

# Preface

2008 was an extraordinary year for the global economy, with slowing growth and financial turmoil in many countries, including the United States. Our free-market system was questioned by some as a root cause of the economic woes. An article in *The Washington Post* even declared, “The worst financial crisis since the Great Depression is claiming another casualty: American-style capitalism.” Indeed, populist attacks on the free market, fueled by election-year politics in the United States as well as by actual setbacks to the economy, have gained momentum.

Some of the policy measures undertaken or planned by the governments of the United States and other countries in response to the 2008 financial crisis threaten economic freedom and long-term economic growth and prosperity. Given the rush toward government interventionist measures in late 2008 to shore up—or even buy up—financial institutions or investment equities, there is a real possibility that the economic freedom scores in this edition of the *Index of Economic Freedom*, which ranks countries based on

data and conditions current as of June 30, 2008, might represent the historical high point for economic freedom in the world. Certainly if the U.S. continues on its present course, all things being equal, its economic freedom score will decline significantly next year.

To many of us who have long tracked economic freedom around the world, 2008 was a vivid reminder of the continuing struggle between the state and the free market. In times of uncertainty, it is natural that people will look to their governments for answers. Yet the long-term solutions to our current economic problems do not lie in more government controls and regulations. They lie in a return to free-market principles.

The 2009 *Index of Economic Freedom*, our 15th anniversary edition, offers a good starting point from which to step back from the temptation of short-sighted quick fixes and reflect on the fundamental principles that are responsible for the progress we have achieved.

The *Index* started a few years after the fall of the Berlin Wall and in the years since then has

recorded the worldwide advance of the principles of free exchange, openness, and competition. Over the past 15 years, it has evolved into a powerful tool with which to compare and contrast different approaches to economic growth and well-being.

The *Index* has witnessed profound advances in economic freedom and prosperity around the globe. As its new editor, Ambassador Terry Miller, points out in an introductory chapter, worldwide economic freedom has increased over 8 percent during the 15 years that we have been measuring it. The world economy has grown in that time from about \$30 trillion to well over \$50 trillion, bringing better standards of life to billions of people.

Political authorities find themselves increasingly accountable to the people they govern, and they need tested policies that deliver positive results. Countries that have opened themselves to the productivity-boosting competition of the global marketplace have experienced startling bursts of innovation and economic growth. They have achieved levels of prosperity that are far higher than those found in countries where economic freedoms are constrained. Leaders who have not joined the march of freedom have left their citizens lagging behind and even, in the worst cases, in poverty or destitution. Such failures are inexcusable.

The 2009 *Index* has expanded to include 183 economies from every corner of the globe. In this 15th edition, most of the 20 freest countries from last year are still ranked among the freest, while others in the middle of the pack have experienced some shuffling as a result of varying efforts at reform.

While four Asia-Pacific economies lead the world in economic freedom, every region continues to maintain at least one of the 20 freest economies. Economic freedom can improve the quality of life in any cultural or geographic setting and under any form of government. By allowing the best new ideas of entrepreneurs and innovators to compete freely with established and traditional practices, economic freedom encourages a constant process of change

and improvement. It fosters diversity, ensures fairness, and in the long run promotes equality more surely and sustainably than any government-directed program to redistribute wealth.

In addition to the country pages and regional analyses of economic freedom, the 2009 *Index* contains three special chapters. In chapter 2, Ambassador Miller looks at the 15-year *Index* database and documents long-term trends, both positive and negative, that are shaping economic prospects around the world. Chapter 3 is a collection of noteworthy excerpts from previous *Index* editions that remind us of the first principles of economic freedom and the importance of sticking with them, particularly in challenging times. In chapter 4, Steve Moore, a member of the *Wall Street Journal* editorial board and senior economics writer, highlights the ongoing tax-cutting revolution and the success of supply-side economic policies around the world.

Our confidence in economic freedom is being tested, and now is not the time to waver. The world has experienced ebbs and flows of economic freedom in countries or regions, and the results are plain for all to see. Advances in economic freedom lead to advances in sustainable prosperity.

Economic freedom is a philosophy that encourages entrepreneurship, disperses economic power and decision-making throughout an economy, and—most important—empowers ordinary people with greater opportunity and more choices. Experience teaches that even the best efforts of central planners and bureaucrats are unlikely to lead to sustainable growth. Countries that have tried that approach have failed.

The surer path to prosperity is the path of freedom, letting individuals decide for themselves the way forward that is best to achieve their dreams and aspirations and those of their families. It is that path whose course we map in the *Index of Economic Freedom*.

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November 2008