

CHAPTER 1

Economic Freedom of the World in 2024

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The index published in the *Economic Freedom of the World 2026 Annual Report* (EFW index) 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.¹ Though it is possible to define economic freedom in absolute terms, it is more useful to think of it as a spectrum. 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 these choices. Their choices, however, must respect the rights of others.

Like human freedom more broadly, economic freedom is based on the concept of self-ownership. If individuals own themselves then they have a right to choose how to use their time, talents, and resources to shape their own lives. And if all individuals own themselves, then no one has a right to the time, talents, and resources of anyone else. Threats to economic freedom may arise from the government or from individuals using fraud or force to limit the economic choices of others.

The EFW index is designed to measure the degree to which the institutions and policies of countries permit people to make their own economic choices. To achieve a high EFW rating, a country's government must do some things but refrain from others. Governments can protect economic freedom with laws that safeguard voluntary exchange and defend individuals and their property from aggressors who might use fraud or force in economic activity. To this end, the legal system is a particularly important guarantor of economic freedom. In more economically free places, legal institutions protect all people and their property from the aggression of others and enforce contracts in an even-handed manner. These governments also permit people to access sound money and do not expropriate property through unexpected inflation or deflation. In economically free places, governments do not impose high taxes, barriers to trade, or excessive regulations that restrict personal choice, interfere with voluntary exchange, or limit entry into markets.

1 *The Human Freedom Index* (Vásquez, Mitchell, Murphy, and Schneider, 2025) co-published by the Fraser Institute and the Cato Institute measures human freedom more broadly by adding indicators of personal freedom to the EFW index's measure of economic freedom. A new edition will be published at the end of this year.

The EFW index might be thought of as an effort to identify how closely the institutions and policies of a country correspond with the classical liberal ideal of a limited government, where the government protects people and property rights from aggressors but otherwise allows them to make their own economic choices.

Before discussing the structure of the index, it may be useful to say a few words about what the EFW index is *not*. First, the only outcome that the EFW index measures is economic freedom. It does not attempt to measure the standard of living, the extent of corruption, the protection of personal freedoms such as speech, or any other indicator of well-being. These factors are important for human flourishing. And researchers using the index have found that economic freedom does correlate with many of them. But the index is not itself a measure of these things. Nor should it be. Since the EFW index is used to see if economic freedom relates to these markers of well-being, it would be tautological to include them in the index itself.

Second, the EFW index should not be taken as a *net* measure of good policy. It does not weigh the costs of infringements on economic freedom against the hoped-for benefits of these infringements. A tax or a regulation may well produce some good outcome. It might address a negative environmental externality, fund a valuable public good, or correct some social injustice. But we make no effort to account for these potential benefits. Instead, we offer the index as a measure of one side of the ledger, believing that this is the first step toward such a full net accounting. We leave it to other scholars to take the next step and assess whether these infringements on economic freedom are in some sense worth it.

Finally, the EFW index should be seen as a measure of “what is” rather than as a judgment about “what ought to be.” We the authors, like most social scientists, do have our own opinions about economic freedom (on the margin, we would prefer to see most countries become more economically free). But that should not keep skeptics of economic freedom from using the index to study their own hypotheses. Indeed, in recent years, it has become more common for these skeptics to employ the index in their own studies and we welcome this development.

The Economic Freedom of the World index—an overview

The EFW index measures the degree to which a jurisdiction’s institutions and policies permit people to make their own economic choices. It is an outgrowth of a series of six conferences hosted by Milton and Rose Friedman and Michael Walker from 1986 to 1994, which resulted in three books (Walker, 1988; Easton and Walker, 1992; Block, 1993) documenting the discussion and various prototype indices that culminated with the initial publication, *Economic Freedom of the World: 1975–1995* (Gwartney, Lawson, and Block, 1996). In addition to

the Friedmans, several of the world’s leading economists, including Douglass North, Gary Becker, Peter Bauer, William Niskanen, and Gordon Tullock, participated in the discussions leading to the EFW index. The index is published by a network of organizations spearheaded by the Fraser Institute in Canada. Members of the network and other interested parties meet regularly to review the structure of the index and consider ideas for its improvement.

Most of the data in the EFW index are drawn from external sources such as the International Monetary Fund, the World Bank, or the Economist Intelligence Unit. To obtain consistent measures across all 165 countries, we rarely use data provided directly from a source within a country. The index includes both objective data components as well as survey data components. And scores are never altered based on the subjective opinions of the authors or others in the Economic Freedom Network. The authors strive for transparency throughout. The report provides information about the data sources, the methodology used to transform raw data into the ratings of the components and subcomponents and how these ratings are used to construct both the area and overall EFW ratings. Methodological details can be found in the appendix: Explanatory Notes and Data Sources of this report (pp. 87–102). The index is freely available at <www.fraserinstitute.org/economic-freedom/dataset>.

The current edition of the EFW index rates up to 165 jurisdictions from 1970 through 2024. Data are available in five-year increments from 1970 through 2000 and then annually through 2024. Starting this year, we are offering a preview of economic freedom in the US through 2025 (see pages 22–24).

Structure of the EFW index

Table 1.1 describes the structure of the EFW index. Five major areas comprise the index: [1] Size of Government, [2] Legal System and Property Rights, [3] Sound Money, [4] Freedom to Trade Internationally, and [5] Regulation.

Each of the five areas is constructed from several components, and many of these are constructed from subcomponents and underlying variables. In total, the index incorporates 46 distinct components and subcomponents.² Each component and subcomponent is placed on a scale from zero to 10, reflecting the distribution of the underlying data, usually with a reference to the minimum and maximum values in year 1990. This means that a 10 out of 10 on any one component does not necessarily mean “the most economic freedom possible”

2 Sometimes we use multiple data sources for a single indicator or sub-indicator. We do this when one data source is discontinued and replaced by a different source or when there is more than one source for the same concept, and we think it prudent to average multiple sources. This means that in total, there are 74 separate underlying data sources for the EFW.

Table 1.1. Economic Freedom of the World Index**1. Size of Government****A. Government consumption**

- i. Government consumption without interest payments
- ii. Government consumption with interest payments

B. Transfers and subsidies**C. Government investment****D. Top marginal tax rate**

- i. Top marginal income tax rate and the threshold at which it applies
- ii. Top marginal income and payroll tax rate and the threshold at which it applies

E. State ownership of assets**2. Legal System and Property Rights*****A. Judicial independence****B. Impartial courts****C. Property rights****D. Military interference****E. Integrity of the legal system****F. Contracts****G. Real property****H. Police and crime**

*Area 2 ratings calculated both with and without adjustments for inequalities in the legal treatment of women using a Gender Disparity Index produced by Rosemarie Fike. The adjusted Area 2 rating is used to compute the summary rating.

3. Sound Money**A. Money growth****B. Standard deviation of inflation****C. Inflation in the most recent year****D. Foreign currency bank accounts****4. Freedom to Trade Internationally****A. Tariffs**

- i. Trade tax revenue
- ii. Mean tariff rate
- iii. Standard deviation of tariff rates

B. Regulatory trade barriers

- i. Non-tariff trade barriers
- ii. Costs of importing and exporting

C. Black market exchange rates**D. Controls on the movement of people and capital**

- i. Financial openness
- ii. Capital controls
- iii. Freedom of foreigners to visit
- iv. Protection of foreign assets

5. Regulation**A. Credit market regulation**

- i. Ownership of banks
- ii. Private sector credit
- iii. Interest rate controls/negative interest rates

B. Labor market regulation

- i. Labor regulations and minimum wage
- ii. Hiring and firing regulations
- iii. Flexible wage determination
- iv. Hours regulation
- v. Costs of worker dismissal
- vi. Conscription
- vii. Foreign labor

C. Business regulation

- i. Regulatory burden
- ii. Bureaucracy costs
- iii. Impartial public administration
- iv. Tax compliance

D. Freedom to compete

- i. Market openness
- ii. Business permits
- iii. Distortion of business environment

but rather “the most economic freedom relative to other countries.” When there are sub-components, they are averaged to derive the component rating. The component ratings within each area are then averaged to derive ratings for each of the five areas. And the five area ratings are averaged to derive the overall EFW rating for each country.

Area 1. Size of Government measures the effect of government expenditures and tax rates on economic freedom. Taken together, the five components of Area 1 measure the degree to which a country’s fiscal policies limit the scope of individual economic choice. Since almost all government spending is financed through either current taxation, future taxation, or inflation, almost all government spending necessarily expropriates money from citizens, limiting their economic choices. Countries whose governments spend less on government consumption, interest payments, transfers and subsidies, and government investment, and those with lower marginal tax rates and less state ownership of assets earn the highest ratings in this area.

Area 2. Legal System and Property Rights measures the degree to which each jurisdiction’s legal system protects economic freedom. When a person and his or her rightfully acquired property are not secure, others (both private individuals and the state) may limit his or her economic choices. The key ingredients of a legal system consistent with economic freedom are rule of law, security of property rights, an independent and unbiased judiciary, and impartial and effective enforcement of the law. The eight components of Area 2 are indicators of how effectively these protective functions of government are performed. The rating for Area 2 is adjusted based on a gender-disparity index that reflects cross-country differences in legal rights based on gender.

Area 3. Sound Money measures the degree to which a jurisdiction’s monetary policies permit economic freedom. Money is involved in nearly every transaction in an economy so unexpected changes in its value have a profound effect on peoples’ ability to make their own economic choices. If a government’s monetary authority creates significant unexpected inflation, it makes money less valuable, expropriating property from savers. Conversely, if the government creates significant unexpected deflation, it makes money more valuable and expropriates property from borrowers. High and volatile inflation or deflation therefore interfere with individuals’ ability to make their own economic choices. The four components of this area measure the extent to which people have access to sound money—i.e., currencies that maintain their value over time. To earn a high rating in Area 3, a country must permit its citizens to access a currency with low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies.

Area 4. Freedom to Trade Internationally measures the degree to which governments limit their citizen's ability to exchange with people from other countries. The components in Area 4 measure a wide variety of trade restrictions: tariffs, quotas, hidden administrative restraints, controls on exchange rates, and limits on the movement of people and capital. To get a high rating in this area, a country must have low and uniform tariffs, easy clearance and efficient administration of customs, a freely convertible currency, and few controls on the movement of physical and human capital.

Area 5. Regulation measures the extent to which regulations that restrict entry into markets and interfere with the freedom to voluntarily exchange reduce economic freedom. The components of Area 5 focus on regulatory restraints that limit the freedom of exchange in credit, labor, and product markets.

Construction of area and summary ratings

Theory provides us with some direction about elements that should be included in the five areas and the summary index, but it does not indicate what weights should be attached to the components within the areas or among the areas in the construction of the overall index. It would be convenient if these factors were independent, and a weight could be attached to each of them. In the past, we investigated several methods of weighting the various components, including principal component analysis and a survey of economists. We have also invited others to use their own weighting structure if they believe that it is preferable. Our experience indicates that the overall index is not very sensitive to alternative weighting methods.

Furthermore, there is reason to believe the areas (and components) are dependent on one another, working together like the wheels, motor, transmission, drive shaft, and frame of a car.³ Just as these interconnected parts allow an automobile to move forward, it seems that a combination of interrelated factors allow people to benefit from economic freedom. Which is more important for the mobility of an automobile: the motor, wheels, or transmission? The question cannot be easily answered because the parts work together. If any of these key parts break down, the car is immobile. Institutional quality may be much the same. If any of the key parts are absent, the overall effectiveness may be undermined.

As a result of these two considerations, we organize the elements of the index in a manner that seems sensible, but we make no attempt to weight the components in any special way when deriving either area or overall ratings. Of course, the component and subcomponent

3 See, for example, Bolen and Sobel (2020).

data are available to researchers who would like to consider alternative weighting schemes, and we encourage them to do so.

Overall economic freedom ratings in 2024

Figures 1.1a and 1.1b (pp. 10–11) present the overall economic freedom ratings, sorted from highest to lowest, for the 165 jurisdictions in this year’s report. These ratings are for 2024, the most recent year for which reasonably comprehensive data are available (but see pages 22–24 on more recent US data). The 10 highest scoring nations are Hong Kong (1st), Switzerland (2nd), Singapore (3rd), New Zealand (4th), the United States (5th), Ireland (6th), Denmark (7th), Australia (8th), Mauritius (9th), and Finland, the Netherlands, and the United Kingdom (tied for 10th).

Canada has now slipped from 9th to 18th, just ahead of Germany at 19th. The United Kingdom is 10th, Japan is 13th, France is 39th, Italy is 47th, South Korea is 53rd, Indonesia is 72nd, Mexico is 77th, Brazil is 85th, India is 88th, China is 110th, and Russia is 143rd. The 10 lowest-rated countries are: the Democratic Republic of Congo, Egypt, Malawi, Algeria, Iran, Myanmar, Libya, Sudan, Zimbabwe, and Venezuela in last place.

Ratings and rankings in 2024 for the five areas of the index

Table 1.2 (pp. 12–16) presents the ratings (and rankings) for each of the five areas of the index. Several interesting patterns emerge from an analysis of these data. High-income industrial economies generally rank quite high for Legal System and Property Rights (Area 2), Sound Money (Area 3), and Freedom to Trade Internationally (Area 4). Their ratings are lower, however, for Size of Government (Area 1) and Regulation (Area 5). This is particularly true for the high-income countries of Western Europe.

On the other hand, many developing nations have a small fiscal size of government but rate low in other areas, and as a result, have a low overall rating. The lesson from this is clear: a small fiscal size of government is insufficient to ensure prosperity. The other areas of economic freedom—the rule of law and property rights, sound money, trade openness, and limited regulations—are also required.

As the area ratings show, weakness in the rule of law and property rights is particularly pronounced in Sub-Saharan Africa, among Islamic nations, and for some nations that were formerly part of the Soviet bloc, though several countries in the latter group have made impressive strides toward improvement. Many nations in Latin America and Southeast Asia also score poorly for rule of law and property rights. The nations that rank poorly in this

Figure 1.1a: Summary Economic Freedom Ratings for 2024, First and Second Quartiles

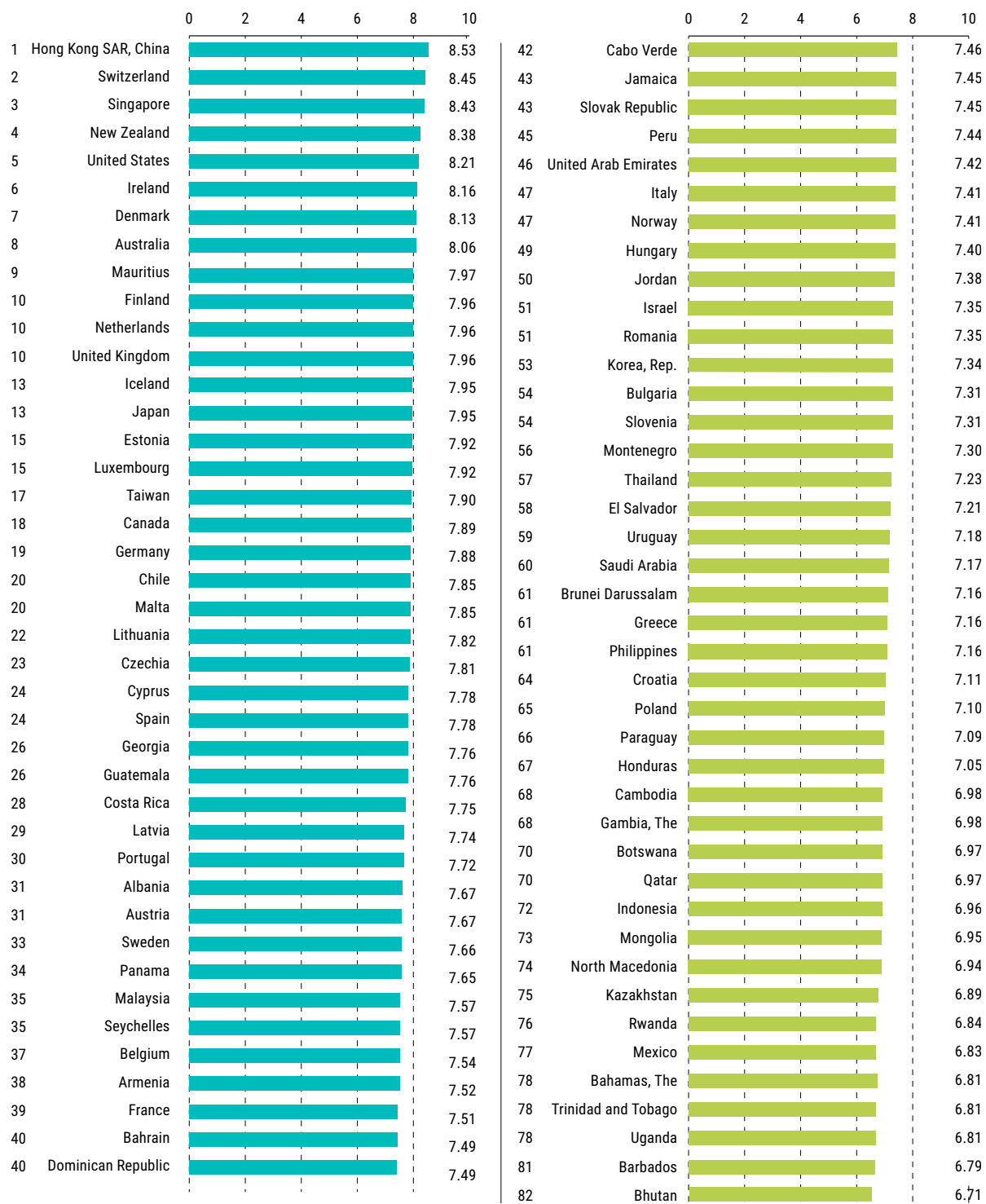


Figure 1.1b: Summary Economic Freedom Ratings for 2024, Third and Fourth Quartiles

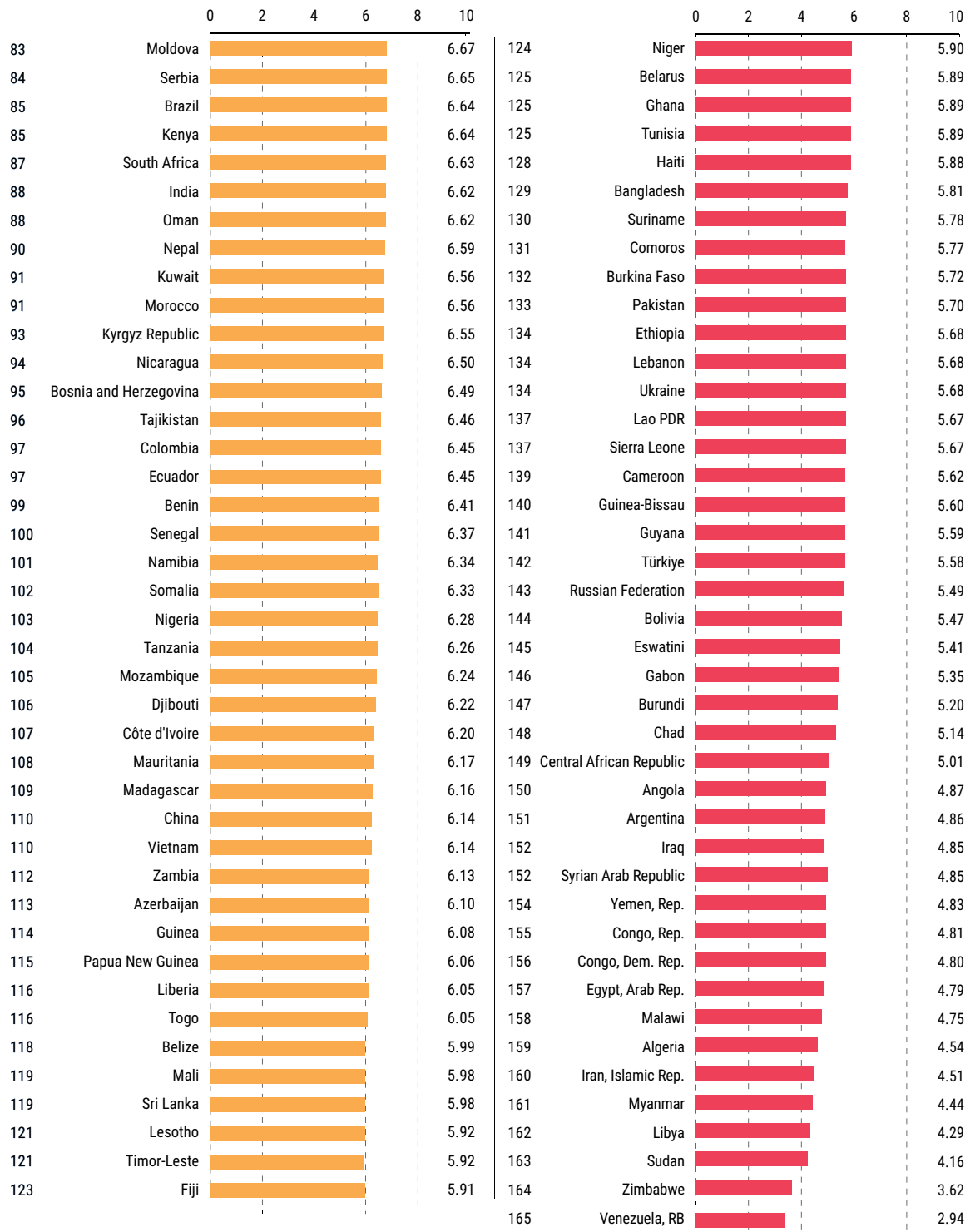


Table 1.2: Economic Freedom by Area and Ranking in 2024

Countries	1 Size of Government	Rank	2 Legal System & Property Rights	Rank	3 Sound Money	Rank	4 Freedom to trade internationally	Rank	5 Regulation	Rank
Albania	7.64	30	5.60	66	9.25	34	8.56	37	7.30	26
Algeria	4.30	163	3.90	128	6.81	113	2.70	164	5.00	148
Angola	6.64	85	3.32	146	3.52	159	5.96	137	4.93	151
Argentina	6.75	73	5.14	81	1.25	163	5.55	147	5.61	128
Armenia	8.11	15	5.85	56	9.22	36	8.14	51	6.26	101
Australia	6.17	109	8.68	7	9.17	45	8.13	53	8.17	5
Austria	5.08	145	8.45	11	8.91	58	8.85	19	7.04	39
Azerbaijan	4.62	160	5.08	86	7.30	106	7.23	84	6.27	100
Bahamas, The	8.81	4	5.56	68	6.60	123	5.60	144	7.49	22
Bahrain	7.21	54	5.24	77	9.19	40	8.22	47	7.59	16
Bangladesh	8.45	9	2.89	152	6.21	136	5.95	138	5.53	130
Barbados	7.33	44	5.61	65	8.02	86	6.77	105	6.24	103
Belarus	5.89	123	4.27	120	8.17	81	6.32	121	4.82	154
Belgium	4.74	157	7.63	22	9.31	27	8.87	17	7.13	36
Belize	6.09	111	4.08	125	6.35	133	6.57	112	6.86	55
Benin	8.07	18	4.40	116	6.98	111	6.10	130	6.48	82
Bhutan	6.45	98	6.72	38	6.68	120	6.88	99	6.80	57
Bolivia	6.09	112	3.94	126	8.88	60	3.96	159	4.48	159
Bosnia and Herzegovina	6.67	82	4.58	109	6.64	121	7.78	64	6.76	59
Botswana	6.49	96	6.23	45	8.97	55	6.99	96	6.17	108
Brazil	6.54	94	5.33	71	8.59	72	7.45	74	5.26	141
Brunei Darussalam	6.67	83	5.31	72	8.25	80	7.66	68	7.91	8
Bulgaria	6.62	88	5.83	57	8.93	57	8.56	38	6.60	71
Burkina Faso	5.59	135	3.61	136	6.51	129	6.29	122	6.58	76
Burundi	6.74	76	3.34	145	6.34	134	3.16	161	6.41	87
Cabo Verde	7.32	45	6.32	44	9.52	7	7.61	69	6.53	77
Cambodia	8.90	3	3.91	127	9.30	30	7.39	76	5.40	137
Cameroon	7.06	62	2.85	153	6.46	130	5.47	148	6.29	98
Canada	6.31	101	8.30	12	9.02	53	8.18	50	7.65	13
Central African Republic	6.65	84	2.02	164	6.56	126	4.94	156	4.90	153
Chad	8.42	10	2.41	161	4.93	150	5.29	152	4.63	156
Chile	7.61	33	6.95	31	9.18	44	8.59	36	6.92	46
China	4.70	158	4.72	99	8.32	78	7.36	78	5.60	129

Table 1.2: Economic Freedom by Area and Ranking in 2024 (continued)

Countries	1 Size of Government	Rank	2 Legal System & Property Rights	Rank	3 Sound Money	Rank	4 Freedom to trade internationally	Rank	5 Regulation	Rank
Colombia	6.82	72	5.05	88	7.00	110	6.86	101	6.53	78
Comoros	7.24	52	3.16	148	6.38	132	6.25	125	5.83	123
Congo, Dem. Rep.	4.79	156	2.67	155	5.94	139	5.32	150	5.26	142
Congo, Rep.	5.34	140	3.09	150	5.01	148	5.32	151	5.29	139
Costa Rica	7.46	37	6.61	42	9.46	13	8.21	48	6.99	41
Côte d'Ivoire	6.99	65	5.12	82	6.74	117	5.74	142	6.40	88
Croatia	5.76	128	6.19	48	8.71	66	8.69	29	6.20	107
Cyprus	6.85	71	6.69	39	9.47	12	9.00	9	6.87	54
Czechia	6.13	110	7.63	21	9.19	41	8.88	15	7.23	27
Denmark	5.38	139	9.08	2	9.31	28	9.11	4	7.76	10
Djibouti	5.43	137	3.59	137	9.58	4	5.57	146	6.91	49
Dominican Republic	8.31	11	5.28	74	9.00	54	8.11	55	6.74	63
Ecuador	6.74	75	4.86	93	7.88	90	6.79	103	5.99	116
Egypt, Arab Rep.	5.06	146	3.35	144	5.32	143	6.15	128	4.08	162
El Salvador	7.61	32	4.32	117	9.49	10	8.02	61	6.60	73
Estonia	6.20	106	8.00	16	8.60	71	9.04	6	7.74	11
Eswatini	4.97	149	3.10	149	7.85	92	5.65	143	5.48	134
Ethiopia	7.00	64	4.24	122	5.11	145	6.03	133	6.01	115
Fiji	5.70	131	4.86	94	6.53	128	6.06	132	6.40	89
Finland	4.93	150	8.87	5	9.61	2	8.85	20	7.53	18
France	4.88	153	7.40	27	9.40	17	8.97	12	6.90	51
Gabon	6.03	115	3.72	132	5.90	140	5.59	145	5.50	131
Gambia, The	7.63	31	4.90	92	8.06	84	7.34	81	6.96	43
Georgia	7.30	49	6.08	51	9.08	48	8.82	22	7.51	19
Germany	5.79	126	8.02	15	9.37	21	8.75	26	7.48	23
Ghana	8.23	13	5.24	78	2.91	160	6.74	107	6.34	93
Greece	5.23	144	6.21	46	9.08	49	8.64	30	6.63	70
Guatemala	9.22	2	4.77	97	9.21	37	8.37	44	7.21	31
Guinea	7.93	23	3.53	139	7.09	108	6.01	134	5.84	120
Guinea-Bissau	7.33	43	2.76	154	6.54	127	6.00	136	5.34	138
Guyana	3.77	164	5.08	87	6.42	131	6.24	126	6.46	83
Haiti	8.79	5	2.43	160	4.98	149	8.04	59	5.17	146
Honduras	8.71	8	4.10	124	8.82	61	7.12	91	6.51	80

Table 1.2: Economic Freedom by Area and Ranking in 2024 (continued)

Countries	1 Size of Government	Rank	2 Legal System & Property Rights	Rank	3 Sound Money	Rank	4 Freedom to trade internationally	Rank	5 Regulation	Rank
Hong Kong SAR, China	7.30	48	7.56	24	9.50	8	9.66	1	8.61	2
Hungary	6.08	114	6.68	41	8.73	64	8.82	23	6.67	68
Iceland	5.83	124	8.80	6	8.88	59	8.53	40	7.72	12
India	7.85	25	5.27	75	7.76	96	6.27	124	5.94	117
Indonesia	8.23	12	4.53	112	9.14	46	7.17	89	5.74	126
Iran, Islamic Rep.	6.95	69	3.39	142	5.03	147	2.43	165	4.76	155
Iraq	4.89	152	2.43	159	5.82	141	6.13	129	4.97	149
Ireland	6.25	103	8.06	14	9.29	31	9.04	8	8.17	4
Israel	5.78	127	6.13	49	9.09	47	8.81	24	6.93	45
Italy	5.30	141	6.73	36	9.53	6	9.00	10	6.49	81
Jamaica	8.12	14	5.82	58	8.45	77	7.22	85	7.63	14
Japan	5.92	122	7.92	17	9.44	15	8.61	34	7.86	9
Jordan	7.19	56	4.61	107	9.59	3	8.13	52	7.38	25
Kazakhstan	7.76	26	5.71	62	7.86	91	6.99	97	6.15	110
Kenya	6.56	92	4.72	100	9.19	42	6.45	115	6.30	97
Korea, Rep.	6.44	100	6.80	34	9.39	19	7.36	79	6.73	64
Kuwait	5.99	119	5.24	76	7.78	95	7.35	80	6.42	86
Kyrgyz Republic	7.20	55	4.57	110	7.60	100	7.47	73	5.91	118
Lao PDR	7.40	38	4.53	113	4.50	154	6.85	102	5.07	147
Latvia	6.02	118	7.60	23	9.05	52	8.86	18	7.16	34
Lebanon	8.78	7	3.58	138	3.94	155	6.10	131	6.02	114
Lesotho	5.42	138	4.75	98	7.54	102	6.44	116	5.45	135
Liberia	7.12	59	3.90	129	8.16	82	5.82	140	5.25	143
Libya	3.37	165	2.66	156	7.09	109	4.44	158	3.89	163
Lithuania	6.75	74	7.66	20	8.73	65	8.93	13	7.02	40
Luxembourg	4.90	151	8.62	8	9.48	11	8.99	11	7.62	15
Madagascar	8.09	16	3.07	151	7.40	104	6.94	98	5.27	140
Malawi	5.74	129	4.71	104	3.77	158	3.74	160	5.77	125
Malaysia	7.23	53	5.94	54	9.40	18	7.90	63	7.39	24
Mali	7.30	50	3.52	140	6.88	112	6.38	118	5.82	124
Malta	6.68	81	6.88	32	9.44	14	9.04	7	7.18	32
Mauritania	6.62	86	3.38	143	7.99	88	6.79	104	6.04	113
Mauritius	7.68	27	6.86	33	9.06	51	8.76	25	7.51	20

Table 1.2: Economic Freedom by Area and Ranking in 2024 (continued)

Countries	1 Size of Government	Rank	2 Legal System & Property Rights	Rank	3 Sound Money	Rank	4 Freedom to trade internationally	Rank	5 Regulation	Rank
Mexico	7.98	20	4.26	121	7.65	99	8.11	56	6.16	109
Moldova	7.60	34	5.76	60	7.13	107	7.60	70	5.24	144
Mongolia	6.94	70	6.05	53	8.09	83	7.36	77	6.31	95
Montenegro	7.11	60	5.67	64	8.70	67	8.28	46	6.73	65
Morocco	6.99	66	5.30	73	6.80	114	7.17	88	6.53	79
Mozambique	7.01	63	4.69	105	7.75	97	6.52	113	5.21	145
Myanmar	6.72	78	3.26	147	3.90	156	2.84	163	5.50	132
Namibia	7.13	58	5.92	55	6.57	124	6.36	120	5.73	127
Nepal	7.25	51	4.82	96	7.57	101	6.39	117	6.90	50
Netherlands	5.23	143	8.55	9	9.30	29	9.24	3	7.49	21
New Zealand	6.27	102	9.09	1	9.37	20	8.54	39	8.61	1
Nicaragua	6.45	99	3.48	141	8.78	62	7.96	62	5.84	121
Niger	7.96	21	3.61	135	6.19	137	5.44	149	6.28	99
Nigeria	8.78	6	3.62	133	6.21	135	6.18	127	6.59	74
North Macedonia	7.14	57	4.71	101	7.89	89	7.72	66	7.23	28
Norway	4.83	154	9.04	3	7.82	94	8.39	43	6.95	44
Oman	5.05	147	5.69	63	8.56	74	7.34	82	6.45	84
Pakistan	7.66	29	3.73	131	5.04	146	6.01	135	6.08	112
Panama	7.32	46	5.78	59	9.36	22	8.87	16	6.92	48
Papua New Guinea	6.02	117	4.71	102	6.57	125	6.57	111	6.44	85
Paraguay	7.94	22	4.46	115	8.96	56	7.39	75	6.68	67
Peru	7.58	35	5.18	79	9.06	50	8.52	41	6.88	53
Philippines	7.86	24	4.71	103	9.34	24	7.15	90	6.75	61
Poland	5.61	134	6.75	35	7.70	98	8.63	31	6.80	58
Portugal	5.97	120	7.40	26	9.29	33	9.09	5	6.84	56
Qatar	5.68	133	5.59	67	8.04	85	8.41	42	7.14	35
Romania	6.52	95	6.68	40	8.65	68	8.61	35	6.31	96
Russian Federation	6.03	116	4.85	95	5.14	144	6.48	114	4.94	150
Rwanda	4.98	148	6.06	52	8.56	73	7.51	72	7.11	37
Saudi Arabia	6.69	80	6.21	47	8.32	79	7.71	67	6.92	47
Senegal	7.38	41	4.27	119	6.73	118	7.09	92	6.37	92
Serbia	6.23	104	5.37	69	7.34	105	8.08	57	6.23	106
Seychelles	6.74	77	6.43	43	9.56	5	8.03	60	7.07	38

Table 1.2: Economic Freedom by Area and Ranking in 2024 (continued)

Countries	1 Size of Government	Rank	2 Legal System & Property Rights	Rank	3 Sound Money	Rank	4 Freedom to trade internationally	Rank	5 Regulation	Rank
Sierra Leone	7.10	61	4.60	108	3.79	157	6.63	110	6.24	102
Singapore	7.38	40	8.46	10	8.75	63	9.56	2	7.97	6
Slovak Republic	6.18	108	6.73	37	9.21	38	8.74	27	6.38	90
Slovenia	4.82	155	7.10	29	9.24	35	8.63	32	6.74	62
Somalia	9.45	1	2.18	163	9.33	25	6.38	119	4.33	160
South Africa	6.20	105	5.71	61	7.84	93	7.01	95	6.37	91
Spain	6.19	107	7.35	28	9.35	23	8.85	21	7.17	33
Sri Lanka	7.34	42	5.11	83	4.91	151	6.29	123	6.23	104
Sudan	8.02	19	1.91	165	1.25	163	5.02	154	4.59	158
Suriname	6.60	90	4.29	118	4.67	153	7.09	93	6.23	105
Sweden	4.57	161	8.29	13	9.33	26	8.89	14	7.22	30
Switzerland	7.67	28	8.97	4	9.66	1	8.35	45	7.59	17
Syrian Arab Republic	7.31	47	2.50	157	4.70	152	5.16	153	4.61	157
Taiwan	7.57	36	7.43	25	9.42	16	8.19	49	6.89	52
Tajikistan	5.94	121	4.19	123	8.63	69	7.24	83	6.32	94
Tanzania	5.79	125	5.10	85	8.01	87	5.77	141	6.60	72
Thailand	6.96	68	5.36	70	9.49	9	7.56	71	6.76	60
Timor-Leste	4.35	162	3.89	130	6.63	122	7.74	65	6.98	42
Togo	6.72	79	5.02	89	6.75	116	5.91	139	5.83	122
Trinidad and Tobago	6.60	89	5.17	80	8.51	75	7.07	94	6.69	66
Tunisia	5.29	142	4.53	114	7.41	103	6.73	108	5.48	133
Türkiye	6.97	67	4.90	91	2.68	161	7.22	86	6.12	111
Uganda	6.57	91	4.65	106	9.29	32	6.87	100	6.64	69
Ukraine	5.73	130	4.56	111	6.03	138	7.19	87	4.90	152
United Arab Emirates	5.69	132	7.08	30	8.47	76	8.62	33	7.23	29
United Kingdom	6.08	113	7.91	18	9.20	39	8.72	28	7.91	7
United States	7.39	39	7.87	19	9.18	43	8.13	54	8.47	3
Uruguay	6.56	93	6.08	50	8.62	70	8.06	58	6.58	75
Venezuela, RB	4.63	159	2.40	162	0.00	165	4.99	155	2.66	165
Vietnam	6.62	87	5.10	84	6.79	115	6.74	106	5.41	136
Yemen, Rep.	8.08	17	2.44	158	5.82	142	4.58	157	3.21	164
Zambia	6.46	97	4.95	90	6.69	119	6.66	109	5.87	119
Zimbabwe	5.44	136	3.62	134	1.93	162	2.95	162	4.18	161

is the Middle East and North Africa. There, economic freedom spans from Libya at 4.29 to Malta at 7.85. Note that there are a handful of places on Earth where first- and fourth-quartile countries share a border: Haiti and the Dominican Republic, Chile and Argentina, Russia and the Baltics, etc.

The EFW Panel Dataset

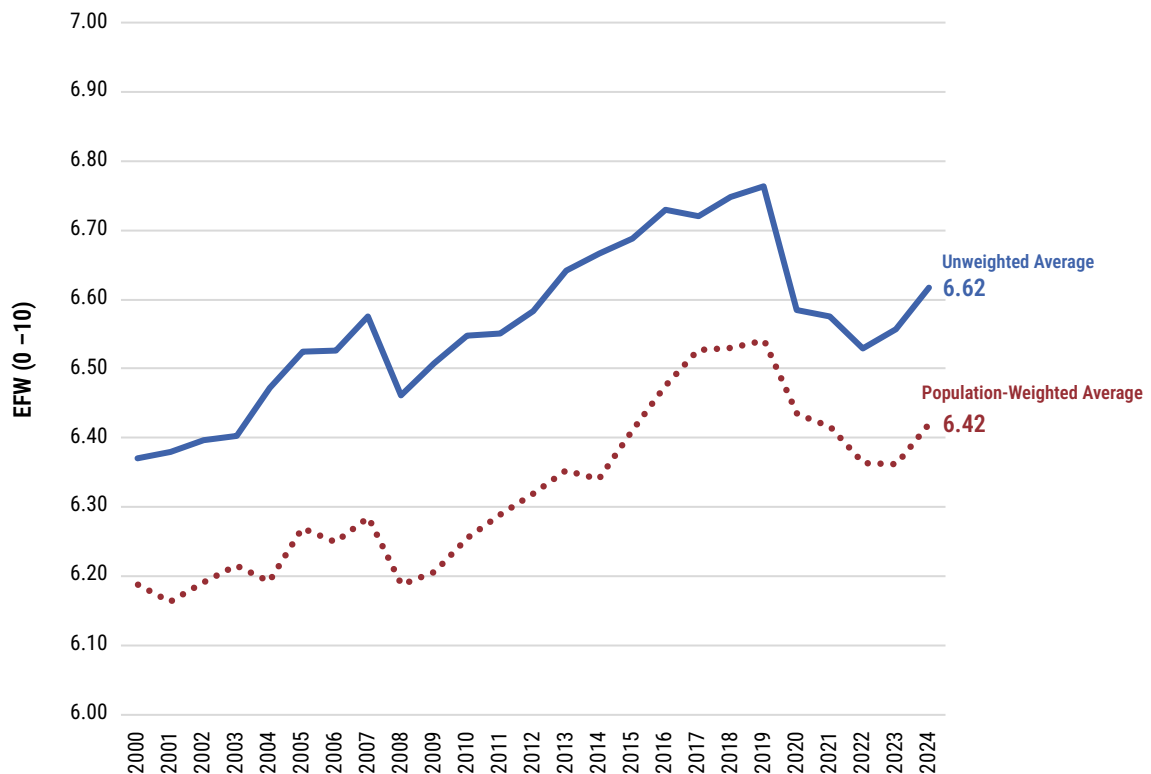
Over the years, the EFW index has become more comprehensive and the available data more complete. As a result, the number and composition of the components and subcomponents for many countries vary across time. This makes it difficult to directly compare index values from earlier periods with those of later periods. To assist researchers who are interested in a consistent time-series for a particular country and/or longitudinal data for a panel of countries, we have developed the EFW Panel Dataset.

The EFW Panel Dataset is a chain-linked version of the index. It uses the most recent year as the base year, and changes in a country's scores backward in time are based only on changes in components that were present in adjoining years. See page 103 in the appendix for additional details on this process. Note that the EFW Panel Dataset contains area and summary ratings only for those years in which the country received a regular EFW index rating. Because some data for earlier years may have been updated or corrected, we always encourage researchers to use the data from the most recent annual report to ensure the most reliable figures.

Figure 1.3 presents the global average for all nations with complete data since 2000 using the EFW Panel Dataset. It also shows the population-weighted global average, which indicates how the average global citizen fares. Because it gives greater weight to large, relatively unfree countries like India, China, and Brazil, the population-weighted average is lower than the simple average. Overall, the index shows that economic freedom has increased since 2000, but fell precipitously following the coronavirus pandemic, erasing nearly a decade of progress. It also shows that global economic freedom finally began to recover in 2024, four years after the onset of the pandemic. The last time global economic freedom fell was during the Great Recession of 2007–08. Note that the post-COVID decline in economic freedom was much larger and has lasted much longer than the decline in economic freedom during the Great Recession.

Figures 1.4 through 1.6 offer a closer look at the patterns shaping global economic freedom in the years after the pandemic. Figure 1.4 shows global economic freedom and each of its constituent areas from 2019 through 2024. It contextualizes the data by showing each

Figure 1.3: Global Economic Freedom (2000–2024)



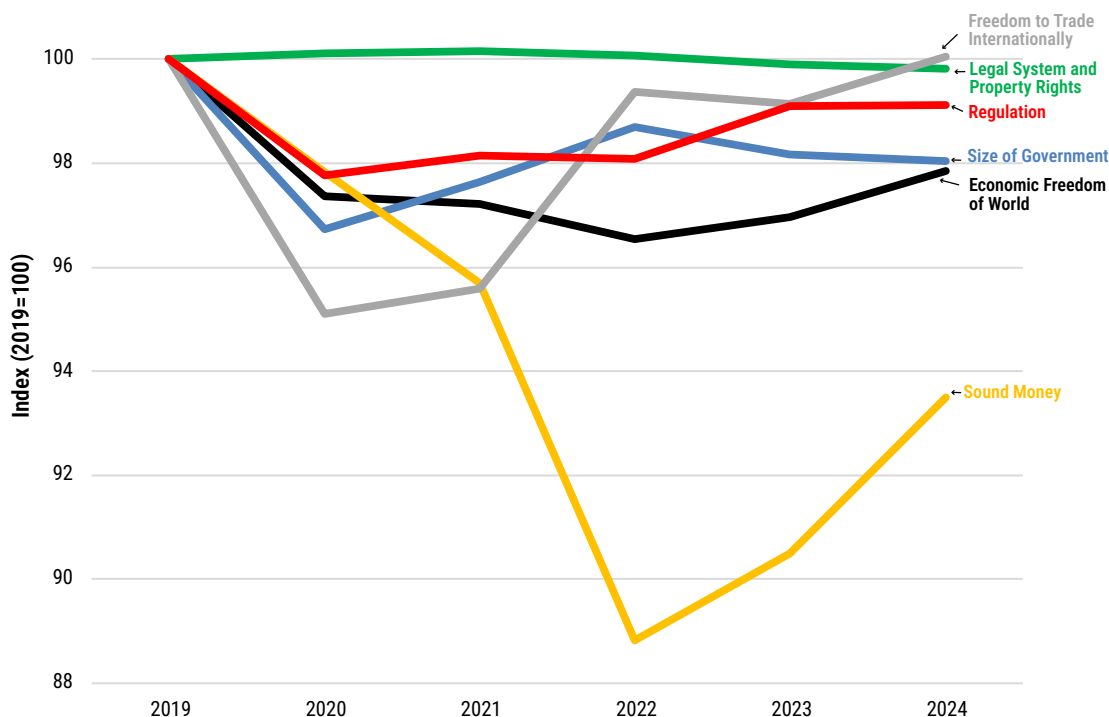
value as a percent of its 2019 level.⁵ So, for example, it shows that in 2022, the average government's Sound Money score was about 89 percent of its pre-COVID level.

In the average country, every area of economic freedom except for the Legal System and Property Rights area collapsed in the years after the pandemic.⁶ In 2020, governments restricted international trade, increased regulation, ramped up government spending, and began printing money to pay for the new spending. In this first year of the pandemic, the area of economic freedom that fell the most was Freedom to Trade Internationally, falling on average to about 95 percent of pre-pandemic levels. In 2021, the average government began to pull back on government spending and regulation and eased restrictions on international trade, causing those three areas to begin to rebound. But as inflation took hold, Sound Money

5 Here and in the following figures we calculate global EFW as a simple average across countries rather than as a population-weighted average. This keeps the focus on the countries as decision-making units rather than on the experience of the average global citizen.

6 The relative stability in Area 2 may have more to do with measurement than reality. The World Bank has discontinued its *Doing Business* report, and the World Economic Forum has discontinued publishing the Executive Opinion Survey data from its *Global Competitiveness Report*. These two reports supplied many of the indicators used in Area 2. In recent years we have begun to use alternative sources for these indicators, including the Economist Intelligence Unit, but in the meantime, we have had to assume little change in some indicators. This means that in future revisions of the data, Area 2 may exhibit less stability than it does now.

Figure 1.4: Recovery in Economic Freedom by Area of EFW, Indexed to 2019 = 100 (2019–2024)



scores continued to fall, and this was enough to continue to drag overall economic freedom down through 2022. Beginning in 2023, inflation eased, and Sound Money scores began to rebound as well. This pattern continued in 2024. Still, despite the gains in 2023 and 2024, global economic freedom remains below pre-pandemic levels. And every area of economic freedom other than Freedom to Trade Internationally was lower in 2024 than it had been in 2019.

Figure 1.5 shows that geographically the recovery in economic freedom has been uneven. In North America, the fall in economic freedom was not nearly as significant nor as prolonged as in other parts of the world. But the North American recovery, which began in 2021, faltered in 2024. Economic freedom in Europe and Central Asia also began to recover in 2021 but sharply reversed in 2022. In the rest of the world, the recovery in economic freedom did not begin until 2023 or 2024.

Starting places also mattered. Figure 1.6 groups countries by their quartile of economic freedom in 2019. We see here that countries in the two most economically free quartiles have recovered to about 98.5 percent of their pre-COVID levels while those in the two least-free quartiles have recovered to about 97 percent of their pre-COVID levels.

Figure 1.5: Recovery in Economic Freedom by Global Region, Indexed to 2019 = 100 (2019–2024)

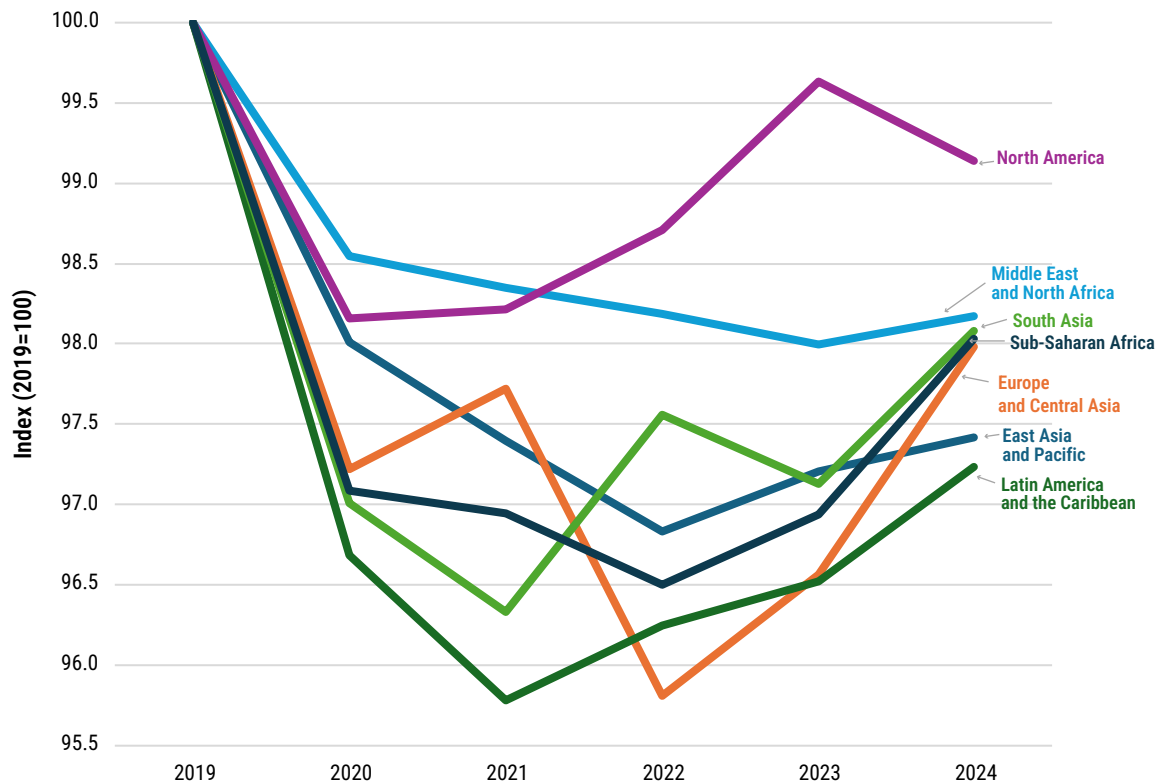
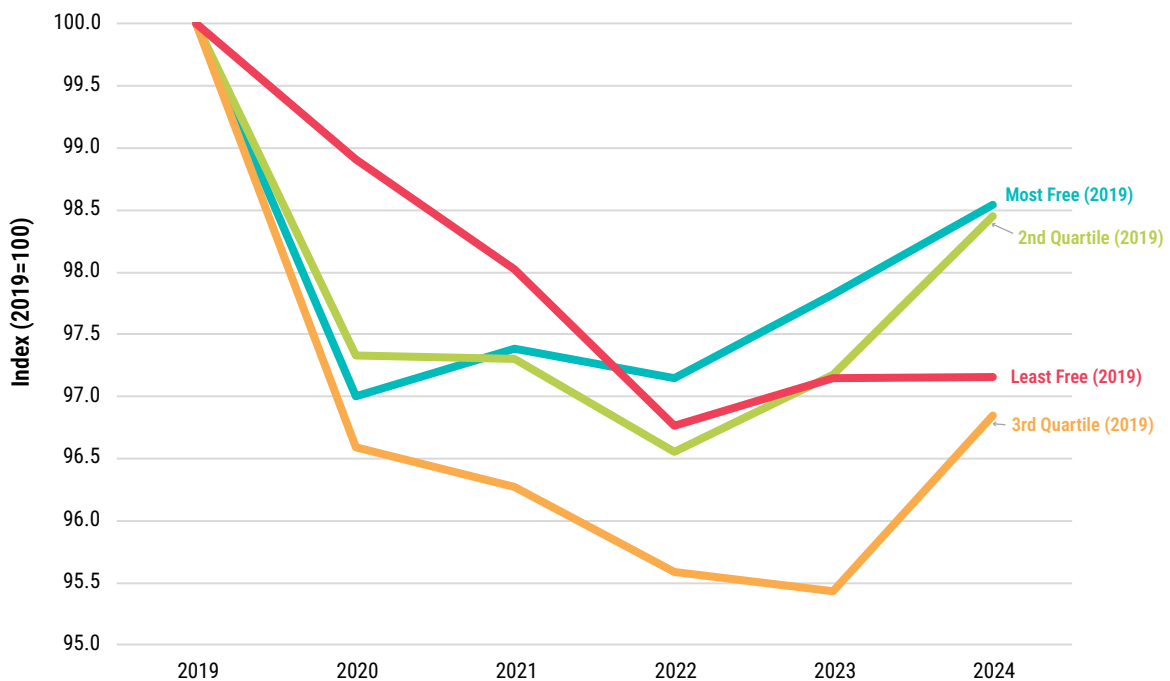


Figure 1.6: Recovery in Economic Freedom by Quartile, Indexed to 2019 = 100 (2019–2024)



A preview of economic freedom in the United States

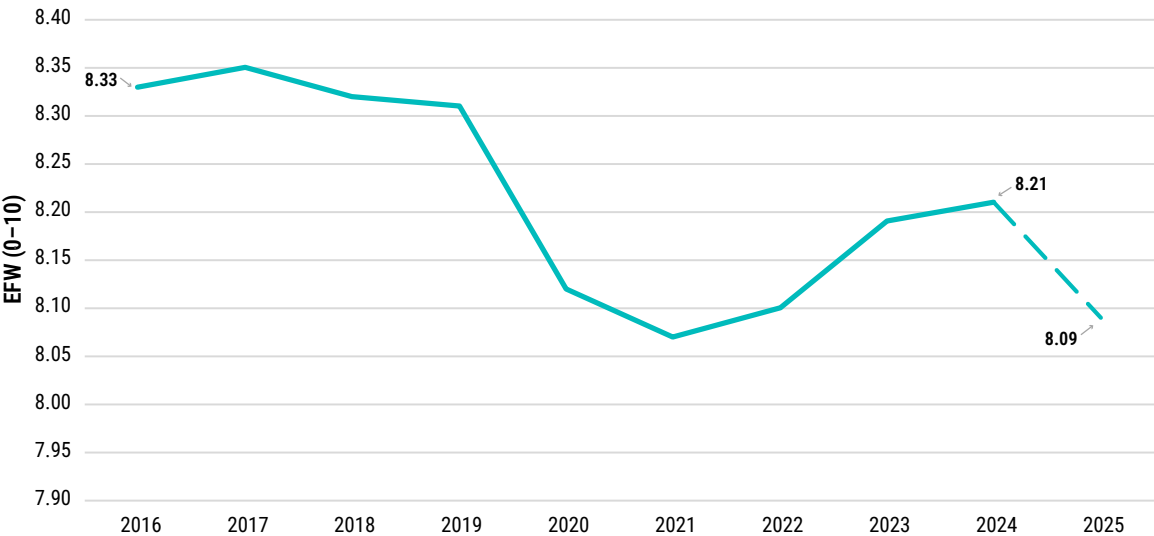
Each edition of the *Economic Freedom of the World* (EFW) report presents data from two years prior to release. For most countries, it is simply not possible to get more up-to-date data. United States data, however, are released in a more timely manner, permitting us to attempt, for the first time, a nearly contemporaneous estimate of the country’s economic freedom. These figures give us a glimpse of what the EFW ratings (and rankings) for the US will be in next year’s report. All the numbers will be fully revised and updated in the 2027 report and these figures should be seen as tentative.

Economic Freedom of the United States: Overall

↓	2024	8.21 (5th)
↓	2025p	8.09 (7th)

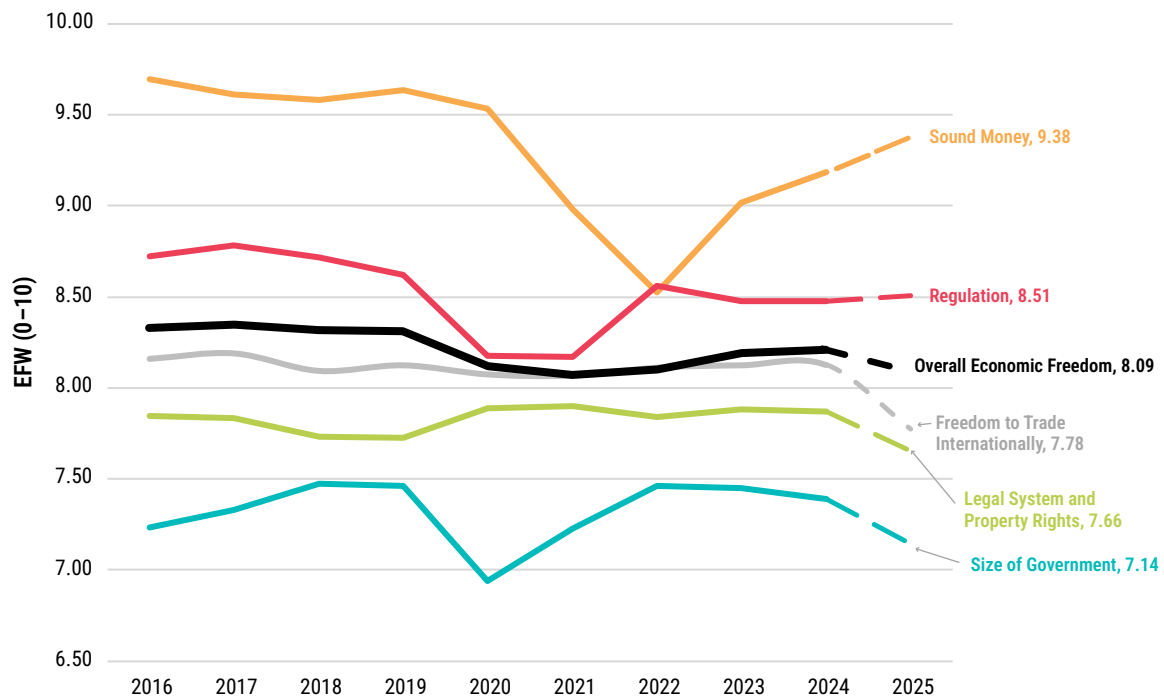
President Trump’s second term was supposed to portend the dawn of a new era. The preliminary data suggests that the new era will be one of less economic freedom for Americans. Government is bigger, property rights and the rule of law are weaker, and trade is more restricted. We currently project a significant decline of 0.12 points in the country’s overall EFW index (see figure 1.7). Assuming other countries do not change, this would drop the US from 5th to 7th place in the world from 2024 to 2025 and mark the country’s largest one-year decline in economic freedom since the 2020 COVID drop. A drop from 5th to 7th may

Figure 1.7: US Economic Freedom with 2025 Preliminary Estimate (2016–2025)



Note: All data are chain-linked.

Figure 1.8: US Economic Freedom By Area with 2025 Preliminary Estimates (2016–2025)



All data are chain-linked.

not sound like much but the relative ranking in the country's overall score obscures what is going on under the surface at the area level. As shown in figure 1.8, we project that three of the five areas of economic freedom declined in 2025. Regulations were roughly unchanged while only Sound Money improved.

AREA 1: Size of Government: Overall

2024	7.39 (39th)
2025p	7.14 (56th)

The size of the US government increased in 2025 thanks to increasing transfers and subsidies (1B) and a much lower rating for state ownership of assets (1E), which fell from 9.4 to 8.3. This reflects the government's acquisition of equity stakes in more than two dozen firms. The country's decline in this area of economic freedom accelerates a trend that began in 2023.

AREA 2: Legal System and Property Rights

2024	7.87 (19th)
2025p	7.66 (20th)

Significant declines in judicial independence (1A) and contracts (2F) resulted in the largest recorded single year drop in the country’s Legal System and Property Rights (Area 2) score. The US rating for this area is now the lowest it has ever been going back to 1970.

AREA 3: Sound Money



2024	9.18 (43rd)
2025p	9.38 (20th)

The Federal Reserve has continued to show improved monetary restraint resulting in lower and more stable inflation in 2025 compared with 2024. This is the one area of the index that shows a clear positive trend in 2025. It is also the area over which the President has been able to exercise the least control, though that may change as he appoints more members to the Federal Reserve. We urge caution in the interpretation of the relative performance of the US in this area as global inflation eased in 2025 and many other countries are also likely to improve their 2025 Area 3 scores when those data come out.

AREA 4: Freedom to Trade Internationally



2024	8.13 (54th)
2025p	7.78 (64th)

Tariffs have become one of the signature policies of the Trump administration. The President has imposed a five-fold increase in the mean tariff rate, raising it to a whopping 16.8 percent in 2025. Only a handful of low-income countries, including Sudan, Djibouti, and Iran imposed higher tariffs in 2024. This causes the tariff component (4A) ranking to fall from 60th in the world to 125th, and the broader area of trade freedom (Area 4) to fall 0.35 points in one year. This is the largest single year decline in US trade freedom on record and pushes the country’s score in this area to the lowest recorded level going back to 1970.

AREA 5: Regulation



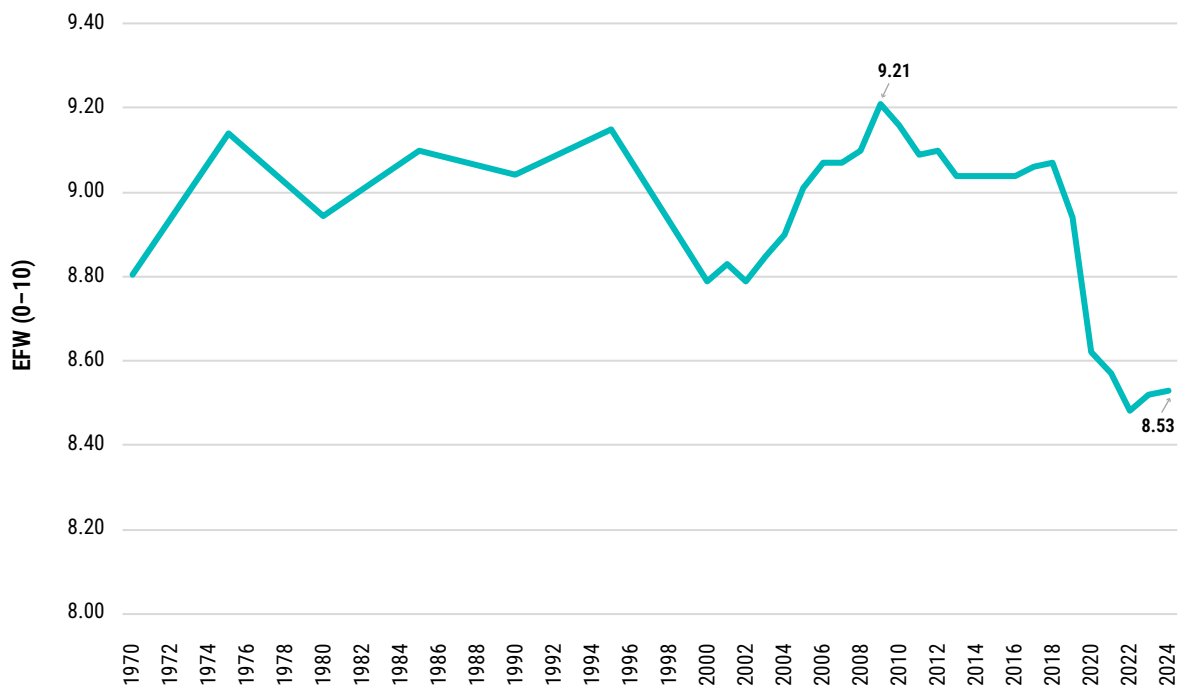
2024	8.47 (3rd)
2025p	8.51 (3rd)

Despite claims to the contrary, we project little change in the regulatory environment in the US in 2025. Overall, the country’s regulatory score seems to have recovered somewhat from its COVID-low, but it has not returned to its pre-COVID levels.

Economic freedom in Hong Kong

Hong Kong has long topped the list as the world's most economically free jurisdiction. But there is more to the story than the top-line rankings. Figure 1.9 shows the special administrative region's overall economic freedom from 1970 through 2024. Hong Kong's score has declined by 0.68 points since 2009, with most of the decline occurring after 2018. To put this in perspective, a difference of 0.68 points is about equal to the difference in economic freedom between the United States and Armenia. Hong Kong's decline has been driven by significant deteriorations in Regulation (down 0.47 since 2009), Legal System and Property Rights (down 0.98), and Size of Government (down 1.85). The territory's declines in the Regulation and Legal System and Property Rights areas are no doubt due to a notorious 2020 security law that seems to have ended China's promise of "one country, two systems." A summary of published estimates on the economic freedom-income relationship⁷ finds that a one standard deviation decrease in the EFW index is associated with nearly a half standard deviation decrease in real GDP per capita. Applied to Hong Kong's 0.68-point decline in its EFW rating since 2009, this implies Hong Kong's decline in economic freedom has caused

Figure 1.9: Hong Kong Economic Freedom (1970–2024)



⁷ See Lawson, Miozzi, and Tuszynski (2024).

the territory's real per capita income to be roughly \$5,100 to \$6,400 (in 2026 USD) lower than it would otherwise be.⁸

Economic freedom and human well-being

According to Google Scholar, researchers have cited various versions of the EFW index approximately 16,000 times. But scholars have not just cited the index; many of them have used it in their own work. Scholars have employed the index in close to a thousand studies to examine the effects of economic freedom on everything from income and growth to happiness and conflict. These studies typically use data from many years, include multiple controls to account for possibly confounding factors, and employ sophisticated econometric techniques to minimize potential statistical biases. But one need not have a deep background in econometrics to appreciate the gist of these results: economic freedom tends to be associated with better outcomes.

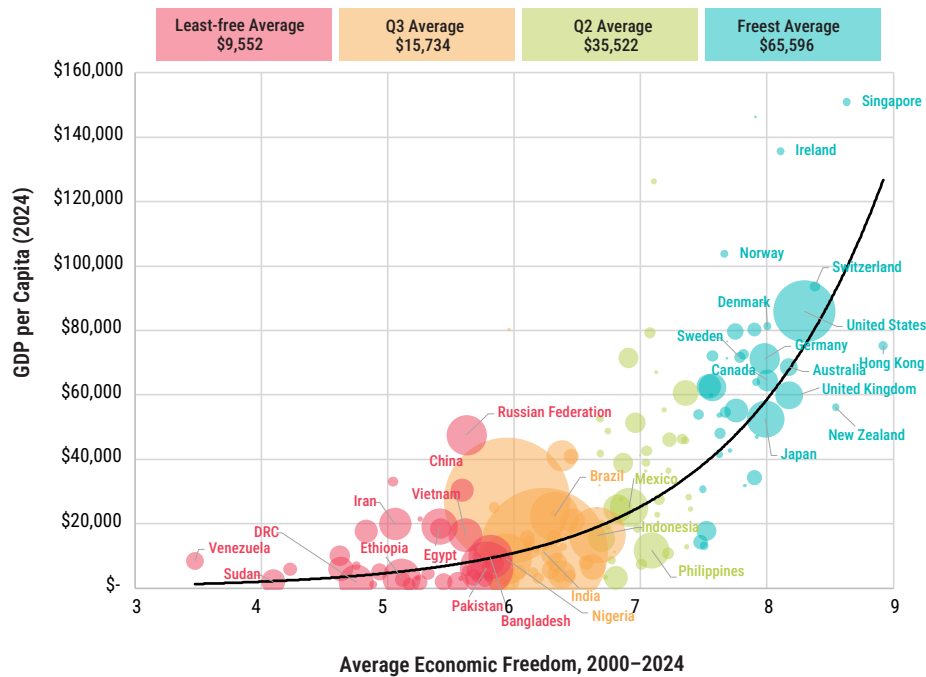
We illustrate this below in figures 1.10 through 1.20. These simple scatter plots show the relationship between economic freedom and various measures of well-being. In most cases, the graphs use the average of the EFW Panel Dataset from 2000 to 2024 (in some cases we average over an earlier period if the y-axis variable is not available in 2024). Because persistence is important and the impact of economic freedom will be felt over a lengthy period, it is better to use the average rating over a long period rather than the current rating to observe the impact of economic freedom on performance. Dot sizes indicate country size and colors indicate economic freedom quartile. Quartile averages are shown in the boxes at the top of each figure.

The graphs begin with the data on the relationship between economic freedom and the level of GDP per capita and then go on to examine the correlation with other economic and social outcomes. We are not necessarily arguing that there is a direct causal relation between economic freedom and the variables considered below. These graphs only establish how economic freedom correlates with other socio-economic outcomes over their respective time periods. To argue for a causal relationship between economic freedom and these outcomes would require econometric modeling with appropriate strategies for identifying causal effects.⁹ For instance, many of the relationships illustrated in the graphs below likely reflect the impact of economic freedom as it works through increasing per capita income. At the very least, these graphs suggest fruitful areas for future research.

⁸ According to the *Human Freedom Index*, which accounts for personal as well as economic freedom, Hong Kong fell from third place in 2011 to 53rd in 2023 (Vásquez, Mitchell, Murphy, and Schneider, 2025).

⁹ For recent reviews of the literature, see Lawson (2022); Lawson, Miozzi, and Tuszynski (2024); Mitchell (2024); and Berggren (2024).

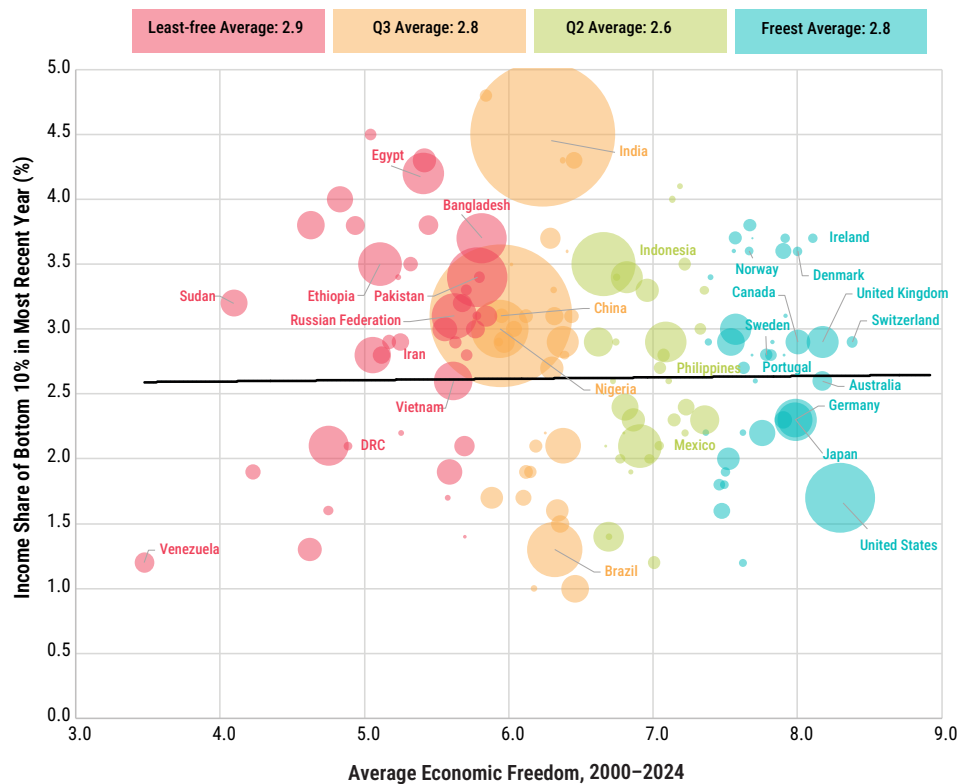
Figure 1.10: Economic Freedom and GDP per Capita



Those in the economically freest quartile earn 6.9 times as much as those in the least-free.

Sources: EFW: Authors' calculations. Main source for GDP per capita: World Bank, World Development Indicators, GDP per capita, PPP (constant 2021 international \$), as published by Our World in Data, converted to 2024 international \$ using the US GDP deflator (FRED). Alternative Source for 3 countries not covered by the World Bank: Taiwan, Venezuela, and Yemen: the IMF World Economic Outlook Database, April 2025 (GDP per capita, constant prices, PPP; 2021 international \$), converted to 2024 international \$ with the same deflator. Venezuela and Yemen are IMF estimates. Year Coverage: All figures are for 2024 except three countries: Bhutan (2023), Lebanon (2023), and Syria (2022).

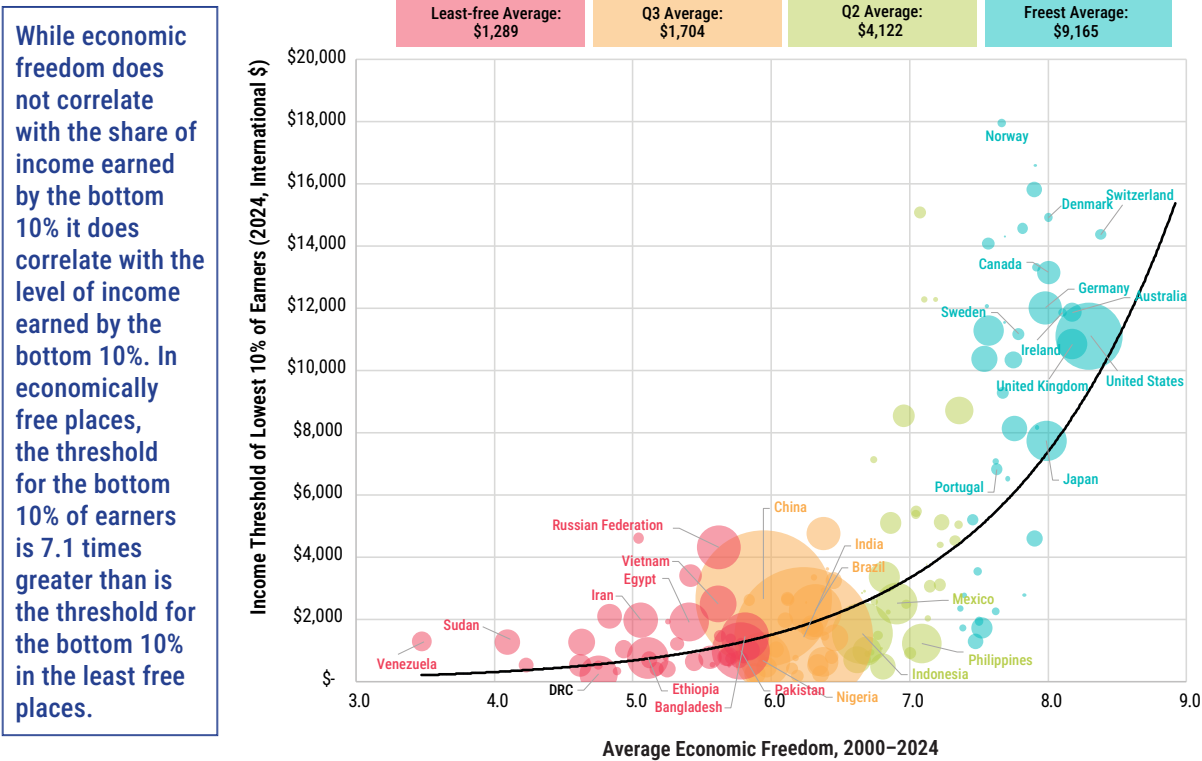
Figure 1.11: Economic Freedom and Income Share of Bottom 10%



Economic freedom does not correlate with the income share of the bottom 10% of earners.

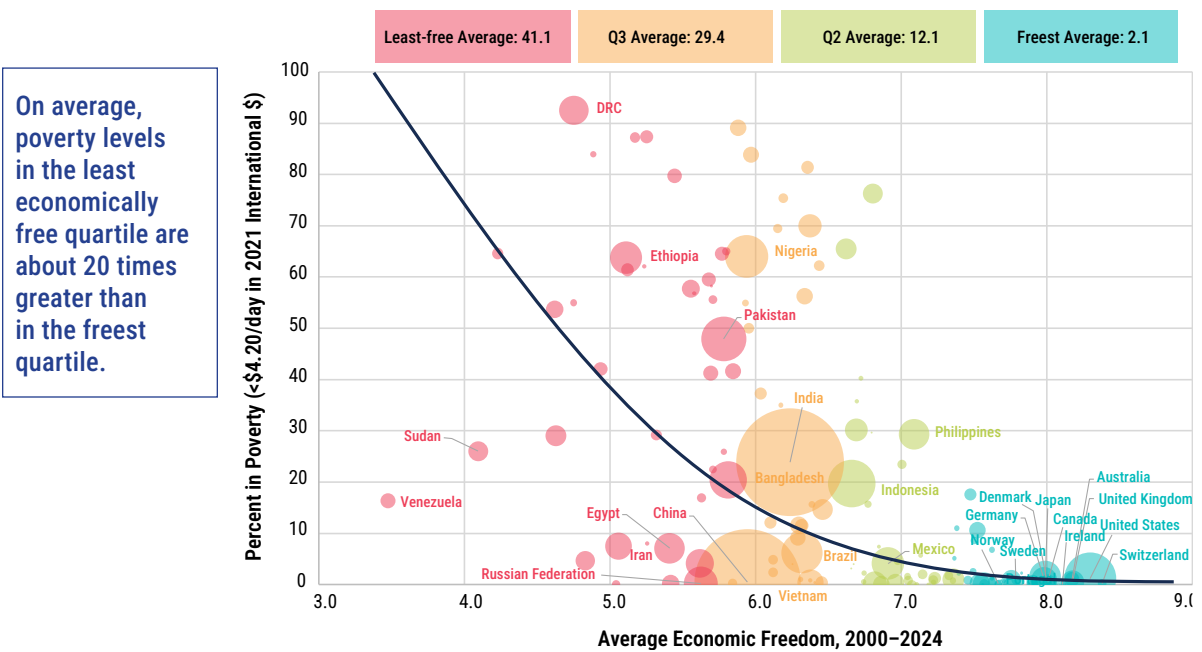
Sources: EFW: Authors' calculations. Income share: World Bank, World Development Indicators—Income share held by lowest 10% (SI.DST.FRST.10), Poverty and Inequality Platform <<https://api.worldbank.org/v2/en/indicator/SI.DST.FRST.10?downloadformat=csv>> (retrieved 2026-07-06). Data are latest available year per country.

Figure 1.12: Economic Freedom and Income Threshold of Lowest 10% of Earners



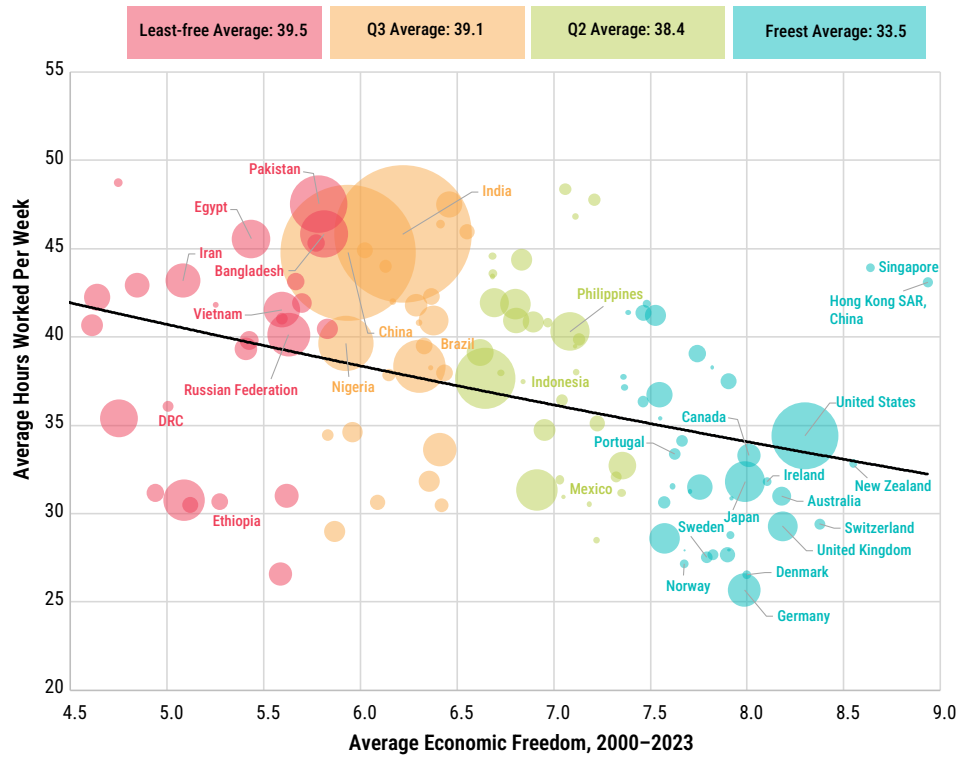
Sources: EFW: Authors' calculations. Income Threshold: Our World in Data (World Bank Poverty and Inequality Platform), P10 income/consumption threshold.

Figure 1.13: Economic Freedom and Percent in Poverty (<\$4.20/day in 2021 International \$)



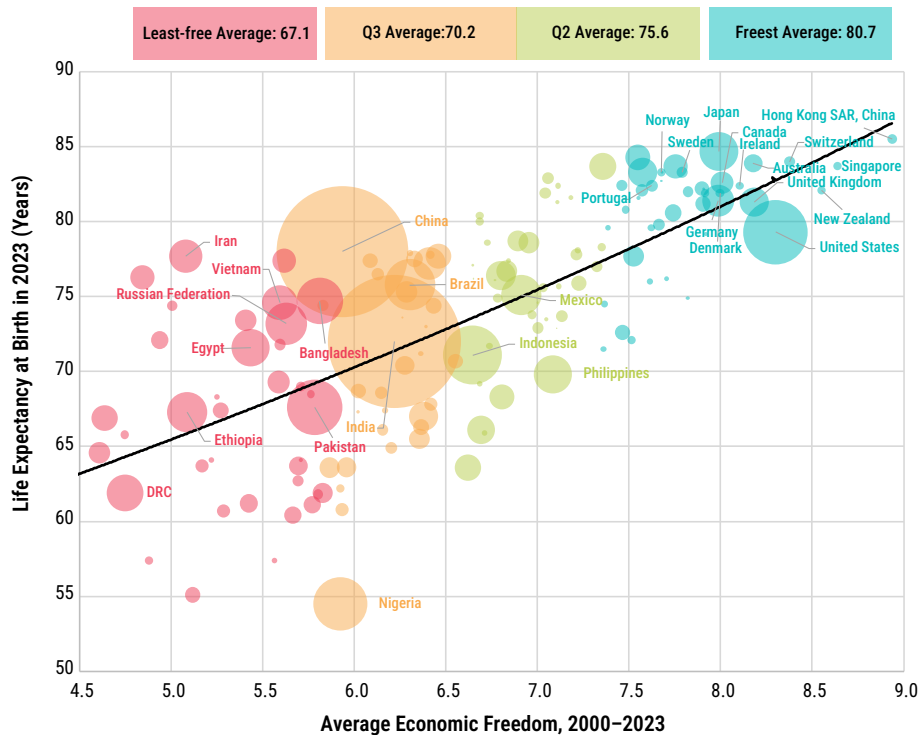
Sources: EFW: Authors' calculations. Poverty: Our World in Data (World Bank Poverty and Inequality Platform), share of population below \$4.20/day (2021 Int'l \$).

Figure 1.14: Economic Freedom and Average Hours Worked Per Week



Sources: EFW: Authors' calculations. Our World in Data (Penn World Table 11.0, Feenstra et al.), average annual hours worked per worker. Hours worked are derived from annual hours divided by 52.

Figure 1.15: Economic Freedom and Life Expectancy



Sources: EFW: Authors' calculations. Life expectancy: Our World in Data (UN World Population Prospects 2024; HMD), life expectancy at birth.

Those in the most economically free places can expect to live about 14 years longer than those in the least economically free places.

Figure 1.16: Economic Freedom and Infant Mortality

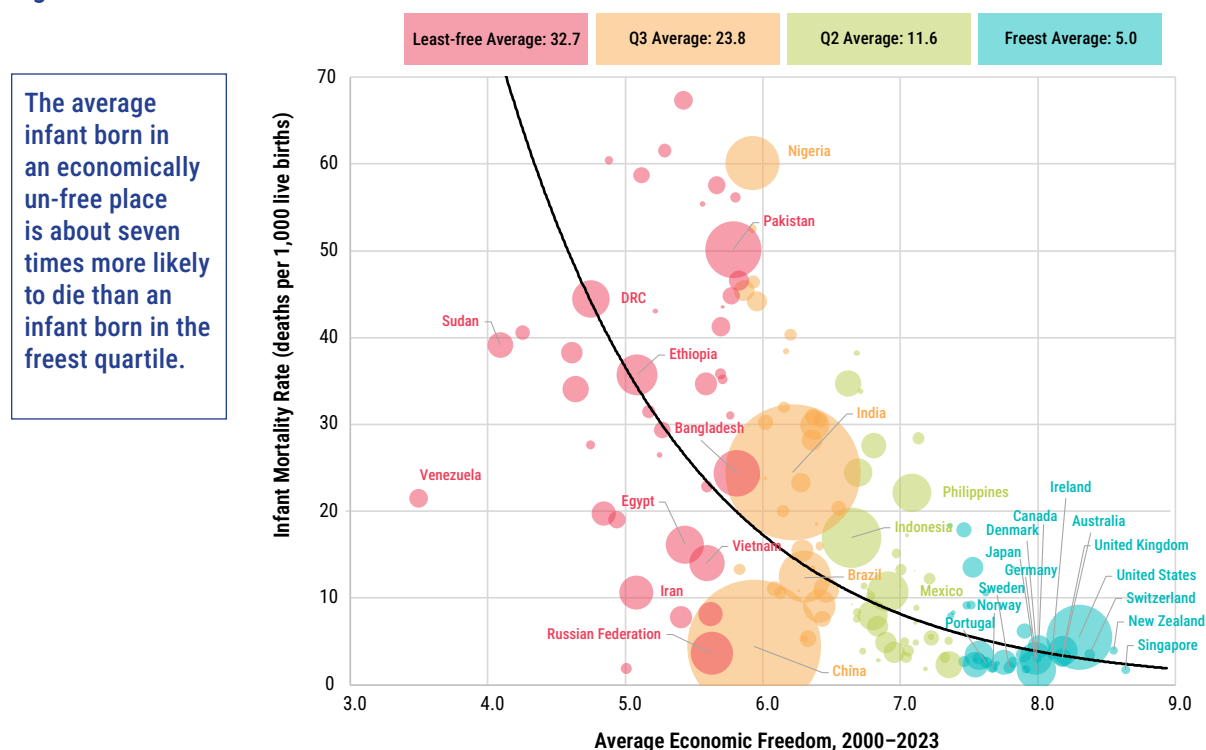


Figure 1.17: Economic Freedom and Personal Freedom

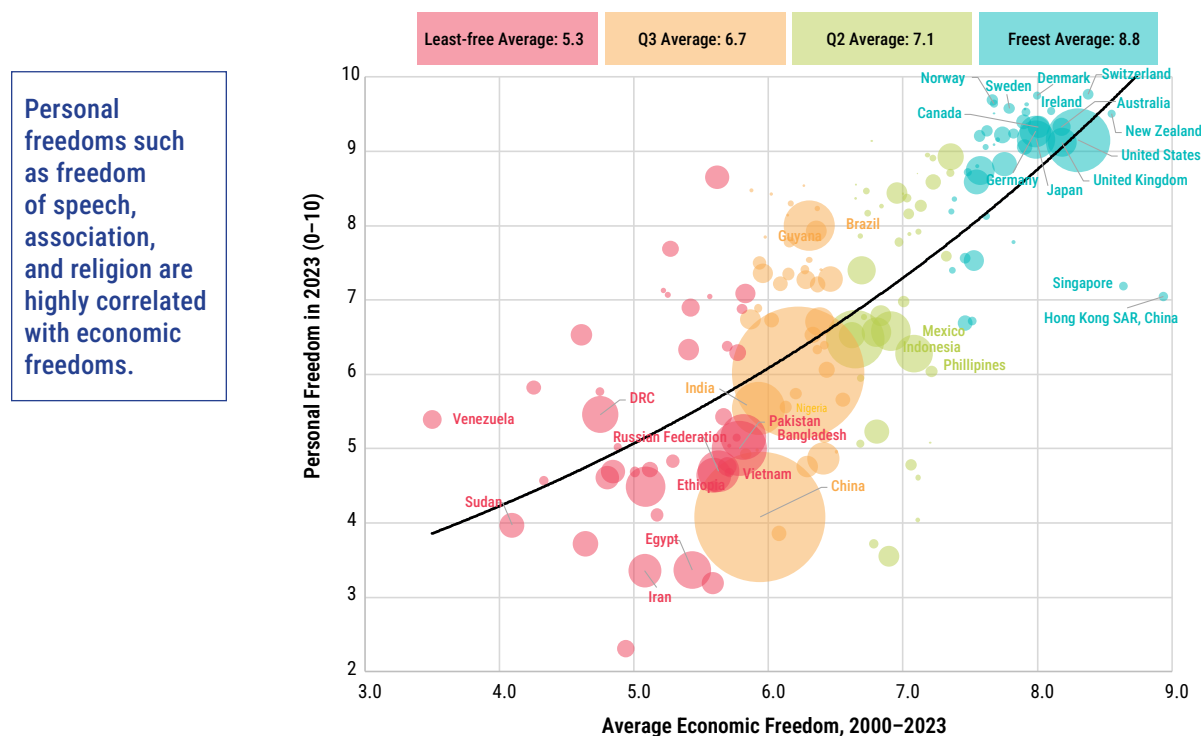
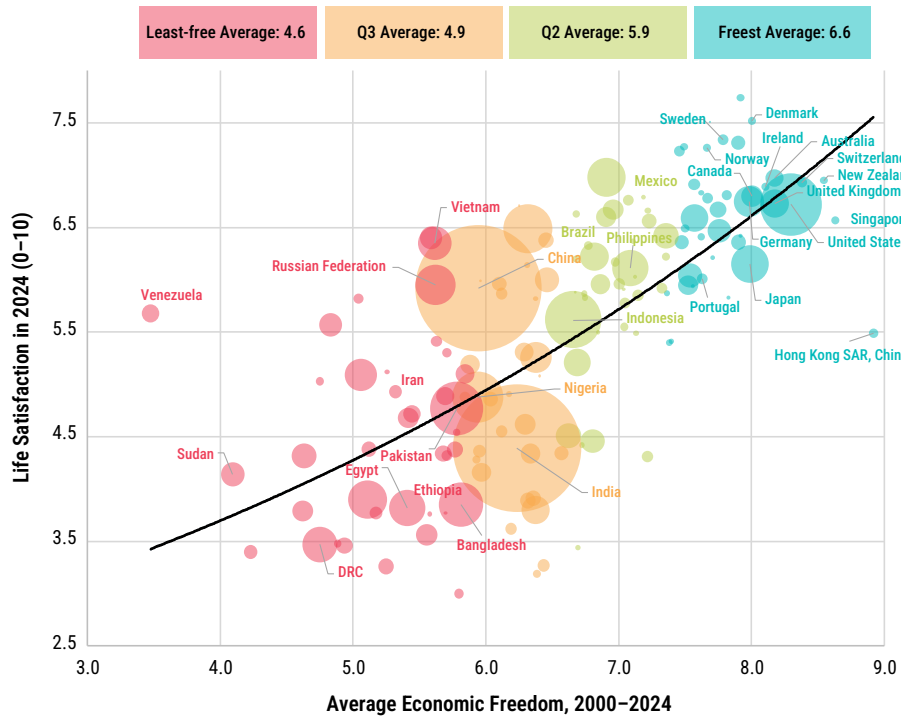


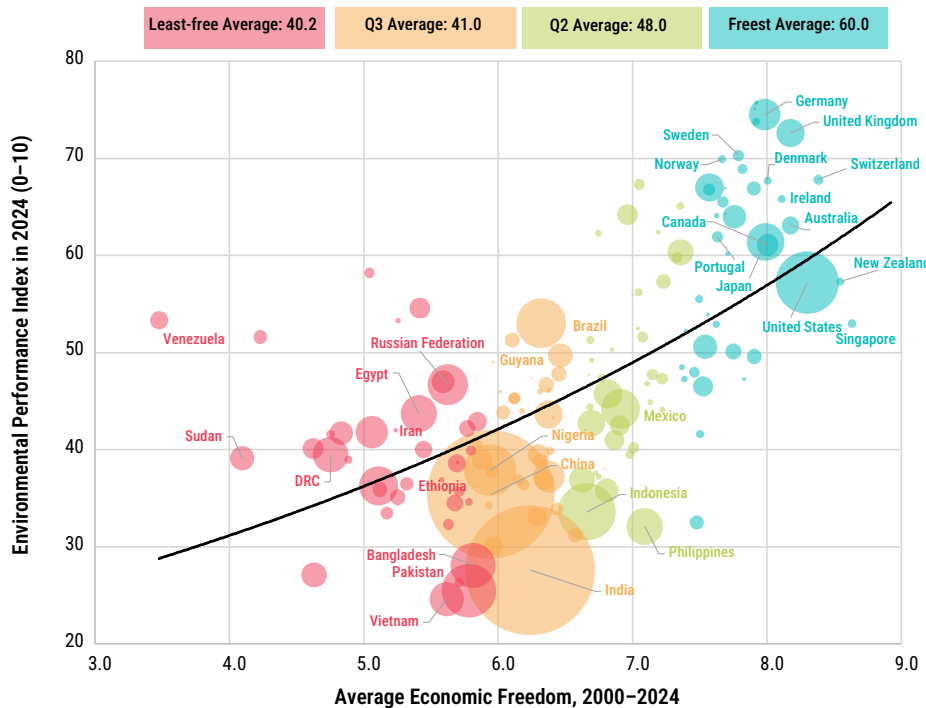
Figure 1.18: Economic Freedom and Life Satisfaction



Compared with the least economically-free quartile, those in the freest quartile are more likely to report that they are satisfied with their lives.

Sources: EFW: Authors' calculations; Life Satisfaction: Our World in Data (World Happiness Report, Wellbeing Research Centre / Gallup World Poll), self-reported life satisfaction on the Cantril ladder (0-10), each value is the three-year survey average ending in the year shown.

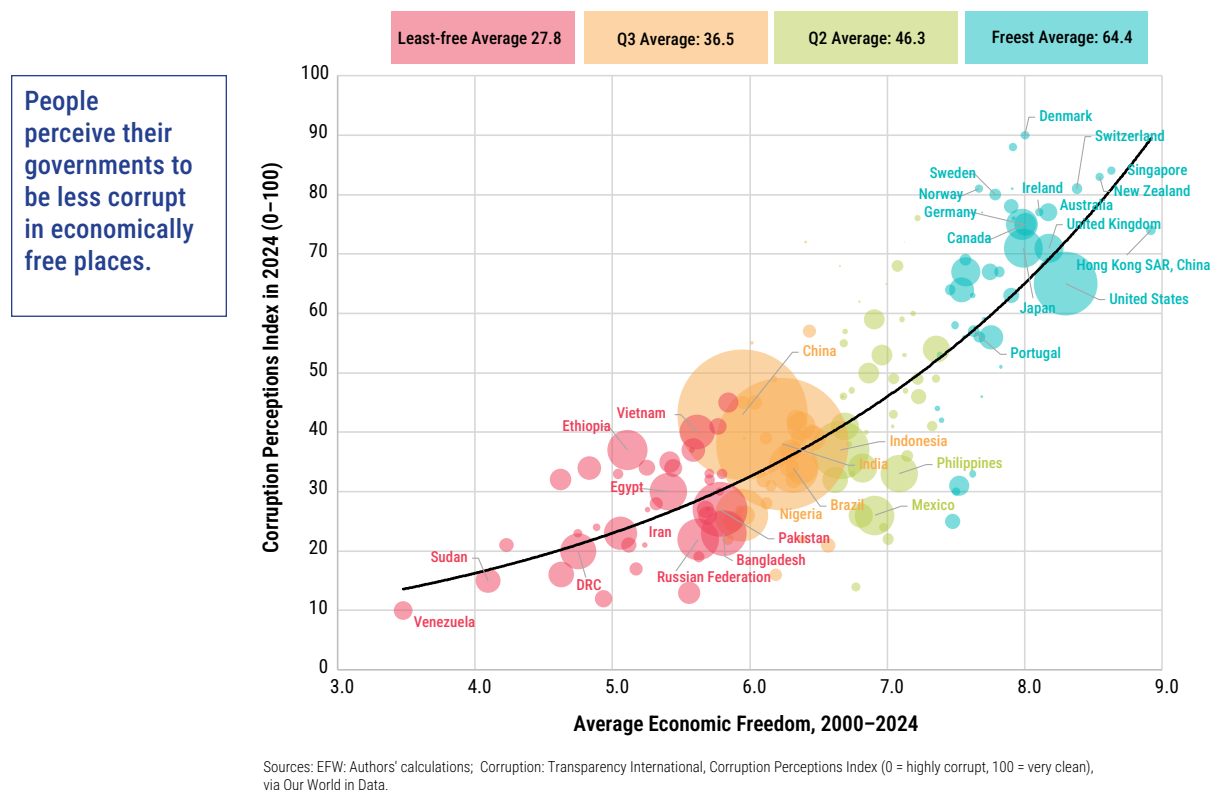
Figure 1.19: Economic Freedom and Environmental Performance



Natural environments are cleaner and better cared for in economically free places.

Sources: EFW: Authors' calculations; Environmental Performance: Yale Center for Environmental Law & Policy and Columbia University CIESIN, 2024; Environmental Performance Index (EPI), overall score 0-100.

Figure 1.20: Economic Freedom and Non-Corrupt Government



Economic freedom in the literature

Each year, scholars publish dozens of articles on economic freedom. Some address fundamental questions that have interested economists for centuries, while others explore novel hypotheses. In this new segment of the report, we profile a handful of papers that we found especially interesting (if you have ideas for future papers we should profile, please email Matthew Mitchell at freetheworld@fraserinstitute.org).

Which good institutions come first? In a series of papers, Ryan Murphy and Colin O'Reilly have been exploring the connection between economic freedom and state capacity—the ability of a state to accomplish what it sets out to accomplish. These papers rely on a novel dataset that Murphy and O'Reilly have developed that measures state capacity through fiscal capacity, territorial control, market-supporting public goods, and rule of law. In their latest paper, they examine the order in which good institutions evolve, finding evidence that state capacity seems to come before economic freedom while finding little evidence that either state capacity or economic freedom needs to develop before democracy.

Murphy, Ryan H. and Colin O'Reilly (2026). Sequencing Institutional Development: The Modernization Hypothesis Reconsidered. *Journal of Comparative Economics*.

Do markets make people homicidal? Scholars have long debated the relationship between economic freedom and violence. Market skeptics like Rousseau and Marx contend that commercial competition breeds avarice, distrust, and what some call a “hard culture” that marginalizes the weak, eventually leading to more violence. On the other hand, a long line of thinkers including Smith, Voltaire, and Durkheim believe that commerce tends to lead to peaceful cooperation through mutual gain. Criminologists William Alex Pridemore and Meghan L. Rogers recently studied this question using data from 88 countries over nearly 20 years. They found economic freedom was negatively and significantly associated with lower homicide rates. In particular, a one-point increase in economic freedom (roughly equivalent to the difference between Cambodia and Korea) was associated with a 22 percent decline in homicides. The effect was most prevalent in less economically free societies.

Pridemore, William Alex, and Meghan L. Rogers (2026). Market Orientation and National Homicide Rates. *Criminology*.

Did economically unfree societies impose more severe COVID restrictions? As we show above, global economic freedom fell precipitously during the COVID pandemic. We also noted that those societies that were more economically free to begin with have been quicker than less-free societies to recover lost freedoms. Economists Vincent Miozzi and Benjamin Powell have been studying these questions at both the national and sub-national level for several years now. In their latest paper, they attempt to understand what caused some nations like Argentina, India, and Rwanda to impose severe COVID lockdowns while others like Burundi, Nicaragua, and Tanzania imposed much more mild restrictions. They find that those countries with better hospital capacity (relative to population) and greater pre-pandemic levels of economic freedom were less likely to impose severe lockdowns. As the pandemic wore on, the relationship between limited economic freedom and severe lockdowns grew stronger. Still, despite the statistical significance of these associations, they also find that much of the variation in lockdown stringency remains unexplained.

Miozzi, Vincent, and Benjamin Powell (2026). What Determines the Severity of International Lockdowns? *Southern Economic Journal*.

Do people from economically free societies cooperate more in laboratory experiments? Some social scientists study human behavior at the “macro” level, using large national datasets like the EFW to look at society-wide outcomes. Others study behavior at the “micro” level through controlled experiments in which subjects are brought into a laboratory and given incentives to either cooperate or not cooperate with others. In a new working paper, a group of economists combine these two approaches to see how society-level institutions like economic freedom affect laboratory subject behavior. Their approach combines data from 51

countries across two decades with data from 1,126 laboratory experiments. They find that certain measures of economic freedom correlate with prosocial behavior in the laboratory.

Aimone, Jason A., Sheryl Ball, Esha Dwibedi, Jeremy J. Jackson, and James E. West (2024). *Macro-Level Institutions and Micro-Level Economic Behavior: A Meta-Meta Analysis of 1,126 Studies*. NBER Working Paper 33129.

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