EFI:

Economic Freedom Index measures countries on how economically-free their societies are. In an economically free society, people have the freedom to work, produce, consume and invest in whatever way they want. There is free movement of labor, capital and goods. The government does not force or limit people’s freedom to work or consume in a certain way.

The Index of Economic Freedom is a helpful tool for a variety of audiences, including academics, policymakers, journalists, students, teachers, and those in business and finance. The Index is an excellent objective tool for analyzing 184 economies throughout the world and each country page is a resource for in-depth analysis of a country’s political and economic developments.   
The 12 economic freedoms and accompanying historical data also provide a comprehensive set of principles and facts for those who wish to understand the fundamentals of economic growth and prosperity.

12 economic freedoms:

1. Property Rights: Property Rights define the legal and theoretical ownership of resources and their uses. These resources may be owned by private parties, public entities, or both. They may also be physical or intangible.

1. Judicial Effectiveness: Effective judicial systems protect the rights of all citizens against infringement of the law by others, including by powerful parties and governments.
2. Government Integrity: Government integrity means that the government must fulfill its commitment to the public, and keep its word as an agent in the political principal-agent relationship.
3. Tax Burden: Tax Burden is a measure of the tax burden imposed by the government. It includes direct taxes, in terms of the top marginal tax rates on individual and corporate incomes, and overall taxes, including all forms of direct and indirect taxation at all levels of government.
4. Govt Spending: Government spending refers to money spent by the public sector on the acquisition of goods and provision of services such as education, healthcare, social protection, and defense.
5. Fiscal Health: Fiscal health is the ability of governments to plan, manage, and pay for critical public services and investments.
6. Business Freedom: Business freedom is a quantitative measure of the ability to start, operate, and close a business that represents the overall burden of regulation as well as the efficiency of government in the regulatory process.
7. Labor Freedom: The labor freedom component is a quantitative measure that looks into various aspects of the legal and regulatory framework of a country’s labor market. It provides cross-country data on regulations concerning minimum wages; laws inhibiting layoffs; severance requirements; and measurable regulatory burdens on hiring, hours, and so on.
8. Monetary Freedom: Monetary freedom combines a measure of price stability with an assessment of price controls. Both inflation and price controls distort market activity. Price stability without microeconomic intervention is the ideal state for the free market.
9. Trade Freedom: Trade freedom is a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services.
10. Investment Freedom: The Investment freedom index evaluates a variety of investment restrictions (burdensome bureaucracy, restrictions on land ownership, expropriation of investments without fair compensation, foreign exchange controls, capital control, security problems, a lack of basic investment infrastructure, etc.).
11. Financial Freedom: Financial freedom means having enough savings, investments, and cash on hand to pay for the things you want to do in life.

Key points about Economic freedom Index :

• An index of economic freedom is a composite measure of the quality of political-economic institutions across different jurisdictions.

• Scores and ranks in an index are based on criteria that the creators of the index judge as being relevant, which vary from one index to another.

• These indexes are motivated by the observation that economies that are more free-market based tend to experience greater levels of investment, more rapid growth, and higher average incomes.

• Investors can use the index of economic freedom as a quick way to monitor the changes in economies where they are interested in exposure.

• The Heritage Foundation publishes the most widely-used economic freedom index. However, several institutions publish their own indices.

In recent years, the top countries for economic freedom have been fairly consistent. Singapore ranked number one in 2021 with an overall score of 89.7. It was followed by New Zealand (83.9), Australia (82.4), Switzerland (81.9), and Ireland (81.4) to round out the economies rated as free. Countries on the opposite end of the freedom spectrum include North Korea (5.2), Venezuela (24.7), Cuba (28.1), Sudan (39.1), and Zimbabwe (39.1). The United States ranked 20th with an overall score of 74.8, dropping by 1.8 points from 2020 mostly due to increased trade restrictions.1

**Types of Index of Economic Freedom:**

Principal varieties of this index include free, mostly free, moderately free, moderately free, mostly unfree, primarily unfree, and repressed

**Conclusion:**

The degree of economic freedom present is influenced by numerous factors. No single statistic will be able to fully capture all of them and their interrelations. The index presented here captures most of the important elements and provides a reasonably good measure of cross-country differences in economic freedom. However, something as complex as economic freedom is difficult to measure with precision. Thus, *small differences* between countries should not be taken very seriously.