Leader's Ideology and Economic Freedom

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Abstract

We revisit the proposition that right-wing governments tend to promote free markets while left-wing governments constrain them, providing the first causal estimates of the effect of government leaders' ideology on economic freedom. Using a doubly-robust stacked difference-in-differences approach that accounts for staggered treatment timing, we identify clean ideological transitions following a stable pre-treatment period in a sample of 153 countries between 2000 and 2023 using Economic Freedom of the World (EFW) as the main outcome, and for a sample of 21 OECD countries extending as far back as 1870 using the Historical Index of Economic Liberty (HIEL). For the Global-EFW sample, we find no significant effects following transitions to either a left or a right-wing government. For the OECD sample, we find no evidence that a transition to a right-wing government affects economic freedom. Our two most robust findings are a negative, but small, effect on economic freedom following a transition to a left government among OECD countries, driven by a larger size of government, and a small, positive, and significant impact on economic freedom following a transition to the right among non-OECD countries.

JEL Codes: D70, H10, P00

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1. Introduction

Political leaders from Fidel Castro to François Mitterrand on the left, or Ronald Reagan and Margaret Thatcher on the right, evoke the common wisdom that ideology is the defining feature of whether a government wishes to increase economic freedom by reducing the scope and size of government's reach over the economy, or the opposite. In this paper, we study how ideological transitions of government leaders in power affect economic freedom.

A large body of research has argued that ideology matters for economic policy platforms (e.g., Hibbs, 1977; Chappell and Keech, 1986; Alesina, 1987; Alvarez et al., 1991, Fraccaroli et al. 2022; Herre, 2026),[1] and for economic freedom specifically (Crampton, 2002; Bjørnskov and Potrafke, 2012, 2013; Crowley et al., 2017; Czegledi and Newland, 2018; Murphy, 2019; Castro and Martins, 2021). Using different measures of ideology and economic freedom (or pro-market policies) at national and subnational levels, they generally support the view that right-wing governments support a smaller scope of government and a free market economy, while left-wing governments support a larger size and scope of government. However, more recent studies have argued that this empirical relationship is less robust than previously thought (e.g., Potrafke, 2017; Zohlnhöfer et al., 2018) and may even vanish with the simple inclusion of two-way fixed effects (Gründler et al., 2024).[2] Of the above studies, Castro and Martins (2021) and Gründler et al. (2024) are the most closely related to ours, in that they

1 There is also substantial evidence of how ideology is related to other areas of policy, such as education (Merzyn and Ursprung, 2005; Elinder and Jordahl, 2013, Busemeyer et al. 2018), public safety (Gerber and Hopkins, 2011), and other fiscal matters such as decentralization (Baskaran, 2011), tax structure (Angelopoulos et al. 2012), and the level of redistribution (Herwartz and Theilen, 2017).

2 At a subnational level, both Bjørnskov and Potrafke (2012, 2013) study how ideology affects economic freedom in Canadian provinces and American states using two-way fixed effects regressions. Their 2012 study analyzes 10 Canadian provinces from 1981 to 2005, and they find no effect on overall economic freedom, but left governments do decrease labor market freedom by expanding public employment. The last study looks at 49 US states from 1993 to 2009, and also find no effect on overall economic freedom, but a significant effect of Republican governments deregulating labor markets.

estimate the relationship between ideology and economic freedom using the sample of countries covered in the *Economic Freedom of the World* Index (Gwartney et al. 2025).

Castro and Martins (2021) use a two-step system GMM estimator, with a yearly panel of 106 countries from 1975 to 2015. They find that right-wing governments tend to promote economic freedom, seeing the effect also in the sub-areas of sound money, freedom to trade internationally, and regulation; while for left-wing governments, only populist left governments lower economic freedom. Gründler et al. (2024) use a panel of 101 countries from 2000 to 2020, and they estimate the effect of ideology on economic freedom using linear regressions, with varying fixed effects. They find ideology has no effect on economic freedom when adding two-way fixed effects, but once they interact ideology with populism, left populist governments have a negative and significant effect on economic freedom (and also on the size of government, sound money, and freedom to trade internationally subareas). Both studies use the *Database of Political Institutions* (DPI) to define government ideology and the *Economic Freedom of the World* Index (Gwartney et al. 2025) to measure economic freedom, and they both suggest left populist governments are detrimental to economic freedom.[3] Our paper uses the same index to measure economic freedom in governmental leaders' ideological transitions in recent years and then adds a historical measure of economic freedom that allows us to examine transitions much farther back in time for a subset of countries with available data. Our major contribution is to advance the literature in two significant ways.

First, this literature has relied extensively on standard panel regressions. These may produce extreme counterfactuals, outside of the support of the data, and give more weight precisely to observations for which treatment assignment is unlikely conditional on other covariates (Aronow and Samii, 2016; King

[3] However, several studies have shown that both left and right populist governments are detrimental to the economy and institutions overall, which suggests this may not be a feature of their left-wing ideology, but rather of their populist nature See, e.g., Bjørnskov and Berggren (2026), Cachanosky et al. (2025), Funke et al. (2023), Absher et al. (2020).

and Zeng, 2006). Similar to the empirical setting of Acemoglu et al. (2019), a model that fails to account for confounding factors driving ideological change will not recover causal estimates of the effect of ideological shifts on economic freedom. Thus, we interpret these prior results as conditional means of economic freedom scores in years governed by left and right governments, rather than estimates of causal effects of an ideological *transition*. Moreover, we now know that these two-way fixed effects specifications are vulnerable to bias under staggered treatment timing (Goodman-Bacon 2021, Callaway and Sant'Anna 2021, Baker et al. 2022), which is precisely the case for ideological changes. Gründler et al. (2024, p. 157) call for identification strategies like difference-in-differences, regression discontinuity design, and synthetic control to "arrive at causal effects on how government ideology influences economic freedom." We do precisely this with a stacked difference-in-differences approach described below.

Second, as argued by Herre (2026), previous research on the effect of ideology on policy has focused mostly on developed countries, especially due to data availability constraints. Relatedly, some authors argued that any effect of ideology on policies would be mediated by certain political institutions found in these countries, such as democratic governments (Huber et al., 2006; Mainwaring and Torcal, 2006), strong states (e.g. Schmidt, 1996; Dynes and Holbein, 2020), and sustained electoral competition (Hibbs, 1977; Alvarez et al., 1991).[4] We avoid such "high-development" biases by using a global sample of countries, and we leverage variation across OECD and non-OECD samples to understand potential moderating factors in this relationship.

[4] Herre (2026) also notes that this view contradicts other arguments that weaker competition may amplify the role of ideology (see Dutt and Mitra, 2005, on trade agreements) and studies showing that ideology shapes policymaking in other parts of the world (e.g. Chwieroth 2007; Ha 2012; Roberts and Saeed 2012; Weymouth and Broz 2013; Ha and Kang 2015; Ha and Rogers 2017).

We address these issues using a novel empirical design and two extended samples of countries, covering more than a century of data. First, our identification strategy focuses on clean ideological transitions, defined as cases in which an ideological shift is preceded by a long and ideologically stable pre-treatment period. We then estimate the average treatment effect using a stacked difference-in-differences (Cengiz et al., 2019; Wing et al., 2024). We also follow Grier et al. (2025), and pre-weight the data using entropy balancing (Hainmueller, 2012; Hainmueller and Xu, 2013) to create control groups that (depending on the specification) match our treated cases in either pre-treatment trends in economic freedom or in a set of key covariates capturing the baseline level of development, political institutions, and economic freedom. This weighting strategy also has the advantage of creating a doubly-robust estimator (Callaway and Sant'Anna, 2021; Sant'Anna and Zhao, 2020).

Additionally, our study relies on the largest sample yet. We identify government ideology using the *Global Leader Ideology* database (Herre, 2023), which covers 182 countries from 1945 to 2020, and supplement it with the *Heads of Government* (HoG) database (Brambor et al., 2017), which codes ideology as far back as 1870 for a sample of 33 countries, providing substantially more coverage than earlier research. After matching to data on economic freedom, our sample covers 153 countries between 2000 and 2020 using data from the *Economic Freedom of the World* index (Gwartney et al., 2025), and 21 OECD countries covered in the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016), between 1870 and 2020. Crucially, this sample allows us to study the relationship between ideology and economic freedom across a wide variety of development levels, allowing us to parse whether significant effects of ideology on policy are confined to developed countries, as suggested by prior literature.

We report two robust findings. First, transitions to the left lead to *lower* economic freedom scores among OECD countries, but this effect is relatively small, of about 13 to 17% of a standard deviation.

Our estimates for individual subareas inform that this overall effect is especially driven by a larger size of government (Area 1), which is the only subarea result that is robust to a correction for multiple hypothesis testing (Bonferroni, 1936). This result is robust to different measures of economic freedom (HIEL and EFW), different timespans (1870-2020 and 2000-2020 only), to different entropy balance weighting specifications. Second, transitions to the right lead to *higher* economic freedom in *non*-OECD countries. This result is also robust to different specifications of balancing weights with covariates and alternative control groups, but data limitations prevent investigating the relationship prior to 2004.

In contrast, we do not find any evidence that transitions to the right affect economic freedom among OECD countries. In our Global/EFW sample, while transitions to the left and right are generally associated with negative and positive point estimates, respectively, they are almost never significant. For this sample, in the cases where we do find statistically significant effects, they are either transitory or sensitive to specification choice. For instance, we do find transitions to the left reduce overall economic freedom, but this effect is only significant when we include covariates. We do not find any evidence that ideological transitions affect individual subareas of EFW once we adjust our *p*-values for multiple hypothesis testing. Overall, our results suggest that *left*-wing leaders negatively impact economic freedom in OECD countries and *right*-wing leaders positively impact economic freedom in the non-OECD countries. Both results are statistically significant but small, comparable to a one-sixth to one-eighth of a standard deviation change in economic freedom.

2. Data

2.1. Economic Freedom

Our main outcome variable is the *Economic Freedom of the World* (EFW) Index (Gwartney et al., 2025). It is available annually beginning in 2000. The EFW score is measured on a 1 to 10 scale (with 10

being the most economically free) across five equally weighted areas: Size of Government; Legal System and Security of Property Rights; Sound Money; Freedom to Trade Internationally; and Regulation which are comprised of 45 individual measures. To score high on the EFW index, a nation must keep taxes and government spending low, protect private property rights, maintain stable money, practice free trade and be open to foreign investment, and exercise regulatory restraint.

We also collect data on economic freedom over the long run, as far back as 1850, for a sample of 21 OECD countries, sourced from the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016), henceforth HIEL.[5] It is normalized to a range of 0 to 10 and has four areas that map to EFW's areas 2 through 5, but it excludes the Size of Government area.[6] To produce estimates consistent with those from EFW, we create a Size of Government area using data from the International Monetary Fund's *Public Finances in Modern History* database (International Monetary Fund, 2025; Mauro et al., 2015). Specifically, we use data on general government expenditures as a percentage of GDP, and scale it according to the methodology used for other variables described in Prados de la Escosura (2016).[7]

Since the US, one of the treated cases, shifting to the right in 1921 and to the left in 1933, has no IMF data before 1929, we backcast the IMF data using historical outlay records from the *Historical Tables*

[5] HIEL has been the main historical dataset for research in economic freedom in the long run (see, e.g. Geloso and Bologna Pavlik 2021 and Bastos, 2025). It covers Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

[6] Prados de la Escosura (2016, p. 438) explains his decision to exclude the Size of Government area as follows: "From a historical perspective, it is far from clear that countries with low government expenditures have necessarily allocated their spending toward freedom protection more efficiently than those with high expenditures. In Europe, from the late eighteenth century, fiscal centralization–which allowed states to collect larger tax revenues–went hand-in-hand with parliamentary control of public spending, resulting in limited government and extended economic freedom, and the government share in total consumption increased with per capita income. The rationale is that, in advanced (open access) societies, as citizenship expands, the government provides public goods, lowering the cost of market participation for individuals. A relevant empirical objection to the inclusion of the government share in consumption in *HIEL* is that it may be redundant as other dimensions of economic freedom already capture government restrictions to individual choice. Therefore, the decision has been taken to exclude the EFW's size of government from the historical index."

[7] The formula we use is: Area $1 = 10 \times (V_{max} - V_{ij}) / (V_{max} - V_{min})$, thus assigning lower scores for higher government expenditures.

of the President's budget[8] and divided it by yearly GDP estimates for 1790-1928 collected from various sources[9] and harmonized by Johnston and Williamson (2026). The main caveat is that Treasury data for this source reflects expenditures from the federal (or "central") government rather than general government expenditures as in the IMF tables. Thus, we take the 1929 level from the IMF-PFMH table at 8.3 percent of GDP as our anchor and extend it backwards using the growth rates implied by federal government alone as a proxy.[10]

2.2. Leader Ideology

We identify leader ideologies using the *Global Leader Ideology* database (Herre, 2023) as our primary source. This dataset is ideal for our purposes, as it focuses on the *economic* ideology, "understood as the preferences over how much the state should intervene into the economy"[11] (while ignoring other views on, say, race and ethnicity), and covers 182 countries from 1945 to 2020, providing substantially more coverage than earlier research.[12] In countries where the head of government and the head of state are different people, we use the dataset's coding for the ideology of the "leader," defined as the "the politically most powerful." In the full sample, centrist leaders are the minority (9.9%), while

[8] See President's Budget *Historical Tables* (Office of Management and Budget, 2026), Table 1.1–Summary of Receipts, Outlays, and Surpluses or Deficits (–): 1789-2025, available at https://www.whitehouse.gov/wp-content/uploads/2026/04/hist01z1_fy2027.xlsx.

[9] For the list of sources used in their study, see: https://www.measuringworth.com/datasets/usgdp/constructiongdp.php

[10] We also estimated our main specifications without including the US pre-1929. This alternative coding does not affect our results – available upon request.

[11] Importantly, Herre (2023) discusses the large efforts the coding team has taken to avoid coding ideology based on *outcomes* (e.g, their implemented policies); instead, they rely on party manifestos and stated views. This is crucial to avoid introducing a tautological identification strategy of measuring the effect of leaders that *implemented* leftist policies on the policies themselves.

[12] Castro and Martins (2021) and Gründler et al. (2024) respectively use the 2015 and 2020 versions of the *Database of Political Institutions* (Cruz et al., 2021). As discussed in Herre (2023), the 2020 version of the DPI covers 180 countries between 1975 and 2020, making it the second largest database available in terms of *potential* coverage, but around 40% of observations missing, leading to large gaps, especially in Sub-Saharan Africa and the Middle East. Murphy (2019) uses data from Botero et al. (2004), which simply codes the percentage of years between 1928 and 1995 where *both* the party of the executive and the largest party in the legislature were either left-wing or centrist parties for 85 countries, to predict EFW scores in 1995 or 2015.

leftists and rightists account for 47.8% and 42.3% of country-years, respectively. We supplement this data with the *Heads of Government* (HoG) database (Brambor et al., 2017), which identifies the ideology of leaders in a sample of 33 countries in Europe, Latin America, North America, and the Asia-Pacific regions as far back as 1870. Although we cannot estimate the effect for these 33 countries given HIEL is only available for 21 OECD countries, fortunately we can observe government ideology for all countries covered in HIEL.[13]

2.3. Samples

Given the data on economic freedom and ideology, we create two main samples for our study. Our Global or EFW sample comprises a panel of 153 countries between 2000 and 2020. Following the methodology described in detail in the next section, we identify 28 transitions to the left and 26 transitions to the right, occurring between 2004 and 2017.

Our OECD or HIEL sample comprises a panel of 21 countries observed between 1870 and 2020. However, we note that left-wing rule was basically unheard of before the early 1900s. Indeed, the first appearance of a left-wing government in the HoG data is in Uruguay in 1903, a country which unfortunately has no HIEL data. The first treated case of a shift to the left within this extended sample is the United States under Roosevelt in 1933, and the first shifts to the right are Canada and New Zealand in 1912. As our main HIEL sample, we use the data from GLI for 1945-2020 and supplement the period 1870-1945 with the HoG database. This leads to an initial sample of 25 transitions to the left across 21 cohorts, and 25 transitions to the right across 19 cohorts treated between 1912 and 2017.

[13] We compared these two ideology databases. In the raw data, they agree on ideological coding 84.4 percent of the country-years they overlap in. However, many mismatches happen because changes in ideology are timed differently (HoG codes the leader who spent the most time in office during the year, and GLI whoever held office on December 31st). Once these mismatches are set aside, agreement rises to 91.5 percent, and genuine disagreements over whether a government is left or right account for less than 1.5 percent of country-years. We compared how results change depending on the database used. Re-estimating under each coding reveals our finding that left-wing governments reduce overall economic freedom in the OECD is sensitive to the choice of dataset.

Finally, to avoid potential biases, we excluded cases in which an ideological transition coincides with major confounders. Specifically, we exclude countries with major autocratic or democratic swings, defined as those that had more than a two-standard deviation difference between the maximum and minimum value of their Polity2 score (Marshall and Gurr, 2020), a measure of democracy focusing on constraint on the Executive, within the estimation window – a meaningful change capturing a turning from an autocracy to a democracy, or the inverse. While we find no such cases in the EFW sample, this rule leads to the exclusion of three of the 25 cases of transitions to the left in the HIEL sample coinciding with the fall of post-war authoritarian governments in Europe. Namely, these are: Portugal (1974), with the fall of Salazar and the *Estado Novo* in the Carnation Revolution; Greece (1981), the first PASOK government after the 1974 collapse of the military junta; and Spain (1982), the first PSOE government following Franco's death in 1975. These cases capture broad post-authoritarian transitions that led to democratization, liberalization, and accession to the European Community, confounding the treatment (see, e.g., Amaral et al. 2026). We find no similar cases coinciding with transitions to the right. As we show in Appendix A3, including these three cases generates poor pre-treatment trends, meaning we are unable to find proper counterfactuals for them.[14] In Figures 1 and 2, we plot all countries covered in these two main samples after the exclusion of these three outliers.

Table 1 shows the outcome levels in the year before treatment for both EFW and HIEL, and their respective subarea indices. In turn, Figure 3 shows trends in the level of economic freedom prior to and following ideological transitions for treated and control units. Both show that treated countries, on average, have higher economic freedom than their controls; this is also seen in most of the

[14] We also ran results excluding transitions in countries whose Polity2 score moves by more than one standard deviation of the full Polity2 panel (6.98 points) between its minimum and maximum across the estimation window. This does not drop any further countries in the HIEL sample, but in the EFW sample leads to dropping five countries (Pakistan, Bangladesh, Peru, Kyrgyzstan, and Niger) for transitions to the left and two countries (Iran and Kyrgyzstan) for transitions to the right. The coefficient magnitudes barely move, and there were no changes in the significance of the estimates when restricting the EFW sample. Results available upon request.

economic freedom subareas. The only notable exception is Size of Government, where in EFW, countries that transition to the right have bigger governments than their controls right before treatment happens (about a 0.08-0.09-point difference in the index), and the same happens in HIEL for countries that transition to the left (about 0.65-0.76 points). Since our difference-in-differences strategy – explained in the following section – does not require similar *levels* of economic freedom, but rather parallel *trends*, for causal identification, our main specifications rely on a control group matched only on parallel pre-treatment trends. In any case, we show that we find highly similar results when matching on baseline levels of economic freedom and an additional set of covariates capturing the levels of income and democracy, and discuss the few exceptions that are sensitive to the inclusion of these covariates in the entropy balance procedure.

3. Empirical Strategy

Our identification strategy proceeds in two steps. We begin by using the leader ideology data to construct a sample of clean ideological transitions. We define them as episodes in which a country moves from a long, eight-year non-left pre-treatment to a left government, and conversely, from a non-right to a right government. We refer to these as transitions to the left and to the right, respectively. Our main concern is to avoid back-and-forth transitions that may affect the treatment assignment. By focusing on cases with a long, ideologically stable pre-treatment period, we hope to accurately identify clear ideological transitions. In our main specifications, each treated unit is then

matched to a control group of countries that remained under a non-left (non-right) government throughout the same period.[15]

Second, we must address the issues imposed by the staggered nature of ideological transitions. Recent research has shown that the standard two-way fixed-effect regressions – as the ones used in Castro and Martins (2021) and Gründler et al. (2024) – may be biased under staggered treatment timing (Goodman-Bacon 2021, Callaway and Sant'Anna 2021). The key issue in these specifications is that they may lead to "forbidden comparisons," where early-treated units are used as controls for late-treated units. Under heterogeneous treatment effects over time, this can lead to negative point estimates even if the effect is positive for all treatment time groups (de Chaisemartin and D'Haultfœuille 2020; Goodman-Bacon, 2021).

To overcome this problem, we employ the stacked difference-in-differences design first proposed by Cengiz et al. (2019) and formalized by Wing et al. (2024). Treated countries are grouped by their transition year and combined with a corresponding set of clean control units within the same calendar-year window, creating a set of self-contained difference-in-differences experiments. These sub-experiments are then stacked into a single dataset aggregated along the event-time dimension; we then estimate a single event-study with country-by-cohort and year-by-cohort fixed effects.

Moreover, we only include cases with complete ideology and economic freedom data for all years under analysis. That is, we trim our treatment assignment window to ensure all treated units contribute equal-length panels, following Wing et al. (2024). Given that the *Database of Political Institutions* used in

[15] In our robustness checks, we show that a stricter requirement, where controls are those non-left or non-right *and* without any ideological switch (as opposed to potentially allowing switches between the opposing wing and center), yields the same results.

previous research contains many missing values (Herre, 2023), we aim to ensure stable regression weights and prevent compositional changes that could bias the results as the event horizon expands.[16]

For the HIEL sample, we estimate an event-study comprising the eight pre-treatment years and four years of post-treatment. Given the much shorter yearly panel for the EFW sample, we estimate only four years of pre-treatment EFW data, while still assuring an ideologically stable eight-year window in the pre-treatment. This approach allows us to maximize our case coverage, while still carefully identifying only cases with clean treatment assignment.[17]

We further augment this design with entropy balancing (Hainmueller 2012, Hainmueller and Xu, 2013), pre-weighting the data so that control units match treated units on pre-treatment trends in economic freedom, as in Grier et al. (2025).[18] Zhao and Percival (2017) show that this approach yields a doubly robust estimator, that is, our estimates remain unbiased provided that *either* the outcome model or the balancing weights are correctly specified (see Callaway and Sant'Anna 2021, Sant'Anna and Zhao 2020). Cefalu et al. (2020) also demonstrate that it is an effective approach to remove bias when the parallel trends assumption is not immediately satisfied.

Figure 3 illustrates what the weighting does for our research design. For the main indices, it shows the raw average levels for treated and control countries, and the weighted average for control countries after entropy balancing. In most cases, the raw control group average does not follow an identical pre-

[16] See the discussions in Wing et al. (2024) and Sant'Anna and Xu (2026).
[17] For example, for transitions to the left at $t = 0$, we assure that the country remained non-left from $t = -8$ to -1, even though we only observe EFW values (and thus estimate pre-trends coefficient) from -4 to -1. By doing so, we can extend our sample to treatments occurring in 2004, instead of 2008.
[18] For similar applications of this combined strategy in political economy research, see Angelucci et al. (2022), Rayamajhee and March (2025), Bologna Pavlik et al. (2025), Dal Molin et al. (2026), Bastos et al. (2026), and Bastos and Cachanosky (2026).

treatment path than the one of the treated group; after applying the weights, the control average follows the same trends of the treated countries very closely.[19]

Finally, we conduct our inference by clustering the errors at the country level.[20] Since the EFW sample contains a much broader list of countries, we have an appropriate number of clusters, ranging from 77 to 92 clusters. On the other hand, the HIEL/OECD sample contains at most 21 clusters. When the number of clusters is too small, regular clustering may produce a downward-biased variance estimate, leading to an over-rejection of the null hypothesis (Angrist and Pischke 2009, Cameron and Miller 2015). Thus, for the HIEL sample, we use the wild cluster bootstrap method (Cameron et al. 2008).[21]

4. Results

4.1. Overall Economic Freedom

We start by reporting our results for the global EFW sample, which estimates the causal effect of ideological transitions to left and right, using four years of pre-treatment economic freedom data, while ensuring there is an eight-year, ideologically stable pre-treatment window. In both left and right

[19] As discussed in Hainmueller (2012), one potential concern around any weighting procedure is that the algorithm may find a set of weights that is highly concentrated in a handful of units. This would increase sample variance, because the effective number of observations decreases. We summarize weight concentration with Kish's (1965) effective sample size (i.e. the size of an equally weighted sample with approximately the same precision) divided by the size of the original sample. In our four main samples (Figures 4-7), ESS/N_C ranges from 99% to 56%. Even in the most dispersed case, unequal weights raise the variance of a weighted control mean by about 1.8 relative to equal weights, rather than collapsing the estimator onto a few observations.

[20] This is a conservative option relative to clustering it by the country-by-cohort level, because it recognizes the dependence among observations of the same country in different cohorts. Applied work has taken both options, with Cengiz et al. (2019) clustering at the group-by-cohort level, while Deshpande and Li (2019) and Butters et al. (2022) cluster at the group level. See also the discussion in Wing et al. (2024), Section 5.4.

[21] Also see Abadie et al. (2023) on the necessity of clustering, and Conley and Taber (2011), MacKinnon and Webb (2017, 2018, 2020), and Webb (2023), for related discussions on inference with too few clusters.

government transitions, there are no significant pre-trends. To allow comparison across specifications, in Table 2 we also report standardized effects ($ATT/SD_{CONTROL}$) in parentheses.

Figure 4 shows the event study graph for ideological transitions to the left and their effect on EFW. Economic freedom falls in every post-treatment year, but never by more than 0.06 standard deviations, and no estimate is statistically different from zero at the 5% level. Figure 5 shows the effect of political transitions to the right. Here, economic freedom rises by a similar amount, around 0.05 standard deviations by the third year, without any statistical significance. Thus, while the two transitions move in the expected directions, neither can be statistically distinguished from zero.

Next, we turn to the OECD sample with HIEL as the main outcome. Our data on ideology goes back to 1870, though the first transition we identify occurs in 1912. Since we are not as constrained by the data's timespan, we estimate the event studies with eight pre-treatment periods. We report effects in standard deviations of the outcome, as given in the parenthesis in Tables 2 and 3.

Figure 6 shows the event study for transitions to a left government. Economic freedom falls by about 13% of a standard deviation at t=2 following the transition, and further to 17% of a standard deviation by t=3, significant at the 10% and 1% levels, respectively. Figure 7 shows the effects for right government transitions. Given the smaller sample size, we do observe more noise in pre-treatment trends, but they are still not significant at the 5% level. Following the transition, there are minor fluctuations in economic freedom, which are indistinguishable from zero. With the longer dataset that includes only OECD countries, we find evidence that transitions to left wing leaders reduce overall economic freedom. As we discuss below, this is our most robust result, though the magnitude of the effect is always small. In contrast, we find no evidence that transitions to right-wing leaders affect economic freedom.

4.2. Individual Areas of Economic Freedom

Since both EFW and HIEL indices are equally-weighted averages of many subareas, looking at the aggregate measure alone could mask offsetting movements: if one area goes up and another one goes down by roughly the same magnitude, we would see no effect on overall economic freedom. Furthermore, if there is a significant movement in any of the subareas, we may not detect it in the aggregate because averaging would make the effect smaller. With five different subareas, we estimate the effect of the transition to a left and right government for each of them, yielding ten new specifications for EFW and ten for HIEL.

However, when performing multiple hypothesis testing – five subareas and four post-treatment periods –we should expect to find some significant results simply by chance: if every null were true, there would be a 10% probability of a false positive at that level, so chance alone would give us around two significant coefficients for each sample. Thus, to account for multiple hypothesis testing, we apply a Bonferroni (1936) correction to each sample, each containing twenty tests (5 subareas by 4 periods = 20). Specifically, we multiply the raw *p*-value for each point estimate by the total number of tests for that sample. Effectively, this means that any uncorrected *p*-value higher than 0.005 is not significant at the corrected 10% level.

Table 2 summarizes our estimates for the EFW subareas, and Figures 8 to 12 contain the event study plots. We do not find any evidence that transitions to either left or right-wing governments have significant impact on economic freedom. In turn, Table 3 shows the estimates for HIEL subareas (including our own Area 1). Our only significant finding is a small negative effect on the Size of Government (Area 1), indicating government grows by 0.13-0.14 standard deviations in the third year

following the transition, significant at the 5% level.[22] Overall, we find virtually no evidence that any of the subareas of economic freedom is directly affected by ideological transitions.

4.3 Comparing OECD and non-OECD samples

Taken together, our two samples yield two different answers, with null results for the Global-EFW sample, but a small significant negative effect of transitions to left on economic freedom among OECD countries. Earlier research has argued that the effect of ideology on policy is mediated by the broader institutional environment that shapes the political process. It suggests that, in developed countries, the prevalence of democratic governments (Huber et al., 2006; Mainwaring and Torcal, 2006), strong states (e.g. Schmidt, 1996; Dynes and Holbein, 2020), and sustained electoral competition (Hibbs, 1977; Alvarez et al., 1991), could promote a more effective mechanism for translating ideological programs into specific policies. In this section we explore some of these considerations.

Since our samples vary substantially in the group of countries covered, the timespan, and the measure of economic freedom, we attempt to hold all but one of these factors constant at a time. First, we re-estimate our results for transitions to the left while restricting the EFW sample to HIEL's 21 OECD countries and to cohorts beginning in 2004, where the two measures overlap. We find six treated units (Spain-2004, Australia-2007, Denmark-2011, France-2012, Sweden-2014, Canada-2015) and 31 control units across the same six cohorts, spanning 14 clusters (countries) in total.[23] Among the two panels of Figure 18, we find similar results: a negative and significant effect in three post-treatment

[22] For reference, using the uncorrected *p*-values, we find that 3 out of 20-point estimates were significant in the EFW sample (nearly exactly what would be predicted by chance), and 6/20 were significant for HIEL. Three of them showed significant effects for Area 1 at t = {1,2,3}, of which only the last remains significant after the Bonferroni adjustment.

[23] We do not report the analogous exercise for right-wing transitions because restricting that sample to OECD countries and post-2004 cohorts leaves zero control units in every cohort. Nearly every OECD country had already experienced a right-wing government by the early 2000s, exhausting the pool of potential controls — the design is not identified on the right. In any case, we find results for right-wing transitions using the full EFW and HIEL samples.

years (5 to 10% level) using the EFW index and in one post-treatment year (1% level) using the HIEL data. In terms of magnitude, the effect ranges between 0.15 to 0.30 standard deviations (see Figure 18 and Table 4), and the larger effect at t=3 amounts to 0.96% of the pretreatment mean EFW for treated countries (7.94 points).

On the one hand, by keeping the exact same sample of countries fixed and varying only the outcome measure, the results in Figure 18 suggest that the difference between our EFW (null) and HIEL (negative and significant for left-transition) samples are not likely being caused by the measure of economic freedom alone. On the other hand, by comparing the right panel of Figure 18 to the complete timespan of our HIEL sample (Figure 6), we are effectively keeping our sample restricted to OECD countries and a common measure of economic freedom (HIEL), while varying the timespan. We interpret these results as showing a consistent effect of left ideology on economic freedom among OECD countries across both the 20th and 21st centuries. These results are robust to specifications including covariates, but not to using only non-switcher controls (see Section 5.2, below).

Finally, we compare these results to analogous specifications for non-OECD countries.[24] We find no robust, significant effect from transitions to the left under any significance threshold.[25] However, for transitions to the right, we do find positive and significant effects on economic freedom. In the second and third year following a transition to the right, economic freedom increases by 0.125 and 0.14 standard deviations relative to the control group, significant at the 10% and 5% level, respectively (seen in Figure 19 and Table 4). As a reference, these magnitudes (in terms of SD) are close to the

[24] This specification has 22 treated countries and 47 control units across nine cohorts (2005-2014), spanning 69 clusters (countries) for transitions to the left; and 17 treated countries with 66 control units across eleven cohorts (2004-2015) and 82 clusters (countries).

[25] In the left panel of Figure 19, we find one negative and significant result suggesting a decrease in economic freedom in the year following a transition to the left when we include covariates, but this effect is small, transitory, and not robust to different specifications.

significant effects we find following transitions to the left in the main HIEL specification (0.13-0.17 standard deviations), and are robust to different specifications using covariates and an alternative control group, as discussed in greater detail in the next section.

5. Robustness Checks

In this section, we report the results of a series of exercises that assess the robustness of our main findings. We discuss them here and provide supporting figures and tables in Appendix A.

5.1 Including Covariates

Our main results use entropy balancing to match on pre-treatment trends, as suggested in Cefalu et al. (2020). In Appendix A1, we extend this weighting procedure to include additional covariates. Namely, we match on GDP per capita – using Feenstra et al. (2015) for post-2000 specifications and Bolt and van Zanden (2025) for the long-run ones – the Polity2 index score (a measure of democracy focusing on constraints on the Executive) and the *level* of economic freedom in the year before the transition. Since the indices themselves rely on a broad set of covariates capturing political and economic institutions, including taxation, monetary policy, trade openness, and other regulatory policies, we believe that, together, these covariates capture the overall level of development and the quality of political and economic institutions, with special attention to democracy. Results are shown in Figures A1 to A4. Including these covariates changes the point estimates only marginally, and in no consistent direction: across both EFW and HIEL samples (as well as OECD and non-OECD samples), we observe slightly larger or smaller magnitudes, depending on the outcome and ideological side. In sum, we interpret them as nearly identical results.[26]

[26] Unlike the setting of Grier et al. (2025) where treatment assignment (in their case, coups) is strongly correlated with poor institutions and relatively low levels of income, ideological transitions are a ubiquitous phenomenon across the world

5.2 Using only non-switchers as controls

In our main specifications, the control countries were limited to countries that remained non-left or non-right, while the treated country transitioned left and right, respectively. However, this setting implicitly allowed controls that transitioned between a leader of the opposite ideology of the treated country and a centrist leader, which could potentially bias our results. For instance, if most controls moved from center to left (say, decreasing economic freedom) while the treated moves to the right, that would create a bias that amplifies our results; conversely, if most controls moved from leftist to centrist leaders (say, increasing economic freedom) while the treated group moving to the right also increases economic freedom, that would bias our results downward, since both treated and control are moving in the same direction. In Appendix A2, we re-estimate our results using only non-switchers – countries that did not experience any changes in ideology – as controls. This shrinks the control groups for both measures, but most notably for HIEL. EFW loses 29% of controls in transitions to the left and 18% in transitions to the right, while HIEL loses 48% of the controls in both transitions.[27] Our headline results remain unchanged. Similar to our findings including covariates, we find marginal changes in either direction, with no clear pattern of bias. Crucially, our two key findings persist: left transitions in the HIEL promote a small, negative, and statistically significant effect on economic freedom, particularly through a larger size of government; transitions to the right have a small positive effect among non-OECD countries, although at marginally lower significant levels under this specification

5.3 Outliers: Post-Authoritarian Transitions.

and at different levels of development. Thus, relative to their setting, our treated and control groups are much more similar, on average, even without including any covariates in the matching procedure.

[27] In Figure 18, the "non-switcher controls" specification reduces our sample to 6 treated and 11 control units. Naturally, we obtain substantially larger standard errors.

As discussed earlier, we excluded cases in which ideological transitions coincided with major confounding factors. We focused on large swings in democracy-autocracy scores, identifying three cases in the HIEL left-wing sample which coincide with, or shortly follow, the fall of post-war authoritarian governments in Europe. In Figure A11, we report the results *including* these three cases for comparison. It shows strong pre-trends in Area 2: Legal System and Property Rights – precisely the area including measures of democracy and the rule of law that may be most affected by these events – leading to invalid identification due to a confounding treatment.

6. Conclusion

A large literature argues that government ideology matters for determining economic policy. The part of that literature that analyzes how ideology affects economic freedom has usually found that left-leaning governments are associated with lower economic freedom, and a right-leaning government is linked to increased economic freedom. However, these studies have relied on standard panel regressions, that can produce extreme counterfactuals outside the support of the data, and which are vulnerable to bias in settings of staggered treatment. Our study provides the first causal estimates of the effect of an ideological transition on economic freedom.

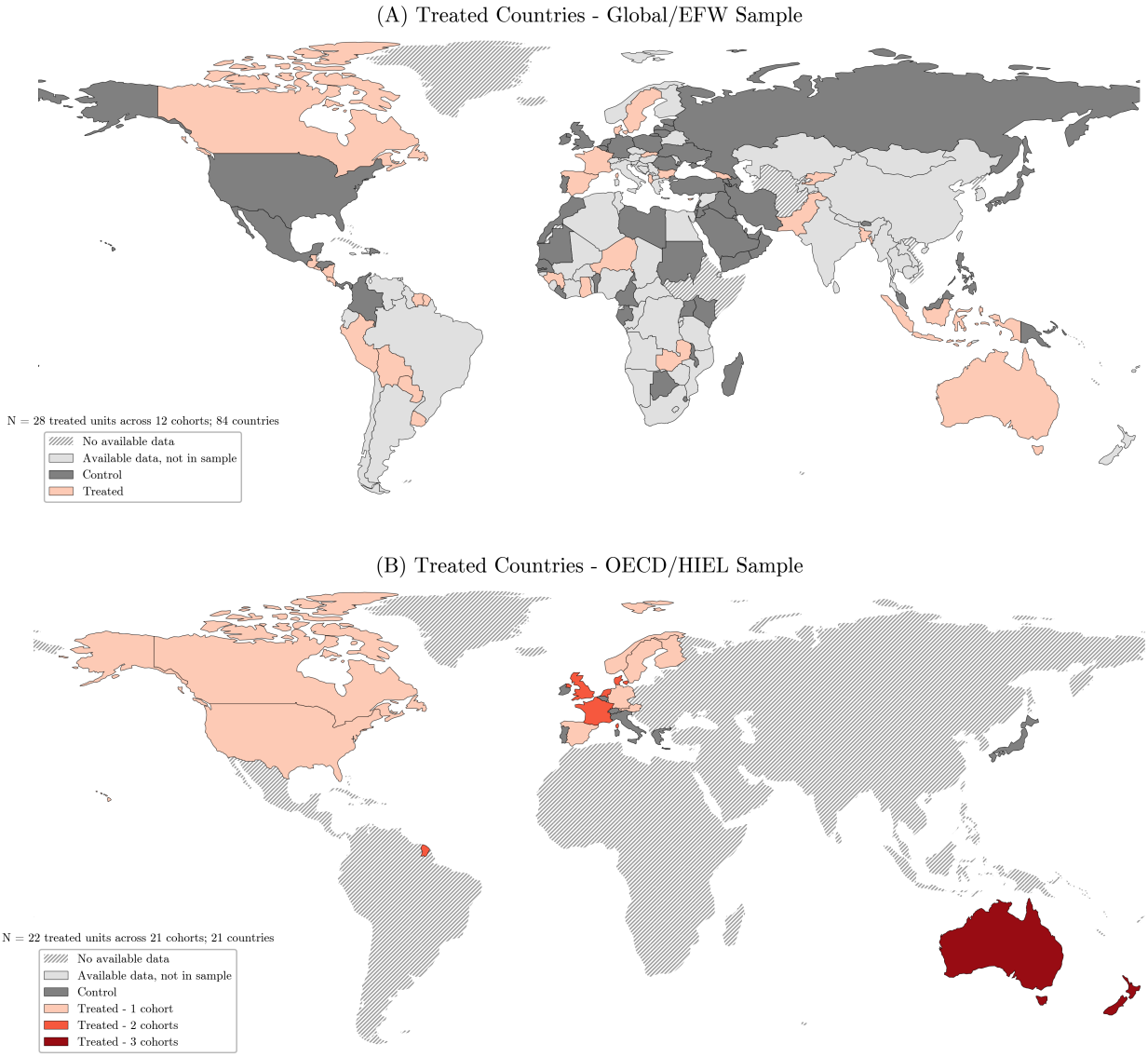
Our research design identifies clean ideological transitions of government leaders to left and right after a long, ideologically stable period. To estimate the effect of these transitions on economic freedom, we use an entropy-balanced stacked difference-in-differences, a doubly robust estimator. We apply this design to two samples: a global, but relatively shorter, sample built on the EFW index, and a narrower sample of OECD countries, with a much longer time span, built on the HIEL index. We do not find any effect of ideological transitions in the global sample. We find that transitions to the left reduce economic freedom in OECD countries by 0.17 standard deviations by the third year

following the transition. This finding is robust, and it is driven by a larger size of government. When we restrict our recent EFW data to OECD countries alone, we similarly find a negative impact of ideological transitions to the left. We also find that, among non-OECD countries, transitions to the right increase economic freedom, by a small and statistically significant margin. Overall, these are our two most robust findings. In both cases, the ideology of the leader influences economic freedom in the anticipated direction, with left-wing leaders of OECD governments increasing the size and scope of government, while right-wing leaders in non-OECD governments decrease the size and scope of government. However, across both findings, these effects are small, indicating that transitions of government leaders' ideology do not matter much in terms of how their policies affect economic freedom.

It is important to note that our findings are only about changes in government leaders' ideology. This does not mean that voter's economic ideology or the legislature's ideology do not matter in determining economic freedom, and it does not preclude scenarios in which executives with strong legislative support can affect economic freedom. Future research might explore these areas, though data limitations prevented us from exploring how the impact of changes leaders' ideology varied by whether their ideology was unified with the ideology of the legislative branch of their government. Other areas for future research could include the effect of transitions to populist left and right governments (again the data available is too short and narrow to use the same research design this paper uses), and investigating in greater detail why left transitions in OECD countries matter but do not in other countries. Finally, Gründler et al. (2024) called for the use of new identification strategies; we have used a difference-in-differences design, but other methods, such as regression discontinuity designs (RDD) and synthetic control methods, could also be explored.

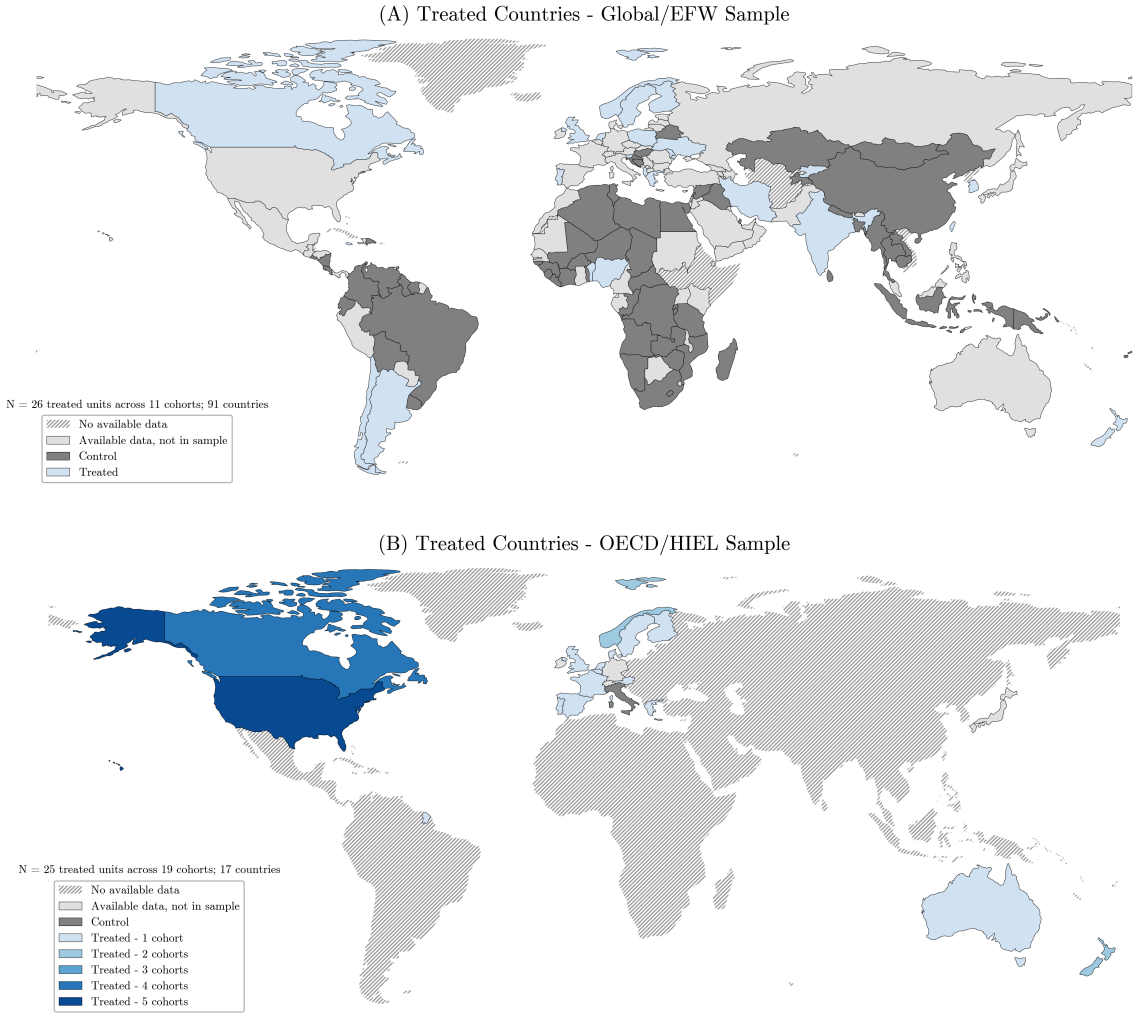
Tables and Figures

Figure 1. Transitions to the left: EFW and HIEL samples



Notes: This figure shows treated and control countries in the Global/EFW sample (A) and in the OECD/HIEL sample (B) for transitions to the left. Shaded countries are completely absent from either the economic freedom index dataset of that panel or the ideology dataset. Countries in light gray are excluded due to incomplete data or frequent left-right transitions (no stable period for analysis), or both. Countries in dark gray enter as controls for one or multiple cohorts.

Figure 2. Transitions to the right: Global/EFW and OECD/HIEL samples



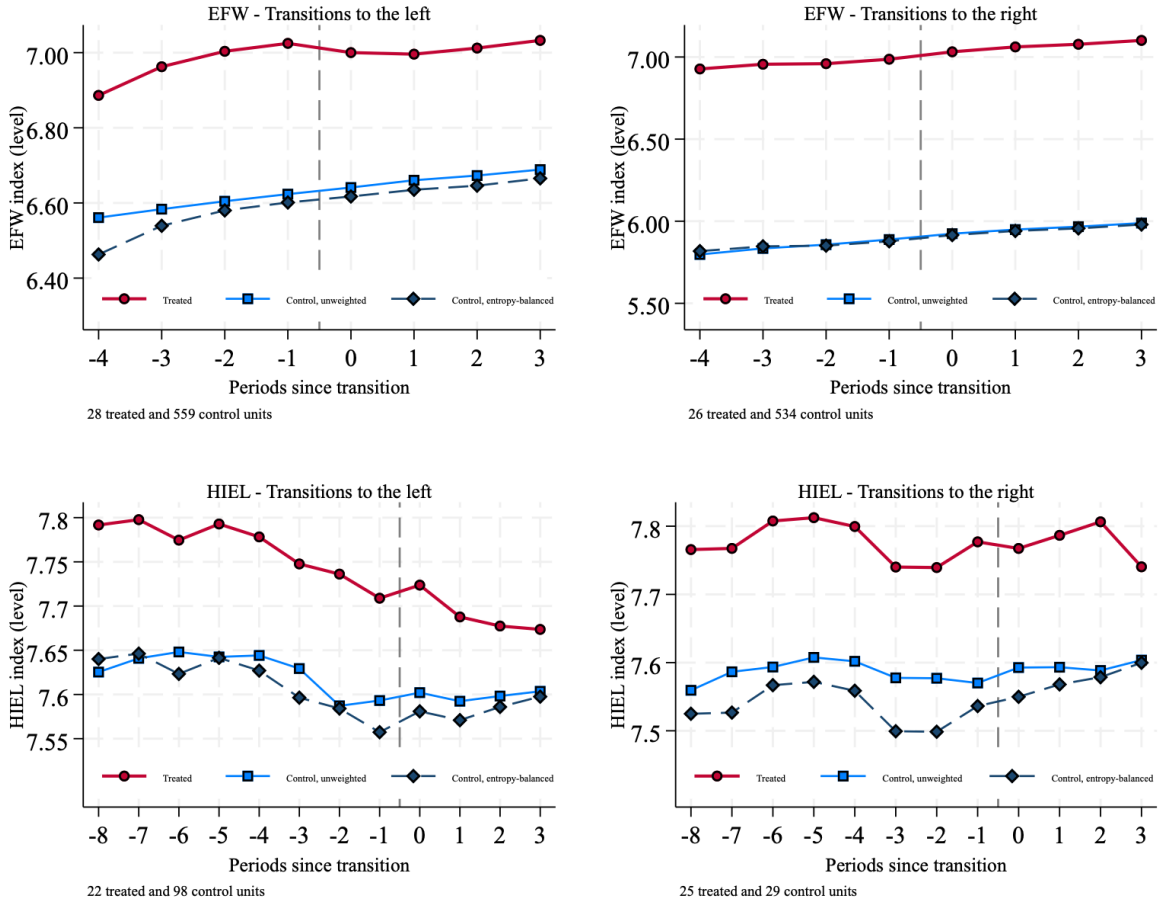
Notes: This figure shows treated and control countries in the Global/EFW sample (A) and in the OECD/HIEL sample (B) for transitions to the right. Shaded countries are completely absent from either the economic freedom index dataset of that panel or the ideology dataset. Countries in light gray are excluded due to incomplete data or frequent left-right transitions (no stable period for analysis), or both. Countries in dark gray enter as controls for one or multiple cohorts.

Table 1: Outcome levels in the year prior to treatment

	Treated		Weighted Control		Raw Control	
Variable	Mean	SD	Mean	SD	Mean	SD
Panel A: EFW, transitions to the left (28 treated, 559 control)						
Index	7.02	0.88	6.60	0.92	6.62	0.92
Area 1: Size of Government	7.29	1.23	6.71	1.18	6.69	1.15
Area 2: Legal System & Property Rights	5.49	1.87	5.05	1.66	5.09	1.68
Area 3: Sound Money	8.33	1.23	7.76	1.46	7.77	1.47
Area 4: Freedom to Trade Internationally	7.68	0.97	7.35	1.10	7.37	1.12
Area 5: Regulation	6.46	0.99	6.28	1.02	6.33	1.04
Panel B: EFW, transitions to the right (26 treated, 534 control)						
Index	6.99	1.07	5.88	1.06	5.89	1.05
Area 1: Size of Government	6.41	1.07	6.49	1.31	6.50	1.31
Area 2: Legal System & Property Rights	6.45	1.98	4.31	1.38	4.31	1.38
Area 3: Sound Money	8.09	1.77	6.70	1.81	6.73	1.78
Area 4: Freedom to Trade Internationally	7.55	1.45	6.45	1.36	6.46	1.35
Area 5: Regulation	6.49	1.12	5.47	1.13	5.47	1.12
Panel C: HIEL, transitions to the left (22 treated, 98 control)						
Index	7.71	0.30	7.56	0.52	7.59	0.48
Area 1: Size of Government	4.40	2.10	5.05	2.23	5.16	2.19
Area 2: Legal System & Property Rights	8.60	0.55	7.86	1.03	7.84	1.03
Area 3: Sound Money	9.17	0.46	9.15	0.48	9.20	0.42
Area 4: International Openness	8.82	1.23	8.70	1.45	8.68	1.51
Area 5: Regulation	7.55	0.53	7.03	0.96	7.08	0.88
Panel D: HIEL, transitions to the right (25 treated, 29 control)						
Index	7.78	0.38	7.54	0.42	7.57	0.41
Area 1: Size of Government	4.43	2.17	3.36	2.13	3.88	2.00
Area 2: Legal System & Property Rights	8.44	0.60	8.46	0.51	8.38	0.57
Area 3: Sound Money	9.23	0.57	9.03	0.59	8.93	0.61
Area 4: International Openness	9.39	0.67	9.37	0.53	9.26	0.56
Area 5: Regulation	7.40	0.64	7.45	0.49	7.40	0.52

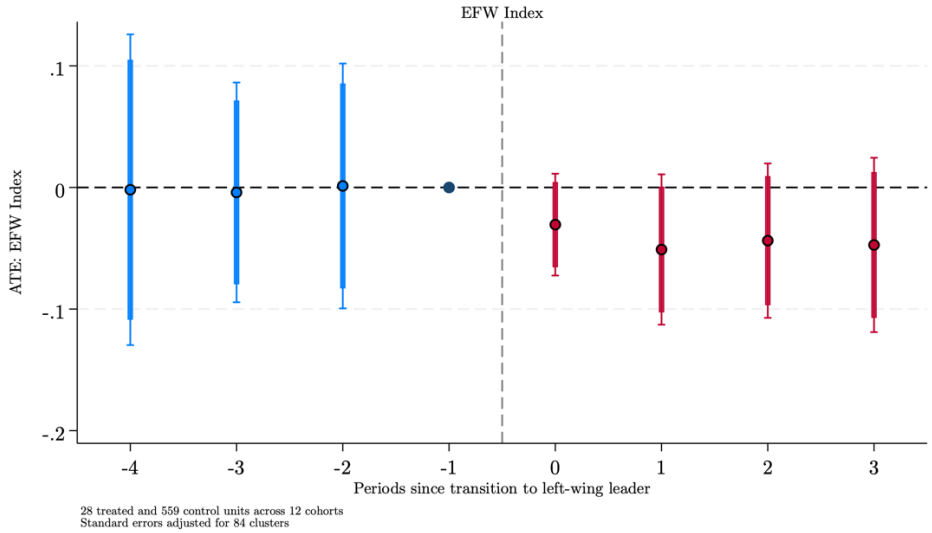
Notes: Cells report means and standard deviations of the Economic Freedom of the World index (Gwartney et al. 2025) and its areas in Panels A and B, and of the Historical Index of Economic Liberty (Prados de la Escosura, 2016) and its areas in Panels C and D, measured at relative year −1, the year prior to treatment. For control units, relative year −1 is the year before the treated units within their cohort receive a transition. Weighted Control applies the entropy-balancing weights used in estimation.

Figure 3. Economic freedom levels: treated, raw control, and weighted control groups



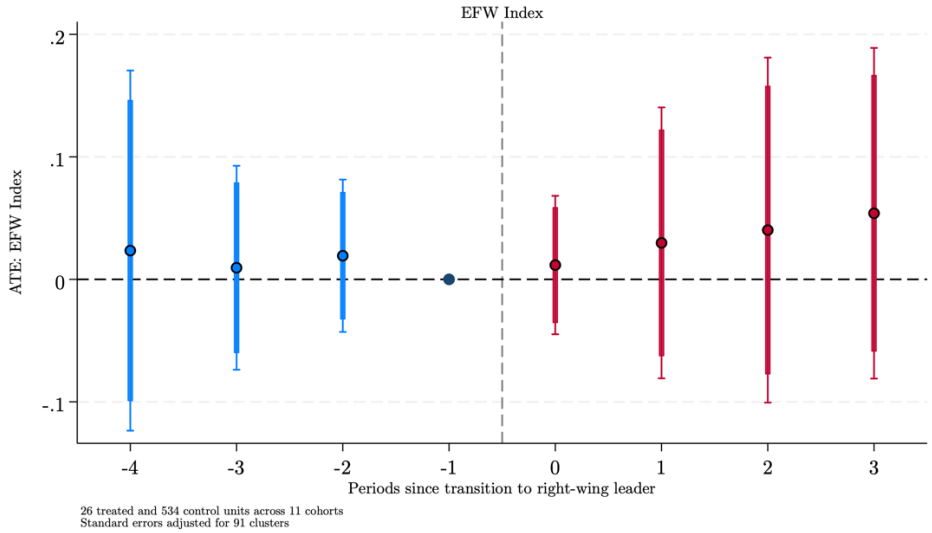
Notes: This figure shows mean levels of economic freedom by event time for treated and control units, rather than estimated treatment effects. The top row uses the *Economic Freedom of the World* index (Gwartney et al., 2025) and the bottom row uses the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). Relative year 0 is the year of the transition, marked by the vertical dashed line. Control units inherit the event time of the treated units within their cohort. Red lines show the treated group mean, light blue lines the unweighted control mean, and dark blue dashed lines the control mean under the entropy-balancing weights used in estimation.

Figure 4. Effect of a transition to the left on economic freedom: EFW sample



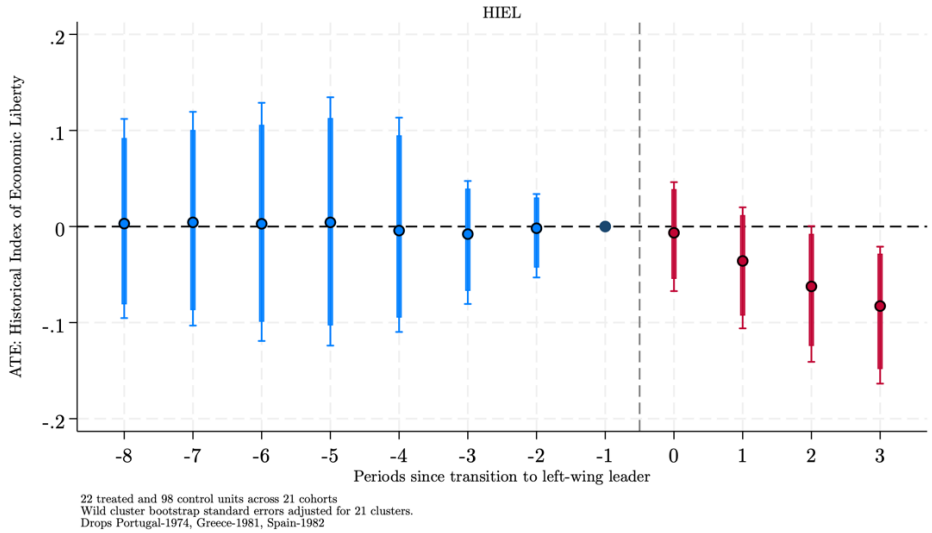
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions for a global sample of countries. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 5. Effect of a transition to the right on economic freedom: EFW sample



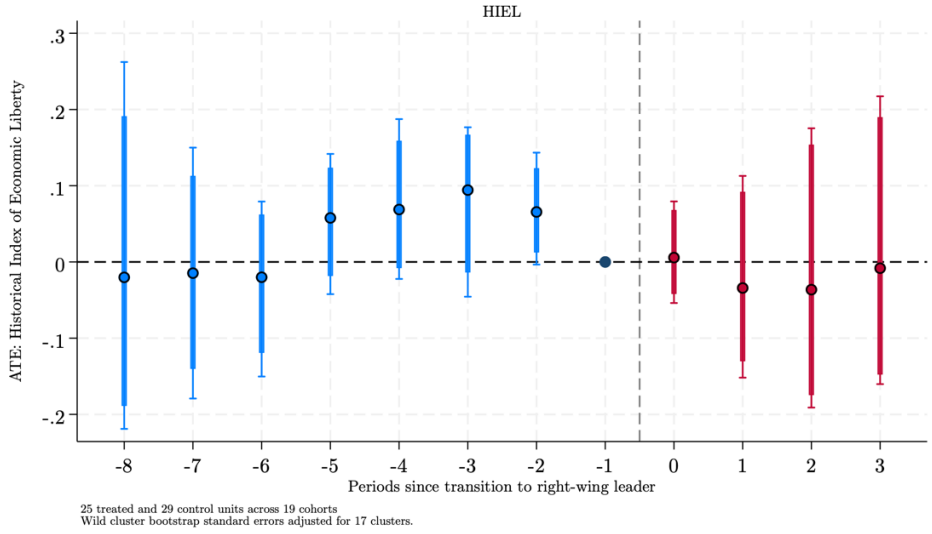
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a right-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 26 transitions for a global sample of countries. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 6. Effect of a transition to the left on economic freedom: OECD sample



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing governments on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. It excludes three post-authoritarian 'first left government' cases whose transitions coincide with democratization and European Community accession, and which may therefore reflect broad institutional liberalization rather than left ideology: Portugal-1974 (fall of the *Estado Novo* in the Carnation Revolution), Greece-1981 (first PASOK government after the 1974 collapse of the military junta), and Spain-1982 (first PSOE government following Franco's 1975 death). Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH database and from the President's Budget *Historical Tables* for the United States pre-1929 (see Section 2.1 for details). Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 7. Effect of a transition to the right on economic freedom: OECD sample



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to right-wing governments on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH database and from the President's

Budget *Historical Tables* for the United States pre-1929 (see Section 2.1 for details). Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Table 2. Effect of leader ideology on economic freedom: EFW Areas

Area	Wing	t = 0	p-val (Bonf.)	t = 1	p-val (Bonf.)	t = 2	p-val (Bonf.)	t = 3	p-val (Bonf.)
EFW Index	Left	-0.030 (-0.033)	—	-0.051 (-0.055)	—	-0.044 (-0.047)	—	-0.047 (-0.051)	—
	Right	0.012 (0.011)	—	0.030 (0.028)	—	0.040 (0.038)	—	0.054 (0.051)	—
Area 1: Size of Government	Left	-0.032 (-0.028)	1.000	-0.040 (-0.035)	1.000	-0.075 (-0.065)	1.000	-0.152 (-0.133)	1.000
	Right	-0.008 (-0.006)	1.000	0.051 (0.039)	1.000	0.116 (0.089)	1.000	0.132 (0.101)	1.000
Area 2: Legal System	Left	-0.021 (-0.013)	1.000	-0.024 (-0.014)	1.000	0.005 (0.003)	1.000	0.015 (0.009)	1.000
	Right	0.026 (0.019)	1.000	0.043 (0.031)	1.000	0.039 (0.028)	1.000	0.017 (0.013)	1.000
Area 3: Sound Money	Left	-0.120 (-0.082)	1.000	-0.229 (-0.156)	1.000	-0.124 (-0.085)	1.000	-0.138 (-0.094)	1.000
	Right	0.091 (0.051)	1.000	-0.036 (-0.020)	1.000	-0.052 (-0.029)	1.000	-0.074 (-0.042)	1.000
Area 4: Free Trade	Left	0.012 (0.011)	1.000	0.023 (0.020)	1.000	-0.013 (-0.012)	1.000	0.015 (0.013)	1.000
	Right	-0.058 (-0.042)	1.000	0.094 (0.068)	1.000	0.088 (0.064)	1.000	0.180 (0.131)	1.000
Area 5: Regulation	Left	-0.012 (-0.012)	1.000	0.015 (0.014)	1.000	0.010 (0.009)	1.000	0.021 (0.020)	1.000
	Right	-0.014 (-0.012)	1.000	-0.011 (-0.010)	1.000	-0.006 (-0.005)	1.000	0.008 (0.007)	1.000

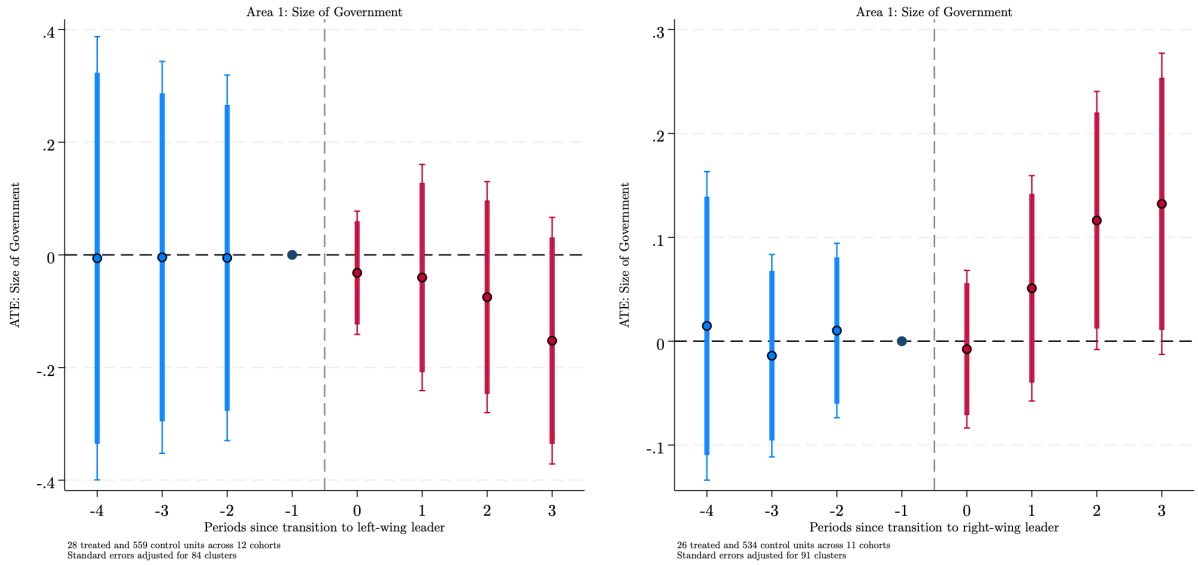
Notes: Cells report raw average treatment effects and standardized effects ($ATT/SD_{CONTROL}$) estimates of a transition to left- or right-wing leadership on individual areas of the *Economic Freedom of the World* index (Gwartney et al. 2025), treated between 2004 and 2017. All estimates use stacked difference-in-differences with entropy balancing on pre-treatment trends. Standard errors are clustered at the country level. ***, **, * denote significance at the 1%, 5%, and 10% levels, using standard *p*-values for the main index, and Bonferroni-adjusted *p*-values for subareas.

Table 3. Effect of leader ideology on economic freedom: HIEL Areas

Area	Wing	t = 0	p-val (Bonf.)	t = 1	p-val (Bonf.)	t = 2	p-val (Bonf.)	t = 3	p-val (Bonf.)
HIEL Index	Left	-0.006 (-0.014)	—	-0.036 (-0.075)	—	-0.062 (-0.130)*	—	-0.083 (-0.173)***	—
	Right	0.006 (0.014)	—	-0.034 (-0.083)	—	-0.036 (-0.089)	—	-0.008 (-0.020)	—
Area 1: Size of Govt †	Left	-0.084 (-0.038)	1.000	-0.284 (-0.129)	.644	-0.292 (-0.133)	.436	-0.304 (-0.139)**	.034
	Right	-0.037 (-0.019)	1.000	-0.146 (-0.073)	1.000	-0.108 (-0.054)	1.000	-0.058 (-0.029)	1.000
Area 2: Legal System	Left	-0.002 (-0.002)	1.000	-0.003 (-0.003)	1.000	0.020 (0.018)	1.000	0.055 (0.050)	1.000
	Right	0.025 (0.041)	1.000	0.037 (0.062)	1.000	0.108 (0.181)	1.000	0.145 (0.241)	1.000
Area 3: Sound Money	Left	0.086 (0.170)	.950	0.030 (0.060)	1.000	-0.073 (-0.144)	1.000	-0.064 (-0.125)	1.000
	Right	-0.067 (-0.112)	1.000	-0.091 (-0.154)	1.000	-0.077 (-0.130)	1.000	-0.006 (-0.010)	1.000
Area 4: Openness	Left	0.000 (0.000)	1.000	0.085 (0.048)	1.000	0.162 (0.090)	1.000	0.134 (0.074)	1.000
	Right	-0.036 (-0.056)	1.000	0.043 (0.065)	1.000	0.088 (0.135)	1.000	0.088 (0.135)	1.000
Area 5: Regulation	Left	-0.033 (-0.030)	1.000	0.013 (0.012)	1.000	0.029 (0.026)	1.000	0.046 (0.041)	1.000
	Right	0.018 (0.036)	1.000	-0.050 (-0.099)	1.000	0.075 (0.148)	1.000	0.108 (0.212)	1.000

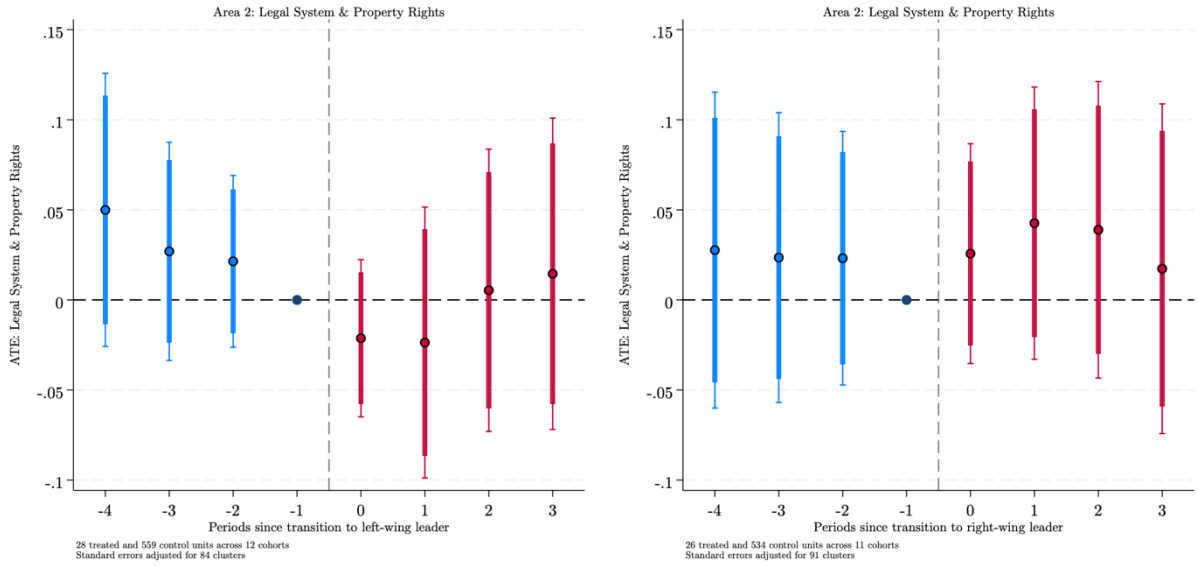
Notes: Cells report raw average treatment effects and standardized effects ($ATT/SD_{CONTROL}$) estimates of a transition to left- or right-wing leadership on individual areas of the H*istorical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. The left-wing sample excludes three post-authoritarian cases whose transitions coincide with democratization and European Community accession, and which may reflect broad institutional liberalization rather than left ideology: Portugal-1974 (fall of the *Estado Novo* in the Carnation Revolution), Greece-1981 (first PASOK government after the 1974 collapse of the military junta), and Spain-1982 (first PSOE government following Franco's 1975 death). All estimates use stacked difference-in-differences with entropy balancing on pre-treatment trends. †Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH database and from the President's Budget *Historical Tables* for the United States pre-1929 (see Section 2.1 for details). Wild cluster bootstrap standard errors at the country level (10,000 reps.). ***, **, * denote significance at the 1%, 5%, and 10% levels using standard *p*-values for the main index, and Bonferroni-adjusted *p*-values for subareas.

Figure 8. Effect of leader ideology on EFW Area 1: Size of Government



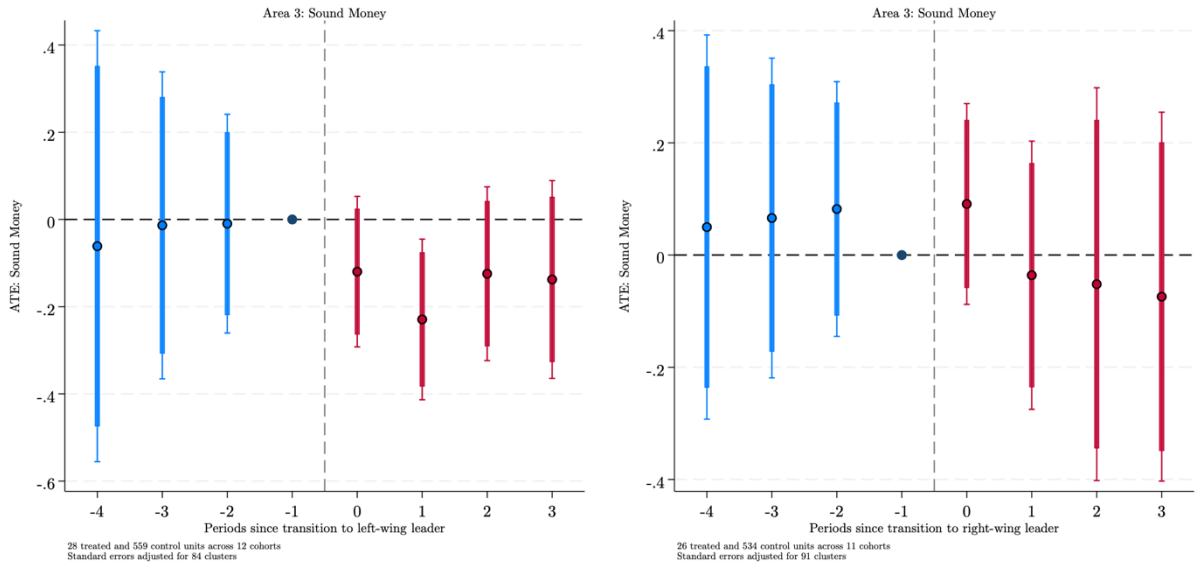
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic freedom Area 1 (Size of Government) of the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions to the left and 26 to the right for a global sample of countries between 2000 and 2023. Standard errors clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 9. Effect of leader ideology on EFW Area 2: Legal System and Property Rights



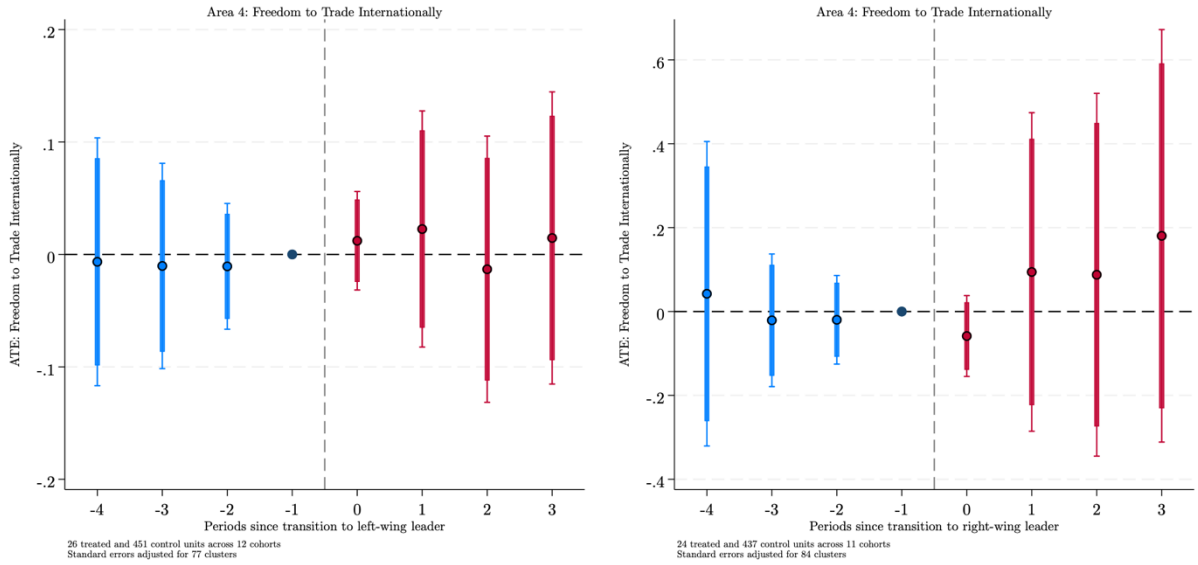
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic freedom Area 2 (Legal System and Property Rights) of the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions to the left and 26 to the right for a global sample of countries between 2000 and 2023. Standard errors clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 10. Effect of leader ideology on EFW Area 3: Sound Money



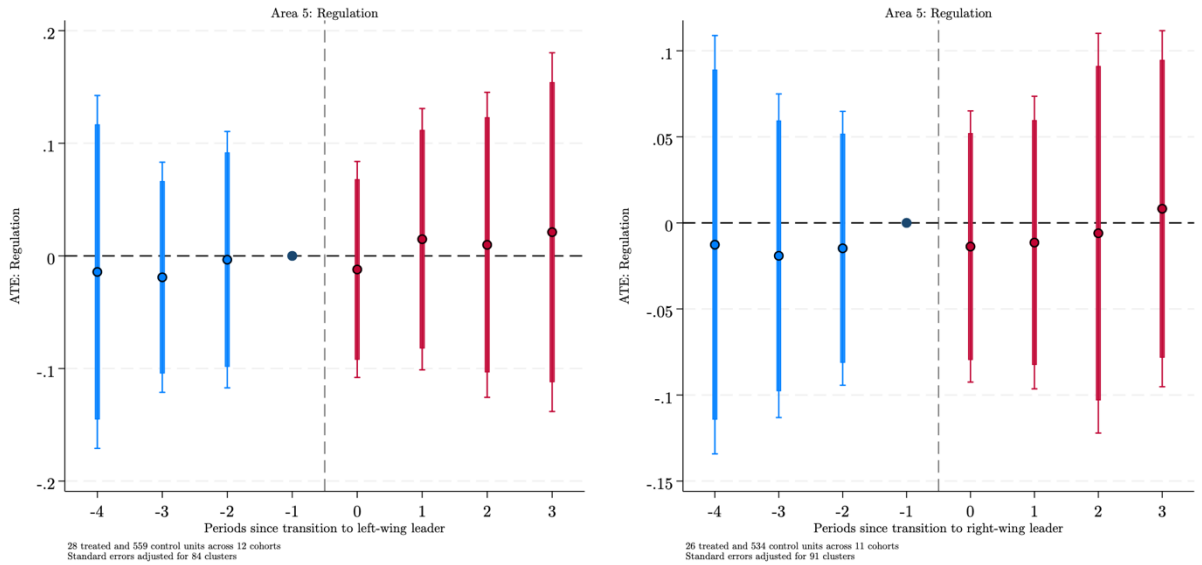
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic freedom Area 3 (Sound Money) of the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions to the left and 26 to the right for a global sample of countries between 2000 and 2023. Standard errors clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 11. Effect of leader ideology on EFW Area 4: Freedom to Trade Internationally



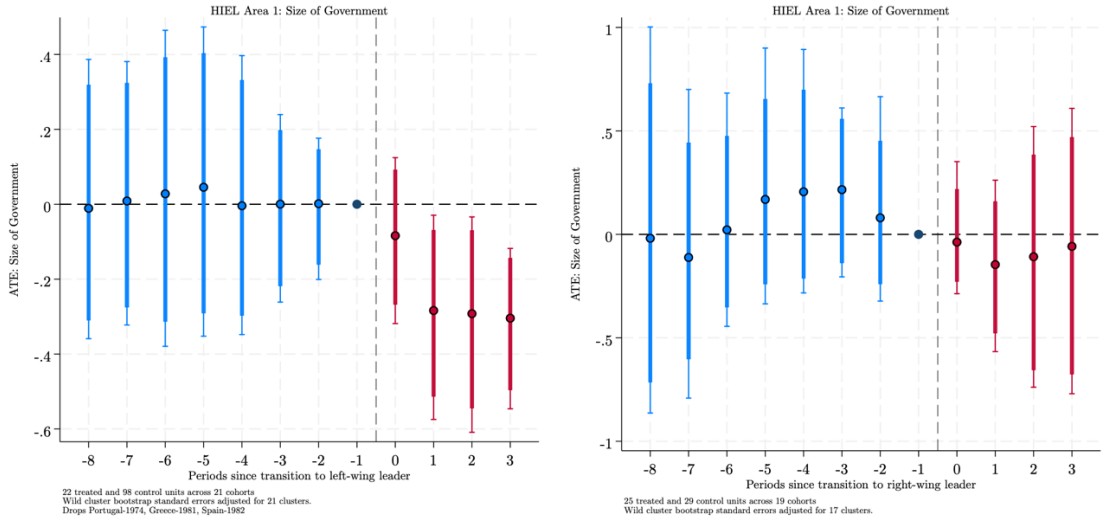
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic freedom Area 4 (Freedom to Trade Internationally) of the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions to the left and 26 to the right for a global sample of countries between 2000 and 2023.Standard errors clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 12. Effect of leader ideology on EFW Area 5: Regulation



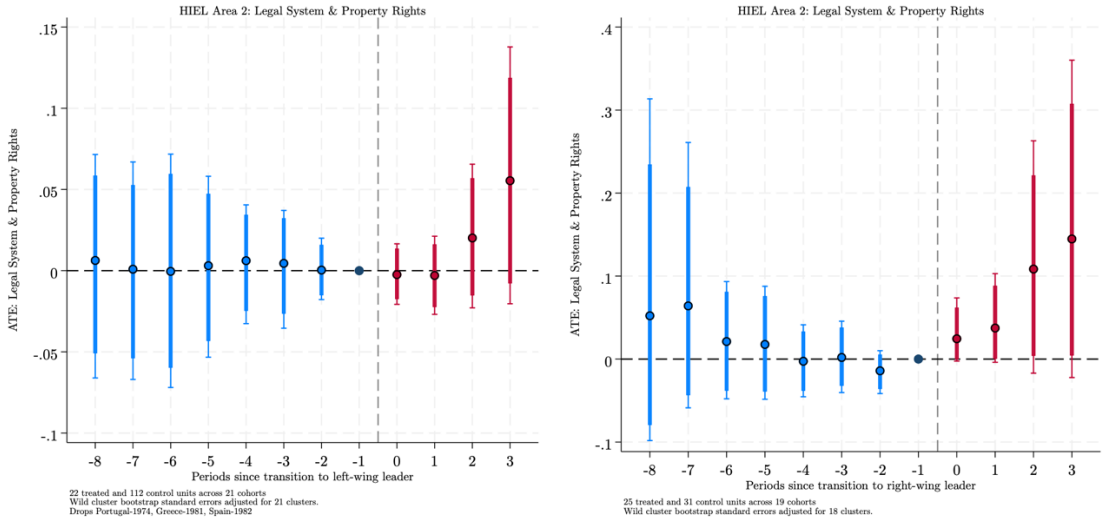
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic Area 5 (Regulation) of the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions to the left and 26 to the right for a global sample of countries between 2000 and 2023. Standard errors clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 13. Effect of leader ideology on HIEL Area 1: Size of Government



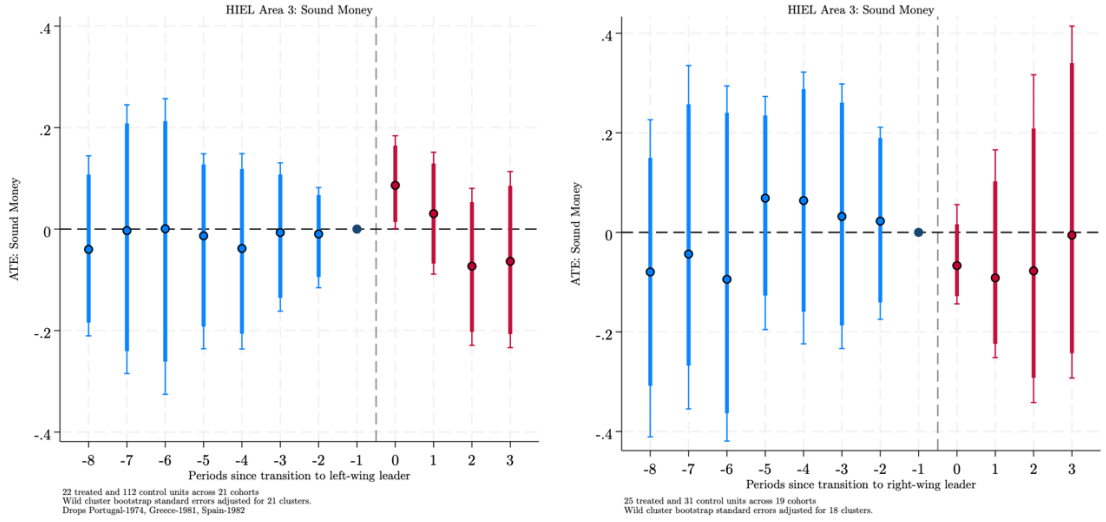
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing (left panel) and right-wing (right panel) government on Area 1-equivalent for a sample of countries in the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH database and from the President's Budget *Historical Tables* for the United States pre-1929 (see Section 2.1 for details). Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 14. Effect of leader ideology on HIEL Area 2: Legal System and Property Rights



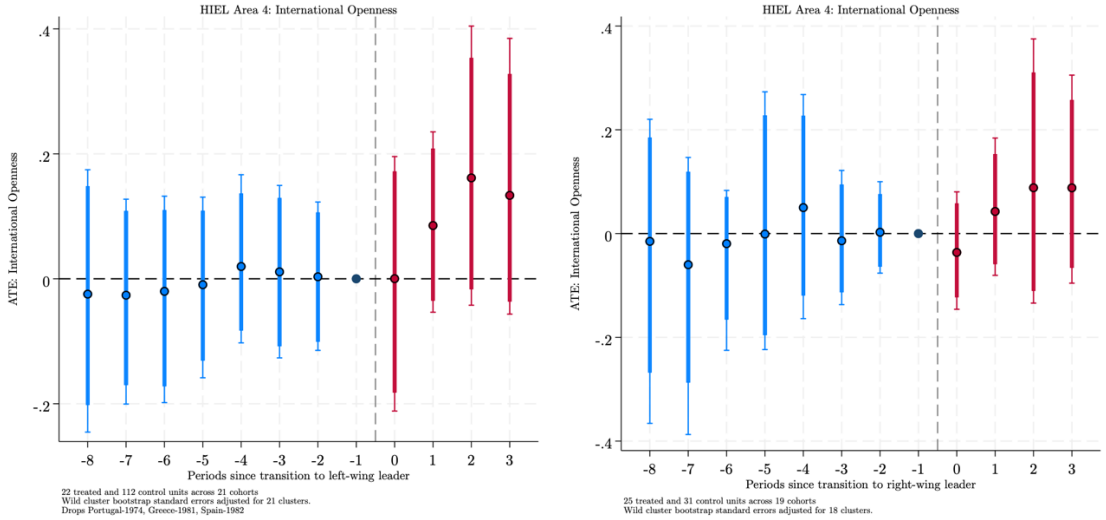
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing (left panel) and right-wing (right panel) government on Area 2 (Legal System and Property Rights) of the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 15. Effect of leader ideology on HIEL Area 3: Sound Money



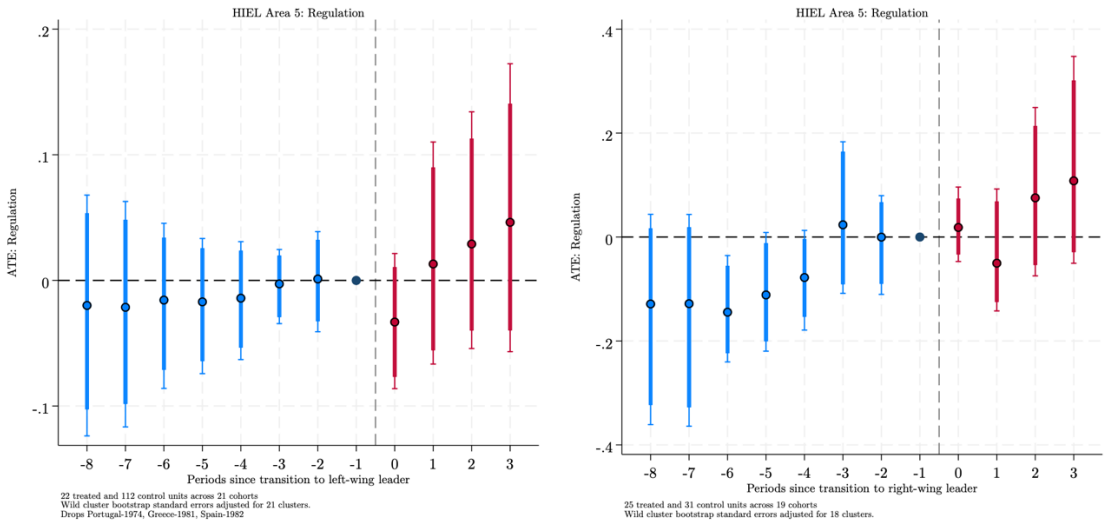
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing (left panel) and right-wing (right panel) government on Area 3 (Sound Money) of the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 16. Effect of leader ideology on HIEL Area 4: International Openness



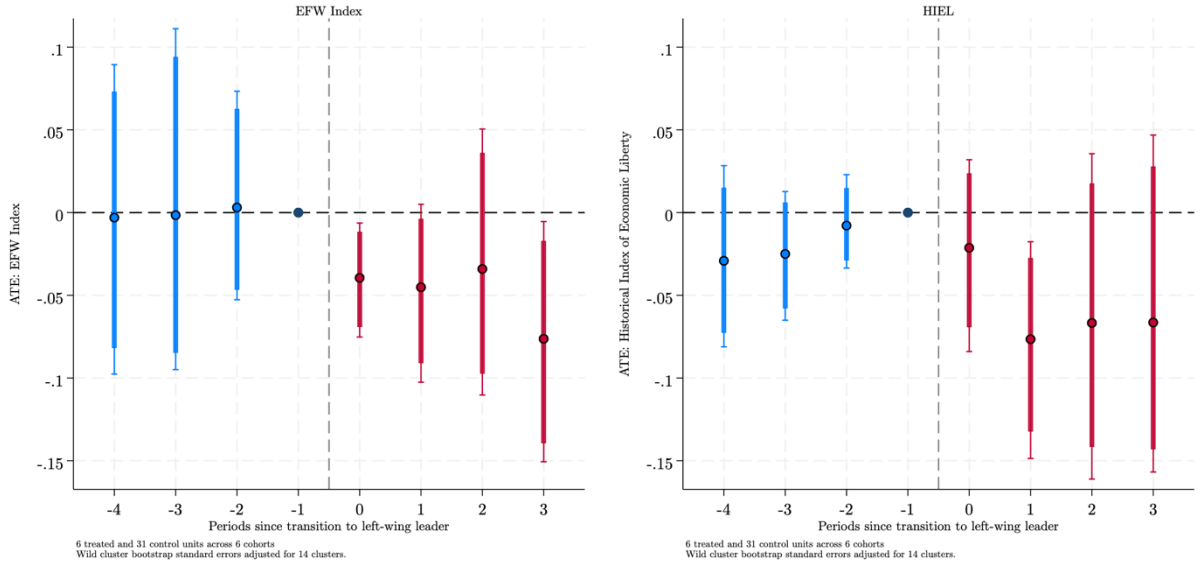
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing (left panel) and right-wing (right panel) government on Area 4 (International Openness) of the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 17. Effect of leader ideology on HIEL Area 5: Regulation



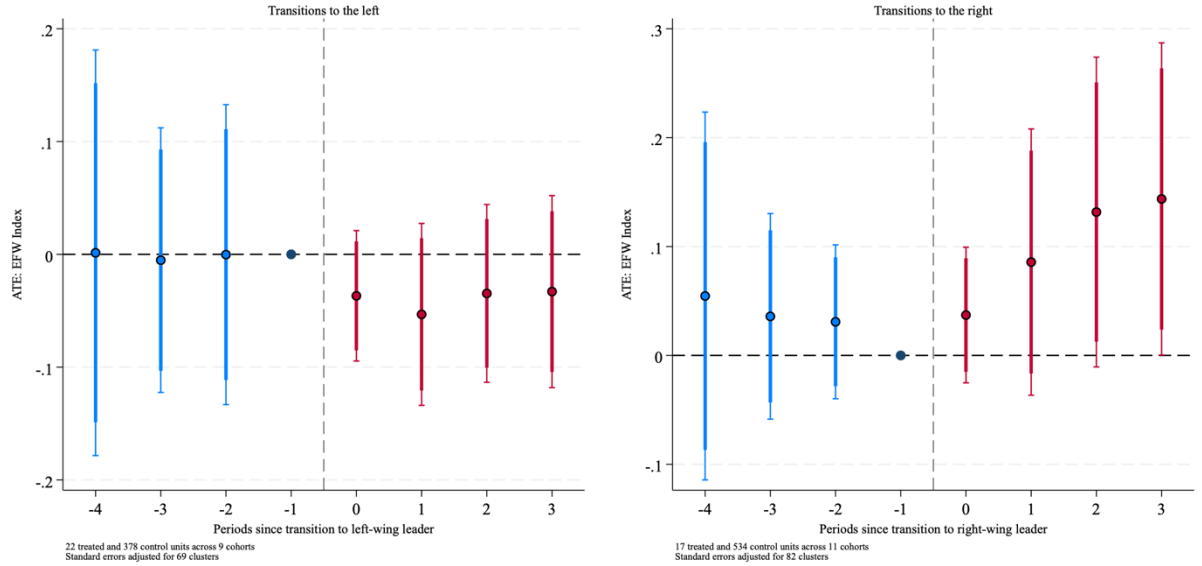
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing (left panel) and right-wing (right panel) government on Area 5 (Regulation) of the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample uses ideology data from GLI for 1945-2020, supplemented with HoG data for 1870-1945. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 18. Effect of a transition to the left on economic freedom, OECD countries starting in 2000



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by either the *Economic Freedom of the World* index (Gwartney et al. 2025) or the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). Both panels include an identical sample of six transitions among OECD countries treated across six cohorts starting in 2004. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure 19. Effect of leader ideology on EFW, without OECD countries



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of leader ideology on economic freedom, measured by the Economic Freedom of the World index (Gwartney et al. 2025). It includes 22 transitions to the left and 17

transitions to the right. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Table 4. Effect of leader ideology on economic freedom:

Post 2000 OECD and non-OECD samples

Sample	Wing	Index	t = 0	t = 1	t = 2	t = 3
OECD, Main	Left	EFW	-0.039 (-0.148)**	-0.045 (-0.169)*	-0.034 (-0.128)	-0.076 (-0.287)**
		HIEL	-0.027 (-0.095)	-0.084 (-0.296)***	-0.072 (-0.256)	-0.072 (-0.253)
OECD, Covariates	Left	EFW	-0.041 (-0.155)**	-0.055 (-0.205)*	-0.050 (-0.188)	-0.091 (-0.341)**
		HIEL	-0.004 (-0.015)	-0.061 (-0.215)*	-0.038 (-0.135)	-0.006 (-0.019)
OECD, Non-Switch.	Left	EFW	-0.043 (-0.229)	-0.054 (-0.290)	-0.008 (-0.044)	-0.078 (-0.422)
		HIEL	-0.055 (-0.149)	-0.135 (-0.365)**	-0.130 (-0.350)**	-0.069 (-0.185)
Non-OECD, Main	Left	EFW	-0.037 (-0.044)	-0.053 (-0.064)	-0.035 (-0.042)	-0.033 (-0.040)
	Right	EFW	0.037 (0.035)	0.086 (0.082)	0.132 (0.125)*	0.144 (0.137)**
Non-OECD, Covariates	Left	EFW	-0.039 (-0.047)	-0.070 (-0.085)*	-0.049 (-0.059)	-0.031 (-0.037)
	Right	EFW	0.037 (0.035)	0.100 (0.095)	0.151 (0.144)*	0.167 (0.159)*
Non-OECD, Non-Switch.	Left	EFW	-0.047 (-0.059)	-0.071 (-0.090)	-0.035 (-0.044)	-0.020 (-0.025)
	Right	EFW	0.033 (0.030)	0.077 (0.070)	0.122 (0.111)*	0.129 (0.118)*

Notes: Cells report raw average treatment effects and standardized effects ($ATT/SD_{CONTROL}$) estimates of a transition to left- or right-wing leadership on individual areas of the *Economic Freedom of the World* index (Gwartney et al. 2025), treated between 2004 and 2017. All estimates use stacked difference-in-differences with entropy balancing on pre-treatment trends. Wild cluster bootstrapped standard errors clustered at the country level for the first six rows, standard errors are clustered at the country level for the rest. ***, **, * denote significance at the 1%, 5%, and 10% levels. See Appendix A for event-study plots.

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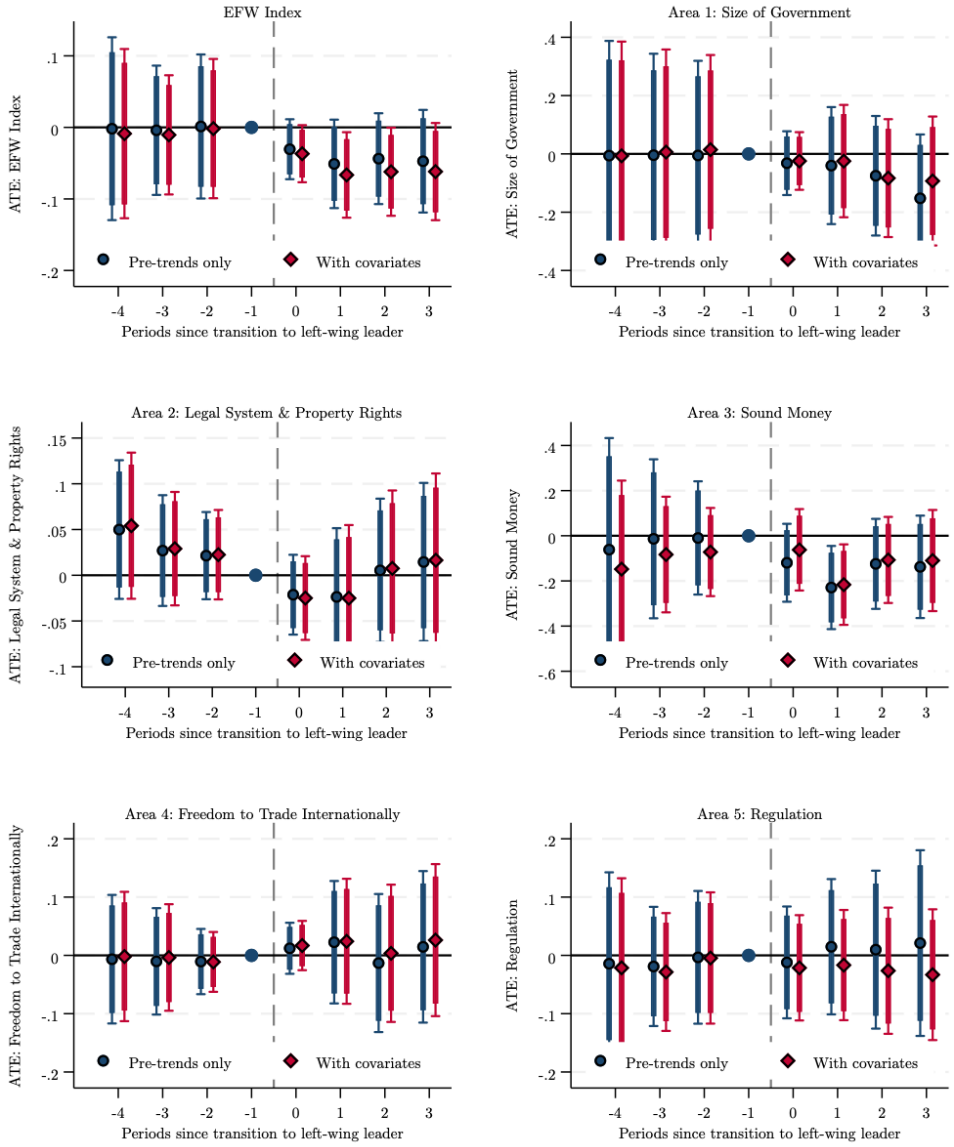
Appendix

Appendix A. Robustness Checks

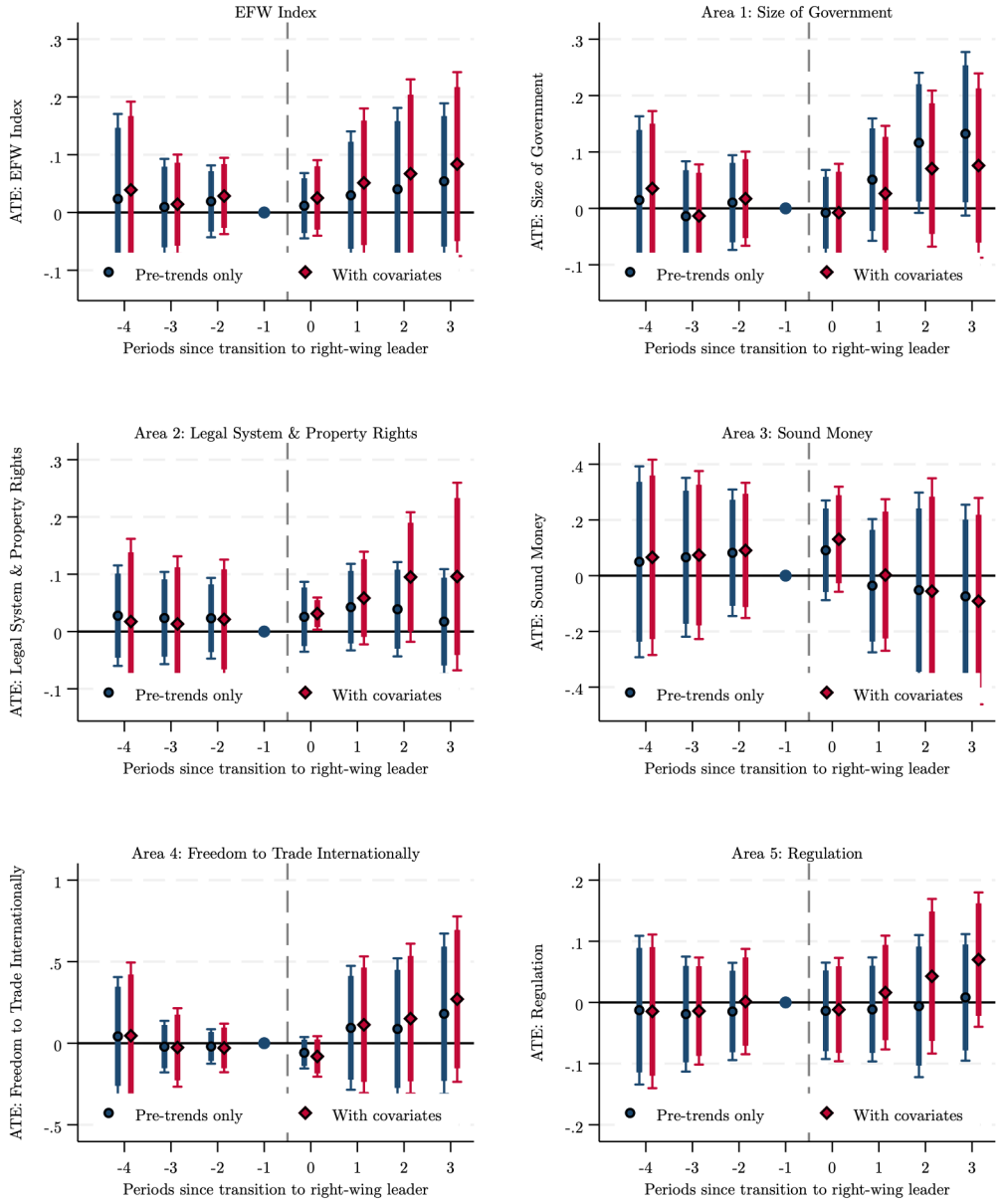
A.1 Including Covariates

Figure A1. Effect of a transition to the left on economic freedom, including covariates: EFW sample



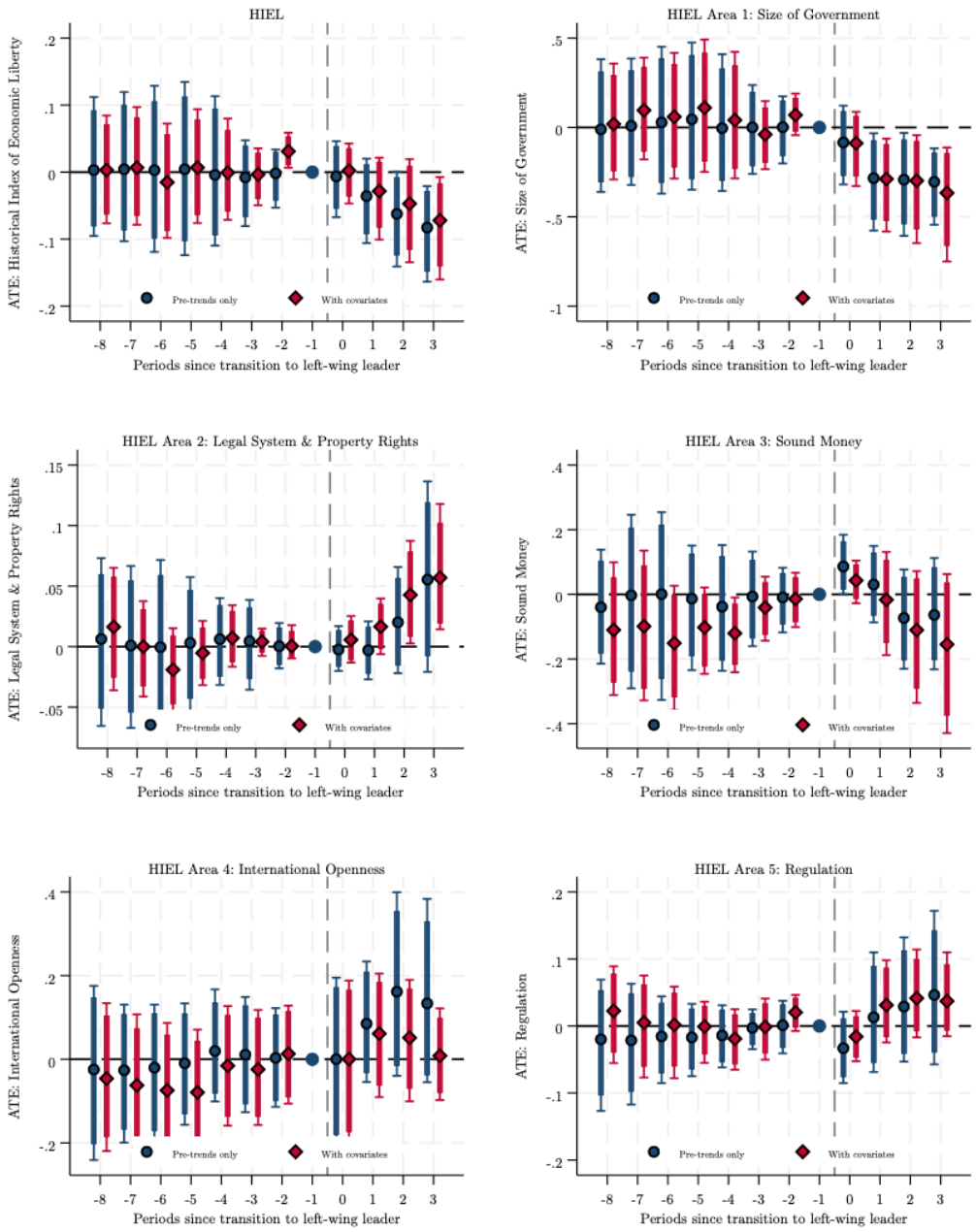
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions for a global sample of countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 3), using entropy balance to match on pre-trends only; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A2. Effect of a transition to the right on economic freedom, including covariates: EFW sample



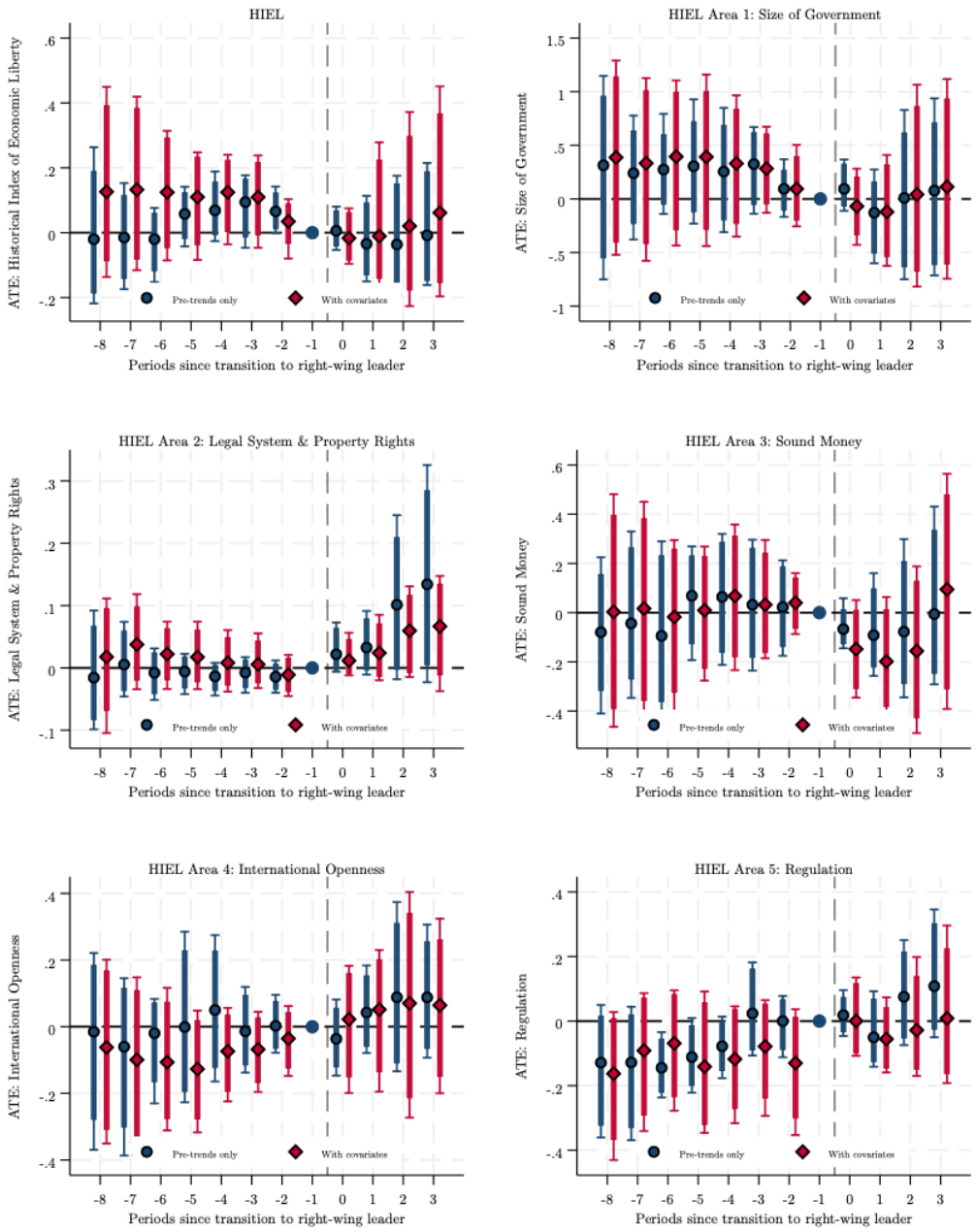
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a right-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 26 (blue) and 25 (red) transitions for a global sample of countries, due to missing covariates for one of the cases. Coefficients and confidence intervals in blue show our main estimates (as in Figure 4), using entropy balance to match on pre-trends only; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A3. Effect of a transition to the left on economic freedom, including covariates: OECD sample



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). It includes 22 transitions for a sample of OECD countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 5), using entropy balance to match on pre-trends only; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

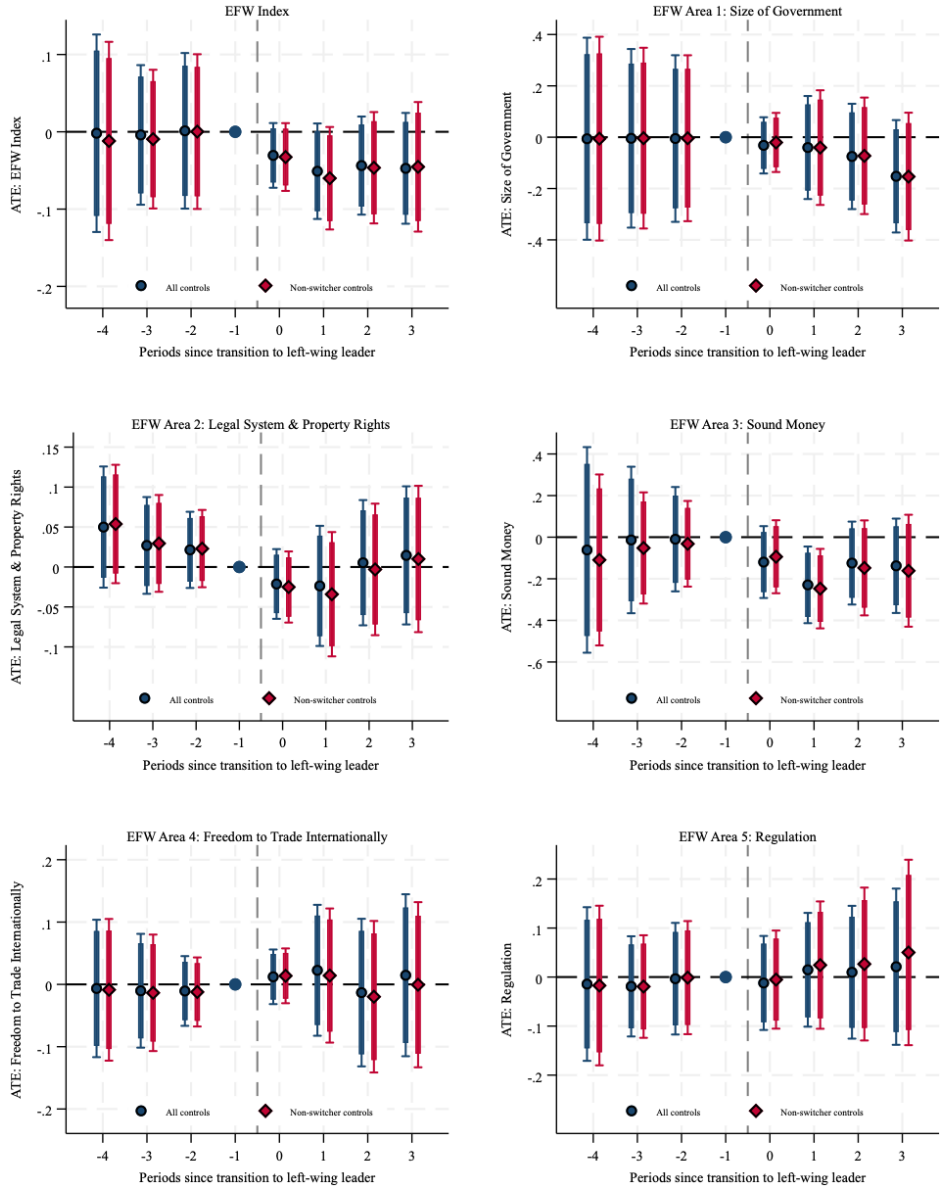
Figure A4. Effect of a transition to the right on economic freedom, including covariates: OECD sample



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a right-wing government on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). It includes 22 transitions for a sample of OECD countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 6), using entropy balance to match on pre-trends only; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

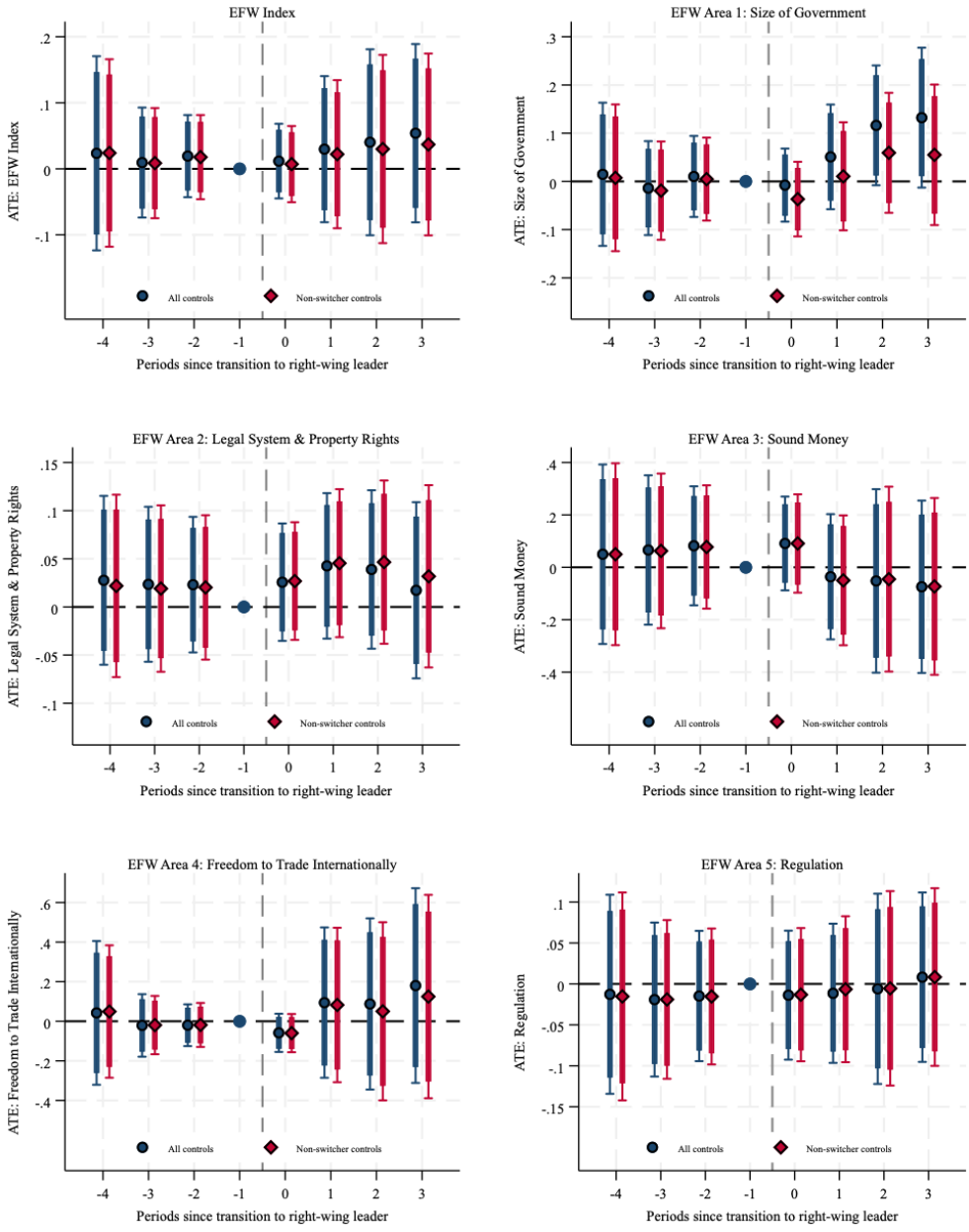
A.2 Using only non-switcher controls

Figure A5. Effect of a transition to the left on economic freedom, using non-switchers as controls: EFW sample



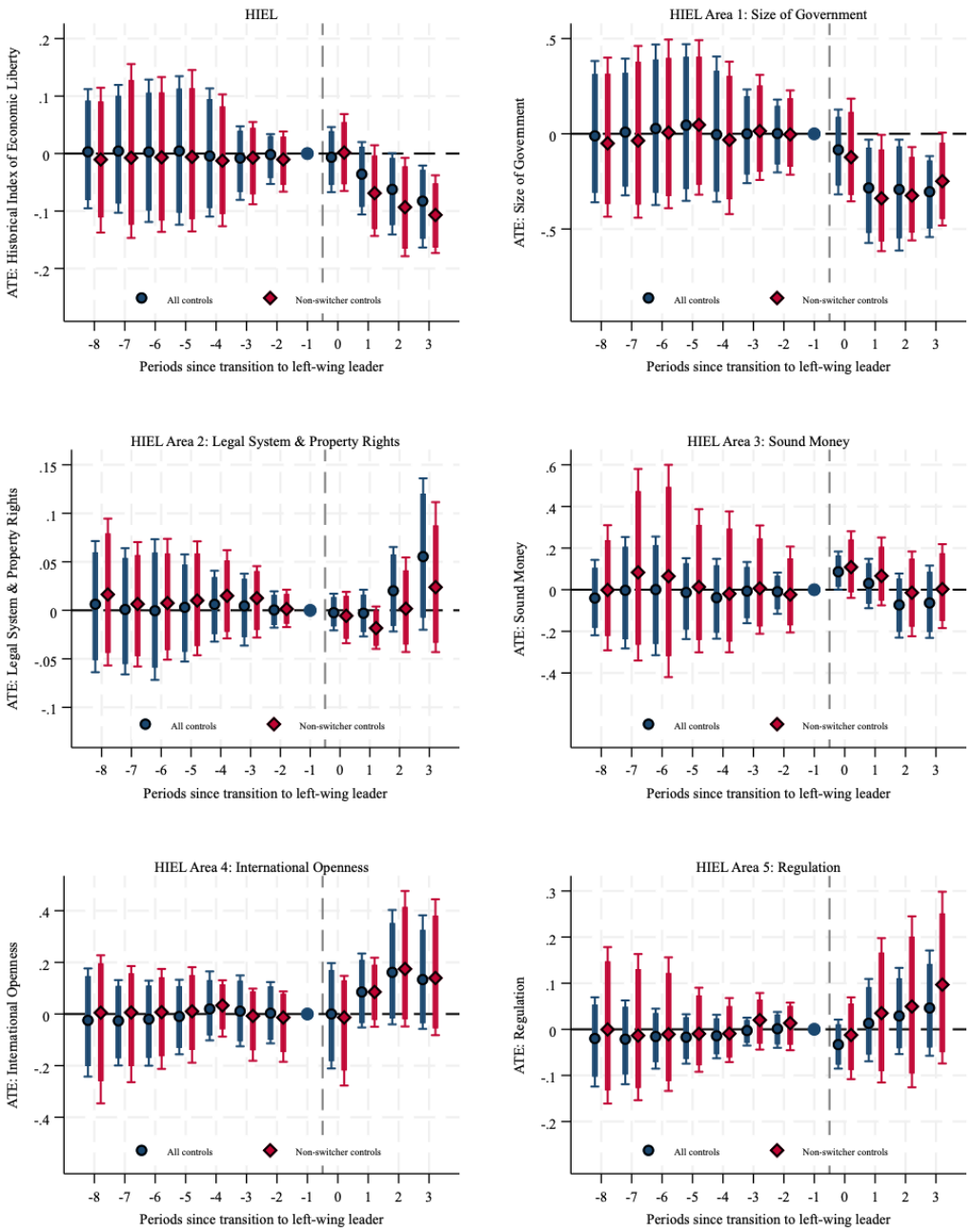
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 28 transitions for a global sample of countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 3), which use all 559 available control units; those in red restrict the control group to the 397 units whose ideological classification does not change at any point in the twelve-year window established for treatment. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A6. Effect of a transition to the right on economic freedom, using non-switchers as controls: EFW sample



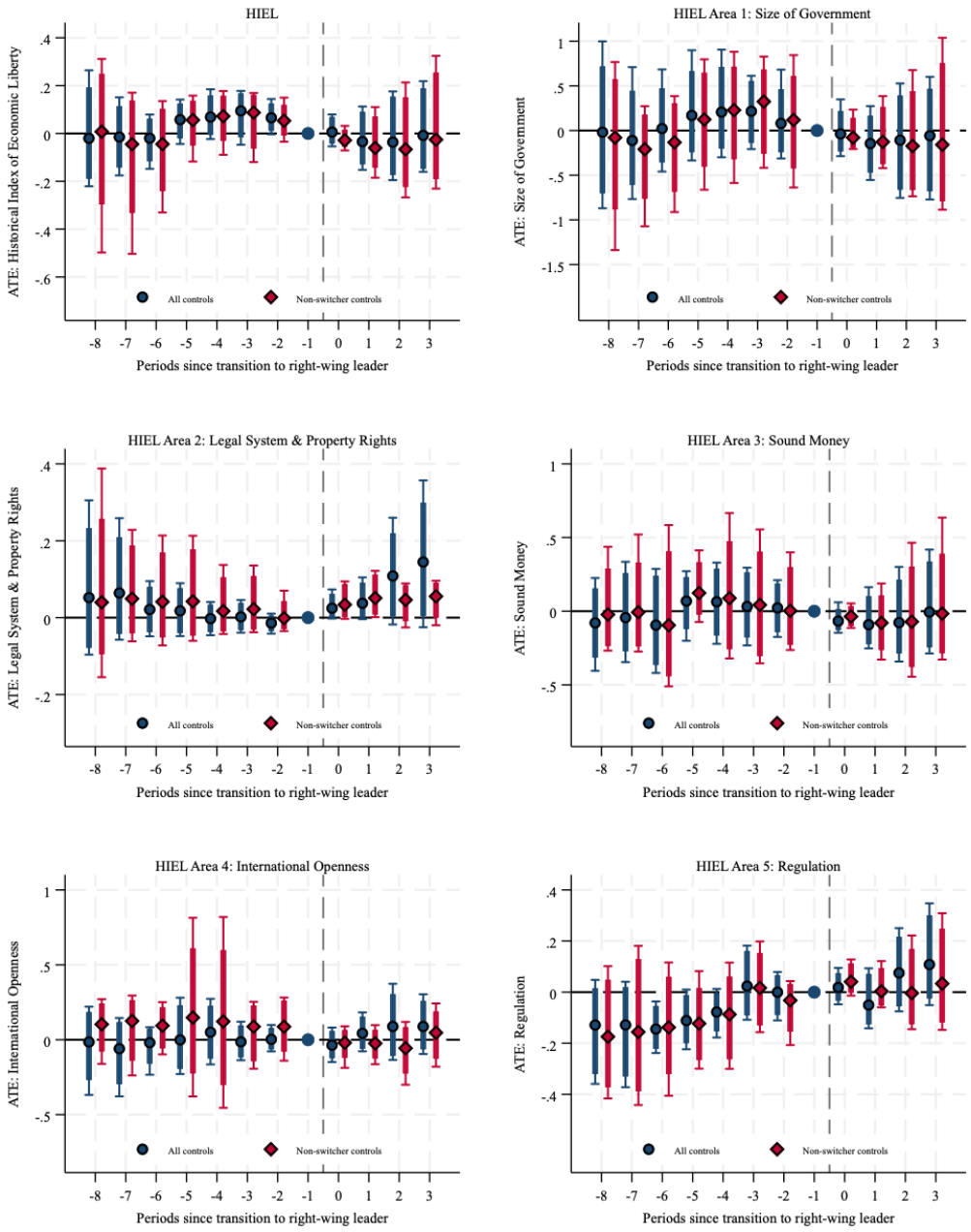
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a right-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). It includes 26 transitions for a global sample of countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 4), which use all 534 available control units; those in red restrict the control group to the 438 units whose ideological classification does not change at any point in the twelve-year window established for treatment. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A7. Effect of a transition to the left on economic freedom, using non-switchers as controls: OECD sample



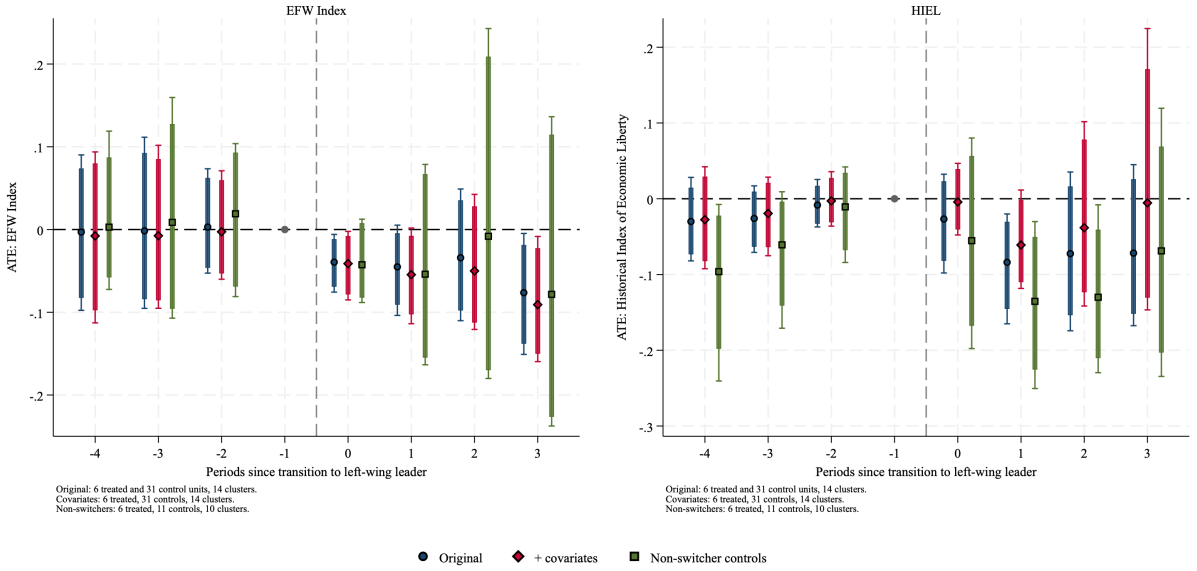
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). It includes 22 transitions for a sample of OECD countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 5), which use all 98 available control units; those in red restrict the control group to the 51 units whose ideological classification does not change at any point in the twelve-year window established for treatment. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A8. Effect of a transition to the right on economic freedom, using non-switchers as controls: OECD sample



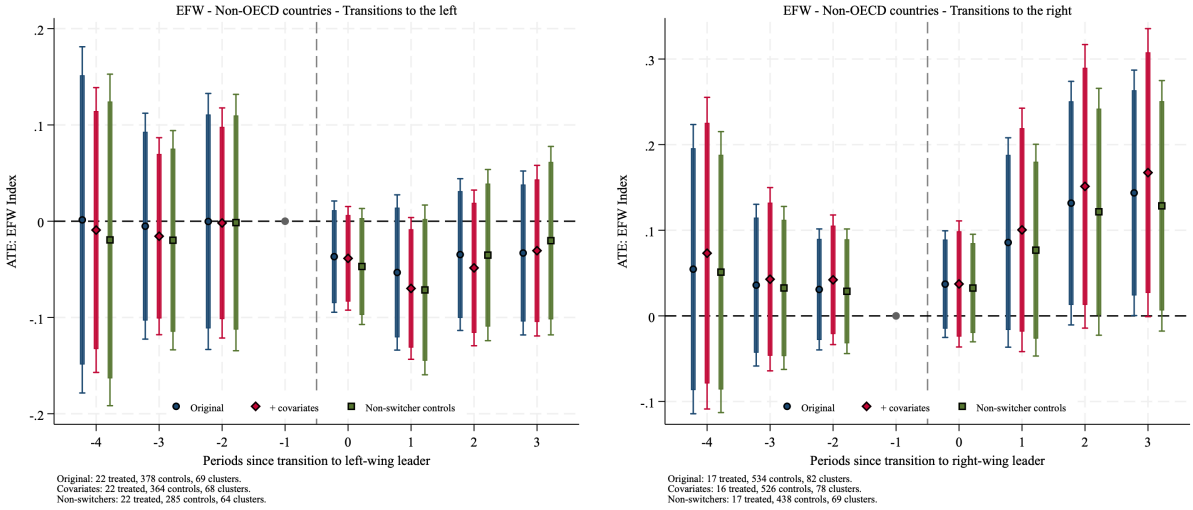
Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a right-wing government on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). It includes 25 transitions for a sample of OECD countries. Coefficients and confidence intervals in blue show our main estimates (as in Figure 6), which use all 29 available control units; those in red restrict the control group to the 15 units whose ideological classification does not change at any point in the twelve-year window established for treatment. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A9. Effect of a transition to the left on economic freedom: post 2000 OECD



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing government on economic freedom, measured by either the *Economic Freedom of the World* index (Gwartney et al. 2025) or the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). It includes 6 transitions for a global sample of countries. Coefficients and confidence intervals in blue show our original only-OECD EFW estimates (as in Figure 18), which use all available control units; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition; and those in green restrict the control group to units whose ideological classification does not change at any point in the twelve-year window established for treatment. Panels include an identical sample of six transitions among OECD countries treated across six cohorts starting in 2004. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

Figure A10. Effect of leader ideology on economic freedom: EFW sample without OECD countries.



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to a left-wing and a right-wing government on economic freedom, measured by the *Economic Freedom of the World* index (Gwartney et al. 2025). Coefficients and confidence intervals in blue show our original non-OECD EFW estimates (as in Figure 19), which use all available control units; those in red enforce identical values in the level of economic freedom, GDP per capita, and Polity2 index in the year before the transition; and those in green restrict the control group to units whose ideological classification does not change at any point in the twelve-year window established for treatment. Panels include 22 transitions to the left and 17 transitions to the right. Standard errors are clustered at the country level. Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.

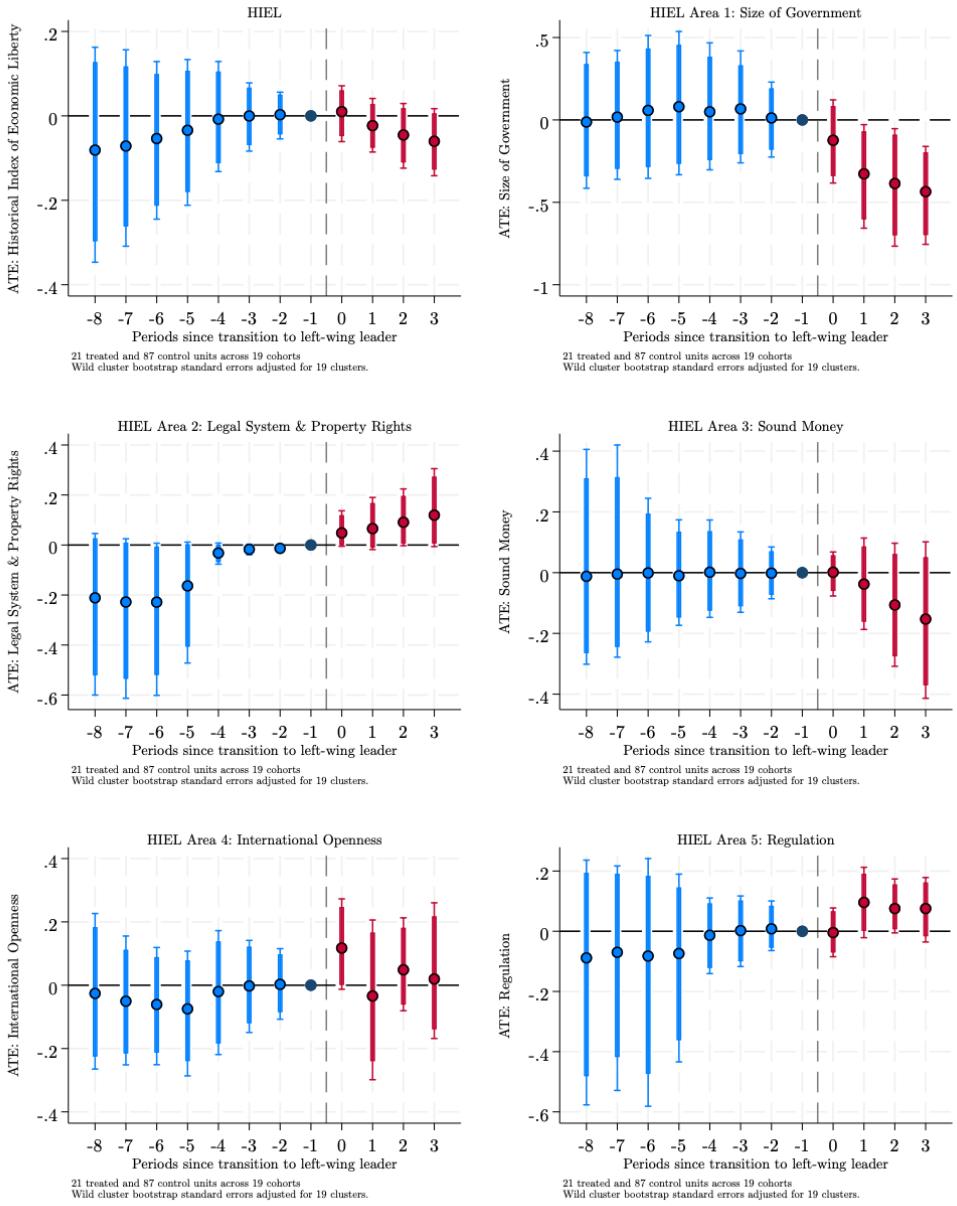
A.3. Outliers: Including Post-Authoritarian Transitions

Table A1. Effect of leader ideology on economic freedom: HIEL Areas (1945-2020)

Area	Wing	t = 0	t = 1	t = 2	t = 3
HIEL Index	Left	0.010 (0.027)	-0.023 (-0.063)	-0.045 (-0.123)	-0.060 (-0.164)
Area 1: Size of Government †	Left	-0.123 (-0.074)	-0.327 (-0.198)**	-0.386 (-0.233)**	-0.435 (-0.263)***
Area 2: Legal System	Left	0.048 (0.072)	0.066 (0.097)	0.091 (0.135)*	0.119 (0.177)*
Area 3: Sound Money	Left	0.001 (0.003)	-0.038 (-0.084)	-0.106 (-0.238)	-0.153 (-0.341)
Area 4: Free Trade	Left	0.117 (0.159)*	-0.034 (-0.046)	0.049 (0.066)	0.020 (0.027)
Area 5: Regulation	Left	-0.004 (-0.007)	0.096 (0.151)*	0.075 (0.119)*	0.075 (0.119)

Notes: Cells report raw average treatment effects and standardized effects ($ATT/SD_{CONTROL}$) estimates of a transition to left- or right-wing leadership on individual areas of the H*istorical Index of Economic Liberty* (Prados de la Escosura, 2016), between 1945 and 2020. All estimates use stacked difference-in-differences with entropy balancing on pre-treatment trends. Wild cluster bootstrap standard errors at the country level (10,000 reps.). ***, **, * denote significance at the 1%, 5%, and 10% levels. †Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH database (see Section 2.1 for details). See Figure A4 for event-study plots.

Figure A11. Effect of transitions to the left on economic freedom: including post-authoritarian transitions



Notes: This figure shows entropy-balanced stacked difference-in-differences estimates of the causal effect of transitions to left-wing governments on economic freedom, measured by the *Historical Index of Economic Liberty* (Prados de la Escosura, 2016). This sample *includes* three post-authoritarian 'first left government' cases whose transitions coincide with democratization and European Community accession, and which may therefore reflect broad institutional liberalization rather than left ideology: Portugal-1974 (fall of the *Estado Novo* in the Carnation Revolution), Greece-1981 (first PASOK government after the 1974 collapse of the military junta), and Spain-1982 (first PSOE government following Franco's 1975 death). Since HIEL does not include a Size of Government area, we create one using data on government expenditures as a share of GDP from the IMF-PFMH (see Section 2.1 for details). This sample includes 21 transitions to the left. Wild cluster bootstrap standard errors at the country level (10,000 reps.). Capped whiskers show 95% confidence intervals; thick whiskers show 90% confidence intervals.