

By Dr Kim Holmes

The Heritage Foundation founded the Index of Economic Freedom in 1995 as a way for countries to measure progress and compare themselves in what we believe is an essential ingredient of prosperity—namely, economic freedom. The Index is now in its 14th edition, and it is co-published with the Wall Street Journal.[1]

Over the years, it has been interesting to see how competitive some countries have become regarding their own scores in the Index. In fact, sometimes governments actually try to persuade us to give them a better score. We steadfastly refuse to be lobbied or unduly influenced, of course; yet some countries persist nonetheless. And in spite of this occasional over-zealousness, having countries compete to be the freest economies in the world is in itself a very good thing!

Today, I wish to frame my remarks about the Index in light of the topic we are addressing here: human rights. But first, I'd like to say a few words about what you will find in this year's Index, for those who may not be as familiar with it.

Each year, Heritage strives to make the Index a more precise measure of economic freedom. We examine 10 factors, such as property rights, freedom to trade, and freedom from government regulation. Each factor is scored on scale of 1 to 100; the scores are weighted equally; and then they are averaged to determine a country's overall economic freedom score. Those who have followed the Index over the years know that we continually fine-tune the methodology and vet any changes we want to make with an advisory board of economists and members of the academy before they are incorporated. Then we go back and rescore the countries' past scores so comparisons can be consistently made over time.

This year, we graded 157 countries for which we had good data. And what did we find? Well, sadly I must report that economic freedom is still a relatively rare commodity in the world. Only seven countries have economies that rank as "free" (score of 80 or higher); 23 are "mostly free" (70–79.9); 103 are either "moderately free" (60–69.9) or "mostly unfree" (50–59.9); and 24 are "repressed," with total scores below 50 percent.

The average score worldwide this year is 60.3. The variance is startling. Hong Kong, which again ranked as the world's freest economy, scored a healthy 90.3. Singapore finished 2nd with a score of 87.4. But North Korea finished last with a very dismal score of 3 percent.

Overall, the level of economic freedom in the world has neither advanced nor declined. But this year, for the first time, every region in the world had at least one country in the top 20:

Half of the best performers are in Europe, with Ireland leading the way (3rd).

The Asia–Pacific region made another great showing, with Hong Kong (1st), Singapore (2nd), Australia (4th), New Zealand (6th), and Japan (17th). Three of the world's top five economies (all of them former British colonies) are in this region.

The Americas has three in the top 20: the U.S. (5th), Canada (7th), and Chile (8th).

The Middle East/North Africa region is back in the top 20, but only barely, represented solely by Bahrain (19th).

And, for first time ever, one of the top 20 freest economies is in Africa (Mauritius, 18th).

Indeed, half of all the countries graded actually improved their economic freedom scores this year. This is a good thing, of course, but we can't say it represents a trend. That's because there is the other half that are not improving their scores, and in some cases are getting worse. We worry too that some developed countries are moving in reverse—becoming more protectionist in trade, increasing the size of government, and over-regulating the economy. Each region offers case studies of the benefits of expanding economic freedom. Europe's shining star is the "Celtic Tiger," Ireland. It ranks 3rd with a score of 82.4. By comparison, France is 48th with score of 65.4, and Portugal is 53rd with a score of 64.3.

Since there is some disparity in Europe's economic freedom scores, it comes in with a relatively lower than expected average of 66.8 percent free. Notwithstanding some real stars, there are still in Europe some countries with relatively high levels of government intervention and expenditures, as well as subsidies.

The Index's findings also point to a potential downside of fuller European integration. If countries with high levels of economic freedom must downgrade their policies to be more consistent with EU norms, they could find themselves suffering from the same growth problems that bedevil some long-time EU members.

Now, the main message of the Index is that it shows how nations can best develop and grow economically. It doesn't necessarily tell you how to calibrate growth rates, or even which factor alone is most important (although some studies have suggested possible answers to that question). But it does show clearly that economic freedom is a pre-condition for the development of prosperity in the long run.

This is a good thing in itself, of course. But I would say that economic freedom is more than a path to prosperity. It also is a condition that opens up opportunities to enjoy freedom in the largest sense of the word—both politically and socially.

### Economic Freedom as a Human Right

It is in that vein, then, that I wish to speak about economic freedom as a right—as a right that, in the end, should be seen as indivisible from the broader idea of liberty and the rights associated with liberty.

I should think that it would not be very difficult to make the case that the right to property is not essentially different from the right to labor. The accumulation of property is, after all, the fruit of one's labor, and the idea that it attaches to an individual rather than a group is, in my estimation, not only a fundamental tenet of liberty in general, but a bedrock principle for the rule of law, as properly understood.

Ultimately, freedom is indivisible. If rights to life, liberty, and property are inalienable (i.e., not contracted), then economic freedom and its variously derived rights certainly belong in the hallowed hall of natural rights.

Let me clarify and emphasize some points. First, by a right, I mean a natural right—one not given or manufactured by governments, courts, or international institutions such as the United Nations. Nor is it a right even given by constitutions. You can argue that the right in question was given to us by God or nature, but when I am speaking of economic freedom as a right, it is something that governments should respect and protect, not provide.

Secondly, as someone who was once responsible for U.S. policy at the United Nations, I want to assure you that I am sympathetic not only to the view that rights should not be inflated or created out of whole cloth, but also that they—particularly, but not only, the natural ones—should not be primarily the concern of international courts and organizations. Sovereign national governments should have the primary responsibility for protecting

rights—and, in this case, economic freedom—because to do otherwise empowers international bureaucrats with unaccountable power that inevitably will deprive us of our liberties.

Frankly, although I think that economic freedom is a natural right, its value really does not depend on whether we say it is or is not a right. Not only can we make a philosophical case for economic freedom, but a very practical political one as well.

I believe that economic freedom—the liberty to profit from our ideas and our labor—is absolutely vital to the human condition and to the human soul. Its loss relegates people to servitude to other persons, and it inevitably exposes people to exploitation either by the state or by people who can exercise arbitrary power over them.

Friedrich Hayek said it best in *The Road to Serfdom* when he observed that, "To be controlled in our economic pursuits means to be controlled in everything."<sup>[2]</sup>

Now, I am not exactly certain of all the details of the relationship between economic and political freedom, but I do believe that if there is a relationship, it is a positive one.

In our 1999 Index we explored this point.<sup>[3]</sup> We examined the connection between economic freedom and political freedoms, and we found the relationship statistically significant—meaning, in laymen's terms, it was "no accident, comrade." We did a regression analysis comparing our economic freedom scores with the Freedom House scores for political and civil liberties. We found that:

Countries that are more economically free also tend to be more politically free; and There is an even stronger link between economic freedom and civil rights such as freedom of assembly, an independent media, and equality of opportunity. That relationship was statistically significant at 99 percent.

Year after year, the Index of Economic Freedom shows that countries with more economic freedom are wealthier, while Freedom House's comparative survey shows that countries with the highest levels of political rights and civil liberties are wealthier. No one can objectively deny the strong relationships among economic, political, and civil freedoms and wealth.

Another thing that cannot be denied is that economic freedom is a great social emancipator. Take women's rights, for example. My colleague, Ambassador Terry Miller, recently authored a report that showed how societies with increasing levels of economic freedom also enjoy higher levels of income for women.

Perhaps we all know this to be intuitively true for advanced economies. But it is interesting to watch it occur in places like Africa, where women are increasingly becoming more active both as entrepreneurs and as political leaders. Their economic emancipation is leading to their political empowerment, and they are using that newfound power not only to protect their rights as women, but to advance real democracy and the rule of law.

Even a cursory glance at the countries in the Index of Economic Freedom would show that the most oppressive political regimes are also the most repressive economically. Again, this is no accident, because the same power of the state that denies people political rights also denies them their economic rights as well. In fact, state control of the economy is just another instrument of political power.

We can see this alliance of economic and political oppression in countries like Cuba and North Korea, but also throughout Africa. We should not be surprised that Zimbabwe, for example, which has a particularly nasty dictator in Robert Mugabe, ranks 155th out of 157 on this year's Index, and is ranked "not free" on Freedom House's 2007 survey. Additionally:

Zimbabwe's economy has shrunk some 40 per-cent since 2000.

The standard of living there is comparable to levels in 1948.

According to the World Health Organization, it has the world's lowest life expectancy (34 years for women, 37 for men; meanwhile, life expectancy in the U.S. has just reached 78).

Over 80 percent of the population is unemployed.

Inflation is over 60,000 percent.

The tragedy is that Zimbabwe, which was known as Africa's breadbasket just over a decade ago, is now a net food importer. And its confiscation and redistribution of private land and homes has impoverished millions.[4]

Zimbabwe is not alone. It is one of seven countries the U.S. Department of State calls "the most systematic human rights violators" (the others being Belarus, Burma, Cuba, Iran, North Korea, and Syria).[5] Such countries do not acknowledge the economic and political freedoms that we consider inalienable.

### Conclusion

To conclude, let me restate my basic point: Economic freedom offers people around the world the best hope for achieving healthier, safer, wealthier, and more productive lives, as well as the dignity of self-reliance. It is not a guarantee, of course, but in the most general terms it is a prerequisite for these things on a long-term, sustainable basis.

I differ with the notion that merely talking about human rights (especially natural ones involving economic freedom) is so fraught with danger, particularly in the international arena, that we should forswear it once and for all. I am afraid that train left the station a long time ago. I witnessed at the United Nations how the very expression "economic freedom" was forbidden because it was deemed "too ideological." I was told just that by several diplomats in a meeting up at the U.N. in New York.

We should never entrust the United Nations or an international court with the important task of safeguarding our rights and liberties, much less with creating them. At the same time we should not completely disarm ourselves in ideological debates in the international arena by pretending as if we have nothing to defend or care about. It will not do to leave the battlefield of ideas and hide behind some purist intellectual debate while the international equivalent of Rome burns—in this sense, our sovereignty and our rights. We have to fight for them at the United Nations forum and elsewhere.

Talking about "human rights" may make me uneasy; however, I don't want to imply that, because I am uneasy, I am against human rights—just as I could be against the idea of social justice because my opponents have occupied and erroneously defined that term for us.

Whether we believe economic freedom is a public virtue, a value, a right, or just a plain benefit to society, we need to say so.

Believe me, those who think economic freedom is a quaint idea which died a long time ago are not shy about pressing their case. We must not be shy either.

These remarks, reproduced by kind permission of the author, were delivered as a keynote address at the XVI International Meeting in Political Studies and International Summer School in Estoril, Portugal, on "Human Rights Today: 60th Anniversary of the Universal Declaration of Human Rights," sponsored by the Institute of Political Studies at the Catholic University of Portugal, on 27th June 2008

[1] Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, 2008 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Co., Inc., 2008).

[2] F. A. Hayek, *The Road to Serfdom: 50th Anniversary Edition* (Chicago: University of Chicago

Press, 1994).

[3] Bryan T. Johnson, Kim R. Holmes, and Melanie Kirkpatrick, 1999 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Co., Inc., 1999), pp. 29–34.

[4] Brett D. Schaefer and Marian Tupy, "Africa's Zimbabwe Problem," National Review, May 24, 2007. See also CNN.com, "Zimbabwe Inflation Now 66,000%," February 15, 2008, at [www.cnn.com/2008/WORLD/africa/02/15/zimbabwe.inflation.ap/index.html](http://www.cnn.com/2008/WORLD/africa/02/15/zimbabwe.inflation.ap/index.html) (July 22, 2008).

[5] U.S. Department of State, "2007 Country Reports on Human Rights Practices," at [www.state.gov/g/drl/rls/hrrpt/2007](http://www.state.gov/g/drl/rls/hrrpt/2007) (July 22, 2008).