

The Impact of Trust on Reforms

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Abstract

In a changing economic environment it is crucial for countries to undertake institutional reforms in order to maintain economic growth and to promote the welfare of their citizens. A wide range of determinants for institutional reforms have been identified. However, the impact of trust on reforms has so far never been addressed. We provide theoretical arguments why trust should influence institutional changes and test the relationship empirically. We find a significant positive relation between general trust and policy reforms. However, the empirical results with respect to trust in certain institutions are ambiguous.

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1 Introduction

In a changing economic environment due to global economic integration and demographic changes it is crucial for countries to undertake institutional reforms in order to maintain economic growth and to promote the welfare of their citizens. In recent years a series of empirical analyses have been made in order to identify the structural factors that empirically determine institutional reforms in the political system. Although a wide range of potential reform determinants have been examined, there was virtually no emphasis on measures of trust in general and of trust in certain institutions in particular. The aim of this paper is to fill the gap and to explore the impact of several kinds of trust on institutional reforms. We find that general trust facilitates reforms on the whole. However, the results with respect to trust in certain institutions are inconclusive. The paper is organized as follows. In section 2 we explore the current empirical literature on political reforms. The channels through which trust possibly influences institutional changes are explained in chapter 3. We derive an empirically testable hypothesis and proceed to test this hypothesis using multivariable regression techniques. Section 4 summarizes and concludes.

2 Empirical results on the political economy of structural reforms

A wide range of factors which potentially determine structural reforms has been investigated in the empirical economic policy reform literature.

Evidence for the so called "crisis-hypothesis", according to which the crisis-like worsening of economic-conditions simplify the enforcement of reforms, is given by Pitlik and Wirth (2003). The observation that in crisis situations people are highly dissatisfied with the status quo and feel that "something has to be done" constitutes the foundation of the hypothesis. In this sense an economic crisis can overcome the steadily existent status-quo bias. In their panel analysis, the authors find that deep crises are conducive to reforms. Furthermore the study does not support the hypothesis that dictators not depending on reelection are more able to execute reforms than democratically legitimized heads of government. Instead, there is evidence for the converse, that is, democratic regimes and checks and balances have a positive impact on the extent of economic reforms.

Abiad and Mody (2005) analyze reform processes in the field of financial market deregulation. The indicators used take account for - among other factors - interest rate controls, market entry barriers, the extent of state ownership of banks and insurance companies as well as restrictions on international financial transactions. According to the subject, specific control variables such as the occurrences of bank-crises and the international interest rate level play a role as possible determinants. Furthermore regional diffusion effects are included in the model which could as well be of interest for other fields of reforms.

Regional diffusion is accounted for by including the level of regulation of neighbouring countries. Then, it can be verified in how far imitation and diffusion effects across borders are of importance. Indeed, the study shows that regional diffusion effects influence reform and deregulation processes. The authors although stress the relevance of learning processes: typically deregulation processes accelerate after the first cautious steps. This indicates that first positive experiences with financial markets deregulations increase the enforceability of further steps.

In contrast to most other studies, Helbing et al. (2004) focus exclusively on the experiences of industrialized countries. From a methodical point of view, this approach bears the advantage that the results are not biased by a large heterogeneity of political and economical developments like it is the case in comprehensive country panels including developing countries. Besides those determinants also common in other studies, the authors are especially interested in fiscal determinants for reforms and find evidence that an opportune budget situation supports deregulatory steps on labor and product markets as well as trade liberalization. For this relation, a variety of possible explanations are provided: The enforceability of deregulatory steps may depend on the ability of a government to compensate the losers of such a reform which in turn depends on the budget situation. Alternatively, the correlation of structural reforms and an opportune budget could be reduced to the existence of limited political capital (this means a limited consent of the population, reputation or ability to deal with conflicts). In this case, a government can only enforce a critical structural reform if it is not forced by a budget in deficit to take unpopular measures in order to consolidate.

The relation between the budgetary situation and structural reforms in industrialized countries is further analyzed by Heinemann (2007). The results do not show that the fiscal situation necessarily needs to worsen in the course of a reform process. Quite in contrary, there is rather empirical evidence that the simultaneous liberalization of goods and products markets have relieving effects on budget. A budgetary worsening may rather be observed at reforms of the tax system and also partially at labor market reforms.

Heckelman and Knack (2005) are particularly interested in effects of development aid payments on market-oriented reforms and therefore limit their panel research to developing countries which receive these payments. According to this study, development aid payments have a negative impact on the extend of market-oriented reforms. However, increasing civil rights have positive effects. Thus democratic, developing countries are rather reform oriented than autocratic countries.

In contrast to the other presented studies, Heinemann (2004) also includes control variables on educational level of the population (media availability, school attendance). As a result, school attendance has significant positive influence on reforms concerning the public sector, but not so on other reform-subindicators.

Duval and Elmeskov (2005) are mainly interested in the question whether the European Monetary Union has made structural reforms of the members easier or harder. They come

to a cautious negative conclusion because their regression analysis for monetary autonomy, at least for large countries, shows a positive correlation with the speed of structural reforms. To some extent Belke et al. (2005) take an opposing position. They also analyzed the role of the exchange rate regime and diagnosed a negative influence of exchange rate flexibility on structural reforms as well as reforms of the financial sector and the monetary system.

In spite of all differences, a couple of very robust results of the various studies can be found. To begin with, the crisis-hypothesis can be viewed as to have a reliable empiric foundation: Throughout reforms are more enforceable if certain indicators such as the economic growth rate, the unemployment rate, fiscal data or exchange rates signal an economic crises. The TINA-argument ("there is no alternative") then seems to pave the way for reforms unacceptable in prosperous times. The readiness to question the status quo might be due to the increasing perception of the unavoidability of reforms which is connected with increasing cognitive dissonances. Apparently these psychological mechanisms support the enforcement of reforms in times of crises.

Another robust result is that the initial situation matters. Countries which are in a backward position have a higher probability for reforms to be enforced than countries which already have high levels of liberalization.

Moreover, the empirical evidence that reform processes in adjacent or important reference countries have a positive impact on reforms within a country is convincing. Thus international experiences have cross border effects and can regularly pave the way for overcoming a countries' internal resistance towards reforms.

3 The impact of trust on reforms

3.1 Why should trust matter?

Trust is involved in virtually every economic interaction. We have to trust employers, employees, lawyers, teachers, train operators, airlines, the government, our fellow citizens, and so forth. Trust is especially important in interactions which are not backed by a formal contract, because then it is crucial for the parties involved in the interaction that their counterparts follow the (non-formal) contract. There is no device of punishment if one party does not collaborate. However, trust is relevant in interactions based on a formal contract as well. There are always leeways for the parties to engage in actions which may be unfavorable for their counterparts, because a formal contract never can capture all possible aspects of the interaction. According to Arrow (1972, p. 357), "Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence."

Knack and Keefer (1997) provide several plausible explanations how trust affects aggregate economic performance. According to them, in high-trust societies individuals need to spend less time and money on protection against exploitation arising from economic interactions. Furthermore a wide range of interactions do not need to be specified in a formal contract and can instead be based on trust, which is less costly than a written contract. In addition, societies with a high level of trust are less dependent on formal institutions. If no formal institution exists, interpersonal trust can step in to facilitate enforcement of contracts. With regard to the trustworthiness of governments, the authors argue that in high-trust societies government officials are perceived as more trustworthy and hence their policy actions are more credible. From the perspective of the government, high trust induces lower cost to monitor and control whether citizens obey the law or not. Therefore, trust plays a key role in facilitating the initiation of contracts and lowers the enforcement costs of those contracts, which in turn stimulates economic performance.

In addition to the direct influence on economic performance, trust affects performance indirectly through political channels. Knack (2002) argues that in a high-trust environment, citizens are able to organize more easily and to control the government more effectively. An environment of trust enhances the information acquisition of voters about the political process, as was shown by Boix and Posner (1998). Putnam (1993) argues that trust facilitates cooperation among individuals, fosters solidarity and enhances social behavior such that people do not only pursue their own interest but take care of the interest and needs of others.

Therefore, one can plausibly argue that in high-trust environments it is easier to agree on welfare enhancing reforms and hence countries with a high level of trust should be able to adjust their institutional setting faster to a changing economic environment than countries with low trust levels. However, despite its importance, the issue was not addressed in the institutional reforms literature.

To clarify the relation between trust and reforms, we provide several theoretical arguments below which possibly explain reform deadlocks and illustrate how trust can help to overcome those deadlocks.

First, insufficient information and incorrect perceptions about outcomes of reform processes may conserve the status quo. Caplan (2002) argues, that economists and non-economist differ strongly in their assessment of issues concerning the economy. Whereas economic globalization is perceived as beneficial in the long run by economist, this view is not shared by the wider population. Hence, if politicians use insights from economics to explain economic issues to the citizens, they may be confronted with a different assessment of those issues by the population. In order to facilitate reforms, it is therefore crucial to convince people of the economists assessment of the situation.

Second, actions of interest groups which would lose their privileges after the reform could conserve the status quo, even if the reform would be welfare enhancing in the aggregate. Alesina and Drazen (1991) model the resistance of interest groups to specific reforms as

a war of attrition: Because no interest group wants to forsake its privileges in the status quo, each group waits until others do the first step. Consequently, every group waits and reforms are delayed. This is the case even when all groups would be better off after reforms in the aggregate.

Third, the resistance of individuals which are worse off after the reform is a noteworthy factor. Those individuals would only vote in favor of a particular reform, if they are to some degree altruistic or if a credible promise for compensation is made. Rodrik (1998) shows, that countries with a higher degree of openness to trade have on average higher government spending. It is argued that a higher degree of openness induces a higher exposure to external risk and government spending acts as a risk-reducing instrument. This external risk may in turn lead, among other factors, to higher risk of unemployment. Therefore, citizens are compensated by higher government spending if they are exposed to such external risk. The promise of compensation can, however, only then smooth reform processes if it is credible *ex ante*.

Fourth, uncertainty about the individual consequences of particular reforms might impede policy changes. Even reforms which are welfare enhancing could fail because individuals are uncertain about their gains and losses. This is the case if individuals are risk-averse. A high degree of trust can mitigate all reform obstacles mentioned. The problem of insufficient information is less relevant in high-trust societies because, as was described above, the level of information attained by individuals is higher than in low-trust societies. Moreover, politicians face less problems in promoting their reform policies if individuals trust them. Conversely, if government reputation is bad, it is difficult for politicians to convince people about the positive impact of policy reforms. Clases and Wehner (2005) show that, once people have learned to distrust government, new governmental proposals are evaluated accordingly. Furthermore, a high degree of trust enhances cooperation among different groups in society and can thus help to overcome a war of attrition. Possible compensation promises are more credible in high-trust societies, such that policy changes are easier to implement, even when some individuals are worse off. Additionally, the connection of trust and social behavior mentioned above might lead to acceptance of reforms even among people who suffer (small) losses from the policy change, because they are willing to accept those losses in order to improve the overall situation. Finally, it is evident that reforms with uncertain distributional consequences are easier to implement in a high-trust environment, since compensation promises are more credible.

Consequently, the conjecture that trust is an important prerequisite for structural reforms is well-supported by theory.

3.2 Empirical Evidence

We test the hypothesis developed above by investigating the effect of trust on institutional changes. We use the trust measures from the World Values Survey, which from 1981 to

2004 in 4 waves surveyed from 1000 to 3500 interviewees in each of 42 countries¹. The following questions were included:

Question 1 (General trust):

"Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?"

Question 2 (Trust in certain institutions):

"I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?"

Among others, the latter question asks for trust in the following institutions: parliament, labor unions, important companies and the legal system. We included those trust measures in our estimations. For each of the 56 countries² under consideration, the trust observations are rescaled such that they take on values between 0 and 1 where a high value indicates a high level of trust and vice versa. Thereafter, the observations are averaged for each country and a trust measure is constructed.

Reform processes are quantified on basis of the Economic Freedom of the World (EFW) index developed by the Fraser-Institute. The EFW was updated since 1970 at first in five-year-steps and since 2000 in one-year-steps. The indicator consists of both survey and more objective data such as from national accounting. Besides an overall indicator (*EFW*), subindicators for the fields Size of government (*EFW1*), Legal Structure and Security of Property Rights (*EFW2*), Access to Sound Money (*EFW3*), Freedom to Trade Internationally (*EFW4*) and Regulation of Credit, Labor, and Business (*EFW5*) are available³. All EFW indicators take on values between 0 and 10. We define reforms as (positive) changes in the EFW measures specified above.

Several control variables are included in the estimation. To take account for the initial institutional situation in each country, we include the start level of the respective EFW indicator. The GDP per Capita (*GDP*) serves as proxy for the state of development. To keep track of political orientation, dummy variables for left-wing (*LEFTWING*) and right-wing (*RIGHTWING*) governments are included; the omitted category are centrist governments. The political variables were taken from the World Bank's (2004) Database of Political Institutions. As proxy for economic crises, the GDP growth rate (*GROWTH*) is included. To avoid endogeneity problems, we measure changes in the EFW indicator subsequent to the explanatory variables.

¹For this study, the following data source was used: European Values Study Group and World Values Survey Association (2006). European and World Values surveys four-wave integrated data file, 1981-2004, v.20060423, 2006.

²See table 1 in the appendix for a survey of the countries included

³See table 2 in the appendix for the components of each indicator

The following equation serves as our benchmark specification:

$$\begin{aligned} \Delta EFW_{i,t+1} = & \alpha + \beta_1 * EFW_{i,t} + \beta_2 * GROWTH_{i,t} + \beta_3 * GDP_{i,t} \\ & + \beta_4 * LEFTWING_{i,t} + \beta_5 * RIGHTWING_{i,t} \quad (1) \\ & + \beta_6 * TRUST_{i,t} + \epsilon_{i,t} \end{aligned}$$

All variables are measured in 5-year intervals, with the exception of the GDP growth measure $GROWTH_{i,t}$, which is the arithmetic mean of the annual growth rate over the 5-year period from $t-1$ to t . $\Delta EFW_{i,t+1}$ connotes the difference in the respective EFW indicator from date t to $t+1$. Countries are indexed with i . Summary statistics on the variables are contained in table 3 in the appendix.

The estimation method used is a pooled OLS regression with White (1980) heteroscedasticity-consistent standard errors⁴.

Results are presented in table 4 in the appendix. The general trust variable is positive and significant at the 1 per cent level in the regression of the overall EFW indicator on the various explanatory variables confirming the conjecture that general trust matters for the broadly defined reform indicator. The initial value of the EFW indicator is significant and negative at the 1 per cent level verifying that countries with a lower initial level of Economic Freedom undergo larger reforms in the subsequent period. Both left-wing and right-wing dummy variables are positive and significant. Hence both edges of the political spectrum are more prone to reforms compared to centre parties, which may represent the "doing nothing" option. The GDP growth variable is significant but not in the way predicted by the TINA hypothesis⁵. Although the picture is clear with regard to the impact of general trust on the overall EFW indicator, evidence for the subindicators and trust in certain institutions is mixed. General trust has a significant and positive effect on the EFW legal structure subindicator (EFW 2), but not on the other subindicators. Virtually all trust in certain institutions indicators (with the exception of trust in important companies) have a positive and significant impact on the EFW legal structure subindicator, but not on the other EFW subindicators.

To test for stability of our results, we estimated several other specifications. In the first alternative specification, we group countries on the basis of geographical distance. The objective of this methodology is to capture region-specific factors (like cultural values, religion, etc) which possibly influence reforms by assuming that geographical regions are homogeneous with respect to those factors. We introduce several regional dummy variables for different geographical regions (specified roughly according to Barro, 1991 and

⁴Note that data availability imposes a restriction on possible estimation techniques. The technique we use is similar in design as the one used by Barro (1991) to study growth in a cross-section of countries. We assume that the relationship is stable over time and include 2 to 3 observations per country.

⁵To be consistent with all other variables, we measured the crises variable in 5 year-intervals as well. Thus, our crisis-measure is the annual (arithmetic) mean growth rate over 5 years. However, a preferable crisis proxy would be more short-term.

Abiad & Mody, 2005) in the model specification:

$$\begin{aligned} \Delta EFW_{i,t+1} = & \alpha + \beta_1 * EFW_{i,t} + \beta_2 * GROWTH_{i,t} + \beta_3 * GDP_{i,t} \\ & + \beta_4 * REGIONALDUMMY_{i,t} + \beta_5 * TRUST_{i,t} + \epsilon_{i,t} \end{aligned} \quad (2)$$

Tables 5 to 9 in the appendix contain the outcomes. This specification leads to comparable results. The general trust variable is positive and significant at the 5 per cent level in the regression of changes of the overall EFW indicator on the various exogeneous variables. The coefficients on the OECD and the South&Eastern-Europe regional dummy variables are positive and significant in this regression. With regard to the EFW subindicators and other trust categories, we observe the same pattern as before.

The second alternative specification accounts for regional diffusion. The methodology is based on Abiad and Mody (2005). By including regional diffusion, we are able to test whether countries within a region are induced to catch up with the highest EFW level reached within the region. This might occur either to political competition or due to reduced uncertainty regarding the distributional consequences of a institutional change. The matter is formalized as follows:

$$\begin{aligned} \Delta EFW_{i,t+1} = & \alpha + \beta_1 * EFW_{i,t} + \beta_2 * DIFFUSION_{i,t} \\ & + \beta_3 * GROWTH_{i,t} + \beta_4 * GDP_{i,t} + \beta_5 * LEFTWING_{i,t} \\ & + \beta_6 * RIGHTWING_{i,t} + \beta_7 * TRUST_{i,t} \\ & + \epsilon_{i,t} \end{aligned} \quad (3)$$

DIFFUSION is defined here as the difference between the maximal EFW level reached in the given region at a given time net of the EFW level for the individual country in the respective region. Results are presented in table 10 in the appendix⁶. Once again general trust is highly relevant for reforms with a positive and significant (to the 1 per cent level) coefficient. With regard to the trust in institutions indicators, it is notable that the coefficient on trust in the legal system is negative and significant (at the 10 per cent level). Although we observed a negative coefficient on this variable in the other specifications as well, the value never was significant. Besides, we found evidence for the diffusion hypothesis.

4 Summary and Discussion

The findings indicate that general trust clearly facilitates policy reforms as a whole. This result is robust over all specifications. However, the results with respect to trust in certain institutions are ambiguous. To explain this puzzle, it might be helpful to incorporate some

⁶We focused on the overall EFW indicator in this specification

findings from game theory and experimental economics. La Porta et al. (1997) distinguish two notions of trust in economics. The first notion is the one rooted in repeated game theory, in which trust is a prior that the opponent behaves cooperative rather than fully rational in repeated games. Then, given there is trust, cooperation among players is more stable over time (Kreps et al., 1982). The second notion is rooted in experimental economics and captures the fact that players often cooperate in one-shoot interactions (Camerer and Thaler, 1995). It follows that people sometimes cooperate even if they expect to meet the opponents only once. For the case of trust and economic reforms, it might turn out that this distinction is relevant as well. Consider the case of general trust. If a person is asked whether "most people can be trusted", likely the person has in mind one-shoot interactions. Instead, when asked for confidence in parliament, it is plausible to argue that the individual considers herself in a kind of repeated game played with the government. More specifically, the individual has certain expectations shaped by past experiences in interactions with the government. If the argument is considered to be true, the difference between general trust and trust in certain institutions is fundamental and both kinds of trust should arguably have different impacts on institutional changes. Our findings point in this direction.

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A Appendix

Albania	Dominican Republic	Lithuania	Russia
Argentina	El Salvador	Luxembourg	Slovak Republic
Australia	Estonia	Malta	Slovenia
Austria	Finland	Mexico	South Africa
Belgium	France	Netherlands	Spain
Brazil	Germany	New Zealand	Sweden
Bulgaria	Greece	Nigeria	Switzerland
Canada	Hungary	Norway	Taiwan
Chile	Iceland	Pakistan	Turkey
China	India	Peru	Ukraine
Colombia	Ireland	Philippines	United Kingdom
Croatia	Italy	Poland	United States
Czech Republic	Japan	Portugal	Uruguay
Denmark	Latvia	Romania	Venezuela

Table 1: Countries included in the estimation

Area	Component
EFW total	chain-linked index over all EFW subindicators
EFW1	A. General government consumption spending as a percentage of total consumption
Size of Government: Expenditures, Taxes, and Enterprises	B. Transfers and subsidies as a percentage of GDP
	C. Government enterprises and investment as a percentage of GDP
	D. Top marginal tax rate (and income threshold to which it applies)
	A. Judicial independence: the judiciary is independent and not subject to interference by the government or parties in disputes
EFW2 Legal Structure and Security of Property Rights	B. Impartial courts: A trusted legal framework exists for private businesses to challenge the legality of government actions or regulation
	C. Protection of intellectual property
	D. Military interference in rule of law and the political process
	E. Integrity of the legal system
	A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years
EFW3 Access to Sound Money	B. Standard inflation variability in the last five years
	C. Recent inflation rate
	D. Freedom to own foreign currency bank accounts domestically and abroad
	A. Taxes on international trade
EFW4 Freedom to Trade Internationally	B. Regulatory trade barriers
	C. Actual size of trade sector compared to expected size
	D. Difference between official exchange rate and black market rate
	E. International capital market controls
	A. Credit Market Regulations
EFW5 Regulations of Credit, Labor, and Business	B. Labor Market Regulations
	C. Business Regulations

Table 2: Areas and Components of the EFW Index

Variable	Mean	Standard Deviation	Minimum	Maximum
EFW total	5.9218	1.2600	2.1	9.2
Δ EFW total	0.1915	0.6068	-2.2	2.4
EFW 1	5.4030	1.6537	0.7	9.7
(Government) Δ EFW 1	0.0924	1.0369	-3.9	4.8
EFW 2	5.5221	1.9102	1.1	9.6
Δ EFW 2	0.1760	1.2511	-5.7	6.6
EFW 3	6.7257	2.2135	0	9.9
Δ EFW 3	0.1355	1.799	-6.5	6.5
EFW 4	6.1127	1.6203	1.4	9.8
Δ EFW 4	0.1555	0.9572	-5.1	4.1
EFW 5	5.5906	1.1854	2.5	8.8
Δ EFW 5	0.2397	0.7088	-2.3	0.7088
General trust	0.3138	0.1511	0.0280	0.6653
Trust in parliament	0.4544	0.1193	0.2308	0.8137
Trust in justice system	0.5106	0.0905	0.2996	0.7607
Trust in companies	0.4685	0.0984	0.2255	0.7536
Trust in unions	0.4201	0.0881	0.1820	0.6623
GDP per capita	8.4148	9.2869	0.2857	75.8633
GDP growth	0.0441	0.0319	-0.0975	0.1530
Leftwing	0.2725	0.4455	0	1
Rightwing	0.2737	0.4461	0	1
Diffusion	1.7180	1.1139	0	5.5

Table 3: Summary Statistics

dependent variable (changes)	independent variables										R-square [N]	
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	Leftwing	Rightwing	Trust in trust	General parliament	Trust in justice system	Trust in companies	Trust in unions		Intercept
EFW total	-0.4519*** (0.0444)	0.0133*** (0.0042)	4.1008** (2.0707)	0.2848** (0.1220)	0.4809*** (0.1306)	0.8890*** (0.2396)	0.2291 (0.4512)	-0.4119 (0.3527)	-0.2830 (0.5446)	0.1579 (0.3011)	2.3449*** (0.2385)	0.5880 (113)
EFW 1 (Government)	-0.2077*** (0.0485)	0.1041 (0.007)	3.6167 (2.9263)	-0.2092 (0.1887)	0.0067 (0.1954)	-0.2873 (0.4631)	0.4451 (0.7449)	-1.3117 (0.8107)	0.0729 (0.8602)	0.1579 (0.3011)	1.3229*** (0.2385)	0.1945 (113)
EFW 2 (Legal Structure)	-0.4235*** (0.0981)	0.350* (0.185)	7.170*** (3.1269)	0.2483 (0.1873)	0.4743** (0.1901)	2.013*** (0.5914)	2.2402*** (0.6380)	3.1888*** (0.8988)	0.6132 (0.7547)	1.9894*** (0.6507)	1.2894*** (0.3749)	0.2899 (113)
EFW 3 (Sound Money)	-0.6233*** (0.0601)	0.04557*** (0.0133)	8.9394 (5.6588)	1.0422*** (0.3122)	1.2896*** (0.3336)	0.0308 (0.6840)	-2.086* (1.2043)	-2.4120 (1.5319)	0.6132 (0.7547)	1.9894*** (0.6507)	3.4651*** (0.5529)	0.6696 (113)
EFW 4 (Trade)	-0.4327*** (0.0744)	0.01319 (0.0121)	4.7247** (2.633)	0.07969 (0.1416)	0.1310 (0.1642)	0.5784 (0.4940)	0.4451 (0.7449)	-0.4696 (0.7074)	-0.1610 (0.2110)	0.1579 (0.3011)	2.3810*** (0.4299)	0.3313 (113)
EFW 5 (Regulation)	-0.4726*** (0.0708)	0.0291*** (0.009)	6.8707** (3.284)	-0.2194 (0.1699)	-0.1255 (0.1778)	0.3748 (0.4781)	-0.4572 (0.5978)	-0.4643 (0.6131)	-0.4643 (0.6131)	0.1579 (0.3011)	2.4873*** (0.3665)	0.3563 (113)
EFW total	-0.3865*** (0.0414)	0.0130*** (0.0051)	5.5995*** (1.5245)	0.2469** (0.1206)	0.4695*** (0.1302)	0.8890*** (0.2396)	0.2291 (0.4512)	-0.4119 (0.3527)	-0.2830 (0.5446)	0.1579 (0.3011)	2.0365*** (0.2763)	0.5412 (117)
EFW 1 (Government)	-0.2258*** (0.0516)	-0.0018 (0.0080)	1.0121 (3.2457)	-0.3871* (0.1981)	-0.2360 (0.2080)	0.8890*** (0.2396)	0.4451 (0.7449)	-1.3117 (0.8107)	0.0729 (0.8602)	0.1579 (0.3011)	1.6162*** (0.5722)	0.1937 (118)
EFW 2 (Legal Structure)	-0.4023*** (0.1112)	0.0416* (0.0211)	5.5288* (3.1090)	0.2530 (0.1593)	0.6702*** (0.1809)	2.013*** (0.5914)	2.2402*** (0.6380)	3.1888*** (0.8988)	0.6132 (0.7547)	1.9894*** (0.6507)	0.7489* (0.3798)	0.3375 (118)
EFW 3 (Sound Money)	-0.5485*** (0.0670)	0.0481*** (0.0161)	17.7654** (7.4256)	0.7696** (0.3518)	1.1022*** (0.3667)	0.0308 (0.6840)	-2.086* (1.2043)	-2.4120 (1.5319)	0.6132 (0.7547)	1.9894*** (0.6507)	3.5360*** (0.7743)	0.5200 (119)
EFW 4 (Trade)	-0.4909*** (0.0913)	0.0144 (0.0122)	6.5436 (3.6415)	0.2068 (0.1612)	0.3586* (0.1875)	0.5784 (0.4940)	0.4451 (0.7449)	-0.4696 (0.7074)	-0.1610 (0.2110)	0.1579 (0.3011)	3.3156*** (0.6268)	0.3737 (117)
EFW 5 (Regulation)	-0.5126*** (0.0712)	0.0308*** (0.0100)	6.7829*** (2.9056)	-0.0863 (0.1784)	0.2063 (0.1861)	0.3748 (0.4781)	-0.4572 (0.5978)	-0.4643 (0.6131)	-0.4643 (0.6131)	0.1579 (0.3011)	2.9051*** (0.4381)	0.3363 (119)
EFW total	-0.3570*** (0.0310)	0.0118*** (0.0043)	4.3495*** (1.4150)	0.2140* (0.1089)	0.4439*** (0.1156)	0.8890*** (0.2396)	0.2291 (0.4512)	-0.4119 (0.3527)	-0.2830 (0.5446)	0.1579 (0.3011)	2.2761*** (0.2824)	0.5583 (108)
EFW 1 (Government)	-0.2253*** (0.0525)	-0.0053 (0.0091)	1.1110 (3.1369)	-0.3140 (0.1991)	-0.1271 (0.2104)	0.8890*** (0.2396)	0.4451 (0.7449)	-1.3117 (0.8107)	0.0729 (0.8602)	0.1579 (0.3011)	2.4807*** (0.6500)	0.1962 (109)
EFW 2 (Legal Structure)	-0.4038*** (0.1115)	0.0415** (0.0203)	6.0711* (3.1015)	0.2462 (0.1872)	0.6347*** (0.2130)	2.013*** (0.5914)	2.2402*** (0.6380)	3.1888*** (0.8988)	0.6132 (0.7547)	1.9894*** (0.6507)	0.1431 (0.4014)	0.3580 (109)
EFW 3 (Sound Money)	-0.5471*** (0.0608)	0.0559*** (0.0175)	8.7309 (10.0563)	1.0715*** (0.3871)	1.4339*** (0.4091)	0.0308 (0.6840)	-2.086* (1.2043)	-2.4120 (1.5319)	0.6132 (0.7547)	1.9894*** (0.6507)	3.8694*** (1.0926)	0.4619 (111)
EFW 4 (Trade)	-0.5179*** (0.0873)	0.0188 (0.0125)	6.4947 (3.4707)	0.1979 (0.1630)	0.4144** (0.1873)	0.5784 (0.4940)	0.4451 (0.7449)	-0.4696 (0.7074)	-0.1610 (0.2110)	0.1579 (0.3011)	3.4446*** (0.6301)	0.4430 (108)
EFW 5 (Regulation)	-0.4683*** (0.0694)	0.0264*** (0.0097)	5.411* (2.7429)	-0.2030 (0.1591)	0.1230 (0.1663)	0.3748 (0.4781)	-0.4572 (0.5978)	-0.4643 (0.6131)	-0.4643 (0.6131)	0.1579 (0.3011)	2.9133*** (0.4942)	0.4942 (110)
EFW total	-0.3747*** (0.0516)	0.0109* (0.0055)	4.8300*** (1.8069)	0.2987** (0.1291)	0.4896*** (0.1485)	0.8890*** (0.2396)	0.2291 (0.4512)	-0.4119 (0.3527)	-0.2830 (0.5446)	0.1579 (0.3011)	2.2168*** (0.2523)	0.5337 (102)
EFW 1 (Government)	-0.2279*** (0.0551)	-0.0055 (0.0094)	0.4367 (3.2706)	-0.3683 (0.2237)	-0.2772 (0.2260)	0.8890*** (0.2396)	0.4451 (0.7449)	-1.3117 (0.8107)	0.0729 (0.8602)	0.1579 (0.3011)	1.8454*** (0.5532)	0.2137 (103)
EFW 2 (Legal Structure)	-0.2194*** (0.0547)	0.0055 (0.0114)	5.3710* (3.1998)	0.2791 (0.1959)	0.5864*** (0.17773)	2.013*** (0.5914)	2.2402*** (0.6380)	3.1888*** (0.8988)	0.6132 (0.7547)	1.9894*** (0.6507)	0.7623 (0.4822)	0.2622 (103)
EFW 3 (Sound Money)	-0.4938*** (0.0657)	0.3556** (0.0177)	8.4201 (10.8274)	1.0362** (0.4373)	1.2408*** (0.4253)	0.0308 (0.6840)	-2.086* (1.2043)	-2.4120 (1.5319)	-0.1610 (0.2110)	0.1579 (0.3011)	2.6829** (0.6210)	0.4121 (105)
EFW 4 (Trade)	-0.4246*** (0.0763)	0.0013 (0.0101)	-2.0606 (3.6004)	0.3866** (0.1849)	0.4191** (0.2064)	0.5784 (0.4940)	0.4451 (0.7449)	-0.4696 (0.7074)	-0.1610 (0.2110)	0.1579 (0.3011)	3.3107*** (0.9945)	0.3637 (102)
EFW 5 (Regulation)	-0.4654*** (0.0948)	0.0249** (0.0118)	4.7639 (3.5235)	-0.0684 (0.1924)	0.2409 (0.2065)	0.3748 (0.4781)	-0.4572 (0.5978)	-0.4643 (0.6131)	-0.4643 (0.6131)	0.1579 (0.3011)	2.8478*** (0.4665)	0.3208 (104)
EFW total	-0.3852*** (0.0441)	0.0126** (0.0051)	5.5967*** (1.5321)	0.2531* (0.1283)	0.4739*** (0.1393)	0.8890*** (0.2396)	0.2291 (0.4512)	-0.4119 (0.3527)	-0.2830 (0.5446)	0.1579 (0.3011)	2.0658*** (0.3011)	0.5397 (117)
EFW 1 (Government)	-0.2328*** (0.0507)	-0.0029 (0.0080)	0.9822 (3.2518)	-0.3819* (0.2077)	-0.2317 (0.2154)	0.8890*** (0.2396)	0.4451 (0.7449)	-1.3117 (0.8107)	0.0729 (0.8602)	0.1579 (0.3011)	1.9178*** (0.6507)	0.1910 (118)
EFW 2 (Legal Structure)	-0.3769*** (0.1047)	0.0354* (0.0200)	5.5499* (2.9002)	0.2988* (0.1687)	0.6975*** (0.1876)	2.013*** (0.5914)	2.2402*** (0.6380)	3.1888*** (0.8988)	0.6132 (0.7547)	1.9894*** (0.6507)	0.7843 (0.5250)	0.3063 (118)
EFW 3 (Sound Money)	-0.5465*** (0.0663)	0.0484*** (0.0156)	9.8630 (9.7119)	0.9028** (0.3857)	1.244*** (0.3969)	0.0308 (0.6840)	-2.086* (1.2043)	-2.4120 (1.5319)	-0.1610 (0.2110)	0.1579 (0.3011)	3.6779*** (1.7097)	0.4660 (120)
EFW 4 (Trade)	-0.4783*** (0.0874)	0.0134 (0.0118)	0.1124 (3.5797)	0.1810 (0.1659)	0.3296* (0.1882)	0.5784 (0.4940)	0.4451 (0.7449)	-0.4696 (0.7074)	-0.1610 (0.2110)	0.1579 (0.3011)	3.5648*** (0.6695)	0.3847 (117)
EFW 5 (Regulation)	-0.4969*** (0.0720)	0.0298*** (0.0096)	6.4837** (2.9955)	-0.1089 (0.1865)	0.1837 (0.1908)	0.3748 (0.4781)	-0.4572 (0.5978)	-0.4643 (0.6131)	-0.4643 (0.6131)	0.1579 (0.3011)	3.0314*** (0.4884)	0.3413 (119)

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets. ***/**/* Statistical significance at the 10%/5%/1%-level

Table 4: Estimation results for specification 1

dependent variable (changes)	independent variables										R-square [N]	
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	OECD	East Asia	South Asia	Latin America	Africa/Middle East	South/East Europe	General trust		Intercept
EFW total	-0.3395*** (0.0456)	0.0019 (0.0042)	1.2047 (2.0780)	0.2854* (0.1554)	-0.2324 (0.1933)	-0.0532 (0.1723)	-0.0391 (0.2378)	0.1650 (0.1711)	0.4968*** (0.1892)	0.5164** (0.2155)	2.0858*** (0.2595)	0.5511 [116]
EFW 1 (Government)	-0.1684*** (0.0563)	0.0065 (0.0085)	1.2205 (2.6390)	0.5691* (0.3133)	0.4934 (0.5918)	0.9317*** (0.3784)	0.3617 (0.4118)	0.2615 (0.3410)	0.9400** (0.3661)	-0.3211 (0.5015)	0.6652 (0.4559)	0.2393 [116]
EFW 2 (Legal Structure)	-0.4690*** (0.1047)	0.0297 (0.0185)	8.4167*** (3.1112)	0.5917 (0.4419)	-0.8878** (0.4445)	-0.1173 (0.4418)	0.2387 (0.4166)	0.1081 (0.4662)	0.0467 (0.4110)	1.7064*** (0.5201)	1.6159*** (0.4941)	0.3134 [116]
EFW 3 (Sound Money)	-0.5315*** (0.0728)	0.0222 (0.01519)	4.1678 (6.2536)	1.0149** (0.4078)	1.0547** (0.5189)	-0.2161 (0.3327)	0.6025 (0.5707)	0.8075*** (0.2996)	1.5833*** (0.4951)	-0.1697 (0.8444)	3.3975*** (0.5525)	0.6464 [116]
EFW 4 (Trade)	-0.4356*** (0.0767)	0.0084 (0.0120)	2.980 (2.8226)	0.3894 (0.2405)	0.7595*** (0.2680)	0.4008 (0.2512)	0.1280 (0.2689)	-0.0402 (0.5688)	0.3607 (0.2316)	0.2941 (0.5396)	2.4019*** (0.5274)	0.3630 [116]
EFW 5 (Regulation)	-0.4262*** (0.0689)	0.0253** (0.0105)	4.3273 (3.0849)	0.2523 (0.3173)	-0.3076 (0.3920)	0.2433 (0.3533)	0.1913 (0.3576)	0.1598 (0.5085)	0.7763** (0.3409)	0.4223 (0.4253)	1.9313*** (0.4293)	0.4107 [116]

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets.
*/**/** Statistically significant at the 10%/5%/1%-level

Table 5: Estimation results for specification 2 (General trust)

dependent variable (changes)	independent variables										R-square [N]	
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	OECD	East Asia	South Asia	Latin America	Africa/Middle East	South/East Europe	Trust in parliament		Intercept
EFW total	-0.3350*** (0.0462)	-0.002 (0.0040)	4.5555*** (1.7254)	0.3879** (0.1623)	-0.5485* (0.2797)	-0.1557 (0.2226)	0.1014 (0.2252)	0.0574 (0.1947)	0.3396* (0.1818)	0.1110 (0.4743)	1.9668*** (0.3096)	0.5010 [120]
EFW 1 (Government)	-0.2151*** (0.0664)	0.0067 (0.0094)	0.7531 (2.7994)	-0.0811 (0.5678)	0.1478 (0.8193)	0.4005 (0.5965)	0.1100 (0.5428)	0.7178 (0.6370)	0.3765 (0.6046)	0.5617 (0.8951)	1.1220 (0.7883)	0.2255 [121]
EFW 2 (Legal Structure)	-0.4503*** (0.1170)	0.0286 (0.0221)	5.3422* (3.1218)	0.6877 (0.4948)	-0.8180 (0.6314)	-0.2316 (0.5620)	0.1867 (0.4228)	-0.0446 (0.4434)	0.2462 (0.4645)	2.0338*** (0.6902)	1.2468*** (0.5289)	0.3079 [121]
EFW 3 (Sound Money)	-0.5293*** (0.0729)	0.0188 (0.0178)	14.9360* (8.0868)	2.0436** (0.8178)	0.5172 (1.1811)	1.1637 (0.8052)	1.4529* (0.8356)	1.3479 (0.9740)	1.6742* (0.8763)	-2.7330* (1.3835)	3.1747*** (0.9332)	0.5216 [122]
EFW 4 (Trade)	-0.5475*** (0.0913)	-0.0017 (0.0122)	-0.3174 (3.8463)	0.779*** (0.2340)	1.3559*** (0.4335)	0.2457 (0.3135)	0.1923 (0.2708)	-0.1763 (0.4136)	0.4963** (0.2384)	-1.2332 (0.8348)	3.9025*** (0.7281)	0.4436 [120]
EFW 5 (Regulation)	-0.4631*** (0.0853)	0.0186 (0.0126)	4.8193 (3.2188)	0.5486* (0.2741)	-0.3136 (0.4740)	0.2562 (0.3386)	0.3445 (0.3380)	0.2726 (0.3987)	0.7724** (0.2988)	-0.4547 (0.7351)	2.422*** (0.5348)	0.3536 [122]

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets.
*/**/** Statistically significant at the 10%/5%/1%-level

Table 6: Estimation results for specification 2 (trust in parliament)

dependent variable (changes)	independent variables												Trust in justice system	Intercept	R-square [N]
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	OECD	East Asia	South Asia	Latin America	Africa/Middle East	South/East Europe	Trust in companies					
EFW total	-0.3167*** (0.03917)	0.0005 (0.0038)	3.6260** (1.6695)	0.3881** (0.1518)	-0.4263* (0.2400)	-0.0718 (0.1892)	0.1728 (0.2124)	0.3375* (0.1736)	-0.3358 (0.4638)	2.1120*** (0.3180)	0.5170 (110)				
EFW 1 (Government)	-0.2276*** (0.0695)	-0.0012 (0.0097)	-0.3040 (2.8626)	0.1487 (0.5275)	0.1524 (0.5742)	0.8236 (0.6950)	0.2781 (0.5468)	0.3912 (0.5818)	-1.5937* (0.8820)	2.2077** (0.9244)	0.2108 (111)				
EFW 2 (Legal Structure)	-0.4608*** (0.1211)	0.0315 (0.0208)	6.6090** (3.0653)	0.5498 (0.4608)	-1.4890*** (0.5198)	-0.6503 (0.5319)	0.1775 (0.3958)	-0.2120 (0.4383)	3.7087 (1.0873)	0.3606*** (0.5265)	0.3511 (111)				
EFW 3 (Sound Money)	-0.5324*** (0.0699)	0.0245 (0.0196)	5.1700 (11.2198)	2.0743** (0.9003)	0.0992 (1.2928)	0.9636 (0.8944)	1.7792 (1.5400)	1.5000 (1.0322)	-2.3528 (1.7299)	3.5416** (1.3858)	0.4614 (113)				
EFW 4 (Trade)	-0.5584*** (0.0931)	0.0044 (0.0133)	-0.7742 (3.8026)	0.7502*** (0.2510)	1.1499** (0.5127)	0.2624 (0.3429)	0.1561 (0.2683)	0.4828** (0.2400)	-1.0743 (0.8664)	3.9707*** (0.6877)	0.4896 (110)				
EFW 5 (Regulation)	-0.4332 (0.0916)	0.0173 (0.0131)	3.9908 (3.4309)	0.5456 (0.2971)	-0.1467 (0.5454)	0.3584 (0.3493)	0.3937 (0.3386)	0.5651 (0.3116)	-0.5376 (0.8347)	2.377 (0.5770)	0.3479 (112)				

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets. */**/** Statistically significant at the 10%/5%/1%-level

Table 7: Estimation results for specification 2 (trust in justice system)

dependent variable (changes)	independent variables												Trust in companies	Intercept	R-square [N]
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	OECD	East Asia	South Asia	Latin America	Africa/Middle East	South/East Europe	Trust in companies					
EFW total	-0.3471*** (0.0520)	-0.0020 (0.0042)	4.3020** (1.7235)	0.5681*** (0.1228)	-0.2865 (0.1780)	0.0054 (0.1760)	0.2330 (0.2152)	0.3095** (0.1529)	-0.0991 (0.6057)	2.0194*** (0.2907)	0.5066 (106)				
EFW 1 (Government)	-0.2444*** (0.0661)	0.0044 (0.0114)	1.275 (3.2069)	-0.3422 (0.5454)	-0.4862 (0.7795)	0.3575 (0.5154)	-0.1339 (0.5305)	-0.2205 (0.6101)	-0.8231 (0.9247)	2.1370 (0.8459)	0.2430** (107)				
EFW 2 (Legal Structure)	-0.2845*** (0.0591)	-0.0057 (0.0116)	5.3454* (2.8523)	0.4469* (0.2552)	-0.8823** (0.4165)	-0.2925 (0.3449)	-0.2507 (0.2308)	-0.3523 (0.2629)	0.6736 (0.6694)	1.4805*** (0.4116)	0.2920 (107)				
EFW 3 (Sound Money)	-0.5068*** (0.0747)	0.0117 (0.0153)	6.8932 (10.0839)	2.008* (1.0389)	0.8578 (1.3246)	0.6276 (1.0073)	1.5806 (1.0830)	1.0274 (1.2545)	0.3531 (1.9241)	2.1545 (1.3999)	0.4113 (109)				
EFW 4 (Trade)	-0.5047*** (0.0779)	-0.0113 (0.0091)	-1.9371 (3.8205)	0.7370*** (0.1897)	0.9590** (0.3024)	-0.0051 (0.2843)	0.1820 (0.2500)	0.3590 (0.4155)	-0.4469 (0.9448)	3.5458*** (0.7168)	0.4475 (106)				
EFW 5 (Regulation)	-0.3948*** (0.0990)	0.0102 (0.0129)	2.6256 (3.6232)	0.4473 (0.3035)	-0.2200 (0.4605)	0.0837 (0.3590)	0.2119 (0.3779)	0.6772* (0.3482)	-0.5378 (1.0881)	2.3861*** (0.5530)	0.3281 (108)				

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets. */**/** Statistically significant at the 10%/5%/1%-level

Table 8: Estimation results for specification 2 (trust in companies)

dependent variable (changes)	independent variables														R-square [N]
	Economic Freedom (EFW/initial value)	GDP per Capita	GDP growth	OECD	East Asia	South Asia	Latin America	Africa/Middle East	South/East Europe	Trust in unions	Intercept	R-square [N]			
EFW total	-0.351*** (0.0483)	-0.0006 (0.0040)	4.5445*** (1.7092)	0.3998** (0.1566)	-0.5124** (0.2165)	-0.1360 (0.1983)	0.1001 (0.2154)	0.0651 (0.1908)	0.3411* (0.1820)	0.0337 (0.6595)	1.9996*** (0.3066)	0.5007 (120)			
EFW 1 (Government)	-0.2235*** (0.0661)	0.0041 (0.0094)	0.6949 (2.9011)	-0.0283 (0.5514)	0.3609 (0.7579)	0.5466 (0.5420)	0.0752 (0.5398)	0.7887 (0.6213)	0.3395 (0.5984)	-0.3476 (1.0593)	1.5552 (0.8400)	0.2232* (121)			
EFW 2 (Legal Structure)	-0.4446*** (0.1103)	0.0223 (0.0200)	5.2610* (2.9320)	0.8824* (0.4747)	-0.2920 (0.5190)	0.0295 (0.4999)	0.2584 (0.4249)	0.0044 (0.4530)	0.3438 (0.4521)	1.9533*** (0.6537)	1.2261* (0.6766)	0.2943 (121)			
EFW 3 (Sound Money)	-0.5339*** (0.0741)	0.0237 (0.0176)	7.4044 (10.7117)	1.8681** (0.8612)	0.4003 (1.2921)	0.8856 (0.8140)	1.4144 (0.9080)	1.1988 (0.9992)	1.3411 (0.9838)	-2.0375 (1.8385)	3.2697*** (1.1404)	0.4470 (123)			
EFW 4 (Trade)	-0.5175*** (0.0887)	0.0001 (0.0117)	-0.8260 (3.7329)	0.6423*** (0.2259)	1.1164*** (0.3546)	0.1468 (0.3007)	0.1381 (0.2872)	-0.1715 (0.3923)	0.4364* (0.2541)	-1.4248 (1.1098)	3.8388*** (0.7736)	0.4432 (120)			
EFW 5 (Regulation)	-0.4480*** (0.0825)	0.0184 (0.0122)	4.5968 (3.2553)	0.4961* (0.2718)	-0.3730 (0.4174)	0.2124 (0.3125)	0.2923 (0.3486)	0.2779 (0.3790)	0.7404** (0.3120)	-0.7547 (1.0213)	2.5002*** (0.5875)	0.3557 (122)			

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets. */**/**** Statistically significant at the 10%/5%/1%-level

Table 9: Estimation results for specification 2 (trust in unions)

dependent variable (changes)	independent variables														R-square [N]
	EFW (initial value)	Diffusion	GDP per Capita	GDP growth	Leftwing	Rightwing	Trust in trust	General parliament	Trust in justice system	Trust in companies	Trust in unions	Intercept	R-square [N]		
EFW total	-0.4736*** (0.0582)	-0.0331 (0.6316)	0.0136*** (0.0043)	4.0630** (2.0478)	0.2910** (0.1240)	0.4796*** (0.1314)	0.9199*** (0.2353)	0.0726 (0.4526)				2.5218*** (0.4246)	0.5895 (113)		
EFW total	-0.3231*** (0.0488)	0.0935* (0.0526)	0.0115** (0.0049)	5.7318*** (1.478)	0.2244* (0.1205)	0.4748*** (0.1313)						1.5750*** (0.3512)	0.5512 (117)		
EFW total	0.2908*** (0.0431)	0.1025** (0.0488)	0.0107** (0.0042)	4.3895*** (1.3507)	0.2035* (0.1082)	0.4695*** (0.1169)			-0.6430* (0.3867)			1.8142*** (0.3244)	0.5731 (108)		
EFW total	-0.2969*** (0.0527)	0.1144** (0.0539)	0.0093* (0.0051)	4.7976*** (1.7196)	0.2684** (0.1256)	0.4825*** (0.1465)				-0.3672 (0.5153)		1.6139*** (0.3921)	0.5503 (102)		
EFW total	-0.3206*** (0.0500)	0.0964* (0.0524)	0.0113** (0.0049)	5.7315*** (1.5007)	0.2254* (0.1266)	0.4760*** (0.1390)					0.0369 (0.6250)	1.5727*** (0.3977)	0.5511 (117)		

Notes: Ordinary least-squares regressions. White (1980) corrected standard errors are given in parentheses underneath. Number of observations is given in brackets. */**/**** Statistically significant at the 10%/5%/1%-level

Table 10: Estimation results for specification 3