

Does Political Freedom Make Countries Richer?

Tiange (Sheryl) Du, PhD

September 2026

Does greater political freedom make a country richer? The answer may depend on whether people also have enough economic freedom to take advantage of that political openness.

Political freedom gives people a greater voice in government through competitive elections, public debate and institutional checks on political power. Economic freedom gives individuals and businesses greater ability to make economic decisions through secure property rights, open markets and fewer restrictions on private activity. Both are often considered important for development, but it is less clear whether they work independently or reinforce one another.

A new study by Tiange (Sheryl) Du examines the relationship between political freedom, economic freedom and income across 159 countries from 2000 to 2023. The results suggest that political freedom and economic freedom should not be viewed as competing explanations for development. Instead, political freedom may help create conditions for economic reform, while economic freedom helps turn political openness into greater economic opportunity.

Three Big Takeaways from the Research:

- **Political freedom may help pave the way for greater economic freedom.**

Countries with more political freedom tend to become more economically free the following year. But the reverse is not true: greater economic freedom does not predict greater political freedom the following year.

- **Political freedom is more economically valuable when economic freedom is sufficiently strong.**

Political freedom alone is not always linked to higher income. Its economic benefits appear to be stronger in countries that also have greater economic freedom.

- **Political and economic reforms work best when they reinforce one another—and their benefits may take time.**

The strongest relationship between political freedom, economic freedom and income appears after several years rather than immediately. Political accountability may help support credible economic reforms, while economic freedom allows households and businesses to respond through investment, entrepreneurship and productive activity.

Political freedom may contribute to development through a two-step process. Competitive elections, public debate and checks on government power make it easier to challenge restrictive policies, monopolies and rules that protect politically connected groups. They also give businesses and consumers more opportunities to demand transparent rules and broader access to markets. These political institutions may therefore create pressure for later improvements in economic freedom.

The analysis finds evidence consistent with this pattern. Higher political freedom predicts greater economic freedom in the following year, while higher economic freedom does not similarly predict greater political freedom. But political openness alone may not be enough to produce higher incomes.

The study finds that economic freedom is positively associated with GDP per capita. More importantly, the effect of political freedom changes depending on how economically free a country is. After approximately three years, the relationship between political freedom and income becomes increasingly positive as economic freedom rises.

The estimated turning point occurs at an economic freedom score of about 6.7 on the Fraser Institute's 0-to-10 Economic Freedom of the World scale. Below this level, greater political freedom is not necessarily associated with higher income. Above it, additional political freedom becomes positively associated with GDP per capita. This threshold is not an unusually high level attainable by only a few countries. In 2023, 77 of the 159 countries in the study—about 48 percent—had economic freedom scores above 6.7.

The results suggest a possible explanation. Political freedom can give citizens greater influence over government and make policymakers more accountable. But if businesses still face weak property rights, barriers to market entry or limited opportunities for private investment, greater political voice may not easily translate into greater economic activity. Economic freedom provides the channel through which those opportunities can become

economically productive. When people are able to invest, start businesses, trade and respond to new opportunities, political accountability and market institutions may reinforce one another.

Cape Verde provides an example of how this process can develop over time. The country already had relatively high political freedom around 2000, but its economic freedom score was only 6.20. It crossed the estimated 6.7 threshold in 2003 and reached 7.39 by 2023. Over the same period, GDP per capita rose from approximately \$4,510 to \$9,228.

Cape Verde's experience involved both political and economic reform. Its transition to multiparty democracy was followed by repeated peaceful transfers of political power. Successive governments also continued reforms involving privatization, trade liberalization, foreign investment and greater private-sector activity. Political competition did not reverse economic reform. Instead, political stability and market reform increasingly developed alongside one another.

Namibia offers a useful contrast. It maintained meaningful political freedom and regular elections, but its economic freedom remained below the estimated 6.7 threshold throughout the period studied. GDP per capita increased, but considerably less than in Cape Verde. Structural problems including skills shortages, business regulations, dependence on mineral exports and inherited inequality continued to restrict private-sector development.

These two cases do not prove that crossing the 6.7 threshold causes faster growth. Countries differ in many other ways. The statistical analysis itself should be interpreted as evidence of predictive relationships and institutional complementarity rather than definitive causation. The cases instead illustrate the broader pattern: political openness can coexist with very different economic outcomes depending on the economic institutions that accompany it.

These findings do not imply that countries must follow one fixed sequence in which political reform always comes first and economic reform comes second. Cape Verde itself shows that the two can overlap. Some market reforms began before full democratization, while later political stability helped those reforms continue across changes in government.

Policymakers should also be cautious about judging institutional reform by its immediate

effects. Businesses need time to invest, households need time to adjust their decisions, and new firms need time to enter markets. Frequent policy reversals can prevent even well-designed reforms from producing lasting benefits.

So, does political freedom make countries richer? Not necessarily by itself. Political freedom may help create the conditions for better economic institutions, but its economic benefits appear stronger when individuals and businesses also have the freedom to act on the opportunities political openness creates.

For policymakers, the broader message is that development is not about choosing between political freedom and economic freedom. Political freedom can improve accountability, while economic freedom can turn that accountability into investment, entrepreneurship and wider economic opportunity. When the two develop together, they are more likely to support lasting gains in income and living standards.

Author



Tiange (Sheryl) Du
Research Specialist

Sheryl Du is a Research Specialist at the Challey Institute for Global Innovation and Growth at North Dakota State University. She earned her Ph.D. in Economics from the University of Connecticut, where her dissertation focused on the development of Chinese firms and institutions, including a case study of Huawei. She also holds a master's degree in Applied Economics from Johns Hopkins University and a bachelor's degree in Economics and Psychology from Brandeis University.