

Highlights of the

2012 Index of Economic Freedom

Promoting Economic Opportunity and Prosperity



In partnership with
THE WALL STREET JOURNAL.

Terry Miller
Kim R. Holmes
Edwin J. Feulner

RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Score
1	Hong Kong	89.9	65	Kazakhstan	63.6	130	Bangladesh	53.2
2	Singapore	87.5	66	Cape Verde	63.5	131	Mauritania	53.0
3	Australia	83.1	67	France	63.2	132	Seychelles	53.0
4	New Zealand	82.1	68	Portugal	63.0	133	Suriname	52.6
5	Switzerland	81.1	69	Slovenia	62.9	134	Ethiopia	52.0
6	Canada	79.9	70	South Africa	62.7	135	Cameroon	51.8
7	Chile	78.3	71	Kuwait	62.5	136	Vietnam	51.3
8	Mauritius	77.0	72	Montenegro	62.5	137	Guyana	51.3
9	Ireland	76.9	73	Turkey	62.5	138	China	51.2
10	United States	76.3	74	Saudi Arabia	62.5	139	Syria	51.2
11	Denmark	76.2	75	Madagascar	62.4	140	Algeria	51.0
12	Bahrain	75.2	76	Namibia	61.9	141	Guinea	50.8
13	Luxembourg	74.5	77	Belize	61.9	142	Haiti	50.7
14	United Kingdom	74.1	78	Uganda	61.9	143	Micronesia	50.7
15	The Netherlands	73.3	79	Paraguay	61.8	144	Russia	50.5
16	Estonia	73.2	80	Dominica	61.6	145	Central African Republic	50.3
17	Finland	72.3	81	Mongolia	61.5	146	Bolivia	50.2
18	Taiwan	71.9	82	Guatemala	60.9	147	Nepal	50.2
19	Macau	71.8	83	Croatia	60.9	148	São Tomé and Príncipe	50.2
20	Cyprus	71.8	84	Ghana	60.7	149	Guinea-Bissau	50.1
21	Sweden	71.7	85	Burkina Faso	60.6	150	Laos	50.0
22	Japan	71.6	86	Samoa	60.5	151	Maldives	49.2
23	Lithuania	71.5	87	Morocco	60.2	152	Sierra Leone	49.1
24	Saint Lucia	71.3	88	Kyrgyz Republic	60.2	153	Belarus	49.0
25	Qatar	71.3	89	Dominican Republic	60.2	154	Liberia	48.6
26	Germany	71.0	90	Lebanon	60.1	155	Togo	48.3
27	Iceland	70.9	91	Azerbaijan	58.9	156	Ecuador	48.3
28	Austria	70.3	92	Italy	58.8	157	Burundi	48.1
29	Uruguay	69.9	93	Honduras	58.8	158	Argentina	48.0
30	Czech Republic	69.9	94	The Gambia	58.8	159	Kiribati	46.9
31	South Korea	69.9	95	Tunisia	58.6	160	Angola	46.7
32	Jordan	69.9	96	Zambia	58.3	161	Lesotho	46.6
33	Botswana	69.6	97	Sri Lanka	58.3	162	Solomon Islands	46.2
34	Georgia	69.4	98	Serbia	58.0	163	Ukraine	46.1
35	United Arab Emirates	69.3	99	Brazil	57.9	164	Uzbekistan	45.8
36	Spain	69.1	100	Egypt	57.9	165	Comoros	45.7
37	Barbados	69.0	101	Nicaragua	57.9	166	Chad	44.8
38	Belgium	69.0	102	Cambodia	57.6	167	Republic of Congo	43.8
39	Armenia	68.8	103	Kenya	57.5	168	Turkmenistan	43.8
40	Norway	68.8	104	Bosnia and Herzegovina	57.3	169	Timor-Leste	43.3
41	El Salvador	68.7	105	Fiji	57.3	170	Equatorial Guinea	42.8
42	Peru	68.7	106	Swaziland	57.2	171	Iran	42.3
43	Macedonia	68.5	107	The Philippines	57.1	172	Democratic Republic of Congo	41.1
44	Costa Rica	68.0	108	Mozambique	57.1	173	Burma	38.7
45	Colombia	68.0	109	Tonga	57.0	174	Venezuela	38.1
46	The Bahamas	68.0	110	Tanzania	57.0	175	Eritrea	36.2
47	Oman	67.9	111	Bhutan	56.6	176	Libya	35.9
48	Israel	67.8	112	Vanuatu	56.6	177	Cuba	28.3
49	Hungary	67.1	113	Gabon	56.4	178	Zimbabwe	26.3
50	Malta	67.0	114	Malawi	56.4	179	North Korea	1.0
51	Slovakia	67.0	115	Indonesia	56.4	N/A	Afghanistan	N/A
52	Saint Vincent and the Grenadines	66.5	116	Nigeria	56.3	N/A	Iraq	N/A
53	Malaysia	66.4	117	Mali	55.8	N/A	Liechtenstein	N/A
54	Mexico	65.3	118	Benin	55.7	N/A	Somalia	N/A
55	Panama	65.2	119	Greece	55.4	N/A	Sudan	N/A
56	Latvia	65.2	120	Senegal	55.4			
57	Albania	65.1	121	Yemen	55.3			
58	Jamaica	65.1	122	Pakistan	54.7			
59	Rwanda	64.9	123	India	54.6			
60	Thailand	64.9	124	Moldova	54.4			
61	Bulgaria	64.7	125	Niger	54.3			
62	Romania	64.4	126	Côte d'Ivoire	54.3			
63	Trinidad and Tobago	64.4	127	Djibouti	53.9			
64	Poland	64.2	128	Papua New Guinea	53.8			
			129	Tajikistan	53.4			

ECONOMIC FREEDOM SCORE

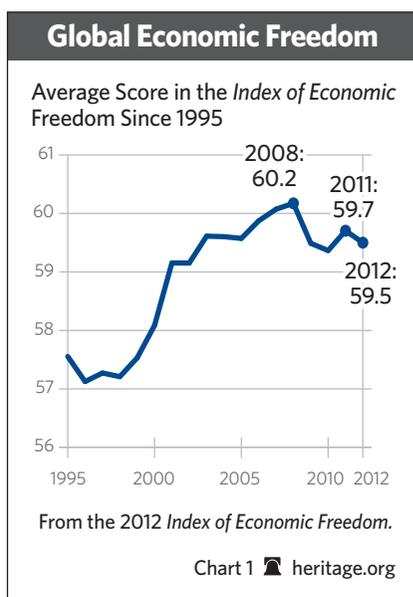
	80-100 FREE
	70-79.9 MOSTLY FREE
	60-69.9 MODERATELY FREE
	50-59.9 MOSTLY UNFREE
	0-49.9 REPRESSED

Highlights of the 2012 Index of Economic Freedom

Global economic freedom has declined over the past year. The tension between government control and the free market has heightened around the world, particularly in developed countries. Eroding hard-earned gains in economic freedom in years past, the mounting burden of reckless government spending in many cases has overwhelmed gains in economic freedom achieved in other policy areas.

HIGHLIGHTS FROM THE 2012 INDEX OF ECONOMIC FREEDOM

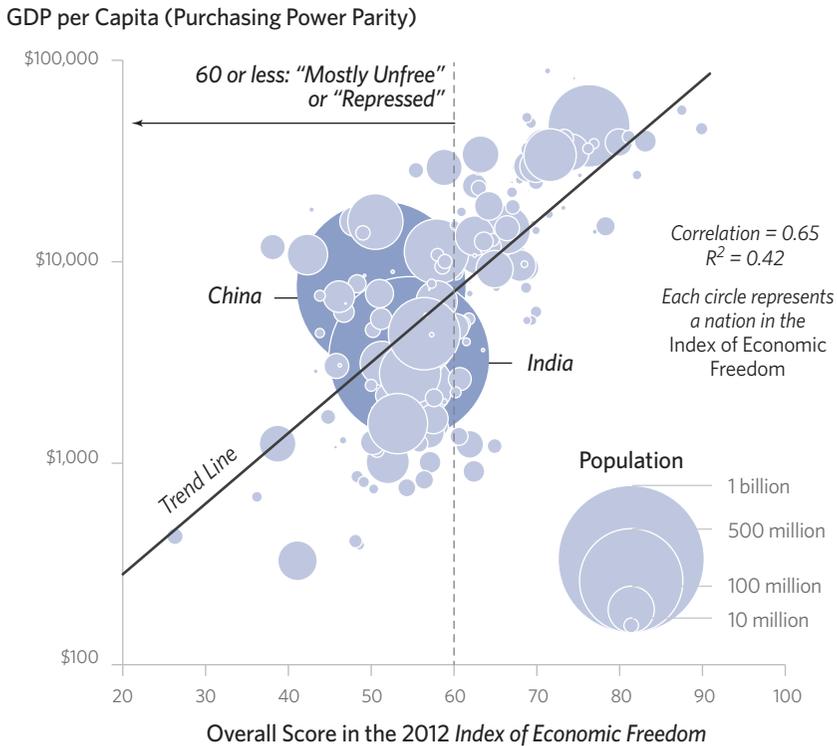
- **The 2012 Index**, the 18th edition, analyzes economic policy developments in 184 countries since the second half of 2010. Somalia, though not formally graded, returns to the *Index* for the first time since the 2001 *Index*. Countries are graded and ranked on 10 measures of economic freedom that evaluate the rule of law, the intrusiveness of government, regulatory efficiency, and the openness of markets.
- **The global average economic freedom score in the 2012 Index is 59.5**, a 0.2 point decline from last year and matching the second lowest level in the past 10 years. (See Chart 1.) Renewed economic uncertainty



and stagnation caused by the sovereign debt turmoil in some key developed economies have battered world economic progress.

- **The scores of 75 economies improved**, but 90 countries lost economic freedom, and 14 showed no change. Of the 75 economies whose scores improved, 73 are considered developing or emerging countries. Many are in the Asia-Pacific, Sub-Saharan Africa, and South and Central America/Caribbean regions. Australia and Iceland are the only two developed coun-

Large Numbers of People Are Denied Economic Freedom



From the 2012 *Index of Economic Freedom*.

Chart 2 heritage.org

tries that recorded score improvements in the 2012 *Index*, partly due to their efforts to bring government spending under control.

- Chile and Mauritius advanced into the top 10** in the rankings in the 2012 *Index*, reflecting notable advances in their economic freedom scores. Chile is returning to the top 10, where it last appeared in 2008. For Mauritius, it is the first time in the top 10 and the first time ever that a Sub-Saharan African country has been so highly ranked. Ireland and the U.S. lost ground, slipping to the 9th and

the 10th spots, respectively. Despite its high regulatory efficiency and strong rule of law, Denmark fell out of the top 10 altogether because of huge government spending equivalent to almost 60 percent of total domestic output and a high corresponding tax burden. Bahrain dropped from the top 10 as a result of worsening scores for corruption, property rights, and government spending.

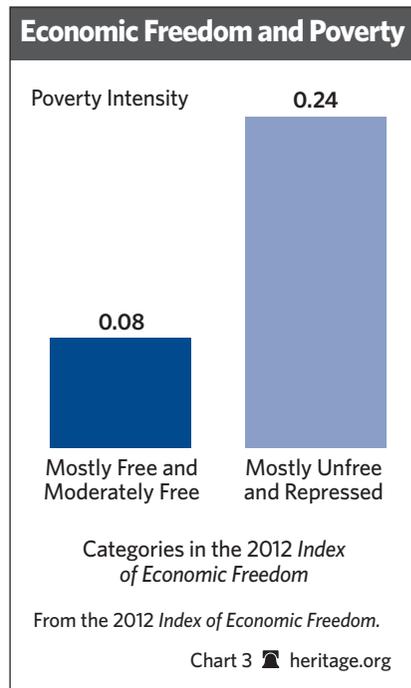
- Every region continues to be represented by at least one of the top 20 freest economies.** Nine of these elite economies are in Europe, led by

Switzerland, Ireland, and Denmark. Six are in the Asia-Pacific region. Replacing Japan, Taiwan has joined the top 20 as the world's 18th freest economy. Canada and the U.S. represent North America. The other regions are represented by one country each: Chile (South and Central America/Caribbean region); Mauritius (Sub-Saharan Africa region); and Bahrain (Middle East and North Africa region)

- Four Asia-Pacific economies and Switzerland earned designation as truly “free” economies** for the 2012 *Index*. Each achieved a score above 80 on the grading scale. Hong Kong successfully defended its status as the world's freest economy for a remarkable 18th year in a row. Singapore remains the world's second freest economy and closed the gap with Hong Kong a bit as a result of advances in financial freedom. Australia, New Zealand, and Switzerland maintained their previous standings of 3rd, 4th, and 5th, respectively. These five free economies' relative strength is no accident. Their continuing commitment to rule of law, limited government, regulatory efficiency, and open markets has been the source of impressive resilience during uncertain economic times.
- The positive relationship between economic freedom and prosperity has been confirmed** yet again in the 2012 *Index*. GDP per capita is much higher in countries with greater economic freedom. Chart 2 shows a strong positive relationship between the level of economic freedom and GDP per capita. While much of the world has progressed toward greater economic freedom and higher pros-

perity in recent decades, a significant proportion of the world's population lives in countries where economic freedom and opportunity are restrained. As seen in Chart 2, almost three quarters of the world's people live in countries that are “mostly unfree” or “repressed” (economic freedom scores of less than 60). Much of that 75 percent comes from just two countries, India and China.

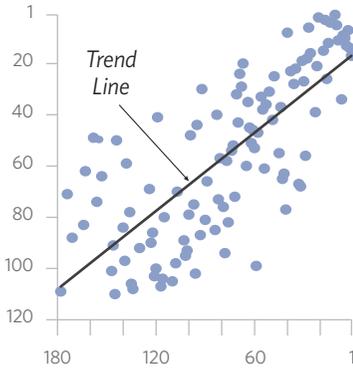
- Higher economic freedom is strongly correlated with successful elimination of poverty.** Chart 3 shows that poverty intensity, as measured by the United Nations' new Multidimensional Poverty Index that assesses the nature and intensity of poverty at the individual level in education, health outcomes, and standard of living, is much lower on average in countries with greater economic freedom.



Economic Freedom Propels Entrepreneurial Dynamism

Each dot represents a nation in the Index of Economic Freedom

Rank in the Entrepreneurship and Opportunity Sub-Index



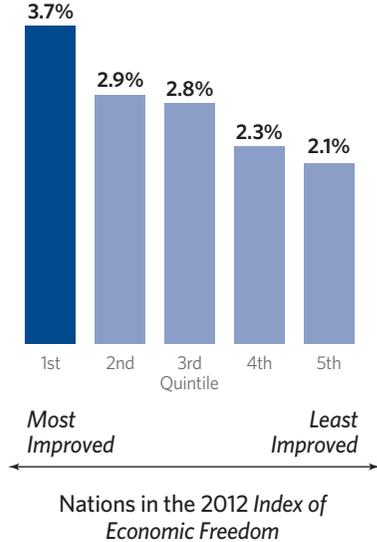
Rank in the 2012 Index of Economic Freedom

From the 2012 Index of Economic Freedom.

Chart 4 heritage.org

Economic Freedom and Economic Growth

Ten-Year Growth Rate in Per-Capita Income



Most Improved ← → Least Improved
Nations in the 2012 Index of Economic Freedom

From the 2012 Index of Economic Freedom.

Chart 5 heritage.org

- **Advancing economic freedom is vital to lifting people to greater prosperity.** Not only is a higher level of economic freedom clearly associated with a higher level of per capita income, but countries' improvements in economic freedom also increase their income growth rates, speeding economic and social progress. (See Chart 4.)
- **Economic freedom is highly correlated with entrepreneurial activity** that creates new jobs and increases opportunities and choices for individuals in advancing their own well-being. (See Chart 5.)
- **Rapid expansion of government,** more than any market factor,

appears to be responsible for flagging economic dynamism. Government spending has not only failed to arrest the economic crisis, but also—in many countries—seems to be prolonging it. The big-government approach has led to bloated public debt, turning an economic slowdown into a fiscal crisis with economic stagnation fueling long-term unemployment.

- **The need to improve, or in some cases restore, economic freedom is stronger than ever.** The challenge is to preserve past gains in economic freedom and to ensure that reform agendas focus on generating greater economic freedom, not less.

Economic Freedom: Global and Regional Patterns

As shown in “The Ten Economic Freedoms: A Global Look” on the next page, economic freedom declined most significantly with regard to respect for limited government. The quality of public finance has severely deteriorated, particularly in advanced economies; heavy government spending has led to rising levels of public debt and economic stagnation. Scores also fell in the category of rule of law due to intensified corruption and the erosion of respect for property rights.

Levels of economic freedom related to regulatory efficiency and open markets improved slightly, although labor freedom was unchanged and trade freedom declined. The largest average gain was in monetary freedom, with many countries enhancing monetary stability by getting inflationary pressure under control.

Regional Variations

Each of the world’s regions has at least one country that is ranked among the top 20 freest economies in the 2012 *Index*. However, average levels of economic freedom vary widely among the regions, and there are some stark differences in regional economic performance. Countries often share certain characteristics—cultural, geographical, historical, or others—with their regional

neighbors that may help to shed light on the particular challenges to economic freedom that their citizens face. As shown in Chart 6, inhabitants of North America and Europe enjoy greater levels of economic freedom than those who live in other regions of the world, but in every region, economic freedom is the key to greater opportunity and prosperity. Despite varying degrees of economic freedom across the regions, the relationship between economic freedom and prosperity is consistent within the regions: Per capita incomes are much higher in countries that are economically free. (See Chart 7.)

Not surprisingly, overall human development also thrives in an environment that is economically free. Economic freedom is about more than a business environment in which entrepreneurship and prosperity can flourish. Across all regions, higher economic freedom induces greater overall human development as measured by the United Nations Human Development Index, which assesses factors like life expectancy, literacy, education, and the standard of living.

Diverging Regional Patterns

While the global average score has declined over the past year, economic freedom has continued to

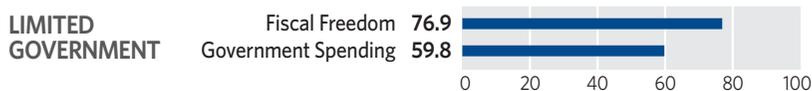
The Ten Economic Freedoms: A Global Look

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-0.2	Fiscal Freedom	+0.6	Business Freedom	+0.4	Trade Freedom	-0.3
Freedom from Corruption	-0.1	Government Spending	-4.1	Labor Freedom	0	Investment Freedom	+0.5
				Monetary Freedom	+1.0	Financial Freedom	+0.1



The rule of law has weakened. The global economy has been in tumultuous times, and there have been a number of large scale demonstrations around the world. Some governments continue to justify expropriations and nationalizations on the basis of the ongoing financial and economic turmoil. Thirteen countries' property rights scores declined. Scores for freedom from corruption continue to lag behind those of other components of economic freedom.



The average top individual income tax rate is 28.6 percent, and the average top corporate tax rate is 24.8 percent. The average overall tax burden as a percentage of GDP is 23 percent. The average level of government spending as a percentage of GDP is 35.2 percent. Many governments have run budget deficits in recent years, with rising public debt. The average level of gross public debt as a percentage of GDP in advanced economies is over 90 percent.



Many economies have continued to streamline and modernize their business frameworks. Globally, starting a business takes seven procedures and 30 days, while completing licensing requirements takes an average of 194 days. For the world as a whole, labor reform progress has considerably slowed. The 2012 *Index* registered a continued improvement in monetary freedom as a result of reduced inflationary pressures.

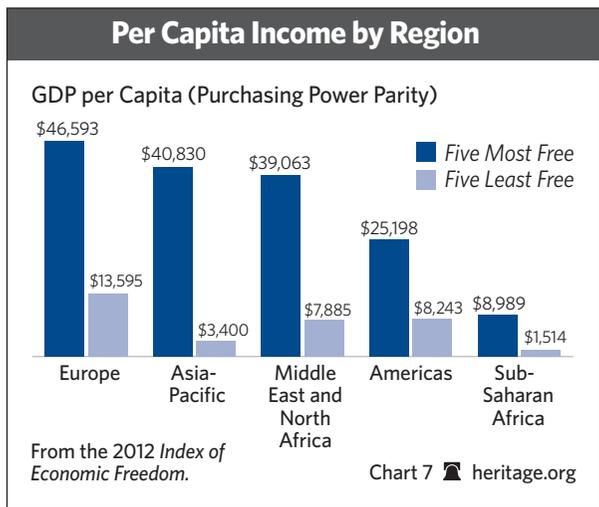
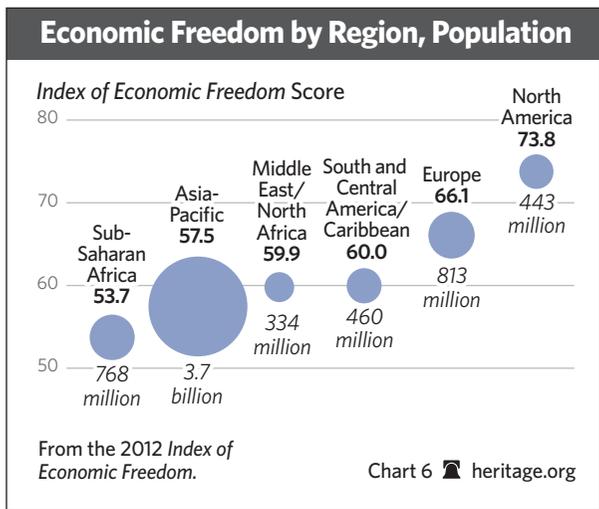


Global trade freedom is stuck in neutral or, even worse, may actually be rolling backward. Although progress was uneven, investment freedom advanced in the 2012 *Index*. Overall, the average financial freedom score remained essentially unchanged from the past year. Despite some progress toward stability, the global financial system has been under considerable strain, in large part because of the ongoing European sovereign debt turmoil.

advance in the Sub-Saharan Africa and Asia-Pacific regions. The North America region recorded the largest score decline (1.3 points), with every country in the region losing more than half a point. Europe and the Middle East and North Africa regions tied for the second greatest loss of economic freedom on average, down seven-tenths of a point. (See Chart 9.)

Table 1 shows components of economic freedom in which regions perform better or worse than the world averages.

Every region has two or more areas in which the average level of economic freedom falls below the world average. The North America region recorded considerable drops in fiscal freedom and government spending scores, both of which trail world averages. European countries are four points below the world average in fiscal freedom and more than 20 points below in government spending scores—a reflection of serious problems in public finance management and years of financing ever growing welfare states. Rigid labor regulations are also a problem, raising unemployment rates and hurting job growth.



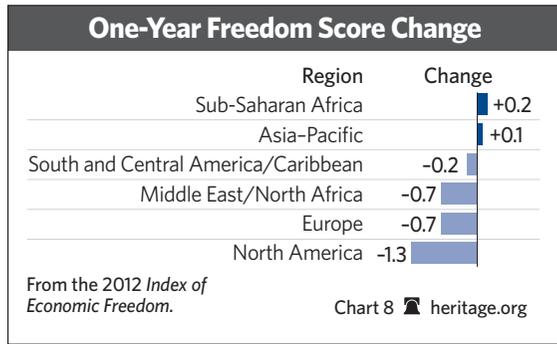
South and Central America/Caribbean countries lag behind world averages in six components of economic freedom, particularly freedom from corruption and property rights, both critical to the rule of law. The Middle East/North Africa region has lower than average scores in four economic freedoms, the Asia-Pacific region is behind in six, and Sub-Saharan Africa lags in nine.

Preserving and Advancing Economic Freedom

The recent financial and economic turmoil vividly illustrates the interdependence of economies. Bad policy choices that hurt economic freedom and retard economic performance in one country may have profoundly negative effects in others. By the same token, good policies in one country—for example, an openness to trade or investment flows—may have positive effects elsewhere.

Every region has positive examples of countries that have chosen freedom and reaped the rewards for their citizens. As shown in the *Index* over the

past 18 years, economic freedom is the indispensable link between economic potential and prosperous outcomes. No other system comes close in terms of promoting broad-based economic growth irrespective of a country's history, resources, or level of development.



Comparing Regional Average Scores to the Global Average

	Above or Equal to Global Average		Below Global Average				GLOBAL AVG.
	North America	Europe	South and Central America/Caribbean	Middle East/North Africa	Asia-Pacific	Sub-Saharan Africa	
Overall	73.8	66.1	60.0	59.9	57.5	53.7	59.5
Rule of Law							
Property Rights	75.0	61.3	40.9	41.2	38.7	31.2	43.4
Freedom from Corruption	63.7	55.5	39.3	40.9	36.1	29.3	40.4
Limited Government							
Fiscal Freedom	76.6	72.4	78.0	87.7	79.5	74.0	76.9
Government Spending	55.6	35.5	70.1	60.9	66.7	69.7	59.8
Regulatory Efficiency							
Business Freedom	89.9	77.5	62.7	66.2	64.7	51.6	64.7
Labor Freedom	79.6	61.4	61.1	61.6	65.9	56.5	61.4
Monetary Freedom	77.0	78.3	75.3	73.1	73.4	71.5	74.4
Open Markets							
Trade Freedom	82.4	85.5	73.3	76.7	70.7	67.2	74.5
Investment Freedom	68.3	69.9	51.2	45.6	38.0	44.6	50.7
Financial Freedom	70.0	63.7	47.9	45.3	41.5	41.1	48.6

From the 2012 *Index of Economic Freedom*. Table 1  heritage.org

Issues In Depth

Focus on Debt

From Chapter 3, “*Public Debt, Economic Freedom, and Growth*,” by Ambassador Terry Miller and J.D. Foster, Ph.D.

The *Index of Economic Freedom* includes this year, for the first time, data on public debt in the economies under consideration. In theory, debt financing of public spending could make a positive contribution to productive investment and ultimately to economic growth. Debt could also be a mechanism for positive macro-economic counter cyclical interventions or even long-term growth policies such as marginal tax rate reductions. On the other hand, high levels of public debt may have numerous negative impacts such as raising interest rates, crowding out private investment, and limiting the flexibility of government to respond to future economic or national security crises. Mounting public debt, particularly that which merely boosts government consumption or transfer payments, is likely to undermine overall productivity growth and lead ultimately to economic stagnation rather than growth.

The econometric studies highlighted in this chapter show little if any negative impact for countries at any level of development from debt/

GDP ratios lower than 35 percent. For advanced economies, debt levels as high as 90 percent of GDP may be sustainable, although levels that high would certainly not seem desirable. Our own studies show that debt/GDP ratios as high as 70 percent are consistent with levels of economic freedom that can still support vibrant economic growth. Above those levels, economic performance deteriorates significantly.

High levels of debt are bad for growth, and the austere policies required to bring high levels of debt under control are also bad for growth. Economic stagnation or even collapse can result, as real world examples indicate.

The sovereign debt crisis that exploded in Europe during 2011 is an important case study, both for the world financial system and for all countries integrated into the globalized system of trade and economic exchange. By 2009, debt levels for the euro currency zone as a whole approached 80 percent of GDP, with levels in Greece and Italy well over 100 percent of GDP.

The European crisis shows clearly how the negative impacts of high levels of debt may extend far beyond the borders of the country incurring the debt. In today’s globally intercon-

nected financial world, problems in one country spread quickly throughout the system.

In reality, no one—including the bankers themselves and their financial regulators—really knows or understands all of the connections or weaknesses in the system. Loans and the risks they entail are packaged and repackaged in myriad swaps and other instruments that disperse risk. The flexibility from such complexity, especially in good times, can increase the availability of capital for investment and improve growth.

The problem is that while such complex instruments disperse risk, they do not make it go away. In bad times, someone still has to pay, and with such complexity, it may be difficult to know

in advance who that someone is.

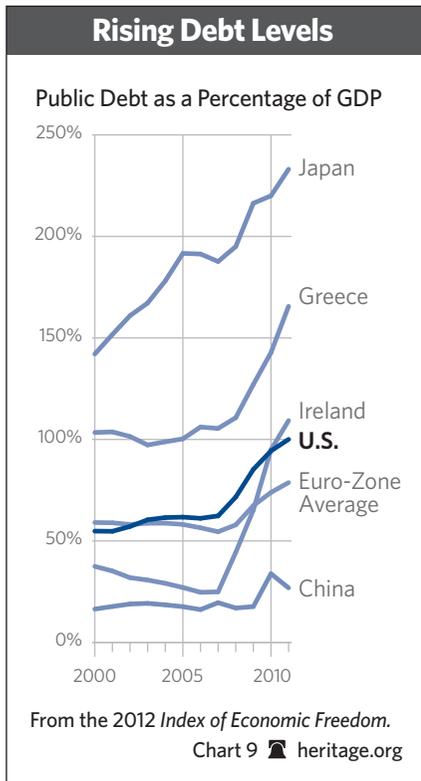
For the financial system, the solution is almost certainly some combination of mechanisms, rules, and prudent business practices aimed at increasing the level of reserves, and thus the level of resiliency, in the system. For countries, however, the best answer to excessive sovereign debt is to speed up growth, and that in turn requires committed attention to improving economic freedom.

Focus on the Middle East

From Chapter 4, “Corruption and Terrorism: Will They Undermine the Arab Spring?” by Nahid Kalbasi Anaraki, Ph.D.

While for many, the trigger point of the Arab spring was the self-immolation of a Tunisian street peddler, the real spark for the unrest may lie further back, in the Iranian pro-democracy Green movement of June 2009. The violent and deadly response by the Iranian government to protests following the re-election of President Mahmoud Ahmadenijad sparked outrage and antagonism against the Iranian regime and sowed seeds of discontent against dictatorship and repression that spilled throughout the region, inflaming aspirations for economic and political freedom.

This chapter tested three hypotheses. The first was that countries with higher levels of corruption are more likely to be confronted with terrorism. Testing this hypothesis through Johansen co-integration technique, a long-term relationship between corruption and terrorism was found in most countries in the region. The second hypothesis was that there is a long-run negative rela-



tionship between economic freedom and terrorism. Again, the Johansen co-integration test rejected the null hypothesis, finding cointegration between the two variables.

Finally, the chapter tested the hypothesis that terrorism adversely affects flows of FDI and the levels of GDP per capita in the Middle East and North Africa. Consistent with previous studies, it was found that terrorism has statistically negative impacts on the flow of FDI, and GDP per capita in most countries in the region, except in a few outliers like Iran and Syria.

The results indicate that gloomy economic prospects, income inequality, and corrupted regimes in the Middle East were important motivators in the Arab uprising. This analysis also suggested a new motivation for terrorism, less about Islam against western values and more about revenge against corrupt regimes in the Middle East. Policy makers interested in fighting terrorism may find it useful to pay more attention to the struggle against corruption, since the two are closely related.

Focus on Africa

From Chapter 5, *"Fighting Poverty Through Economic Freedom,"* by the Honorable Obiageli Ezekwesili, Vice President for the Africa Region at the World Bank

A recent World Bank research report, *On the Relevance of Freedom and Entitlement in Development* by Jean-Pierre Chauffour, reviewed the economic performance, good and bad, of more than a hundred countries over the past 30 years. The study found new empirical evidence supporting the

idea that economic freedom and civil and political liberties are at the root of reasons why some countries achieve and sustain better economic outcomes while others do not.

The study showed, for instance, that a one-unit change in the initial level of economic freedom between two countries on a scale of one to 10 is associated with an almost 1 percentage point differential in their average long-run economic growth rates. In the case of civil and political liberties, the long-term effect is also positive and significant, with a differential of 0.3 percentage points. The expansion over time of the conditions of freedom—whether economic, civil, or political—also positively influences long-run economic growth. This kind of evidence, and what we call the evidence-based policy approach, really is at the heart of what we do in the promotion of development choices.

Freedom to produce, to trade, or to consume any good or service that one has acquired without the use of force, fraud, or theft is one of the characteristics we have seen in many of the societies in Africa that have done better than the others. These freedoms are embedded in attention given to the rule of law, to property rights, and to freedom of contract.

The *Index of Economic Freedom* underlines the positive role that economic freedom plays in enabling prosperity, raising living standards, curbing poverty, and improving economic growth and social well-being. Nelson Mandela, a wise man, puts it most appropriately when he says, "Money won't create success; the freedom to make it will." The failed policies that caused the famine in the

Horn of Africa and the governance challenges that created the precursor to these policies are similar in outcome to those that have engendered bad governance, corruption, and armed conflict.

The freedom from regulation or other dictates from government or the authorities in economic matters makes the capitalist system of economic freedom a means for efficient allocation of resources. Many analyses agree that countries which prioritize economic freedom tend to be richer, tend to grow faster, tend to prosper more, and tend to reduce poverty faster, and their people tend to live longer and to be more educated. Countries which enjoy economic freedom also

tend to be less inclined to be caught up in armed conflict or in warfare. They tend to be less corrupt, to respect human rights more, to promote gender equity, and to have more of their people employed. There are countries where people are free to own property; to earn, save, and invest; to pursue their economic dreams with minimum obstruction from government, regulations, taxes, and unfriendly monitoring of fiscal environments.

Whatever model African countries choose to follow, it is clear, judging from the success stories on the continent, that economic and political freedoms will form an important part of the foundation for prosperity and poverty reduction.



Founded in 1973, The Heritage Foundation is a research and educational institution—a think tank—whose mission is to formulate and promote conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense.

We believe the principles and ideas of the American Founding are worth conserving and renewing. As policy entrepreneurs, we believe the most effective solutions are consistent with those ideas and principles. Our vision is to build an America where freedom, opportunity, prosperity, and civil society flourish.

Heritage's staff pursues this mission by performing timely, accurate research on key policy issues and effectively marketing these findings to our primary audiences: members of Congress, key congressional staff members, policymakers in the executive branch, the nation's news media, and the academic and policy communities.

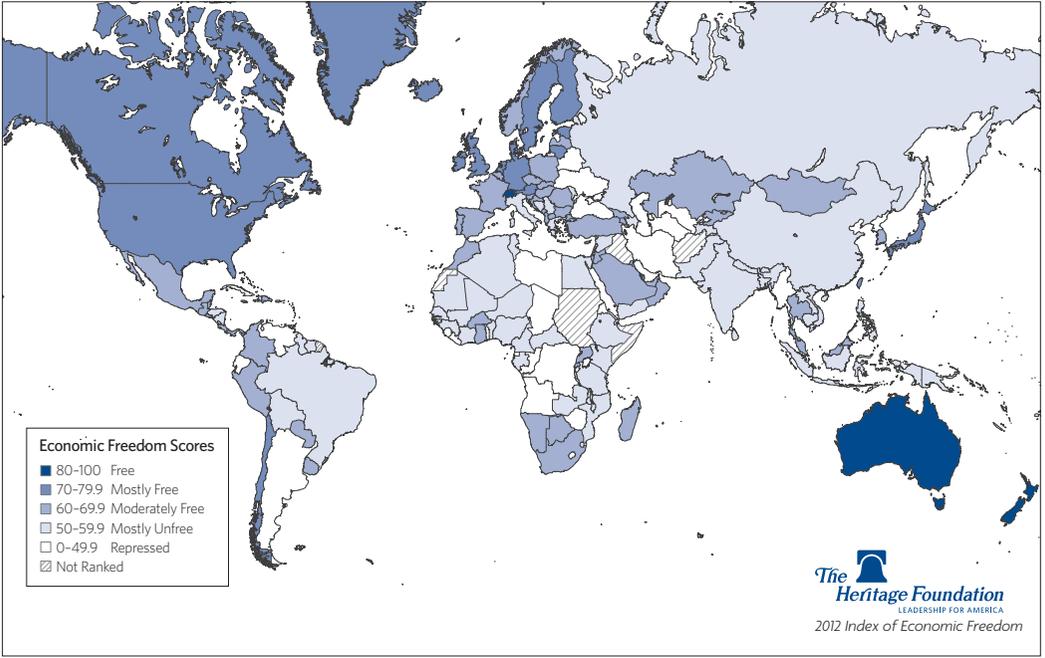
Governed by an independent Board of Trustees, The Heritage Foundation is an independent, tax-exempt institution. Heritage relies on the private financial support of the general public—individuals, foundations, and corporations—for its income, and accepts no government funds and performs no contract work. Heritage is one of the nation's largest public policy research organizations. Nearly three-quarters of a million individual members make it the most broadly supported think tank in America.

For more information, or to support our work, please contact The Heritage Foundation at (800) 544-4843 or visit heritage.org.

THE WALL STREET JOURNAL.

The Wall Street Journal is the world's leading business publication with more than two million subscribers and is the largest U.S. newspaper by total paid circulation. *The Wall Street Journal* franchise, with a global print audience of 3.5 million, comprises *The Wall Street Journal*, *The Wall Street Journal Asia*, and *The Wall Street Journal Europe*. *The Wall Street Journal Online* at WSJ.com is the leading provider of business and financial news and analysis on the Web with more than one million subscribers and 32 million visitors per month worldwide. WSJ.com is the flagship site of *The Wall Street Journal* Digital Network, which also includes MarketWatch.com, Barrons.com, AllThingsD.com, and SmartMoney.com. The *Journal* holds 34 Pulitzer Prizes for outstanding journalism, and, in 2011, was ranked No. 1 in BtoB's Media Power 50 for the 12th consecutive year.

DISTRIBUTION OF ECONOMIC FREEDOM



The *Index of Economic Freedom* is a joint publication of The Heritage Foundation and *The Wall Street Journal*.

The complete text of the *Index*—including individual country pages and regional analysis—is available along with interactive tools at heritage.org/index.

The *Index* can also be purchased in hard copy from The Heritage Foundation, 1-800-544-4843.



THE WALL STREET JOURNAL.