

## 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 a 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 a score between fifty and 74.9 (Mostly Prosperous), those with a score between twenty-five and 49.9 (Mostly Unprosperous), and those with a score from zero to 24.9 (Unprosperous).

The Freedom Index and the Prosperity Index are constructed on a diversified data and analytical basis, comprising different databases produced by the American Economic Journal, the 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.

## I. 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, which are taken from the Fraser Institute’s “Economic Freedom of the World Annual Report” and the Credendo Group’s “Expropriation Risk Country Rankings,” respectively

#### 1. Protection of Property Rights

According to the Fraser Institute, the Protection of Property Rights is calculated as follows:

- “The first source of this component is the Global Competitiveness Report question: ‘Property rights, including over financial assets, are poorly defined and not protected by law (= 1) or are clearly defined and well protected by law (= 7).’
- The second source is Property Rights and Rule-Based Governance from Country Policy and Institutional Assessment data from the World Bank.
- The final number is the average of whichever of these two sources are available.”

2. Risk of expropriation measures the likelihood that a private investor can be expropriated by the state in terms of their direct or capital investment in a domestic business entity or project. Values range between one and seven, with seven indicating high likelihood of expropriation.

- This component is rescaled by adding a new “zero tolerance for expropriation” category and inverting the index so that higher values signify less fear of expropriation.
- The formula  $(100 - ((y - 1) / 6 * 100))$  is used to convert the data to a 0–100 scale.

Sources of data:

2021

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](https://www.theglobaleconomy.com/rankings/expropriation_risk).

2016

James Gwartney, et al., “Economic Freedom of the World: Annual Report 2016,” Fraser Institute, 2016, **Error! Hyperlink reference not valid.** <https://www.fraserinstitute.org/studies/economic->

freedom-of-the-world-2016-annual-report; “Expropriation Risk—Country Rankings,” Credendo Group, 2016, [https://www.theglobaleconomy.com/rankings/expropriation\\_risk/](https://www.theglobaleconomy.com/rankings/expropriation_risk/).

2011

James Gwartney, et al., “Economic Freedom of the World: Annual Report 2011,” Fraser Institute, 2011, <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2011-annual-report>.

The risk of expropriation component for 2011 relies on data from 2016.

2006

James Gwartney, et al., “Economic Freedom of the World: Annual Report 2006,” Fraser Institute, 2006, <https://www.fraserinstitute.org/sites/default/files/EconomicFreedomoftheWorld2006.pdf>.

The risk of expropriation component for 2006 relies on data from 2016.

### *b) Trade Freedom*

The Trade Freedom indicator comes from the Fraser Institute’s Economic “Freedom in the World” annual report. It measures “a wide variety of trade restrictions: tariffs, quotas, hidden administrative restraints, and controls on exchange rates and the movement of capital. In order to get a high rating in this area, a country must have low tariffs, easy clearance and efficient administration of customs, a freely convertible currency, and few controls on the movement of physical and human capital.” The source data are scored from 0–100, with most data bunched around the mean in order to get a more accurate measure; the data are stretched using a proportional scaling. The following formula is used:  $(y * 10 / 0.95)$ .

The Fraser indicator is made up of the following measurements.

#### 1. Tariffs

- Revenues from trade taxes as a percentage of total exports and imports.
- The average tariff rate on goods and services.
- The standard deviation of tariff rates on goods and services.

#### 2. Regulatory trade barriers

- Trade barriers other than tariffs.
- Time cost of compliance with import and export requirements.

#### 3. Black-market exchange rate

#### 4. Controls on the free movement of people and capital

- “Restrictions on cross border financial transactions.”
- Capital controls.
- “Percentage of countries from which a visa is required for foreign visitors to enter the country.”

Sources of data:

2021

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

2016

Gwartney, et al., “Economic Freedom of the World: Annual Report 2016.”

2011

Gwartney, et al., “Economic Freedom of the World: Annual Report 2011.”

2006

Gwartney, et al., “Economic Freedom of the World: Annual Report 2006.”

*c) Investment Freedom*

This indicator measures the ability of individuals and firms to move capital within and across a country’s border without restrictions. It comes from the Heritage Foundation’s “Index of Economic Freedom.”

The Investment Freedom indicator is found by starting at a 100-percent economically free country in which there are no constraints on the flow of investment capital. In this hypothetical scenario, individuals and firms are able to move their capital within the country and across the country’s borders without any restrictions. According to the Heritage methodology (and detailed below), each country is given a starting score of one hundred, which represents this hypothetical case, and points are deducted for the following investment restrictions.

1. “National treatment of foreign investment (treating foreign firms as favorably as domestic firms)”
  - No national treatment, prescreening—25 points deducted.
  - Some national treatment, some prescreening—15 points deducted.
  - Some national treatment or prescreening—5 points deducted.
2. Foreign Investment Code
  - No transparency and burdensome bureaucracy—20 points deducted.
  - Inefficient policy implementation and bureaucracy—10 points deducted.
  - Some investment laws and practices nontransparent or inefficiently implemented—5 points deducted.
3. Restrictions on land ownership
  - All real estate purchases restricted—15 points deducted.
  - No foreign purchases of real estate—10 points deducted.
  - Some restrictions on purchases of real estate—5 points deducted.
4. Sectoral Investment Restrictions
  - Multiple sectors restricted—20 points deducted.
  - Few sectors restricted—10 points deducted.
  - One or two sectors restricted—5 points deducted.
5. Expropriation of investment without fair compensation
  - Common with no legal recourse—25 points deducted.
  - Common with some legal recourse—15 points deducted.

- Uncommon but does occur—5 points deducted.
6. Foreign exchange controls
- No access by foreigners or residents—25 points deducted.
  - Access available but heavily restricted—15 points deducted.
  - Access available with few restrictions—5 points deducted.
7. Capital controls
- No repatriation of profits; all transactions require government approval—25 points deducted.
  - Inward and outward capital movements require approval and face some restrictions—15 points deducted.
  - Most transfers approved with some restrictions—5 points deducted.”

Also, according to the Heritage methodology: “Up to an additional 20 points may be deducted for security problems, a lack of basic investment infrastructure, or other government policies that inject a considerable degree of uncertainty and indirectly burden the investment process and limit investment freedom.”

Sources of data:

2021

“2021 Index of Economic Freedom,” Heritage Foundation, 2021,  
[https://www.heritage.org/index/pdf/2021/book/2021\\_IndexofEconomicFreedom\\_Highlights.pdf](https://www.heritage.org/index/pdf/2021/book/2021_IndexofEconomicFreedom_Highlights.pdf).

2016

“2016 Index of Economic Freedom,” Heritage Foundation, 2016,  
<https://www.heritage.org/international-economies/report/2016-index-economic-freedom-yet-more-evidence-free-trades-benefits>.

2011

“2011 Index of Economic Freedom,” Heritage Foundation, 2011,  
[https://www.heritage.org/index/pdf/2011/index2011\\_highlights.pdf](https://www.heritage.org/index/pdf/2011/index2011_highlights.pdf).

2006

“2006 Index of Economic Freedom,” Heritage Foundation, 2006,  
<https://www.heritage.org/index/explore?view=by-region-country-year&u=637818453340497905>.

#### *d) Women’s Economic Freedom*

This indicator captures inequality between men and women in legislation as it relates to economic activity. Its component measurements are mobility, pay, entrepreneurship, and assets. It comes from the World Bank’s “Women, Business, and Law Index.”

According to the World Bank, the indicator is made up of the following measurements:

1. Mobility “examines constraints on women’s freedom of movement.

- Laws assessed under this indicator include those governing a woman’s right to choose where to live, obtain a passport, and travel outside her home and country.”
2. The pay component measures “laws and regulations affecting a woman’s pay.
    - Assessed within this indicator are items such as whether or not there is legislation mandating equal remuneration for work of equal value and whether women in an economy are subject to work-related restrictions that are not imposed upon men.”
  3. The entrepreneurship component “assesses constraints to women starting and running a business.
    - Captured under this indicator is legislation mandating nondiscrimination in accessing credit as well as laws that govern women’s ability to sign a contract, register a business, and open a bank account. “
  4. The assets component covers “property ownership rights, inheritance rights (both for children and surviving spouses), authority of assets during marriage, and valuation of nonmonetary contributions.”

Sources of data:

2021

“Women, Business and the Law,” World Bank, 2021, <https://wbl.worldbank.org/en/wbl-data>.

2016

Ibid.

2011

Ibid.

2006

Ibid.

## II. 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. All three components come from the World Justice Project’s “Rule of Law Index” and are measured as follows:

1. Constraints on government powers measures whether “legislative bodies have the independence and the ability in practice to exercise effective checks on and oversight of the government.” It measures the following:

- “Whether the judiciary has the independence and the ability in practice to exercise effective checks on and oversight of the government.
- Whether comptrollers or auditors, as well as national human rights ombudsman agencies, have sufficient independence and the ability to exercise effective checks on and oversight of the government.
- Whether government officials in the executive, legislature, judiciary, and the police are investigated, prosecuted, and punished for official misconduct and other violations.
- Whether an independent media, civil society organizations, political parties, and individuals are free to report and comment on government policies without fear of retaliation.
- Whether government officials are elected or appointed in accordance with the rules and procedures set forth in the constitution.
- Where elections take place, it also measures the integrity of the electoral process, including access to the ballot, the absence of intimidation, and public scrutiny of election results.

2. Open government measures whether basic laws and information on legal rights are publicly available, presented in plain language, and made accessible in all languages used in the country or jurisdiction.

- It measures the quality and accessibility of information published by the government in print or online, and whether administrative regulations, drafts of legislation, and high court decisions are made accessible to the public in a timely manner.
- Whether requests for information held by a government agency are granted, whether these requests are granted within a reasonable time period, if the information provided is pertinent and complete, and if requests for information are granted at a reasonable cost and without having to pay a bribe.
- It also measures whether people are aware of their right to information, and whether relevant records are accessible to the public upon request; measures the effectiveness of civic participation mechanisms, including the protection of the freedoms of opinion and expression, assembly and association, and the right to petition the government.
- It also measures whether people can voice concerns to various government officers, and whether government officials provide sufficient information and notice about decisions affecting the community.

- Whether people are able to bring specific complaints to the government about the provision of public services or the performance of government officers in carrying out their legal duties in practice, and how government officials respond to such complaints.

3. Fundamental Rights measures whether individuals are free from discrimination—based on socio-economic status, gender, ethnicity, religion, national origin, sexual orientation, or gender identity—with respect to public services, employment, court proceedings, and the justice system.

- Whether the police inflict physical harm upon criminal suspects during arrest and interrogation, and whether political dissidents or members of the media are subjected to unreasonable searches, arrest, detention, imprisonment, threats, abusive treatment, or violence.
- Whether the basic rights of criminal suspects are respected, including the presumption of innocence and the freedom from arbitrary arrest and unreasonable pre-trial detention.
- Whether criminal suspects are able to access and challenge evidence used against them, whether they are subject to abusive treatment, and whether they are provided with adequate legal assistance.
- Whether the basic rights of prisoners are respected once they have been convicted of a crime; whether an independent media, civil society organizations, political parties, and individuals are free to report and comment on government policies without fear of retaliation.
- Whether members of religious minorities can worship and conduct religious practices freely and publicly, and whether non-adherents are protected from having to submit to religious laws.
- Whether the police or other government officials conduct physical searches without warrants, or intercept electronic communications of private individuals without judicial authorization.
- Whether people can freely attend community meetings, join political organizations, hold peaceful public demonstrations, sign petitions, and express opinions against government policies and actions without fear of retaliation.
- Whether there is effective enforcement of fundamental labor rights, including freedom of association and the right to collective bargaining, the absence of discrimination with respect to employment, and freedom from forced labor and child labor.”

Sources of data:

2021

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

2016

“WJP Rule of Law Index 2016,” World Justice Project, 2016, <https://worldjusticeproject.org/our-work/wjp-rule-law-index/wjp-rule-law-index-2016>.

2011

“WJP Rule of Law Index 2012–2013,” World Justice Project, 2013 <https://worldjusticeproject.org/our-work/publications/rule-law-index-reports/wjp-rule-law-index-2012-2013-report>.

The 2011 Rule of Law Index uses a different methodology than that of later years. In order to maintain consistency, data from the “2012–2013 Rule of Law Index” are used instead.

2006

“WJP Rule of Law Index 2012–2013,” World Justice Project, 2013.

There are no data available for 2006. In order to maintain consistency, data from the “2012–2013 Rule of Law Index” are used instead.

#### *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. It comes from Freedom House’s “Freedom in the World” report.

A score of zero represents the smallest degree of freedom, and four the greatest degree of freedom. The components are grouped into three categories: electoral process, political pluralism, and functioning of government. The highest possible score is thirty-two. All components are equally weighted. We convert each component to a scale of 0–100, with higher scores signifying greater political rights.

The included components from Freedom House are:

##### 1. “Electoral process

- Was the current head of government or other chief national authority elected through free and fair elections?
- Were the current national legislative representatives elected through free and fair elections?
- Are the electoral laws and framework fair, and are they implemented impartially by the relevant election management bodies?

##### 2. Political pluralism and participation

- “Do the people have the right to organize in different political parties or other competitive political groupings of their choice, and is the system free of undue obstacles for these competing parties or groupings?”

- Is there a realistic opportunity for the opposition to increase its support or gain power through elections?
- Are the people’s political choices free from domination by forces that are external to the political sphere, or by political forces that employ extra political means?
- Do various segments of the population (including ethnic, racial, gender, LGBT+, and other relevant groups) have full political rights and electoral opportunities?

### 3. Functioning of government

- Do the freely elected head of government and national legislative representatives determine the policies of the government?”

Sources of data:

2021

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

In order to avoid duplication elsewhere in the Index, the subcomponents C2 and C3 are not included.

2016

Arch Puddington and Tyler Roylance, “Freedom in the World 2016,” Freedom House, 2016, [https://freedomhouse.org/sites/default/files/2020-02/Freedom\\_in\\_the\\_World\\_2016\\_complete\\_book.pdf](https://freedomhouse.org/sites/default/files/2020-02/Freedom_in_the_World_2016_complete_book.pdf).

In order to avoid duplication elsewhere in the Index, the subcomponents C2 and C3 are not included.

2011

“Freedom in the World 2013,” Freedom House, 2013, [https://freedomhouse.org/sites/default/files/2020-02/Freedom\\_in\\_the\\_World\\_2011\\_complete\\_book.pdf](https://freedomhouse.org/sites/default/files/2020-02/Freedom_in_the_World_2011_complete_book.pdf).

In order to avoid duplication elsewhere in the index, the subcomponents C2 and C3 are not included. The 2011 “Freedom in the World” edition uses a different methodology than that of later years. Before 2013, “Freedom in the World” only included an aggregate component for Functioning of Government (C). To maintain methodological consistency, 2013 data are used instead.

2006

“Freedom in the World 2006,” Freedom House, 2006, [https://freedomhouse.org/sites/default/files/2020-02/Freedom\\_in\\_the\\_World\\_2006\\_complete\\_book.pdf](https://freedomhouse.org/sites/default/files/2020-02/Freedom_in_the_World_2006_complete_book.pdf).

The 2006 “Freedom in the World” edition only includes an aggregate component for Functioning of Government (C) that comprises three subcomponents. The individual score for Freely Elected

Government (C1) is not available. In an attempt to exclude subcomponents C2 and C3, the aggregate Functioning of Government component (C) is divided by three.

*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. It comes from Freedom House's "Freedom in the World" report.

A score of zero represents the smallest degree of freedom, and four the greatest degree of freedom. The components are grouped into four categories: freedom of expression and belief, associational and organizational rights, rule of law, and personal autonomy and individual rights. The highest possible score is fifty-two. All components are equally weighted. We convert this score to a scale of 0 to 100, with higher scores signifying greater civil liberties.

The included components from Freedom House are:

1. "Freedom of expression and belief

- Are there free and independent media?
- Is there academic freedom, and is the educational system free from extensive political indoctrination?
- Are individuals free to express their personal views on political or other sensitive topics without fear of surveillance or retribution?

2. Associational and organizational rights

- Is there freedom of assembly?
- Is there freedom for nongovernmental organizations, particularly those that are engaged in human-rights and governance-related work?
- Is there freedom for trade unions and similar professional or labor organizations?

3. Rule of law

- Is there protection from the illegitimate use of physical force and freedom from war and insurgencies?
- Do laws, policies, and practices guarantee equal treatment of various segments of the population?

4. Personal autonomy and individual rights

- Do individuals enjoy freedom of movement, including the ability to change their place of residence, employment, or education?
- Are individuals able to exercise the right to own property and establish private businesses without undue interference from state or non-state actors?
- Do individuals enjoy personal social freedoms, including choice of marriage partner and size of family, protection from domestic violence, and control over appearance?
- Do individuals enjoy equality of opportunity and freedom from economic exploitation?"

Sources of data:

2021

Repucci and Slipowitz, “Freedom in the World 2021.”

In order to avoid duplication elsewhere in the index, the subcomponents D2, F1, and F2 are not included.

2016

Puddington and Roylance, “Freedom in the World 2016.”

In order to avoid duplication elsewhere in the index, the subcomponents D1, F1, and F2 are not included.

2011

“Freedom in the World 2013.”

In order to avoid duplication elsewhere in the index, the subcomponents D2, F1, and F2 are not included. The 2011 “Freedom in the World” edition uses a different methodology than that of later years. Before 2013, “Freedom in the World” only included aggregate components, and did not list the subcomponents. To maintain methodological consistency, 2013 data are used instead.

2006

“Freedom in the World 2006.”

The 2006 Freedom in the World edition only includes aggregate components for Freedom of Expression and Belief (D) and Rule of Law (F). In an attempt to exclude subcomponents D1, F1, and F2, component D is multiplied by .75, and component F is multiplied by .5

### III. 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. Efficient judiciary comes from Freedom House’s “Freedom in the World” report, and civil justice and criminal justice come from the World Justice Project’s “Rule of Law Index.”

1. Efficient judiciary is a component ranging from zero to eight. This component is converted to a scale of 0 to 100, with higher scores indicating greater freedoms. According to Freedom House, the component is a combination of scores on the following subcomponent:

- “Is there an independent judiciary
- Does due process prevail in civil and criminal matters?”

2. The civil justice component measures “the accessibility and affordability of civil courts, including whether people are aware of available remedies; can access and afford legal advice and representation; and can access the court system without incurring unreasonable fees, encountering unreasonable procedural hurdles, or experiencing physical or linguistic barriers.” According to the World Justice Project it measures the following:

- “Whether the civil justice system discriminates in practice based on identity.
- Whether the civil justice system is free of bribery and improper influence by private interests.
- Whether the civil justice system is free of improper government or political influence.
- Whether civil justice proceedings are conducted, and judgments are produced in a timely manner without unreasonable delay.
- The effectiveness and timeliness of the enforcement of civil-justice decisions and judgments in practice.
- Whether alternative dispute resolution mechanisms (ADRs) are affordable, efficient, enforceable, and free of corruption.”

The source data are scored from 0–1, with most data bunched around the mean. In order to get a more accurate measure, the data are stretched using a proportional scaling to convert to a 0–100 scale. The following formula is used:  $((y - \text{worst}) * 100 / (1 - \text{worst} * \text{best}))$ .

3. The criminal justice component measures “whether perpetrators of crimes are effectively apprehended and charged.” According to the World Justice Project it constitutes the following measurements:

- “Whether police, investigators, and prosecutors have adequate resources, are free of corruption, and perform their duties competently.
- Whether perpetrators of crimes are effectively prosecuted and punished.
- Whether criminal judges and other judicial officers are competent and produce speedy decisions.
- Whether correctional institutions are secure, respect prisoners’ rights, and are effective in preventing recidivism.
- Whether the police and criminal judges are impartial, and whether they discriminate in practice based on identity factors.
- Whether the police, prosecutors, and judges are free of bribery and improper influence from criminal organizations.
- Whether the criminal-justice system is independent from government or political influence.

- Whether the basic rights of criminal suspects are respected.
- Whether criminal suspects can access and challenge evidence used against them, are subject to abusive treatment, and are provided with adequate legal assistance.
- Whether the basic rights of prisoners are respected once they have been convicted of a crime.”

The source data are scored from 0–1, with most data bunched around the mean. In order to get a more accurate measure, the data are stretched using a proportional scaling to convert to a 0–100 scale. The following formula is used:  $((y - \text{worst}) * 100 / (1 - \text{worst} * \text{best}))$ .

Sources of data:

2021

Repucci and Slipowitz, “Freedom in the World 2021”; “WJP Rule of Law Index 2021.”

2016

Puddington and Roylance, “Freedom in the World 2016”; “WJP Rule of Law Index 2016.”

2011

“Freedom in the World 2013”; “WJP Rule of Law Index 2013.”

2006

“Freedom in the World 2006”; “WJP Rule of Law Index 2013.”

The 2006 “Freedom in the World” index uses a different methodology, and only includes an aggregate component for Rule of Law (F), made up of four subcomponents. To extract F1 and F2, component F is multiplied by .5

### *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. Perceptions of corruption come from Transparency International’s “Corruption Perceptions Index.” Absence of corruption comes from the World Justice Project’s “Rule of Law Index,” and public disclosure by politicians comes from the Center for Economic Policy Research and the *American Economic Journal*.

1. According to Transparency International, the perceptions of corruption component “aggregates data from a number of different sources that provide perceptions by businesspeople and country experts of the level of corruption in the public sector.”

2. According to the World Justice Project absence of corruption measures “three forms of corruption: bribery, improper influence by public or private interests, and misappropriation of

public funds or other resources. These three forms of corruption are examined with respect to government officers in the executive branch, the judiciary, the military, police, and the legislature.”

The source data are scored from 0–1, with most data bunched around the mean. In order to get a more accurate measure, the data are stretched using a proportional scaling to convert to a 0–100 scale.<sup>1</sup> The following formula is used:  $((y-worst)*100/(1-worst*best))$ .

3. Public disclosure by politicians measures the extent to which members of lower houses of parliament publicly disclose financial and business dealings. There are sufficient MPs in parliament to avoid political sensitivity in data collection.

Sources of data:

2021

“Corruption Perception Index,” Transparency International, 2021, <https://www.transparency.org/en/cpi/2021>; “WJP Rule of Law Index 2021”; 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>.

2016

Corruption Perception Index,” Transparency International, 2016, <https://www.transparency.org/en/cpi/2016>; “WJP Rule of Law Index 2016”; Bandiera, et al., “Discretion, Efficiency and Abuse in Public Procurement in Ordinary and Extra-Ordinary Times.”

2011

“Corruption Perception Index,” Transparency International, 2011, <https://www.transparency.org/en/cpi/2011>; “WJP Rule of Law Index 2012–2013”; Simeon Djankov, Rafael LaPorta, Florencio Lopez-de-Silanes, and Andrei Shleifer, “Disclosure by Politicians,” *American Economic Journal: Applied Economics* 2, 2 (2010), 179–209, <https://scholar.harvard.edu/shleifer/publications/disclosure-politicians>.

2006

“Corruption Perception Index,” Transparency International, 2006, <https://www.transparency.org/en/cpi/2006>; “WJP Rule of Law Index 2012–2013”; Djankov, et al., “Disclosure by Politicians.”

### *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. It comes from the World Justice Project’s “Rule of Law Index” and consists of the following:

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<sup>1</sup> In the original data, a lower value indicates better performance.

- “Whether the enforcement of regulations is subject to bribery or improper influence by private interests.
- Whether public services, such as the issuance of permits and licenses and the administration of public health services, are provided without bribery or other illegal inducements.
- Whether administrative proceedings at the national and local levels are conducted without unreasonable delay; whether due process of the law is respected in administrative proceedings conducted by national and local authorities in issue areas such as the environment, taxes, and labor.
- Whether the government respects the property rights of people and corporations, refrains from the illegal seizure of private property, and provides adequate compensation when property is legally expropriated.”

Sources of data:

2021

“WJP Rule of Law Index 2021.”

2016

“WJP Rule of Law Index 2016.”

2011

“WJP Rule of Law Index 2012–2013.”

2006

“WJP Rule of Law Index 2012–2013.”

#### *d) Order and Security*

This indicator measures “the prevalence of common crimes, including homicide, kidnapping, burglary and theft, armed robbery, and extortion, as well as people’s general perceptions of safety in their communities.” It comes from the World Justice Project’s “Rule of Law Index” and includes the following elements:

- “Whether people are effectively protected from armed conflict and terrorism.
- Whether people resort to intimidation or violence to resolve civil disputes amongst themselves or to seek redress from the government, and whether people are free from mob violence.”

Sources of data:

2021

“WJP Rule of Law Index 2021.”

2016

“WJP Rule of Law Index 2016.”

2011

“WJP Rule of Law Index 2012–2013.”

2006

“WJP Rule of Law Index 2012–2013.”

*e) State Capacity*

This indicator measures the extent of existing pressures that outweigh a state’s capacity to manage those pressures. The indicator varies between zero and sixty, rescaled for this analysis between 0 and 100, with higher values indicating lesser pressures. It comes from the Fund for Peace’s Fragile States Index.

The Fund for Peace’s Fragile States Index indicator comprises the following measurements:

1. “State legitimacy

- The representativeness and openness of government and its relationship with its citizenry.

2. Public services

- The presence of basic state functions that serve the people.

3. Human rights and rule of law

- The relationship between the state and its population insofar as fundamental human rights are protected and freedoms are observed and respected.

4. Demographic pressures

- Pressures upon the state deriving from the population itself or the environment around it.

5. Refugees and internally displaced people

- The pressure upon states caused by the forced displacement of large communities as a result of social, political, environmental or other causes, measuring displacement within countries, as well as refugee flows into others.

6. External intervention

- The influence and impact of external actors in the functioning—particularly security and economic—of a state.”

Sources of data:

2021

“Measuring Fragility,” Fragile States Index, Fund for Peace, 2021, <https://fragilestatesindex.org>.

2016

“Measuring Fragility,” Fragile States Index, Fund for Peace, 2016, <https://fragilestatesindex.org/excel/>.

2011

“Measuring Fragility,” Fragile States Index, Fund for Peace, 2011,  
<https://fragilestatesindex.org/excel/>.

2006

“Measuring Fragility,” Fragile States Index, Fund for Peace, 2006,  
<https://fragilestatesindex.org/excel/>.

## **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 gross national income (GNI) per capita in current US dollars. It is calculated with the Atlas method. GNI is a measure of a country’s domestic gross domestic product (GDP) combined with the net income its citizens and companies produce abroad. The original data are converted from decimals to a scale of 0–100 with the formula  $(100*(y/best))$ . Higher scores indicate greater GNI.

Sources of data:

2021

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

2016

Ibid.

2011

Ibid.

2006

Ibid.

### **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. The source data are on a scale of 0–100, and no additional scaling is done.

Sources of data:

2021

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

2016

Ibid.

2011

Ibid.

2006

Ibid.

### 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. The data are taken from the V-Dem Data-set.

- This V-Dem indicator “specifies the extent to which individuals and groups have the right to choose a religion, change their religion, and practice that religion in private or in public, as well as to proselytize peacefully without being subject to restrictions by public authorities.”
- The original data are converted from a scale of 0–4 to a scale of one hundred, with higher scores indicating more tolerance. The original data are converted with the formula  $(100*(y/best))$ .

V-Dem assigns scores according to the following criteria:

“0: Not respected by public authorities. Hardly any freedom of religion exists. Any kind of religious practice is outlawed or at least controlled by the government to the extent that religious leaders are appointed by and subjected to public authorities, who control the activities of religious communities in some detail.

1: Weakly respected by public authorities. Some elements of autonomous organized religious practices exist and are officially recognized. But significant religious communities are repressed, prohibited, or systematically disabled, voluntary conversions are restricted, and instances of discrimination or intimidation of individuals or groups due to their religion are common.

2: Somewhat respected by public authorities. Autonomous organized religious practices exist and are officially recognized. Yet, minor religious communities are repressed, prohibited, or systematically disabled, and/or instances of discrimination or intimidation of individuals or groups due to their religion occur occasionally.

3: Mostly respected by public authorities. There are minor restrictions on the freedom of religion, predominantly limited to a few isolated cases. Minority religions face denial of registration,

hindrance of foreign missionaries from entering the country, restrictions against proselytizing, or hindrance to access to or construction of places of worship.

4: Fully respected by public authorities. The population enjoys the right to practice any religious belief they choose. Religious groups may organize, select, and train personnel; solicit and receive contributions; publish; and engage in consultations without undue interference. If religious communities have to register, public authorities do not abuse the process to discriminate against a religion and do not constrain the right to worship before registration.”

Sources of data:

2021

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

2016

Ibid.

2011

Ibid.

2006

Ibid.

#### d. Health

Health uses World Bank data that 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.” The original data are converted to a scale of 0–100 with the formula  $(100*(y/best))$ .

Sources of data:

2021

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

2016

Ibid.

2011

Ibid.

2006

Ibid.

#### e. Happiness

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

According to the UN World Happiness Report it consists of the following characteristics:

##### 1. Life ladder

- This measures subjective wellbeing based on survey responses. The English version of the question asks respondents “Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?”

##### 2. GDP per capita

- This measures GDP per capita according to Purchasing Power Parity and comes from the Organisation for Economic Co-operation and Development (OECD) and World Bank.

##### 3. Healthy life expectancy

- This measures healthy years of life based on World Health Organization (WHO) data.

##### 4. Social support

- This is measured as the average of binary response (zero or one) to the following Gallup World Poll question: “If you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not?”

##### 5. Freedom to make life choices

- Freedom to make life choices is the national average of responses to the following Gallup World Poll question: “Are you satisfied or dissatisfied with your freedom to choose what you do with your life?”

##### 6. Generosity

- This is measured by the residual of regressing the national average of responses to the following Gallup World Poll question: “Have you donated money to a charity in the past month?” with GDP per capita.

##### 7. Corruption perception

- This is the national average of the survey responses to two questions in the Gallup World Poll: “Is corruption widespread throughout the government or not?” and “Is corruption widespread within businesses or not?” The overall perception is just the average of the two 0-or-1 responses.

##### 8. Positive affect

Positive affect is defined as the average of three positive affect measures in the Gallup World Poll: happiness, laugh and enjoyment. These measures are the responses to the following three questions, respectively: “Did you experience the following feelings during A LOT OF THE DAY yesterday?”

- “How about happiness?”
- “Did you smile or laugh a lot yesterday?”
- “How about enjoyment?”

#### 9. Negative affect

Negative affect is defined as “the average of three negative affect measures in the Gallup World Poll. They are worry, sadness and anger, respectively, the responses to ‘Did you experience the following feelings during A LOT OF THE DAY?’”

- “How about worry?”
- “How about sadness?”
- “How about anger?”

#### 10. Inequality

- Inequality is measured using the “GINI Index” from the World Bank and self-reported household income in the Gallup World Poll.

#### 11. Institutional trust

- Trust is measured using “the first principal component of the following five measures: confidence in the national government, confidence in the judicial system and courts, confidence in the honesty of elections, confidence in the local police force, and perceived corruption in business.”

The Prosperity Index takes the total score from the Happiness Index and scales it from 0–100, with higher scores representing greater happiness.

Sources of data:

2021

“World Happiness Report,” United Nations, 2021, <https://happiness-report.s3.amazonaws.com/2021/WHR+21.pdf>; “World Happiness Report,” United Nations, 2020, <https://worldhappiness.report/ed/2020/>; “World Happiness Report,” United Nations, 2019, <https://worldhappiness.report/ed/2019/>; “World Happiness Report,” United Nations, 2018, <https://worldhappiness.report/ed/2018/>; “World Happiness Report,” United Nations, 2016, <https://worldhappiness.report/ed/2016/>; “World Happiness Report,” United Nations, 2015, <https://worldhappiness.report/ed/2015/>

The majority of data are from 2021. Where country data do not exist for 2021, the most recently available data are used.

2016

“World Happiness Report,” United Nations, 2016; “World Happiness Report,” United Nations, 2015.

The majority of data are from 2021. Where country data do not exist for 2016, the most recently available data are used.

2011

“World Happiness Report,” United Nations, 2012, <https://worldhappiness.report/ed/2012/>; “World Happiness Report,” United Nations, 2016.

Where country data from 2012 are not available, data from 2016 are used.

2006

“World Happiness Report,” United Nations, 2012; “World Happiness Report,” United Nations, 2016.

Where country data from 2012 are not available, data from 2016 are used.

## 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.