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# DEVELOPMENT-ECONOMIC FREEDOMS INTERACTION: A COMPARATIVE ANALYSIS OF D8 AND G8 COUNTRY GROUPS

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## Abstract

One viewpoint, which has been gaining traction recently, posits that augmenting economic freedom within liberal markets while minimizing public intervention spurs development. Conversely, another standpoint suggests that as development progresses, there emerges a heightened demand for greater economic freedom, resulting in the implementation of liberal policies. In this context the primary objective of this study is to scrutinize the presence of causality between economic freedom and development. Additionally, the study delves into whether this causal relationship, if extant, is consistent across countries at varying stages of development. Consequently, an examination is conducted on two distinct country groups, namely D8 and G8, employing the Dumitrescu-Hurlin panel causality test. This method dissects the directional link between economic freedom and development for these country clusters spanning the period 2000-2019. The analysis reveals that within D8 nations, a reciprocal causality exists between economic freedom and development. In contrast, among G8 countries, no causal link emerges from economic freedom to development, while a unilateral causal relationship emerges from development to economic freedom.

***Keywords:*** *D8 Countries, Development, Economic Freedom, G8 Countries*, *Panel Causality Analysis*
***JEL Classification:*** *C23, E02, O11*

# KALKINMA-EKONOMİK ÖZGÜRLÜKLER ETKİLEŞİMİ: D8 VE G8 ÜLKE GRUBU KARŞILAŞTIRMALI ANALİZİ

## Öz

Son zamanlarda ilgi gören bir bakış açısı, liberal piyasalarda ekonomik özgürlüğü artırırken kamu müdahalesini en aza indirmenin kalkınmayı teşvik ettiğini öne sürmektedir. Aksine, bir başka bakış açısı, kalkınma ilerledikçe, liberal politikaların uygulanmasıyla sonuçlanan daha fazla ekonomik özgürlük için artan bir talebin ortaya çıktığını öne sürmektedir. Bu bağlamda çalışmanın temel amacı, ekonomik özgürlük ile kalkınma arasındaki nedenselliğin varlığını irdelemektir. Ek olarak, çalışma, eğer mevcutsa, bu nedensel ilişkinin farklı gelişme aşamalarındaki ülkeler arasında tutarlı olup olmadığını araştırır. Sonuç olarak, Dumitrescu-Hurlin panel nedensellik testi kullanılarak D8 ve G8 olmak üzere iki farklı ülke grubu üzerinde bir inceleme yapılmıştır. Bu yöntem, 2000-2019 dönemini kapsayan bu ülke kümeleri için ekonomik özgürlük ile kalkınma arasındaki yönlü bağlantıyı inceler. Analiz, D8 ülkelerinde, ekonomik özgürlük ile kalkınma arasında karşılıklı bir nedensellik olduğunu ortaya koymaktadır. Buna karşılık, G8 ülkeleri arasında, ekonomik özgürlükten kalkınmaya doğru bir nedensellik bağı ortaya çıkmazken, kalkınmadan ekonomik özgürlüğe doğru tek taraflı bir nedensellik ilişkisi ortaya çıkmaktadır.

***Anahtar Kelimeler:*** *D8 Ülkeleri, Kalkınma, Ekonomik Özgürlük, G8 Ülkeleri, Panel Nedensellik Analizi*
***JEL Sınıflandırması:*** *C23, E02, O11*

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## 1. Introduction

The present study undertakes an exploration of economic freedom within the framework of a market economy, navigating the intricate norms that define its contours. In this envisioned context, voluntary contracts operate effortlessly within the secure boundaries of a legal system that is both stable and predictable. Economic freedom, as explained here, operates in an environment where government intervention, articulated through regulation and taxation, is nuanced and preserves the integrity of private property. Far from being a mere political consideration, this construct has a dual role, both as an end in itself and as a fundamental element underpinning human dignity, autonomy and personal development.

Within the broader context of economic freedom, this study asserts that economic freedom serves as a significant driver for economic progress and success, with far-reaching implications for overall growth and prosperity. Policies that promote increased economic freedom play a crucial role, establishing a framework that empowers individuals to shape their economic paths and contribute to sustainable growth. As economic freedom unfolds, the reduction of poverty becomes apparent, paving the way for lasting prosperity. (Miller, Kim, Roberts, and Tyrrell, 2022: 11).

Shifting from the macroeconomic lens, this narrative broadens its scope to include the complex social fabric where the impact of economic freedom is manifested. Augmented economic freedom is conceptualized as a catalyzing force, fostering improvements in social relations, advancements in educational standards, refinements in local governance, and mitigations in crime rates. This extended perspective reveals the intricate interplay between economic freedom and societal dynamics. Conversely, the imposition of constraints on economic and personal liberties is posited to initiate adverse consequences, leading to economic impoverishment and encroaching upon fundamental rights. Maxwell (1999) underscores this perspective, highlighting the multifaceted repercussions, including limitations in access to essential needs such as food, clothing, healthcare, and security. Within this expansive framework, the restriction of economic freedoms emerges as a detrimental force casting a shadow over the trajectory of human development. The complex interrelationship between economic freedom and the social fabric underscores the need for a comprehensive understanding when formulating policies that aim to balance economic liberties and societal well-being.

The information provided above suggests the idea that a strong correlation exists between economic freedom and Human Development Index (HDI), implying a significant link to developmental outcomes. From this point of view, this study unfolds as a scientific narrative, outlining a comparative analysis centred on two distinct cohorts: the D8 countries and the G8 countries. The rationale for this selection lies in the significant differences that characterise their levels of human development, providing an optimal backdrop for identifying the complex interaction between economic freedoms and development outcomes. The study aims to provide insights into the links between economic freedoms and development trajectories, and in particular to highlight potential variations across different levels of human development.

The study's structural framework is described as follows: The second chapter provides a theoretical exposition, explaining the key tenets of economic freedom and development. It then grounds the discussion in the existing literature, where studies and findings converge to form a coherent narrative. The third and fourth chapters provide insights into the empirical approach used, presenting the dataset and methods that guide the research Finally, in the fifth and concluding chapter, the study discusses the findings and provides policy recommendations, placing these findings in the context of the results of the empirical analysis.

## 2. Literature Summary

The concepts of economic growth and development are crucial for national economies as they are indicators of the economic performance of countries. Economic growth is considered one of the most potent factors that can increase living standards, as it is a dynamic process that enhances

the welfare of a country's population by generating more goods and services, increasing employment, and reducing poverty (Pérez, Ortega and Díaz, 2019: 1). However, the criteria for economic and social progress in economics literature are undergoing a radical change, where measures of living standards such as gross domestic product (GDP), individual or household income dominate the national debates about economic and social progress. In this context, decision-makers and economists commonly view development based on life quality as more extensive than notions of economic production and standard of living. The most crucial aspect should be a transition to measuring the welfare of people rather than measuring economic production (Easterlin and Sawangfa, 2010). Thus, the change in people's welfare level is multidimensional and not limited to the economic field, reflecting all dimensions of human life. Although a stable national economy's growth is a necessary condition for financing development, it remains insufficient to rely solely on positive economic improvements (Geray, 1991).

According to Kar and Taban (2014: 1-4), development is a multifaceted concept that encompasses changes in economic, social, political, and cultural structures, as well as reductions in unemployment and income inequality, improvements in education and health, and advancements in social welfare. Turgut (1997: 703) suggests that development represents a quest for balance and consensus in economic and social fields. Meanwhile, the United Nations Development Programme (UNDP, 2014) considers human development as an indicator of a country's level of development, which encompasses three dimensions: long and healthy life (measured by life expectancy at birth), knowledge (measured by average years of schooling), and adequate standard of living (measured by gross national income per capita).

As per Akalın (2002: 91), economic freedom is widely considered to be one of the determinants of a well-functioning economy. The concept of economic freedom, which has played a crucial role in economies since the 1990s, refers to the absence of government restrictions and interventions in the production, consumption, and distribution of goods and services. In essence, economic freedom entails individual choice, private property, and freedom of exchange. It is also possible to assert that economic freedom tends to increase in economies where the role of the state is less on free market conditions (Efeoğlu, 2021: 912).

In the literature, there exists a strong association between economic freedom and development. Scholars such as Gwartney and Lawson (2004) posit that economic freedom fosters individual dynamism, productivity, and ultimately leads to an improvement in income per capita or the standard of living. Similarly, Belasen and Hafer (2012) maintain that economic freedom has a positive impact on life expectancy and welfare, while Esposto and Zaleski (1999) have highlighted a relationship between economic freedom and literacy rates. These correlations stem from factors such as the promotion of economic prosperity by a free market system, the allocation of resources through smaller government size and lower taxes, the encouragement of innovation by the protection of property rights, and the reduction of monetary policy uncertainty leading to increased investment (Graafand and Compen, 2015; Nyström, 2008; Bjørnskov and Foss, 2008). Conversely, development is regarded as a means of eliminating forms of deprivation of freedom, with the elimination of such deprivations being one of the fundamental tenets on which development is based (Sen, 2004: 13-14). As such, there exists a reciprocal relationship between freedoms and development. With development now recognized as a right on the global axis, the concept of the right to development has emerged. The United Nations Declaration on the Right to Development (1986), defines the right to development as an indispensable human right that contributes to economic, social, cultural, and political development on the basis of every human being's right to participate, and that all human rights and fundamental freedoms can be understood as a whole. From the human rights perspective, it is expected that as the level of development of countries increases, so too will the demand for freedom.

While few studies have explored the association between economic freedom and the Human Development Index (HDI), which combines income with life expectancy as an indicator of education

and health, many studies have aimed to define the relationships between economic freedom and various indicators of a good society, such as high income, economic growth, income equality, gender equality, and life expectancy. While the absolute nature of these relations remains open to scientific debate, the results consistently suggest that measures of economic freedom are positively related to these factors.

Numerous empirical studies have demonstrated a positive relationship between economic freedom and income per capita, which is known as an indicator of better living standards in HDI. For instance, Graafand and Compen (2015) found that life satisfaction in 120 countries is positively affected by the quality of the legal system through income per capita. Nyströ and Kristina (2008) analyzed 23 OECD countries between 1972-2002 and showed that a smaller government (less taxation and less public spending), less regulation of credit and labor market, security of property rights, and a solid legal structure tend to increase entrepreneurship, which in turn has a positive effect on income per capita. Similarly, Farhadi Islam and Moslehi (2015) used data from 99 countries between 1970-2010 and found that the negative effects of natural resource revenues on income per capita and economic growth can be reversed in more economically free countries. Azman-Saini, Baharumshah and Law (2010) concluded that economic freedom is the key determinant of possible effects of foreign direct investment on economic growth in 85 countries. Hall, Sobel and Crowley (2010) analyzed 96 countries between 1980-2000 and found that in countries with good institutions, increases in physical and human capital can increase output growth. Cole (2003) studied 103 countries for the years 1980-1999 periods and found that the economic freedom index data had positive effects on the sub-components (especially GDP per capita) of the human development index. Justesen (2008) examined the causality between economic freedom and economic growth for the country groups that he studied with a minimum of 35 and a maximum of 77 samples between 1970-1999 and found that economic freedom affects economic growth and investment to some extent, while the evidence that economic growth affects economic freedom is weak. Murphy (2016) examined the relationship between economic freedom and economic growth for the United States and other North American border countries between 1981-2012 periods and concluded that economic freedom at the state level increases capital income or pulls capital income beyond state borders, which has positive effects on incomes. Finally, Spruk and Kešeljević (2018) examined the relationship between economic freedom and economic growth in 407 sub-regions of Germany and found that regions with less debt, smaller public sector, and lower tax share consistently achieve higher growth rates and income levels.

Nikolaev (2014) conducted a study analyzing the relationship between economic freedom and human development for more than 100 developed and developing countries for the period 1972–2010, using the HDI data between 1972-2010. The study revealed that economic freedom leads to improvements in human development in both short term (five years) and the long term (ten years). This finding was also supported by other studies in the literature. Feldmann (2017) conducted a study of 109 countries for the period 1972-2011 and concluded that there is a positive correlation between economic freedom and human capital investment. According to Feldmann, as the level of economic freedom increases the return on investment in human capital increases, enabling the recipient to receive a larger share of the return and facilitating the functioning of credit markets. Stroup (2007) examined the effects of economic freedom and democracy on health and education on 21 less developed, developing and developed countries and emphasized that economic freedom has a significant positive effect on these welfare measures. He also stated that democracy had a weaker effect on these measures than economic freedom. Aixalá and Fabro (2009) examined the causality between economic freedom, economic growth, political rights, and civil liberties for 187 countries between 1976 and 2000. They concluded that economic freedom promotes itself by creating growth and then stimulating the expansion of civil liberties. King, Montenegro and Orazem (2012) used estimated returns on education and work experience from a survey conducted in 86 developing countries and a total of 122 households and showed a strong positive correlation between returns on human capital and economic freedom. Akhter (2004) investigated whether

economic freedom and corruption mediate the relationship between human development and globalization. For this purpose, he analyzed economic freedom and corruption data for 75 countries of four income groups (high income, high-middle income, lower-middle income, and low income). He concluded that globalization has positive effects on economic freedom and negative effects on corruption. He also found that while economic freedom positively affects human development, the effects of corruption are negative. From the available literature, the general trend has been to focus on the effects of economic freedom on GDP per capita, which is known as an indicator of better living standards in the HDI. Also, although not many, there are empirical studies that also deal with other dimensions of the HDI and economic freedom. This study aims to contribute to the literature by analysing the interrelationship between the concepts discussed.

## 3. Data and Methodology

### 3.1. Data

In the study, the causality relationship between economic freedoms and development for D8 countries (Turkey, Nigeria, Egypt, Pakistan, Indonesia, Iran, Malaysia and Bangladesh) and G8 countries (France, Germany, Italy, Japan, England, United States, Canada and Russia) was evaluated within the scope of panel data analysis with annual data for the period 2000-2019. For this reason, the economic freedom index (EFI) was used as an indicator of economic freedom in the study and the data were obtained from the Fraser Institute database. HDI was used as an indicator of development and its data were obtained from the database of the United Nations Development Program.

In this study, which includes a comparative analysis of D8 countries and G8 countries, the reason for choosing these country groups is that they are two groups of countries with different levels of human development, so that the relationship between economic freedoms and development can be evaluated more clearly. As a matter of fact, if the HDI values are examined, G8 countries (Russia-high human development) are in the class of countries with a very high level of human development, while D8 countries (Turkey and Iran have medium human development level) are in the class of countries with a low level of human development in general. In this context, it is quite normal for G8 countries to follow policies aimed at preserving their current economic power, and for D8 countries to have developmental goals along with growth.

### 3.2. Methodology

Panel data analysis, which allows the use of horizontal and time-dimensional data sets, is a very common application today because it contains time series and cross-sectional changes together. The reasons for this situation include the high number of observations, the fact that it allows some cross-section-specific variables to be taken into account in case of heterogeneity in the units, and that it has fewer multicollinearity problems (Nerlova and Balestra, 1992).

Cross-section dependency test, which is the investigation of whether all cross-section units in panel data analysis are equally affected by a certain shock, sheds light on whether the first generation or the second generation should be chosen in the unit root tests to get reliable results. In this direction, the analyses are given below, respectively, in order to compare the D8 country group and the G8 country group in the context of economic freedom and development. Accordingly, the series were first subjected to the homogeneity test and the cross-section dependency test due to the assumption of cross-section independence between the units. In line with the results obtained, Pesaran (2007) Panel Unit Root test, which is based on the view that the units are not independent, followed by the Westerlund Cointegration test and Dumitrescu-Hurlin Panel Causality test were applied.

## 4. Findings

The increasing number of observations in panel data analysis causes heterogeneity to be included in the analysis. Heterogeneity, or in other words parameter heterogeneity, depends on

the sample distribution that occurs according to the characteristics of the sample observations. This concept can be defined as the fact that some coefficients or parameters of the model differ for each unit or each time period, or for each unit and each time period (Tüzüntürk, 2007: 5). Failure to take this heterogeneity into account in analyzes causes inconsistent estimates of the parameters of interest (Yerdelen-Tatoğlu, 2016: 7). Homogeneity Test was conducted to eliminate inconsistency in parameter estimates and the results are presented in Table 1:

Table 1: **Homogeneity Test Results**

| | Tests | t-Statistics | Probability |
|---|---|---|---|
| **D8 Countries** | Delta Tilde | 9.364 | 0.000* |
| | Delta Tilde- Adj. | 10.157 | 0.000* |
| **G8 Countries** | Delta Tilde | 10.518 | 0.000* |
| | Delta Tilde- Adj. | 11.408 | 0.000* |

**Note**: * shows that the coefficients are not homogeneous at the 1% significance level.

Depending on the results of the Homogeneity Test, it was concluded that the "Δ" and "$\Delta\ adj$" test statistics were significant at the 1% significance level, that is, the slope coefficient for the variables was heterogeneous. This result is important for the test statistics to be considered in the Westerlund Cointegration Test results in the next part of the study.

Among the tests used for inter-unit correlation, the most used test is Pesaran's test. However, in cases where the number of time is higher than the number of units, tests such as Friedman and Frees are used (Yerdelen-Tatoğlu, 2016: 229). For this reason, the study tried to determine whether there was a correlation relationship between the cross-sectional units forming the panel by using Pesaran, Friedman and Frees tests, and the results are presented in Table 2:

Table 2: **Cross Section Dependency Test Results**

| | Tests | Statistic | Prob. | Q Distribution Critical Values |
|---|---|---|---|---|
| **D8 Countries** | Pesaran Test | 17.431 | 0.0000* | 0.1294 to 0.10 |
| | Friedman Test | 115.057 | 0.0000* | 0.1695 to 0.05 |
| | Frees Test | 4.102 | | 0.2468 to 0.01 |
| **G8 Countries** | Pesaran Test | 21.985 | 0.0000* | 0.1294 to 0.10 |
| | Friedman Test | 141.493 | 0.0000* | 0.1695 to 0.05 |
| | Frees Test | 6.386 | | 0.2468 to 0.01 |

**Note:** * shows that a cross-sectional dependence at the 1% significance level.

Table 2 below shows the Pesaran, Friedman and Frees Cross-Section Dependency test results for both country groups. Accordingly, if the significance value is less than 5% in the Pesaran and Friedman tests, the basic hypothesis of "$H_0$: There is no cross-sectional dependence" is rejected, and the alternative hypothesis of "$H_a$: There is a cross-sectional dependence" is valid. In the Frees test, if the test statistic is greater than the critical value at the 5% level, the $H_0$ hypothesis is again rejected and the alternative hypothesis is valid. Therefore, all three tests indicate cross-sectional dependence between the variables. For this reason, Pesaran (2007) Panel Unit Root test (CIPS), one of the second-generation unit root tests, was applied and the results are given in Table 3 and Table 4 below:

Table 3: **CIPS Unit Root Test Results for D8 Countries**

| | Variables | Steady Z [t-bar] | Steady Significance Value | Steady and Trend Z [t-bar] | Steady and Trend Significance Value |
|---|---|---|---|---|---|
| **Level** | HDI | -0.636 | 0.262 | -0.166 | 0.434 |
| | EFI | -0.275 | 0.392 | -0.760 | 0.223 |
| **1. Difference** | HDI | -6.541 | 0.000 | -5.241 | 0.000* |
| | EFI | -6.052 | 0.000 | -5.523 | 0.000* |

**Note:** * shows that the series are stationary at the 1% significance level.

Table 4: **CIPS Unit Root Test Results for G8 Countries**

| | Variables | Steady Z [t-bar] | Steady Significance Value | Steady and Trend Z [t-bar] | Steady and Trend Significance Value |
|---|---|---|---|---|---|
| **Level** | HDI | -1.280 | 0.100 | 0.105 | 0.542 |
| | EFI | -0.410 | 0.341 | 1.777 | 0.962 |
| **1. Difference** | HDI | -4.740 | 0.000* | -3.017 | 0.001* |
| | EFI | -5.189 | 0.000* | -5.105 | 0.000* |

**Note:** * shows that the series are stationary at the 1% significance level.

Considering the level values of the variables in both country groups within the scope of the study, the "$H_0$: There is no unit root" hypothesis was rejected for all series and first difference values were calculated. Accordingly, the null hypothesis "$H_0$: There is no unit root" is accepted in the first differences of the variables, and it has been determined that the first difference values are stationary at the 1% significance level, that is, I (1). After it was determined by the CIPS test that the series were not stationary at their level values, the Westerlund Cointegration Test, which takes cross-sectional dependence into consideration, was performed and the results are given in Table 5 below:

Table 5: **Westerlund Cointegration Test Results**

| | Test Stat. | Value | Z-value | p-value | Robust p-value* |
|---|---|---|---|---|---|
| **D8 Countries** | Gt | -1.496 | 3.029 | 0.999 | 0.940 |
| | Ga | -4.696 | 3.043 | 0.999 | 0.870 |
| | Pt | -4.078 | 2.168 | 0.985 | 0.780 |
| | Pa | -4.496 | 2.046 | 0.980 | 0.740 |
| **G8 Countries** | Gt | -2.124 | 0.845 | 0.801 | 0.590 |
| | Ga | -6.536 | 2.277 | 0.989 | 0.390 |
| | Pt | -5.880 | 0.108 | 0.543 | 0.410 |
| | Pa | -6.383 | 1.176 | 0.880 | 0.390 |

**Note:** * Shows the probabilities of the Bootstrap value obtained with 100 samples.

When evaluating test statistical results, they are divided into two groups according to the assumption of homogeneity and heterogeneity. When there is an assumption of homogeneity, evaluation is made with Pt and Pa panel test statistics of all horizontal section units. Under the assumption of heterogeneity, the results are evaluated with Gt and Ga group test statistics (Aytun and Akın, 2014: 80). Looking at the homogeneity test results in Table 1, heterogeneity was detected and therefore Gt and Ga group test statistics were taken into account. Accordingly, it was concluded that there was no cointegrated relationship between the series at the 1% significance level.

For the purpose of the study, the method developed by Dumitrescu and Hurlin (2012) was used to test the existence of a causal relationship between the series. The advantages of this method are; It can take into account both cross-sectional dependency and heterogeneity among the countries forming the panel, can be used when the time dimension is larger than the cross-sectional dimension (N), and can produce effective results in unbalanced panel data sets (Dumitrescu and Hurlin, 2012). Another feature of the Dumitrescu and Hurlin test is that it can analyze both in the presence and absence of a cointegrated relationship. For this reason, in this data set where there is no cointegrated relationship, the Dumitrescu-Hurlin panel causality test was used for causality analysis and the results are given in Table 6 and Table 7 below.

As can be seen in Table 6, there is a panel causality relationship from the EFI to the HDI at the 1% significance level and from the HDI to the EFI at the 1% significance level in D8 countries. That is, the basic hypothesis was rejected. If we look at Table 7, while there is a panel causality

relationship from HDI to EFI at 1% significance level in G8 countries, there is no panel causality relationship from HDI to EFI.

Table 6: **Panel Causality Test Results for D8 Countries**

| | W Stat. | Z-bar Stat. | Significance value | Decision |
|---|---|---|---|---|
| **EFI is not causal of HDI** | 3.8964 | 2.6819 | 0.0073 | Economic Freedom ⇒ Development |
| **HDI is not causal of EFI** | 3.0921 | 4.1841 | 0.0000 | Development ⇒ Economic Freedom |

Table 7: **Panel Causality Test Results for G8 Countries**

| | W Stat. | Z-bar Stat. | Significance value | Decision |
|---|---|---|---|---|
| **EFI is not causal of HDI** | 0.7532 | -0.4937 | 0.6215 | Economic Freedom ⇏ Development |
| **HDI is not causal of EFI** | 6.9397 | 4.5492 | 0.0000 | Development ⇒ Economic Freedom |

## 5. Conclusion

Development is one of the main goals for every developed or developing country. Political, social and economic institutional structures of countries can move them to different points in the development process. While countries that have achieved their economic development and growth aim to ensure continuity in development, developing countries are constantly making arrangements in their economies in order to realize their economic growth and development.

The effect of economic freedoms on economic growth in liberal economies, which consider private property, freedom of enterprise, national and international free trade and competition as a basis, has been widely researched in the literature. However, economic growth becomes meaningful as long as it serves development. Therefore, it is of great importance to investigate the relationship between economic freedoms, which are the indicators of an institutional structure, and development. For this reason, the causality relationship between economic freedoms and development for the D8 and G8 countries with the annual data for the 2000-2019 periods was examined in the study. Analysis results show that; while economic freedoms are effective on development in D8 countries, development also affects economic freedoms. On the other hand, development affects economic freedoms in G8 countries, but economic freedoms have no effect on development.

While Sen (2004) evaluates economic freedom in two ways as a goal and a tool, he emphasizes that the expansion of freedom is a means of development, and at the same time, one of the ultimate goals of development is the expansion of freedom. Looking at the results, the interaction between economic freedoms and development in D8 countries confirms the statements of Sen (2004). These results are not surprising in developing countries such as the D8 country group. However, the results obtained for the G8 countries show that the further increase in economic freedoms does not affect development in this country group with high development levels. Therefore, it can be said that the current development levels of countries are important in terms of the relationship between economic freedom and development, and that the relationship between economic freedom and development differs according to income groups. The results of the analysis can be interpreted as policy changes to ensure economic freedom are more important for D8 countries that strive for development. In addition, the results show that there are differences in the results for country groups and that economic freedoms are needed more on the path to development in D8 countries. In G8 countries, instead of focusing on policies that will increase economic freedoms in order to increase development, it may be more beneficial to increase the understanding of the social state with different policies. Thus, the increasing level of development will also have an increasing effect on economic freedom.

The results show that in policy recommendations for countries, attention should be paid to the development level of the countries, and the same institutional arrangements may not yield the same results always and everywhere. Nevertheless, in order to increase the level of development in D8 countries thanks to economic freedom, it is important to prioritize measures and policies that will help the liberalization of international trade, as well as regulations that strengthen the legal structure, regulations that will ensure that credit and labor markets operate more efficiently.

The results obtained from the study were limited to the years 2000-2019 due to the limitation of available data. However, it is thought that more comprehensive results can be obtained in future studies with a larger database.

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