

Preface

It is common these days for those who feel exploited by the market system to lash out at capitalism as the root cause of their economic woes. When their complaints are examined, however, what stands out is not anger directed at an actual free-market capitalist system, but rather frustration with an economic system of government-supported privilege based on favoritism or various forms of cronyism. In many parts of the globe, aspiring entrepreneurs, willing to work hard and full of ideas and energy, face a stacked deck because they lack political or family connections.

More than ever, the importance of economic freedom—an individual's natural right to own the value of what he or she creates—would seem to be anything but controversial. People crave liberation from poverty, and they hunger for the dignity of free will to choose. Yet the struggle for economic freedom faces timeless opposition. For instance, protectionist restraints on trade never seem to lack champions, and those who want special privileges will always pressure societies to expand the size and weight of government intervention. Special privileges for the few mean less prosperity for the many.

History offers many examples demonstrating that in terms of opportunity and prosperity, the forces of individual freedom, limited government, and free enterprise trump statist policies that perpetuate favoritism in economics and politics. With each new edition of our annual flagship publication, the *Index of Economic Freedom*, our research here at The Heritage Foundation documents these principles in operation around the globe.

The *Index*, a data-driven, comprehensive assessment of economic freedom in countries on every continent, is about more than just country rankings. It is an exploration into the sources of enduring economic dynamism and how they relate to each other in ensuring opportunities for the greatest number of people.

The 2016 *Index*, our 22nd edition, once again provides ample evidence of the benefits of economic freedom, both to individuals and to societies. People in economically free societies have better jobs and are less likely to live in poverty. They live longer and have healthier lives. They enjoy greater political freedom and can better defend their human rights. Economic freedom is a critical element of life that transcends the

market, opening the gates of greater well-being to ever more people around the world.

In addition to its country analyses, the 2016 *Index* contains three informative chapters that explore topics of particular relevance to today's policy debates.

- In Chapter 3, Marcelo Giugale, Senior Economic Adviser at the World Bank, examines encouraging new directions in economic development, highlighting the convergence of politics and technology to make economic development programs more effective and more personal than ever before.
- In Chapter 4, the *Index* takes a closer look at the shadow economy. In a detailed study on the measurement of informal economic activity, Professor Friedrich Schneider of the University of Linz analyzes driving factors of the shadow economy and underscores the importance of undertaking efficient incentive-oriented policy measures to make work in the shadow economy less attractive and work in the official economy more attractive.
- In Chapter 5, Alden Abbott, Deputy Director of the Edwin Meese III Center for Legal and Judicial Studies and John, Barbara, and Victoria Rumpel Senior Legal Fellow at The Heritage Foundation, and his co-author Shanker Singham, CEO of the Competere Group and Director of Economic Policy at the Legatum Institute, assess how anticompetitive policies reduce economic freedom and hurt prosperity.

Perhaps the most critical lesson for today's tumultuous times is that the proven superiority of the free-market system and the value of economic liberty must be steadfastly reiterated. The data we present in the *Index*, identifying both gains and setbacks, are a good foundation for that discussion.

It is gratifying to see overall global progress in advancing economic freedom reflected in rising scores in dozens of countries. Hundreds of millions of people are emerging from poverty into the promise of a brighter future. In my own country, however, economic freedom has been on a declining path over the past decade. As a result, we are performing far below potential, with individuals, families, and entrepreneurs being squeezed by the proliferation of big government bureaucracy and regulations.

The struggle for freedom is one that must be renewed by every generation. As President Ronald Reagan once reminded us:

You and I are told we must choose between a left or right, but I suggest there is no such thing as a left or right. There is only an up or down. Up to man's age-old dream—the maximum of individual freedom consistent with order—or down to the ant heap of totalitarianism.

The *Index of Economic Freedom* provides practical examples of successful policies proven in action. It is up to us to provide and reinforce the political will to implement them.

Jim DeMint, President
The Heritage Foundation
December 2015