

Chapter 1

Economic Freedom in Uncertain Times

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Since the second half of 2008, the world economy has been undergoing a period of uncertainty and slowing economic growth. While some proclaimed the death of capitalism, the free market system has, in fact, demonstrated an impressive level of resilience during 2009 and now shows vital signs of an economic upturn. Policy choices made at this critical juncture of the global recovery will unquestionably shape the growth trajectory for the world economy in the years ahead.

COUNTRIES ON DIVERGING PATHS

The financial crisis and recession that afflicted the world economy in 2008 and 2009 resulted in, and may even have been caused by, significant reductions in economic freedom in a number of countries around the world. At the same time, many other countries have held firm on the path to greater economic freedom and the greater prosperity that it brings. After five years in which economic freedom had shown modest

but steady advances throughout the world, the 2010 *Index* has measured a small decline—one-tenth of a point (0.1 point)—in the world average economic freedom score.¹

The recession of 2008–2009 was the first major worldwide economic disruption of the age of globalization. Economically free countries are typically more open and engaged with the world economy than their more repressive counterparts. Many of the most economically free were among the first to feel the effects of the crisis, which spread through the financial system. Those that are most open to trade, and particularly those that are most dependent on export-oriented growth, were among the most

1. The average score in the *Index* declined from 2008 to 2009 because of the addition in 2009 of a substantial number of countries with below average freedom scores. For countries covered in both the 2008 and 2009 editions, the average overall economic freedom score increased by one-tenth of a point in 2009.

vulnerable to economic downturns in other countries.

On the other hand, the economically free countries, which over the years have grown faster and accumulated more wealth than their repressed counterparts, were in a better position to withstand a temporary downturn. The economically free have more durable and transparent economic institutions, more diversified economies, and more flexibility in responding to a crisis. Thus, we would expect to see less harmful permanent impact from the crisis and recession in the economically free countries. We also would expect to see faster and more pronounced recovery from the negative effects that do occur.

The 2010 *Index of Economic Freedom* is based on data reflecting conditions from July 2008 through June 2009 (and sometimes earlier years when later data are not available). Thus, the effects of the recession and the policies through which governments have tried to respond are not fully captured in the rankings. Indeed, the full effect of some of the policies undertaken by governments, such as the inflationary impact of expansionary monetary policy and various governments' stimulus programs, may not show up for several years.

DIVERGING ECONOMIC FREEDOM SCORES

Many countries, despite the economic difficulties they may be experiencing, have held true to the principles of economic freedom and have continued to adopt measures to liberalize and deregulate economic activity. Eighty-one countries—almost half of all those ranked in the *Index*—showed improvements in their overall economic freedom scores this year. Regrettably, the levels of economic freedom in 90 other countries, as measured in the 2010 *Index*, have declined.

Many of the countries whose scores have dropped have responded to the economic crisis with policy moves that, whether intended or not, add up to a fundamental assault on economic freedom. In the United States, for example, policies or proposals have included

more intrusive regulations, government takeovers of businesses, government subsidies and bailouts of private firms, loose monetary policy, tax increases, and protectionist measures to reduce trade. (See “Can Trade Protectionism Save Jobs?”)

Interventionist measures that harm economic freedom are detrimental to economic growth, with effects that in some cases will show up immediately, and sometimes after a delay, but in all cases can endure for years to come. Though bailouts and subsidies may provide short-term relief for some chosen firms, the impact on the overall economy quickly turns negative as governments have to finance spending through increased taxation, borrowing that crowds out private investment, or monetary expansion that fuels inflation.

With countries diverging so strongly in their policy responses to the crisis, more countries than usual show significant movements either up or down in the *Index* rankings. Though the

Biggest Gainers and Losers in 2010

Nations that gained or lost at least 2.5 points in their Index of Economic Freedom score

Gainers		Losers	
Montenegro	5.4	Timor-Leste	-4.7
São Tomé and Príncipe	5.0	Bolivia	-4.2
Rwanda	4.9	Libya	-3.3
Macedonia	4.5	Barbados	-3.2
Croatia	4.1	Ecuador	-3.2
Belarus	3.7	Eritrea	-3.2
Bangladesh	3.6	Solomon Islands	-3.1
Colombia	3.2	The Bahamas	-3.0
Qatar	3.2	Uzbekistan	-3.0
Bosnia and Herzegovina	3.1	Mongolia	-2.8
Peru	3.0	Venezuela	-2.8
Poland	2.9	Equatorial Guinea	-2.7
Saint Vincent and the Grenadines	2.6	United States	-2.7
United Arab Emirates	2.6	United Kingdom	-2.5
Mexico	2.5	Yemen	-2.5

Source: Terry Miller and Kim R. Holmes, 2010 *Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index.

Table 1  heritage.org

Can Trade Protectionism Save Jobs?

Trade protectionism is simultaneously one of the most popular and least effective measures in response to a recession. Few things in economics are as well established as the idea that trade increases prosperity and that the freer the trade, the greater the benefits to all parties. Sadly, few ideas are also less well understood among members of the general public and even among politicians.

It is easy to focus on those whose jobs are lost when economies grow and develop and harder to see the new jobs that are created in a dynamic environment. For example, Smith Corona's closing of its last U.S. typewriter plant in 1992, costing 875 jobs in Cortland, New York, "fanned concerns in Congress and organized labor about the loss of jobs to foreign competition."¹ No notice was taken of emerging corporate giant Micro-

soft, which had introduced the Windows 3.0 operating system in 1990 and had added 2,888 employees to its payroll between 1992 and 1993. By 2009, Microsoft had created over 92,000 jobs, more than 55,000 of which were in the United States.²

Those new jobs, which epitomize the value to society of economic freedom that permits and promotes rapid economic evolution and growth, fly below the radar screen in the public and political debates on trade, but they are the lifeblood of our increasing wealth and well-being. We cannot know what would have happened had the protectionists in Congress succeeded in 1992 in protecting Smith Corona's typewriter business, but it is clear that protectionism is always about protecting the status quo, while growing prosperity depends on embracing the new production and commercial possibilities of the future.

1. Keith Bradsher, "Smith Corona Plant Mexico Bound," *The New York Times*, July 22, 1992, at <http://www.nytimes.com/1992/07/22/business/smith-corona-plant-mexico-bound.html?pag> (November 9, 2009).

2. "Facts About Microsoft," at http://www.microsoft.com/presspass/inside_ms.msp (November 9, 2009).

change in the global average economic freedom score in the 2010 *Index* is small, 30 countries gained or lost at least 2.5 points in their economic freedom scores. (See Table 1.)

Montenegro improved the most, gaining 5.4 points on the economic freedom scale. Other European countries that did notably well included Macedonia, Croatia, Belarus, Bosnia and Herzegovina, and Poland. Qatar and the United Arab Emirates made significant gains in the Middle East, as did Colombia, Peru, and Mexico in Latin America. Saint Vincent and the Grenadines was the biggest gainer in the Caribbean. Bangladesh topped the list of gainers in Asia, as did São Tomé and Príncipe and Rwanda in Africa.

There were 15 countries this year whose

scores deteriorated by at least 2.5 points.

- Timor-Leste lost the most economic freedom in the 2010 *Index*, down 4.7 points. Mongolia, Uzbekistan, and the Solomon Islands were the only other Asia-Pacific countries to lose so much freedom.

- Five Latin American or Caribbean countries, including Bolivia, Barbados, Ecuador, the Bahamas, and Venezuela, lost significant amounts of economic freedom, as did Eritrea and Equatorial Guinea in Sub-Saharan Africa.

- In the Middle East and North Africa, Libya and Yemen lost significant amounts of economic freedom.

- Finally, and perhaps of most concern, perennial Top 10 performers the United States

and the United Kingdom both lost at least 2.5 points in overall economic freedom, with the U.K. dropping out of the Top 10 in the *Index* for the first time ever.

Countries' policy choices in the various areas of economic freedom that are rated in the *Index* diverged significantly.

- 51 countries improved business freedom this year, but 114 increased regulatory pressures on firms.

- 60 countries imposed new levels or types of trade restrictions, but 107 continued the process of opening their economies.

- About 40 percent of countries continued to lower tax rates, yet another 40 percent increased rates or tax collections.

- Over 45 percent of countries—84 in all—reduced government spending as a percentage of GDP. Unfortunately, however, another 84 increased government spending.

Such policy divergence may be understandable in a time of stress, but it represents a slowing of the worldwide momentum toward greater economic freedom and a sharp turn away from freedom in certain countries. Time will tell whether we are seeing the leading edge of a fundamental realignment of countries along the continuum of economic freedom or whether the breaks in progress in some countries are just short-term manifestations of a loss of confidence or even temporary panic.

RESPONDING TO CRISIS: GOVERNMENT INTERVENTION HURTS

In their responses to the financial crisis and recession, many countries have adopted poli-

Progressing and Regressing Nations

A comparison of nations whose economic freedom categories changed since the 2009 Index of Economic Freedom

PROGRESSING

Category Change	Countries	GDP Growth Rate		
Mostly Free to Free	Switzerland	2007	2008	5 Years
Moderately Free to Mostly Free	Saint Lucia, Georgia, Taiwan, Botswana	6.3%	3.7%	5.5%
Mostly Unfree to Moderately Free	Montenegro, Ghana, Guatemala, Samoa, Dominican Republic			

REGRESSING

Category Change	Countries	GDP Growth Rate		
Free to Mostly Free	United States	2007	2008	5 Years
Mostly Free to Moderately Free	Spain, Norway, Barbados, The Bahamas	2.2%	0.3%	2.6%

Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; International Monetary Fund, at <http://www.imf.org/external/ns/cs.aspx?id=28> (November 9, 2009).

Table 2  heritage.org

cies that limit economic freedom. The negative effect of these policies on future growth rates is predictable and certain, and it is already beginning to be manifest in the data and in countries' *Index of Economic Freedom* scores.

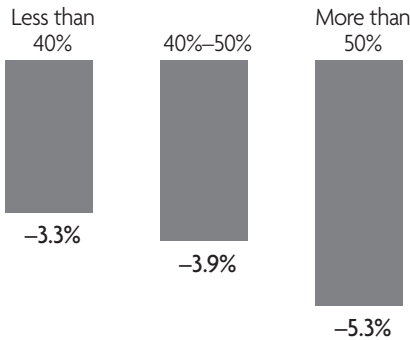
The recession's impact was muted in countries that moved to a higher category of economic freedom and exacerbated in countries that moved lower. As shown in Table 2, 15 countries moved from a higher to a lower category of economic freedom or vice versa in this year's *Index*. Countries that slipped from one economic freedom category to another (such as from "mostly free" to "moderately free") experienced considerably lower economic growth than did their counterparts that moved up to the next higher category.

The impact of government fiscal stimulus on growth rates will be fully measurable only in future years. However, the early data available for the countries that are members of the Organi-

Higher Government Spending, Lower Growth

For OECD member nations

Government Spending as a Percentage of GDP



GDP Growth, Q2 2008 to Q2 2009

Notes: Spending figures are averages from 2008 to 2009; GDP growth data are based on OECD members with 2008 and 2009 data available.

Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; Organisation for Economic Co-operation and Development, OECD.StatExtract, Quarterly National Accounts: Quarterly Growth Rates of GDP, volume, at <http://stats.oecd.org/index.aspx> (November 11, 2009).

Chart 1 heritage.org

DECLINING MONETARY FREEDOM HURTS AVERAGE SCORES

The average economic freedom score for 2010 is 59.4. This represents a drop of 0.1 point over the past year. The loss of economic freedom was most pronounced in the area of monetary freedom, with inflation rates increasing in most countries around the world in 2008 as a result of increasing commodity prices. Average scores also fell in the areas of government spending, financial freedom, and respect for property rights.

Economic freedom increased on average in the areas of business freedom, trade freedom, fiscal freedom, investment freedom, freedom from corruption, and labor freedom. The largest average gain was in trade freedom, with many countries continuing to resist the protectionist pressure to which a few have succumbed. (See “The 10 Economic Freedoms: A Global Look,” next page.)

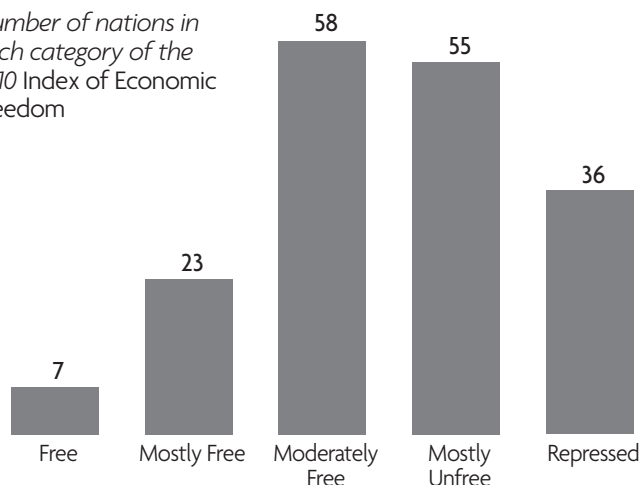
Of the 179 economies that are numerically graded in the 2010 *Index*,² only seven have very

2. Numerical grading was not possible for Afghanistan, Iraq, Liechtenstein, and Sudan due to the limited availability of relevant data.

sation for Economic Co-operation and Development (OECD) show that countries with higher levels of government spending continued to grow more slowly during the crisis. This would seem to confirm the view of many economists that the deadweight loss from government inefficiency, the various burdens associated with financing government deficits, and the crowding-out effects of government spending on private-sector demand and investment combine to make fiscal stimulus a poor policy choice in a recession.

Global Distribution of Economic Freedom

Number of nations in each category of the 2010 Index of Economic Freedom



Source: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index.

Chart 2 heritage.org

The 10 Economic Freedoms: A Global Look

BUSINESS FREEDOM — 64.6

Business freedom improved, sometimes quite significantly, in 52 countries this year. Only India recorded a double-digit drop on this component. The average business freedom score increased slightly by 0.3 point. Globally, starting a business takes an average of 35 days, while getting necessary licenses takes an average of about 218 days. Bankruptcy proceedings take three years on average.

TRADE FREEDOM — 74.2

For the world as a whole, average tariffs fell by one-half of a percentage point over the past year to 6.8 percent. By contrast, non-tariff barriers increased, reflecting a disturbing trend for countries to resort to more subtle forms of protectionism. The average trade freedom score rose by 1.0 point, with improved scores in 107 countries throughout the world. Only a few of the 60 countries whose scores fell actually increased tariffs. Most resorted instead to a variety of restrictions, quotas, regulations, or subsidies that interfered with the free flow of goods or services.

FISCAL FREEDOM — 75.4

Overall fiscal freedom improved by 0.5 point in the 2010 *Index*. The average top tax rate on individual income is now 29.3 percent, and the average top tax rate on corporate income is 25.1 percent. The average total tax burden as a percentage of GDP is 23.2 percent. Since July 2008, 32 countries have introduced reforms in direct taxes or have implemented tax cuts as previously planned, despite the challenging economic and political environment caused by the global economic slowdown.

GOVERNMENT SPENDING — 65

The average score for government spending decreased by 0.1 point in the 2010 *Index*. In response to the global financial and economic turmoil, many governments around the world, particularly in advanced economies, have launched various stimulus measures and have increased spending. This spending is severely worsening deficits and debt levels: The average level of public debt as a percentage of GDP in advanced economies has risen sharply to around 80 percent.¹ The average level of government spending as a portion of GDP is 32.8 percent, a level that is likely to increase in future years.

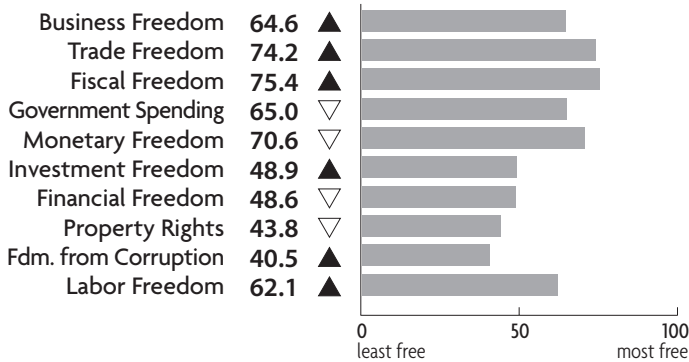
MONETARY FREEDOM — 70.6

The 2010 *Index* registered a sharp decline in monetary freedom, with scores off 3.4 points on average as a result of inflationary pressures that began to build in mid-2007 and continued through much of 2008. Much of the acceleration of consumer price inflation in early 2008 was the result of higher energy and commodity prices. Underlying factors included strong demand in emerging economies such as China and India, biofuels policies that restricted food supplies, and price distortions by governments in some key commodity-producing economies.²

1. Organisation for Economic Co-operation and Development, "OECD in Figures 2009," *OECD Observer 2009/Supplement 1*, p. 80, at <http://browse.oecdbookshop.org/oecd/pdfs/browseit/0109061E.PDF> (November 5, 2009).

2. "Commodity Prices and Global Inflation," remarks by John Lipsky, First Deputy Managing Director, International Monetary Fund, at the Council on Foreign Relations, New York City, May 8, 2008, at <http://www.imf.org/external/np/speeches/2008/050808.htm> (November 5, 2009).

TEN ECONOMIC FREEDOMS: WORLD AVERAGES



INVESTMENT FREEDOM — 48.9

The average investment freedom score improved by 0.2 point in the 2010 *Index*. Of the 110 investment-related policy measures initiated in various countries during 2008, 85 encouraged foreign direct investment.³ Undermining the overall investment environment, government expropriations increased in some countries in Latin America and parts of Central Asia.

FINANCIAL FREEDOM — 48.6

Only a few countries' financial freedom scores changed in the 2010 *Index*, and most of those changes reflected responses to the global financial crisis. A total of 16 countries, including the United States, the United Kingdom, and Iceland, lost 10 points in the rankings as a result of various interventions, including bailout programs and even nationalizations of financial institutions. Governments that quickly reversed interventionist actions were

3. United Nations Conference on Trade and Development, *World Development Report 2009: Transnational Corporations, Agricultural Production and Development, Overview*, p. xxii, at http://www.unctad.org/en/docs/wir2009overview_en.pdf (November 5, 2009).

not penalized. Six countries continued financial liberalization during the year. Overall, the average financial freedom score dropped 0.6 point in the 2010 *Index*.

PROPERTY RIGHTS — 43.8

The gradual worldwide improvement in property rights was interrupted this year, and the average score on this component declined 0.2 point in the 2010 *Index*. Some govern-

ments sought to justify expropriations and nationalizations on the basis of the global financial turmoil. On the positive side, protection of property rights improved in 27 countries.

FREEDOM FROM CORRUPTION — 40.5

The average score for freedom from corruption improved by 0.2 point in the 2010 *Index*, but this component still records the lowest average score among the 10 economic freedoms. Only 13 countries score 80 or higher on this component, while 126 countries score below 50. High levels of persistent corruption in many of the less developed countries continue to severely retard economic growth.

LABOR FREEDOM — 62.1

In light of growing recognition of the importance of labor market flexibility in enhancing productivity and better job growth, many economies have implemented more flexible labor regulations. The overall labor freedom score increased by 0.8 point in the 2010 *Index*, with 44 countries recording gains of 2.5 points or more.

high freedom scores of 80 or more, putting them in the “free” category (the highest). The next 23 countries have scores between 70 and 80, placing them in the “mostly free” category.

Thus, a total of only 30 countries, or about one-sixth of all countries graded, have economic systems in which individuals enjoy substantial levels of freedom. The largest portion of the countries graded—113 economies—have freedom scores between 50 and 70. Of those, 58 economies are “moderately free” (scores of 60–70), and 55 economies are “mostly unfree” (scores of 50–60). This year, 36 countries have “repressed economies” with scores below 50.

Countries in every region gained and lost economic freedom. Average freedom went up in Europe and the Middle East and North Africa, bucking the worldwide decline.

ECONOMIC FREEDOM MATTERS

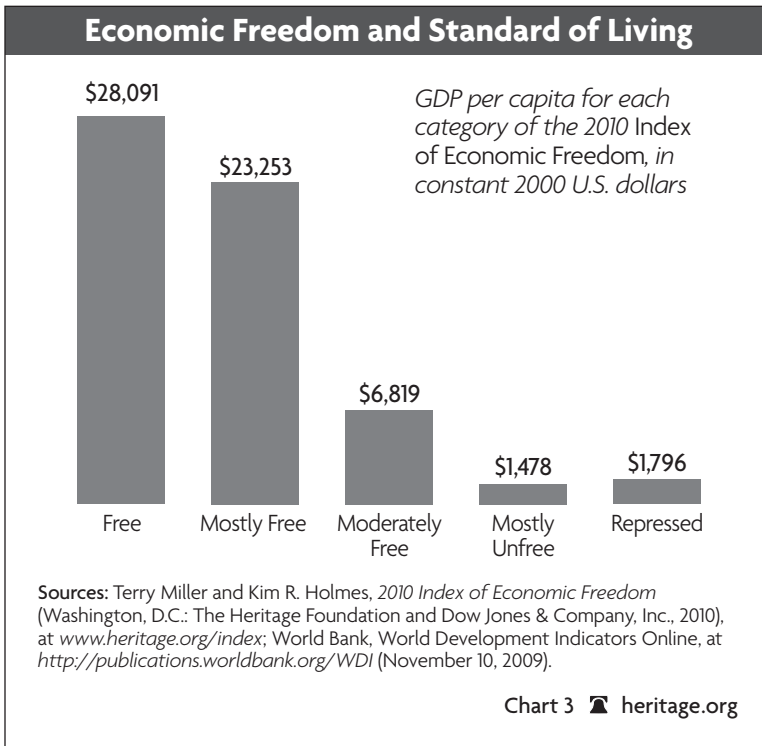
There are clear relationships between economic freedom and numerous other positive economic and social indicators, the most prominent being the strong relationship between the level of economic freedom and the level of

prosperity in a given country. (See Chart 3.)

Economies rated “free” or “mostly free” in the 2010 *Index* enjoy incomes that are more than three times the average levels in all other countries and more than 10 times higher than the incomes of “repressed” economies. Economic freedom is also strongly correlated to overall well-being, taking into account other factors such as health, education, security, and political governance.³ (See Chart 4.)

Previous editions of the *Index* have confirmed the tangible benefits of living in freer societies. Not only are higher levels of economic freedom associated with higher per capita incomes and higher GDP growth rates, but those higher growth rates seem to create a virtuous cycle, triggering faster poverty reduction and further improvements in economic freedom. Over the decade, the countries with greater improvements in economic freedom achieved higher reductions in poverty as measured by the United Nations Human Poverty Index. (See Table 3.)

Economic freedom is a revolutionary concept that promotes rapid change without social unrest or violence. Chart 5 shows the relationship between economic freedom and social unrest as measured by the Economist Intelligence Unit’s Political Instability Index.⁴

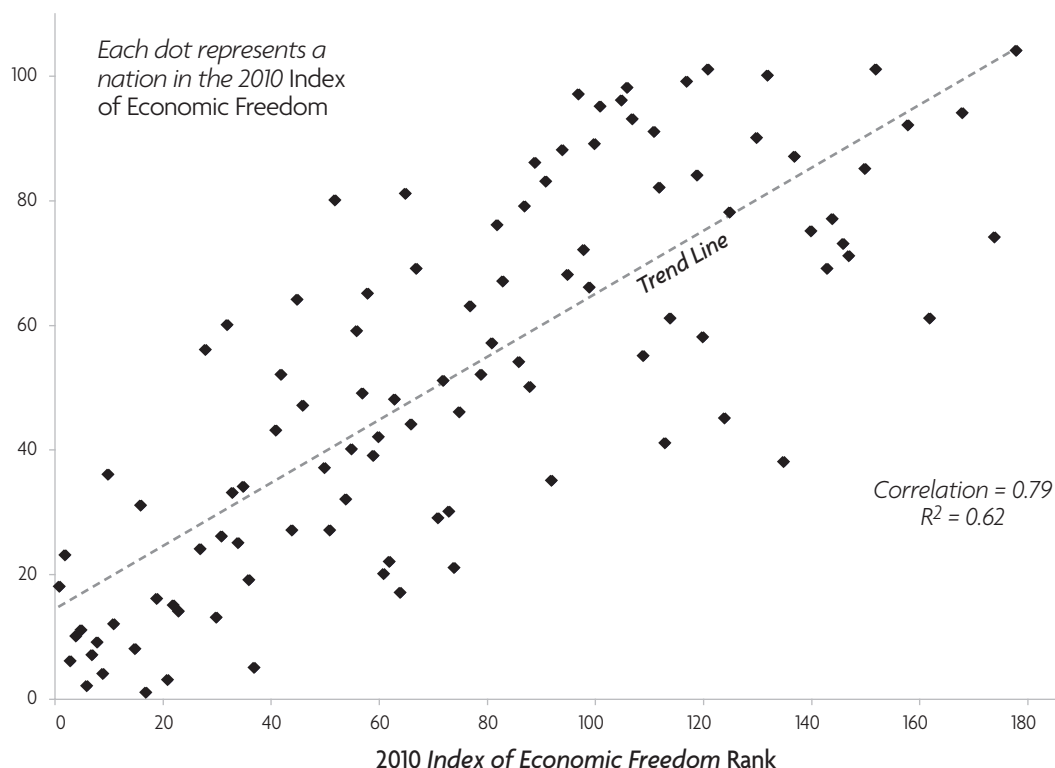


3. For more information on this wealth and well-being measure, see Legatum Institute, *The 2009 Legatum Prosperity Index: An Inquiry into Global Wealth and Wellbeing*, at <http://www.prosperity.com/downloads/2009LegatumProsperityIndexReport.pdf> (November 9, 2009).

4. For more information on the EIU Political Instability Index, see “Social Unrest,” Views Wire, Economist Intelligence Unit, at http://viewswire.eiu.com/site_info.asp?info_name=social_unrest_table&page=noads&rf=0 (November 9, 2009).

Economic Freedom Is Key to Overall Well-Being

Prosperity Index Rank



Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; 2009 Legatum Prosperity Index: An Inquiry into Global Wealth and Wellbeing, at <http://www.prosperity.com/downloads/2009LegatumProsperityIndexReport.pdf> (November 9, 2009).

Chart 4  heritage.org

Economic Freedom and Poverty

The Ten-Year Record

	Change in Poverty Levels
All countries	-4.6
Countries gaining economic freedom	-5.5
Countries losing economic freedom	-3.4

Note: Data from the *Index of Economic Freedom* (2000 to 2010) and the Human Poverty Index (1999 to 2009).

Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index, and Human Development Reports, United Nations Human Development Programme, at <http://hdr.undp.org/en/reports> (November 9, 2009).

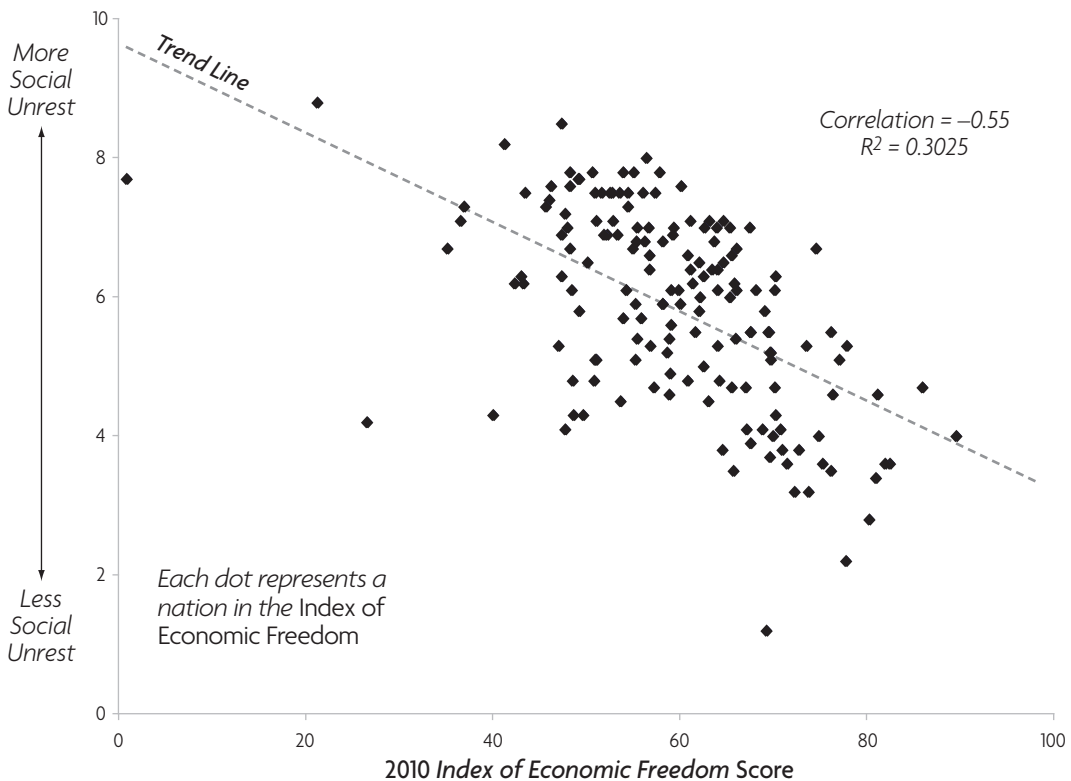
Table 3  heritage.org

By empowering people to exercise greater control of their daily lives, economic freedom increases their options for economic progress and lets people decide for themselves how best to improve their lives. Economic freedom ultimately nurtures political reform as well by making it possible for individuals to gain the economic resources necessary to challenge entrenched interests or compete for political power, thereby encouraging the creation of more pluralistic societies.

Greater economic freedom is also strongly correlated with overall human development as measured by the United Nations Human Development Index, which measures life expectancy, literacy, education, and the stan-

Economic Freedom and Social Instability

Economist Intelligence Unit's Political Instability Index



Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; The Economist Intelligence Unit's Political Instability Index, Economist Intelligence Unit, at http://viewswire.eiu.com/site_info.asp?info_name=social_unrest_table&page=noads&rf=0 (November 9, 2009).

Chart 5  heritage.org

dard of living in countries worldwide.⁵ (See Chart 6.)

The prosperity that flows from economic freedom results in greater access to education, reduced illiteracy, increased access to higher-quality health care and food supplies, and longer life expectancy.

In addition, economically free countries do a better job of protecting the environment. In January 2008, the World Economic Forum, the Center for International Earth Science Informa-

tion Network (CIESIN), and the Yale Center for Environmental Law and Policy published an Environmental Performance Index (EPI).⁶ The EPI shows a country's performance in coping with environmental challenges, providing "a composite index of current national environmental protection efforts."⁷ There is a strong positive relationship between economic freedom scores and the EPI.

The relationship between certain economic

5. For more information on the United Nations Human Development Index, see United Nations Development Programme, *Human Development Reports*, at <http://hdr.undp.org/en/statistics> (November 9, 2009).

6. See Daniel C. Esty, M. A. Levy, C. H. Kim, A. de Sherbinin, T. Srebotnjak, and V. Mara, *2008 Environmental Performance Index*, Yale Center for Environmental Law and Policy, 2008, at <http://epi.yale.edu/Framework> (November 9, 2009).

7. *Ibid.*

Economic Freedom and Human Development

U.N. Human Development Index



Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; Human Development Reports, United Nations Human Development Programme, at <http://hdr.undp.org/en/statistics> (November 9, 2009).

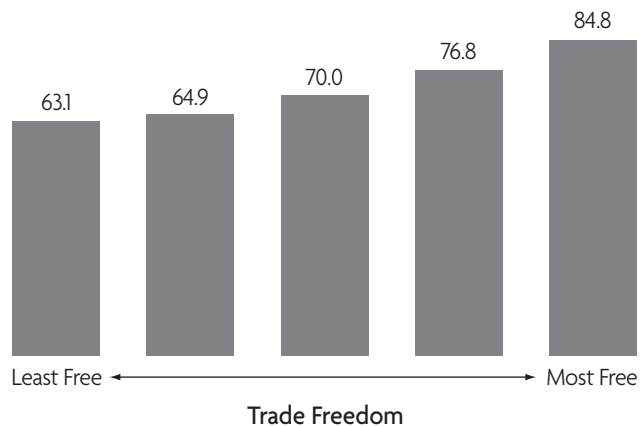
Chart 6 heritage.org

freedom factors and environmental performance is even stronger.⁸ (See Chart 7.) For example, countries with high levels of protection for private property rights and low tolerance for corruption do a much better job of protecting the environment. Environmentalists who see in govern-

8. There are strong positive correlations between the Environmental Performance Index (EPI) and economic freedom. The correlation between the EPI and overall economic freedom is 0.55. The correlations between the EPI and property rights and freedom from corruption are 0.60 and 0.62, respectively.

Trade Freedom and Environmental Performance

Average score of the Environmental Performance Index



Sources: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at www.heritage.org/index; Daniel C. Esty, M. A. Levy, C. H. Kim, A. de Sherbinin, T. Srebotnjak, and V. Mara, *2008 Environmental Performance Index* (New Haven: Yale Center for Environmental Law and Policy, 2008), at <http://epi.yale.edu/Framework> (November 9, 2009).

Chart 7 heritage.org

ment control of land or resources the panacea for environmental sustainability will find no support in the data. Similarly, countries with more open trade and less protectionism have much better levels of environmental protection or sustainability.

The lesson from the 2010 *Index of Economic Freedom* is clear: Economic freedom is good not only for growth and individual economic advancement, but also for the progressive values and public goods that people seek for society as a whole.

In 2010, more than at any time since the first edition of the *Index of Economic Freedom* appeared in 1995, countries are seriously re-examining the role of economic freedom in fostering economic growth and prosperity. There is a clear divergence in the 2010 *Index* between countries that are hesitating in the promotion of economic freedom, or even turning away, and those that are holding confidently to the path of liberalization.

Governments that turn away from the principles of economic freedom are embarking on

an uncertain journey in which their citizens will be guided by government intervention, under increasing state control, along pathways that historically have led to stagnation and societal decline. By contrast, governments that embrace economic freedom for their citizens liberate individuals to find for themselves their most likely paths to greater economic well-being. Such freedom has proven over and over, for generations, to be the best way to encourage entrepreneurship, and a dependable means of dispersing economic power and decision-making throughout an economy so that *all* have a fair and equitable shot at economic gain and prosperity.

The evidence adduced in the 2010 *Index of Economic Freedom* demonstrates clearly that, in general, freer countries grow more surely, recover from setbacks more quickly, and spread prosperity more widely throughout their populations. Those are hallmarks of a society that is healthy and prosperous.

In these uncertain times, that is a result to which we all should aspire.