## **2.1 Summary of Literature Review**

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| --- | --- | --- | --- | --- | --- | --- |
| **Authors** | **Data** | **Country** | **Sample** | **Methodology** | **Variables** | **Findings** |
| [Islam (1996)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_14) | Cross section | 94 Countries | 1980-1992 | OLS | Economic freedom, Per capita income, Economic growth. | ER↑→ PC↓ →(LIC)  ER↓→ PC↑ →(MIC & HIC)  ER↑→ GR↓ →(HIC)  ER↓→ GR↑ →(LIC & MIC) |
| [Feldmann (2007)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_13) | Panel | 87 Countries | 1980,1985,1990,1995,2001-2003 | FGLS | Economic freedom, Unemployment. | EF↑ →Unemployment↓ ( women & young people) |
| [De Haan and Sturm (2003)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_10) | Panel | Developing countries | 1975-1990 | OLS | Economic freedom, Political freedom, | A positive relationship between economic and political freedom. |
| [Ashby and Sobel (2008)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_2) | Cross section | US States | 1980-1982, 1990-1992,2001-2003 | Hadi, VIF | Economic freedom, income inequality. | EF↑ →Income↑ →Income growth↑ |
| [Apergis et al. (2014)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_1) | Time series | US States | 1981-2004 | PECM | Economic freedom, income inequality. | Economic freedom has a significant impact on income inequality both short and long run. |
| [Azman-Saini et al. (2010)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_3) | Panel | 85 Countries | 1976-2004 | GMM | FDI, Economic freedom, Economic growth. | FDI has no direct impact on growth. Effect of FDI on growth increase with economic freedom. |
| [Ken Farr et al. (1998)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_15) | Pooled cross sectional time series | 100 countries | 1975-1980  (5 year non-overlapped) | Granger Causality | Economic freedom, Political freedom, Economic well-being | Economic well-being causes economic freedom but doesn’t political freedom. |
| [De Haan and Siermann (1998)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_9) | Panel | 78 countries | 1980-1992 | Sensitivity analysis | Economic freedom, Economic growth. | Economic freedom doesn’t stimulate investment but influence economic growth. |
| [Carter (2007)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_7) | Panel | 123 countries | 1970-2003 | Kuznets | Economic freedom, Income equality | EF↑ →Income equality↑ |
| [Miller et al. (2010)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_18) | Panel | All | 1970-2000 | Granger Causality | Economic freedom, Economic growth. | EF↑ → Economic growth↑ |
| [Cebula and Clark (2014)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_8) | Panel | OECD and Non-G8 OECD nations | 2003-2007 | OLS | Economic freedom, Regulation, Taxation, Real income per capita | EF Real↑ → income/capita↑  Regulatory quality↑ → income/capita↑  Tax burden↑ → income/capita↓ |
| [Doucouliagos and Ulubasoglu (2006)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_11) | Cross Section & Panel | 82 Countries | 1970-1990 | Meta-Analysis. | Economic freedom, Economic growth. | The association of economic freedom & economic growth is Significant & Positive. |
| [D. L. Bennett and Nikolaev (2017)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_5) | Panel | 112 Countries | 1970-2010 | GMM | Economic freedom, inequality. | Negative relationship between them. |
| [Lawson and Clark (2010)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_16) | Panel | 123 Countries | 1970-2005 | Hypothesis testing | Economic freedom, Political freedom. | Economic freedom enhance political freedom. |
| [Ram (2014)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_20) | Cross section | 2 indexes | 2012, 2013 | Comparison | Heritage Foundation, Fraser Inst. | Two ratings country ranking differ from many cases. |
| [Faria and Montesinos (2009)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_12) | Cross section | All available | 2009 | IV method,2SLS, OLS | Economic freedom, Prosperity. | Economic freedom facilitate prosperity. |
| [D. Bennett and Vedder (2012)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_4) | Panel | 50 US states | 1979-2004 | OLS | Economic freedom, income inequality. | Economic freedom reduce income inequality. |
| ([Stroup (2007)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_23)) | Panel | 121 countries | 1980-2000 | OLS | Economic freedom, political rights, quality of life. | A positive relationship among them. |
| ([Xu and Li (2008)](file:///C:\Users\Redwan\Desktop\my%20thess_2.docx#_ENREF_24)) | Panel | OECD | 1970-2003 | OLS, Profit logit. | Economic freedom, Political freedom, income convergence. | A positive relationship among them. |

**Table 2. Ramsey RESET Test**

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|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| BISF | 0.032732 | 0.016173 | 2.023944 | 0.0446 |
| FINF | 0.029219 | 0.015485 | 1.886897 | 0.0609 |
| GOVINT | 0.044949 | 0.023543 | 1.909250 | 0.0580 |
| GOVS | -0.024980 | 0.011997 | -2.082117 | 0.0389 |
| INVF | -0.020504 | 0.011191 | -1.832182 | 0.0687 |
| LBF | 0.005044 | 0.004727 | 1.067028 | 0.2875 |
| MF | -0.029399 | 0.017376 | -1.691927 | 0.0926 |
| PR | 0.022192 | 0.012602 | 1.760995 | 0.0801 |
| TAXB | 0.033946 | 0.016239 | 2.090389 | 0.0381 |
| TRDF | 0.034787 | 0.018083 | 1.923710 | 0.0561 |
| C | 7.783865 | 1.866442 | 4.170429 | 0.0000 |
| FITTED^2 | -0.071102 | 0.060124 | -1.182599 | 0.2387 |

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| --- | --- | --- | --- | --- |
| **Table 3. Heteroskedasticity Test: ARCH** | | |  |  |
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|  |  |  |  |  |
| F-statistic | 0.401846 | Prob. F(2,156) | | 0.6698 |
| Obs\*R-squared | 0.814949 | Prob. Chi-Square(2) | | 0.6653 |
|  |  |  |  |  |
|  |  |  |  |  |
| Here, the result of normality test shows that the p-value is 0.515 or 51% which is more than 5% significance level. So, the test is insignificance in 5% significance level and that’s why null hypothesis cannot be rejected. It’s proved that the residuals are normally distributed. |  |  |  |  |

**Table 4. Result of OLS**

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| --- | --- |
| **Dependent Variable: LGDP** | |
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|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| BISF | 0.014892 | 0.005835 | 2.552312 | \*\*0.0116 |
| FINF | 0.012356 | 0.006046 | 2.043538 | \*\*0.0426 |
| GOVS | -0.011221 | 0.002931 | -3.827880 | \*0.0002 |
| GOVINT | 0.018784 | 0.008057 | 2.331461 | \*\*0.0209 |
| INVF | -0.008591 | 0.004880 | -1.760322 | \*\*\*0.0802 |
| LBF | 0.002118 | 0.004033 | 0.525263 | 0.6001 |
| MF | -0.013018 | 0.010504 | -1.239390 | 0.2170 |
| TAXB | 0.016046 | 0.005888 | 2.724956 | \*0.0071 |
| TRDF | 0.015313 | 0.007482 | 2.046609 | \*\*0.0423 |
| PR | 0.009657 | 0.006825 | 1.415014 | 0.1589 |
| C | 5.856772 | 0.911155 | 6.427851 | 0.0000 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.634142 | Mean dependent var | | 9.028816 |
| Adjusted R-squared | 0.611969 | S.D. dependent var | | 1.228917 |
| S.E. of regression | 0.765519 | Akaike info criterion | | 2.363936 |
| Sum squared resid | 96.69316 | Schwarz criterion | | 2.562091 |
| Log likelihood | -197.0263 | Hannan-Quinn criter. | | 2.444307 |
| F-statistic | 28.59947 | Durbin-Watson stat | | 1.919588 |
| Prob(F-statistic) | 0.000000 |  |  |  |
|  |  |  |  |  |
| \* |  |  |  |  |

\*= At 1% level of significance, \*\*= At 5% level of significance, \*\*\*= 10% level of significance.