



Atlantic Council

FREEDOM AND
PROSPERITY CENTER

DO COUNTRIES NEED FREEDOM TO ACHIEVE PROSPERITY?

**Introducing the Atlantic Council
Freedom and Prosperity Indexes**

By Dan Negrea and Matthew Kroenig





Atlantic Council

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Freedom and Prosperity Center

The Atlantic Council's Freedom and Prosperity Center aims to increase the prosperity of the poor and marginalized in developing countries and to explore the nature of the relationship between freedom and prosperity in both developing and developed nations.

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Atlantic Council
1030 15th Street NW, 12th Floor
Washington, DC 20005

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LETTER FROM FREDERICK KEMPE

The Atlantic Council has just launched the Freedom and Prosperity Center to analyze some of the defining questions of our time and of all time.

Do countries need freedom to achieve prosperity? Do democracies or autocracies have the better answers to the aspirations of the peoples of the world? What about Singapore, the United Arab Emirates (UAE), and other countries that are not electoral democracies in the Western sense, but have high levels of economic and legal freedoms and leaders who appear to enjoy a high level of legitimacy among their citizens?

While these questions are relevant for all countries, they are critically important for developing countries.

Central to the work of the new center are the newly created Freedom Index and Prosperity Index. These indexes measure the freedom and prosperity, respectively, of nearly every country in the world. The 2021 indexes are the first, and we plan to produce them annually.

The indexes can be used to inform policymakers about real-world reform opportunities in developing countries.

The results indicate that freedom and prosperity are correlated, and that repressive autocracies generally do not generate prosperity or wellbeing for their people. The authors argue that trends in this data over time, in conjunction with other historical evidence, suggest that greater freedom tends to result in more enduring prosperity.

Yet as these indexes show, there are also significant differences among traditional, electoral democracies that are worth studying. One of the questions of our age is why some democracies continue to thrive while others struggle to deliver for their people.

The indexes are quantitative tools that will help researchers explore the best paths to development, while presenting sophisticated, relevant, and up-to-date benchmarks for decision-makers and those advocating for reform around the world.

As part of its vision for “shaping the global future together,” the Atlantic Council has identified six defining challenges of our time, including how best to strengthen weakening democracies in the face of expanding autocracy. This new Freedom and Prosperity Center (the Atlantic Council’s sixteenth center) will contribute to addressing this challenge. US President Joe Biden has declared that the world is at an “inflection point” in this global competition, and that democracies need to prove that they can still deliver for their people. This initial study provides reason for optimism: democracies do, indeed, deliver.

Frederick Kempe

President and CEO of the Atlantic Council

EXECUTIVE SUMMARY

The Atlantic Council's Freedom and Prosperity Center aims to increase the prosperity of the poor and marginalized in developing countries—and to explore the nature of the relationship between freedom and prosperity in both developing and developed nations.

To aid in this task, this report introduces the new **Atlantic Council Freedom and Prosperity Indexes**.

The Freedom Index measures economic, political, and legal freedom for nearly every country in the world, using the latest available data when the index was constructed at the end of 2021. The Prosperity Index measures economic wellbeing and human flourishing for the same countries and time period. In addition, we collected historical data to allow us to track and analyze change over time. We constructed the same indexes going back in five-year increments for the years 2006, 2011, and 2016; 2006 is the earliest date for which data on our indicators are available.

To be sure, there are limits to any data-collection effort. The world changes quickly, and the data we collected at the end of 2021 may not still represent current realities in every case. Russia, for example, is less free today than when we collected the data, due to Vladimir Putin's invasion of Ukraine and his related crackdowns at home. In addition, we needed to choose indicators that could be applied across all countries and over time, but these generalized measures may not always fit neatly with the unique circumstances in every country. Still, despite these limitations, we believe that these indexes provide new and valuable information on global freedom and prosperity.

Going forward, we plan to update the indexes annually. The methodology to produce the indexes is straightforward and transparent, and is described in detail in the appendix.

We have built on the work of several comparable country indexes. Many of these measure one aspect or another of freedom or prosperity. Some combine freedom and prosperity indicators and produce a single index. Our approach in designing the Atlantic Council Freedom and Prosperity Indexes was different in a few ways.

- **We defined freedom comprehensively.** Many existing indexes measure economic, political, and legal freedoms separately, whereas we combine all three in our Freedom Index.
- **We defined prosperity comprehensively.** We also take a broad view of what constitutes a prosperous country. We go beyond material measurements like income per capita and healthcare. We argue that a truly prosperous country should also score well on the quality of the environment, its treatment of minorities, and the general happiness of the population.
- **We constructed separate indexes for freedom and prosperity.** By creating two distinct indexes, we hope to give researchers a better opportunity to analyze the relationship between freedom and prosperity. We also offer policymakers and other thought leaders clearer benchmarks for reforms and tracking results over time.

The indexes demonstrate that there is a strong relationship between freedom and prosperity. This report draws on the trajectory of the results over time, and other historical evidence, to argue that freedom tends to result in prosperity. In other words, freer countries tend to be more prosperous, and we have reason to believe that improvements in freedom will, over time, lead to greater and more durable prosperity.

The report also shows that autocracies generally do not deliver prosperity for their people. All countries rated Prosperous in our index (except for Singapore and Israel) also rank as Free. All countries in our Free category fall in either the Prosperous category or in the upper half of the Mostly Prosperous category. Both China and Russia rank lower in the Prosperity Index than Free countries do.

These findings lead us to recommend that governments, international organizations, private-sector companies, philanthropic organizations, and others concerned with prosperity promote economic, political, and legal freedom.

The center will use the indexes and supporting data for its own research, and will also make them available for other researchers. All the research and resources used to produce the indexes and this report are publicly available. The Freedom and Prosperity datasets are accessible on the center's website. The indexes will be updated annually, allowing thinkers and doers to track progress over time. Through our work and the work of others, we hope to make the world freer and more prosperous.

1. CREATING THE FREEDOM AND PROSPERITY INDEXES

At the end of the Cold War, the keys to economic growth seemed obvious: free and open markets, a democratic system of government, and rule of law. Fascism, colonialism, and communism had been discredited in preceding decades, leaving open market democracy as the best system standing.

A number of recent developments, however, have raised doubts regarding the Western orthodoxy that freedom is the essential ingredient in achieving prosperity. Open market democracies seemed to underperform during the global financial crisis, the rise of populist movements, and a fifteen-year trend toward democratic backsliding. Meanwhile, China's state-led socialist-capitalist model has lifted millions of people out of poverty, and autocrats the world over look to the Chinese model for inspiration. Many people in consolidated democracies wonder whether open market democracy is still the best form of government for economic growth. As US President Joe Biden has said, "we must demonstrate that democracies can still deliver for our people."

The Atlantic Council launched its Freedom and Prosperity Project in 2021 to answer a simple, yet hugely important, question: do economic, political, and legal freedoms really benefit the poorest and most marginalized people in society? It created the Freedom and Prosperity Center in June 2022—as the sixteenth of the Atlantic Council's programs and centers—to devote enduring resources to this crucial issue.

To aid in this task, this report introduces the new **Atlantic Council Freedom and Prosperity Indexes**. The report also presents analysis showing how freedom can contribute to prosperity.

The Freedom Index measures economic, political, and legal freedom for nearly every country in the world in 2021. The Prosperity Index measures economic wellbeing and human flourishing for the same countries. In addition, we collected historical data going back in five-year increments to construct the same indexes for the years 2006, 2011, and 2016. These data will allow us to track change over time. The year 2006 is the earliest for which we have been able to collect comparable data. Going forward, we plan to update the indexes annually. The methodology to produce the indexes is straightforward and transparent, and is described in detail in an appendix to this report.

To be sure, there are limits to any data-collection effort. The world changes quickly, and the data we collected at the end of 2021 may not still represent current realities in every case. Russia, for example, is less free today than when we collected the data, due to Vladimir Putin's invasion of Ukraine

and his related crackdowns at home. In addition, we needed to choose indicators that could be applied across all countries and over time, but these generalized measures may not always fit neatly with the unique circumstances in every country. Still, despite these limitations, we believe that these indexes provide new and valuable information on global freedom and prosperity.

1.1 Indexes Construction

TRANSPARENCY, SIMPLICITY, AND CONSISTENCY IN THE METHODOLOGY

What is the relationship between freedom and prosperity? To answer this question, one needs good measures. This section will present a brief overview of the new Atlantic Council Freedom and Prosperity Indexes.

The methodology we used for creating the indexes is simple and transparent. We began by identifying the factors that we thought were most important for gauging a country's freedom and prosperity, and then set out to find data on these variables. This led us to twenty-eight variables from fifteen different data sources (and more than five thousand individual data points) measuring either freedom or prosperity. For each index, we then averaged the indicators with equal weighting.

Limited scaling is done to the original data. And, when this is the case, it is fully disclosed in the methodology along with the formula used. More detailed descriptions of the methodology for the construction of the indexes can be found in the appendix.

By using a wide variety of the most up-to-date, publicly available sources, we were able to create a new set of objective measures that we hope will be of value to scholars, practitioners, and the international development community at large.

THE FREEDOM INDEX

The Freedom Index measures economic, political, and legal freedom for nearly every country in the world. Economic freedom refers to an economic system that fairly upholds the rights of all businesses and economic actors. Political freedom refers to a political system that fairly protects the rights of all its citizens.

Our Freedom Index invites particular attention to legal freedom by creating a separate sub-index for it. Legal freedom,

in essence, is the extent to which a country effectively abides by the rule of law. Societies need a strong rule of law in the form of established rules and institutions to prosper economically, because investors and entrepreneurs must have confidence that they will be able to reap the rewards of their business. Legal freedom encompasses specific rules, as well as the social capital and institutions that support the implementation of these rules.

Most other existing indexes measure economic, political, and legal freedom separately, while we bring these dimensions of freedom together in a single index. Guided by academic theory and historical evidence, we reasoned that all three forms of freedom could potentially contribute to prosperity, and sought out the best measures for each concept. The index ranges from zero to one hundred, with higher values indicating more freedom.

The Economic Freedom score combines measurements of Property Rights, Trade Freedom, Investment Freedom, and Women's Economic Freedom. All four indicators measure a different aspect of economic openness. Property Rights allow individuals to acquire, hold, and utilize private property, secured by clear laws that the government enforces. This is essential for any economic activity. Trade Freedom measures the ease of international trade. An open trading regime allows for a diverse array of goods and services, as well as greater efficiency in production. Investment Freedom measures the ease of moving capital within and across borders. Investors are more likely to invest where they know they can easily access their capital. Women's Economic Freedom measures gender inequality in the laws that regulate economic activity. A country that restricts female participation in the economy is not making the most of its labor force.

The Political Freedom score reflects a country's standing regarding Political Rights, Civil Liberties, and Constraints on Government. These indicators gauge the degree to which the political system protects the rights of all its citizens. The

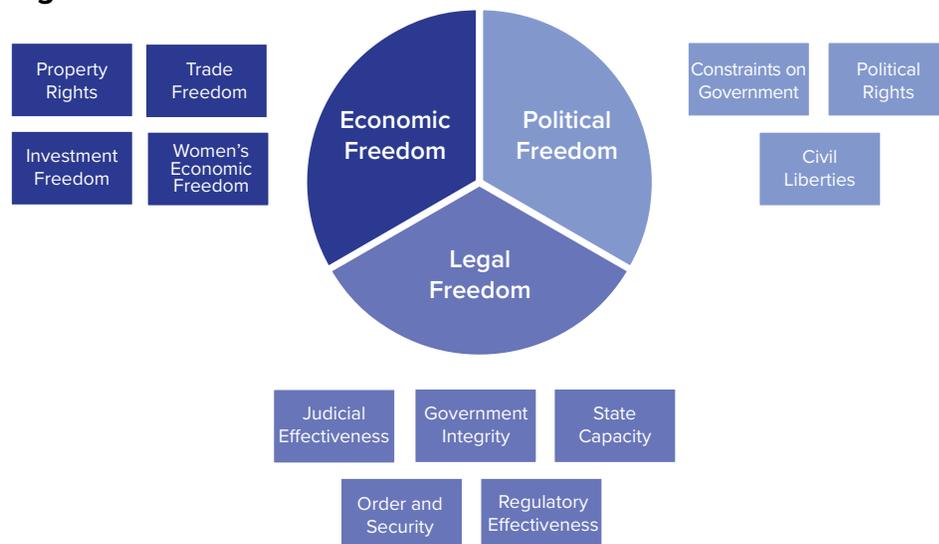
Political Rights indicator measures the ability of citizens to freely choose their leaders. Free societies allow citizens to choose their political leaders through free and fair elections. Civil Liberties measure the degree to which basic liberties are protected. People must enjoy individual rights to be considered free. The Constraints on Government indicator measures the ability, in practice, to exercise checks and oversight on the executive. A government that operates unchecked is not indicative of a free society.

The score for Legal Freedom, a category largely synonymous with the rule of law, includes measurements of Government Integrity, Judicial Effectiveness, Regulatory Effectiveness, State Capacity, and Order and Security. These indicators measure the ability of a state to carry out the rule of law. Government Integrity indicates the level of corruption in government. Judicial Effectiveness measures the strength of an efficient and fair judicial system. Regulatory Effectiveness measures the degree to which regulations and public services are properly implemented without undue influence. State Capacity measures the ability of a state to deal with existing external and internal pressures. The Order and Security indicator evaluates the ability of the state to protect citizens from harm. The last two measures are included because effective rule of law is not possible without physical stability and safety.

A visual depiction of the components of the Freedom Index can be seen in Figure 1.

After arriving at an aggregate score for each country, which ranges from zero to one hundred, we placed countries into four categories: Free, Mostly Free, Mostly Unfree, and Unfree. Free countries are those with scores of seventy-five points or higher, Mostly Free countries are those with scores between fifty and 74.9, Mostly Unfree countries score between twenty-five and 49.9, and Unfree countries are those with scores between zero and 24.9.²

Figure 1



The Prosperity Index

The Prosperity Index attempts to capture both the average level of prosperity (through the levels of income, life expectancy, and happiness of the average citizen) and shared prosperity (as measured by minority-group wellbeing and environmental standards).

Countries are ranked according to the equally weighted average of five indicators. Each country's score ranges between zero and one hundred, with higher values indicating more prosperity.

A COMPREHENSIVE VIEW OF PROSPERITY

The Prosperity Index is a measure of outputs, in that it reflects a country's economic and social wellbeing without measuring the causes responsible.

The index takes a holistic view of prosperity. High income alone is not enough for a country to rank well on the index, because income alone does not account for other conditions of human flourishing necessary for a truly prosperous society.

Still, income is a necessary component of prosperity. The Income indicator is measured according to gross national income per capita (GNI) in US dollars. GNI is a measure of a country's domestic GDP combined with the net income its citizens and companies produce abroad. This is a standard and widely used indicator of prosperity.

Health is another widely used indicator for material wellbeing. Health is measured according to the World Bank's metric of life expectancy. This is the number of years a newborn infant would be expected to live if the prevailing patterns of mortality at the time of its birth were to stay constant throughout its life.³ We consider life expectancy as a proxy for the quality of health.

A comprehensive view of prosperity extends beyond material wellbeing and includes the ability to live in a clean and sustainable environment. The Environment indicator measures the quality of drinking water. It is calculated according to the amount of life years lost because of exposure to unsafe drinking water. Water quality is used as a proxy for environmental performance. While an imperfect proxy, this is the best indicator for environmental performance available for every country over the complete timeframe of our study.

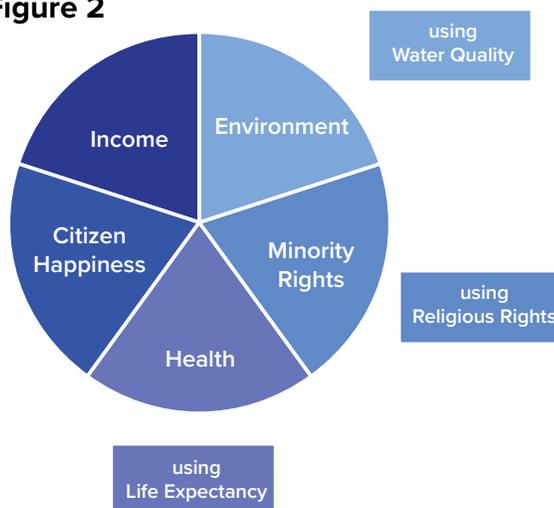
While some groups may do well at the expense of others, a truly prosperous society will provide equal opportunities for all of citizens regardless of background. The Minority Rights indicator is measured through surveys on acceptance of religious minorities. Acceptance of religious minorities is used as a proxy for tolerance of minorities in general. This is also an imperfect proxy, but it is the best available indicator that provides adequate data coverage for the countries and years in this study.

People in a prosperous society should be happy. The Happiness indicator, using data from the United Nations World Happiness Report, measures the psychological aspects of wellbeing. A complete view of prosperity should include how people feel about their society, in addition to other qualitative outputs.

After arriving at an aggregate score for each country, ranging from zero to one hundred, we placed countries into four categories: Prosperous, Mostly Prosperous, Mostly Unprosperous, and Unprosperous. Prosperous countries are those with scores of seventy-five points or higher, Mostly Prosperous countries are those with scores between fifty and 74.9, Mostly Unprosperous countries score between twenty-five and 49.9, and Unprosperous countries are those with scores between zero and 24.9.

For details on the construction of the index, please refer to the Methodology section.

Figure 2



2. RESULTS

How are freedom and prosperity distributed around the world? This section presents some summary findings from our data.

2.1 The Freedom Index, Map, and Ranking

This section presents descriptive data on the distribution of economic, political, and legal freedom around the world. The score, ranking, and categorization of the countries are available in Table 1, and the results are depicted visually in Figure 3.

Several interesting patterns stand out. First, freedom is not evenly distributed around the world. European societies hold nine of the top ten positions in the 2021 Freedom Index—starting with Finland, which has the highest score of 92.5. All other Nordic countries (Denmark, Iceland, Norway, and Sweden) rank in the top ten, while the three Baltic countries (Estonia, Latvia, and Lithuania) are close behind, with scores between eighty and ninety.

Nearly three-quarters of Free countries are in Europe (twenty-eight out of forty-one).

There are fewer Free countries in other regions. Only Mauritius and Cabo Verde enter the Free category from Africa. Canada and the United States in North America, and Barbados, Chile, Costa Rica, and Uruguay in Latin America and the Caribbean, are Free countries. In the Asia-Pacific region, Australia, Japan, New Zealand, South Korea, and Taiwan ascend to the Free category.

Overall, the United States scores well on both indexes, and ranks in the Free and Prosperous categories. The country ranks slightly higher on the Prosperity Index than on the Freedom Index. For the Freedom Index, the United States has a score of 79.2 and a rank of twenty-nine out of one hundred and seventy-four countries. On the Prosperity Index, the United States ranks eleventh, with an overall score of 85.6.

The United States is among the top countries in the world for Economic Freedom (with a score of 87.3), but performs less well on Political and Legal Freedoms (with scores of 79.9 and 70.5, respectively). The country lags on Political Freedom when compared to other wealthy democracies. The United States ranks forty-sixth, a few rungs behind Italy and South Korea, and a few rungs above Argentina, Israel, and Poland. The United States' relatively low score for Legal Freedom is explained by lower scores on the Civil Justice and Criminal Justice components.

Second, the largest number of countries (sixty-seven) fall in the Mostly Free category—more than 50 percent more countries than in the Free category. Near the top of the Mostly Free ranking are several Eastern European and Caucasian countries (such as Bulgaria, Georgia, and Hungary), which have progressed toward freedom in the years since the fall of communism.⁴ They are joined by many small island countries such as the Bahamas, Dominica, Seychelles, St. Lucia, and Vanuatu.

Third, we find that the size of a country is not a determinant of freedom. Mostly Free countries include several countries with more than one hundred million inhabitants (including Brazil, India, Indonesia, Mexico, and the Philippines), as well as smaller countries like Bhutan, Israel, Montenegro, and Singapore. However, the United States and Japan are the only Free countries with a population greater than one hundred million.

Fourth, the largest number of people—nearly half (47 percent) of the world’s population—live in Mostly Unfree countries. Many populous countries—Bangladesh, China, Ethiopia, Nigeria, Pakistan, Russia, and Turkey—rank in the Mostly Unfree category.

Fifth, and fortunately, the smallest number of countries fall in the Unfree category. Only eleven countries are fully Unfree. Many are in Africa and the Middle East, including Burundi, Central African Republic, Equatorial Guinea, Eritrea, Libya, Syria, and Yemen. In Latin America, Cuba and Venezuela are also Unfree.

Syria is the most Unfree country in our index, with a score of 11.6. Several countries that may be even more repressive, such as North Korea, are not included due to a lack of data.

Figure 3: 2021 Freedom Map

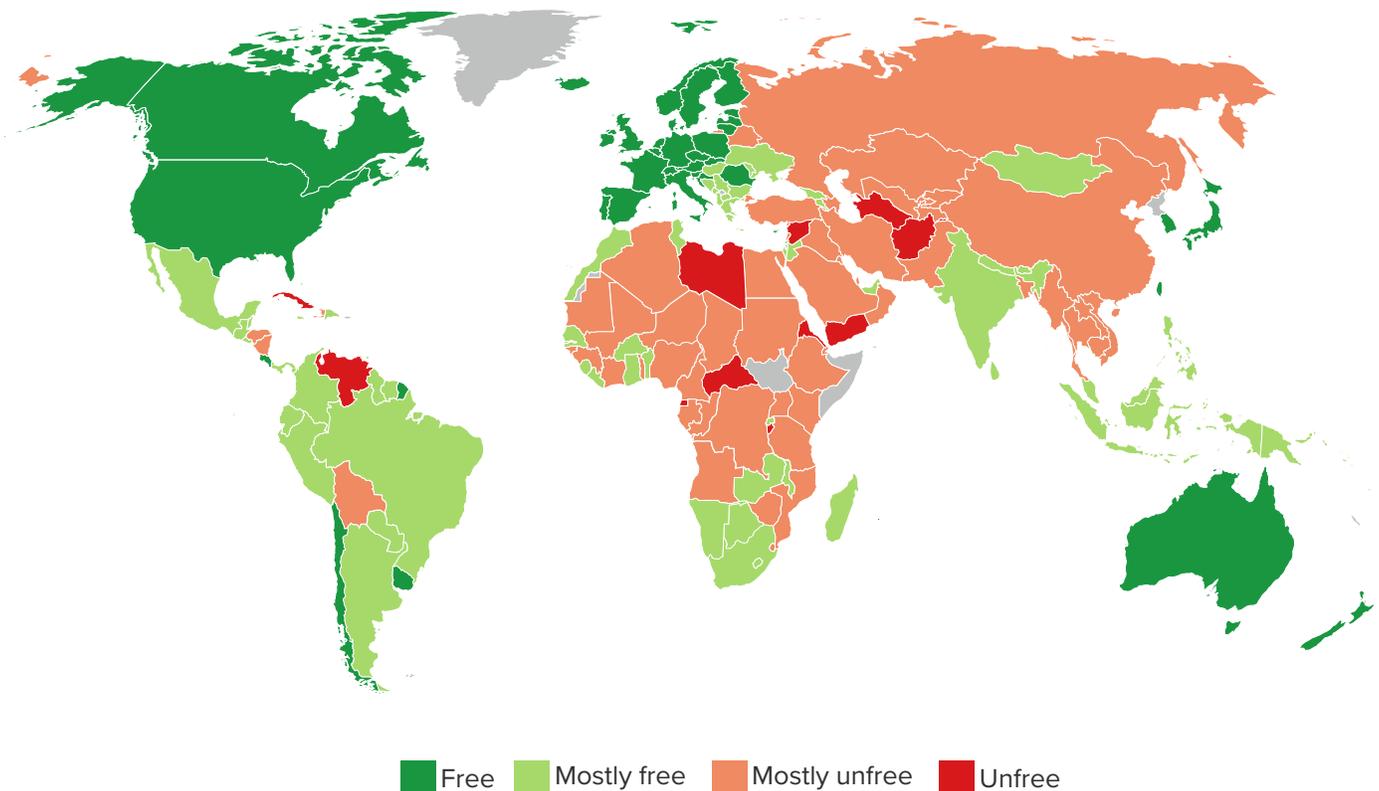


Table 1: 2021 Freedom Index Ranking

Rank	Country	Freedom Score	Rank	Country	Freedom Score	Rank	Country	Freedom Score	Rank	Country	Freedom Score
1	Finland	92.5				89	Lesotho	55.0	133	Bangladesh	41.5
2	Denmark	91.8	46	St. Vincent and the Grenadines	71.9	90	Solomon Islands	54.9	134	Pakistan	41.4
3	Norway	90.2				91	Ecuador	54.8	135	Russia	41.2
4	Netherlands	90.1	47	Dominica	71.8	92	Ukraine	54.5	136	Haiti	40.5
5	Iceland	90.0	48	Bulgaria	70.7				137	Cambodia	40.3
6	Luxembourg	89.9	49	Panama	69.5	93	United Arab Emirates	54.5	138	Algeria	40.3
7	Sweden	89.8	50	Bahamas	69.4	94	Guatemala	54.3	139	Belarus	39.4
8	New Zealand	89.8	51	Seychelles	69.4	95	Malawi	54.1	140	China	39.2
9	Ireland	88.7	52	Vanuatu	68.8	96	Benin	53.8	141	Myanmar	39.2
10	Germany	87.8	53	Jamaica	67.9	97	Zambia	53.7	142	Mauritania	38.8
11	Canada	87.6	54	Georgia	67.2	98	Sierra Leone	53.0	143	Oman	38.2
12	Austria	87.6	55	Sao Tome and Principe	66.9				144	Zimbabwe	37.4
13	Switzerland	87.6	56	Namibia	66.8	99	Burkina Faso	52.2	145	Egypt	37.0
14	Estonia	87.1	57	Trinidad and Tobago	66.7	100	Jordan	52.0	146	Bahrain	36.9
15	Australia	87.0	58	Hungary	66.6	101	Nepal	51.8	147	Ethiopia	36.3
16	Belgium	86.8	59	Mongolia	66.4	102	Morocco	51.8	148	Djibouti	35.9
17	United Kingdom	85.8	60	Argentina	65.8	103	Rwanda	51.7	149	Uzbekistan	35.0
18	Taiwan	83.3	61	Botswana	65.4	104	Gambia	51.6			
19	France	82.6	62	Ghana	65.1	105	Liberia	51.6	150	Guinea-Bissau	34.9
20	Japan	82.6	63	South Africa	64.9	106	Sri Lanka	51.5			
21	Uruguay	82.3	64	Montenegro	64.0	107	Papua New Guinea	51.1	151	Democratic Republic of the Congo	31.0
22	Czech Republic	82.2	65	Peru	63.9	108	Madagascar	51.0	152	Saudi Arabia	34.6
23	Spain	82.2	66	Albania	63.6	109	Kenya	49.6	153	Azerbaijan	32.4
24	Lithuania	81.8	67	North Macedonia	63.2	110	Cote d'Ivoire	49.5	154	Eswatini	32.3
25	Latvia	81.7	68	Dominican Republic	62.2	111	Bolivia	49.3	155	Cameroon	32.2
26	Portugal	81.4	69	Belize	61.9	112	Thailand	49.3	156	Republic of the Congo	34.6
27	Malta	81.0	70	Serbia	61.6	113	Honduras	48.8	157	Gabon	30.4
28	Slovenia	79.6	71	Paraguay	61.5	114	Togo	48.7	158	Laos	30.1
29	United States of America	79.2	72	Moldova	61.4	115	Turkey	47.8	159	Iran	30.0
30	Cyprus	79.0	73	Brazil	61.0	116	Kazakhstan	47.7	160	Iraq	29.6
31	Slovakia	78.6	74	Guyana	60.3	117	Lebanon	46.7	161	Tajikistan	26.8
32	Italy	78.2	75	Colombia	59.7	118	Kyrgyzstan	46.6	162	Chad	26.5
33	Mauritius	77.1	76	Suriname	59.7	119	Niger	45.7	163	Sudan	25.2
34	Chile	76.8	77	El Salvador	59.5	120	Nicaragua	45.3	164	Afghanistan	24.1
35	South Korea	76.4	78	Tunisia	59.1	121	Tanzania	45.3	165	Venezuela	23.8
36	Romania	76.3	79	Senegal	59.1	122	Brunei Darussalam	45.3	166	Central African Republic	22.9
37	Barbados	75.6	80	Malaysia	59.0	123	Vietnam	44.7			
38	Cabo Verde	75.6	81	Indonesia	58.6	124	Uganda	43.8	167	Burundi	21.8
39	Costa Rica	75.5	82	Mexico	58.2	125	Kuwait	43.3	168	Equatorial Guinea	19.0
40	Poland	75.4	83	Armenia	57.9	126	Mozambique	43.3	169	Yemen	18.9
41	Croatia	75.4	84	Timor-Leste	57.5	127	Nigeria	42.5	170	Cuba	18.0
42	Israel	74.9	85	Bosnia and Herzegovina	57.3	128	Guinea	42.1	171	Libya	15.7
43	Singapore	73.8	86	Bhutan	56.1	129	Mali	41.8	172	Eritrea	13.2
44	St. Lucia	72.5	87	India	56.1	130	Comoros	41.7	173	Turkmenistan	12.0
45	Greece	72.4	88	Philippines	55.3	132	Qatar	41.6	174	Syria	11.6

2.2 The Prosperity Index, Map, and Ranking

The Prosperity Index ranks the same one hundred and seventy-four countries. They are divided into four categories as well: Prosperous (those with scores of seventy-five points or higher), Mostly Prosperous (those with scores between fifty and 74.9), Mostly Unprosperous (those with scores between twenty-five and 49.9), and Unprosperous (those with scores between zero and 24.9).⁵

Most of the Prosperous countries are in Western Europe (seventeen of twenty-five). The Asia-Pacific is home to the second-largest group of Prosperous countries, including Australia, Japan, South Korea, New Zealand, and Singapore. Canada and the United States, and Israel, are the only Prosperous countries from the Americas and Middle East, respectively.

The Mostly Prosperous category includes fifty-seven countries, most of which are in Europe and Latin America. The only African countries in this category are Cabo Verde, Mauritius, and Seychelles.

Seventy-five percent of the world population lives in an Unprosperous or Mostly Unprosperous society. The Mostly Unprosperous category includes eighty-seven countries, exactly half of the countries included in the ranking. Russia and China fall into this category, along with India, Pakistan, and Nigeria. Most African countries are included here as well.

The Unprosperous category is small, and includes only five countries: Afghanistan, Central African Republic, Chad, Eritrea, and Yemen. Afghanistan and Yemen were both war zones when the data were collected.

Figure 4: 2021 Prosperity Map

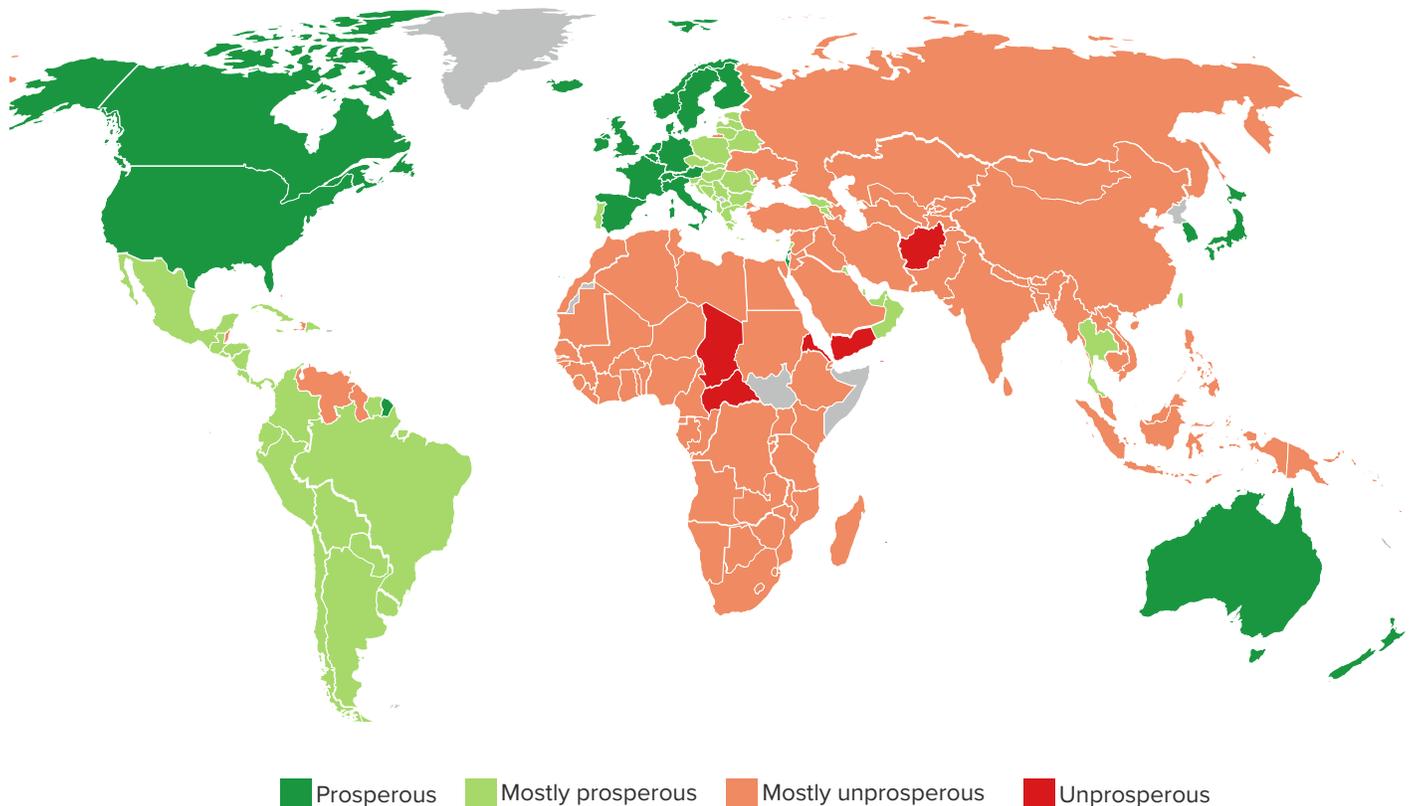


Table 2: 2021 Prosperity Index Ranking

Rank	Country	Prosperity Score	Rank	Country	Prosperity Score	Rank	Country	Prosperity Score	Rank	Country	Prosperity Score
1	Switzerland	97.1	44	Barbados	61.8	89	Bahamas	48.5	133	Myanmar	36.1
2	Norway	96.3	45	Hungary	61.7	90	Guyana	47.8	134	Cote d'Ivoire	35.8
3	Luxembourg	94.3	46	Argentina	61.6	91	Ukraine	47.7	135	Laos	35.4
4	Iceland	92.0	47	Panama	60.7	92	Tunisia	47.7	136	Guinea	34.5
5	Ireland	91.2	48	Mauritius	60.6	93	Philippines	47.7	137	Ethiopia	34.5
6	Finland	90.1	49	Kuwait	60.2	94	Sri Lanka	47.2	138	Uganda	34.5
7	Sweden	89.7	50	Serbia	60.2	95	Sao Tome and Principe	46.9	139	Djibouti	34.1
8	Denmark	89.6	51	Romania	59.8	96	Turkey	46.0	140	Mozambique	33.9
9	Netherlands	89.2	52	Trinidad and Tobago	59.5	97	Vietnam	45.9	141	Cameroon	33.7
10	Germany	85.7	53	Mexico	58.0	98	Saudi Arabia	45.5	142	Liberia	33.7
11	United States of America	85.6	54	Jamaica	58.0	99	Venezuela	45.0	143	Turkmenistan	33.5
12	Australia	85.4	55	Bosnia and Herzegovina	57.7	100	Belize	44.4	144	Madagascar	33.2
13	Israel	84.9	56	Oman	57.6	101	Azerbaijan	44.1	145	Democratic Republic of the Congo	33.5
14	Austria	84.1	57	Colombia	57.4	102	Solomon Islands	43.7	146	Burkina Faso	33.0
15	United Kingdom	83.9	58	Ecuador	57.3	103	Vanuatu	43.7	147	Haiti	32.6
16	Canada	83.7	59	Peru	57.1	104	Bangladesh	43.7	148	Niger	32.2
17	Belgium	83.1	60	Albania	56.0	105	Dominica	43.2	149	Malawi	32.1
18	Singapore	81.3	61	Thailand	55.9	106	Jordan	43.0	150	Equatorial Guinea	32.1
19	New Zealand	81.1	62	Bulgaria	55.7	107	Algeria	42.4	151	Zambia	31.8
20	Italy	81.0	63	Montenegro	55.4	108	Nepal	42.1	152	Syria	31.3
21	France	80.6	64	Paraguay	55.1	109	St. Lucia	42.0	153	India	31.2
22	Japan	80.5	65	El Salvador	54.8	110	Timor-Leste	41.9	154	Togo	31.0
23	Malta	79.1	66	Brazil	54.2	111	South Africa	41.8	155	Tanzania	30.4
24	Spain	78.8	67	North Macedonia	54.1	112	Morocco	41.2	156	Guinea-Bissau	30.4
25	South Korea	76.6	68	Armenia	53.9	113	Ghana	40.9	157	Zimbabwe	29.6
26	Cyprus	74.7	69	Moldova	53.7	114	China	40.6	158	Burundi	29.3
27	Taiwan	72.2	70	Suriname	53.5	115	Gabon	40.4	159	Rwanda	29.0
28	Portugal	71.8	71	Guatemala	53.0	116	Senegal	40.2	160	Comoros	29.0
29	Slovenia	70.2	72	Dominican Republic	52.6	117	Cambodia	40.2	161	Eswatini	28.8
30	Czech Republic	70.0	73	Honduras	52.4	118	Indonesia	39.7	162	Mali	28.0
31	Greece	69.7	74	Lebanon	52.3	119	Namibia	38.9	163	Nigeria	27.6
32	Costa Rica	67.8	75	Seychelles	52.3	120	Kenya	38.9	164	Pakistan	27.5
33	Chile	67.1	76	Bahrain	51.9	121	Libya	38.8	165	Sudan	27.5
34	United Arab Emirates	66.5	77	Bolivia	50.6	122	Iran	38.8	166	Mauritania	26.3
35	Uruguay	66.0	78	Nicaragua	50.4	123	Bhutan	38.8	167	Angola	26.3
36	Estonia	65.6	79	Cuba	50.2	124	Iraq	38.5	168	Sierra Leone	26.3
37	Slovakia	64.2	80	Georgia	50.1	125	Tajikistan	38.3	169	Lesotho	25.6
38	Poland	64.0	81	Cabo Verde	50.1	126	Egypt	37.8	170	Chad	24.0
39	Lithuania	63.9	82	Belarus	50.0	127	Benin	37.7	171	Afghanistan	22.2
40	Brunei Darussalam	63.5	83	Kyrgyzstan	50.0	128	Gambia	37.6	172	Central African Republic	20.8
41	Croatia	63.0	84	Mongolia	49.5	129	Botswana	37.5	173	Yemen	16.8
42	Latvia	62.6	85	Uzbekistan	49.4	130	St. Vincent and the Grenadines	37.2	174	Eritrea	16.0
43	Qatar	62.2	86	Kazakhstan	49.4	131	Papua New Guinea	37.1			
			87	Malaysia	49.0	132	Republic of the Congo	36.1			
			88	Russia	49.0						

3. PRELIMINARY ANALYSIS AND KEY TAKEAWAYS

We hope that scholars and practitioners can use these data to conduct a wide range of analyses and to forge practical recommendations. In this section, we present some of our own preliminary analysis to explore the central question of this project: what is the relationship between freedom and prosperity? To be sure, this has been the subject of enormous scholarly debate, and we will not be able to resolve this question in a single report.⁶ Still, this analysis brings new data to bear on this question. The data and analysis in this report indicate that freedom and prosperity are correlated, and provide further support for the thesis that freedom contributes to prosperity.

3.1: Prosperity Is Highly Correlated with Freedom

A central finding of this report is that prosperity and freedom are highly correlated. The correlation coefficient between the indexes is 0.81. High values of Freedom are associated with high values of Prosperity, and low values of Freedom are associated with low values of Prosperity. The R² statistic shows that 66 percent of the variation in prosperity around the world can be explained by freedom (Table 5).

The strong relationship between freedom and prosperity can also be seen in simple descriptive statistics. With the exception of Israel and Singapore, every country in the Prosperous category is also in the Free category. Israel and Singapore (due to the latter's high levels of economic freedom) occupy the two highest positions in the Mostly Free category (Table 4).

Moreover, no Free countries in 2021 are Mostly Unprosperous or Unprosperous; they are either Prosperous or Mostly

Prosperous. The forty-one countries that comprise the top category of the Freedom Index also all rank in the top fifty for the Prosperity Index, except for Romania (fifty-one in the Prosperity Index) and Cabo Verde (eighty-one).

In addition, all Unfree countries in our Freedom Index rank in the Mostly Unprosperous or Unprosperous categories in our Prosperity Index—except for Cuba, which scores above fifty on Minority Rights and Health.

Continuing with the descriptive statistics, we find that citizens in Free countries are five times richer in per capita income (\$36,142) than citizens in Mostly Free countries (\$7,246) (Table 3). They are six times richer than citizens in Mostly Unfree societies (\$5,791).

The quality of life is also different in Free and Unfree societies. As can be seen in Table 3, Health, Environment, Happiness, and Minority Rights improve as a country moves toward greater freedom. The average Health score jumps from 60.6 to 87.5 when moving from the Mostly Free to the Free category. The average Environment score drops by more than 50 percent when moving from the Free group to the Mostly Free group. People in Free countries are almost three times happier than people in Unfree countries. For Minority Rights, the gap is smaller between the Mostly Free and Free groups (nine points), but the score drops significantly as freedom decreases, with gaps of almost twenty points between Mostly Free and Mostly Unfree, and again between Mostly Unfree and Unfree. These results suggest that more freedom is associated with a better life for the average person.

Table 3: Descriptive Statistics across Freedom Index Categories

Category	Country Counts	Freedom Index		Population Covered		GNI per Capita (USD\$)		Health Score	
		Mean	Median	Total (in Millions)	Share of Total	Mean	Median	Mean	Median
Global	174	56.7	55.7	7,686	100%	13,312	5,070	62.2	67.2
Free	41	83.2	82.3	1,131	15%	36,142	32,290	87.5	89.9
Mostly Free	67	60.8	59.7	2,824	37%	7,246	4,500	60.6	65.9
Mostly Unfree	55	39.7	40.5	3,570	46%	5,791	2,030	49.1	47.1
Unfree	11	18.3	18.9	157	2%	2,775	1,160	43.7	42

Table 3 (Continued): Simple Statistics across Freedom Index Categories

Category	Country Counts	Environment Score		Happiness Score		Minority Rights Score		Prosperity Index	
		Mean	Median	Mean	Median	Mean	Median	Mean	Median
Global	174	45.4	46.1	62.2	56.1	79.1	87.6	51.2	49
Free	41	80.7	89.2	79.4	78.4	94.6	95.9	76.9	79.1
Mostly Free	67	38.7	41.6	52.1	52.4	85.3	88.9	48.2	47.7
Mostly Unfree	55	30.4	27.1	47.0	45.3	66.7	70.0	40.0	38.3
Unfree	11	29.4	29.5	27.5	22.6	47.6	45.6	30.5	31.3

Table 4: Overlap Between Freedom and Prosperity Categories

The table shows the percentage of countries in each overlapping category. Shown in parenthesis is the number of countries.

	Prosperous	Mostly Prosperous	Mostly Unprosperous	Unprosperous	Total
Free	13% (23)	10% (18)	0%	0%	24% (41)
Mostly Free	1% (2)	16% (27)	22% (38)	0%	39% (67)
Mostly Unfree	0%	6% (11)	25% (43)	1% (1)	32% (55)
Unfree	0%	1% (1)	3% (6)	2% (4)	6% (11)
Total	14% (25)	33% (57)	50% (87)	3% (5)	100% (174)

3.2 Evidence Suggests That Freedom Contributes to Prosperity

In this section, we examine whether freer countries tend to become more prosperous over time. Scholars have long debated the direction of the relationship between freedom and prosperity. The insight that freedom promotes prosperity goes back at least to Adam Smith's *The Wealth of Nations*, which argues that laws and institutions that protect the liberty of individuals to pursue their own interests result in greater prosperity for the larger society.⁷

Others argue the relationship goes in the opposite direction. Barrington Moore, for example, argues that a country cannot sustain democracy without a thriving middle class.⁸ People acquire property and material wealth first, and then demand a voice in government, including the freedoms to protect their wealth. This hypothesis goes all the way back to Aristotle, who posited that a large, prosperous middle class may mediate between rich and poor, creating the legal foundation upon which political freedom may function. A century ago, Max Weber extended this line of thought, proposing that the middle class defends its economic power by enshrining it in laws and institutions.

A third possibility is that there is a positive feedback loop; freedom begets prosperity, which, in turn, begets more freedom.

The idea that institutions are the key to long-run economic growth is well established in contemporary economic theory. Institutions provide the rules of the game. Rules that incentivize entrepreneurship, hard work, long-term planning, and broad access to economic opportunities tend to produce wealthier societies. Rules that stifle innovation, discriminate against certain segments of society, and do not guarantee that individuals will be able to enjoy the fruits of their labors and creations tend to produce poorer societies.

In theory, both democratic and autocratic countries could put in place sound economic institutions to produce long-run growth. But, in practice, democracies are much more likely to

do so. Dictators often establish rules that maximize their political control and benefit themselves and their supporters, to the detriment of broader segments of society. On the other hand, because democratic leaders are drawn from, and represent, broader cross sections of society, they tend to put in place institutions that benefit wider swaths of that society.⁹

We will not be able to definitively resolve this complex debate in a single report, but we do bring new data to bear on these questions. We believe that our data and associated analysis provide evidence that freer countries tend to become more prosperous.

In an effort to disentangle this relationship, we examined the strength of the correlations between freedom and prosperity over time. Using the same methodology, we re-created the 2021 Freedom and Prosperity Indexes for 2016, 2011, and 2006. We examined whether measures for freedom in prior years are associated with levels of prosperity in subsequent years. After all, changes in prosperity do not happen overnight. If freedom drives subsequent prosperity, then we should see the correlations between freedom in prior years more strongly associated with levels of prosperity in subsequent years.

This is what we found. Indeed, as one can see in Table 5 and Figure 6, the longer the time lapses between our measures of Freedom and Prosperity, the stronger the association. A country's level of Prosperity today is better explained by its level of Freedom in 2006 than by its current Freedom. In this analysis we are concerned with the general trend over time, not the absolute differences from year to year. The correlation and R² statistics are higher the further one goes back in time, indicating a stronger fit between past Freedom and future Prosperity. The 2006 Freedom Index, the earliest measure of Freedom calculated for this report, is most strongly associated with levels of Prosperity in 2021. While the relative differences may seem small, they are in a consistent direction. This rough test does not provide definitive proof that advances in freedom produce subsequent prosperity, but it is suggestive of such a dynamic and worthy of further investigation.

Figure 6: Correlation Between 2006 Freedom and 2021 Prosperity

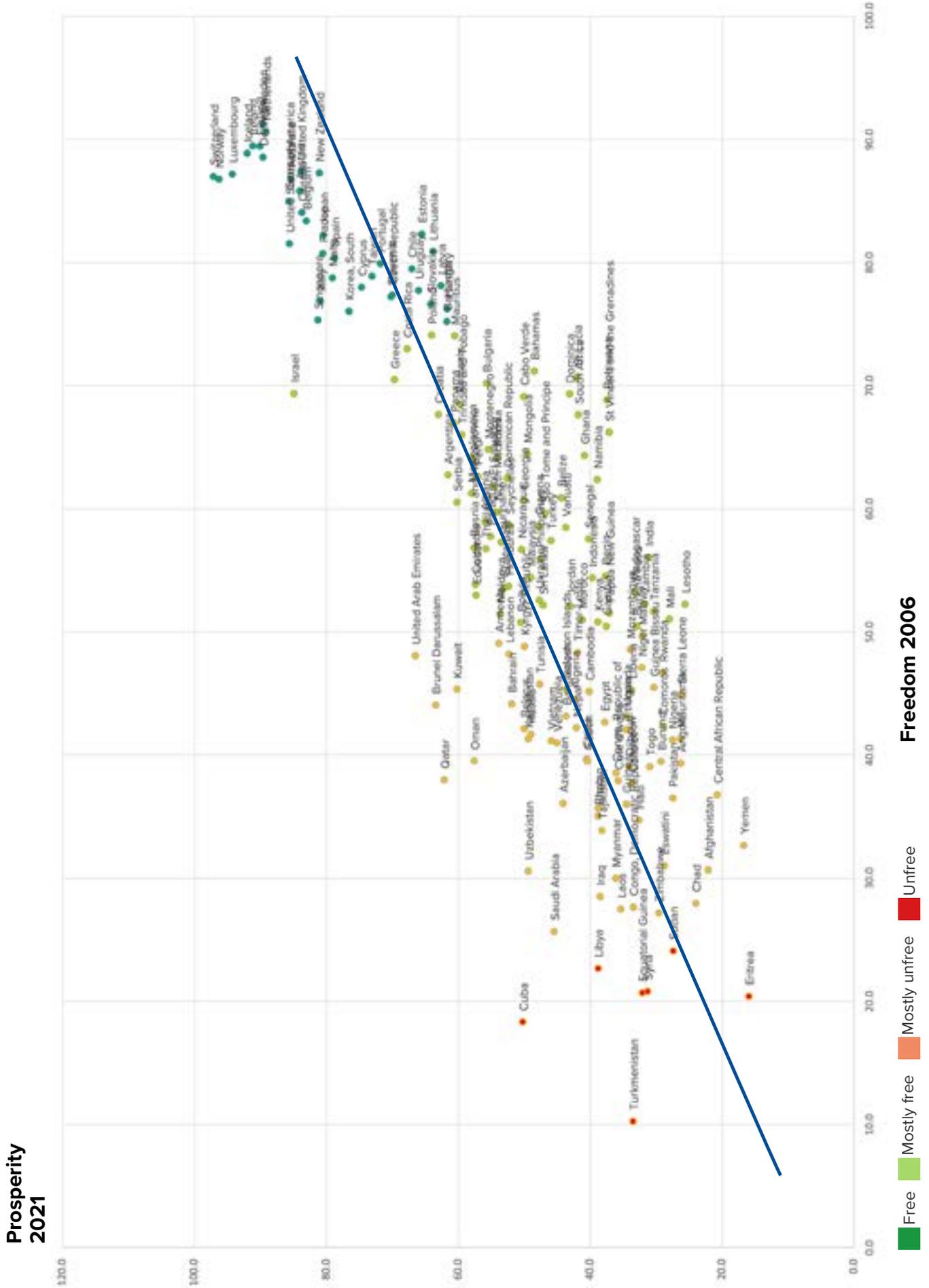


Table 5: Historical Correlations

Prosperity 2021			
Freedom Index Year	R2	Slope	Simple Correlation
2021	0.656	0.762	0.810
2016	0.662	0.771	0.814
2011	0.673	0.809	0.821
2006	0.677	0.834	0.823

Note: The table is based on the results of simple ordinary least squares regression, in which Prosperity Index 2021 is the dependent variable and time series of the Freedom Index are the explanatory variables.

We also tested the alternative hypothesis. Are past levels of Prosperity more strongly associated with current levels of Freedom? While there is a relationship, it is weaker than the link between Freedom and subsequent Prosperity. For example, the R^2 statistic between Prosperity in 2006 and Freedom in 2021 is 0.613, while the same statistic for Freedom in 2006 and Prosperity in 2021 is 0.677. Freedom in a given year is more strongly associated with subsequent prosperity than the reverse. This simple test suggests that the relationship is driven more by a country's level of freedom shaping its subsequent level of prosperity than by the reverse.

As we plan to update the data annually, we look forward to conducting further analysis on the direction and magnitude of the relationship between freedom and prosperity, and we encourage others to do the same.

We also analyzed the countries with the biggest score changes in the Freedom Index between 2006 and 2021. If our hypothesis is correct, we should expect big shifts in the independent variable (Freedom) to be associated with meaningful changes in Prosperity.

Two countries stand out for big changes in freedom over this period, and we found that their prosperity levels changed in the same direction.

Bhutan had the biggest jump in Freedom of any country between 2006 and 2021, and also showed an increase in Prosperity. In 2008, Bhutan experienced a transition from an absolute monarchy to a constitutional monarchy, including the establishment of an elected legislature. Bhutan's Freedom Index score reflects these changes, with a 74-percent increase in Legal Freedom and a whopping 166-percent increase in Political Freedom between 2006 and 2021. Bhutan's income score increased by 91 percent, and there was a 35-percent increase in its Environment score.

Venezuela, by contrast, is the country that lost the most freedom and prosperity between 2006 and 2021—a result with roots in Hugo Chávez's increasing political repression and embrace of socialist and populist economic policies as he consolidated power. The country dropped more than 42 percent in its overall Freedom score. The fall in its Political Freedom score was most pronounced—a 68-percent drop. On the Prosperity Index, Venezuela's score plummeted 24 percent from 2006 to 2021. The country was once among the wealthiest and most developed in Latin America, but now scores poorly on Health, Income, and Happiness.

DIVERGENT DEVELOPMENT PATHS FOR FORMERLY COMMUNIST COUNTRIES IN EASTERN EUROPE

As our next test, we look to the divergent paths of countries' political and economic transitions after the end of the Cold War. The fall of communism in Central and Eastern Europe in the 1989–1990 period can be viewed as a kind of natural experiment. Before the fall, these countries had similar levels of freedom and prosperity. Some countries, like Estonia, Latvia, Lithuania, and Romania, chose democracy and free markets. Others, such as Belarus and Russia, came to be ruled by autocratic regimes over the following years. What was the result of these choices on the trajectories of their subsequent economic development?

These six countries had divergent economic paths between 1995 (the first year for which all countries had comparable data) and 2020. As we can see in Table 6, the countries that chose freedom are between seven and nine times wealthier today, while the countries that remained autocratic are only between three and five times richer.

Table 6: Increase of GDP Per Capita in Selected Former Communist Countries (1995–2020)

	GDP per capita (current US\$)		
	1995	2020	Multiplier
Estonia	3,134	23,027	7.3
Latvia	2,330	17,726	7.6
Lithuania	2,168	20,234	9.3
Romania	1,650	12,896	7.8
Belarus	1,323	6,424	4.9
Russia	2,666	10,127	3.8

The data from our Freedom and Prosperity Indexes show similar results, as can be seen in Table 7. Russia (ranked eighty-eighth) and Belarus (ranked eighty-second) underperform in the Prosperity Index relative to their freer neighbors.

DIVERGENT DEVELOPMENT PATHS FOR PEOPLE LIVING UNDER COMMUNIST AND DEMOCRATIC GOVERNMENTS

We can draw similar conclusions by looking at World War II as the starting point for a new development period. For decades after World War II, China, Germany, and Korea were divided. Some people lived in communist countries, while others lived in countries with free markets and with political regimes that either were democratic from the beginning (West Germany), evolved into a democracy (South Korea and Taiwan), or had a wide range of freedoms (Hong Kong).

This provides us with another natural experiment. Did people living in freedom become more prosperous over time?

We begin with Germany. According to Organisation for Economic Co-operation and Development (OECD) data, democratic West Germany's gross domestic product (GDP) per capita in 1950 was only about 1.5 times larger than that of communist East Germany (\$4,280 vs. \$2,796). But, by the reunification of Germany in 1990, West Germany's per capita income had grown to be 3.6 times larger (\$19,441 vs. \$5,403) than that of East Germany.¹⁰

Let us now turn our attention to the Korean Peninsula. North and South Korea were both exceptionally poor in 1950.¹¹ While both countries lacked political freedom from the end of the Korean War until 1980, they selected very different paths regarding economic freedom. South Korea's dictators chose capitalism and secure property rights, while North Korea's

Table 7: Scores of Selected Former Communist Countries

	Freedom 2021		Prosperity 2021	
	Score	Rank	Score	Rank
Estonia	87.2	14	65.6	36
Latvia	81.7	25	62.6	42
Lithuania	81.8	24	63.9	39
Romania	76.3	36	59.8	51
Belarus	39.4	139	50.0	82
Russia	41.2	135	49.0	88

leaders selected a state-planned communist economy. By 1980, South Korea's per capita income (\$1,589) was more than double that of North Korea (\$768).¹²

Starting in the 1980s, South Korea transformed itself into a democracy, while North Korea remains a dictatorship. The addition of political freedoms in South Korea resulted in an even larger divergence in the economic paths of these two nations. United Nations data for 2021 show GDP per capita of \$31,947 for South Korea and \$639 for North Korea.¹³ Today, people living in the free South Korea are fifty times wealthier than those living in the unfree North Korea.

North Korea is not ranked in our indexes because it does not provide sufficient data. South Korea ranks thirty-fifth and Free in our Freedom Index and twenty-fifth and Prosperous in our Prosperity Index.

How does this story look when examining Chinese people living under different political and economic systems? The People's Republic of China (PRC) has been under the control of the Chinese Communist Party since 1949. China has never had political freedom, although it started instituting liberalizing economic reforms in the 1980s under Deng Xiaoping. Until its takeover by the PRC in 2020, Hong Kong was either under British control or an autonomous PRC region, enjoyed some democratic freedoms, and ranked among the freest markets in the world. Taiwan was established as a dictatorship at the end of World War II, but adopted free markets. It started transitioning to democracy after 1975. What were the results of these institutional choices?

The PRC, Taiwan, and Hong Kong were all poor in 1961, with GNI per capita of \$76, \$163, and \$437, respectively.¹⁴ But, their different levels of freedom resulted in different levels of prosperity by 2020. Free Taiwan and Hong Kong were able to break out of the middle-income trap, while unfree China, at least to date, has not. The middle-income trap, a measure created by the World Bank in 2006, refers to a situation in which a developing country moves from the poor to the middle-income category, but gets stuck below the high-income threshold—currently calculated by the World Bank as \$12,695 GNI per capita.¹⁵ In 2020, per capita income in China, Taiwan, and Hong Kong was \$10,055, \$25,055, and \$46,324, respectively.¹⁶ These differences are also clear in our indexes. Taiwan ranks Free and Mostly Prosperous, while China ranks Mostly Unfree and Mostly Unprosperous. We have chosen not to rank Hong Kong because it is now under the control of the PRC.

3.3 Autocracies Are Generally Not Prosperous

Some might think that an autocratic ruler can guarantee stability and push through needed economic reforms. They might point to Singapore as an example of a prosperous non-democracy. But, such examples are few and far between.

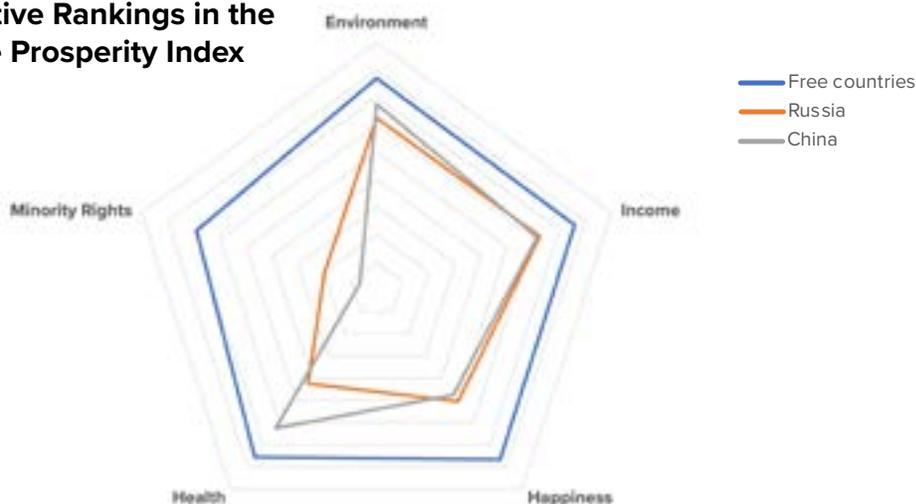
Authoritarian leaders like to centralize power, and dislike strong economic institutions that may check their power. While authoritarian leaders may sometimes make good economic decisions, they frequently make catastrophically bad ones. For example, the collectivization of agriculture led to mass famine in Joseph Stalin's Soviet Union, in Mao Zedong's China, and in Kim Il-Sung's North Korea. More recently, and less dramatically, bad financial decisions by Turkey's leaders led to high inflation and currency collapse, while in Kazakhstan the long-lasting kleptocracy of former President Nursultan Nazarbayev and his family led to social unrest. Even if a country has a wise authoritarian leader who makes consistently good decisions, like Lee Kuan Yew of Singapore, there is no guarantee that his successor will be equally wise. Moreover, a model that might work for a small city-state like Singapore does not easily apply to larger countries.

Autocracies are also subject to rapid and dramatic reversals along the path toward greater prosperity. Venezuela, for example, a country rich in natural resources and with a democratic tradition, adopted authoritarian and socialist policies in the early 2000s. As a result, Venezuela lost two-thirds of its GDP from 2014 to 2019.¹⁷ This is comparable to the 60-percent drop in GDP Syria experienced during its civil war.¹⁸ Bad authoritarian leaders curtailing freedoms can devastate a country as much as a civil war.

Unfree societies do not depend on rules and institutions but, rather, on authoritarian decisions. These decisions may, at times, redirect capital and people toward more productive outlets and have a positive impact in the short term. But, over the long term, if these decisions are not accompanied by greater freedoms, these autocrats are likely to undermine any progress they achieve.

Likewise, the authoritarian tendency to accumulate power makes leaders reluctant to allow free markets, which, when properly regulated, reflect the decisions of numerous economic agents and are a sounder path to economic development than the decisions of an autocrat or central bureaucracy.

Figure 7: Comparative Rankings in the Components of the Prosperity Index



Note: We use the rankings of China and Russia and the average rankings of all countries included in the Free category. The five axes represent the five indicators forming the Prosperity Index. The center point represents a rank of one hundred and seventy-four, the worst possible performance. The outer line represents a rank of one, the best possible performance on each indicator.

CHINA

China is often cited as a model of successful economic development, but our indexes do not bear this out. After seventy-three years of Communist Party leadership, China ranks one hundred and fortieth in the Freedom Index and one hundred and fourteenth in the Prosperity Index.

To be sure, China's economic growth has been impressive in many ways, but it is still far from achieving broad-based prosperity. Looking at the components of the Prosperity Index, China ranks only fifty-seventh on the Income score, with a GNI per capita just over \$10,000. This puts it squarely in the middle-income range, well below other Asian countries such as Japan, Taiwan, South Korea, and Singapore. While elites in China's coastal cities are wealthy and there are far fewer Chinese living in poverty than in the past, the country's interior remains largely poor.

China's low position on the Prosperity Index is also explained by its Minority Rights rank of one hundred and sixty-seven out of one hundred and seventy-four (Figure 7). This score, part of our comprehensive view of prosperity, reflects China's brutal policies in Tibet and genocide in Xinjiang.

There are also real questions about whether China's state-led capitalist model can continue to deliver income growth. Xi Jinping prioritizes political control over economic growth, and has been backtracking on liberalizing reforms, as seen in his crackdowns on the Chinese tech sector. Moreover, China's past path to growth was driven largely by exporting cheap manufactured goods and major infrastructure investments by the CCP.

To break out of the middle-income trap, however, China will need to become a true innovation leader and develop a consumer-based market. It is unclear whether it can make that transition without more freedom.

Furthermore, China has many other structural deficiencies, including high levels of pollution, massive corruption, a shrinking of the working-age population as a result of the failed one-child policy, excessively harsh yet ineffective COVID-fighting policies, and an international community that is becoming more fearful of economic dependence on China. The CCP announced in March 2022 that China's GDP growth target for the year was "around 5.5 percent,"¹⁹ the lowest in thirty years. But, just a month later, the International Monetary Fund projected a 4.4 percent growth rate and some economists predict growth rates of under 4 percent. Even Xi Jinping has admitted that slow growth in China is "the new normal."²⁰

RUSSIA

Russia is a prototypical example of a Mostly Unfree and Mostly Unprosperous country. It ranks one hundred and thirty-fifth on the Freedom Index and eighty-eighth on the Prosperity Index. This is the result of more than seven decades of communism and two decades of authoritarianism after the fall of the Soviet Union in 1991 (with a brief period of experimentation with freer markets and political pluralism in the 1990s).

Russia enjoyed strong economic growth in the early years of the 2000s, thanks largely to high oil prices and more open markets.²¹ Russia, like China, is a middle-income country with a GNI per capita of approximately \$10,000. Russia is similar to China on many metrics of Prosperity, with the exception of Minority Rights (one hundred and forty for Russia), where China ranks even worse. The data for our analysis were collected before Russia's invasion of Ukraine. As Vladimir Putin clamps down on Russian society during the war, we expect Russia's freedom and prosperity to decline further in the coming years.

OIL-EXTRACTING AUTOCRACIES

The major exception to our finding that autocracies cannot produce prosperity comes from oil-rich states, like the Gulf monarchies. Oil revenues have allowed these autocracies to provide their citizens with some of the highest per capita incomes in the world.

GULF MONARCHIES

The Gulf monarchies, with the exception of the UAE, all fall into the Mostly Unfree category.

Due to their ability to generate large revenues from oil extraction, however, these countries rank highly in one of the key prosperity indicators, GNI per capita. Their scores on our Prosperity Index, however, suffer because they rank poorly in other prosperity indicators like Environment and Minority Rights.

While Gulf monarchies have seen record income from high oil prices over the preceding decades, the world may be moving away from fossil fuels and toward cleaner forms of energy. To succeed in such an environment, oil-producing states will need to liberalize their economies and allow their people more freedoms.

Some Gulf monarchies are already taking limited steps in this direction. In Saudi Arabia, for example, the government has recently granted women greater rights and further opened to foreign investment.

UNITED ARAB EMIRATES

The UAE has been leading the way toward more freedom in the Gulf region. It outperforms all the other Gulf monarchies in both freedom and prosperity. While its Political Freedom measures are quite low, it does allow a wide range of Economic and Legal Freedoms. Indeed, taken together, these freedoms are sufficient to move the UAE into the Mostly Free category—the only country in the Gulf to receive this distinction. These greater freedoms have also resulted in superior economic performance. The UAE bests its neighbors to rank as the thirty-fourth most prosperous country globally in our index.

SINGAPORE

Singapore is often mentioned as the leading example of how autocratic systems can provide economic prosperity. Our Freedom Index reveals, however, that the secret to Singapore's success is quite straightforward. While Singapore ranks poorly on Political Freedom, it has among the highest levels of Economic and Legal Freedom. Indeed, Singapore ranks as a Mostly Free country, and barely falls short of our threshold for fully Free.

Singapore demonstrates, therefore, that this model can work, but its example may be *sui generis*: Singapore is a small city-state. Indeed, there is much evidence that small countries open to international trade can prosper.²² But, it would not be easy to run a larger country in such a centralized manner.

In addition, Singapore has been governed, so far, by fairly wise autocrats who have continually prioritized economic and legal freedom. Given that political power in the country is concentrated, however, there is always the risk that future leaders would choose to rein in these freedoms. While it may seem foolish to kill the goose that laid the golden egg, there are many examples of autocratic leaders doing just that if they feel that it is necessary to protect their political power. Allowing more political freedom in Singapore would provide guardrails against arbitrary changes to Singapore's successful economic model, and better ensure its future prosperity.

4. CONCLUSION AND POLICY RECOMMENDATIONS

These inaugural indexes provide a new means of assessing freedom and prosperity around the world, and we hope that they are widely utilized by scholars and policymakers. As these indexes will be produced annually, they will allow us to track progress and regress over time. All data and resources used for this research are public and available for consultation on the Freedom and Prosperity Center's website.

The aim of the work of the Freedom and Prosperity Center is to improve the standard of living of the poorest and marginalized. This report uses the data from our indexes and other sources to examine the relationship between freedom and prosperity. The central argument of the report is that economic, political, and legal freedoms are the surest path to sustainable prosperity. Freedom and prosperity are correlated, and theory and historical evidence suggest that freer countries tend to become more prosperous.

What are the policy implications of this analysis? The fundamental conclusion is that those interested in increasing economic development and prosperity should prioritize the promotion of economic, political, and legal freedoms

We hope that our indexes inspire reformers in the developing world. Politicians, journalists, academics, and others in developing countries can help us make the case that freedom begets prosperity. If they find our arguments compelling, we encourage them to amplify the message in their political campaigns, in their newspapers, and in the classroom. In conducting research for this report, we frequently heard that, in many countries, those on the other side of the debate are loud, but advocates for freedom as an avenue to prosperity are often silent. Let us change that. Help us make the case.

More specifically, our indexes provide a clear measuring stick for what countries are doing well and where there is room for improvement. We would encourage reformers to use our indexes as a template for recommending and implementing specific and tailored country reforms.

Reforms are often most effective when they originate organically, from inside countries, but encouragement and support from external actors are also important. The United States and other developed countries should continue to

encourage progress toward the three freedoms in their foreign relations.

Philanthropic organizations dedicated to helping people in developing countries should fund initiatives that promote freedom, in addition to other types of assistance.

The private sector in developed countries should work through bilateral chambers of commerce to make the point that the three freedoms are a demonstrated way for developing countries to attract foreign direct investment. Companies from developed countries can be a major force for good. They can bring capital and technology, offer jobs and training to local workers, and introduce international best practices, like ethical business dealings, measures to prevent gender discrimination, and fair wages.

International organizations should continue to endorse economic, political, and legal freedoms as the best path to prosperity. This is not always an easy task for these organizations, which may be under pressure from authoritarian member states that argue that their model of government is just as valid. We encourage international organizations to rely on objective data, including our indexes, to push back on these pressures.

In addition, the United States and its allies and partners in the free world should develop a strategy to counter malign Chinese and Russian global influence. Beijing and Moscow want a world safe for autocracy, and their practices, including in foreign assistance, have contributed to a decline in global freedom. Western countries should offer a competitive free-world model of foreign aid and infrastructure investment.

Finally, while we believe this report and our indexes help advance the debate on the relationship between freedom and prosperity, we are not so naïve as to believe that this is the final word. The debate should and will continue. We encourage scholars around the world to further study the relationship between freedom and prosperity and, thus, contribute to scholarship that is essential to the future prosperity of humankind.

APPENDIX: RESEARCH METHODOLOGY AND LIMITATIONS

METHODOLOGY

The Freedom Index and Prosperity Index are two separate indexes that rank one hundred and seventy-four countries around the world according to their levels of freedom and prosperity. The Freedom Index measures Economic Freedom, Political Freedom, and Legal Freedom. The Prosperity Index measures Income, Environment, Health, Minority Rights, and Happiness.

All index measurements are weighted equally, and the score for each index is the simple average of its parts. Scores range between zero and one hundred, with higher values indicating more freedom or prosperity. Where appropriate, raw data are converted to a 0–100 scale.

Countries on the Freedom Index are divided into four categories based on their overall score: those above a seventy-five-point score (Free), those with a score between fifty and 74.9 (Mostly Free), those with a score between twenty-five and 49.9 (Mostly Unfree), and those with score from zero to 24.9 (Unfree).

The same categorization is used for the Prosperity Index: those above a seventy-five-point score (Prosperous), those with score between fifty and 74.9 (Mostly Prosperous), those with a score between twenty-five and 49.9 (Mostly Unprosperous), and those with score from zero to 24.9 (Unprosperous).

The Freedom Index and the Prosperity Index are constructed from a diversified data and analytical basis, comprising different databases produced by the American Economic Journal, Center for Economic and Policy Research, the Credendo Group, the Fraser Institute, Freedom House, the Fund for Peace, the Heritage Foundation, the National Aeronautics and Space Administration (NASA), Transparency International, the United Nations, the V-Dem Institute, the World Bank, and the World Justice Project.

The 2021 Freedom and Prosperity Indexes use the most recent data available. Most of these data are from 2021. Where data from 2021 are not available, data from the most recent year available are used instead. We used the same methodology to create Freedom and Prosperity Indexes for 2016, 2011, and 2006.

THE FREEDOM INDEX

The Freedom Index has three sub-indexes—Economic Freedom, Political Freedom, and Legal Freedom—each of which comprises multiple indicators. Indicators, in turn, can comprise multiple components and, in some cases, subcomponents. The indicators that go into the construction of each sub-index are listed below, together with the original sources of data, definitions, and analyses.

They are as follows.

1. Economic Freedom

Economic Freedom refers to an economic system that fairly upholds the rights of all businesses and economic actors. Economic Freedom is measured as an equally weighted average of four indicators: Property Rights, Trade Freedom, Investment Freedom, and Women’s Economic Freedom.

A. PROPERTY RIGHTS

This indicator assesses the extent to which a country’s legal framework allows individuals to acquire, hold, and utilize private property, secured by clear laws that the government enforces. Its component parts are protection of property rights and risk of expropriation.

Sources of data: James Gwartney, et al., “Economic Freedom of the World: Annual Report 2021,” Fraser Institute, 2021, <https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2021.pdf>; “Expropriation Risk—Country Rankings,” Credendo Group, 2019, https://www.theglobaleconomy.com/rankings/expropriation_risk.

B. TRADE FREEDOM

The Trade Freedom indicator measures a wide variety of trade restrictions: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement of capital.

Source of data: Gwartney, et al., “Economic Freedom of the World: Annual Report 2021.”

C. INVESTMENT FREEDOM

This indicator measures the ability of individuals and firms to move capital within and across a country’s border without restrictions.

Source of data: “2021 Index of Economic Freedom,” Heritage Foundation, 2021, <https://www.heritage.org/index/>.

D. WOMEN'S ECONOMIC FREEDOM

This indicator captures inequality in legislation between men and women as it relates to economic activity. Its component measurements are mobility, pay, entrepreneurship, and assets.

Source of data: "Women, Business and the Law," World Bank, 2021, <https://wbl.worldbank.org/en/wbl>.

2. Political Freedom

Political Freedom refers to a political system that fairly protects the rights of all its citizens. Political Freedom is measured as an equally weighted average of the following three indicators: Constraints on Government, Political Rights, and Civil Liberties.

A. CONSTRAINTS ON GOVERNMENT

This indicator assesses whether public and private actors have the independence, and the ability in practice to exercise effective checks on, and oversight of, the government. Its component parts are government powers, open government, and fundamental rights.

Source of data: "WJP Rule of Law Index 2021," World Justice Project, 2021, <https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2021>.

B. POLITICAL RIGHTS

This indicator measures the ability of citizens to choose their leaders in free and fair elections, organize political opposition, and participate meaningfully in the political process.

Source of data: Sarah Repucci and Amy Slipowitz, "Freedom in the World 2021," Freedom House, 2021, <https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege>.

C. CIVIL LIBERTIES

This indicator captures the degree to which fundamental liberties are protected, including freedom of expression and belief, freedom of the press, and freedom of association and assembly.

Source of data: Repucci and Slipowitz, "Freedom in the World 2021."

3. Legal Freedom

Legal freedom refers to the effective implementation of a country's rule of law by encompassing specific rules, as well as the social capital and institutions that support the implementation of these rules. Legal freedom is measured as the equally weighted average of the following indicators: Judicial Effectiveness, Government Integrity, Regulatory Effectiveness, Order and Security, and State Capacity.

A. JUDICIAL EFFECTIVENESS

This indicator measures the strength of an efficient and fair judicial system, which ensures that laws are fully respected and appropriate legal actions are taken against violations. It is made up of the components: efficient judiciary, civil justice, and criminal justice.

Sources of data: Repucci and Slipowitz, "Freedom in the World 2021"; "WJP Rule of Law Index 2021."

B. GOVERNMENT INTEGRITY

This indicator captures the level of openness and transparency in government regulations, and the existence of corruption by government officials. Its components are perceptions of corruption, absence of corruption, and public disclosure by politicians. The public disclosure component constitutes two subcomponents: values publicly available and sources publicly available.

Sources of data: "Corruption Perception Index," Transparency International, <https://www.transparency.org/en/cpi/2021>; "WJP Rule of Law Index 2021"; Djankov, Simeon, Rafael LaPorta, Florencio Lopez-de-Silanes, and Andrei Shleifer. 2010. "Disclosure by Politicians." *American Economic Journal: Applied Economics* 2 (2): 179-209, <https://scholar.harvard.edu/shleifer/publications/disclosure-politicians>; Oriana Bandiera, Erica Bosio, and Giancarlo Spagnolo, eds., "Discretion, Efficiency and Abuse in Public Procurement in Ordinary and Extra-Ordinary Times," Center for Economic Policy Research, 2021, <https://voxeu.org/article/discretion-efficiency-and-abuse-public-procurement-new-ebook>.

C. REGULATORY EFFECTIVENESS

This indicator measures the degree to which regulations and public services are properly implemented without being subject to bribery or other improper influence.

Source of data: "WJP Rule of Law Index 2021."

D. ORDER AND SECURITY

This indicator reflects citizens' perceptions of safety and the ability of the state to protect citizens from crime, conflict, and terrorism.

Source of data: "WJP Rule of Law Index 2021."

E. STATE CAPACITY

This indicator measures the extent of existing pressures that outweigh a state's capacity to manage those pressures.

Source of data: "Measuring Fragility," Fund for Peace Fragile States Index, <https://fragilestatesindex.org>.

The Prosperity Index

The Prosperity Index attempts to capture both the average level of prosperity—through the level of Income, Health, and Happiness that an average citizen possesses—and shared prosperity through measures of Environment and Minority group wellbeing.

A. INCOME

Income is measured as GNI per capita in current US dollars. It is calculated with the Atlas method.

Source of data: GNI Per Capita, Atlas Method (Current US\$), World Bank, <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>

B. ENVIRONMENT

The Environment indicator measures water quality. It is calculated according to the amount of life years lost as a result of exposure to unsafe drinking water. This measure is used as a proxy for environment performance in general.

Source of data: “Environmental Performance Index,” NASA Socioeconomic Data and Applications Center, 2020, <https://sedac.ciesin.columbia.edu/data/set/epi-environmental-performance-index-2020/data-download>.

C. MINORITY RIGHTS

Minority Rights are measured through surveys on the acceptance of religious minorities. The level of acceptance of religious minorities is used as a proxy for the acceptance of minorities in general.

Source of data: “The V-Dem Data Set,” Varieties of Democracy, V-Dem Institute, <https://v-dem.net/vdemds.html>.

D. HEALTH

Health measures the number of years a newborn infant would be expected to live if the prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Life expectancy is used as a proxy for overall health.

Source of data: “Life Expectancy at Birth (Total Years),” World Bank, <https://data.worldbank.org/indicator/SP.DYN.LE00.IN>.

E. HAPPINESS

The Happiness indicator measures the psychological aspects of wellbeing through survey questions that measure self-reported levels of happiness.

Source of data: “World Happiness Report,” United Nations, 2021, <https://happiness-report.s3.amazonaws.com/2021/WHR+21.pdf>.

LIMITATIONS

The Freedom and Prosperity Indexes methodology is designed to be an easily replicable way to benchmark specific characteristics. But, it also has limitations that should be understood.

Ensuring comparability of the data across a global set of countries is a central consideration. When selecting sources to be included in the indexes, coverage has been a determining factor. In the rare case of missing data for a certain year, we have replaced them with data from the closest available year. All these instances are described in the dataset.

Data were collected over the past year, using the most recent information available. They might not reflect the latest political or economic developments. These indexes should not necessarily be taken as an accurate reflection of the most recent current events. We will, however, update the indexes over time to capture real-world changes on an annual basis.

We did our best to collect the most reliable information available. The objective of these indexes was to provide standardized measures that can be applied to every country. One might argue that the methodology or the data collected are irrelevant to certain types of political situations or specific countries. That might be the case in some instances, but rarely so. Moreover, there is an inherent tension between generalizable and specific knowledge. In this study, we self-consciously opted for the former. We would encourage other researchers to explain how our indexes illuminate or obscure country-specific dynamics.

AUTHORS AND TECHNICAL ADVISERS

About the Authors



Dan Negrea is the senior director of the Atlantic Council's Freedom and Prosperity Center. Between 2018 and 2021, he served at the US Department of State as the special representative for commercial and business affairs and as a member of the secretary of state's Policy Planning Office, where he was responsible for the economic portfolio. Before that, he held leadership positions in Wall Street firms. A native of Romania, he has written extensively on international relations.



Matthew Kroenig is the deputy director of the Atlantic Council's Scowcroft Center for Strategy and Security and a tenured professor of government at Georgetown University. A 2019 study in *Perspectives on Politics* ranked him as one of the twenty-five most-cited political scientists of his generation. He is the author of several books, including co-author of *The Handbook of National Legislatures: A Global Survey* (Cambridge University Press, 2009). The book introduced the Parliamentary Powers Index, which measures the strength of the national legislature of every country in the world. He is also a co-collaborator on "Conceptualizing and Measuring Democracy: A New Approach" in *Perspectives on Politics* (June 2011), which introduced the Varieties of Democracy (V-Dem) dataset that has been widely adopted in other indexes. He previously served as a V-Dem project co-manager.

Technical Advisers



Joseph Lemoine is the deputy director of the Atlantic Council's Freedom and Prosperity Center. He was involved in the country index work of the World Bank, where he participated in and led the creation of development indicators on business climate, good regulatory practices, women's entrepreneurship, and government transparency. A native of France, he advised governments on policy reforms that help boost entrepreneurship and shared prosperity, primarily in Francophone Africa.



Joel Kesselbrenner is an assistant director with the Atlantic Council's Freedom and Prosperity Center. His previous work has focused on great-power competition, democracy promotion, and processes of political and economic transformation in the developing world.

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Sergio Alcocer

President, Mexican Council of Foreign Affairs; former under secretary for North America, Ministry of Foreign Affairs, Mexico

Fri Asanga

Chief executive officer, Denis and Lenora Foretia Foundation, Cameroon

Devesh Ashra

Former deputy assistant secretary, Treasury Department, United States

Stephen Barrows

Chief operating officer, Acton Institute, United States

Erica Bosio

Program manager, Growth Analytics Unit in the Development Economics Vice Presidency, World Bank

James Carafano

Vice president, Heritage Foundation, United States

Todd Chapman

Former ambassador to Brazil and Ecuador, United States

Ramsey Day

Former assistant administrator for Africa, US Agency for International Development, United States

Michael DeSombre

Former ambassador to Thailand, United States

Lee Dranikoff

Former senior finance executive, United States

Evan Ellis

Professor, Army War College; former member, Policy Planning Staff, State Department, United States

Frank Finelli

Senior finance executive, United States

Lakshmi Goyal

Chief executive officer, Centre for Civil Society, India

Ash Jain

Director for Democratic Order, Atlantic Council; former member, Policy Planning Staff, State Department, United States

Mugabi John Socrates

Chief executive officer, Action for Liberty and Economic Development, Uganda

Filip Jolevski

Economist, World Bank, North Macedonia

Jhinaoui Khemaies

Founder and president, Tunisian Council for Foreign Relations; former foreign minister, Tunisia

Anthony Kim

Editor of the Index of Economic Freedom and manager of global engagement, Thatcher Center, Heritage Foundation

Aimable Manirakiza

Chief executive officer, Centre for Development and Enterprises, Burundi

Kris Mauren

Co-founder and president, Acton Institute, United States

Michael McKinley

Former ambassador to Afghanistan, Brazil, Peru, Columbia; former special adviser to the secretary of state, United States

Joseph Mulala Nguramo

Nonresident fellow, Atlantic Council, Democratic Republic of Congo

Jonas Parello Plessner

Executive director, Alliance of Democracies; former minister counselor, Ministry of Foreign Affairs, Denmark

Alissa Pavia

Associate director, Atlantic Council, United States

Valeria Perotti

Program manager, Business Enabling Unit, World Bank

Peter Pham

Distinguished fellow, Atlantic Council; former ambassador to the Sahel, United States

Benjamin Powell

Director, Free Market Institute, Texas Tech University

Rita Ramalho

Lead economist, Office of Chief Economist, World Bank

Steve Renna

Former chief banking officer, Export-Import Bank, United States

Amy Slipowitz

Research manager, Freedom House

David Stillwell

Brigadier general, Air Force; former assistant secretary for East Asia and Pacific affairs, United States

Tea Trumbric

Program manager, Women Business and Law, World Bank

Matt Warner

President, Atlas Network, United States

Earl Wayne

Public policy fellow, Woodrow Wilson Center; former ambassador to Mexico and Argentina; former assistant secretary of state for economic and business affairs, Department of State, United States

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1030 15th Street, NW, 12th Floor,

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(202) 778-4952

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