

1. Chapter One

Economic Freedom of the World in 2022

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The index published in the *Economic Freedom of the World 2024 Annual Report* (EFW index) measures economic freedom in up to 165 jurisdictions as far back as 1970. Economic freedoms are a subset of human freedoms and concern economic activity such as working, transacting, contracting, and owning and using productive property.¹ Though it is possible to define economic freedom in absolute terms, it is more useful to think of it as a spectrum. Individuals are more economically free when they are allowed to make more of their own economic choices, with others imposing fewer and less-severe constraints on these choices. Their choices, however, must respect the rights of others.

Like human freedom more broadly, economic freedom is based on the concept of self-ownership. If individuals own themselves then they have a right to choose how to use their time, talents, and resources to shape their own lives. But if all individuals own themselves, no one has a right to the time, talents, and resources of anyone else. Threats to economic freedom may arise from the government or from individuals using fraud or force to limit the economic choices of others.

The EFW index is designed to measure the degree to which the institutions and policies of countries permit people to make their own economic choices. To achieve a high EFW rating, a country's government must do some things, but refrain from others. Governments protect economic freedom when their laws safeguard voluntary exchange and defend individuals and their property from aggressors who might use fraud or force. To this end, the legal system is a particularly important guarantor of economic freedom. In more economically free places, legal institutions protect the person and property of all individuals from the aggressive acts of others and enforce contracts in an even-handed manner. These governments also permit people to access sound money and do not expropriate property through unexpected inflation or deflation. In economically free places, governments refrain from actions like high taxation,

¹ The *Human Freedom Index* (Vásquez, McMahon, Murphy, and Schneider, 2023) co-published by the Fraser Institute and the Cato Institute measures human freedom more broadly by adding indicators of personal freedom to the EFW index's measure of economic freedom.

barriers to trade, and excessive regulations that restrict personal choice, interfere with voluntary exchange, and limit entry into markets.

The EFW index might be thought of as an effort to identify how closely the institutions and policies of a country correspond with the classical liberal ideal of a limited government, where the government protects people and property rights from aggressors but otherwise allows them to make their own economic choices.

Before discussing the structure of the index, it may be useful to say a few words about what the EFW index is *not*. First, the only outcome that the EFW index measures is economic freedom. It does not attempt to measure the standard of living, the extent of corruption, the protection of personal freedoms such as speech, or any other indicator of wellbeing. These factors are important for human flourishing. And researchers using the index have found that economic freedom does correlate with many of them. But the index is not itself a measure of these things. Nor should it be. Since the EFW index is used to see if economic freedom relates to these markers of wellbeing, it would be tautological to include them in the index itself.

Second, the EFW index should not be taken as a *net* measure of good policy. It does not weigh the costs of infringements on economic freedom against the hoped-for benefits of these infringements. A tax or a regulation may well produce some good outcome. It might address a negative environmental externality, fund a valuable public good, or correct some social injustice. But the authors of the EFW index make no effort to account for these potential benefits. Instead, they offer the index as a measure of one side of the ledger, believing that this is the first step toward such a full net accounting. They leave it to other scholars to take the next step and assess whether these infringements on economic freedom are in some sense worth it.

Finally, the EFW index should be seen as a measure of “what is” rather than as a judgement about “what ought to be.” The authors, like most social scientists, do have their own opinions about economic freedom (on the margin, they would prefer to see most countries become more economically free). But that should not keep skeptics of economic freedom from using the index to study their own hypotheses. Indeed, in recent years, it has become more common for these skeptics to employ the index in their own studies and the authors welcome this development.

The Economic Freedom of the World index—an overview

The EFW index measures the degree to which a jurisdiction’s institutions and policies permit people to make their own economic choices. It is an outgrowth of a series of six conferences hosted by Milton and Rose Friedman and Michael Walker from 1986 to 1994, which resulted in three books (Walker, 1988; Easton and Walker, 1992; Block, 1993) documenting the discussion and various prototype indices that culminated with the initial publication, *Economic Freedom of the World: 1975–1995* (Gwartney, Lawson, and Block, 1996). In addition to the Friedmans, several of the world’s leading economists, including Douglass North, Gary Becker, Peter Bauer, William Niskanen, and Gordon Tullock, participated in the discussions leading to the EFW index. The index is published by a network of institutions spearheaded by the Fraser Institute in Canada. Members of the network and other interested parties meet annually to review the structure of the index and consider ideas for its improvement.

Most of the data in the EFW index are drawn from external sources such as the International Monetary Fund, the World Bank, or the World Economic Forum. The authors rarely use data provided directly from a source within a country. Whenever possible, components are taken from objective data sources rather than surveys. And scores are never altered based on the value judgments of the authors or others in the Economic Freedom Network. The authors strive for transparency throughout. The report provides information about the data sources, the methodology used to transform raw data into the ratings of the components and subcomponents and how these ratings are used to construct both the area and summary ratings. Methodological details can be found in the Appendix: Explanatory Notes and Data Sources of this report (pp. 69–86). The index is freely available at <www.fraserinstitute.org/economic-freedom/dataset>.

The current edition of the EFW index rates 165 jurisdictions from 1970 through 2022. Data are available in five-year increments from 1970 through 2000 and then annually from there on out.

Structure of the EFW index

Table 1.1 describes the structure of the EFW index. Five major areas comprise the index: [1] Size of Government, [2] Legal System and Property Rights, [3] Sound Money [4] Freedom to Trade Internationally, and [5] Regulation.

Table 1.1. Economic Freedom of the World Index**Area 1: Size of Government**

- | | |
|----------------------------|-----------------------------------------------|
| A. Government consumption | D. Top marginal tax rate |
| B. Transfers and subsidies | i. Top marginal income tax rate |
| C. Government investment | ii. Top marginal income and payroll tax rates |
| | E. State ownership of assets |

Area 2: Legal System and Property Rights

- | | |
|--------------------------|----------------------------------|
| A. Judicial independence | E. Integrity of the legal system |
| B. Impartial courts | F. Contracts |
| C. Property rights | G. Real property |
| D. Military interference | H. Police and crime |

Note: Area 2 ratings are calculated with adjustments for inequalities in the legal treatment of women using a Gender Disparity Index produced by Rosemarie Fike. The adjusted Area 2 ratings is used to compute the summary rating.

Area 3: Sound Money

- | | |
|------------------------------------|-----------------------------------|
| A. Money growth | C. Inflation: most recent year |
| B. Standard deviation of inflation | D. Foreign currency bank accounts |

Area 4: Freedom to Trade Internationally

- | | |
|-----------------------------------------|---------------------------------------------------|
| A. Tariffs | C. Black-market exchange rates |
| i. Trade tax revenue | D. Controls of the movement of capital and people |
| ii. Mean tariff rate | i. Financial openness |
| iii. Standard deviation of tariff rates | ii. Capital controls |
| B. Regulatory trade barriers | iii. Freedom of foreigners to visit |
| i. Non-tariff trade barriers | iv. Protection of foreign assets |
| ii. Costs of importing and exporting | |

Area 5: Regulation

- | | |
|------------------------------------------------------------|-----------------------------------------|
| A. Credit market regulation | C. Business regulation |
| i. Ownership of banks | i. Regulatory burden |
| ii. Private sector credit | ii. Bureaucracy costs |
| iii. Interest rate controls / negative real interest rates | iii. Impartial public administration |
| | iv. Tax compliance |
| B. Labor market regulation | D. Freedom to compete |
| i. Labor regulations and minimum wage | i. Market openness |
| ii. Hiring and firing regulations | ii. Business permits |
| iii. Flexible wage determination | iii. Distortion of business environment |
| iv. Hours regulation | |
| v. Costs of worker dismissal | |
| vi. Conscription | |
| vii. Foreign labor | |

Each of the five areas is constructed from several components, and many of these are constructed from subcomponents and underlying variables. In total, the index incorporates 45 distinct components and subcomponents.² Each component and subcomponent is placed on a scale from zero to 10, reflecting the distribution of the underlying data. When there are subcomponents, they are averaged to derive the component rating. The component ratings within each area are then averaged to derive ratings for each of the five areas. And the five area ratings are averaged to derive the overall EFW rating for each country.

Area 1. Size of Government measures the effect of government expenditures and tax rates on economic freedom. Taken together, the five components of Area 1 measure the degree to which a country's fiscal policies limit the scope of individual economic choice. Since almost all government spending is financed through either current taxation, future taxation, or inflation, almost all government spending necessarily expropriates money from citizens, limiting their economic choices. Countries with lower levels of government spending, lower marginal tax rates, less government investment, and less state ownership of assets earn the highest ratings in this area.

Area 2. Legal System and Property Rights measures the degree to which each jurisdiction's legal system protects economic freedom. When a person and his or her rightfully acquired property are not secure, others (both private individuals and the state) may limit his or her economic choices. The key ingredients of a legal system consistent with economic freedom are rule of law, security of property rights, an independent and unbiased judiciary, and impartial and effective enforcement of the law. The eight components of Area 2 are indicators of how effectively the protective functions of government are performed. The rating for Area 2 is adjusted based on a gender-disparity index that reflects cross-country differences in legal rights based on gender.

Area 3. Sound Money measures the degree to which a jurisdiction's monetary policies permit economic freedom. Money is involved in nearly every transaction in an economy so unexpected changes in its value have a profound effect on peoples' ability to make their own economic choices. If a government's monetary authority creates significant unexpected inflation, it makes money less valuable, expropriating property

² Sometimes we use multiple data sources for a single indicator or sub-indicator. We do this when one data source is discontinued and replaced by a different source or when there is more than one source for the same concept, and we think it prudent to average multiple sources.

from savers. Conversely, if the government creates significant unexpected deflation, it makes money more valuable and expropriates property from borrowers. High and volatile inflation or deflation therefore interfere with individuals' ability to make their own economic choices. The four components of this area measure the extent to which people have access to sound money—i.e., currencies that maintain their value over time. To earn a high rating in Area 3, a country must permit its citizens to access a currency with low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies.

Area 4. Freedom to Trade Internationally measures the degree to which governments interfere with exchange across national boundaries. When governments impose taxes or regulations at the border, they limit their citizens' ability to exchange with people from other countries. The components in Area 4 measure a wide variety of trade restrictions: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement of capital. To get a high rating in this area, a country must have low tariffs, easy clearance and efficient administration of customs, a freely convertible currency, and few controls on the movement of physical and human capital.

Area 5. Regulation measures the extent to which regulations that restrict entry into markets and interfere with the freedom to voluntary exchange reduce economic freedom. The components of Area 5 focus on regulatory restraints that limit the freedom of exchange in credit, labor, and product markets.

Key changes and challenges in the EFW index in recent years

The last few years have presented a huge challenge for the EFW index as two of our most important data sources became unavailable. The World Bank's *Doing Business* report was abruptly canceled, and likewise it appears the World Economic Forum's *Global Competitiveness Report* and the Executive Opinion Survey upon which it was based have been discontinued. These two sources had been used in whole, or in part, in about 40 percent of components or subcomponents in the EFW index. At this point in time, we are continuing to use the latest available data from these sources. While there is some hope that both sources will return in some capacity, the situation remains uncertain and the timing unknown.

Over the last couple of years as we studied solutions to these difficulties, we turned to the Economist Intelligence Unit's (EIU) Business Environment Rankings. We had

looked at their numbers previously and generally judged them to be high quality, but their main dataset covered only about 80 countries, far short of the 165 that we require. Ultimately, we were able to contract with the EIU to get the numbers we wanted for all of our countries for the years since 2017.

For the most part, we have been able to integrate the new EIU data easily into the existing structure of the EFW index. A few of the EIU indicators do not have natural places within the existing EFW index structure, and as a result, we made a few adjustments to the component and subcomponent structure. There are still a few components and subcomponents that remain wholly reliant on the *Doing Business* or *Global Competitiveness Report* data that have not been updated. We hope to deal with these in the next year or two. Please see the 2023 report for additional details about these changes.

Construction of Area and Summary ratings

Theory provides us with some direction about elements that should be included in the five areas and the summary index, but it does not indicate what weights should be attached to the components within the areas or among the areas in the construction of the overall index. It would be convenient if these factors were independent, and a weight could be attached to each of them. In the past, we investigated several methods of weighting the various components, including principal component analysis and a survey of economists. We have also invited others to use their own weighting structure if they believe that it is preferable. Our experience indicates that the overall index is not very sensitive to alternative weighting methods.

Furthermore, there is reason to question whether the areas (and components) are independent of one another, or if instead, they work together like the wheels, motor, transmission, drive shaft, and frame of a car. Just as these interconnected parts allow an automobile to move forward, it may be that a combination of interrelated factors allows people to benefit from economic freedom. Which is more important for the mobility of an automobile: the motor, wheels, or transmission? The question cannot be easily answered because the parts work together.³ If any of these key parts break down, the car is immobile. Institutional quality may be much the same. If any of the key parts are absent, the overall effectiveness may be undermined.

As a result of these two considerations, we organize the elements of the index in a manner that seems sensible, but we make no attempt to weight the components in any

³ See, for example, Bolen and Sobel (2020).

special way when deriving either area or overall ratings. Of course, the component and subcomponent data are available to researchers who would like to consider alternative weighting schemes, and we encourage them to do so.

Summary Economic Freedom ratings in 2022

Figure 1.1a and 1.1b (pp. 17–18) present the summary economic freedom ratings, sorted from highest to lowest, for the 165 jurisdictions of this year’s report. These ratings are for 2022, the most recent year for which reasonably comprehensive data are available. The 10 highest scoring nations are Hong Kong, Singapore, Switzerland, New Zealand, United States, Denmark, Ireland, Canada, Australia, and Luxembourg.

The rankings of some of the other major world economies are Japan (11th), Germany (16th), Taiwan (19th), Korea (32nd), France (36th), Italy (51st), Mexico (65th), India (84th), Brazil (85th), China (104th), and Russia (119th). The 10 lowest-rated countries are: Yemen, Libya, Iran, Argentina, Myanmar, Algeria, Syria, Sudan, Zimbabwe, and Venezuela.

The two largest declines in ratings between 2021 and 2022 were Ukraine (-0.94) and Moldova (-0.63), two nations that have either been invaded (Ukraine) or threatened militarily (Moldova) by Russia. The rating for Russia is also down (-0.30). It may be obvious to point out, but war is very bad for economic freedom.

In last year’s report, Singapore edged out Hong Kong for the top spot for the first time. In this year’s edition, based on updated and revised data for 2021 and new data for 2022, we scored Hong Kong ahead of Singapore in both years. Despite this reversal in the *ranking*, Hong Kong’s *rating* continues to fall precipitously from 9.05 in 2018 to 8.58 in 2022. This is nearly half a standard deviation decline in just four years. Thus, we continue to sound the alarm bell about signs of declining economic—and other—freedoms in Hong Kong.⁴

Ratings and rankings in 2022 for the five areas of the index

Table 1.2 (pp. 19–23) presents the ratings (and rankings) for each of the five areas of the index. Several interesting patterns emerge from an analysis of these data. High-income industrial economies generally rank quite high for Legal System and Property Rights (Area 2), Sound Money (Area 3), and Freedom to Trade Internationally (Area 4).

⁴ According to the *Human Freedom Index*, Hong Kong fell from 3rd place in 2010 to 46th in 2021 (Vásquez, McMahon, Murphy, and Schneider, 2023).

Figure 1.1a: Summary Economic Freedom Ratings for 2022, First and Second Quartiles

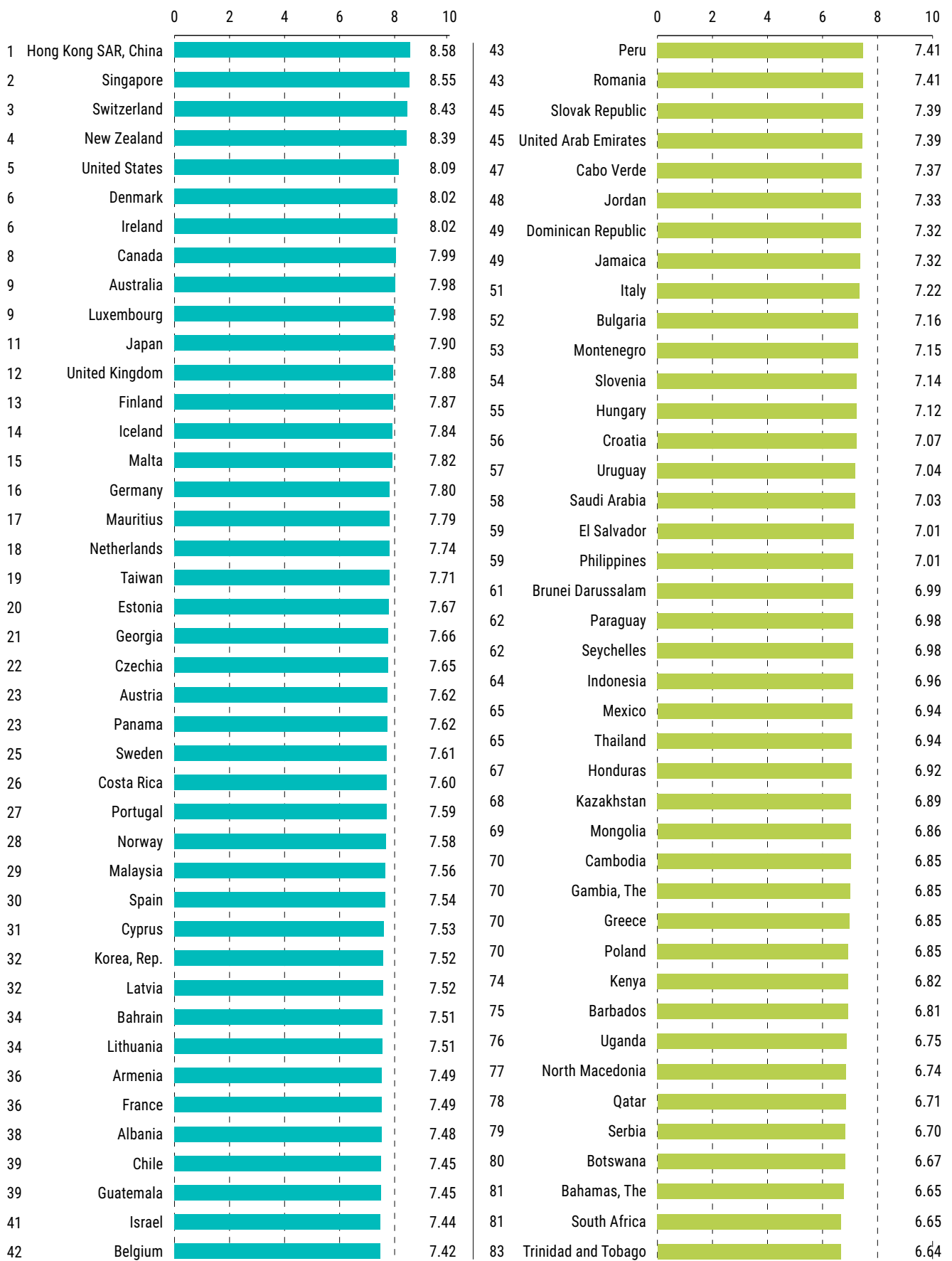


Figure 1.1b: Summary Economic Freedom Ratings for 2022, Third and Fourth Quartiles

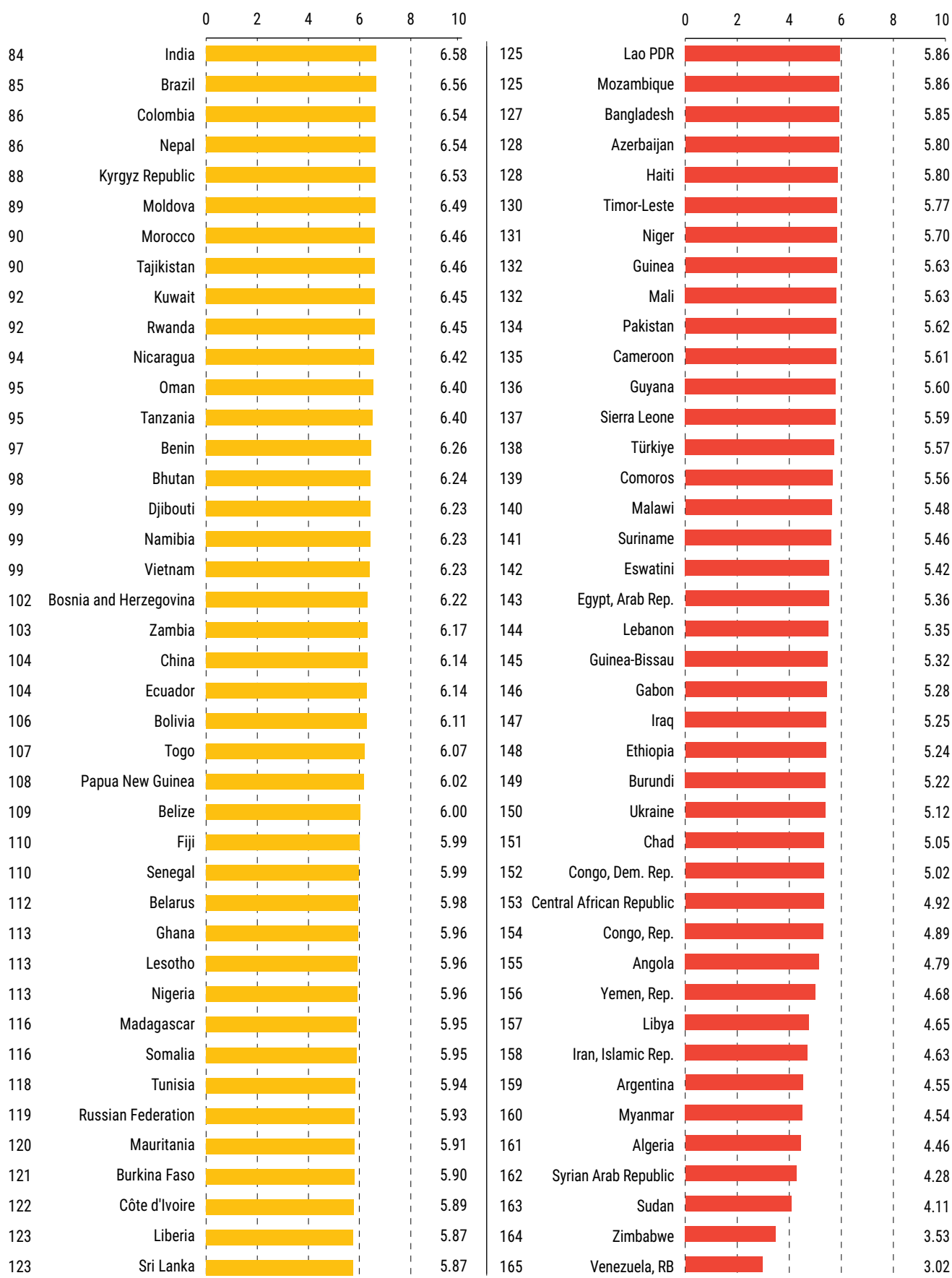


Table 1.2: Area Economic Freedom Ratings (Rankings) for 2022

Countries	Area 1 Size of Government		Area 2 Legal System & Property Rights		Area 3 Sound Money		Area 4 Freedom to trade internationally		Area 5 Regulation	
		Rank		Rank		Rank		Rank		Rank
Albania	7.81	(24)	5.43	(66)	8.76	(28)	8.53	(34)	6.90	(55)
Algeria	4.45	(162)	3.82	(127)	6.37	(123)	3.14	(161)	4.51	(156)
Angola	7.50	(36)	3.17	(145)	5.00	(147)	2.97	(164)	5.30	(140)
Argentina	6.22	(111)	4.95	(85)	2.55	(162)	4.22	(155)	4.80	(148)
Armenia	8.01	(20)	5.81	(56)	8.47	(46)	8.08	(56)	7.10	(45)
Australia	6.14	(117)	8.58	(9)	8.80	(23)	8.15	(52)	8.23	(6)
Austria	5.24	(147)	8.55	(10)	8.44	(49)	8.67	(26)	7.20	(40)
Azerbaijan	4.64	(159)	4.81	(91)	6.25	(127)	7.19	(85)	6.12	(107)
Bahamas, The	8.82	(3)	5.40	(68)	6.08	(131)	5.63	(145)	7.34	(30)
Bahrain	7.37	(41)	5.18	(75)	9.03	(12)	8.35	(45)	7.64	(21)
Bangladesh	8.33	(14)	2.73	(152)	6.47	(119)	5.94	(134)	5.77	(128)
Barbados	7.32	(46)	5.80	(58)	7.88	(76)	6.74	(105)	6.28	(94)
Belarus	6.28	(107)	4.20	(120)	7.81	(80)	6.46	(117)	5.17	(143)
Belgium	4.64	(160)	7.69	(20)	8.28	(56)	8.85	(16)	7.64	(20)
Belize	6.23	(108)	3.95	(123)	6.17	(129)	6.57	(114)	7.08	(47)
Benin	7.62	(30)	4.26	(119)	6.83	(109)	6.07	(130)	6.51	(88)
Bhutan	6.41	(96)	6.80	(34)	4.01	(157)	6.84	(102)	7.14	(43)
Bolivia	5.95	(124)	3.92	(126)	9.41	(4)	6.45	(118)	4.80	(149)
Bosnia and Herzegovina	6.80	(73)	4.57	(101)	5.37	(144)	7.68	(66)	6.70	(70)
Botswana	6.41	(95)	5.83	(54)	8.07	(67)	7.24	(82)	5.80	(127)
Brazil	6.63	(81)	5.20	(74)	8.17	(60)	7.40	(75)	5.41	(137)
Brunei Darussalam	6.67	(79)	5.25	(72)	8.09	(64)	7.61	(68)	7.31	(33)
Bulgaria	7.05	(60)	5.94	(51)	7.56	(86)	8.41	(41)	6.83	(60)
Burkina Faso	7.07	(59)	3.75	(130)	5.41	(142)	6.63	(110)	6.65	(77)
Burundi	6.48	(88)	3.45	(138)	6.09	(130)	4.04	(158)	6.02	(115)
Cabo Verde	7.53	(35)	6.36	(44)	8.81	(21)	7.61	(69)	6.56	(82)
Cambodia	8.77	(6)	3.78	(128)	8.70	(32)	7.33	(79)	5.66	(130)
Cameroon	7.27	(49)	2.77	(151)	6.45	(120)	5.47	(148)	6.08	(110)
Canada	6.44	(93)	8.30	(13)	8.55	(40)	8.53	(33)	8.14	(9)
Central African Republic	6.65	(80)	2.03	(162)	6.02	(132)	5.13	(151)	4.76	(150)
Chad	7.54	(34)	2.45	(156)	5.66	(141)	5.23	(150)	4.37	(158)
Chile	7.20	(52)	6.81	(33)	8.11	(62)	8.56	(31)	6.58	(81)
China	4.74	(157)	4.79	(92)	8.25	(57)	7.08	(92)	5.82	(124)

Table 1.2 (continued): Area Economic Freedom Ratings (Rankings) for 2022

Countries	Area 1 Size of Government		Area 2 Legal System & Property Rights		Area 3 Sound Money		Area 4 Freedom to trade internationally		Area 5 Regulation	
		Rank		Rank		Rank		Rank		Rank
Colombia	7.02	(62)	4.96	(84)	6.91	(108)	7.12	(88)	6.68	(72)
Comoros	6.36	(100)	3.11	(147)	5.88	(136)	6.47	(116)	6.01	(117)
Congo, Dem. Rep.	5.98	(122)	2.59	(154)	5.95	(134)	5.61	(146)	4.94	(147)
Congo, Rep.	6.02	(121)	2.78	(150)	5.39	(143)	5.74	(143)	4.53	(155)
Costa Rica	7.58	(32)	6.67	(40)	8.81	(20)	8.25	(49)	6.71	(69)
Côte d'Ivoire	6.17	(114)	4.68	(97)	6.51	(118)	5.79	(139)	6.32	(93)
Croatia	5.90	(126)	6.17	(47)	8.18	(59)	8.45	(38)	6.63	(79)
Cyprus	6.85	(72)	6.70	(38)	7.83	(79)	8.90	(13)	7.39	(29)
Czechia	6.46	(90)	7.40	(23)	8.00	(71)	8.86	(15)	7.53	(26)
Denmark	5.34	(143)	9.10	(1)	8.78	(26)	8.94	(11)	7.94	(11)
Djibouti	5.88	(129)	3.64	(132)	9.11	(7)	5.76	(141)	6.75	(66)
Dominican Republic	8.68	(10)	5.16	(77)	8.42	(50)	8.16	(51)	6.17	(101)
Ecuador	6.56	(85)	4.56	(102)	6.53	(117)	6.84	(103)	6.20	(98)
Egypt, Arab Rep.	5.40	(141)	3.39	(141)	7.26	(98)	6.12	(128)	4.64	(154)
El Salvador	8.44	(13)	3.93	(125)	8.71	(30)	7.98	(60)	6.00	(118)
Estonia	6.60	(83)	7.98	(16)	6.91	(107)	8.95	(8)	7.93	(13)
Eswatini	5.25	(146)	3.06	(148)	7.72	(82)	5.65	(144)	5.41	(138)
Ethiopia	6.88	(69)	4.41	(110)	4.67	(156)	4.18	(156)	6.06	(113)
Fiji	5.47	(140)	4.58	(100)	6.71	(111)	6.18	(127)	7.00	(49)
Finland	5.06	(149)	8.86	(5)	8.52	(43)	8.67	(27)	8.22	(7)
France	4.97	(151)	7.49	(22)	8.78	(25)	8.94	(9)	7.29	(35)
Gabon	6.50	(87)	3.17	(144)	5.66	(140)	5.57	(147)	5.48	(135)
Gambia, The	7.28	(48)	4.74	(94)	8.08	(65)	7.28	(81)	6.88	(56)
Georgia	7.39	(40)	6.27	(46)	7.97	(73)	8.80	(17)	7.86	(16)
Germany	5.78	(135)	8.15	(14)	8.60	(38)	8.73	(22)	7.75	(17)
Ghana	8.56	(11)	5.16	(76)	3.22	(160)	6.67	(108)	6.16	(104)
Greece	4.98	(150)	6.04	(50)	8.07	(68)	8.49	(36)	6.66	(75)
Guatemala	9.06	(1)	4.34	(114)	8.81	(22)	8.37	(44)	6.69	(71)
Guinea	7.25	(50)	3.37	(142)	6.63	(114)	5.93	(135)	4.96	(146)
Guinea-Bissau	7.10	(55)	2.37	(158)	5.82	(137)	6.32	(124)	4.98	(145)
Guyana	3.87	(164)	4.79	(93)	6.30	(124)	6.40	(120)	6.63	(78)
Haiti	8.73	(8)	1.94	(164)	4.90	(150)	7.56	(70)	5.85	(123)
Honduras	8.84	(2)	3.95	(124)	8.33	(54)	7.06	(93)	6.44	(90)

Table 1.2 (continued): Area Economic Freedom Ratings (Rankings) for 2022

Countries	Area 1 Size of Government		Area 2 Legal System & Property Rights		Area 3 Sound Money		Area 4 Freedom to trade internationally		Area 5 Regulation	
		Rank		Rank		Rank		Rank		Rank
Hong Kong SAR, China	7.34	(45)	7.49	(21)	9.53	(3)	9.66	(1)	8.86	(1)
Hungary	6.23	(109)	6.38	(43)	7.61	(84)	8.70	(25)	6.66	(74)
Iceland	6.03	(120)	8.77	(6)	8.66	(35)	8.41	(42)	7.32	(32)
India	7.73	(25)	5.29	(71)	7.51	(87)	6.18	(126)	6.17	(102)
Indonesia	8.51	(12)	4.53	(103)	8.92	(17)	7.04	(94)	5.81	(125)
Iran, Islamic Rep.	6.99	(64)	3.26	(143)	5.95	(135)	2.48	(165)	4.47	(157)
Iraq	4.95	(152)	2.28	(160)	7.26	(100)	5.92	(136)	5.86	(121)
Ireland	6.33	(101)	7.88	(17)	8.63	(37)	8.98	(5)	8.29	(5)
Israel	5.96	(123)	6.27	(45)	9.03	(13)	8.71	(24)	7.24	(37)
Italy	5.30	(145)	6.60	(41)	8.44	(48)	8.97	(6)	6.79	(62)
Jamaica	7.98	(22)	5.72	(60)	8.04	(69)	7.19	(83)	7.65	(19)
Japan	5.85	(130)	7.70	(19)	9.55	(1)	8.50	(35)	7.93	(14)
Jordan	7.47	(38)	4.33	(115)	9.36	(5)	7.94	(61)	7.54	(24)
Kazakhstan	7.68	(28)	5.51	(64)	7.45	(91)	7.01	(95)	6.79	(61)
Kenya	7.08	(58)	4.83	(88)	8.94	(16)	6.40	(119)	6.87	(57)
Korea, Rep.	6.30	(104)	6.94	(31)	9.07	(10)	8.00	(58)	7.27	(36)
Kuwait	5.90	(127)	5.13	(80)	7.74	(81)	7.35	(77)	6.12	(106)
Kyrgyz Republic	7.09	(57)	4.47	(107)	7.07	(103)	7.38	(76)	6.65	(76)
Lao PDR	6.94	(67)	4.40	(111)	4.70	(153)	7.40	(73)	5.85	(122)
Latvia	6.46	(89)	7.16	(28)	7.26	(99)	8.78	(18)	7.93	(12)
Lebanon	8.78	(5)	3.53	(136)	4.99	(148)	4.16	(157)	5.28	(141)
Lesotho	5.56	(138)	4.68	(98)	7.37	(93)	6.58	(112)	5.62	(132)
Liberia	5.90	(128)	3.74	(131)	8.56	(39)	5.82	(138)	5.34	(139)
Libya	3.62	(165)	2.50	(155)	7.03	(104)	5.76	(140)	4.32	(159)
Lithuania	7.13	(53)	7.39	(24)	6.93	(106)	8.76	(19)	7.33	(31)
Luxembourg	5.39	(142)	8.64	(8)	8.70	(33)	8.97	(7)	8.19	(8)
Madagascar	7.21	(51)	2.66	(153)	7.35	(94)	6.87	(100)	5.65	(131)
Malawi	6.45	(91)	4.66	(99)	5.18	(146)	4.77	(153)	6.34	(92)
Malaysia	7.35	(44)	5.70	(61)	9.32	(6)	7.89	(63)	7.54	(25)
Mali	6.68	(78)	3.40	(140)	5.81	(138)	6.38	(122)	5.87	(120)
Malta	6.61	(82)	6.77	(35)	8.79	(24)	9.02	(4)	7.90	(15)
Mauritania	6.42	(94)	3.14	(146)	7.18	(101)	6.79	(104)	6.03	(114)
Mauritius	7.98	(21)	7.00	(30)	8.25	(58)	8.76	(20)	6.96	(52)

Table 1.2 (continued): Area Economic Freedom Ratings (Rankings) for 2022

Countries	Area 1 Size of Government		Area 2 Legal System & Property Rights		Area 3 Sound Money		Area 4 Freedom to trade internationally		Area 5 Regulation	
		Rank		Rank		Rank		Rank		Rank
Mexico	8.28	(16)	4.32	(116)	7.47	(89)	8.10	(55)	6.53	(84)
Moldova	7.70	(27)	5.84	(53)	5.24	(145)	7.62	(67)	6.07	(112)
Mongolia	6.59	(84)	6.05	(49)	7.51	(88)	7.29	(80)	6.85	(58)
Montenegro	6.69	(77)	5.68	(62)	7.96	(74)	8.29	(47)	7.12	(44)
Morocco	6.95	(66)	5.31	(70)	6.41	(121)	7.09	(90)	6.52	(86)
Mozambique	7.09	(56)	4.42	(109)	5.96	(133)	6.54	(115)	5.28	(142)
Myanmar	6.75	(75)	3.02	(149)	4.77	(151)	3.48	(160)	4.67	(153)
Namibia	7.36	(42)	5.68	(63)	6.24	(128)	6.34	(123)	5.54	(134)
Nepal	7.55	(33)	4.92	(86)	7.27	(97)	6.00	(132)	6.98	(50)
Netherlands	4.92	(154)	8.66	(7)	8.34	(53)	9.15	(3)	7.61	(23)
New Zealand	6.39	(97)	9.00	(2)	8.83	(19)	8.94	(10)	8.78	(2)
Nicaragua	6.30	(105)	3.43	(139)	8.55	(41)	7.90	(62)	5.93	(119)
Niger	6.39	(98)	3.57	(134)	6.70	(113)	5.75	(142)	6.07	(111)
Nigeria	8.78	(4)	3.51	(137)	7.46	(90)	3.49	(159)	6.55	(83)
North Macedonia	6.85	(71)	4.73	(95)	6.77	(110)	7.72	(65)	7.62	(22)
Norway	5.49	(139)	8.98	(3)	7.86	(78)	8.28	(48)	7.29	(34)
Oman	4.82	(156)	5.36	(69)	8.08	(66)	7.47	(72)	6.25	(96)
Pakistan	8.04	(18)	3.63	(133)	4.72	(152)	5.97	(133)	5.72	(129)
Panama	7.67	(29)	5.81	(57)	9.08	(8)	8.87	(14)	6.68	(73)
Papua New Guinea	5.72	(136)	4.45	(108)	6.29	(125)	7.34	(78)	6.27	(95)
Paraguay	8.09	(17)	4.35	(113)	8.45	(47)	7.40	(74)	6.62	(80)
Peru	7.71	(26)	5.14	(79)	8.52	(44)	8.48	(37)	7.21	(39)
Philippines	7.83	(23)	4.51	(105)	9.04	(11)	7.14	(87)	6.51	(87)
Poland	5.92	(125)	6.45	(42)	6.62	(115)	8.44	(40)	6.84	(59)
Portugal	6.20	(112)	7.38	(25)	8.50	(45)	8.92	(12)	6.97	(51)
Qatar	5.82	(132)	5.43	(67)	7.67	(83)	8.39	(43)	6.22	(97)
Romania	6.99	(63)	6.76	(37)	7.88	(77)	8.54	(32)	6.90	(54)
Russian Federation	6.05	(118)	4.71	(96)	7.31	(95)	6.10	(129)	5.46	(136)
Rwanda	4.94	(153)	5.92	(52)	7.12	(102)	7.52	(71)	6.75	(67)
Saudi Arabia	6.38	(99)	6.70	(39)	8.65	(36)	6.95	(98)	6.48	(89)
Senegal	7.03	(61)	4.15	(121)	5.80	(139)	6.85	(101)	6.09	(108)
Serbia	6.23	(110)	5.45	(65)	6.70	(112)	8.06	(57)	7.06	(48)
Seychelles	4.20	(163)	6.14	(48)	8.99	(14)	8.35	(46)	7.21	(38)

Table 1.2 (continued): Area Economic Freedom Ratings (Rankings) for 2022

Countries	Area 1 Size of Government		Area 2 Legal System & Property Rights		Area 3 Sound Money		Area 4 Freedom to trade internationally		Area 5 Regulation	
		Rank		Rank		Rank		Rank		Rank
Sierra Leone	7.40	(39)	4.49	(106)	4.68	(154)	6.63	(111)	4.75	(151)
Singapore	7.32	(47)	8.40	(11)	8.71	(31)	9.56	(2)	8.73	(3)
Slovak Republic	6.53	(86)	6.76	(36)	7.97	(72)	8.60	(29)	7.09	(46)
Slovenia	5.14	(148)	6.94	(32)	8.40	(52)	8.45	(39)	6.78	(64)
Somalia	8.70	(9)	1.63	(165)	8.76	(27)	6.39	(121)	4.27	(160)
South Africa	6.17	(115)	5.78	(59)	7.60	(85)	6.96	(97)	6.73	(68)
Spain	6.05	(119)	7.35	(27)	8.42	(51)	8.67	(28)	7.19	(41)
Sri Lanka	8.75	(7)	4.87	(87)	2.57	(161)	7.00	(96)	6.16	(103)
Sudan	8.04	(19)	2.03	(163)	1.25	(163)	5.24	(149)	3.99	(162)
Suriname	6.69	(76)	4.28	(117)	3.70	(158)	6.63	(109)	6.01	(116)
Sweden	4.87	(155)	8.33	(12)	8.70	(34)	8.71	(23)	7.45	(28)
Switzerland	7.60	(31)	8.92	(4)	9.55	(2)	8.11	(54)	7.98	(10)
Syrian Arab Republic	6.31	(103)	2.26	(161)	6.57	(116)	3.13	(162)	3.15	(163)
Taiwan	7.47	(37)	7.35	(26)	8.00	(70)	8.20	(50)	7.53	(27)
Tajikistan	5.78	(133)	4.07	(122)	9.08	(9)	7.19	(84)	6.18	(100)
Tanzania	6.16	(116)	5.11	(81)	7.95	(75)	5.86	(137)	6.94	(53)
Thailand	6.87	(70)	5.22	(73)	8.98	(15)	7.08	(91)	6.52	(85)
Timor-Leste	4.65	(158)	3.77	(129)	6.41	(122)	7.86	(64)	6.14	(105)
Togo	6.92	(68)	4.83	(89)	6.29	(126)	6.21	(125)	6.08	(109)
Trinidad and Tobago	6.78	(74)	5.08	(82)	8.11	(63)	6.90	(99)	6.34	(91)
Tunisia	5.30	(144)	4.51	(104)	7.38	(92)	6.68	(107)	5.81	(126)
Türkiye	6.98	(65)	4.81	(90)	3.30	(159)	7.17	(86)	5.61	(133)
Uganda	7.12	(54)	4.27	(118)	8.89	(18)	6.70	(106)	6.78	(63)
Ukraine	5.83	(131)	4.37	(112)	4.68	(155)	6.05	(131)	4.67	(152)
United Arab Emirates	5.78	(134)	7.06	(29)	8.33	(55)	8.57	(30)	7.18	(42)
United Kingdom	6.18	(113)	8.01	(15)	8.71	(29)	8.75	(21)	7.75	(18)
United States	7.35	(43)	7.78	(18)	8.53	(42)	8.11	(53)	8.66	(4)
Uruguay	6.45	(92)	5.83	(55)	8.16	(61)	7.99	(59)	6.78	(65)
Venezuela, RB	4.50	(161)	2.29	(159)	0.74	(165)	5.03	(152)	2.54	(165)
Vietnam	6.28	(106)	5.15	(78)	6.98	(105)	6.57	(113)	6.20	(99)
Yemen, Rep.	8.31	(15)	2.40	(157)	4.98	(149)	4.61	(154)	3.11	(164)
Zambia	6.32	(102)	4.99	(83)	7.29	(96)	7.12	(89)	5.11	(144)
Zimbabwe	5.63	(137)	3.54	(135)	1.25	(163)	3.03	(163)	4.20	(161)

Their ratings are lower, however, for Size of Government (Area 1) and Regulation (Area 5). This is particularly true for the high-income countries of Western Europe.

On the other hand, many developing nations have a small fiscal size of government but rate low in other areas, and as a result, have a low overall rating. The lesson from this is clear: a small fiscal size of government is insufficient to ensure prosperity. The other areas of economic freedom—the rule of law and property rights, sound money, trade openness, and limited regulations—are also required.

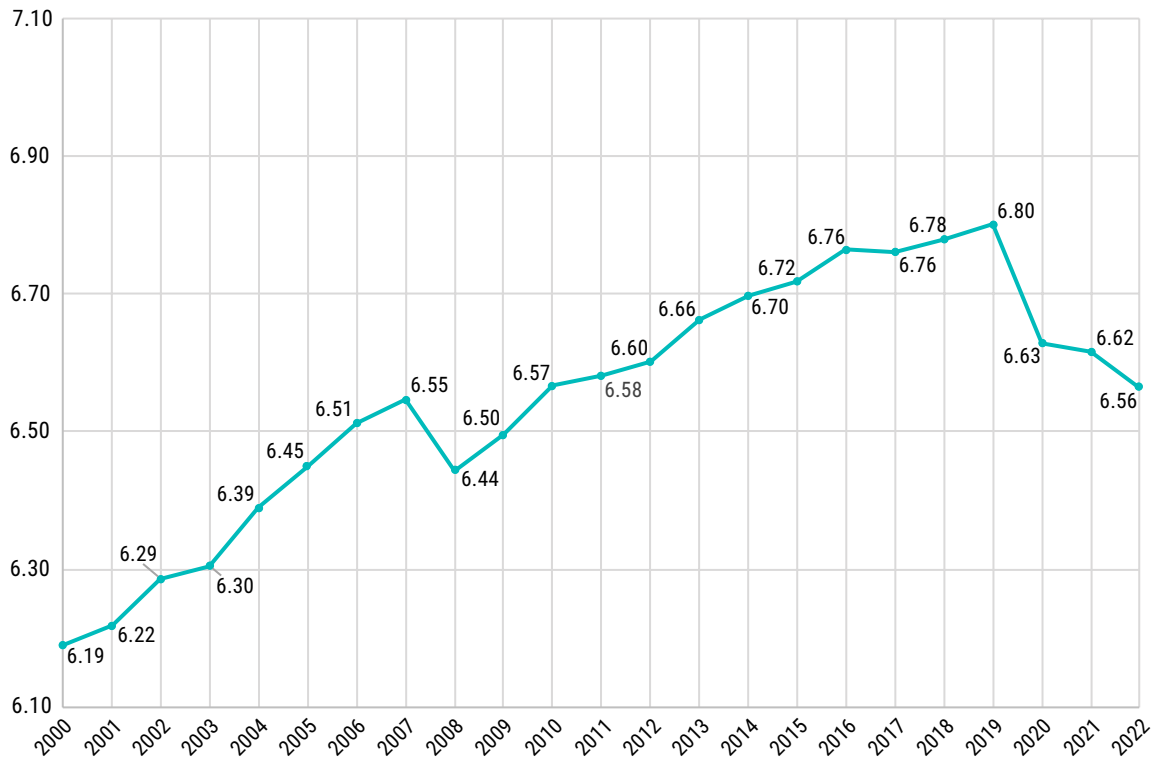
As the area ratings show, weakness in the rule of law and property rights is particularly pronounced in Sub-Saharan Africa, among Islamic nations, and for some nations that were formerly part of the Soviet bloc, though several countries in the latter group have made impressive strides toward improvement. Many nations in Latin America and Southeast Asia also score poorly for rule of law and property rights. The nations that rank poorly in this category also tend to score poorly in the trade and regulation areas, even though several have reasonably sized governments and sound money.

THE EFW PANEL DATASET

Over the years, the EFW index has become more comprehensive and the available data more complete. As a result, the number and composition of the components and subcomponents for many countries vary across time. This makes it difficult to directly compare index values from earlier periods with those of later periods. To assist researchers who are interested in a consistent time-series for a particular country and/or longitudinal data for a panel of countries, we have developed the EFW Panel Dataset.

The EFW Panel Dataset is a chain-linked version of the index. It uses the most recent year as the base year, and changes in a country's scores backward in time are based only on changes in components that were present in adjoining years. See the 2022 report for additional details on this process. It should be noted that the EFW Panel Dataset contains area and summary ratings only for those years in which the country received a regular EFW index rating. Because some data for earlier years may have been updated or corrected, researchers are always encouraged to use the data from the most recent annual report to ensure the most reliable figures.

Figure 1.2 presents the global average for all nations with complete data since 2000 using the EFW Panel Dataset. Overall, the index shows that economic freedom has increased since 2000, but the last few years have been rocky. Thanks, no doubt,

Figure 1.2: Average Economic Freedom Rating, 2000–2022

to the coronavirus pandemic, the world average has fallen to 6.56 from 6.80 since 2019—a 0.24-point decline. This erases over a decade’s worth of improvement in the global average and is about twice as large as the global decline witnessed during the financial crisis.

We take no position on the efficacy of the various public-health policies designed to deal with the coronavirus pandemic; they very well may have saved millions of lives, or they may have been completely ineffectual. That is a question for epidemiologists and health economists to work out. Our concern is economic freedom, and on that margin, there is no question that government policies responding to the coronavirus pandemic have reduced economic freedom.

ECONOMIC FREEDOM AND HUMAN WELLBEING

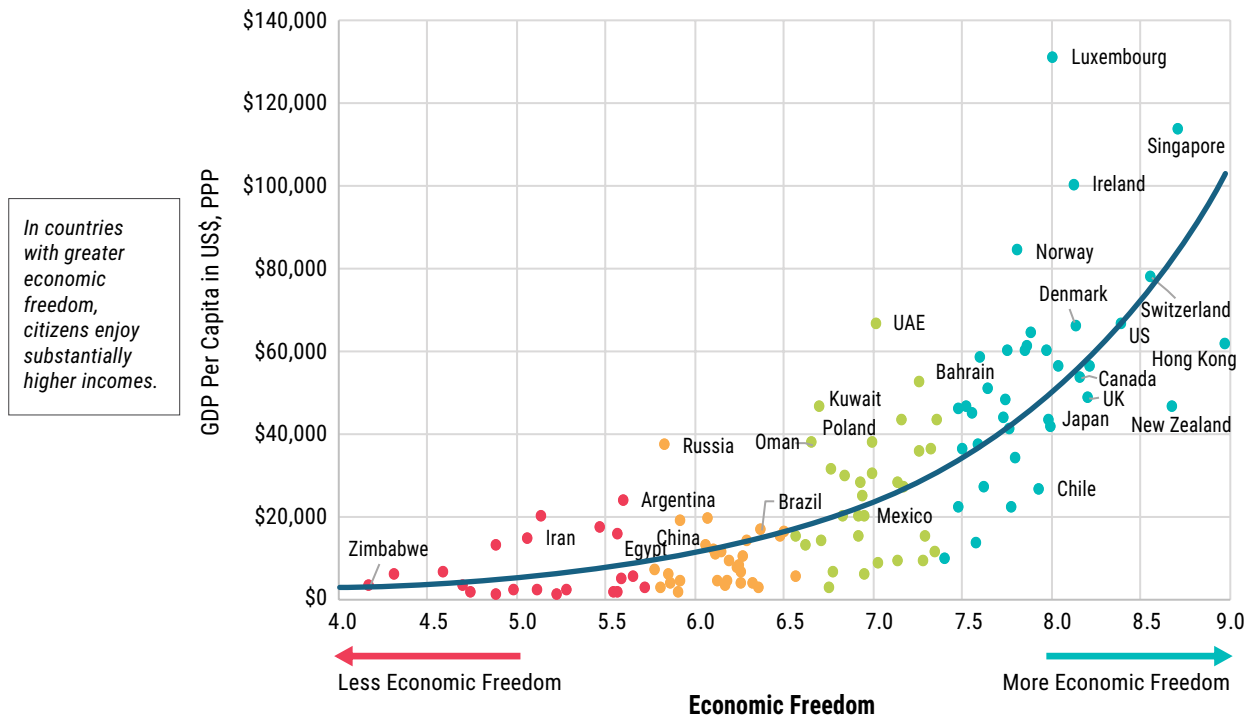
As is customary, this chapter concludes with some simple graphs illustrating relationships between economic freedom and various other indicators of human well-being (Figures 1.3–1.15). The graphs use the average of the EFW panel dataset from 2000 to 2022, breaking the data into four quartiles ordered from least to most free.

Because persistence is important and the impact of economic freedom will be felt over a lengthy period, it is better to use the average rating over a long period rather than the current rating to observe the impact of economic freedom on performance.

The graphs begin with the data on the relationship between economic freedom and the level of GDP per capita and then go on to examine the correlation with other economic and social outcomes. We are not necessarily arguing that there is a direct *causal* relation between economic freedom and the variables considered below.⁵ For instance, many of the relationships illustrated in the graphs below likely reflect the impact of economic freedom as it works through increasing per capita income. These graphics nonetheless provide some insights into the contrast between market-oriented economies and those dominated by government regulation and planning. At the very least, these graphs suggest fruitful areas for future research.

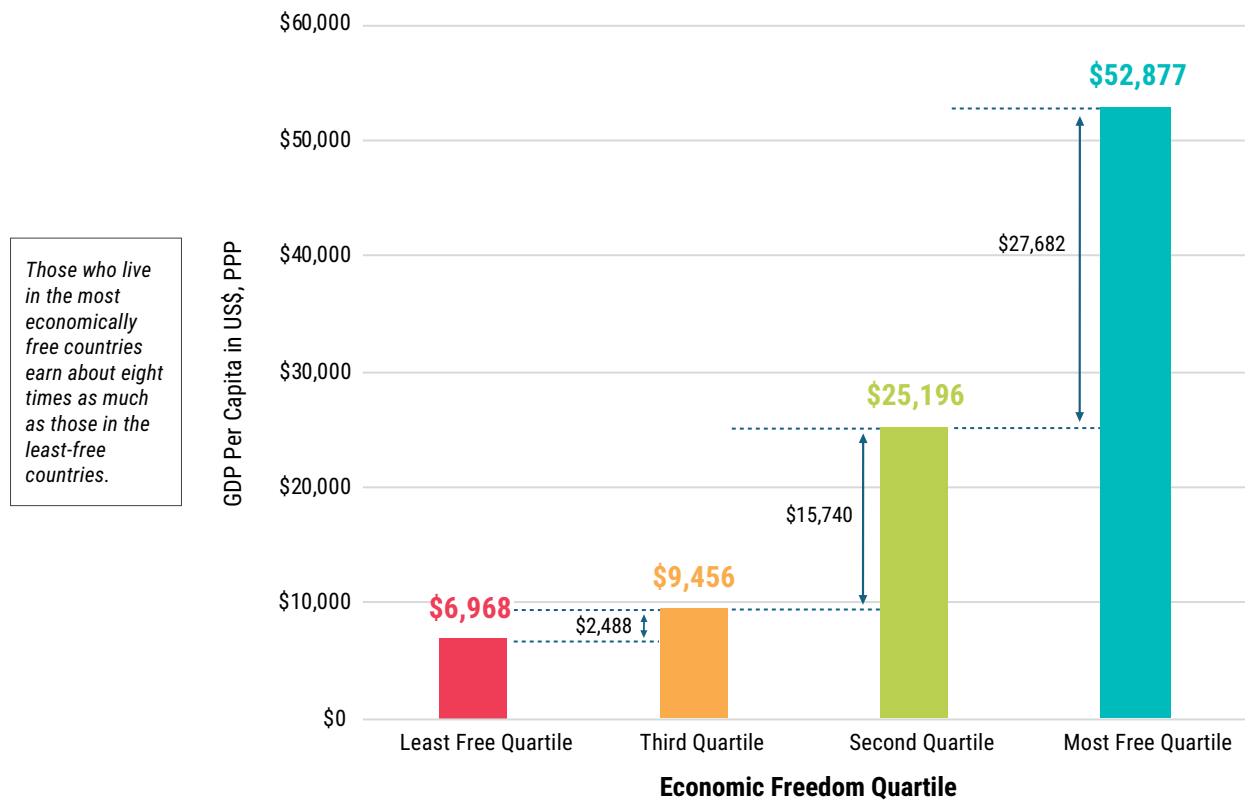
5 For recent reviews of the literature see Lawson (2022), Lawson, Miozzi, and Tuszynski (2024), and Berggren (2024).

Figure 1.3: Economic Freedom and Income Per Capita (All Countries)



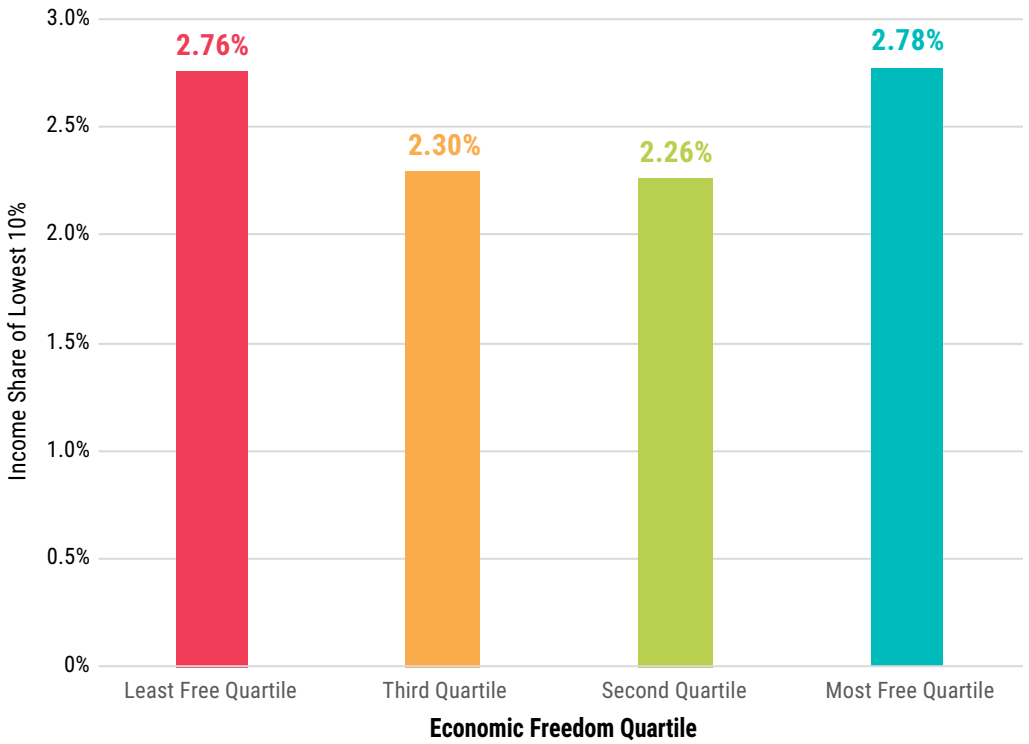
Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database.

Figure 1.4: Economic Freedom and Income Per Capita (Averaged over Quartile)



Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database.

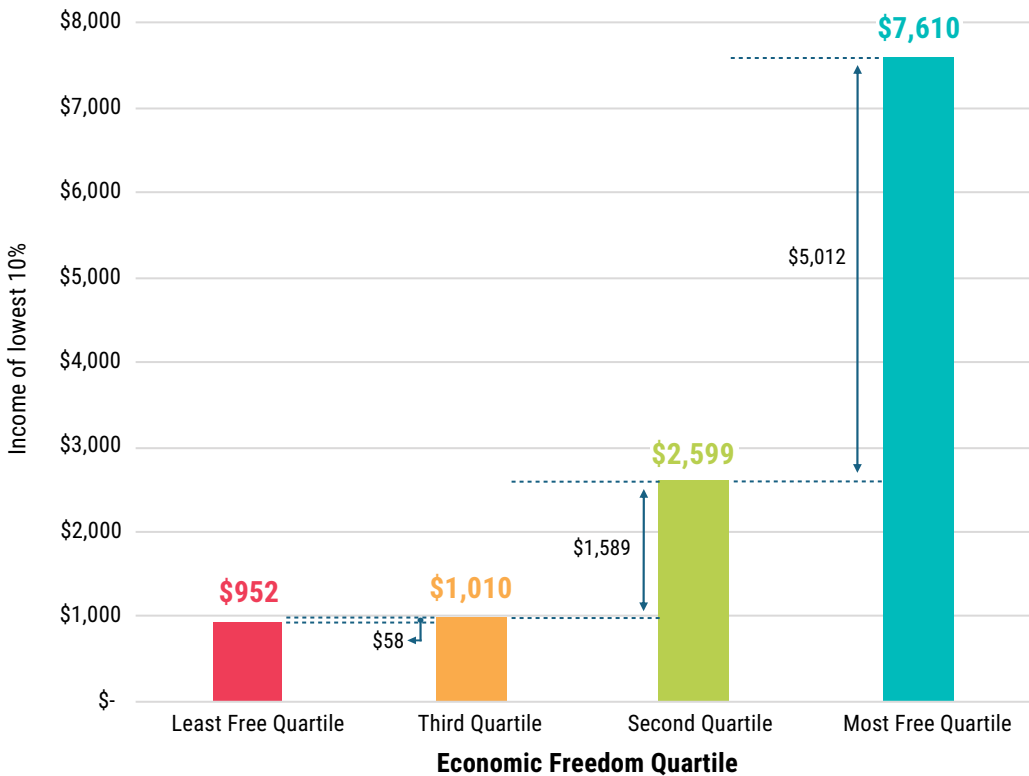
Figure 1.5: Economic Freedom and Income Share of Lowest 10%



The share of income earned by the poorest 10% of the population is unrelated to economic freedom.

Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database.

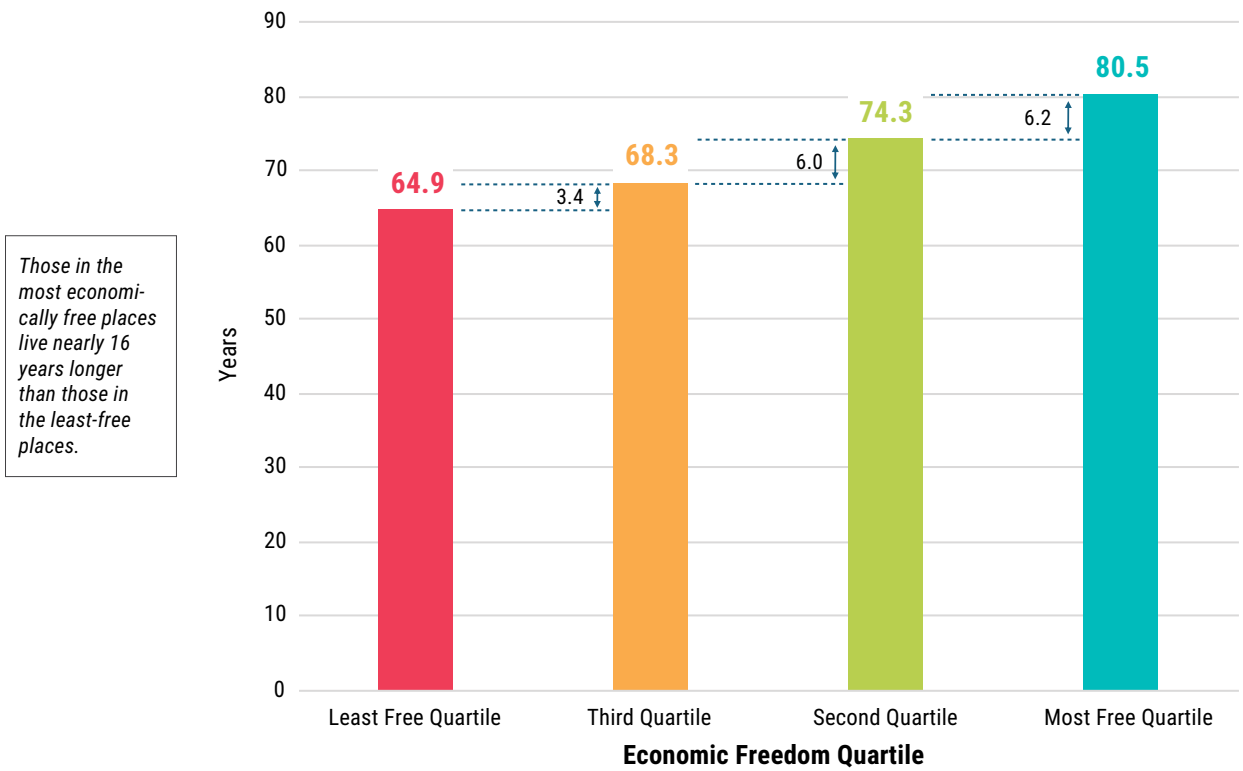
Figure 1.6: Economic Freedom and Income Threshold of Poorest 10%



While the share of income earned by the poorest 10% is unrelated to economic freedom, the level of income earned by the poorest 10% of the population is much higher in countries with greater economic freedom.

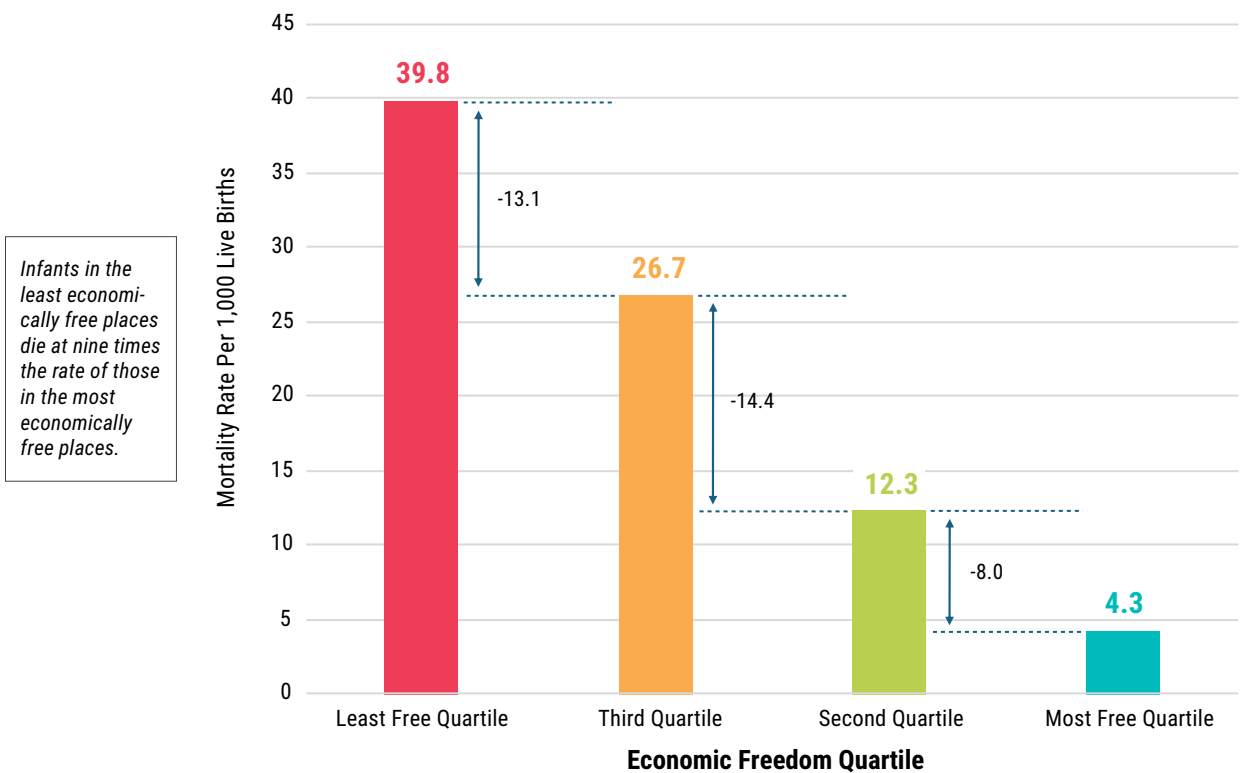
Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database, processed by Our World in Data, 2023.

Figure 1.7: Economic Freedom and Life Expectancy



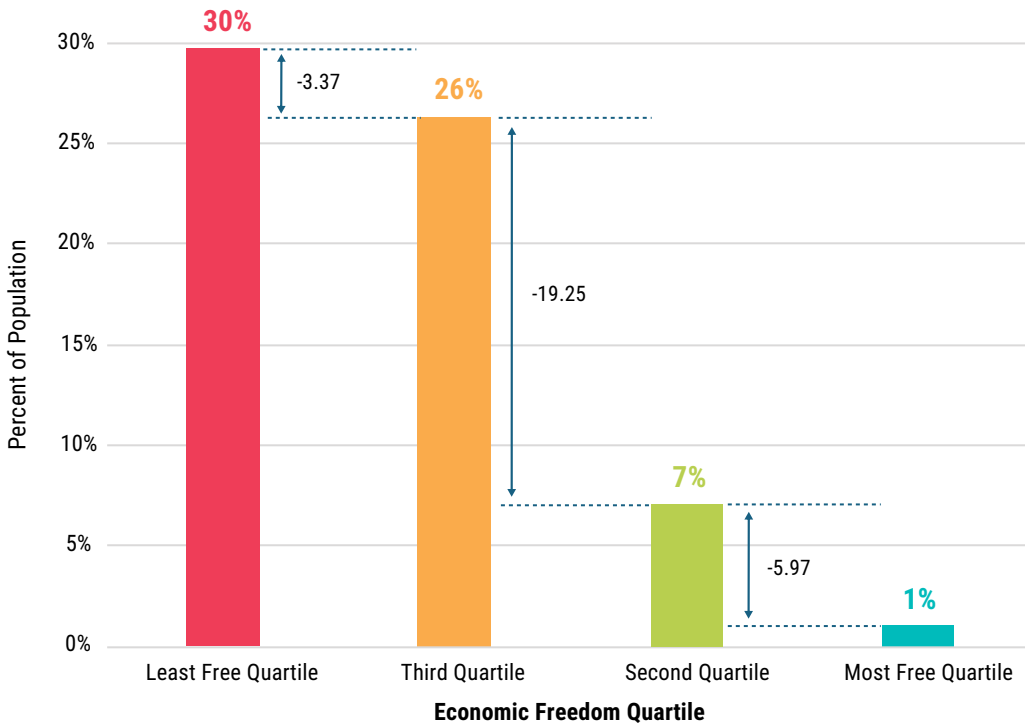
Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database.

Figure 1.8: Economic Freedom and Infant Mortality



Source: *Economic Freedom of the World: 2024 Annual Report* and World Development Indicators online database.

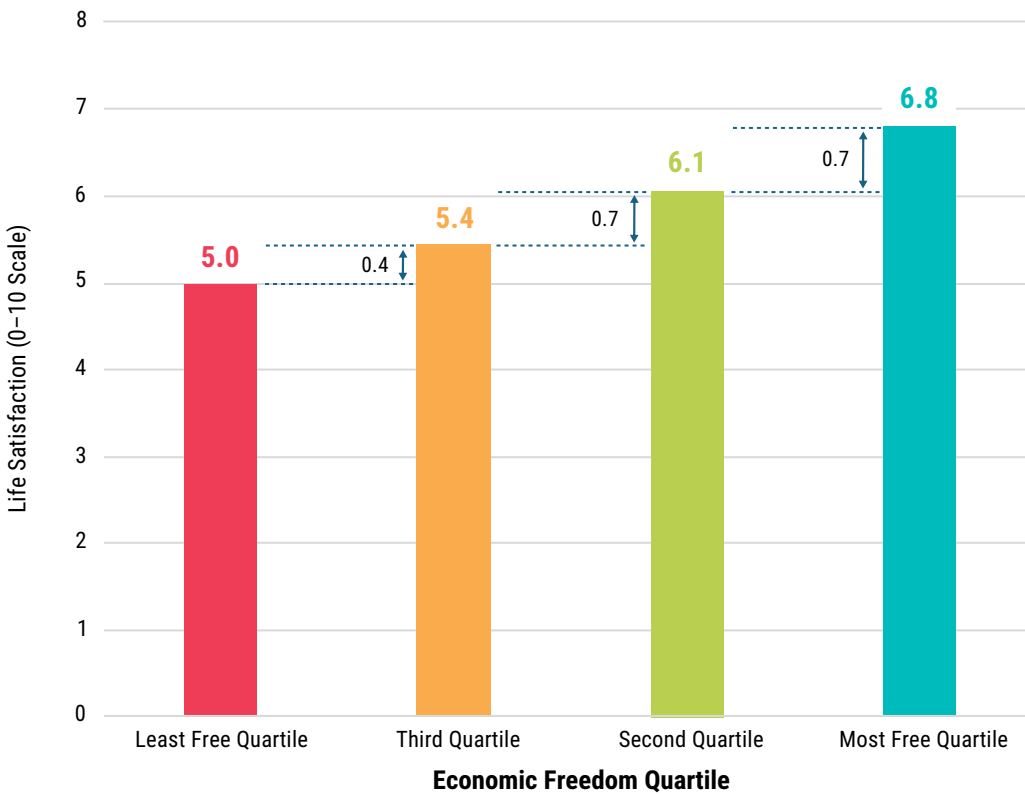
Figure 1.9: Economic Freedom and Poverty (<\$2.15/Day)



Compared with the most economically free places, extreme poverty is about 30 times as common in the least free places.

Source: *Economic Freedom of the World: 2024 Annual Report* and 2023 Social Progress Index.

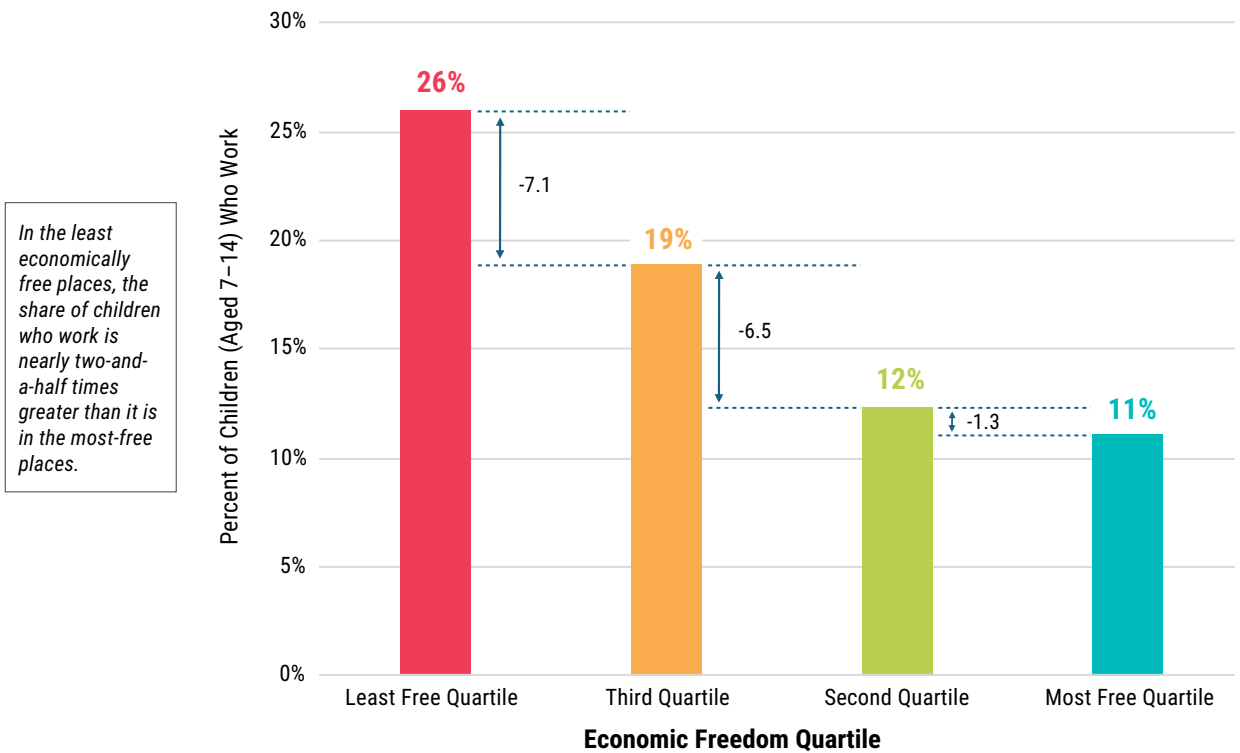
Figure 1.10: Economic Freedom and Life Satisfaction



Those who live in the most economically free places report that they are more satisfied with their lives than those who live in the least free places.

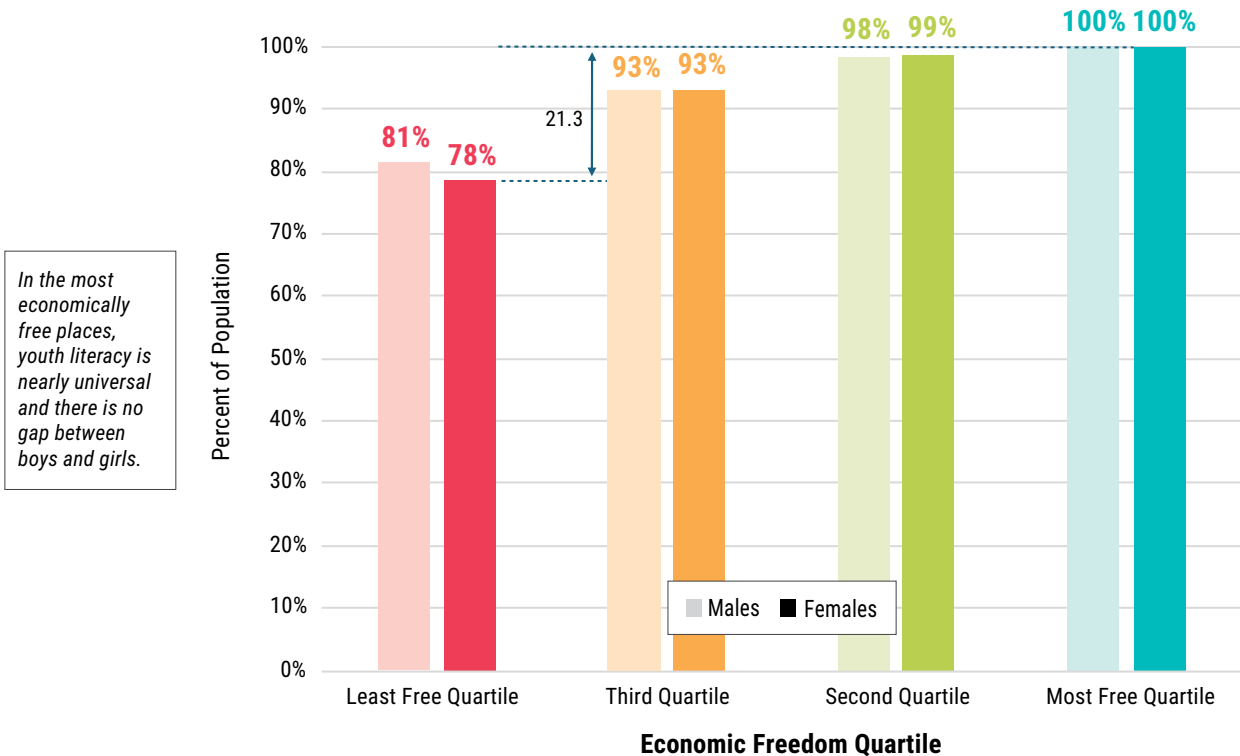
Source: *Economic Freedom of the World: 2023 Annual Report* and World Happiness Report 2023.

Figure 1.11: Economic Freedom and Percent of Children Working



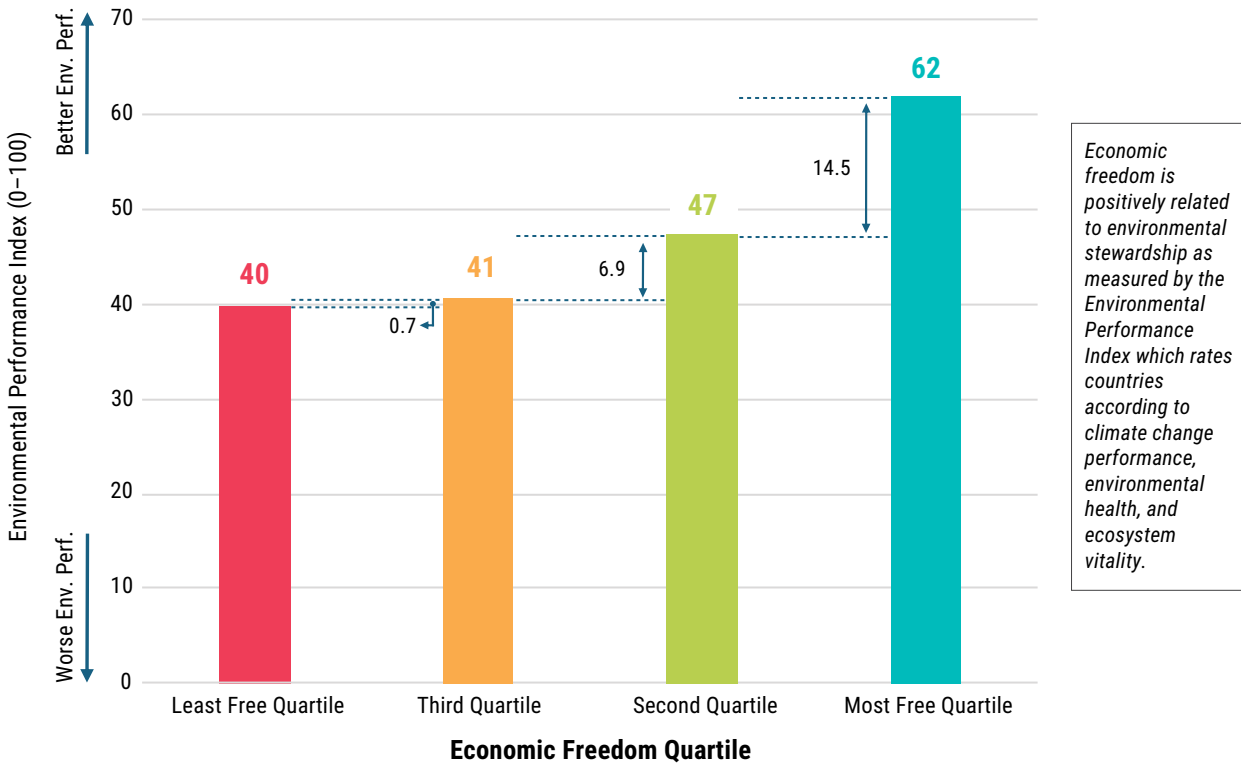
Source: *Economic Freedom of the World: 2024 Annual Report* and World Bank, 2024.

Figure 1.12: Economic Freedom and Literacy Rate Among 15–24 Year Olds



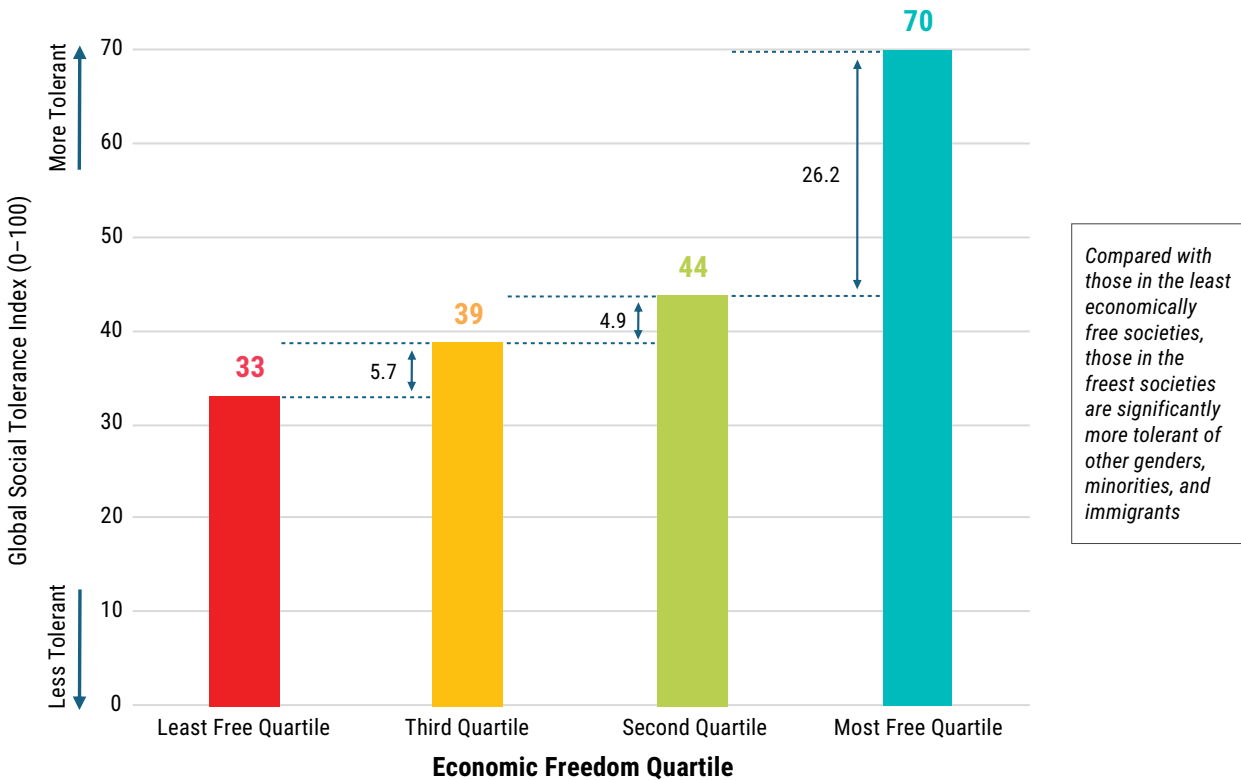
Source: *Economic Freedom of the World: 2024 Annual Report* and World Bank, processed by Our World in Data, 2023.

Figure 1.13: Economic Freedom and Environmental Performance



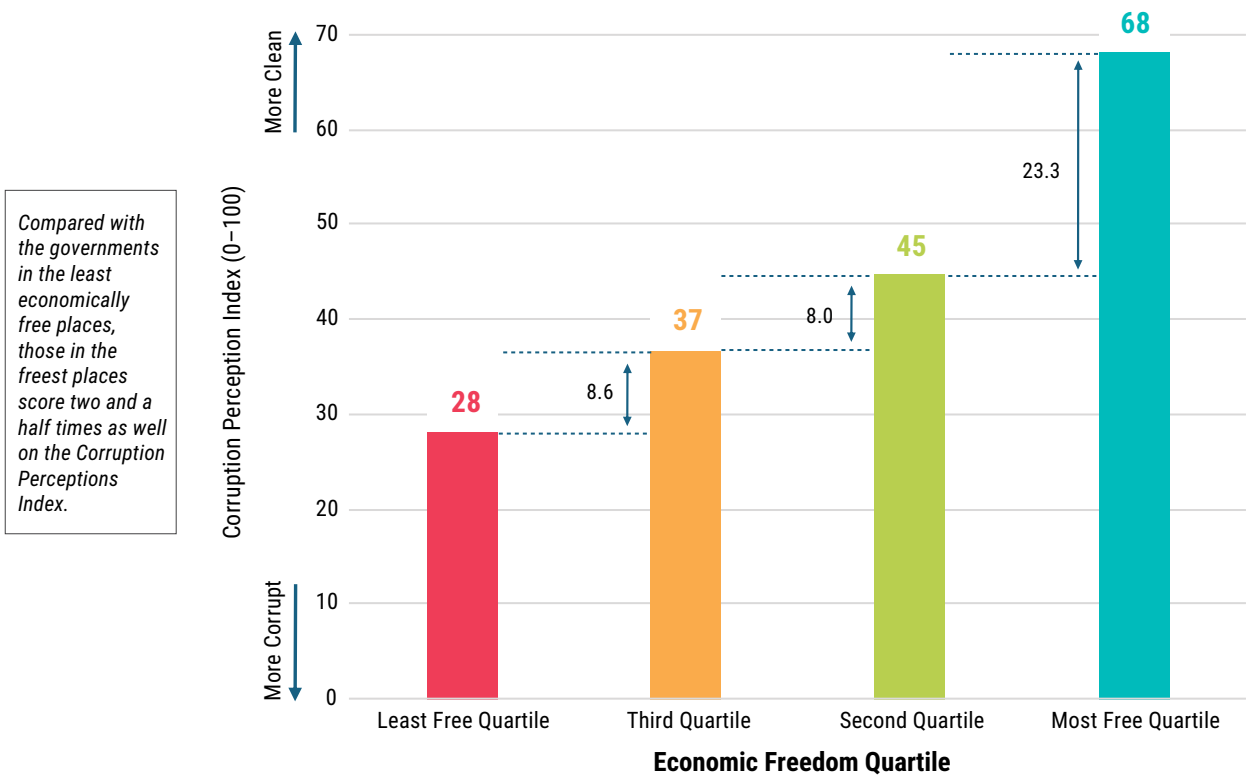
Source: *Economic Freedom of the World: 2024 Annual Report* and Block et al., 2024.

Figure 1.14: Economic Freedom and Tolerance



Source: *Economic Freedom of the World: 2024 Annual Report* and Zanakis, Newburry, and Taras, 2016.

Figure 1.15: Economic Freedom and Non-Corruption



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