

Preface

In the concluding chapter of their book *Free to Choose*, the late Milton and Rose Friedman were optimistic that freedom would prevail:

Fortunately, we are waking up. We are again recognizing the dangers of an over-governed society, coming to understand that good objectives can be perverted by bad means, that reliance on the freedom of people to control their own lives in accordance with their own values is the surest way to achieve the full potential of a great society.

Though published in 1980, this observation is astonishingly relevant today.

Over the past year, many have wondered whether the global system of free enterprise could survive what has turned out to be the deepest recession of the post–World War II era. Certainly, anyone looking at the massive stimulus spending undertaken in the United States, coupled with government bailouts or takeovers of financial firms and auto manufacturers, could be forgiven for doubting the

future of capitalism in America. Proposals for nationalization of health care and an energy cap-and-trade program put the United States on a path that diverges sharply from its historical leadership in the quest for greater freedom, both economic and political.

It might surprise readers in the United States to know that proposals for greater government control of economic activity have not taken the world by storm. In fact, there has been little global demand for a shift to central planning or extensive state ownership of private businesses in the name of recovery and stability. Too many people in too many countries have lived under such systems too recently. They understand the costs of big government and have no intention of giving up economic freedoms only recently won. The 2010 *Index of Economic Freedom* documents a pattern of countries around the world holding true to the course of economic liberalization. Even in the United States, it was clear by the end of 2009, with opposition to big-government programs in health care and climate change increasing, that the American people were waking up.

Despite the past year's follies in responding to the global economic slowdown, our free-market system and capitalism are not at the edge of catastrophic breakdown. But a revitalized commitment to economic freedom is essential to our well-being in the future. As the late Irving Kristol noted, "once the idea gets around that we are in a profound crisis and that only 'drastic action' by Washington can save us—then it will be time to head for the storm cellars."

The 2010 *Index of Economic Freedom*, our 16th edition, offers a good starting place from which to reflect on the fundamental principles of capitalism and recommit ourselves to economic freedom.

The *Index* began to record the worldwide march of freedom and free exchange shortly after the fall of the Berlin Wall. Over the past 16 years, it has evolved into an essential policy guide that empirically analyzes and demonstrates the link between economic freedom and prosperity in countries around the world. The *Index* has witnessed profound advances as the cause of freedom has swept the globe. Political authorities have found themselves increasingly held accountable by those they govern, and economies with more openness have led the world in a startling burst of innovation and economic growth.

Economies that have risen up the *Index* rankings have achieved levels of prosperity far higher than are found in countries where economic freedoms are constrained by the heavy hand of government. Leaders who have not joined the march of freedom have left their citizens lagging behind and even, in the worst cases, stuck in poverty or destitution. Such failures are inexcusable—and preventable.

In addition to the rankings and analysis of the results, the 2010 *Index* contains three extraordinary chapters that examine facets of economic freedom that are particularly relevant to today's policy debates.

- In chapter 2, former Secretary of Labor Elaine L. Chao, now a Heritage Foundation Distinguished Fellow, highlights the importance of free trade in fostering economic recovery.

- In chapter 3, Dr. Derek Scissors, Senior Economic Research Fellow in The Heritage Foundation's Asian Studies Center, looks into

crisis performance among Asian countries and empirically documents that economic freedom, vital to long-term economic stability and growth, also positions a country for a quicker and more positive response to short-term stresses.

- In chapter 4, James Roberts, Research Fellow for Economic Freedom and Growth in The Heritage Foundation's Center for International Trade and Economics, explores the critical relationship between economic freedom and the free flow of information.

Our confidence in economic freedom is being tested. The 2010 *Index of Economic Freedom*, like its predecessors, provides ample evidence of the benefits of economic freedom, both to individuals and to societies. People in economically free societies live longer and healthier lives. They enjoy greater political freedom and can better defend their human rights. Economic freedom reduces poverty, opening the gates of prosperity to ever more people around the world.

Economic freedom is not a dogmatic ideology. It represents instead the rejection of dogma and the embrace of diverse and even competing strategies for economic advancement. It is, however, revolutionary in intent and result. By dispersing economic power and decision-making throughout an economy, economic freedom empowers ordinary people with greater opportunity and more choices.

No other systems that have been tried have come close in terms of providing broad-based prosperity. Experience teaches that even the best efforts of central planners and bureaucrats do not lead to sustainable growth. As the 20th anniversary of the fall of the Berlin Wall reminds all of us, countries that have tried that approach have failed economically as well as politically.

The surer path to prosperity and a greater society is the path of freedom: letting individuals decide for themselves how 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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