

Measuring the Pulse of Prosperity: An Index of Economic Freedom – Proposed Solution

1. Develop a Multi-Dimensional, Data-Driven Economic Freedom and Prosperity (EFP) Index

The proposed index improves measurement by using transparent, objective, and up-to-date data, reducing ideological bias, incorporating human development outcomes, and applying empirical weighting based on measurable economic impact.

2. Core Dimensions of the Revised Index

A. Rule of Law: Property rights protection, judicial independence, contract enforcement, and corruption control.

B. Regulatory Efficiency: Ease of starting a business, licensing burden, labor market flexibility, and bankruptcy procedures.

C. Open Markets: Trade freedom, investment freedom, financial openness, and capital mobility.

D. Fiscal Health & Government Size: Tax burden, government spending ratio, debt sustainability, and budget transparency.

E. Inclusive Prosperity Adjustment: Income mobility, SME access to credit, infrastructure quality, digital access, and employment participation rates.

3. Methodological Improvements

Empirical weighting through regression and panel data modeling to link components with GDP growth, poverty reduction, employment, and innovation.

Dynamic updating with annual refresh, digital dashboard integration, automated validation, and transparent scoring adjustments.

Regional benchmarking to enable peer comparisons and reform tracking.

4. Policy Application Framework

Identify reform priorities by pillar weaknesses.

Provide targeted reform roadmaps tailored to institutional gaps.

Establish early warning indicators for fiscal instability, protectionism, and institutional decline.

5. Expected Impact

Improved measurement accuracy, stronger policy guidance, enhanced investor confidence, and promotion of sustainable and inclusive economic growth.

Conclusion

A dynamic, evidence-based Economic Freedom and Prosperity Index links institutional quality with real-world outcomes, providing governments and stakeholders with a practical tool to foster long-term prosperity.