



Executive Summary



The index published in *Economic Freedom of the World* (EFW) measures economic freedom in up to 165 jurisdictions as far back as 1970. Economic freedoms are a subset of human freedoms and concern economic activity such as working, transacting, contracting, and owning and using productive property.

Individuals are more economically free when they are allowed to make more of their own economic choices, with others imposing fewer and less severe constraints on those choices. They must, however, respect the rights of others.

The index measures economic freedom using 45 components and subcomponents grouped into five areas: [1] Size of Government, [2] Legal System and Property Rights, [3] Sound Money, [4] Freedom to Trade Internationally, and [5] Regulation. Each component and subcomponent is placed on a scale from zero to 10, reflecting the distribution of the underlying data.

In 2023—the latest year for which data are available—the 10 highest scoring nations were Hong Kong, Singapore, New Zealand, Switzerland, the United States, Ireland, Australia and Taiwan (tied for 7th), Denmark, and the Netherlands.

The rankings of other major world economies include Canada (11th), the United Kingdom (13th), Germany (15th), Japan (17th), Korea (38th), France (44th), Italy (46th), Indonesia (65th), Mexico (70th), India (86th), Brazil (87th), China (108th), and Russia (148th).

The 10 lowest-ranked countries were Chad, Libya, Syria, Argentina, Myanmar, Iran, Algeria, Sudan, Zimbabwe, and Venezuela.

Overall, the index shows that economic freedom has increased since 2000, but fell precipitously following the coronavirus pandemic, erasing nearly a decade of progress.

Standards of living in the most economically free societies are significantly greater than in the least free:

- Those in the freest 25% of countries earn, on average, about 6.2 times as much as those in the least free.
- Though the share of income earned by the poorest 10% of the population is unrelated to economic freedom, the level of income earned by the poorest 10% of the population is much higher in countries with greater economic freedom. The bottom 10% threshold is 7.8 times higher in the freest quartile than it is in the least free.

- The rate of poverty in the least-free quartile is about 25 times greater than it is in the freest.
- People in the least-free quartile work about 20% more than those in the freest.
- People in the freest quartile live about 17 years longer than those in the least-free quartile.
- In the least free countries, infants die at nearly 10 times the rate as they do in the freest countries.
- Economic freedom is positively correlated with personal freedom, with life satisfaction, with non-corrupt government, and with a cleaner environment.

This year's report includes four chapters.

In chapter 1, Robert Lawson, Ryan Murphy, and Matthew D. Mitchell provide an overview of the report and its findings. They explain the concept of economic freedom and how it is measured. They also explore recent trends in the data. The complete dataset can be downloaded at <https://www.freetheworld.com/> or by scanning the following QR code:



In chapter 2, Robert Lawson and Matthew Mitchell estimate the effect of President Trump's tariffs on US economic freedom in 2025. They estimate that Trump's tariffs drop the US from 56th to 76th place in the world in terms of freedom to trade and nearly knock the US out of the top 10 in terms of total economic freedom.

In Chapter 3, Walker Wright of the American Enterprise Institute examines the relationship between economic freedom and peace. The empirical evidence suggests that economic freedom can mitigate military conflict and cool tensions that arise from ethnic, political, or religious disagreements. Wright argues that markets cultivate a culture of peace through a process that is inherently non-violent.

In chapter 4, Dr. Horst Feldmann of the University of Bath (UK) examines the relationship between economic freedom and the quality of education. Using PISA scores from 47 countries and the World Bank's harmonized test scores from 132 countries, he finds that higher levels of economic freedom are associated with higher quality education. The magnitude of the effect is large and grows larger once one accounts for the fact that economic freedom raises GDP per capita, further increasing the returns to education.