

Stakeholder Summary

Purpose of the Study

This project explored what drives a country's economic freedom, with particular focus on the role of **Monetary Freedom** compared to other dimensions. To avoid bias, we built a new measure of economic freedom that left out Monetary Freedom and tested how well different models could predict it.

Key Insights

- **Core Drivers:** Stronger **property rights, financial systems, business freedom, and government integrity** are closely linked with higher levels of economic freedom.
- **Best Model:** A **Polynomial Regression model** proved most effective, capturing the complex relationships between indicators. However, it worked more reliably for countries already scoring higher on economic freedom.
- **Monetary Freedom Still Matters:** Even when excluded from the index, Monetary Freedom is **positively correlated** with other freedoms. This supports the idea that sound monetary policy often goes hand-in-hand with broader economic progress.

What This Means for Decision-Makers

- **Invest in Foundations:** Efforts to strengthen institutions such as property rights and financial systems will likely pay dividends across multiple aspects of economic freedom.
- **No One-Size-Fits-All Solution:** Because model accuracy varies across countries, reforms should be tailored to each country's economic context.
- **Keep Data Transparent:** Reliable and consistent data is essential for monitoring progress and improving our understanding of economic dynamics over time.

Takeaway

The study demonstrates that economic freedoms are deeply interconnected. By excluding Monetary Freedom from the index, we were able to show that its influence extends beyond monetary policy alone. These insights provide a valuable basis for designing **targeted reforms that strengthen the foundations of economic freedom**.

