2019 (12 categories)

Iraq – 4

Libya – 3

Liechtenstein – 10

Somalia – 8

Syria – 4

Yemen – 2

2018 (12 categories)

Iraq – 4

Libya – 1

Liechtenstein – 9

Somalia – 9

Syria – 3

Yemen – 3

2017 (12 categories)

Iraq – 4  
Libya – 2

Liechtenstein – 7

Somalia – 5

Syria – 5

Yemen – 4

2016 (10 categories)

Afghanistan – 4

Iraq – 5

Libya – 2

Liechtenstein – 7

Somalia – 9

Sudan – 2

Syria – 3

Yemen – 5

2015 (10 categories)

Afghanistan – 3

Iraq – 5

Kosovo – 3

Libya – 1

Liechtenstein – 7

Somalia – 9

Sudan – 2

Syria – 4

2014 (10 categories)

Afghanistan – 3

Iraq – 4

Kosovo – 2

Libya – 1

Liechtenstein – 7

Somalia – 9

Sudan – 2

Syria – 4

2013 (10 categories)

Afghanistan – 4

Iraq – 7

Kosovo – 3

Libya – 4

Liechtenstein – 7

Somalia – 9

Sudan – 4

Syria – 1

2012 (10 categories)

Afghanistan – 10

Iraq – 10

Kosovo – 10

Liechtenstein – 10

Somalia – 10

Sudan – 10

2011 (10 categories)

Afghanistan – 10

Iraq – 10

Liechtenstein – 10

Somalia – 10  
Sudan – 10

2010 (10 categories)

Afghanistan – 10

Iraq – 10

Liechtenstein – 10

Sudan – 10

**Rule of Law**

Property Rights:

* Physical property rights
* Intellectual property rights
* Strength of investor protection
* Risk of expropriation
* Quality of land administration

Judicial Effectiveness:

* Judicial independence
* Quality of the judicial process
* Likelihood of obtaining favorable judicial decisions

Government Integrity:

* Public trust in politicians
* Irregular payments and bribes
* Transparency of government policymaking
* Absence of corruption
* Perceptions of corruption
* Governmental and civil service transparency

**Government Size**

Tax Burden:

* Top marginal tax rate on individual income
* Top marginal tax rate on corporate income
* Total tax burden as a percentage of GDP

Government Spending:

* Level of government expenditures as a percentage of GDP

Fiscal Health:

* Average deficits as a percentage of GDP for the most recent three years (80% of score)
* Debt as a percentage of GDP (20% of score)

**Regulatory Efficiency**

Business Freedom:

* Starting a business—procedures (number)
* Starting a business—time (days)
* Starting a business—cost (% of income per capita)
* Starting a business—minimum capital (% of income per capita)
* Obtaining a license—procedures (number)
* Obtaining a license—time (days)
* Obtaining a license—cost (% of income per capita)
* Closing a business—time (years)
* Closing a business—cost (% of estate)
* Closing a business—recovery rate (cents on the dollar)
* Getting electricity-procedures (number);
* Getting electricity-time (days); and
* Getting electricity-cost (% of income per capita)

Labor Freedom:

* Ratio of minimum wage to the average value added per worker
* Hindrance to hiring additional workers
* Rigidity of hours
* Difficulty of firing redundant employees
* Legally mandated notice period
* Mandatory severance pay
* Labor force participation rate

Monetary Freedom:

* The weighted average inflation rate for the most recent three years
* Price controls

**Open Markets**

Trade Freedom:

* Trade-weighted average tariff rate
* Nontariff barriers (NTBs)

Investment Freedom:

* National treatment of foreign investment
* Foreign investment code
* Restrictions on land ownership
* Sectoral investment restrictions
* Expropriation of investments without fair compensation
* Foreign exchange controls
* Capital controls

Financial Freedom:

* Extent of government regulation of financial services
* Degree of state intervention in banks and other financial firms through direct and indirect ownership
* Government influence on the allocation of credit
* Extent of financial and capital market development
* Openness to foreign competition

**Score Categories**

>80: “free”

70-80: “mostly free”

60-70: “moderately free”

50-60: “mostly unfree”

<50: “repressed”

**Regions**

Americas – Rule of law and regulatory efficiency pillars lag

Asia-Pacific – Open market (investment and financial freedom) pillar lags

Europe – Government size pillar lags

Middle East and North Africa – Rule of law, fiscal health, and investment freedom lag

Sub-Saharan Africa – lag in essentially all categories

World Average Scores

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2009 | 2019 | Change |
|  | Overall World Average | 59.4 | 60.8 | +1.4 |
| **Rule of Law** | Property Rights | 43.8 | 52.3 | +8.2 |
|  | Judicial Effectiveness | N/A | 44.9 | N/A |
|  | Government Integrity | 40.5 | 41.5 | +1.0 |
| **Government Size** | Tax Burden | 75.4 | 77.2 | +1.8 |
|  | Government Spending | 65 | 64.2 | -1.7 |
|  | Fiscal Health | N/A | 68.6 | N/A |
| **Regulatory Efficiency** | Business Freedom | 64.6 | 63.5 | -1.6 |
|  | Labor Freedom | 62.1 | 59.4 | -3.0 |
|  | Monetary Freedom | 70.6 | 75.1 | +4.5 |
| **Open Markets** | Trade Freedom | 74.2 | 74.3 | +0.1 |
|  | Investment Freedom | 49 | 57.3 | +7.5 |
|  | Financial Freedom | 48.5 | 48.8 | +0.3 |

**Explanation for Score Change by Factors Bar Chart**

**What factors have led the improvement in global economic freedom over the last decade?**

**Does it differ from the last 25 years (improvements led by Government Size and Open Markets Pillars)?**

Growth in global economic freedom since 2010 has been led mostly by improvements in property rights, monetary freedoms, and investment freedoms. The property rights factor is comprised of a country’s property and intellectual rights laws, the enforcement of these laws, risk of expropriation, and level of judiciary independence and presence of corruption. Monetary freedom is calculated using the average inflation rate for the previous three years as well as any price controls. Investment freedom deals with various investment restrictions, capital flows, and foreign exchange controls.

The three measurement factors that regressed over the last decade were government spend, business freedom, and labor freedom. The government spend category is no surprise considering its sole measurement is the level of government expenditures as a percentage of a GDP. Since the world had just begun its recovery from the global recession at the start of the decade, most governments were providing economic stimulus in an effort to fuel economic growth which in turn results in running larger budget deficits than normal. The business freedom factor measures the efficiency of a country’s regulation of business which relates specifically to starting, operating, and closing a business. The labor freedom factor deals with minimum wage laws, layoff laws, severance requirements, and laws relating to hours worked and hiring/firing policies.

From my perspective, I grouped property rights, monetary freedom, and investment freedom as more pertinent for high net worth individuals because these individuals tend to own more real estate, don’t generally have their wage growth correlated to the inflation rate (which has been lower than expected for the last decade), and actively invest their money in a variety of instruments both domestically and globally. Business freedom and labor freedom more directly affect the lower and middle class. The fact that the largest improvements in freedoms appear to more directly benefit the wealthy could be an interesting topic for further study to determine if that is truly the case.

This index has been around since 1995 and the majority of the economic freedom gains have come from the Government Size and Open Markets Pillars. However, based on the last 10 years, the Rule of Law Pillar seems to have replaced the Government Size Pillar. Considering the fact that the topic of national debt levels is more prominent in recent years, in not just the U.S. but many other countries, can help explain why the average score for the Government Size Pillar is stagnating. The other interesting part about this is Rule of Law is the only economic pillar to decline over the last 25 years, yet it has seen the largest increase of all the pillars within the last 10 years. This would be another issue to look further into if there was more time to work on the project.

**Explanation for 2010-2019 Bottom 10 Countries Line Chart**

**What countries had the largest percentage declines in their economic freedom scores over the last decade?**

**Were these countries in certain regions and not in other regions?**

**Did the score declines for these countries occur in similar economic freedom pillars?**

The 10 countries with the largest percentage declines in their overall economic freedom scores over the last decade were concentrated in 3 of the 5 global regions. Four of the countries were in the Americas region (specifically Central and South America), four were in the North Africa and Middle East region, and the other two were in the Sub-Saharan Africa region.

When breaking down their scores, I found that the Regulatory Efficiency Pillar scores declined noticeably in 7 out of the 10 countries, specifically in the business freedom and labor freedom subcategories. The Government Size Pillar scores declined for 9 out of the 10 countries with the majority of the decline resulting from the government spending subcategory. Oddly enough, the opposite was true when it came to the Open Markets Pillar scores (trade, investment, and financial freedom) where 8 of the 10 countries actually experienced stability or even slight improvements. The Rule of Law Pillar scores were more in conflict because 9 out of the 10 countries experienced an increase in the property rights subcategory score, but 9 out of 10 countries experienced a decline in the government integrity subcategory score. These trends were fairly consistent with the rest of the world but just the score declines were more extreme in these countries and the improvements were minimal.

Of the 10 countries, 2 of them are rated “moderately free” (Bahrain and El Salvador) and the other 8 are rated either “mostly unfree” or “repressed.” Bahrain was the only country rated “mostly free” in 2010 out of these 10 countries.

Most of these countries also appear to have experienced the largest drop off in their scores after 2016 (rather after June 2015). I was not able to find anything in my brief search that could’ve impacted the countries in these regions during that timeframe. The only global events that I could think of were Brexit which would’ve mainly affected European countries and federal reserve interest rate increases which occurred four times at .25% increments from December 2015 to June 2017.