

FREEDOM AND ECONOMY

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.

Countries that refrain from enacting protectionist tariffs, quotas, and capital controls get higher ratings in this area see international trade. Economic freedom gives individuals equal economic opportunity, full control and responsibility of their property, skills and ideas. A secure system of property rights also reduces uncertainty and encourages investments, creating favorable conditions for an economy to be successful. There is also a regional phenomenon where similarly ranking countries can be clustered. In such conditions most people can achieve much greater personal freedom and development than under a regime of government coercion. In , the Fraser Institute, along with a network of other think tanks, began publishing the Economic Freedom of the World EFW annual reports, which present an economic freedom index for more than nations. In addition to being academically interesting, the change to economic freedom over time can be a significant data source for investors, particularly those interested in emerging markets. Hong Kong ranked number one in with an overall score of 10. To get high ratings, countries must refrain from such regulations, leaving people free to set prices, open businesses, and trade. As in the case of restrictions on working hours, workers as a group may benefit from legal protections that prevent individuals agreeing to contracts that require long working hours. Hong Kong and Singapore retain the top two positions with a score of 8. Measuring Economic Freedom The above comparisons are suggestive. Any attempt to measure freedom on this basis inevitably omits the details. Robert Lawson , the co-author of EFW, even acknowledges the potential shortcomings of freedom indices: "The purpose of the EFW index is to measure, no doubt imprecisely, the degree of economic freedom that exists. Roosevelt stated that freedom from want "translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants-everywhere in the world". What is Economic Freedom? Contracts permit individuals to create their own enforceable legal rules, adapted to their unique situations. Many scholars believe that economic freedom and political repression are an unsustainable combination. While these gains are not the largest seen in the world, they do show that well-established developed economies can implement significant economic liberalization. Friedman feels that competitive capitalism is especially important to minority groups, since impersonal market forces protect people from discrimination in their economic activities for reasons unrelated to their productivity. It was followed by Singapore In turn, the summary rating is the average of the five area ratings. Generally, countries with higher economic freedom have higher gross domestic product per capita and its growth rates, as well as better health care, education quality, environment protection, income equality, and happiness results. Economic freedom is greater when individuals have more economic choices available " when, in some technical sense, the choice set of individuals expands. Hong Kong has relatively low taxes, a good legal system, sound money, free trade , and minimal regulations; and it has had these institutions and policies in place for several decades. Nevertheless, despite these benefits societies have to be aware that with increasing economic freedom they will have to face going through a phase of increasing inequality , which basically is a result of decreased redistribution, as well as other negative effects from economic liberalization , i. Hayek , and Milton Friedman , as well as economists such as Murray Rothbard. He described economic freedom as freedom "for men to choose their own calling, to accumulate property in protection of their children and old age, [and] freedom of enterprise that does not injure others. Studies show that individuals who live in countries that are economically free enjoy more economic security. It is the difference between nations that thrive and those that linger in poverty and corruption. When governments substitute taxes, government expenditures, and regulations for personal choice, voluntary exchange, and market coordination, they reduce economic freedom. For example, the treatment of a large informal sector common in poor countries as an indicator of restrictive government policy, and the use of the change in the ratio of government spending to national income, rather than the level of this ratio. He commented that centralized control of economic activities was always accompanied with political repression. The index of economic freedom can provide a guide on whether the potential for hot emerging market picks like the BRIC nations are actually seeing the policy changes necessary for that growth to benefit international investors. Therefore sound money is a measure of how much the government refrains

FREEDOM AND ECONOMY

from abusing its monopoly power. Recent Index of Economic Freedom Rankings In recent years, the top countries for economic freedom has been fairly consistent. The key ingredients of economic freedom are personal choice, voluntary exchange, freedom to compete in markets, and protection of person and property. It will be worth watching to see if Singapore can maintain this situation. In other words, the proprietors lay down the rules and the laborers are practically constrained to obey them. It is worth noting that the United States returned to the top 10 in after an absence of several years. We can define and measure it.