

MEASURING THE PULSE OF PROSPERITY

AN INDEX OF ECONOMIC FREEDOM ANALYSIS

INTRODUCTION:

Economic freedom, or **economic liberty**, is the ability of people of a society to take economic actions. This is a term used in economic and [policy debates](#) as well as in the [philosophy of economics](#). One approach to economic freedom comes from the [liberal](#) tradition emphasizing [free markets](#), [free trade](#), and [private property](#) under free enterprise. Another approach to economic freedom extends the [welfare economics](#) study of individual choice, with greater economic freedom coming from a larger set of possible choices. Other conceptions of economic freedom include [freedom from want](#) and the freedom to engage in [collective bargaining](#).

major motivation of these studies was to remedy apparent failures by major The liberal free-market viewpoint defines economic liberty as the freedom to produce, trade and consume any goods and services acquired without the use of force, fraud, theft or government regulation. This is embodied in the rule of law, property rights and freedom of contract, and characterized by external and internal

openness of the markets, the protection of property rights and freedom of economic initiative. There are several [indices of economic freedom](#) that attempt to measure free market economic freedom. Based on these rankings, correlative studies have found higher economic growth to be correlated with higher scores on the country rankings. With regards to other measures such as equality, corruption, political and social violence and their correlation to economic freedom, it has been argued that the economic freedom indices conflate unrelated policies and policy outcomes to conceal negative correlations between economic growth and economic freedom in some subcomponents. In the late 20th century some New Institutional economists sought to quantify the concept of "economic freedom" that these institutions embody, so that they could use it in rigorous empirical studies to test and demonstrate the link between institutions and [economic growth](#). A contemporary [theories of economic development](#) to explain variation in the rate of development across different countries.

DEFINITION:

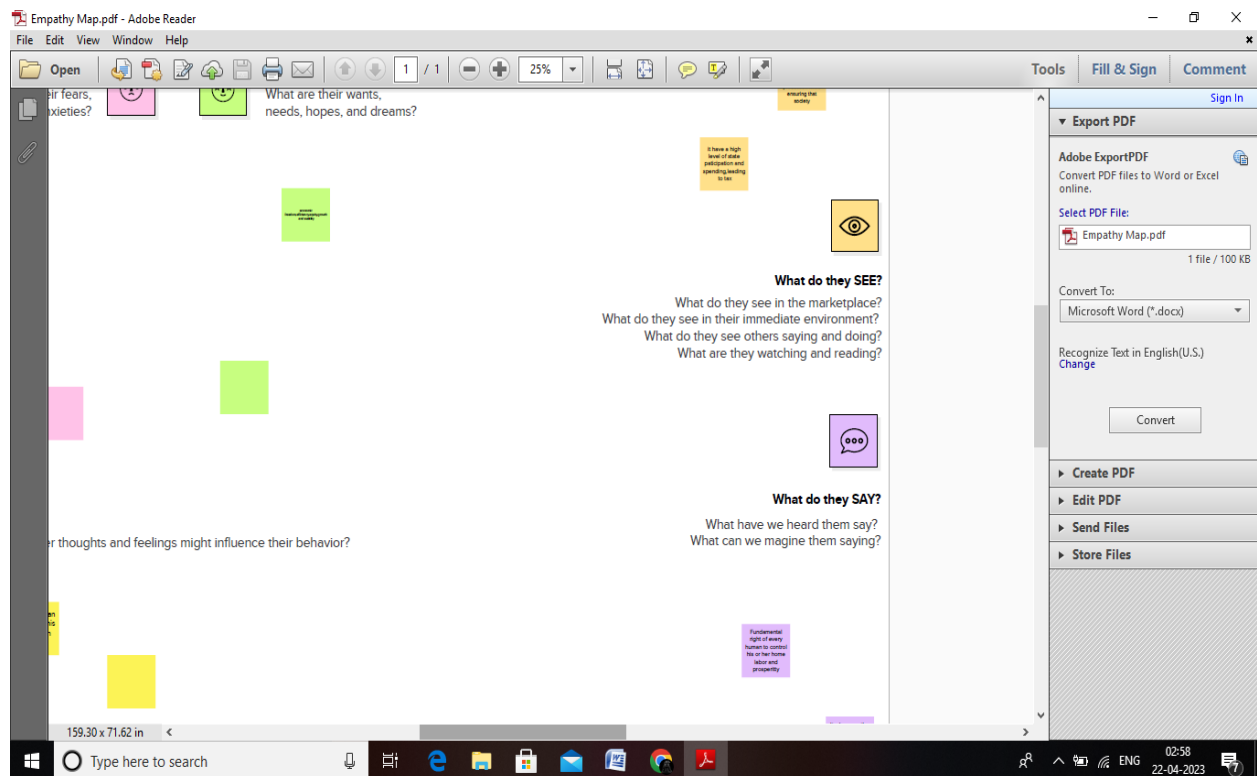
Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others.

The most widely referenced index of economic freedom is produced by the Heritage Foundation, a conservative American think tank. The Fraser Institute, a Canadian think tank, also publishes a well-known index of economic freedom.

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.

Emphy map:



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What do they HEAR?

What are they hearing others say?
What are they hearing from friends?
What are they hearing from colleagues?
What are they hearing second-hand?

the study of the relationship between political economic institution and economic development.

PAINS

What are their fears, frustrations, and anxieties?

GAINS

What are their needs, hopes, and dreams?

What other thoughts and feelings might influence their behavior?

every human to control his or her own world.

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GOAL

What do they need to DO?

What do they need to do differently?
What job(s) do they want or need to get done?
What decision(s) do they need to make?
How will we know they were successful?

GDP is a value added measure that is broader than profit.

The standard way of measuring a country's economic success is to look at its gross domestic product (GDP).

A good economy allows people to produce and consume goods and services.

I have a high level of state participation and spending leading to tax.

What do they THINK and FEEL?

PAINS

What are their fears, frustrations, and anxieties?

GAINS

What are their wants, needs, hopes, and dreams?

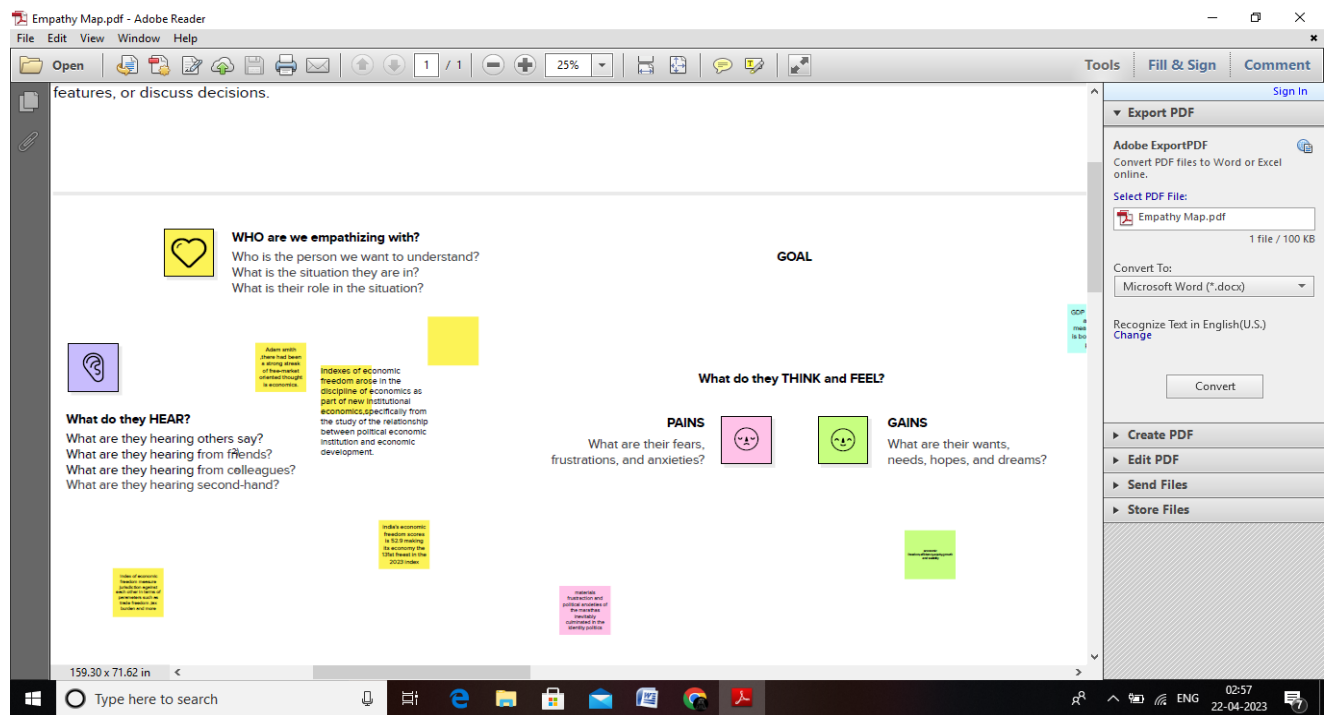
What do they SEE?

What do they see in the marketplace?
What do they see in their immediate environment?
What do they see on other news and data?

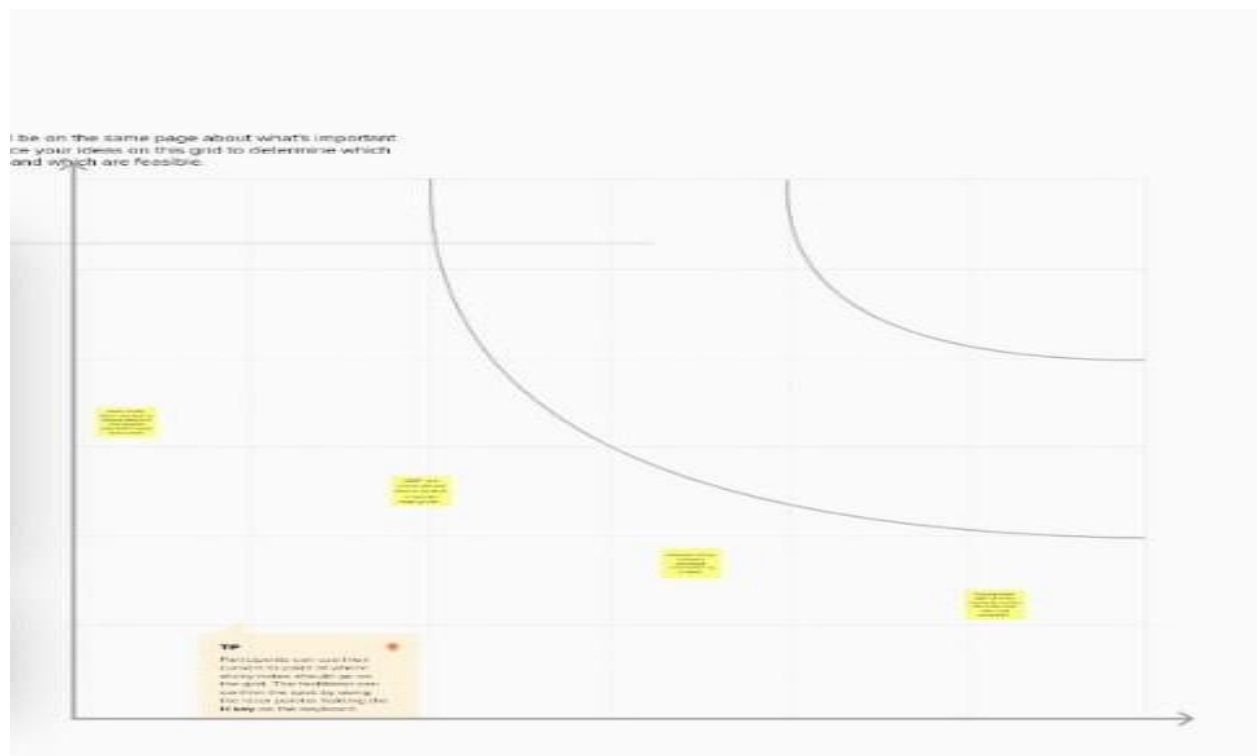
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2.2 Ideation and Brain



storming Map :



Key rules of brainstorming

To run a smooth and productive session



Stay in topic.



Encourage wild ideas.



Defer judgment.



Listen to others.



Go for volume.



If possible, be visual.



Person 3

Person 3's ideas:
1. ...
2. ...
3. ...

Person 4

Person 4's ideas:
1. ...
2. ...
3. ...

Person 7

Person 8



Brainstorm & idea prioritization

Use this template in your own brainstorming sessions so your team can unleash their imagination and start shaping concepts even if you're not sitting in the same room.

- 🕒 10 minutes to prepare
- 🕒 1 hour to collaborate
- 👤 2-8 people recommended



Before you collaborate

A little bit of preparation goes a long way with this session. Here's what you need to do to get going.

🕒 10 minutes

- A Team gathering**
Define who should participate in the session and send invite. Share relevant information or pre-work ahead.
- B Set the goal**
Think about the problem you'll be focusing on solving in the brainstorming session.
- C Learn how to use the facilitation tools**
Use the Facilitation Superpowers to run a happy and productive session.
[Open article](#) →

Person 1

Adam Smith there had been a strong streak of free-market oriented thought of economics



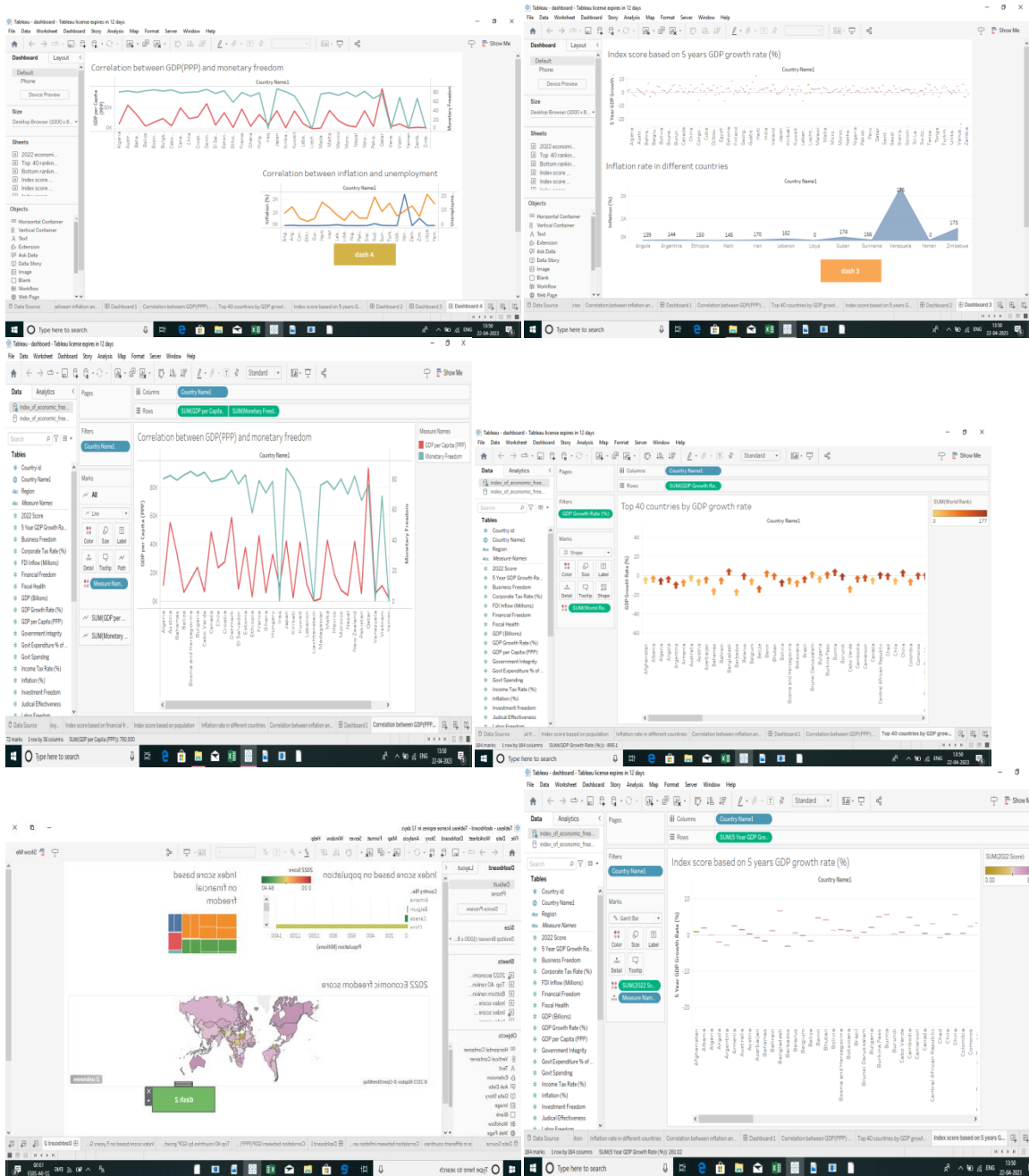
Person 5

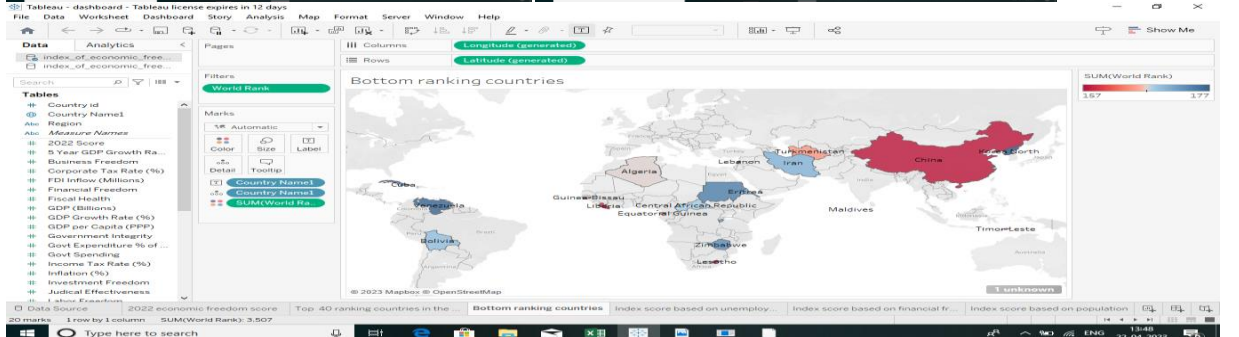
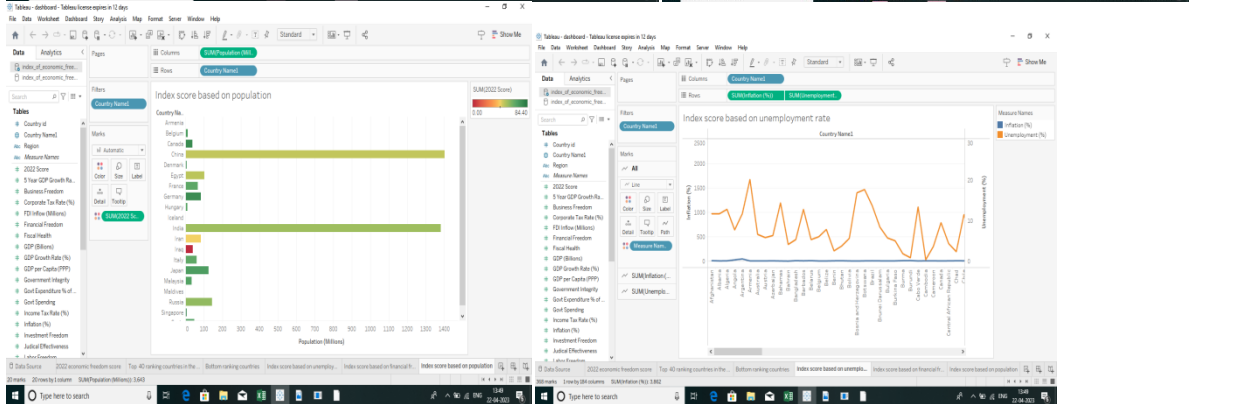
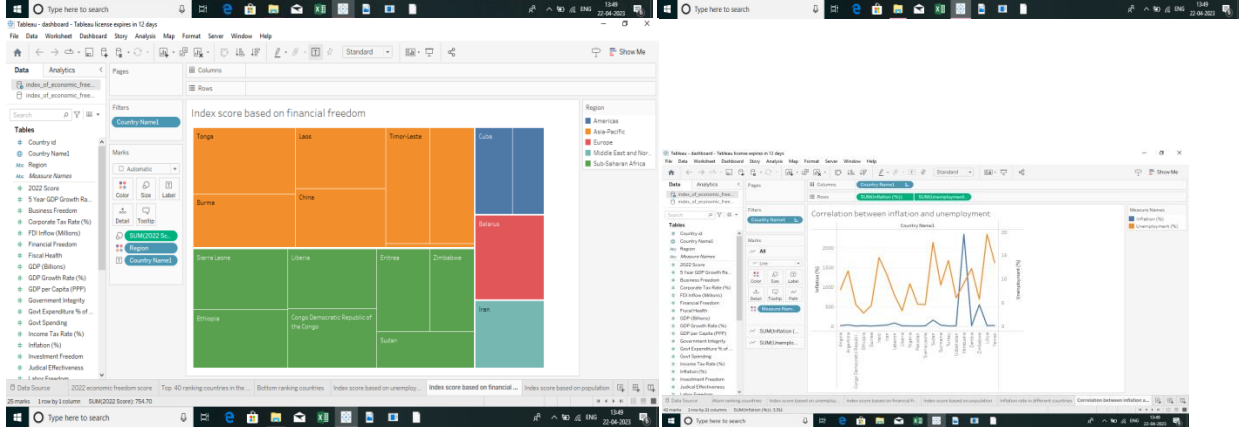
Person 2

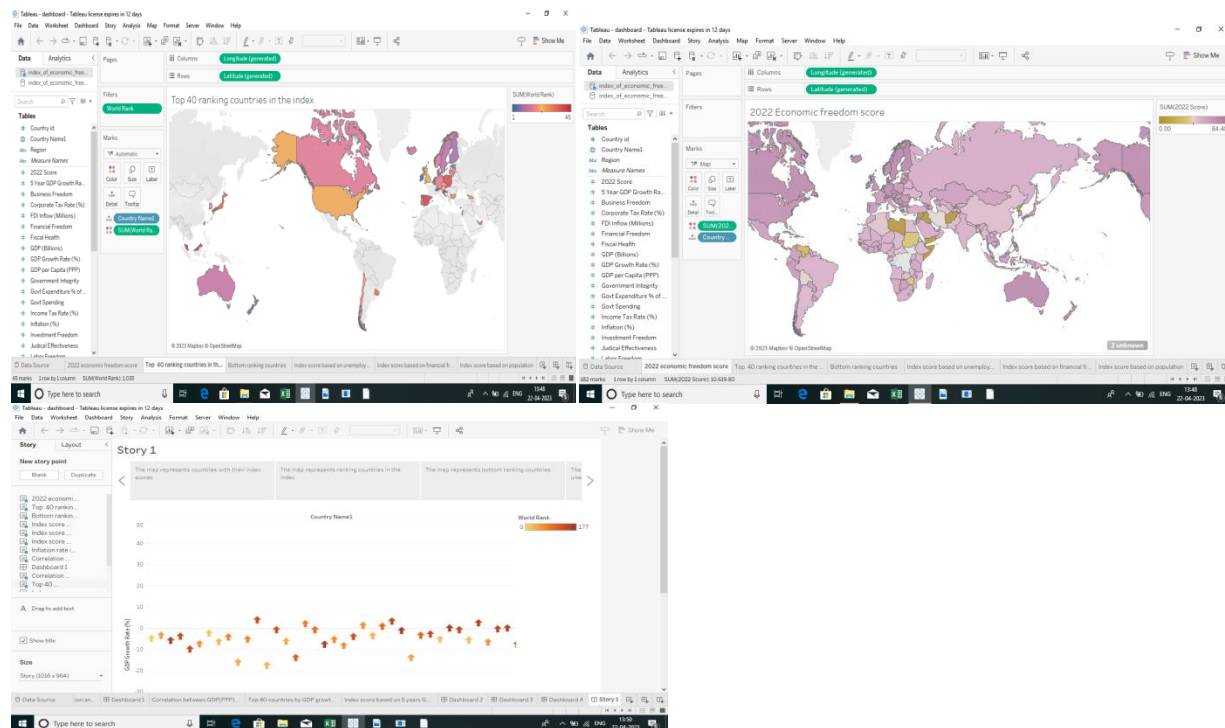
GDP is a value added measures that is border than profit

Person 6

Result:







ADVANTAGES OF ECONOMIC FREEDOM:

- The most obvious benefit of economic freedom is that, as a system, it is the most conducive to widespread prosperity, that is, to high or rising income and consumption for the bulk of the population.
- Economic freedom is the fundamental rights of every human to control his or her own labor and property. History strongly suggests that countries with more economic freedom grow faster—and those with less economic freedom sometimes don't grow at all. The real GDP per capita of the United Kingdom, the spearhead of the Industrial Revolution, was multiplied by 16 in the three centuries since 1700, according to recent estimates from economic historians. Over the preceding 700 years, it had only doubled. Other Western countries, including Canada and the United States, followed in the U.K.'s footsteps.

- The recent rise of China does not contradict this theory. Nobel Prize-winning economist Ronald Coase argued that China gradually became (partly) capitalist after the death of Mao Zedong, which explains its high rates of economic growth. (A return to open dirigisme will likely stop this momentum.
- Over the past few decades, the governments of many poor countries have allowed more economic freedom. The result has been a dramatic escape from dire poverty for billions. Between 1981 and 2015, the proportion of the world population living in extreme poverty (on less than \$1.90 a day) fell from 42% to 10%.
- The EFW index combined with World Bank data on economic growth suggest that more economic freedom over the past 25 years is associated with higher incomes today. Figure 1 shows that average GDP per capita increases continuously from the least economically free countries (the bottom quartile of the EFW index) to the freest (the top quartile).
- Hong Kong, a semi-independent territory of the United Kingdom until 1997, provides a good example. The *Economic Freedom of the World* (EFW) index, compiled by the Fraser Institute since 1970, has generally ranked the tiny, resource-poor country as the economically freest country.

DISADVANTAGES OF ECONOMIC FREEDOM:

- A degree of inequality can act as a positive influence on economic growth in the short term. However, some economists find empirical evidence of a

negative correlation of about 0.5-0.8 percentage points between long-term growth rates and sustained economic inequality.

- A variety of explanations have been proposed to explain how inequality can work to stifle growth. A high level of economic inequality means a higher level of poverty. Poverty is associated with increased crime and poor public health, which places burdens on the economy. In the face of increasing food prices and lower incomes, support for pro-growth government policies declines. Wealthy citizens maintain disproportionate political power compared to poorer citizens, which encourages the development of inefficient tax structures skewed in favor of the wealthy.
- According to one theory, growth is suppressed in economically unequal societies, after a phase of increased growth, by the decreasing availability of investments for human capital. Physical capital becomes increasingly scarce, as fewer individuals have funds to invest in training and education.
- Studies establish a positive relationship between income inequality and crime. According to a survey of research conducted between 1968 and 2000, most researchers point to evidence economically unequal societies have higher crime rates. That survey concludes that inequality is “the single factor most closely and consistently related to crime.”
- Second, inequality increases the incentive to commit crimes. Fewer methods of lawfully obtaining resources are available for the increasing number of poor who live in an unequal society. Even when risks of punishments are taken into account, illegal methods of gaining assets may provide better returns than legal means of obtaining resources.
- Third, a wide gap between rich and poor tends to increase crime by reducing law enforcement spending in low-income areas. Wealthy members of a

society tend to concentrate in secluded communities, especially as the disparity between the rich and poor increase.

- In the United States and other industrialized Western nations, the lack of access to fresh foods is associated with disproportionate obesity and diet-related disease rates among low-income households.

APPLICATIONS OF ECONOMIC FREEDOM:

- There is a positive correlation between economic freedom and a country's overall prosperity and growth rate due to economic development. Free countries with market economies tend to have a greater wealth per capita, cleaner environments, higher life expectancy, and less poverty.
- The cornerstones of economic freedom are personal choice, voluntary exchange coordinated by markets, freedom to enter and compete in markets, and protection of persons and their property from aggression by others.
- Economics plays a role in our everyday life. Studying economics enables us to understand past, future and current models, and apply them to societies, governments, businesses and individuals.
- Economists provide information and forecasting to inform decisions within companies and governments. This knowledge of economics – or economic intelligence – is based on data and modelling.
- There is a positive correlation between economic freedom and a country's overall prosperity and growth rate due to economic development.
- Free countries with market economies tend to have a greater wealth per capita, cleaner environment, higher life expectancy, and less poverty.

Conclusion:

Scholars from the Fraser Institute and elsewhere, on the other hand, have marshalled enormous amounts of data to study the impacts from economic liberty. They began by looking at freedom levels in different nations, and researchers found associations between countries' freedom scores and measures of well-being. These same researchers likewise looked at economic liberty (or a lack thereof) in subnational units of government, such as American states and Canadian provinces. Likewise, scholars found many positive associations between economic freedom and well-being.

FUTURE SCOPE:

The first advance estimates of GDP for the current fiscal, 2022-23 (FY23) show private final consumption expenditure (PFCE), a proxy for household consumption, is expected to rise in absolute terms to Rs 164 trillion from Rs 143 trillion in FY22 and Rs 121 trillion in FY21.