34†††	2.00†	2.94†††			146	0.220
German Legal Origin	-0.126	0.007	0.028	-0.052	-0.007		
	5.45†††	1.88†	2.17††	1.77†	0.54	140	0.223
Scandinavian Leg. Or.	-0.127	0.004	0.031	0.013	-0.018		
	5.55†††	0.97	3.59†††	0.38	1.06	140	0.227
English Legal Origin	-0.130	0.006	0.025	0.080	0.003		
	5.51†††	1.67	2.33††	1.72†	0.21	140	0.225
French Legal Origin	-0.130	0.005	0.020	-0.068	0.035		
	5.47†††	1.90†	2.48††	1.51	1.29	140	0.234
Supreme Court Tenure	-0.128	0.005	0.025	0.007			
	5.59†††	1.80	2.87†††	0.21		140	0.222
Administrative Court Tenure	-0.127	0.003	0.081	-0.016	-0.032		
	6.01†††	1.20	2.49††	0.24	1.87†‡	140	0.241
S.C. Control over A.C.	-0.139	0.005	0.026	0.082			
	5.63†††	1.72†	2.89†††	1.92†		140	0.224
A.C. power over Executive	-0.135	0.006	0.026	0.068			
	5.70†††	1.87†	2.90†††	1.78†		140	0.224
Case Law	-0.125	0.006	0.045	0.088	-0.024		
	5.75†††	1.98††	2.30††	2.65††	1.14‡	140	0.231
Constitutional Rigidity	-0.123	0.005	0.025	-0.023			
	5.14†††	1.67	2.87†††	0.76		140	0.222
Judiciary Review	-0.128	0.005	0.025	-0.006			
	5.60†††	1.76†	2.86†††	0.21		140	0.222
Federal System	-0.124	0.005	0.023	-0.026	0.010		
	4.48†††	1.62	2.12††	0.49	0.76	140	0.223

Notes: all specifications include the *Year* variable (not reported). Each row reports results from separate specifications where each institutional variable is tested in turn. Coefficient estimates are followed by robust t statistics.
† denotes significance at the 10% level; †† denotes the 5% significance level; ††† denotes the 1% significance level.
‡ denotes that the interaction term correlates with *Δ Freedom* at 0.70 or higher. The interaction term is not dropped in these two cases of high correlation as it does not unduly magnify the standard error of *Δ Freedom*.

Regression 2, reported in Table 2, was re-run sequentially adding each of the La Porta variables in turn. Where La Porta tests the effect of these institutions on levels of economic freedom in a cross-section of countries, I test the effects of these variables on changes in economic freedom.   Changes in median voter preferences translate into

changes in economic freedom outcomes only as mediated by these institutions; consequently, interactions between the *Δ Freedom Preference* and each institutional variable are also tested. The results are reported in Table 3, above.

The first important result is the overwhelming robustness of the *Δ Freedom Preference* variable. It remains significant at the 1% level and the coefficient remains quite stable in the majority of specifications. Exceptions occur when the interaction term is highly collinear with the *Δ Freedom Preference* measure. In most cases where the interaction term correlated with the *Δ Freedom Preference* measure at 0.70 or higher, the typical effects of collinearity were evidenced. The interaction term was dropped in those specifications where it correlated strongly with the voter preference term and where the voter preference term and the interaction term showed inflated standard errors.

The variables that La Porta finds significant in determining levels of economic freedom prove less significant in determining changes in economic freedom. Four of these variables prove significant and have the expected sign, one is significant but with the opposite sign, one is statistically insignificant but has the expected sign, and five are insignificant and have the opposite sign. *English Legal Origin, Supreme Court Control over Administrative Courts, Administrative Court Power over* Executive and *Case Law* prove significant in increasing economic freedom over time.

Interaction effects generally proved insignificant, and many of the interaction terms correlated too strongly with the *Δ Freedom Preference* measure to provide meaningful results.[13] A negative coefficient indicates that the institution tends to mute the effects of changes in voter preferences while a positive coefficient suggests that the

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[13] The interaction of *Constitutional Rigidity* and *Δ Freedom Preference* correlates with *Δ Freedom Preference* at 0.9438, for example.

institution tends to amplify changes in voter sentiment. Only the *Administrative Court Tenure* variable proves statistically significant in interaction with *Δ Freedom Preference*; longer administrative court tenure reduces the effect of changes in voter preferences on economic freedom outcomes.

The institutions listed by La Porta et. al. may be important in determining overall levels of economic freedom, but do relatively little to explain changes in economic freedom over time. Only the *Case Law* variable proves significant at anything more than the ten percent level. And, importantly, the political institutions tested seem to do little either to augment or to mitigate the effects of changes in popular sentiment; when they can be tested, the interaction effects are statistically insignificant.

Electoral institutions seem another plausible mechanism by which voter preferences are translated into political outcomes. Persson, Roland and Tabellini (2000) find that electoral mechanisms correlate with policy outcomes. In particular, they find that presidential regimes enjoy smaller governments than parliamentary regimes. Beck et. al. (2001) provide a useful database of worldwide political institutions. As the Database of Political provides observations for 1975 to 1997, I truncate my dataset to eliminate observations from 1999. Results of specifications incorporating electoral institutions are reported in Table 4, below.

None of the institutional terms tested prove significant in explaining changes in economic freedom, either alone or in interaction with the *Δ Freedom Preference* measure. As was the case in Table 3, interaction terms correlating strongly with the voter preference measure and causing collinearity problems were dropped. Electoral institutions seem not to affect changes in economic freedom scores. More careful

analysis of these results is warranted however; in particular, alternate methods should be explored to resolve the collinearity problems encountered in these specifications.

Table 4: Voter Preferences, Economic Freedom, and Political Institutions.
Dependent Variable: *Δ Freedom*

	Initial Freedom	Initial Preference	Δ Freedom Preference	Institution	Institution * Δ Freedom Preference	N	R^2
No institution	-0.145 4.03[†††]	0.004 0.42	0.037 3.65[†††]			121	0.396
Presidential System	-0.138 3.84[†††]	0.001 0.16	0.035 3.36[†††]	0.265 0.99	0.077 1.10	121	0.415
Assembly-elected President	-0.150 4.13[†††]	0.005 0.56	0.037 3.58[†††]	-0.178 0.24	0.209 0.54	121	0.405
Parliamentary System	-0.137 3.83[†††]	0.002 0.27	0.147 2.37[††]	-0.078 0.35	-0.113 1.80[†‡]	121	0.416
Plurality System	-0.153 3.90[†††]	0.003 0.36	0.037 3.60[†††]	0.030 0.26		121	0.398
Proportional Representation	-0.152 3.93[†††]	0.004 0.41	0.037 3.58[†††]	0.049 0.35		121	0.398

Note: all specifications include the *Year* variable (not reported). Each row reports results from separate specifications where each institutional variable is tested in turn. Coefficient estimates are followed by standard t statistics.
† denotes significance at the 10% level; †† denotes the 5% significance level; ††† denotes the 1% significance level.
‡ denotes that the interaction term correlates with *Δ Freedom* at 0.70 or higher. The interaction term is not dropped in this case of high correlation as it does not unduly magnify the standard error of *Δ Freedom*.

The *Δ Freedom Preference* measure proved quite robust to alternate institutional specifications and to the truncation of post-1997 observations. It remained very stable and highly significant in all specifications tested, with the exception of those in which it was strongly collinear with an interaction term. Changes in voter preferences for economic freedom prove an important determinant of changes in economic freedom rankings.

IV. Conclusions and directions for future research.

Economic freedom correlates with desirable outcomes on several dimensions, including per capita GDP, economic growth, poverty abatement, human development, literacy and life expectancy. Given the beneficent effects of economic freedom, we

should expect that many studies examine the causes of economic freedom. While several studies have examined economic freedom in cross-sections of countries, there has been relative little work examining changes in economic freedom over time.

This paper provides an initial exploration of the determinants of changes in economic freedom over time in the developed world. I construct a panel measure of voter preferences for economic freedom and find that changes in my measure of voter preference correlates strongly with changes in economic freedom. These results are robust to multiple specifications, estimation techniques, and varying institutional control variables.

These results are, of course, rather preliminary and many avenues remain to be explored. Other variables, including the cultural variables examined by Norton, have been identified as contributing to economic freedom and should be tested against the voter preference measure. Further institutional variables need to be tested, and more refined estimation techniques should be applied. Examination of the causes of changes in economic freedom remains an area almost wholly open for new study.

While keeping in mind that much work remains to be done, these preliminary results are rather striking. Voter preferences matter greatly. Increasing economic freedom, and thereby achieving the beneficial outcomes identified by Grubel and others, depends in no small part on changing voter attitudes towards economic freedom.

Appendix

Issue Categories included in Budge et. al.

Foreign Special Relationships: Positive	Productivity
Foreign Special Relationships: Negative	Technology and Infrastructure
Anti-Imperialism	Controlled Economy
Military: Positive	Nationalisation
Military: Negative	Economic Orthodoxy
Peace	Marxist Analysis
Internationalism: Positive	Anti-Growth Economy
European Community: Positive	Environmental Protection
Internationalism: Negative	Culture
European Community: Negative	Social Justice
Freedom and Human Rights	Welfare State Expansion
Democracy	Welfare State Limitation
Constitutionalism: Positive	Education Expansion
Constitutionalism: Negative	Education Limitation
Decentralisation	National way of life: Positive
Centralisation	National Way of Life: Negative
Governmental & Administrative Efficiency	Traditional Morality: Positive
Political Corruption	Traditional Morality: Negative
Political Authority	Law and Order
Free Enterprise	Social Harmony
Incentives	Multiculturalism: Positive
Market Regulation	Multiculturalism: Negative
Economic Planning	Labour Groups: Positive
Corporatism	Labour Groups: Negative
Protectionism: Positive	Agriculture and Farmers
Protectionism: Negative	Middle Class and Professional Groups
Economic Goals	Underprivileged Minority Groups
Keynesian Demand Management	Non-economic demographic groups

Right/Left Issue Categories

RIGHT	LEFT
Military: Positive	Anti-Imperialism
Freedom and Human Rights	Military: Negative
Constitutionalism: Positive	Peace
Political Authority	Internationalism: Positive
Free Enterprise	Market Regulation
Incentives	Economic Planning
Protectionism: Negative	Protectionism: Positive
Economic Orthodoxy	Controlled Economy
Welfare State Limitation	Nationalisation
National way of life: Positive	Welfare State Expansion
Traditional Morality: Positive	Education Expansion
Law and Order	Labour Groups: Positive
Social Harmony	Democracy

Economic Freedom Right/Left categories

RIGHT: PRO MARKET	LEFT: PRO-GOVERNMENT
Free Enterprise	Market Regulation
Incentives	Economic Planning
Protectionism: Negative	Protectionism: Positive
Economic Orthodoxy	Controlled Economy
Welfare State Limitation	Welfare State Expansion
	Nationalisation

Countries included in the Manifesto data set:

Australia (1946-1998, 22 elections)	Japan (1960-1996, 13 elections)
Austria (1949-1995, 15 elections)	Luxembourg (1945-1994, 12 elections)
Belgium (1946-1995, 17 elections)	The Netherlands (1946-1998, 16 elections)
Canada (1945-1997, 17 elections)	New Zealand (1946-1996, 18 elections)
Denmark (1945-1998, 22 elections)	Norway (1945-1997, 14 elections)
Finland (1945-1995, 15 elections)	Portugal (1975-1995, 9 elections)
France (1946-1997, 14 elections)	Spain (1977 – 1996, 7 elections)
Germany (1949-1998, 14 elections)	Sweden (1948-1998, 17 elections)
Greece (1974-1996, 9 elections)	Switzerland (1947-1995, 13 elections)
Iceland (1946-1995, 16 elections)	Turkey (1950-1995, 12 elections)
Ireland (1948-1997, 16 elections)	Great Britain (1945-1997, 15 elections)
Israel (1949-1996, 14 elections)	United States (1948-1996, 13 elections)
Italy (1946-1996, 14 elections)	

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