

Preface

At the end of the Second World War, political philosophers who upheld the principles of economic freedom were in a distinct minority. The free economic order that was the 19th century West's crowning glory seemed hopelessly discredited by World Wars I and II. Collectivism was the order of the day, and socialism was the wave of the future in the West no less than in the East. Leviathan, it seemed, had triumphed everywhere.

Leviathan's triumph was especially evident in the area of developmental economics. There, it was taken for granted that economic development required extensive state control. Even worse, it was widely believed that only "modernizing dictatorships," as they were then called, could successfully manage the transition from a traditional society to a modern one. After all, it took a great deal of capital to industrialize a country and provide for the needs of the new urban work force. And the only way to get that capital was for the state to seize it from the peasantry. And since the peasants—who invariably comprised the majority of the country—would not surrender their crops and livestock voluntarily, they would have to be coerced into doing so. Hence the need for a dictatorship.

As for the role of the world's developed nations in the development process, most pro-

gressive theorists believed that in order to encourage economic development, their governments should actively assist the modernizing dictatorships by providing them with foreign aid. Thus it came about that, as one of the fiercest critics of this approach, P. T. Bauer, has written: "Large-scale expropriation, expulsion and even massacre has been perpetrated, encouraged or tolerated by governments which receive official aid from the West."

As it happens, back in 1965 I was a student of P. T. Bauer—later Lord Bauer—at the London School of Economics, and I was privileged to hear him systematically dismantle the arguments put forward by defenders of modernizing dictatorships. But I was well aware that Bauer was an isolated figure. Only a handful of conservative economists agreed with him.

But reality has a way of undermining even the most tenaciously defended of false theories—and starting in the late 1970s, the case for economic freedom was scoring impressive victories around the world. It was a historic process of breath-taking proportions, and it began in December 1978, when the Chinese Communist Party launched a series of free-market agricultural reforms leading to the most remarkable explosion of farm output in the history of the world. It also saw such dedicated free market advocates as

Margaret Thatcher in Great Britain, and Ronald Reagan in the U.S., elected to the highest offices in their lands. And it culminated in 1991, with the collapse of the Soviet Union itself.

This great, global revival of freedom has massively important consequences: Suddenly, it began to dawn on people, and even on economists, that the human spirit was the real engine of economic prosperity and development, and that the human spirit was at its most creative when it was free.

And yet, powerful as this insight was, it did not penetrate the great Western and international bureaucracies in charge of disbursing foreign aid. When, for example, conservatives approached the State Department's Agency for International Development, and suggested that foreign aid be used to encourage economic freedom, the answer was always the same: "Economic freedom—what does that mean? And how can you possibly measure it?"

It was at this point that my brilliant and accomplished friend, Ambassador J. William Middendorf, approached our Board of Trustees with a terrific idea: Let The Heritage Foundation go ahead and develop a measurement, or index,

of economic freedom throughout the world. Such an index would have to be comprehensive, strictly objective, and based on rock-solid research.

Well, to make a long story short, I thought Bill Middendorf had a great idea, and in 1995 we released the first volume in our *Index of Economic Freedom* series. Initially, Heritage published the *Index* on our own, but in 1997 we partnered with the *Wall Street Journal*, and as the phrase goes, we've been together ever since.

Looking back on my two decades of involvement with the *Index of Economic Freedom*, I feel profoundly blessed to have played a role in the global struggle for economic freedom. Not having the gift of prophecy, I won't venture to predict whether the gains in economic freedom that we have witnessed in recent decades will continue. With all my heart and soul, however, I pray that we will all find the moral and intellectual resources to avoid the terrible mistakes of the 20th century, and that this still-young era of ours will come to be known as "Freedom's Century."

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