



FREEDOM AND  
PROSPERITY CENTER

# Insights from the 2023 Freedom and Prosperity Indexes

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## Section I: Overview of the 2023 Freedom and Prosperity Indexes



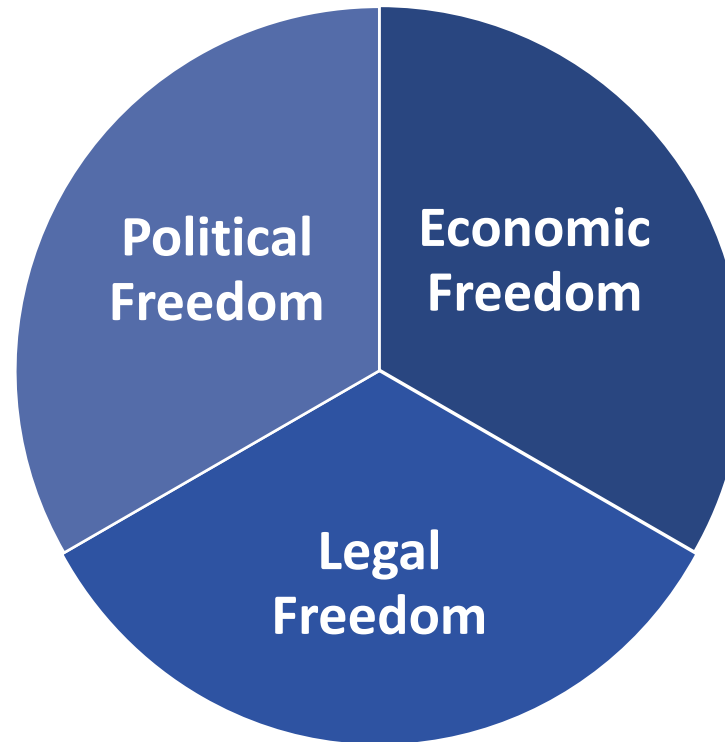
## Mission statement

The Freedom and Prosperity center aims to increase the well-being of people everywhere and especially the poor and marginalized in developing countries through unbiased, data-based research on the relationship between prosperity and economic, political, and legal freedoms, in support of sound policy choices.

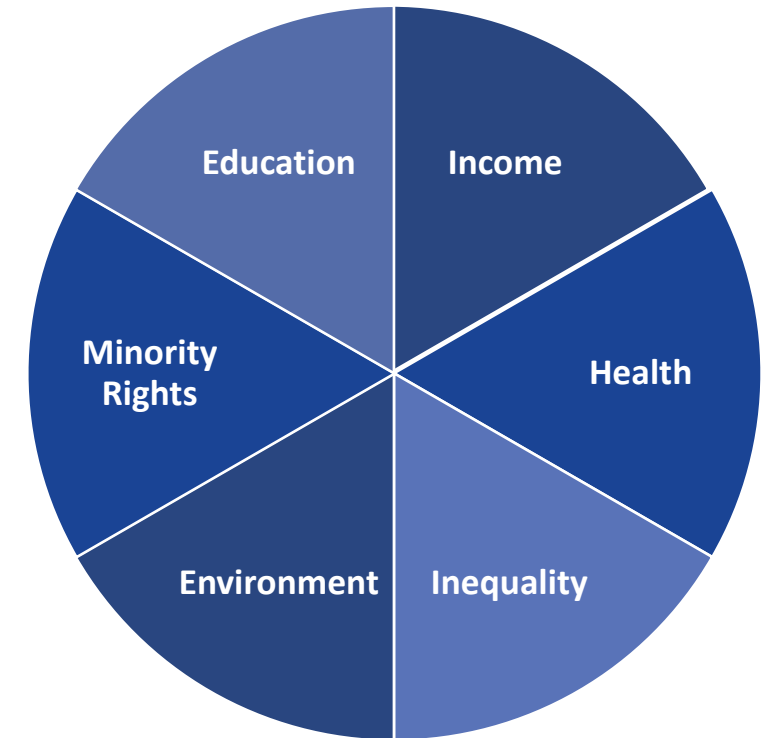
## About the Freedom and Prosperity Indexes

- Unique: No other pair of indexes created to explore the relationship between freedom and prosperity.
- Comprehensive: Our Freedom Index measures more than political freedom, and our Prosperity Index measures more than income.
- Wide-reaching: 164 countries between 1995 and 2022; 100,000 data points for 19 indicators from 10 different sources.

### Freedom Index



### Prosperity Index



Source: 2023 Freedom and Prosperity Indexes

## Economic Freedom

- Property Rights
- Trade Freedom
- Investment Freedom
- Women's Economic Freedom

## Political Freedom

- Elections
- Civil Liberties
- Political Rights
- Legislative Constraints on the Executive

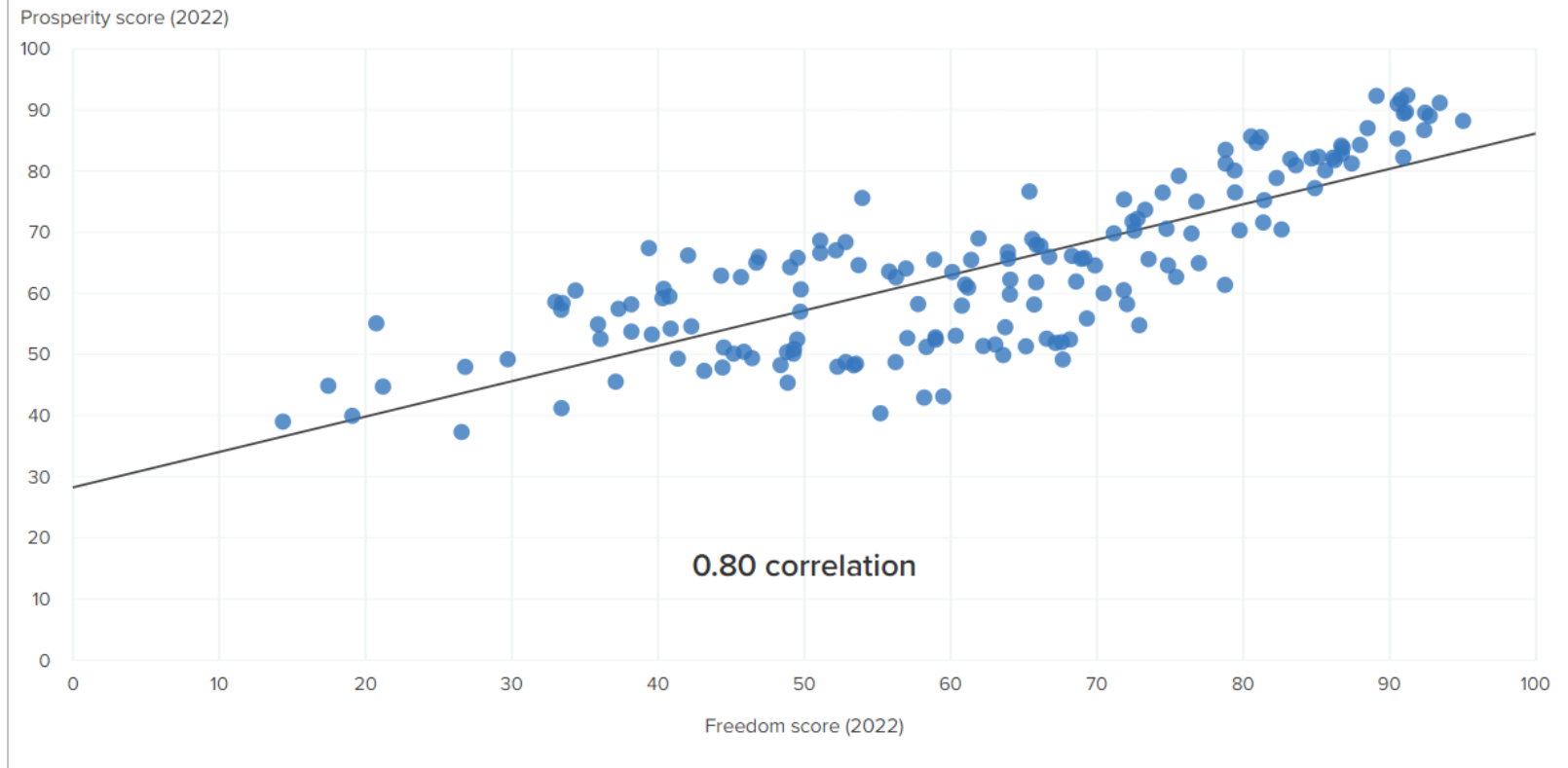
## Legal Freedom

- Clarity of the Law
- Judicial Independence and Effectiveness
- Bureaucracy and Corruption
- Informality
- Security

## Prosperity is highly correlated with freedom

Free countries in general have a much higher prosperity score.

Figure 18. The correlation between freedom and prosperity in 2022



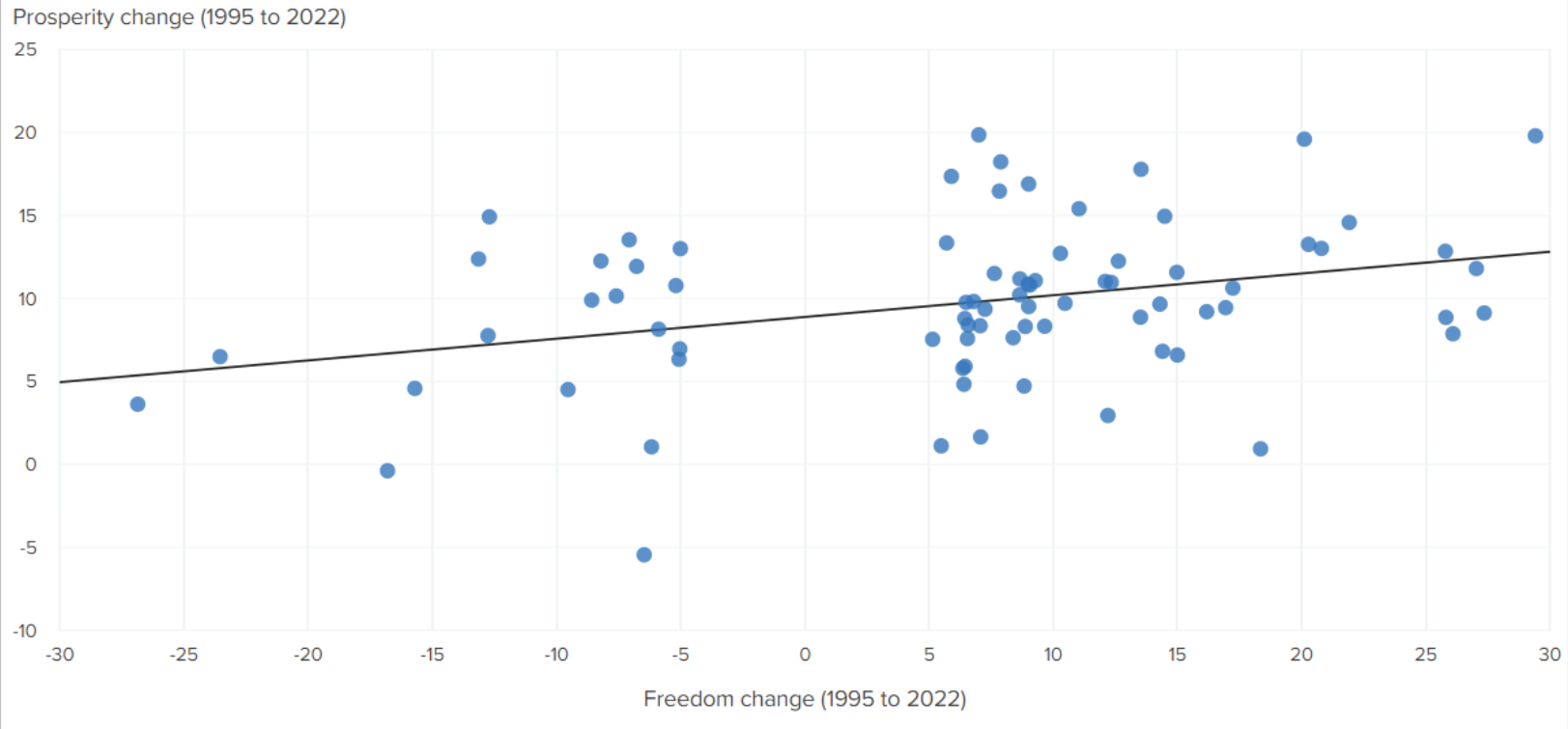
Source: 2023 Freedom and Prosperity Indexes

## Freedom tends to lead to prosperity

Countries that improved on freedom, also improved on prosperity.

**Figure 20. The causal relation—freedom and prosperity changes (1995 to 2022)**

Minor movers (i.e., countries with freedom changes between -5 and +5 points) are excluded from this sample.



Source: 2023 Freedom and Prosperity Indexes



## Autocracies tend to be unprosperous

Autocracies are usually not prosperous.

1	Denmark	Free	Prosperous
2	Sweden	Free	Prosperous
3	Switzerland	Free	Prosperous
4	Finland	Free	Prosperous
5	Luxembourg	Free	Prosperous
6	Norway	Free	Prosperous
7	Netherlands	Free	Prosperous
8	Ireland	Free	Prosperous
9	Estonia	Free	Prosperous
10	Australia	Free	Prosperous
11	New Zealand	Free	Prosperous
12	Germany	Free	Prosperous
13	Iceland	Free	Prosperous
14	Belgium	Free	Prosperous
15	Canada	Free	Prosperous
16	Austria	Free	Prosperous
17	France	Free	Prosperous
18	Spain	Free	Prosperous
19	United Kingdom	Free	Prosperous
20	USA	Free	Prosperous
21	Czech Republic	Free	Prosperous
22	Latvia	Free	Prosperous
23	Japan	Free	Prosperous
24	Lithuania	Free	Mostly Prosperous
25	Portugal	Free	Prosperous
26	Italy	Free	Prosperous
27	Taiwan	Free	Prosperous
28	Costa Rica	Free	Mostly Prosperous
29	Slovakia	Free	Prosperous
30	Uruguay	Free	Mostly Prosperous

135	Algeria	Mostly Unfree	Mostly Unprosperous
136	DRC	Mostly Unfree	Unprosperous
137	Cameroon	Mostly Unfree	Mostly Unprosperous
138	Russian Federation	Mostly Unfree	Mostly Prosperous
139	Guinea	Mostly Unfree	Unprosperous
140	Cambodia	Mostly Unfree	Mostly Unprosperous
141	Bangladesh	Mostly Unfree	Mostly Unprosperous
142	Saudi Arabia	Mostly Unfree	Mostly Unprosperous
143	Uzbekistan	Mostly Unfree	Mostly Unprosperous
144	China	Mostly Unfree	Mostly Unprosperous
145	Belarus	Mostly Unfree	Mostly Prosperous
146	Tajikistan	Mostly Unfree	Mostly Unprosperous
147	Egypt	Mostly Unfree	Mostly Unprosperous
148	Nicaragua	Mostly Unfree	Mostly Unprosperous
149	Burundi	Mostly Unfree	Unprosperous
150	Congo	Mostly Unfree	Mostly Unprosperous
151	Iraq	Mostly Unfree	Mostly Unprosperous
152	Venezuela	Unfree	Mostly Unprosperous
153	Iran	Unfree	Mostly Unprosperous
154	Chad	Unfree	Unprosperous
155	Equatorial Guinea	Unfree	Mostly Unprosperous
156	Libya	Unfree	Mostly Unprosperous
157	Sudan	Unfree	Unprosperous
158	Myanmar	Unfree	Unprosperous
159	Yemen	Unfree	Unprosperous
160	Syria	Unfree	Unprosperous
161	Turkmenistan	Unfree	Mostly Unprosperous
162	South Sudan	Unfree	Unprosperous
163	Eritrea	Unfree	Unprosperous
164	Afghanistan	Unfree	Unprosperous

Source: 2023 Freedom and Prosperity Indexes

## Section II: The Authoritarian Development Models of Russia and China



## The 1991 Vantage Point: The End of History

Autocracies had been defeated. Liberal democracy had won and was spreading.

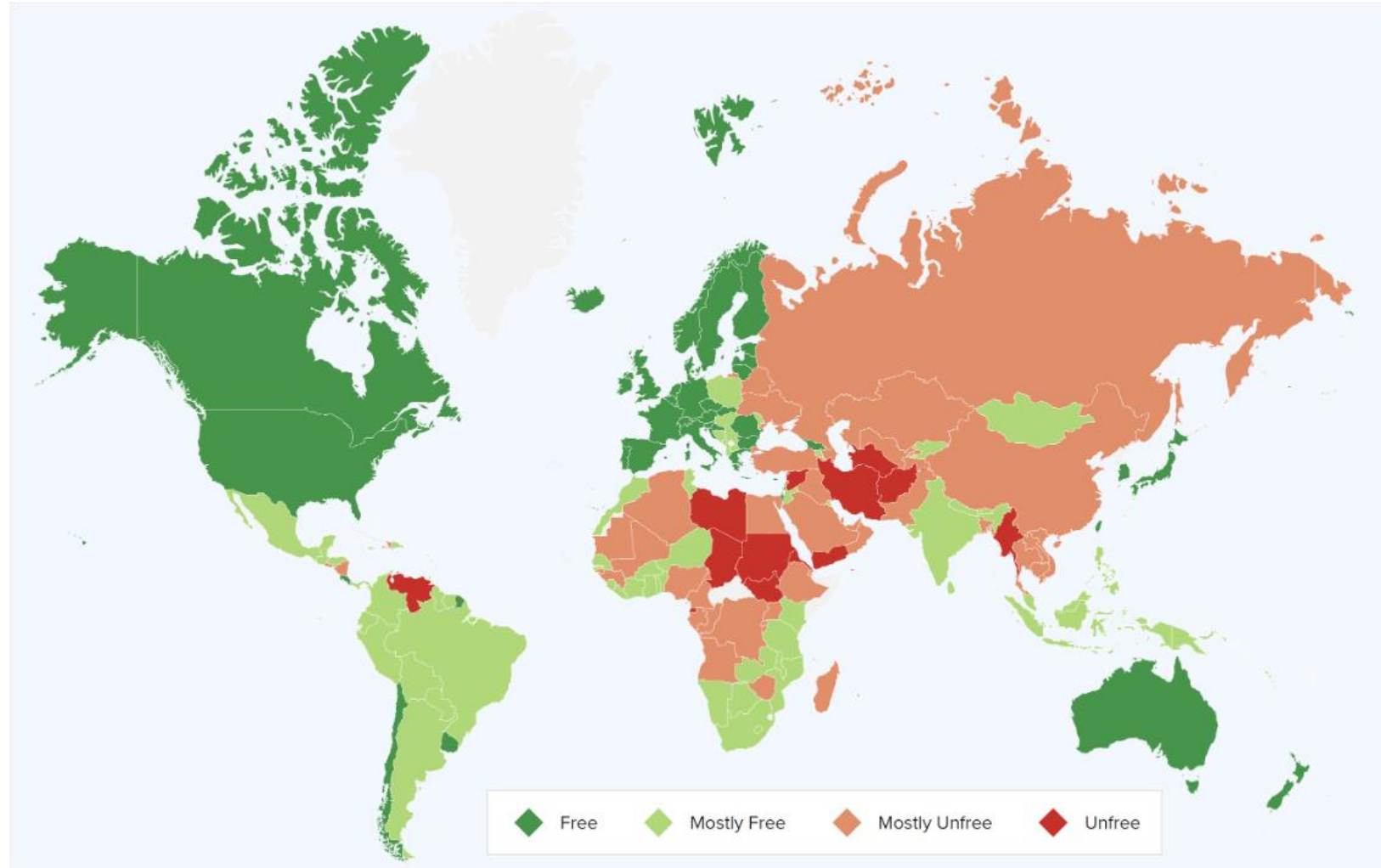
**Europe:** End of fascism after WWII. End of Communism after the Berlin Wall fall and the USSR disintegration. EU and NATO expanding.

**Asia:** Imperial Japan defeated at the end of WWII. Chinese Communism softening: Under Deng Xiaoping reforms, Communist China added elements of capitalism in the economy and collective leadership at the top of the CCP.



## The 2023 Vantage Point: The Return of History – With a Vengeance

- Just 14% of the world's population lives in free countries.
- The two major promoters of the authoritarian development model are Russia and China.
- Are authoritarians more successful than free countries in offering prosperity to their people?



Source: 2023 Freedom and Prosperity Indexes

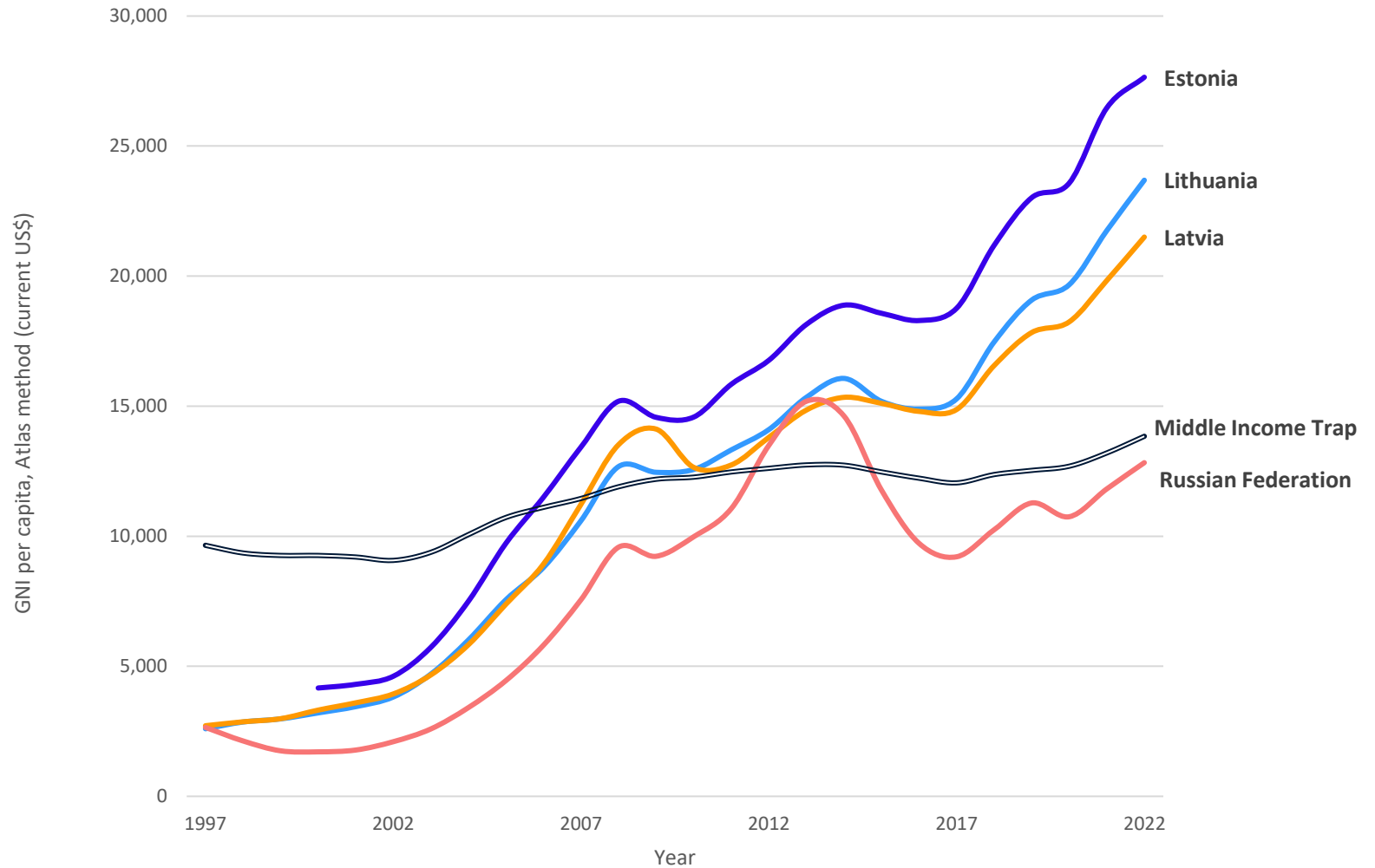
## Russia and the Baltics: A Reversal of Fortune

**Starting point** – all part of the Soviet Union until 1991:

- No economic freedom
- No political freedom
- All middle-income GNI

**Comparison with Baltics Average GNI per capita:**

- 1997: Russia 84%\*
- 2022: Russia 54%



\* For Estonia 1997, we use the value for Estonia 2000 (earliest data available)

## Russia's Prosperity

Prosperity increased in the Baltics but stagnated in Russia and is recently declining

### Comparison with Baltics Average Score:

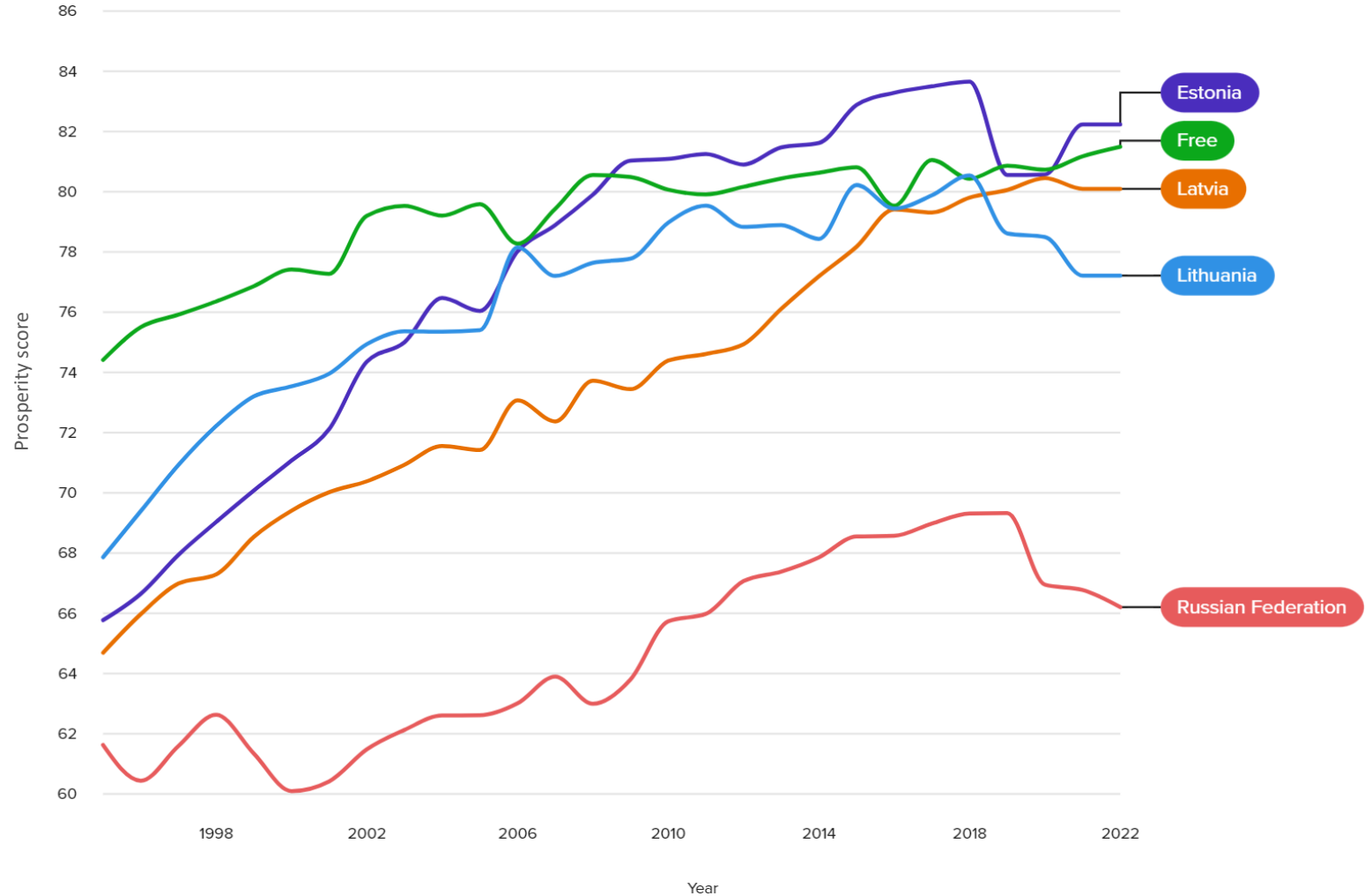
- 1995: Russia 93%
- 2022: Russia 83%

### Comparison with Free Countries Score:

- 1995: Russia 83%
- 2022: Russia 81%

### 2022 rankings:

- Estonia 23, Latvia 31, Lithuania 35 – Prosperous category
- Russia 63 – Mostly Prosperous



Source: 2023 Freedom and Prosperity Indexes

## Russia's Freedom

Freedom increased in the Baltics but decreased in Russia, especially recently

### Comparison with Baltics Average Score:

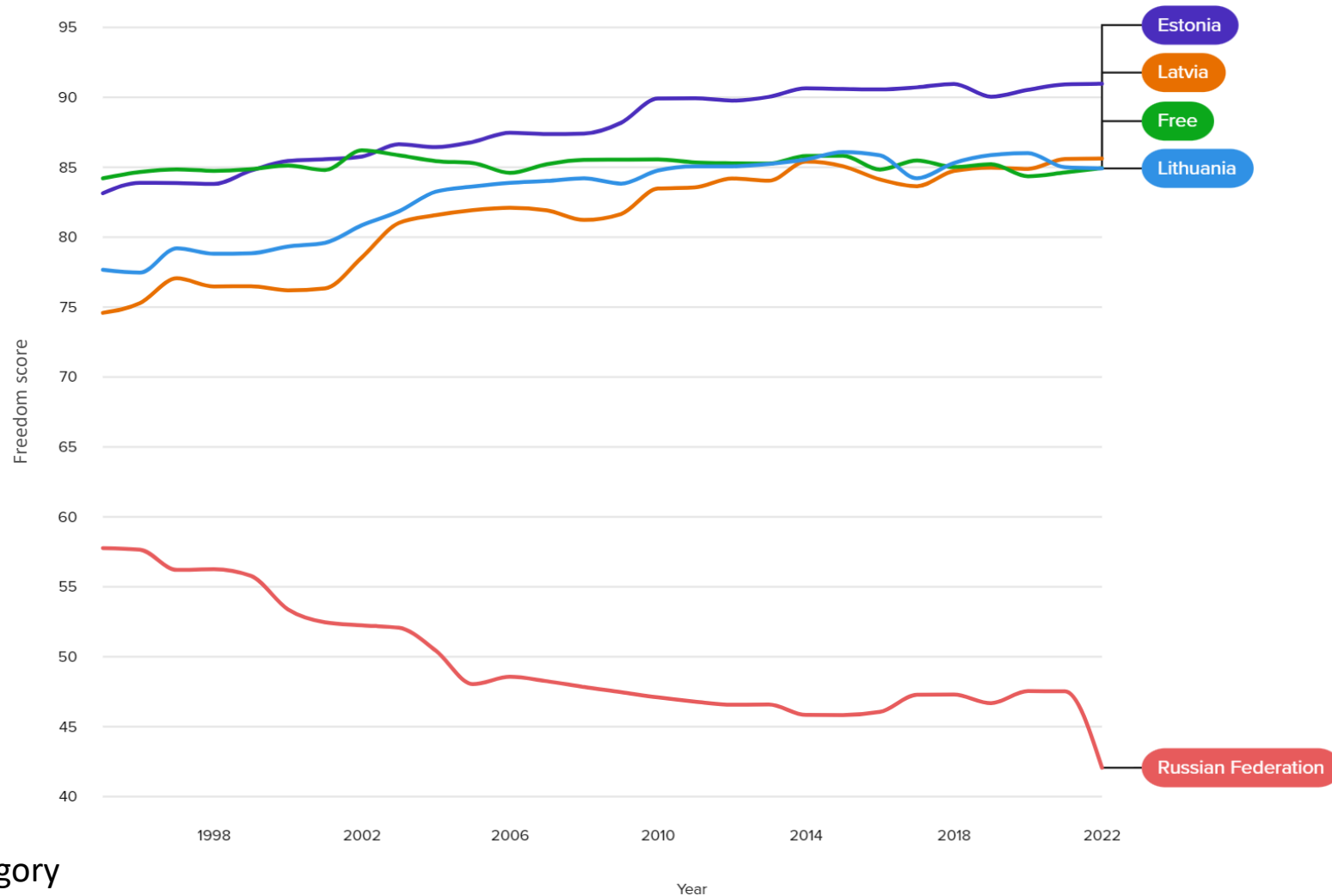
- 1995: Russia 74%
- 2022: Russia 48%

### Comparison with Free Countries Score:

- 1995: Russia 69%
- 2022: Russia 50%

### 2022 rankings:

- Estonia 9, Latvia 22, Lithuania 24 – Free Category
- Russia 138 – Mostly Unfree



Source: 2023 Freedom and Prosperity Indexes

## China's Impressive Growth

### **Mao era 1949-1978:**

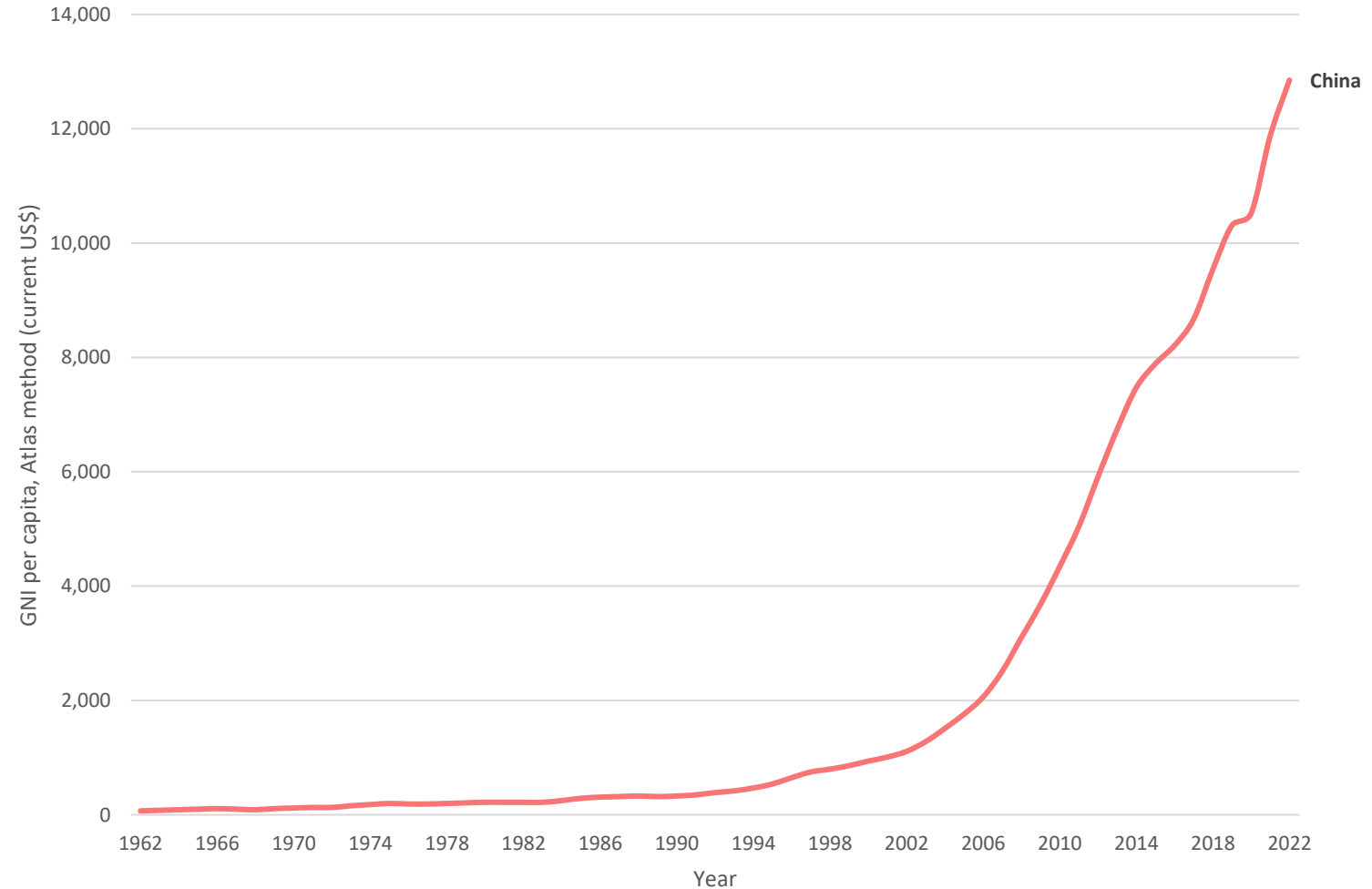
Centrally planned, no private property, closed to world, personality cult harsh dictatorship.  
Growth of 6% p.a. from a very low base.

### **Deng Xiaoping reforms 1978-2013:**

Allowed private business, opened to world, collective leadership CCP, somewhat softer dictatorship. Growth 10% p.a.

### **Xi Jinping 2013-today:**

Greater CCP control of economy, foreign tensions, personality cult, harsh dictatorship.  
Growth 5% p.a. from higher base.



Source: World Bank



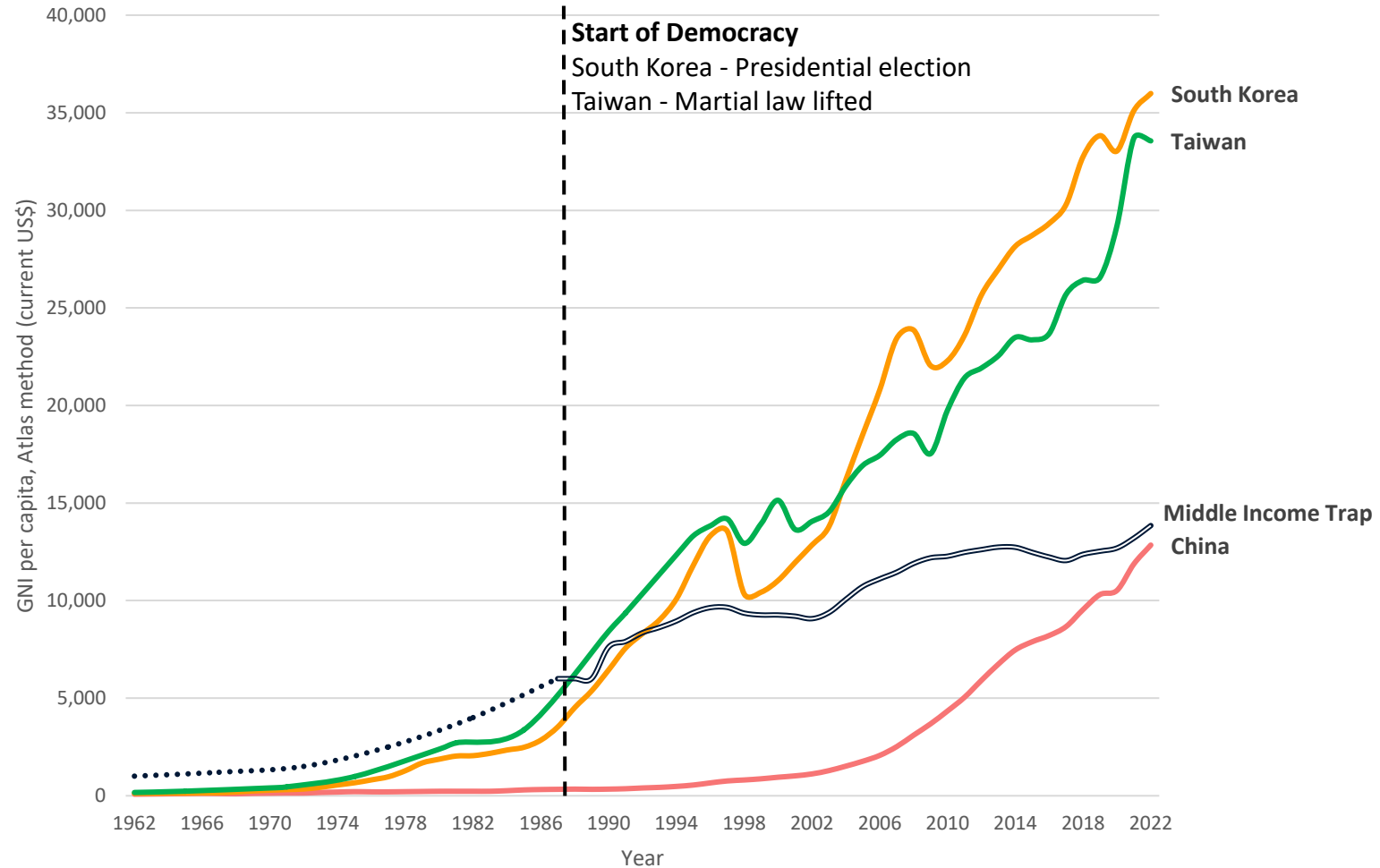
## Dictatorships and Democracies

The PRC, Taiwan, and South Korea

**Starting point** – comparable at the start:

- All low-income countries.
- All dictatorships: The PRC as a Communist dictatorship – no political freedom and no economic freedom.
- Taiwan and South Korea were military dictatorships but capitalist. No political freedom but had economic freedom.

Taiwan and South Korea have become democracies and escaped the middle-income trap in the 1990s.



Source: World Bank and World Economics

## China's Prosperity

China has not closed the gap in prosperity – recently flat

### Comparison with Taiwan-South Korea Average Score

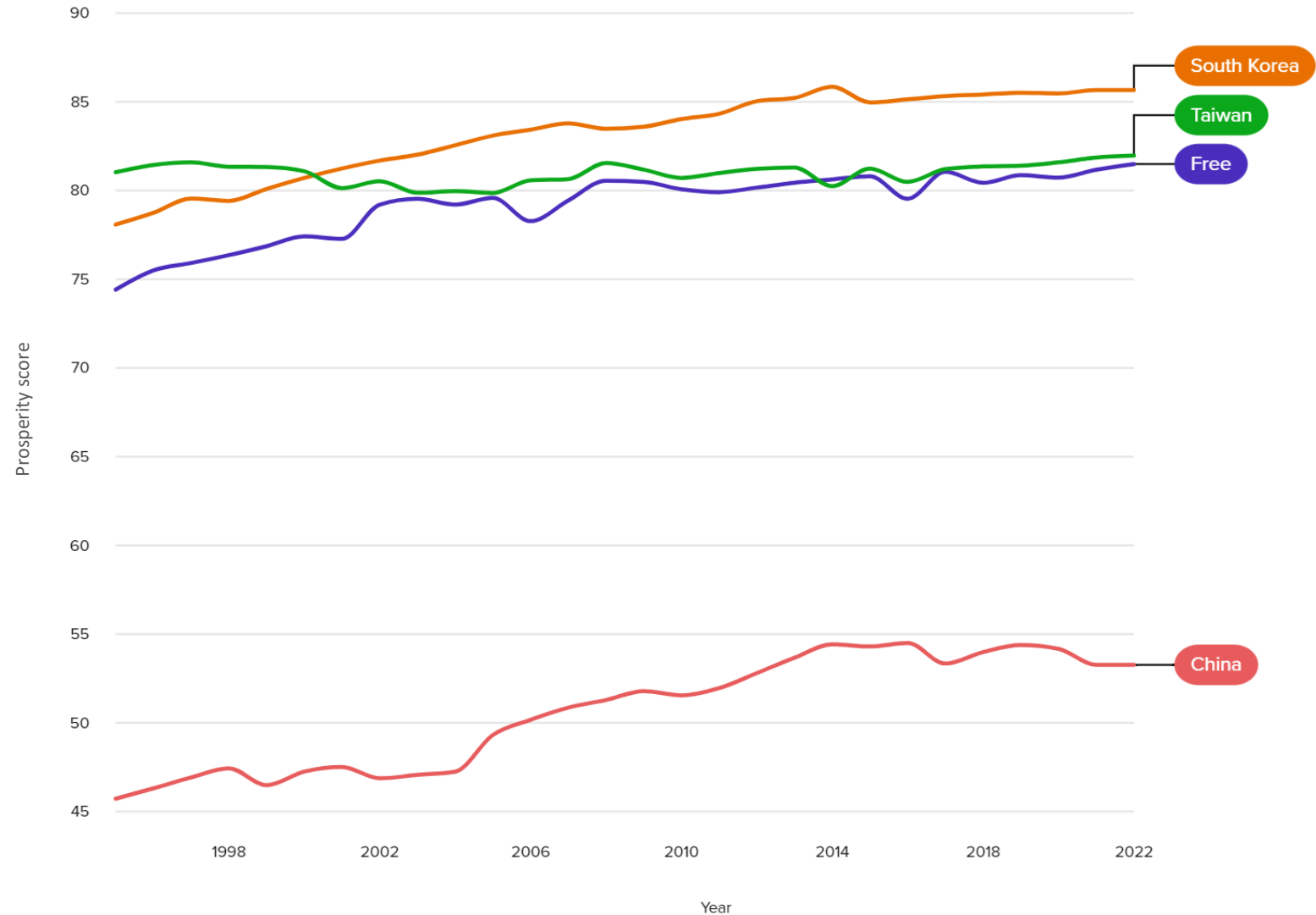
- 1995: China 57%
- 2022: China 64%

### Comparison with Free Countries Score

- 1995: China 61%
- 2022: China 65%

### 2022 Prosperity Rankings

- South Korea 34, Taiwan 26 – Prosperous
- China 119 – Mostly Unprosperous



Source: 2023 Freedom and Prosperity Indexes

## China's Freedom

China has not closed the gap in freedom – recently down

### Comparison with Taiwan-South Korea Average Score

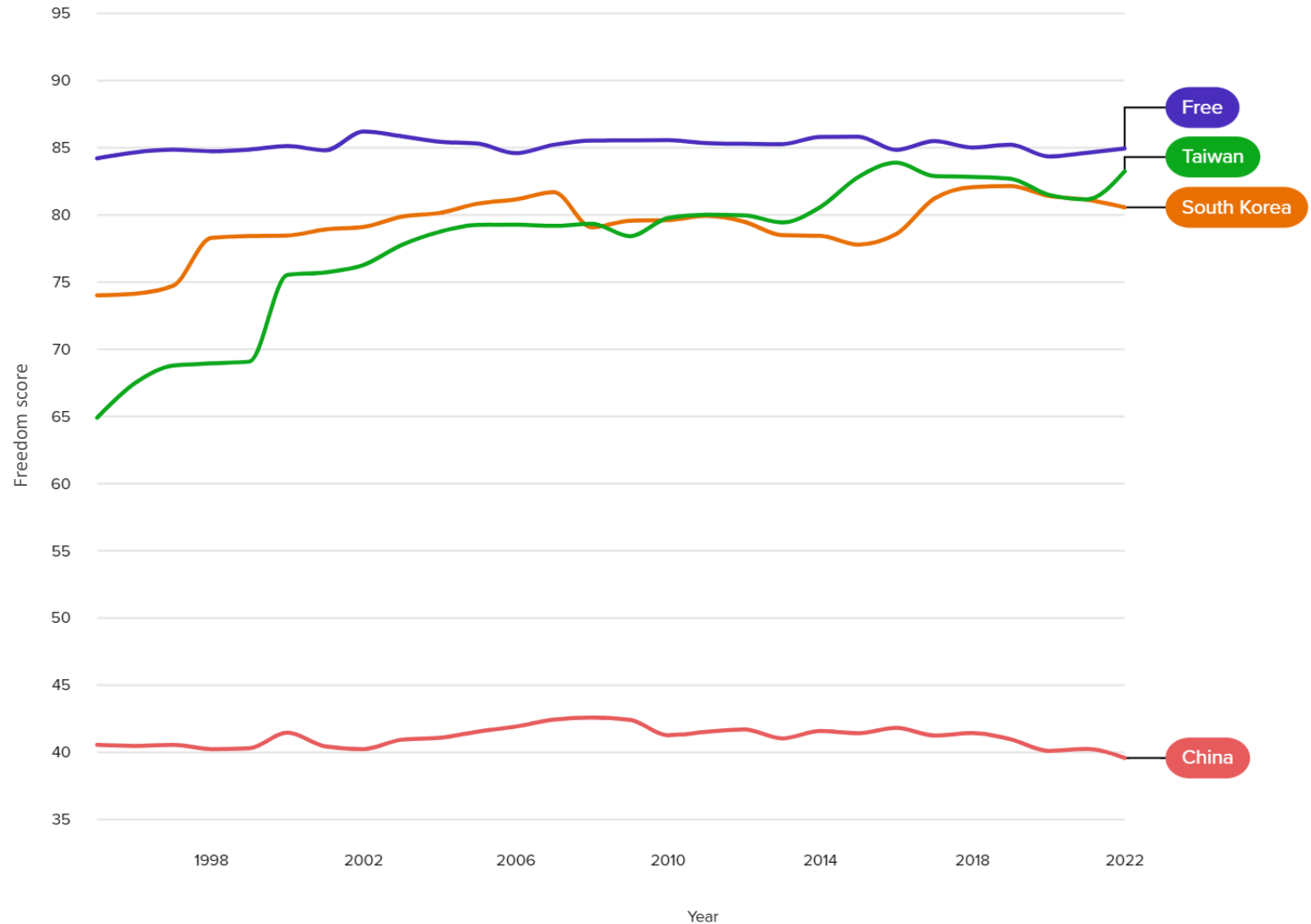
- 1995: China 51%
- 2022: China 48%

### Comparison with Free Countries Score

- 1995: China 48%
- 2022: China 47%

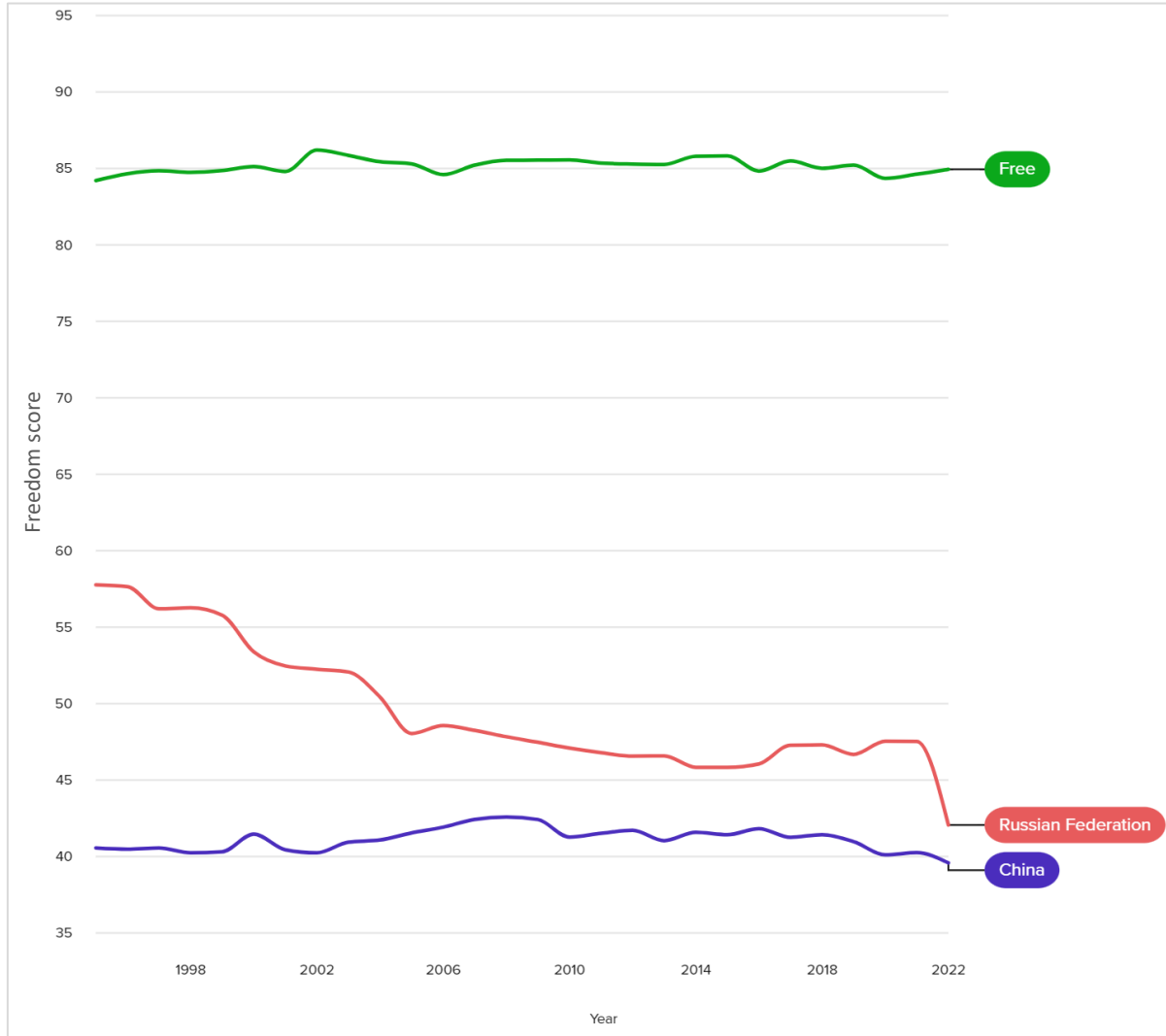
### 2022 Freedom Rankings

- South Korea 34, Taiwan 27 – Free Category
- China 144 – Mostly Unfree

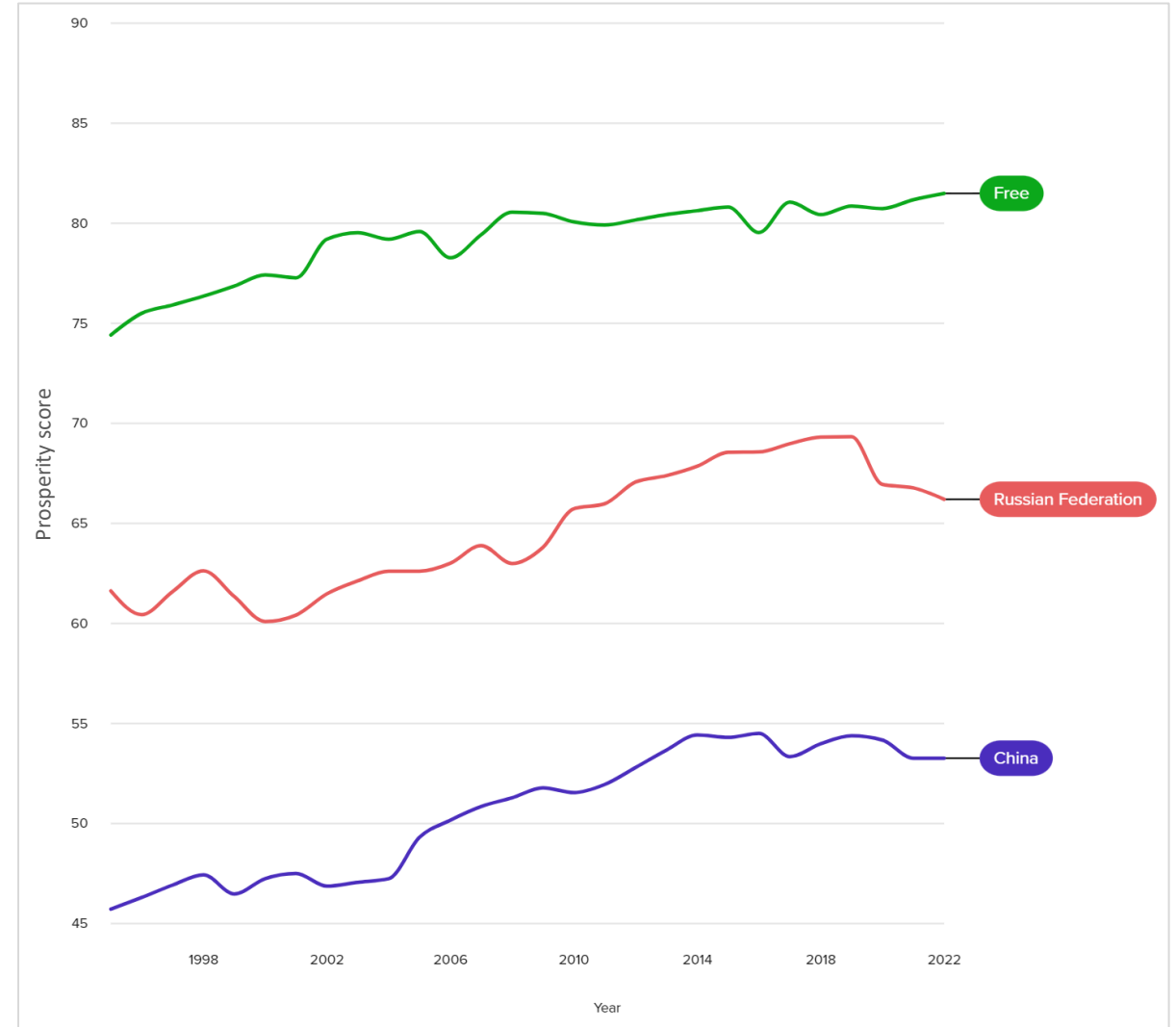


Source: 2023 Freedom and Prosperity Indexes

# Freedom



# Prosperity

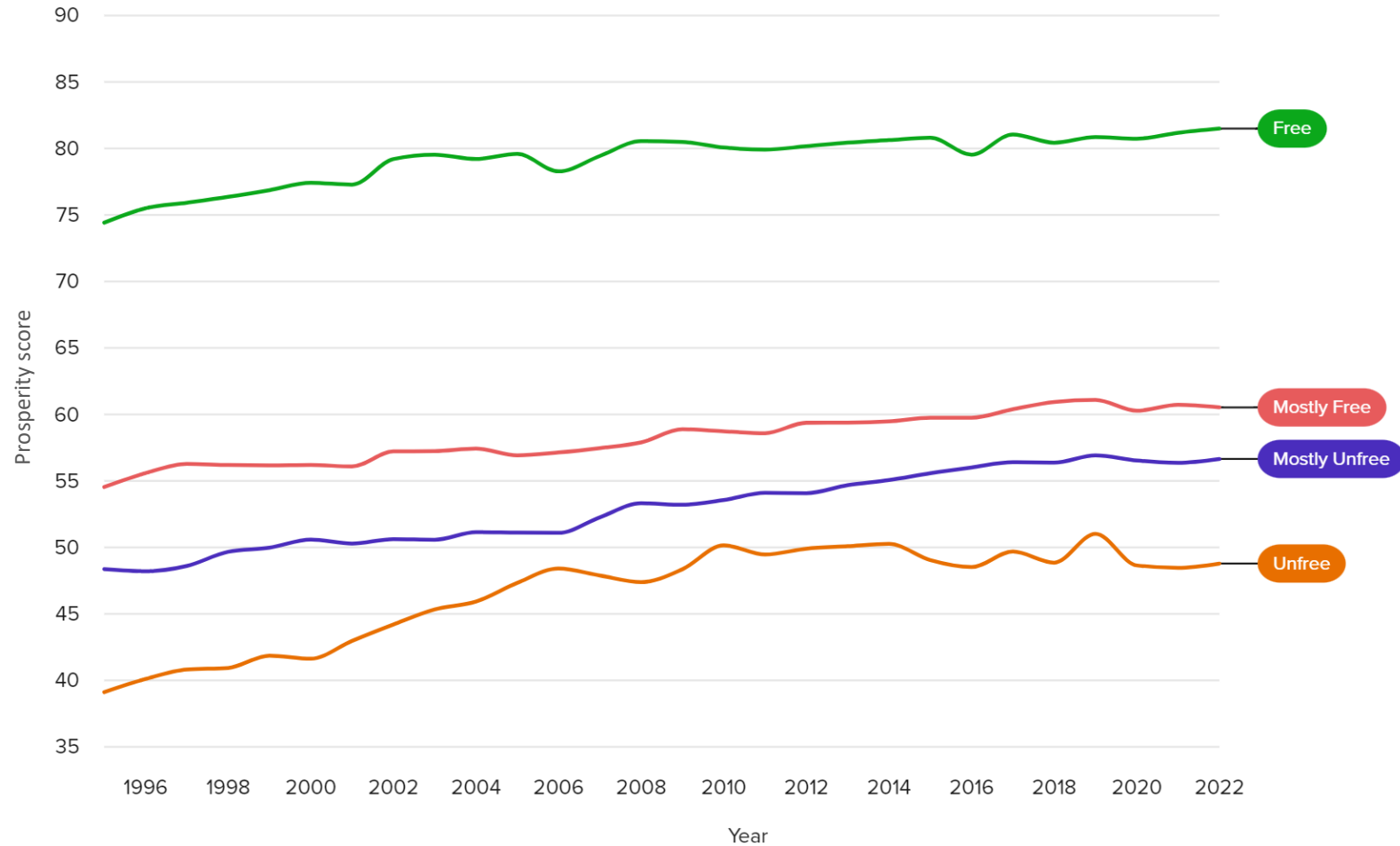


Source: 2023 Freedom and Prosperity Indexes

## Freedom and Prosperity

Freedom is the surest path to durable prosperity

- Free countries in general have a **much higher** prosperity score.
- Because of this reality, we can be optimistic that **democracies will prevail in today's contest** with autocracies, just as they prevailed over autocratic adversaries in the past.



Source: 2023 Freedom and Prosperity Indexes

## Section III: Foreign Direct Investment and Freedom



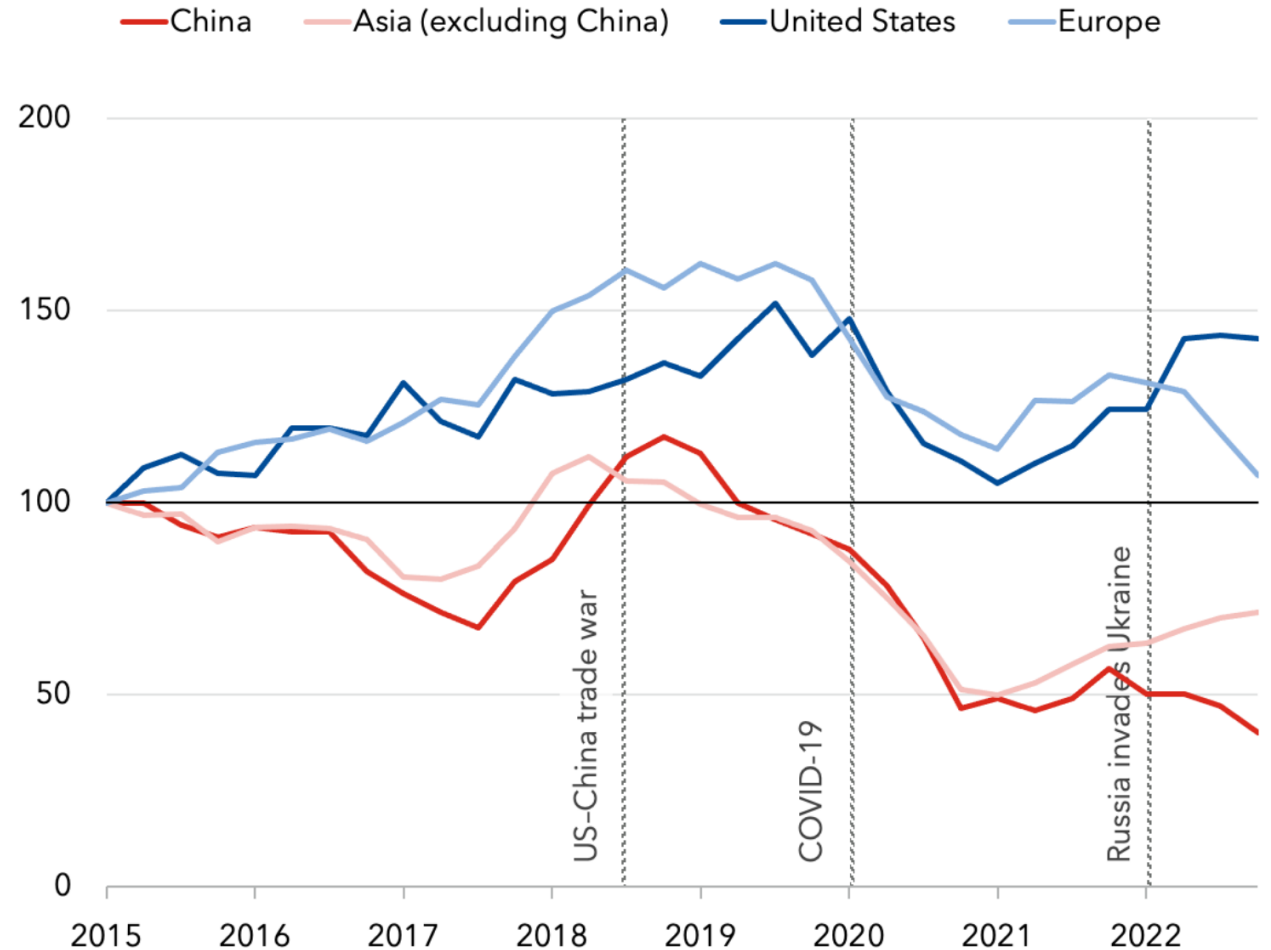
## Friend-shoring as illustrated by Foreign Direct Investment flows

- China is losing market share of FDI flows in strategic sectors.
- Confidence in investments in China has declined.
- Decline was accelerated by the US-China trade war, and the Russian invasion of Ukraine.

## FDI fragmentation

Foreign direct investment flows in strategic sectors are diverging across regions, with China losing market share.

(number of investments, four-quarter moving average, 2015:Q1 = 100)



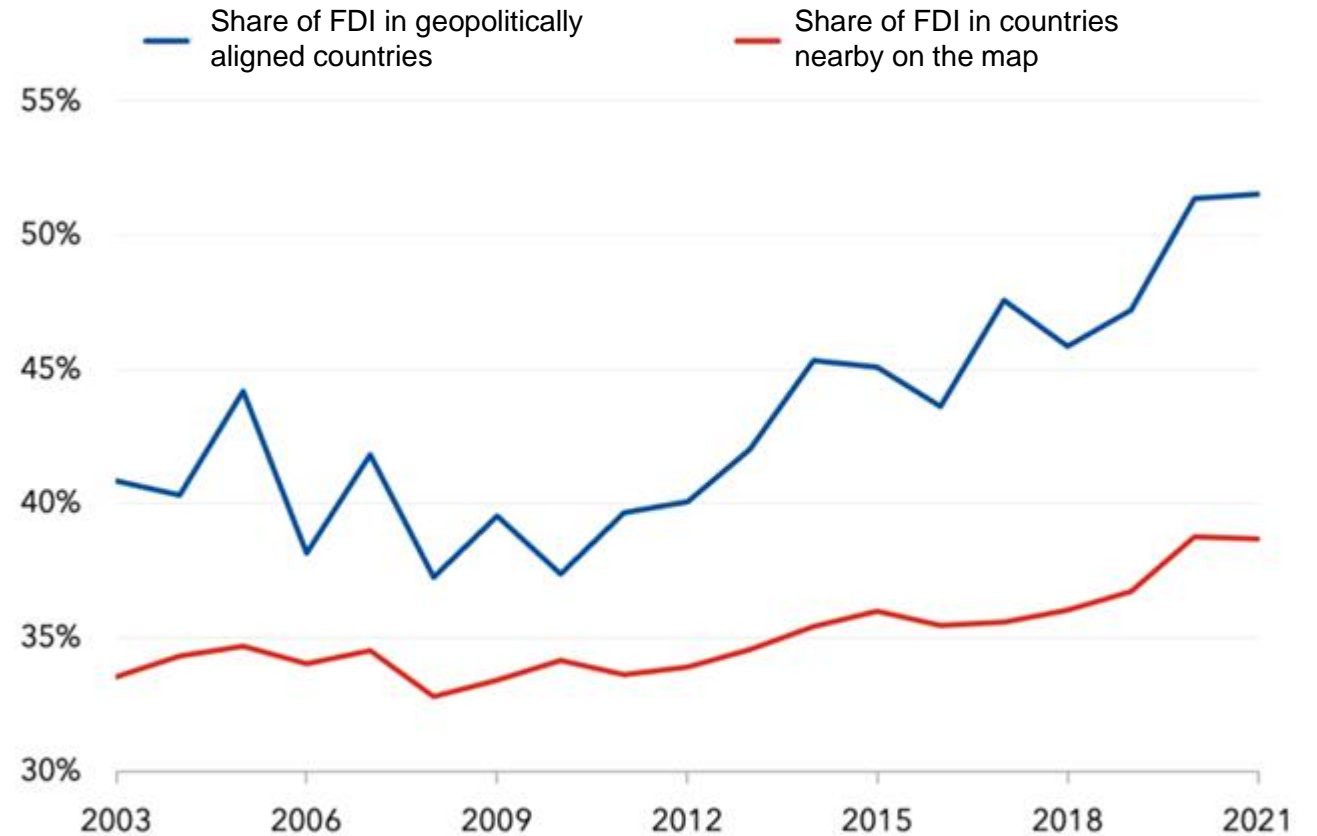
## Friend-shoring as illustrated by Foreign Direct Investment flows

- The importance of geopolitical alignment is increasing.
- FDI may become even more concentrated within blocs of aligned countries.
- Political tensions could trigger a large reallocation of capital flows at the global level.

(—) geopolitical alignment is based on the similarity of voting patterns at the United Nations General Assembly.

### Flows to friends

FDI is increasingly directed to geopolitically close countries.  
(share of total FDI between geopolitically and geographically close countries)



Sources: Atlantic Council; Bailey, Strezhnev, and Voeten (2017); CEPII, Gravity database; fDi Markets database; NL Analytics; and IMF staff calculations.

Note: Figure shows the annual share of total foreign direct investment between countries that are either geopolitically or geographically close. Two countries are close if they are in the same quintile of the distribution of the relevant (geopolitical or geographical) distance from the United States. Geopolitical distance is measured by the Ideal Point Distance in Bailey, Strezhnev, and Voeten (2017).



## Free countries attract more FDI

- Preliminary research
- On average, free countries get 11 times more FDI per capita than the rest of the world.

Rank	Country	Freedom category	FDI per capita
1	Luxembourg	Free	\$ 17,207
2	Malta	Free	\$ 13,882
3	Cyprus	Free	\$ 11,355
4	Singapore	Free	\$ 9,371
5	Ireland	Free	\$ 9,029
6	Netherlands	Free	\$ 7,090
7	Belgium	Free	\$ 3,775
8	Montenegro	Mostly Free	\$ 2,076
9	Sweden	Free	\$ 2,010
10	Hungary	Mostly Free	\$ 1,832
11	Iceland	Free	\$ 1,583
12	United Kingdom	Free	\$ 1,528
13	Norway	Free	\$ 1,516
14	Seychelles	Free	\$ 1,411
15	Finland	Free	\$ 1,389
16	Switzerland	Free	\$ 1,372
17	Australia	Free	\$ 1,372
18	Canada	Free	\$ 1,183
19	Estonia	Free	\$ 1,169
20	Israel	Free	\$ 1,163
21	United Arab Emirates	Mostly Unfree	\$ 1,091
22	Barbados	Free	\$ 1,037
23	Denmark	Free	\$ 1,032
24	Bahrain	Mostly Unfree	\$ 949
25	Qatar	Mostly Unfree	\$ 924
26	Georgia	Free	\$ 922
27	Germany	Free	\$ 854
28	USA	Free	\$ 839
29	Austria	Free	\$ 785
30	Spain	Free	\$ 721

134	Cameroon	Mostly Unfree	\$ 20
135	India	Mostly Free	\$ 19
136	Tanzania	Mostly Free	\$ 18
137	Uganda	Mostly Unfree	\$ 18
138	Niger	Mostly Free	\$ 17
139	Madagascar	Mostly Unfree	\$ 17
140	Mali	Mostly Unfree	\$ 17
141	Bhutan	Mostly Free	\$ 17
142	Papua New Guinea	Mostly Free	\$ 16
143	Zimbabwe	Mostly Unfree	\$ 14
144	Togo	Mostly Free	\$ 14
145	DRC	Mostly Unfree	\$ 13
146	Ethiopia	Mostly Unfree	\$ 12
147	Rwanda	Mostly Unfree	\$ 11
148	Benin	Mostly Free	\$ 10
149	Nepal	Mostly Free	\$ 10
150	Pakistan	Mostly Unfree	\$ 9
151	Kenya	Mostly Free	\$ 9
152	Guinea-Bissau	Mostly Unfree	\$ 9
153	Malawi	Mostly Free	\$ 8
154	Haiti	Mostly Unfree	\$ 7
155	Bangladesh	Mostly Unfree	\$ 7
156	Comoros	Mostly Unfree	\$ 6
157	Burkina Faso	Mostly Free	\$ 5
158	Afghanistan	Unfree	\$ 3
159	Burundi	Mostly Unfree	\$ 1
160	Yemen	Unfree	\$ 0
161	Angola	Mostly Unfree	\$ (3)
162	Iraq	Mostly Unfree	\$ (25)
163	Suriname	Mostly Free	\$ (27)

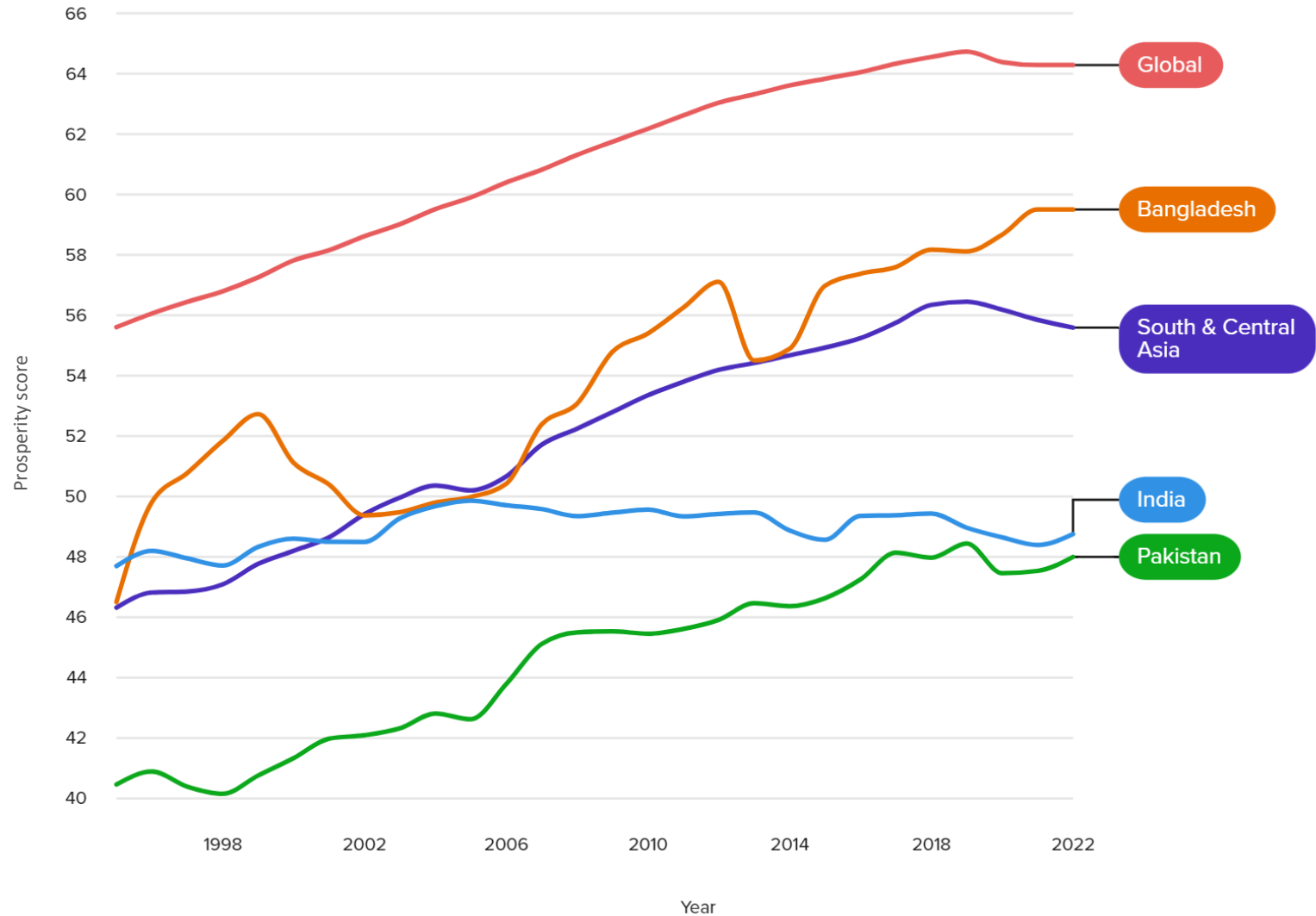
Source: Foreign direct investment, net inflows (BoP, current US\$), World Bank; Population, World Bank; Freedom and Prosperity Indexes  
To account for potential fluctuations in annual FDI flows, we determined the average FDI per capita for 1995-2022.

## Section IV: Bangladesh and the South & Central Asia Region



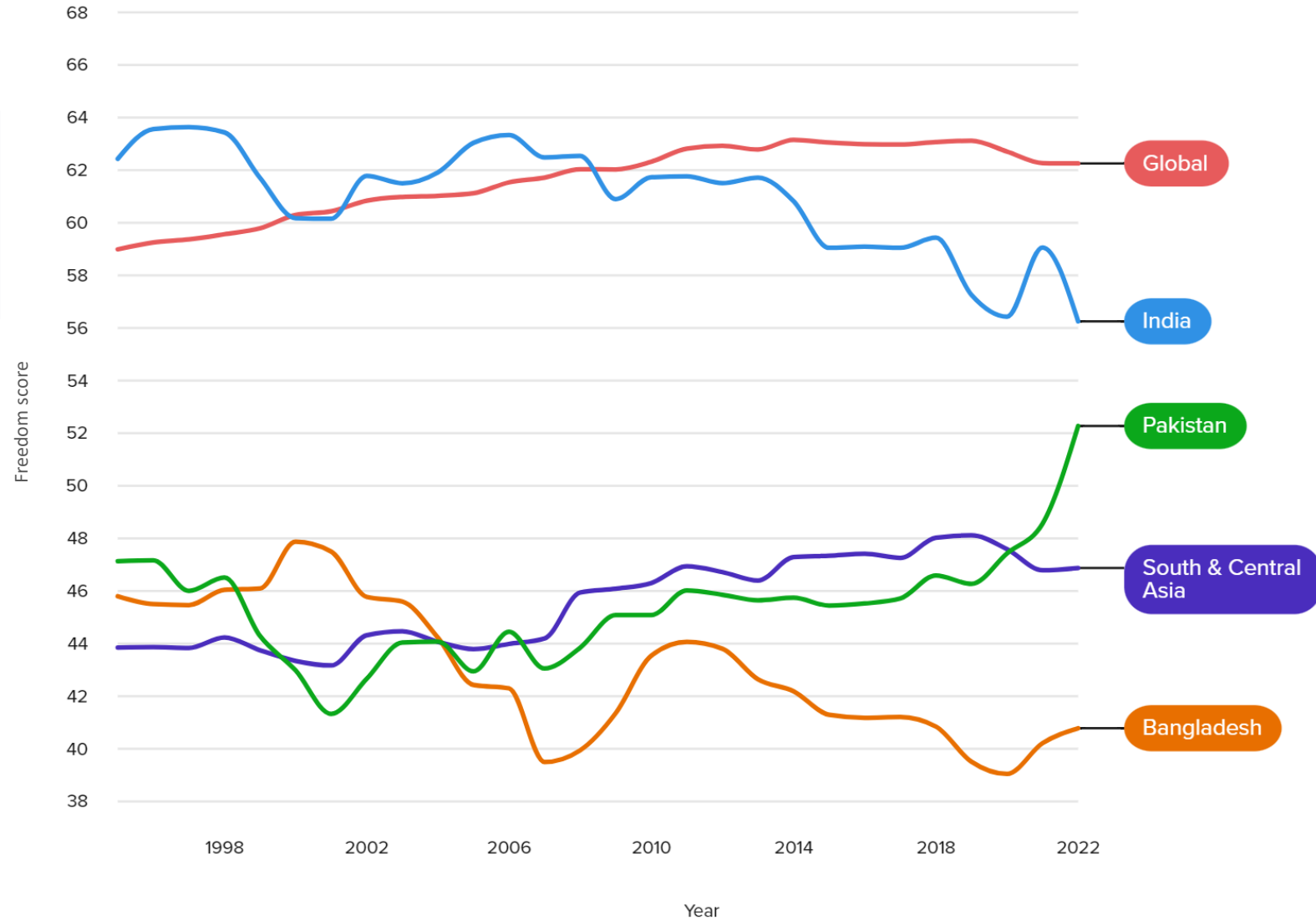
## Prosperity in South & Central Asia

Bangladesh outperforms the region on prosperity but remains behind the global average.



## Freedom in South & Central Asia

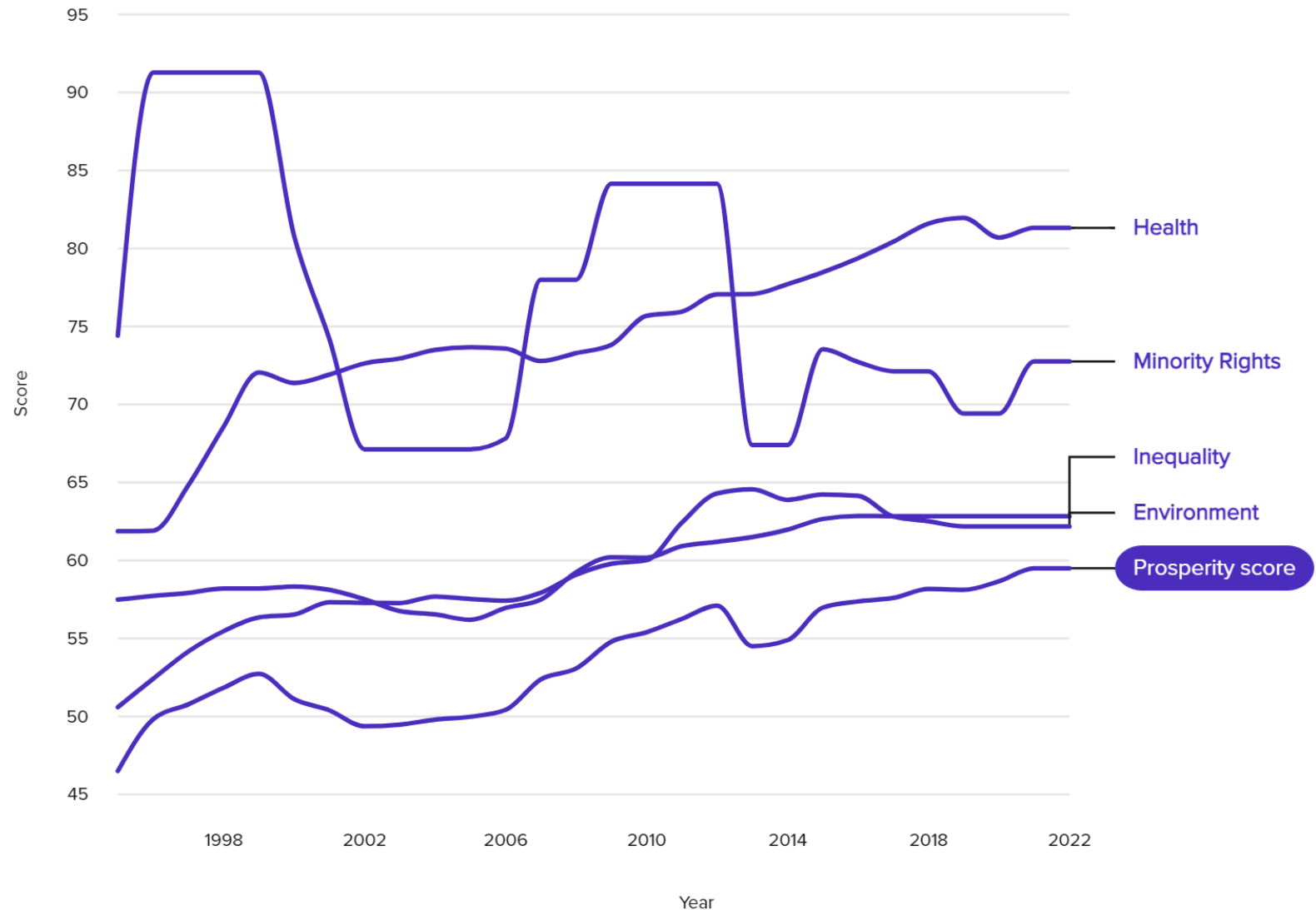
Since 2005, the freedom score of Bangladesh is below that of the South & Central Asia region.



## Prosperity Score for Bangladesh – Above Average Indicators

Four prosperity indicators are higher than the overall prosperity score:

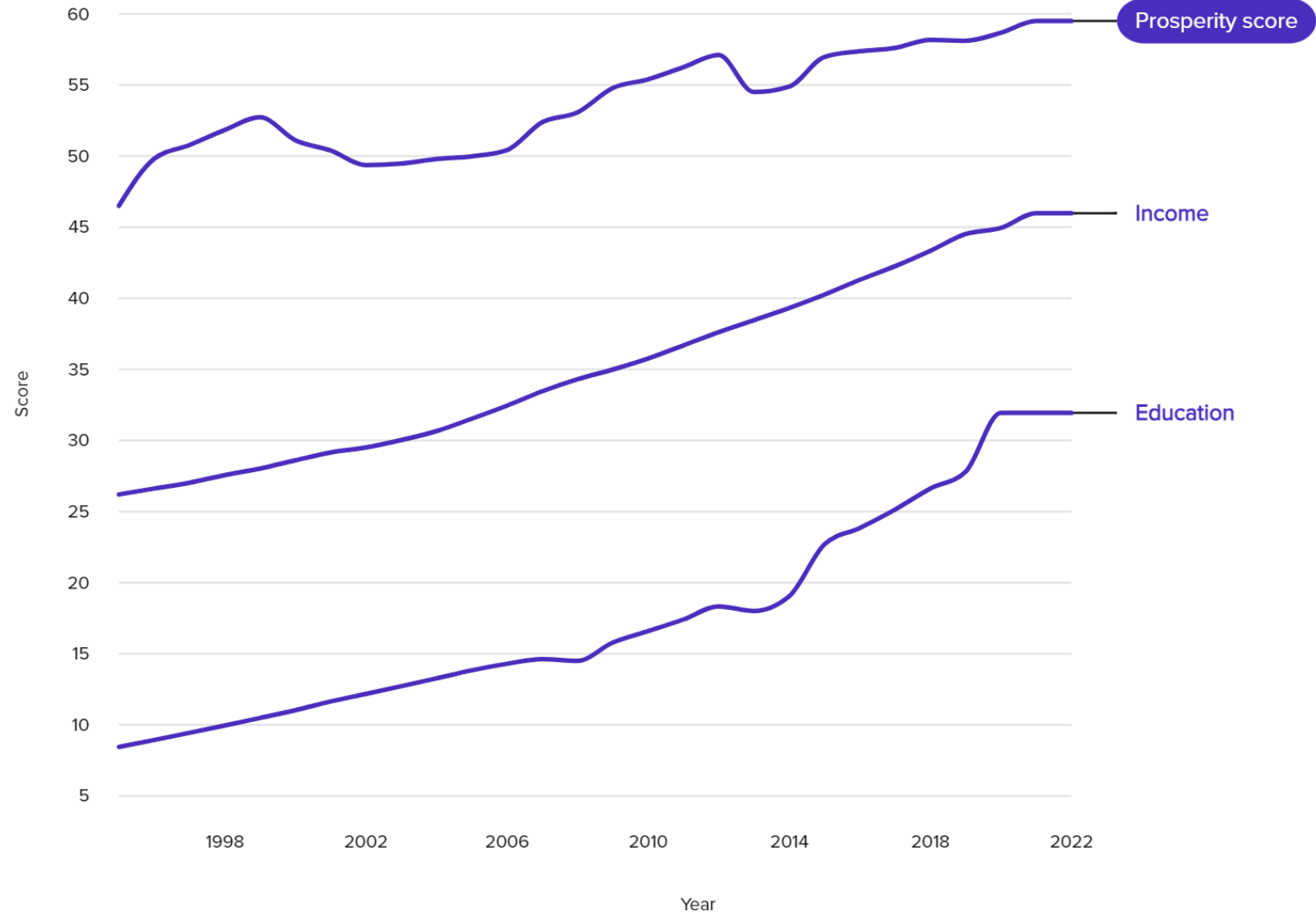
- Health
- Minority Rights
- Inequality
- Environment



## Prosperity Score for Bangladesh – Below Average Indicators

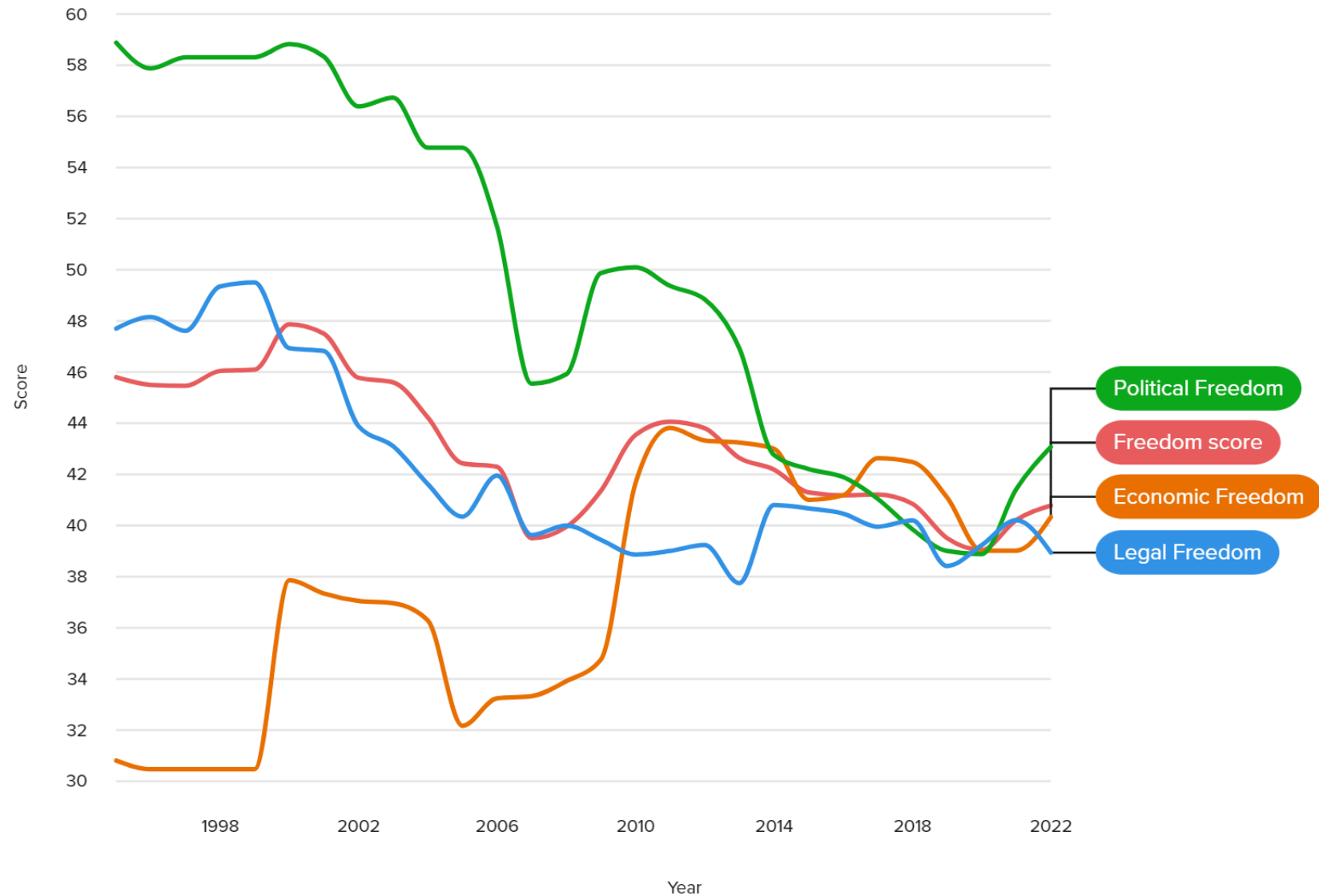
Two prosperity indicators lie below the overall prosperity score:

- Income
- Education



## Freedom Score for Bangladesh

- The Freedom index has three subindexes.
- The score for the political freedom subindex is higher than the overall freedom score.
- The scores for the legal and economic freedom subindexes are lower than the overall freedom score.
- Drop in political and legal freedoms.
- Improvements in economic freedom from 1995-2011.



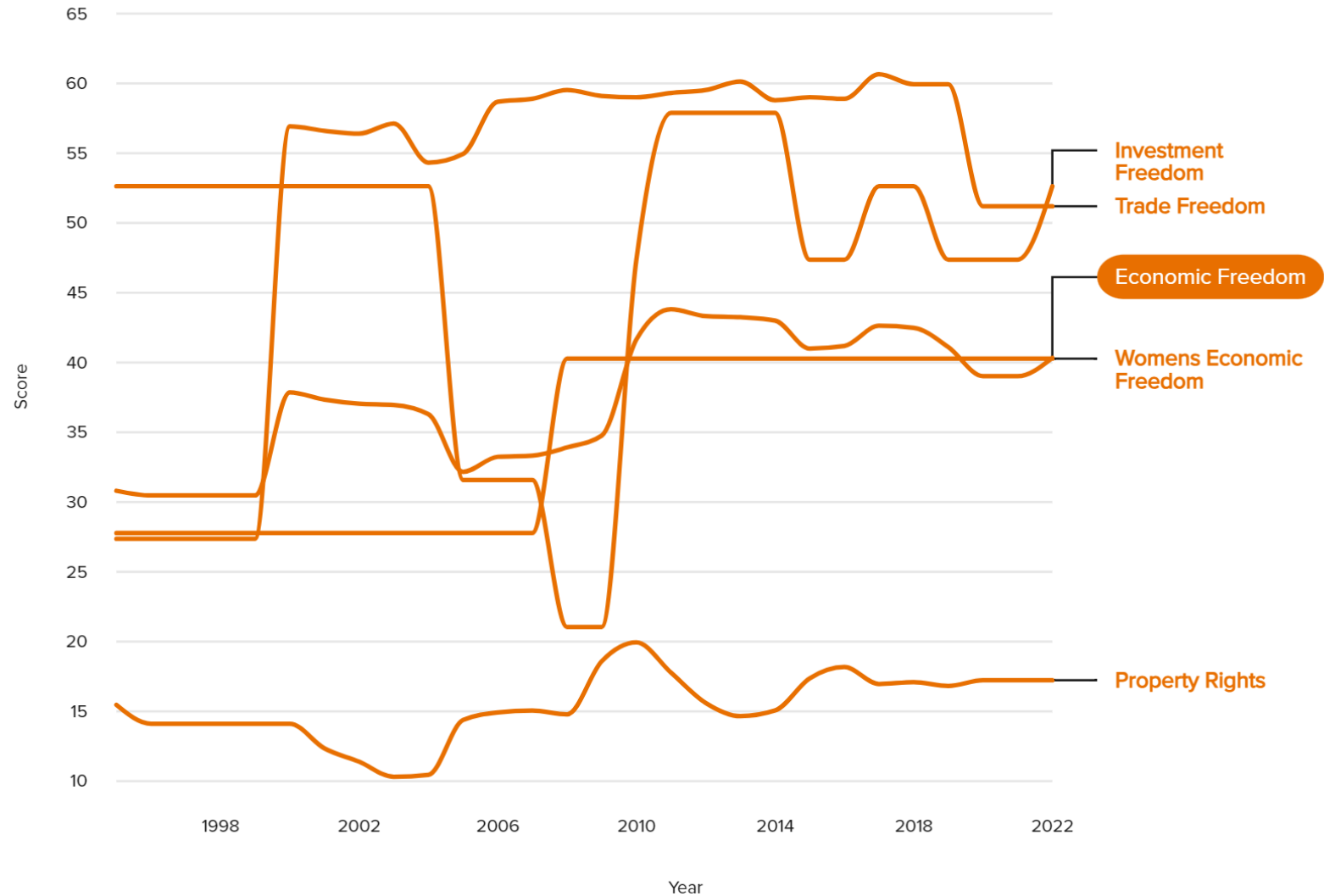
## Economic Freedom Score for Bangladesh

The Economic Freedom subindex has four components:

- Investment
- Trade
- Women’s Economic
- Property Rights

The first two have above average scores.

The latter two have scores that are lower than or equal to the Economic Freedom average.



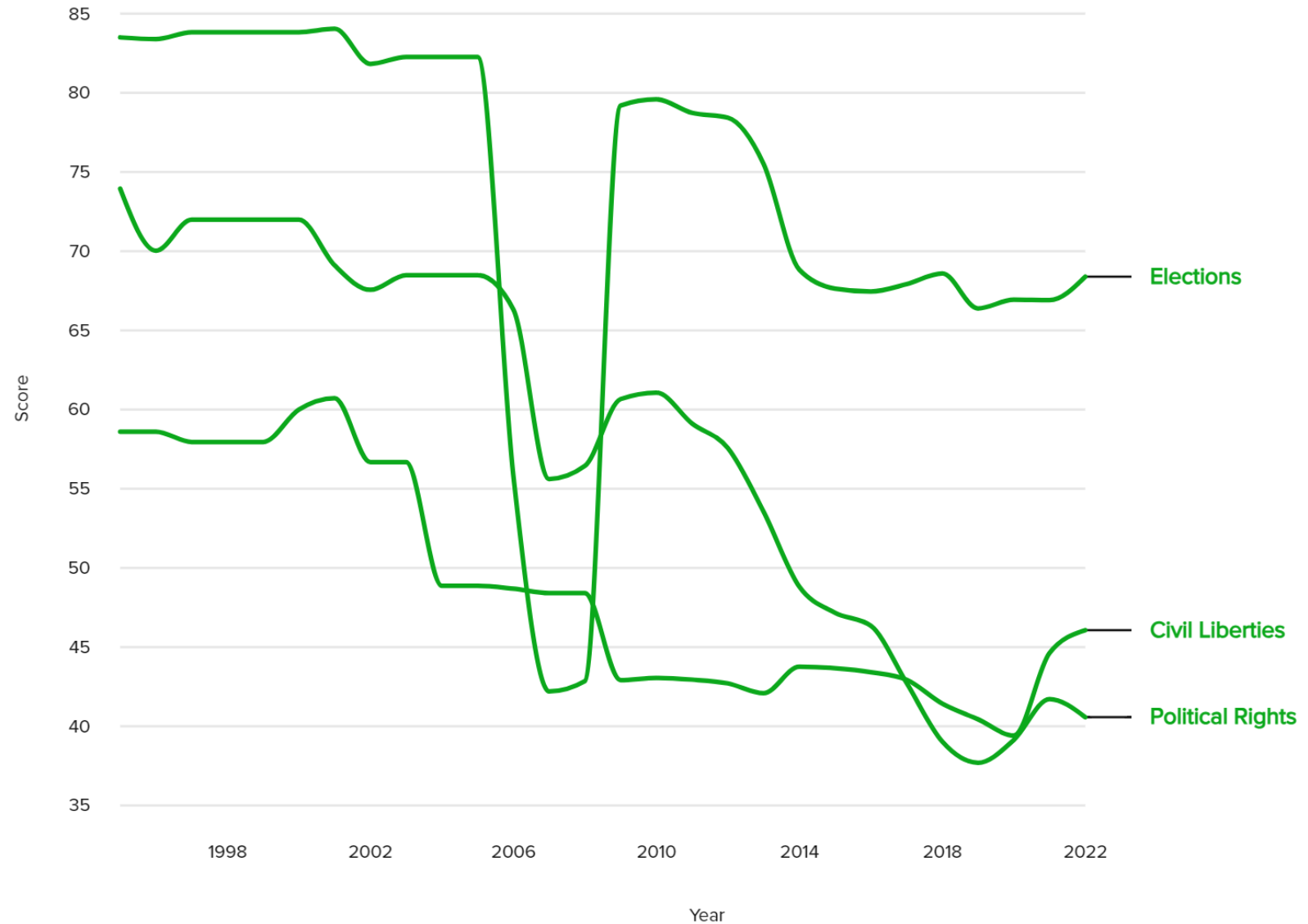


## Political Freedom Score for Bangladesh

The Political Freedom subindex has four components:

- Legislative Constraints on the Executive
- Civil Liberties
- Elections
- Political Rights

The latter three account for most of the decline.

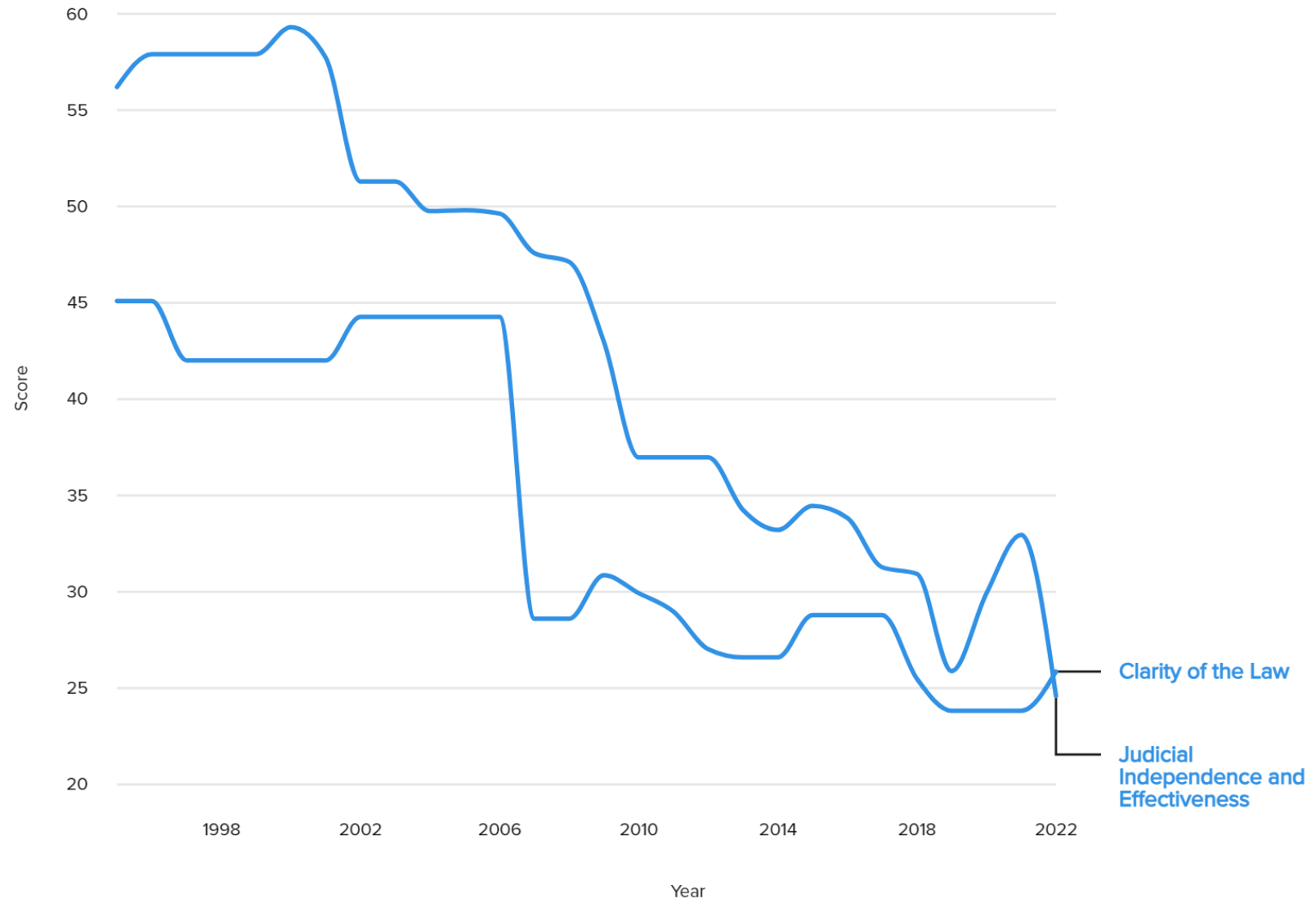


## Legal Freedom Score for Bangladesh

The Legal Freedom subindex has five components:

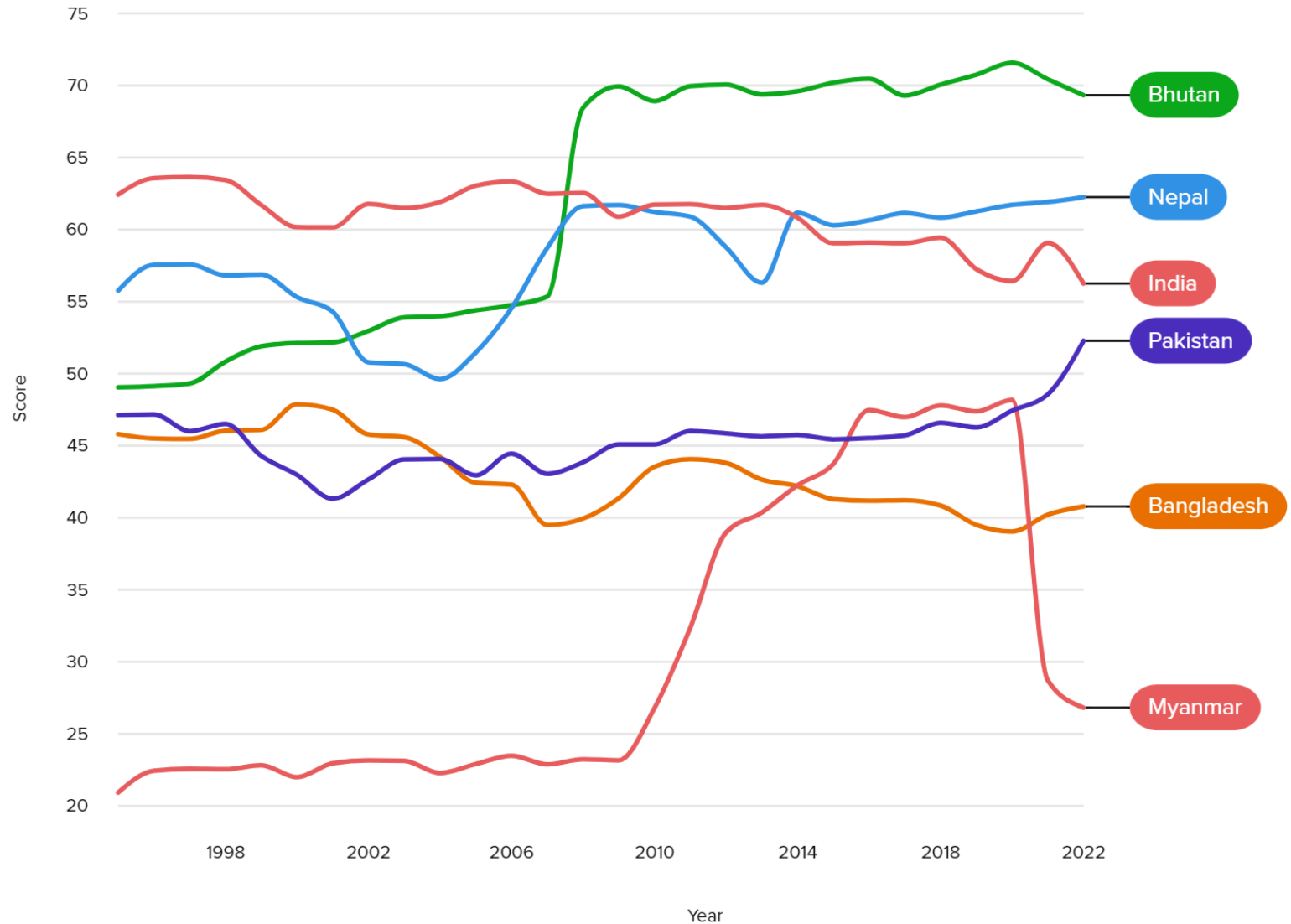
- Informality
- Bureaucracy and Corruption
- Security
- Judicial Independence and Effectiveness
- Clarity of the Law

The latter two account for most of the decline.



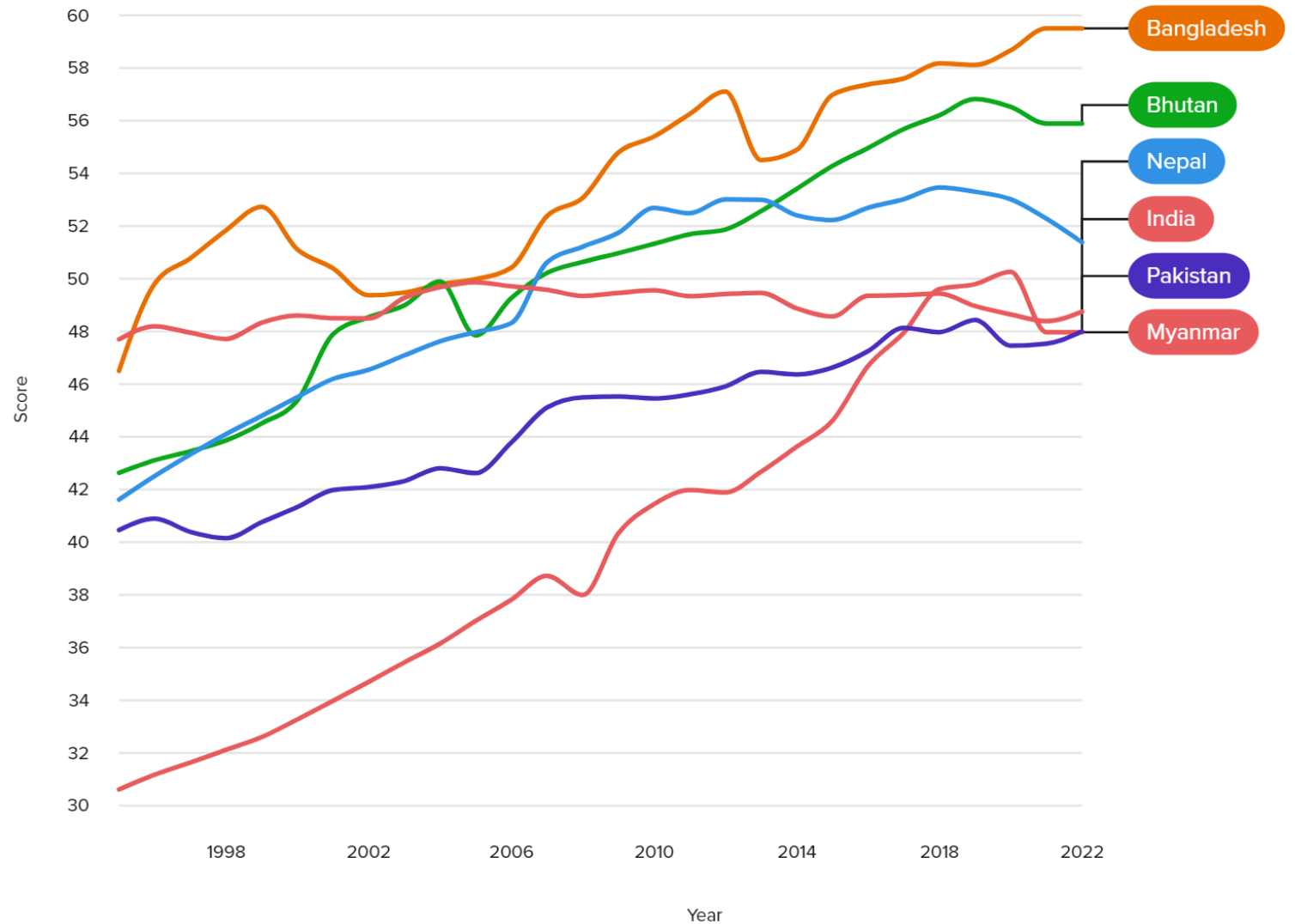
## Freedom Scores Context

This chart compares the evolution of Bangladesh's freedom scores to those of some of its neighbors.



## Prosperity Scores Context

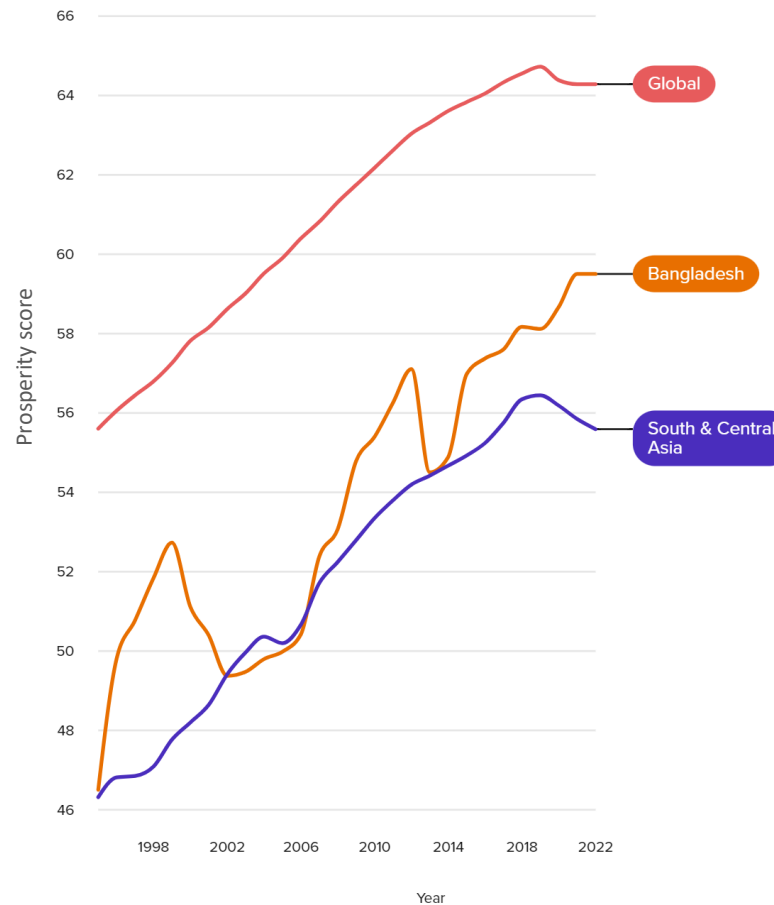
This chart compares the evolution of Bangladesh's prosperity scores to those of some of its neighbors.



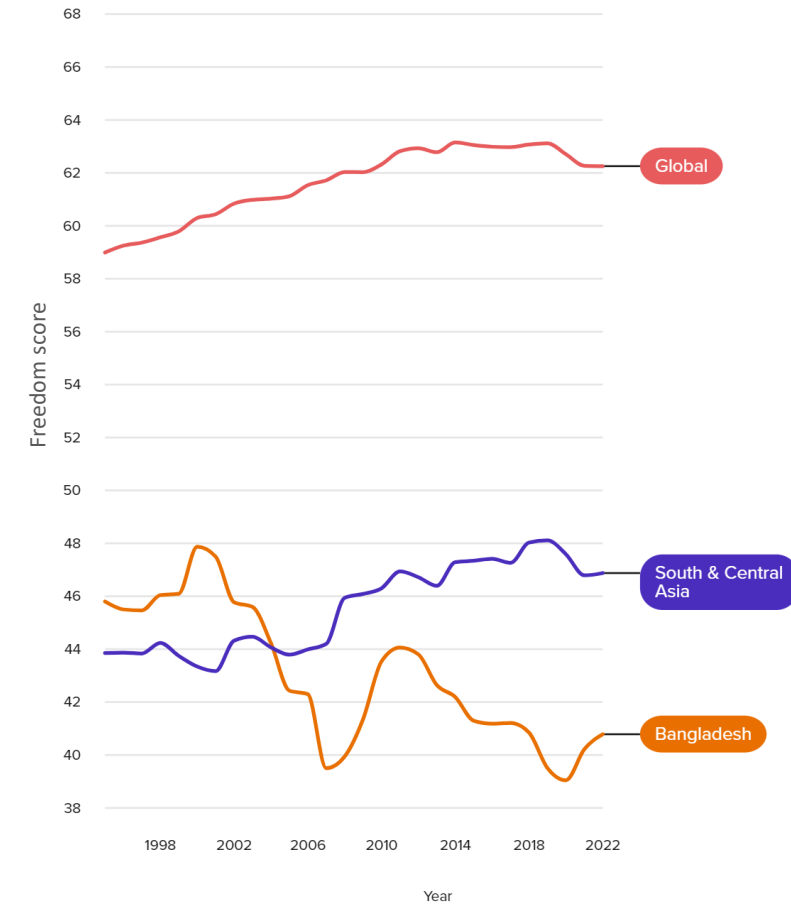
## Prosperity and Freedom Scores for Bangladesh

- On prosperity, Bangladesh outperforms the upward trend in the regional average.
- On freedom, Bangladesh underperforms the flat trend in regional average.
- Will Bangladesh continue to improve its prosperity score despite its freedom scores?

### Prosperity Scores



### Freedom Scores



**Thank you!**

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