



EXECUTIVE SUMMARY

The index published in *Economic Freedom of the World* (EFW) measures the degree to which the policies and institutions of countries permit people to make their own economic choices. We use 45 data points—organized into five broad areas—to construct an overall index. We also use a Gender Legal Rights Adjustment to account for the extent to which women have different levels of economic freedom than men.

Area 1: Size of Government

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. 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

Protection of persons and their rightfully acquired property is a central element of both economic freedom and human freedom. Indeed, many contend it is the most important function of government. 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 eight components of Area 2 are indicators of how effectively legal systems protect people and their property. It includes measures of judicial independence, impartiality of courts, protection of property rights, military interference with the law, the integrity of the legal system, enforcement of contracts, protection of real property, and police and crime. 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

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 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

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 four 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

Area 5 measures the extent to which regulations that restrict entry into markets and interfere with the freedom to voluntary exchange reduce economic freedom. The four components of Area 5 account for credit market regulation, labor market regulation, business regulation, and freedom to compete.

Gender Legal Rights Adjustment

The index published in *Economic Freedom of the World* includes an adjustment for gender disparity to account for the fact that in many nations women are not legally accorded the same level of economic freedom as men. The Gender Disparity Index and its incorporation in the EFW are described in Chapter 3: Adjusting for Gender Disparity in Economic Freedom and Why It Matters, in the 2017 report (pp. 189–211).¹

Jurisdictions

There are 165 jurisdictions in the index. The data are available annually from 2000 to 2022 and for years ending in zero or five back to 1970. This dataset makes it possible for scholars to analyze the impact of both cross-country differences in economic freedom and changes in that freedom across a time frame of several decades. Separate estimates are also provided at five-year intervals back to 1950 on the economic freedom website.²

Related research

Since our first publication in 1996, about 1,000 studies have used the data published in *Economic Freedom of the World* to examine the impact of economic freedom on human well-being.³ The strong balance of the evidence suggests that those who live in jurisdictions with greater economic freedom experience higher levels of well-being as measured by factors such as greater productivity, more rapid economic growth, higher income levels, less poverty, less corruption, and fewer conflicts.

1 <<https://fraserinstitute.org/studies/economic-freedom-of-the-world-2017-annual-report>>

2 A comprehensive data set is available at <www.fraserinstitute.org/economic-freedom/dataset>.

3 For a review of these studies, see the chapter, Economic Freedom in the Literature: What Is It Good (Bad) For? (Robert Lawson, *Economic Freedom of the World: 2022 Annual Report*: 187–200; <<https://www.fraserinstitute.org/studies/economic-freedom-in-the-literature-what-is-it-good-bad-for>>.

Economic freedom around the world in 2022

Top-rated countries

The most recent comprehensive data available are from 2022. 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, Hong Kong scored 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—nearly half a standard deviation decline in just four years.⁴

The next highest scoring nations are Switzerland, New Zealand, the United States, Denmark, Ireland, Canada, Australia, and Luxembourg.

Rankings of other major countries

Japan (11th), Germany (16th), Taiwan (19th), Korea (32nd), France (36th), Italy (51st), Mexico (65th), India (84th), Brazil (85th), China (104th), and Russia (119th).

Ten lowest-rated countries

Yemen (156th), Libya (157th), Iran (158th), Argentina (159th), Myanmar (160th), Algeria (161st), Syria (162nd), Sudan (163rd), Zimbabwe (164th), and Venezuela (165th).

Well-being is much greater in economically free jurisdictions

- Among jurisdictions in the top quartile of economic freedom, GDP per person was \$52,877 in 2022, while in the least economically free places, it was \$6,968 (figure 1.4).
- In most economically free places, the poorest 10% earned \$7,610 a year, while in the least-free places it was \$952 (figure 1.6).
- In the most economically free places, the average person can expect to live about 16 years longer than the average person in the least free places (figure 1.7).
- In the least economically free places, the infant mortality rate is about nine times higher than it is in the freest places (figure 1.8).
- In the most economically free places, one percent of the population experiences extreme poverty (living on less than US\$2.15 a day), while in the least-free places, 30% of the population experiences extreme poverty (figure 1.9).

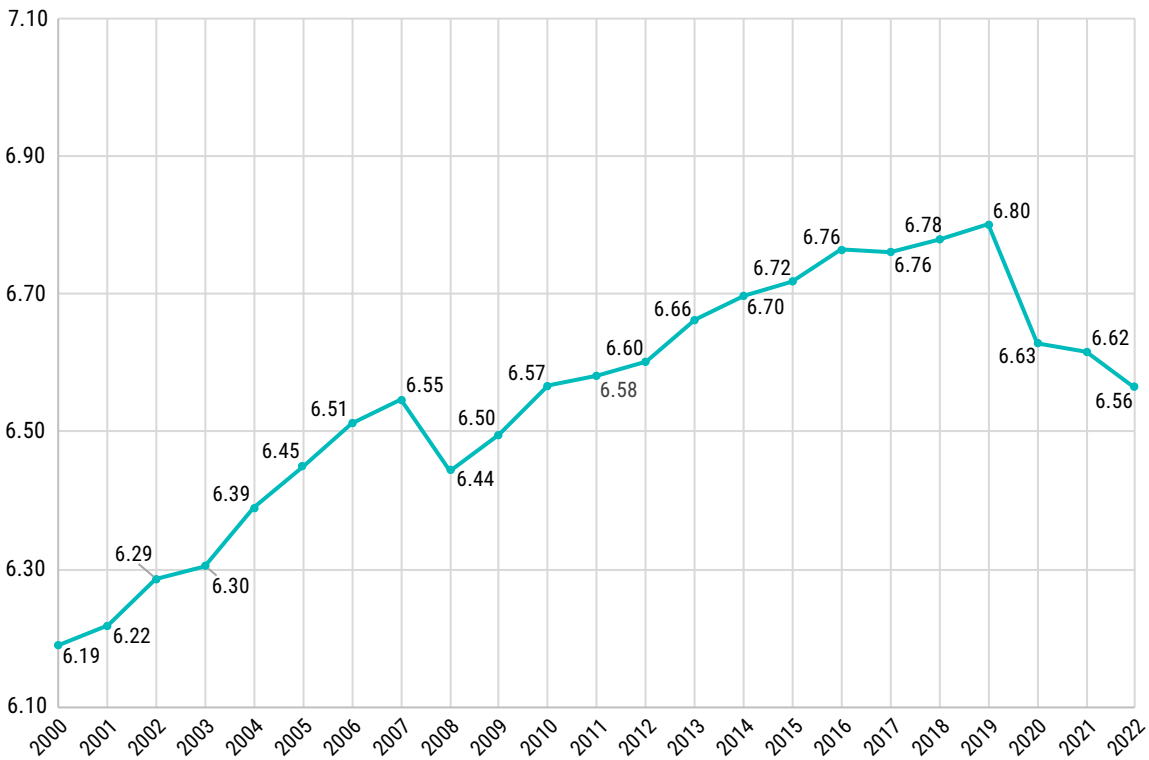
⁴ According to the Human Freedom Index, which accounts for personal as well as economic freedom, Hong Kong fell from 3rd place in 2010 to 46th in 2021 (Vásquez, McMahon, Murphy, and Schneider, 2023).

- Compared with the least economically free places, those in the freest places report that they are about 40 percent more satisfied with their lives (figure 1.10).
- In the least economically free places, the share of children who work is nearly two-and-a-half times greater than in the freest places (figure 1.11).
- In the most economically free places, youth literacy is nearly universal and there is no gap between boys and girls. But in the least free places, only 78 percent of girls aged 15 to 24 are literate (figure 1.12).
- The Environmental Performance Index rates countries based on climate change performance, environmental health, and ecosystem vitality. Compared with the least economically free places, the freest places score more than 50 percent better on this measure of environmental stewardship (figure 1.13).
- Compared with those in the least economically free places, those in the freest places are significantly more tolerant of other genders, minorities, and immigrants (figure 1.14).
- Compared with the governments in the least economically free places, those in the freest places score two-and-a-half times as well on the Corruption Perceptions Index (figure 1.15).

Global economic freedom continues to decline

Figure 1.2 shows the global average economic freedom score for all jurisdictions with complete data since 2000. Between 2000 and 2019, the average economic freedom rating increased from 6.19 to 6.80. But global economic freedom has declined in each of the three years since then, erasing more than a decade of gains.

Figure 1.2: Average Economic Freedom Rating, 2000–2022



Chapters in the report

Chapter 1: Economic Freedom of the World in 2022

Robert Lawson, Ryan Murphy, and Matthew D. Mitchell

This chapter provides an overview of the report and discusses why economic freedom is important. Readers will note that in this year's report we have decided not to include detailed country tables. Users of the index report that they typically access this information via our website where they can download and sort the data however they wish. This data is found at <https://www.freetheworld.com/> or by scanning the following QR code:



Chapter 2: Economic Freedom or Populist Peril: Lessons for Argentina

Kevin Grier and Robin Grier

After decades of instability and suppression of economic freedom, Argentina is now under new leadership. Employing populist and sometimes brash language, President Javier Milei is hoping to liberalize the Argentinian economy as fast as possible. Drawing on their recent research, Texas Tech professors Kevin and Robin Grier show that speedy liberalizations that root out corruption and manage to avoid the excesses of populism tend to be associated with growth in per capita personal income.

Chapter 3: Economic Freedom and Pensions

Daniel J. Mitchell

With aging populations and falling birth rates, public sector pension systems around the world will soon need to be reformed. How does pension system design affect economic freedom? And how can we incorporate pensions into the index? Economist Daniel Mitchell of the Center for Freedom and Prosperity has been studying pensions for years and in this chapter, he offers some suggestions for incorporating pension system design into the annual index.