



Highlights of the
**2015 Index of
Economic Freedom**

Promoting Economic Opportunity and Prosperity



In partnership with
THE WALL STREET JOURNAL.

Terry Miller
Anthony B. Kim

Highlights of the 2015 Index of Economic Freedom

FIVE "FREE" ECONOMIES



Hong Kong



Singapore



New Zealand



Australia



Switzerland

REGIONAL LEADERS



Canada
North America



Switzerland
Europe



Bahrain
Middle East/
North Africa



Chile
Latin America



Hong Kong
Asia-Pacific

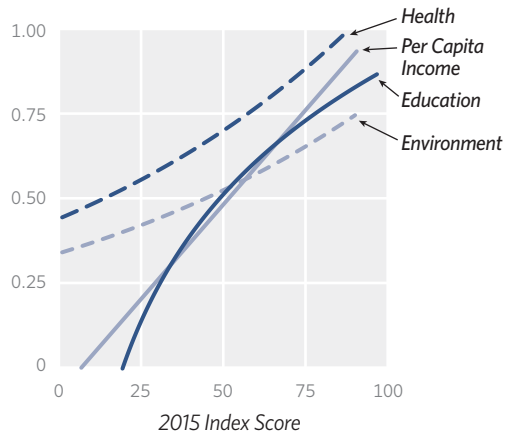


Mauritius
Sub-Saharan Africa

GREATER FREEDOM MEANS GREATER PERFORMANCE BY SEVERAL MEASURES

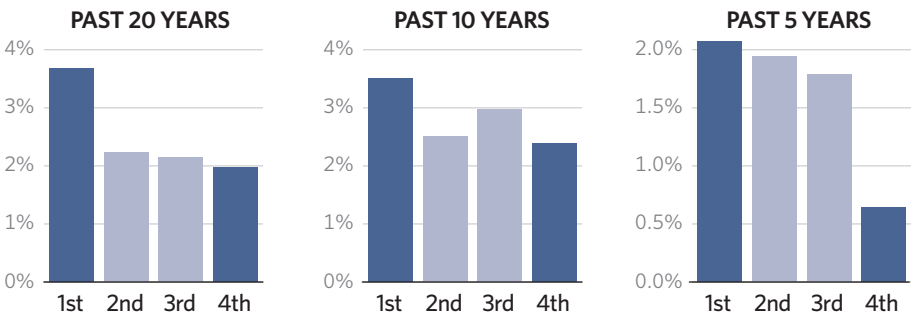
The 2015 Index of Economic Freedom, once again, demonstrates that countries with higher levels of economic freedom substantially outperform others in:

- Economic growth
- Per-capita incomes
- Health care
- Education
- Protection of the environment
- Reduction of poverty
- Overall well-being



ADVANCING ECONOMIC FREEDOM LEADS TO HIGHER ECONOMIC GROWTH

Average Annual Growth in Real Per Capita GDP





Change in Economic Freedom Score, by Quartile (1st—Most improvement, 4th—Least)

MORE INSIDE

RANKING THE WORLD BY ECONOMIC FREEDOM

| Rank | Country | Overall Score | Rank | Country | Overall Score | Rank | Country | Overall Score |
|------|----------------------------------|---------------|------|------------------------|---------------|------|--------------------------|---------------|
| 1 | Hong Kong | 89.6 | 66 | Montenegro | 64.7 | 132 | Burundi | 53.7 |
| 2 | Singapore | 89.4 | 67 | Trinidad and Tobago | 64.1 | 133 | Yemen | 53.7 |
| 3 | New Zealand | 82.1 | 68 | Panama | 64.1 | 134 | Maldives | 53.4 |
| 4 | Australia | 81.4 | 69 | Kazakhstan | 63.3 | 135 | Mauritania | 53.3 |
| 5 | Switzerland | 80.5 | 70 | Turkey | 63.2 | 136 | São Tomé and Príncipe | 53.3 |
| 6 | Canada | 79.1 | 71 | Ghana | 63.0 | 137 | Papua New Guinea | 53.1 |
| 7 | Chile | 78.5 | 72 | South Africa | 62.6 | 138 | Togo | 53.0 |
| 8 | Estonia | 76.8 | 73 | France | 62.5 | 139 | China | 52.7 |
| 9 | Ireland | 76.6 | 74 | Kuwait | 62.5 | 140 | Tajikistan | 52.7 |
| 10 | Mauritius | 76.4 | 75 | Thailand | 62.4 | 141 | Liberia | 52.7 |
| 11 | Denmark | 76.3 | 76 | The Philippines | 62.2 | 142 | Comoros | 52.1 |
| 12 | United States | 76.2 | 77 | Saudi Arabia | 62.1 | 143 | Russia | 52.1 |
| 13 | United Kingdom | 75.8 | 78 | Samoa | 61.9 | 144 | Guinea | 52.1 |
| 14 | Taiwan | 75.1 | 79 | Madagascar | 61.7 | 145 | Guinea-Bissau | 52.0 |
| 15 | Lithuania | 74.7 | 80 | Italy | 61.7 | 146 | Cameroon | 51.9 |
| 16 | Germany | 73.8 | 81 | Croatia | 61.5 | 147 | Sierra Leone | 51.7 |
| 17 | The Netherlands | 73.7 | 82 | Kyrgyz Republic | 61.3 | 148 | Vietnam | 51.7 |
| 18 | Bahrain | 73.4 | 83 | Paraguay | 61.1 | 149 | Ethiopia | 51.5 |
| 19 | Finland | 73.4 | 84 | Vanuatu | 61.1 | 150 | Laos | 51.4 |
| 20 | Japan | 73.3 | 85 | Azerbaijan | 61.0 | 151 | Haiti | 51.3 |
| 21 | Luxembourg | 73.2 | 86 | Dominican Republic | 61.0 | 152 | Nepal | 51.3 |
| 22 | Georgia | 73.0 | 87 | Guatemala | 60.4 | 153 | Belarus | 49.8 |
| 23 | Sweden | 72.7 | 88 | Slovenia | 60.3 | 154 | Micronesia | 49.6 |
| 24 | Czech Republic | 72.5 | 89 | Morocco | 60.1 | 155 | Lesotho | 49.6 |
| 25 | United Arab Emirates | 72.4 | 90 | Serbia | 60.0 | 156 | Ecuador | 49.2 |
| 26 | Iceland | 72.0 | 91 | Swaziland | 59.9 | 157 | Algeria | 48.9 |
| 27 | Norway | 71.8 | 92 | Uganda | 59.7 | 158 | Angola | 47.9 |
| 28 | Colombia | 71.7 | 93 | Namibia | 59.6 | 159 | Solomon Islands | 47.0 |
| 29 | South Korea | 71.5 | 94 | Lebanon | 59.3 | 160 | Uzbekistan | 47.0 |
| 30 | Austria | 71.2 | 95 | Tonga | 59.3 | 161 | Burma | 46.9 |
| 31 | Malaysia | 70.8 | 96 | Mongolia | 59.2 | 162 | Ukraine | 46.9 |
| 32 | Qatar | 70.8 | 97 | Bosnia and Herzegovina | 59.0 | 163 | Bolivia | 46.8 |
| 33 | Israel | 70.5 | 98 | Fiji | 59.0 | 164 | Kiribati | 46.4 |
| 34 | Macau | 70.3 | 99 | Benin | 58.8 | 165 | Chad | 45.9 |
| 35 | Saint Lucia | 70.2 | 100 | Zambia | 58.7 | 166 | Central African Republic | 45.9 |
| 36 | Botswana | 69.8 | 101 | Sri Lanka | 58.6 | 167 | Timor-Leste | 45.5 |
| 37 | Latvia | 69.7 | 102 | Burkina Faso | 58.6 | 168 | Congo, Dem. Rep. | 45.0 |
| 38 | Jordan | 69.3 | 103 | Côte d'Ivoire | 58.5 | 169 | Argentina | 44.1 |
| 39 | Brunei | 68.9 | 104 | Gabon | 58.3 | 170 | Congo, Republic of | 42.7 |
| 40 | Belgium | 68.8 | 105 | Indonesia | 58.1 | 171 | Iran | 41.8 |
| 41 | The Bahamas | 68.7 | 106 | Senegal | 57.8 | 172 | Turkmenistan | 41.4 |
| 42 | Poland | 68.6 | 107 | Tunisia | 57.7 | 173 | Equatorial Guinea | 40.4 |
| 43 | Uruguay | 68.6 | 108 | Nicaragua | 57.6 | 174 | Eritrea | 38.9 |
| 44 | Saint Vincent and the Grenadines | 68.0 | 109 | Tanzania | 57.5 | 175 | Zimbabwe | 37.6 |
| 45 | Cyprus | 67.9 | 110 | Cambodia | 57.5 | 176 | Venezuela | 34.3 |
| 46 | Barbados | 67.9 | 111 | Moldova | 57.5 | 177 | Cuba | 29.6 |
| 47 | Peru | 67.7 | 112 | Djibouti | 57.5 | 178 | North Korea | 1.3 |
| 48 | Jamaica | 67.7 | 113 | The Gambia | 57.5 | N/A | Afghanistan | N/A |
| 49 | Spain | 67.6 | 114 | Seychelles | 57.5 | N/A | Iraq | N/A |
| 50 | Slovak Republic | 67.2 | 115 | Bhutan | 57.4 | N/A | Kosovo | N/A |
| 51 | Costa Rica | 67.2 | 116 | Honduras | 57.4 | N/A | Libya | N/A |
| 52 | Armenia | 67.1 | 117 | Belize | 56.8 | N/A | Liechtenstein | N/A |
| 53 | Macedonia | 67.1 | 118 | Brazil | 56.6 | N/A | Somalia | N/A |
| 54 | Hungary | 66.8 | 119 | Mali | 56.4 | N/A | Sudan | N/A |
| 55 | Bulgaria | 66.8 | 120 | Nigeria | 55.6 | N/A | Syria | N/A |
| 56 | Oman | 66.7 | 121 | Pakistan | 55.6 | | | |
| 57 | Romania | 66.6 | 122 | Kenya | 55.6 | | | |
| 58 | Malta | 66.5 | 123 | Guyana | 55.5 | | | |
| 59 | Mexico | 66.4 | 124 | Egypt | 55.2 | | | |
| 60 | Cabo Verde | 66.4 | 125 | Mozambique | 54.8 | | | |
| 61 | Dominica | 66.1 | 126 | Malawi | 54.8 | | | |
| 62 | El Salvador | 65.7 | 127 | Niger | 54.6 | | | |
| 63 | Albania | 65.7 | 128 | India | 54.6 | | | |
| 64 | Portugal | 65.3 | 129 | Suriname | 54.2 | | | |
| 65 | Rwanda | 64.8 | 130 | Greece | 54.0 | | | |
| | | | 131 | Bangladesh | 53.9 | | | |

ECONOMIC FREEDOM SCORE

| | | |
|---|---------|-----------------|
|  | 80-100 | FREE |
|  | 70-79.9 | MOSTLY FREE |
|  | 60-69.9 | MODERATELY FREE |
|  | 50-59.9 | MOSTLY UNFREE |
|  | 0-49.9 | REPRESSED |

Economic Freedom: Regional Variations (Regional Average)

| Regional Ranking | North America (73.9) | Middle East / North Africa (61.6) | South and Central America / Caribbean (59.7) | Asia-Pacific (58.8) | Europe (67) | Sub-Saharan Africa (54.9) |
|------------------|----------------------|-----------------------------------|--|---------------------|------------------------|---------------------------|
| 1 | Canada | Bahrain | Chile | Hong Kong | Switzerland | Mauritius |
| 2 | United States | United Arab Emirates | Colombia | Singapore | Estonia | Botswana |
| 3 | Mexico | Qatar | Saint Lucia | New Zealand | Ireland | Cabo Verde |
| 4 | | Israel | Bahamas, The | Australia | Denmark | Rwanda |
| 5 | | Jordan | Uruguay | Taiwan | United Kingdom | Ghana |
| 6 | | Oman | Saint Vincent and the Grenadines | Japan | Lithuania | South Africa |
| 7 | | Kuwait | Barbados | South Korea | Germany | Madagascar |
| 8 | | Saudi Arabia | Peru | Malaysia | Netherlands | Swaziland |
| 9 | | Morocco | Jamaica | Macau | Finland | Uganda |
| 10 | | Lebanon | Costa Rica | Brunei | Luxembourg | Namibia |
| 11 | | Tunisia | Dominica | Kazakhstan | Georgia | Benin |
| 12 | | Egypt | El Salvador | Thailand | Sweden | Zambia |
| 13 | | Yemen | Trinidad and Tobago | Philippines, The | Czech Republic | Burkina Faso |
| 14 | | Algeria | Panama | Samoa | Iceland | Côte d'Ivoire |
| 15 | | Iran | Paraguay | Kyrgyz Republic | Norway | Gabon |
| 16 | | | Dominican Republic | Vanuatu | Austria | Senegal |
| 17 | | | Guatemala | Azerbaijan | Latvia | Tanzania |
| 18 | | | Nicaragua | Tonga | Belgium | Djibouti |
| 19 | | | Honduras | Mongolia | Poland | Gambia, The |
| 20 | | | Belize | Fiji | Cyprus | Seychelles |
| 21 | | | Brazil | Sri Lanka | Spain | Mali |
| 22 | | | Guyana | Indonesia | Slovak Republic | Nigeria |
| 23 | | | Suriname | Cambodia | Armenia | Kenya |
| 24 | | | Haiti | Bhutan | Macedonia | Mozambique |
| 25 | | | Ecuador | Pakistan | Hungary | Malawi |
| 26 | | | Bolivia | India | Bulgaria | Niger |
| 27 | | | Argentina | Bangladesh | Romania | Burundi |
| 28 | | | Venezuela | Maldives | Malta | Mauritania |
| 29 | | | Cuba | Papua New Guinea | Albania | São Tomé and Príncipe |
| 30 | | | | China | Portugal | Togo |
| 31 | | | | Tajikistan | Montenegro | Liberia |
| 32 | | | | Vietnam | Turkey | Comoros |
| 33 | | | | Laos | France | Guinea |
| 34 | | | | Nepal | Italy | Guinea-Bissau |
| 35 | | | | Micronesia | Croatia | Cameroon |
| 36 | | | | Solomon Islands | Slovenia | Sierra Leone |
| 37 | | | | Uzbekistan | Serbia | Ethiopia |
| 38 | | | | Burma | Bosnia and Herzegovina | Lesotho |
| 39 | | | | Kiribati | Moldova | Angola |
| 40 | | | | Timor-Leste | Greece | Chad |
| 41 | | | | Turkmenistan | Russia | Central African Republic |
| 42 | | | | North Korea | Belarus | Congo, Dem. Rep. |
| 43 | | | | | Ukraine | Congo, Republic of |
| 44 | | | | | | Equatorial Guinea |
| 45 | | | | | | Eritrea |
| 46 | | | | | | Zimbabwe |

Economic Freedom Scores

- 80-100 Free
- 70-79.9 Mostly Free
- 60-69.9 Moderately Free
- 50-59.9 Mostly Unfree
- 0-49.9 Repressed

Index Highlights for 2015

Economic freedom has increased globally for the third year in a row. Although the pace of change has slowed sharply in comparison to last year's 0.7-point improvement, economic freedom has still advanced to a record level of 60.4 in the 2015 *Index of Economic Freedom*. That represents a 2.8-point overall gain from the inception of the *Index* in 1995.

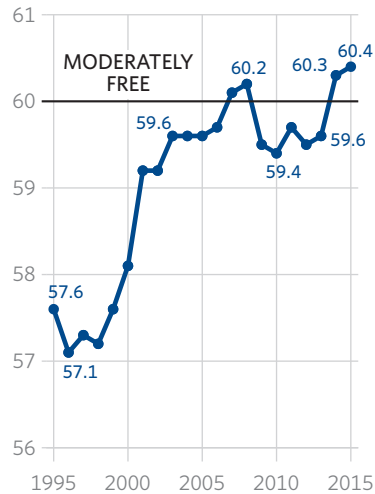
Of the 178 economies graded in the 2015 *Index*, only five have sustained very high freedom scores of 80 or more, putting them in the ranks of the economically “free.” The next 30 countries have been rated as “mostly free” economies, recording scores between 70 and 80. With scores of 60 to 70, 55 countries have earned scores that place them in the “moderately free” category. These economies provide institutional environments in which individuals and private enterprises benefit from at least a moderate degree of economic freedom in the pursuit of greater prosperity and success.

Despite the global progress recorded over the 21-year history of the *Index*, the number of people living without economic freedom remains disturbingly high: 4.5 billion, or about 65 percent of the world's population. More than half of these

people live in just two countries, China and India. While structural reforms in these two countries have sometimes boosted growth, the governments have failed to institutionalize open environments that promote broad-based and sustained improvements in the economic well-being of the population as a whole.

Global Economic Freedom

Average Score in the *Index of Economic Freedom*



Source: 2015 *Index of Economic Freedom*.

Chart 1  heritage.org

GAINS AND LOSSES

In the 2015 *Index*, 101 countries, the majority of which are less developed or emerging economies, showed advances in economic freedom over the past year. Meanwhile, competition for the top spot in the *Index* rankings has intensified. The 2015 *Index* has recorded a number of noticeable realignments and achievements within the top 20 global economic freedom rankings.

- Hong Kong has maintained its status as the world's freest economy, a distinction that it has achieved for 21 consecutive years. However, the gap between that territory and Singapore, the second-freest economy, has almost vanished. Hong Kong's economic freedom score declined by 0.5 point, with an erosion of the rule of law reflecting an increased level of perceived corruption.
- Along with Hong Kong and Singapore, New Zealand, Australia, and Switzerland are the only economies considered "free," with economic freedom scores above 80 on the 0-to-100 *Index* grading scale. New Zealand moved up two slots and reclaimed third place in the rankings as a result of committed efforts to cut government spending. Canada remains the world's sixth-freest economy for the fifth year in a row.
- Chile (seventh) and Mauritius (10th), two reform-minded developing economies, continue to rank among the world's 10 freest economies. Both have demonstrated persistent commitment to the rule of law, limited government, regulatory efficiency, and open markets.

- Moving up three slots, Estonia has become the world's eighth-freest economy. The small Baltic nation has rejoined the world's 10 freest economies for the first time since 2007, overtaking Denmark (11th), Ireland (ninth), and Mauritius.
- The United States continues to be only the 12th-freest economy, seemingly stuck in the ranks of the "mostly free," the second-tier economic freedom category into which the U.S. dropped in 2010.
- Taiwan and Lithuania, benefitting from uninterrupted score improvements since 2009, have recorded their highest economic freedom scores ever, advancing to 14th and 15th places, respectively, and surpassing Sweden, Finland, Germany, Luxembourg, the Netherlands, and Bahrain.

As shown in "The Ten Economic Freedoms: A Global Look" on the next page, on a worldwide basis, this year's increase in economic freedom has been driven by improvements in trade freedom, monetary freedom, and freedom from corruption, for which global ratings have advanced by close to one point or more on average. Average scores for most other economic freedoms, including business freedom, property rights, labor freedom, investment freedom, and financial freedom, have registered small declines.

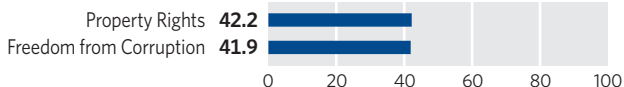
The loss of economic freedom was most pronounced in the area of respect for limited government. A score drop of 1.0 point in the category measuring control of government spending reflects the continuation of countercyclical or interventionist stimulus policies in some countries,

The 10 Economic Freedoms: A Global Look

Score Changes

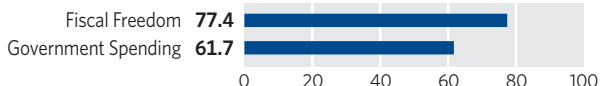
| RULE OF LAW | GOVERNMENT SIZE | REGULATORY EFFICIENCY | OPEN MARKETS |
|-------------------------------------|---------------------------------|------------------------------|--------------------------------|
| Property Rights -0.9 | Fiscal Freedom +0.1 | Business Freedom -0.8 | Trade Freedom +0.6 |
| Freedom from Corruption +1.6 | Government Spending -1.0 | Labor Freedom -0.3 | Investment Freedom -0.7 |
| | | Monetary Freedom +0.8 | Financial Freedom -0.4 |

RULE OF LAW



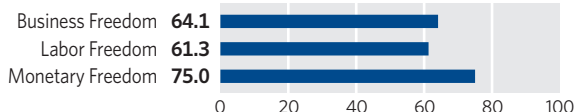
The world average score for property rights has declined since last year, with 28 countries' scores deteriorating. In many countries, the judiciary has become more vulnerable to political interference. Despite some improvement, the average score for freedom from corruption still lags behind scores for other components of economic freedom. Populations in some countries have engaged in demonstrations calling for greater transparency and accountability.

GOVERNMENT SIZE



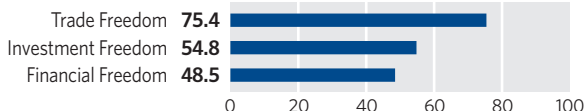
The average top individual income tax rate for all countries is about 28 percent, and the average top corporate tax rate is 24.1 percent. The average overall tax burden corresponds to around 23 percent of gross domestic product. The average level of government spending is equal to 34.7 percent of GDP. The average level of gross public debt for countries covered in the *Index* is equivalent to slightly over 50 percent of GDP.

REGULATORY EFFICIENCY



Many countries continue to implement regulatory reforms, although developed countries have generally lagged behind developing countries. Globally, starting a business takes seven procedures and 22 days, while licensing requirements consume over five months on average. For the world as a whole, burdensome labor codes stifle job growth. Monetary freedom registered a continued improvement as a result of generally low inflationary pressures.

OPEN MARKETS



The average trade freedom score continues to improve. The average investment freedom score remains essentially unchanged. Many countries' investment policies remain geared toward sectoral investment promotion rather than general market openness. Despite some progress, the global financial system remains under continuing strain and uncertainty. Overall, global financial freedom has recorded a slight decline since last year.

One-Year Freedom Score Change

| Region | Index Year | | One-Year Change |
|-------------------------------------|------------|------|-----------------|
| | 2014 | 2015 | |
| Sub-Saharan Africa | 54.6 | 54.9 | +0.3 |
| Asia-Pacific | 58.5 | 58.8 | +0.3 |
| Middle East and North Africa | 61.5 | 61.6 | +0.1 |
| South and Central America/Caribbean | 59.7 | 59.7 | No change |
| Europe | 67.1 | 67.0 | -0.1 |
| North America | 74.1 | 73.9 | -0.2 |

Source: 2015 *Index of Economic Freedom*.

Chart 2  heritage.org

though there is scant evidence that such policies are boosting growth or restoring employment.

REGIONAL TRENDS IN ECONOMIC FREEDOM

In the 2015 *Index*, each of the six regions continues to be represented by at least one country that ranks among the top 20 freest economies. However, as shown in Chart 2, average levels of economic freedom advanced in only half of the regions.

Sub-Saharan Africa (led by São Tomé and Príncipe and Democratic Republic of Congo) and the Asia-Pacific region (led by Maldives and the Philippines) each showed an average score improvement of 0.3 point, and Middle East/North Africa countries (led by Israel and Morocco) gained 0.1 point on average. While average economic freedom for the South and Central America/Caribbean region stayed the same as last year, Europe and North America registered slight declines of 0.1 point and 0.2 point, respectively.

Among the six regions, average levels of economic freedom vary widely.

With both regions united by nearly continent-wide regional trade agreements, North America and Europe continue to record the highest average economic freedom scores among the regions: 73.9 and 67, respectively.

Despite the ongoing economic and political turmoil in a number of countries in the Middle East and North Africa, the region as a whole still achieved an average economic freedom score slightly above 60 due to high ratings of economic freedom in Bahrain, the United Arab Emirates, and Qatar, reinforced by improved scores in Egypt, Israel, and Morocco. However, serious problems continue to persist as structural and institutional problems abound. Private-sector growth continues to lag far behind levels needed to provide adequate numbers of jobs for growing populations. Taken as a whole, the Middle East/North Africa region's lack of job opportunities continues to be a serious problem, with average youth unemployment rates close to 25 percent.

In the South and Central America/Caribbean region, all but eight countries have received an economic

freedom score between 50 and 70 in the 2015 *Index*. Although countries in the region demonstrate a high degree of economic and political diversity, the stark reality across the region is that economies are underperforming and stagnating due to the lack or even loss of economic freedom. The foundations of well-functioning free-market democracy remain fragile as widespread corruption, weak protection of property rights, and systemic shortcomings such as regulatory inefficiency and monetary instability cause various market distortions.

The Asia–Pacific Region is no different, and its diversity means that the region has not yet fully embraced economic freedom. The average economic freedom scores continue to remain below 60 despite the region’s having by far the largest number of the world’s “free” economies. These economies continue to demonstrate the region’s resilience and dynamism, which is led by a consensus on the benefits of free trade. Facilitating vibrant commercial engagement beyond borders and amplifying economic development, trade agreements have proliferated in the Asia–Pacific region over the past decade. There are now some 40 completed intraregional trade agreements and over 100 agreements with countries outside the region.

While average scores continue to remain below 60, Sub-Saharan Africa, like the Asia–Pacific region, has experienced widespread increases in economic freedom over the past year. In the 2015 *Index*, economic freedom

has advanced in 59 percent of the economies of the Sub-Saharan Africa region. Most impressively, six of the top 10 largest score improvements in the 2015 *Index* have occurred in countries in this region. Many countries in the region have substantial growth momentum. The positive economic results achieved through advancing economic freedom have created valuable impetus for additional institutional reforms that are needed to ensure long-term economic development.

EMPOWERING THE WORLD

The diversity of the world’s peoples and cultures implies that there will be many paths to economic development and prosperity. The whole idea of economic freedom is to empower people with more opportunity to choose for themselves how to pursue and fulfill their dreams, subject only to the basic rule of law and honest competition from others. The patterns of economic freedom across the six *Index* regions, not surprisingly, reflect the culture and history of each nation and the individuals that inhabit them, not to mention circumstances of geography or endowments of natural resources.

There is no single answer to the particular challenges of development that we face. One thing, however, is certain: Governments that respect and promote economic freedom provide the best environment for experimentation, innovation, and progress, and it is through these that humankind grows in prosperity and well-being.

Why Economic Freedom Matters

Since its inception in 1995, the *Index of Economic Freedom* has chronicled hundreds of examples of government policy changes that have enhanced economic freedom, thereby promoting human progress and greater prosperity. The findings of the 2015 *Index* once again demonstrate the strongly positive linkages between economic freedom and various dimensions of human development. No alternative systems—and many have been tried—come close to the record of free-market capitalism in promoting growth and improving the human condition. The *Index* results confirm this and show that sustained economic dynamism is achievable only when governments adopt economic policies that empower individuals and firms with more choices, encouraging greater entrepreneurship.

Despite recent policy missteps by many countries in responding to the global economic slowdown, which amounted to a political assault on capitalism in some places, the free-market system is not on the verge of breakdown. In fact, as the negative impact of regulatory and spending mistakes has become apparent, a greater number of people around the world seem to be realizing that

the economic damage inflicted by the heavy hand of government—subpar growth, deteriorating entrepreneurial environments, and lower employment growth—is not inevitable, but rather the result of bad policy choices.

ECONOMIC FREEDOM: PROMOTING PROSPERITY

It should be apparent that a government's most effective policy for increasing wealth and economic growth will not be to increase its own spending or increase layers of regulation, both of which reduce economic freedom. The best results are likely to be achieved instead through policy reforms that improve the incentives that drive entrepreneurial activity, creating more opportunities for greater economic dynamism.

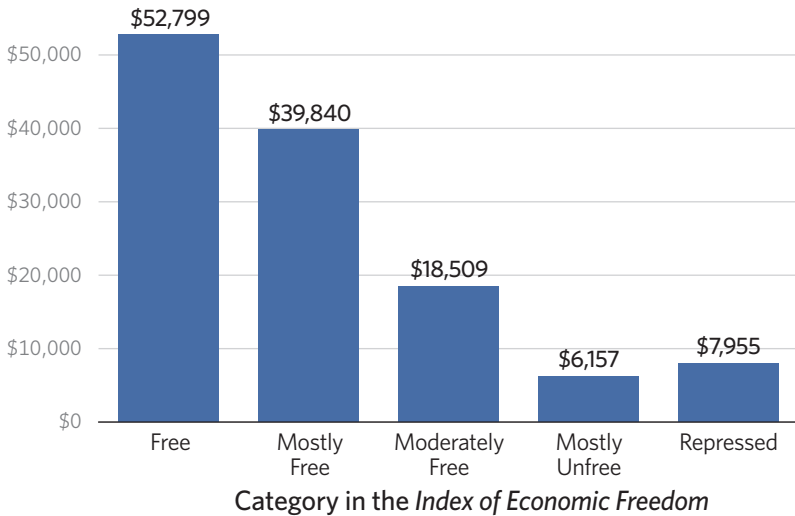
Equally notable are the fundamental benefits that stem from the strong positive relationship between economic freedom and levels of per capita income. For countries achieving scores in the *Index* that reflect even moderate levels of economic freedom (60 or above), the relationship between economic freedom and per capita GDP is highly significant.

Economic Freedom and Prosperity

GDP per Capita (Purchasing Power Parity)



GDP per Capita (Purchasing Power Parity)

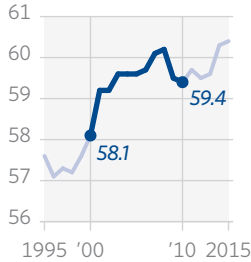


Source: 2015 Index of Economic Freedom.

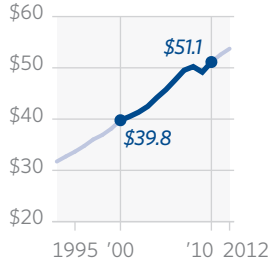
Chart 3  heritage.org

As Economic Freedom Rises, the Global Economy Expands and Poverty Falls

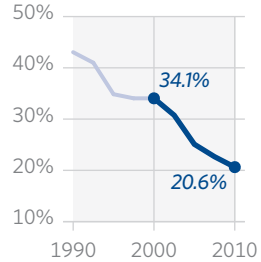
Average Score in the *Index of Economic Freedom*



Global GDP, in Trillions of 2005 U.S. Dollars



Percent of Global Population in Poverty



Source: 2015 *Index of Economic Freedom*.

Chart 4  heritage.org

Countries moving up the economic freedom scale show increasingly high levels of average income. Economies rated “free” or “mostly free” in the 2015 *Index* enjoy incomes that are over twice the average levels in all other countries and more than five times higher than the incomes of “repressed” economies.

ECONOMIC FREEDOM: ANTIDOTE TO POVERTY

It is not surprising, then, that the past two decades during which the *Index* has been charting the advance of economic freedom have been the most prosperous in the history of humankind. Those countries that have adopted some version of free-market capitalism that is rooted in the principles of economic freedom have participated in an era of globalization and economic integration that has fueled unprecedented economic growth around the world.

As the global economy has moved toward greater economic freedom

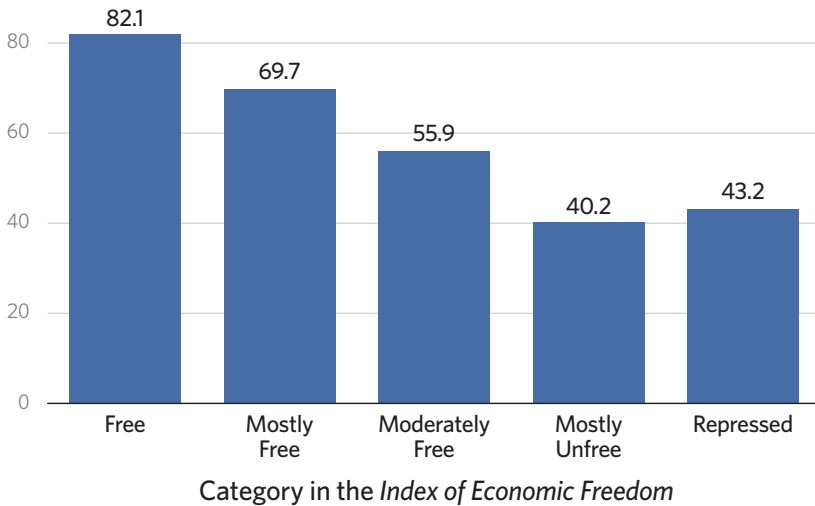
over the past two decades, real world GDP has increased by about 70 percent, and the global poverty rate has been cut in half, lifting hundreds of millions of people out of poverty.

Greater economic freedom has had a positive impact not just on the number of people in poverty, but also on the intensity of the poverty still experienced by some. Poverty intensity as measured by the United Nations Development Programme’s Multidimensional Poverty Index, which assesses the nature and intensity of deprivation at the individual level in education, health outcomes, and standard of living, is much lower on average in countries with higher levels of economic freedom.

What is also clear is that this poverty reduction in countries that have embraced economic freedom has been fueled by a commitment to economic growth, demonstrating that there is a robust relationship between improving economic freedom and achieving higher per capita economic

Economic Freedom and Environmental Performance

Environmental Performance Index



Source: 2015 Index of Economic Freedom.

Chart 5  heritage.org

growth. Whether in the short term or over the long run, the average annual per capita economic growth rates of countries that have grown economic freedom the most are at least 50 percent higher than those of countries where freedom has stagnated or slowed.

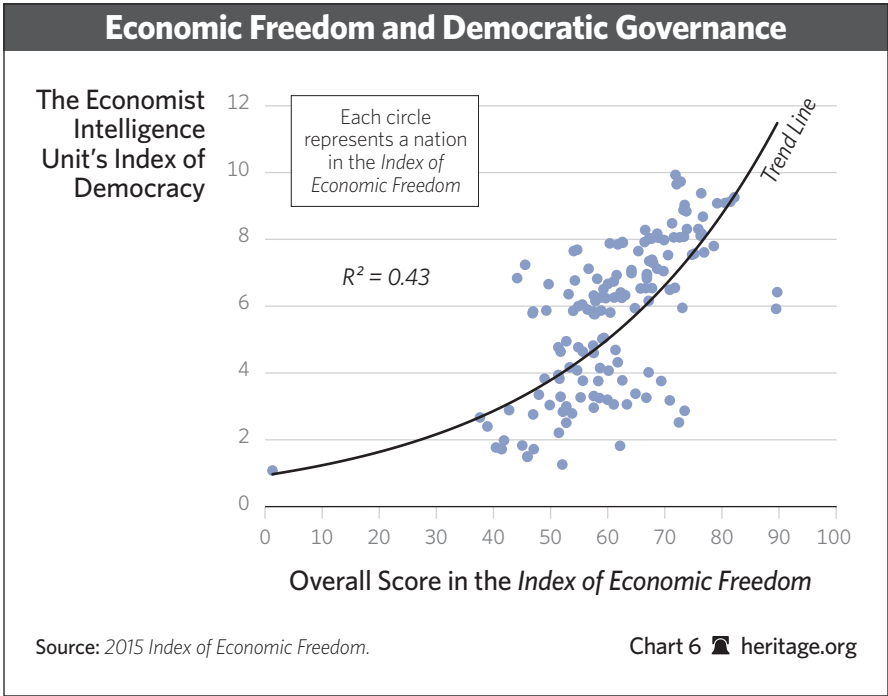
ECONOMIC FREEDOM: SOCIAL DEVELOPMENT AND DEMOCRATIC PROGRESS

The societal benefits of economic freedom extend far beyond higher incomes or reductions in poverty. Achieving greater overall prosperity that goes beyond material and monetary dimensions of well-being is equally important. Contrary to some claims, human development and growth facilitated by the free market

do not have to come at the expense of the environment.

In fact, it is economic freedom and innovation that produce the healthy and clean environments that produce positive social outcomes. A virtuous cycle of investment, innovation (including in greener technologies), and dynamic economic growth has flourished where governments have trusted market forces and competition to spur efficiency. The results are cleaner environments and more economic freedom.

Greater economic freedom can also provide more fertile ground for effective and democratic governance. By empowering people to exercise greater control of their daily lives, economic freedom ultimately nurtures political reform by making it possible for individuals to gain the



economic resources necessary to challenge entrenched interests and compete for political power, thereby encouraging the creation of more pluralistic societies.

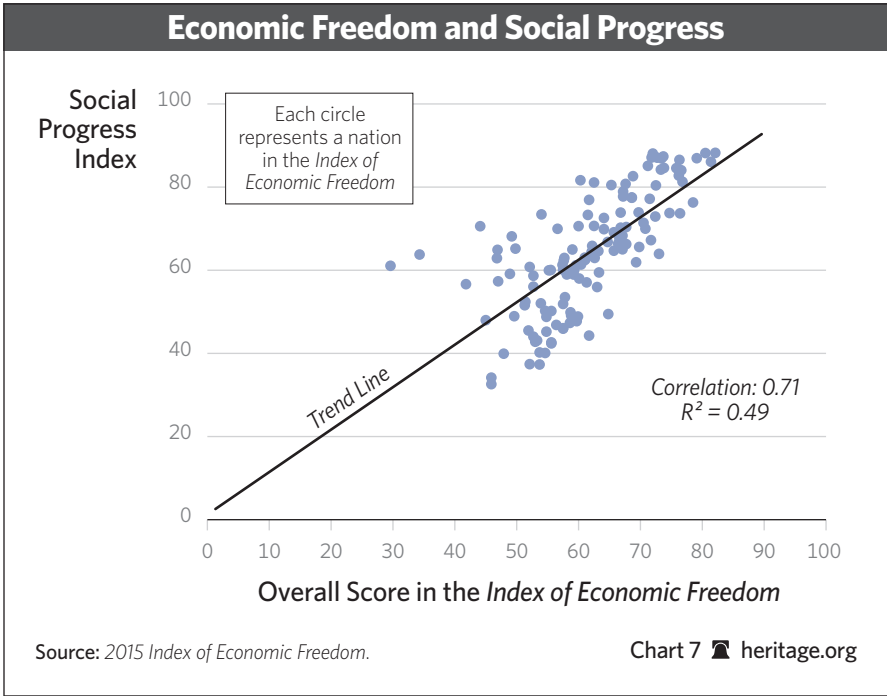
**ECONOMIC FREEDOM:
THE KEY TO UPWARD
MOBILITY AND GREATER
SOCIAL PROGRESS**

Economic freedom is critical to generating the broader-based economic growth that brings more opportunities for a greater number of people to work, produce, and save. The massive improvements in global indicators of income and quality of life largely reflect a paradigm shift in the debate over how societies should be structured to achieve the most optimal outcome. Over the past two

decades, this debate has largely been won by capitalism. However, fears that the immediate benefits of capitalism are fading has brought to the forefront concerns about economic mobility and economic freedom.

At the heart of ensuring upward economic mobility is the task of advancing economic freedom so that dynamic and inclusive growth can occur meaningfully for ordinary people in a free society.

Some naysayers claim that economic and social progress has been limited in recent years as incomes in some countries have become more unequal as a result of economic freedom. The evidence does not support this contention. Instead, societies based on economic freedom are the ones that have demonstrated the strongest social progress.



Countries that improve their competitiveness and open their societies to new ideas, products, and innovations have largely achieved the high levels of social progress that their citizens demand. It is not massive redistributions of wealth or government dictates on income levels that produce the most positive social outcomes. Instead, mobility and progress require lower barriers to entry, freedom to engage with the world, and less government intrusion.

STAYING ON COURSE

The 21st edition of the *Index of Economic Freedom* shows economic freedom once again on the rise, reaching the highest point in the *Index*'s 21-year history. Behind this record are stories of human progress and the

achievements of countries and their citizens—literally billions of people around the world whose lives have measurably improved.

The link between economic freedom and development is clear and strong. People in economically free societies live longer. They have better health. They are able to be better stewards of the environment, and they push forward the frontiers of human achievement in science and technology through greater innovation.

The principles of economic freedom are a sure guide, but only a guide. What truly will matter in the years and decades to come are the creative solutions to pressing world problems that are certain to flow from people who are, in the words of Milton and Rose Friedman, “free to choose.”

A Message

from Jim DeMint, President
The Heritage Foundation

As I write this in November 2014, people around the world are celebrating the 25th anniversary of the fall of the Berlin Wall. This *Index* was inspired in many ways by the heroic events that took place in Europe a quarter of a century ago, and it was only shortly thereafter that we began, in connection with *The Wall Street Journal*, to record the march of freedom around the world.

Since the unraveling of the Soviet Union and the liberation of Eastern Europe, many countries that once lagged badly have emerged from the shadows of repression to join as equals in freedom those who in the past they could view only dimly through an iron curtain. The lesson is clear: The human spirit is the real wellspring of economic prosperity. That spirit is at its most inspired when it is unleashed from the chains in which it has been bound.

Like its predecessors, the 2015 *Index* provides ample evidence that dynamic economic gains can be achieved by advancing freedom. In addition to its country analysis and rankings, the 2015 *Index* contains three informative chapters.

- In Chapter 3, Steve Moore, Chief Economist at The Heritage Foundation, and his co-author, Joel

Griffith, highlight ways in which the rule of law, efficient regulatory structures, open markets, and a commitment to lower taxes promote greater prosperity.

- In Chapter 4, the *Index* takes a closer look at the causes and prospects for the Arab Spring. Presenting a detailed case study on Tunisia, three World Bank economists analyze the harm inflicted by cronyism and underscore the urgent need for inclusive policies to ensure a successful economic and political transition.
- In Chapter 5, Nick Loris, a researcher focusing on energy, environmental, and regulatory issues as the Herbert and Joyce Morgan Fellow at The Heritage Foundation, assesses the critical linkages between economic freedom, energy, and development.

We cannot, of course, know what the future will bring as the *Index of Economic Freedom* advances into its third decade. Nonetheless, as the *Index* has shown in case after case, nations that find the political will and wisdom to advance economic freedom will be best positioned to see their citizens prosper in the years ahead.



Founded in 1973, The Heritage Foundation is a research and educational institution—a think tank—whose mission is to formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense.

We believe the principles and ideas of the American Founding are worth conserving and renewing. As policy entrepreneurs, we believe the most effective solutions are consistent with those ideas and principles. Our vision is to build an America where freedom, opportunity, prosperity, and civil society flourish.

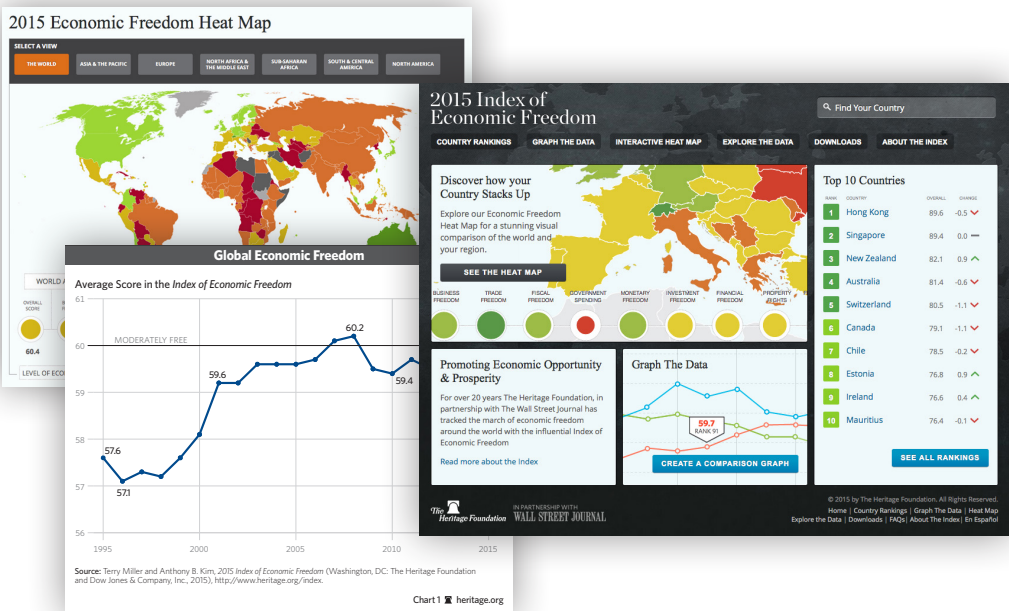
Heritage's staff pursues this mission by performing timely, accurate research on key policy issues and effectively marketing these findings to our primary audiences: members of Congress, key congressional staff members, policymakers in the executive branch, the nation's news media, and the academic and policy communities.

Governed by an independent Board of Trustees, The Heritage Foundation is an independent, tax-exempt institution. Heritage relies on the private financial support of the general public—individuals, foundations, and corporations—for its income, and accepts no government funds and performs no contract work. Heritage is one of the nation's largest public policy research organizations. Hundreds of thousands of individual members make it one of the most broadly supported think tanks in America.

For more information, or to support our work, please contact The Heritage Foundation at (800) 544-4843 or visit heritage.org.

THE WALL STREET JOURNAL.

The Wall Street Journal is the world's leading business publication with more than two million subscribers and is the largest U.S. newspaper by total paid circulation. *The Wall Street Journal* franchise, with a global audience of nearly 3.6 million, comprises *The Wall Street Journal*, *The Wall Street Journal Asia*, and *The Wall Street Journal Europe*. *The Wall Street Journal Online* at WSJ.com is the leading provider of business and financial news and analysis on the Web with more than one million subscribers and 36 million visitors per month worldwide. WSJ.com is the flagship site of *The Wall Street Journal* Digital Network, which also includes MarketWatch.com, Barrons.com, AllThingsD.com, and SmartMoney.com. The *Journal* holds 35 Pulitzer Prizes for outstanding journalism, and, in 2014, was ranked No. 1 in BtoB's Media Power 50 for the 15th consecutive year.



Economic Freedom: Opportunity and Empowerment

For more than two decades, the *Index of Economic Freedom*, an annual data-driven, cross-country analysis by The Heritage Foundation in collaboration with *The Wall Street Journal*, has measured the impact of liberty and the free markets around the globe.

Through analysis of diverse economies ranging from North Korea to Hong Kong, using metrics examining government size, market openness, regulatory efficiency, and the rule of law, the 2015 *Index* confirms the strong relationship between economic freedom and progress. There is no single formula for overcoming challenges to economic development, but one thing is clear: Around the world, governments that respect and promote economic freedom provide greater opportunities for innovation, progress, and human flourishing.

The 2015 *Index*—the 21st edition—includes:

- Updated economic freedom and macroeconomic data for **186 economies**.
- Easy-to-read **cross-country comparisons that highlight why economic freedom matters**.
- Three informative chapters that explore topics of particular relevance to today's policy debates, including the importance of commitment to sound policies that promote greater prosperity, the perils of cronyism, and the critical linkages between economic freedom and energy availability.
- Online tools, like **customized comparison charts** and an **interactive heat map**.

Visit Heritage.org/Index.

The 
Heritage Foundation

THE WALL STREET JOURNAL.

The Heritage Foundation • 214 Massachusetts Avenue, NE • Washington, DC 20002 • heritage.org
The Wall Street Journal • Dow Jones & Co. • 200 Liberty Street • New York, NY 10281 • www.wsj.com