

Highlights of the  
**2014 Index of  
Economic Freedom**

Promoting Economic Opportunity and Prosperity



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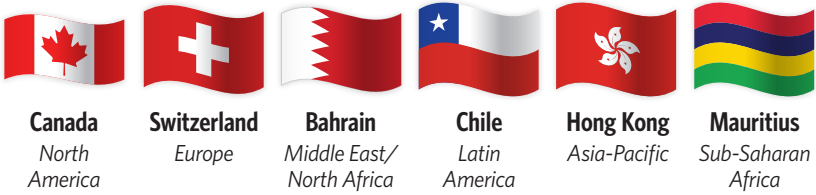
Terry Miller  
Anthony B. Kim  
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# Highlights of the 2014 *Index of Economic Freedom*

## SIX "FREE" ECONOMIES



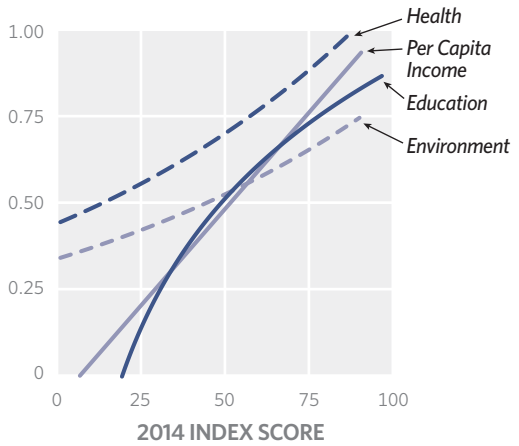
## REGIONAL LEADERS



## GREATER FREEDOM MEANS GREATER PERFORMANCE BY SEVERAL MEASURES

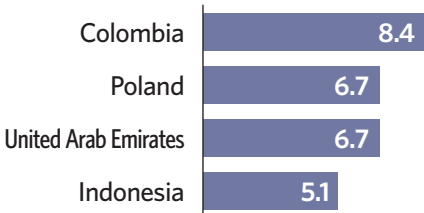
Countries with higher levels of economic freedom substantially outperform others in:

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



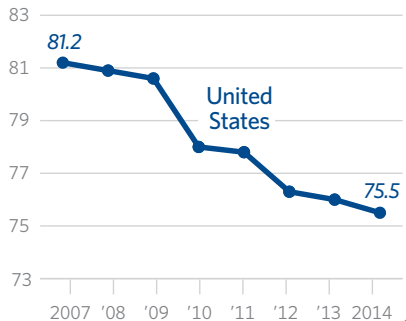
## FOUR BIG GAINERS

Four emerging economies have achieved notable score gains over the past five years. With a cumulative score increase of over five points, each of these countries has recorded five years of sustained growth in economic freedom, successfully navigating the global economic uncertainty.



## AMERICA IN DECLINE

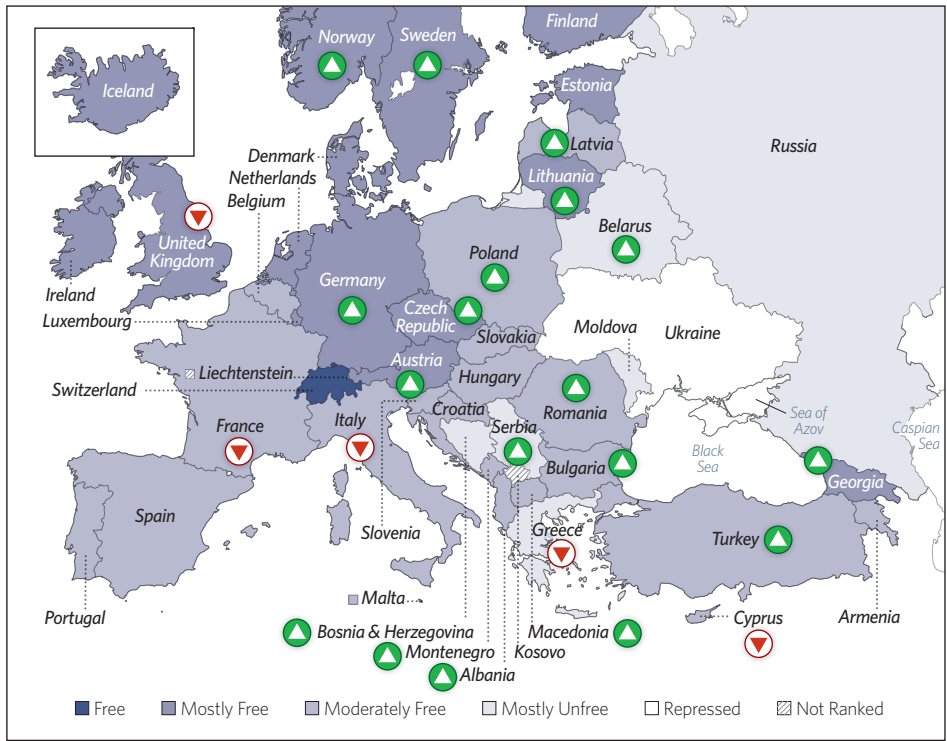
By sharp contrast, the **United States** has been on the opposite path as the only country to have recorded a loss of economic freedom for seven straight years.



# Highlights of the 2014 *Index of Economic Freedom*

## CHANGING OF THE GUARD IN EUROPE

A notable realignment of European countries continues to be underway in terms of advancing economic freedom. Eighteen countries ▲ recorded their highest economic freedom scores ever in the 2014 *Index*. By contrast, five others ▼ registered scores lower than those they first received nearly two decades ago when the *Index* began to record economic freedom.



## ECONOMIC FREEDOM: CHANGES SINCE 2013

### FREEDOM COMPONENT SCORES

RULE OF LAW	Property Rights	+0.3
	Freedom from Corruption	+0.3
GOVERNMENT SIZE	Fiscal Freedom	+0.1
	Government Spending	+1.6
REGULATORY EFFICIENCY	Business Freedom	+0.3
	Labor Freedom	+1.0
	Monetary Freedom	+0.5
OPEN MARKETS	Trade Freedom	+0.3
	Investment Freedom	+3.3
	Financial Freedom	+0.1

### REGIONAL SCORES

Asia-Pacific	+1.1	
Sub-Saharan Africa	+0.9	
Europe	+0.5	
South and Central America/Caribbean	+0.3	
North America	No change	
Middle East/North Africa	-0.3	

# RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Score
1	Hong Kong	90.1	66	Ghana	64.2	132	Papua New Guinea	53.9
2	Singapore	89.4	67	Kazakhstan	63.7	133	Guinea	53.5
3	Australia	82.0	68	Montenegro	63.6	134	Mauritania	53.2
4	Switzerland	81.6	69	Portugal	63.5	135	Egypt	52.9
5	New Zealand	81.2	70	France	63.5	136	Cameroon	52.6
6	Canada	80.2	71	Panama	63.4	137	China	52.5
7	Chile	78.7	72	Thailand	63.3	138	Liberia	52.4
8	Mauritius	76.5	73	Trinidad and Tobago	62.7	139	Tajikistan	52.0
9	Ireland	76.2	74	Slovenia	62.7	140	Russia	51.9
10	Denmark	76.1	75	South Africa	62.5	141	Burundi	51.4
11	Estonia	75.9	76	Kuwait	62.3	142	Comoros	51.4
12	United States	75.5	77	Saudi Arabia	62.2	143	Guinea-Bissau	51.3
13	Bahrain	75.1	78	Paraguay	62.0	144	Laos	51.2
14	United Kingdom	74.9	79	Madagascar	61.7	145	Maldives	51.0
15	The Netherlands	74.2	80	Dominican Republic	61.3	146	Algeria	50.8
16	Luxembourg	74.2	81	Azerbaijan	61.3	147	Vietnam	50.8
17	Taiwan	73.9	82	Swaziland	61.2	148	Sierra Leone	50.5
18	Germany	73.4	83	Guatemala	61.2	149	Nepal	50.1
19	Finland	73.4	84	Samoa	61.1	150	Belarus	50.1
20	Sweden	73.1	85	Kyrgyz Republic	61.1	151	Ethiopia	50.0
21	Lithuania	73.0	86	Italy	60.9	152	Togo	49.9
22	Georgia	72.6	87	Croatia	60.4	153	Micronesia	49.8
23	Iceland	72.4	88	Zambia	60.4	154	Lesotho	49.5
24	Austria	72.4	89	The Philippines	60.1	155	Ukraine	49.3
25	Japan	72.4	90	Sri Lanka	60.0	156	Haiti	48.9
26	Czech Republic	72.2	91	Uganda	59.9	157	São Tomé and Príncipe	48.8
27	Botswana	72.0	92	The Gambia	59.5	158	Bolivia	48.4
28	United Arab Emirates	71.4	93	Vanuatu	59.5	159	Ecuador	48.0
29	Macau	71.3	94	Namibia	59.4	160	Angola	47.7
30	Qatar	71.2	95	Serbia	59.4	161	Central African Republic	46.7
31	South Korea	71.2	96	Lebanon	59.4	162	Burma	46.5
32	Norway	70.9	97	Mongolia	58.9	163	Uzbekistan	46.5
33	Saint Lucia	70.7	98	Burkina Faso	58.9	164	Kiribati	46.3
34	Colombia	70.7	99	Fiji	58.7	165	Solomon Islands	46.2
35	Belgium	69.9	100	Indonesia	58.5	166	Argentina	44.6
36	The Bahamas	69.8	101	Bosnia and Herzegovina	58.4	167	Chad	44.5
37	Malaysia	69.6	102	Nicaragua	58.4	168	Equatorial Guinea	44.4
38	Uruguay	69.3	103	Morocco	58.3	169	Congo, Rep. of	43.7
39	Jordan	69.2	104	Tonga	58.2	170	Timor-Leste	43.2
40	Brunei	69.0	105	Gabon	57.8	171	Turkmenistan	42.2
41	Armenia	68.9	106	Tanzania	57.8	172	Congo, Dem. Rep. of	40.6
42	Latvia	68.7	107	Côte d'Ivoire	57.7	173	Iran	40.3
43	Macedonia	68.6	108	Cambodia	57.4	174	Eritrea	38.5
44	Israel	68.4	109	Tunisia	57.3	175	Venezuela	36.3
45	Barbados	68.3	110	Moldova	57.3	176	Zimbabwe	35.5
46	Cyprus	67.6	111	Kenya	57.1	177	Cuba	28.7
47	Peru	67.4	112	Honduras	57.1	178	North Korea	1.0
48	Oman	67.4	113	Benin	57.1	N/A	Afghanistan	N/A
49	Spain	67.2	114	Brazil	56.9	N/A	Iraq	N/A
50	Poland	67.0	115	Belize	56.7	N/A	Kosovo	N/A
51	Hungary	67.0	116	Bhutan	56.7	N/A	Libya	N/A
52	Saint Vincent and the Grenadines	67.0	117	Seychelles	56.2	N/A	Liechtenstein	N/A
53	Costa Rica	66.9	118	Djibouti	55.9	N/A	Somalia	N/A
54	Albania	66.9	119	Greece	55.7	N/A	Sudan	N/A
55	Mexico	66.8	120	India	55.7	N/A	Syria	N/A
56	Jamaica	66.7	121	Guyana	55.7			
57	Slovak Republic	66.4	122	Mali	55.5			
58	Malta	66.4	123	Yemen	55.5			
59	El Salvador	66.2	124	Malawi	55.4			
60	Cape Verde	66.1	125	Senegal	55.4			
61	Bulgaria	65.7	126	Pakistan	55.2			
62	Romania	65.5	127	Niger	55.1			
63	Dominica	65.2	128	Mozambique	55.0			
64	Turkey	64.9	129	Nigeria	54.3			
65	Rwanda	64.7	130	Suriname	54.2			
			131	Bangladesh	54.1			

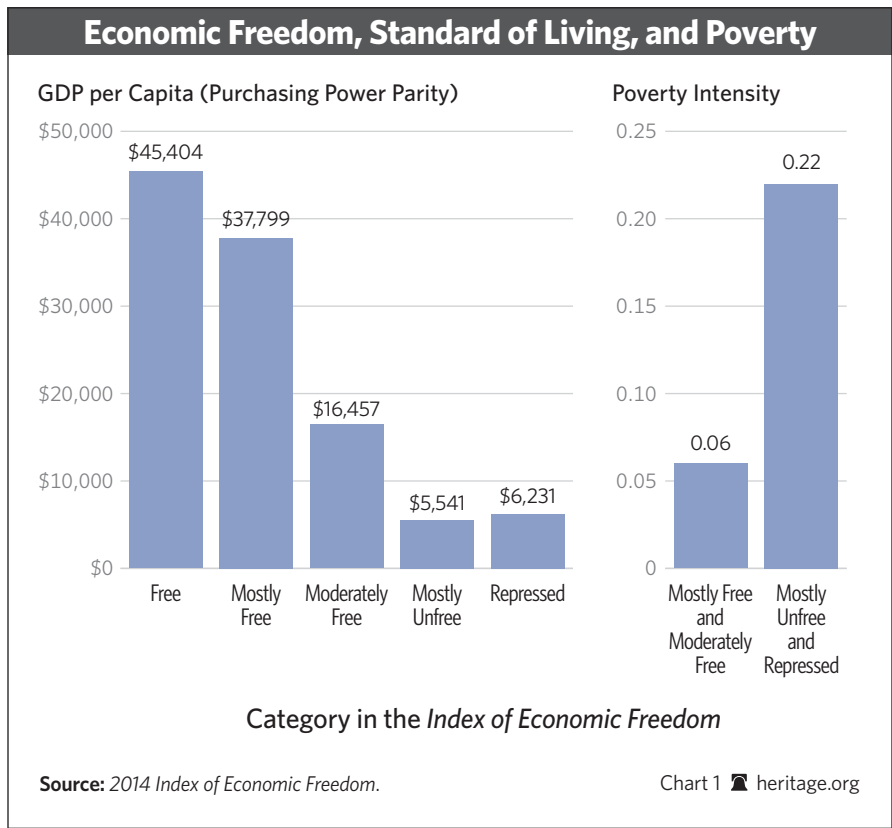
## ECONOMIC FREEDOM SCORE

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

# Advancing Freedom

## The Path to Greater Development and Progress

The 20th edition of the *Index of Economic Freedom* shows economic freedom once again on the rise, reaching the highest point in the *Index*'s 20-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. As previous editions of the *Index* have documented, the link between economic freedom and long-term development is clear and



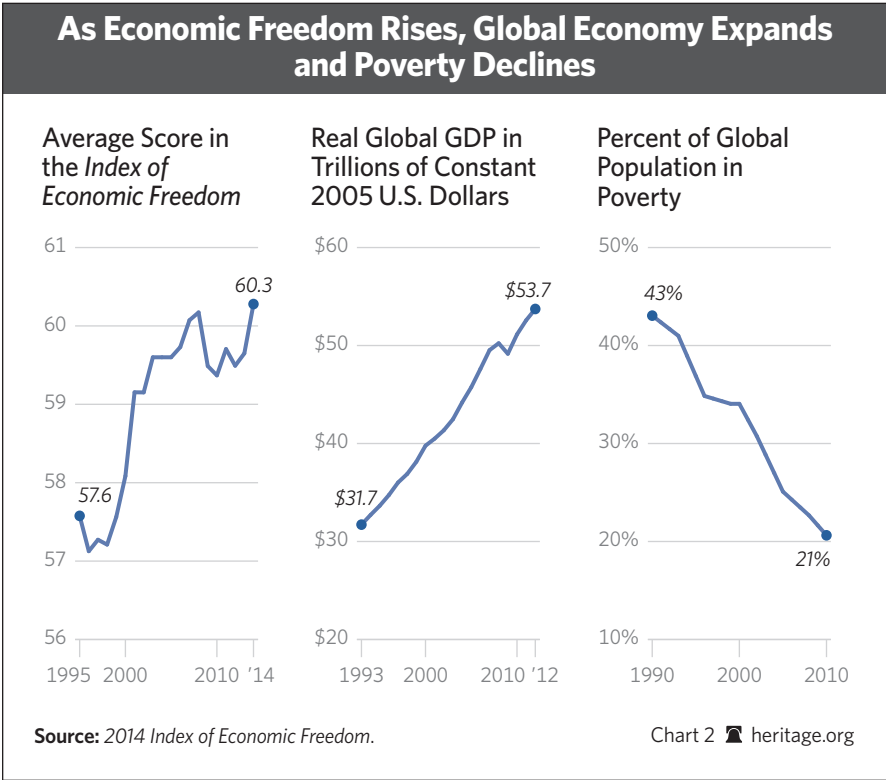
strong. The *Index* results, when compared with data measuring economic and social conditions in countries around the world, provide strong evidence of the free-market system's success in promoting prosperity and human development.

The *Index* has shown that the most critical variable in sustaining the wealth of nations and the most effective means to eliminating poverty is economic freedom. For countries that achieve scores that reflect even moderate levels of economic freedom (60 or above), the relationship between economic freedom and per capita GDP is highly significant.

Greater levels of economic freedom have had a major positive impact on poverty levels over the

past decade. Poverty intensity, as measured by the United Nations Development Programme (UNDP) Multidimensional Poverty Index that assesses the nature and intensity of deprivation at the individual level in education, health, and standard of living, is much lower on average in countries with higher levels of economic freedom. The intensity of poverty in countries whose economies are considered mostly free or moderately free is only about one-fourth the level in countries that are rated less free.

By a great many measures, the past 20 years during which the *Index* has been charting the advance of economic freedom have been the most prosperous in the history of



humankind. More people are living better lives than ever before.

The free-market system that is rooted in economic freedom has fueled unprecedented economic growth around the world. Over the past two decades in which the global economy has moved toward greater economic freedom, becoming “moderately free” overall, the world economy achieved real GDP expansion by around 70 percent, lifting hundreds of millions of people out of poverty.

With global economic freedom rising, the world has recorded significant economic growth, and the global poverty rate has been cut in half. Opening the gates of prosperity to ever more people around the world, economic freedom has made the world a profoundly better place.

## **THE IMPORTANCE OF GROWING ECONOMIC FREEDOM**

Any discussion about advancing economic freedom is essentially a story of the empowerment of people. Strengthening and expanding freedom improves each individual’s chance to achieve his or her goals and own and enjoy the value of what he or she creates. People crave liberation from poverty, and they hunger for the dignity of free will. By reducing barriers to these fundamentals, the forces of economic freedom create a framework in which people can fulfill their dreams of success.

In this vein, one of the most important goals of economic policy in almost every country in the world is to increase the rate of economic growth. There is strong support within the global database for the idea that improvements in economic

freedom are an important determinant of rates of growth. Key drivers of this economic growth and poverty reduction are the high levels of flexibility and resilience that come with economic freedom.

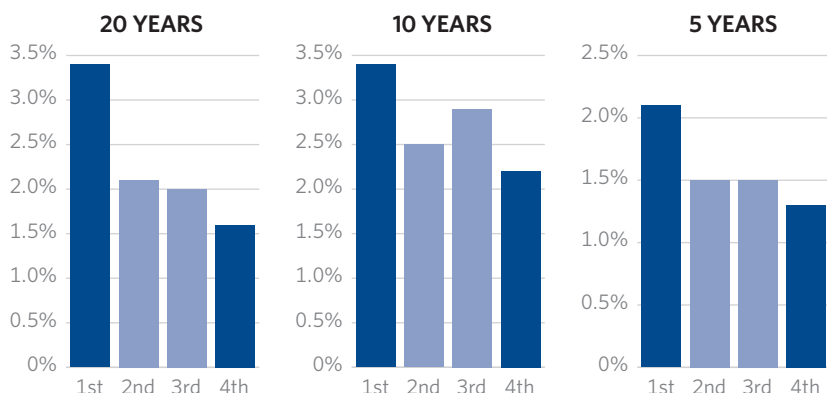
Vibrant and lasting economic growth results when governments implement policies that enhance economic freedom and empower individuals with greater choice and more opportunities. There is a robust relationship between improving economic freedom and achieving higher per capita economic growth. Whether long-term (20 years), medium-term (10 years), or short-term (5 years), the relationship between changes in economic freedom and changes in economic growth is consistently positive. (See Chart 3.)

Undeniably, countries moving toward greater economic freedom tend to achieve higher rates of growth in per capita GDP over time. In all of the three specific periods examined in this 20-year *Index* database, the average annual per capita economic growth rates of countries that have grown economic freedom most are at least 50 percent higher than those of countries where freedom has stagnated or eroded. Even better, advancing economic freedom produces dynamic and inclusive growth for ordinary people in a society. Economic freedom, cultivated by the rule of law, limited government, regulatory efficiency, and open markets, has proven to be critical to generating the broader based economic growth that creates opportunities in all sectors of society.

Debate over the complex interplay between economic freedom and democracy or political freedom has

## 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)

Source: 2014 Index of Economic Freedom.

Chart 3 heritage.org

been renewed and intensified over the past three years, particularly as the Middle East and North Africa region has undergone a challenging period, but the positive relationship between the two is undeniable. (See Chart 4.) By empowering people to exercise greater control of their daily lives, economic freedom ultimately nurtures political reform as well by making it possible for individuals to gain the economic resources necessary to challenge entrenched interests or compete for political power, thereby encouraging the creation of more pluralistic societies.

Pursuit of greater economic freedom is thus an important stepping stone to democracy. It empowers the poor and builds the middle class. It is

a philosophy that encourages entrepreneurship and disperses economic power and decision-making throughout an economy.

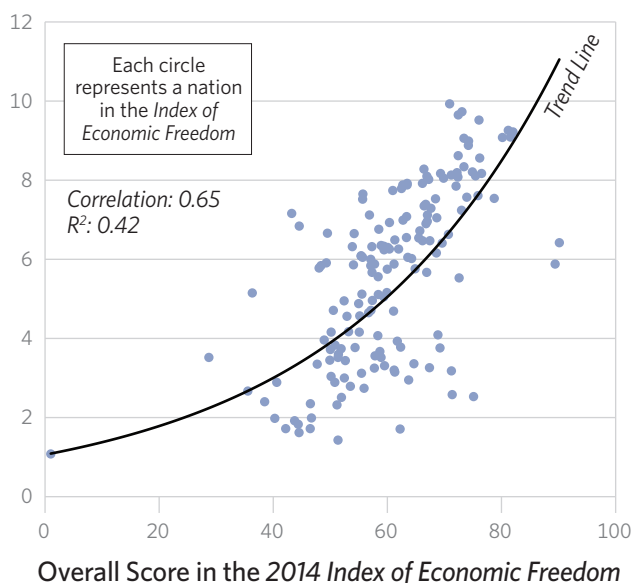
Also notably, in countries around the world, economic freedom has been shown to increase countries' capacity for innovation and to improve overall environmental performance as well.

The positive link between economic freedom and higher levels of innovation ensures greater economic dynamism in coping with various developmental challenges, and the most remarkable improvements in clean energy use and energy efficiency over the past decades have occurred not as a result of government regulation, but rather because



## Economic Freedom and Democratic Governance

Economist  
Intelligence  
Unit's (EIU)  
Index of  
Democracy



Source: 2014 Index of Economic Freedom.

Chart 4  heritage.org

of advances in economic freedom and freer trade that have unleashed greater economic opportunity and generated a virtuous cycle of investment, innovation (including in greener technologies), and dynamic economic growth.

### THE INDEX BEYOND 20

Improving and maintaining economic freedom is the proven way to generate positive cycles of economic growth and lasting prosperity. Economies that have advanced economic freedom have achieved overall levels of growth higher than those achieved by countries where economic freedoms have been curtailed by the heavy hand of government.

No other systems that have been tried have come close in terms of providing broad-based prosperity. Countries that have not joined the march of freedom have left their citizens lagging behind and even, in the worst cases, stuck in poverty or destitution.

Such failures are inexcusable. Most important, they are preventable. It is too soon to know how coming years will play out as the *Index of Economic Freedom* enters its third decade. Nonetheless, it is both heartening to know that economic freedom is again on the march and safe to predict that countries that find the political will and wisdom to advance economic freedom will see their citizens prosper in the years ahead.

# Moving Ahead or Falling Behind?

## Rank According to Long-Term Score Change

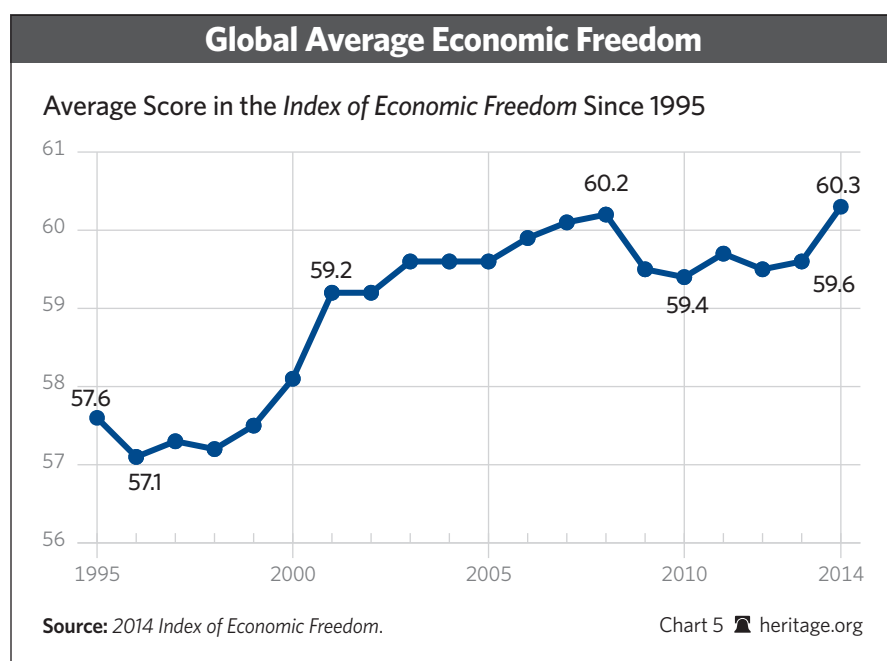
Country	Score Change	Country	Score Change	Country	Score Change
1 Azerbaijan	31.3	61 Uruguay	6.8	121 Tanzania	0.5
2 Bosnia and Herzegovina	29.0	62 The Gambia	6.6	122 Gabon	0.3
3 Georgia	28.5	63 Jordan	6.5	123 Solomon Islands	0.2
4 Armenia	26.7	64 Turkey	6.5	124 Honduras	0.1
5 Rwanda	26.4	65 Colombia	6.2	125 Eritrea	0.0
6 Moldova	24.3	66 Barbados	6.0	126 Cyprus	-0.1
7 Lithuania	23.3	67 Burundi	6.0	127 Nepal	-0.2
8 Romania	22.6	68 Slovak Republic	6.0	128 United Arab Emirates	-0.2
9 Kazakhstan	22.0	69 Haiti	5.9	129 Italy	-0.3
10 Angola	20.3	70 Yemen	5.7	130 Maldives	-0.3
11 Guinea-Bissau	17.8	71 Brazil	5.5	131 Taiwan	-0.3
12 Suriname	17.5	72 Dominican Republic	5.5	132 Chad	-0.6
13 Albania	17.2	73 Norway	5.5	133 Sri Lanka	-0.6
14 Cape Verde	16.4	74 Montenegro	5.4	134 Equatorial Guinea	-0.7
15 Poland	16.3	75 Zambia	5.3	135 Macau	-0.7
16 Nicaragua	15.9	76 The Philippines	5.1	136 Congo, Dem. Rep. of	-0.8
17 Bulgaria	15.7	77 São Tomé and Príncipe	5.0	137 Guatemala	-0.8
18 Botswana	15.2	78 Switzerland	4.8	138 South Korea	-0.8
19 Uzbekistan	15.0	79 Cambodia	4.6	139 France	-0.9
20 Latvia	13.7	80 The Netherlands	4.5	140 Bhutan	-1.0
21 Samoa	13.5	81 Czech Republic	4.4	141 Bahrain	-1.1
22 Bangladesh	13.2	82 Spain	4.4	142 Costa Rica	-1.1
23 Laos	12.7	83 Côte d'Ivoire	4.3	143 United States	-1.2
24 Croatia	12.4	84 Liberia	4.3	144 Micronesia	-1.9
25 Slovenia	12.3	85 Iran	4.2	145 The Bahamas	-2.0
26 Hungary	11.8	86 Tonga	4.1	146 Swaziland	-2.1
27 Sweden	11.7	87 Fiji	4.0	147 Namibia	-2.2
28 Mongolia	11.1	88 Belgium	3.9	148 Malaysia	-2.3
29 Tajikistan	10.9	89 Mexico	3.7	149 Pakistan	-2.4
30 Canada	10.8	90 Germany	3.6	150 Japan	-2.6
31 Estonia	10.7	91 Indonesia	3.6	151 Oman	-2.8
32 India	10.6	92 Congo, Rep. of	3.4	152 Senegal	-2.8
33 Macedonia	10.6	93 Mali	3.1	153 El Salvador	-2.9
34 Peru	10.5	94 New Zealand	3.1	154 Uganda	-3.0
35 Madagascar	10.1	95 Singapore	3.1	155 United Kingdom	-3.0
36 Malta	10.1	96 Serbia	2.8	156 Kuwait	-3.8
37 Guyana	10.0	97 Saint Vincent and the Grenadines	2.7	157 Lebanon	-3.8
38 Belarus	9.7	98 Benin	2.6	158 Paraguay	-3.9
39 Finland	9.7	99 Dominica	2.6	159 Morocco	-4.5
40 Burkina Faso	9.5	100 Kenya	2.6	160 Papua New Guinea	-4.7
41 Mozambique	9.5	101 Lesotho	2.5	161 Algeria	-4.9
42 Ukraine	9.4	102 Austria	2.4	162 Greece	-5.5
43 Kyrgyz Republic	9.3	103 Jamaica	2.3	163 Guinea	-5.9
44 Niger	9.3	104 Iceland	1.9	164 Saudi Arabia	-6.1
45 Qatar	9.2	105 Saint Lucia	1.9	165 Tunisia	-6.1
46 Vietnam	9.1	106 South Africa	1.8	166 Belize	-6.2
47 Denmark	8.8	107 Luxembourg	1.7	167 Trinidad and Tobago	-6.5
48 Ghana	8.6	108 Togo	1.7	168 Timor-Leste	-7.3
49 Seychelles	8.4	109 Hong Kong	1.5	169 North Korea	-7.9
50 Comoros	8.1	110 Burma	1.4	170 Thailand	-8.0
51 Mauritius	8.0	111 Djibouti	1.4	171 Panama	-8.2
52 Australia	7.9	112 Cameroon	1.3	172 Bolivia	-8.4
53 Ireland	7.7	113 Portugal	1.1	173 Ecuador	-9.7
54 Mauritania	7.7	114 Vanuatu	1.1	174 Zimbabwe	-13.0
55 Chile	7.5	115 Cuba	0.9	175 Central African Republic	-13.1
56 Ethiopia	7.4	116 Russia	0.8	176 Argentina	-23.4
57 Egypt	7.2	117 Malawi	0.7	177 Venezuela	-23.5
58 Turkmenistan	7.2	118 Sierra Leone	0.7	N/A Brunei	N/A
59 Nigeria	7.0	119 Kiribati	0.6		
60 Israel	6.9	120 China	0.5		

Score change over the country's history in the *Index*. For more information, see Appendix, *Index of Economic Freedom Scores, 1995–2014*.

# Index Highlights for 2014

**T**he 2014 *Index of Economic Freedom* covers 186 countries in six regions. The global average economic freedom score has reached 60.3, the highest ever recorded in the 20-year history of the *Index*. World economic freedom has improved by 0.7 point from last year and 2.7 points from 1995. Much of the momentum toward greater freedom that had been lost during the past five years has been regained.

Of the 178 economies numerically graded in the 2014 *Index*, six have earned the designation of “free” with scores above 80. The next 28 countries, with scores between 70 and 80, are considered “mostly free.” These 34 economies sustain and provide institutional environments in which individuals and private enterprises enjoy a substantial degree of economic freedom in the pursuit of greater opportunity and prosperity.



The largest portion of the countries graded—117 economies—have freedom scores between 50 and 70. Of those, 56 economies are considered “moderately free” (scores of 60–70), and 61 are “mostly unfree” (scores of 50–60). Twenty-seven countries have “repressed” economies with scores below 50.

Despite the global progress over the past two decades, which occurred most dramatically in the 10 years from 1998 to 2007, the number of people living in economically “unfree” countries remains very high: 4.5 billion, or about 65 percent of the world’s population. The path to prosperity for these individuals is very difficult indeed. More than half of these people live in just two countries, China and India, where advancement toward greater economic freedom has been patchy at best.

## DIVERGING PATHS OF ECONOMIC FREEDOM

The advancement of global economic freedom to its highest level in the 2014 *Index* is particularly welcome given that the notable upsurge has been driven by developing and emerging economies around the world.

- 114 countries, the majority of which are less developed, contributed to the growth in economic freedom over the past year; 43 countries, including Singapore, Sweden, Colombia, Poland, Cape Verde, and Turkey, achieved their highest economic freedom scores ever in the 2014 *Index*.
- Score improvements in 17 countries, 16 of which are less devel-

oped, were significant enough to merit upgrades in the countries’ economic freedom status in the *Index*. Notably, Colombia became a “mostly free” economy for the first time. Seven developing countries, including the Philippines and Zambia, have advanced into the ranks of the “moderately free,” and eight countries have moved out of the status of economically “repressed.”

- Declining economic freedom was reported in 59 countries, including nine advanced economies such as the United States, France, Spain, and Cyprus. Four countries recorded no score change.
- Progress among the so-called BRIC nations has stalled. Brazil plunged 14 places in the rankings to 114th and is now rated “mostly unfree” in the *Index*. The rankings of the other BRIC countries—Russia, India, and China—declined slightly to 140th, 120th, and 137th, respectively.
- Liberia and Sierra Leone, two post-conflict countries, have moved up and are no longer considered “repressed” economies. Notably, six of the 11 countries that recorded ranking improvements of 10 places or more are from the Sub-Saharan Africa region.
- Four emerging economies have achieved notable score gains over the past five years: Colombia, Poland, the United Arab Emirates, and Indonesia. With a five-year cumulative score increase of over five points, each of these countries has recorded five years of sustained growth in economic freedom, successfully navigating the global economic uncertainty and turning

what could have been a setback into an opportunity to upgrade its economic system.

- By sharp contrast, the United States has been on the opposite path as the only country to have recorded a loss of economic freedom for seven straight years from 2008 until 2014. Its score plummeted sharply to 75.5, the second lowest rating the country has ever recorded in the 20-year history of the *Index*. The U.S. has dropped to 12th place, tying its lowest ranking since the inception of the *Index* two decades ago. Now considered only a “mostly free” economy, the U.S. has earned the dubious distinction of having recorded one of the longest sustained declines in economic freedom, second only to Argentina, of any country in the history of the *Index*.

## COMPOSITION OF THE WORLD'S TOP 10 FREEST ECONOMIES

The top 10 freest economies make up a high performing group that has demonstrated persistent commitment to the rule of law, limited government, regulatory efficiency, and open markets through good times and bad. The 2014 *Index* has recorded noticeable achievements and a few realignments within this highly ranked group.

Competition for the top spot in the *Index* rankings has intensified. Hong Kong maintained its status as the world's freest economy, a remarkable distinction that it has achieved for 20 consecutive years. Singapore, the second freest economy, has closed the gap between itself and Hong Kong to

only 0.7 point, the second narrowest difference in *Index* history.

Australia, Switzerland, New Zealand, and Canada join Hong Kong and Singapore as the only economies considered “free” with economic freedom scores above 80 on the 0-to-100 *Index* grading scale.

Chile (seventh) and Mauritius (eighth), two small but reform-minded economies, are the highest ranking developing countries in the *Index*.

In addition to Switzerland, two other European countries are listed in the top 10. Ireland recorded a small score improvement, ending a half-decade of declining economic freedom, and returned to the top 10 after a year's absence. Denmark earned designation as the world's 10th freest economy.

## DETERIORATION OF THE RULE OF LAW

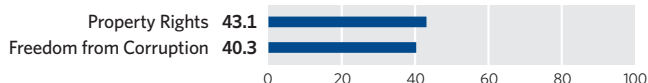
In measuring economic freedom, the *Index* analyzes countries' commitment to the rule of law, principles of limited government, regulatory efficiency, and open markets. Judged by these standards, the global economy as a whole has become “moderately free.” Scores improved in eight of the 10 economic freedoms as summarized in “The 10 Economic Freedoms: A Global Look” on the next page. Investment freedom has gained an impressive 3.3 points on average, while labor freedom and government spending scores were higher by an average of one point or more. Average scores declined only in the area of rule of law, with property rights and freedom from corruption losing 0.3 point each.

## The Ten Economic Freedoms: A Global Look

### Score Changes

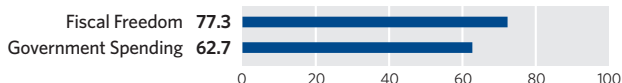
RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-0.3	Fiscal Freedom	+0.1	Business Freedom	+0.3	Trade Freedom	+0.3
Freedom from Corruption	-0.3	Government Spending	+1.6	Labor Freedom	+1.0	Investment Freedom	+3.3
				Monetary Freedom	+0.5	Financial Freedom	+0.1

### RULE OF LAW



Twelve countries' property rights scores have declined, and some governments have sought to justify expropriations and nationalizations on the basis of the ongoing economic turmoil. The global average score for freedom from corruption continues to lag behind scores for other components of economic freedom. Populations in some countries have responded to repressive government economic policies with demonstrations that have sometimes turned violent.

### GOVERNMENT SIZE



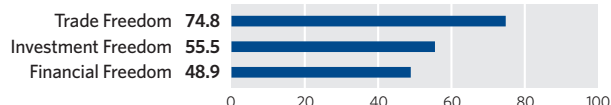
The average top individual income tax rate for all countries is 28 percent, and the average top corporate tax rate is 24.1 percent. The average overall tax burden as a percentage of GDP is 22.3 percent. The average level of government spending as a percentage of GDP is 34.2 percent. The average level of gross public debt as a percentage of GDP in advanced economies has reached over 70 percent.

### REGULATORY EFFICIENCY



Many economies have continued to streamline and modernize their business frameworks. Globally, starting a business takes seven procedures and 25 days, while completing licensing requirements takes an average of 175 days. For the world as a whole, labor market reform has progressed. The 2014 *Index* registered a continued improvement in monetary freedom as a result of reduced inflationary pressures.

### OPEN MARKETS



Global trade freedom is stuck in neutral. Although progress was uneven, investment freedom advanced in the 2014 *Index*. Overall, the average financial freedom score remained essentially unchanged from the previous year. Despite some progress toward stability, the global financial system has been under continuing strain and uncertainty, in large part because of the ongoing European sovereign debt turmoil.

## REGIONAL RESULTS

Each of the six *Index* regions continues to be represented by at least one country that ranks among the top 20 freest economies in the 2014 *Index*. Half of the leading economies are from Europe, led by Switzerland and Ireland. Five of the top 20 performers are in the Asia-Pacific region, with Taiwan further advancing within the ranks of the economically “mostly free.” Canada and the U.S. represent North America among the top 20. The other regions are represented by one country each among the 20 freest economies: Chile (South and Central America/Caribbean); Mauritius (Sub-Saharan Africa); and Bahrain (Middle East and North Africa).

While these countries differ greatly in their histories, political systems, and economic profiles, they share key characteristics. These top-performing economies in the *Index* are not necessarily geographically large or richly blessed with natural resources. Many economies have managed to expand opportunities for their citizens by enhancing their economic dynamism and vitality with high levels of economic freedom.

Although the global average score for the 2014 *Index* has advanced notably, progress has not been uniform across the regions. On average, economic freedom made no progress in North America and actually declined in the Middle East/North Africa region. In the other four regions, economic freedom advanced. The Asia-Pacific region achieved the largest score improvement, with countries gaining slightly over one point on average. Sub-Saharan Africa gained the second most economic freedom on average: 0.9 point. Europe and the South and Central America/Caribbean region also recorded average score improvements of 0.5 point and 0.3 point, respectively.

Average levels of economic freedom vary widely among the regions. North America and Europe continue to record the highest average economic freedom scores among the six regions: 74.1 and 67.1, respectively. The Middle East and North Africa as a whole still achieved an average economic freedom score above 60. Average economic freedom scores in the South and Central America/Caribbean region, the Asia-Pacific region, and Sub-Saharan Africa continue to be below 60.

# A Message

from Jim DeMint, President,  
The Heritage Foundation

**T**he 20-year database that now supports the analysis in the *Index of Economic Freedom* has proven to be an invaluable tool for policymakers, researchers, and academics. Yet I think that it may be even more important for those who continue the struggle to advance freedom, and especially economic freedom, around the world. People will not fight for freedom unless they understand it, value it, and believe it is at risk. For champions of freedom, the *Index* provides an objective measure of their country's progress, or lack thereof, in fostering an environment that unleashes the ingenuity and energy of individuals who, through the "invisible hand" of the free market, promote the good of all through the pursuit of their own personally defined goals.

For Americans like me, who have benefitted from the legacy of a society justly called the "land of the free," the 2014 *Index* paints a disturbing picture. The overall world progress in advancing economic freedom is a source of both satisfaction and

pride, given the historical record of the United States in promoting and defending freedom. And yet the recent record of the United States in the *Index*—seven consecutive years of declining economic freedom—is a serious cause for alarm. Families, businesses, and community organizations across America, what the 18th century philosopher Edmund Burke dubbed the "little platoons" of society, are being squeezed by the government's assault on our economic freedom. As a result, we have fewer pathways to individual and collective success.

As my predecessor as President of The Heritage Foundation, Ed Feulner, is wont to say, "There are no permanent victories." Indeed, the struggle for freedom is one that must be renewed by every generation. As the *Index of Economic Freedom* reaches its 20th year, it is time for a new generation of Americans, and freedom-loving people around the world, to join in the struggle for economic freedom.





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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.

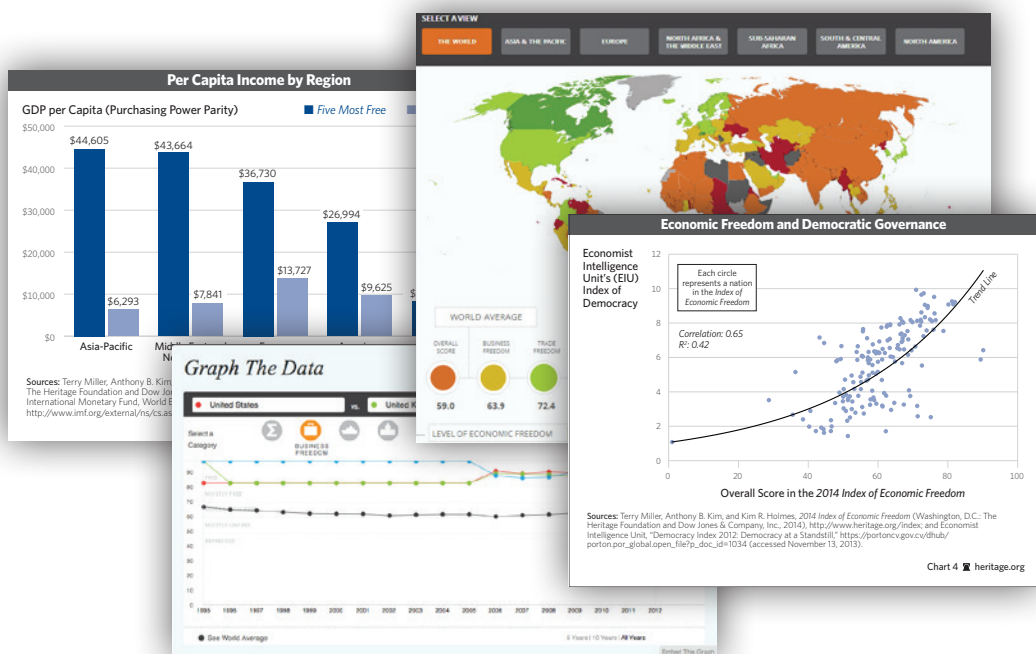
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# Economic Freedom Promotes Prosperity

For two decades, The Heritage Foundation has partnered with *The Wall Street Journal* to measure the impact of liberty and the free market around the world, producing the annual *Index of Economic Freedom*.

The *Index* demonstrates the clear connection between **economic freedom** and **prosperity**, with metrics examining government size, market openness, regulatory efficiency, and the rule of law.

The 2014 *Index* includes:

- Updated economic freedom data for **186 economies**
- Easy to read **charts and maps**
- Online tools, like **customized comparison charts** and an **interactive heat map**
- Foreword and Preface from *Wall Street Journal* Editorial Page Editor **Paul A. Gigot** and Heritage Foundation President **Sen. Jim DeMint**
- Special essays from **Dr. Edwin J. Feulner** and **Dr. Kim R. Holmes**, among others

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