



2025 Atlas

Freedom and Prosperity Around the World

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Foreword by
Edward L. Glaeser

 **Atlantic Council**

FREEDOM AND
PROSPERITY CENTER

2025 Atlas

Freedom and Prosperity
Around the World



Atlantic Council

FREEDOM AND
PROSPERITY CENTER

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Foreword

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Will 2012 turn out to have been the high-water mark of human liberty? This volume documents that the downward trend in freedom and democracy, which started then, has continued for another year in 2024. Yet this Atlas also reminds us that there is hope amidst this adverse aggregate trend. In much of the world, women's economic freedom is higher today than it was thirty years ago. Western Europe's freedom is either unchanged or greater than it was fifteen years ago. The Global South is steadily becoming more prosperous.

The decline in freedom documented in this volume is clear, but it is also not a massive shift. Average global freedom has moved from Montenegro to Malawi, not from Sweden to Laos. Yet we can no longer maintain a Whiggish faith that we are on an inexorable path toward freedom, democracy, and prosperity, or that history has ended. As the fires of war burn in Eastern Europe, the Middle East, and Sudan, we must ask what has gone wrong, and what we can do about it. Measurement is the first task, and that is why this overview of liberty around the world is important.

The first section of this Foreword discusses the changing nature of the threat to freedom, and presents one hypothesis about rising executive aggrandizement. There has been a significant decline in the prevalence of coups since the 1960s,¹ which means that democratically

elected leaders need fear the "man on horseback"² much less than in the past. Yet as the threat of military takeovers has fallen, the prevalence of "executive aggrandizements," in which duly elected leaders push their power beyond constitutional limits, has not. Indeed, elected executives may be more likely to take risks precisely because military coups have become less plausible.

I present a simple framework for thinking about the interplay between technology and executive aggrandizement. Executives are limited by their ability to control the public sector and by popular opposition. Technology can enable the coordination of popular anti-regime action, as was shown vividly in the Twitter Revolutions of the Arab Spring. The increased threat of popular uprising may put limits on some political leaders, but technology can also increase the executive's ability to control the public sector by monitoring disloyalty or malfeasance. Artificial intelligence (AI) could improve the central government's ability to detect corruption. If the state is initially weak, the positive impact of technology on popular opposition may lead to less dictatorship. However, if the state is strong, technology will instead reduce the limits on executive activity.

The second section of this Foreword argues that geopolitical changes can also help explain why executive aggrandizement has increased and

¹ Nancy Bermeo, "On Democratic Backsliding," *Journal of Democracy* (2016), 27:1, 5–19.

² Samuel Finer, *The Man on Horseback* (London: Pall Mall Press, 1962).

coups have fallen. Western powers, which used to engineer coups as Cold War policy, now intervene to reverse them. Even more importantly, the influence of the West, which championed democracy in the years after the Cold War, has declined. The 1990s was an era of democratic triumph, in which the strength of liberal democracies was at its apogee. What could have been more appealing to the former Warsaw Pact states of Eastern Europe than to rush toward European integration and prosperity? Mexico's leaders similarly saw great advantages in tying their country to the United States through the North American Free Trade Agreement (NAFTA). In both cases, democracy ended up being the price of free trade.

Yet the last quarter century has seen a relative decline in the Western champions of liberty. The United States lost military face in its failed occupations of both Iraq and Afghanistan, and economic face in the global financial crisis. The economic importance of the European Union (EU) has declined, while China's economic heft has expanded enormously. China's growth provides an example of non-democratic success, and its foreign aid reduces the advantage of courting Western donors who have a deeper demand for democratic reform.

In the final section of the Foreword, I discuss the interplay between economic and political freedom. While I do not believe that complete economic freedom is necessary for political freedom, I do believe that a political executive with control over parts of the economy can use that control to augment its own political power. There are risks in supporting activist industrial and trade policies that enable political leaders to reward their supporters and punish their opponents. It would be far better for democratic leaders to articulate the positive case for freedom, which can both enable economic

growth³ and empower human happiness,⁴ than to seek to micromanage the economy.

The Man on Horseback Vanishes While Executive Aggrandizement Persists

Bermeo documents that more than one-third of democracies faced coups between 1960 and 1964, and 15 percent of democracies were toppled by coups between 1965 and 1969. In every five-year interval since 1985, fewer than 5 percent of democracies fell to a coup. In every five-year interval since 1995, fewer than 10 percent of democracies have even faced the threat of a coup. Yet, as this volume documents, the global level of freedom has been declining since 2012.

Executive aggrandizement, where the executive expands its authority beyond constitutional limits, can erode freedom without the fireworks of a coup. Yet it has proven difficult to document a global wave in such expansions of incumbent power.⁵ Nevertheless, there are important examples, especially those of China, Russia, and Venezuela, in which political executives have significantly increased their power. Vladimir Putin and Hugo Chávez represent the more standard case in which a democratically elected executive expands his power. In the case of China, the more dispersed control of party leaders has been replaced by the more centralized control of Xi Jinping.

In this section, I first discuss the interplay between coups and executive aggrandizement, using Argentina's 1930 coup as an example. I then turn to a framework that is meant to suggest how technological change might have influenced the prevalence of coups, protests, and executive aggrandizement. I focus on domestic forces that influence freedom in this section, and in the next section, I will focus on the role of foreign influence.

³ Daron Acemoglu and James A. Robinson, *The Narrow Corridor: States, Societies, and the Fate of Liberty* (New York: Penguin, 2019).

⁴ David Dorn, Justina A. V. Fischer, Gebhard Kirchgässner, and Alfonso Sousa-Poza, "Is it Culture or Democracy? The Impact of Democracy and Culture on Happiness," *Social Indicators Research* (2007), 82:3, 505–26.

⁵ Andrew T. Little and Anne Meng, "Measuring Democratic Backsliding," *Political Science & Politics* (2024), 57:2, 149–161.

Coup and Executive Aggrandizement

Few coups seem so consequential as the 1930 coup in Argentina, which ended seventy-five years of political stability and liberal government and ushered in fifty years of coups and dictatorships. Argentina's remarkable Generation of 1837, which included Domingo Sarmiento and Juan Bautista Alberdi, crafted that country's 1853 Constitution and presided over a period of increasing freedom, wealth, and education.⁶ Like Britain before 1867, nineteenth-century Argentina was better at protecting freedoms than at promoting broad, uninfluenced suffrage, but after 1912, the Sáenz Peña Law made male suffrage universal, secret, and mandatory.

The Radical Civic Union (UCR) rode to power on the basis of broad population support in 1916, and came into conflict with the more conservative National Autonomist Party (PAN), which had held power since the end of Sarmiento's presidency in 1874. Their conflict ended in 1930, when a military coup replaced the elected President Hipólito Yrigoyen with Lieutenant General Uriburu. Alemán and Saiegh provide evidence against "the claim that demands for drastic redistribution led to democratic breakdown is not a convincing explanation for the 1930 coup." Instead, they see the coup as a response to the fact that Yrigoyen "used his authority to exclude the political opposition and take away their remaining bases of power."⁷

Alemán and Saiegh emphasize that the legislative divisions were not determined by ideology or attitudes toward redistribution. Instead, divisions were heightened over power plays, such as the frequent Federal "interventions" in which Yrigoyen replaced provincial governments with politicians that were more to his liking. While these interventions were and are (the last one occurred in 2004) supposed to be responses to unusual and

deeply problematic local circumstances, there were twenty interventions during Yrigoyen's first term and fifteen of these were done without legislative approval. During Yrigoyen's second term, "between 1928 and 1929, he took over by executive decree the provinces of San Juan, Mendoza, Corrientes and Santa Fe," and he nationalized the petroleum industry, which was also "seen as a political power-grab."⁸

On August 9, 1930, the opposition published the *Manifesto of the 44* which denounced Yrigoyen for aggrandizement of executive authority. Within the month, a coup had begun and by September 10, Uriburu had replaced Yrigoyen as President of Argentina. Six more coups would follow in 1943, 1955, 1962, 1966, 1976, and 1981. Executive aggrandizement is a perpetual possibility, and, historically, the opponents of that aggrandizement often came from within the government, including from within the military.

Of course, there have been many cases of executive aggrandizement that have not met with opposition from the military. It took eleven years, and the realization that Hitler had led them into a military catastrophe, for any of the Wehrmacht's leaders to fight against Hitler's subversion of the Weimar Republic. Similarly, there have been many military coups that had little or nothing to do with executive aggrandizement, including Argentina's 1943 coup, and the attempted coups in France in 1961, and Spain in 1981.

These two failed coups suggest that improvements in communications have reduced the ability of officers to command their soldiers to fight against political leaders. Improvements in information technology have made it easier for symbolically important legitimate leaders to communicate directly with the army, which can be effective because "military forces—especially

⁶ Filipe Campante and Edward L. Glaeser. "Yet another tale of two cities: Buenos Aires and Chicago," *Latin American Economic Review* (2018), 27:1, 1–33.

⁷ Eduardo Alemán and Sebastian Saiegh, "Political realignment and democratic breakdown in Argentina, 1916–1930," *Party Politics* (2014), 20:6, 849–863.

⁸ Alemán and Saiegh, "Political realignment and democratic breakdown," 849–863.

perhaps conscript ones—are susceptible to numerous pressures from the civilian population and from civil institutions.”⁹

During the weekend on April 22, 1961, a junta of French officers, hoping to keep Algeria an integral part of France, took control of Algiers. As Thomas writes, “de Gaulle’s military resources were unimpressive,” because “500,000 [soldiers] were in Algeria, whereas in France itself there were very few regular operational units.” Instead of fighting, on the evening of April 23, De Gaulle took to the radio.

The same voice that had travelled the airwaves in 1940 denouncing “the capitulation” to Nazi Germany in the name of “honor, common sense, and the higher interest of the Nation,” and inviting “all the French who want to remain free to listen to me and to follow me,” declared in 1961 that “I forbid every Frenchman, and in the first place every soldier, to carry out any order.” Even though the rebels controlled the Algiers stations, they could not stop ordinary citizens and soldiers from hearing De Gaulle on their transistor radios, and turning against the plot. The defeat of the coup has been called “la Victoire des Transistors.”¹⁰

On the evening of February 23, 1981, armed agents of Spain’s Civil Guard, led by a Lieutenant Colonel, took control of the Congress of Deputies. In Valencia, General del Bosch rolled out his tanks and declared a state of emergency. Del Bosch had fought under Franco during the Spanish Civil War, and under German Command during World War II, and he wanted to stop Spain’s shift to liberal democracy. But at 1:14 a.m., King Juan Carlos appeared on television in the uniform of the Captain General of the Army and declared that “the Crown cannot tolerate in any form any act which tries to interfere with the constitution which

has been approved by the Spanish people.”¹¹ The coup promptly fizzled, and Spain’s democracy would survive.

In both France and Spain, coups were stopped by leaders who broadcast strong messages which fundamentally undermined their military subordinates. The framework in the next section will argue that improvements in communications technology more generally make it easier for leaders to stop rebellions from within. This is one hypothesis as to why the risks to freedom now come more from executive aggrandizement than from military coups.

Yet there are other reasons why the frequency of coups has declined, most notably the end of the Cold War and the changing behavior of Western powers. During the Cold War, American leaders often preferred a friendly military regime or monarchy to a hostile democratic one, and the US government supported coups from Tehran in 1953 to Chile in 1973. Since 1991, US-led regime change has meant overt invasion far more than covert coups. In 1994, the United States even acted to reinstate President Aristide of Haiti, who had been ousted by a coup in 1991.¹² I will return to the role of the West in promoting democracy in the next section, after first providing a framework for thinking about the interplay between technology and constraints on political leaders.

Technology and Constraints on Chief Executives

The section considers two impacts of improved information technology on the limits facing elected executives or autocrats. Information can be used to organize protests, such as the mass demonstrations in Tahrir Square, Egypt, which brought down the Mubarak regime in 2011, and that places limits on executive action. But information technology can also be used to centralize control over the

⁹ Adam Roberts, “Civil Resistance to Military Coups,” *Journal of Peace Research* (1975), 12:1, 19–36.

¹⁰ Roberts, “Civil Resistance to Military Coups,” 19–36.

¹¹ Richard Nelsso, “Civil Guards Seize Spain’s Parliament in Attempted Coup—Archive, 1981,” *The Guardian*, February 24, 2021.

¹² Former President Aristide has accused the United States of forcing his resignation during a later 2004 coup; the United States has denied these allegations.

public sector, such as by granting leaders the ability to communicate directly with soldiers during a coup. I will not focus on other impacts of communications technology, such as enabling leaders like India's Narendra Modi to bond with their voters by using radio broadcasts and social media.

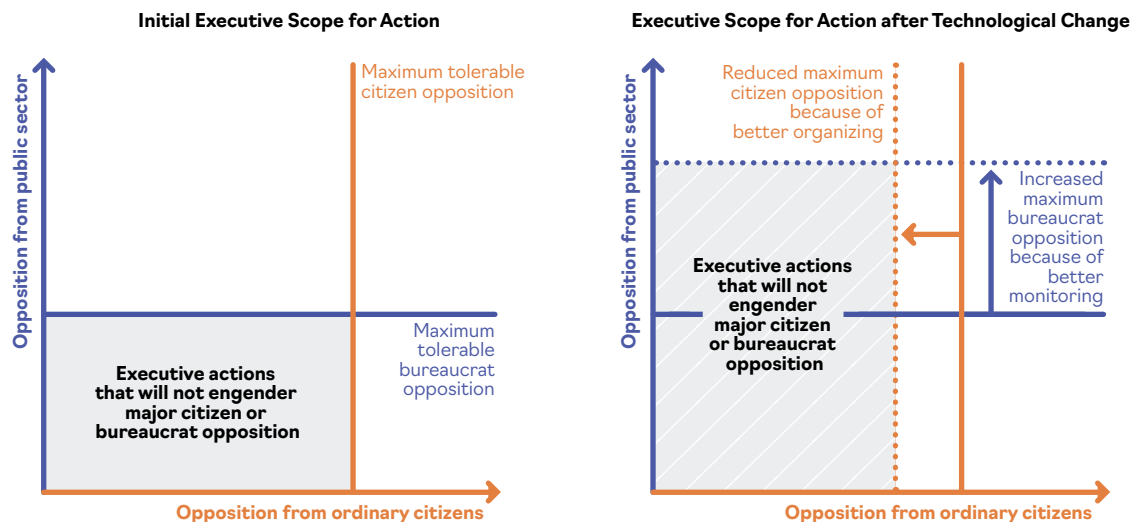
All actions that an executive might want to take will create some opposition from both the private and public sectors. That opposition places limits on the actions of the executive. I assume that the executive will not risk actions that generate sufficient opposition from either the public sector, which might refuse to implement the action, or the private sector, which might break out into mass protests. If technology expands the range of actions that the executive can take, then the technology is authority-enhancing, but if it contracts the range of executive action, then it is authority-eroding.

The limits on an autocrat's options are captured by the two solid lines in Figure 1. If the autocrat wants to limit their opposition from either sector to a fixed amount, then his or her options

are limited to a rectangle that is below the solid blue line and to the left of the solid orange line. I will argue that recent changes in communications technology have given effective autocrats more power over their own bureaucracies, causing the blue line to rise, but made private opposition more effective by enabling organization, which shifts the orange line to the left.

While China's surveillance of its own private citizens is frequently discussed in the Western media, the surveillance of public sector workers and the associated anti-corruption campaign has been far more central to Xi Jinping's centralization of power. The bribery convictions of Bo Xilai and Zhou Yongkang in 2013 and 2015 eliminated two potential rivals early in Xi's term as president of China. Moreover, because China has "vague and incomplete anti-corruption laws that leave more room for party control," and "institutional arrangements that centralize control over local anti-corruption agencies," the fight against corruption essentially gives national leadership the ability to discipline a large swath of the public sector.¹³

Figure 1. The Autocrat's Options and Technological Change



¹³ Jinting Deng, "The National Supervision Commission: A New Anti-Corruption Model in China," *International Journal of Law, Crime and Justice* (2018) 52, 58–73.

Complaints by ordinary citizens play a significant role in China's anti-corruption campaign, and those complaints are often transmitted electronically. Pan and Chen report that "China has devoted substantial resources to monitoring the performance of lower-tier officials" including "telephone hotlines," "government-managed websites where citizens can complain online," and "web and mobile apps designed for individuals to complain to the government."¹⁴ In order to reduce bribery, some Chinese "hospitals even put in place monitoring systems with facial recognition technology to identify unregistered medical representatives or unapproved visits."¹⁵ Fan et al. document that computerizing value-added tax invoices "contributed to 27.1 percent of VAT revenues and 12.9 percent of total government revenues in the five subsequent years."¹⁶ Beraja et al. examine artificial intelligence procurement across China and find that "autocrats benefit from AI: local unrest leads to greater government procurement of facial-recognition AI as a new technology of political control, and increased AI procurement indeed suppresses subsequent unrest."¹⁷

If laws are sufficiently fuzzy, then abundant electronic monitoring, supplemented by the complaints of random citizens, should make it possible to convict almost any public servant. That ability to convict provides a chief executive with enormous control over the public sector. Information technologies, such as the on-board computers carried by commercial truckers, have long been used by corporate chieftains to monitor their workers.¹⁸ There

is every reason to believe that government leaders should be able to do the same, and that better technology will strengthen the hold of authoritarian leaders over public sector employees.

For that reason, Figure 1 depicts the blue line rising higher because of better monitoring technology. As the autocrat has an increasing ability to repress opposition within the public sector through better monitoring, they have a greater ability to undertake activities, from suppressing religious minorities to invading their neighbors, that might have been opposed by some public sector workers. This increased range of executive power provides one reason why information technology can lead to less individual freedom. This effect should be much stronger in countries with a more effective public sector.

Better technology can also give the public sector more ability to monitor their private citizens, but there is a countervailing force that I suspect is more important worldwide. Information technology also enables the coordination of citizens, especially through the sharing of information. Historically, cities have been hotbeds of regime change, partially because density enabled the coordination of opposition to the government.¹⁹ Information technology makes it easier to spread information both about why someone should protest and where a protest will occur.

In 2011, protests were coordinated on Twitter in Tunisia and Egypt and two autocrats were forced out of power. In 2022, Maria Litvina called for protests against the Russian invasion of Ukraine on

¹⁴ Jennifer Pan and Kaiping Chen, "Concealing Corruption: How Chinese Officials Distort Upward Reporting of Online Grievances," *American Political Science Review* (2018), 112:3, 602–620.

¹⁵ Christine Liu and Rose Le, "China's Healthcare Anti-Corruption Campaign Continues its Momentum in 2024: Key Takeaways for Life Sciences Companies," DLA Piper, February 21, 2024, www.dlapiper.com/en-us/insights/publications/global-anti-corruption-perspective/chinas-healthcare-anti-corruption-campaign-continues-its-momentum-in-2024.

¹⁶ Haichao Fan, Yu Liu, Nancy Qian, and Jaya Wen, "The Dynamic Effects of Computerizing VAT Invoices in China", National Bureau of Economic Research, October 25, 2023.

¹⁷ Martin Beraja, Andrew Kao, David Y. Yang, and Noam Yuchtman, "AI-tocracy," *The Quarterly Journal of Economics* (2023), 138:3, 1349–1402.

¹⁸ Thomas N. Hubbard, "The Demand for Monitoring Technologies: The Case of Trucking," *The Quarterly Journal of Economics* (2000), 115:2, 533–560.

¹⁹ Edward L. Glaeser and Bryce Millett Steinberg, "Transforming Cities: Does Urbanization Promote Democratic Change?" *Regional Studies* (2017), 51:1, 58–65.

Instagram. While she was arrested, thousands still took to the streets and protests in Russia have continued since then. While the Putin regime does not seem to be in danger, this activity still creates direct and indirect costs for the government, including the challenge of locking up thousands and potential embarrassment on the world stage.

In Figure 1, I chose to capture the ability of improved private coordination as empowering private protest against government, which increases the costs to governments of taking actions that generate private opposition, which shifts the orange line to the left. Consequently, it is unclear whether technology will reduce freedom, by strengthening executives' controls over their bureaucracies, or increase freedom, by making citizen protest easier. In countries that have large and capable public sectors, such as those in East Asia, I suspect that technology will typically be freedom-reducing. In places where the public sector is weak, then technology seems more likely to encourage regime change, which may lead autocrats to be more cautious.

The core hypothesis put forth in this section is that technology has centralized authority within the government, which can reduce freedom for the rest of us. Direct communication between legitimate leaders and soldiers has reduced the threat of coups. Better monitoring of subordinates has reduced local corruption. The implication of this change is that the centralized authority of autocrats has increased. We now turn to a second hypothesis: that the decline in freedom is associated with the relative weakness of the West.

The Decline of the West and the Limits on Autocracies

The 1990s were a strange time in world history. The Soviet Union was no more. Liberal democracies

had triumphed, and they were much wealthier than their alternatives. They were role models for countries emerging from communism. Moreover, the Western democracies were successful enough that they could indulge in the luxury of encouraging others to embrace democracy.

Levitsky and Way emphasize the "international dimension of regime change" and especially the power of "linkage" or "the density of ties (economic, political, diplomatic, social, and organizational) and cross-border flows (of trade and investment, people, and communication) between particular countries and the United States, the European Union (EU), and Western-led multilateral institutions."²⁰ These ties led Latin American and Central European countries to democratize in the years after the fall of the Soviet Union.

The two democratizing nations that Levitsky and Way highlight were strongly influenced by the EU and NAFTA. In Slovakia, Vladimír Mečiar "regained control of the government and rapidly sought to eliminate major sources of opposition" and "in the absence of extensive linkage to the West, Mečiar's autocratic government might well have consolidated power." But the appeal of access to EU was enormous, and "it employed conditionality in 1997 by rejecting Slovakia's request to begin accession negotiations due to a failure to meet democratic criteria." This rejection had political bite, and "Slovakia's failure to move towards EU membership, for which the EU directly (and very publicly) blamed Mečiar, created a salient electoral issue that benefited the opposition." In 1998, Slovakia rejected Mečiar and the country has been democratic since then.

The authoritarian PRI (Institutional Revolution Party) controlled Mexico from 1929 to 2000, but the technocratic leadership of the party during the 1990s saw the tremendous economic

²⁰ Steven Levitsky and Lucan A. Way, "Linkage Versus Leverage: Rethinking the International Dimension of Regime Change," *Comparative Politics* (2006), 38:4, 379–400.

advantages that could come by enacting NAFTA. While “successive U.S. administrations backed the PRI governments and explicitly excluded democracy from NAFTA negotiations...NAFTA increased Mexico’s salience in the U.S. political arena,” and “as NAFTA negotiations began, the PRI was subjected to intense international scrutiny, including unprecedented media coverage of electoral scandals and US congressional hearings on Mexican human rights”. Mexico’s attempt to placate the United States meant that “by the late 1990s opposition forces had strengthened to the point where they could win national elections” and that “preventing such an outcome would have required large scale fraud or repression, which, given Mexico’s international position, would have been extremely costly”.²¹

Both of these case studies suggest that EU and US influence encouraged democracy in the 1990s either through clear conditionality (as with Slovakia) or through the court of US public opinion (as with Mexico). The democratizing push reflected the Western victory in the Cold War. That victory meant that Western powers looked like role models, and that access to Western markets was enormously profitable. Unlike during the Cold War, when the United States was eager for allies of any political variety, in the 1990s, the West felt sufficiently secure that they could risk alienating countries by pushing democracy.

Indeed, the level of American confidence reached such heights that the United States waged wars in both Afghanistan and Iraq with a stated goal of regime change. When President Bush addressed the nation on October 7, 2001, he said our goal in invading Afghanistan was to “defend not only our

precious freedoms, but also the freedom of people everywhere to live and raise their children free from fear.”²² Two years later, when announcing the invasion of Iraq, President Bush reiterated “we will bring freedom to others and we will prevail” and “we have no ambition in Iraq, except to remove a threat and restore control of that country to its own people.”²³ I am not claiming that promoting democracy was the primary objective of either war, but just that a significant number of policymakers believed that it was reasonable to go to war to promote freedom elsewhere.

Those wars were two reasons for the decline in US influence since 2006. While the US military readily defeated the armed forces of both Iraq and Afghanistan, the US government failed to establish lasting democracies in either country. Moreover, the US management of both occupations appeared incompetent to many global observers. The disastrous collapse of an American housing bubble then brought economic suffering not only to the United States but to the world. The United States started to seem far less like a role model, and a less triumphant United States was less likely to take on the mission of democratizing the world.

Europe’s economic clout has also waned over the last thirty years. While the EU produced one-fourth of the world’s gross domestic product in 1990 (at purchasing power parity prices), it produced less than 15 percent of global output in 2024.²⁴ After 2005, Turkey seemed poised to join the EU, but it never came to be, partially because many Turks opposed EU membership. One Turkish poll in 2013 reported that “while one third of those surveyed agreed Turkey should persevere with the goal of becoming an EU member, two-thirds of

²¹ Levitsky and Way, “Linkage Versus Leverage,” 379–400.

²² “Presidential Address to the Nation.” The White House: President George W. Bush, October 7, 2001. <https://georgewbush-whitehouse.archives.gov/news/releases/2001/10/20011007-8.html>

²³ “President Bush Addresses the Nation,” The Oval Office, Office of the Press Secretary, March 19, 2003. <https://georgewbush-whitehouse.archives.gov/infocus/iraq/news/20030319-17.html>.

²⁴ Data from International Monetary Fund: www.imf.org/external/datamapper/PPPSH@WEO/EU/CHN/USA.

the public lean closer to the view that Turkey should not become a full member.”²⁵ Given those views, it is unsurprising that President Erdoğan supported a political referendum that would entrench his presidential power despite the risk that such a move would alienate the EU.

Europe’s relative economic heft has diminished, partially because of the growth of China. Between 1990 and 2024, China’s share of the world economy rose from 3.6 percent to 19.05 percent. A strong and wealthy China provides an alternative, non-democratic role model, and access to Chinese aid and markets most certainly does not require democratizing reform. Shinn and Eisenman write that “China’s focus on state sovereignty and reluctance to interfere in the internal affairs of other nations have assisted its ability to develop cordial ties with Africa.” Democratic powers are far less dominant now than they were twenty years ago, and that can help explain why freedom has declined since 2012.²⁶

Economic Freedom and Political Freedom

Declining belief in the value of economic freedom in the West may also contribute to declining political freedom both in the Western democracies and elsewhere. Milton Friedman famously saw a particularly tight link between economic and political freedom, writing that “capitalism is a necessary condition for political freedom.”²⁷ Similarly Hayek saw economic planning as leading down the “road to serfdom.”²⁸ Critics of this perspective have pointed out that the Scandinavian social democracies seem to have enjoyed almost perfect political freedom, even when their economies looked decidedly non-capitalistic. They have also noted that East Asian

economies with very limited political freedom have occasionally been hotbeds of capitalism.

Yet even if Friedman’s statement goes too far, there is an essential truth in his perspective. When the public sector has more discretion to interfere with the economy, then it will also have more ability to reward its supporters and punish its opponents. Hugo Chávez’s direct control over Venezuela’s petroleum enabled his domestic and foreign activities, including subsidizing friendly neighbors with cheap oil. Relief from regulation has been one of the most common sources of illicit public revenues throughout history, and those revenues can also be used to enhance political power.

But as the example of Scandinavia illustrates, not all economic interventions empower political executives. If the rules are decided collectively and enforced strictly, then they are not a source of power for the executive. If the rules are ad hoc and decided by the executive on the spot, then economic intervention can help consolidate political strength. In Chávez’s Venezuela or the Shah’s Iran, public oil revenues became a tool for tyranny. In Norway, they did not, partially because oil revenues go largely into a sovereign wealth fund that is managed by the politically independent Norges Bank.

Yet in recent years, political leaders in the United States and EU have championed economic policies, including industrial policy and tariffs, that are largely discretionary. If a politician seeks support from domestic producers of some product, then that politician can reward those producers either with subsidies, now called industrial policy, or with a selective tariff on that product. The politicization of US pre-World War II tariffs generates

²⁵ “Turkey losing appetite for EU bid, says survey,” *Hürriyet Daily News*, January 25, 2013.

²⁶ David H. Shinn and Joshua Eisenman, *China’s Relations with Africa: A New Era of Strategic Engagement* (New York: Columbia University Press, 2023).

²⁷ Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 1962).

²⁸ Friedrich Hayek, *The Road to Serfdom* (University of Chicago Press, 1944).

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little hope that any future discretionary tariff policy will somehow be divorced from politics. Moreover, even if the United States limits its discretionary interventions, public support for these policies, from both parties, reinforces the idea that political leaders should have the right to favor some industries over others.

The case for economic freedom would be strong even if there was not a link between economic and political freedom. Yet, as long as economic policy

interventions provide more scope for political leaders to reward and punish, then these interventions will also pose risks to political freedom. If the leaders of the West want to reverse the downward trend in freedom, then they should continue championing both political and economic liberty and continue to be engaged with the world.

Edward L. Glaeser

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Building Balanced Institutions for Prosperity

Ignacio P. Campomanes, Annie (Yu-Lin) Lee, and Joseph Lemoine

There is no doubt that the global geopolitical context became more unstable in 2024. The wars in Ukraine and the Middle East seem to have brought the world closer to large-scale open conflict. Other ongoing conflicts around the world, including the civil wars in Sudan, Myanmar, and Yemen, rarely make the daily news, at least in Western media.

The “super-election year” has led to important political changes in several nations.¹ Among developed countries, we have seen a notable trend of incumbents struggling or losing elections. In the United States, Donald Trump made a historical political comeback to the presidency. In the United Kingdom, the Labour Party regained power after fourteen years and five different

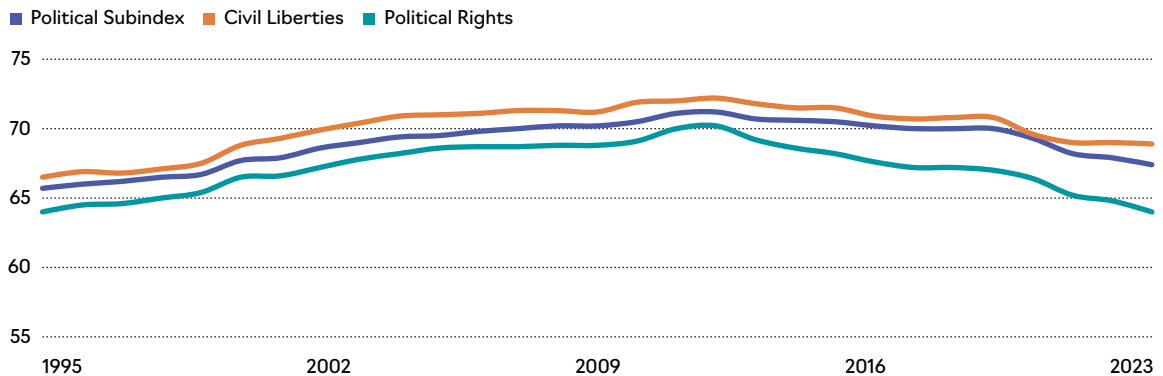
Conservative prime ministers. Among many, incumbents in France, Germany, Japan, South Korea, and Taiwan all lost ground in elections held in 2024. In the developing world, some countries have experienced dramatic transformations, such as Bangladesh (covered in detail in this volume), while in others the electoral results have debilitated the incumbent government’s majority (India and South Africa among many others).

Global instability is combined today with a series of concerning governance trends incubated in the last decade.² The most worrying is the global decline of political freedom since 2013. This process has been well documented in the academic literature,³ and has recently been the prominent

¹ A full list of all national elections held in 2024 and a summary of the results can be found at Koh Ewe and Chad de Guzman, “Country-by-Country Results So Far in the World’s Biggest-Ever Election Year,” *TIME* (2024) <https://time.com/6991526/world-elections-results-2024>.

² For a detailed analysis of the trends in institutional transformations across the world in the last decade, see Ignacio Campomanes, Nina Dannaoui, Joseph Lemoine, and Dan Negrea, *The Path to Prosperity: The 2024 Freedom and Prosperity Indexes* (Washington, DC: Atlantic Council, 2024).

³ Anna Lührmann and Staffan I. Lindberg, “A third wave of autocratization is here: what is new about it?,” *Democratization*, (2019), 26:7.

Figure 1. Erosion of Political Freedom Since 2012 (Global Average)

Source: Freedom and Prosperity Indexes, Atlantic Council (2024). <https://freedom-and-prosperity-indexes.atlanticcouncil.org>.

focus of research for policy-oriented international organizations and think tanks around the world.⁴ The Freedom and Prosperity Indexes produced by the Atlantic Council's Freedom and Prosperity Center, which serve as the quantitative background of the country cases analyzed in this volume, clearly illustrate the generalized tendency toward autocratization that affects all regions. As portrayed in Figure 1, the global average of the political subindex has suffered constant erosion since 2013, and is today at a twenty-four-year low. All of its constitutive components have decreased in recent times, but most severely political rights and civil liberties.

In this turbulent context, the fight for freedom and democracy is crucial and must be waged on every front. This battle is always costly and uncertain. Historical cases, but also very recent episodes covered in this volume, such as those in Bangladesh and Venezuela, show us that national populations bear the largest burden, but external factors are also instrumental. In addition to international pressure and support to domestic agents of change,

rigorous analysis and research based on objective data, showing the beneficial effects of liberty in the long run, are crucial instruments.

The Atlantic Council's Freedom and Prosperity Center wants to serve as a catalyst of such endeavors, particularly through its annual *Atlas: Freedom and Prosperity Around the World*, of which the present volume is the second edition. This 2025 *Atlas* features sixteen country studies, offering insights from renowned scholars and practitioners on their nations' journeys toward freedom and prosperity. It includes timely analyses of countries experiencing dramatic events that may become pivotal in their histories, such as Bangladesh, Georgia, and Venezuela.

The chapters clearly support the conclusion reached in cross-country studies of a causal positive relation between freedom and prosperity.⁵ At the same time, the chapters also highlight the specificities and particular characteristics of each country's institutional evolution. The Freedom Index's comprehensive approach allows for

⁴ See for example Freedom House's 2022 report, *The Global Expansion of Authoritarian Rule*, at https://freedomhouse.org/sites/default/files/2022-02/FIW_2022_PDF_Booklet_Digital_Final_Web.pdf; or V-Dem's 2021 Democracy Report, *Autocratization turns viral* at www.v-dem.net/documents/12/dr_2021.pdf.

⁵ For a highly cited paper on the topic, see Daron Acemoglu, Suresh Naidu, Pascual Restrepo, and James A. Robinson, "Democracy does cause growth," *Journal of Political Economy* (2019), 127:1: 47–100. A meta-analysis of the literature on democracy and growth can be found in Marco Colagrossi, Domenico Rossignoli, and Mario A. Maggioni, "Does Democracy cause Growth? A Meta-analysis (of 2000 Regressions)," *European Journal of Political Economy* (2020), 61.

a disaggregated analysis of different dimensions (political, economic, and legal subindexes) and components (political rights, trade openness, corruption, etc.) of the institutional architecture of a country, which has proven extremely useful to understand the interlinkages, mechanisms, and complementarities between them in the context of each country covered in this volume. This introductory chapter tries to situate these country-specific insights in the broader economics and political science academic literature on the relationship between distinct institutional dimensions and economic development.

Countries around the world differ substantially in terms of institutional attributes. Using the conceptual framework of the Freedom Index, which differentiates between three institutional dimensions—political freedom, economic freedom, and the rule of law—we show that there exists a high level of heterogeneity across countries in terms of their progress in each of these. And looking at the historical evolution of these institutional dimensions, we observe that not all countries have followed the same path.

Knowing that these dimensions are not perfectly correlated, we examine the relationships and interactions between them. Do these institutional dimensions substitute for or complement

each other? Is any one of them a necessary condition for the others? Is a particular chronology of institutional development more likely to produce fast-growing prosperity?

In this chapter we focus on four hypotheses proposed in the academic literature: (1) the claim that the rule of law may be a necessary condition for economic and political freedom; (2) the debate on the primacy of democratization or stateness; (3) the discussion on whether democracy fosters or hampers economic freedom; and (4) the hypothesis that economic freedom may be a necessary condition for political freedom.

To end this overview, we provide a brief summary of each chapter included in this volume, focusing on how the mechanisms explained here have operated in the politico-economic evolution of each country. The chapters highlight the need for a deeper understanding of the specific channels through which free institutions foster integral and sustained development and, eventually, prosperity. In the words of 2024 winners of the Nobel Prize in Economics, Daron Acemoglu, James Robinson, and Simon Johnson, further research should be carried out on “*how democracy alters economic incentives and organizations and to pinpoint what aspects of democratic institutions are more conducive to economic success.*”⁶

The Many Different Paths to Freedom

Douglass North defined institutions as “humanly devised constraints that structure political, economic and social interactions.”⁷ Modern societies rely on a complex mix of these institutions—like democracy, the rule of law, human rights, and property rights—which often overlap and

can be difficult to clearly define. They are debated and interpreted in different ways, and there is no universal agreement on their precise definition.⁸

To better understand how institutions influence development, we take a functional approach. Rather than getting stuck in theoretical debates,

⁶ Acemoglu et al., “Democracy Does Cause Growth,” *Journal of Political Economy* (2019), 127:1: 47–100.

⁷ Douglass C. North, “Institutions,” *Journal of Economic Perspectives* (1991), 5:1.

⁸ On the conceptualizations of democracy, see for example Jørgen Møller and Svend-Erik Skaaning, *Requisites of Democracy: Conceptualization, Measurement, and Explanation* (Abingdon and New York: Routledge, 2011). For an overview of rule of law definitions, see Brian Z. Tamanaha, *On the Rule of Law: History, Politics, Theory* (Cambridge, UK: Cambridge University Press, 2004).

we use a flexible framework to explore how different sets of institutions function in real-world contexts. The Freedom Index created by the Atlantic Council's Freedom and Prosperity Center is a novel attempt in this direction.

The Freedom Index is based on the idea that a country's institutional architecture rests on three pillars: political, legal, and economic. The set of institutions forming each of these can be assessed based on the level of freedom they grant to individuals. We break the Index down into three subindexes—political, economic, and legal—which relate to the ideas of democracy, market economy, and the rule of law.

The political subindex reflects a country's institutional framework for the selection of those holding executive political power and the limits and controls imposed on the exercise of power. The legal subindex is based on how far citizens and government officials are bound and abide by the law.⁹ The economic subindex captures the degree to which scarce resources are allocated by personal choices coordinated by markets rather than centralized planning directed by the political process.¹⁰

Each subindex is formed by several components. The underlying theoretical conceptualizations and the measures used to quantify them are grounded in the academic literature in political science, law,

and economics, as discussed in previous reports.¹¹ Using this framework, the Freedom Index provides a rigorous quantitative assessment of each dimension and its constituent components for 164 countries, from 1995 to 2023, and allows us to address the question of their interlinkages and relations.

Looking at the scores for the most recent year in the sample (2023), the simple correlations between dimensions for all countries covered by the indexes is relatively high, ranging between 0.68 and 0.8, as shown in the first column of Table 1 below. Nonetheless, this result is heavily influenced by the most institutionally developed countries, which receive very high scores in all three subindexes.

If we limit our analysis to non-Organisation for Economic Co-operation and Development (OECD) countries, as in column 2, the correlations fall significantly, as low as 0.52 for the correlation between political and economic subindexes. Other subgroups, such as the Sub-Saharan African region (column 3), or the countries with relatively less political freedom (column 4), also present far from perfect correlations between the three subindexes.

These basic results evidence that countries do not necessarily have similar scores in all three subindexes, and that these can be fairly uneven.

Table 1. Correlations Between Dimensions of Freedom

Correlation Between	Levels, Year 2023			
	All Countries (164)	Non-OECD (126)	Sub-Saharan Africa (46)	Low Political Freedom (82)
Political-Legal Subindexes	0.79	0.69	0.83	0.48
Political-Economic Subindexes	0.68	0.52	0.57	0.39
Economic-Legal Subindexes	0.80	0.65	0.67	0.60

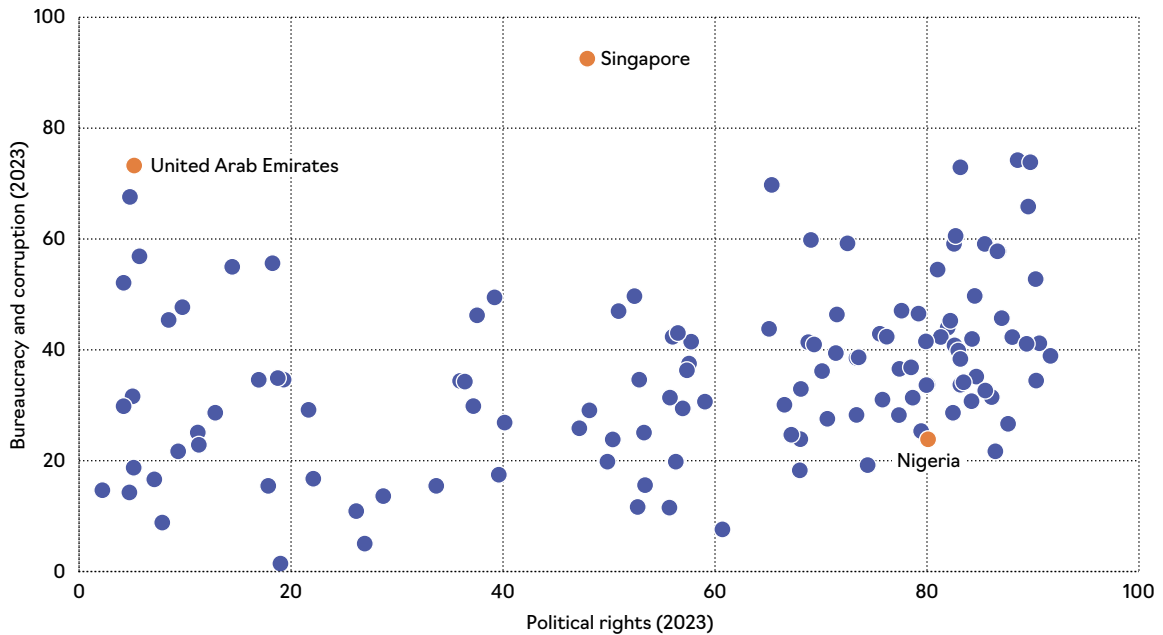
Notes: Pearson's correlation. Number of countries included in each column is shown in parentheses.

Low political freedom refers to countries with a score in the political subindex in 2023 below the median.

⁹ Brian Z. Tamanaha, "The history and elements of the rule of law," *Singapore Journal of Legal Studies* (2012), 232–47.

¹⁰ James D. Gwartney and Robert A. Lawson, *Economic Freedom of the World: 1997 Annual Report* (Vancouver, BC: Fraser Institute, 1997).

¹¹ For more details, see Joseph Lemoine and Dan Negrea, *Prosperity that Lasts: The 2023 Freedom and Prosperity Indexes* (Washington, DC: Atlantic Council, 2024).

Figure 2. Political Rights vs Bureaucracy and Corruption (Non-OECD Countries)

Source: Freedom and Prosperity Indexes, Atlantic Council (2024). <https://freedom-and-prosperity-indexes.atlanticcouncil.org>.

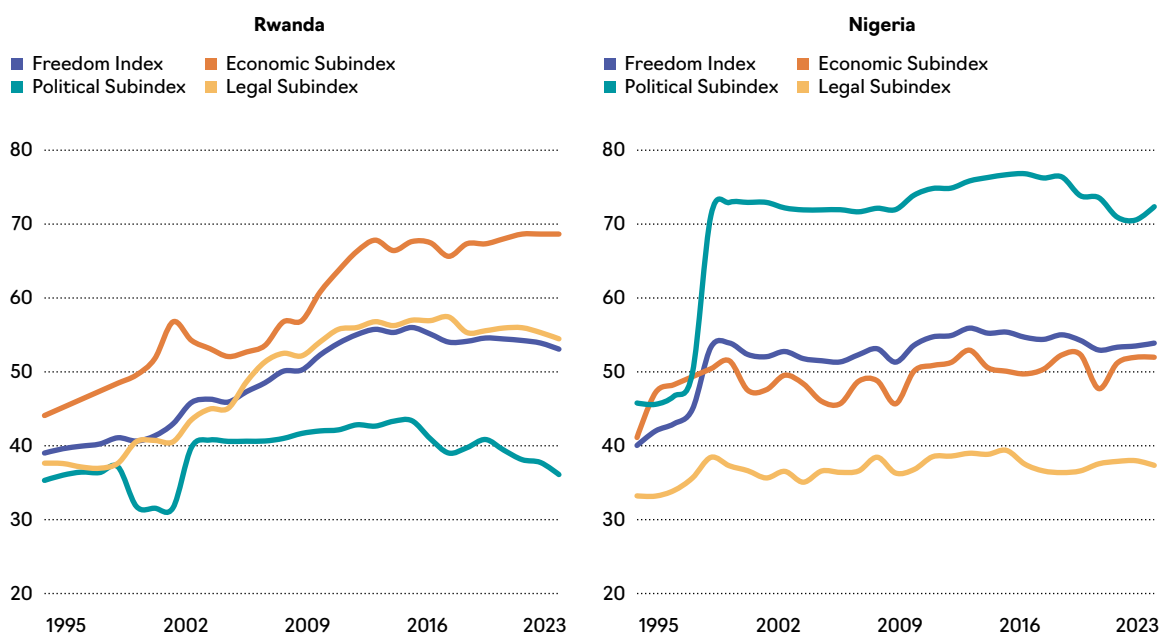
This perception is reinforced when we descend to the component level of the Freedom Index. The correlations between the components of different subindexes are many times below 0.5. Figure 2 shows the scatter plot between political rights versus bureaucracy and corruption for 126 non-OECD countries. As is clearly shown, we can find very different combinations of these two components across countries. The political rights score barely explains 7.6 percent of the variation in the bureaucracy and corruption score. This means that the remaining 92.4 percent of the variation is due to other factors. Some notable cases of great disparities between the scores include United Arab Emirates, Nigeria, and Singapore.

We can further theorize about the evolution of the three dimensions of freedom by looking at how these have changed across time within countries. An in-depth analysis of this topic is beyond

the scope of this essay, but we can gain insights with the example of two Sub-Saharan African countries.

Rwanda and Nigeria had almost identical scores in the Freedom Index in 1995: thirty-nine and forty respectively. Both have experienced substantial increases, reaching a very similar level by 2023 (53.1 and 53.9). Yet the evolution of the three subindexes shows stark differences between the two countries. Progress in the former has been driven by sustained increases in the economic and legal subindexes, while political freedom barely changed. Meanwhile, Nigeria's improvement is single-handedly explained by a sharp increase in the political subindex in 1999, capturing the country's democratic transition, whereas the legal and economic subindexes have fluctuated and do not show significant improvement.

Rwanda and Nigeria exemplify two very different paths of institutional progress that reflect the historical experience of several other countries.

Figure 3. Evolution of Freedom Dimensions, Rwanda and Nigeria

Source: Freedom and Prosperity Indexes, Atlantic Council (2024). <https://freedom-and-prosperity-indexes.atlanticcouncil.org>.

Rwanda's path, based on law and order and economic freedom but limited political freedom, reminds us of South Korea and Spain before their respective democratic transitions. Nigeria's "democratization first" path is similar to that taken

by many Latin American countries in the second half of the last century, which led the third wave of democratization, despite low levels of state capacity and not fully open and developed market economies.

The Interconnections Among Dimensions of Freedom

The evidence shows that the three dimensions of freedom develop unevenly over time and in different parts of the world. This highlights the importance of understanding how these dimensions are connected, whether they support each other or can

replace one another, and how they work together to influence overall prosperity.

Most quantitative measures of institutions implicitly assume that the different components can simply substitute for each other.¹² However,

¹² Indexes such as the Freedom House *Freedom in the World* report, the Fraser Index of Economic Freedom, and the World Justice Project Rule of Law Index, among others, all use the simple addition or arithmetic mean of their different areas/components to arrive at the overall score. This implies perfect substitutability.

there are several potential complementarities between institutions.¹³ Understanding how these complementarities function is crucial, especially when assessing the impact of free institutions on economic performance and overall prosperity. Here we raise four questions about these connections. Empirical testing of these questions will follow in future research.

Is the Rule of Law a Necessary Condition for Political and Economic Freedom?

The legal subindex measures the rule of law in formal terms, in line with scholars such as L. Fuller or J. Raz. If operating perfectly, the rule of law guarantees that political and economic freedom are effectively upheld, and can thus exert their effects on economic variables. Intuitively, the rule of law is then seen as a container into which substantive freedoms and rights are poured. Severe defects in the establishment of the rule of law, such as widespread corruption, inefficient bureaucracies, or a judiciary that does not ensure that executive power complies with the law, then represent holes and cracks in the receptacle that allow freedom to leak away.

The idea expresses the distinction between *de jure* and *de facto* recognition of rights and freedoms. The enshrinement of individual civil or political rights in a written Constitution—such as freedom of expression, voting rights, and equality before the law—has little value if these are not effectively enforced and respected by the general population and, most importantly, by those in public office. Similarly, if the law recognizes

property rights and generally allows private economic transactions and free competition, but the state apparatus does not adequately limit theft or demands bribes, the potential for economic freedom is limited. Additionally, if the state routinely expropriates property without proper compensation, it will hinder the development of a competitive market environment and its associated economic efficiency gains.

What Comes First, Stateness or Democratization?

There are different theories on the temporal sequence in which different institutions are built within a country, and whether the order matters for economic outcomes. A prominent one is the “stateness first” argument, which claims that developing state capacity before democratization produces better long-term economic results than democratization processes in weak capacity environments.¹⁴ Here, state capacity means a formal notion of the rule of law in which a country is able to establish an efficient state apparatus in the Weberian sense,¹⁵ capable of enforcing and implementing policies and regulations within the territory through an impartial and effective bureaucracy.

In this view, premature democratization is likely to produce clientelistic and patronage dynamics, generating inefficient allocations of resources, reduced productivity, lower quality of public services, increased uncertainty, and overall diminished economic activity. In the worst case, it may be a recipe for internal conflict and violence. Only until a state has solved its problem of credible enforcement,

¹³ See for example Vanessa A. Boese-Schlösser and Markus Eberhardt, *Which Institutions Rule? Unbundling the Democracy-Growth Nexus* (Gothenburg: V-Dem Institute, 2022); Sharun W. Mukand and Dani Rodrik, “The Political Economy of Liberal Democracy,” *The Economic Journal* (2020), 130:627.

¹⁴ A classic reference is Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1996). A recent example is Michelle D’Arcy and Marina Nistotskaya “State First, then Democracy: Using Cadastral Records to Explain Governmental Performance in Public Goods Provision,” *Governance* (2017), 30:2.

¹⁵ Max Weber defined the state as an entity that holds a monopoly on the legitimate use of physical force within a given territory. The state apparatus encompasses the institutions and structures through which the state enforces laws, maintains order, and implements policy, including the bureaucracy, military, and legal system. Max Weber, “Economy and Society” (1922) in *Economy and Society*, Vol. 1, eds. Guenther Roth and Claus Wittich (Berkeley, CA: University of California Press, 2023).

in the terminology of D'Arcy and Nistotskaya, can the benefits of democratization be fully realized.¹⁶

Despite its prevalence, especially in policy circles, the stateness first argument is not free of critique. On theoretical grounds, it is not clear whether autocratic or democratic governments face better incentives to invest in state capacity. Democracies, by providing a higher degree of legitimacy to political power and the legal system it enacts, can facilitate legal enforcement and compliance by the general population. Moreover, democratic accountability can incentivize leaders to invest in an administrative apparatus that ensures the efficient delivery and provision of public goods.¹⁷ Autocratic leaders, to the contrary, may prefer to underinvest in state capacity in order to secure personal control of public resources and limit the contestation capacity of the population.¹⁸

Recent evidence shows little support for the idea that countries with high state capacity perform better upon democratization than those that democratize under low capacity levels.¹⁹ Additionally, there is evidence of a positive and significant relation between democracy and growth in the context of weak capacity states in Sub-Saharan Africa.²⁰

Does Democracy Hamper or Foster Economic Freedom?

The question of whether democracies or autocracies are more conducive to liberalization and the promotion of economic freedom has received

different answers. The arguments pivot around three main ideas. First, some have argued that democratic building blocks such as separation of powers and the system of checks and balances limit the opportunities of political power to expropriate private resources, and thus better secure property. In this sense, the same democratic institutions that protect individual civil and political rights also serve as a safeguard of property and contract enforcement.²¹ In contrast, an autocratic ruler, not bound by any constraints on his or her authority, represents a permanent threat to private property.

The second idea relates to the time horizon of policies in democracies versus autocracies.²² Liberalization, especially openness to trade and financial flows, can produce intense labor and production reallocations in the short run, which can entail layoffs and other costs before the benefits of such policies are materialized. Whether democracies are better equipped than autocracies to bear the short-run costs of liberalization is not clear. On the one hand, democratic leaders have the legitimacy provided by popular support to implement their proposed policies. But on the other hand, incentives to ensure their reelection may deter them from inflicting short-run costs on the electorate. For non-democratic leaders, the length of time they expect to stay in power determines the level of incentives to promote economic liberalization. In unstable autocracies, the ruler is likely to try to seize resources in the short run, before he or she

16 Michelle D'Arcy and Marina Nistotskaya, "Credible Enforcement Before Credible Commitment," *University of Gothenburg*, March 2013, [https://gupea.ub.gu.se/bitstream/handle/2077/38946/gupea_2077_38946_1.pdf?sequence=1&isAllowed=y#:~:text=Enforcer%20Before%20Credible%20Commitment,before%20there%20is%20credible%20enforcement?&text=Leviathans.,those-%20incentives%20might%20come%20from](https://gupea.ub.gu.se/bitstream/handle/2077/38946/gupea_2077_38946_1.pdf?sequence=1&isAllowed=y#:~:text=Enforcer%20Before%20Credible%20Commitment,before%20there%20is%20credible%20enforcement?&text=Leviathans.,those-%20incentives%20might%20come%20from.).

17 This is the argument of Bruce Bueno de Mesquita, Alastair Smith, Randolph M. Siverson, and James D. Morrow, *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2005).

18 Timothy Besley and Torsten Persson, "The Origins of State Capacity: Property Rights, Taxation, and Politics," *American Economic Review* (2009), 99:4.

19 Haakon Gjerløw, Carl Henrik Knutsen, Tore Wig, and Matthew Charles Wilson, *Stairways to Denmark: Does the Sequence of State-Building and Democratization Matter for Economic Development?*, (Gothenburg: V-Dem Institute, 2018).

20 Carl Henrik Knutsen, "Democracy, State Capacity, and Economic Growth," *World Development* (2013), 43:7.

21 Douglass C. North, "Economic Performance Through Time," *The American Economic Review* (1994), 84:3.

22 Christopher Clague, Philip Keefer, Stephen Knack, and Mancur Olson, "Property and Contract Rights in Autocracies and Democracies," *Journal of Economic Growth* (1996), 1:2.

loses power. Instead, stable autocracies may favor economic liberalization in order to increase aggregate output and thus the base of potential taxation rents in the future.

Finally, it has been argued that the relation between regime type and economic freedom depends on mediating factors, especially the distribution of income or wealth. The proposition seems particularly related to the dimension of economic freedom that deals with the size of government in terms of taxation and spending. In highly unequal countries, democratization is likely to generate increasing levels of redistributive taxation and thus harm measures of economic freedom. Similarly, high levels of inequality in wealth and capital may induce voters to favor stricter labor regulations or restrict capital mobility. Recent empirical evidence seems to suggest that, in democracies, economic freedom tends to decrease when the level of inequality is high.²³

Is Economic Freedom Necessary For Political Freedom?

Nobel laureates Friedrich Hayek and Milton Friedman posited that politically free societies must also be economically free, so economic freedom is a necessary condition for political freedom and democracy. Hayek warned that Western democracies faced a potential slippery slope toward authoritarianism after World War II, if the central governmental management of the economy required by the war effort were to be maintained or expanded.²⁴ Once the state is given power over economic decisions, Hayek said, it is only a matter of time before the centrally decided plan differs

from the preferences of at least some individuals. The government will need to use its coercive power to limit individual choices and rights. It may also constrain freedom of speech if used to confront or oppose governmental action. Additionally, the government might force individuals into certain occupations or locations, ultimately leading to a totalitarian state. Therefore, he concludes that only within a capitalist system is democracy possible. Friedman asserted that there was no historical example of a society that has enjoyed a high level of political freedom without something close to a market economy.²⁵

Neither Hayek nor Friedman argued that economic freedom always sustains political freedom. They saw the former as a necessary but not sufficient condition for the latter. The hypothesis seems to be supported by empirical evidence.²⁶ Yet, the claim that heavy government intervention in economic affairs inevitably leads to political servitude is contradicted by the experience of some Western countries. This is particularly evident in the Nordic European countries during the second half of the twentieth century. The combination of high levels of political freedom with large government intervention in the economy has proved not only possible, but has led this group to become some of the most prosperous societies of the world today.

A possible explanation may relate to the discussion about the size of government and economic performance. Government taxation and spending arguably reduce economic freedom, but can nonetheless generate positive aggregate economic effects if social benefits exceed the unavoidable distortionary costs. Political freedom,

²³ See Rainer Kotschy and Uwe Sunde, "Democracy, Inequality, and Institutional Quality," *European Economic Review* (2017), 91; or Tim Krieger and Daniel Meierrieks, "Political capitalism: The Interaction between Income Inequality, Economic Freedom and Democracy," *European Journal of Political Economy* (2016), 45.

²⁴ Friedrich Hayek, *The Road to Serfdom* (Chicago, IL: University of Chicago Press, 1944).

²⁵ Milton Friedman, *Capitalism and Freedom* (Chicago, IL: University of Chicago Press, 1962).

²⁶ R. A. Lawson, and J. R. Clark, "Examining the Hayek-Friedman Hypothesis on Economic and Political Freedom," *Journal of Economic Behavior & Organization* (2010), 74:3.

by favoring free public debate and discussion, may thus help identify those public policies with positive net payoffs, and discard those that generate

aggregate inefficiencies, allowing for a stable association of democracy and significant government economic involvement.

Looking for Answers Around the World

Having reviewed some potential relationships between the three dimensions of freedom, the final section of this overview provides a brief summary of each country chapter, with a focus on whether such mechanisms have operated in each country's institutional evolution in the last three decades or are likely to do so in the foreseeable future.

Some common ideas emerge. First, there is substantial divergence between written norms and implementation of those norms, especially in the developing and least developed countries. This limits the potential effects of institutional reform on economic growth and overall prosperity. Second, democratic erosion and instability are often the consequence of severe defects in the rule of law, in particular political corruption and inefficient bureaucracies. Third, for most authors, the most urgent area for reform in their countries is the one with the weakest performance—their “weakest link.” This highlights the significant complementarities between institutional dimensions, suggesting that balanced development across all areas is essential for prosperity.

Bangladesh

Ahmed Mushfiq Mobarak provides a timely analysis of Bangladesh, covering the student-led “Monsoon Revolution” during the summer of 2024 that ended with Sheikh Hasina’s loss of power. Mobarak traces the beginning of the democratic erosion of Bangladesh to increasing corruption by the two major political parties since the early 2000s, which led to political instability. Hasina and the Awami League won a supermajority in the 2008 elections, but squandered the opportunity for

improving governance, and instead initiated a clear autocratic path. Elections followed the regular schedule, but it is difficult to see them as meaningful. Boycotts by the opposition, the atmosphere of political violence, and deep erosion of individual rights dramatically limited the level of contestation in the electoral process. In addition, the autocratic government devoted major efforts to controlling the judiciary, to safeguard its hold on power and to use it as a weapon to persecute the opposition.

The 2024 revolution was diffuse and decentralized—with organic student protests that quickly spread throughout the country. As a result, the post-revolution political leadership and the way forward remain unclear. Muhammad Yunus, the founder of the Grameen Bank and a Nobel Peace Prize laureate, took charge as “chief adviser to the caretaker government” at the behest of students. His international name recognition and stature make him a credible leader, and temporarily stabilized the political uncertainty, but the country’s political future remains unclear. There is a lot of hope among average citizens that ousting a powerful autocratic government was a major achievement, and that the architects of that uprising can ensure better governance going forward by instituting some fundamental reforms and not repeating the mistakes of the past. Given that fundamental reforms are needed, including a reexamination of several aspects of the country’s Constitution, the path ahead is likely neither linear nor straightforward.

Cameroon

Political power is mostly centralized in Cameroon, and as a result there is no effective system of

separation of legal powers, with both legislative and judicial branches being dependent on the executive power, as Vera Songwe explains. There are spillovers from political liberty to other aspects of the institutional framework, as evidenced by the country's poor performance in terms of economic and legal subindexes. The drag imposed by limited political freedom is most notably evident in the very low level of gender equality in the economic sphere, reflecting how lack of representation of significant shares of the population in the political process undeniably harms their interests.

Going forward, the government of Cameroon should focus on two main areas: education and environment. Education remains the fastest way to economic empowerment of populations, and women in particular. In the long run, it can help reduce costs of healthcare as educated women tend to adopt more preventive approaches for themselves and their children. To this end, a policy of free primary education must be complemented by strong indicators of teacher performance to ensure that children are actively learning. Regarding the environment, Cameroon's environmental resources, if well managed, could be an important source of revenue. Reforestation in particular should be a primary policy focus.

Canada

Randall Morck notes that Canada has kept its place among the freest countries in the world for several decades. However, he also identifies some worrying recent trends that are affecting several building blocks of the liberal democratic system. Civil liberties show a decreasing trend that has continued well after all measures imposed to fight the COVID-19 pandemic were lifted, driven by a somewhat freedom-restrictive understanding of diversity, equity, and inclusion (DEI) policies. Recent corruption scandals have involved the current government's party. Judicial independence is also under stress, and particular Supreme Court rulings have generated some degree of legal uncertainty,

specifically in relation to the requirement to consult First Nations about major infrastructure projects, which has produced visible negative effects on the construction sector.

The institutional challenges Canada faces will likely be exacerbated if the country is not able to recover strong economic growth in the medium term. In order to do so, enhancing productivity growth must be a priority, through increasing corporate research and development investment. Canada's traditional openness to trade and capital will be challenged by the announced intention of the new Trump administration to renegotiate the North American Free Trade Agreement (NAFTA), as well as the rising concerns about national security that will likely produce new trade legislation affecting Canada's relations with China and other trade powers. In addition to economic risks, several social issues will require especial attention in the coming decade, including immigration policy, the evolution of the territorial tensions between Québec and the rest of the regions, and the successful integration of First Nations.

Ethiopia

The recent situation in Ethiopia is a paradigmatic example of a case where a government's incapacity to provide basic civil stability and peace can put an abrupt halt on development. Abbi Kedir argues that the remarkable economic growth of the 2000–20 period, driven by public investment in infrastructure and industrial expansion, was interrupted by the proliferation of internal conflicts and fighting between the federal government and various groups in regions such as Tigray, Amhara, and Oromia, which disrupted production and trade.

The armed conflicts around the country are the biggest impediment to movement of labor and traded goods, and the carrying out of productive activities. If peace and security are not restored in all regions of the country, the socioeconomic situation will deteriorate further. Agricultural and industrial production, and other employment-generating

economic activities such as trade and investment, will continue to suffer. Besides the most pressing issue of security, another big challenge that Ethiopia faces is the alarming demographic trend. Each year, two to three million young Ethiopians enter the labor force, and it is clear that the labor market cannot absorb such a huge number of workers. Any hope of transforming the economy—or even of gaining a meaningful grip on it—is an elusive dream in a country where there are high levels of unemployment, poverty, inequality, destitution, internal conflicts, food insecurity, and an ever-growing and underskilled youth population.

Georgia

The waves of reform Georgia went through between 1995 and 2018 led to a parallel improvement in all three dimensions of freedom, although the establishment of the rule of law persistently lagged behind economic and political liberalization, as noted by Tinatin Khidasheli. Most notably, the country failed to undertake a profound reform of the judicial system, which showed major deficiencies due to a non-transparent and entirely arbitrary selection process, which allowed this crucial pillar of the state to be administered by a small elite of judges for almost two decades. Since 2018, the country has been experiencing a dramatic institutional regression, clearly accentuated in the last months. The data do not yet reflect the passing of recent laws on foreign agents and LGBTQ+ rights, nor the several amendments passed to electoral legislation, reducing the opposition's and civil society's capacity to monitor and contest the government. The 2024 parliamentary elections in Georgia produced an even more hostile and polarized environment, with all major opposition parties, civil society monitoring organizations, and international observers claiming major fraud.

Georgia stands today at a critical crossroads. One of the most significant risks the country faces is the ongoing influence of Russia, which exerts considerable power through economic, political,

and military channels. The major counterbalancing force needs to come from civil society, and its wish to look west toward the European Union (EU). A majority of the population are predominantly asking for practical steps to bring Georgia closer to the EU and eventual membership, which serves as a primary catalyst for change. Important milestones, like visa-free travel within the EU for Georgians and free trade agreements, represent advancement and inspire citizens' hopes for EU membership. Georgia's future freedom and prosperity depend on leveraging European integration. By fostering resilience, diversifying its economy, and ensuring political stability, Georgia can achieve stability, growth, and greater freedom.

Greece

Elias Papaioannou explains how, at the onset of the financial crisis of 2008, Greece was significantly more prosperous than its institutional quality would have suggested. Given the strength of the institutions-development nexus, this paradox was unlikely to last indefinitely. Sadly, it was income and prosperity that fell away, and dramatically so, as Greece lost a quarter of its output, unemployment tripled, hundreds of thousands of talented Greeks emigrated, the welfare state collapsed, and poverty became increasingly evident. The economic adjustment programs led by "the troika" forced a series of much-needed reforms in areas like pensions, labor, and product and capital markets. Unfortunately, neither the Syriza/Anel coalition (2015–19) nor the New Democracy administration (2019–present) implemented genuine institutional reform, including making markets more competitive, strengthening investor protection, speeding the judicial process, and safeguarding the independence of public agencies.

In the next decade, Greece needs to significantly reinforce all aspects of its institutional framework. Strengthening the judiciary, enhancing checks and balances on the executive, and investing seriously in the rule of law are essential, not only

to restore confidence in democracy but also to promote much-needed economic growth. The priorities should be to enhance institutions, tackle corruption, promote economic freedom (by bringing down cartels and freeing product markets), and seriously invest in public administration and independent agencies (e.g., a competition authority). This is easier said than done, and at the time of writing this list does not seem to be the priority.

Japan

Political freedom and the rule of law in Japan have been significantly above the OECD average and experienced only minor fluctuations for the last three decades. Economic freedom, however, is slightly lower, especially in terms of women's economic opportunities. Kotaro Shiojiri points out that the democratic political debate has directed political agents to focus on those policies demanded by citizens, although the process is sometimes slow. One good example of Japan's poor performance on women's economic freedom is the so-called "M-curve," whereby women in their thirties have much lower labor force participation rates than younger and older age groups. The most recent data show a substantial improvement on this issue, but it is still not fully solved even though "womenomics" was a major theme of former Prime Minister Abe's premiership from 2012–20 and has remained a priority in subsequent administrations.

Japan faces a series of challenges for the next decade. The demographic situation is certainly worrying, as Japan is one of the most rapidly aging societies in the world, and neither policies directed to increase fertility nor immigration is an easy solution to this challenge. A second imperative for the country's future is to regain solid economic growth. Japan's labor market lacks flexibility and maintains significant structural rigidities when compared with most developed Western economies. There are pros and cons to this situation that any future reform should weigh up. As Japanese companies

look to build job-type employment structures, they have an opportunity to square this circle, maintaining the low levels of inequality for which Japan is rightly praised while also providing more opportunities for flexible and dynamic career paths that will promote economy-wide productivity gains.

Kazakhstan

Kazakhstan is a good case study for the argument that autocratic regimes are better focused on long-run economic policies. Nargis Kassenova explains that the country has maintained a positive trend of liberalization in the last three decades, reflecting the goal to integrate into the global economic community. Yet significant fluctuations and inconsistencies have plagued the process, especially since oil revenues started to increase in the early 2000s and the government was clearly tempted to use the windfall to pursue interventionist and protectionist economic policies.

The unexpected resignation of Nazarbayev in 2019, and the "Bloody January" events in 2022, produced a critical juncture for the country. At present, President Tokayev's reform agenda points to further liberalization of the system, but progress is by no means guaranteed. Besides very significant geopolitical risks that may heavily influence Kazakhstan's future, in particular a potential Russian military threat, a crucial milestone will take place when Tokayev's term ends in 2029. If at that point a peaceful transfer of power takes place, it will be a sign of a successful culmination of the democratic transition. Nonetheless, civil society needs to continue exerting pressure to avoid a halt in the reform process in favor of professional state and socioeconomic goals, which could turn the government's aspiration into becoming simply a functional authoritarian state.

Kuwait

Kuwait's political regime presents noticeable specificities that make it difficult to compare to the liberal democracies of the Western world, states

Rabah Arezki. Relatively fair and free elections coexist with a ban on political parties, and the inviolability of the Emir is combined with strong control of his government by parliament. While Kuwait's democratic experience has been positive and serves as an example for other countries in the region, the system does not yet represent the interests of all segments of society equally, producing large differences in the situation of women and low-skilled expatriates.

Kuwait's evolution in the near future is highly uncertain. The new Emir of Kuwait, Mishal Al-Ahmad Al-Jaber Al-Sabah, who came to power at the end of 2023, decided to dissolve parliament and take over some of its prerogative after a parliamentary election won by the opposition, and it is not clear when new elections will be held. The Emir and parliament have to resolve their differences if Kuwait is to remain an important beacon of democracy in the region, continue to build on its track record on civil liberties, and fully embark on a process of economic transformation that can deal with the approaching end of the oil era.

Morocco

Rabah Arezki argues that Morocco has substantially improved in all institutional dimensions during the last three decades, but there are many areas in which the country needs to continue its reform effort toward fully free and open institutions. On the economic front, the most positive progress is found in women's economic freedom, with the implementation of a new Family Code, known as *Moudawana*, in 2004. This piece of legislation is seen as one of the most progressive of the region, expanding women's rights and protections in relation to civil liberties as well as labor and economic aspects. The political environment in Morocco is freer than in most other countries in the region, but again it is still far from the most advanced countries of the world.

The danger for Morocco is to remain stuck in a so-called middle-income trap with low growth and high poverty, which could further ignite social tensions. To reignite growth and transform its economy, Morocco must level the playing field. To do so, issues of market structure and competition must take on greater importance. Additionally, further efforts are needed to balance its economic development, as poverty remains pervasive, especially in rural areas. An important limitation is the relatively high level of debt, which constrains government spending to reduce spatial disparities and support poorer households.

Nigeria

The case of Nigeria illustrates how the challenges of democratization in weak capacity states are exacerbated in resource-rich countries. Zainab Usman explains how the democratic transition of 1999 has been followed by volatile institutional progress, by no means free of inconsistencies. On the economic side, the relevance of the oil industry in generating government revenue and foreign reserves motivates important movements in the legal environment and overall economic policy decisions, and has many times led the government and central bank to heavily intervene in the exchange rate market.

Regarding the rule of law, Nigeria desperately needs a total overhaul of its civil service to tackle corruption and bureaucratic inefficiency. The security situation is also delicate, with ongoing violent conflicts (with Islamists Boko Haram in the north-east, and the separatist movement Indigenous People of Biafra in the southeast) and rising levels of violent crime, including kidnapping for ransom, in various parts of the country. The next few years will tell if the democratic mechanisms that are strong in Nigeria, like legislative control of the executive and freedom of the press, can help push forward efficiency-enhancing reforms that can lead

to more balanced institutional development, ensuring increased prosperity for all Nigerians.

Peru

Liliana Rojas-Suarez argues that Peru is probably one of the clearest examples of the potential gap between written laws and their actual implementation and enforcement. In terms of the former, the country is comparable to the most advanced democracies of the world, but the degree of implementation and enforcement is far from such standards. As a result, deficiencies in the state's capacity to deliver public goods and services, including ensuring security and the enforcement of law, significantly constrain the country's potential for regaining economic growth and overall prosperity. The weakness of institutions and governance, reflected in excessive bureaucracy, corruption, and a weak and inefficient judiciary, hampers domestic and foreign private sector investment. While maintaining a stable macroeconomic framework is key, it is not sufficient to provide the certainty and security that investors need for long-term and productive investments.

Increasing institutional quality is thus a precondition for the economic reforms required to ensure long-run improvements in prosperity for all Peruvians. The country has an exceptional opportunity for growth in the green transition, given its abundance of crucial raw materials. Nonetheless, if Peru wants to position itself as a world leader in this area, some major reforms must be addressed first. Most importantly, the public sector needs to be able to execute large infrastructure investments and develop value chains related to green manufacturing, renewable energy, and eco-tourism; the country must address the issues of informality and low human capital of the workforce.

Poland

Poland stands as one of history's most remarkable examples of how embracing democratic institutions and a free-market economy can radically transform

a nation and propel it onto a trajectory of rapid development. Nonetheless, Leszek Balcerowicz outlines how the country has undergone a very serious challenge to its institutions in the last decade, with the "bad transition" represented by the accession of the Law and Justice Party (PiS) to power in 2015. On obtaining an ample majority in a free and fair election, the party led by Jarosław Kaczyński quickly revealed its authoritarian tendencies, beginning a period of institutional erosion. The most dangerous attack came against the judiciary. Legislative changes in 2016 merged the roles of prosecutor-general and minister of justice, granting a political appointee sweeping powers over the judicial system. Judicial independence similarly eroded under politicized appointment processes. Poland's judicial system survived this assault primarily due to the vigorous defense mounted by civil society and advocacy groups, together with international pressure, especially by the European institutions.

The positive side of the turbulent tenure of the PiS government is that support for democracy and the rule of law has strengthened in Poland, so there is little concern about the institutional stability of the country after the executive change of 2023. Instead, the more pressing issue lies in sustaining economic growth. One main priority should be a carefully planned privatization schedule that can complete the process initiated in the 1990s, enhancing competition in sectors like energy and oil processing. Another major challenge is excessive fiscal spending, largely driven by social welfare programs. Finally, Poland shares demographic challenges with other developed nations, particularly the rapid aging of its population. Without substantial reforms, economic growth is likely to slow further, and fiscal pressures will intensify.

Spain

Toni Roldán Monés explains how Spain experienced an enormous transformation since the democratic transition of 1975–78, not only in political

terms but also on the economic front, completing a successful integration into the European single market and the European Economic and Monetary Union. Nonetheless, the last three decades have not been free of challenges. The two biggest have been the dramatic economic effects of the bursting of the real estate bubble in 2008, with the subsequent sovereign debt crisis, and the Catalan independence attempt in 2017. The former led to an extremely difficult social situation, with unemployment reaching 27 percent, and the imposition of severe austerity measures. However, the crisis also generated significant impetus for reform, which seems to have halted in the last decade. The secessionist challenge showed the strength of the democratic institutions in Spain, especially the judiciary, which was able to resolve the crisis with a firm and strong response according to the legal provisions and constitutional powers granted to the different branches of power.

Looking ahead, a main source of concern is whether the windfall represented by the NextGenerationEU funds—of which Spain, together with Italy, is the largest beneficiary—may translate into insufficient structural reform. The relaxation of political constraints thanks to the apparently easy availability of resources, both external and internal, could lead to a complacency trap, hampering the impetus for reform.

The most pressing challenges Spain faces include: ensuring fiscal sustainability, especially regarding the pension system; a profound overhaul of the education system with the clear aim of improving its quality at all levels; and reform of the federal system, setting up clearer rules regarding the relative powers of the regions and the central government, and the establishment of the necessary coordination mechanisms to ensure the efficient collaboration of all levels of government.

Unfortunately, the political climate of polarization and fragmentation, together with incipient signs of institutional erosion, is not the best environment to carry out such an ambitious set of

structural reforms. Regaining the capacity to reach agreements among those with different political views, which Spain exemplified during the democratic transition, will be a necessary condition.

Taiwan

Taiwan's story in the last three decades is a good example of how democracy can serve as a catalyst for improvements in the other two institutional dimensions. Shelley Rigger argues that the completion of the long, incremental process of democratization led, by the end of the 1990s, to a substantial increase in the accountability of political leaders and public officials at large, improving the overall capacity and efficiency of the public sector to enforce and abide by the law. Similarly, Taiwan's strong performance in terms of investment and trade freedom was complemented by an extraordinary improvement in gender equality in economic matters, likely explained by the increasing political representation of women.

Unfortunately, the future of freedom on the island does not depend on the Taiwanese people alone. The relationship with the People's Republic of China (PRC) is by far the largest risk, and will likely determine the evolution of political and economic freedom, as well as Taiwan's prosperity in the next decade. The PRC opposes both Taiwan's continued self-government and its democratic system. It is impossible to predict how the geopolitical situation may evolve, but the PRC seems determined to bring Taiwan to heel, peacefully if possible, but by force if necessary. So far, the two sides have managed to avoid conflict, in part because the costs and risks of forcible unification are high, and in part because Beijing believes it can prevail without force eventually. It is likely that this stalemate will continue in the near future. If it does continue for the next five to ten years, the situation may evolve to a point where a mutually acceptable arrangement is possible. Or it may not, in which case Taiwan's democracy will continue to exist under constant threat.

Venezuela

Venezuela seems to exemplify the Hayek-Friedman hypothesis that democracy is incompatible with a socialist economic system. As Sary Levy-Carciente argues, Venezuela's poor performance in the twenty-first century can be attributed to the political and ideological project known as "socialism of the twenty-first century," an economic model marked by excessive populism and state intervention, where economic activity and entrepreneurship are severely hampered by widespread government interference, inconsistent regulatory enforcement, and a heavy bureaucratic burden. Plummeting economic freedom has been accompanied by a dramatic erosion of political and legal freedoms in Venezuela, driven by the consolidation of executive supremacy, the increasing role of the military in controlling and implementing government policies, and the rise in corruption and lack of transparency, bypassing legal accountability standards.

The sustained deterioration of Venezuela's political system was epitomized by the crisis following the presidential elections of July 2024, leaving no doubt regarding the autocratic nature of President Nicolás Maduro's current political regime. As a result, Venezuela finds itself at a crossroads. Two future scenarios can be envisioned: one in which the current regime eliminates any sign of a liberal democracy, resulting in further increases in oppression and poverty; or a diametrically opposed one in which the reestablishment of Venezuela as a liberal democratic republic, anchored in Western values of freedom, individual dignity, and prosperity, leads the country to reclaim its stabilizing role in the Western Hemisphere.

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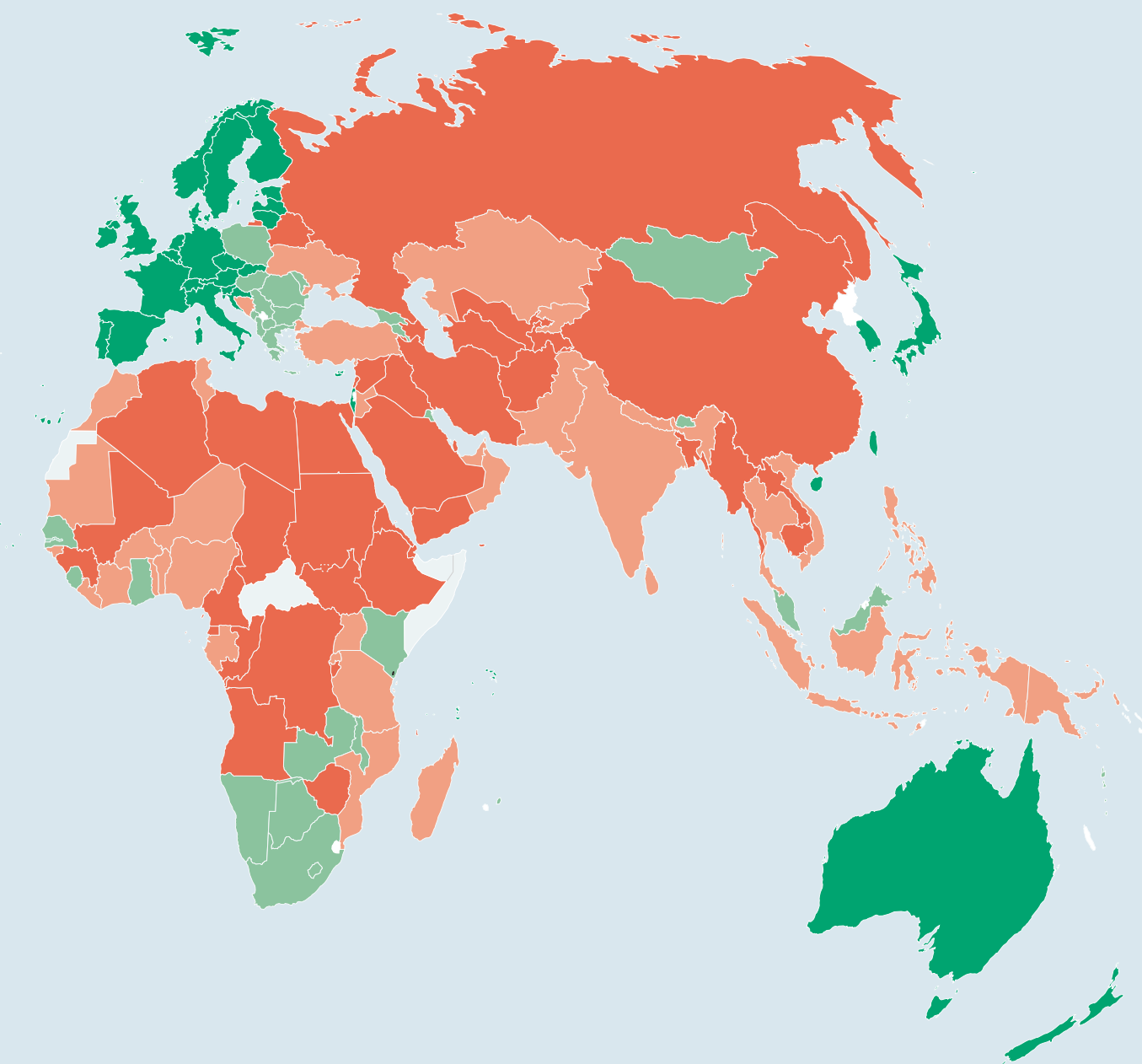
Joseph Lemoine

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Status

- High Freedom
- Moderate Freedom
- Low Freedom
- Lowest Freedom
- No Data

OVERVIEW

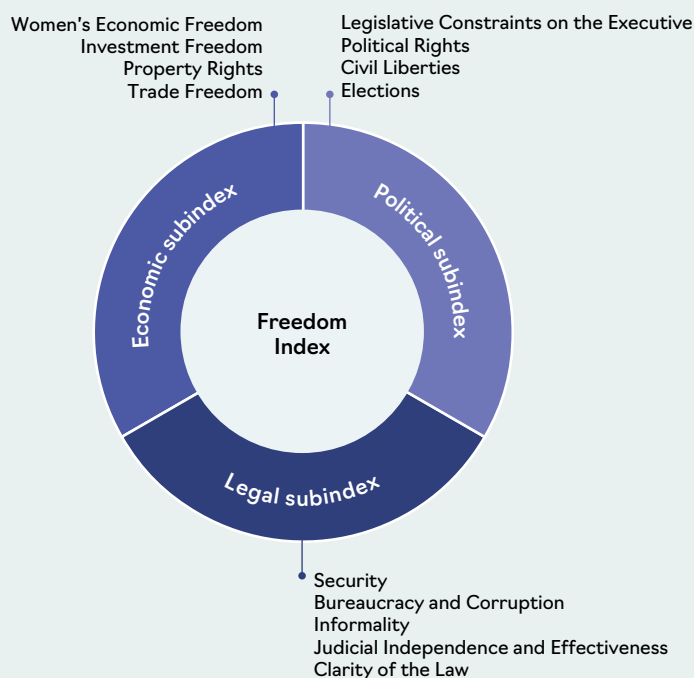


Freedom Rankings

The Freedom Index comprises three subindexes. The legal subindex gauges a country's adherence to the rule of law. The political subindex assesses the institutional framework for selecting executive leaders and the imposed limits and controls on their power. The economic subindex measures whether the bulk of economic activity in a country is guided by the principles of free and competitive markets.

Freedom Index Structure

The Freedom Index ranks countries according to the equally weighted average of the three subindexes. Each subindex is comprised of multiple components. See Methodology for details.



How to Read the Rankings

Rank Out of 164	Country	Region*	Freedom Score Each country's score ranges between zero and one hundred, with higher values indicating more freedom.	Freedom Status Countries are placed into four categories based on their scores. <ul style="list-style-type: none"> High Freedom Moderate Freedom Low Freedom Lowest Freedom
43	Jamaica	LAC	75.3	Moderate Freedom

*Regional Abbreviations

EAP	East Asia & the Pacific	MENA	Middle East & North Africa	SCA	South & Central Asia
EUR	Europe	NA	North America	SSA	Sub-Saharan Africa
LAC	Latin America & the Caribbean				

OVERVIEW

Rank	Country	Region	Freedom Score		Freedom Status
1	Denmark	EUR	93.4		High Freedom
2	Luxembourg	EUR	92.7		High Freedom
3	Finland	EUR	92.0		High Freedom
4	Sweden	EUR	91.7		High Freedom
5	Switzerland	EUR	91.4		High Freedom
6	Ireland	EUR	91.2		High Freedom
7	Germany	EUR	90.8		High Freedom
8	Netherlands	EUR	90.5		High Freedom
9	Australia	EAP	90.2		High Freedom
10	Estonia	EUR	90.2		High Freedom
11	New Zealand	EAP	90.0		High Freedom
12	Norway	EUR	89.2		High Freedom
13	Iceland	EUR	88.7		High Freedom
14	Belgium	EUR	88.6		High Freedom
15	Canada	NA	88.0		High Freedom
16	Austria	EUR	88.0		High Freedom
17	United Kingdom	EUR	87.5		High Freedom
18	France	EUR	87.4		High Freedom
19	United States of America	NA	87.3		High Freedom
20	Japan	EAP	86.2		High Freedom
21	Czech Republic	EUR	86.1		High Freedom
22	Spain	EUR	85.1		High Freedom
23	Taiwan	EAP	84.5		High Freedom
24	Portugal	EUR	84.5		High Freedom
25	Latvia	EUR	84.4		High Freedom
26	Chile	LAC	84.3		High Freedom
27	Costa Rica	LAC	83.2		High Freedom
28	Lithuania	EUR	82.8		High Freedom
29	Italy	EUR	82.8		High Freedom
30	Uruguay	LAC	82.5		High Freedom
31	Singapore	EAP	82.4		High Freedom
32	Slovenia	EUR	81.6		High Freedom
33	Slovakia	EUR	80.8		High Freedom
34	Malta	EUR	80.5		High Freedom

OVERVIEW

Rank	Country	Region	Freedom Score		Freedom Status
35	South Korea	EAP	80.4		High Freedom
36	Cyprus	EUR	79.6		High Freedom
37	Seychelles	SSA	79.2		High Freedom
38	Israel	MENA	78.5		High Freedom
39	Barbados	LAC	78.3		High Freedom
40	Croatia	EUR	78.0		High Freedom
41	Cape Verde	SSA	77.6		High Freedom
42	Poland	EUR	76.3		Moderate Freedom
43	Jamaica	LAC	75.3		Moderate Freedom
44	Mauritius	SSA	75.2		Moderate Freedom
45	Bulgaria	EUR	74.9		Moderate Freedom
46	Brazil	LAC	74.4		Moderate Freedom
47	São Tomé and Príncipe	SSA	74.4		Moderate Freedom
48	Greece	EUR	74.3		Moderate Freedom
49	Romania	EUR	74.0		Moderate Freedom
50	Ghana	SSA	74.0		Moderate Freedom
51	Georgia	EUR	73.4		Moderate Freedom
52	Trinidad and Tobago	LAC	73.4		Moderate Freedom
53	Peru	LAC	73.3		Moderate Freedom
54	Montenegro	EUR	73.0		Moderate Freedom
55	Panama	LAC	72.8		Moderate Freedom
56	Vanuatu	EAP	72.8		Moderate Freedom
57	Namibia	SSA	72.5		Moderate Freedom
58	Albania	EUR	72.2		Moderate Freedom
59	Botswana	SSA	72.0		Moderate Freedom
60	Colombia	LAC	71.9		Moderate Freedom
61	Hungary	EUR	71.8		Moderate Freedom
62	Moldova	EUR	71.5		Moderate Freedom
63	South Africa	SSA	70.6		Moderate Freedom
64	Suriname	LAC	69.8		Moderate Freedom
65	Bhutan	SCA	68.9		Moderate Freedom
66	Armenia	EUR	68.8		Moderate Freedom
67	Dominican Republic	LAC	68.7		Moderate Freedom
68	Senegal	SSA	68.7		Moderate Freedom

OVERVIEW

Rank	Country	Region	Freedom Score		Freedom Status
69	Gambia	SSA	68.4		Moderate Freedom
70	Argentina	LAC	68.4		Moderate Freedom
71	Mongolia	EAP	68.4		Moderate Freedom
72	Paraguay	LAC	68.3		Moderate Freedom
73	Kenya	SSA	68.0		Moderate Freedom
74	Malaysia	EAP	67.8		Moderate Freedom
75	Lesotho	SSA	67.4		Moderate Freedom
76	North Macedonia	EUR	67.0		Moderate Freedom
77	Zambia	SSA	66.9		Moderate Freedom
78	Malawi	SSA	66.9		Moderate Freedom
79	Kuwait	MENA	66.4		Moderate Freedom
80	Ecuador	LAC	66.3		Moderate Freedom
81	Serbia	EUR	66.3		Moderate Freedom
82	Sierra Leone	SSA	65.8		Moderate Freedom
83	Tanzania	SSA	65.3		Low Freedom
84	Bosnia and Herzegovina	EUR	65.1		Low Freedom
85	Indonesia	EAP	64.9		Low Freedom
86	Honduras	LAC	64.0		Low Freedom
87	Guyana	LAC	63.7		Low Freedom
88	Jordan	MENA	63.7		Low Freedom
89	Nepal	SCA	63.3		Low Freedom
90	Mexico	LAC	63.3		Low Freedom
91	Guatemala	LAC	62.5		Low Freedom
92	Philippines	EAP	62.5		Low Freedom
93	Liberia	SSA	62.2		Low Freedom
94	Thailand	EAP	62.0		Low Freedom
95	Côte d'Ivoire	SSA	61.7		Low Freedom
96	Morocco	MENA	61.3		Low Freedom
97	Tunisia	MENA	60.6		Low Freedom
98	Benin	SSA	60.4		Low Freedom
99	Sri Lanka	SCA	60.2		Low Freedom
100	Papua New Guinea	EAP	59.9		Low Freedom
101	India	SCA	59.8		Low Freedom
102	Togo	SSA	58.4		Low Freedom

OVERVIEW

Rank	Country	Region	Freedom Score		Freedom Status
103	Niger	SSA	57.6		Low Freedom
104	Bolivia	LAC	57.1		Low Freedom
105	Uganda	SSA	57.1		Low Freedom
106	Madagascar	SSA	56.5		Low Freedom
107	Burkina Faso	SSA	56.4		Low Freedom
108	Kyrgyzstan	SCA	56.0		Low Freedom
109	Gabon	SSA	55.6		Low Freedom
110	Kazakhstan	SCA	55.5		Low Freedom
111	United Arab Emirates	MENA	55.1		Low Freedom
112	Guinea-Bissau	SSA	55.1		Low Freedom
113	Mozambique	SSA	54.7		Low Freedom
114	Ukraine	EUR	54.4		Low Freedom
115	Nigeria	SSA	53.9		Low Freedom
116	Turkey	MENA	53.6		Low Freedom
117	Oman	MENA	53.5		Low Freedom
118	Rwanda	SSA	53.1		Low Freedom
119	Mauritania	SSA	53.0		Low Freedom
120	El Salvador	LAC	52.9		Low Freedom
121	Pakistan	SCA	52.0		Low Freedom
122	Bahrain	MENA	52.0		Low Freedom
123	Vietnam	EAP	51.8		Low Freedom
124	Angola	SSA	51.1		Lowest Freedom
125	Uzbekistan	SCA	50.2		Lowest Freedom
126	Mali	SSA	50.1		Lowest Freedom
127	Lebanon	MENA	49.5		Lowest Freedom
128	Azerbaijan	EUR	47.9		Lowest Freedom
129	Qatar	MENA	47.9		Lowest Freedom
130	Cameroon	SSA	47.6		Lowest Freedom
131	Djibouti	SSA	47.4		Lowest Freedom
132	Algeria	MENA	46.6		Lowest Freedom
133	Laos	EAP	46.3		Lowest Freedom
134	Egypt	MENA	46.2		Lowest Freedom
135	Comoros	SSA	46.2		Lowest Freedom
136	Congo	SSA	46.0		Lowest Freedom

OVERVIEW

Rank	Country	Region	Freedom Score		Freedom Status
137	Zimbabwe	SSA	45.4		Lowest Freedom
138	Haiti	LAC	45.0		Lowest Freedom
139	Cambodia	EAP	44.9		Lowest Freedom
140	Bangladesh	SCA	44.1		Lowest Freedom
141	Guinea	SSA	43.7		Lowest Freedom
142	Iraq	MENA	43.6		Lowest Freedom
143	Democratic Republic of the Congo	SSA	43.4		Lowest Freedom
144	Saudi Arabia	MENA	42.9		Lowest Freedom
145	China	EAP	42.8		Lowest Freedom
146	Ethiopia	SSA	42.6		Lowest Freedom
147	Russian Federation	EUR	42.5		Lowest Freedom
148	Tajikistan	SCA	39.7		Lowest Freedom
149	Nicaragua	LAC	39.3		Lowest Freedom
150	Equatorial Guinea	SSA	39.3		Lowest Freedom
151	Chad	SSA	38.7		Lowest Freedom
152	Burundi	SSA	38.5		Lowest Freedom
153	South Sudan	SSA	37.9		Lowest Freedom
154	Belarus	EUR	36.9		Lowest Freedom
155	Venezuela	LAC	35.3		Lowest Freedom
156	Libya	MENA	33.8		Lowest Freedom
157	Iran	MENA	32.4		Lowest Freedom
158	Myanmar	EAP	30.5		Lowest Freedom
159	Yemen	MENA	29.3		Lowest Freedom
160	Syria	MENA	28.6		Lowest Freedom
161	Sudan	SSA	28.6		Lowest Freedom
162	Turkmenistan	SCA	24.5		Lowest Freedom
163	Eritrea	SSA	22.7		Lowest Freedom
164	Afghanistan	SCA	20.4		Lowest Freedom

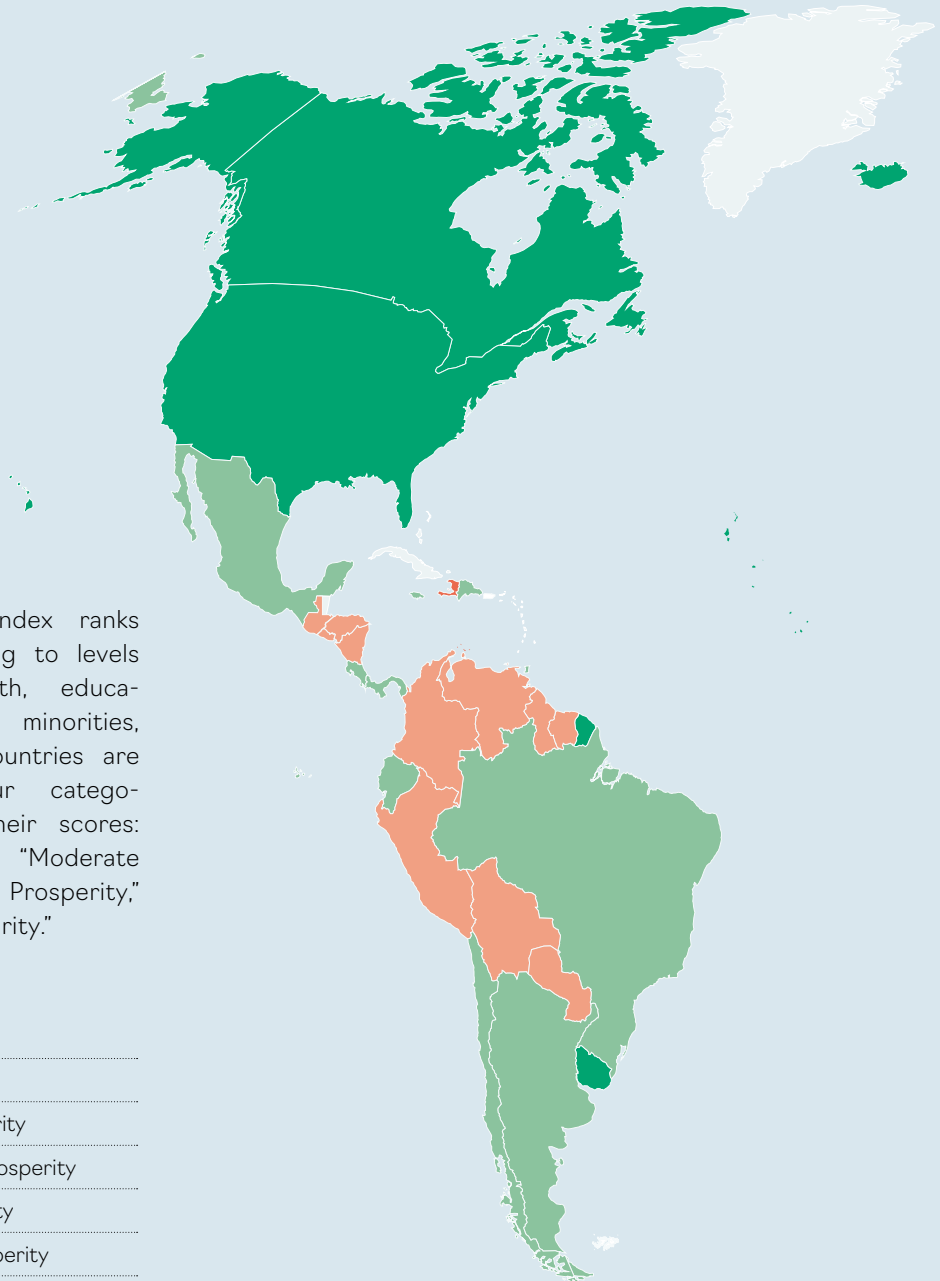
Prosperity Index: World Ranking

The Prosperity Index ranks countries according to levels of income, health, education, environment, minorities, and inequality. Countries are placed into four categories based on their scores: "High Prosperity," "Moderate Prosperity," "Low Prosperity," and "Lowest Prosperity."

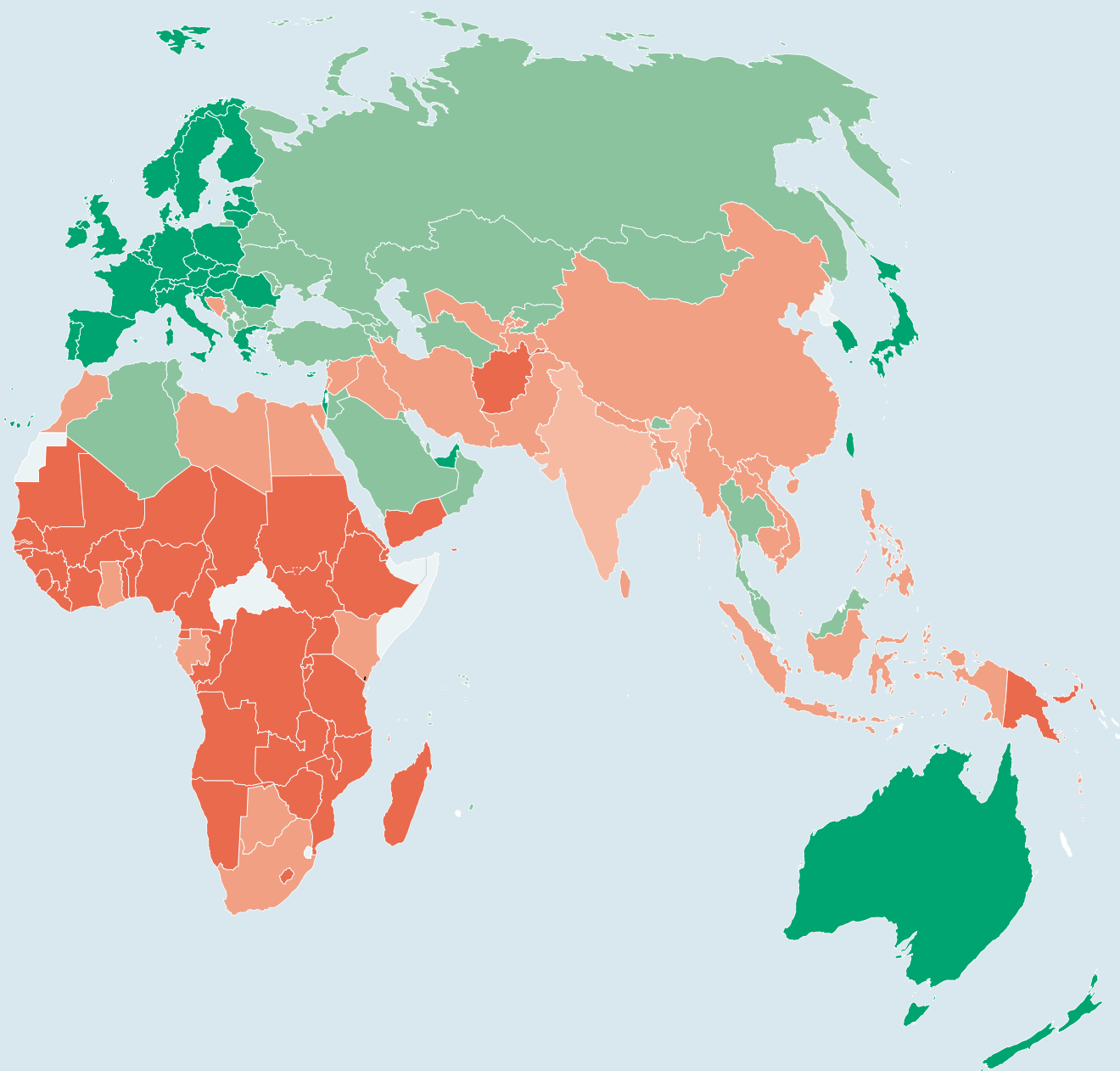
How to Read This Map

Status

- High Prosperity
- Moderate Prosperity
- Low Prosperity
- Lowest Prosperity
- No Data



OVERVIEW

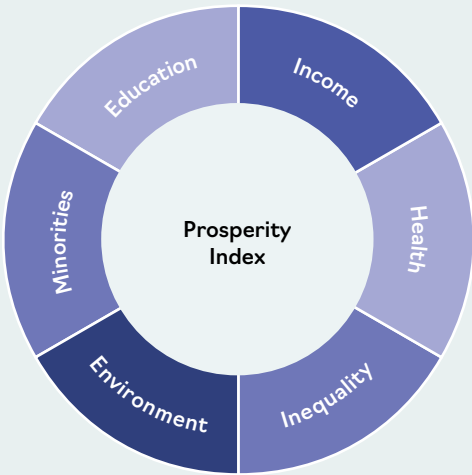


Prosperity Rankings

The Prosperity Index attempts to capture both the average level of prosperity, through the level of purchasing power and human capital that an average citizen displays, and shared prosperity, through measures of environmental quality, as well as income inequality and the well-being of minority groups.

Prosperity Index Structure

Countries are scored and ranked according to the equally weighted average of six indicators. The original sources of data and analyses are listed in the Methodology.



How to Read the Rankings				
Rank Out of 164	Country	Region*	Prosperity Score Each country's score ranges between zero and one hundred, with higher values indicating more prosperity.	Prosperity Status Countries are placed into four categories based on their scores. <div><div></div> High Prosperity</div> <div><div></div> Moderate Prosperity</div> <div><div></div> Low Prosperity</div> <div><div></div> Lowest Prosperity</div>
29	Lithuania	EUR	83.0	<div><div></div></div> High Prosperity

***Regional Abbreviations**

EAP	East Asia & the Pacific	MENA	Middle East & North Africa	SCA	South & Central Asia
EUR	Europe	NA	North America	SSA	Sub-Saharan Africa
LAC	Latin America & the Caribbean				

OVERVIEW

Rank	Country	Region	Prosperity Score	Prosperity Status
1	Norway	EUR	91.0	High Prosperity
2	Denmark	EUR	90.7	High Prosperity
3	Iceland	EUR	89.9	High Prosperity
4	Sweden	EUR	89.8	High Prosperity
5	Ireland	EUR	89.6	High Prosperity
6	Switzerland	EUR	89.3	High Prosperity
7	Belgium	EUR	88.9	High Prosperity
8	Finland	EUR	88.6	High Prosperity
9	Netherlands	EUR	88.5	High Prosperity
10	Slovenia	EUR	88.3	High Prosperity
11	Luxembourg	EUR	87.9	High Prosperity
12	Germany	EUR	87.4	High Prosperity
13	Czech Republic	EUR	87.1	High Prosperity
14	Australia	EAP	86.7	High Prosperity
15	Malta	EUR	86.3	High Prosperity
16	New Zealand	EAP	86.2	High Prosperity
17	Austria	EUR	86.0	High Prosperity
18	Cyprus	EUR	84.5	High Prosperity
19	Canada	NA	84.5	High Prosperity
20	Estonia	EUR	84.4	High Prosperity
21	Singapore	EAP	84.3	High Prosperity
22	Japan	EAP	83.9	High Prosperity
23	Spain	EUR	83.9	High Prosperity
24	France	EUR	83.7	High Prosperity
25	Taiwan	EAP	83.7	High Prosperity
26	United Kingdom	EUR	83.3	High Prosperity
27	Slovakia	EUR	83.2	High Prosperity
28	Italy	EUR	83.1	High Prosperity
29	Lithuania	EUR	83.0	High Prosperity
30	South Korea	EAP	82.7	High Prosperity
31	Latvia	EUR	82.5	High Prosperity
32	Greece	EUR	82.3	High Prosperity
33	Portugal	EUR	81.7	High Prosperity
34	Croatia	EUR	80.9	High Prosperity

OVERVIEW

Rank	Country	Region	Prosperity Score		Prosperity Status
35	Poland	EUR	80.5		High Prosperity
36	United States of America	NA	80.4		High Prosperity
37	Israel	MENA	80.3		High Prosperity
38	Hungary	EUR	79.4		High Prosperity
39	United Arab Emirates	MENA	79.4		High Prosperity
40	Uruguay	LAC	78.0		High Prosperity
41	Romania	EUR	76.5		High Prosperity
42	Argentina	LAC	76.2		Moderate Prosperity
43	Belarus	EUR	76.0		Moderate Prosperity
44	Moldova	EUR	75.3		Moderate Prosperity
45	Kuwait	MENA	75.0		Moderate Prosperity
46	Georgia	EUR	75.0		Moderate Prosperity
47	Kazakhstan	SCA	74.7		Moderate Prosperity
48	Chile	LAC	74.6		Moderate Prosperity
49	Seychelles	SSA	74.1		Moderate Prosperity
50	Barbados	LAC	74.1		Moderate Prosperity
51	Montenegro	EUR	73.9		Moderate Prosperity
52	Costa Rica	LAC	73.7		Moderate Prosperity
53	Bulgaria	EUR	73.1		Moderate Prosperity
54	Qatar	MENA	73.0		Moderate Prosperity
55	Serbia	EUR	72.9		Moderate Prosperity
56	North Macedonia	EUR	72.7		Moderate Prosperity
57	Armenia	EUR	72.2		Moderate Prosperity
58	Trinidad and Tobago	LAC	71.9		Moderate Prosperity
59	Ukraine	EUR	71.3		Moderate Prosperity
60	Albania	EUR	71.1		Moderate Prosperity
61	Mauritius	SSA	70.9		Moderate Prosperity
62	Russian Federation	EUR	70.7		Moderate Prosperity
63	Oman	MENA	69.8		Moderate Prosperity
64	Thailand	EAP	69.6		Moderate Prosperity
65	Panama	LAC	69.5		Moderate Prosperity
66	Malaysia	EAP	69.0		Moderate Prosperity
67	Jordan	MENA	68.9		Moderate Prosperity
68	Saudi Arabia	MENA	68.8		Moderate Prosperity

OVERVIEW

Rank	Country	Region	Prosperity Score		Prosperity Status
69	Algeria	MENA	68.5		Moderate Prosperity
70	Turkey	MENA	68.4		Moderate Prosperity
71	Bahrain	MENA	67.7		Moderate Prosperity
72	Azerbaijan	EUR	67.7		Moderate Prosperity
73	Brazil	LAC	67.6		Moderate Prosperity
74	Dominican Republic	LAC	67.2		Moderate Prosperity
75	Ecuador	LAC	67.1		Moderate Prosperity
76	Turkmenistan	SCA	66.6		Moderate Prosperity
77	Tunisia	MENA	66.5		Moderate Prosperity
78	Jamaica	LAC	66.3		Moderate Prosperity
79	Bhutan	SCA	65.9		Moderate Prosperity
80	Mexico	LAC	65.8		Moderate Prosperity
81	Kyrgyzstan	SCA	65.7		Moderate Prosperity
82	Mongolia	EAP	65.5		Moderate Prosperity
83	Vietnam	EAP	65.4		Low Prosperity
84	Bosnia and Herzegovina	EUR	65.4		Low Prosperity
85	China	EAP	64.6		Low Prosperity
86	Peru	LAC	64.5		Low Prosperity
87	Uzbekistan	SCA	64.0		Low Prosperity
88	Libya	MENA	63.6		Low Prosperity
89	Iran	MENA	62.9		Low Prosperity
90	Lebanon	MENA	62.9		Low Prosperity
91	Colombia	LAC	62.8		Low Prosperity
92	Guyana	LAC	62.7		Low Prosperity
93	Egypt	MENA	62.6		Low Prosperity
94	Venezuela	LAC	62.6		Low Prosperity
95	Morocco	MENA	62.3		Low Prosperity
96	Suriname	LAC	62.2		Low Prosperity
97	Bolivia	LAC	62.2		Low Prosperity
98	Gabon	SSA	61.8		Low Prosperity
99	Paraguay	LAC	61.7		Low Prosperity
100	Philippines	EAP	60.4		Low Prosperity
101	Sri Lanka	SCA	60.3		Low Prosperity
102	El Salvador	LAC	60.3		Low Prosperity

OVERVIEW

Rank	Country	Region	Prosperity Score		Prosperity Status
103	Iraq	MENA	58.9		Low Prosperity
104	Cape Verde	SSA	58.7		Low Prosperity
105	Indonesia	EAP	58.4		Low Prosperity
106	Botswana	SSA	57.7		Low Prosperity
107	Vanuatu	EAP	56.1		Low Prosperity
108	São Tomé and Príncipe	SSA	55.9		Low Prosperity
109	Syria	MENA	55.7		Low Prosperity
110	Nicaragua	LAC	55.5		Low Prosperity
111	Bangladesh	SCA	55.1		Low Prosperity
112	Laos	EAP	54.6		Low Prosperity
113	Nepal	SCA	54.6		Low Prosperity
114	India	SCA	53.9		Low Prosperity
115	South Africa	SSA	53.8		Low Prosperity
116	Honduras	LAC	53.8		Low Prosperity
117	Cambodia	EAP	53.5		Low Prosperity
118	Tajikistan	SCA	53.3		Low Prosperity
119	Ghana	SSA	53.2		Low Prosperity
120	Myanmar	EAP	53.1		Low Prosperity
121	Guatemala	LAC	53.0		Low Prosperity
122	Pakistan	SCA	52.0		Low Prosperity
123	Kenya	SSA	51.6		Low Prosperity
124	Senegal	SSA	49.8		Lowest Prosperity
125	Mauritania	SSA	49.6		Lowest Prosperity
126	Equatorial Guinea	SSA	49.3		Lowest Prosperity
127	Angola	SSA	48.5		Lowest Prosperity
128	Togo	SSA	48.2		Lowest Prosperity
129	Cameroon	SSA	47.9		Lowest Prosperity
130	Gambia	SSA	47.1		Lowest Prosperity
131	Papua New Guinea	EAP	46.8		Lowest Prosperity
132	Tanzania	SSA	46.5		Lowest Prosperity
133	Congo	SSA	46.4		Lowest Prosperity
134	Namibia	SSA	46.2		Lowest Prosperity
135	Comoros	SSA	46.0		Lowest Prosperity
136	Nigeria	SSA	45.6		Lowest Prosperity

OVERVIEW

Rank	Country	Region	Prosperity Score		Prosperity Status
137	Uganda	SSA	45.6		Lowest Prosperity
138	Ethiopia	SSA	45.6		Lowest Prosperity
139	Benin	SSA	45.4		Lowest Prosperity
140	Côte d'Ivoire	SSA	45.2		Lowest Prosperity
141	Zimbabwe	SSA	45.0		Lowest Prosperity
142	Liberia	SSA	44.8		Lowest Prosperity
143	Djibouti	SSA	44.7		Lowest Prosperity
144	Malawi	SSA	44.6		Lowest Prosperity
145	Rwanda	SSA	44.3		Lowest Prosperity
146	Sierra Leone	SSA	43.9		Lowest Prosperity
147	Lesotho	SSA	43.9		Lowest Prosperity
148	Burkina Faso	SSA	43.7		Lowest Prosperity
149	Zambia	SSA	43.4		Lowest Prosperity
150	Haiti	LAC	42.6		Lowest Prosperity
151	Guinea-Bissau	SSA	42.6		Lowest Prosperity
152	Sudan	SSA	42.5		Lowest Prosperity
153	Yemen	MENA	41.9		Lowest Prosperity
154	Afghanistan	SCA	41.7		Lowest Prosperity
155	Guinea	SSA	41.7		Lowest Prosperity
156	Burundi	SSA	41.2		Lowest Prosperity
157	Mali	SSA	41.1		Lowest Prosperity
158	Madagascar	SSA	41.0		Lowest Prosperity
159	Eritrea	SSA	40.4		Lowest Prosperity
160	Democratic Republic of the Congo	SSA	40.1		Lowest Prosperity
161	Niger	SSA	39.1		Lowest Prosperity
162	Mozambique	SSA	38.2		Lowest Prosperity
163	Chad	SSA	36.4		Lowest Prosperity
164	South Sudan	SSA	31.9		Lowest Prosperity

East Asia & the Pacific



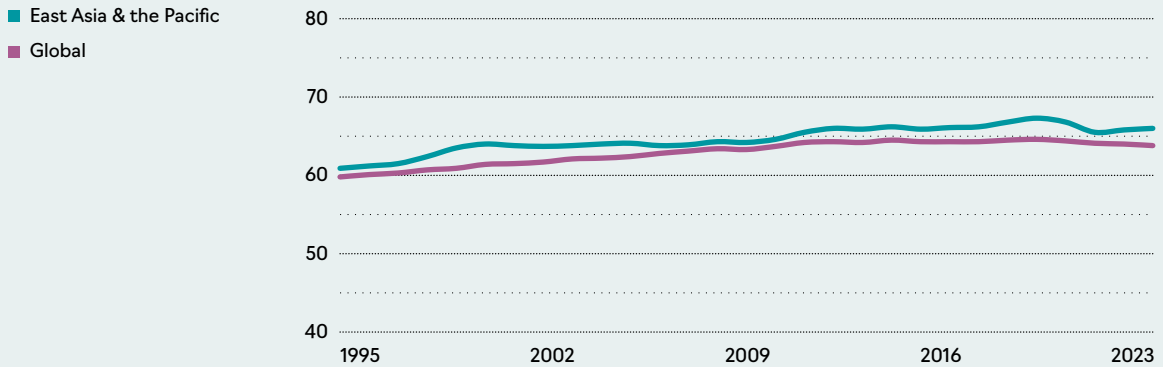
East Asia & the Pacific: Regional Ranking

	Freedom				Prosperity			
	Rank	Score	Status		Rank	Score	Status	
Australia	9	90.2	◆ High Freedom		14	86.7	● High Prosperity	
New Zealand	11	90.0	◆ High Freedom		16	86.2	● High Prosperity	
Japan	20	86.2	◆ High Freedom		22	83.9	● High Prosperity	
Taiwan	23	84.5	◆ High Freedom		25	83.7	● High Prosperity	
Singapore	31	82.4	◆ High Freedom		21	84.3	● High Prosperity	
South Korea	35	80.4	◆ High Freedom		30	82.7	● High Prosperity	
Vanuatu	56	72.8	◇ Moderate Freedom		107	56.1	◐ Low Prosperity	
Mongolia	71	68.4	◇ Moderate Freedom		82	65.5	◐ Moderate Prosperity	
Malaysia	74	67.8	◇ Moderate Freedom		66	69.0	◐ Moderate Prosperity	
Indonesia	85	64.9	◊ Low Freedom		105	58.4	◐ Low Prosperity	
Philippines	92	62.5	◊ Low Freedom		100	60.4	◐ Low Prosperity	
Thailand	94	62.0	◊ Low Freedom		64	69.6	◐ Moderate Prosperity	
Papua New Guinea	100	59.9	◊ Low Freedom		131	46.8	◐ Lowest Prosperity	
Vietnam	123	51.8	◊ Low Freedom		83	65.4	◐ Low Prosperity	
Laos	133	46.3	◊ Lowest Freedom		112	54.6	◐ Low Prosperity	
Cambodia	139	44.9	◊ Lowest Freedom		117	53.5	◐ Low Prosperity	
China	145	42.8	◊ Lowest Freedom		85	64.6	◐ Low Prosperity	
Myanmar	158	30.5	◊ Lowest Freedom		120	53.1	◐ Low Prosperity	

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

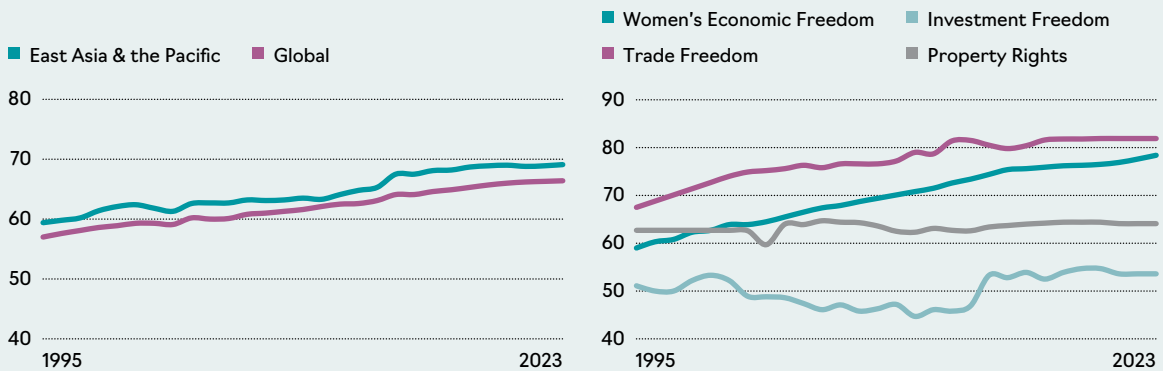
Freedom Index

1995–2023



	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	66.0	63.8	-0.2%	-1.1%
Economic Subindex	69.1	66.4	2.4%	3.6%
Political Subindex	66.1	67.4	-1.9%	-4.6%
Legal Subindex	62.8	57.7	-1.3%	-2.0%

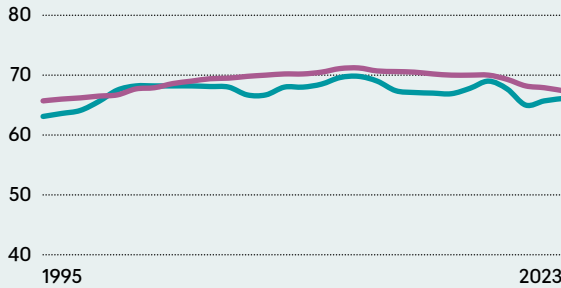
Economic Subindex



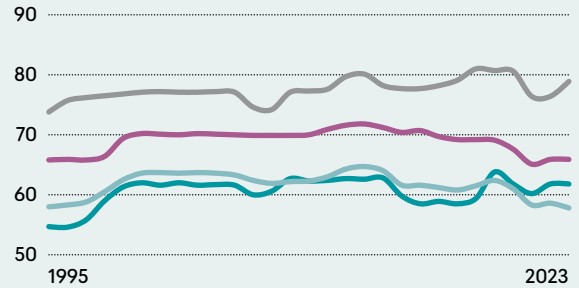
	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	78.4	78.3	5.4%	8.5%
Investment Freedom	53.6	56.9	0.5%	2.1%
Trade Freedom	81.9	77.3	1.7%	0.5%
Property Rights	64.1	55.4	1.2%	1.6%

Political Subindex

East Asia & the Pacific Global



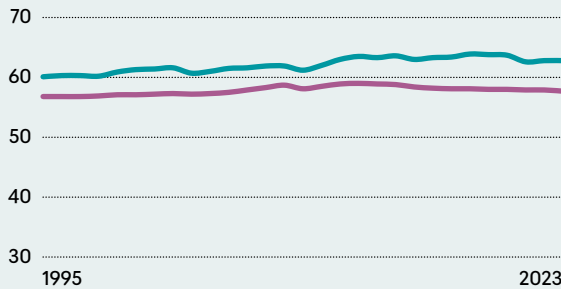
Legislative Constraints on the Executive Political Rights
Civil Liberties Elections



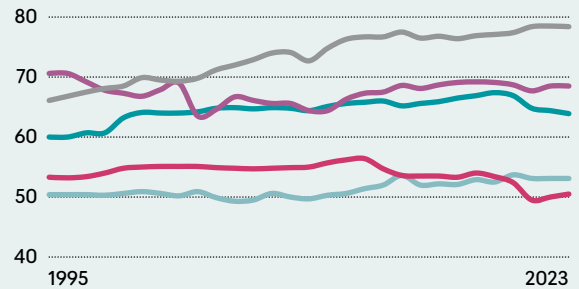
	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	61.8	57.4	3.4%	-4.7%
Political Rights	57.8	64.0	-6.2%	-6.7%
Civil Liberties	65.9	68.9	-6.4%	-3.5%
Elections	78.9	79.1	1.5%	-3.8%

Legal Subindex

East Asia & the Pacific Global



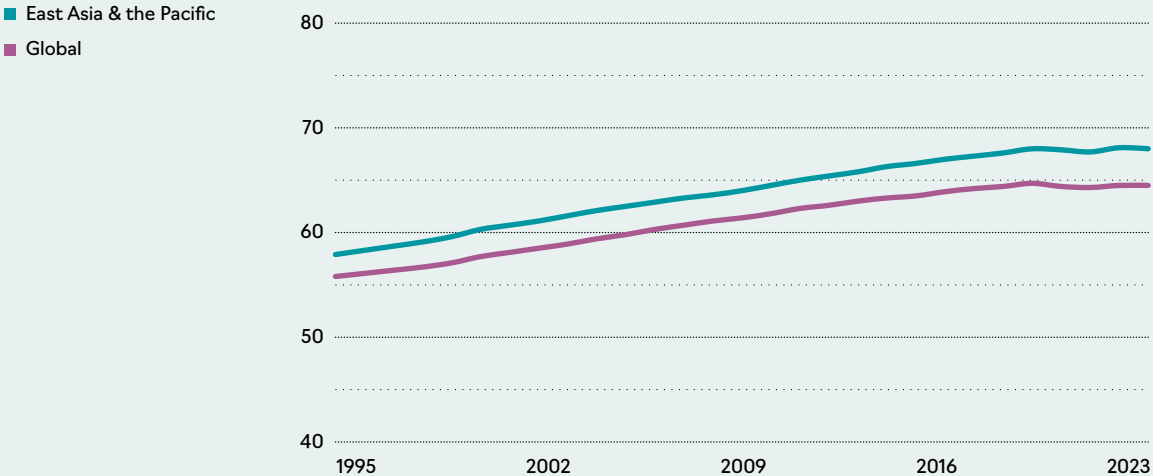
Judicial Independence and Effectiveness Bureaucracy and Corruption Security
Clarity of the Law Informality



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	63.9	61.7	-2.1%	-1.4%
Bureaucracy and Corruption	53.1	44.4	-0.8%	-2.0%
Security	68.5	60.0	-0.1%	-1.4%
Clarity of the Law	50.5	52.0	-5.7%	-4.5%
Informality	78.4	71.4	1.2%	-1.1%

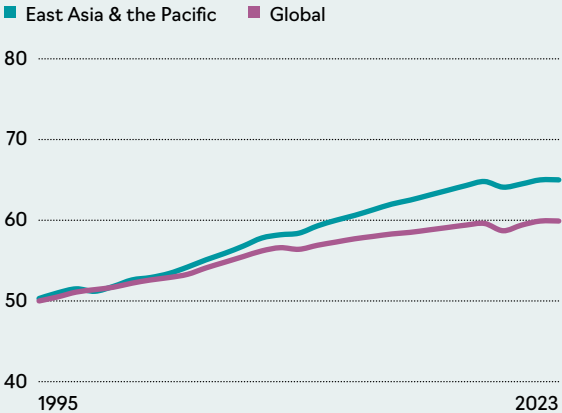
Prosperity Index

1995-2023



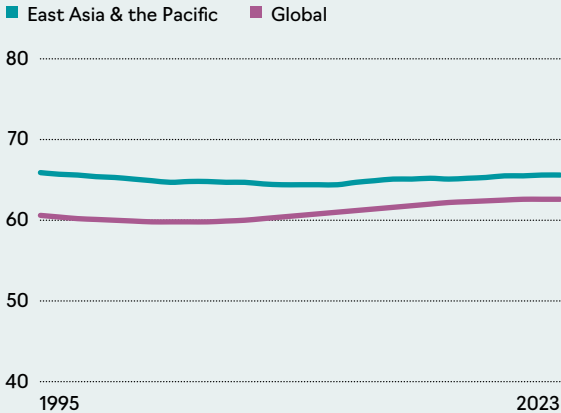
	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	68.0	64.5	2.7%	1.9%

Income



	2023	
	Region	Global
Income	65.0	59.9
Inequality	65.6	62.6

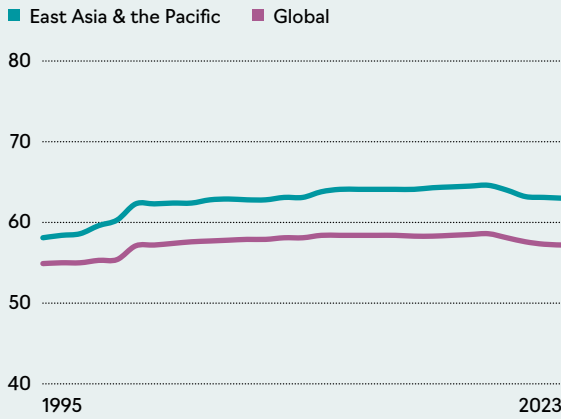
Inequality



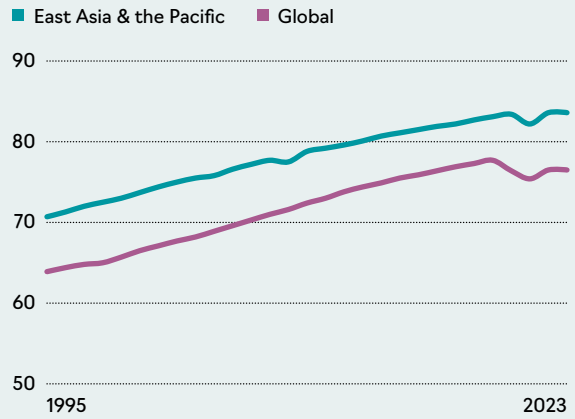
	2023		Change Since 2014	
	Region	Global	Region	Global
Income	65.0	59.9	5.0%	2.7%
Inequality	65.6	62.6	0.7%	1.6%

EAST ASIA & THE PACIFIC

Minorities

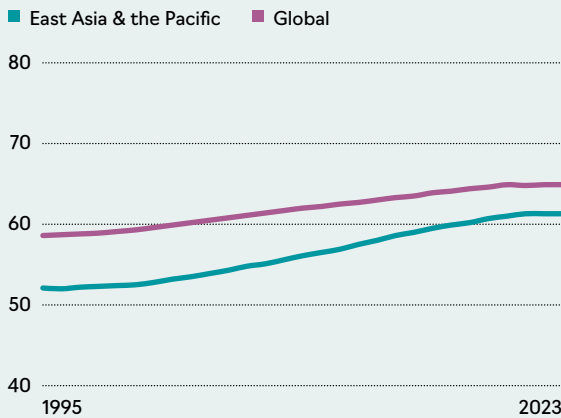


Health

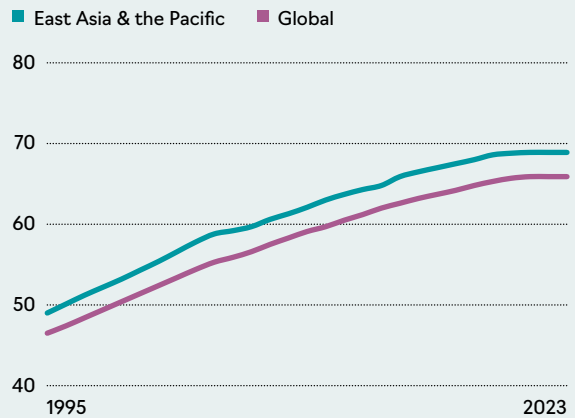


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	63.0	57.2	-1.7%	-2.1%
Health	83.6	76.5	3.1%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	61.3	64.9	4.7%	2.4%
Education	68.9	65.9	4.6%	5.1%

Japan

Kotaro Shiojiri

Socioeconomic Data 2023

General Information

POPULATION

124.52 million

LIFE EXPECTANCY (2022)

84 years

RELIGION (2010)

Unaffiliated → 57.0%

Buddhist → 36.2%

Other → 6.8%

ETHNIC
FRACTIONALIZATION
(2013)

0.019

Economic Data

GDP PER CAPITA

46,268

% of US GDP pc → 62.8%

GDP pc Growth → 2.4%

INFLATION

3.3%

DEBT/GDP (GENERAL 2023)

249.7%

TRADE (% OF GDP) (2022)

47%

UNEMPLOYMENT

2.6%

SECTORAL ALLOCATION

Agriculture → 1.0%

Industry → 27.1%

Services → 71.9%

GINI COEFFICIENT (2021)

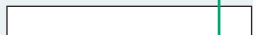
33.3

Freedom Index



STATUS
High Freedom

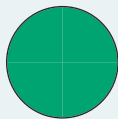
SCORE
86.2



0 50 100

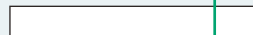
RANK
20^{/164}

Prosperity Index



STATUS
High Prosperity

SCORE
83.9

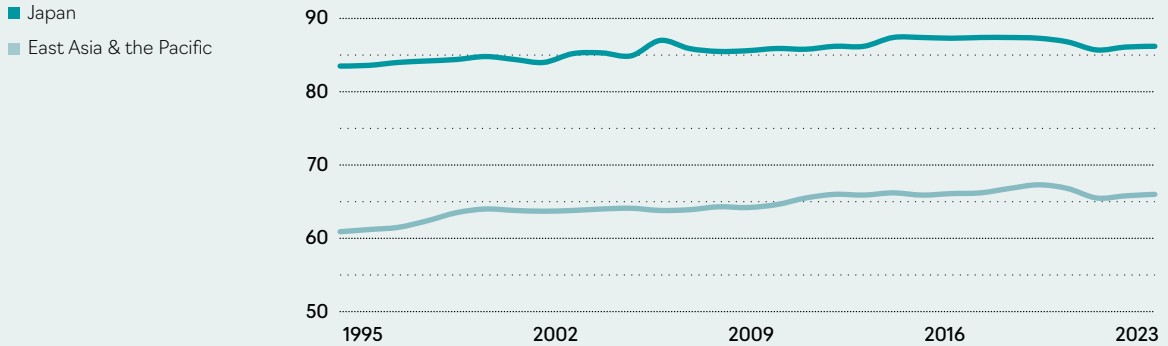


0 50 100

RANK
22^{/164}

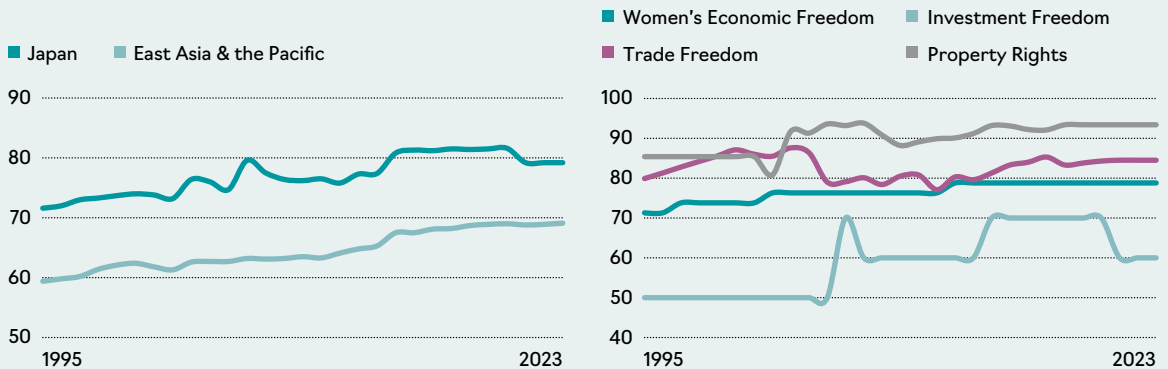
Freedom Index

1995-2023



	2023		Change Since 2014	
	Japan	Region	Japan	Region
Freedom Rank	20	-	1	-
Freedom Score	86.2	66.0	-1.3%	-0.2%
Economic Subindex	79.2	69.1	-2.0%	2.4%
Political Subindex	92.4	66.1	-1.3%	-1.9%
Legal Subindex	87.0	62.8	-0.6%	-1.3%

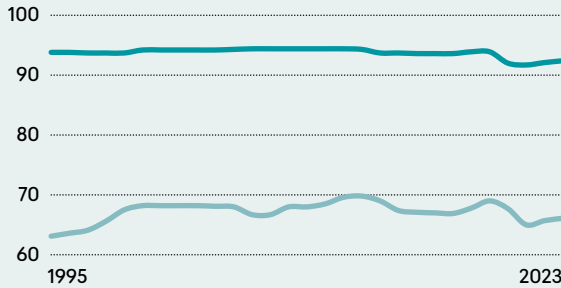
Economic Subindex



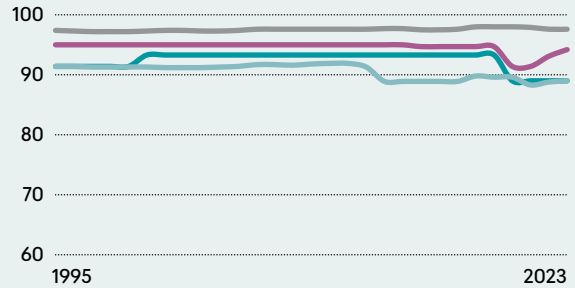
	2023		Change Since 2014	
	Japan	Region	Japan	Region
Women's Economic Freedom	78.8	78.4	0.0%	5.4%
Investment Freedom	60.0	53.6	-14.3%	0.5%
Trade Freedom	84.5	81.9	3.8%	1.7%
Property Rights	93.4	64.1	0.3%	1.2%

Political Subindex

■ Japan ■ East Asia & the Pacific



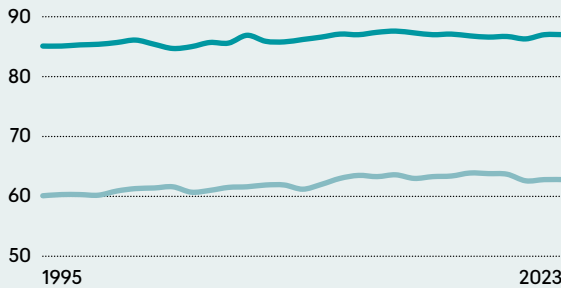
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



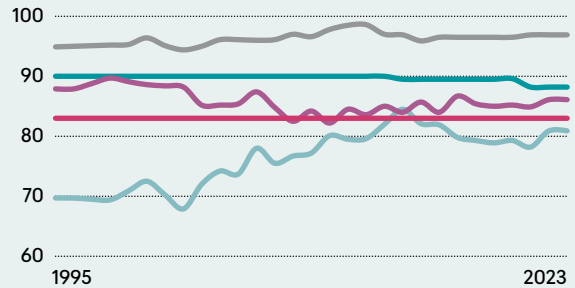
	2023		Change Since 2014	
	Japan	Region	Japan	Region
Legislative Constraints on the Executive	89.0	61.8	-4.6%	3.4%
Political Rights	89.0	57.8	0.1%	-6.2%
Civil Liberties	94.2	65.9	-0.8%	-6.4%
Elections	97.6	78.9	-0.1%	1.5%

Legal Subindex

■ Japan ■ East Asia & the Pacific



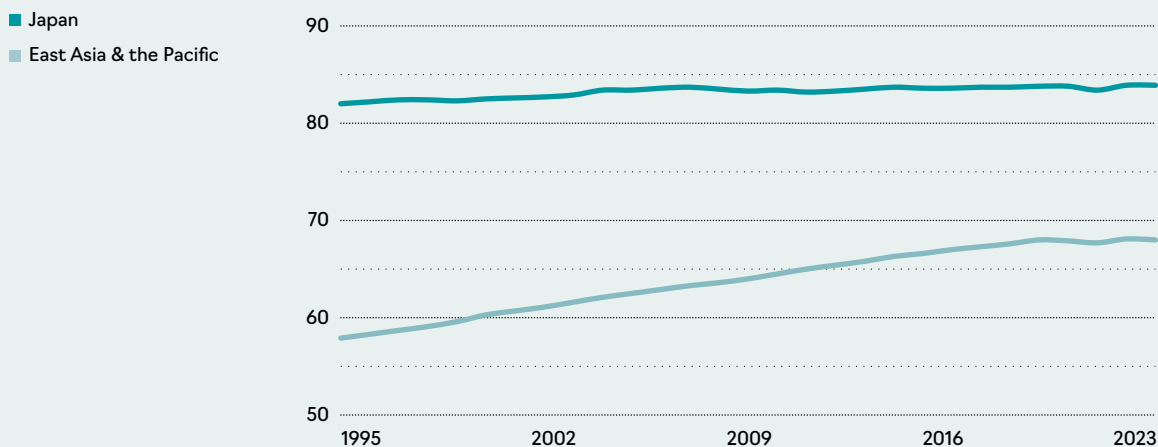
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Japan	Region	Japan	Region
Judicial Independence and Effectiveness	88.2	63.9	-1.5%	-2.1%
Bureaucracy and Corruption	80.9	53.1	-4.3%	-0.8%
Security	86.1	68.5	2.5%	-0.1%
Clarity of the Law	83.0	50.5	0.0%	-5.7%
Informality	96.9	78.4	0.0%	1.2%

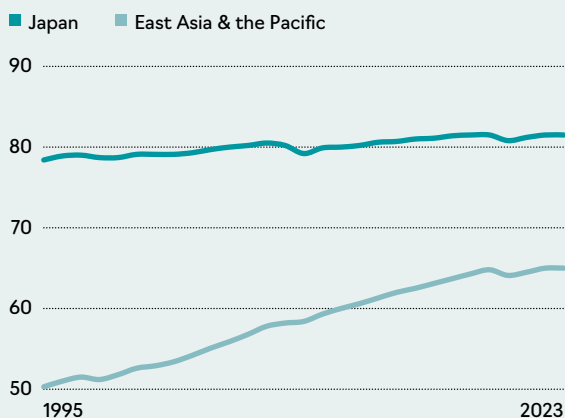
Prosperity Index

1995-2023

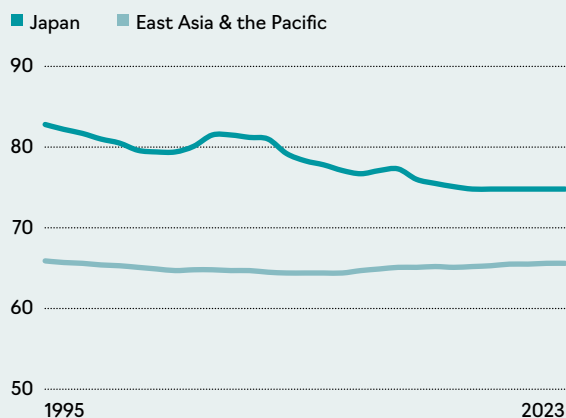


	2023		Change Since 2014	
	Japan	Region	Japan	Region
Prosperity Rank	22	-	-3	-
Prosperity Score	83.9	68.0	0.3%	2.7%

Income



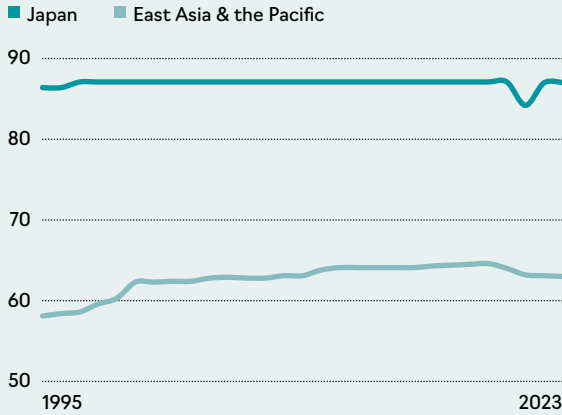
Inequality



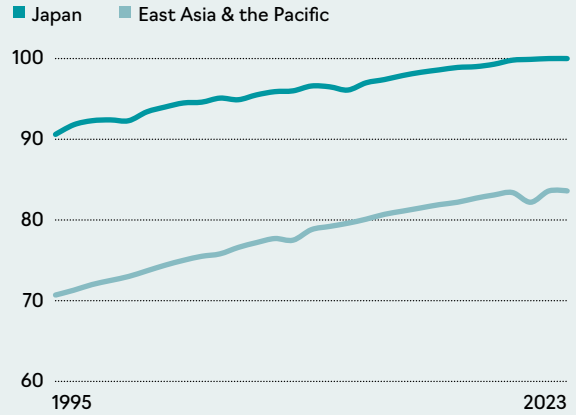
	2023		Change Since 2014	
	Japan	Region	Japan	Region
Income	81.5	65.0	1.0%	5.0%
Inequality	74.8	65.6	-3.3%	0.7%

JAPAN

Minorities

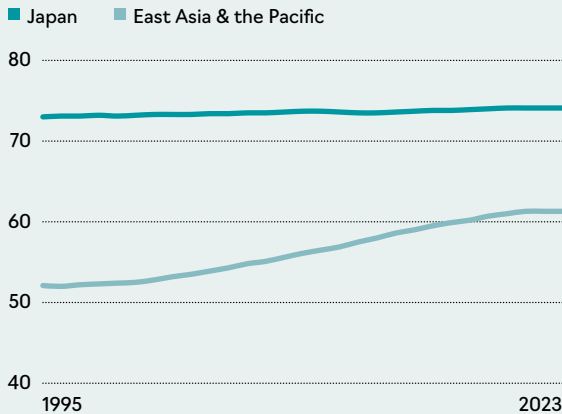


Health

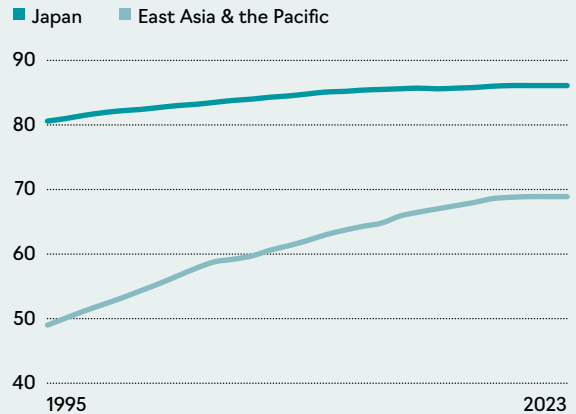


	2023		Change Since 2014	
	Japan	Region	Japan	Region
Minorities	87.0	63.0	-0.1%	-1.7%
Health	100.0	83.6	2.2%	3.1%

Environment



Education



	2023		Change Since 2014	
	Japan	Region	Japan	Region
Environment	74.1	61.3	0.7%	4.7%
Education	86.1	68.9	0.6%	4.6%

Evolution of Freedom

The only non-Atlantic member of the G7, Japan is a country that defies easy categorization. Even as it has experienced comparative macroeconomic stagnation over the past three decades, Japanese companies have remained innovative and the country as a whole remains prosperous. While the persistence of Liberal Democratic Party (LDP) leadership has led some to characterize Japan as an immature democracy, it also enjoys enviable political stability and its democratic institutions and culture have deep-rooted foundations. Even as Japan has been criticized for its overly rigid labor markets, it has earned admiration for low levels of inequality, high levels of safety, and the stoic persistence of the Japanese people in the face of recurrent natural disasters. Both the great strengths of Japan and the many challenges that it faces ahead are in sharp relief in this year's Freedom Index, which makes a continued and important contribution to our understanding of the dynamics of freedom around the world. In this essay, I explore several of these trends, offering potential explanations and—at times—respectful disagreements, as well as suggesting opportunities for Japan to continue to strengthen the foundations of its freedom and prosperity in the years to come.

As the **Freedom Index** recognizes, Japan is among the world's leading democracies, with well-developed institutions and a mature economy that promote a high degree of freedom and prosperity for its citizens and residents. Notably, the country's scores in the political and legal subindexes are both significantly above the Organisation for Economic Co-operation and Development (OECD) average and have experienced only minor fluctuations in the last three decades. That Japan is a stable and mature democracy is reflected not

only in the Freedom Index but other well-known indices such as those released by the Economist Intelligence Unit¹ and Freedom House.²

At the same time, as the Freedom Index recognizes, Japan has further opportunities to strengthen the foundations of its own democracy and prosperity. This is perhaps most evident in scores in the **economic subindex** of the Freedom Index, which lag behind Japan's scores in the political and legal subindexes. In 2023, Japan's economic score fell six points below the OECD average and lagged behind peer countries such as Australia, Germany, and the United States by approximately ten points. This gap is explained largely by poor performance in two components: women's economic freedom, and investment freedom.

Regarding the former, the underlying data used to construct the component (the World Bank's Women, Business and the Law index) point to two important aspects in which Japan's legislation does not reach the same standards of gender equality as other developed countries, specifically equal pay, and workplace protection. Although "womenomics" was a major theme of former Prime Minister Abe's premiership from 2012–20 and has remained a priority in subsequent administrations, it is true that there is still work to be done.

In particular, Japan has struggled to right the so-called "M-curve" whereby women in their thirties have much lower labor force participation rates than younger and older age groups, often reflecting temporary withdrawal from the workforce in the early stages of child-rearing. Although this phenomenon is evident in many developed countries, structural rigidities and other distinctive features of Japan's labor market and work culture have had the effect of limiting women's

¹ The Economic Intelligence Unit, "Democracy Dictatorship Index", <https://worldpopulationreview.com/country-rankings/democracy-dictatorship-index-by-country>.

² Freedom House, Countries and Territories, <https://freedomhouse.org/countries/freedom-world/scores>.

ability to return to career-track roles after child-birth. Although the most recent national data suggest significant improvements in this area, the persistent gap between female and male labor force participation in managerial roles attests to the continued importance of this challenge.³

The evolution of investment freedom in Japan is also distinct from many other developed nations. In general, Japan has averaged a ten- to twenty-point gap between the OECD average since 1995, though this gap has narrowed somewhat since 2004, reflecting in part liberalization efforts introduced by the Koizumi and Abe administrations as well as sustained improvements in Japanese corporate governance standards. These have had an important effect over time in attracting additional foreign investment, which has helped to improve Japan's score. Anecdotally, foreign involvement in state-supported strategic national projects, such as a joint Taiwan Semiconductor Manufacturing Company (TSMC)-Sony-Denso semiconductor fabrication facility in Kumamoto, also attest to more welcoming attitudes and approaches to both foreign direct and portfolio investment. In light of contemporary trends in economic analysis, such as work by the International Monetary Fund and other international institutions to highlight the pernicious economic effects of inequality, it is also reasonable to question whether Japanese labor protections that count against its economic freedom score are truly a mark against economic freedom. An alternative reading might suggest they are instead an example of the kind of stakeholder capitalism that institutions such as the Business Roundtable have called for the United States and others to embrace.

As for Japan's score on the **political subindex**, high marks reflect the extraordinary stability of Japan's democratic institutions, not only since 1995 but over the last sixty years. To be sure, some commentators have argued that the

persistent dominance of the LDP throughout most of the postwar period suggests Japan is an immature democracy. However, the success of the Democratic Party of Japan (2009–12) in capturing a sweeping majority—and then the clear electoral rebuke that followed persistent policy missteps and returned the LDP to power—demonstrate the ability of the Japanese electorate and Japan's democratic institutions to both generate change and support a peaceful transition of power. Further, a major reason for the LDP's persistent electoral success has been its willingness to adapt and accommodate a wide range of political views from moderate conservatism to right-wing nationalism. Political leadership is strongly supported by the bureaucratic system, which has been the driving force of the policymaking process.

Even the visible (if relatively small in magnitude) drop in the Freedom Index's civil liberties component in 2019 can readily be explained by restrictions imposed to try to tackle the effects of the COVID-19 pandemic, as evidenced by the subsequent rebound in 2022. A similar fall is observable in the Index's rating for legislative constraints on the executive. In this case, the drop has been persistent but the cause—and implications—of this drop are worth evaluating critically. One potential explanation is the fact that the national legislature did not decisively condemn multiple scandals related to political appointees in the executive branches and several members of the Cabinet during the late Abe administration (2012–20) and across the Suga and Kishida administrations (2020–24). At the same time, in foreign policy circles, the emergence of a more empowered and decisive Japanese premiership has been widely lauded as vital in allowing Japan to cope with an increasingly complex and severe foreign policy environment. Given that effective foreign policy is a critical guarantor of Japan's economic freedom—and a critical buttress for the

³ Jun Saito, "Has the Female Labour Force Participation Rate in Japan Reached Its Maximum?" Japan Center for Economic Research, March 19, 2024, www.jcer.or.jp/english/has-the-female-labour-force-participation-rate-in-japan-reached-its-maximum.

rules-based international economic order that Japan seeks to uphold—these scores deserve cautious interpretation.

By contrast, the reduction in political rights observed in the Index—though relatively small—is nonetheless a cause for sober reflection. This drop in particular coincides with the former Prime Minister Abe's second term. Abe's strong leadership had many positive effects but its treatment of the press at times did not live up to the ideals of Japanese democracy. For example, certain journalists were practically expelled from press conferences when the administration felt their questions were unfair, which can be seen as an indirect restriction of freedom of information. This minor episode reflects a pressure that was looming over journalism in Japan, where the law regulating broadcasting gives an extraordinary importance to the neutrality of public

and private media outlets (see Article Four of the Broadcasting Act of Japan).

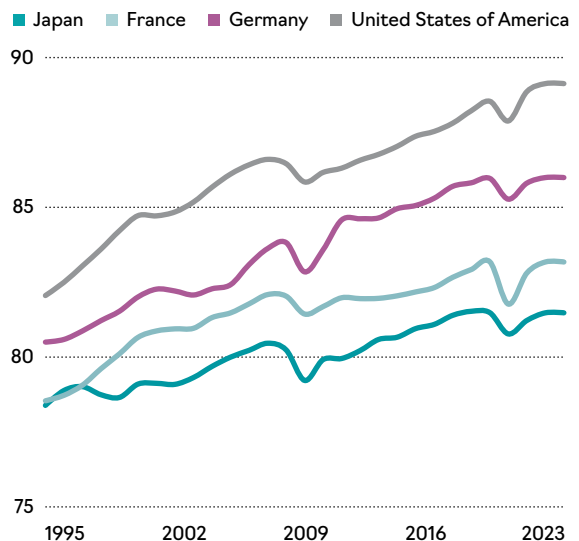
Finally, the most notable trend in the **legal subindex**, which seeks to capture bureaucratic quality and control of corruption, showed a more than fourteen-point improvement from 2002 to 2014, perhaps reflecting the legacy of major government restructuring efforts launched by the Hashimoto administration (1996–98) and carried forward under the subsequent Koizumi administration (2001–05). These gains have since been somewhat sustained, reflecting perhaps the intermittent revelation of corruption scandals, such as a notable case concerning Japan Highway Public Corporation in the 2000s and the recent incident affecting several ministers of the LDP accused of misuse of political donations.

Evolution of Prosperity

Just as it is free, Japan is also among the most prosperous countries of the world, a reality well reflected by its high scores across the **Prosperity Index**. However, rather than dwell on Japan's considerable strengths, I will focus here primarily on several caveats that highlight challenges ahead for the Japanese economy.

First, although Japan is prosperous, growth in both gross domestic product (GDP) and incomes over the past two decades has been extremely limited. This in part reflects a basic reality that maintaining high levels of growth at the economic frontier is always difficult, particularly following the global financial crisis and in the shadow of rising public debt burdens around the world. Nonetheless, it is also true that Japan has underperformed even relative to most of its G7 and developed country peers, leading to a widening gap in income levels between Japan and the United States, France, and Germany (Figure 1).

Figure 1. Change in Income for Selected Countries (1995–2023)



Source: World Bank, GDP per capita, measured in purchasing power parity (PPP), constant 2017 international dollars.

Second, Japan has experienced a slow rise in economic **inequality** since the start of the millennium. This is especially notable given the emphasis that Japanese culture and policy place on equality and homogeneity. Although in comparison to both large developed countries such as the United States and large developing countries such as the People's Republic of China, Japan remains an almost shockingly egalitarian country, it is nonetheless true that policy efforts to increase the level of competition and productivity across the Japanese economy are correlated with increases in inequality. Whether it is these domestic policy changes that have caused inequality to rise, or whether it is structural shifts in the international economy that have led, for example, to many Japanese firms increasing the share of flexible contract employees over protected permanent employees, is unclear. However, the reality that a growing share of Japanese households are facing economic instability and seeing their incomes eroded by rising food and energy prices is unambiguous and a pressing policy challenge.

Finally, it is worth commenting on Japan's performance in terms of **education**. Once more, when compared to the global or regional average, Japan's score stands as relatively high. Japan's education system has long been regarded as one of the best in the world, with high literacy rates and a strong emphasis on the fields of science, technology, engineering, and mathematics. For example, Japan exceeded the OECD average for number of fifteen-year-old students amongst the top performers in the OECD Program for International Student Assessment (PISA).⁴ Nonetheless, the picture is not so optimistic when noting that Japan's gap with respect to countries such as Germany or the United States is very sizeable (twelve and six points respectively). This gap could be explained partly by the lack of recognition of the importance of higher education. With the aging population, the need for lifelong learning and reskilling workers have become challenging priorities for Japan.

The Path Forward

Looking forward to what the evolution of freedom and prosperity for Japan may look like in the near future, I would like to touch upon four major challenges that Japan may face.

First is its demographic challenges. Japan is one of the most rapidly aging societies in the world with a shrinking working-age population. According to the World Bank, Japan's population growth rate has been negative since 2011, and the decreasing workforce also means that there are fewer contributors to social security systems, exacerbating already strained public finances. The government is

making various efforts to tackle this issue, including policies to increase the birth rate and address rural depopulation. However, their effects are limited in scale and scope. Immigration policy also remains relatively restricted and, while the necessity of reform is obvious in any macroeconomic analysis, the political economy of large-scale immigration is one where Japan closely resembles its developed country peers: there are no simple answers on offer. These policy areas could be considered both as difficult challenges and potential opportunities for growth.

⁴ The OECD Programme for International Student Assessment (PISA) measures 15-year-olds' ability to use their reading, mathematics, and science knowledge and skills to meet real-life challenges. OECD, "PISA 2022 Results (Volume I and II)—Country Notes: Japan," December 5, 2023, www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes_ed6fbcc5-en/japan_f7d7daad-en.html.

Second, Japan has substantial opportunity to more assertively promote diversity, equity, and inclusion. For example, couples married under current law are not allowed to elect to maintain separate surnames, despite a clear public majority in favor of such a reform. Same-sex marriage also enjoys strong public support and is even being considered in some local municipalities but progress at the national level has been slow across both the legislative and judicial branches. As discussed above, Japan also has further room to expand economic opportunities for women. When combined with other strategic labor market reforms, this could lead to significant productivity gains.

Third, the shifting labor and investment market may affect Japan's scores in the Freedom and Prosperity Indexes. As noted, Japan's labor market used to lack flexibility and maintains significant structural rigidities when compared with most developed Western economies. Even today, most Japanese who join a company or government agency as regular employees out of college will think of their career with that institution in terms of decades rather than years. This stability of employment and accompanying seniority-based wage hikes have certain virtues in cultivating skilled, dedicated core employee bases. At the same time, locking away talent within companies and limiting incentives for top performers to excel may have reduced incentives and opportunities for innovation and entrepreneurship. Further, strong protections for some sections of the workforce may have come at the expense of others; as illustrated by the aforementioned rise in the frequency of dual-track employment structures. In this sense, as Japanese companies look to build job-type employment structures, they have an opportunity to square this circle, maintaining the

low levels of inequality for which Japan is rightly praised while also providing more opportunities for flexible and dynamic career paths that will promote economy-wide productivity gains (and, hopefully, better work-life balance).

Last but not least, the increasingly severe security and geopolitical circumstances surrounding Japan are likely to shape the country's domestic political economy. A belligerent North Korea and the rising threat of a Taiwan Strait contingency remain as important regional security threats, while the situations in Ukraine and the Middle East are also of concern for Japan. In concert with the United States and like-minded partners, Japan is preparing itself for such contingencies while also seeking to proactively reduce the risk that they will occur. As part of this general trend, there is increasing discussion about a potential amendment to the Constitution of Japan, including a part of Article Nine.⁵ In some respects, such reforms might be seen as weakening Japan's freedom—and may well register as such in the Freedom Index—but their actual impact is a matter of interpretation. Likewise, as US-People's Republic of China tensions have contributed to Japan's implementation of a world-leading economic security program, measures undertaken to promote Japan's economic autonomy may alternatively be interpreted by some stakeholders as undermining economic freedom.

As Japan prepares in 2025 to mark the eightieth anniversary of the end of World War II, it faces an uncertain political and economic future and a complex and challenging international security environment. However, the roots of freedom, prosperity, and democracy run deep in Japan, and Tokyo's continued commitment to promoting a free and open rules-based international order is clear.

⁵ Article 9: "Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized." https://japan.kantei.go.jp/constitution_and_government_of_japan/constitution_e.html.

Further, Japan's ability to build a model of capitalism that delivers both freedom and broad-based prosperity is worth learning from, just as Japan must continue learning from its developed country peers as well as the Global South.

Kotaro Shiojiri

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The author thanks Dr. Ignacio Campomanes, senior adviser at the Atlantic Council, Ms. Mrityika Guha Sarkar, intern at the Wilson Center, Mr. David Parker, PhD candidate at the National Graduate Institute for Policy Studies, and Dr. William Chou, deputy director of Japan Chair at the Hudson Institute, for their valuable inputs and reviews.

Taiwan

Shelley Rigger

Socioeconomic Data 2023

General Information

POPULATION

23.3 million

LIFE EXPECTANCY (2022)

81 years

RELIGION (2010)

Folk Religion → 44.2%

Buddhist → 21.3%

Other → 34.5%

ETHNIC
FRACTIONALIZATION
(2013)

0.373

Economic Data

GDP PER CAPITA

59,548

% of US GDP pc → 80.9%

GDP pc Growth → 1.5%

INFLATION

2.5%

DEBT/GDP (GENERAL 2023)

29.1%

TRADE (% OF GDP)

114%

UNEMPLOYMENT

3.3%

SECTORAL ALLOCATION

Agriculture → 1.4%

Industry → 37.7%

Services → 60.9%

GINI COEFFICIENT (2021)

30.7

Freedom Index

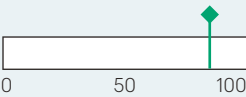


STATUS

High Freedom

SCORE

84.5



RANK

23^{/164}

Prosperity Index

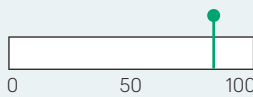


STATUS

High Prosperity

SCORE

83.7

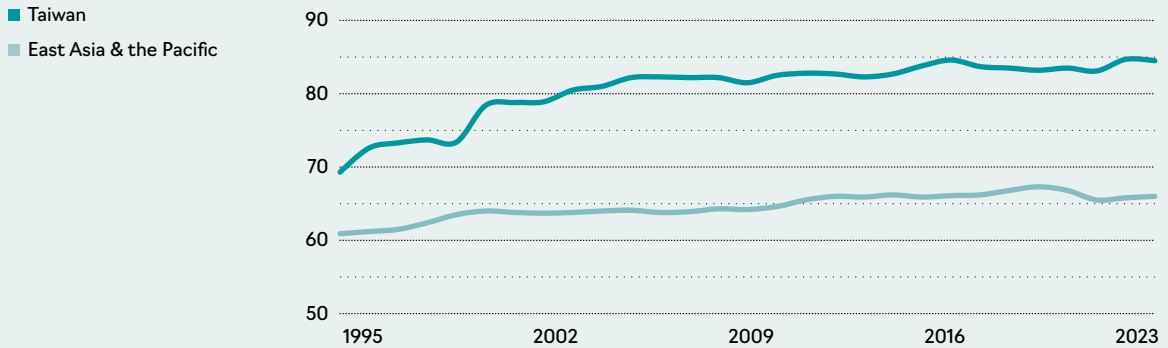


RANK

25^{/164}

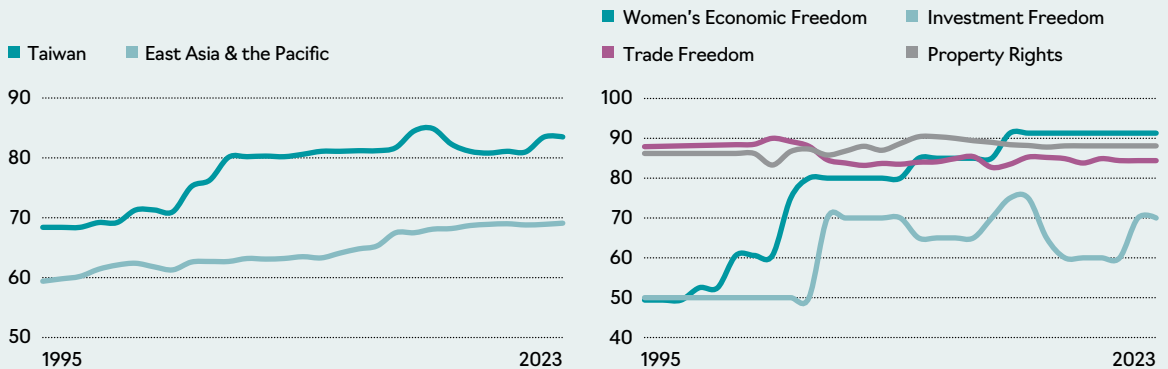
Freedom Index

1995-2023



	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Freedom Rank	23	-	8	-
Freedom Score	84.5	66.0	2.2%	-0.2%
Economic Subindex	83.5	69.1	2.2%	2.4%
Political Subindex	91.3	66.1	0.9%	-1.9%
Legal Subindex	78.6	62.8	3.7%	-1.3%

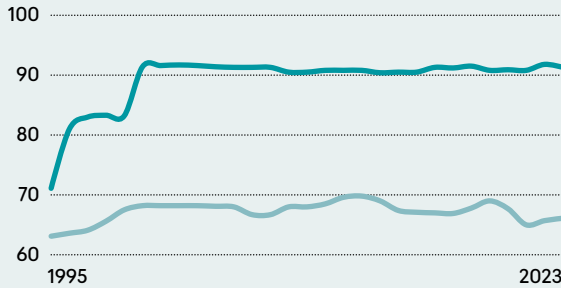
Economic Subindex



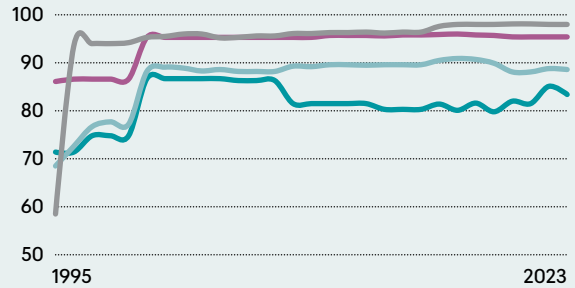
	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Women's Economic Freedom	91.3	78.4	7.4%	5.4%
Investment Freedom	70.0	53.6	0.0%	0.5%
Trade Freedom	84.4	81.9	2.1%	1.7%
Property Rights	88.1	64.1	-1.0%	1.2%

Political Subindex

Taiwan East Asia & the Pacific



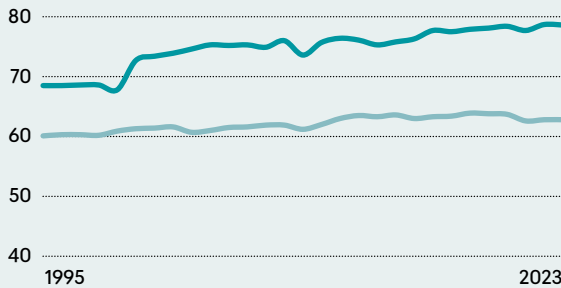
Legislative Constraints on the Executive Political Rights
Civil Liberties Elections



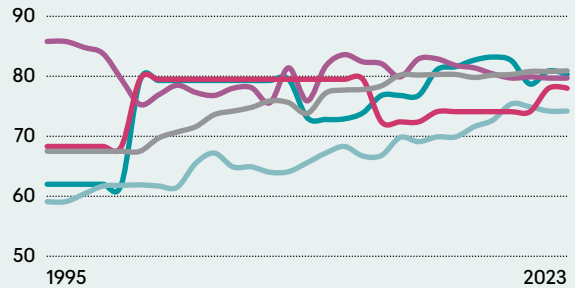
	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Legislative Constraints on the Executive	83.4	61.8	3.9%	3.4%
Political Rights	88.6	57.8	-1.1%	-6.2%
Civil Liberties	95.4	65.9	-0.5%	-6.4%
Elections	98.0	78.9	1.7%	1.5%

Legal Subindex

Taiwan East Asia & the Pacific



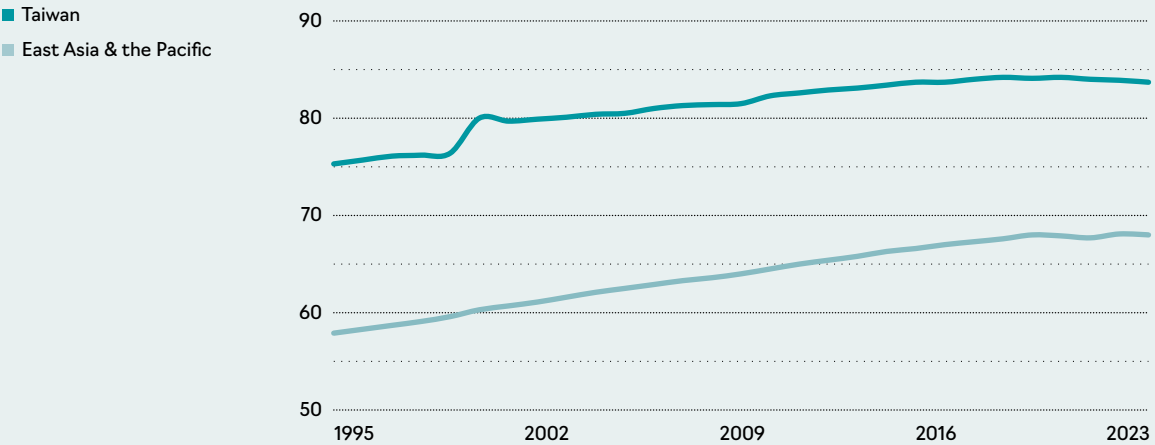
Judicial Independence and Effectiveness Bureaucracy and Corruption Security
Clarity of the Law Informality



	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Judicial Independence and Effectiveness	80.3	63.9	4.6%	-2.1%
Bureaucracy and Corruption	74.2	53.1	6.3%	-0.8%
Security	79.7	68.5	-0.3%	-0.1%
Clarity of the Law	78.0	50.5	7.8%	-5.7%
Informality	80.9	78.4	0.9%	1.2%

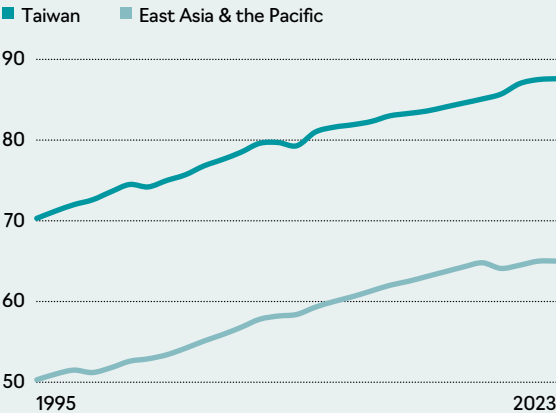
Prosperity Index

1995-2023

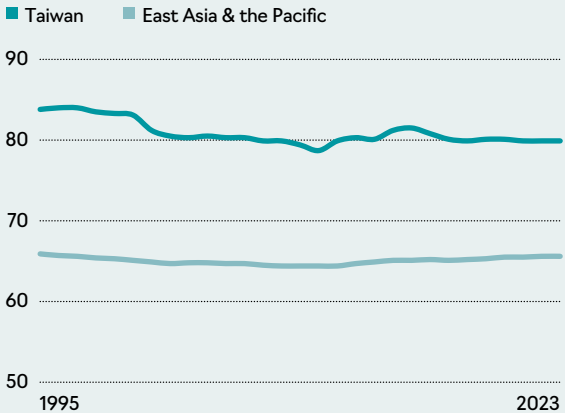


	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Prosperity Rank	25	-	-5	-
Prosperity Score	83.7	68.0	0.3%	2.7%

Income

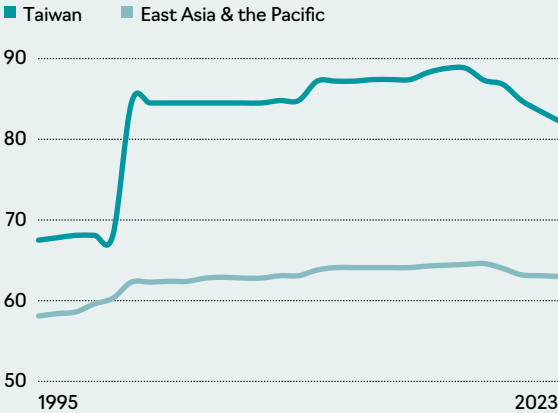


Inequality

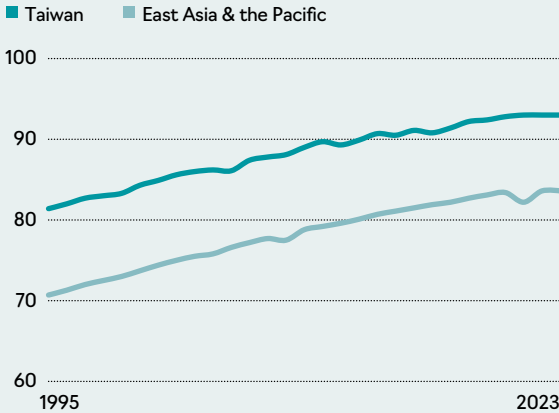


	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Income	87.6	65.0	5.5%	5.0%
Inequality	79.9	65.6	-1.7%	0.7%

Minorities

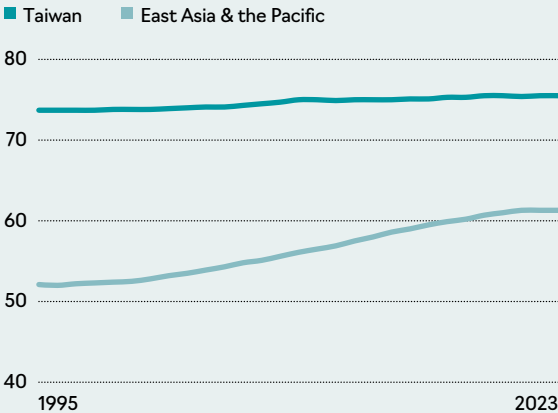


Health



	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Minorities	82.3	63.0	-5.8%	-1.7%
Health	93.0	83.6	2.9%	3.1%

Environment



Education



	2023		Change Since 2014	
	Taiwan	Region	Taiwan	Region
Environment	75.5	63.0	0.8%	-1.7%
Education	-	83.6	-	3.1%

Evolution of Freedom

Taiwan's diplomacy stresses its peaceful transition from a single-party authoritarian state under the Chinese Nationalist Party, or Kuomintang (KMT), to a robust democracy with strong protections of civil and political rights. It identifies as a "beacon of democracy," especially in East Asia, a region in which democracy has not been the predominant political form historically. The time coverage of the **Freedom Index**, 1995–2023, is well-suited to analyze Taiwan's contemporary institutional evolution, and our survey findings support Taiwan's self-image as a liberal democracy.

Binary indexes of democracy, such as the Boix-Miller-Rosato (BMR)¹ or the Democracy Dictatorship Index,² identify 1996 as the year of Taiwan's democratic transition, but the transition away from the authoritarian system that had existed in Taiwan since 1945 was under way as early as the late 1970s. As pressure from below demanding steps toward greater political openness intensified in the 1980s, the KMT-led authoritarian regime grew increasingly tolerant of dissent, allowing the democratization process to move forward.

A key factor behind the regime's changing attitude toward democratization was Taiwan's deepening isolation as leading countries, including the United States, abandoned the view that Taiwan's "Republic of China (ROC)" state represented all of China and shifted recognition to the People's Republic of China (PRC). Some key inflection points included the lifting of the "Temporary Provisions for the Suppression of the Communist Rebellion" in 1991, which had originally been enacted as a constitutional amendment in 1948. This was accompanied by a series of increasingly significant elections, including the first comprehensive elections for

the National Assembly (1991) and Legislative Yuan (1992), as well as the first direct election of a Taiwan Provincial Governor (1994).

While Taiwan's democratization was an incremental process, 1996 is generally seen as the crucial milestone in Taiwan's political history, for that year saw its first direct presidential election. The victor was the incumbent, Lee Teng-hui, the candidate of the former authoritarian regime's ruling party, the KMT. Lee's strong performance—he won more than 50 percent of the vote in a four-way race—benefited from his decision to align himself with the democratic transition. His election also helped to marginalize those in the KMT who took a more skeptical view of democracy. The **political subindex**, based on the continuous measure of democracy produced by the V-Dem project, likely reflects the slow adoption of democratic values by those who saw their political dominance eroding under the new rules of the game.

Taiwan's democracy took another big step forward in 2000. In that year, the index jumps to a level comparable to that of well-established democracies in Europe and North America. The Index reflects the first turnover of power in the new democracy following the victory of the opposition Democratic Progressive Party's (DPP) presidential candidate, Chen Shui-bian. The opposition party's first national election victory marks the completion of the democratic transition of Taiwan, which since then has experienced only small, incremental changes in political freedom in areas such as women's representation and protection of minorities.

Nonetheless, the political subindex components point to some features of Taiwan's political and constitutional architecture that lag behind

¹ BMR refers to the Boix-Miller-Rosato Dichotomous Coding of Democracy dataset. For more information, see Carles Boix, Michael K. Miller and Sebastian Rosato, *Boix-Miller-Rosato Dichotomous Coding of Democracy, 1800–2020* (Cambridge, MA: Harvard Dataverse, 2022), V1. <https://doi.org/10.7910/DVN/FENWWR>.

² The Economic Intelligence Unit, "Democracy Dictatorship Index", <https://worldpopulationreview.com/country-rankings/democracy-dictatorship-index-by-country>.

more established democracies. Most saliently, the component measuring the degree of legislative constraint on the executive receives a significantly lower score than the rest of the components, and presents a greater volatility throughout the period of analysis. I believe this discrepancy reflects the awkwardness of Taiwan's quasi-presidential constitutional system. The head of state (president) is separately elected for a fixed term, giving him or her a popular mandate. This important role coexists with a standard parliamentary system in the legislature. The president appoints the head of government (premier) and, while legislative confirmation is not required, the legislature can remove the premier with a vote of no confidence, which triggers new legislative elections. Since 1996, Taiwanese politics have been characterized by a constant debate about the relative powers of the presidency versus the legislature and premier. This challenge recedes during periods of unified government (2008–16, 2016–24), when the president takes the leading role, but it reemerges in periods of divided government (2000–08, 2024 to the present).

The legislative constraints indicator closely reflects the two parties' relative strength in these two branches of power. From 2000 to 2008, the DPP held the presidency but the KMT had a majority in the legislature, leaving President Chen Shui-bian struggling to implement his domestic agenda. In 2008, the country returned to unified government under President Ma Ying-jeou, with the KMT holding both the presidency and the legislative majority. While Ma faced a surprisingly feisty legislative leadership, the legislature was still much more deferential to presidential power than had been the case under Chen. The small ups and downs in the indicator since 2016—a period of unified government under DPP President Tsai Ing-wen—reflect the ongoing search for a stable balance of legislative and executive power. Indeed, when Taiwan returned to divided government in

2024, the KMT-led legislature immediately proposed reforms aimed at constraining the presidency.

Taiwan's scores on two other components of the political subindex are low compared to other measures and require explanation. First, the score for political rights of association and expression is lower than might be expected, in part because the two main political parties tend to exploit the popularity of democracy to achieve a political edge. Both parties, when they were out of power, accused their opponents of reviving undemocratic practices, including politically motivated prosecutions of party leaders and officials. In fact, accusations of corruption have been used to sideline politicians, especially after they leave office. Chen Shui-bian's conviction on bribery charges in 2009 is a clear example of this practice.

Second, Taiwan imposes restrictions on media ownership, a practice which is reflected in the political rights component of the Index. Some Taiwanese see these restrictions as an effort to deny certain political views access to the media. However, others believe they are necessary to prevent the Beijing government from influencing mass media in Taiwan. In particular, the visible drop on this measure starting in 2020 probably captures the National Communications Commission's decision not to renew the TV license of Chung T'ien Television. Chung T'ien was widely believed to be a mouthpiece for Beijing whose news coverage was biased against the DPP and in favor of KMT, which argues for more favorable relations with mainland China.

Turning now to the **economic subindex**, Taiwan has a long history of strong performance in terms of economic freedom. It is clear that the component measuring women's economic freedom is the main factor driving the overall positive trend since 1995, and especially until 2004, with an extraordinary increase of more than thirty points. Half of this increase takes place in 2003, reflecting the improvement in legislation regarding workplace conditions for women, mainly in the areas of nondiscrimination, sexual-harassment prevention,

and maternity leave conditions. Other important advances include granting equal treatment for men and women regarding asset holdings in 2004, and equal access to industrial and dangerous jobs in 2015. Nonetheless, it is worth noting that the overall high degree of gender equality in the public sphere is not always accompanied by a similar level of equality in the private domain. Taiwanese women still carry a disproportionate share of household work, as well as other burdens typical in strongly patriarchal societies.

The indicators of trade and investment freedom seem to be highly sensitive to Taiwan's relationship with mainland China. In particular, the large movements in investment freedom (2005, 2015, 2017, and 2022) reflect changes in cross-Straits investment regulations that alternately ease and tighten the conditions for PRC-Taiwan capital flows. Similarly, the seven-point drop in trade freedom in the early 2000s is likely a product of stricter restrictions for export and import of goods and services with China. As the concluding section details, China poses a significant threat to Taiwan's democracy. Anxiety about how economic interactions could make Taiwan vulnerable to PRC economic coercion explains why Taiwan's trade and investment policies have not moved consistently in the direction of greater openness. If we could exclude the China element from these indicators, I assess that Taiwan's scores would be a lot smoother, reflecting a sustained commitment to fairly open trade and capital movement with the rest of the world.

The rule of law in Taiwan, as measured by the **legal subindex**, has experienced a mild increase since the year 2000, mainly driven by notable increases in improving bureaucratic quality, control of corruption, and informality. The democratization process very significantly improved the level of accountability for political leaders and public officials at large, improving the overall capacity and efficiency of the public sector to

enforce and abide by the law. Judicial effectiveness and independence is an important factor contributing to this development, and the fact that the score on this area is relatively high since the year 2000 certainly captures the reality of the situation in Taiwan. My intuition is that the transitory dip in the 2008–16 period is due to what people perceive to be politically motivated prosecutions of politicians, a perception that was particularly acute in the immediate aftermath of Chen Shui-bian's presidency.

Two more insights are worth mentioning. On one hand, the visible fall in clarity of the law between 2012 and 2016 can only be explained by an aggravation of the discussions regarding the balance of power between the presidency and the legislature in a period of intense partisan competition and outside-the-system political mobilization. Efforts to use constitutional revision to settle these disputes necessarily introduce uncertainty about the legal system.

On the other hand, Taiwan's security score experienced a sharp decline of over ten points between 1996 and 2000. While this component has fluctuated since 2000, it remains below its 1995 level. I believe it would be a mistake to attribute this decline to domestic factors. Taiwan continues to be a safe society with low rates of crime. The timing of fluctuations in the security component suggest it is highly sensitive to Taiwan's citizens' feelings of insecurity relative to the PRC's military threat. The drop in the security score during the Lee Teng-hui and Chen Shui-bian presidencies (1996–2008) reflects the increase in PRC political and military pressure on Taiwan, beginning with its military exercises at the time of the 1996 elections. While the PRC paused some of its pressure on Taiwan during Ma Ying-jeou's presidency (2008–16), the sense of threat has steadily increased over the first quarter of the century.

Evolution of Prosperity

The evolution of Taiwan's **Prosperity Index** score is somewhat easier to analyze, as the positive overall trend since 1995 is mainly driven by economic and health outcomes, but nonetheless there are some interesting takeaways from the analysis of the different components.

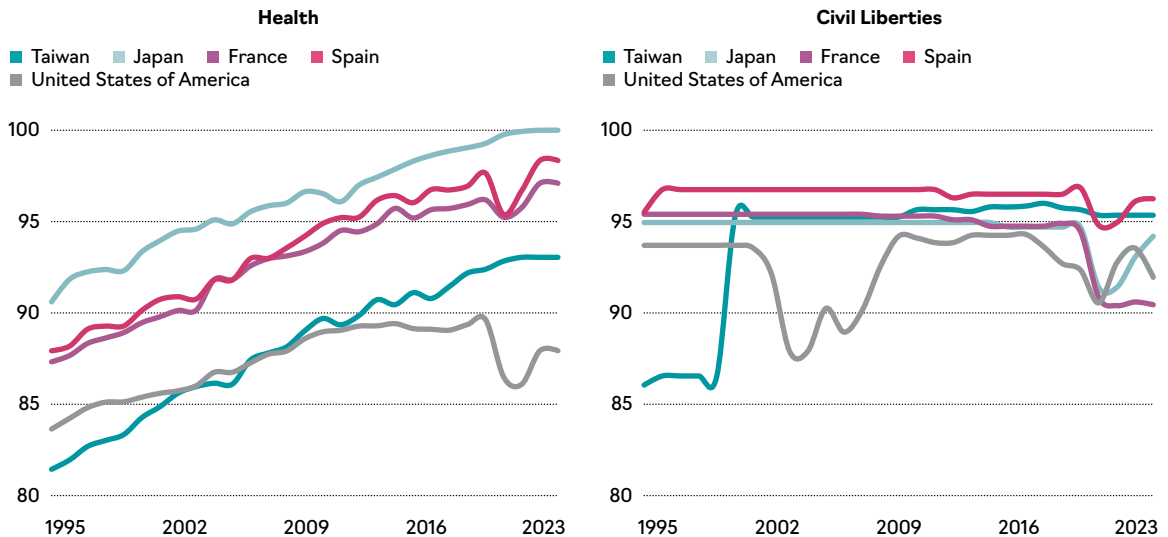
Taiwan's economic success story is well known, with impressive and sustained gross domestic product (GDP) per capita growth numbers for several decades now. The **income** component of the Prosperity Index not only reflects this fact, but also the limited negative effects of the last two large global crises, namely, the Great Recession of 2007–09 and the COVID-19 pandemic. The Taiwanese economy has proven resilient and mature, despite a very profound transformation from a developmental state with a relatively high level of state intervention to a much more deregulated market economy.

Despite Taiwan's strong growth, **inequality** has increased over recent decades, from a very low

base in the early years of our study. Rising inequality is due in part to the structural changes in terms of economic policy mentioned above, together with a weak legal environment for unionization. Other forces driving incomes in a more unequal direction include the offshoring of traditional manufacturing after 1987, primarily to mainland China, and an economy increasingly bifurcated between the domestic-facing retail and service sectors and an export-oriented high-tech sector. Despite the decline in performance in eradicating inequality, Taiwan still maintains a more equitable income distribution compared to the United States and China. Its Gini coefficient, around eighty in recent years, remains higher than the East Asia and the Pacific regional average (66), mainland China (56.5), and the United States (65.3).

Regarding **health**, Taiwan is among the top performers in the world, increasing its score by more than ten points since 1995, when the country adopted a universal health insurance scheme.

Figure 1. The COVID-19 Crisis in Selected Countries



Source: Freedom and Prosperity Indexes, Atlantic Council (2024). <https://freedom-and-prosperity-indexes.atlanticcouncil.org>.

The recent evolution of the health indicator in Taiwan contrasts sharply with that of other developed countries, especially when it comes to its handling of the COVID-19 crisis. Taiwan managed the health emergency better than virtually any other country of the world, closing its borders very early, requiring quarantine for everyone entering the country, implementing a state takeover of mask production and distribution, requiring masks in public, and accelerating the production and implementation of vaccinations. As a result, COVID-19 did not spread in Taiwan until the vaccines were available, and the death toll from the pandemic is negligible in the health indicator, unlike European countries and the United States (Figure 1). It is certainly true that other countries, especially Asian developed nations like Japan, were also capable of containing the negative public health effects of the pandemic. Nonetheless, the really distinctive feature of Taiwan is that it was able to do so without a major erosion, even if short-lived, of civil liberties of its citizens (Figure 1). There were restrictions in Taiwan, but the limitations on

individual freedom were drastically lower than in other developed countries, and did not require draconian enforcement thanks to the generalized voluntary compliance of the population.

Finally, the dynamics of the **minorities** component are complex and require interpretation. The sharp increase in the year 2000, coinciding with the first DPP presidency, surely reflects the substantial improvement of the indigenous Taiwanese population in terms of access to public services, jobs, and opportunities. On the contrary, the fall in the score in the last five years is probably explained by the situation of migrant workers, whose numbers have increased significantly in the recent period, and whose legal status and conditions have not been as well protected as those of domestic workers. During the COVID-19 pandemic, for example, some foreign workers were confined to their workplaces for long periods of time, while most Taiwanese enjoyed a relatively normal lifestyle with few pandemic-related limitations on their day-to-day activities.

The Path Forward

Taiwan's democratic institutions have functioned smoothly for nearly three decades. After eight rounds of presidential elections and even more of legislative and local elections, campaigning and voting in competitive, multiparty elections is routine. Taiwanese also enjoy a high degree of protection for their civil rights, in realms ranging from freedom of speech to marriage equality for LGBTQ+ couples. While all democracies have their flaws—Richard Bush's book *Difficult Choices*³ outlines many of Taiwan's—the island's political system seems to meet the conventional definition

of a consolidated democracy: democracy is, indeed, the "only game in town."

Perhaps the best evidence of the strength of Taiwan's democracy is its citizens' tendency to view it as the defining trait that makes Taiwan Taiwan, and differentiates it from the PRC.

With the exception of indigenous Taiwanese, who constitute a little over 2 percent of the population, the people of Taiwan are descended from settlers from mainland China. Their ancestors arrived over several centuries, including a long wave of migration between the late sixteenth

³ Richard C. Bush, *Difficult Choices: Taiwan's Quest for Security and the Good Life* (Washington, DC: Brookings Institution Press, 2021).

and late nineteenth centuries and a short wave between 1945 and 1949. From 1895 to 1945 Taiwan was colonized by the Japanese empire.

For most of its history, Taiwanese were subjects of empires and states that controlled the island from afar. When the ROC took control of the island at the end of World War II, the new government expected Taiwan to uphold its goal of merging Taiwan into the Chinese state on the mainland. Even after the ROC lost the civil war and the PRC was founded in 1949, the ROC government continued to insist that "recovering the mainland" was its destiny, and Taiwanese should work toward restoring the ROC in the mainland. The PRC, too, believes in merging Taiwan into China, but its policy is that the Chinese state Taiwan should join is the PRC.

The advent of democracy in the 1990s opened the possibility of a different destiny for Taiwan. Some Taiwanese even called for formal independence from China—for abandoning the "ROC" label and eschewing forever the possibility of merging into a mainland-based nation. Some made the case for independence on the grounds that Taiwan is not "Chinese." Advocates of Taiwanese cultural nationalism argued that, despite their Chinese ancestry, Taiwan's culture is an amalgam of indigenous, Japanese, and Western influences that differentiate it from China.

No matter how the case for independence is made, however, the PRC government has made it clear that it will oppose such a move with military force, so the idea of formal independence has lost much of its support in Taiwan.

At the same time as Beijing's pressure on Taiwan to allow itself to be absorbed into the PRC was intensifying, Taiwan's political and social institutions were becoming freer and more democratic. Meanwhile, despite Beijing's efforts to promote the idea, support for unification within Taiwan has dwindled. And the mainstream rationale for Taiwan's separate status has shifted from cultural nationalism to a sense of civic nationalism—the idea

that what makes Taiwan unique—and unification unwelcome—is the island's liberal democratic political system. Democracy, warts and all, has become a point of pride and distinction for Taiwanese, which should make for a bright projection for its continued thriving in Taiwan.

Unfortunately, the future of democracy on the island does not depend on the Taiwanese people alone. The PRC opposes both Taiwan's continued self-government and its democratic system. In Beijing's view, Taiwan's historic connections to the Chinese mainland make it an inseparable part of "China," and as the PRC state is the current government of China, Taiwan must, sooner or later, be incorporated into the PRC. There's no chance that the PRC would adopt Taiwan's liberal democratic institutions and practices, so unification would almost certainly bring an end to democracy in Taiwan, as it has in Hong Kong.

How likely is this outcome? It is impossible to predict, but the PRC is determined to bring Taiwan to heel, peacefully if possible, but by force if necessary. So far, the two sides have managed to avoid conflict, in part because the costs and risks of forcible unification are high, and in part because Beijing believes it can prevail without force eventually. I think it is likely that this stalemate will continue in the near future. If it does continue for the next five to ten years, the situation may evolve to a point where a mutually acceptable arrangement is possible. Or it may not, in which case Taiwan's democracy will continue to exist under constant threat.

Taiwan's prosperity is similarly dependent on external factors. The high-tech boom that followed the offshoring of traditional manufacturing in the late 1980s and the 1990s has made Taiwan more important than ever in the global economy. The IT manufacturing ecosystem—of which the semiconductor giant Taiwan Semiconductor Manufacturing Company (TSMC) is only the most famous of many critically important firms—has made Taiwan more central to the global economy than ever. Regional

and global supply chains connect Taiwan to partners in Japan, Korea, the United States, the PRC, and more, as well as to customers around the world.

The mutual benefit derived from these relationships is an important deterrent to military conflict in the Taiwan Strait—Beijing has everything to lose, economically, if these economic relationships are disrupted. Beijing thus faces a dilemma: realizing its goal of unification could undercut its economic success, but avoiding that outcome

means tolerating a political status quo in the Taiwan Strait that the PRC leadership has defined as unacceptable. As long as Taiwan continues to act with restraint—avoiding creating the perception that unification has become impossible—the economic benefit of tolerating the status quo will probably outweigh the political cost. Still, any of these factors could shift unexpectedly, with the likely result that both democracy and prosperity in Taiwan would take a tragic turn.

Shelley Rigger

Shelley Rigger is Brown professor of East Asian Politics and vice president for academic affairs/dean of faculty at Davidson College. Rigger has a PhD in government from Harvard University and a BA from Princeton University. Rigger is the author of two books on Taiwan's domestic politics, *Politics in Taiwan: Voting for Democracy* (Routledge 1999) and *From Opposition to Power: Taiwan's Democratic Progressive Party* (Lynne Rienner Publishers 2001). She has published two books for general readers, *Why Taiwan Matters: Small Island, Global Powerhouse* (2011) and *The Tiger Leading the Dragon: How Taiwan Propelled China's Economic Rise* (2021).



Europe



EUROPE

















Europe: Regional Ranking

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Denmark	1	93.4	◆ High Freedom	2	90.7	● High Prosperity
Luxembourg	2	92.7	◆ High Freedom	11	87.9	● High Prosperity
Finland	3	92.0	◆ High Freedom	8	88.6	● High Prosperity
Sweden	4	91.7	◆ High Freedom	4	89.8	● High Prosperity
Switzerland	5	91.4	◆ High Freedom	6	89.3	● High Prosperity
Ireland	6	91.2	◆ High Freedom	5	89.6	● High Prosperity
Germany	7	90.8	◆ High Freedom	12	87.4	● High Prosperity
Netherlands	8	90.5	◆ High Freedom	9	88.5	● High Prosperity
Estonia	10	90.2	◆ High Freedom	20	84.4	● High Prosperity
Norway	12	89.2	◆ High Freedom	1	91.0	● High Prosperity
Iceland	13	88.7	◆ High Freedom	3	89.9	● High Prosperity
Belgium	14	88.6	◆ High Freedom	7	88.9	● High Prosperity
Austria	16	88.0	◆ High Freedom	17	86.0	● High Prosperity
United Kingdom	17	87.5	◆ High Freedom	26	83.3	● High Prosperity
France	18	87.4	◆ High Freedom	24	83.7	● High Prosperity
Czech Republic	21	86.1	◆ High Freedom	13	87.1	● High Prosperity
Spain	22	85.1	◆ High Freedom	23	83.9	● High Prosperity
Portugal	24	84.5	◆ High Freedom	33	81.7	● High Prosperity
Latvia	25	84.4	◆ High Freedom	31	82.5	● High Prosperity
Lithuania	28	82.8	◆ High Freedom	29	83.0	● High Prosperity
Italy	29	82.8	◆ High Freedom	28	83.1	● High Prosperity
Slovenia	32	81.6	◆ High Freedom	10	88.3	● High Prosperity
Slovakia	33	80.8	◆ High Freedom	27	83.2	● High Prosperity
Malta	34	80.5	◆ High Freedom	15	86.3	● High Prosperity
Cyprus	36	79.6	◆ High Freedom	18	84.5	● High Prosperity
Croatia	40	78.0	◆ High Freedom	34	80.9	● High Prosperity

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

Europe: Regional Ranking

continued

	Freedom				Prosperity			
	Rank	Score	Status		Rank	Score	Status	
Poland	42	76.3		Moderate Freedom	35	80.5		High Prosperity
Bulgaria	45	74.9		Moderate Freedom	53	73.1		Moderate Prosperity
Greece	48	74.3		Moderate Freedom	32	82.3		High Prosperity
Romania	49	74.0		Moderate Freedom	41	76.5		High Prosperity
Georgia	51	73.4		Moderate Freedom	46	75.0		Moderate Prosperity
Montenegro	54	73.0		Moderate Freedom	51	73.9		Moderate Prosperity
Albania	58	72.2		Moderate Freedom	60	71.1		Moderate Prosperity
Hungary	61	71.8		Moderate Freedom	38	79.4		High Prosperity
Moldova	62	71.5		Moderate Freedom	44	75.3		Moderate Prosperity
Armenia	66	68.8		Moderate Freedom	57	72.2		Moderate Prosperity
North Macedonia	76	67.0		Moderate Freedom	56	72.7		Moderate Prosperity
Serbia	81	66.3		Moderate Freedom	55	72.9		Moderate Prosperity
Bosnia and Herzegovina	84	65.1		Low Freedom	84	65.4		Low Prosperity
Ukraine	114	54.4		Low Freedom	59	71.3		Moderate Prosperity
Azerbaijan	128	47.9		Lowest Freedom	72	67.7		Moderate Prosperity
Russian Federation	147	42.5		Lowest Freedom	62	70.7		Moderate Prosperity
Belarus	154	36.9		Lowest Freedom	43	76.0		Moderate Prosperity

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

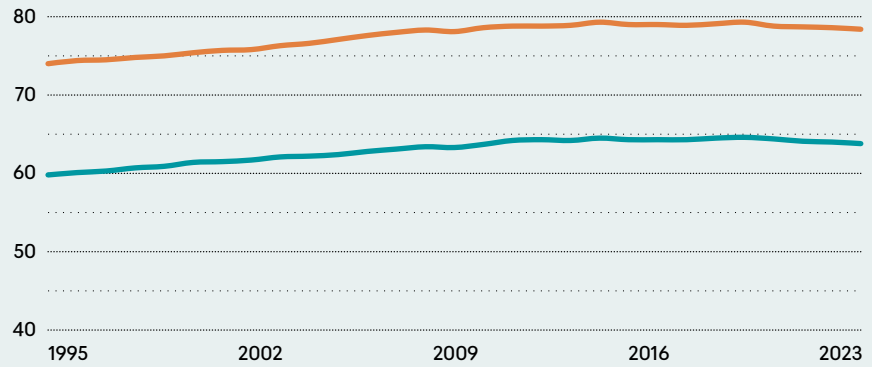
EUROPE



Freedom Index

1995-2023

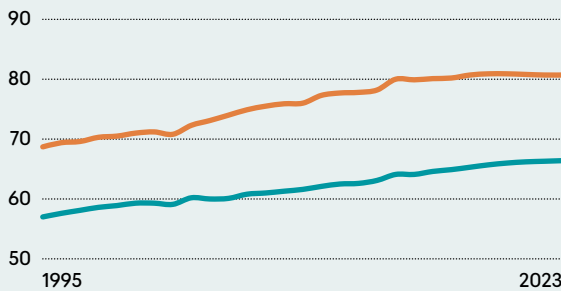
Europe
Global



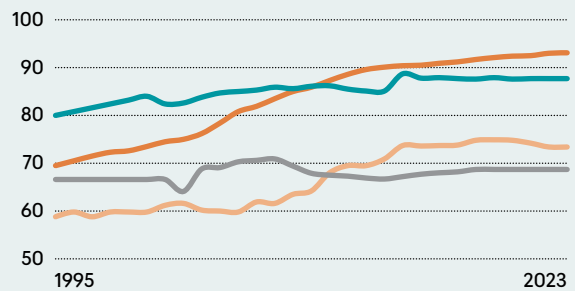
	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	78.4	63.8	-1.2%	-1.1%
Economic Subindex	80.7	66.4	0.9%	3.6%
Political Subindex	84.2	67.4	-1.9%	-4.6%
Legal Subindex	70.1	57.7	-2.8%	-2.0%

Economic Subindex

Europe
Global



Women's Economic Freedom
Investment Freedom
Trade Freedom
Property Rights

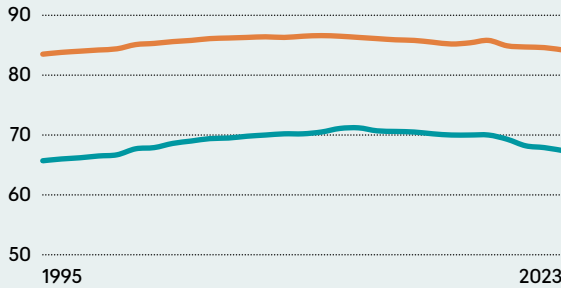


	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	93.1	78.3	3.1%	8.5%
Investment Freedom	73.4	56.9	-0.5%	2.1%
Trade Freedom	87.7	77.3	-1.1%	0.5%
Property Rights	68.7	55.4	2.2%	1.6%

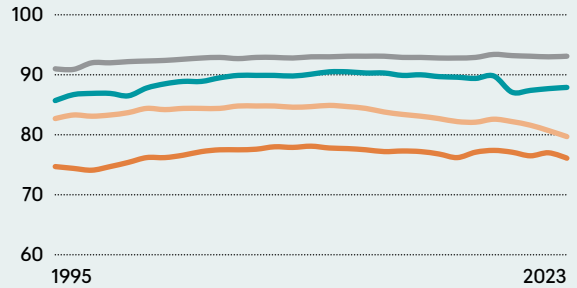
EUROPE

Political Subindex

Europe Global



Legislative Constraints on the Executive
Political Rights
Civil Liberties
Elections



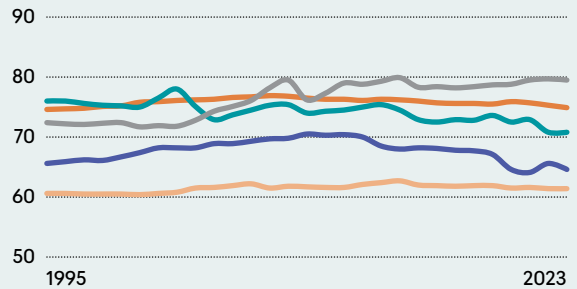
	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	76.1	57.4	-1.5%	-4.7%
Political Rights	79.7	64.0	-4.3%	-6.7%
Civil Liberties	87.9	68.9	-2.2%	-3.5%
Elections	93.1	79.1	0.2%	-3.8%

Legal Subindex

Europe Global



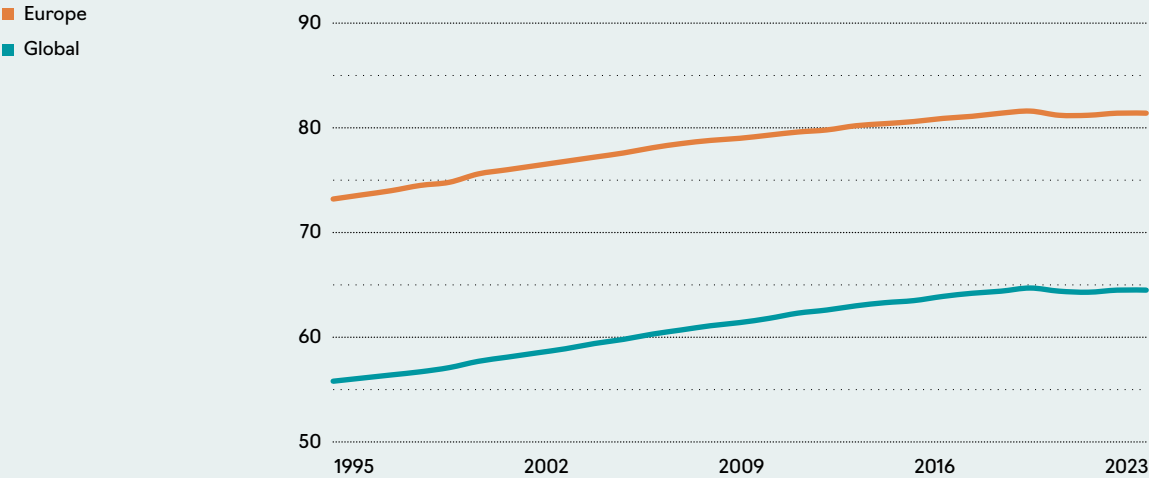
Judicial Independence and Effectiveness
Bureaucracy and Corruption
Security
Clarity of the Law
Informality



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	74.9	61.7	-1.7%	-1.4%
Bureaucracy and Corruption	61.4	44.4	-2.1%	-2.0%
Security	70.8	60.0	-5.0%	-1.4%
Clarity of the Law	64.6	52.0	-5.0%	-4.5%
Informality	79.5	71.4	-0.5%	-1.1%

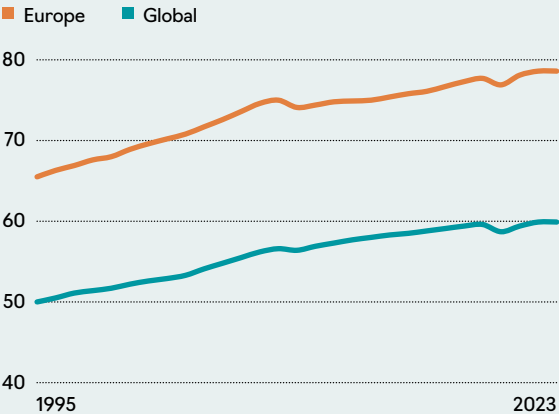
Prosperity Index

1995-2023

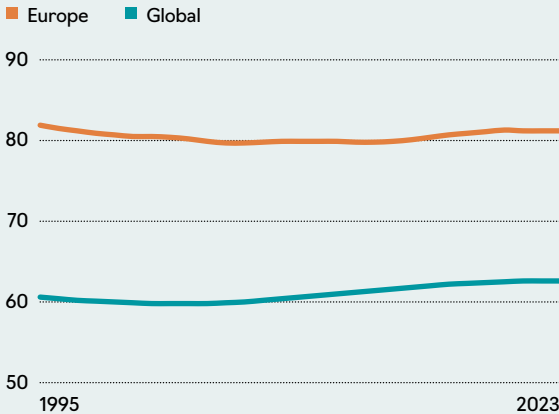


	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	81.4	64.5	1.2%	1.9%

Income



Inequality

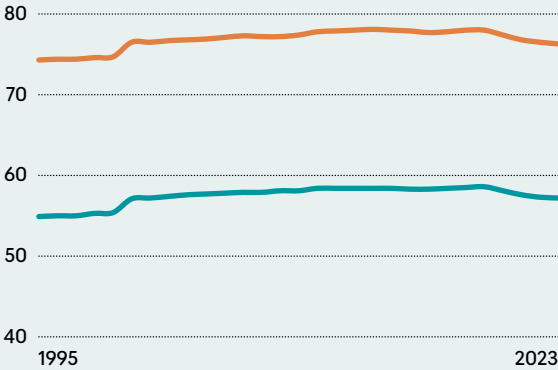


	2023		Change Since 2014	
	Region	Global	Region	Global
Income	78.6	59.9	4.3%	2.7%
Inequality	81.2	62.6	1.5%	1.6%

EUROPE

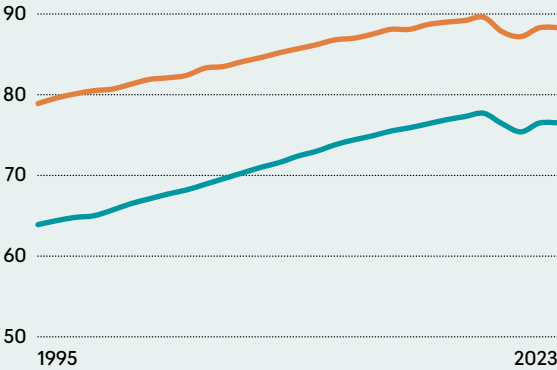
Minorities

Europe Global



Health

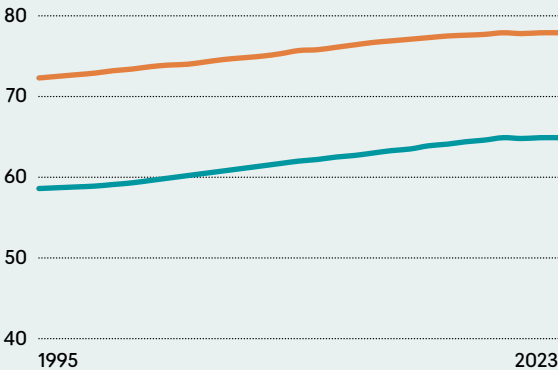
Europe Global



	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	76.3	57.2	-2.2%	-2.1%
Health	88.3	76.5	0.2%	1.4%

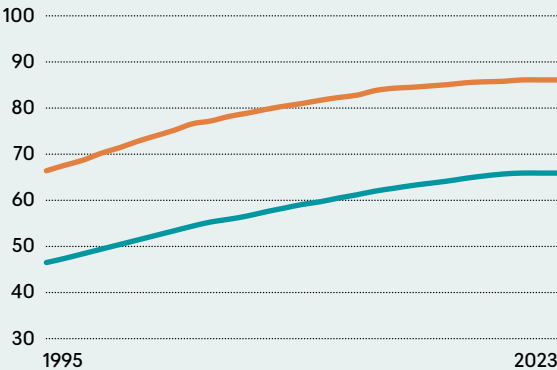
Environment

Europe Global



Education

Europe Global



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	77.9	64.9	1.2%	2.4%
Education	86.1	65.9	2.1%	5.1%

Georgia

Tinatin Khidasheli

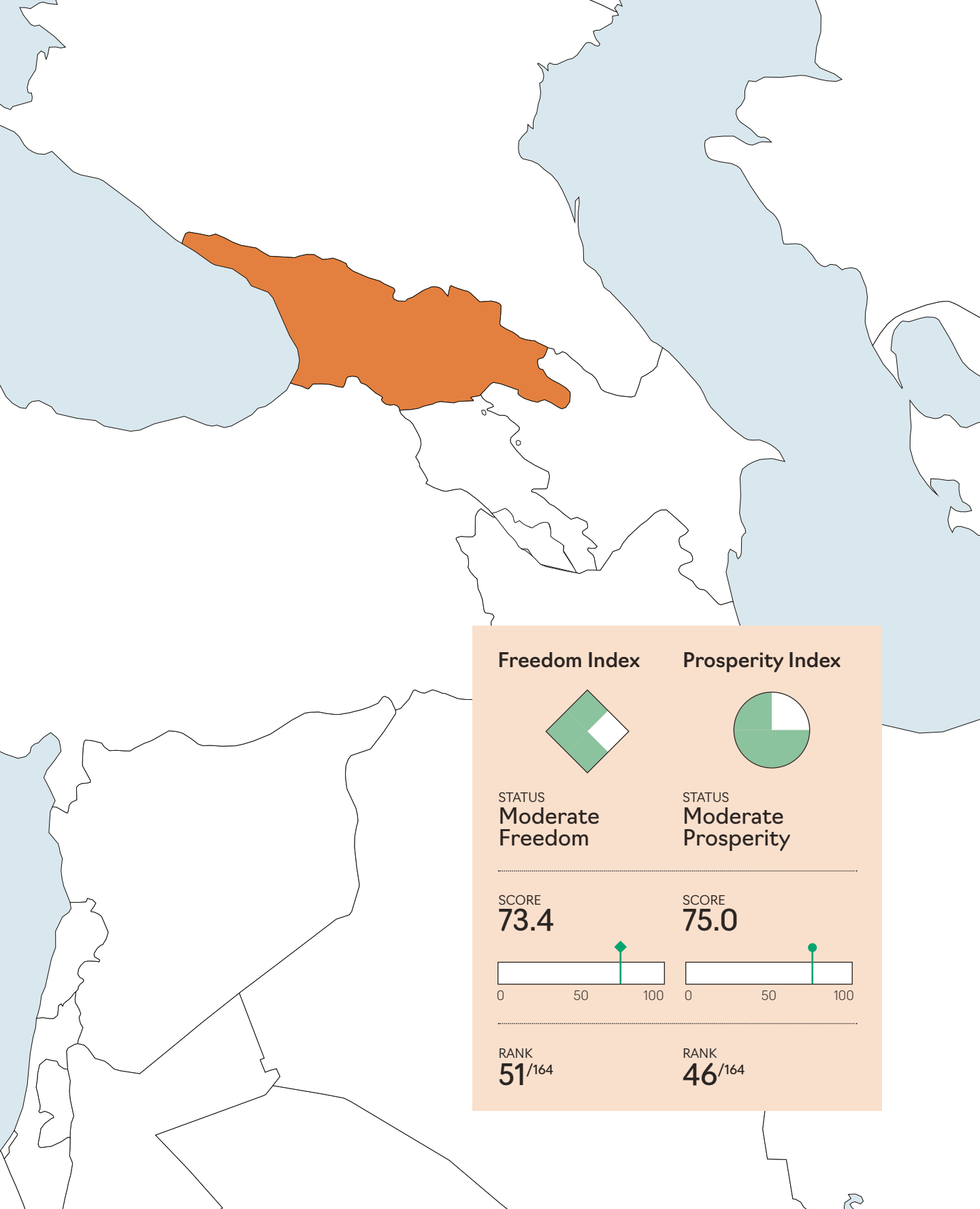
Socioeconomic Data 2023

General Information

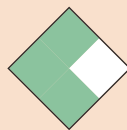
POPULATION	LIFE EXPECTANCY (2022)
3.76 million	72 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Christian → 88.5%	0.367
Muslim → 10.7%	
Unaffiliated → 0.7%	
Other → 0.1%	

Economic Data

GDP PER CAPITA	INFLATION
22,247	2.5%
% of US GDP pc → 30.2%	
GDP pc Growth → 6.1%	
DEBT/GDP (GENERAL 2022)	TRADE (% OF GDP)
41.6%	106%
UNEMPLOYMENT (2020)	
11.7%	
SECTORAL ALLOCATION	
Agriculture → 6.9%	
Industry → 21.9%	
Services → 71.2%	
GINI COEFFICIENT	
36.0	



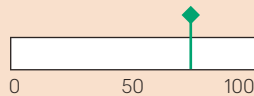
Freedom Index



STATUS
**Moderate
Freedom**

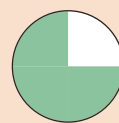
SCORE

73.4



RANK
51¹⁶⁴

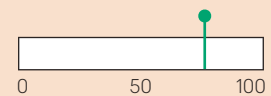
Prosperity Index



STATUS
**Moderate
Prosperity**

SCORE

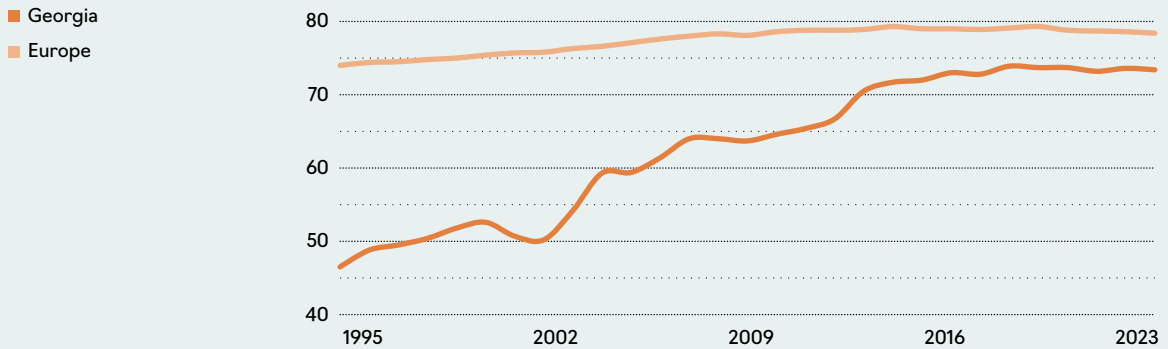
75.0



RANK
46¹⁶⁴

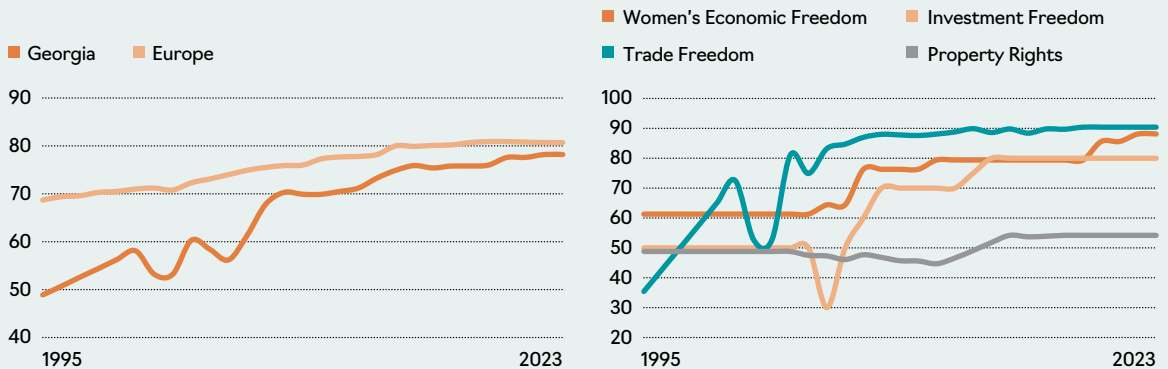
Freedom Index

1995-2023



	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Freedom Rank	51	-	6	-
Freedom Score	73.4	78.4	2.3%	-1.2%
Economic Subindex	78.2	80.7	4.4%	0.9%
Political Subindex	83.7	84.2	3.2%	-1.9%
Legal Subindex	58.3	70.1	-1.4%	-2.8%

Economic Subindex

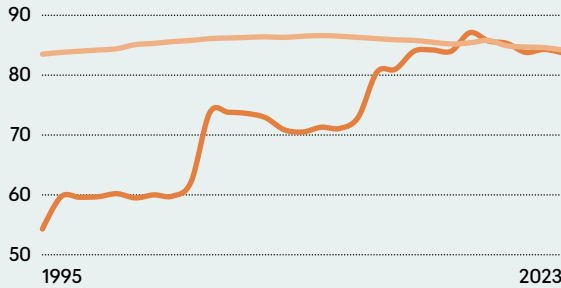


	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Women's Economic Freedom	88.1	93.1	11.0%	3.1%
Investment Freedom	80.0	73.4	0.0%	-0.5%
Trade Freedom	90.4	87.7	2.1%	-1.1%
Property Rights	54.2	68.7	4.8%	2.2%

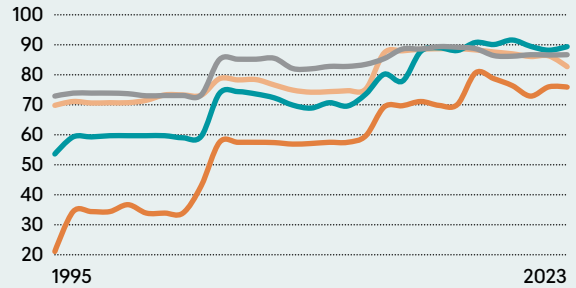
GEORGIA

Political Subindex

Georgia Europe



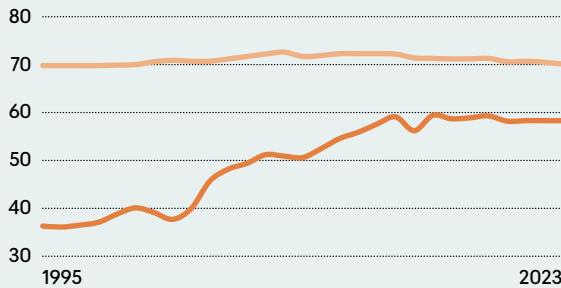
Legislative Constraints on the Executive
Political Rights
Civil Liberties
Elections



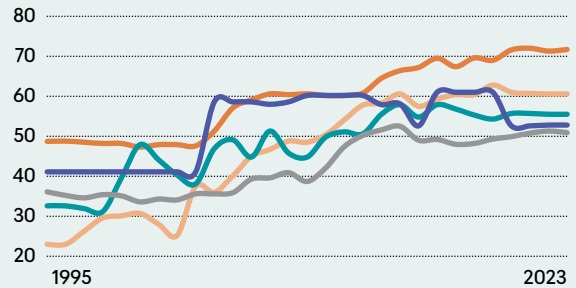
	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Legislative Constraints on the Executive	75.9	76.1	8.9%	-1.5%
Political Rights	82.7	79.7	-6.0%	-4.3%
Civil Liberties	89.4	87.9	14.8%	-2.2%
Elections	86.7	93.1	-2.2%	0.2%

Legal Subindex

Georgia Europe



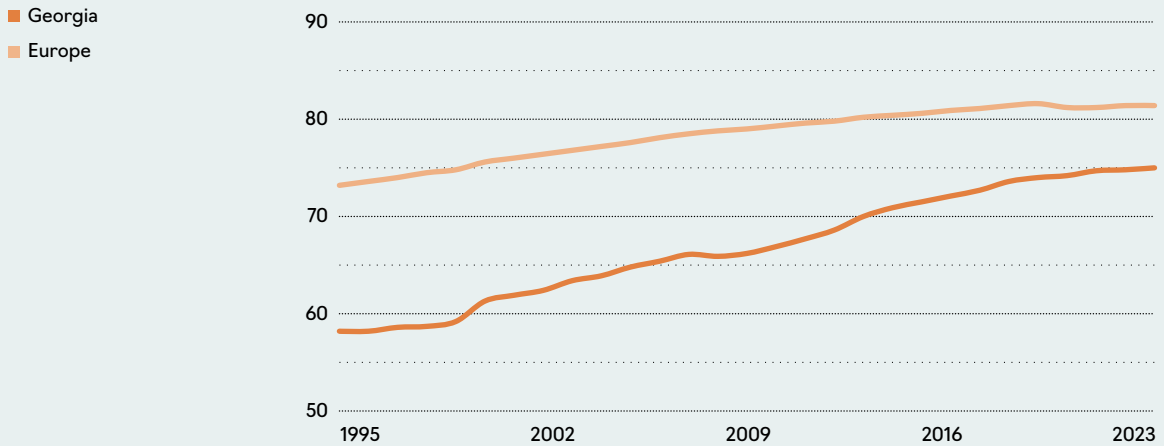
Judicial Independence and Effectiveness
Bureaucracy and Corruption
Security
Clarity of the Law
Informality



	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Judicial Independence and Effectiveness	71.7	74.9	8.0%	-1.7%
Bureaucracy and Corruption	60.6	61.4	-0.1%	-2.1%
Security	55.5	70.8	-4.2%	-5.0%
Clarity of the Law	52.8	64.6	-9.2%	-5.0%
Informality	50.9	79.5	-3.1%	-0.5%

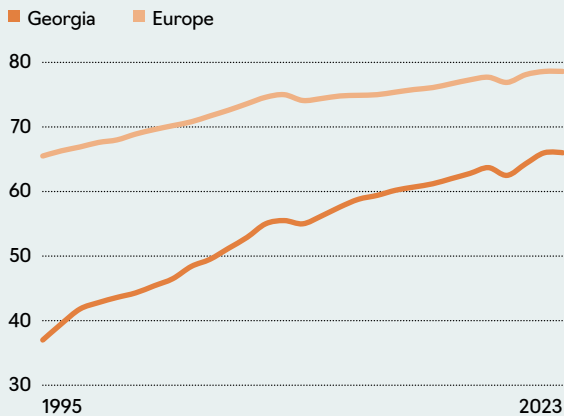
Prosperity Index

1995-2023



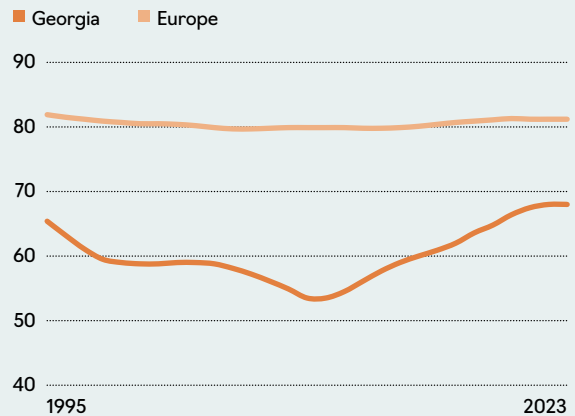
	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Prosperity Rank	46	-	12	-
Prosperity Score	75.0	81.4	5.8%	1.2%

Income



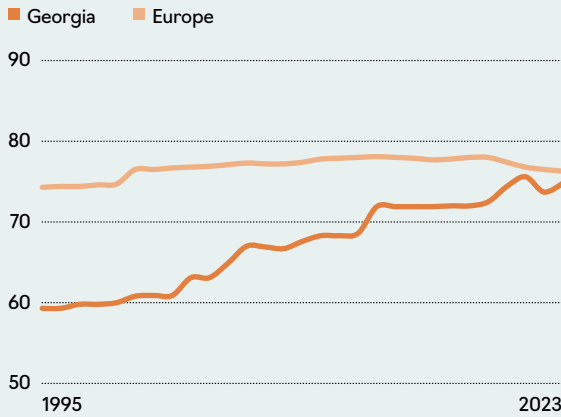
	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Income	66.0	78.6	9.6%	4.3%
Inequality	68.0	81.2	15.1%	1.5%

Inequality

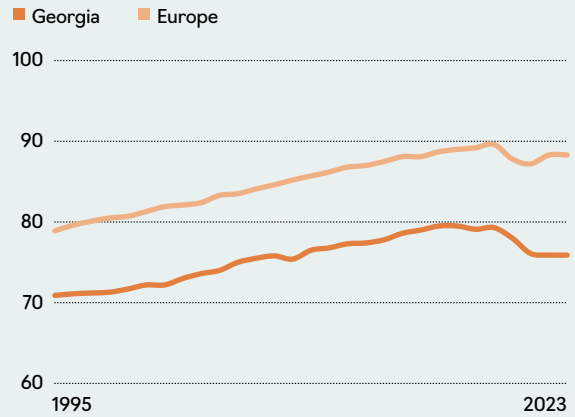


GEORGIA

Minorities

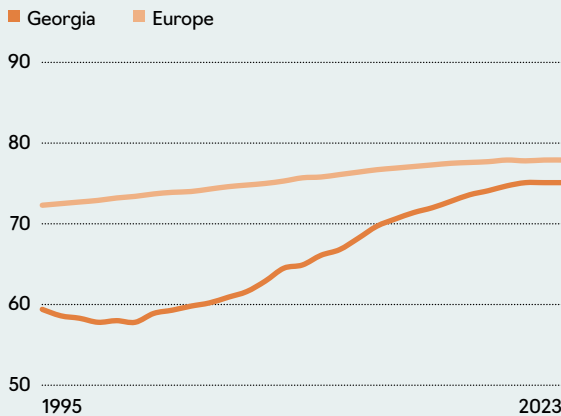


Health

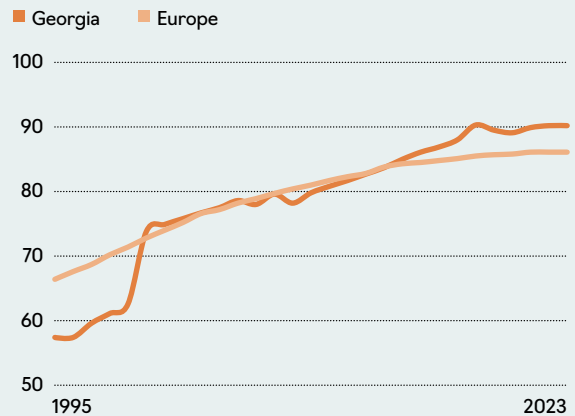


	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Minorities	74.8	76.3	4.0%	-2.2%
Health	75.9	88.3	-3.5%	0.2%

Environment



Education



	2023		Change Since 2014	
	Georgia	Region	Georgia	Region
Environment	75.1	77.9	6.3%	1.2%
Education	90.2	86.1	6.2%	2.1%

Evolution of Freedom

Since 1995, Georgia has gone through a series of waves of reform, which are clearly reflected in the upward trend of the **Freedom Index**, at least until 2018. Nonetheless, I would point to two important caveats that might curb this optimistic view. First, there are significant differences between the three subindexes, as well as among their components, with the legal subindex clearly showing a lower score than the economic and political subindexes. This is probably a subtle image of the second caveat: the clear divergence between the country's institutional framework as it appears on paper and in practice. Georgian written laws and regulations are comparable to those of the most developed countries of Europe or North America. There are always areas where improvement is possible. Still, on paper, we (Georgia) seem to be a democratic state with all necessary institutions, the balance of power, and fundamental principles of human rights protection. However, implementing our legal norms and regulations is far from complete. Therefore, some components of the Freedom Index may not present a realistic view of the actual situation experienced by most citizens in the country. Analyzing the three subindexes in detail corroborates this general concern.

Improvements in trade and economic freedoms mainly drive the positive evolution of the economic subindex, and this does capture a real advancement. We have signed free trade agreements with all major regional players, like the European Union (EU), China, Russia, and Turkey. Our trade relations and policies are fairly free and flexible. Georgia has undoubtedly benefited from this economic openness, boosting the economy and income per capita. The acceleration of economic freedoms over the past decade is also due to the increased respect

for property rights, as previously, the country had experienced severe problems in this regard, with waves of mass property dispossession.

However, developments around Anaklia deep sea port in 2019 have shaken Western investors' confidence in Georgia. In August 2019, the US construction and development company and founder of the Anaklia Development Consortium (ADC), the Conti Group, announced it was leaving the consortium. ADC has accused the government of sabotaging the project, which received major support from Georgia's strategic partner, the United States, and the EU. Overall, the ADC's departure marked a significant setback for Georgia's infrastructure ambitions. The port was intended to boost Georgia's economic and strategic standing as a major transit hub.¹

The component measuring women's economic freedom also seems to have improved significantly, at least since 2005, but this is an excellent example of the gap between the *de jure* and *de facto* situations. On paper, Georgian legislation ensures a high level of gender equality on any economic issues, such as employment rights, ownership of assets, the establishment of legal entities, etc. However, the proportion of women is deficient when looking at top business positions or the state apparatus. Also, the gender salary gap is substantial and does not seem to be closing. Again, there is no legal standing for this reality; this is not because of a failure of the law to uphold women's economic opportunities; it is a symptom of the patriarchal nature of Georgian society.

The score for property rights is notably lower compared to the other components because it captures actual property protection, especially against arbitrary public expropriation, a severe

¹ For background materials and controversies around Anaklia deep sea port, see reports by Georgian think tank Civic IDEA. Civic IDEA, "Anaklia Port: Another Step in Shifting Foreign Policy", 2024, <https://civicidea.ge/en/anaklia-port-another-step-in-shifting-foreign-policy/7815>.

problem in Georgia prior to 2012. The data series show well the gradual deterioration of the situation until 2012, when the government or its proxies were constantly—and arbitrarily—seizing private property. One of the ways this occurred was that individuals were imprisoned for a crime, and they would then buy their way out of prison by handing over their property to the state. This culture became widespread and led to extremely high numbers of incarcerations. According to the International Centre for Prison Studies, by 2012, Georgia had the highest prison population in Europe and the fourth highest in the world. In 2011, it also recorded one of the highest death rates in prisons.² In 2012, the new government led by the Georgian Dream coalition sharply amended the situation, and the component may not fully reflect the substantial improvement in property rights protection since then.

Both the political and legal subindexes illustrate well the two major episodes of institutional liberalization in Georgia, following the 2003 Rose Revolution and the 2012 change of government.

Since 2018, the country has been experiencing a dramatic institutional regression that is only slightly observable in the political subindex and not yet visible in the legal subindex components. The improvement shown in the **legal subindex** is perhaps the most misleading signal in the data presented here. No institution in the country needs reform more than the judiciary, and the general population and international community clearly perceive this. The deficiencies of the judicial system are the product of a selection process that is non-transparent and entirely arbitrary, which has allowed this crucial pillar of the state to be administered by a small elite of judges for almost two decades. The High Council of Justice, the agency in charge of appointing judges, has been controlled by the same people since 2007, recurrently reappointing themselves to different high administrative

positions. It is hard to agree with the sustained improvement shown in the judicial independence component when the interests of the ruling party and the judicial system are so closely intertwined, and the line between them is completely blurred.

A clear example of this behavior is the episode that occurred on July 22, 2024, when the judiciary unlawfully interfered with the constitutional authority of the president by suspending the appointment of a Supreme Council of Justice member. According to the Constitution of Georgia, the president has full and exclusive authority to appoint a member of the Supreme Council of Justice without anybody's consent or consultation. However, the judiciary clearly views even a single dissenting voice as an intolerable threat to its clannish rule. Its interference with the constitutional powers of the president is not only illegal; it undermines the constitutional principle of separation of power.

Finally, the **political subindex** only mildly shows the degradation of the situation in the last few years, but the negative turn starting in 2018 is evident in all four components. Regarding civil and political rights, the data do not yet reflect the passing of recent laws on foreign agents and LGBTQ+ rights, which will certainly further reduce Georgia's score in terms of civil liberties. Similarly, several amendments were passed to electoral legislation, reducing the opposition's and civil society's capacity to monitor and contest the government. The fact that no reactionary reforms have been passed in relation to the power and capacity of parliament masks the fact that legislative constraints on the executive become fictional when the same political party runs virtually all institutions of the state. Today, barely any officials—just the president and one small-city mayor—are not part of the ruling party. Thus, there is no effective control of the executive nor any real checks and balances within the state apparatus. As this report was under

² Zaza Tsuladze, "საქართველოს ციხეებში 140 პატიმარი დაიღუპა" [140 prisoners died in Georgian prisons], *Voice of America*, March 28, 2012, www.amerikiskhma.com/a/georgia-prison-dead-toll-144644925/1208953.html.

development, parliamentary elections in Georgia produced an even more hostile and polarized environment, with all major opposition parties, civil society monitoring organizations, and international observers claiming major fraud. The judicial branch

is by no means a safeguard of individual rights, so Georgia is rapidly and effectively falling into one-party rule, which is concerning and not fully captured in the Index.

Evolution of Prosperity

The evident catch-up process concerning the rest of Europe observed in the **Prosperity Index** is mainly driven by the strong performance of the income and education components. Georgia has had a period of fast growth, but this would be somewhat expected given its low level at the beginning of the period of analysis. Coming from a socialist economic environment, the liberalizing economic reforms mentioned above surely produced a boost in economic growth. Even accounting for inflation and purchasing power parity, the Georgian economy has clearly closed the gap with the most developed European countries.

The Index also captures the impressive increase in years of schooling, placing the country among the top performers worldwide in the education component. However, it is essential to note that the situation is very different in terms of quality. We are not anywhere close to the best educational systems in the world, as evidenced by standardized tests such as PISA,³ where Georgia falls significantly below the Organisation for Economic Co-operation and Development (OECD) average.

At least two components of the Prosperity Index—inequality and minority rights—may not accurately reflect the reality experienced by Georgians. Growth in **income** per capita can indeed advance the situation of the middle class,

and this has probably been the case in Georgia, explaining the improvement in the **inequality** component measured by the Gini coefficient. However, the differences between regions within the country, as well as between urban and rural areas, are very significant. Parts of the country still rely on a barter economy, and this is most likely not captured adequately. Regarding the treatment of **minorities**, the positive trend of this component does not reflect the situation of several minority groups, such as the LGBTQ+ community, which has been discriminated against and disadvantaged intentionally and will likely suffer even larger stigmatization given the new legislation passed by the parliament framed as “Protection of Family Values”. Sadly, the government ignores the abuse and discrimination not only when it comes to employment, for example, but also the highly violent cases of physical assault and harassment. In recent years, Georgia witnessed several instances of violent attacks against LGBTQ+ civil society organizations, as well as individuals and politicians who champion minority rights. Most of those attacks were large in scale and well organized. One of the most outrageous instances of brutality that shocked Georgia was the murder of 37-year-old transgender model Kesaria Abramidze on September 18, 2024.⁴ Coincidentally, this hate crime happened

³ PISA is the OECD's Programme for International Student Assessment. PISA measures 15-year-olds' ability to use their reading, mathematics, and science knowledge and skills to meet real-life challenges.

⁴ Frances Mao, “Trans woman killed in Georgia day after anti-LGBT law passed,” BBC News, September 19, 2024, www.bbc.co.uk/news/articles/cyolnpno19xo.

the day after anti-LGBTQ+ legislation was passed. Brutality was widely displayed on the streets of the capital city, Tbilisi during the attacks of July 5, 2021, when Tbilisi Pride was violently disrupted by far-right groups, leaving 53 media workers who were covering the events injured, and one dead. Anti-LGBTQ+ protesters also raided offices belonging to the non-governmental organizations (NGOs) Tbilisi Pride, and Shame Movement, which organized the event. This was not an exceptional event. Virtually every time the queer community comes out in public, they are pushed back into the social periphery by crowds led by far-right activists. It is also true that virtually every time, the police and state fail to protect LGBTQ+ people or control the mob, arrest their leaders, or bring them to justice. There is a dominant perception that the authorities are collaborating with violent groups.

The only possible explanation for any increase in the minorities component since 1995 may be found in the efforts made in the educational system to integrate ethnic minorities through a common language and other inclusive educational policies. Those efforts notwithstanding, a disturbing downturn in minority rights was visible from 2021–22. Despite some improvement since then, the decline will likely become apparent again in the coming years because of the way the ruling party and its proxies control all public spaces and opportunities, and fight differences. This will inevitably reduce fair access to public jobs and business opportunities for those not politically aligned with them.

It is certainly true that substantial effort has been put into improving the **healthcare** system in the last couple of decades, and this is observed in the rise in the health indicator score. Most of it has been directed to primary care, children's health, childbirth, pregnancy, and so on,

and not so much to advanced medical care such as surgery or the treatment of serious conditions. This is why those Georgians who can afford to do so go abroad to get quality care for serious illnesses. According to the data from the Georgian statistics department, the number of citizens of Georgia going to foreign countries for medical care doubled in 2023.⁵ This explains why the health-care gap with the rest of Europe persists.

COVID-19 provides a good example of this gap. At first, it is surprising that the data seem to show that the COVID-19 pandemic hit Georgia harder than the rest of Europe, as the country's robust primary healthcare system should have allowed it to cope with the crisis relatively well. However, the problems were mismanagement and the absence of a structured, systematic approach. Georgia was doing well as long as the government maintained a state of emergency—run jointly by police and the military. Rules were as rigid as in any democracy across the globe. However, as the economy was suffering and people slowly started disobeying the rules, the government understood the need for change and eased the restrictions. This is where major shortcomings of governance presented themselves, and the number of infections started to grow dramatically. The COVID-19 crisis showed all the deficiencies of the governance system in Georgia. The state can manage the most difficult situations, provided it can do so with a draconian response based on police rule, but when you need a nuanced, rules-based approach with basic freedoms for citizens guaranteed, the government fails repeatedly. Democracies are truly tested during a crisis, and the best test is to see whether policies remain balanced while dealing with the emergency. This is where Georgia fails every time.

⁵ National Statistics Office of Georgia, "Outbound Tourism," www.geostat.ge/en/modules/categories/578/outbound-tourism.

The Path Forward

Georgia stands at a critical crossroads. One of the most significant risks Georgia faces is the ongoing influence of Russia, which exerts considerable power through economic, political, and military channels. Russian-backed hybrid threats present ongoing dangers that could undermine the Georgian government and disrupt reform efforts. Political polarization and governance challenges constitute another major hurdle. The political climate in Georgia is often plagued by fierce rivalries and divisions, hindering the passage of essential reforms and destabilizing governance. Without a shared vision among political parties, advancements in critical areas such as judicial reform, anti-corruption initiatives, and economic policy are challenging. The absence of political consensus diminishes the government's strength and undermines public confidence in democratic institutions. To achieve greater freedom, a concerted effort is needed to build multiparty agreement on vital reforms and nurture a political culture prioritizing national interests over individual party agendas.

Economic inequality and emigration threaten Georgia's progress. Despite economic growth, high unemployment, regional disparities, and limited opportunities push many young Georgians to seek work abroad. To sustain a robust economy and reduce emigration, addressing these inequalities, investing in regional development, and creating jobs for youth are essential.

Georgia must urgently reform its judiciary. An independent judiciary is vital for attracting foreign investment and building public trust. However, the judiciary faces corruption and political interference, obstructing economic and democratic

growth. Legal reforms that ensure fair and transparent processes could restore public confidence and improve the business environment, making Georgia a more appealing investment destination.

As the majority of the population is predominantly asking for practical steps to bring Georgia closer to the EU and eventual membership,⁶ non-democratic moves and decisions of the government stand as an impediment to this popular demand. This path forward will hinge on Georgia's ability to integrate more closely with Western institutions, manage regional security risks, and drive economic modernization. Several key drivers of change will shape the country's progress toward freedom and prosperity. Still, significant challenges—such as Russian influence, the authoritarian nature of the government, political polarization, and social inequality—could impede progress. By addressing these obstacles and embracing transformative reforms, Georgia can lay the groundwork for a resilient, prosperous, and democratic future.

Georgia's drive for European integration is a significant factor in its future growth. The populace's strong pro-European stance serves as a primary catalyst for change. Important milestones, like visa-free travel within the EU for Georgians, and free trade agreements, represent advancement and inspire citizens' hopes for EU membership. These successes also provide clear leverage for the government to sustain current benefits and advance even more.

Economic modernization is a crucial factor. Georgia's economy has traditionally relied on agriculture and low-value exports, heavily dependent on the Russian market, making it vulnerable

⁶ National Democratic Institute, "NDI POLL: Georgian citizens remain committed to EU membership; Nation united in its dreams and shared challenges," December 11, 2023, www.ndi.org/publications/ndi-poll-georgian-citizens-remain-committed-eu-membership-nation-united-its-dreams-and.

to disruptions. Future development needs to shift toward services, tourism, technology, and trade for sustained growth. Investing in infrastructure—roads, ports, telecommunications—and achieving energy independence through renewables can enhance economic resilience and reduce reliance on external energy. Digital reforms and a focus on tech start-ups provide new opportunities, particularly for youth, while increased foreign investment may boost economic vitality. However, these changes require political stability, a favorable business environment, and better governance.

Regional security and stability are crucial for Georgia's future. The South Caucasus is geopolitically sensitive, and prone to conflicts. For sustainable development, Georgia must ensure a peaceful environment, domestically and with neighbors like Turkey and Azerbaijan. Partnerships with the EU and NATO are essential for countering security threats and fostering a stable regional investment climate.

Georgia's vibrant civil society drives democratic progress. Citizens push for transparency and reforms through NGOs and grassroots movements. Increased civic engagement pressures the government to implement meaningful changes. Support for independent media ensures an informed citizenry to hold officials accountable. Civic education for youth encourages engagement, creating a more participatory political landscape.

Georgia's future freedom and prosperity depend on leveraging European integration, driving economic modernization, unifying the country, and strengthening civil society. By fostering resilience, diversifying its economy, and ensuring political stability, Georgia can achieve growth and greater freedom. Although the journey is complex, sustained commitment could position Georgia as a model of democratic resilience and economic innovation in the region.

Tinatin Khidasheli

Tinatin Khidasheli is head of a Georgian think tank, Civic IDEA, focused on countering Soviet legacy and Russian propaganda while advancing Georgia's defense and security policies. Khidasheli teaches at Caucasus University, Georgian Institute of Public Administration, and Ilia University. Formerly Georgia's first female defense minister, Khidasheli also chaired the Parliamentary Committee for European Integration. Khidasheli holds an LLM from Tbilisi State University and an MA in political science from Central European University in Hungary.

Greece

Elias Papaioannou

Socioeconomic Data 2023

General Information

POPULATION	LIFE EXPECTANCY (2022)
10.36 million	81 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Christian → 88.1%	0.167
Unaffiliated → 6.1%	
Muslim → 5.3%	

Economic Data

GDP PER CAPITA	INFLATION
36,268	3.5%
% of US GDP pc → 49.3%	
GDP pc Growth → 2.7%	
DEBT/GDP (GENERAL 2023)	TRADE (% OF GDP)
168.9%	95%
UNEMPLOYMENT	
11.1%	
SECTORAL ALLOCATION	
Agriculture → 4.4%	
Industry → 18.0%	
Services → 77.6%	
GINI COEFFICIENT (2022)	
31.6	

Freedom Index

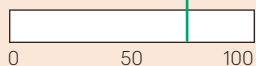


STATUS

**Moderate
Freedom**

SCORE

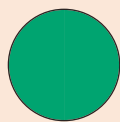
74.3



RANK

48^{/164}

Prosperity Index

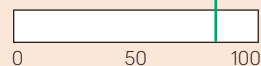


STATUS

**High
Prosperity**

SCORE

82.3

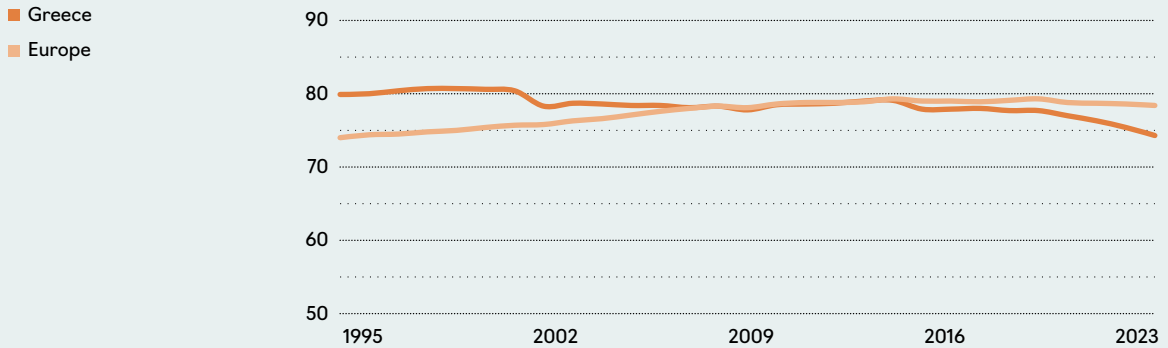


RANK

32^{/164}

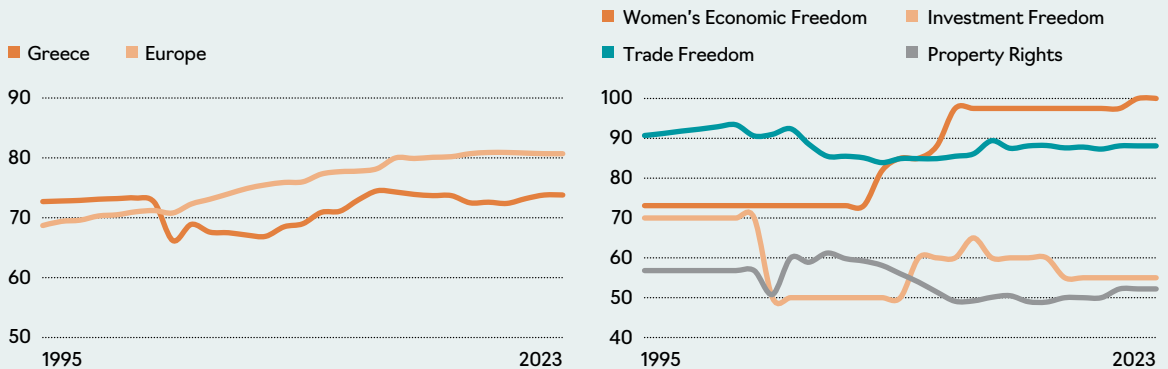
Freedom Index

1995-2023



	2023		Change Since 2014	
	Greece	Region	Greece	Region
Freedom Rank	48	-	-8	-
Freedom Score	74.3	78.4	-6.0%	-1.2%
Economic Subindex	73.8	80.7	-0.6%	0.9%
Political Subindex	82.4	84.2	-12.3%	-1.9%
Legal Subindex	66.8	70.1	-3.4%	-2.8%

Economic Subindex

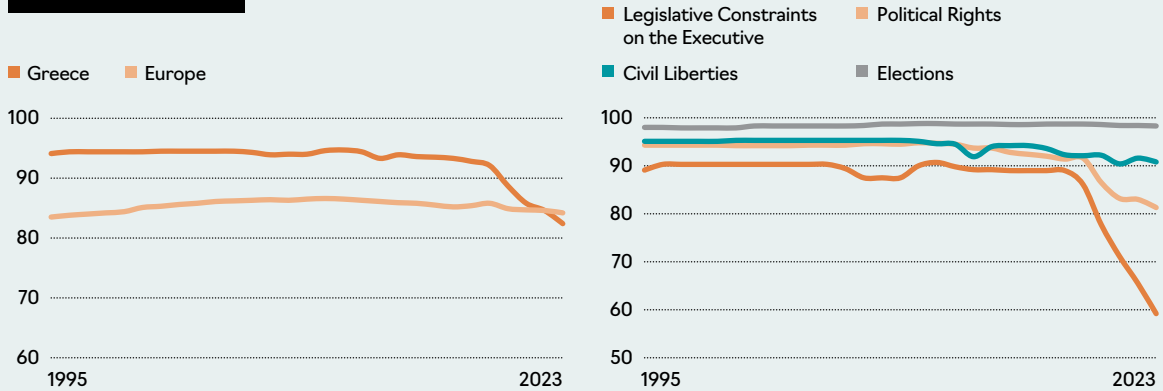


Women's Economic Freedom Investment Freedom
Trade Freedom Property Rights

	2023		Change Since 2014	
	Greece	Region	Greece	Region
Women's Economic Freedom	100.0	93.1	2.6%	3.1%
Investment Freedom	55.0	73.4	-8.3%	-0.5%
Trade Freedom	88.1	87.7	-1.5%	-1.1%
Property Rights	52.2	68.7	4.3%	2.2%

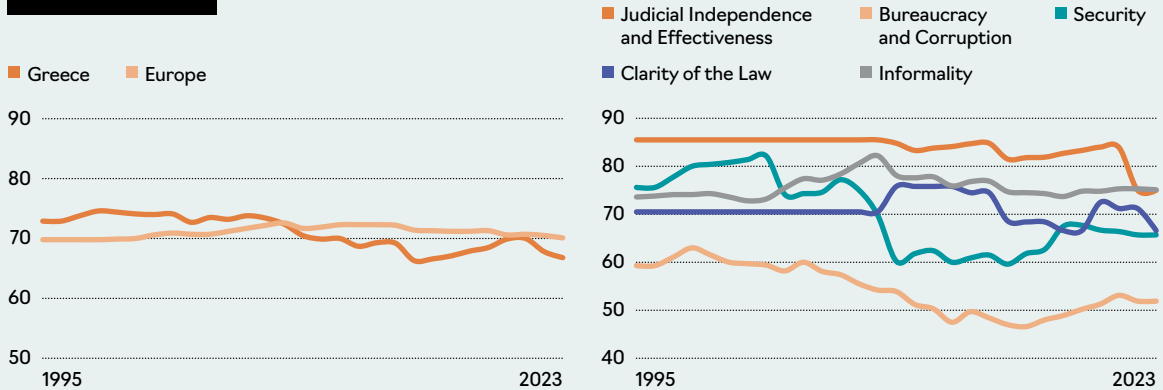
GREECE

Political Subindex



	2023		Change Since 2014	
	Greece	Region	Greece	Region
Legislative Constraints on the Executive	59.2	76.1	-33.6%	-1.5%
Political Rights	81.3	79.7	-13.2%	-4.3%
Civil Liberties	90.8	87.9	-3.5%	-2.2%
Elections	98.3	93.1	-0.4%	0.2%

Legal Subindex

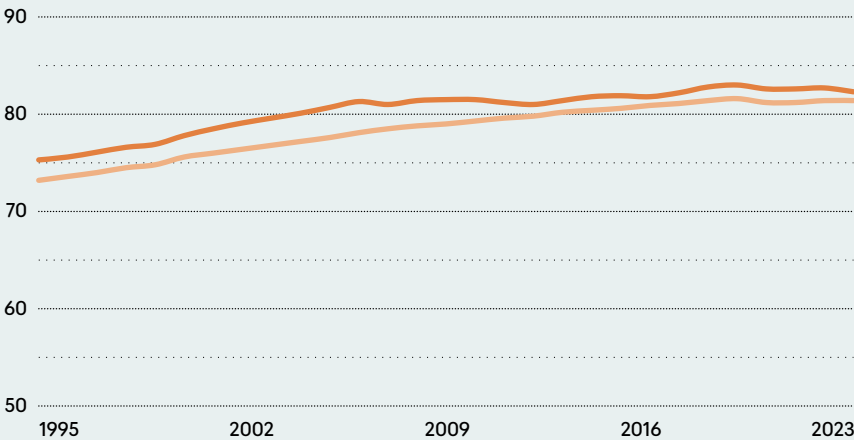


	2023		Change Since 2014	
	Greece	Region	Greece	Region
Judicial Independence and Effectiveness	75.0	74.9	-11.5%	-1.7%
Bureaucracy and Corruption	51.9	61.4	7.2%	-2.1%
Security	65.7	70.8	6.7%	-5.0%
Clarity of the Law	66.6	64.6	-10.6%	-5.0%
Informality	75.1	79.5	-2.4%	-0.5%

Prosperity Index

1995-2023

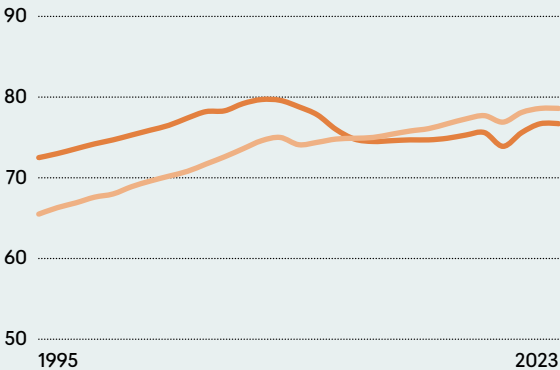
■ Greece
■ Europe



	2023		Change Since 2014	
	Greece	Region	Greece	Region
Prosperity Rank	32	-	-3	-
Prosperity Score	82.3	81.4	0.7%	1.2%

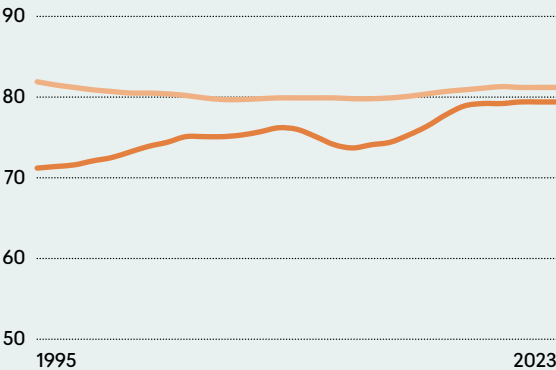
Income

■ Greece ■ Europe



Inequality

■ Greece ■ Europe

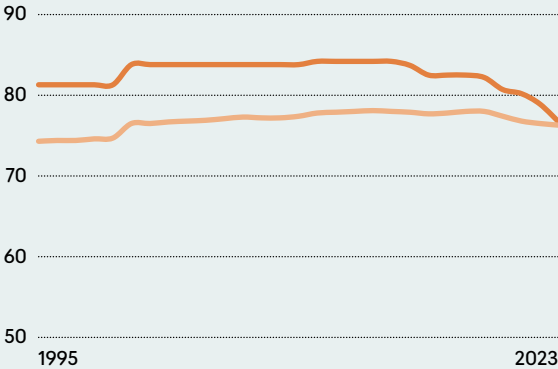


	2023		Change Since 2014	
	Greece	Region	Greece	Region
Income	76.7	78.6	2.8%	4.3%
Inequality	79.4	81.2	6.8%	1.5%

GREECE

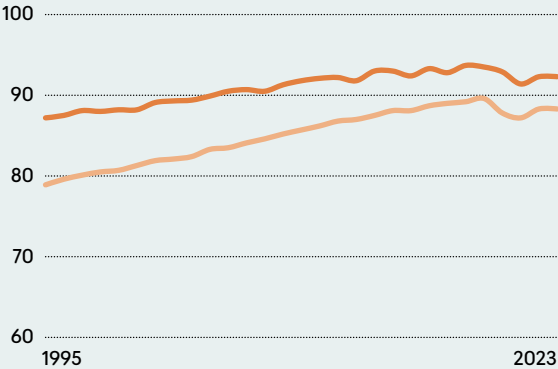
Minorities

Greece Europe



Health

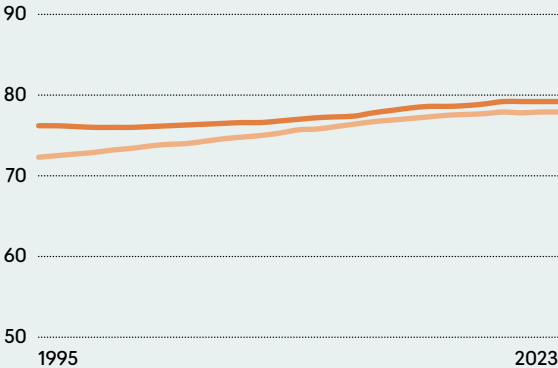
Greece Europe



	2023		Change Since 2014	
	Greece	Region	Greece	Region
Minorities	76.7	76.3	-8.9%	-2.2%
Health	92.3	88.3	-0.8%	0.2%

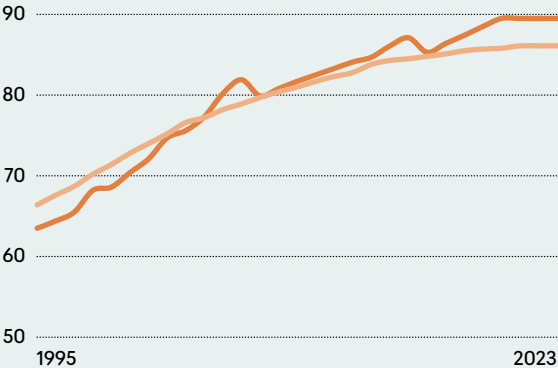
Environment

Greece Europe



Education

Greece Europe



	2023		Change Since 2014	
	Greece	Region	Greece	Region
Environment	79.2	77.9	1.3%	1.2%
Education	89.5	86.1	3.9%	2.1%

Evolution of Freedom

At the onset of the crisis in the European periphery—around 2008—Greece was significantly more prosperous than its institutional quality would have suggested; property rights, legal institutions, government efficiency, control of corruption, and economic freedom were all far lower than in nations with comparable incomes per capita. The gross domestic product (GDP)-institutions difference was evident in all crisis-hit countries, such as Spain and Portugal, but it was the largest in Greece.¹ Given the strength of the institutions-development nexus, this paradox was unlikely to last indefinitely. It would be resolved either by improving institutions and enhancing economic freedom, as a way to “firm up” the prosperity already achieved—or by income and prosperity falling away. Sadly, the latter took place, and dramatically so. It is hard to underestimate the profound and prolonged toll of the 2008–16 crisis. Greece lost a quarter of its output, unemployment tripled, hundreds of thousands of talented Greeks emigrated, the welfare state collapsed, and poverty became increasingly evident. While the fiscal profligacy of 2004–09 and deteriorating competitiveness were instrumental, the Greek economic crisis was essentially institutional.

The economic adjustment programs agreed between the Greek government and the “troika” of international lenders (International Monetary Fund, European Union (EU), and European Central Bank) focused—obsessively—on austerity and reforming the inefficient pensions system; yet, some much-needed changes in labor, product, and capital markets took place. Reforms such as opening “closed professions,” making hiring and firing easier,

strengthening the Competition Commission, and making it easier to start a business contributed to the mild improvement in the aggregate **Freedom Index** during 2010–15. However, despite the progress, there is still a significant gap between Greece and most (developed) European countries in numerous proxies of institutional quality and economic liberty. Given the causal link between institutions, economic freedom, and development,² enhancing the institutional apparatus is still needed.

One would have hoped that, as the country was leaving the crisis (and austerity) behind, the policy focus would switch from government finance to enhancing the legal protection of citizens and investors, strengthening property (and intellectual property) protection, investing in public administration, and making product markets more competitive. However, neither the Syriza/Anel coalition (2015–19) nor the New Democracy administration (2019–present) have instituted genuine institutional reform, including making markets more competitive, strengthening investor protection, speeding the judicial process, and safeguarding the independence of public agencies. Despite relatively meager post-2016 growth of about 1.0–1.5 percent during 2016–19 and around 1.8–2.4 percent more recently (2023–24), there has been little discussion on the need to liberate and modernize the Greek economy—much needed for a genuine new cycle of convergence.

Delving into the components of the **economic subindex** sheds light on the many challenges and the few successes. Starting with the latter,

1 For a detailed overview of the institutional origins of the Greek crisis, focusing on the judiciary and legal institutions, see Stavroula Karatza and Elias Papaioannou, “The Greek Justice System: Collapse and Reform” in *Beyond Austerity. Reforming the Greek Economy*, eds. Costas Meghir, Christopher Pissarides, Nikos Vettas, and Dimitri Vayanos (Boston, MA: MIT Press, 2017).

2 Daron Acemoglu and James A. Robinson, *Why Nations Fail? The Origins of Power, Prosperity, and Poverty*, (New York, NY: Crown Publishers, 2012); and for an overview of the literature see Daron Acemoglu, Simon Johnson, and James A. Robinson, “Institutions as a Fundamental Cause of Long-Run Growth” in *The Handbook of Economic Growth*, eds. Philippe Aghion and Steven Durlauf (Amsterdam: Elsevier North-Holland, 2005).

an encouraging development is the substantial rise of the component measuring women's economic freedom. Fortunately, this topic has gathered ample consensus across the political spectrum and society following the progressive family law reforms in the early 1980s (abolition of dowry, equal pay, women's right to keep their family names, and many others). Administrations of all political colors and leanings have pushed in the same direction, advancing equal rights and opportunities for men and women. In the past decade, we have seen genuine efforts and legislative measures to improve matters for the LGBTQ community. Despite internal opposition from its vocal right, the center-right administration proceeded aggressively on this front in 2024. Nonetheless, women's labor force participation still lags considerably behind other (Southern) European countries, reflecting "conservative" attitudes and a considerable child penalty on wages.³ In the 2010s, the country improved its already strong score on the trade freedom component, which reflects tariffs, hidden restraints, quotas, and exchange rate barriers. This progress built on the opening of trade in 1980 when the country joined the European Community, and Greece's adoption of the euro in 2001.

In contrast, the components of investment freedom and property rights have not shown much improvement over the past three decades, once averaged. While one can always question the fluctuations, investing in Greece, registering property, and starting a business are costly, time-consuming, and somewhat uncertain, as there are myriad processes and licenses investors need from numerous

organizations.⁴ And while the current administration has rightly prioritized big, often deemed "strategic" investments—including offering assistance with licenses and providing subsidies—the situation for small and medium-sized enterprises or smaller-scale investments is still anachronistic, formalistic, and cumbersome. While not reflected in the subindex, many entrepreneurs and businesspeople complain about extensive delays and red tape in disbursement of national or EU subsidies. Perhaps it is no wonder that most of the growth of the past years, around 1.5–2 percent per annum, reflects consumption rather than much-needed—and expected after a significant downturn—investment.

Greece celebrated its democratic golden jubilee in 2024, fifty years on from the fall of the military dictatorship in 1974. Over the past half-century, the country enjoyed political freedom and an expansion of civil liberties. In line with this, the **political subindex**, which tracks the quality and competitiveness of the elections, civil liberties, and political rights, exceeds 95 (out of 100) for most of the years in the dataset. The slight decline during the second half of the crisis most likely reflects riots, demonstrations, and attacks by far-right groups on immigrants. The stability of Greek democracy, despite the severe and prolonged economic downturn and the associated surge of far right and radical left populism, speaks to its resilience. It is the stable democracy that should serve as the basis for the desperately needed economic recovery.⁵

The legislative constraints on the executive component paints a less rosy picture, which is concerning given the strong link between legal quality,

3 Henrik Kleven, Camille Landais, and Gabriel Leite-Mariante, *The Child Penalty Atlas* (Cambridge, MA: National Bureau of Economic Research, 2023).

4 See for example Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "The Regulation of Entry," *Quarterly Journal of Economics* (2002), 117:1, 1–37, <https://academic.oup.com/qje/article/117/1/1/1851750>; and World Bank, "Ease of Doing Business Across the World" rankings and assessments, <https://archive.doingbusiness.org/en/rankings>.

5 On the link between democracy and prosperity (income, GDP, education), see Elias Papaioannou and Gregorios Siourounis, "Democratisation and Growth," *Economic Journal* (2008), 118:532, 1520–51; and Daron Acemoglu, Suresh Naidu, Pascual Restrepo, and James A. Robinson, "Democracy Does Cause Growth," *Journal of Political Economy* (2019), 127:1, 47–100.

financial, and economic development.⁶ To start with, Greece's score throughout the 1990s, 2000s, and early 2010s is not perfect, reflecting the tendencies of various administrations to intervene in the judiciary, the media, and independent agencies. Besides, before the crisis, members of parliament rarely challenged their party's cabinet. The forty-point drop in the legislative constraints on the executive component of the past years perhaps overstates the case. But while one can reasonably question the apparent size of the fall, it should be a wake-up call for the political system, civic organizations, and Greece's partners in the EU. The fall in political rights likely reflects the massive-scale spyware scandal, where for several years between 2019 and 2023, dozens of individuals—including members of parliament (MPs), opposition leaders, journalists, businesspeople, judges, and even cabinet members and the joint chief of staff—were under surveillance by the Secret Service, under the direct control of the then-prime minister's office and a still-mysterious private company. Many targets were under surveillance by both the Secret Service and the private agency. Perhaps even more alarming, the investigation has been slow, key witnesses have not been called upon to testify, and the administration and the judiciary have shown little interest in shedding light. Most targets, including ministers, did not even question who was spying on them or why. Media outlets connected with the administration and government-aligned MPs attacked independent agencies, the courageous journalists who uncovered the scandal, and even the independent committee of the European Parliament that tried to shed some light. To make things worse, the judiciary—perhaps nudged by the administration—has been absurdly slow in investigating other cases with significant public interests, such

as the conditions of a devastating train accident in 2023, where dozens of people, mainly university students, died, and the drowning of hundreds of helpless refugees in the Sea of Pylos (in Messenia) in June 2023. Another alarming development of the past decade is the evident effort of the administration to control the main media outlets. Historically, most Greek parties, in government and opposition, tried to influence newspapers and TV; however, there are nowadays clear signs that very few of the principal media outlets would oppose the government. Let us be clear, though: Greece's decline in constraints on the executive is rather subtle and a far cry from some other European cases, such as Orbán's Hungary.

The **legal subindex** reflects the low quality of bureaucracy, the problematic judiciary, and weak corruption control. As in other European countries on the peripheries of the continent, the quality of legal institutions deteriorated gradually in the 2000s. The reforms of the early 2010s tried to improve the absurdly slow judiciary and reduce red tape. Still, their impact was muted as they were mainly ad hoc, and they went hand-in-hand with an exodus of public servants, significant salary cuts for judges, legal personnel, and prosecutors, and underinvestment in IT and infrastructure. People's trust in courts—and other core free-market liberal institutions—plummeted during the economic crisis (2007–15).⁷ The quality of legislation, already far from great, deteriorated after 2012, as Greek governments passed multiple laws with tight deadlines, insufficient preparation, and without thinking of the big picture. In addition, MPs' lawmaking skills are evidently low and have deteriorated. The recent decline of this subindex reflects rising informality and, to a lesser extent, worsening security, both of which are hard to verify. However, progress was

⁶ See for example, Simeon Djankov, Oliver Hart, Caralee McLiesh, and Andrei Shleifer, "Debt Enforcement around the World," *Journal of Political Economy* (2008), 116:6, 1105–1149; and Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "The Law and Economics of Self-Dealing," *Journal of Financial Economics* (2008), 88:3, 430–65.

⁷ A similar pattern of plummeting trust was observed in crisis-hit countries and regions across Europe; as shown in Yann Algan, Sergei Guriev, Elias Papaioannou, and Evgenia Passari, "The European Trust Crisis and the Rise of Populism," *Brookings Papers on Economic Activity* (2017), 309–82.

made after 2019, as the new administration went forward with a well-designed and professionally implemented policy to digitize the public sector, which received a massive boost during the pandemic. In addition, the digitization and reforms of tax authorities during the crisis years have helped curb tax evasion in small businesses. Coupled with the boom in tourism and hospitality, these have raised much-needed public revenues.

Finally, the sharp drop in security during the 2008–15 period mainly captures the sociopolitical unrest of the time, with numerous demonstrations and protests that eventually ended with minor clashes with the police. Common criminality in Greece has increased somewhat, although the country is still safe and secure.

Evolution of Prosperity

Being a composite of six components, some slow-moving (like education and health), the **Prosperity Index** only slightly reflects the dramatic effects of the debt crisis of 2010–15. The **income** plot does give an accurate perception of the magnitude of the loss of output per capita the country experienced during the crisis, with the fall in the Greek score around five times larger than the European average. While much ink has been spilled on the causes of the Greek crisis with the 25 percent output loss, there has been little discussion of the mediocre recovery after 2015—the point at which the Syriza/Anel government performed a U-turn and the country stayed in the Eurozone. Economic reasoning and past experience from other crisis-hit countries suggest fast, albeit temporary, growth driven by investment following such a vast output loss, an “internal devaluation,” and the elimination of exchange rate risk. Alas, growth has been slow, about 1–1.5 percent in 2016–19, and somewhat higher, around 2 percent, after the pandemic in 2023–24. In addition, most of the recent growth comes from hospitality, tourism, construction, and real estate, while growth in manufacturing is close to nil. The current administration appears satisfied with the pace, contrasting it with the

close-to-nil growth experienced by Germany and the other advanced Eurozone countries. However, given that growth in the “frontier” economies (e.g., United States, United Kingdom, Germany) has been historically about 1.7–2.0 percent per annum,⁸ Greece needs much faster growth, driven by investments in IT, infrastructure, machinery, and equipment, for at least a decade to catch up and converge again to the European core. While many citizens, businesspeople, journalists, and policymakers seem satisfied that the country has left the worst of the crisis behind, Greece is today the second poorest country in the EU behind Bulgaria, and the least developed euro member. Average output growth of about 2 percent, typical of the wealthiest countries, is not something to celebrate, and given the disaster of the crisis, it is, to me, a pathetic target.

The component of economic **inequality** points to a non-negligible fall. However, the data are far from completely reliable due to tax evasion (undeclared income), high levels of informality, and the large share of small enterprises. The crisis harmed the middle class relatively more. Professionals, public, and private sector employees suffered the most from the substantial tax

⁸ Charles I. Jones, “The Facts of Economic Growth” in *Handbook of Macroeconomics*, eds. John Taylor and Harald Uhlig (Cambridge, MA: National Bureau of Economic Research, 2016), 2, 3–69.

hikes of the 2010–18 period. The middle class and the poor also suffered the most from the sizable expenditure cuts that hit the welfare state.

Greece's scores are high in the education and health components, but some important caveats are in order. First, the **education** component only reflects years of schooling, crucially missing their quality. Sadly, international test scores and other measures of the quality of the educational system illustrate the (very) dire conditions in primary and secondary schools. The university system is in poor condition, with the crisis making things worse. Improving the quality of education is a *sine qua non* for a sustained recovery, raising real wages, and bringing down chronically high unemployment. Besides, an analysis of PISA scores⁹ pinpoints considerable inequality and low intergenerational mobility in education, especially when adjusted for quality. This further shows that prioritizing human capital will bring much-needed growth and opportunity for the left-behind.¹⁰ The enduring deficiencies of the university system, which generates degrees rather than skills, are at the core of the persistence of unemployment and low wages. Even during the high growth era of 1994–2005, the unemployment rate was double-digit. Today, despite the emigration of Greeks in the crisis years and the (mild) recovery, unemployment still hovers around 10 percent. Sadly, a significant effort to reform tertiary education in 2010 was abandoned and, in some domains, even reversed. A recent attempt to redesign the sector has been partial at best, prioritizing the establishment of foreign private universities in the country which, while needed, does not address the core of the problem in public universities.

Second, the **health** component only reflects life expectancy, missing morbidity, and other aspects. The pandemic revealed the deficiencies of the

welfare state. The national health system, established in the mid-1980s, had already weakened in the 2000s and further deteriorated during the crisis, hit by austerity, misallocation, and negligence. During the years of the economic adjustment programs, doctors left en masse (for abroad or the private sector), there was limited investment, and no significant recruitment of nurses and support personnel. Even now, hospitals do not publish detailed accounts and the system is plagued by inefficiencies of all sorts. One can only hope that modernizing and reforming the national health system will soon be the focus of genuine policy action. Sadly, modernizing and strengthening the health system are not the administration's priorities.

Greece's relatively higher level of **minority** protection than the rest of Europe, at least until 2015, is probably due to its high ethnic, linguistic, and religious homogeneity. Women's legal status is strong, although gender discrimination in the labor market is present and one rarely sees women running big corporates or holding senior management posts. Greece integrated a large influx of immigrants from Albania and Eastern Europe in the 1990s and early 2000s, with immigration contributing to the solid growth in these years. However, as the crisis intensified, far-right and xenophobic groups and parties started attacking immigrants. As thousands of refugees from Syria, Libya, Asia, and Africa began to reach Greek islands en route to Northern Europe, a portion of the population started exhibiting anti-immigrant sentiments. The significant fall in the minority component score since 2016, especially from 2019, will surprise most of my compatriots. I think it is somewhat unfair. It most likely reflects criticism of the Syriza/Anel and New Democracy administrations in terms of their treatment of refugees in camps and the "pushbacks" of migrant boats in the Aegean Sea.

⁹ PISA is the OECD's Programme for International Student Assessment. PISA measures 15-year-olds' ability to use their reading, mathematics, and science knowledge and skills to meet real-life challenges.

¹⁰ See Svetoslav Danchev, Georgios Gatopoulos, Niki Kalavrezou, and Nikos Vettas, "Intergenerational Mobility in Education in Greece: An Exploration into Socioeconomic Determinants of Students' Performance and Future Career Plans Before, During and After the Crisis," Working paper, Foundation for Economic and Industrial Research (IOBE), 2023.

For instance, tragic episodes like the sinking of a migrant boat in June 2023 in which hundreds of refugees died outside Pylos, receive more attention from international than local media and authorities. Besides, one rarely sees immigrants or minorities in senior jobs.

Finally, the sustained improvement in the **environmental** component is again the product of different administrations' consistent efforts to incentivize clean energy sources in the last decade. Fortunately, there is little divide across the political spectrum about this topic, and the EU's impulse is unquestionable. However, the environmental measure used in the Prosperity Index does not capture Greece's most pressing environmental challenges today, related to the conservation and protection of the islands and the pristine countryside from overbuilding. Recurrent wildfires and floods, a rarity in the country, have had a huge environmental toll. I am not optimistic on this front, as the government has limited capacity—and perhaps will—to impose

construction, forest, and building legislation nation-wide. Executive orders restricting or banning new building licenses in some Greek islands have not been enforced. On one hand, the government initiated an ambitious plan during the pandemic to make the island of Astypalaia eco-friendly; on the other hand, state agencies have granted planning consent for a tourist village that will almost double the island's occupancy. Paradoxically, the state subsidizes hotels in the most overbuilt areas and islands. Construction permits and forest and seaside protection are mainly in the hands of municipalities and local agencies; they are decentralized, understaffed, have limited IT systems, and are prone to corruption. There are limited, if any, interventions concerning water management and wildlife protection. In addition, starved of funds and resources since the crisis, local communities, municipal leaders, and policymakers often turn a blind eye, even to conspicuous violations of environmental protection.

The Path Forward

As Greece celebrates fifty years since the restoration of democracy, there is much to consider for the decades ahead. First, while the country enjoys free and fair elections within a competitive political landscape, freedom and civil liberties must be sustained. While the burst of populism that hit the country alongside the deep crisis has faded, trust in core democratic institutions is in decline. Restoring trust is a must. Strengthening the judiciary, enhancing checks and balances on the executive, and investing seriously in the rule of law are *sine qua nons*, not only to restore confidence in democracy but also to promote much-needed economic growth. The priorities should be to enhance institutions, tackle corruption, promote economic freedom (by bringing down cartels and

freeing product markets), and seriously invest in public administration and independent agencies (e.g., competition authority). I am afraid that while these reforms are obvious, in practice, they are not on the administration's priority list.

Second, Greece desperately needs a new round of convergence and investment-led growth to raise wages and create opportunity. Human capital, much of it abroad, coupled with capital from markets and the EU, can bring back much-needed growth and hope.

Third, Greece must carefully manage the trade-off between the environment and growth. Rather than destroying the landscape, pristine beaches, beautiful historic settlements, and forests, the administration, parties, and local

communities must use that beauty and history for growth and resist the temptation of “easy” money from its exploitation.

Fourth, the country used to—and to some extent still does—take pride in the high life expectancy stemming from the Greek diet, strong family ties enabling risk sharing, a decent national health system, and the high education of many Greeks. Investments in education and health were at the core of upward mobility, hope, and high growth after World War II, and the restoration of political freedom in the mid-1970s. The land of Aristotle, Socrates, and Pericles needs to once again become a land of opportunity, centered around human capital, for its people.

Elias Papaioannou

Elias Papaioannou is a professor of economics at the London Business School, where he co-directs the Wheeler Institute for Business and Development. Papaioannou, a fellow of the British Academy, also serves as a managing co-editor of the *Review of Economic Studies*. He has worked at the European Central Bank and Dartmouth College and held visiting professorships at Massachusetts Institute of Technology (MIT) and Harvard. His research covers international finance, political economy, economic history, and growth.

Poland

Leszek Balcerowicz

Socioeconomic Data 2023

General Information

POPULATION

36.69 million

LIFE EXPECTANCY (2022)

77 years

RELIGION (2010)

Christian → 94.3%

Unaffiliated → 5.6%

Muslim → 0.1%

ETHNIC
FRACTIONALIZATION
(2013)

0.069

Economic Data

GDP PER CAPITA

44,051

% of US GDP pc → 59.8%

GDP pc Growth → 0.5%

INFLATION

11.5%

DEBT/GDP (GENERAL 2023)

49.6%

TRADE (% OF GDP)

110%

UNEMPLOYMENT

2.7%

SECTORAL ALLOCATION

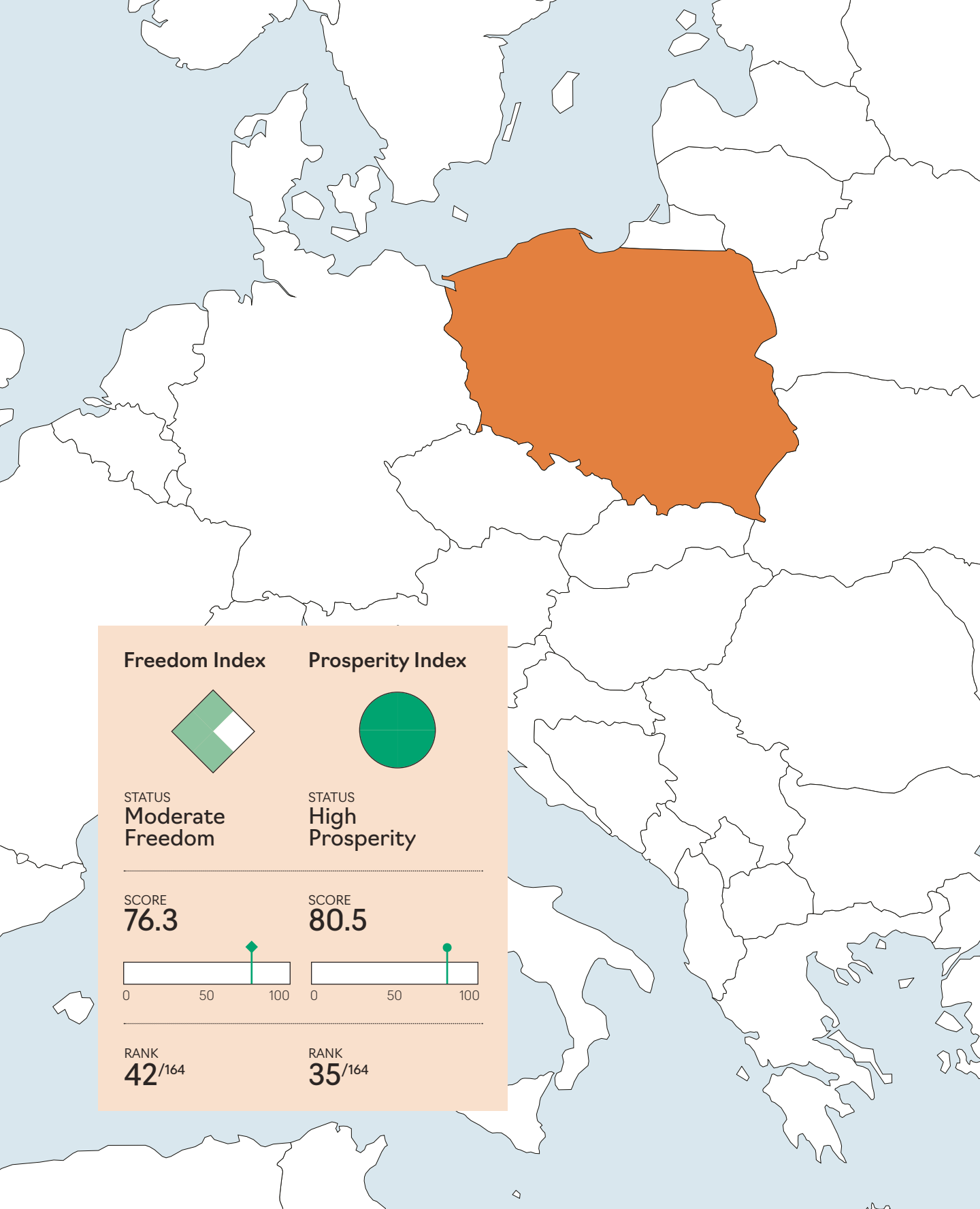
Agriculture → 3.2%

Industry → 31.7%

Services → 65%

GINI COEFFICIENT (2022)

28.5

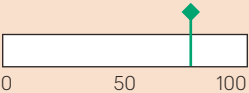


Freedom Index



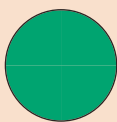
STATUS
**Moderate
Freedom**

SCORE
76.3



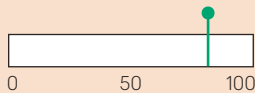
RANK
42/164

Prosperity Index



STATUS
**High
Prosperity**

SCORE
80.5

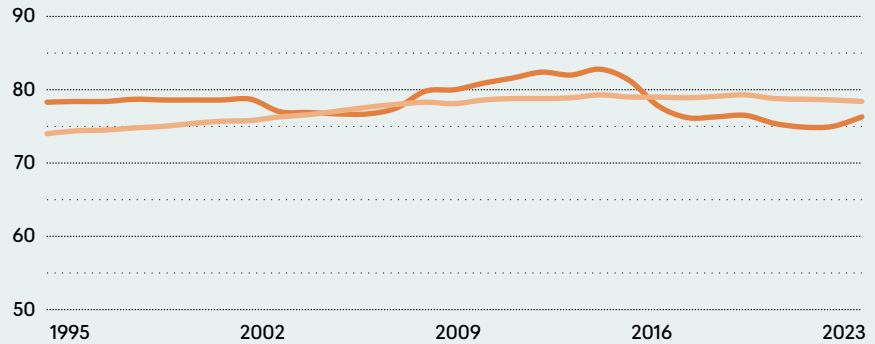


RANK
35/164

Freedom Index

1995–2023

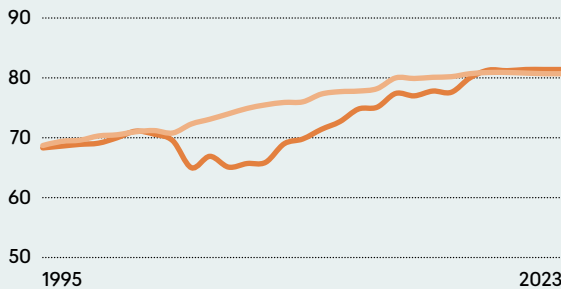
Poland
Europe



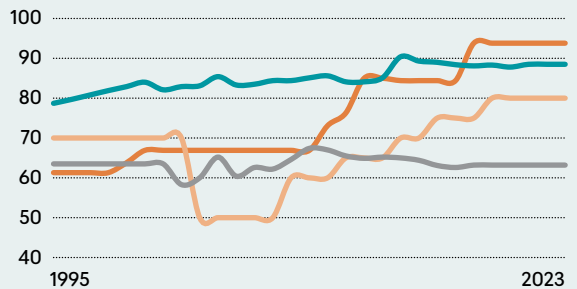
	2023		Change Since 2014	
	Poland	Region	Poland	Region
Freedom Rank	42	–	-12	–
Freedom Score	76.3	78.4	-7.8%	-1.2%
Economic Subindex	81.4	80.7	5.1%	0.9%
Political Subindex	83.6	84.2	-11.3%	-1.9%
Legal Subindex	63.9	70.1	-16.5%	-2.8%

Economic Subindex

Poland
Europe



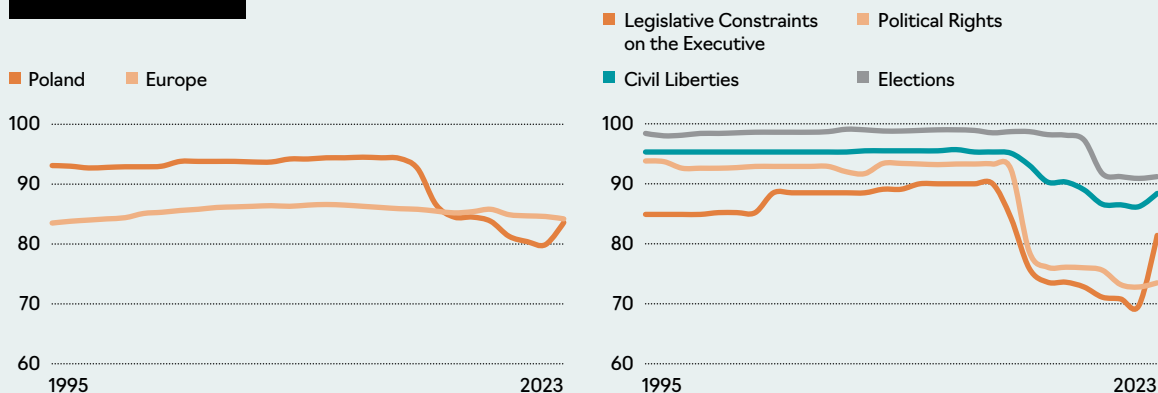
Women's Economic Freedom
Investment Freedom
Trade Freedom
Property Rights



	2023		Change Since 2014	
	Poland	Region	Poland	Region
Women's Economic Freedom	93.8	93.1	11.1%	3.1%
Investment Freedom	80.0	73.4	14.3%	-0.5%
Trade Freedom	88.5	87.7	-2.0%	-1.1%
Property Rights	63.2	68.7	-2.8%	2.2%

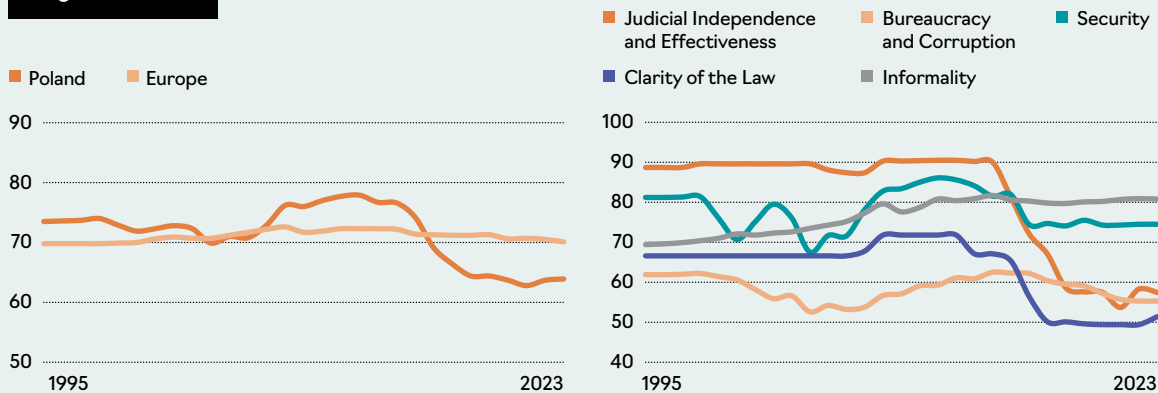
POLAND

Political Subindex



	2023		Change Since 2014	
	Poland	Region	Poland	Region
Legislative Constraints on the Executive	81.4	76.1	-9.6%	-1.5%
Political Rights	73.5	79.7	-21.2%	-4.3%
Civil Liberties	88.4	87.9	-7.2%	-2.2%
Elections	91.2	93.1	-7.5%	0.2%

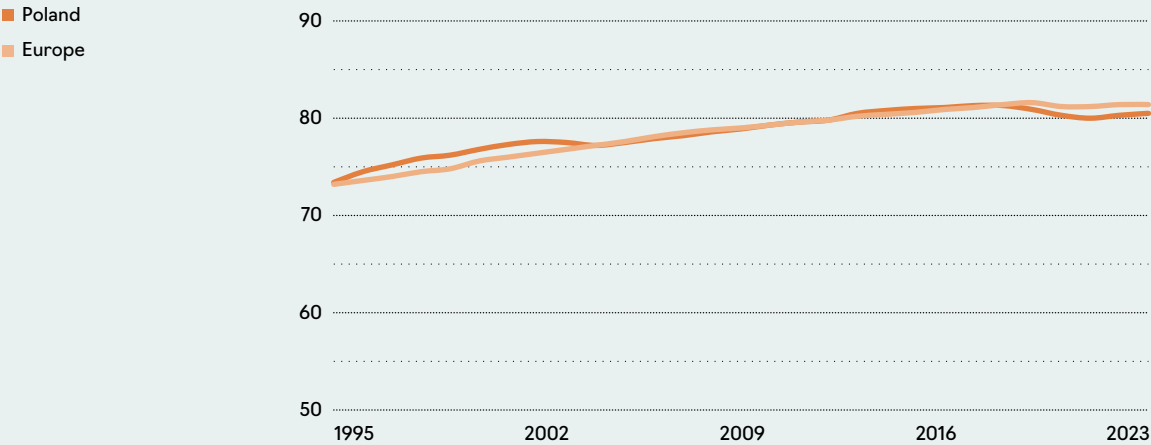
Legal Subindex



	2023		Change Since 2014	
	Poland	Region	Poland	Region
Judicial Independence and Effectiveness	57.4	74.9	-36.2%	-1.7%
Bureaucracy and Corruption	55.3	61.4	-11.5%	-2.1%
Security	74.5	70.8	-8.5%	-5.0%
Clarity of the Law	51.4	64.6	-23.4%	-5.0%
Informality	80.8	79.5	-1.1%	-0.5%

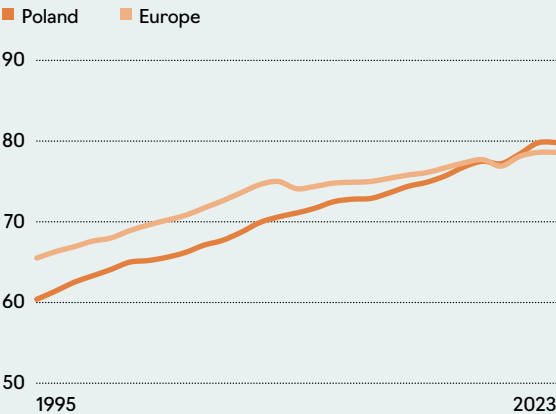
Prosperity Index

1995-2023

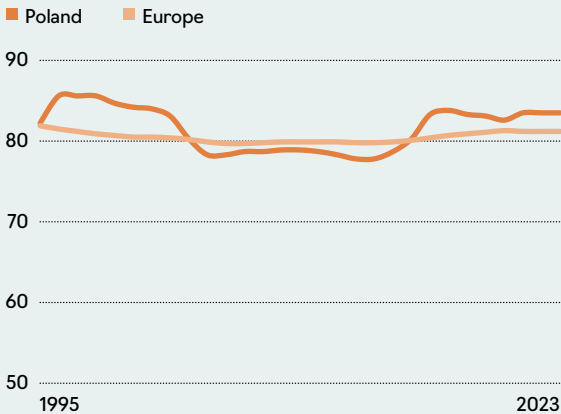


	2023		Change Since 2014	
	Poland	Region	Poland	Region
Prosperity Rank	35	-	-1	-
Prosperity Score	80.5	81.4	-0.4%	1.2%

Income



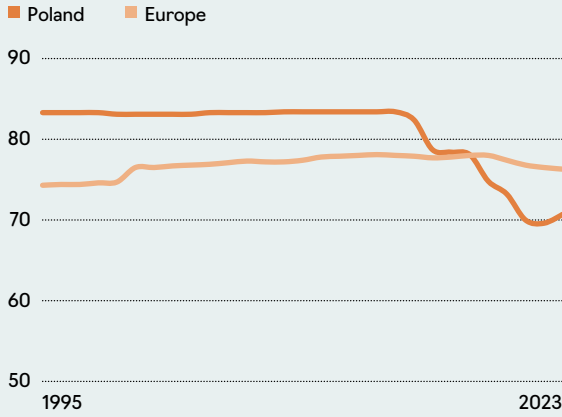
Inequality



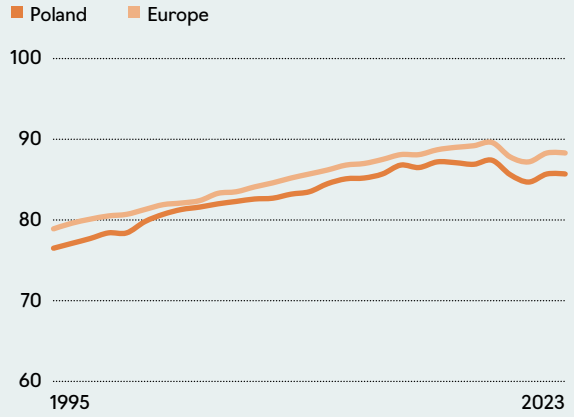
	2023		Change Since 2014	
	Poland	Region	Poland	Region
Income	79.8	78.6	8.4%	4.3%
Inequality	83.5	81.2	6.1%	1.5%

POLAND

Minorities

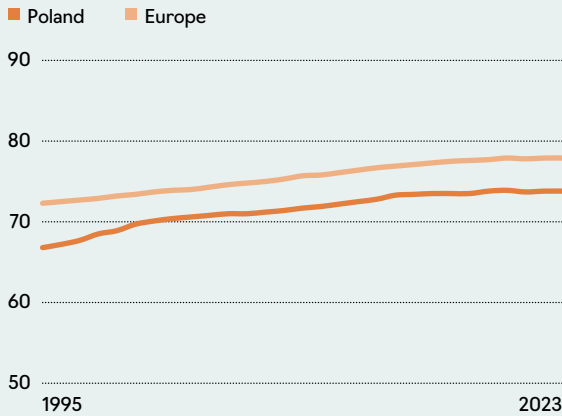


Health

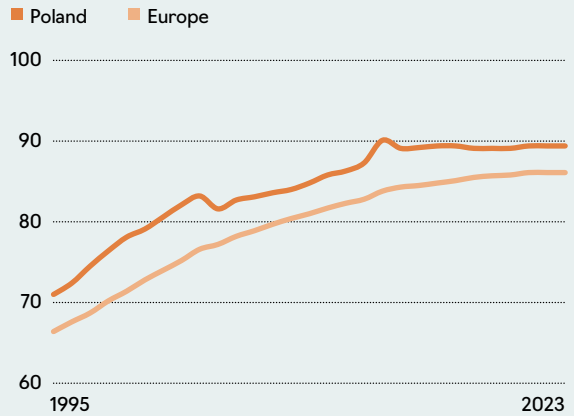


	2023		Change Since 2014	
	Poland	Region	Poland	Region
Minorities	70.7	76.3	-15.3%	-2.2%
Health	85.7	88.3	-1.2%	0.2%

Environment



Education



	2023		Change Since 2014	
	Poland	Region	Poland	Region
Environment	73.8	77.9	0.8%	1.2%
Education	89.4	86.1	0.4%	2.1%

Evolution of Freedom

Poland, along with the three Baltic states, stands as one of history's most remarkable examples of how embracing democratic institutions and a free-market economy can radically transform a nation and propel it onto a trajectory of rapid development. Following an unprecedented transition in 1989, Poland and other former communist bloc nations successfully established the three foundational pillars of a free society—rule of law, democracy, and market economy—guided by frameworks like the **Freedom Index**. Although the Index's coverage begins only in 1995, when many key reforms were already implemented, Poland's journey in the subsequent decades offers valuable insights. Notable milestones include its accession to the European Union (EU) in 2004 and, more recently, significant challenges to the rule of law starting in 2015, which is the primary focus of this piece.

The political shift following the 2015 parliamentary elections serves as an archetype of what might be called a "bad transition." In such scenarios, authoritarian leaders or parties rise to power through legitimate electoral processes—a necessary but insufficient condition for true democracy—and proceed to systematically erode institutional independence, particularly within the justice system and civil service. The Law and Justice Party (PiS), under Jarosław Kaczyński's leadership, secured a decisive victory in a fair election but quickly revealed its authoritarian tendencies. The sharp decline in political and legal subindexes from 2016 onward vividly illustrates this regression.

Among the **political subindex** components, the most severe deterioration occurred in political rights, driven largely by the PiS's capture of public media, turning it into a propaganda tool. Fortunately, private media outlets managed

to resist government pressure and served as a critical counterbalance.

However, the most dangerous attack came against the judiciary, as evidenced by the more than thirty-five-point drop in the judicial independence component within the **legal subindex**. Legislative changes in 2016 merged the roles of prosecutor-general and minister of justice, granting a political appointee sweeping powers over the judicial system, including appointments, promotions, and case allocations to specific prosecutors. This effectively undermined safeguards for prosecutorial independence, which allowed compliant prosecutors to be rewarded and dissenters punished. Judicial independence similarly eroded under politicized appointment processes.

Poland's judicial system survived this assault primarily due to the vigorous defense mounted by civil society and advocacy groups. The rulings of the European Court of Justice in 2021 and 2023, alongside political pressure from the European Commission, played a crucial role, but these external interventions would likely have been insufficient without the active involvement of Polish non-governmental organizations (NGOs) and grassroots organizations.

PiS was unsuccessful in undermining the free elections, and those held in 2023 were democratic. The newly elected government has prioritized the restoration of judicial independence, a commitment that has led to the European Commission's recent decision to terminate the Article 7(1) Treaty on European Union (TEU) procedure, citing that "there is no longer a clear risk of a serious breach of the rule of law in Poland."¹

Turning to the **economic subindex**, several notable aspects deserve attention. From the early

¹ European Commission, "Commission decides to close the Article 7(1) TEU procedure for Poland," May 29, 2024, https://ec.europa.eu/commission/presscorner/detail/en/mex_24_2986.

1990s, the anticipation of eventual EU membership spurred a series of significant liberalizing reforms. Between Poland's accession to the EU in 2004 and 2016, the country benefited from increasing policy credibility and access to the common market for trade and capital, driving a robust convergence process with other EU member states.

However, during the years of PiS governance, economic freedom suffered, primarily due to increased nationalizations and expansion of the state sector in the economy. Higher fiscal spending and growing budget deficits during this period

further weighed on economic freedom, representing a clear drag on progress in this area.

Despite these challenges, the economic sub-index reflects an overarching positive trajectory, largely attributed to a notable increase in women's economic opportunities. A rare positive legacy of the socialist era is the strong foundation of gender equality within Polish society, particularly in economic participation. The sharp rise in this indicator in 2010 aligns with the adoption of European regulations promoting equal treatment²—standards that were already a widespread practice in Poland.

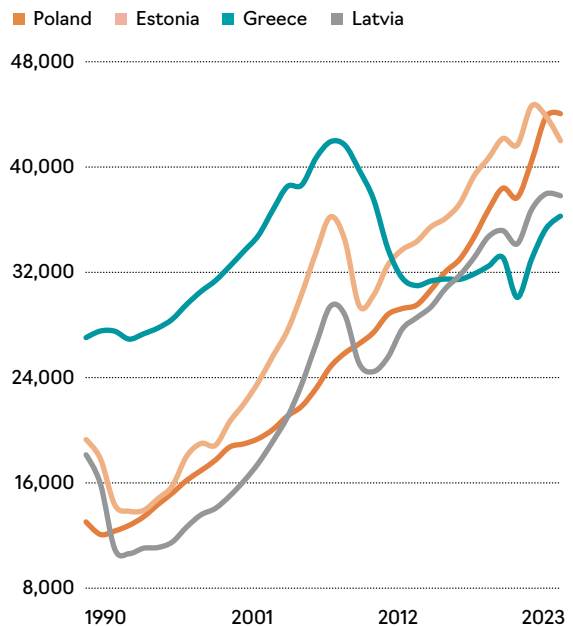
Evolution of Prosperity

The Polish economy has undergone a remarkable convergence with the EU. In 1990, Poland's gross domestic product (GDP) per capita was less than 40 percent of the EU average. Over the past twenty-five years, this gap has significantly narrowed, reaching 83 percent of the EU average by 2023.³

A notable aspect of Poland's economic performance is its resilience during the 2008 financial crisis, which left no significant negative impact on the country's economy. As illustrated in Figure 1, Poland's GDP per capita growth remained consistently positive from 1992 until the onset of the COVID-19 pandemic. In contrast, the financial crisis, followed by the debt crisis, had substantial repercussions in neighboring countries such as Estonia and Latvia, not to mention the severe impacts felt in Greece. Consequently, Poland today is wealthier than all these countries, despite having a lower GDP per capita than each of them in 2007.

Finally, it is worth noting a significant external factor that has boosted the Polish economy in recent years, namely, the absorption of around

Figure 1. Real GDP per Capita in Selected Countries



Source: World Bank, GDP per capita, measured in purchasing power parity (PPP), constant 2021 international dollars.

² Government of Poland, "ACT of 3rd December, 2010 on the implementation of some regulations of European Union regarding equal treatment," August 22, 2012, <https://bip.brpo.gov.pl/en/content/act-3rd-december-2010-implementation-some-regulations-european-union-regarding-equal>.

³ Data obtained from the World Bank Indicators database, <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD?locations=PL-EU>.

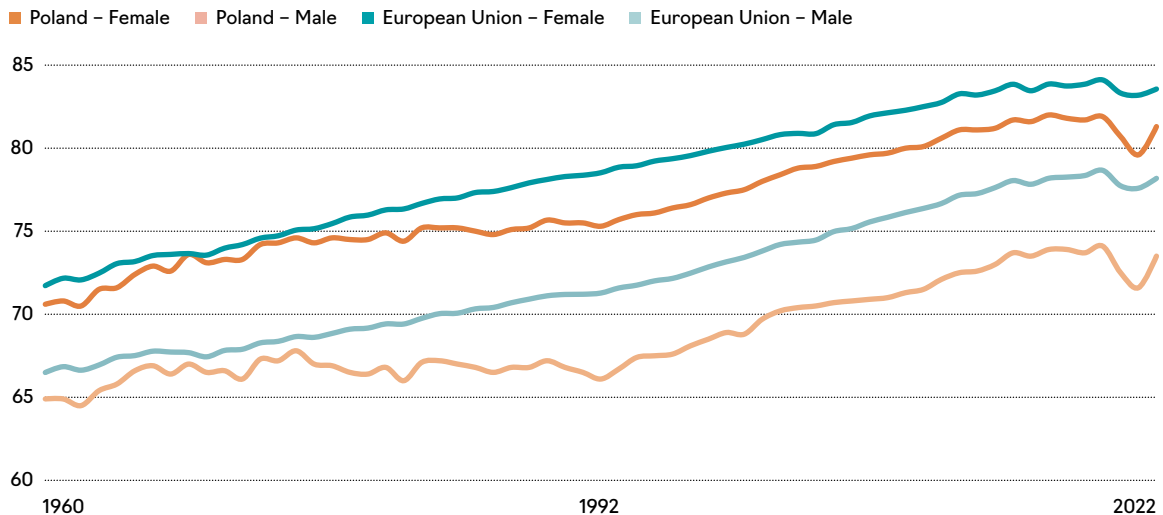
one million Ukrainian refugees since the beginning of the Russian aggression on Ukraine. In 2023, estimates suggested that Ukrainian refugees contributed between 0.7 and 1.1 percent to GDP in Poland.⁴

When analyzing the **health** component, it is evident that persistent challenges remain. Poland's life expectancy continues to lag behind EU averages, particularly among men, who face a gap of over four years. Lifestyle factors such as high rates of tobacco and alcohol consumption account for much of this disparity. While smoking rates in Poland have declined in parallel with the EU, alcohol consumption has stagnated since 2007, posing an ongoing public health concern. Alcohol consumption is more than three times higher among men.⁵ Similarly, 28 percent of Polish men smoke tobacco, compared with only 20 percent of women.⁶

The socialist economic system proved to be detrimental not only to consumers but also to the **environment**. The shift toward market-oriented policies in Poland significantly reduced the volume of emissions required to generate additional income per capita. However, the transition to an environmentally sustainable economy is not yet complete, as coal continues to play an important role in industry and energy generation. EU regulations in this area are expected to drive further change and the adoption of environmentally sustainable policies, though the pace of the reform will be a critical factor. While there is a risk that some of these regulations may be overly severe or implemented too quickly, the general direction of these measures is undeniably positive.

Turning to the **minorities** component, it seems clear that the marked decline in this component beginning in 2015 correlates with the rise to power

Figure 2. Life Expectancy by Gender, EU vs Poland, 1990–2019



Source: World Bank.

⁴ Deloitte, *Poland: Analysis of the impact of refugees from Ukraine on the economy of Poland* (March 2024), (Warsaw: Deloitte, 2024), <https://data.unhcr.org/en/documents/details/106993>.

⁵ Data from the World Health Organization, Global Health Observatory Data Repository, obtained from the World Bank website, <https://data.worldbank.org/indicator/SH.ALC.PCAP.FE.LI?locations=PL-EU>.

⁶ Data from the World Health Organization, Global Health Observatory Data Repository, obtained from the World Bank website, <https://data.worldbank.org/indicator/SH.PR.V.SMOK.MA?locations=PL-EU>.

of the PiS government. A detailed analysis of the underlying data confirm this connection. The sharp drop primarily reflects increased discrimination in access to public sector employment and business opportunities based on political affiliation.

This decline illustrates the previously mentioned politicization of public institutions, including the prosecution office and public media, among other agencies that should have remained neutral and independent.

The Path Forward

Following the turbulent tenure of the previous government, support for democracy and the rule of law has strengthened in Poland. Consequently, there is little reason for concern, in my opinion, about the stability of these institutions in the near future. Instead, the more pressing issue lies in sustaining economic growth. Although Poland has significantly narrowed the income gap with the EU, including Germany, disparities remain, and the country faces several unresolved challenges requiring a new wave of reforms.

One persistent issue is the incomplete privatization process initiated in the 1990s. The public sector's share in the economy remains high—one of the largest in Europe. To ensure sustained growth, Poland must pursue privatization and enhance competition in sectors like energy and oil processing. Unfortunately, no major political party has presented a comprehensive strategy for addressing this issue. Nonetheless, a carefully planned privatization initiative is essential for medium- and long-term economic growth.

Another major challenge is excessive fiscal spending, largely driven by social welfare programs. What is more, this spending is not effectively

targeted, as it does not primarily benefit the poorest households. The tax and transfer system has a minimal impact on reducing income inequality.⁷ For instance, the “Family 500+” program, introduced by PiS and later expanded by the current government, provides universal child allowances irrespective of income and number of children in a given household. Such unselective transfers are more characteristic of populist policies than measures aimed at addressing inequality.

Finally, Poland shares demographic challenges with other developed nations, particularly the rapid aging of its population. Without substantial reforms, economic growth is likely to slow further, and fiscal pressures will intensify. Polish civil society has shown remarkable resilience in defending democratic institutions during recent crises. With these threats now neutralized, it is crucial for citizens to channel this energy to pressure the current government to implement essential reforms. These efforts will be vital to ensuring continued prosperity over the coming decade.

⁷ Paweł Bukowski et al. *Income Inequality in the 21st Century in Poland*, World Inequality Lab Working Paper 2023/31 (London: London School of Economics, 2023).

Leszek Balcerowicz

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The author is grateful to Bartłomiej Jabrzyk for assistance in the preparation of this paper.

Spain

Toni Roldán Monés

Socioeconomic Data 2023

General Information

POPULATION

48.37 million

LIFE EXPECTANCY (2022)

83 years

RELIGION (2010)

Christian → 78.6%

Unaffiliated → 19.0%

Other → 2.4%

ETHNIC
FRACTIONALIZATION
(2013)

0.669

Economic Data

GDP PER CAPITA

46,357

% of US GDP pc → 63.0%

GDP pc Growth → 1.2%

INFLATION

3.5%

DEBT/GDP (GENERAL 2023)

105.0%

TRADE (% OF GDP)

74%

UNEMPLOYMENT

12.2%

SECTORAL ALLOCATION

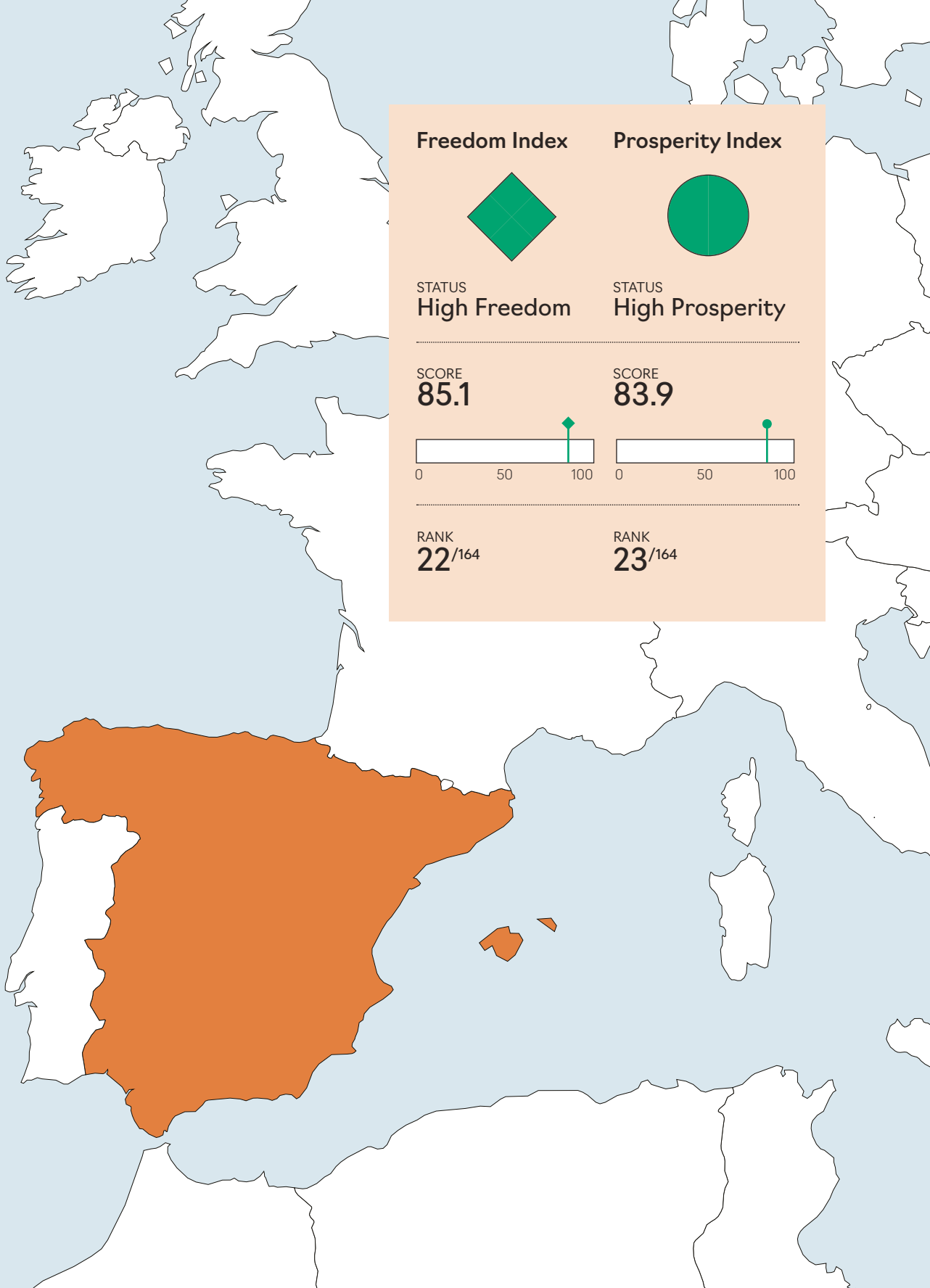
Agriculture → 2.5%

Industry → 22.2%

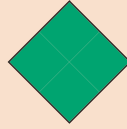
Services → 75.3%

GINI COEFFICIENT (2022)

32.1

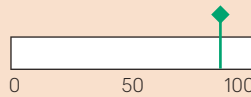


Freedom Index



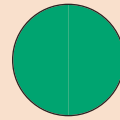
STATUS
High Freedom

SCORE
85.1



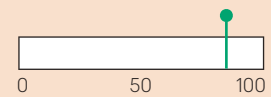
RANK
22¹⁶⁴

Prosperity Index



STATUS
High Prosperity

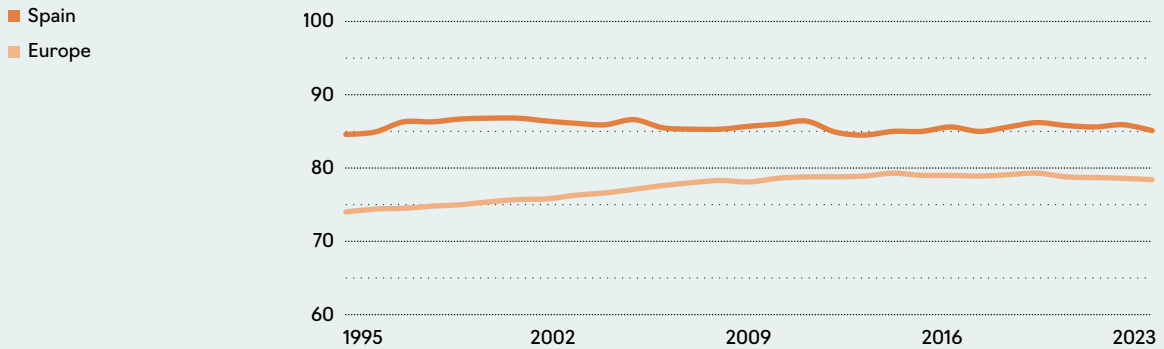
SCORE
83.9



RANK
23¹⁶⁴

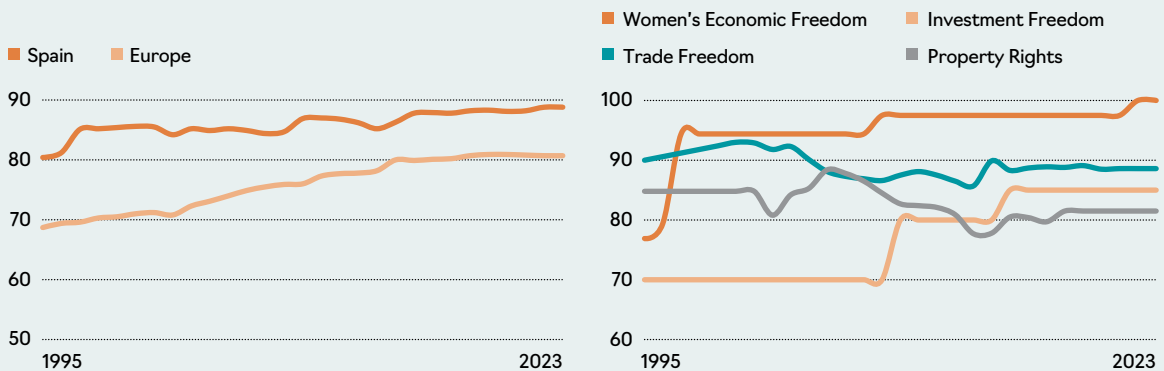
Freedom Index

1995-2023



	2023		Change Since 2014	
	Spain	Region	Spain	Region
Freedom Rank	22	–	2	–
Freedom Score	85.1	78.4	0.1%	-1.2%
Economic Subindex	88.8	80.7	2.9%	0.9%
Political Subindex	91.3	84.2	-0.2%	-1.9%
Legal Subindex	75.2	70.1	-2.6%	-2.8%

Economic Subindex



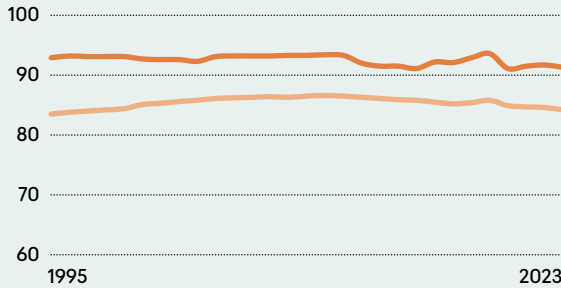
■ Women's Economic Freedom ■ Investment Freedom
■ Trade Freedom ■ Property Rights

	2023		Change Since 2014	
	Spain	Region	Spain	Region
Women's Economic Freedom	100.0	93.1	2.6%	3.1%
Investment Freedom	85.0	73.4	6.3%	-0.5%
Trade Freedom	88.6	87.7	-1.5%	-1.1%
Property Rights	81.5	68.7	4.8%	2.2%

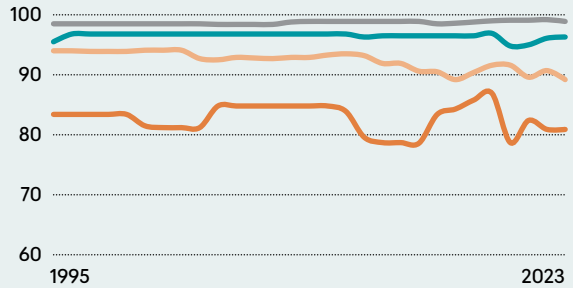
SPAIN

Political Subindex

Spain Europe



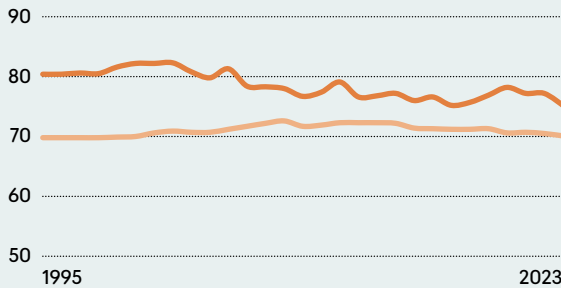
Legislative Constraints on the Executive
Political Rights
Civil Liberties
Elections



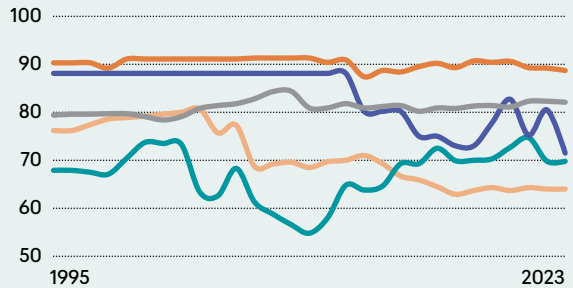
	2023		Change Since 2014	
	Spain	Region	Spain	Region
Legislative Constraints on the Executive	80.9	76.1	2.8%	-1.5%
Political Rights	89.2	79.7	-2.9%	-4.3%
Civil Liberties	96.2	87.9	-0.3%	-2.2%
Elections	98.9	93.1	0.0%	0.2%

Legal Subindex

Spain Europe



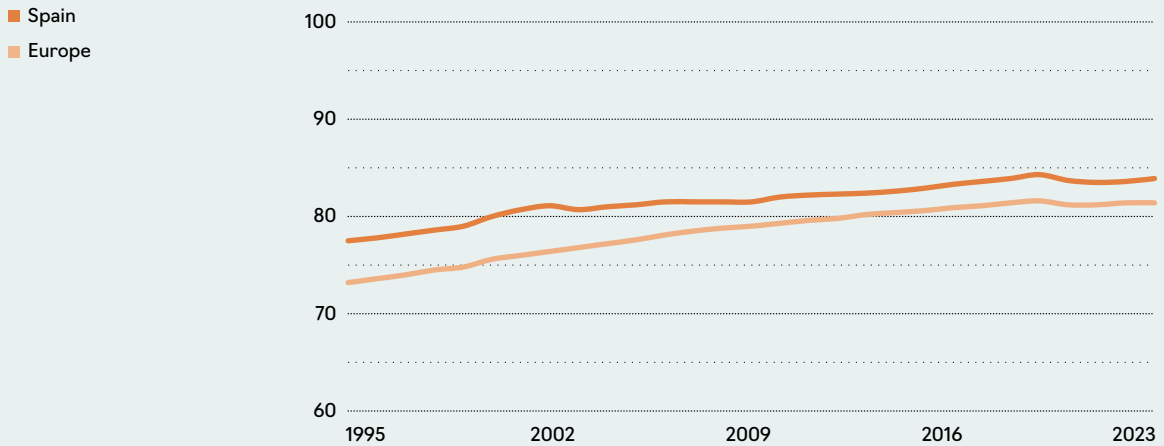
Judicial Independence and Effectiveness
Bureaucracy and Corruption
Security
Clarity of the Law
Informality



	2023		Change Since 2014	
	Spain	Region	Spain	Region
Judicial Independence and Effectiveness	88.7	74.9	0.3%	-1.7%
Bureaucracy and Corruption	64.0	61.4	-3.9%	-2.1%
Security	69.8	70.8	0.7%	-5.0%
Clarity of the Law	71.5	64.6	-10.8%	-5.0%
Informality	82.1	79.5	0.8%	-0.5%

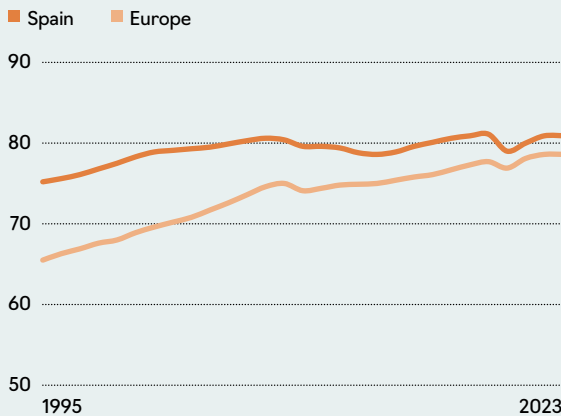
Prosperity Index

1995-2023



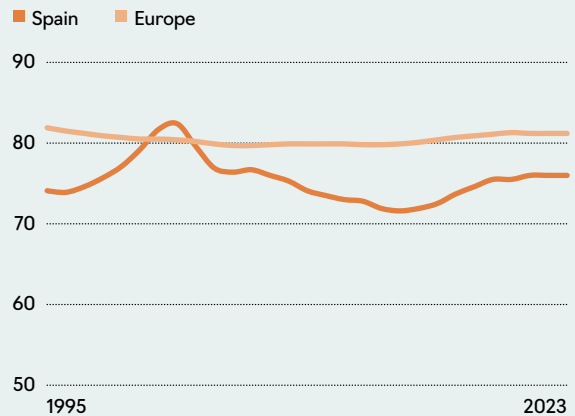
	2023		Change Since 2014	
	Spain	Region	Spain	Region
Prosperity Rank	23	–	1	–
Prosperity Score	83.9	81.4	1.6%	1.2%

Income



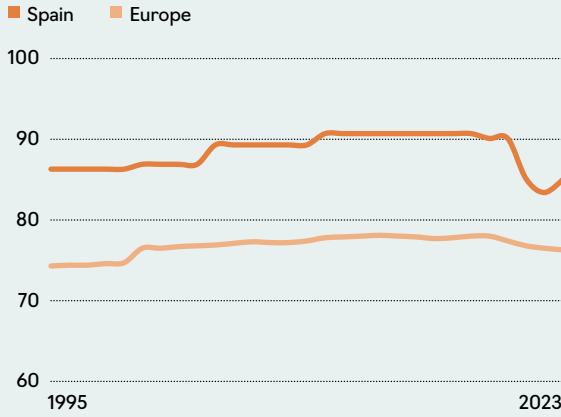
	2023		Change Since 2014	
	Spain	Region	Spain	Region
Income	80.9	78.6	2.5%	4.3%
Inequality	76.0	81.2	6.1%	1.5%

Inequality

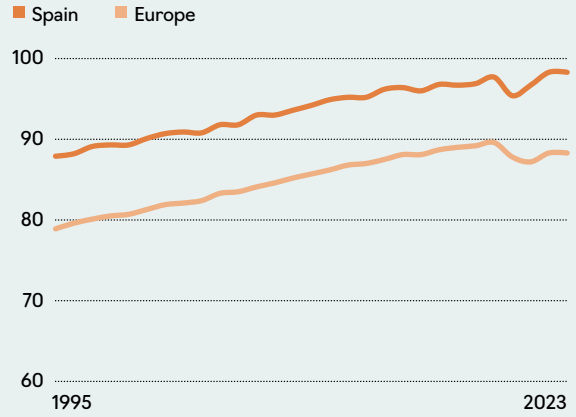


SPAIN

Minorities

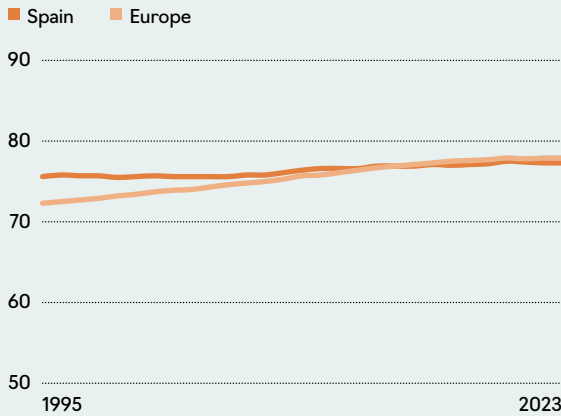


Health

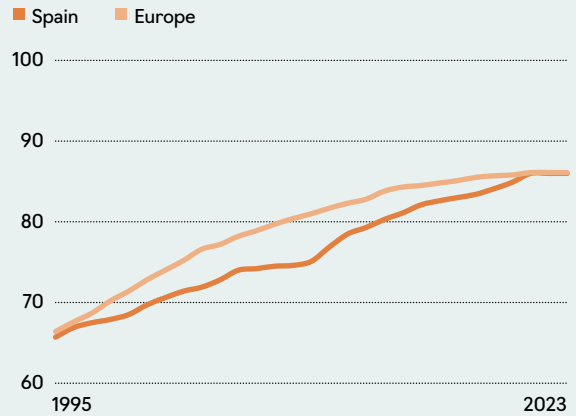


	2023		Change Since 2014	
	Spain	Region	Spain	Region
Minorities	85.0	76.3	-6.3%	-2.2%
Health	98.3	88.3	2.0%	0.2%

Environment



Education



	2023		Change Since 2014	
	Spain	Region	Spain	Region
Environment	77.3	77.9	0.4%	1.2%
Education	86.0	86.1	6.1%	2.1%

Evolution of Freedom

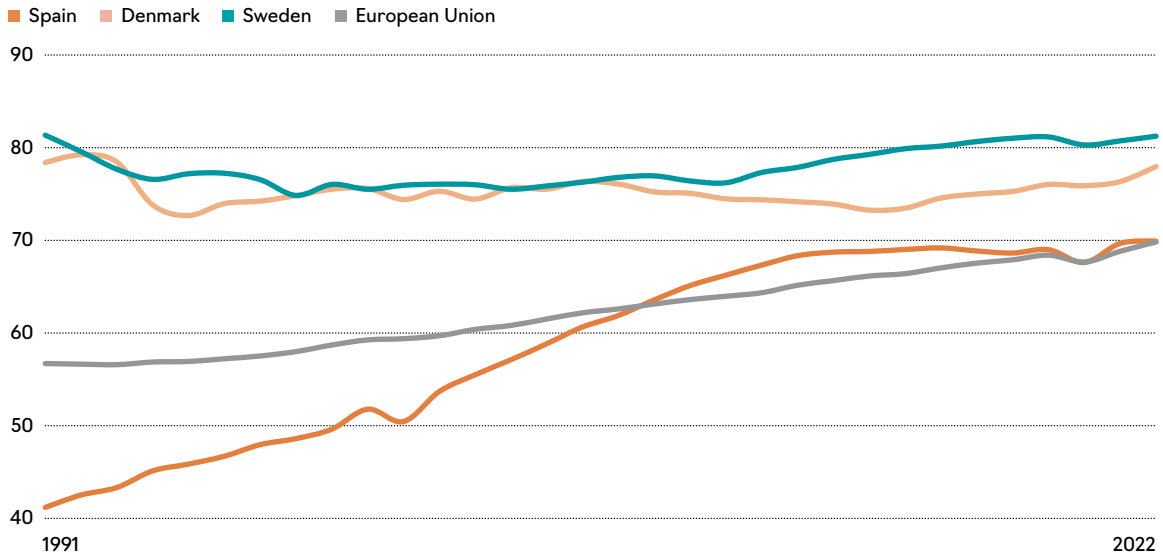
Spain became a democratic country only fifty years ago, through a paradigmatic transition process from Franco's autocratic regime to becoming one of the freest and most advanced modern democracies in the world. Just eight years after the approval of the democratic Constitution of 1978, Spain joined the European Union (EU), and by the year 2000 the country also became part of the European Economic and Monetary Union. The European dream (and the Maastricht requirements) led to an extremely deep and fast transformation of the country in terms of democratic freedoms and economic liberties. That is, the most important reforms in Spain took place before 1995, and thus are already accounted for at the beginning of the period covered by the **Freedom Index**. Although many reforms and improvements in the Spanish institutional framework have been undertaken in the last thirty years, the profound transformation of the country during the 1980s and early 1990s needs to be underscored for an adequate interpretation of the data compiled in this Atlas.

This is particularly relevant when trying to explain the evolution of the **economic subindex** since 1995. A close look at the different components shows that the scores on trade and investment freedom, as well as on property rights protection, have been high throughout the period, and it is the radical improvement in women's economic freedom that single-handedly drives the overall positive trend of this subindex. Both tendencies are accurate. On the one hand, the bulk of the regulations and policies related to trade and investment are determined at the EU level, ensuring a common and extremely open environment for all member states, both within the Union's borders and with the rest of

the world. Additionally, European institutions make it very difficult for national governments to interfere in foreign investment, and very significantly reduce expropriation risks. Therefore, property rights protection is relatively high, and the mild deterioration observed in this component between 2005 and 2014 probably just captures some isolated disputes between the government and some large companies regarding subsidies to green energies that peaked in the 2008–10 period, together with the temporary uncertainty generated by the sovereign debt crisis of 2010–12.

On the other hand, the radical progress made in women's economic opportunities, autonomy, and independence is one of the most important developments in recent Spanish economic history, and the effects have been astonishing. As Figure 1 below shows, female labor force participation increased from barely 40 percent in 1991 to 70 percent today, completely closing the gap with respect to the EU average. Educational attainment among current generations is higher for females than males, and there is no significant inequality in terms of access to the labor market for recent graduates. Nonetheless, it is clear that policies aimed at helping families and especially women in their work-life balance have not progressed accordingly and the gender gap has mutated into a very significant maternity gap. To be sure, this is a generalized problem in developed societies, but it is undeniable that some countries are able to tackle it better than others.¹ I believe that today, this factor explains the noteworthy gap observed in Figure 1 with respect to the most advanced countries of the world (8 percentage points below Denmark or 12 below Sweden). The very substantial extension

¹ See for example the Child Penalty Atlas, which provides comparable estimates of the different evolution of labor force participation between males and females after having the first child. For a detailed definition of the concept and a review of the empirical evidence across countries, see Henrik Kleven et al., "Child Penalties across Countries: Evidence and Explanations," *AEA Papers and Proceedings* (2016), 109: 122–26.

Figure 1. Female Labor Force Participation Rate (% of Female Population Aged 15–64)

Source: International Labour Organization. "ILO modelled estimates database." ILOSTAT.

of paternity leave is certainly an important policy tool in this respect and Spain has passed a series of reforms in the area, already achieving equalization.² Anyhow, it is still very common that women are pushed to part-time jobs after having the first child, which is, in most cases, not the result of a voluntary expression of their preferences, but the only option to continue their professional careers while having a family.³ Overall, it seems clear that, after a very successful integration of women into the labor market, Spain needs to continue implementing policies in the areas of more accessible childcare and work flexibility so mothers can develop professionally on equal terms with their male counterparts.

The **political subindex** situates Spain as one of the most democratic countries of the world. The components measuring the quality of elections and civil and political rights receive very high scores throughout the 1995–2023 period, with very minor

fluctuations. This is especially relevant given the political roller coaster of the last decade, and most importantly when one recalls that Spain endured in 2017 the most serious challenge to the democratic institutional framework in decades, namely, the Catalan independence crisis. The culmination of that process was the unilateral declaration of independence by which the Catalan government tried to subvert the Constitutional order and exchange it for a different "Catalan" set of independent laws, ignoring the legal and democratic procedures to do so, without the necessary majorities in either the Catalan parliament or the national Congress in Madrid, and consciously disobeying several Constitutional Court rulings on the matter, in order to unilaterally proclaim the independence of Catalonia from the rest of the nation. The response on the political and judicial fronts was certainly firm and strong at all times according to the legal

² For a historical study of the evolution of paternity and maternity leave regulations in Spain, see Lidia Farré et al., "¿Qué sabemos sobre el uso de los permisos de paternidad en España?," *EsadeEcPol Brief* (2024), 46.

³ For a detailed analysis of the situation of gender equality in the labor market in Spain, with a special focus on work-life balance, see Claudia Hupkau and Jenifer Ruiz Valenzuela, "Work and children in Spain: Challenges and opportunities for equality between men and women," *EsadeEcPol Brief*, (2022), 13, 243–68.

provisions and constitutional powers granted to the different branches of power. This is well captured by the absence of any significant movements of the judicial independence component included in the Freedom Index. Nonetheless, the outcome of the process involved the imprisonment of several political leaders, which is undoubtedly an exceptional situation in developed and well-established democracies. The very recent clemency measures exercised by Pedro Sánchez's government have generated a heated debate among the Spanish public but are probably a reasonable step to normalize the situation.

Besides the very particular situation in Catalonia, the Spanish political atmosphere shares various contemporaneous features with many other established democracies in Europe and North America. In particular, the emergence of extremist parties at both sides of the political spectrum and an increase in populist rhetoric and conduct are certainly worrisome. One of the effects of the greater political fragmentation that started in 2015 is the growing difficulties in approving laws and relevant reforms in parliament. This explains the significant upsurge in the use of emergency legislative instruments that emanate directly from the executive (*real decreto ley*), and are only ratified by parliament after their implementation, in a process that limits public debate and impedes the possibility of introducing amendments or changes. Originally envisioned as an exceptional instrument to be used in very restricted situations, the different governments in the last decade have turned to this tool as a way to circumvent the legislative process and overcome a situation of parliamentary weakness. To give a sense of the issue, during the fourteen years of Felipe González's presidency (1982–96), 130 norms of this kind were passed. Pedro Sánchez, who has held the presidency since June 2018, has

already passed 167 such decrees. There is no doubt that this tendency, together with other legislative strategies like the practice of proposing omnibus laws that contain a wide variety of heterogeneous and unrelated measures, erodes the legislative and controlling powers of parliament, which could explain Spain's relatively low score on the legislative constraints on the executive component of the political subindex.

Among the components of the **legal subindex**, I think clarity of the law, and bureaucracy and corruption are the most relevant for understanding the Spanish situation in relation to the rule of law. Regarding the former, the quantity and ambiguity of Spanish legislation, much higher than in neighboring countries, is certainly a matter of concern.⁴ The very decentralized quasi-federal system designed in the 1978 Constitution has proven beneficial in many aspects, but has also produced undeniable overregulation, generating economic inefficiency and legal uncertainty. This problem especially affects small and medium-sized businesses, which find it really difficult to navigate the legal system and comply with all its requirements. Even more so when there is a clear lack of proper coordination mechanisms between different levels of government, as during the pandemic crisis.

The massive real estate boom of the 1990s and early 2000s produced numerous adverse economic distortions that will be addressed in the next section. The real estate boom fueled political corruption, especially among local governments in charge of granting construction permits. Upon joining the Eurozone, the very favorable economic conditions produced by lower risk perceptions and easy credit worked as a mirage, making it difficult for citizens and voters to extract the signals from the economy they needed to judge and control political leaders.⁵ Uncovered corruption scandals seemed

4 A comprehensive analysis of this topic can be found in Juan S. Mora-Sanguinetti, "La 'complejidad' de la regulación española ¿cómo medirla? ¿qué impacto económico tiene?," ICE, *Revista de Economía* (2019), 907.

5 Spain is a good example of the detrimental effects of "political credit cycles", which delay and hamper institutional reform, as documented for Greece, Spain, Portugal, and Ireland in Jesús Fernández-Villaverde, Luis Garicano, and Tano Santos, "Political Credit Cycles: The Case of the Eurozone." *Journal of Economic Perspectives* (2013), 27:3, 145–66.

to have few electoral consequences for the parties or individuals involved. The financial crisis painfully exposed the situation, and widespread corrupt practices became apparent, infuriating a citizenry that was suffering the severe effects of austerity policies while newspapers were filled with political scandals and excesses. There is excessive politicization of some parts of the state apparatus, especially in the regional and local bureaucracies, as well as among top public officials in supervisory or regulatory agencies. These officials, who should have detected and prevented the situation, failed to do so, probably influenced by political considerations. Demands for a substantial regeneration of the system led to the emergence of two new parties on the extreme left (Podemos) and center (Ciudadanos) of the political spectrum with a clear anti-corruption agenda. Anyhow, during the last

decade, change has been very modest on this front and very few initiatives have been put forward to reduce abuses of influence by political parties on independent agencies.⁶

Finally, the quality of bureaucracy does not seem to be much worse in Spain than in other comparable countries, but there are three factors that may generate a certain degree of inefficiency: aging public servants; the low level of digitalization, especially of publicly available data for the evaluation of public policies; and the sometimes perverse incentives associated with lifetime jobs typical in the public sector. A modernization of the administration, with a special focus on these three areas, would unquestionably be beneficial for the country. Unfortunately, the political costs of such reforms make them improbable in the near future.

Evolution of Prosperity

In economic terms, from the 1970s to the mid-2000s Spain followed a solid path of convergence with the EU average. From being about 30 percent below the mean **income** per capita in the EU, the gap was closed to 9 percent in 2006. However, the trajectory started to diverge since the financial crisis, and today Spain's income per capita is about 15 percent lower than the EU's average.

It is not clear that the implicit assumption of the European Economic and Monetary Union—that if low productivity countries were stripped of the capacity to devalue their currency, they would be forced to make institutional reforms favoring efficiency gains through human capital accumulation, improved technology adoption, etc.—has worked as expected. This push from outside certainly helped Spain to drastically reform the country during the

1980s to enter the European Economic Community and then to meet the Maastricht requirements to join the Eurozone. But once these goals were accomplished, the drop in the risk perception for the country led to high amounts of capital inflows and cheap credit, and a relaxation of the political constraints, which fueled a giant real estate bubble. Just to give an idea of its magnitude, at the peak of the boom in 2007, about two-thirds of the houses built in the EU were built in Spain, and about one in every four male workers was employed in construction-related activities.

As became apparent during the financial crisis, Spain's fast catch-up growth was not founded on solid grounds but was based on a low productivity economic structure with severe imbalances. Some of the factors causing the low levels of productivity

⁶ At the time of writing this chapter, several corruption cases are being investigated, affecting several regional administrations and their management of supplies acquisitions during the pandemic crisis, as well as a recently uncovered case affecting the former minister of infrastructure of Sánchez's government.

of the Spanish economy include: a bias toward low value-added sectors such as tourism and related services, proliferation of small firms and businesses, relatively low human capital accumulation, and a segmented labor market (temporary versus permanent workers). As a result, the recovery from the crisis was extremely painful and slower than in neighboring countries, taking the country ten years to recover the pre-crisis level of income per capita. Once again forced by external factors, some relevant liberalizing reforms were implemented following the banking bail-out by the “troika” (EU, International Monetary Fund, European Central Bank) in 2012, the austerity measures helped to contain public debt, and growth and job creation reignited for a few years until 2019.

The economic effects of the pandemic were significant, but Spain’s recovery has been surprisingly strong. Despite having a very difficult governance situation and a precarious and unstable majority in parliament, Sánchez has managed to stay in power and pass some relevant reforms in a large left-wing coalition. These include the already mentioned extension of paternity leave, a cumulative minimum salary rise of more than 50 percent with no substantial negative effects on the economy or job creation, and a new labor regulation that has improved the situation of temporary workers. Unfortunately, other much-needed structural reforms have not been pursued in the last decade, as I will point out in the final section.

The evolution of **inequality** has two important specificities. First, it is closely linked to labor market performance. The fundamental source of inequality in Spain is between those with permanent and relatively stable jobs and those who are endlessly switching between employment, underemployment, and unemployment. The extreme volatility of unemployment in Spain, which reached 24 percent in 1994, went down to 8.2 percent in 2007, rose again to 26.1 percent in 2013, and is today around 12.5

percent, reflects the volatile evolution of inequality observed in the data. Secondly, children and youth in particular suffer from this pattern, and it is very discouraging to see that Spain performs significantly worse than other OECD countries in terms of infant poverty and youth unemployment, despite some policies implemented to tackle this problem in recent years.⁷

The treatment of **minorities** is inseparable from the immigration debate. From the mid-1990s to the Great Recession, Spain received more than four million immigrants, a remarkable inflow for a country with a population of around forty million in 1995. The absorption process has proven very successful by all standards, compared to other countries in Europe, due to a combination of good integration policies and a cultural factor, as a very large share of the immigrants came from Spanish-speaking countries of Latin America. In general terms, social unrest associated with immigration is very low in Spain, and this is something to celebrate. But at the same time, being one of the EU’s border countries with North Africa generates a constant flow of migrants trying to cross to Spain illegally at the Moroccan border, as well as by sea in small boats, which many times ends in catastrophic loss of life. The eruption of an extreme-right political party with a hard, sometimes outright xenophobic, discourse on illegal immigration is contributing to the increasing perception of immigration as a problem in Spain, and it has proven extremely difficult to reach a consensus on adequate policies regarding the close to 400,000 illegal immigrants already in the country.

The universalization of **education** in Spain was a great milestone in the 1980s, but the lack of a profound modernizing reform in the last three decades has exposed numerous structural deficiencies in the system. This is a clear example of a real political topic that very much matters to the average citizen, but because it is so politically loaded,

⁷ For example, the introduction of a minimum basic income (*ingreso mínimo vital*) for citizens with no other source of income, introduced in 2020.

it is only used by the political elites as a political weapon, endlessly postponing necessary reform. The incentive scheme to attract good students to the educational profession, which has proven the cornerstone of the best systems of the world, has not been addressed in the numerous educational laws passed since 1990. Moreover, according to comparative data from the Organisation for Economic Co-operation and Development (OECD), the system is not managing to truly succeed in the two most important academic objectives: generating excellent students; and improving the situation of vulnerable students. In fact, poor students, are four times as likely to repeat a school year as rich students. Additionally, the fact that educational spending is decided by regional governments generates substantial differences in levels of investment per student, creating unacceptable inequalities of opportunity among children living in different areas of the country. An interesting fact observable in the data is the high dropout rates (among the highest in the EU) in the 1995–2008 period, produced by a kind of “Dutch disease” attributable to the construction boom that pulled thousands of young Spaniards to leave school early to work in the housing sector. A few years later, they found themselves in an extremely precarious situation, combining unemployment with very low human capital. Fortunately, since 2010 Spain has managed to significantly reduce dropout rates,

advancing toward convergence again with the European average.

The Spanish **healthcare** system is internationally recognized as one of the best of the world, with a combination of efficiency and low expenditure that has produced outstanding results in the last four decades. Moreover, the quality and excellence in some areas like transplants is a source of national pride. The relatively large shock produced by the COVID-19 pandemic in terms of excess mortality was, in my view, due to the fact that Spain was one of the first countries to be severely hit, and thus was not as prepared as those who could learn which policies and measures had been effective elsewhere. The lack of integrated digital information and insufficient coordination between regional administrations and the central government, caused by excessive politicization, were arguably detrimental as well, but probably were not the main factor.

Spain has taken advantage of its unparalleled natural **environment** and conditions to produce green energy, especially solar and wind power, which has allowed the country to become one of the leaders in renewable energies and the green transition. Moreover, recent research⁸ has documented a clear disconnect between GDP and pollution levels in the country, evidence that environmentally sustainable economic growth is a real possibility for developed nations.

The Path Forward

Since the promulgation of the democratic Constitution of 1978, Spain has experienced the largest improvement in prosperity in the country's modern history. The country's current position in the Freedom and Prosperity Indexes corroborates this fact. Nonetheless, the reform impulse

seems to have slowed in the last decade, and it is imperative that it is reinvigorated if the country is to take advantage of the opportunities lying ahead to continue improving the standards of living of its citizens. I am particularly concerned that the important windfall of resources represented by the

⁸ Miquel Oliu-Barton and Juan Mejino López, “La contaminación en España: sus impactos en la economía y en la salud,” *EsadeEcPol Brief* (2024), 47.

NextGenerationEU funds—of which Spain, together with Italy, is the largest beneficiary—may translate into insufficient structural reform. The relaxation of political constraints, thanks to the apparent easy availability of resources, both external and internal, could easily lead to a complacency trap, hampering the reform impetus. Given the divergent productivity trajectory of Spain vis-à-vis the EU and the growing spending and investment needs, Spain needs to ensure sustained increases in productivity for the next decade, and this will require some fundamental reforms.

Medium-term fiscal sustainability is a central area of concern, especially regarding the pension system, due to the extremely challenging demographic prospects for Spain.⁹ The flip in the population pyramid projected in the medium term will produce a dramatic rise in the proportion of the population above sixty-five years old, from the current 35 percent to 75 percent by 2050. The Spanish pay-as-you-go pension system has produced deficits since 2010, and these can only increase unless a rigorous reform is put in place. Unfortunately, this is a politically thorny issue and reforms of the system in 2021 and 2023 have gone in the opposite direction, eliminating previous restrictions to limit the system's growth—such as demographic or economic growth considerations—and ensuring the automatic update of pensions with the price index.

First and foremost, the educational system requires a profound overhaul with the clear aim of improving its quality at all levels, with a long-term vision that necessarily requires an ample political consensus. Some central aspects of such a reform should involve: (1) the selection process for teachers and professors, in order to attract the most talented, improving their remuneration and social recognition; (2) a decided commitment to excellence, especially at the university level, extending

the incentives for top researchers to return and stay in Spain; (3) a focus on improving the effectiveness of active labor market policies so they actually help to redeploy workers into sectors where the demand is rising, such as tech or clean energy; and (4) a significant expansion of educational reinforcement for students with learning difficulties and especially those from marginalized and less favorable social backgrounds.

The current political fragmentation is a strong source of concern for Spain. The two parties in the center of the political spectrum (Social Democrat and Conservative), which have alternated in power since the 1980s, now have meaningful competition coming from their respective extremes. This has led to a pernicious increase in polarization and poses serious impediments to reaching transversal agreements indispensable to push forward structural reform. The capacity to reach agreements among those with different political views, epitomized in Spain during the democratic transition, needs to become a reality again. This, however, should by no means stop governments pushing forward small incremental policies to help advance in some key areas such as education.

The reduced tensions in Catalonia nowadays cannot lead to the conclusion that territorial conflict in Spain is a problem of the past. A reform of the federal system consecrated in the Constitution should contribute to setting up clearer rules regarding the relative powers of the regions and the central government, the financing system, common public services and their minimum standards, and the establishment of the necessary coordination mechanisms to ensure the efficient collaboration of all levels of government. The current strategy of bilateral negotiations between the central government and each of the regional administrations does not seem optimal, as the national government's

⁹ For a detailed overview of the characteristics and historical evolution of the Spanish pension system and its medium-term prospects, see Sergi Jiménez and Analía Viola, *El futuro del sistema de pensiones: demografía, mercado de trabajo y reformas*, Estudios sobre la Economía Española 2023/15 (Madrid: Fedea, 2023). The data in the rest of the paragraph are obtained from this study.

dependence on small Catalan and Basque parliamentary groups is likely to produce agreements involving a reduction of interregional transfers that will inevitably be rejected by poorer regions. Once again, only a consensus among the two majoritarian parties seems to be a potentially successful path on this front.

Finally, there are non-negligible signs of institutional erosion produced by the current government's insufficient respect for formal and implicit agreements regarding the independence

of important agencies and institutions. I am not naïve on this matter. It is clear that no public agency is perfectly independent since it is led and formed by individuals who obviously have political opinions. However, the president appointing some of his former cabinet members as general attorney, Constitutional Court justice, or governor of the central bank could lead to a dangerous slippery slope of institutional deterioration if those patterns are established as a point of departure by future governments.

Toni Roldán Monés

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Latin America & the Caribbean

LATIN AMERICA & THE CARIBBEAN



Latin America & the Caribbean: Regional Ranking

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Chile	26	84.3	◆ High Freedom	48	74.6	● Moderate Prosperity
Costa Rica	27	83.2	◆ High Freedom	52	73.7	● Moderate Prosperity
Uruguay	30	82.5	◆ High Freedom	40	78.0	● High Prosperity
Barbados	39	78.3	◆ High Freedom	50	74.1	● Moderate Prosperity
Jamaica	43	75.3	◆ Moderate Freedom	78	66.3	● Moderate Prosperity
Brazil	46	74.4	◆ Moderate Freedom	73	67.6	● Moderate Prosperity
Trinidad and Tobago	52	73.4	◆ Moderate Freedom	58	71.9	● Moderate Prosperity
Peru	53	73.3	◆ Moderate Freedom	86	64.5	● Low Prosperity
Panama	55	72.8	◆ Moderate Freedom	65	69.5	● Moderate Prosperity
Colombia	60	71.9	◆ Moderate Freedom	91	62.8	● Low Prosperity
Suriname	64	69.8	◆ Moderate Freedom	96	62.2	● Low Prosperity
Dominican Republic	67	68.7	◆ Moderate Freedom	74	67.2	● Moderate Prosperity
Argentina	70	68.4	◆ Moderate Freedom	42	76.2	● Moderate Prosperity
Paraguay	72	68.3	◆ Moderate Freedom	99	61.7	● Low Prosperity
Ecuador	80	66.3	◆ Moderate Freedom	75	67.1	● Moderate Prosperity
Honduras	86	64.0	◆ Low Freedom	116	53.8	● Low Prosperity
Guyana	87	63.7	◆ Low Freedom	92	62.7	● Low Prosperity
Mexico	90	63.3	◆ Low Freedom	80	65.8	● Moderate Prosperity
Guatemala	91	62.5	◆ Low Freedom	121	53.0	● Low Prosperity
Bolivia	104	57.1	◆ Low Freedom	97	62.2	● Low Prosperity
El Salvador	120	52.9	◆ Low Freedom	102	60.3	● Low Prosperity
Haiti	138	45.0	◆ Lowest Freedom	150	42.6	● Lowest Prosperity
Nicaragua	149	39.3	◆ Lowest Freedom	110	55.5	● Low Prosperity
Venezuela	155	35.3	◆ Lowest Freedom	94	62.6	● Low Prosperity

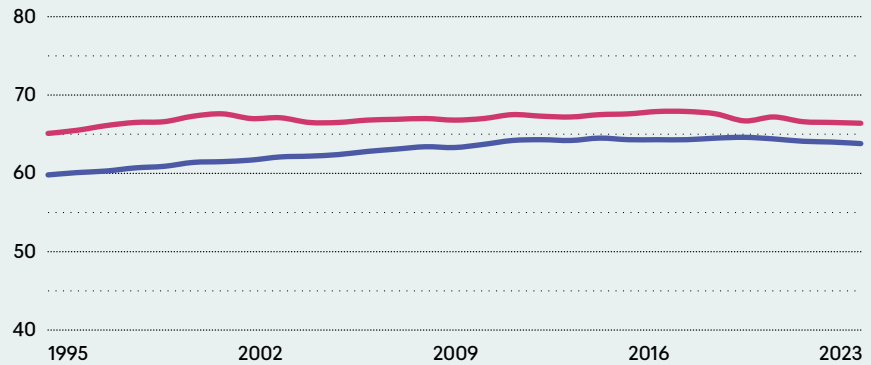
Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

Freedom Index

1995-2023

■ Latin America
& the Caribbean

■ Global

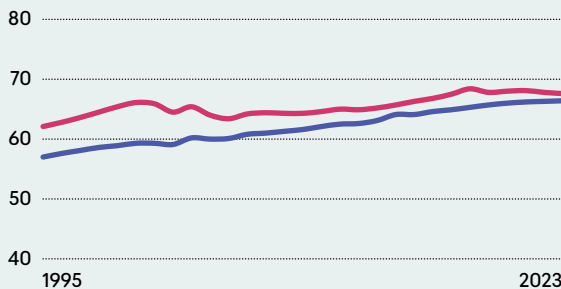


	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	66.4	63.8	-1.6%	-1.1%
Economic Subindex	67.6	66.4	2.8%	3.6%
Political Subindex	75.9	67.4	-4.5%	-4.6%
Legal Subindex	55.8	57.7	-2.5%	-2.0%

Economic Subindex

■ Latin America & the Caribbean

■ Global

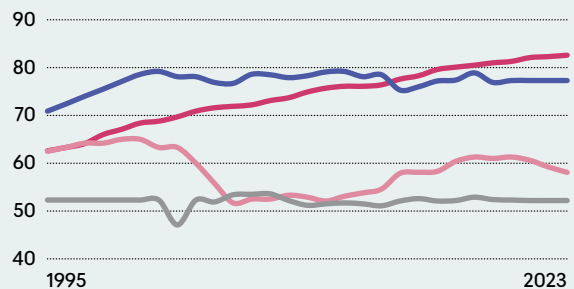


■ Women's Economic Freedom

■ Investment Freedom

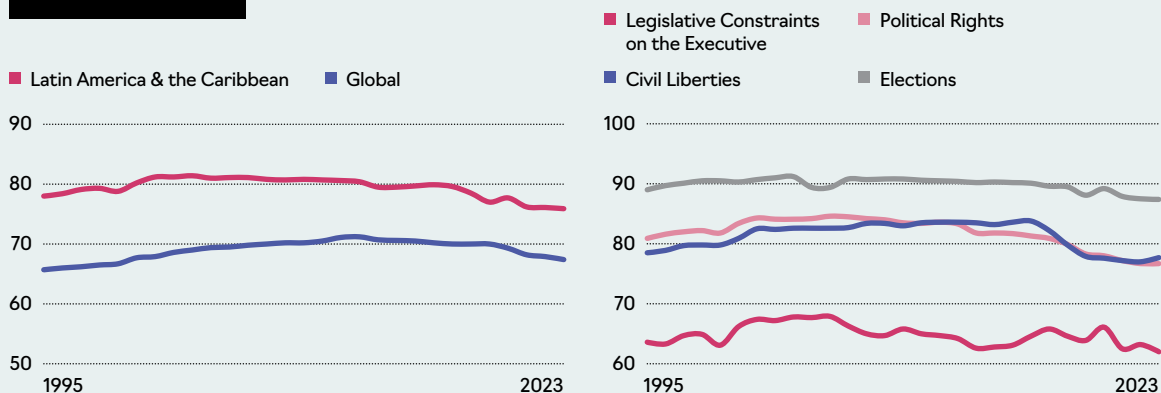
■ Trade Freedom

■ Property Rights



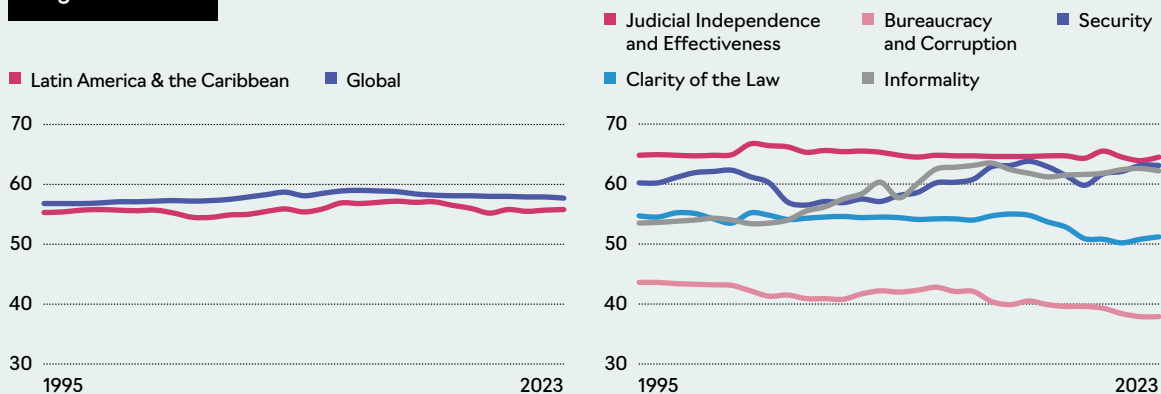
	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	82.6	78.3	6.5%	8.5%
Investment Freedom	58.1	56.9	0.4%	2.1%
Trade Freedom	77.3	77.3	2.7%	0.5%
Property Rights	52.2	55.4	0.1%	1.6%

Political Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	62.0	57.4	-1.4%	-4.7%
Political Rights	76.7	64.0	-6.2%	-6.7%
Civil Liberties	77.7	68.9	-6.6%	-3.5%
Elections	87.4	79.1	-3.3%	-3.8%

Legal Subindex

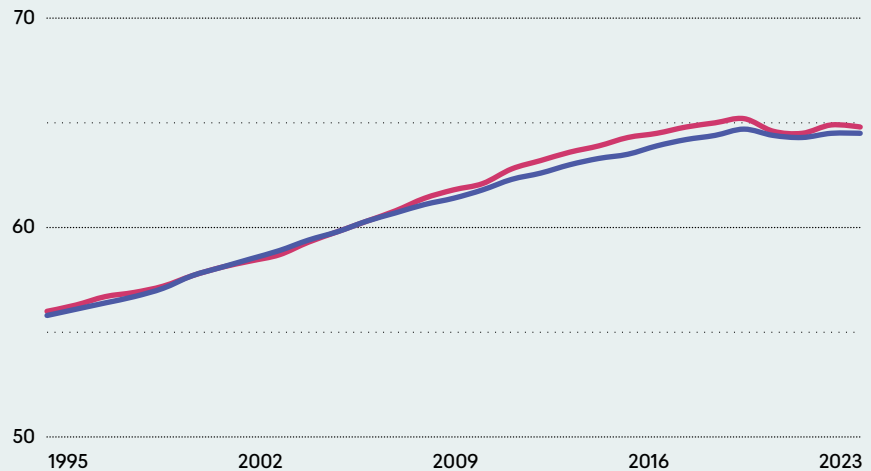


	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	64.5	61.7	-0.2%	-1.4%
Bureaucracy and Corruption	37.9	44.4	-6.1%	-2.0%
Security	63.1	60.0	0.3%	-1.4%
Clarity of the Law	51.2	52.0	-6.5%	-4.5%
Informality	62.2	71.4	-1.9%	-1.1%

Prosperity Index

1995–2023

- Latin America & the Caribbean
- Global



	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	64.8	64.5	1.4%	1.9%

Income

- Latin America & the Caribbean
- Global



	2023		Change Since 2014	
	Region	Global	Region	Global
Income	62.0	59.9	1.0%	2.7%
Inequality	51.0	62.6	5.7%	1.6%

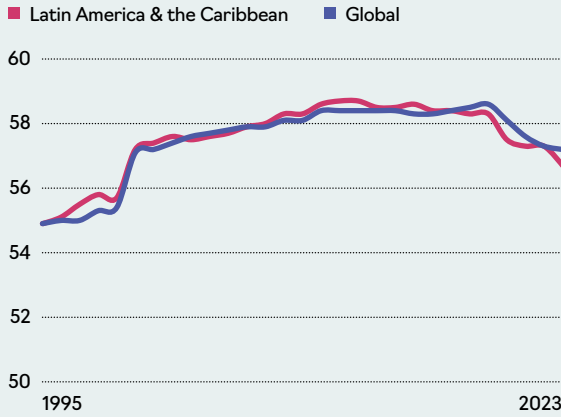
Inequality

- Latin America & the Caribbean
- Global

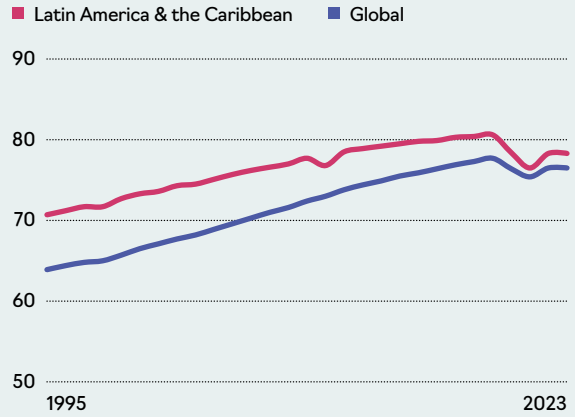


LATIN AMERICA & THE CARIBBEAN

Minorities

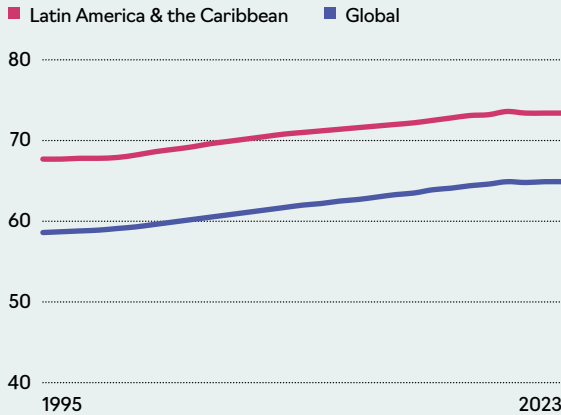


Health

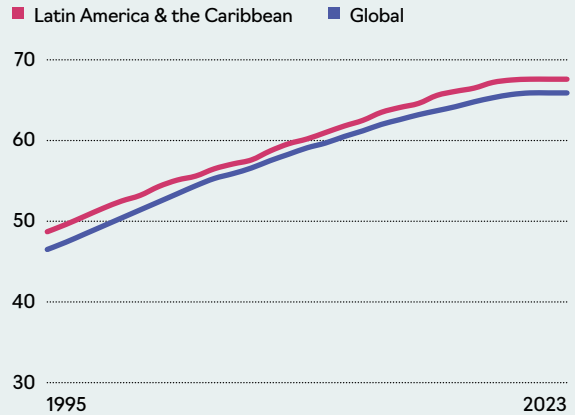


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	56.7	57.2	-3.1%	-2.1%
Health	78.3	76.5	-1.5%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	73.4	64.9	2.0%	2.4%
Education	67.6	65.9	5.4%	5.1%

Peru

Liliana Rojas-Suarez

Socioeconomic Data 2023

General Information

POPULATION

34.35 million

LIFE EXPECTANCY (2022)

73 years

RELIGION (2010)

Christian → 95.5%

Unaffiliated → 3.0%

Other → 1.5%

ETHNIC
FRACTIONALIZATION
(2013)

0.618

Economic Data

GDP PER CAPITA

15,068

% of US GDP pc → 20.5%

GDP pc Growth → -1.4%

INFLATION

6.5%

DEBT/GDP (GENERAL 2023)

31.2%

TRADE (% OF GDP)

51%

UNEMPLOYMENT

4.9%

SECTORAL ALLOCATION

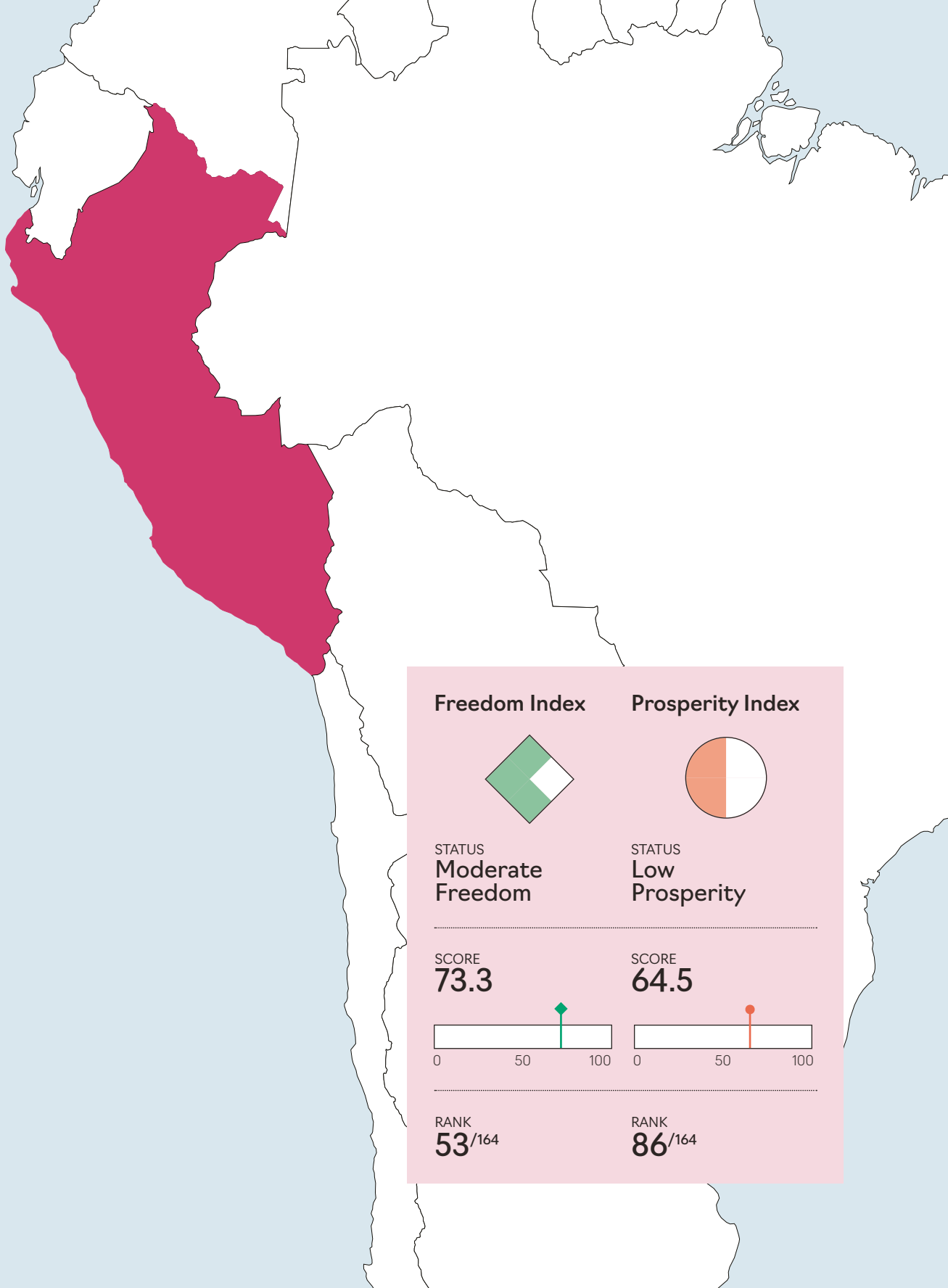
Agriculture → 7.7%

Industry → 38.2%

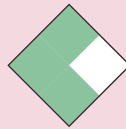
Services → 54.1%

GINI COEFFICIENT (2022)

43.7

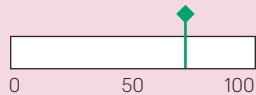


Freedom Index



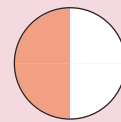
STATUS
**Moderate
Freedom**

SCORE
73.3



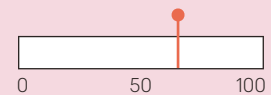
RANK
53¹⁶⁴

Prosperity Index



STATUS
**Low
Prosperity**

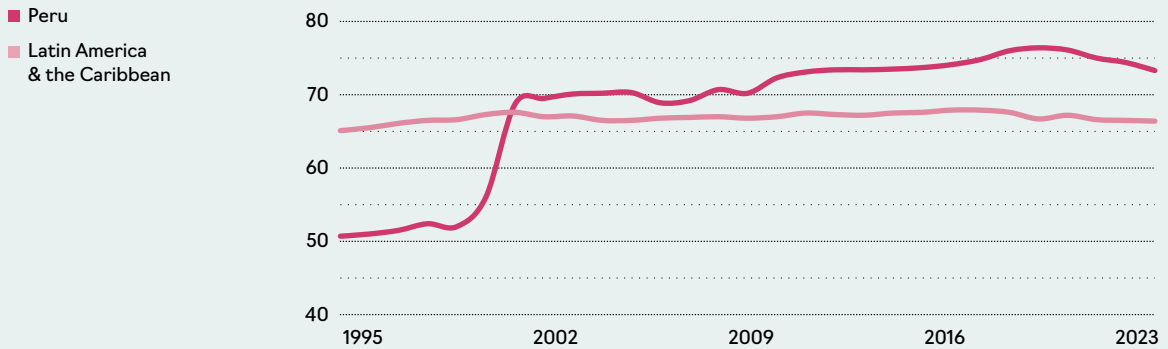
SCORE
64.5



RANK
86¹⁶⁴

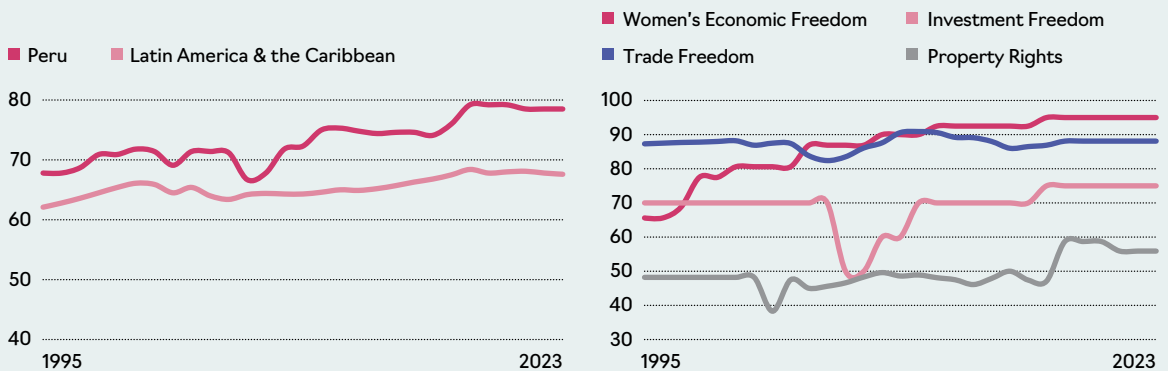
Freedom Index

1995-2023



	2023		Change Since 2014	
	Peru	Region	Peru	Region
Freedom Rank	53	-	-2	-
Freedom Score	73.3	66.4	-0.3%	-1.6%
Economic Subindex	78.5	67.6	5.2%	2.8%
Political Subindex	86.6	75.9	-4.1%	-4.5%
Legal Subindex	54.8	55.8	-1.4%	-2.5%

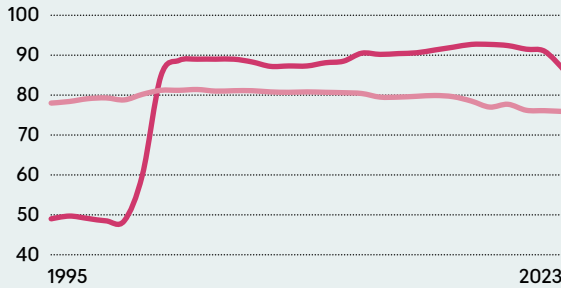
Economic Subindex



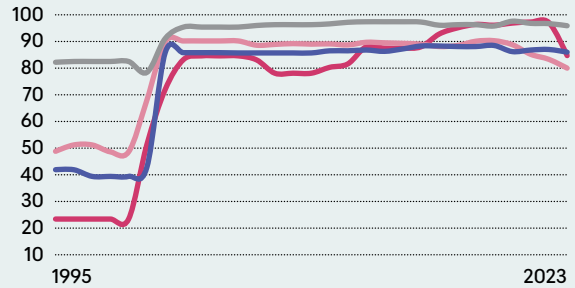
	2023		Change Since 2014	
	Peru	Region	Peru	Region
Women's Economic Freedom	95.0	82.6	2.7%	6.5%
Investment Freedom	75.0	58.1	7.1%	0.4%
Trade Freedom	88.1	77.3	0.2%	2.7%
Property Rights	55.9	52.2	16.6%	0.1%

Political Subindex

■ Peru ■ Latin America & the Caribbean



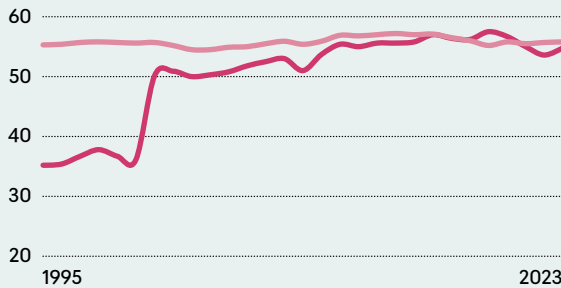
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



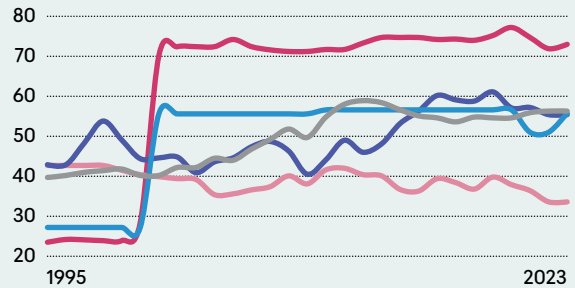
	2023		Change Since 2014	
	Peru	Region	Peru	Region
Legislative Constraints on the Executive	84.7	62.0	-3.2%	-1.4%
Political Rights	80.0	76.7	-10.5%	-6.2%
Civil Liberties	86.0	77.7	-1.4%	-6.6%
Elections	95.9	87.4	-1.6%	-3.3%

Legal Subindex

■ Peru ■ Latin America & the Caribbean



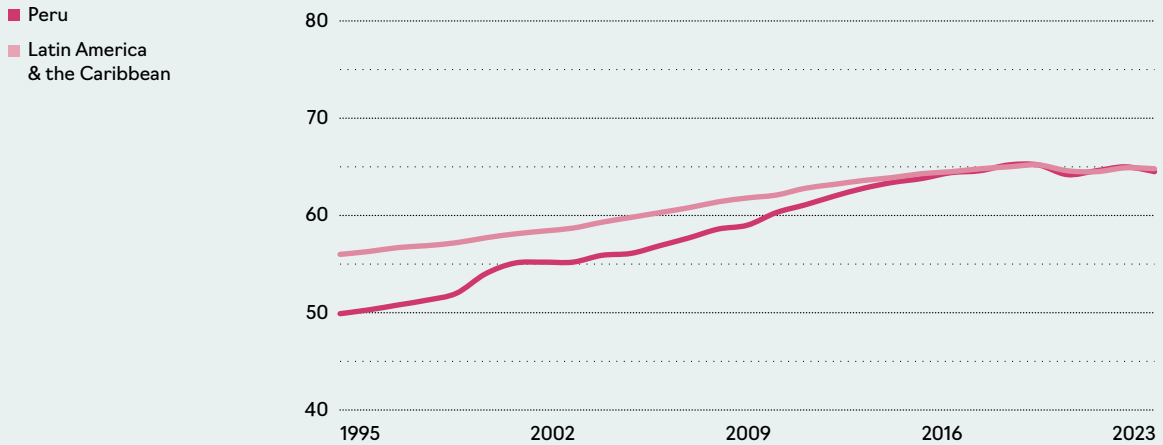
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Peru	Region	Peru	Region
Judicial Independence and Effectiveness	73.0	64.5	-2.3%	-0.2%
Bureaucracy and Corruption	33.6	37.9	-8.4%	-6.1%
Security	55.4	63.1	4.0%	0.3%
Clarity of the Law	55.8	51.2	-1.3%	-6.5%
Informality	56.3	62.2	-0.7%	-1.9%

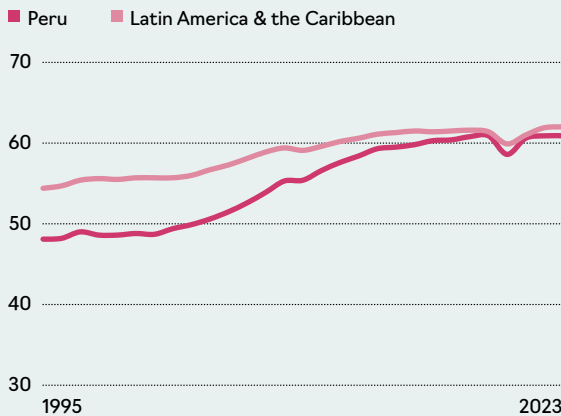
Prosperity Index

1995-2023

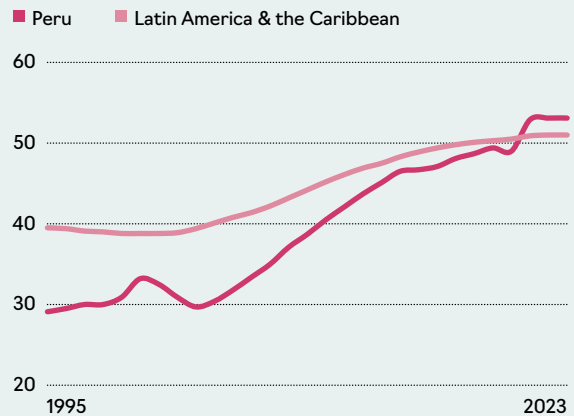


	2023		Change Since 2014	
	Peru	Region	Peru	Region
Prosperity Rank	86	–	-1	–
Prosperity Score	64.5	64.8	1.7%	1.4%

Income

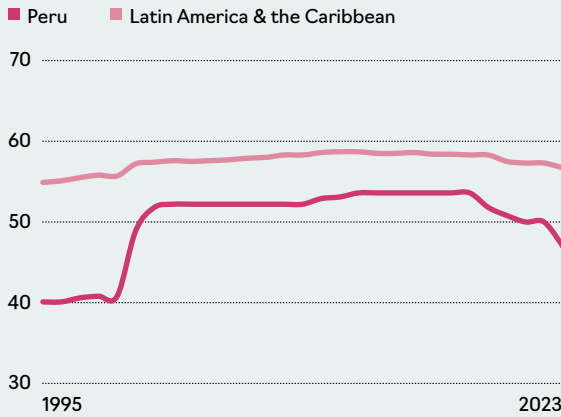


Inequality

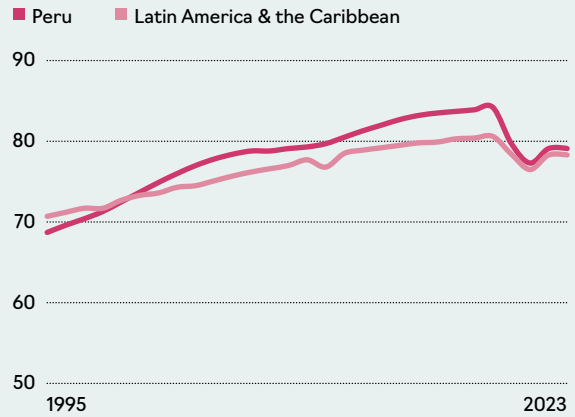


	2023		Change Since 2014	
	Peru	Region	Peru	Region
Income	60.9	62.0	2.3%	1.0%
Inequality	53.1	51.0	-0.3%	5.7%

Minorities

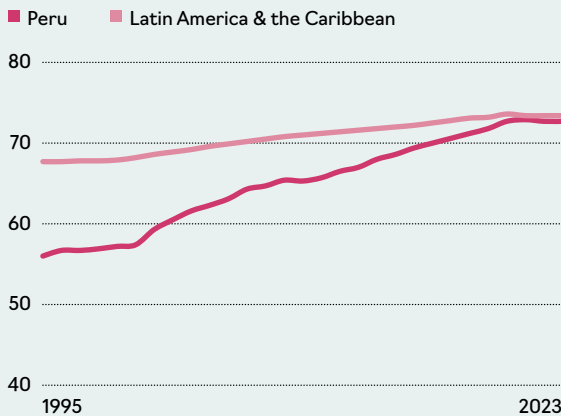


Health

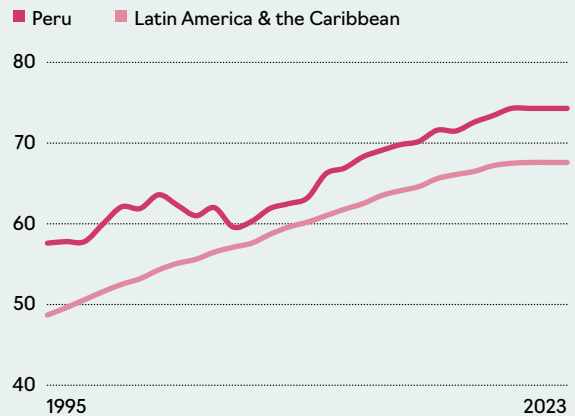


	2023		Change Since 2014	
	Peru	Region	Peru	Region
Minorities	47.0	56.7	-12.2%	-3.1%
Health	79.1	78.3	-4.3%	-1.5%

Environment



Education



	2023		Change Since 2014	
	Peru	Region	Peru	Region
Environment	72.7	73.4	6.0%	2.0%
Education	74.3	67.6	6.4%	5.4%

Evolution of Freedom

In order to adequately assess Peru's performance in the Freedom and Prosperity Indexes, it is important to note the extremely difficult situation in the country during the late 1980s and early 1990s, immediately before the period covered by the Indexes. The extreme episode of hyperinflation that began in 1988 and peaked in 1990, with an annual inflation rate above 7,000 percent, and the intensification of the internal violent conflict generated by the Shining Path (*Sendero Luminoso*), a Maoist guerrilla group, are two examples of the challenges Peru faced in the decade before 1995. The **Freedom Index** coverage begins in the middle of Alberto Fujimori's presidency, once most of his economic reforms were already in place, and when some of his authoritarian tendencies were evident. Thus, the economic subindex score in 1995 is relatively high compared to the regional average, while the political subindex is significantly lower, thirty points below the mean for Latin America. The return to free elections in 2001 is reflected in the large jump in the political subindex in that year.

Before discussing the Freedom Index evolution, it must be noted that many of its constituent components reflect the country's written laws, not their actual implementation and enforcement. The potential gap between the situation *de jure* versus *de facto* is a typical issue with many indexes that try to assess politico-institutional variables, and it is often more pronounced in emerging and developing countries. This is crucial because we should expect institutional reforms to produce significant effects on prosperity only when they are effectively implemented. Peru is probably one of the clearest examples of this difficulty, with a set of written laws and regulations comparable to the most advanced countries of the world, but a level of implementation and enforcement that is far from such standards. Therefore, the picture portrayed by the Freedom Index may be too generous, especially in

components such as women's economic freedom and judicial independence and effectiveness. With this important caution in mind, it is possible to analyze the Peruvian experience as captured by the three different freedom subindexes.

The **economic subindex** level and trend since 1995 are explained by two main factors. First, Peru's relatively high score compared to the regional average at the beginning of the period is the product of the large body of economic reforms implemented in the 1990s, in particular in terms of trade and financial openness. In the last thirty years, Peru has had very low tariffs on imports, including no tariffs on capital goods, and has entered into a number of free trade agreements worldwide. Moreover, it has imposed very limited restrictions on capital movement within and across borders. From a purely *de jure* perspective, capital account openness in Peru is comparable to the most open countries of the world. The Chinn-Ito index of financial openness has assigned the highest possible score to Peru since 1997, and the Fraser Institute's Economic Freedom of the World Index gives the country a perfect score in its financial openness sub-area since the year 2000. However, Peru loses points due to the regulatory uncertainty and bureaucratic burdens that create constraints on investors, especially foreign investors; these barriers are considered in the investment freedom component. Reflecting a large increase in regulatory uncertainty during the election period of 2006, the investment freedom score abruptly fell twenty points, recovering in subsequent years as investors' fears of strong government intervention in private sector affairs ultimately did not materialize.

Second, the overall positive trend since 1995, with a total increase of more than ten points in the 1995–2023 period, is to a great extent driven by the thirty-point improvement in the component measuring women's economic opportunities.

This is a good example of the legislation–practice gap. It would be hard to find a specific legal norm that includes any form of discriminatory treatment based on gender, especially in economic matters. But the actual situation is not so optimistic. Think for example about the so-called “child penalty,” the impact in terms of labor outcomes when a worker has a child. Forty-one percent of women in Peru quit their jobs when becoming mothers, while men barely see any change in their labor force participation.¹ Moreover, recent research shows that only 51 percent of working age women participate in the labor market, and there is also a 25 percent pay gap with men.²

The property rights component remains at very low levels. This is largely explained by significant problems with land titling, bureaucratic inefficiencies, and corruption in the judicial system; all of which translate into significant constraints for safeguarding and formalizing property ownership. The lack of clarity on property rights regarding land ownership disincentivizes investment and severely limits the ability of small enterprises, particularly in rural areas, to access credit, as land cannot be used as collateral for loans.

My impression regarding economic reforms in Peru is that, since the late 1990s, progress has been slow and limited. The various administrations since 2000 have not managed to implement a new wave of comprehensive structural reforms that could serve as an engine of sustained growth. There have been reforms, but they have been partial or hindered by significant implementation challenges. Fortunately, sound macroeconomic policies have been maintained in the last two decades, providing economic and financial stability. But while macroeconomic stability is certainly necessary, it is not sufficient to drive sustainable growth. The period of Peru’s highest economic growth, from 2004 to 2014, was clearly facilitated by the

global commodity boom, as the country is a significant producer of copper and other raw materials. However, when external growth engines slowed, the inaction of several governments in implementing essential economic structural reforms left the country without the much-needed internal drivers for sustained growth.

Turning now to the political side, I am skeptical about the very favorable assessment of the political system illustrated by the **political subindex** and its four components. Although declining in recent years, Peru’s political subindex is at a similar level to the average of the Organisation for Economic Co-operation and Development (OECD) countries, scoring around ninety out of one hundred since the end of Fujimori’s presidency. This does not capture the actual functioning of the Peruvian political system, which is far from that of well-established liberal democracies in Europe and North America, or even the most advanced countries of Latin America such as Chile or Costa Rica.

One of the most evident recent political problems in Peru is the lack of a deep-rooted party system. With few well-established political parties, the political spectrum is plagued with small and not very institutionalized political parties that appear and disappear in every electoral cycle, whose leaders often lack political experience and are prone to populist rhetoric and tactics. This political fragmentation is making it extremely hard for any government to pass substantial legislation or implement its policy agenda. A good example of the extremely dysfunctional political environment is the evident weaponization of the Constitution during the last decade, regarding the respective powers of the presidency and parliament. The Constitution enables Congress to denounce the president as incompetent and remove him from office, and also grants the president the power to dissolve Congress, under certain circumstances. Although

¹ Henrik Kleven, Camille Landais, and Gabriel Leite-Mariante, *The Child Penalty Atlas* (Cambridge, MA: National Bureau of Economic Research, 2023).

² BBVA Research, “Peru: Brecha de género en Perú”, March 2024, www.bbvarresearch.com/publicaciones/peru-brecha-de-genero-2023.

Figure 1. Rule of Law

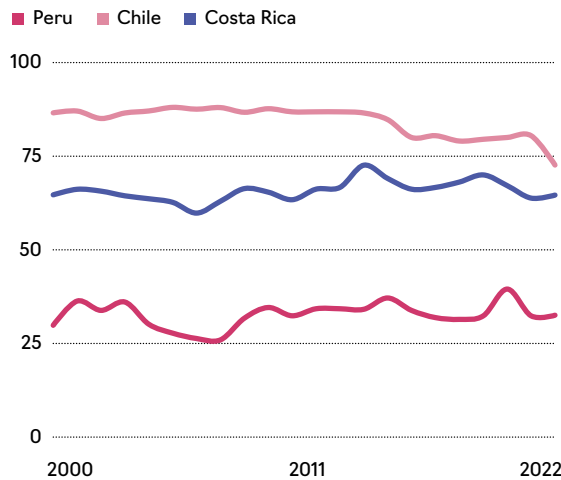
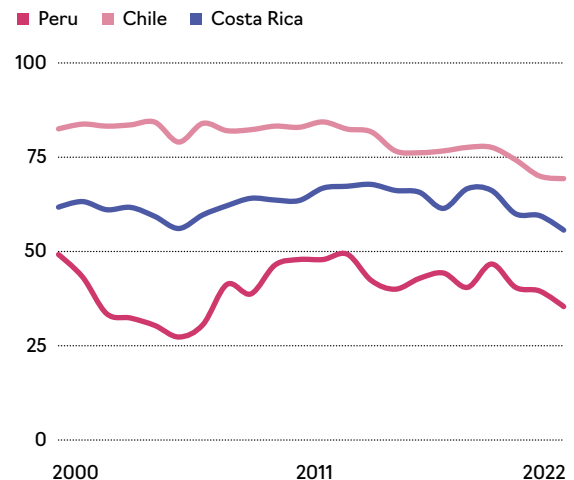


Figure 2. Government Effectiveness



Source: Freedom and Prosperity Indexes, Atlantic Council (2024). <https://freedom-and-prosperity-indexes.atlanticcouncil.org>.

this system was intended to create a balance between the legislative and executive branches, it has been used recklessly since 2016, leading to Peru having six different presidents in eight years, with only one of them staying in power for more than two years. To some extent, these developments are reflected in the decline in the legislative constraints on the executive component.

The general citizenry is very aware of the political situation of the country. Public opinion is strongly negative toward politicians and political parties. Recent waves of the Latinobarometer opinion survey clearly show that Peruvians are among the populations that have least confidence in the potential economic and development benefits of a free political system. This is worrying; once citizens become skeptical about the capacity of democratic institutions to deliver for all, the road to populism and authoritarianism is paved.

In the **legal subindex**, the judicial independence and effectiveness component faces the same criticism. The sharp rise in this component's score, along with the improvement in the clarity of

the law component, drive the clear discontinuity observed in the year 2000, which virtually closes the gap with the rest of the region. In the last twenty years, the legal subindex score for Peru has been relatively close to that of neighboring countries such as Colombia, and the gap with respect to the top performers in the region is moderate. However, I have doubts about whether this captures the real situation regarding enforcement of the law. A comparison with the World Bank's Worldwide Governance Indicator's (WGI) rule of law measure can be enlightening here, as the latter captures to a much greater extent the actual enforcement of the law.³ Figure 1 compares Peru to Chile and Costa Rica. The difference between Peru and Costa Rica is substantial, with Costa Rica's score around twice Peru's for all years since 2000. The gap with Chile is even wider. Figure 2 shows a similar picture when looking at another related variable of the WGI, namely government effectiveness. That is, when using a measure of actual practice and enforcement of the law, Peru falls considerably behind the top scorers of the region,

³ World Bank, "Worldwide Governance Indicators," 2023. www.worldbank.org/en/publication/worldwide-governance-indicators.

not to mention developed countries in Europe or North America.

Finally, the prevalence of informal labor and production relations in Peru is among the highest in the region, with some estimates reaching close to 70 percent of the total labor force. The World Bank estimates that the share of gross domestic product (GDP) contributed by informal production is around 50 to 70 percent higher in Peru than Mexico or Colombia, which are by no means the region's

best performers in this metric. The improvement captured in the informality component from the early 2000s is most likely a by-product of the commodity boom, a period of high economic growth that benefited employment and workers' formalization, although some labor market reforms also supported this outcome. Nonetheless, informality is still a pressing issue for Peru, and a strong constraint on the future development of the country.

Evolution of Prosperity

The poor quality and effectiveness of Peruvian institutions stand in sharp contrast to the relatively stable macroeconomic situation in the country, and the favorable perception of Peru's economic performance and prospects among the international community. This is a paradox, as similar levels of political instability have produced very volatile macroeconomic environments in other emerging market economies, plagued with sudden stops in financial flows, high levels of inflation, and default episodes. Many commentators attribute Peru's macroeconomic stability to the deep scars the hyperinflation of 1988–90 left among the population and the political elites. The dramatic consequences of this event, with empty stores, lack of basic goods and services, and a rapidly impoverished middle class, are very much embedded in the citizens' minds, and avoiding its repetition has been an absolute priority for all subsequent governments.

This fear has generated an implicit consensus, and politicians across the ideological spectrum have left management of the macroeconomic situation out of the political debate. The functioning of the Central Reserve Bank of Peru is the paradigmatic case of this arrangement, as illustrated by the fact that the Bank's chairman has held this position since 2006, under eight different presidents. As a consequence, Peru's macroeconomic

performance in the last twenty-five years has been truly impressive, with a very credible commitment to a low inflation target, low levels of public debt to GDP (around 33 percent in 2023) and controlled government deficits, which granted the country's public debt the investment grade in 2007.

The evolution of the **Prosperity Index** reflects this situation, showing an increase of almost fifteen points in the 1995–2019 period, eliminating the gap with the rest of the region. The **income** component largely follows the same pattern as the overall index. Nonetheless, a careful analysis of this trend reveals an evident slowdown of economic growth, especially since the end of the commodity boom. In my view, this stagnation is the direct consequence of a combination of weak institutional quality and a flawed political environment. As a result, it is likely to persist unless a new and comprehensive reform process is undertaken.

The **inequality** component shows an impressive improvement in the last two decades, but it is important to take into account the really low level of this indicator in the early 2000s. The commodity boom undoubtedly helped reduce income inequality by pulling large numbers of workers into the formal sector and expanding the middle class. Although poverty- and inequality-reducing policies are in place across the country, and have played

a role in supporting reductions in inequality, the limited capacity of many sub-national governments often means inefficient implementation and inadequate provision and quality of public services. As a result, regional inequality is a pressing problem in Peru. For example, according to a recent report by the World Bank, although more than half of urban households have access to piped water, sanitation, electricity and the internet, only 6 percent of rural households have access to these four services. Regional inequalities are also seen. For instance, residents in Loreto, a region in the Amazon, have eight hours a day of water access, in comparison with the country average of almost eighteen hours.⁴ There is extensive research showing that regional inequality is a serious issue, and some regions are noticeably being left behind.⁵

I am somewhat critical of the **education** component, which is based on measurements of “quantity” of education, such as the expected and mean years of schooling, but does not take “quality” into account. The period of rapid growth enabled an increase in the government’s education budget, resulting in a significant rise in the percentage of children completing elementary, primary, and secondary education. However, while there have been advances, the quality of education remains a serious concern. For example, Peru was in the lowest quartile of the PISA global rankings. In the most recent PISA results, almost no students in Peru were top performers in mathematics, and only 34 percent attained at least a basic level of proficiency in mathematics, significantly less than the average across OECD countries (69 percent).⁶ An educational reform introduced in 2012, building on the reform of 2007, aimed to improve teacher quality and student learning outcomes. A key goal was to transition from a system that allows hiring and promotion of teachers based on political connections

to one based on merit. A major obstacle, however, has been political. The teachers’ union protested against elements of the reform, such as evaluations that could lead to job losses for underperforming teachers. The insufficient educational quality in Peru is a major constraint on long-term growth, as it limits the accumulation of human capital, essential for sustained economic progress. Many graduates lack the skills necessary to succeed in the labor market and are limited to low-paying jobs in the informal sector.

There is also a lack of quality measures in the **health** component. In particular, the indicator does not capture the large deficiencies in health infrastructure and the resulting shortcomings in patient care. For instance, studies conducted before the COVID-19 pandemic revealed that more than half of the establishments offering primary health-care lacked a single doctor and were staffed only by nurses or technicians. The pandemic exposed serious deficiencies with the healthcare system, with devastating consequences. Peru reported the highest number of deaths per million inhabitants globally. Unsurprisingly, the country’s health score fell twice as much as the average for the region.

The very significant improvement in the **environment** component is almost exclusively driven by one of the variables used in its construction, namely the share of the population with access to clean cooking technologies, which has increased from 40 percent to more than 85 percent in the 2000–20 period. This is certainly good news, but there is still significant room for improvement in both indoor and outdoor air quality, as well as other environmental challenges. Examples of environmental challenges include illegal mining, especially in the Madre de Dios region, which leads to deforestation, mercury contamination and loss of biodiversity. Water contamination from

⁴ World Bank, *Rising Strong: Peru Poverty and Equity Assessment* (Washington, DC: World Bank, 2023), www.worldbank.org/en/country/peru/publication/resurgir-fortalecidos-evaluacion-de-pobreza-y-equidad-en-el-peru.

⁵ See for example Luis Eduardo Castillo, *Regional Dynamics of Income Inequality in Peru* (Lima: Central Reserve Bank of Peru, 2020).

⁶ PISA is the OECD’s Programme for International Student Assessment. It measures 15-year-olds’ ability to use their reading, mathematics, and science knowledge and skills to meet real-life challenges.

untreated sewage and industrial waste is another major issue and there is a lack of effective waste disposal in many cities, contributing to plastic pollution, especially in urban areas along the coast. In addition, Peru is highly vulnerable to natural disasters exacerbated by climate change, such as extreme weather events and rising sea levels that affect the coastal area and fishing.

As reflected in the relatively low score assigned to the **minorities** component, protection against discrimination based on gender, race, sexual orientation, and other characteristics is relatively

weak in Peru, falling significantly below the regional average, with the gap widening in recent years. Although there have been improvements, cultural and social norms continue to limit advances on this front. Another pressing issue is gender-based violence. A recent World Bank report highlights that the institutions responsible for protecting women and girls, including the police, the judiciary, and health providers, do not effectively protect them from abuse.⁷ Consequently, there is widespread mistrust among women toward government institutions in Peru.

The Path Forward

Peru's prospects for prosperity are at a critical juncture. The previous discussion highlights that deficiencies in the capacity of the state to deliver public goods and services, including ensuring security and enforcement of the law, significantly constrain the country's potential for regaining economic growth and overall prosperity. The weakness of institutions and governance, reflected in excessive bureaucracy, corruption, and a weak and inefficient judiciary, hampers domestic and foreign private sector investment. While maintaining a stable macroeconomic framework is key, it is not sufficient to provide the certainty and security investors need for long-term and productive investments.

A major challenge in implementing state reforms is political fragmentation, which prevents reaching consensus. Currently, ten political parties are represented in Congress and the number of parties may rise in the lead-up to the April 2026 presidential elections. This fragmentation is partially explained by weak legal requirements for forming political parties, which allow small groups to establish a party. The decline of traditional

parties, such as Alianza Popular Revolucionaria Americana, and Acción Popular, has left a vacuum. This decline is another reflection of the population's mistrust in institutions, which fuels the rise of new political movements, often led by charismatic but inexperienced leaders seeking to capitalize on widespread discontent.

How can much-needed pro-growth and inclusive structural reforms occur in this fragmented context? Fortunately, there is a promising opportunity for Peru in the coming decade: the green transition. Peru is rich in copper, lithium and other natural resources that are essential for clean energy technologies, which can position it as a crucial partner for the rest of the world. Additionally, its diverse geography provides significant renewable energy potential, especially in hydropower, solar and wind, which can reduce dependence on fossil fuels, create jobs, attract foreign investment, and improve energy security.

I am hopeful that recognizing the potential benefits of a comprehensive green transition strategy—such as growth, poverty reduction and equity improvements—can catalyze consensus even

⁷ World Bank, *Rising Strong: Peru Poverty and Equity Assessment*.

in a fragmented and polarized political climate. The increasing global push for environmental initiatives, along with efforts in other Latin American countries, could incentivize policy actions in Peru. If even partial consensus around this agenda is achieved, three areas of reform must be prioritized.

First, major investments in infrastructure and other projects are necessary to support the green transition. Improving the public sector's capacity to execute these projects requires a systematic effort to build the technical capacity of subnational governments. This includes providing technical assistance and facilitating the hiring of trained personnel, including from abroad. Ideally, a comprehensive reform of subnational governments would involve consolidation of local and even regional governments, as some are currently too small to function efficiently. Yet while this reform needs to remain a long-term goal to improve efficiency, in the short term, in the context of high political polarization, this type of proposal could be weaponized, further increasing resistance to reform.

Second, to develop value chains related to the green transition—such as green manufacturing, renewable energy and eco-tourism—it is essential to facilitate the formalization of firms and workers. This requires significant labor market reform.

Currently, the very high costs of hiring, firing, and non-wage labor costs, above the region's average, reduce incentives for firms to hire workers and for small and medium-sized firms to formalize. A more flexible labor market would allow Peru to compete globally in emerging industries linked to the green transition.

Third, human capital development is crucial. The workforce needs to be equipped with the necessary technical skills to meet the demands of the green transition. Given the pace of technological change, workers must not only be prepared for current jobs but also possess the ability to adapt and learn. That means that serious improvements in the education and health systems are necessary. This will require sustained efforts across multiple government administrations to bear fruit.

Notwithstanding, if political consensus is achieved around the goal of advancing Peru's role in the green transition, there is hope that political parties can form a common front to improve the quality of Peru's future labor force. Sustained prosperity will then follow.

Liliana Rojas-Suarez

Liliana Rojas-Suarez is the director of the Latin American Initiative and a senior fellow at the Center for Global Development. Rojas-Suarez also serves as president of the Latin American Committee on Macroeconomic and Financial Issues. Rojas-Suarez has held senior roles in the private sector and at multilateral organizations, including Deutsche Bank, the International Monetary Fund, and the Inter-American Development Bank. In 2022, *Forbes* named her one of the fifty most influential women in Peru.

Venezuela

Sary Levy-Carciente

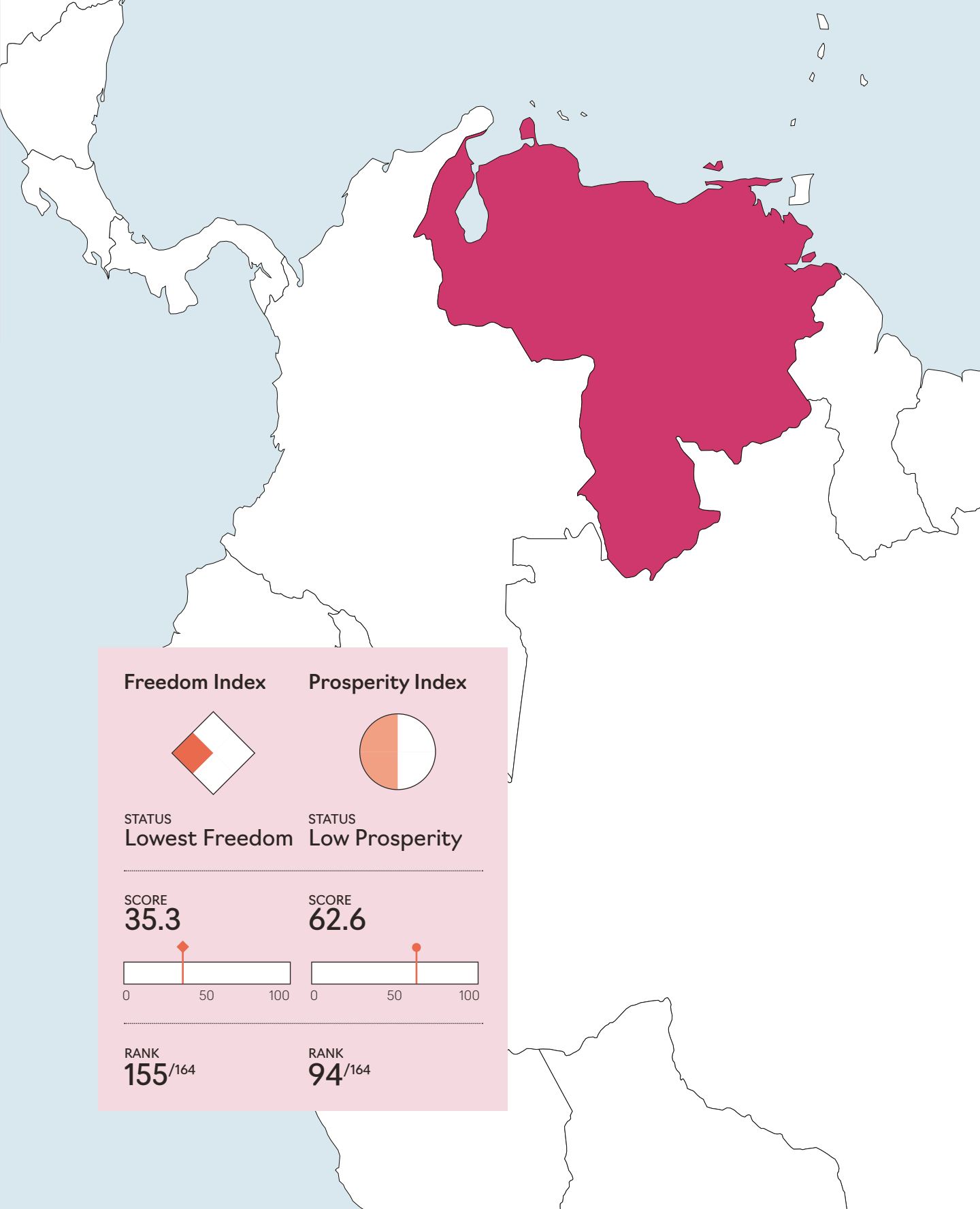
Socioeconomic Data 2023

General Information

POPULATION	LIFE EXPECTANCY (2022)
28.84 million	71 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Christian → 89.3%	0.520
Unaffiliated → 10.0%	
Other → 0.7%	

Economic Data

GDP PER CAPITA	INFLATION (2016)
6,496 (IMF estimate)	254.9%
% of US GDP pc → 8.8%	
GDP pc Growth → 5.5%	
DEBT/GDP (GENERAL 2023)	TRADE (% OF GDP) (2014)
146.3%	48%
UNEMPLOYMENT (2020)	
7.5%	
SECTORAL ALLOCATION	
Agriculture → 5.3%	
Industry → 39.6%	
Services → 55.1%	
GINI COEFFICIENT (2021)	The majority of Venezuela's socioeconomic data rely on official government reports; their accuracy is subject to significant uncertainty.
36.1	



Freedom Index

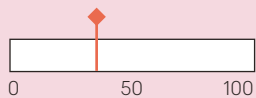


STATUS

Lowest Freedom

SCORE

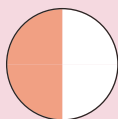
35.3



RANK

155/₁₆₄

Prosperity Index

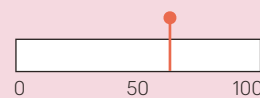


STATUS

Low Prosperity

SCORE

62.6

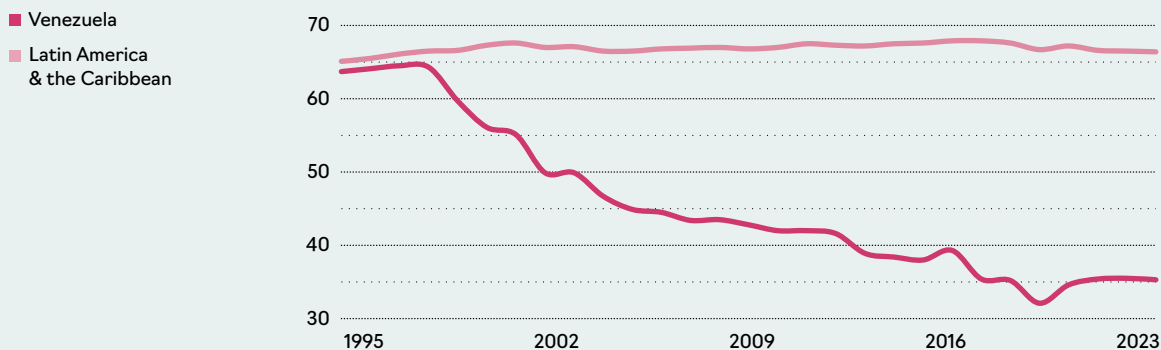


RANK

94/₁₆₄

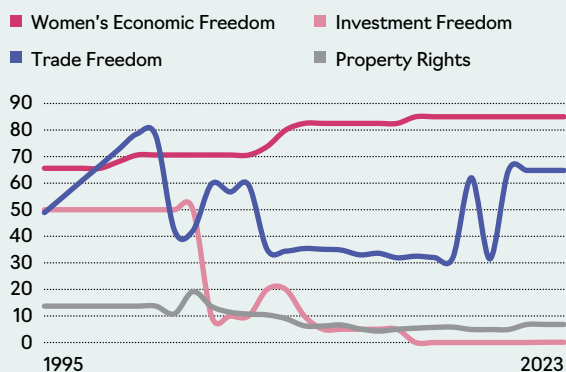
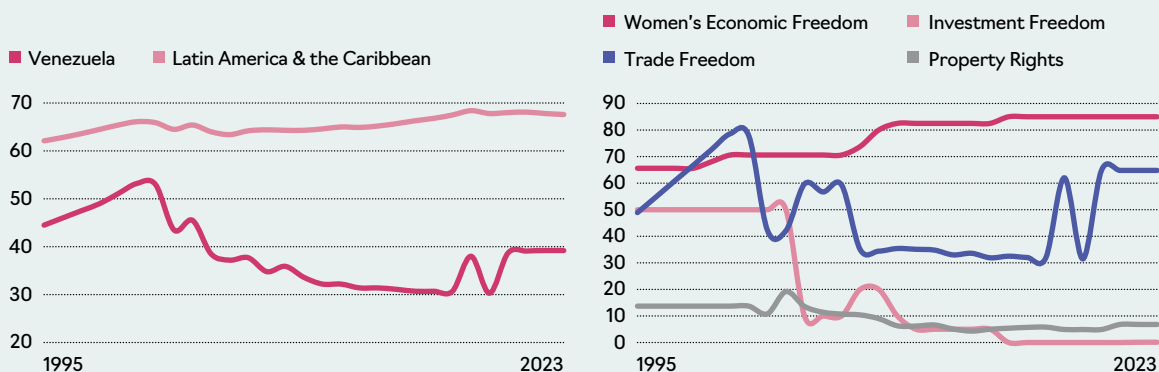
Freedom Index

1995-2023



	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Freedom Rank	155	-	0	-
Freedom Score	35.3	66.4	-8.1%	-1.6%
Economic Subindex	39.2	67.6	26.0%	2.8%
Political Subindex	35.5	75.9	-24.9%	-4.5%
Legal Subindex	31.1	55.8	-15.5%	-2.5%

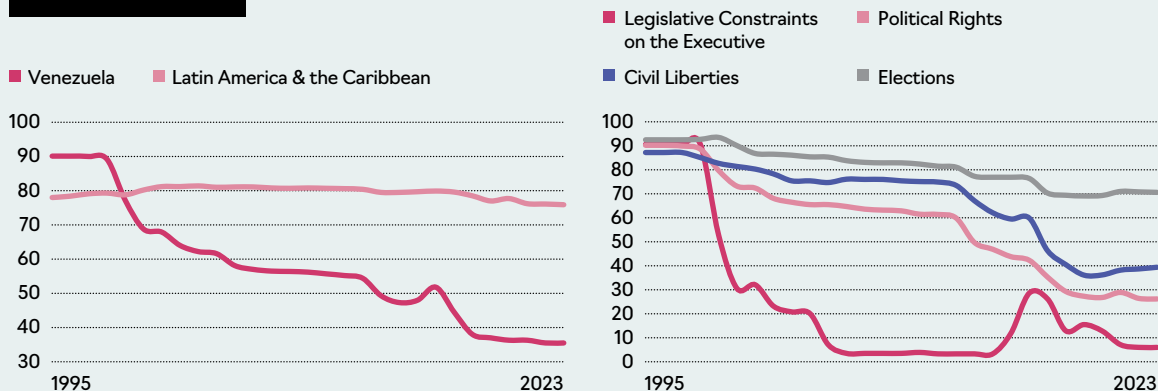
Economic Subindex



	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Women's Economic Freedom	85.0	82.6	3.0%	6.5%
Investment Freedom	0.1	58.1	-98.0%	0.4%
Trade Freedom	64.8	77.3	103.3%	2.7%
Property Rights	6.8	52.2	36.5%	0.1%

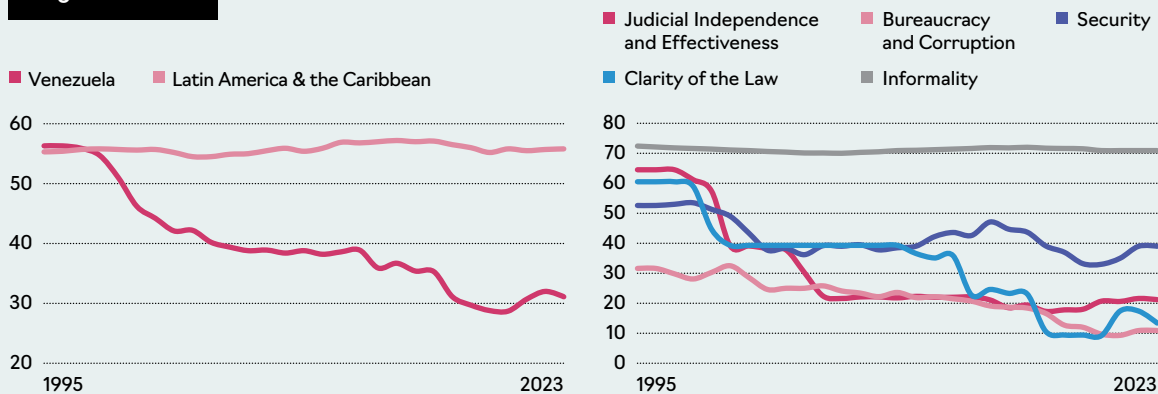
VENEZUELA

Political Subindex



	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Legislative Constraints on the Executive	6.0	62.0	81.8%	-1.4%
Political Rights	26.2	76.7	-44.2%	-6.2%
Civil Liberties	39.4	77.7	-36.6%	-6.6%
Elections	70.6	87.4	-8.2%	-3.3%

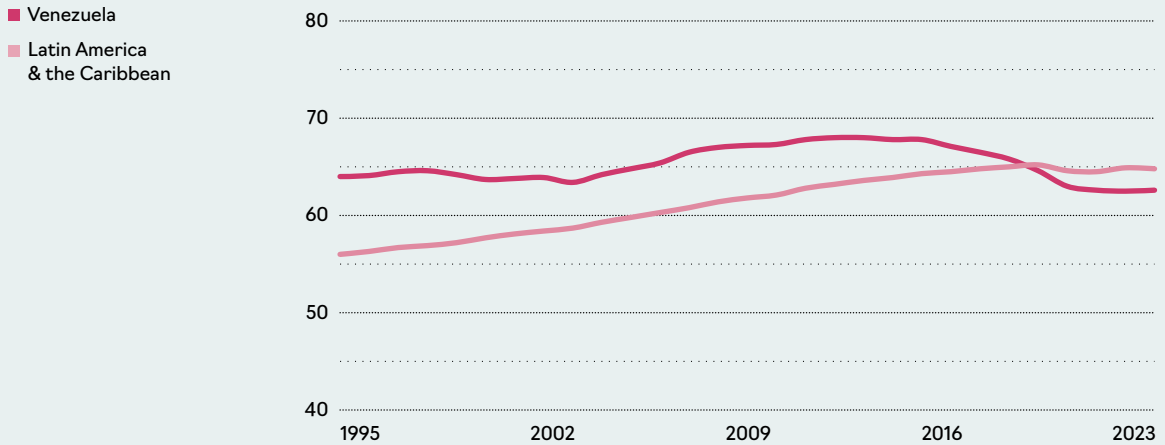
Legal Subindex



	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Judicial Independence and Effectiveness	21.2	64.5	0.5%	-0.2%
Bureaucracy and Corruption	10.9	37.9	-42.8%	-6.1%
Security	39.0	63.1	-17.4%	0.3%
Clarity of the Law	13.4	51.2	-45.6%	-6.5%
Informality	70.9	62.2	-1.3%	-1.9%

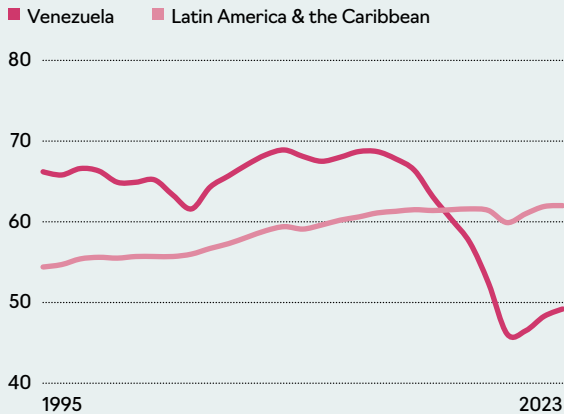
Prosperity Index

1995-2023

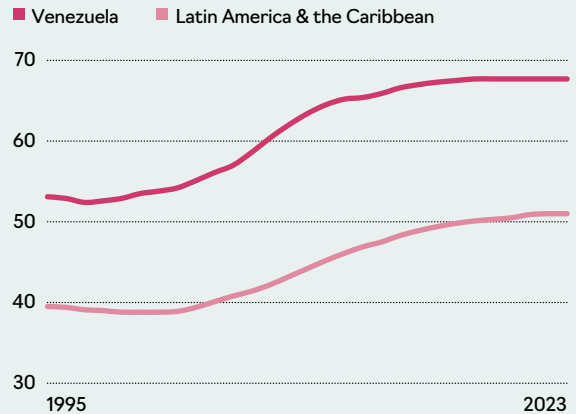


	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Prosperity Rank	94	–	-28	–
Prosperity Score	62.6	64.8	-7.7%	1.4%

Income



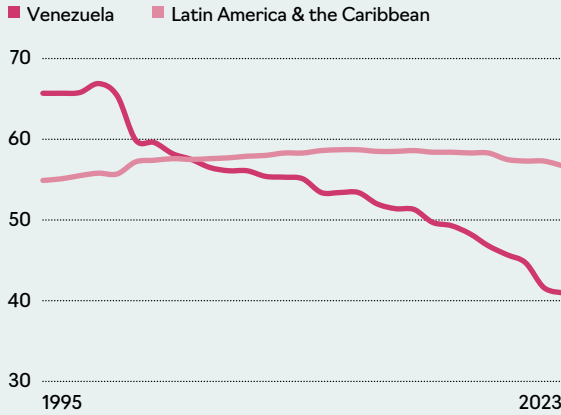
Inequality



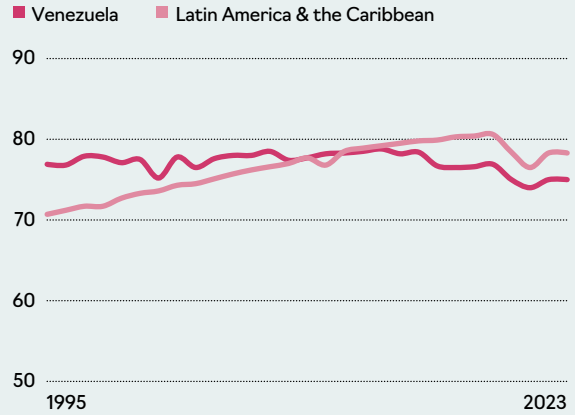
	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Income	49.2	62.0	-27.4%	1.0%
Inequality	67.7	51.0	1.7%	5.7%

VENEZUELA

Minorities

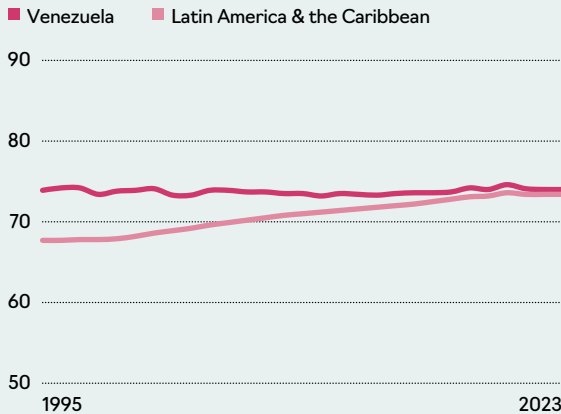


Health

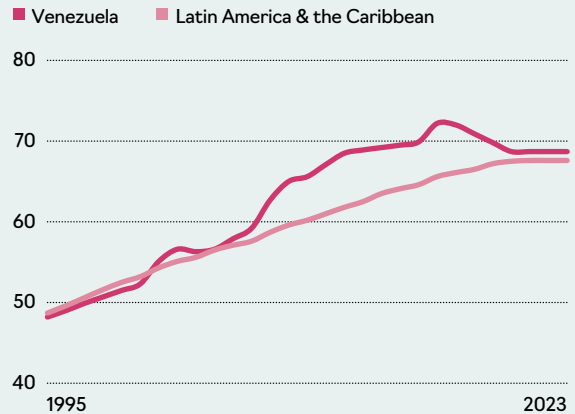


	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Minorities	41.0	56.7	-20.4%	-3.1%
Health	75.0	78.3	-4.1%	-1.5%

Environment



Education



	2023		Change Since 2014	
	Venezuela	Region	Venezuela	Region
Environment	74.0	73.4	0.7%	2.0%
Education	68.7	67.6	-1.2%	5.4%

Evolution of Freedom

Since 1995,¹ Venezuela's overall **Freedom Index** score has significantly declined, with a decrease of more than twenty-eight points. Initially, the country's freedom score was just 1.4 points below the Latin America & the Caribbean regional average, but its scores on all three subindexes have declined and the gap between Venezuela and the regional average now exceeds thirty points. The national statistical system has faced a significant setback, with data either disappearing or remaining outdated. Venezuela has outperformed the region on only one indicator—women's economic freedom, with a significant increase of thirty-five points since 1971, and over eighteen points since 1995, making this evolution a consistent trend in the society.

Venezuela's poor performance in the twenty-first century can be attributed to the political and ideological project known as "socialism of the twenty-first century," which aimed to dismantle the institutional framework established during the democratic period (1958–98), and replace it with a system rooted in socialist ethics and models of production, with a geopolitical scope, and where individual freedom is no longer valued.²

Its **economic subindex** improved by over eight points from 1995 to 2000, driven by trade freedom, but has since declined. The most significant driver of the decline has been the erosion of property rights, with 1,423 documented cases of expropriations, interventions, occupations, and confiscations.³

Additionally, the "land rescues" under the 2001 Land Law resulted in the seizure of five million hectares, equivalent to 5 percent of Venezuela's territory, according to the National Land Institute. From 2014 to 2019, the Organic Law on Fair Prices, enforced by the National Superintendence for the Defense of Socioeconomic Rights, led to 149,811 actions, including inspections, closures, and fines. As a result, the economy stagnated, supply chains were dismantled, and the violation of property rights exacerbated uncertainty, heightened risk perception, discouraged investment, stifled job creation, and deepened poverty.

Since 2020, a series of pseudo-privatizations⁴ has been implemented under the Anti-Blockade Law, which permits the suspension of legal provisions, the use of exceptional contracting mechanisms, and the classifying of actions as secret or confidential. Alongside this, an indeterminate number of affected companies and assets have been returned without transparency, or have not adhered to basic standards of reparation or property rights restitution.

The socialist model currently guiding Venezuela's policies is marked by excessive populism and state intervention. Economic activity and entrepreneurship are severely hampered by widespread government interference, inconsistent regulatory enforcement, and a heavy bureaucratic burden. The lack of transparency in government

1 The first half of the 1990s was a very turbulent period for Venezuela. Waves of protests and looting led to a state of social and political upheaval, weakening the government and creating the breeding ground for two attempted coups d'état. Later the president was forced out of office by the Supreme Court. Finally, Venezuela experienced its worst historic banking crisis in 1994 (with an estimated bailout cost of 20 percent of gross domestic product (GDP)). Those elements placed the country, in 1995, at a very low level in all metrics of freedom and prosperity, many of which recovered to prior levels by 2000. This means that the assessment of changes from 1995 to the present may be somewhat distorted: understating the decline while overstating the improvement in the twenty-first century.

2 Sary Levy-Carciente, *Venezuela: La Imperiosa Necesidad de Reglas de Juego Adecuadas* (Caracas: Cedice, 2019), https://paisdepropietarios.org/propietariosve/wp-content/uploads/2019/06/02_reglasdejuego.pdf.

3 Ana María Carrasquero Márquez, *El Olvido como Cómplice del Socialismo del Siglo XXI: La Importancia de la Memoria* (Caracas: Cedice, 2023), <https://libreriacedice.org.ve/portfolio-items/el-olvido-como-complice-del-socialismo-del-siglo-xxi>.

4 Andrea Rondón García, *La Recuperación de Activos Expropiados como Resultado de la Supresión Sistemática de la Propiedad: El Caso de Venezuela* (Caracas: Cedice, 2021), <https://paisdepropietarios.org/propietariosve/wp-content/uploads/2021/07/Recuperacio%CC%81n-activos-Rondo%CC%81n-ODP-02.06.21-1.pdf>.

decision making, the shrinking of market size, and entrenched cronyism have resulted in a market with little competition and virtually no freedom for investment.

The government's lack of transparency and accountability, and setbacks in the official statistical system have been other key factors in undermining economic freedom, making it difficult to base decisions on reliable information and fueling misinformation. This issue is particularly evident in the erosion of information related to the national budget and its management, with clear political intent, allowing the executive between 2006 and 2012, the discretionary and opaque management of large public funds for social programs known as *Misiones*, which failed to produce positive social outcomes.

At the same time, political freedom in Venezuela has drastically declined, with a nearly fifty-five-point drop since 1995 in the **political subindex**. Initially, Venezuela outperformed the regional average by twelve points, but now lags by more than forty points, with the gap widening after 1999. Electoral performance has steadily worsened, with sharp declines between 2012–13 and 2016–17. The presidential election on July 28, 2024, particularly exposed the executive's grip on the electoral system and judiciary, disregarding the popular will and eroding the integrity of elections as a means of democratic alternation.

Legislative checks on the executive have collapsed by nearly eighty-five points since 1995. Although there was an apparent improvement between 2014–16, when the democratic opposition won a qualified majority in the National Assembly, this progress was undone by a Supreme Court decision loyal to the executive, followed by the establishment of a Constituent Assembly that stripped the National Assembly of its powers.

The situation seemed to offer some hope from 2018 to 2019, with the emergence of an interim presidency and mounting international pressure and sanctions on the regime. However, the anticipated political change toward greater freedom never materialized.

The rule of law, as measured by the **legal subindex**, has eroded, with the score dropping by over twenty-five points in Venezuela since 1995. Initially, scores were above the regional average, but this trend reversed in 1998, leading to the country's current position below that average. Judicial independence and effectiveness have sharply deteriorated, with significant declines between 1997–2000 and 2003–05, after which they have remained consistently low.

The main drivers for the decline in the rule of law during this century include: (1) the consolidation of executive supremacy, enabled by the expansion of presidential powers in the 1999 Constitution and the frequent use of decrees and special powers through enabling laws; (2) the increasing role of the military in controlling and implementing government policies; and (3) the rise in corruption and lack of transparency, bypassing legal accountability standards. The decline has been further compounded by a 73 percent drop in judicial independence between 1995 and 2017. These elements have eroded democratic governance and undermined institutional integrity.

In 2019, the United Nations (UN) Human Rights Council established an independent international fact-finding mission to investigate human rights violations in Venezuela since 2014. Its latest report,⁵ issued in September 2024, focused on the post-electoral crisis following the presidential elections of July 28, 2024. The report highlighted a significant intensification of the state's repressive apparatus, documenting serious human rights

⁵ UN Human Rights Council, "Informe de la Misión Internacional Independiente de Determinación de los Hechos sobre la República Bolivariana de Venezuela (Unofficial Spanish translation)," September 19, 2024, <https://reliefweb.int/report/venezuela-bolivarian-republic/informe-de-la-mision-internacional-independiente-de-determinacion-de-los-hechos-sobre-la-republica-bolivariana-de-venezuela-unofficial-spanish-translation-ahrc5757>.

violations, including brutal crackdowns on protests, which resulted in twenty-five deaths, hundreds of injuries, and thousands of arrests, including 158 minors. The report detailed arbitrary detentions, forced disappearances, torture, and cruel, inhuman, or degrading treatment, including sexual and gender-based violence, all of which escalated during this period. Additionally, the report noted

an increase in harassment and judicial persecution of journalists, nongovernmental organizations, and key civil society actors. This repression worsened following the approval of the Law on the Supervision, Regularization, Action, and Financing of Non-Governmental and Related Organizations (August 2024), which imposed severe restrictions on the operations of these organizations.

Evolution of Prosperity

Since 1995, Venezuela's **Prosperity Index** score has experienced significant fluctuations, while the regional average has generally improved. Between 2003 and 2012, Venezuela saw a period of growth, followed by a sharp decline, placing it among the lowest-ranked countries in terms of prosperity. This decline demonstrates how undermining the institutional framework that safeguards individual freedom, freedom of expression, and political and economic liberty can devastate a society's prosperity and the quality of life of its citizens.

The perception of progress in **income** per capita during the positive period was largely driven by an oil price boom that was managed wastefully. Even before oil prices reversed, the country was left impoverished, with a destroyed middle class, crippling debt, and a lack of basic services such as water, sanitation, electricity, transportation, and telecommunications, as well as public goods like security, healthcare, and education. Furthermore, Venezuela lost nearly a quarter of its population to migration. Today, its prosperity

has fallen below early 2000 levels, reaching a state of Low Prosperity.

Between 2013 and 2021, Venezuela's economy contracted by more than 75 percent—as measured by gross domestic product (GDP). Despite apparent recovery rates in recent years, the economy remains far too small to meet the population's needs, and without a robust institutional framework ensuring transparent and fair rules, sustainable growth and improved quality of life remain elusive. Since 2008, Venezuela has suffered from double-digit inflation year-over-year, reaching hyperinflation between 2016 and 2019, which would be remedied by a process of dollarization.

Given the lack of updated and verifiable official economic data,⁶ the World Bank in 2021 unclassified Venezuela, which previously was classified as an upper-middle-income country. For the size of the economy at that time, Venezuela could have been classified as a low-income country.

Official socioeconomic data are scarce and irregular, so it is thanks to the National Survey

⁶ Since 2012 the Ministry of Interior, Justice and Peace stopped regularly publishing crime statistics, including homicide, kidnapping, and robbery rates. Since 2014 the National Institute of Statistics stopped publishing poverty and living conditions figures, including information on extreme poverty, access to basic services and the quality of life of Venezuelans, and data on the number of people that left the country. In 2015 the Central Bank stopped publishing regular data on inflation, core inflation, GDP, and other key economic indicators. Petróleos de Venezuela, the national oil company, stopped publishing detailed reports on oil production. And since 2014 data on foreign trade have not been published. Since 2016 the Ministry of Health stopped publishing its weekly epidemiological bulletin, which included key data on diseases, mortality, and morbidity rates. The last industrial census in Venezuela was conducted in 2001.

of Living Conditions (ENCOVI),⁷ conducted by well-reputed Venezuelan universities, that we know that in 2021, 94.5 percent of the population lived in poverty, with extreme poverty affecting two-thirds of households, due to the combined effects of a collapsed economy and the COVID-19 pandemic. Those figures improved by 2023 when extreme poverty dropped to 59.1 percent and multidimensional poverty to 58 percent, but in rural areas, both indicators remained over 70 percent, indicating that the population is still struggling. This is a stark contrast to 2000, when 70 percent of the population belonged to the middle class, and fewer than 25 percent lived in poverty.

The **education** system has become increasingly substandard, with significant deterioration since 2013. However, the true extent of this decline is difficult to assess due to the manipulation, absence, or lack of updated official statistics, which can lead to misleading information being reported to multilateral organizations. The education crisis is marked by crumbling public school infrastructure, a lack of adequately compensated teachers, inadequate educational coverage, high student dropout rates, and a significant reduction in both the reach and consistency of the school feeding program. This downward trend extends to university education, where enrollment dropped by 24 percent between 2008 and 2018, and by 60 percent in the country's major universities between 2012 and 2024. According to the 2023 ENCOVI report, only 60 percent of students regularly attend school with some degree of normality, while 40 percent have irregular attendance.

The decline in educational quality is further highlighted by an Early Grade Reading Assessment test,⁸ where third grade students scored an average

of just 57.3 percent. Additionally, 75 percent of students scored below 76 percent, with just 25 percent achieving between 76 percent and 100 percent correct answers, underscoring the significant gaps in learning outcomes. The situation deteriorated further during the COVID-19 pandemic, as schools were unprepared for virtual learning. The post-pandemic period brought additional challenges, with many schools being looted, resulting in the loss of supplies, furniture, and electrical wiring and damage to infrastructure. Compounding the crisis is the government's response to teachers' demands, which has involved threats, harassment, and surveillance. This hostile environment, coupled with poor working conditions and restricted freedom of speech, has driven many educators to quit their jobs or leave the country altogether, exacerbating the already fragile state of the education system.

In contrast to the improving **health** outcomes in much of Latin America, Venezuela's health performance has stagnated and deteriorated. Once outperforming the regional average, the country fell behind in 2009 and is now more than three points below the regional mean. Various indicators reflect the decline in the overall health of the Venezuelan population during the twenty-first century. Life expectancy dropped from around seventy-three to seventy-two years,⁹ while the infant mortality rate increased from 17.9 per 1,000 live births in 2000 to 21.1 per 1,000 by 2017.¹⁰ Maternal mortality surged to 125 per 100,000 live births by 2015.¹¹ By 2020, nearly one-third of Venezuelans were food insecure, and the 2017 ENCOVI survey found that 64.3 percent of the population had lost weight due to food shortages. Additionally, once-controlled communicable diseases such as malaria, tuberculosis, and diphtheria

7 ENCOVI, "Encuesta Nacional de Condiciones de Vida", www.proyectoencovi.com.

8 DevTech Systems, *Diagnóstico de Educación Básica en Venezuela: Reporte Final*, September 2021, https://humvenezuela.com/wp-content/uploads/2021/11/VNZ_Education_Diagnostic_spanish.pdf.

9 World Bank, "Life Expectancy at Birth, Total (Years)—Venezuela," <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=VE>.

10 World Health Organization, "The Global Health Observatory: Mortality—Deaths (Country)," www.who.int/data/gho/indicator-metadata-registry/imr-details/39.

11 Venezuelan Ministry of Health data, although official statistics have been irregular since then.

resurfaced, with malaria cases rising from 35,500 in 2009 to over 400,000 by 2017.¹² By 2018, over 80 percent of hospitals reported shortages of basic medicines, and many healthcare facilities lacked electricity and clean water.¹³

This situation stems from a combination of factors: lack of investment in public services; worsening healthcare; infrastructure collapsing due to corruption, poor maintenance, and a lack of new investments; ineffective public policies; the exodus of healthcare workers and skilled professionals because of low salaries and poor working conditions; widespread shortages of food and medicine; rising poverty; and persistent inflation and hyperinflation. These issues result from the model imposed at the beginning of the century, which dismantled Venezuela's institutional framework, curtailing liberty and economic opportunities.

Additionally, Venezuela has experienced significant **environmental** degradation, jeopardizing the prospects for future generations. The massive and uncontrolled exploitation of the Orinoco Mining Arc, which encroaches on Indigenous territories and Areas Under Special Administration Regime with government knowledge and authorization, has drawn serious concerns from social, environmental, and human rights organizations since 2016 regarding its harmful implications for Indigenous communities and biodiversity. This mining project has led to significant destruction in the Amazon region in Venezuela, with illegal mining operations deforesting 1,000 hectares of Canaima National Park and damaging 2,227 hectares in Yapacana National Park. Moreover, mercury pollution has affected the Ventuari, Caura, Caroní, Cuyuní, and Orinoco rivers.

Petróleos de Venezuela (PDVSA), the national oil company, has also neglected environmental and safety protocols, increasing accidents and causing spills in sensitive ecosystems such as the Orinoco River and Lake Maracaibo. The Global Gas Flaring Tracker from the World Bank indicates that Venezuela's flaring intensity quadrupled between 2012 and 2021, with the amount of gas flared in 2022 exceeding the amount of gas recovered for productive purposes. This practice contributes to higher emissions of harmful gases, placing Venezuela fifth globally in gas flaring.

Several indicators highlight the environmental harm in Venezuela. Global Forest Watch¹⁴ shows increased deforestation, the Living Planet Index¹⁵ reveals a decline in biodiversity, the Water Quality Index reveals concerning levels of water pollution, and the Environmental Performance Index (EPI)¹⁶ and the Global Carbon Atlas¹⁷ reflect the environmental stress caused by fossil fuel extraction and energy mismanagement. The EPI indicates air quality issues related to inadequate industrial regulation and vehicular emissions, the EPI shows a decline in waste management capacity, with improper disposal of solid and hazardous waste, and the Environmental Vulnerability Index¹⁸ highlights high vulnerability due to poor natural resource management. These indicators collectively demonstrate the country's ecological deterioration across multiple dimensions. This troubling environmental situation stems from a lack of rule of law, corruption, and influence peddling, leading to the indiscriminate depletion of natural resources and the contamination of the environment to the detriment of future generations.

¹² Pan American Health Organization, "Malaria," www.paho.org/en/topics/malaria.

¹³ Human Rights Watch, "Venezuela: Events of 2018," October 4, 2018, www.hrw.org/world-report/2019/country-chapters/venezuela.

¹⁴ Global Forest Watch, www.globalforestwatch.org.

¹⁵ Living Planet Index, www.livingplanetindex.org.

¹⁶ Environmental Performance Index, Yale Center for Environmental Law & Policy, <https://epi.yale.edu>. The 2024 EPI, for instance, used fifty-eight performance indicators across eleven environmental issues.

¹⁷ Global Carbon Atlas, <https://globalcarbonatlas.org/emissions/carbon-emissions>.

¹⁸ Environmental Vulnerability Index, <https://gsd.spc.int/sopac/evi/index.htm>.

The Path Forward

Venezuela's current situation is critical. Citing the nation's institutional and social fragility, the International Monetary Fund placed it on its *List of Fragile and Conflict-Affected States*.¹⁹ The International Monetary Fund has alluded to a government that is either unable or unwilling to fulfill essential state functions such as providing security, justice, and basic services to the majority of its population, with weak institutions, nonexistent governance, and high poverty levels.²⁰

This crisis is the result of nearly twenty-five years of the socialism of the twenty-first century model, which has eroded the progress made in the previous century. From the outset, various levels and forms of resistance to this model have emerged, yet the regime has maintained its grip on power through various means, increasingly revealing its authoritarian nature over time. Despite these challenges, the population has demonstrated remarkable resilience, remaining active and committed to pursuing political change that could reverse the current situation by leveraging its available natural, human, and financial resources.

Thus, this moment can be seen as a crossroads, a tipping point, a moment of bifurcation, with the potential to shape the future. The political driver at play will serve as the catalyst for two vastly different scenarios.

Scenario 1: Oppression and Poverty

This scenario envisions the end of Venezuela's liberal democratic republic model, resulting in the entrenchment of tyranny and the subordination of all powers to the executive. Venezuela could become a significant node in the multidimensional networks of illegality.

If the popular will, as expressed in the 2024 presidential elections, is disregarded, the country may plunge deeper into a society marked by diminished freedom and prosperity. Venezuela is unlikely to reintegrate into global financial flows, facing obstacles in renegotiating its debt with multilateral organizations and receiving the necessary support to address its complex humanitarian crisis.

In this context, recurrent macroeconomic imbalances are expected, leading to increased economic volatility and a shortened investment horizon, which would elevate risk premiums. Maintaining policies to stabilize the exchange rate and control inflation would become increasingly difficult, with restrictions on credit and foreign currency inflows. That will widen the gap between official and parallel exchange rates, fostering the debasement of the national currency and deepening dollarization.

To manage these macroeconomic challenges, fiscal and parafiscal pressures on the private sector would intensify, making production less profitable and riskier, promoting informal economic activity, reducing domestic supply, and reigniting inflationary pressures.

The prevailing situation would hinder the ability to address social needs, exacerbating poverty and exclusion. As popular dissatisfaction rises, the government is likely to respond with increased repression, leading to a heightened militarization of public spaces and severe human rights violations. This dynamic would contribute to the further erosion or outright extinction of the rule of law, undermining freedoms of expression and association, as well as civil, political, and economic rights.

¹⁹ International Monetary Fund, "List of Fragile and Conflict-Affected States," list as of March 22, 2023, www.imf.org/-/media/Files/Publications/PP/2023/English/PPEA2023010-S001.ashx.

²⁰ International Monetary Fund, *Regional Spillovers from the Venezuelan Crisis*, DP/2022/019, December 2022, 1–2, www.imf.org/en/Publications/Departmental-Papers-Policy%20Papers/Issues/2022/12/01/Regional-Spillovers-from-the-Venezuelan-Crisis-Migration-Flows-and-Their-Impact-on-Latin-525729.

Such conditions would foster opacity in public fund management, heightening corruption and enabling arbitrary public policies and decision-making processes. An ongoing source of income may come from continued licenses for oil resource exploitation or from actors unconcerned about the reputational risks of engaging with a sanctioned state, which would likely result in lower prices for oil sales.

In this tyrannical scenario, characterized by a lack of freedom and a bleak future, a significant new wave of migration could emerge, predominantly involving very-low-income groups. This influx would put pressure on neighboring and destination countries, potentially fueling anti-migration policies and discriminatory attitudes.

The consolidation of a tyrannical regime would facilitate the exploitation of Venezuela's valuable natural resources to support illicit networks, transforming the country into a hub of regional, hemispheric, and global instability.

Scenario 2: Freedom and Prosperity

This scenario envisions the reestablishment of Venezuela as a liberal democratic republic, anchored in Western values of freedom, individual dignity, and prosperity. Under this vision, Venezuela could reclaim its stabilizing role in the Western Hemisphere.

If the democratic alternative—which won the presidential elections on July 28, 2024 and transparently demonstrated its results to the world—gets into power, it will pave the way for a positive future. This could not only enhance freedoms and respect for political, civil, and human rights, but also improve the quality of life and spur economic growth.

The recovery would be guided by a proposed plan called *Venezuela: Land of Grace—Freedom,*

Democracy, and Prosperity,²¹ advanced by the team supporting the political leader María Corina Machado, and, built on three foundational pillars: (1) free development of individuals, recognizing the intrinsic dignity and creative potential of free individuals; (2) a state at the service of the citizen, protecting life, liberty, and property, and ensuring access to justice and public security through independent branches of government, with a focus on efficiency, transparency, and public-private partnerships in managing services as well as education, healthcare, and security; and (3) a free market economy, unlocking the country's potential by transforming its abundant resources into wealth through citizens' efforts, fostering entrepreneurship, and stimulating economic growth.

With these pillars in place, a myriad of opportunities could arise to restore citizens' quality of life in an atmosphere of freedom and peace. A robust institutional framework and a stable macroeconomic environment could attract investments across various productive sectors, enhancing domestic supply, creating jobs, and improving living conditions for households. Full support from multilateral organizations, following the renegotiation of defaulted external debt, could guide the nation toward overcoming the humanitarian crisis and significantly reducing poverty levels.

Venezuela could emerge as an energy hub due to its vast reserves of hydrocarbons and renewable energy resources, bolstered by private investments, reclaiming its status as a major player in oil and gas production and refining, and resuming its role as a reliable supplier within the Western Hemisphere. In this scenario, Venezuela could contribute to reducing global geopolitical tensions, combating illegality, and promoting freedom and peace.

²¹ María Corina Machado, *Venezuela: Land of Grace—Freedom, Democracy, and Prosperity* (Caracas: Vente Venezuela 2023), www.ventevenezuela.org/wp-inter/uploads/2024/05/Government-Program-may9-2024.pdf.

Sary Levy-Carciente

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Middle East & North Africa

MIDDLE EAST & NORTH AFRICA



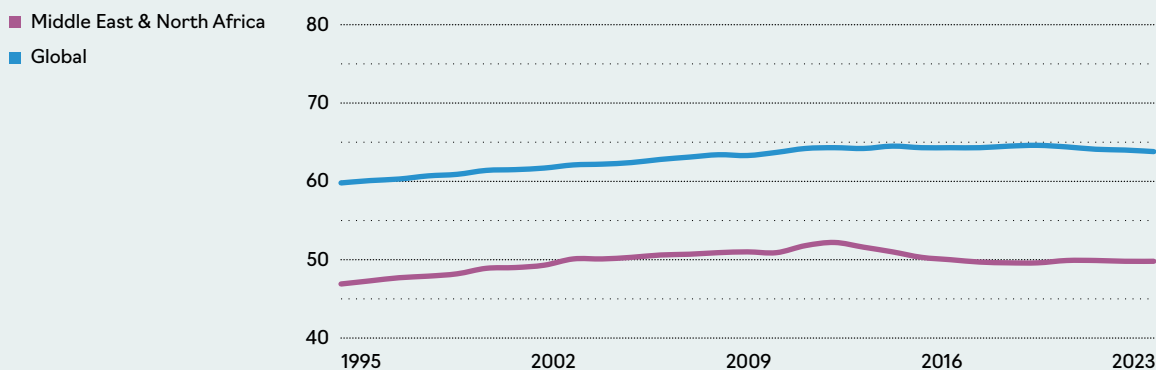
Middle East & North Africa: Regional Ranking

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Israel	38	78.5	High Freedom	37	80.3	High Prosperity
Kuwait	79	66.4	Moderate Freedom	45	75.0	Moderate Prosperity
Jordan	88	63.7	Low Freedom	67	68.9	Moderate Prosperity
Morocco	96	61.3	Low Freedom	95	62.3	Low Prosperity
Tunisia	97	60.6	Low Freedom	77	66.5	Moderate Prosperity
United Arab Emirates	111	55.1	Low Freedom	39	79.4	High Prosperity
Turkey	116	53.6	Low Freedom	70	68.4	Moderate Prosperity
Oman	117	53.5	Low Freedom	63	69.8	Moderate Prosperity
Bahrain	122	52.0	Low Freedom	71	67.7	Moderate Prosperity
Lebanon	127	49.5	Lowest Freedom	90	62.9	Low Prosperity
Qatar	129	47.9	Lowest Freedom	54	73.0	Moderate Prosperity
Algeria	132	46.6	Lowest Freedom	69	68.5	Moderate Prosperity
Egypt	134	46.2	Lowest Freedom	93	62.6	Low Prosperity
Iraq	142	43.6	Lowest Freedom	103	58.9	Low Prosperity
Saudi Arabia	144	42.9	Lowest Freedom	68	68.8	Moderate Prosperity
Libya	156	33.8	Lowest Freedom	88	63.6	Low Prosperity
Iran	157	32.4	Lowest Freedom	89	62.9	Low Prosperity
Yemen	159	29.3	Lowest Freedom	153	41.9	Lowest Prosperity
Syria	160	28.6	Lowest Freedom	109	55.7	Low Prosperity

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

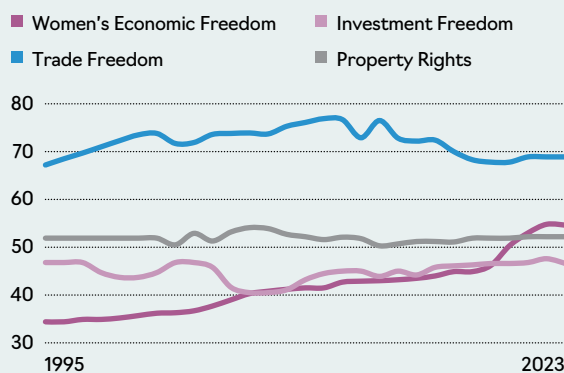
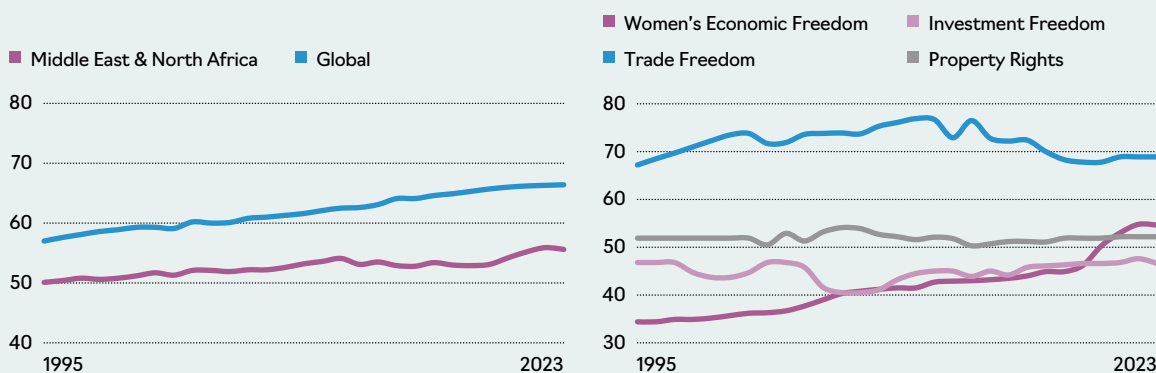
Freedom Index

1995-2023



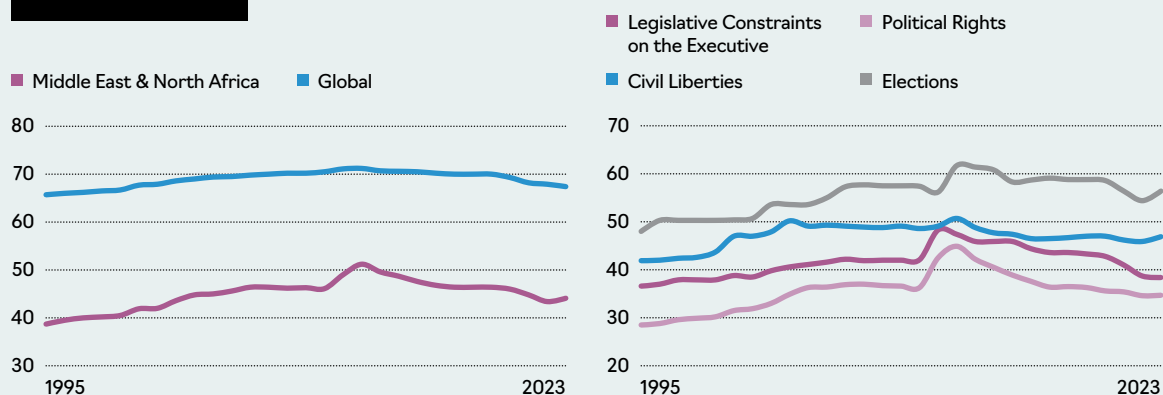
	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	49.8	63.8	-2.4%	-1.1%
Economic Subindex	55.6	66.4	5.0%	3.6%
Political Subindex	44.1	67.4	-9.5%	-4.6%
Legal Subindex	49.7	57.7	-3.3%	-2.0%

Economic Subindex



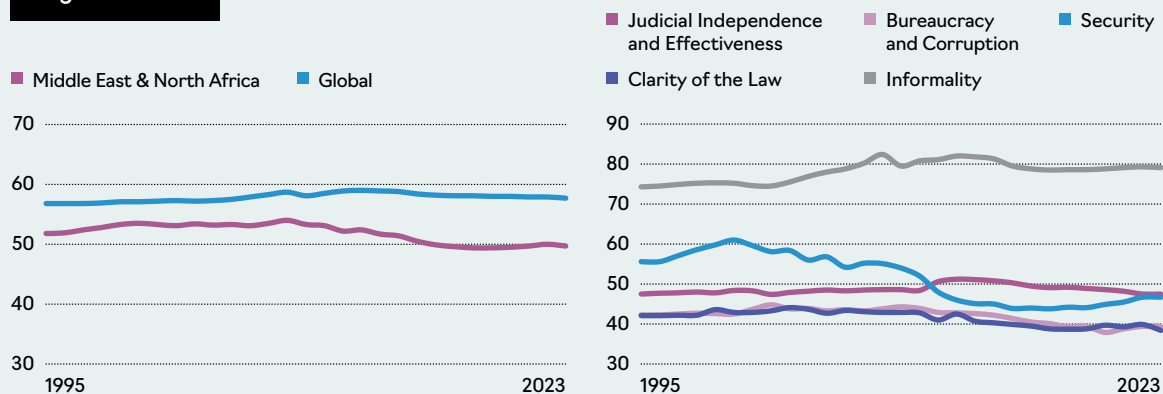
	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	54.6	78.3	26.5%	8.5%
Investment Freedom	46.6	56.9	3.5%	2.1%
Trade Freedom	68.9	77.3	-5.4%	0.5%
Property Rights	52.2	55.4	3.0%	1.6%

Political Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	38.4	57.4	-16.4%	-4.7%
Political Rights	34.7	64.0	-14.2%	-6.7%
Civil Liberties	46.9	68.9	-1.8%	-3.5%
Elections	56.4	79.1	-7.2%	-3.8%

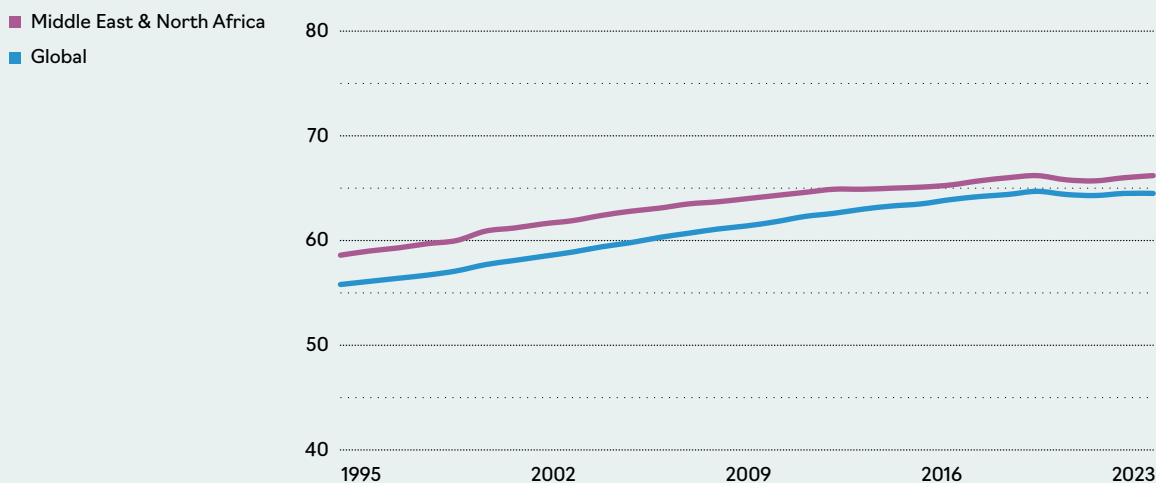
Legal Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	47.5	61.7	-6.6%	-1.4%
Bureaucracy and Corruption	39.4	44.4	-6.6%	-2.0%
Security	46.7	60.0	3.7%	-1.4%
Clarity of the Law	38.4	52.0	-4.8%	-4.5%
Informality	79.1	71.4	-2.8%	-1.1%

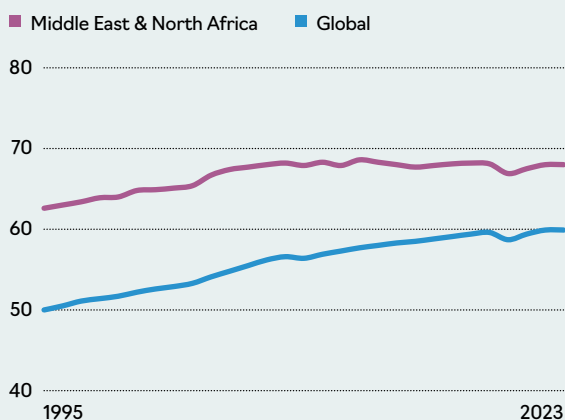
Prosperity Index

1995-2023



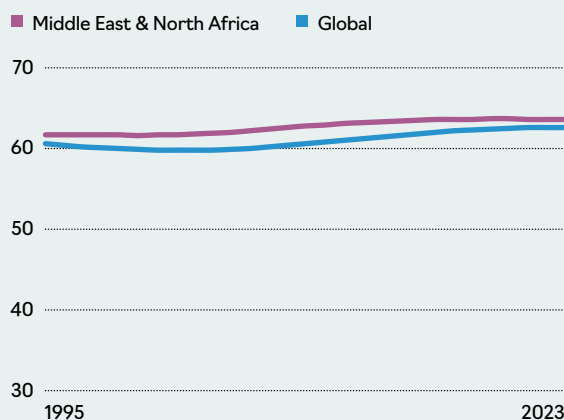
	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	66.2	64.5	1.7%	1.9%

Income



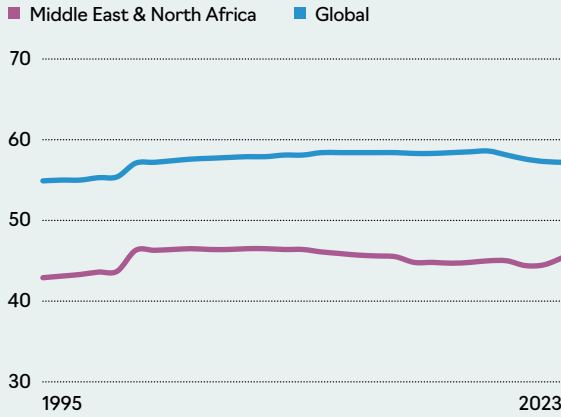
	2023		Change Since 2014	
	Region	Global	Region	Global
Income	68.0	59.9	0.0%	2.7%
Inequality	63.6	62.6	0.3%	1.6%

Inequality

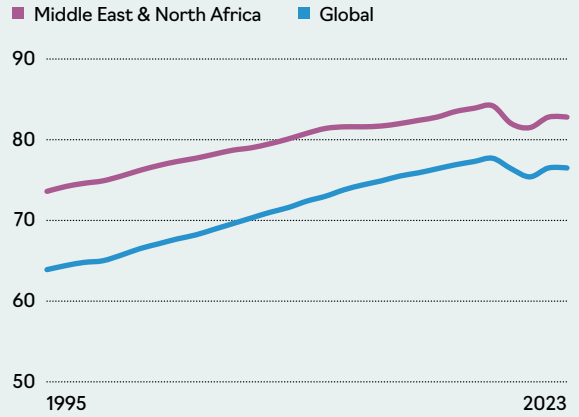


MIDDLE EAST & NORTH AFRICA

Minorities

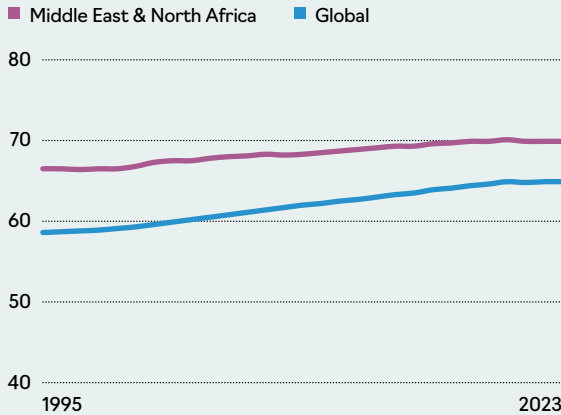


Health

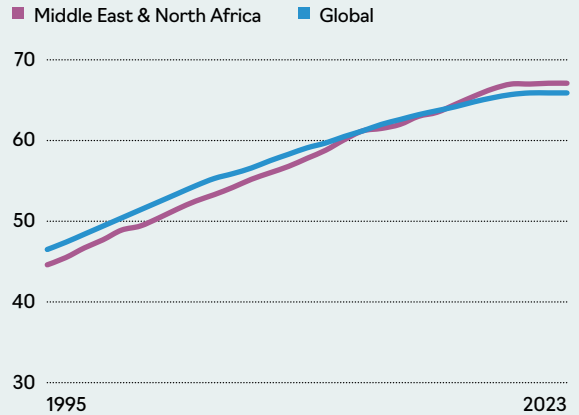


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	45.4	57.2	-0.1%	-2.1%
Health	82.8	76.5	1.0%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	69.9	64.9	0.9%	2.4%
Education	67.1	65.9	8.3%	5.1%

Kuwait

Rabah Arezki

Socioeconomic Data 2023

General Information

POPULATION

4.31 million

LIFE EXPECTANCY (2022)

80 years

RELIGION (2010)

Muslim → 74.1%

Christian → 14.3%

Hindu → 8.5%

Other → 3.1%

ETHNIC
FRACTIONALIZATION
(2013)

0.765

Economic Data

GDP PER CAPITA

50,825

% of US GDP pc → 69.0%

GDP pc Growth → -3.2%

INFLATION

3.6%

DEBT/GDP (CENTRAL 2023)

3.2%

TRADE (% OF GDP) (2019)

96%

UNEMPLOYMENT (2016)

2.2%

SECTORAL ALLOCATION

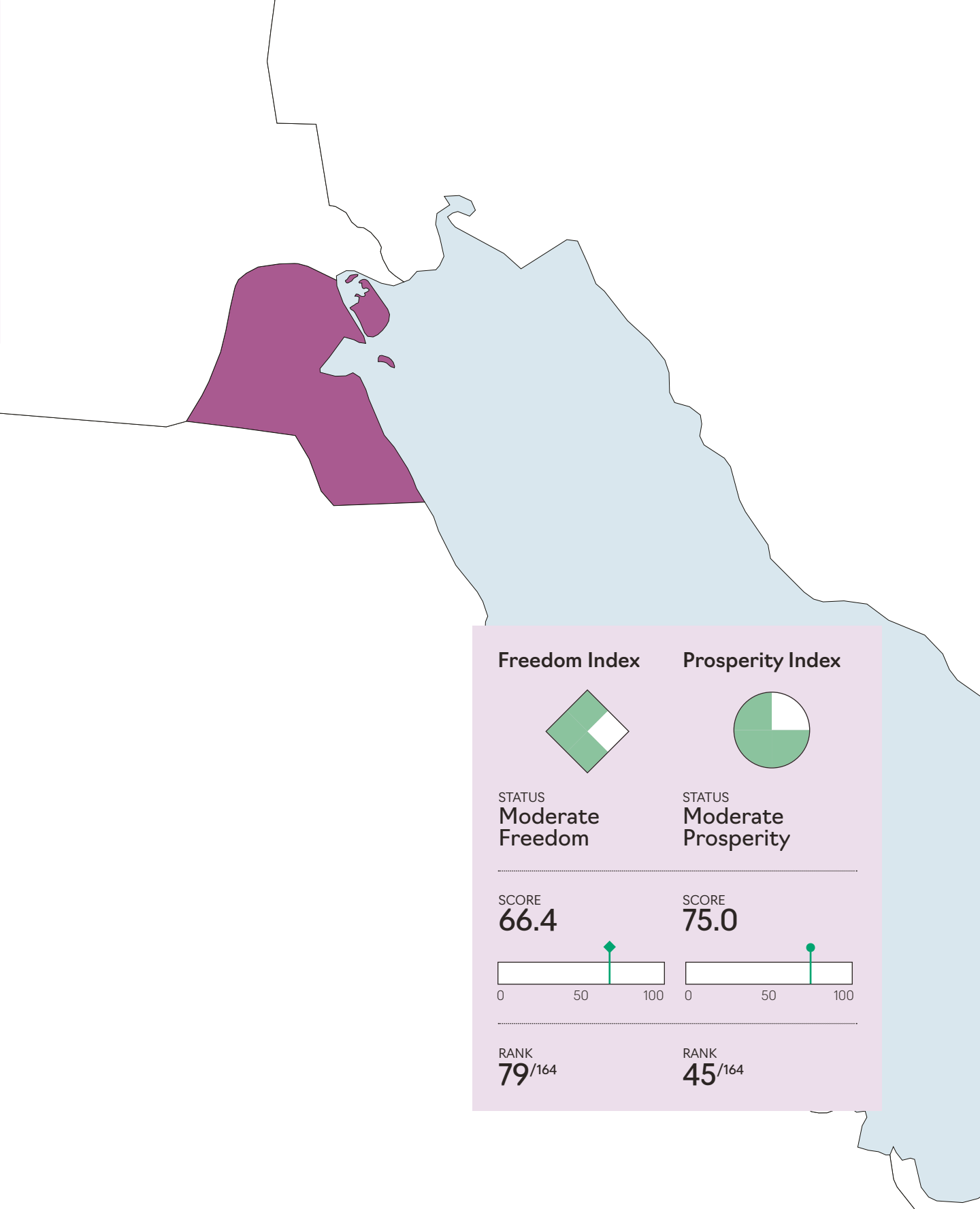
Agriculture → 0.4%

Industry → 60.4%

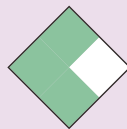
Services → 39.3%

GINI COEFFICIENT (1999)

36.0

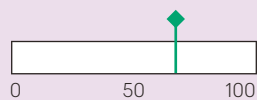


Freedom Index



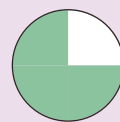
STATUS
**Moderate
Freedom**

SCORE
66.4



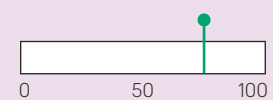
RANK
79^{/164}

Prosperity Index



STATUS
**Moderate
Prosperity**

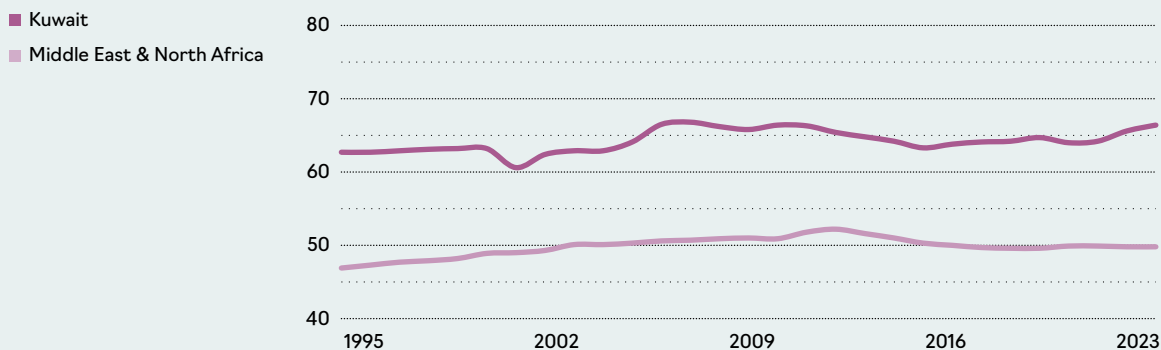
SCORE
75.0



RANK
45^{/164}

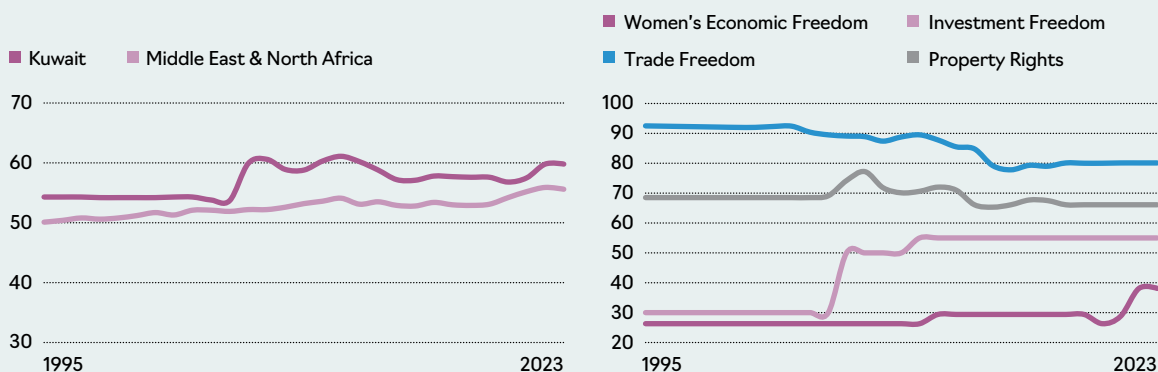
Freedom Index

1995-2023



	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Freedom Rank	79	-	5	-
Freedom Score	66.4	49.8	3.5%	-2.4%
Economic Subindex	59.8	55.6	4.5%	5.0%
Political Subindex	69.6	44.1	2.5%	-9.5%
Legal Subindex	69.7	49.7	3.5%	-3.3%

Economic Subindex

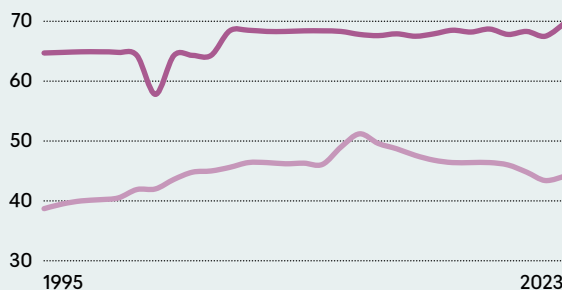


	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Women's Economic Freedom	38.1	54.6	29.8%	26.5%
Investment Freedom	55.0	46.6	0.0%	3.5%
Trade Freedom	80.1	68.9	1.1%	-5.4%
Property Rights	66.1	52.2	1.2%	3.0%

KUWAIT

Political Subindex

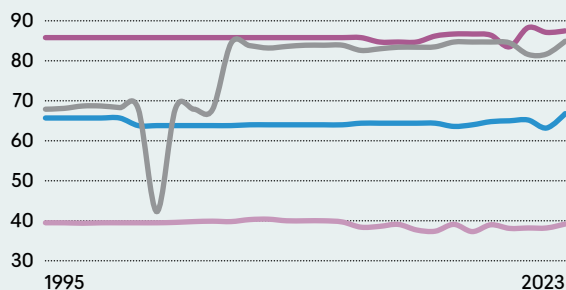
Kuwait Middle East & North Africa



Legislative Constraints on the Executive Political Rights

Civil Liberties

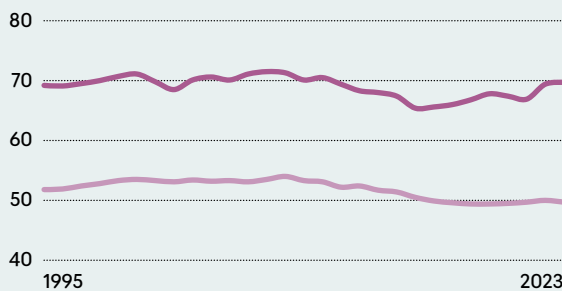
Elections



	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Legislative Constraints on the Executive	87.5	38.4	3.3%	-16.4%
Political Rights	39.2	34.7	0.4%	-14.2%
Civil Liberties	66.8	46.9	3.8%	-1.8%
Elections	84.9	56.4	1.8%	-7.2%

Legal Subindex

Kuwait Middle East & North Africa



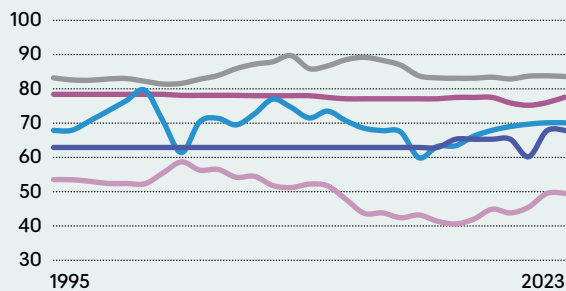
Judicial Independence and Effectiveness

Bureaucracy and Corruption

Security

Clarity of the Law

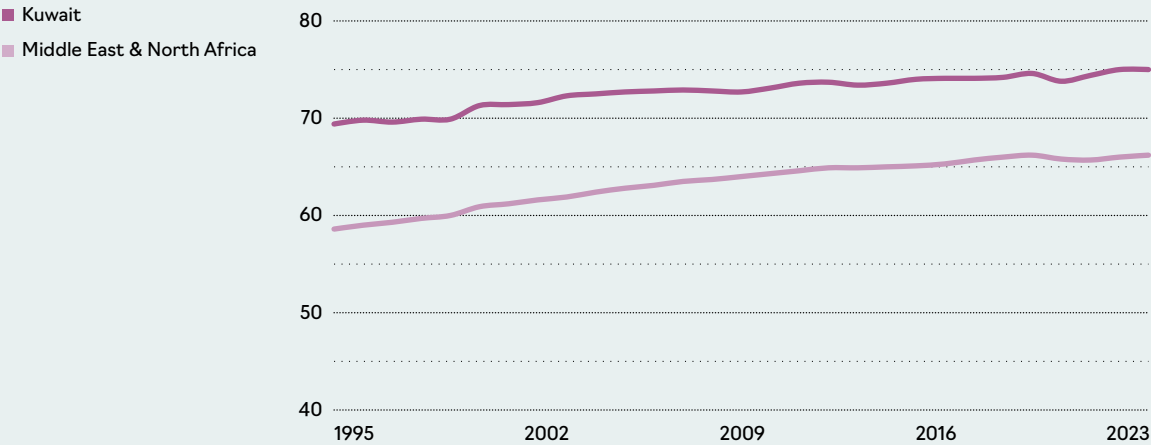
Informality



	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Judicial Independence and Effectiveness	77.6	47.5	0.6%	-6.6%
Bureaucracy and Corruption	49.5	39.4	16.6%	-6.6%
Security	70.1	46.7	4.0%	3.7%
Clarity of the Law	67.8	38.4	7.8%	-4.8%
Informality	83.6	79.1	-3.9%	-2.8%

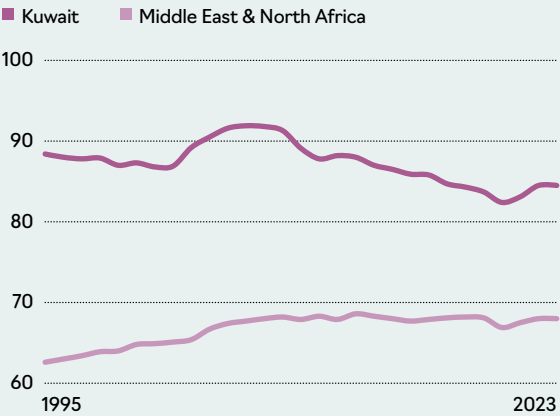
Prosperity Index

1995-2023

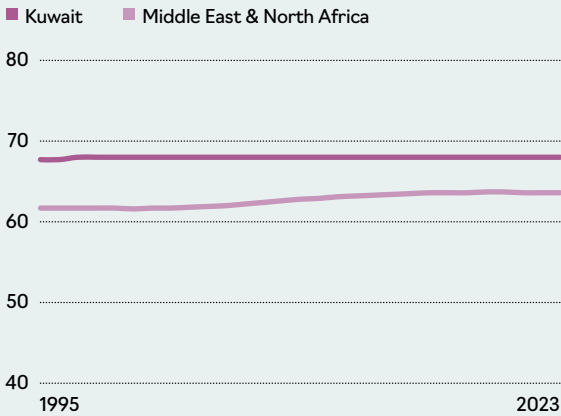


	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Prosperity Rank	45	-	2	-
Prosperity Score	75.0	66.2	2.0%	1.7%

Income



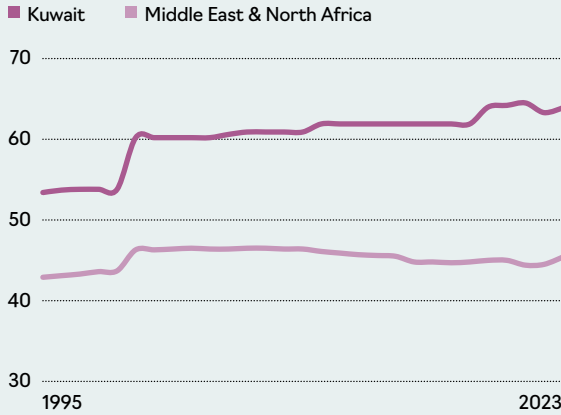
Inequality



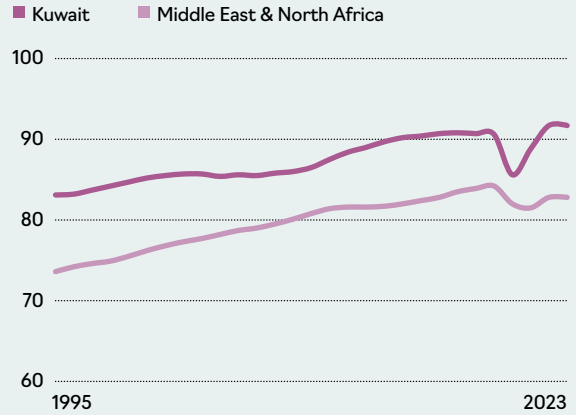
	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Income	84.5	68.0	-2.4%	0.0%
Inequality	68.0	63.6	0.0%	0.3%

KUWAIT

Minorities

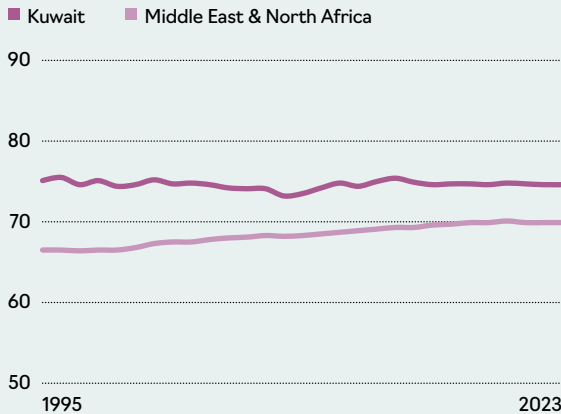


Health

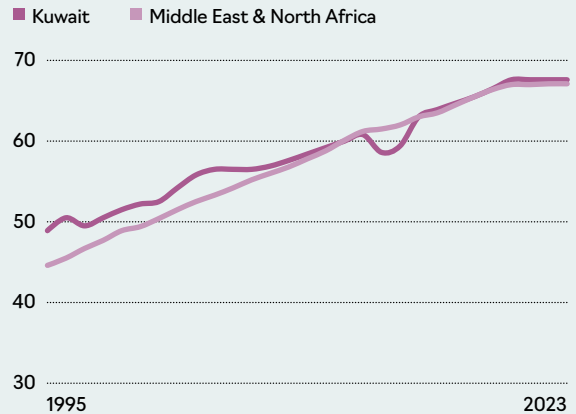


	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Minorities	63.9	45.4	3.2%	-0.1%
Health	91.7	82.8	1.7%	1.0%

Environment



Education



	2023		Change Since 2014	
	Kuwait	Region	Kuwait	Region
Environment	74.6	69.9	-1.0%	0.9%
Education	67.6	67.1	13.9%	8.3%

Evolution of Freedom

Kuwait's parliamentary monarchy stands out in the region. Indeed, the country is by far the most open of the region, as evidenced by the ten- to fifteen-point differential with the average of the Gulf Cooperation Council (GCC) countries in the **Freedom Index** throughout the 1995–2023 period. The distance with respect to other monarchies in the GCC, namely Saudi Arabia or Qatar, is much larger, reaching 23.5 and 18.5 respectively. Kuwait's political regime presents noticeable specificities that make it difficult to compare to the liberal democracies of the Western world. For example, relatively fair and free elections coexist with a ban on political parties, and the inviolability of the Emir is combined with a strong control of his government by parliament. That said, Kuwait's democratic experience is positive and serves as an example for other countries in the region.

To understand the specificities of Kuwait's political system, it is useful to explore the relative differences between the components of the **political subindex**. Perhaps the large difference that stands out is between the scores on elections and legislative constraints on the executive (both above 80 in the last two decades) on the one hand, and political rights (below 40 since 1995) on the other. High degrees of legislative control and restraints on the executive are typically not associated with unprotected political freedoms of association and expression. This is probably the most salient feature of Kuwait's exceptionalism. Even though political parties are prohibited, explaining the low score on political rights, independent candidates compete in regularly held elections to the National Assembly. These individuals cover a wide spectrum of politics, such as the merchant class, urban progressives, Islamist movements and other tribal groups. These fifty elected members of the legislative body hold

significant power to approve and oversee the Emir's appointed cabinet, and a majority of them must ratify all laws. The high score on legislative constraints on the executive does reflect a real feature of Kuwait's political arrangement.

Finally, it should be noted that civil liberties are also significantly better upheld in Kuwait than in many of its neighbors, but these freedoms are not yet granted to important shares of the population, especially women. It is expected that the voting rights granted to women in 2005 will favor a gradual movement toward gender equality in all areas of social and political life, but progress appears to be slow.

Lack of gender equality is clearly evident in the women's economic freedom component of the **economic subindex**, where Kuwait receives the seventh lowest score among the 164 countries covered. As in other countries in the region, traditional norms heavily affect the situation of women, especially in areas related to economic issues for married women. While traditions weigh in on women's rights, resource abundance—especially oil—has been an important factor influencing the relative position of women in society. In an influential paper, Michael Ross¹ provided evidence that the oil sector, being capitalistic, is not intensive in labor and hence demands less female labor than other sectors. In turn, oil-rich countries have substantially lower female labor force participation than oil-poor ones (for example, compare Algeria with Morocco), which in turn reduces women's political voice and influence. As a result, these countries are left with strong patriarchal norms, laws, and political institutions. This explains the fact that the ten countries at the bottom on women's economic freedom are Middle East countries with relatively high oil reserves.

¹ Michael L. Ross, "Oil, Islam, and Women," *American Political Science Review* (2008) 102:1, 107–23.

It should be noted that Kuwait was ahead of its regional neighbors in terms of competitiveness and financial markets until the invasion by Iraq in 1990. Despite being liberated fairly fast, the effects of the invasion were traumatic for Kuwait, and the Iraq war(s) also produced a sense of uncertainty for foreign investors, on top of brain drain out of Kuwait. Indeed, the invasion steered Kuwait toward economic closedness. The country became less competitive and others such as Bahrain, the United Arab Emirates (most notably the emirate of Dubai), Qatar, and more recently Saudi Arabia have become economic powerhouses in the region. That said, the oil sector remains vibrant and an important source of foreign exchange receipts. Gross domestic product (GDP) per capita is still high, but economic reforms in Kuwait have stalled. The new Emir has put a focus on recovering the economic dynamism of the past; whether he succeeds will depend on his ability to formulate a vision for transformation, including to diversify away from oil, with the cohesive support of the population.

Turning to the **legal subindex** components, the low score on control of corruption may be at least partially capturing perceptions of corruption more than actual corruption. To be sure,

issues of nepotism and monopolization of the economy are pervasive, although some efforts to limit dominance and corruption have been undertaken. The anti-corruption policy triggered by past high-profile scandals may have had unintended consequences up to today. In other words, anti-corruption measures have been divisive and politicized. They also introduced important delays and disruptions in the attribution of public works projects, which are important for bolstering the Kuwaiti economy.

Informality is low in Kuwait. It should be noted that the labor market is highly polarized, with higher-skilled workers on one side and lower-skilled workers who are mostly expatriates on the other. Kuwaitization policies have been put in place to favor Kuwaitis, especially for higher paid jobs. Kuwait, like many countries in the GCC, relies heavily on expatriates for both high- and low-skilled jobs, especially for the latter whose elasticity of labor supply is very low. Concerns about the treatment of low-skilled expatriates have been an important issue in the GCC. In Kuwait, the situation for foreign workers is relatively better on account of higher levels of freedom of religion and other civil liberties.

Evolution of Prosperity

The **Prosperity Index** illustrates the relative economic stagnation of Kuwait in the last two decades. Moreover, focusing on **income** per capita as a measure of prosperity, the country has been on a decreasing path since the Great Recession. Decreasing oil prices in the last ten years obviously play an important role, but Kuwait's sluggish economic performance is not circumscribed to the oil sector. Kuwait has had difficulties attracting foreign investment in the same way it used to do during the 1980s, which should be a crucial priority in the coming years.

Inequality among Kuwaiti citizens may not be so large, due to the very substantial scheme of subsidies and redistributive transfers financed by oil rents, but the real source of inequality lies between national and foreign workers. When foreign workers are considered, any inequality statistic drastically worsens for the country. That situation is likely to persist in the future, even though it would be in Kuwait's interest to protect workers better in all respects, as the spread of COVID-19 has made the interconnectedness clear.

In terms of **education**, there has been a significant effort to reform the system in order to ensure universal enrollment and increase the average years of schooling, which is adequately reflected in the data used by the Prosperity Index. Nonetheless, the current deficiencies of Kuwait, as well as other countries in the region, are about quality of education more than just quantity. The old social contract whereby the youth would get a high-paying job, mostly in the public sector, is no longer viable given fiscal restraint. It is thus all the more important that Kuwait furthers its efforts to improve education quality to allow Kuwaitis to perform outside the public sector.

The data on **health** show a significantly harder negative shock due to COVID-19 in Kuwait than in the rest of the region. This is surprising as, in general, the healthcare system of Kuwait is high quality. Comorbidity may have been an important factor. Also, importantly, foreign workers were not as well protected as nationals during the pandemic, and the death rate may have been significantly higher among this group. The overall assessment of the healthcare system of Kuwait remains positive, even though our data reveal an element of duality in the system which could have systemic effects.

Kuwait has several **environmental** challenges that may be overlooked by the indicator used

in the Prosperity Index; such as sandstorms, which are detrimental to health, especially for pregnant women and people with respiratory diseases like asthma; or access to water. But obviously the main concern is the oil industry. The relatively good score obtained by Kuwait can be related to the fact that oil extraction does not account for a majority of the emissions produced by fossil fuels, but these are “exported” to the rest of the world, where actual oil consumption takes place. That said, large economies importing oil are as much to blame for emissions related to hydrocarbon use as oil exporters like Kuwait.

Finally, the **minorities** component needs once again to be adequately situated in terms of the point of comparison. With respect to the rest of the Middle East and North Africa region, Kuwait performs relatively well, as it is considerably more tolerant regarding freedom of religion and other civil liberties. Moreover, even if imperfect, the democratic mechanisms described above favor an egalitarian treatment of different social groups. Anyhow, if we compare Kuwait to well-established democracies in Europe or North America, the gap is still substantial, including in the area of gender equality.

The Path Forward

The new Emir of Kuwait, Mishal Al-Ahmad Al-Jaber Al-Sabah, came to power after the death of his brother at the end of 2023. After parliamentary elections, which were won by opposition candidates, the Emir decided to dissolve parliament and take over some of its prerogative. The dissolution is the culmination of long-standing tensions between parliament and the Emir. Notwithstanding there have been dissolutions in the past, that move

by the Emir raises uncertainty about the future of democracy in Kuwait. There is also uncertainty on the horizon over which new elections will take place. The Emir has justified his actions on account of a gridlock over important issues related to the tackling of corruption and economic diversification of the economy. The Emir and parliament have to resolve their differences, so Kuwait remains an important beacon of democracy in the region and

continues to build on its track record on civil liberties as well as making needed improvement on laws regarding women.

Besides these important political tensions needing resolution, Kuwait should embark on economic transformation. Indeed, the end of the oil era is looming and makes transformation imperative. Kuwait is known to be home to the world's first sovereign wealth fund which aims to safeguard the economy from fluctuations in oil prices and support the welfare of future generations. Despite having been ahead of the pack, Kuwait has struggled to transform its economy. Other countries in the region have taken the lead, which should inspire Kuwait. Dubai, for example, facing the depletion of its oil reserves, transformed itself into a global trade and financial hub and is acting as a magnet for companies' headquarters in the region and beyond. That said, Kuwait, like most countries in the Middle East and North Africa region, is plagued with the issue of economic concentration and monopolization. That excessive concentration limits innovation and slows down productivity, in addition to frustrating entry into different sectors. Oil export revenues, which constitute almost the entire source of foreign exchange receipts, finance imports and other non-tradable services. Unfortunately, the monopolization of these sectors has stifled the economy and benefits a small business elite.

To transform, Kuwait needs to address a myriad of institutional deficiencies, such as pertaining to corporate governance, legal systems, and competition. For example, large public sector employment financed by oil revenue has stifled the impetus for innovation. Economic policies that are not geared toward changing attitudes are unlikely to deliver the needed transformation agenda for Kuwait. Saudi Arabia aims to augment the longtime source of its riches with non-oil income. As part of its ambitious plan to transform its economy, the country issued a public offering of a minority share of the state-owned oil company, Aramco. That is a step toward emulating publicly owned companies in advanced economies, such as Exxon or British Petroleum—which once concentrated on oil, but broadened their focus to become energy companies, balancing their oil assets with other forms of energy.

The focus on the end goal of diversification has too long kept countries like Kuwait from getting the process right. Transformative policies should move away from top-down approaches that pick which sectors to develop. Instead, they must develop an environment that promotes demonopolization and changes the incentives of managers and tech-savvy young entrepreneurs and helps them, their firms, and ultimately the whole economy reach their potential.

Rabah Arezki

Rabah Arezki is a former vice president at the African Development Bank, a former chief economist of the World Bank's Middle East and North Africa region and a former chief of commodities at the International Monetary Fund's Research Department. Arezki is now a director of research at the French National Centre for Scientific Research, a senior fellow at the Foundation for Studies and Research on International Development, and at Harvard Kennedy School.

Morocco

Rabah Arezki

MIDDLE EAST & NORTH AFRICA

Socioeconomic Data 2023

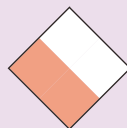
General Information

POPULATION	LIFE EXPECTANCY (2022)
37.84 million	75 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Muslim → 99.9%	0.765
Other → 0.1%	

Economic Data

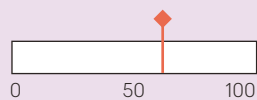
GDP PER CAPITA	INFLATION
8,782	6.1%
% of US GDP pc → 11.9%	
GDP pc Growth → 2.1%	
DEBT/GDP (CENTRAL 2023)	TRADE (% OF GDP)
69.5%	96%
UNEMPLOYMENT (2022)	
11.8%	
SECTORAL ALLOCATION	
Agriculture → 12.3%	
Industry → 24.4%	
Services → 63.3%	
GINI COEFFICIENT (2020)	
40.7	

Freedom Index



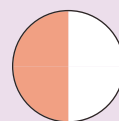
STATUS
Low Freedom

SCORE
61.3



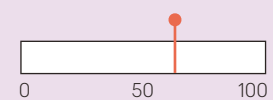
RANK
96¹⁶⁴

Prosperity Index



STATUS
Low Prosperity

SCORE
62.3



RANK
95¹⁶⁴

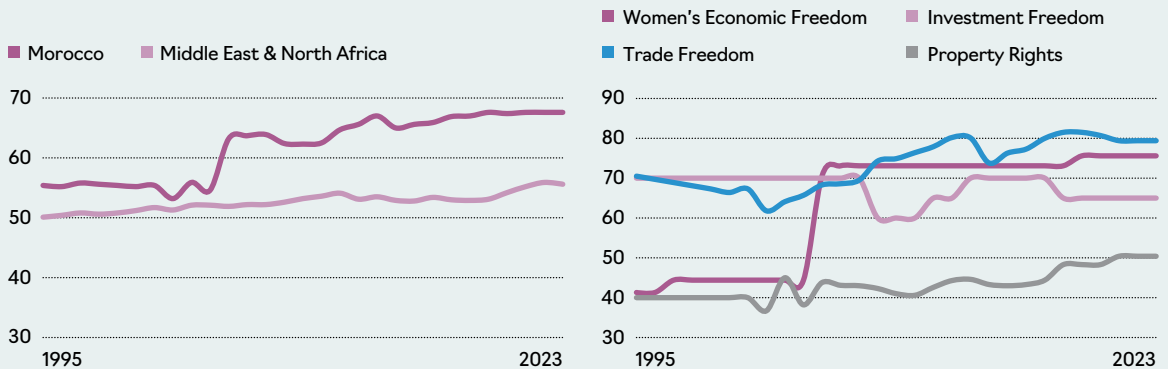
Freedom Index

1995-2023



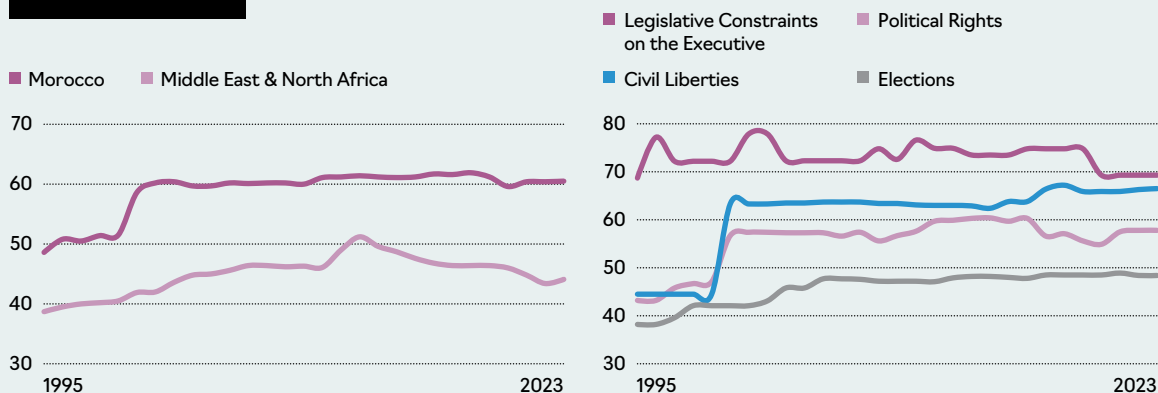
	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Freedom Rank	96	-	5	-
Freedom Score	61.3	49.8	2.5%	-2.4%
Economic Subindex	67.6	55.6	3.9%	5.0%
Political Subindex	60.5	44.1	-1.0%	-9.5%
Legal Subindex	55.9	49.7	4.8%	-3.3%

Economic Subindex



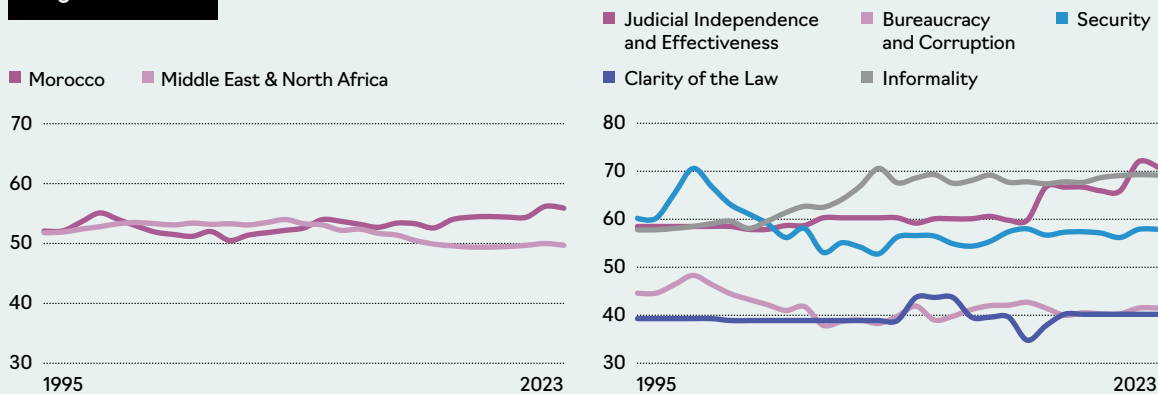
	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Women's Economic Freedom	75.6	54.6	3.4%	26.5%
Investment Freedom	65.0	46.6	-7.1%	3.5%
Trade Freedom	79.4	68.9	7.6%	-5.4%
Property Rights	50.4	52.2	16.6%	3.0%

Political Subindex



	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Legislative Constraints on the Executive	69.3	38.4	-5.7%	-16.4%
Political Rights	57.8	34.7	-4.3%	-14.2%
Civil Liberties	66.5	46.9	6.7%	-1.8%
Elections	48.4	56.4	0.6%	-7.2%

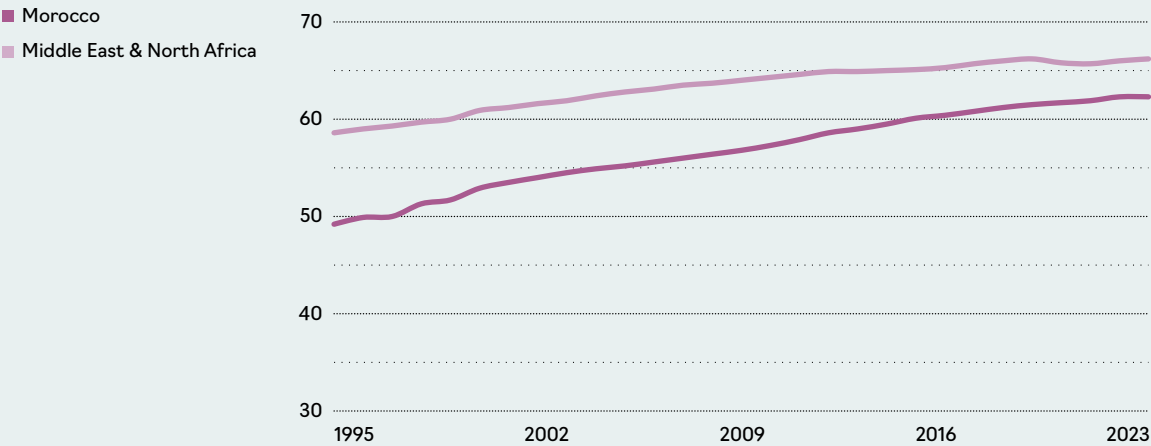
Legal Subindex



	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Judicial Independence and Effectiveness	70.9	47.5	17.0%	-6.6%
Bureaucracy and Corruption	41.5	39.4	-1.3%	-6.6%
Security	57.9	46.7	4.6%	3.7%
Clarity of the Law	40.2	38.4	1.5%	-4.8%
Informality	69.2	79.1	0.0%	-2.8%

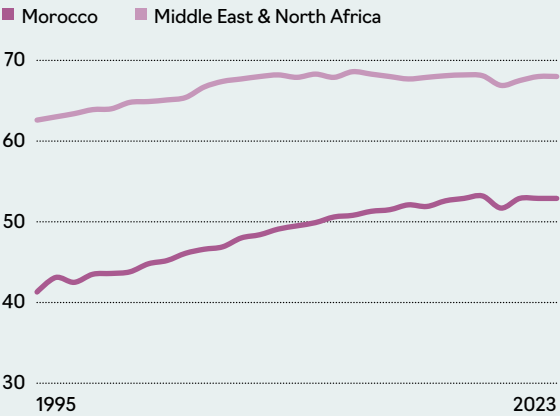
Prosperity Index

1995-2023

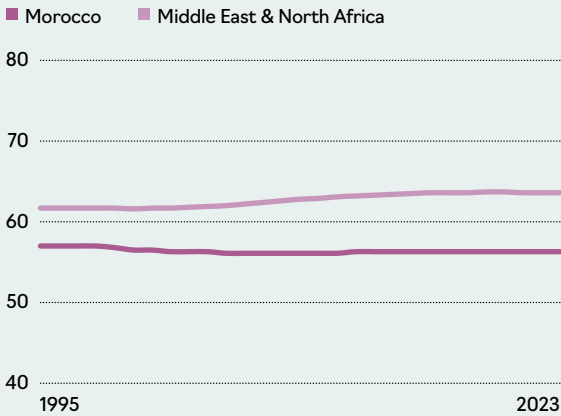


	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Prosperity Rank	95	-	3	-
Prosperity Score	62.3	66.2	4.6%	1.7%

Income



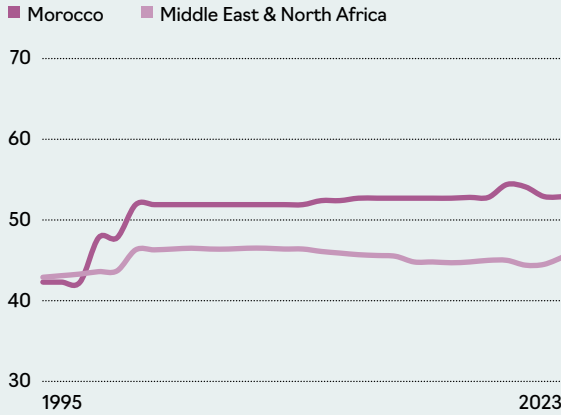
Inequality



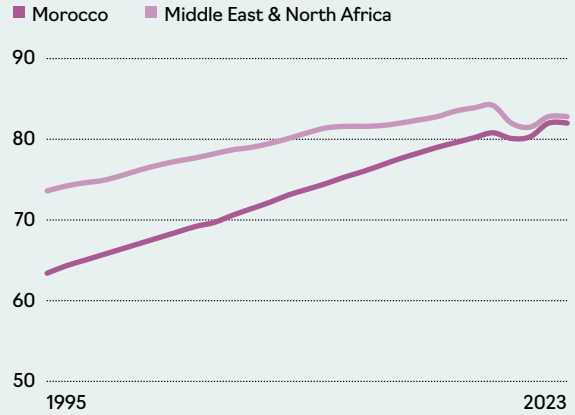
	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Income	52.9	68.0	2.7%	0.0%
Inequality	56.3	63.6	0.0%	0.3%

MOROCCO

Minorities

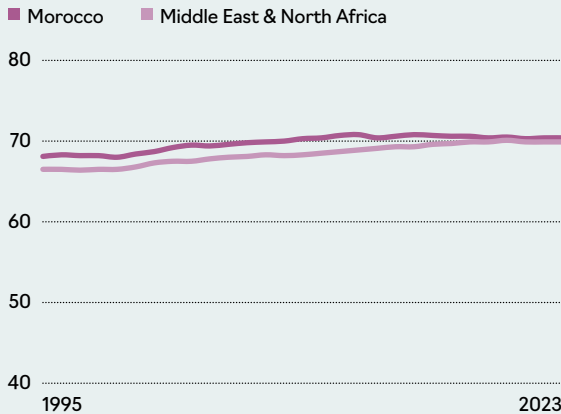


Health

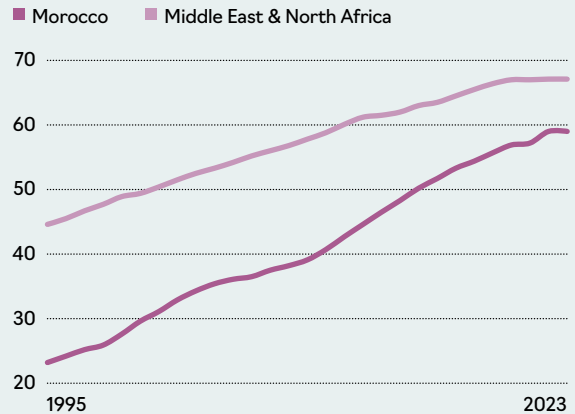


	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Minorities	52.9	45.4	0.3%	-0.1%
Health	82.0	82.8	5.7%	1.0%

Environment



Education



	2023		Change Since 2014	
	Morocco	Region	Morocco	Region
Environment	70.4	69.9	-0.3%	0.9%
Education	59.0	67.1	22.1%	8.3%

Evolution of Freedom

Morocco has substantially improved in all institutional dimensions during the last three decades, as measured by the progress in the **Freedom Index**. The Kingdom navigated the Arab Spring, which rocked certain countries in the Middle East and North Africa (MENA) region. As a result, a diverging trend has emerged between the sustained improvement in Morocco and the deterioration in MENA's regional average since 2013, resulting in a gap of more than eleven points in their respective Freedom Index scores. As this chapter will detail, there are many areas in which Morocco still needs to continue its reform effort toward fully free and open institutions, building on recent positive trends.

The **economic subindex** shows a very sharp discontinuity in the year 2004, where Morocco's score jumps more than eight points, opening a very substantial gap with respect to the rest of the region. A closer look at the components included in the economic subindex evinces that it is primarily driven by an extensive improvement in women's economic opportunities, produced by the implementation of a new Family Code, known as *Moudawana*, in 2004. This piece of legislation is seen as one of the most progressive of the region, expanding women's rights and protections in relation to civil liberties like marriage, divorce, child custody, and inheritance; as well as labor and economic aspects such as workplace protection, equal pay, maternity leave, and access to credit.

Morocco has historically been fairly open to international trade and foreign investment. The European Union-Morocco Association Agreement that entered into force in the year 2000, creating a free trade area with the European Union, has certainly expanded exporting opportunities. Yet, the concentration of trade relations with Europe may have slowed down economic integration with neighboring countries in Africa and the

Middle East. The signing of the African Continental Free Trade Agreement in 2018, and its ratification in 2022, will likely favor the expansion of Morocco's trade and investment flows with the rest of Africa in the coming decades.

The different components of the economic subindex are not wholly capturing domestic aspects of free and fair competition. Like in most countries in the MENA region, Morocco is subject to an important level of market concentration in many sectors, especially non-tradable sectors. That is despite progress made in the competition policy framework. Leveling the playing field will be paramount if Morocco wants to ignite productivity and job creation.

The political environment in Morocco is complex, as evidenced by the large differences in the scores of the four components of the **political subindex**. Following the Arab Spring, a new Constitution was adopted which aimed at fostering more democracy, reinforcing the independence of the judiciary, combating corruption, and better protecting women and minorities. As a result of the new Constitution, judicial independence and effectiveness scores increased by ten points. While the Constitution brought important strides, critics argue that the concentration of power has not changed. Political rights in Morocco are better protected than in most other countries in the region, but the overall level is still far from the most advanced countries of the world. Freedom of expression is fairly protected, but it is limited. As a result, the press cannot fully fulfill its role as a public watchdog, including on issues of corruption. Morocco performs poorly in the bureaucracy and corruption component of the **legal subindex**.

The positive trend in terms of reduction of informality reflects efforts by the authorities to formalize the economy. The enrollment of informal workers into the public health system is, however,

proving difficult. The trend in informality is linked to progress toward poverty reduction in Morocco. Yet poverty remains pervasive, especially in rural areas. The informal sector serves as a shock absorber,

and as such, adopting a more inclusive approach as opposed to coercion is desirable. Reduction in barriers to entry into the formal sector is the way to go to reduce informality.

Evolution of Prosperity

The evolution of the **Prosperity Index** since 1995 illustrates the sustained improvement in standards of living in Morocco, which has reduced the gap with the average of the MENA region. It is important to note that the regional average includes several low-population, oil-rich countries, namely the Gulf monarchies, which partially explains the persistent gap.

An important factor that increased the cohesiveness of Moroccan society, and certainly improved the recognition and protection of **minorities**, is the acceptance of the Berber language as official in 2011. This historic step has produced positive spillovers in terms of cohesiveness but it remains to be seen whether this will translate into reduced regional inequality in the medium term.

Regional **inequalities** are significant in several components included in the Prosperity Index,

such as income, education, and health. Increasing economic prosperity in the last decades has disproportionately benefited urban populations in cities, which have also been the destination of most investments and growth-enhancing public policies. As a result, there are still sizable pockets where poverty is severe.

The performance of the **educational** system reflects that duality. While access to primary education has become universal, the quality of education is uneven. Indeed, the quality of education is much lower in rural than urban areas, further exacerbating spatial inequalities. The situation of the **healthcare** system is not very different, and suffers from several issues already mentioned, like the large disparities along the urban-regional divide.

The Path Forward

Overall, Morocco has made notable progress toward economic transformation, but further efforts to balance its economic development are needed. Morocco's experience with economic development is unbalanced. On the one hand, there are pockets of rapid development, and on the other, pervasive poverty remains, especially in rural areas. In 2021, Morocco has started to implement a "new development model" to improve human capital, boost productivity, and foster inclusion. Despite the progress, economic growth remains tepid and poverty

is pervasive. What is more, Morocco is faced with a relatively high level of debt. The lack of fiscal space constrains government spending to reduce spatial disparities and support poorer households.

The danger for Morocco is that it could remain stuck in a so-called middle-income trap with low growth and high poverty, which could further ignite social tensions. To reignite growth and transform its economy, Morocco must level the playing field. To do so, issues of market structure and competition must become more central. That would

help jump-start productivity and create good jobs. Take the example of the telecoms sector, where anti-competitive practices have long made the quality and cost of digital services expensive.

Barriers to the adoption of so-called general-purpose technology such as quality and affordable internet are an important factor keeping Morocco in the middle-income trap, and also could further the divide between urban and rural areas. The pervasive lack of contestability, and the slow pace of technology adoption, help explain why Morocco is stuck in low growth. Governments play a key role in the regulation of entry in key “upstream” sectors such as telecoms. Meanwhile, the lack of availability of frontier technology may have forced firms into low-productivity activities and limited their trade and economic growth.

More generally, unfair competition that results from markets dominated by connected firms deters private investment, reducing the number of jobs and preventing countless talented youngsters from prospering. This lack of fair competition is the underlying reason that Morocco, like other Middle

East and North African economies, is unresponsive. The lack of contestability leads to cronyism and what amounts to rent-seeking activity, including, but hardly limited to, exclusive licenses, which reward their holders and discourage both domestic and foreign competition.

Morocco has adopted a competition framework to champion open competition, but the limited independence of the competition authority reduces its ability to decisively shape the market structure of the economy. An integral part of the competition and contestability agenda is transparency and data availability. Morocco, like other countries in the MENA region, trails behind other similar middle-income countries on government transparency and the disclosure of data in critical areas on the degree of competition in sectors. Greater transparency would help build a consensus over the need for more competition to stimulate growth and job creation.

Rabah Arezki

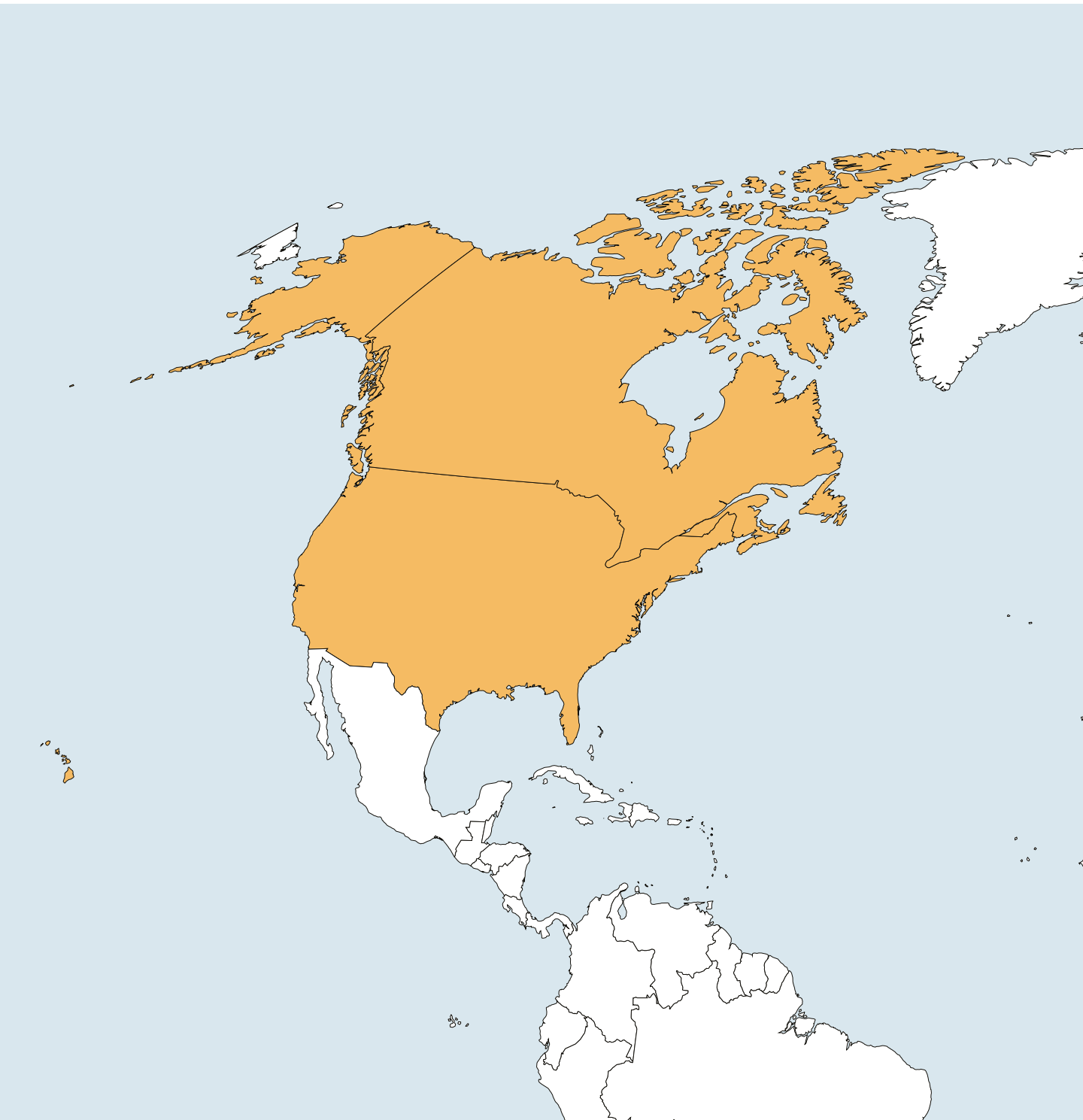
Rabah Arezki is a former vice president at the African Development Bank, a former chief economist of the World Bank's Middle East and North Africa region and a former chief of commodities at the International Monetary Fund's Research Department. Arezki is now a director of research at the French National Centre for Scientific Research, a senior fellow at the Foundation for Studies and Research on International Development, and at Harvard Kennedy School.



North America



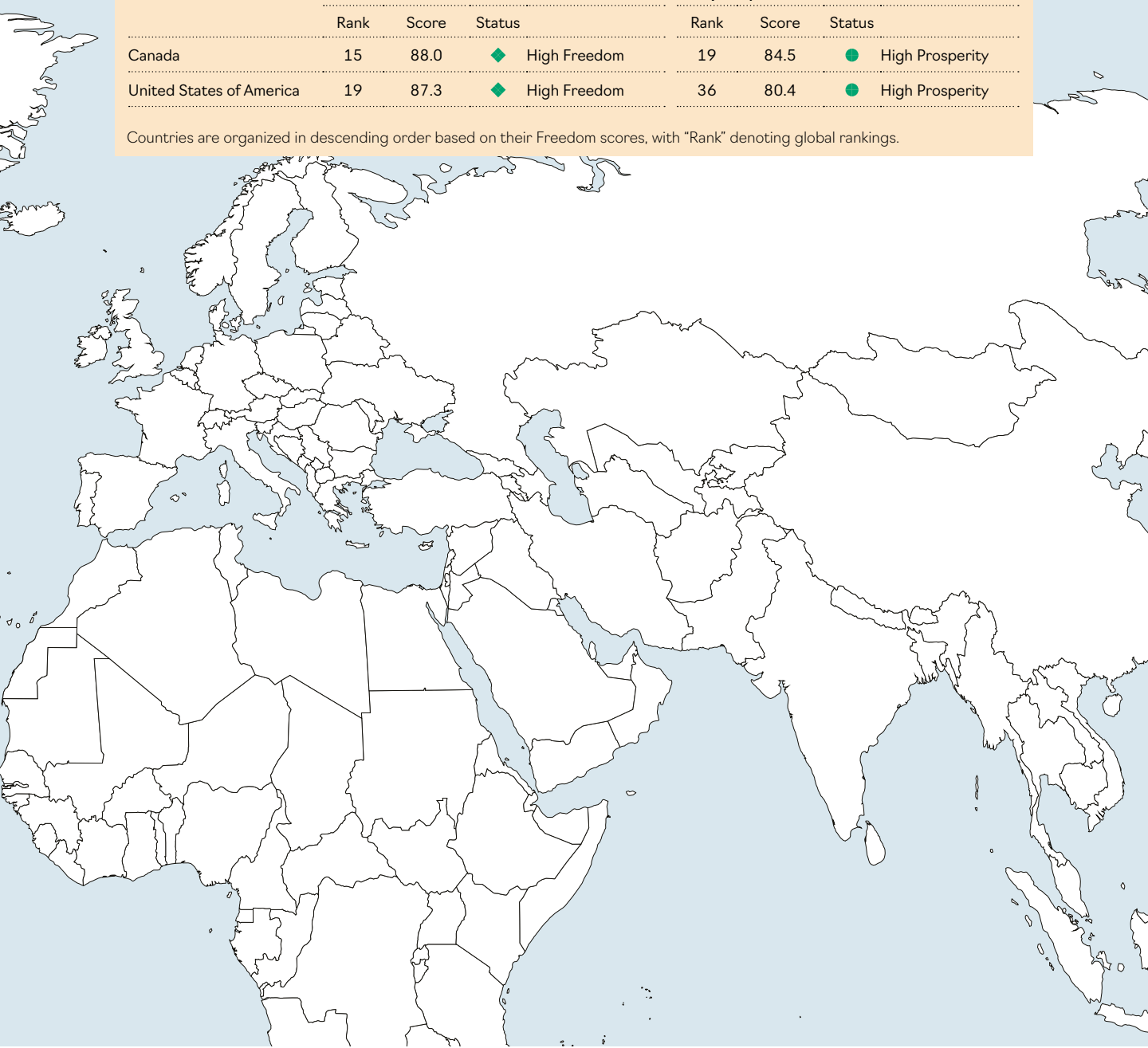
NORTH AMERICA



North America: Regional Ranking

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Canada	15	88.0	◆ High Freedom	19	84.5	● High Prosperity
United States of America	19	87.3	◆ High Freedom	36	80.4	● High Prosperity

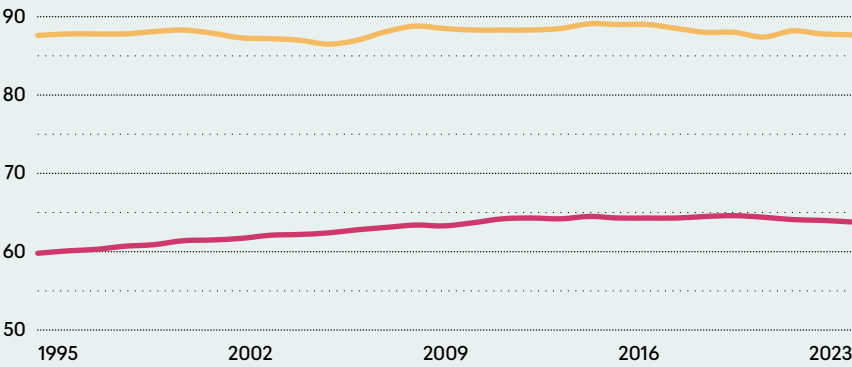
Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.



Freedom Index

1995-2023

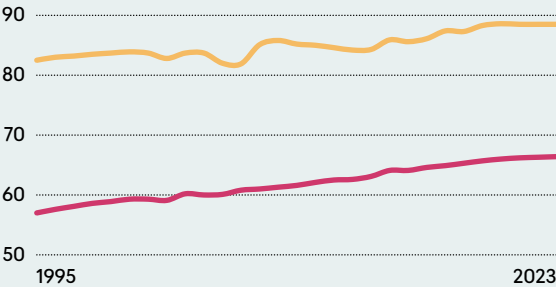
North America
Global



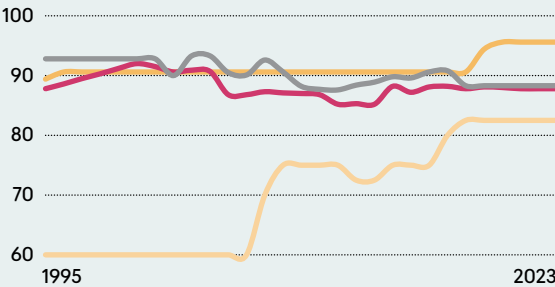
	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	87.7	63.8	-1.6%	-1.1%
Economic Subindex	88.5	66.4	3.1%	3.6%
Political Subindex	92.2	67.4	-2.3%	-4.6%
Legal Subindex	82.2	57.7	-5.4%	-2.0%

Economic Subindex

North America
Global



Women's Economic Freedom
Investment Freedom
Trade Freedom
Property Rights

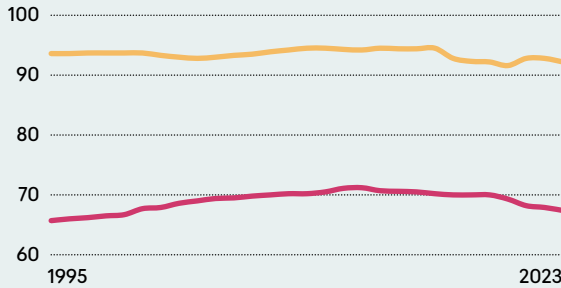


	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	95.6	78.3	5.5%	8.5%
Investment Freedom	82.5	56.9	10.0%	2.1%
Trade Freedom	87.8	77.3	-0.5%	0.5%
Property Rights	88.3	55.4	-1.7%	1.6%

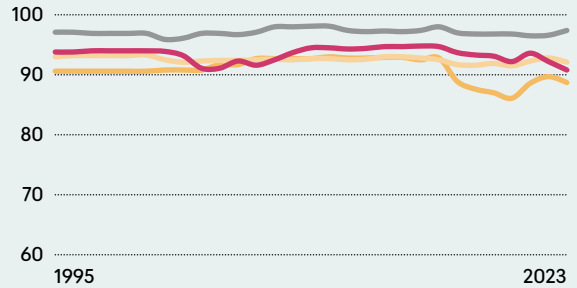
NORTH AMERICA

Political Subindex

North America Global



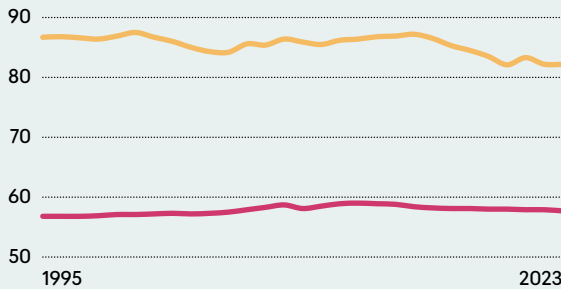
Legislative Constraints on the Executive Political Rights
Civil Liberties Elections



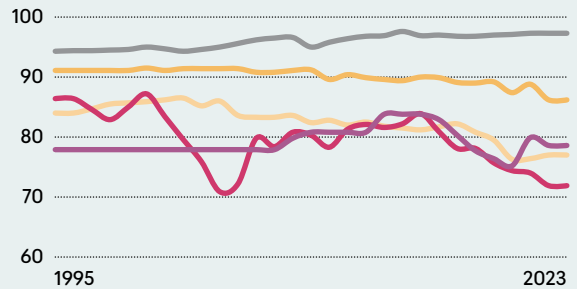
	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	88.7	57.4	-4.5%	-4.7%
Political Rights	92.1	64.0	-0.9%	-6.7%
Civil Liberties	90.8	68.9	-4.2%	-3.5%
Elections	97.4	79.1	0.2%	-3.8%

Legal Subindex

North America Global



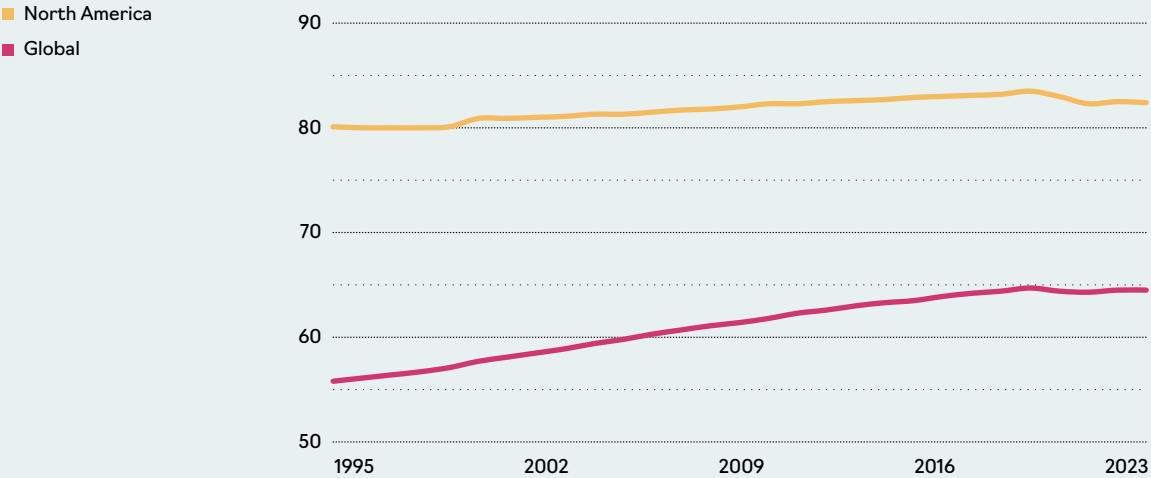
Judicial Independence and Effectiveness Bureaucracy and Corruption Security
Clarity of the Law Informality



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	86.2	61.7	-3.5%	-1.4%
Bureaucracy and Corruption	77.0	44.4	-5.5%	-2.0%
Security	71.9	60.0	-12.6%	-1.4%
Clarity of the Law	78.6	52.0	-6.2%	-4.5%
Informality	97.3	71.4	-0.3%	-1.1%

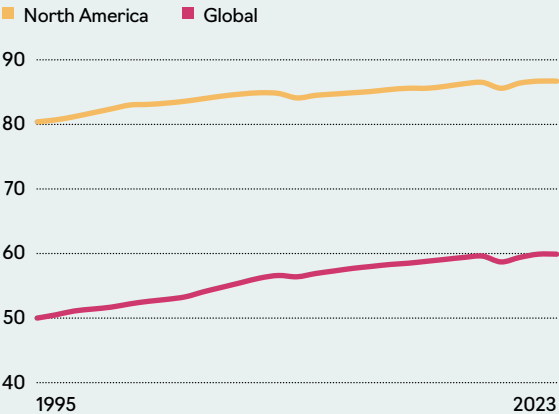
Prosperity Index

1995-2023



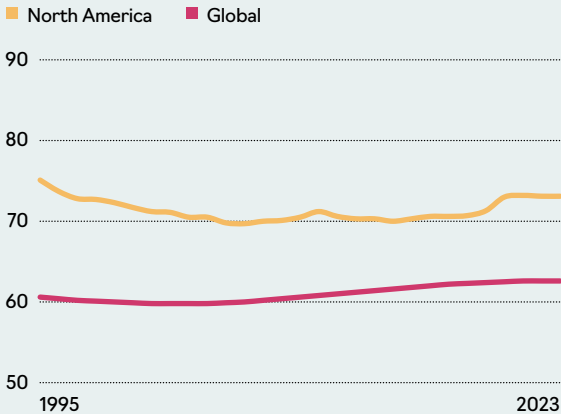
	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	82.4	64.5	-0.3%	1.9%

Income



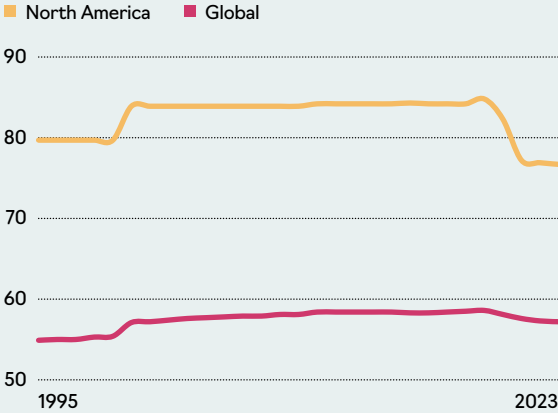
	2023		Change Since 2014	
	Region	Global	Region	Global
Income	86.7	59.9	1.5%	2.7%
Inequality	73.1	62.6	4.4%	1.6%

Inequality

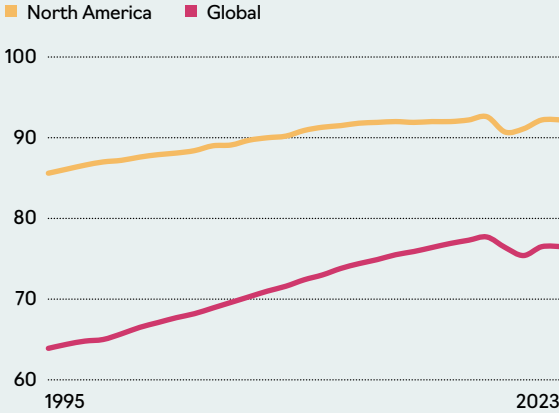


NORTH AMERICA

Minorities

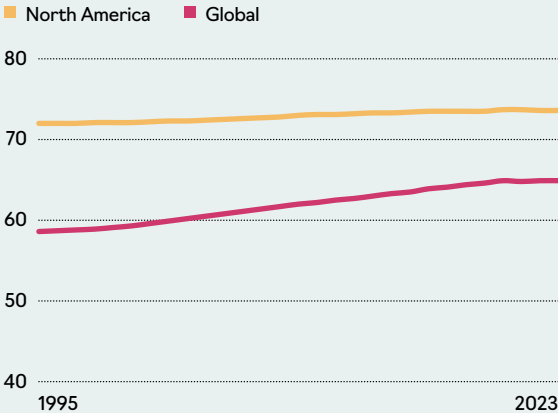


Health

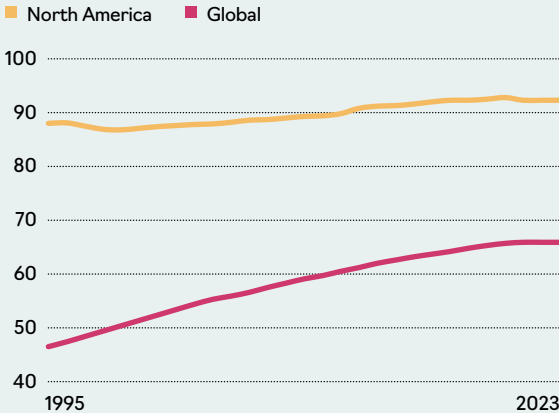


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	76.7	57.2	-8.9%	-2.1%
Health	92.2	76.5	0.2%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	73.6	64.9	0.4%	2.4%
Education	92.3	65.9	1.0%	5.1%

Canada

Randall Morck

NORTH AMERICA

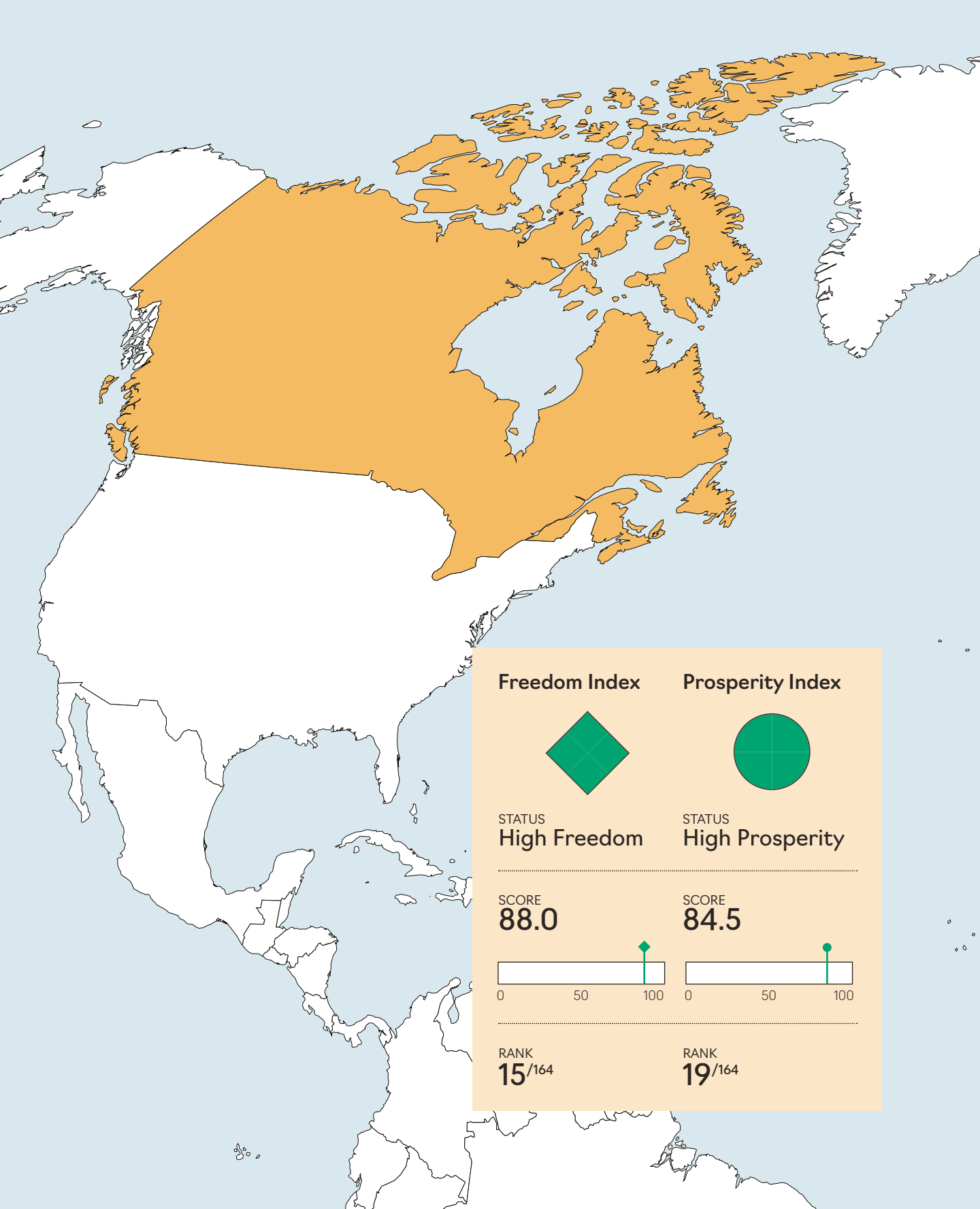
Socioeconomic Data 2023

General Information

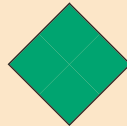
POPULATION	LIFE EXPECTANCY (2022)
40.1 million	81 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Christian → 69.0%	0.730
Unaffiliated → 23.7%	
Muslim → 2.1%	
Other → 5.2%	

Economic Data

GDP PER CAPITA	INFLATION
55,818	3.9%
% of US GDP pc → 75.8%	
GDP pc Growth → -1.9%	
DEBT/GDP (GENERAL 2023)	TRADE (% OF GDP)
107.5%	67.0%
UNEMPLOYMENT	
5.4%	
SECTORAL ALLOCATION	
Agriculture → 1.9%	
Industry → 24.1%	
Services → 74.0%	
GINI COEFFICIENT (2022)	
30.4	

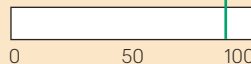


Freedom Index



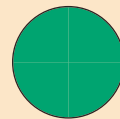
STATUS
High Freedom

SCORE
88.0



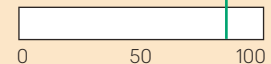
RANK
15/164

Prosperity Index



STATUS
High Prosperity

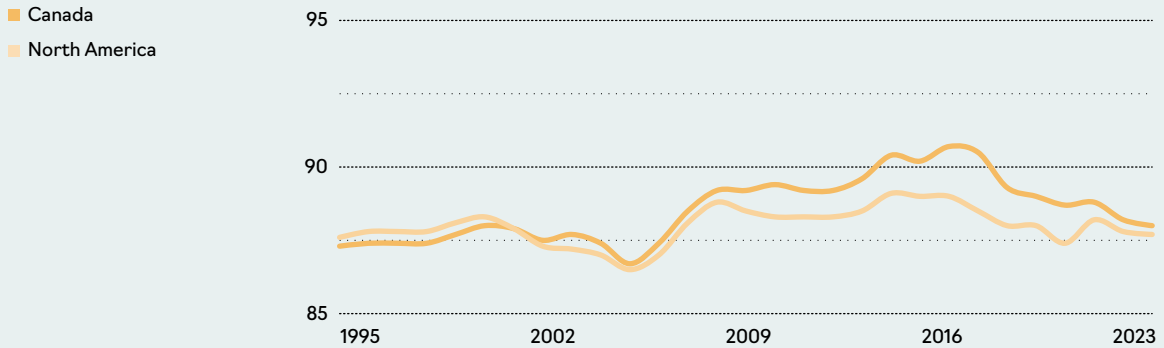
SCORE
84.5



RANK
19/164

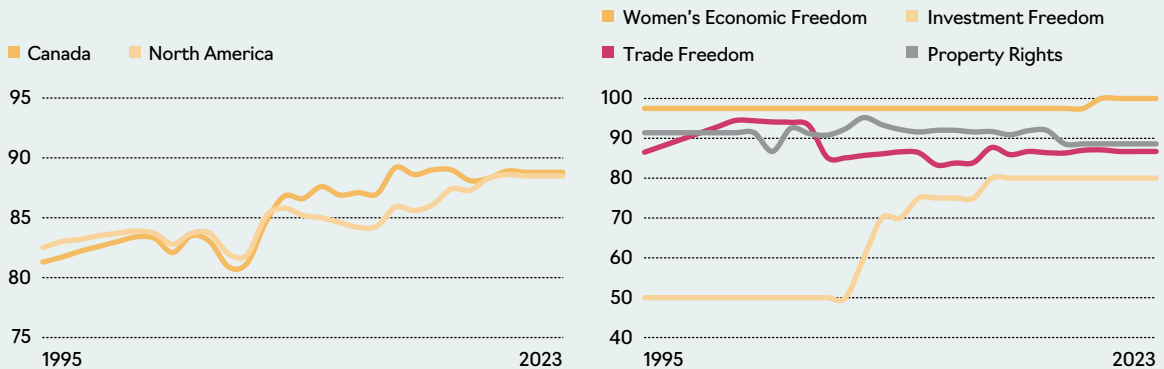
Freedom Index

1995–2023



	2023		Change Since 2014	
	Canada	Region	Canada	Region
Freedom Rank	15	–	-2	–
Freedom Score	88.0	87.7	-2.6%	-1.6%
Economic Subindex	88.8	88.5	-0.5%	3.1%
Political Subindex	91.1	92.2	-2.3%	-2.3%
Legal Subindex	84.2	82.2	-5.2%	-5.4%

Economic Subindex

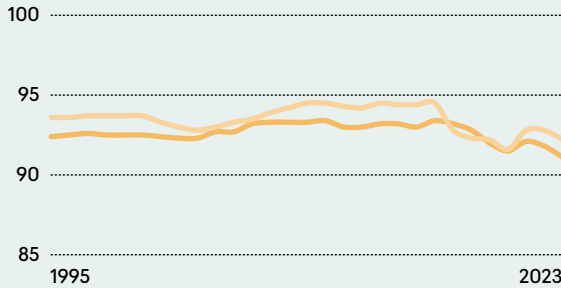


	2023		Change Since 2014	
	Canada	Region	Canada	Region
Women's Economic Freedom	100.0	95.6	2.6%	5.5%
Investment Freedom	80.0	82.5	0.0%	10.0%
Trade Freedom	86.7	87.8	-1.2%	-0.5%
Property Rights	88.6	88.3	-3.4%	-1.7%

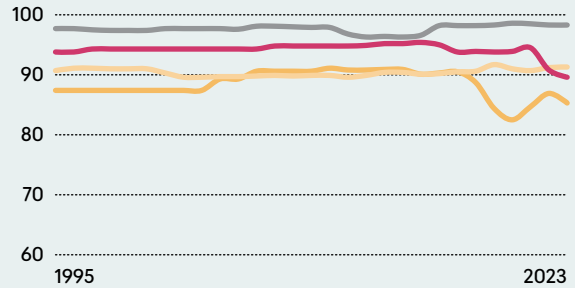
CANADA

Political Subindex

Canada North America



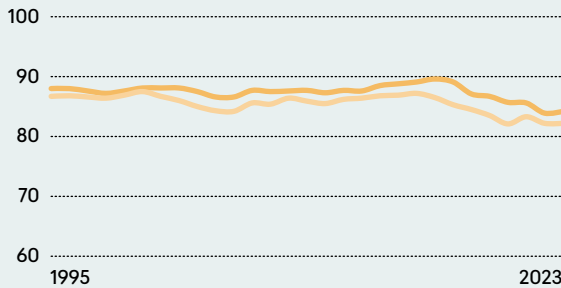
Legislative Constraints on the Executive Political Rights
Civil Liberties Elections



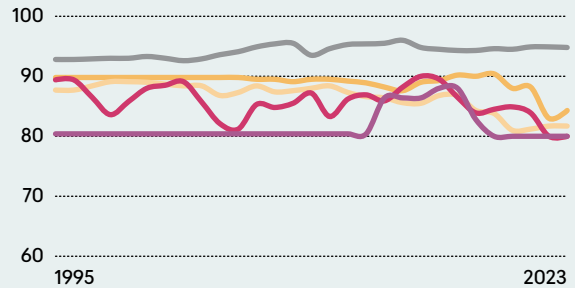
	2023		Change Since 2014	
	Canada	Region	Canada	Region
Legislative Constraints on the Executive	85.3	88.7	-6.2%	-4.5%
Political Rights	91.3	92.1	1.0%	-0.9%
Civil Liberties	89.6	90.8	-5.9%	-4.2%
Elections	98.3	97.4	2.1%	0.2%

Legal Subindex

Canada North America



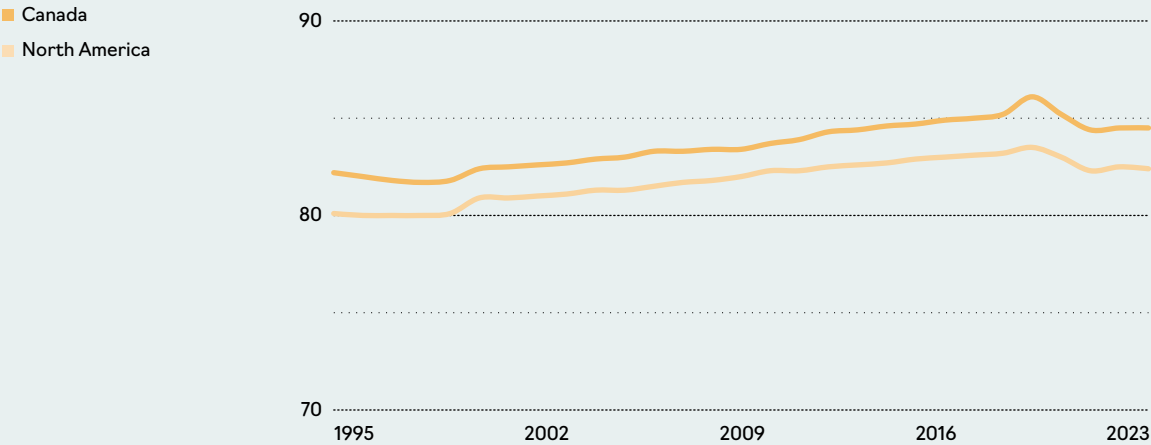
Judicial Independence and Effectiveness Bureaucracy and Corruption
Clarity of the Law Informality Security



	2023		Change Since 2014	
	Canada	Region	Canada	Region
Judicial Independence and Effectiveness	84.3	86.2	-3.8%	-3.5%
Bureaucracy and Corruption	81.7	77.0	-4.5%	-5.5%
Security	80.0	71.9	-9.2%	-12.6%
Clarity of the Law	80.0	78.6	-7.3%	-6.2%
Informality	94.8	97.3	-1.3%	-0.3%

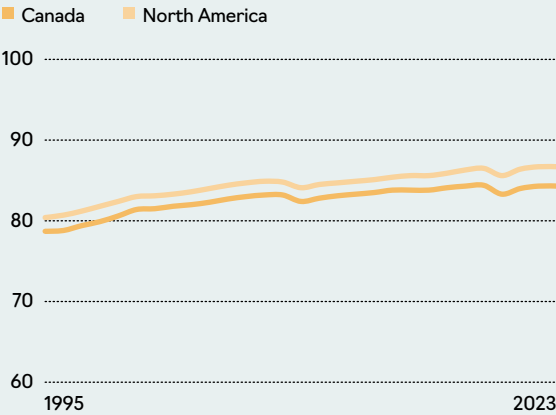
Prosperity Index

1995-2023



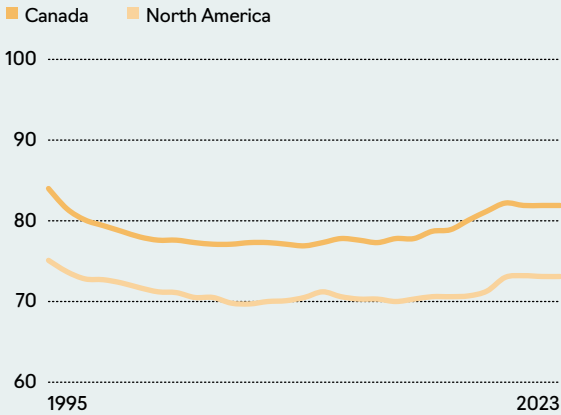
	2023		Change Since 2014	
	Canada	Region	Canada	Region
Prosperity Rank	19	-	-2	-
Prosperity Score	84.5	82.4	-0.1%	-0.3%

Income



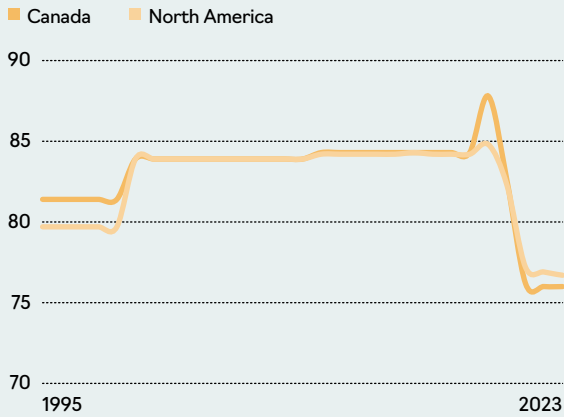
	2023		Change Since 2014	
	Canada	Region	Canada	Region
Income	84.3	86.7	0.6%	1.5%
Inequality	81.9	73.1	5.3%	4.4%

Inequality

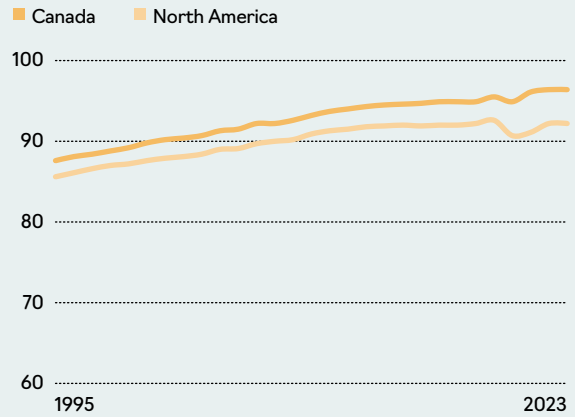


CANADA

Minorities

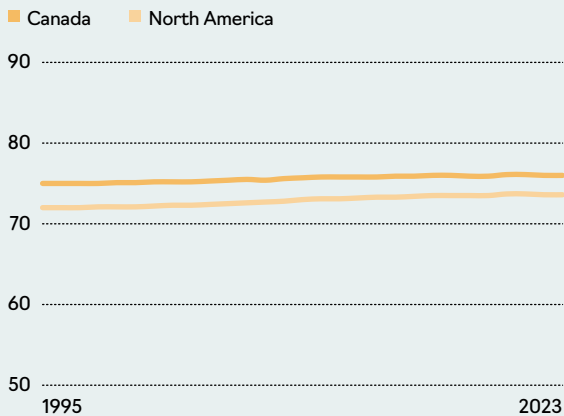


Health

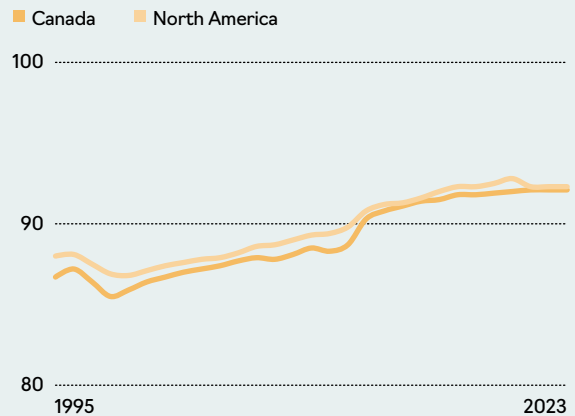


	2023		Change Since 2014	
	Canada	Region	Canada	Region
Minorities	76.0	76.7	-9.8%	-8.9%
Health	96.4	92.2	1.9%	0.2%

Environment



Education



	2023		Change Since 2014	
	Canada	Region	Canada	Region
Environment	76.0	73.6	0.2%	0.4%
Education	92.1	92.3	1.1%	1.0%

Evolution of Freedom

The **Freedom Index** ranks Canada among the freest countries of the world, fifteenth of 164. Canada has held a high ranking since the beginning of these data (1995), however the most recent ten to fifteen years reveal some slippage.

The **political subindex** trends down from 2016, primarily driven by falling scores for civil liberties and legislative constraints on the executive. The government drew criticism for overly heavy-handed COVID-19 restrictions, yet other high-income countries did much the same. Because the drops continue after pandemic restrictions ended, other explanations are needed. The current government has implemented an energetic social justice diversity-equity-inclusion (DEI) agenda; however, a recent poll by the nonpartisan Macdonald-Laurier Institute shows broad opposition to DEI policies, pronoun lists, and the like.¹ Other civil liberties controversies include Quebec's Bill 21, restricting overt religious symbols, and Bill 96, limiting the use of English.²

The overarching constraint on executive power is that the government must retain the confidence of parliament to retain power. Canada's Westminster democracy inherits a relatively powerful executive from nineteenth-century Britain. Party discipline is strict, so a majority or majority coalition can enact legislation and the appointed Senate has limited powers. The current minority Liberal government, now trailing badly in polls,³ has survived successive corruption scandals, discussed

below, and no-confidence votes with adept procedural tactics and support from the socialist New Democratic Party (NDP) and, after that party withdrew its support, Quebec's left-leaning nationalist Bloc Québécois.

Political rights varied little in Canada over the past decade. In contrast, the United States and many high-income European polities show declining scores for freedom of expression and association, reflecting threats from both left and right. Both threats exist to some extent in Canada, but are to date unrooted. Canada has no organized populist "blood and soil" nationalist party, though fringes of Quebec nationalism have this flavor.⁴

The **legal subindex** drops some five points after 2017, mainly reflecting worsened judicial independence and control of corruption. In a move pertinent to both subindexes, Prime Minister Justin Trudeau removed Justice Minister Jody Wilson-Raybould in 2018—allegedly for refusing to quash a corruption investigation into the Montreal construction firm SNC-Lavalin.⁵ Wilson-Raybould released a taped phone conversation proving the allegations, whereupon the prime minister expelled her from parliament for violating confidentiality.

A series of prominent scandals may explain the five-point deterioration in Canada's Corruption Perception Index since 2018.⁶ One involved the government's awarding management of a C\$900 million Canada Student Service grant to the non-governmental organization WE, which had

1 Eric Kaufman, *The Politics of the Culture Wars in Canada* (Ottawa, ON: Macdonald-Laurier Institute, 2024).

2 See Canadian Civil Liberties Association, "Bill 21 is a horrendous law that violates human rights and harms people who are already marginalized"; also, Sidney Singer, "Bill 96: A Violation of English-speaking Rights in Québec," *Princeton Legal Journal* (2024), 4:1.

3 A November 2024 Abacus poll puts Liberal support at 22 percent, "Canadian Politics – Abacus Data, November 2024, Wave 2," *Abacus Data*, November 2024, <https://abacusdata.ca/canadian-politics-abacus-data-november-2024-wave-2>.

4 See for example, Daniel Salée, "The New Face of Quebec Nationalism: Reconsidering the Nationalism/Democracy Nexus," *American Review of Canadian Studies* (2022), 52:2, 119–138.

5 Alex Marland, "The SNC-Lavalin Affair: Justin Trudeau, Ministerial Resignations and Party Discipline," *Revue interdisciplinaire des études canadiennes en France* (2020), 89, 151 – 177.

6 Transparency International, "Corruption Perceptions Index," (2023), www.transparency.org/en/cpi/2023/index/can.

paid members of the Trudeau family substantial speaking fees.⁷ Another involved the C\$836 million industrial policy tool, Sustainable Development Technology Canada, which the Auditor General Report concluded was used to channel funds to Liberal insiders.⁸

Canadian judicial independence, historically seen as more secure than in the United States, is under stress. Democracy Watch has campaigned to expose political influence in the judicial appointments process and the issue has drawn mainstream media attention.⁹

Two other components of the legal subindex require explanation. Internal security, or at least perceptions of it, show deterioration. Anti-COVID-19 lockdown demonstrations by commercial truckers in 2021 subsequently ceased, and so cannot explain the pattern.

Homeless encampments, a new phenomenon in Canada, have proliferated in major cities, contributing to the rising sentiment of insecurity. Rising housing and living costs, and lack of access to mental health and addiction services are contributing. The “decarceration” priority of the government—aiming at reducing the current rate of persons incarcerated relative to the population by 30 percent overall and by 50 percent for Black and Indigenous people¹⁰—may have exacerbated the issue as ex-convicts are especially prone to homelessness.¹¹ About one in five individuals released

from prison in Ontario ends up homeless.¹² Polls show falling public support for decarceration.¹³

Despite showing little movement over the period, clarity of the law has been concerning. Subsequent interpretations of the Supreme Court’s sweeping 2004 ruling that Indigenous First Nations cannot veto major infrastructure projects but must be “adequately consulted” fail to provide meaningful clarity.¹⁴ It is unclear what “adequate” means, which First Nations need to be consulted, what marks the completion of consultations, and who represents each First Nation—the elected band council, traditional chiefs, or elders, and if the latter, who qualifies as an elder.

Countering this trend, in 2023 the Supreme Court found the Impact Assessment Act, which let the federal government block any large construction project it deemed not in the public interest, unconstitutionally broad.¹⁵ Parliament is rewriting the act to narrow its scope to environmental and Indigenous issues.¹⁶ Overall, the Supreme Court and federal government seem to appreciate a need to “do something” about environmental and First Nations problems, but want to preserve wide options for what that might be. The result is legal opacity that some argue makes large investment projects unviable in Canada when a rapidly growing population urgently needs upgrades and expansions to an aging public and private sector capital stock.¹⁷

⁷ Elizabeth Thompson, “Ethics committee calls for sweeping reforms in wake of WE Charity scandal,” CBC News, June 10, 2021.

⁸ Auditor General of Canada, *Sustainable Development Technology Canada* (Ottawa, ON: Auditor General of Canada, 2024).

⁹ Sean Fine, “Advocacy group criticizes Canada’s judge-selection process as ‘partisan,’” *Globe and Mail*, November 16, 2020. See also Daniel LeBlanc, “E-mails reveal network of Liberals involved in judicial appointments,” *Globe and Mail*, February 18, 2020.

¹⁰ Justice Canada, “Five Priority Areas,” www.justice.gc.ca/eng/cj-jp/cbjs-scnj/transformativ-transformateur/p6.html.

¹¹ Ben Roebuck, *Homelessness, Victimization and Crime* (Ottawa, ON: Institute for the Prevention of Crime, 2008).

¹² Molly Hayes, “Nearly 20% of inmates homeless upon release from Ontario jails,” *Globe and Mail*, November 27, 2023; Matthew Harrison, “Homelessness for Newly Released Ontario Inmates,” U Channel, December 1, 2023.

¹³ Postmedia-Leger, “Crime and Illegal Substance Use: How are Canadians Feeling, June 2023,” https://leger360.com/wp-content/uploads/2024/02/Crime_Drug-Use_Postmedia-June-2023-1.pdf.

¹⁴ Supreme Court judgments on *Haida Nation v. British Columbia (Minister of Forests)*, November 18, 2004.

¹⁵ Supreme Court of Canada, “Reference re Impact Assessment Act,” www.scc-csc.ca/case-dossier/cb/2023/40195-eng.aspx.

¹⁶ Ashok Dutta, “Canada to amend environmental law, in line with Supreme Court ruling,” S&P Global, October 16, 2023.

¹⁷ Charles DeLand and Brad Gilmour, “Canada needs more major project investment: here are some ideas,” C.D. Howe Institute, April 16, 2024, www.cdhowe.org/publication/deland-gilmour-canada-needs-more-major-project-investment-here-are-some-ideas.

Another issue is time limits for trials. The Supreme Court's 2016 Jordan Rule¹⁸ requires provincial and superior court cases to conclude within eighteen and thirty months, respectively, of arrest. The fraction of adult defendants hitting the Jordan limit fell from 11.4 percent in 2015–16 to 5.3 percent in 2022–23, while that for juveniles rose from 11.0 percent to 18.8 percent.¹⁹ Critics cite prosecutor triage freeing dangerous

offenders²⁰ and rushed prosecutions convicting the innocent.²¹

Finally, Canada retains high scores in all aspects of economic freedom, as captured by the **economic subindex**. The economy is open to trade and investment; and property rights protection remains strong. Investment freedom rose from 2007 to 2014, when successive Conservative governments reduced regulatory barriers.

Evolution of Prosperity

Canada performs well in the composite **Prosperity Index**; however Canadian real **income** per capita, 15 percent below that of the United States in 2009, fell to 25 percent below the United States in 2023.²² Canada's chronically low and, since 2015, declining productivity is widely thought responsible. Canada's corporate research and development spending averaged 0.95 percent of gross domestic product (GDP) from 2003 to 2022, far below the 3.1 percent US figure and second lowest to Italy in the G7.²³ Fewer Canadian firms now rise into global giants than previously.²⁴ The Bank of Canada,²⁵ Industry Canada

economists,²⁶ and corporate groups²⁷ decry a productivity crisis. Figure 1 summarizes the problem.

Since 2015, federal and provincial governments have responded with increased business subsidies, officially totaling 1.84 percent of GDP in 2022.²⁸ This omits loan guarantees and other channels, so the true total is likely higher. As Lerner shows, subsidy programs rarely stimulate productivity, often misallocate resources, and not infrequently worsen corruption.²⁹ More abundant subsidies can channel resources to more able subsidy-seekers rather than more innovative firms.³⁰

¹⁸ Supreme Court of Canada, *R. v. Jordan*, July 8, 2016.

¹⁹ Statistics Canada, Table 35-10-0174-01: Canada's Population Estimates, Quarterly, www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3510017401.

²⁰ Darryl Greer, "Time limits for trials were meant to speed up justice. They've also halted hundreds of criminal cases," CBC News, November 10, 2024; Nicole Brockbank and Sarah MacMillan, "Most criminal cases in Ontario now ending before charges are tested at trial," CBC News, November 12, 2024.

²¹ Devon Medeiros and Michelle Bertrand, "A Rush to Justice: The Institution of Presumptive Ceilings in *R v Jordan* and Their Potential Implications for Wrongful Convictions," *Manitoba Law Journal* 46, 1–48.

²² World Bank, GDP per capita (PPP) (constant 2021 international \$), <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD?locations=CA-US>.

²³ Business Enterprise Expenditure on R&D (BERD), in OECD Main Science and Technology Indicators database, <https://www.oecd.org/en/data/datasets/main-science-and-technology-indicators.html>.

²⁴ Charles Plant, *The Missing Ingredient: Solving Canada's Shortcomings in Growing Large Firms and Increasing Productivity* (Toronto, ON: C.D. Howe Institute, 2023).

²⁵ Carolyn Rogers, "The Productivity Problem," Bank of Canada, (Speech, Halifax Partnership, March 26, 2024).

²⁶ Carlos Rosell, Kaleigh Dowsett and Nelson Paterson, "A Critical Juncture: Assessing Canada's Productivity Performance and Future Prospects," *International Productivity Monitor* (2023), 45, 61–92.

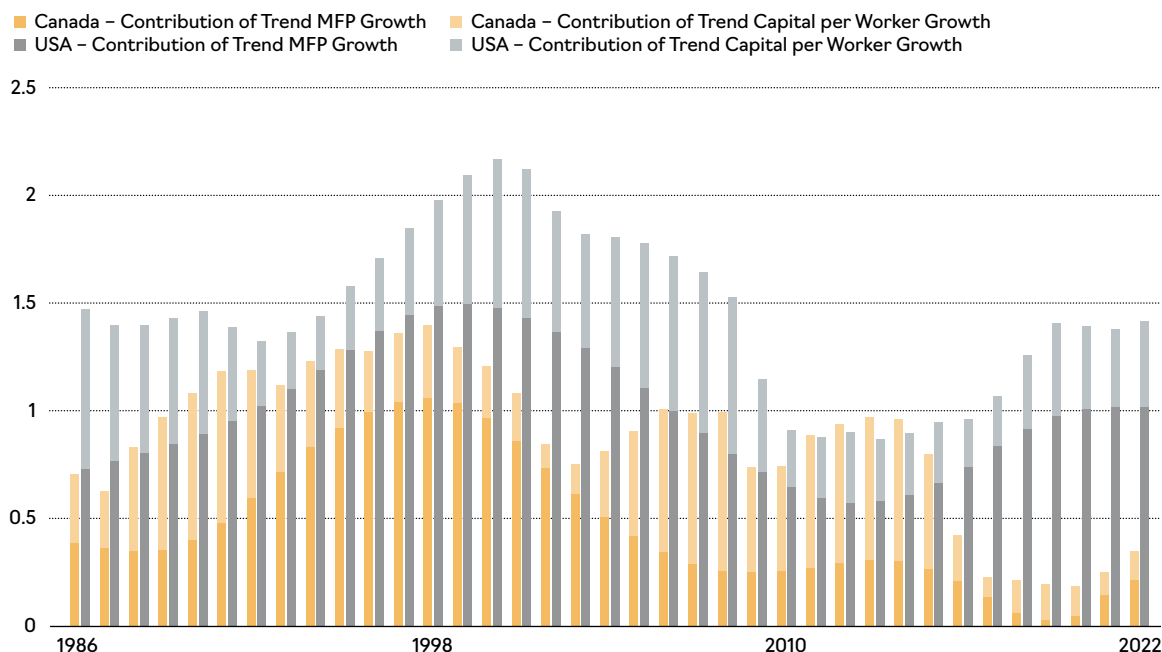
²⁷ See David Williams, "Canada's productivity performance over the past 20 years," Business Council of British Columbia, May 24, 2022; Canadian Chamber of Commerce, "Policy Matters: Canada's Productivity Problem," January 16, 2024; Simon Gaudreault, "Canada's productivity: How to free up WAY more time and resources in our economy," Canadian Federation of Independent Businesses, April 4, 2024.

²⁸ Tegan Hill, Joel Emes, and Jake Fuss, *The Cost of Business Subsidies in Canada—Updated Edition* (Vancouver, BC: Fraser Institute, 2024).

²⁹ Josh Lerner, *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed—and What to Do About It* (Princeton: Princeton University Press 2009).

³⁰ William J. Baumol, "Entrepreneurship: Productive, Unproductive, and Destructive," *Journal of Political Economy* (1996), 11:1.

Figure 1. Contributions of Multifactor Productivity (MFP) Growth and Capital Per Worker Growth to Growth in Total Output Per Worker, Canada vs United States



Source: OECD country profiles for Canada and the United States, www.compareyourcountry.org.

Canada's **education** subindex may reflect reforms in recent years to decolonize curriculums and teach social justice advocacy.³¹ However, fears of an impending shortfall in STEM (science, technology, engineering, and mathematics) skills also command attention.³²

The Organisation for Economic Co-operation and Development's (OECD's) Programme for International Student Assessment (PISA) scores provide comparable quantitative assessments of countries' school systems in mathematics, science, and reading. Canadian students, traditionally well above the OECD average in all three categories, have slipped since the mid-2010s, with mathematics scores falling the most. Average scores for the

OECD also drop, but US scores do not, so the margin by which Canadian students outperform US students has narrowed.³³

Because provincial governments govern public schools, PISA scores vary substantially across the country. Alberta and Quebec retain scores among the highest in the world; whereas the Atlantic provinces' scores are most markedly down from 2018.

Canada's public schools show early signs of stress, but fare relatively well compared to other public goods and services. While Canada continues to outperform other advanced economies on **health**, there is great concern regarding Canada's public healthcare system, long deemed a major national asset, but now aging poorly. Figure 2 shows

³¹ See for example the studies in Andréanne Gélinas-Proulx and Carolyn M. Shield, eds., *Leading for Equity and Social Justice: Systemic Transformation in Canadian Education* (Toronto, ON: University of Toronto Press, 2022).

³² Parisa Mahboubi, *The Knowledge Gap: Canada Faces a Shortage in Digital and STEM Skills* (Toronto, ON: C.D. Howe Institute, 2022).

³³ OECD, "PISA 2022 Results (Volume I and II)—Country Notes: Canada," www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes_ed6fbcc5-en/canada_g01942bb-en.html.

that Canada spends more on healthcare than any other country with socialized medicine.

Yet Canada languishes at or near the bottom in almost all measures of healthcare delivery. For example, among OECD countries, Canada ranks twenty-eighth in physicians per capita, twenty-third in somatic and psychiatric beds per capita, twenty-fifth in magnetic resonance imaging (MRI) scanners per capita, and at the bottom for specialist and elective surgery waiting lists.³⁴

Canada's universal healthcare system, once a source of national pride, became the most expensive and among the least effective in the world for several reasons. One barrier to reform is an ingrained disincentive to experiment. The Canada Health Act (CHA) has the federal government collect taxes and allocate the funds to the provinces, each of which administers its own state-run monopoly health insurance bureaucracy, which must comply with the terms of the CHA. This arrangement let the federal government enter healthcare, which was constitutionally under provincial jurisdiction. Physicians, medical testing facilities, and even surgeries can be private sector businesses, but all billing must be to the single-payer provincial insurance system. In the past, the threat of losing federal funding reined in provinces that experimented with paid services; though some are again cautiously permitting limited private clinics and surgical centers.

Another barrier is a narrative that reforms would emulate the United States and leave the poor and old without healthcare. Consequently, politicians have viewed healthcare reform as too dangerous to contemplate.

Advocates of the Canadian system especially value its "universality"—its provision of exactly the

same free care to all, regardless of income or social position. Privately funded medical care is illegal except for procedures, such as laser eye surgery, not covered by the public system. Canada's population has grown and grown older, but healthcare provision has not kept pace. Healthcare bureaucracies are expanding, while shortages of medical specialists leave operating theatres dark. Scarce MRI, computed tomography (CT) and positron emission tomography (PET) scanners create long waiting lists for diagnoses, which renders diagnoses more dire when finally made. Undersupplied long-term care facilities keep patients in expensive hospital beds, delaying urgent admissions and populating hallways with the most urgent cases. As the system grows increasingly strained, more Canadians go to the United States to access private care. This effectively creates a private alternative healthcare system for wealthy Canadians, undermining its "universality."

A 2024 poll reveals an unprecedented shift in public opinion, with 90 percent agreeing that governments have neglected necessary improvements for too long, 73 percent agreeing the system needs major reform, and 80 percent agreeing that the public system should finance private sector surgeries to reduce waiting lists.³⁵

Unprecedented stress in the public healthcare system is only the most notable among signs of a general inability of Canadian governments to deliver basic public goods and services. First Nations reserves are all under the jurisdiction of the federal government, which has struggled to provide such basic services as safe tap water. While the incidence of unsafe tap water has declined, that the problem persists is remarkable.³⁶ Canadians queue for hours to renew passports.³⁷

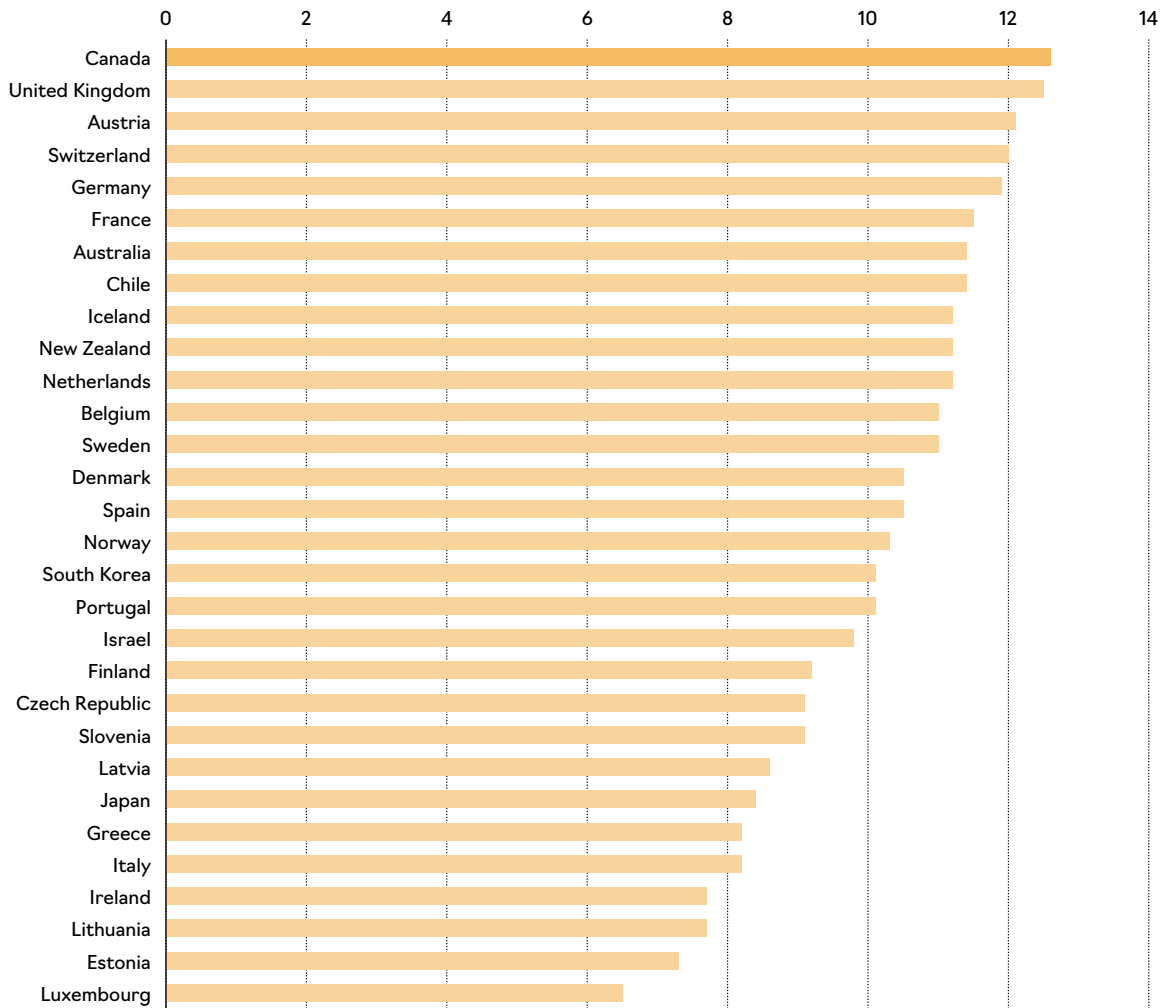
³⁴ Mackenzie Moir and Bacchus Barua, *Comparing Performance of Universal Health Care Countries* (Vancouver, BC: Fraser Institute, 2023).

³⁵ See "Canadians demand change in Health Care: Navigator's latest research reveals the urgent need for reform," Navigator Research, September 25, 2024.

³⁶ Statistics Canada, "Drinking Water," www160.statcan.gc.ca/environment-environnement/drinking-water-eau-potable-eng.htm.

³⁷ John Paul Tasker, "Hours on hold and endless queues: Canadians still grappling with poor passport service," CBC News, May 11, 2024.

Figure 2. Healthcare Spending as % of GDP in Countries with Socialized Medicine



Source: Moir and Barua, *Comparing Performance of Universal Health Care Countries*.

Some 40 percent of trains run by VIA Rail, the federal government's passenger railway state-owned enterprise, arrive late.³⁸

Income **inequality** rose from 1995 lows until about 2015, whereafter it recedes—almost back to

1995 levels. More detailed data show markedly lower top 0.05 percentile incomes and somewhat higher lowest quartile incomes.³⁹ Highest tail incomes are primarily capital gains, which Canadian stock markets, lacking breakaway innovative superstar

³⁸ VIA Rail, 2024 *Annual Report*.

³⁹ Statistics Canada, "High income tax filers in Canada," Table 11-10-0555-01, cited in Sarah Burkinshaw, Yaz Terajima and Carolyn A. Wilkins, *Income Inequality in Canada*, Bank of Canada Staff Discussion Paper, 2022, chart 3.

stocks, have been loath to deliver in recent years. The lowest quartile rise may reflect real minimum wage increases over the past fifteen years.⁴⁰

The current federal government's greatest success is perhaps its prioritization of diversity, equity and inclusion. That success is evident in all manner of rankings. The World Population Survey ranks Canada second in the world for racial equality, edged out by New Zealand and ahead of the Netherlands.⁴¹ *Human Resources Director (HRD)* ranks Canada the second most inclusive country in the world, below Norway and above Sweden and third most gender-inclusive country in the world after Sweden and the Netherlands.⁴² Equaldex ranks Canada the ninth most LGBTQ+ inclusive country in the world, below Denmark and above the Netherlands.⁴³ The University of California at Berkeley's Othering & Belonging Institute gives Canada the fourteenth highest inclusiveness index in the world, below South Africa and above Denmark.⁴⁴

Amid this acclaim, the abrupt plunge in the **minorities** component of Canada's Prosperity Index stands out. The current government has worked unprecedentedly to improve the status of Indigenous and Black Canadians.

The plunge corresponds to allegations of unmarked graves of Indigenous children at a residential school in British Columbia and elsewhere in 2021,⁴⁵ which made headlines worldwide. The fact that no bodies have yet been found at any of these sites has drawn less attention,⁴⁶ but the initial findings precipitated Bill C-413, an NDP private member's bill before parliament at the time of writing, which would criminalize residential school holocaust denial.⁴⁷ A second factor in the decline in minority rights is Quebec's restrictions on the public display of religion and on the use of English, Bills 21 and 96, respectively. The former is widely regarded as directed at Muslim immigrants; the latter is widely perceived as a measure to prevent immigrants from using English.⁴⁸

The Path Forward

The discussion above highlights a major set of issues likely to dominate the next federal election, due before the fall of 2025.

As noted above, reform of the socialized healthcare system is emerging as a pivotal issue for many voters. Major healthcare reforms are likely to

be expensive, and to limit governments' scope to pursue other initiatives.

The general provision of public goods and services—issues ranging from First Nations water supplies to lengthy passport renewal delays—appears to be faltering. Pledges to make

⁴⁰ Kelly Foley, David A. Green, and W. Craig Riddell, "Canadian inequality over the last 40 years: common and contrary variations on universal themes," *Fiscal Studies* (2024), 45:2, 119–130, p 126.

⁴¹ See World Population Review, "Least Racist Countries of 2024," <https://worldpopulationreview.com/country-rankings/least-racist-countries>.

⁴² Lauren Healy, "Revealed—the most inclusive countries to live and work in," *HR Director*, February 22, 2024.

⁴³ Equaldex, "LGBT Rights in Canada," www.equaldex.com/region/canada.

⁴⁴ UC Berkeley Othering and Belonging Institute, *Inclusiveness Index*.

⁴⁵ Doylee Potenteau, "Grief, sorrow after discovery of 215 bodies, unmarked graves at former B.C. residential school site," *Global News*, May 28, 2021.

⁴⁶ See Tom Flanagan, "No evidence of 'mass graves' or 'genocide' in residential schools," Fraser Institute, February 12, 2024.

⁴⁷ Olivia Stefanovich, "Bill before Parliament would outlaw residential school 'denialism,'" CBC News, September 26, 2024.

⁴⁸ François Rocher, "In Canada's French-Speaking Quebec, Immigration Sparks Anxieties about Language and Identity," Migration Policy Institute, June 6, 2023.

government more efficient in general may also arise in the upcoming campaign, especially if US President Trump's initiatives along these lines show signs of early success.

Foreign interference in Canada is likely to become an increasingly salient issue as well. Ongoing parliamentary machinations around disclosing the names of members of parliament allegedly in the pay of foreign governments have created the impression that these allegations are true.⁴⁹

Canada's openness to foreign investment is vulnerable to President Trump's ongoing criticism of North American free trade. Renewal of the revised North American Free Trade Agreement (NAFTA) pact, scheduled for 2026, was expected to be routine until Trump's victory in 2024. Canada may seek a bilateral free trade agreement with the United States as most of President Trump's concerns relate to Mexico.

Canada's current government is also rolling back openness to foreign investment. Bill C-34, National Security Review of Investments Modernization Act,⁵⁰ enacted in 2024, subjects foreign investment to increased official scrutiny where potential national security concerns arise. This legislation is widely expected to limit Chinese investment in Canada, and may help align the country with US trade reforms.

The separatist Parti Quebecois leads the polls at 33 percent and may form the next Quebec government and contemplate another referendum on separation. However, Quebec is now far more ethnically diversified, and immigrants appear unenthusiastic about leaving Canada. Also, the 1995 referendum question—"Do you agree that Quebec should become sovereign, after having made a formal offer to Canada for a new economic and

political partnership, within the scope of the bill respecting the future of Quebec and of the agreement signed on June 12, 1995?"—employed tactical ambiguity to overcome polls consistently showing some 80 percent rejecting independence.⁵¹ An overwhelming majority continues to reject independence and the 2000 Clarity Act⁵² now limits scope for tactical ambiguity.

Integrating First Nations into the country's broad prosperity while respecting their traditions and treaty rights remains a work in progress. The current government has prioritized social justice via energetic diversity, equity, and inclusion to remedy systemic racism in Canada. As mentioned above, opinion polls show rapidly diminishing support for such initiatives. No party advocates acceptance of the status quo regarding First Nations, but alternative approaches to solving the problems are likely to command increased attention.

The current government's other major priority, alongside social justice advocacy, has been environmental leadership. Environment Minister Steven Guilbeault has energetically enacted policies to achieve carbon neutrality, downsize the fossil fuel sector, and promote alternative energy sources. The largest such initiatives include a C\$52.5 billion subsidy program, for electric car battery and parts plants, exceeding by 14 percent the total of C\$46.1 billion in private sector capital spending being subsidized.⁵³ Another C\$1 billion initiative to subsidize green innovation, Sustainable Technology Development Canada, was shut down after a 2024 Auditor General exposed corruption problems.⁵⁴

Canada has long welcomed high levels of immigrants without a populist backlash of the sort now

⁴⁹ Zi-Ann Lum, "Canada's Parliament rocked by allegations of treason," *Politico*, October 6, 2024.

⁵⁰ Government of Canada, "Updated Backgrounder: An Act to amend the *Investment Canada Act*," March 27, 2024.

⁵¹ George Feaver, "Canadian Political Miscalculation? Quebec's Referendum 95," *Government and Opposition* (1996), 31(1).

⁵² Government of Canada Justice Laws Website, "An Act to give effect to the requirement for clarity as set out in the opinion of the Supreme Court of Canada in the Quebec Secession Reference S.C. 2000, c. 26".

⁵³ For details, see Jill Giswold, "Tallying Government Support for EV Investment in Canada," Office of the Parliamentary Budget Officer, June 18, 2024.

⁵⁴ Auditor General of Canada, *Sustainable Development Technology Canada*.

evident in the United States and some European countries. In large part, this is because Canada's point-based immigration system vetted immigrants for professional qualifications, language skills, and employment histories to ensure that immigrants are not perceived as a burden on the economy.

The current government modified this system to accept more refugee, humanitarian, and asylum immigrants and to boost overall immigration numbers sharply. As these policies unfolded, expensive private "diploma mill" universities instructing predominantly foreign students sprang up across the

country. From 2021 to 2022, immigrant admissions rose from 0.6 percent to 1.5 percent of the population.⁵⁵ Escalating housing prices are blamed on immigrants, though increasingly restrictive local zoning laws and other regulatory barriers impeding the construction of apartment towers are perhaps more plausible explanations.⁵⁶ For the first time in generations, immigration is becoming a political issue. Opposition parties have yet to lay out their alternatives to the current policy mix, but strengthening the traditional points-based system is one obvious path.

Randall Morck

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⁵⁵ Don Drummond and Parisa Mahboubi, "Beware the spin on immigration targets," *National Post*, November 15, 2024.

























⁵⁶ Benjamin Dachis, *Buyers Beware: The Cost of Barriers to Building Housing in Canadian Cities* (Toronto, ON: C.D. Howe Institute, 2023).

South & Central Asia

SOUTH & CENTRAL ASIA



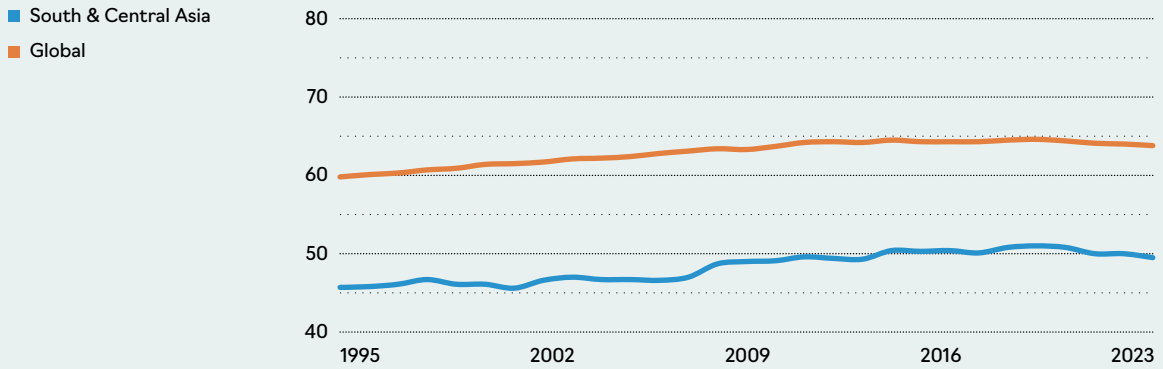
South & Central Asia: Regional Ranking

	Freedom				Prosperity			
	Rank	Score	Status		Rank	Score	Status	
Bhutan	65	68.9	 Moderate Freedom		79	65.9	 Moderate Prosperity	
Nepal	89	63.3	 Low Freedom		113	54.6	 Low Prosperity	
Sri Lanka	99	60.2	 Low Freedom		101	60.3	 Low Prosperity	
India	101	59.8	 Low Freedom		114	53.9	 Low Prosperity	
Kyrgyzstan	108	56.0	 Low Freedom		81	65.7	 Moderate Prosperity	
Kazakhstan	110	55.5	 Low Freedom		47	74.7	 Moderate Prosperity	
Pakistan	121	52.0	 Low Freedom		122	52.0	 Low Prosperity	
Uzbekistan	125	50.2	 Lowest Freedom		87	64.0	 Low Prosperity	
Bangladesh	140	44.1	 Lowest Freedom		111	55.1	 Low Prosperity	
Tajikistan	148	39.7	 Lowest Freedom		118	53.3	 Low Prosperity	
Turkmenistan	162	24.5	 Lowest Freedom		76	66.6	 Moderate Prosperity	
Afghanistan	164	20.4	 Lowest Freedom		154	41.7	 Lowest Prosperity	

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

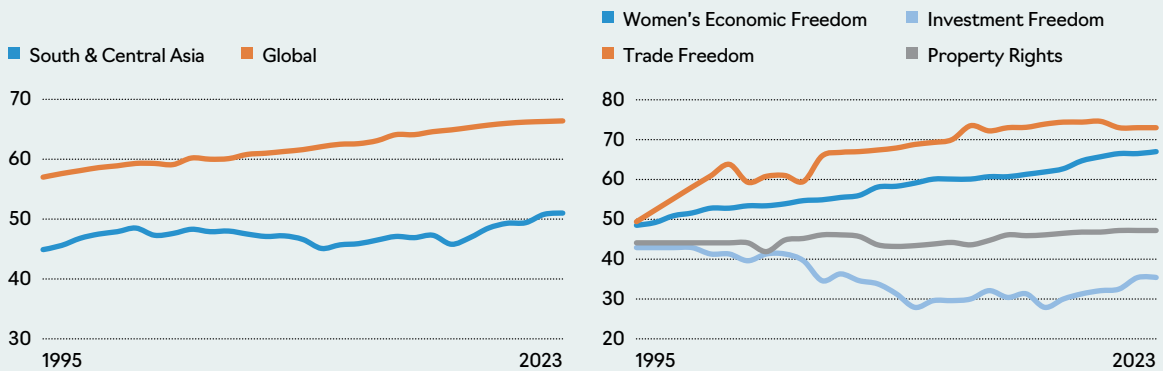
Freedom Index

1995-2023



	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	49.5	63.8	-1.7%	-1.1%
Economic Subindex	50.9	66.4	8.1%	3.6%
Political Subindex	50.2	67.4	-10.9%	-4.6%
Legal Subindex	47.4	57.7	-0.4%	-2.0%

Economic Subindex

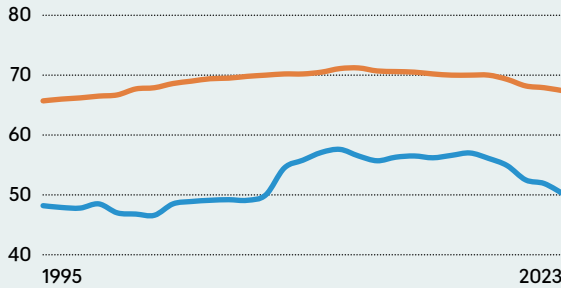


	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	67.0	78.3	10.4%	8.5%
Investment Freedom	35.4	56.9	10.4%	2.1%
Trade Freedom	73.0	77.3	1.2%	0.5%
Property Rights	47.2	55.4	5.5%	1.6%

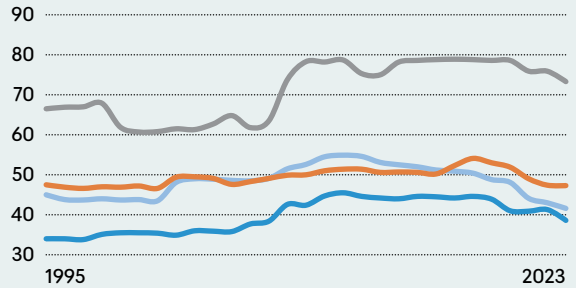
SOUTH & CENTRAL ASIA

Political Subindex

■ South & Central Asia ■ Global



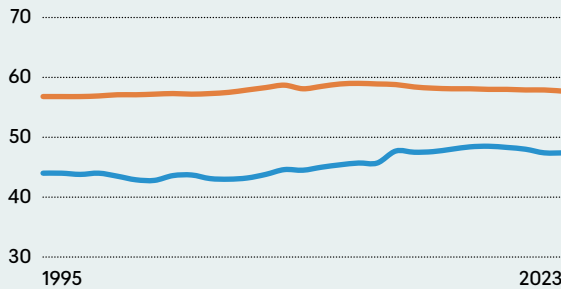
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



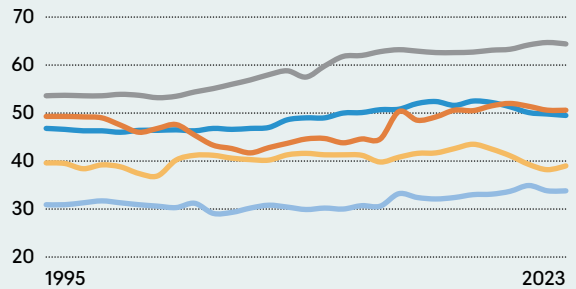
	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	38.6	57.4	-12.3%	-4.7%
Political Rights	41.6	64.0	-20.7%	-6.7%
Civil Liberties	47.3	68.9	-6.6%	-3.5%
Elections	73.3	79.1	-6.3%	-3.8%

Legal Subindex

■ South & Central Asia ■ Global



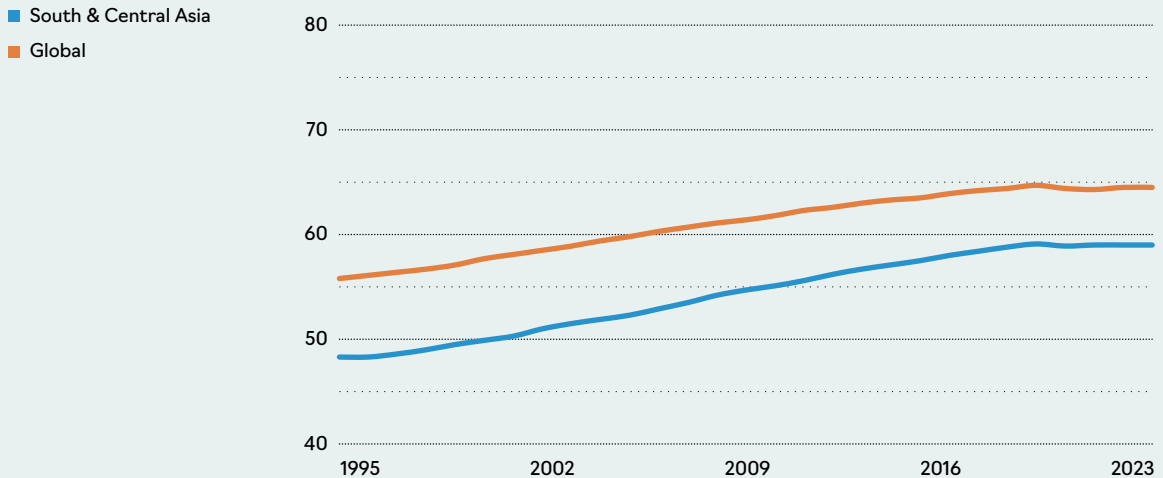
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	49.5	61.7	-2.6%	-1.4%
Bureaucracy and Corruption	33.8	44.4	2.0%	-2.0%
Security	50.6	60.0	0.6%	-1.4%
Clarity of the Law	39.0	52.0	-4.6%	-4.5%
Informality	64.4	71.4	1.8%	-1.1%

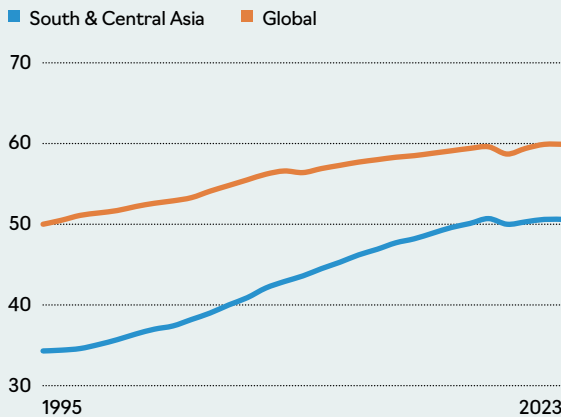
Prosperity Index

1995-2023



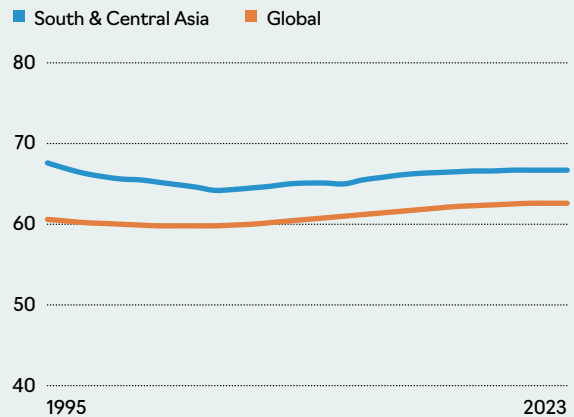
	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	59.0	64.5	3.3%	1.9%

Income



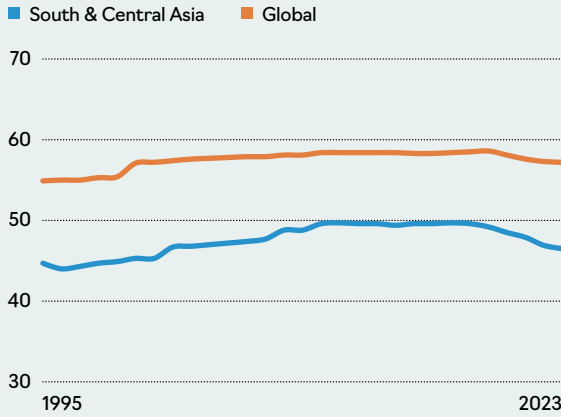
	2023		Change Since 2014	
	Region	Global	Region	Global
Income	50.6	59.9	6.2%	2.7%
Inequality	66.7	62.6	0.8%	1.6%

Inequality

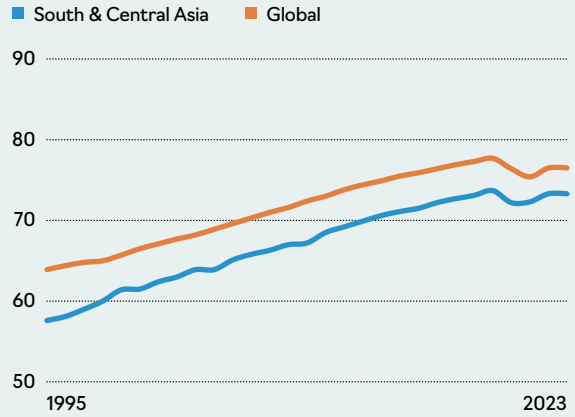


SOUTH & CENTRAL ASIA

Minorities

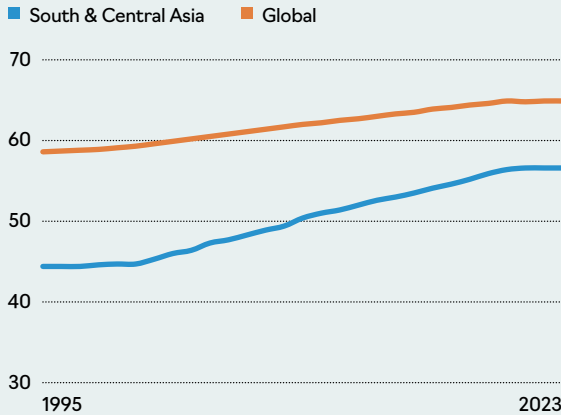


Health

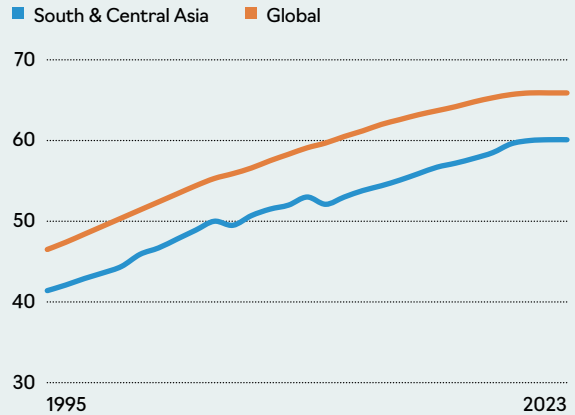


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	46.5	57.2	-6.0%	-2.1%
Health	73.3	76.5	3.1%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	56.6	64.9	6.9%	2.4%
Education	60.1	65.9	9.1%	5.1%

Bangladesh

Ahmed Mushfiq
Mobarak

SOUTH & CENTRAL ASIA

Socioeconomic Data 2023

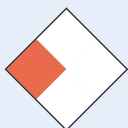
General Information

POPULATION	LIFE EXPECTANCY (2022)
172.95 million	74 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Muslim → 89.8%	0.025
Hindu → 9.1%	
Other → 1.1%	

Economic Data

GDP PER CAPITA	INFLATION
8,172	9.9%
% of US GDP pc → 11.1%	
GDP pc Growth → 4.7%	
DEBT/GDP (CENTRAL 2023)	TRADE (% OF GDP)
39.3%	31.0%
UNEMPLOYMENT (2022)	
4.6%	
SECTORAL ALLOCATION	
Agriculture → 11.3%	
Industry → 35.6%	
Services → 53.0%	
GINI COEFFICIENT (2022)	
34.1	

Freedom Index

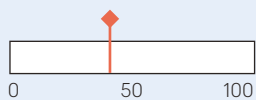


STATUS

Lowest Freedom

SCORE

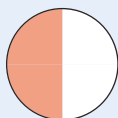
44.1



RANK

140^{/164}

Prosperity Index

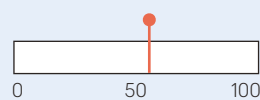


STATUS

Low Prosperity

SCORE

55.1

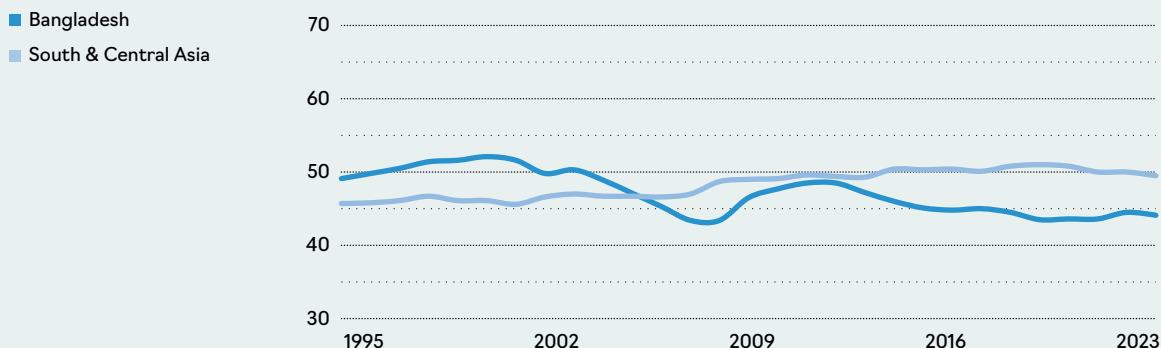


RANK

111^{/164}

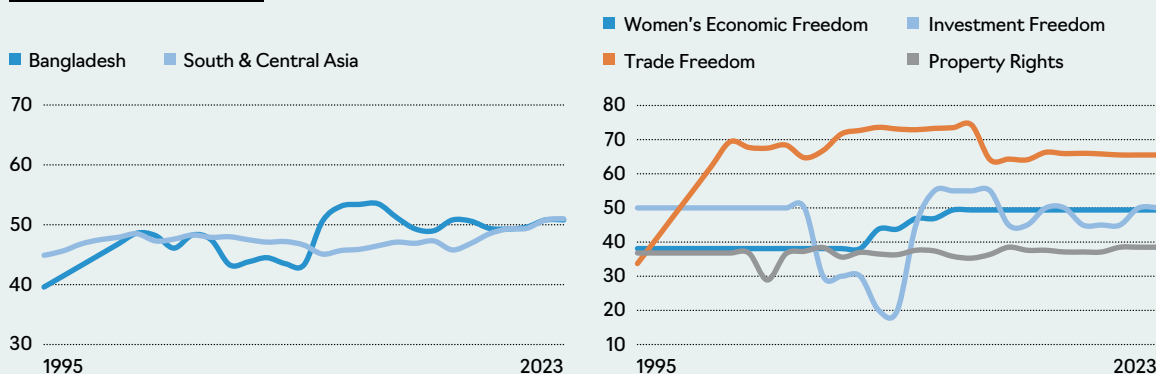
Freedom Index

1995-2023



	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Freedom Rank	140	-	-1	-
Freedom Score	44.1	49.5	-4.2%	-1.7%
Economic Subindex	50.8	50.9	-0.8%	8.1%
Political Subindex	42.1	50.2	-6.4%	-10.9%
Legal Subindex	39.4	47.4	-5.9%	-0.4%

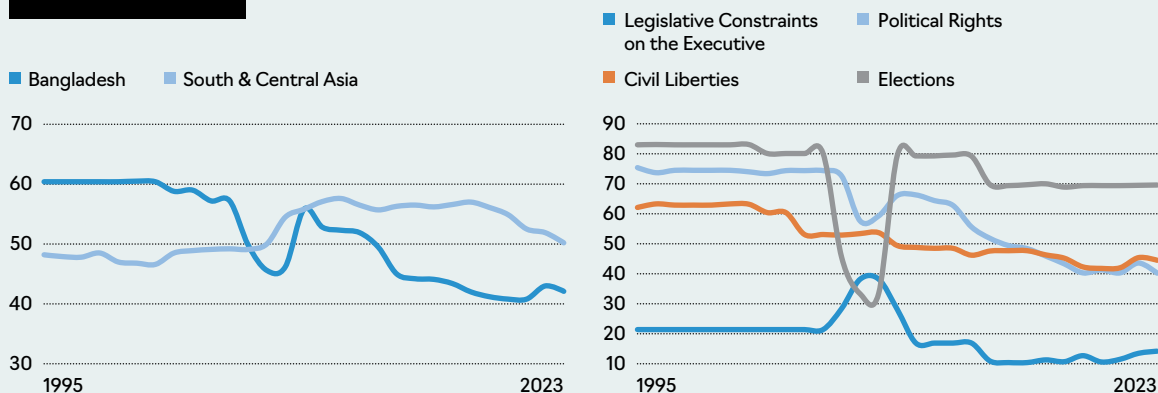
Economic Subindex



	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Women's Economic Freedom	49.4	67.0	0.0%	10.4%
Investment Freedom	50.0	35.4	-9.1%	10.4%
Trade Freedom	65.5	73.0	2.2%	1.2%
Property Rights	38.5	47.2	5.6%	5.5%

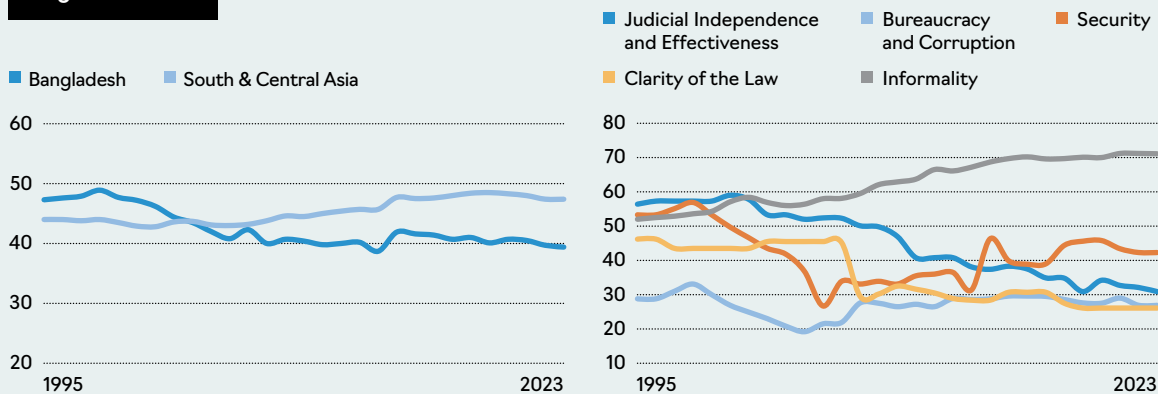
BANGLADESH

Political Subindex



	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Legislative Constraints on the Executive	14.2	38.6	30.3%	-12.3%
Political Rights	40.2	41.6	-22.5%	-20.7%
Civil Liberties	44.5	47.3	-6.5%	-6.6%
Elections	69.6	73.3	0.0%	-6.3%

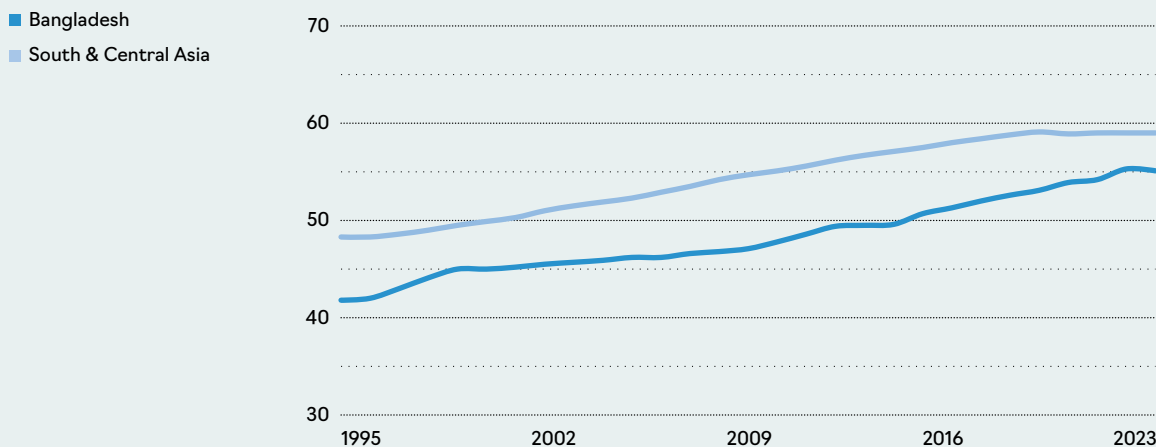
Legal Subindex



	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Judicial Independence and Effectiveness	30.9	49.5	-17.5%	-2.6%
Bureaucracy and Corruption	26.9	33.8	-6.8%	2.0%
Security	42.3	50.6	-8.6%	0.6%
Clarity of the Law	26.1	39.0	-8.0%	-4.6%
Informality	71.1	64.4	3.4%	1.8%

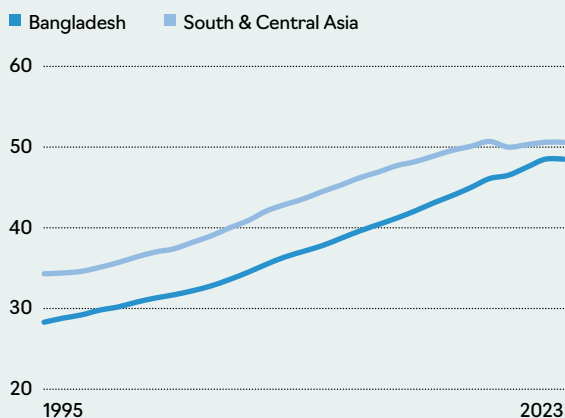
Prosperity Index

1995-2023



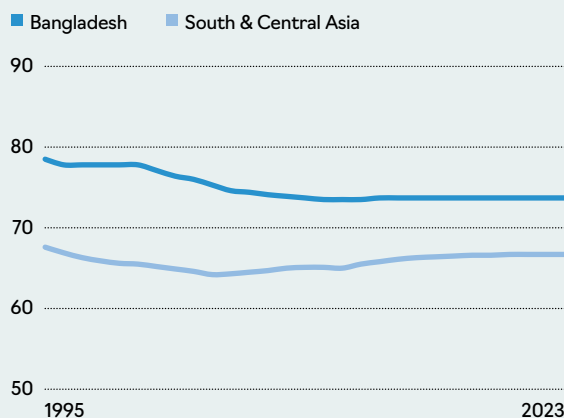
	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Prosperity Rank	111	–	11	–
Prosperity Score	55.1	59.0	11.0%	3.3%

Income



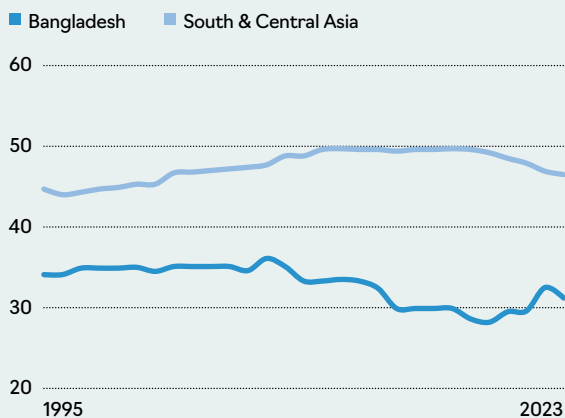
	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Income	48.5	50.6	17.7%	6.2%
Inequality	73.7	66.7	0.0%	0.8%

Inequality

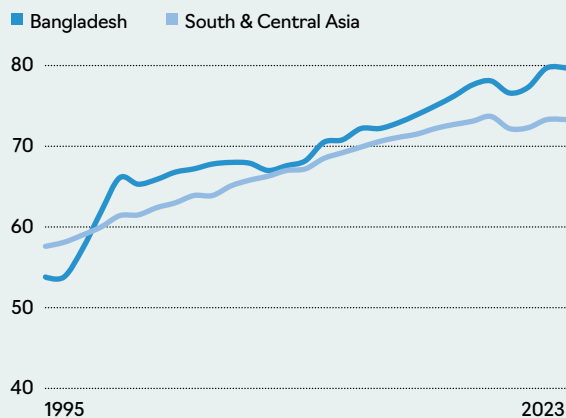


BANGLADESH

Minorities

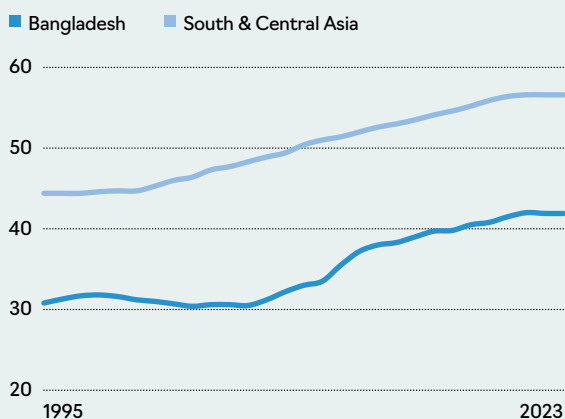


Health

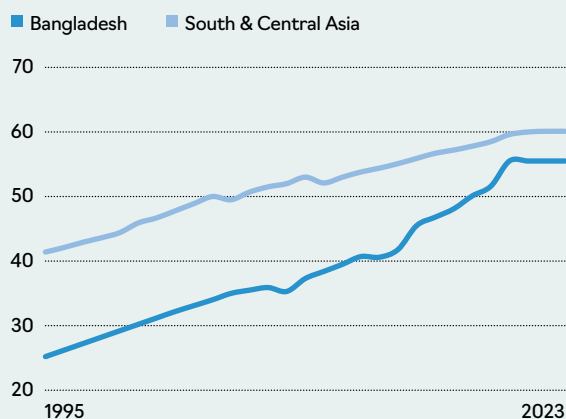


	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Minorities	31.2	46.5	4.3%	-6.0%
Health	79.7	73.3	9.3%	3.1%

Environment



Education



	2023		Change Since 2014	
	Bangladesh	Region	Bangladesh	Region
Environment	41.9	56.6	9.5%	6.9%
Education	55.5	60.1	32.6%	9.1%

Evolution of Freedom

Movements in the **Freedom Index** suggest that the institutional environment of Bangladesh has experienced substantial volatility since the 1990s. After the democratic revolution of the early 1990s, the country had a period of credible elections with relatively peaceful alternation of power between the two main Bangladeshi political parties, the Bangladesh Nationalist Party (BNP) and the Awami League. The Index shows a clear institutional deterioration during the 2000–08 period, coinciding with governance approaches by both major parties that appeared to intensify political competition. In an environment with escalating corruption, the leadership and allies of both parties intensely focused on holding onto power at all costs, leading to increased political tensions. Widespread corruption by those in power became the norm, and both parties became increasingly eager to hold on to power by any means necessary. The main political tool employed by a marginalized opposition was to impede the functions of government. In particular, calling general strikes with increasing frequency (and of longer duration) became the political weapon of choice for the opposition, to signal their street-level organizational capabilities to the government and to citizens. The strategy was deployed to erode the dominance of the party in government, but it came at the expense of the citizenry because it disrupted economic activity and the freedom of movement. An extreme example was to call general strikes to coincide with important visits by foreign investors exploring investment opportunities. This was designed to weaken the government and undermine its ability to attract investment, and it came at a high cost to the country's economic prospects.

Escalating corruption and this form of destructive political competition created a situation of increased political instability up to 2006, when scheduled elections could not be held, and a military-backed caretaker government remained in power for two years.¹ The deep fall in the **political subindex** driven by a more than forty-five-point decrease in the elections component reflects this episode. The election score rebounds when elections that were widely considered free and fair were held in 2008. The Awami League received a supermajority as citizens used the 2008 election to express their deep discontent with the heightened corruption and misgovernance under the pre-2006 BNP regime. But the subsequent Awami League government, led by Sheikh Hasina, squandered the opportunity for improving governance. Instead, governance trends indicated a shift toward more centralized authority, as evidenced by a sustained decline in political and civil liberties scores. Examples of these autocratic tendencies include the abolition of the caretaker government system, widespread persecution of opposition political leaders accused of war crimes, and the rapid deterioration of citizens' civil rights based on security concerns after terrorist episodes and an attempted military coup in 2012. Repression of both political opponents and ordinary citizens, more severe restrictions on speech, and increased government corruption became the norm. The Awami League exacerbated the type of misgovernance that had led the BNP to be voted out of office. Despite these concerns, the Awami League remained in power for fifteen years amidst reports of increased political repression of citizens.

¹ The caretaker government system of Bangladesh was introduced in 1996 to ensure a fair and free electoral process. An unelected interim government appointed by the incumbent executive would be tasked with organizing an election within ninety days, and hand over power to the newly elected government within 120 days. The system was abolished in 2012.

Elections held during the last fifteen years have been characterized by boycotts by the major opposition party and were not free or fair, so the relatively high election score assigned to Bangladesh in the political subindex is not an accurate reflection of the poor quality of politics and governance during this era. Elections followed a regular schedule, but it is difficult to see them as meaningful. Beyond the opposition election boycotts, the atmosphere of political violence and deep erosion of individual rights dramatically limited the level of contestation in the electoral process. Bangladesh's extremely low score on legislative constraints on the executive partly explains why it was so easy for the Awami League to create an autocracy so quickly.

The **legal subindex** further confirms the erosion of the system of checks and balances necessary in a functioning democracy, clearly showing a negative trend in the two components that deal with the legal framework of the country: clarity of the law and judicial independence and effectiveness. The two-year caretaker government during 2006–08, and constitutional changes made by the subsequent Awami League government generated a state of legal uncertainty and insecurity. The twenty-point drop in the level of judicial independence since 2010 reflects that autocratic government's efforts to control the judiciary to safeguard its hold on power, and to use it as a weapon to persecute the opposition.

The improvement of the security component of the legal subindex is likely a by-product of stricter measures that curtailed some civil liberties. Mass protests and strikes, which were popular in the early 2000s, were no longer permitted, which resulted in a reduction in open street clashes and insecurity. But this also reflects political repression, so this clearly imposed costs on citizens. The data obviously do not yet reflect the mass student protests

that began in July 2024 which ultimately resulted in the ousting of the autocratic government.

Also notable is the sustained improvement in Bangladesh's informality score after 2005. The government made a big push toward digitalization of public services, including in tax administration. Digitizing third-party information improves the government's ability to collect taxes, particularly value added tax, which in turn limits firms' capacity to operate in an informal shadow economy. This fact could also explain the small progress in bureaucracy and corruption observed in the data from 2004 to 2016, but it is important to stress that the level of this component is still exceptionally low for Bangladesh, not only creating discontent with the government and the state apparatus, but obviously generating substantial economic costs and inefficiencies.

Finally, the **economic subindex** evolution is driven by the movements in two components, namely trade and investment freedoms. The improvement in trade freedom in the late 1990s is a product of the adjustment programs imposed by the International Monetary Fund and the World Bank around this period, which forced a liberalizing process in several economic sectors. The ten-point fall in this component in 2013 is likely the result of stricter labor and workplace regulations implemented after the Rana Plaza disaster, which led to workplace injuries and deaths for hundreds of garment factory workers. Garment buyers in Bangladesh's export destination countries pushed for these regulations.² The sharp collapse of investment freedom between 2005 and 2008 is definitely capturing the political uncertainty of those years, and the rapid recovery when finally a government was formed captures the initial enthusiasm once the crisis was resolved.

² See for example the joint statement of the Government of Bangladesh, the European Union and the International Labour Organization signed in July 2013, www.ilo.org/resource/news/ilo-eu-bangladesh-government-adopt-new-compact-garment-factory-safety.

It is important to comment on the surprisingly low level of women's economic freedom observed in the data. Bangladesh scores almost eighteen points below the regional average in 2023, and the indicator only shows a mild improvement between 2007 and 2011. I think this might be explained by the distinction between the legal definition of women's economic freedom versus actual practice. The real situation of women in economic affairs is probably better in Bangladesh than one would infer by looking at the formal legislation. For example, the Bangladeshi female labor force participation rate (39.5 percent) is significantly higher than in many neighboring countries such as India (29.9 percent) and Pakistan (25.9 percent), and the average for South Asia (30 percent).³ The rapid expansion

of the garment industry in the 1980s and 1990s created many new job opportunities, especially for women. That improved returns to education for girls, which led to greater investments in girls' schooling.⁴ Bangladesh achieved the Millennium Development Goal of gender parity in educational enrollment by 1995, fifteen years ahead of schedule. Girls' primary school enrollment has exceeded that of boys since then. As a by-product, early marriage and early motherhood have decreased dramatically. These improvements in women's economic opportunities do not seem adequately captured by the legalistic approach embedded in the World Bank Women, Business and the Law Index which determines the quantitative score on this component.

Evolution of Prosperity

The positive evolution of the **Prosperity Index** fairly reflects the situation of the country in the last three decades. Despite the institutional volatility and bad governance, Bangladesh has outperformed most regional neighbors economically, and this has closed the prosperity gap, especially since 2014. Scholars have referred to this as "the Bangladesh paradox."⁵ Early improvements in health and educational indicators created the preconditions for economic growth. Bangladesh's health and educational achievements exceed what the country's **income** per capita would predict. The country has made substantial progress in material well-being, and unlike some other countries in the region, has not suffered a major economic crisis in the last three decades.

The flat performance of the **inequality** component of the Index may reflect a lack of detailed data. Economic growth in the country has been obviously urban-biased, with increased activity in sectors such as construction and infrastructure that have benefited cities more than rural areas. Those sectors are also heavily prone to corruption and graft, leading to massive wealth accumulation at the high end of the income distribution.

The **health** and **education** components of the Index show that Bangladesh's improvement has outpaced that of its regional comparators since 1995. While school enrollment has massively improved since 1995, a measure of average years of education does not adequately capture the quality of learning that happens in school. Learning and human capital

³ ILO estimates for labor force participation rates for females as a share of total female population aged 15–64, obtained from the World Bank data portal.

⁴ R. Heath and A. M. Mobarak, "Manufacturing Growth and the Lives of Bangladeshi Women," *Journal of Development Economics* (2015), 115, 1–15.

⁵ Harry Blair, "The Bangladesh Paradox," *Journal of Democracy* 31 (4) (2020) 138–150, <https://bpb-us-w2.wpmucdn.com/campuspress.yale.edu/dist/b/405/files/2020/10/HBlair-BangladeshParadox-JDem2020.pdf>.

remain important challenges for Bangladesh today. I suspect that a quality-weighted measure of education would not present as optimistic a picture.

Considerable progress has been made in the health sector, thanks to a determined commitment to ensure child vaccination and access to maternal and neonatal healthcare. A vibrant non-governmental organization sector in Bangladesh has played a positive role to deliver basic services. Again, the quality of healthcare remains poor, and there are emerging areas of concern such as worsening mental health—an issue that needs greater attention from policymakers.

I think the evolution of the **environment** score masks two opposing trends. Increased economic

prosperity in rural areas expands access to cleaner-burning cookstoves and other technologies that protect environmental health. Much of the population has remained rural, which probably drives the aggregate positive trend of the indicator. However, in urban areas, outdoor air quality has clearly worsened with increased manufacturing and construction activities (including emissions from brick kilns),⁶ and the attendant loss of green space. Increasing prosperity has also led to a proliferation of motorized vehicles and increased congestion, and a lack of urban planning has allowed the urban living environment to deteriorate. These detrimental effects are not adequately captured by the component.

The Path Forward

An autocratic government that had steadily consolidated its power was finally ousted by a student-led “Monsoon Revolution” during the summer of 2024. The revolution was diffuse and decentralized—with organic student protests that quickly spread throughout the country—and was not organized under the banner of any political party. As a result, the post-revolution political leadership and the way forward remain unclear. Dr. Muhammad Yunus, the founder of the Grameen Bank and a Nobel Peace Prize laureate, took charge as chief adviser to the caretaker government at the behest of students. His international name recognition and stature make him a credible leader, and temporarily stabilized the political uncertainty. But as I write, the country’s political future remains uncertain.

Given the political instability and challenges that Bangladesh has faced, citizens are willing to

give an unelected caretaker government some leeway and time to govern and reform political institutions. For the moment, all parties, the military, and civil society appear to have implicitly agreed and acknowledged that the caretaker government should remain in power for at least eighteen months, so that they have sufficient time to institute reforms. But important sources of uncertainty remain unresolved. First, the political parties, and especially the recently ousted Awami League, may pursue strategies to regain influence, which could lead to political instability. Misinformation propagated by right-wing groups in India seems deliberately aimed at destabilizing Bangladesh by inflating fears of religious conflict. However, the impact of these efforts is not yet clear.⁷ Second, to maintain legitimacy, the caretaker administration will have to perform, since it does not derive

⁶ Sarah Jane Staats, “Five Lessons from a Scientist as Problem Solver: Stephen Luby & Cleaner Brick Manufacturing in Bangladesh,” Stanford Impact Labs, December, 9 2021, <https://impact.stanford.edu/article/five-lessons-scientist-problem-solver-stephen-luby-cleaner-brick-manufacturing-bangladesh>.

⁷ Jacqui Wakefield and Shruti Menon, “The Far-Right Videos Distorting the Truth of Bangladesh Minority Attacks,” BBC, August 18, 2024, www.bbc.com/news/articles/cx2n8pzk7gzo.

legitimacy from any election. Governing a country with a population of 175 million is a complex undertaking. The bureaucracy and other government institutions, including public universities, were reportedly subject to political influence during the Awami League's administration. This makes reform even more complex. Third, the power of Bangladeshi political parties has traditionally stemmed from grassroots and street-level organization, with a power hierarchy that extends into rural areas. The caretaker government and the students who led the July 2024 Monsoon Revolution do not have the same political infrastructure and organization.

Bangladesh is in uncharted territory. There is a lot of hope among average citizens that ousting a powerful autocratic government was a major achievement, and that the architects of that uprising can ensure better governance going forward, by instituting some fundamental reforms and not repeating the mistakes of the past. Whether those hopes of a nation can be successfully realized remains to be seen. Given how fundamental many reforms need to be, including a reexamination of several aspects of the country's Constitution, the path ahead is likely neither linear nor straightforward.

Ahmed Mushfiq Mobarak

Ahmed Mushfiq Mobarak is a professor of economics and management at Yale University and the founder of the Yale Research Initiative on Innovation & Scale (Y-RISE). Mobarak conducts field experiments in Bangladesh, Sierra Leone, and Nepal to investigate the adoption of welfare-enhancing innovations and behaviors, and the scaling of effective development interventions. His research has been covered by major global media outlets and published in journals across disciplines. He received a Carnegie fellowship in 2017 and was named in Vox's inaugural list of "50 scientists working to build a better future."

Kazakhstan

Nargis Kassenova

Socioeconomic Data 2023

General Information

POPULATION

19.9 million

LIFE EXPECTANCY (2022)

74 years

RELIGION (2010)

Muslim → 70.4%

Christian → 24.8%

Unaffiliated → 4.2%

Other → 0.6%

ETHNIC
FRACTIONALIZATION
(2013)

0.538

Economic Data

GDP PER CAPITA

35,453

% of US GDP pc → 48.1%

GDP pc Growth → 3.7%

INFLATION

14.7%

DEBT/GDP (CENTRAL 2023)

20.7%

TRADE (% OF GDP) (2022)

68.0%

UNEMPLOYMENT (2022)

4.9%

SECTORAL ALLOCATION

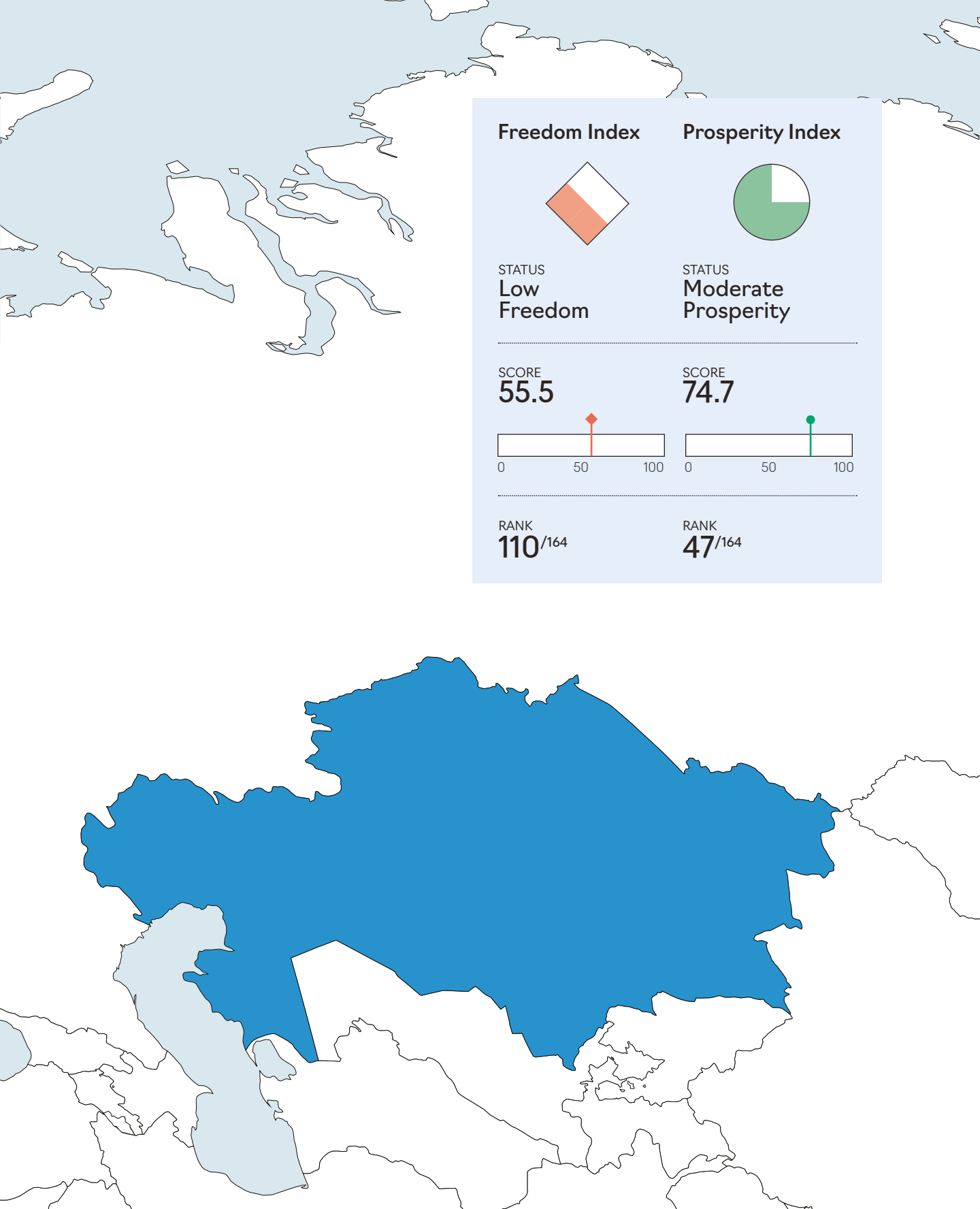
Agriculture → 4.7%

Industry → 34.7%

Services → 60.7%

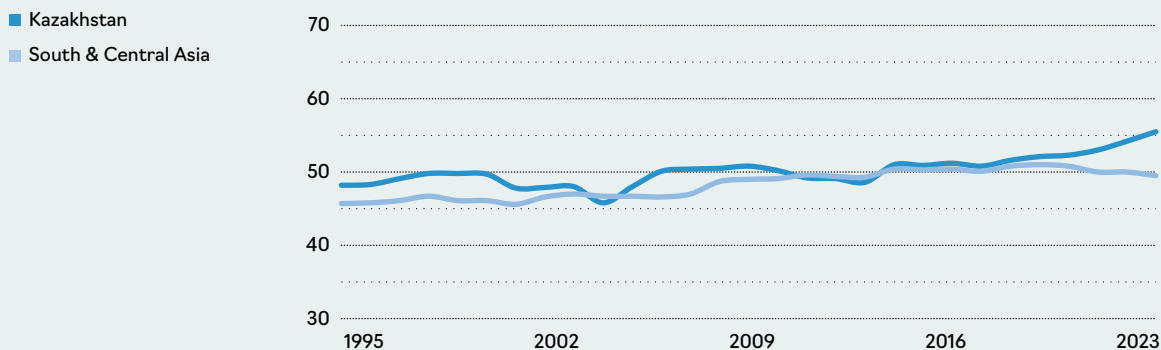
GINI COEFFICIENT

27.6



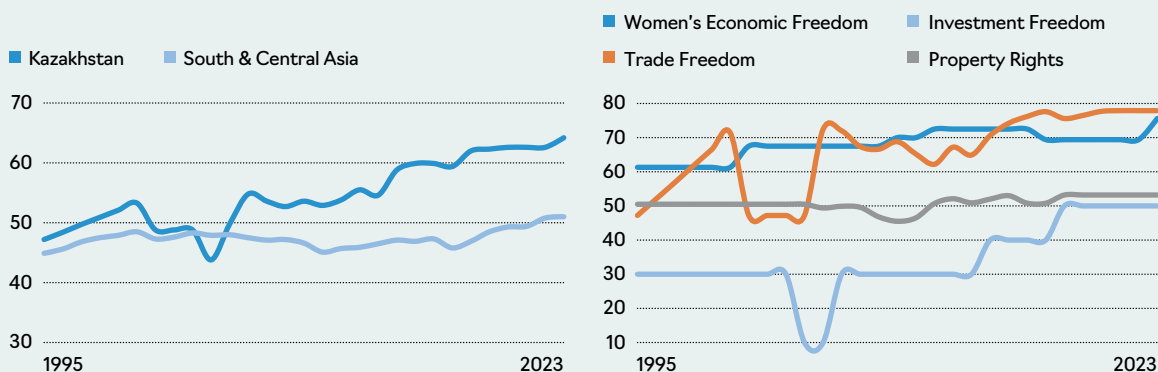
Freedom Index

1995-2023



	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Freedom Rank	110	-	12	-
Freedom Score	55.5	49.5	8.8%	-1.7%
Economic Subindex	64.2	50.9	9.2%	8.1%
Political Subindex	50.7	50.2	17.1%	-10.9%
Legal Subindex	51.4	47.4	1.2%	-0.4%

Economic Subindex

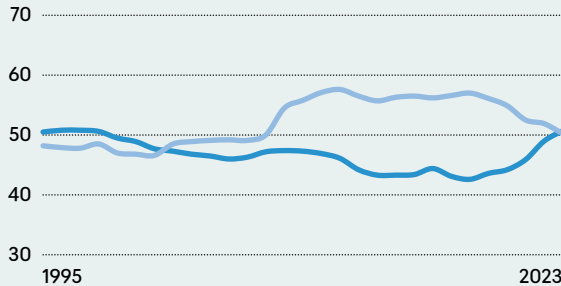


	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Women's Economic Freedom	75.6	67.0	4.3%	10.4%
Investment Freedom	50.0	35.4	25.0%	10.4%
Trade Freedom	77.9	73.0	10.4%	1.2%
Property Rights	53.2	47.2	2.4%	5.5%

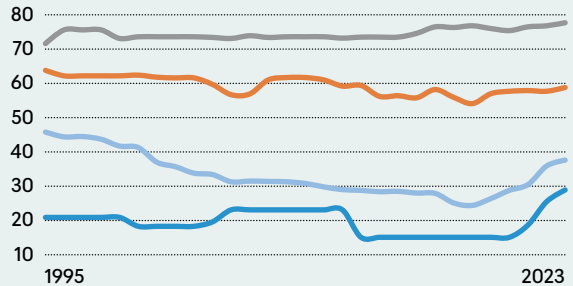
KAZAKHSTAN

Political Subindex

■ Kazakhstan ■ South & Central Asia



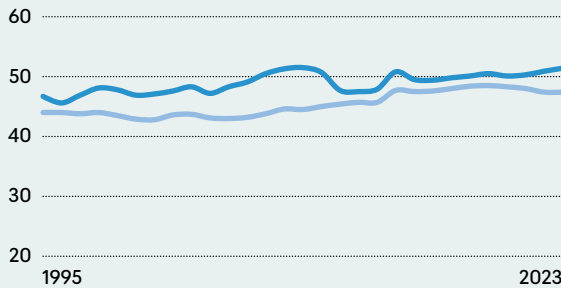
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



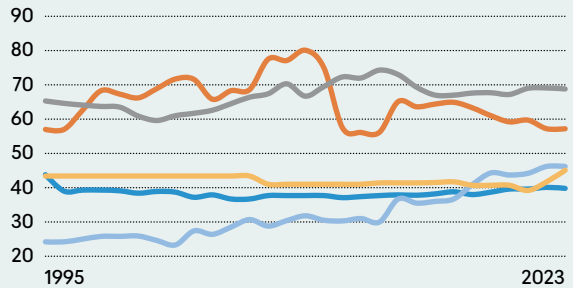
	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Legislative Constraints on the Executive	28.9	38.6	91.4%	-12.3%
Political Rights	37.6	41.6	32.0%	-20.7%
Civil Liberties	58.8	47.3	4.3%	-6.6%
Elections	77.7	73.3	5.8%	-6.3%

Legal Subindex

■ Kazakhstan ■ South & Central Asia



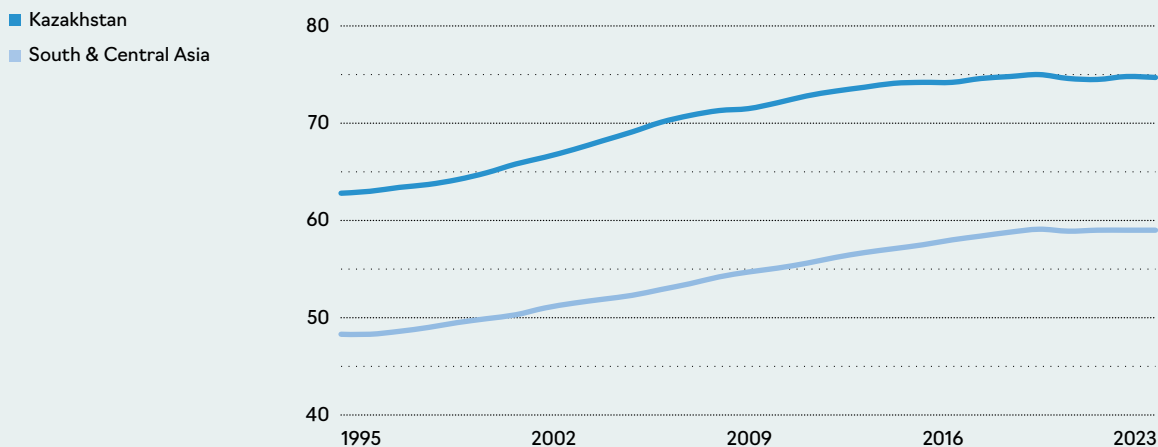
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Judicial Independence and Effectiveness	39.8	49.5	5.1%	-2.6%
Bureaucracy and Corruption	46.2	33.8	26.1%	2.0%
Security	57.2	50.6	-12.2%	0.6%
Clarity of the Law	45.1	39.0	8.8%	-4.6%
Informality	68.8	64.4	-5.6%	1.8%

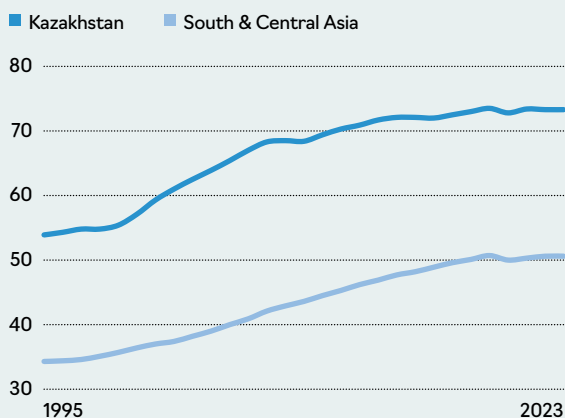
Prosperity Index

1995-2023



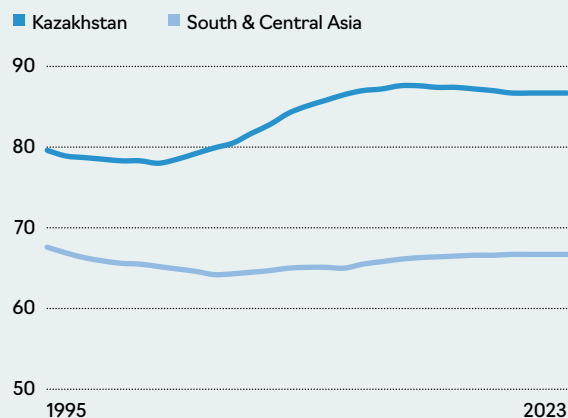
	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Prosperity Rank	47	–	-2	–
Prosperity Score	74.7	59.0	0.9%	3.3%

Income



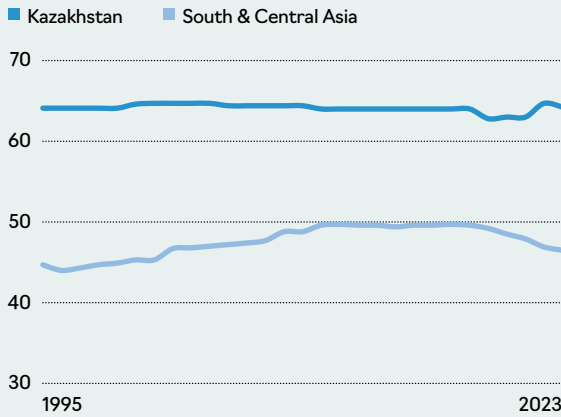
	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Income	73.3	50.6	1.7%	6.2%
Inequality	86.7	66.7	-1.0%	0.8%

Inequality

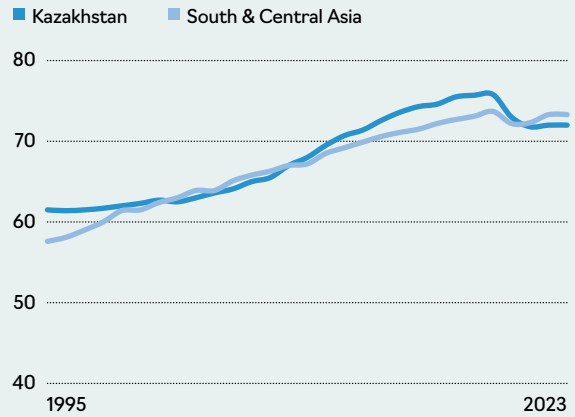


KAZAKHSTAN

Minorities

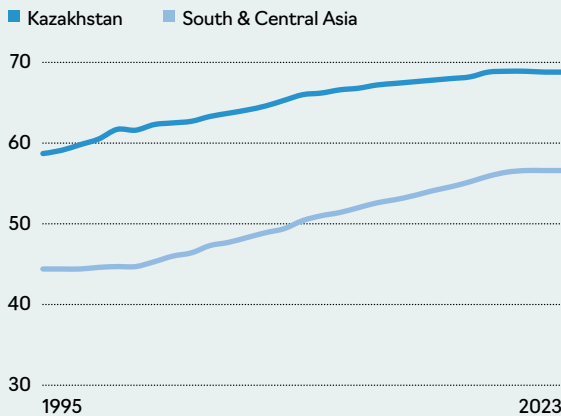


Health

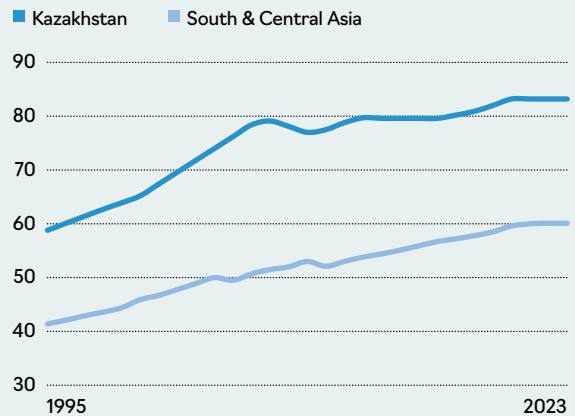


	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Minorities	64.2	46.5	0.3%	-6.0%
Health	72.0	73.3	-2.1%	3.1%

Environment



Education



	2023		Change Since 2014	
	Kazakhstan	Region	Kazakhstan	Region
Environment	68.8	56.6	2.0%	6.9%
Education	83.2	60.1	4.4%	9.1%

Evolution of Freedom

The **Freedom Index** shows two important features of the institutional development process that Kazakhstan has followed in the last three decades. On the one hand, the overall positive trend reflects the goal, maintained throughout the period, to integrate into the global community both politically and economically in order to foster the young country's security and prosperity. All the strategies the country has adopted over the past thirty years consistently reflect its aspiration to have an open competitive economy and be a respected international actor. The latter implied becoming a functional democracy and complying with international human rights norms. On the other hand, while the government's commitment to economic liberalization has been fairly consistent and genuine, its record in the areas of good governance, democratization, and human rights could be characterized as patchy at best. The divergent paths of the three freedom subindexes underscore the difference in commitment.

Fluctuations observed in the Freedom Index can be explained by changes in circumstances and policies. Kazakhstan received a strong initial impulse toward liberalization thanks to the late Soviet perestroika reforms and the Washington Consensus. However, by the end of the 1990s, this impulse was subdued by the consolidation of an authoritarian regime under the country's first president, Nursultan Nazarbayev. It was also challenged by the Asian financial crisis, which generated serious doubts about the benefits of unconstrained openness to financial and trade markets. In the early 2000s, oil revenues started to increase, and the government was clearly tempted to use the windfall to pursue interventionist and protectionist economic policies. Tensions between state-led development and free market orientations have been present ever since. Economic growth also allowed an enhancement of the social welfare

system, which had been damaged by the economic crisis and neoliberal policies of the 1990s. Nazarbayev's resignation in 2019 and comprehensive reforms laid out by president Kassym-Jomart Tokayev in the wake of the dramatic unrest and crackdown in January 2022 created a positive dynamic reflected in the upward trend of the Index.

Looking at the three freedom subindexes gives a more detailed view of developments in Kazakhstan. The **economic subindex** is the main contributor to the overall positive trajectory of the aggregate Index. It has been on the ascent and above the region's average, with the exception of a sudden ten-point decrease in the 2000–04 period. Trade and investment freedom plummeted at that point due to the adoption of new legislation regulating investment, taxes, and environmental requirements. The government grew more assertive in its relations with foreign investors, introduced local content requirements, and renegotiated contracts. But the subindex quickly recovered, and since then has shown a very clear positive trend, which was helped by Kazakhstan's accession to the World Trade Organization in 2015.

The relatively high score on women's economic freedom is both a legacy of the Soviet modernization project and its emphasis on recruiting women into the labor force and a product of current circumstances. For many families, two incomes are needed to support a decent standard of living. A positive long-term consequence of the dramatic economic collapse of the late Soviet and early independence years is the high number of women entrepreneurs in Kazakhstan. At the time, many women quit their non-paying jobs and became shuttle traders, importing goods from China and Turkey and selling them in bazaars and small markets. This experience served as an incubator for women entrepreneurs in the country. The trend has been supported by the government and international donors, and

nowadays, there is a relatively high share of female entrepreneurs running their own businesses.

The **political subindex** shows a sustained deterioration between 1999 and 2019, with a temporary improvement in 2006–10, and a steep rise since 2019. The relatively higher scores of the 1990s represent the ebbing of the liberalization wave started by Mikhail Gorbachev's reforms in the mid-1980s. The super-presidential Constitution¹ adopted in 1995 set Kazakhstan on the path of authoritarian consolidation. The trend is illustrated by the twenty-point fall in political rights of expression and association up until 2019. The situation with civil liberties during that period was better and more complex, as indicated by fluctuations on that component. The 2003, 2012, and 2016 dips are all linked to the adoption of new legislation (a 2003 law on extremism, a 2011 law on religious activities, and several legislative and legal amendments in 2016 targeting "extremism and terrorism"²) which limited freedom of conscience in the name of security. However, unlike the almost linear deterioration of the political subindex, each dip was followed by a partial recovery, reflecting a certain degree of internalization of liberal values by the political elites.

The power transition in Kazakhstan, which started with Nazarbayev's resignation in 2019 and ended with the "Bloody January" events in 2022, produced a critical juncture for the country. The first event did not change the balance of power—Nazarbayev, his family and associates remained in control, with Nazarbayev still designated "Leader of the Nation"—but it changed the mood in society. People felt that change was possible, and started demanding reforms. Tokayev and his team perceived and tried to respond to this growing

demand. They developed policies around the concept of the "hearing state" and experimented with more open local elections. However, under the Nazarbayev/Tokayev duumvirate, the system—long used to a clear and rigid vertical of power—grew confused and ineffective. The citizens' urge for change led to protests at the beginning of 2022 which, combined with what many observers see as an unsuccessful attempted coup by Nazarbayev loyalists, resulted in the "de-Nazarbayevization" of the system. Unexpectedly, President Tokayev transformed from an appointed successor into a reformist president. While the official goals of the political reforms he has been undertaking are democratization and liberalization, they seem to be primarily aimed at removing the excesses of the super-presidential political system and improving governance. The geopolitical context is a factor affecting the direction and depth of reforms. On the one hand, deepening relations with the West is even more important under the new circumstances, and therefore Western perceptions of the human rights situation in Kazakhstan matter. On the other, there are fears that political liberalization could destabilize and weaken the country, making it more vulnerable to external meddling.

The **legal subindex** reflects a very complex situation around the implementation of the rule of law in Kazakhstan. First, the improving quality and responsiveness of the bureaucratic apparatus is well captured by the data. The growing budget in the 2000s allowed the regime to invest in good governance, drawing on the understanding that the best way to reduce contestation and protests is to efficiently provide the population with public services through a well-functioning state. The focus

1 In a super-presidential regime "the president and his administration (the 'apparat') control political decision-making while the parliament and courts are only nominally independent," Johannes Linn. "Super Presidential Risks and Opportunities in Russia." Brookings, January 26, 2006. <https://www.brookings.edu/articles/super-presidential-risks-and-opportunities-in-russia>. Johannes Linn et al., *Bringing Down Barriers: Regional Cooperation for Human Development and Human Security*, UNDP Central Asia Human Development Report, United Nations Development Programme, 2005, www.undp.org/sites/g/files/zskgke326/files/migration/eurasia/Central-Asia-Development-Report.pdf.

2 United States Department of State, "Country Reports on Terrorism 2016 – Kazakhstan," July 19, 2017, www.refworld.org/reference/annualreport/usdos/2017/en/117970.

has been on better training of civil servants and digitalization to improve efficiency and accountability (in line with the “hearing state” concept). Every public agency has social media accounts, and its performance assessment takes into account the public communication aspect.

Second, there is a clear lack of improvement—and even deterioration—in the judicial independence and effectiveness score. The subservience of the judicial branch to the president, introduced by the 1995 Constitution, and the systemic corruption, greatly hindered the development of the rule of law in Kazakhstan. Realizing that this reduces the country’s attractiveness to foreign investors, the government created a legal enclave, the Astana International Financial Center, in 2018. It features its own court and international arbitration center,

providing a common law system and employing foreign judges. While this arrangement serves as a quick fix for investor-related issues, it makes the injustices facing the general citizenry even more apparent.

It is worth noting that President Tokayev initiated a judicial reform aimed at raising the qualifications of judges and legal personnel, “cleaning” the system of corruption, and improving processes and procedures. Over the next five years it will be possible to assess the implementation of that reform. One important positive development is the restoration of the Constitutional Court (the previous body was turned into a “toothless” Constitutional Council by the 1995 Constitution) and inviting highly professional and credible people to serve as judges.

Evolution of Prosperity

Kazakhstan is a large exporter of crude oil, gold, iron ore, copper, aluminum, zinc, uranium, and other metals, bringing substantial revenues to the country. It also produces and sells high-quality durum wheat, an important commodity in international markets. Therefore, it is not surprising that its overall **Prosperity Index** score has been above the regional average. In addition, the government’s efforts to improve social welfare, drawing on the norms and experiences of the Soviet welfare state, also help Kazakhstan to score better in the education and minorities components of the Index.

Fluctuations of the **inequality** component show that economic growth does not necessarily translate into reductions in poverty and inequality, and that positive trends can be reversible. There are substantial spatial disparities in wealth and access to services between the regions and along the rural-urban divide. The two largest cities, Almaty and Astana, are better off, while the oil-producing

regions of western Kazakhstan have both high income and high poverty rates and the agricultural and largely rural south ranks poorly on both counts. The government is trying to mend these regional inequalities by investing in infrastructure and changing budget allocations to incentivize regions to generate their own revenues through economic activities.

The **education** component of the Index places Kazakhstan within the best performers in the world. It can boast nearly universal enrollment in elementary and secondary education, and high enrollment in tertiary education. The scores, however, do not show the patchy quality of the education provided. The neoliberal reforms of the 1990s responsible for underfunding the sector and “streamlining” schools in rural areas, and the gradual dissipation of the Soviet education system, accompanied by the retirement of Soviet-trained teachers, resulted in growing inequality of access and decreasing

quality of instruction in public schools. Standardized tests such as PISA³ show serious deficiencies in the education of Kazakhstani pupils compared to those of Western Europe or other Organisation for Economic Co-operation and Development (OECD) countries. During the Nazarbayev period, the government tried to improve education, which it viewed as a crucial component of economic growth and development, through internationalization and creation of “pockets of excellence,” most importantly the newly established Nazarbayev University and a cluster of Nazarbayev Intellectual Schools, attracting the most talented students with fully funded grants. Tokayev’s government has been working on improving the quality of public, and especially rural, education, by allocating more funding, raising the status and salary of teachers, and reforming teacher training institutions. It also promotes partnerships between established foreign universities and regional universities in Kazakhstan.

Kazakhstan’s **health** component has fluctuated above and below the regional average. A steep increase in life expectancy in the 2000s reflects the improvement of the socioeconomic situation and bigger investments in the healthcare system, which enabled Kazakhstan to achieve a substantial decline in infant and maternal mortality, approaching the OECD average. As with the rest of the region, Kazakhstan experienced a decline in life expectancy as a result of the COVID-19 pandemic. The stronger negative effect of the pandemic in Kazakhstan compared to the rest of the region might be the outcome of better and more honest statistics. The country’s government was very active in

handling the healthcare crisis during the pandemic and carried out a mass vaccination campaign once vaccines became available. The national Healthy Nation project currently being implemented aims to increase life expectancy from the current seventy-five years to seventy-seven within five years.⁴

Kazakhstan has scored high in the **minorities** component. Its Constitution outlaws any discrimination “on the grounds of origin, social, official, or property status, sex, race, nationality, language, attitude to religion, convictions, place of residence or any other circumstance.” Managing interethnic relations has been the biggest challenge. In the early days of independence, the country’s leadership crafted an approach carefully balancing the interests of its multiple ethnic groups (especially Russians) with the need to develop a nation-state around the Kazakh identity. Representatives of different ethnic groups compose the Assembly of the People of Kazakhstan, a special political body, chaired by the president of the country. Five members of the Assembly are elected to the Senate.

Finally, Kazakhstan scores above the regional average in the **environment** component. It is not a big carbon emitter, but this is largely due to the country’s small population of 20 million people, dwarfed by its large neighbors in the broader Eurasia region. Kazakhstan’s carbon intensity, that is the amount of carbon dioxide emitted per unit of energy, is high (0.33 kg per kilowatt-hour) and exceeds those of China (0.26 kg/kWh) and India (0.28 kg/kWh).⁵ The government has an ambitious decarbonization program, aiming to reach net zero by 2060.

3 OECD, “Kazakhstan Student performance (PISA 2022),” www.oecd.org/en/publications/pisa-2022-results-volume-i-and-ii-country-notes_ed6fbcc5-en/kazakhstan_8c403co4-en.html; PISA is the OECD’s Programme for International Student Assessment. PISA measures 15-year-olds’ ability to use their reading, mathematics, and science knowledge and skills to meet real-life challenges.

4 Saniya Sakenova, “Life Expectancy in Kazakhstan Exceeds 75 Years,” *The Astana Times*, July 10, 2024, <https://astanatimes.com/2024/07/life-expectancy-in-kazakhstan-exceeds-75-years>.

5 Hannah Ritchie and Max Roser, “Kazakhstan: CO₂ Country Profile,” OurWorldInData.org, 2022, <https://ourworldindata.org/co2/country/kazakhstan>.

The Path Forward

Kazakhstan finds itself at an inflection point. The January 2022 events put a sudden end to the Nazarbayev era, and Russia's full-scale invasion of Ukraine undermined the post-Soviet political and security order. The combined domestic and geopolitical shocks are causing concerns, fears, and anxieties about the present and the future. At the same time, they are creating space for change and new beginnings. Whether Kazakhstan can move toward more freedom and prosperity will be determined by choices made today and tomorrow, and shaped by the domestic dynamic of state-society relations and external incentives and pressures.

At present, Tokayev's reform agenda points to further liberalization of the system. We can expect an improvement in the political subindex: modest improvements on the elections, political rights, and legislative constraints on the executive components; and more substantial improvements on the civil liberties component. The situation with religious freedoms might not improve, but will probably not deteriorate either, despite growing concerns about radical Islamism and terrorism. The legal subindex scores are likely to grow, particularly the judicial independence and effectiveness and bureaucracy and corruption components. There will also be improvement of prosperity scores due to active policies on women's empowerment, inclusion of people with disabilities, and decarbonization efforts.

For the gradual liberalization agenda to work, on the domestic side, the state needs to maintain the will for reforms and capacity to implement them with a substantial degree of success, and society needs to be interested in reforms and exercise consistent pressure. If the relations between the two grow conflictual (fueled by inequalities and grievances), there is a risk that the reforms will be curtailed. There will be more clarity about the trajectory of Kazakhstan's development by 2029,

the year when president Tokayev's single term comes to an end. It is important to keep in mind that there are anti-liberal as well as pro-liberal forces in Kazakhstan's society. Growing social conservatism that accompanies Islamic revival could become a formidable challenge over the next ten years.

On the geopolitical side, the liberalization agenda needs to be incentivized and supported by the West. Such a partnership would be useful for both parties—but not easy for either. Kazakhstan wants deeper relations with the West in order to develop and not be overwhelmed by its giant neighbors, Russia and China. However, it needs to build those relationships gently, to avoid angering Moscow and annoying Beijing too much. For the United States, European countries, and others, the challenge is to engage in an effective manner, providing the right incentives. Unlike in the 1990s, the supremacy of the West is now being challenged, and new approaches and ways of dealing with countries like Kazakhstan are needed.

Taking into account internal and external factors, I can envisage three scenarios. The first, optimistic, scenario, "More freedom and prosperity," hinges on the success of liberalization reforms and a benign external environment. Under this scenario, President Tokayev and his team are able to successfully implement some reforms, giving them more legitimacy, and Kazakhstani society keeps pushing for more liberalization. Tokayev ends his term in 2029, as defined by the Constitutional amendment, and there is a peaceful power transfer. Relations with the West are strong, Russia accepts the new situation, and China finds it useful for managing relations with Europe. Kazakhstan is not a liberal democracy, but it is on a promising path, gradually internalizing liberal values and norms.

The second scenario, "Prosperity at the expense of freedom," implies limited reforms, skewed in favor of professional state and socioeconomic

goals. The leadership decides that tightening control over society with the help of traditional and new (digital) surveillance means is a must, and there is no need to pay too much attention to what Western actors think and say on the matter. The aspiration is to be a functional authoritarian state, and that means accepting being a political and economic satellite of China, the new superpower.

The third scenario, "No freedom and no prosperity," is a sad story of Kazakhstan imploding from internal tensions and/or destabilized from outside. The January 2022 events provided a glimpse

of such destabilization. Transformation of a consolidated, personalized and corrupt authoritarian regime into a softer and better governed one is a way to prevent conflicts and improve the development trajectory of the country, but as with all modernizations, it can be unsettling and pregnant with risks. Russia, unhappy with Kazakhstan "drifting away," decides to "bring it to heel" using hybrid war methods.

Nargis Kassenova

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Sub-Saharan Africa

SUB-SAHARAN AFRICA

















































Sub-Saharan Africa: Regional Ranking

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Seychelles	37	79.2	◆ High Freedom	49	74.1	● Moderate Prosperity
Cape Verde	41	77.6	◆ High Freedom	104	58.7	● Low Prosperity
Mauritius	44	75.2	◆ Moderate Freedom	61	70.9	● Moderate Prosperity
São Tomé and Príncipe	47	74.4	◆ Moderate Freedom	108	55.9	● Low Prosperity
Ghana	50	74.0	◆ Moderate Freedom	119	53.2	● Low Prosperity
Namibia	57	72.5	◆ Moderate Freedom	134	46.2	● Lowest Prosperity
Botswana	59	72.0	◆ Moderate Freedom	106	57.7	● Low Prosperity
South Africa	63	70.6	◆ Moderate Freedom	115	53.8	● Low Prosperity
Senegal	68	68.7	◆ Moderate Freedom	124	49.8	● Lowest Prosperity
Gambia	69	68.4	◆ Moderate Freedom	130	47.1	● Lowest Prosperity
Kenya	73	68.0	◆ Moderate Freedom	123	51.6	● Low Prosperity
Lesotho	75	67.4	◆ Moderate Freedom	147	43.9	● Lowest Prosperity
Zambia	77	66.9	◆ Moderate Freedom	149	43.4	● Lowest Prosperity
Malawi	78	66.9	◆ Moderate Freedom	144	44.6	● Lowest Prosperity
Sierra Leone	82	65.8	◆ Moderate Freedom	146	43.9	● Lowest Prosperity
Tanzania	83	65.3	◆ Low Freedom	132	46.5	● Lowest Prosperity
Liberia	93	62.2	◆ Low Freedom	142	44.8	● Lowest Prosperity
Côte d'Ivoire	95	61.7	◆ Low Freedom	140	45.2	● Lowest Prosperity
Benin	98	60.4	◆ Low Freedom	139	45.4	● Lowest Prosperity
Togo	102	58.4	◆ Low Freedom	128	48.2	● Lowest Prosperity
Niger	103	57.6	◆ Low Freedom	161	39.1	● Lowest Prosperity
Uganda	105	57.1	◆ Low Freedom	137	45.6	● Lowest Prosperity
Madagascar	106	56.5	◆ Low Freedom	158	41.0	● Lowest Prosperity

Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

Sub-Saharan Africa: Regional Ranking

continued

	Freedom			Prosperity		
	Rank	Score	Status	Rank	Score	Status
Burkina Faso	107	56.4	 Low Freedom	148	43.7	 Lowest Prosperity
Gabon	109	55.6	 Low Freedom	98	61.8	 Low Prosperity
Guinea-Bissau	112	55.1	 Low Freedom	151	42.6	 Lowest Prosperity
Mozambique	113	54.7	 Low Freedom	162	38.2	 Lowest Prosperity
Nigeria	115	53.9	 Low Freedom	136	45.6	 Lowest Prosperity
Rwanda	118	53.1	 Low Freedom	145	44.3	 Lowest Prosperity
Mauritania	119	53.0	 Low Freedom	125	49.6	 Lowest Prosperity
Angola	124	51.1	 Lowest Freedom	127	48.5	 Lowest Prosperity
Mali	126	50.1	 Lowest Freedom	157	41.1	 Lowest Prosperity
Cameroon	130	47.6	 Lowest Freedom	129	47.9	 Lowest Prosperity
Djibouti	131	47.4	 Lowest Freedom	143	44.7	 Lowest Prosperity
Comoros	135	46.2	 Lowest Freedom	135	46.0	 Lowest Prosperity
Congo	136	46.0	 Lowest Freedom	133	46.4	 Lowest Prosperity
Zimbabwe	137	45.4	 Lowest Freedom	141	45.0	 Lowest Prosperity
Guinea	141	43.7	 Lowest Freedom	155	41.7	 Lowest Prosperity
Democratic Republic of the Congo	143	43.4	 Lowest Freedom	160	40.1	 Lowest Prosperity
Ethiopia	146	42.6	 Lowest Freedom	138	45.6	 Lowest Prosperity
Equatorial Guinea	150	39.3	 Lowest Freedom	126	49.3	 Lowest Prosperity
Chad	151	38.7	 Lowest Freedom	163	36.4	 Lowest Prosperity
Burundi	152	38.5	 Lowest Freedom	156	41.2	 Lowest Prosperity
South Sudan	153	37.9	 Lowest Freedom	164	31.9	 Lowest Prosperity
Sudan	161	28.6	 Lowest Freedom	152	42.5	 Lowest Prosperity
Eritrea	163	22.7	 Lowest Freedom	159	40.4	 Lowest Prosperity

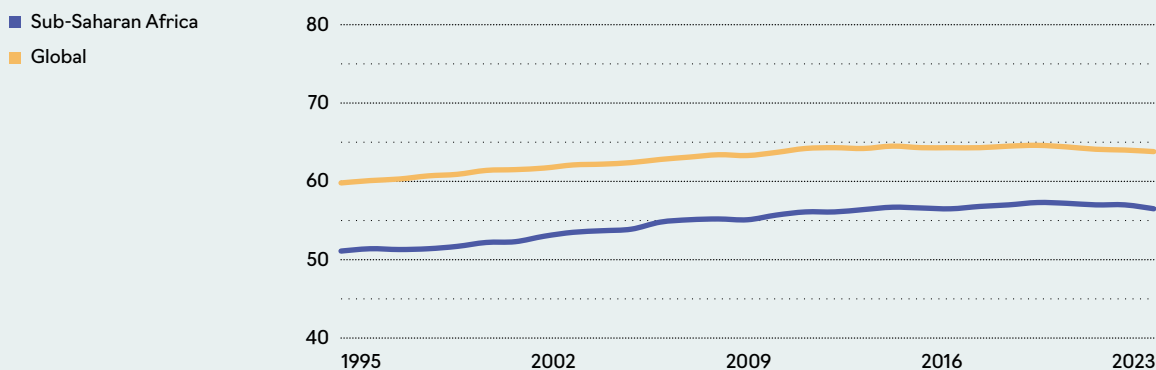
Countries are organized in descending order based on their Freedom scores, with "Rank" denoting global rankings.

SUB-SAHARAN AFRICA



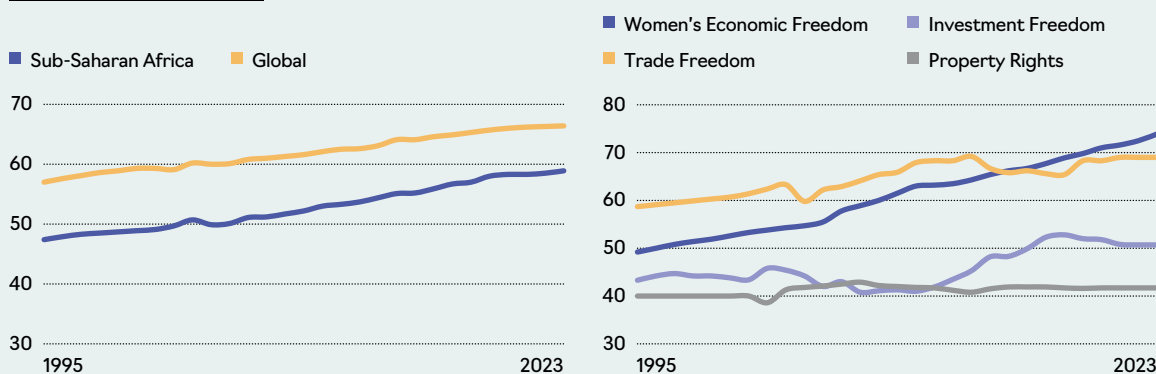
Freedom Index

1995-2023



	2023		Change Since 2014	
	Region	Global	Region	Global
Freedom Score	56.5	63.8	-0.3%	-1.1%
Economic Subindex	58.9	66.4	6.8%	3.6%
Political Subindex	60.6	67.4	-6.4%	-4.6%
Legal Subindex	50.0	57.7	-0.3%	-2.0%

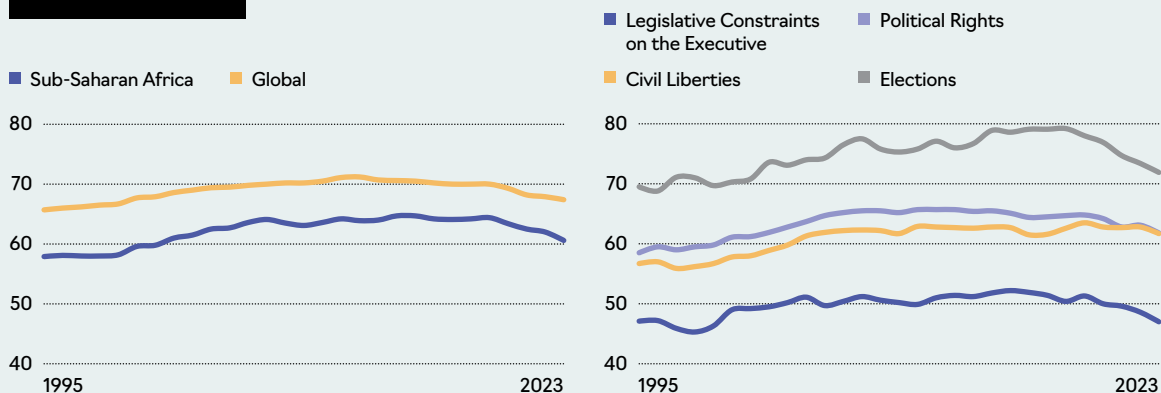
Economic Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Women's Economic Freedom	73.9	78.3	13.0%	8.5%
Investment Freedom	50.7	56.9	5.1%	2.1%
Trade Freedom	69.0	77.3	3.4%	0.5%
Property Rights	41.7	55.4	0.4%	1.6%

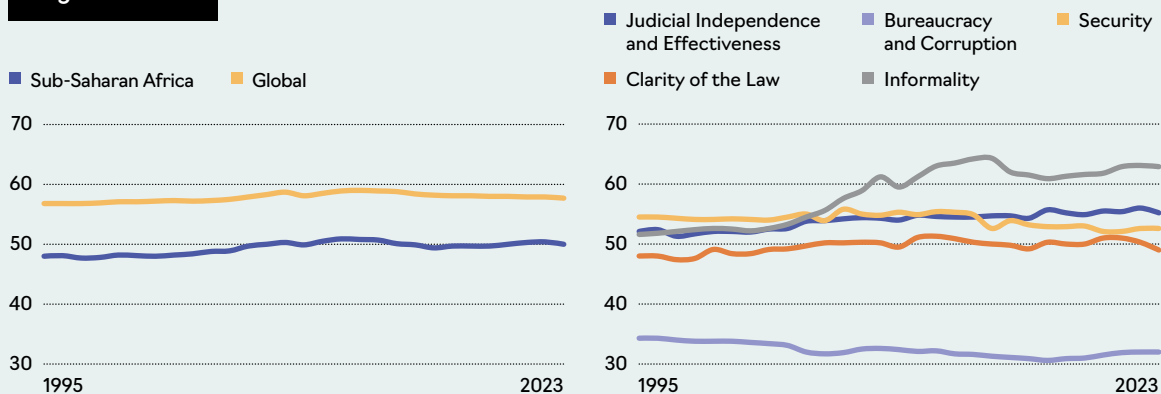
SUB-SAHARAN AFRICA

Political Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Legislative Constraints on the Executive	47.0	57.4	-9.2%	-4.7%
Political Rights	61.8	64.0	-5.6%	-6.7%
Civil Liberties	61.7	68.9	-1.7%	-3.5%
Elections	71.9	79.1	-8.9%	-3.8%

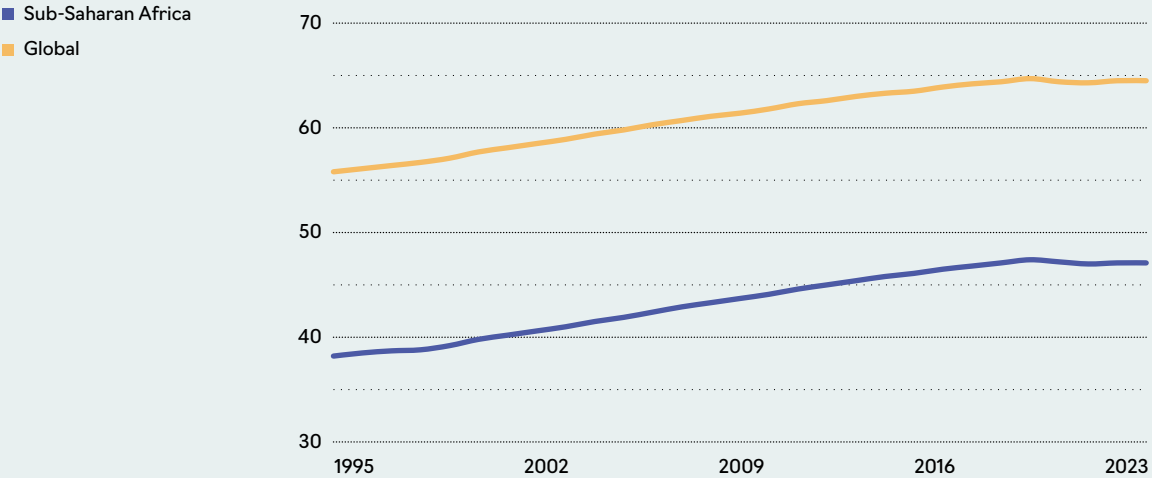
Legal Subindex



	2023		Change Since 2014	
	Region	Global	Region	Global
Judicial Independence and Effectiveness	55.2	61.7	0.8%	-1.4%
Bureaucracy and Corruption	32.0	44.4	2.2%	-2.0%
Security	52.6	60.0	-0.1%	-1.4%
Clarity of the Law	49.0	52.0	-1.9%	-4.5%
Informality	62.9	71.4	-2.3%	-1.1%

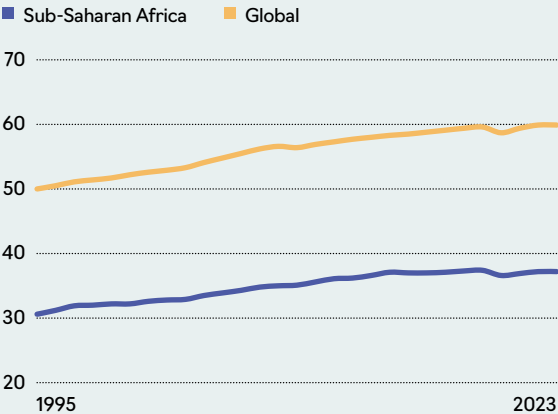
Prosperity Index

1995-2023



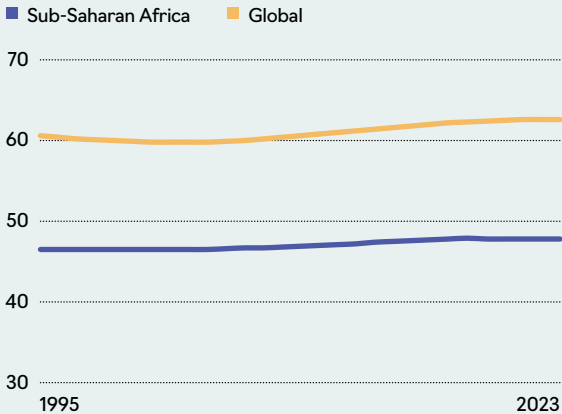
	2023		Change Since 2014	
	Region	Global	Region	Global
Prosperity Score	47.1	64.5	2.8%	1.9%

Income



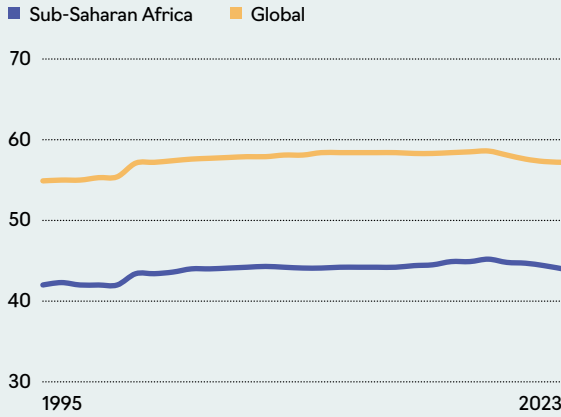
	2023		Change Since 2014	
	Region	Global	Region	Global
Income	37.2	59.9	0.5%	2.7%
Inequality	47.8	62.6	0.7%	1.6%

Inequality

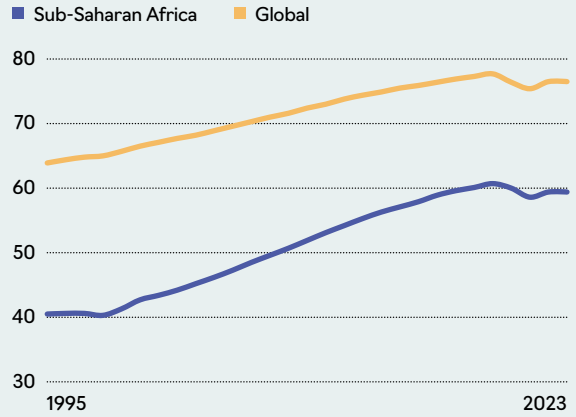


SUB-SAHARAN AFRICA

Minorities

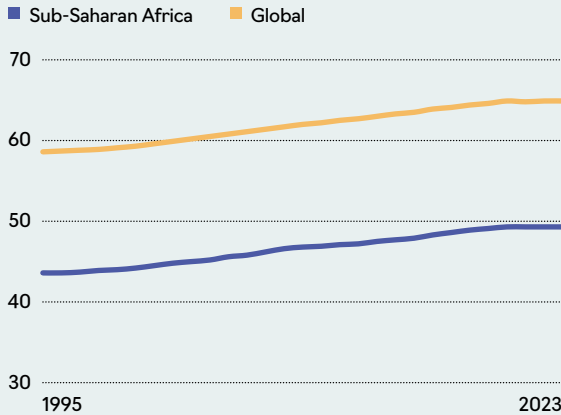


Health

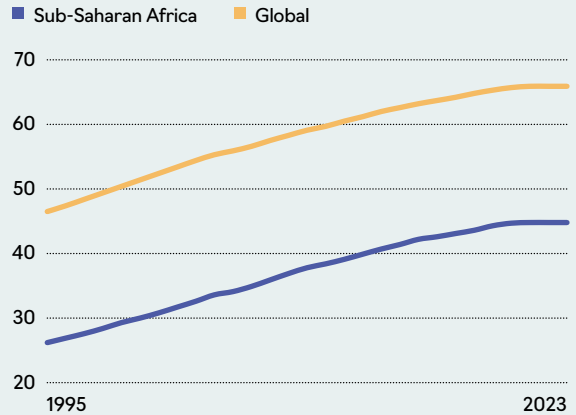


	2023		Change Since 2014	
	Region	Global	Region	Global
Minorities	44.0	57.2	-0.5%	-2.1%
Health	59.4	76.5	4.1%	1.4%

Environment



Education



	2023		Change Since 2014	
	Region	Global	Region	Global
Environment	49.3	64.9	3.4%	2.4%
Education	44.8	65.9	8.1%	5.1%

Cameroon

Vera Songwe

SUB-SAHARAN AFRICA

Socioeconomic Data 2023

General Information

POPULATION

28.65 million

LIFE EXPECTANCY (2022)

61 years

RELIGION (2010)

Christian → 70.3%

Muslim → 18.3%

Unaffiliated → 5.3%

Other → 6.1%

ETHNIC
FRACTIONALIZATION
(2013)

0.158

Economic Data

GDP PER CAPITA

4,849

% of US GDP pc → 6.6%

GDP pc Growth → 1.3%

INFLATION

7.4%

DEBT/GDP (CENTRAL 2023)

39.2%

TRADE (% OF GDP)

39.0%

UNEMPLOYMENT (2021)

3.1%

SECTORAL ALLOCATION

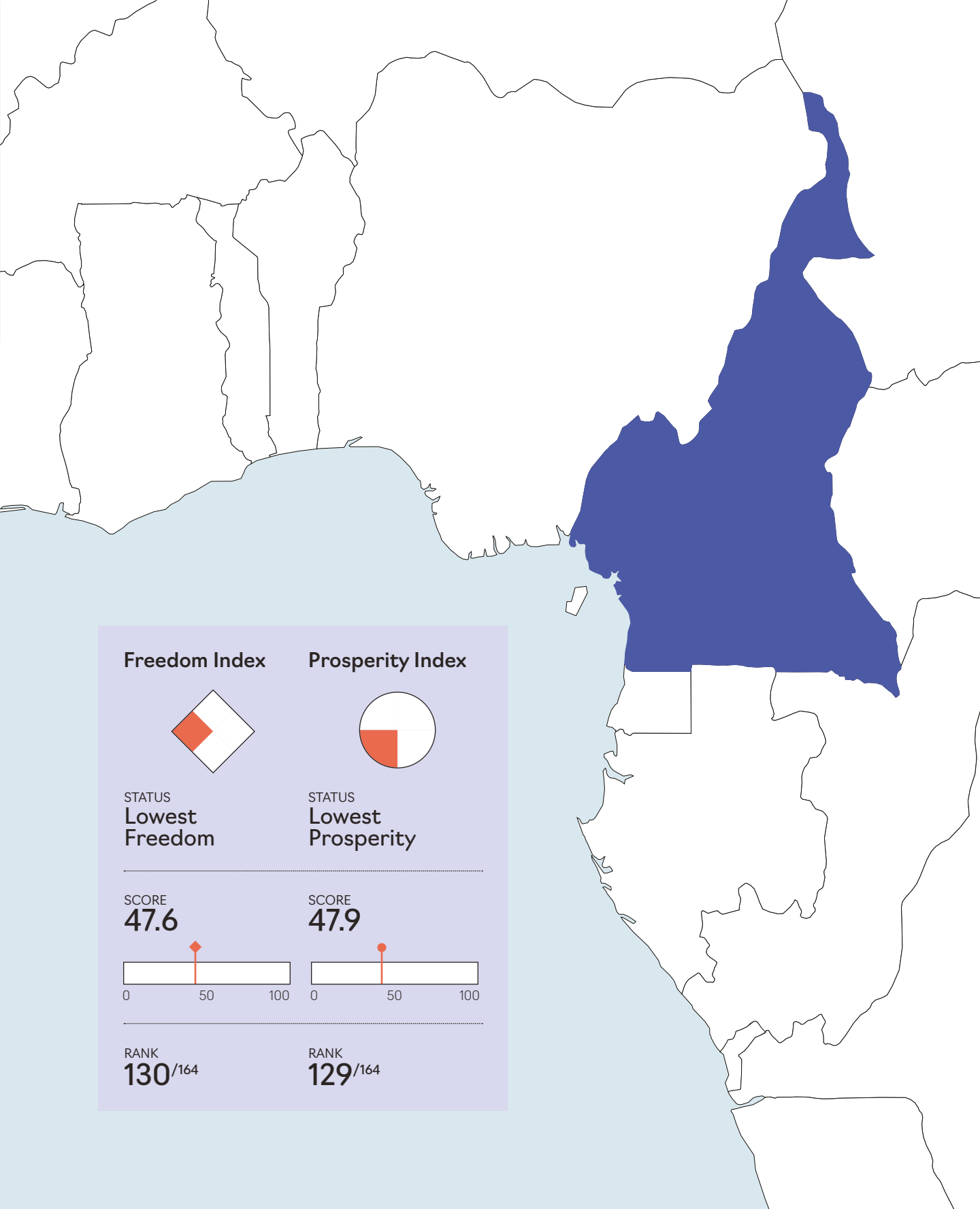
Agriculture → 17.9%

Industry → 27.0%

Services → 55.2%

GINI COEFFICIENT (2021)

44.3

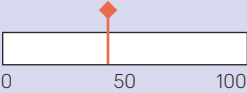


Freedom Index



STATUS
**Lowest
Freedom**

SCORE
47.6



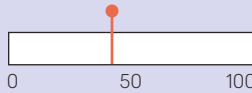
RANK
130^{/164}

Prosperity Index



STATUS
**Lowest
Prosperity**

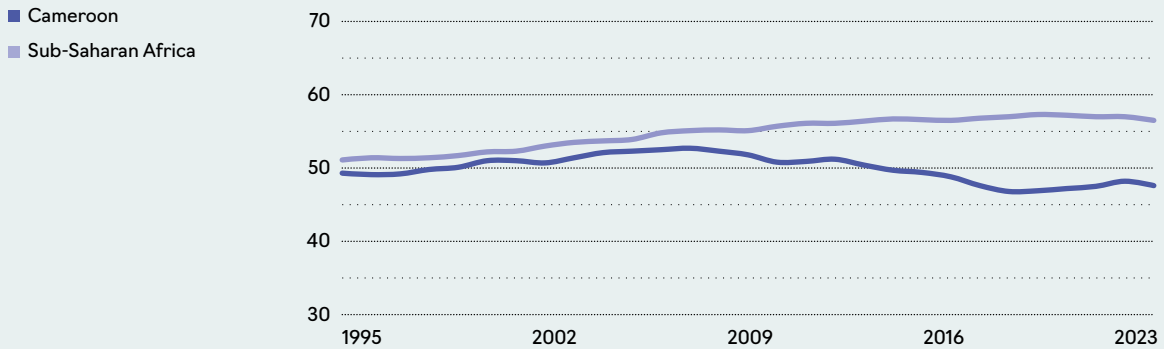
SCORE
47.9



RANK
129^{/164}

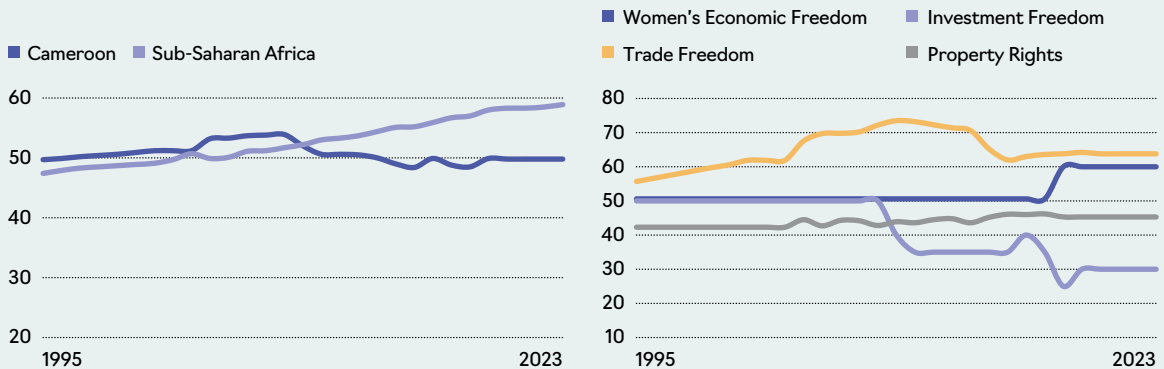
Freedom Index

1995-2023



	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Freedom Rank	130	-	-5	-
Freedom Score	47.6	56.5	-4.1%	-0.3%
Economic Subindex	49.7	58.9	1.6%	6.8%
Political Subindex	51.1	60.6	-8.9%	-6.4%
Legal Subindex	42.1	50.0	-4.2%	-0.3%

Economic Subindex

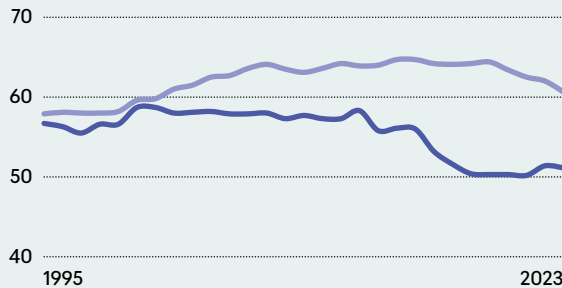


	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Women's Economic Freedom	60.0	73.9	18.5%	13.0%
Investment Freedom	30.0	50.7	-14.3%	5.1%
Trade Freedom	63.8	69.0	-2.0%	3.4%
Property Rights	45.3	41.7	0.0%	0.4%

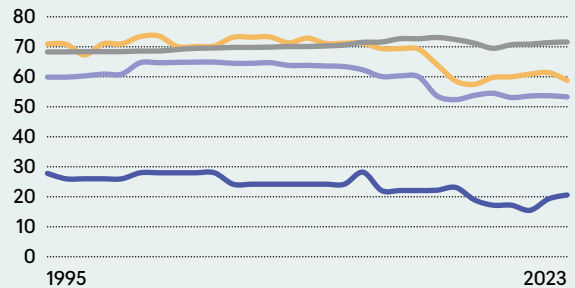
CAMEROON

Political Subindex

■ Cameroon ■ Sub-Saharan Africa



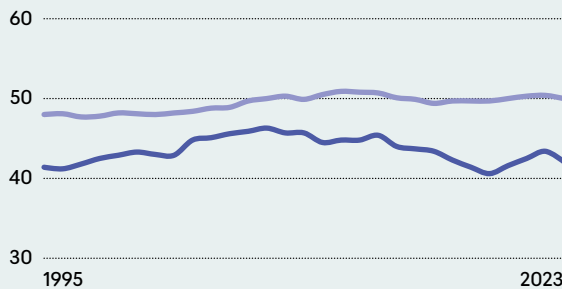
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



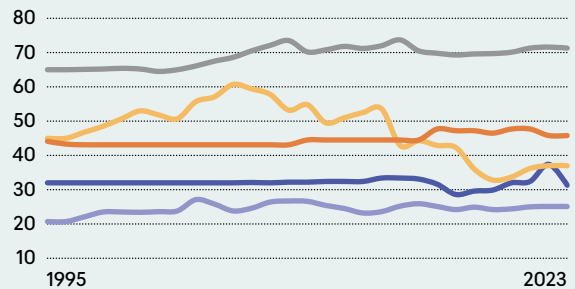
	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Legislative Constraints on the Executive	20.6	47.0	-6.8%	-9.2%
Political Rights	53.3	61.8	-11.5%	-5.6%
Civil Liberties	58.8	61.7	-15.2%	-1.7%
Elections	71.6	71.9	-1.5%	-8.9%

Legal Subindex

■ Cameroon ■ Sub-Saharan Africa



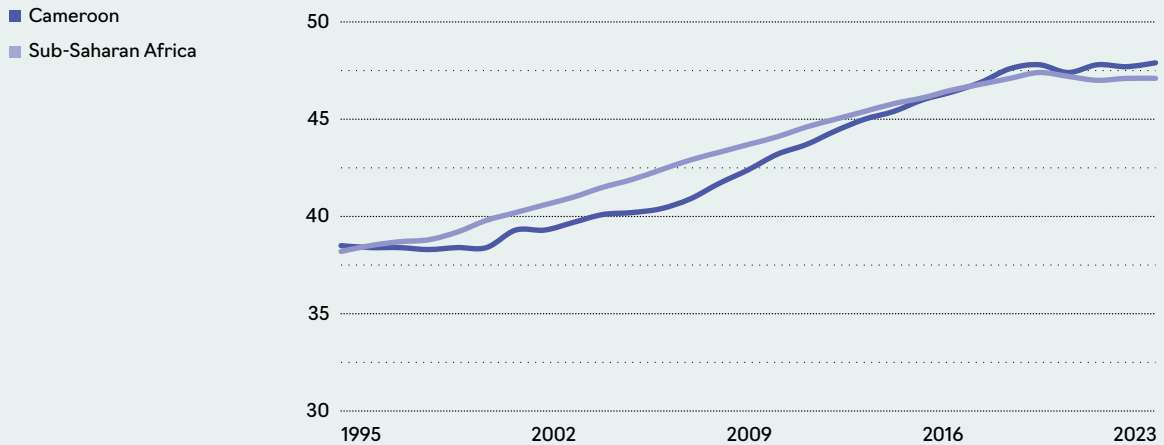
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Judicial Independence and Effectiveness	31.3	55.2	-6.4%	0.8%
Bureaucracy and Corruption	25.1	32.0	-0.5%	2.2%
Security	37.0	52.6	-13.8%	-0.1%
Clarity of the Law	45.8	49.0	2.9%	-1.9%
Informality	71.3	62.9	-3.2%	-2.3%

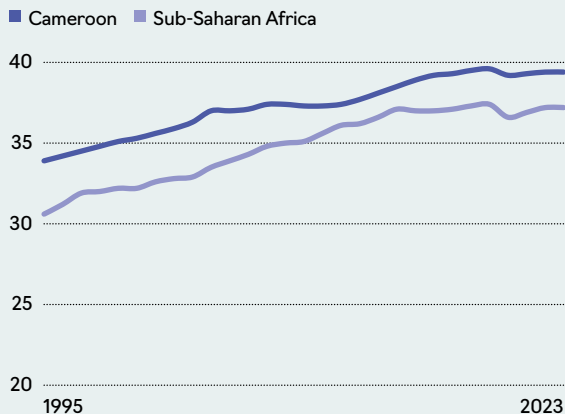
Prosperity Index

1995-2023



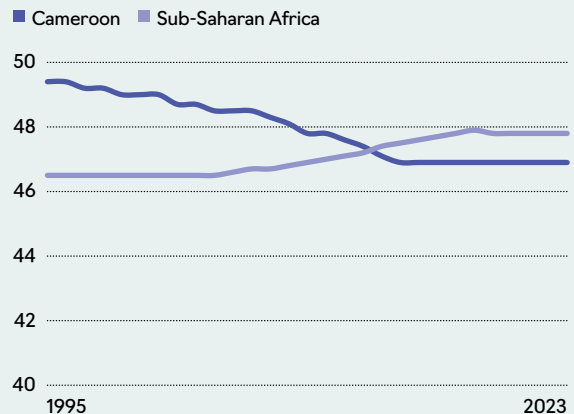
	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Prosperity Rank	129	–	2	–
Prosperity Score	47.9	47.1	5.4%	2.8%

Income



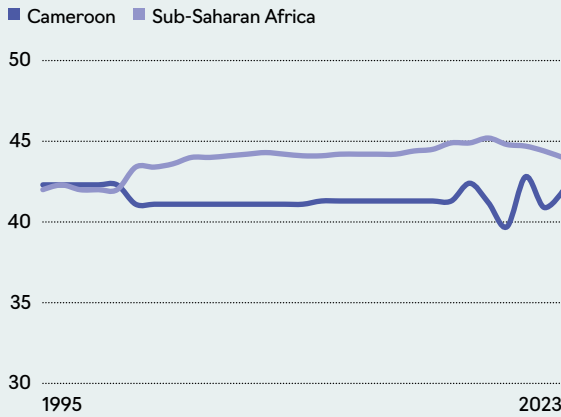
	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Income	39.4	37.2	2.4%	0.5%
Inequality	46.9	47.8	0.0%	0.7%

Inequality

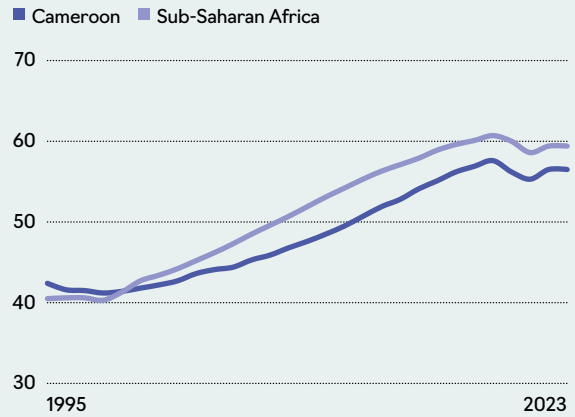


CAMEROON

Minorities

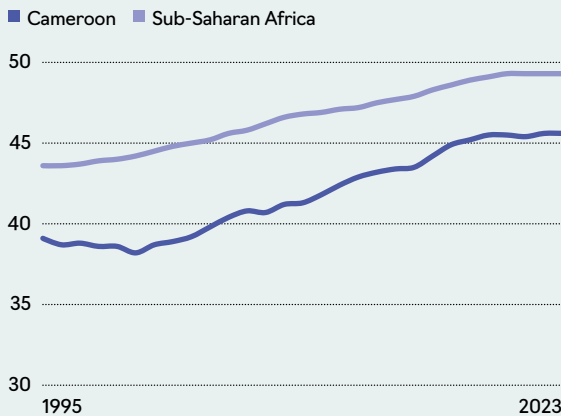


Health

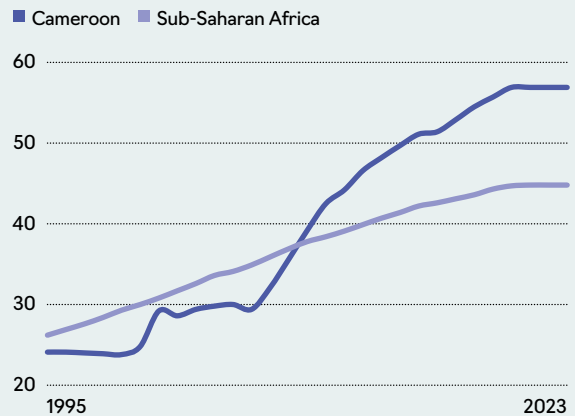


	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Minorities	41.9	44.0	1.4%	-0.5%
Health	56.5	59.4	7.0%	4.1%

Environment



Education



	2023		Change Since 2014	
	Cameroon	Region	Cameroon	Region
Environment	45.6	49.3	5.0%	3.4%
Education	56.9	44.8	14.6%	8.1%

Evolution of Freedom

Indexes are only as good as the data they use and the methodology they follow. However, for Africa, indexes are an important determinant of how citizens perceive progress in the country, how bilateral donors make decisions on when, where, and how to extend support, and, lately, they are a fundamental component of rating agency assessments. As African countries seek to improve access to more affordable capital and crowd in more foreign direct investment, it is crucial that they pay attention to these indexes. Cameroon is no exception. In addition, indexes can provide rare insights into the linkages between issues such as environmental freedom and gender prosperity. The data on Cameroon suggest a strong link between economic freedom, health, education, and gender empowerment. This essay will focus on that and draw lessons for the future.

Cameroon's score in the **Freedom Index** (47.6) is well below the average for the African continent (64.03) and many similar countries such as Senegal (68.7) and Côte d'Ivoire (61.7). The overall freedom measure is a composite score of the legal, political, and economic subindexes, where Cameroon ranks 133rd, 120th and 144th respectively, out of 164 countries covered by the Indexes.

Cameroon's poor performance in the Freedom Index since 1995 is mainly determined by the political and legal dimensions. The **political subindex** includes four main components: elections, political rights, civil liberties, and legislative constraints on the executive. Political power is centralized in Cameroon, unlike Senegal for example, and as a result there is no effective system of separation of powers, with both legislative and judicial branches being dependent on the executive power. The level and trend of different components of the Index capture this general assessment.

The low levels of legislative constraints on the executive and judicial independence, compared to Côte d'Ivoire, for example, reflect the high level of concentration of power in the executive. The judiciary is subordinated to the Ministry of Justice, and the president is entitled to appoint judges (this is not unlike the United States but the degree of independence of the judiciary is also about implementation of policies) and only the president can request the Supreme Court to review the constitutionality of a law. Regarding the legislative, the formation of political parties has been permitted since 1997, and political rights are protected by law. Parliament is also highly dependent on the presidency, which appoints thirty out of the one hundred members of the Senate, the second legislative chamber established in 2013.

Strong executive power could and should actually benefit women's economic freedom but currently does not. There are spillovers from the political subindex to other aspects of the institutional framework of Cameroon. This is visible in the **economic subindex**, which measures trade and investment openness, protection of property rights, and economic opportunities for women. Regarding the latter, Cameroon's score in the women's economic freedom component (60) is—surprisingly—among the lowest in the world, ranking 140th among the 164 countries covered by the Indexes. Despite a ten-point increase in 2018, reflecting the introduction of legislation dealing with workplace nondiscrimination and sexual harassment, Cameroon's performance in this component is still significantly lower than that of other countries in the region, such as Côte d'Ivoire (95), Senegal (72.5), Nigeria (66.3), Gabon (95), and Kenya (83.8).

Important areas affecting gender equality, where Cameroon does not yet grant legal

protection similar to the countries mentioned above, include civil liberties such as freedom of movement¹ and marital rights,² and financial inclusion legislation regarding access to banking services,³ asset ownership, and administration.⁴ While implementation of some of the more restrictive legislation may differ from the reality on the ground—for example, women can own property in their name today—the lack of changes to the legal documents opens the door for predatory compliance and legal battles in some cases.

Having women in government leadership positions has led many countries in the region to advance significant improvements in women's rights and opportunities. One illustrative example is the case of Ngozi Okonjo-Iweala in Nigeria, who introduced several policies aimed at empowering women during her periods as finance minister (2003–06 and 2011–15), such as the Growing Girls and Women in Nigeria (G-WIN) program. This created a gender-responsive budgeting system that ensured that a certain share of public procurement went to female entrepreneurs. Similar legislation can be identified in Kenya, with the Access to Government Procurement Opportunities program introduced in 2013, as well as in Côte d'Ivoire and the Democratic Republic of the Congo. Adopting

some of these tried and tested programs in Cameroon could help improve women's economic freedom *de jure* and *de facto*.

Cameroon's commitment to open and free trade is ambiguous, despite its very strategic location. Total trade to gross domestic product (GDP) has decreased substantially in the last decade, from 50 percent in 2014 to 39 percent in 2023, well below the average for Africa (74.49 percent).⁵ On the one hand, the country imposes relatively high tariffs on imports besides primary necessity goods, established at 10 percent for raw materials and equipment goods, 20 percent for intermediary and miscellaneous goods, and up to 30 percent for fast-moving consumer goods,⁶ implying an average tariff rate around 18 percent, more than double the average for Africa.⁷ With women being the most active small and medium entrepreneurs in cross-border trade, 20 percent tariffs have the potential to disproportionately affect them as a group.

On the other hand, Cameroon has signed trade agreements with the European Union, United States,⁸ China, Japan, and several other nations. In 2020, the country also ratified the African Continental Free Trade Area Agreement, the signature African trade agreement. Cameroon

1 Article 215 in Cameroon's Civil Code states that "the choice of family residence rests with the husband and the woman is obliged to live with him."

2 Article 74.2 in Ordonnance No. 81/02 of June 29, 1981, states that "a married woman may exercise a profession separate from that of her husband, but the husband may oppose the exercise of such a profession in the interest of marriage and children." Article 77 in the same norm allows a widow to remarry only when 180 days have passed since the death of her husband.

3 Ordonnance No. 81/02, Article 75, states that a married woman can open a bank account in her name if she has a profession separate from that of her husband.

4 Article 1428 in the Civil Code states that "the husband has the administration of all the personal property of the wife. He can exercise alone all the movable and possessory actions which belong to the woman." Similarly, Article 1421 in the same legal norm says that "the husband alone administers the community property, and he can sell, alienate and mortgage them without the participation of the woman."

5 World Bank, "Trade as Percentage of GDP – Cameroon," World Bank Data, accessed December 20, 2024, <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=CM-ZG>. The average Trade-to-GDP ratio for Africa in 2023, calculated using data from the World Bank for 42 countries, is 74.49 percent.

6 US Department of Commerce, International Trade Administration, "Cameroon – Import Tariffs," Trade.gov, last modified March 2023, www.trade.gov/country-commercial-guides/cameroon-import-tariffs.

7 Simple mean of average tariff rates for all products. World Bank, "Merchandise Trade Tax Rate (% of Revenue) – Cameroon," World Bank Data, accessed December 20, 2024, <https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS?locations=CM-ZG>.

8 Cameroon lost its African Growth and Opportunity Act eligibility in 2020 due to gross violations of internationally recognized human rights, which constitutes a good example of how the undemocratic political environment of the country severely penalizes potential growth opportunities.

is also a member of the Economic and Monetary Community of Central Africa, which aims to create a common market among Central African countries. Nonetheless, Cameroon has a negligible trade relationship with Chad, Equatorial Guinea, Gabon, Central African Republic, and the Democratic Republic of the Congo, the other five member states. More generally, inter-Africa trade is still marginal, with only 12.7 percent of Cameroon's export earnings coming from African partners, and less than 10 percent of total imports in 2023.⁹ For example, Cameroon's trade with Nigeria—the largest economy in Africa—was less than 1 percent in 2021. The two countries having difficult and high tariffs undermines their collective prosperity. Policies to improve trade between the two countries will also disproportionately support small women-owned businesses.

The most relevant factor regarding investment and capital movement regulations in Cameroon is the fact that the national currency, the Central African CFA franc, is shared by the five neighbors mentioned above, and is pegged to the euro at a fixed exchange rate. This has the benefit of providing stability and predictability but also constrains Cameroon's capacity to autonomously determine its monetary, investment, and capital flows policies.¹⁰ Another factor certainly influencing

the investment climate in Cameroon is the security situation in the country and the region. With low tariffs in the sector, foreign capital continues to focus on extractive industries and infrastructure, and the repeated efforts of the government to expand international investment to other sectors have not borne the expected fruits.

Two other features of Cameroon's institutional framework stand out in the **legal subindex** components, namely, the high levels of corruption across all levels of the administration, and the low level of security. Both of these unduly penalize women, who are generally the most affected by conflict and petty corruption.¹¹

Cameroon is host to a large number of refugees as a result of the conflict in the subregion, and this has impacted civil liberties. With respect to security, relatively high levels of small criminality have combined with a surge in terrorist attacks, especially in the last decade, with the emergence of Boko Haram and other Islamist groups, as well as the unrest in the north and southwest of the country. These different violent conflicts, together with the substantial immigration flows coming from Nigeria, Libya, Central African Republic, Chad, and other neighboring countries, have increased the need for tighter security within the country.

Evolution of Prosperity

On the **Prosperity Index**, measured as the average of six constituent elements (income, inequality, minorities, health, environment and education),

Cameroon performs better than its peers but still remains below the African average. The country has outpaced the low regional average in prosperity

⁹ "Cameroon's Trade with Africa Remains Marginal Despite AfCFTA Implementation," *Business in Cameroon*, www.businessincameroon.com/public-management/1305-13828-camerouns-trade-with-africa-remains-marginal-despite-afcfta-implementation.

¹⁰ Other measures of capital and investment openness also have an unfavorable view of Cameroon on this area. The Chinn-Ito index of capital controls has given the country a score of 0.16/1 since 1995 until today, and the Fraser Institute's Economic Freedom of the World index has given it a score on capital controls lower than 1.54/10 since 1995, and 3.33/10 on financial openness since the year 2000.

¹¹ Alex Habershon, "The Time is Now: Addressing the Gender Dimensions of Corruption," World Bank Blogs, March 8, 2021, <https://blogs.worldbank.org/en/governance/gender-and-corruption-time-now>; United Nations Office on Drugs and Crime, "Gendered impacts of corruption", in Knowledge tools for academics and professionals: Module Series on Anti-Corruption, www.unodc.org/eyJ/en/anti-corruption/module-8/key-issues/gendered-impacts-of-corruption.html.

growth at least since 2005. Education, health, and environment seem to be the areas where improvements have been most palpable, and will be the focus of the following paragraphs.

The **health** component of the Prosperity Index, based on life expectancy data, shows a change of tendency around the late 1990s. This is not a feature unique to Cameroon; a similar inflection point from decreasing to rapidly increasing life expectancy is also observable in other African countries such as South Africa, Gabon, and Côte d'Ivoire. An important push in the fight against AIDS, substantially financed by programs led by the international donor community such as the US President's Emergency Plan for AIDS Relief, was instrumental in this case. Additionally, the increased availability of vaccines for different diseases, and some progress in terms of infant and maternal mortality have contributed to this positive evolution.

Nonetheless, there is still huge room for improvement. First, total public expenditure on health has been below 4 percent of GDP since 2001 (3.82 percent in 2021, the last year of available data),¹² not yet close to the necessary level to ensure substantial and sustained betterment in health outcomes, usually estimated between 5 and 7 percent. For comparison, the average for Sub-Saharan Africa in 2021 is 5.1 percent, and for the Middle East and North Africa region reaches 5.76 percent. Similarly, health expenditure per capita in Cameroon was in 2021 just \$155.56, substantially lower than in Nigeria (\$220.40), Gabon (\$411), or the average of the Sub-Saharan Africa region (\$203.70).¹³

Not only is aggregate spending relatively low, but also the destination of healthcare investment is not optimal. In the last decades, Cameroon has consolidated a series of big training hospitals,

mainly located in big cities. On the contrary, investment in primary and preventive healthcare has been deficient, especially in rural areas, creating wide inequalities across the country. Recent disease outbreaks underscore the need for improved strong healthcare systems at the local level. As for other least developed countries, the potential gains of basic health interventions to ensure generalized access to vaccination and maternal and infant care are enormous, as the experience of other African countries has shown.

Turning to **education**, the data on school enrollment show a very significant acceleration since the early 2000s, when Cameroon started to grow faster than the regional average. It is important to note the very low initial level of this indicator, but the progress is still remarkable. Free primary education was introduced in the year 2000, and this is probably one important factor explaining the trend in the last two decades.

Nonetheless, families still need to cover the costs of uniforms and books, which is a significant barrier for an important share of the population. Recall that, according to the World Bank,¹⁴ 23 percent of Cameroon's population is today living in extreme poverty (under US\$2.15 a day), and thus such costs are very significant for them. Moreover, secondary school tuition and fees are not subsidized, which constrains educational attainment for a much larger fraction of children.

Two areas requiring substantial improvement are, first, the poor quality of the education received, which undermines actual learning outcomes of Cameroonian students. Learning poverty, the share of children not able to read and understand an age-appropriate text by age ten, is estimated by the World Bank at a high 71.9 percent, with girls especially disadvantaged.

¹² World Bank, "Current Health Expenditure, Total (% of GDP) – Cameroon, Sub-Saharan Africa, Middle East & North Africa," World Bank Data, accessed December 20, 2024, <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=CM-ZG-ZQ>.

¹³ World Bank, "Health Expenditure Per Capita (Current US\$) – Cameroon, Sub-Saharan Africa, Gabon, Nigeria," World Bank Data, accessed December 20, 2024, <https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD?end=2021&locations=CM-ZG-GA-NG&start>.

¹⁴ World Bank, "Poverty Headcount Ratio at \$2.15 a day (2017 PPP) (% of Population) – Cameroon," World Bank Data, accessed December 20, 2024, <https://data.worldbank.org/indicator/SI.POV.DDAY?end=2021&locations=CM>.

Second, there are important sources of educational inequality, particularly gender and regional based. School enrollment rates are significantly lower for girls than for boys at all levels of the educational system, heavily influenced by high rates of child marriage and early childbearing among girls.

The attempt to impose French curricula across the whole country led to heated debate, protests, civil unrest and ultimately, violent clashes in some parts of the country. As a result, schools closed for two years (2018–19), and before they had fully reopened, the COVID-19 pandemic hit and schools were closed again. This combination of shocks has probably generated a very significant slowdown in educational attainment that is not yet captured by the data used in the Prosperity Index.

Cameroon's score on the **environment** component is heavily influenced by one of the variables used to compute it: access to clean cooking technologies. Although this indicator has improved consistently in the last twenty-five years, from barely 10 percent of the population to almost 30 percent today using clean technologies, once again we observe striking spatial differences across the country and between rural and urban populations. Cameroon produces gas and therefore could rapidly improve on this indicator. New cooking stoves are widely available and easily diffused. The executive has the power to improve on this indicator and save lives while improving livelihoods.

Most importantly, the Prosperity Index does not include any indicator on deforestation,

which is extremely relevant for Cameroon, which has the second largest forest area in the Congo Basin, from which many women earn an income.

The evolution of tree cover areas reveals a loss of 1.53 million hectares between 2001 and 2020, of which 47 percent was in primary forests. As a result, forest as a percentage of land decreased from 47.6 percent in 1990 to 43.03 percent in 2020. In 2021, Cameroon was seventh on the list of the world's top deforesters, with 89,000 hectares of forest lost.¹⁵ This trend not only threatens to significantly alter weather and crop patterns in the country, affecting women disproportionately, but may lead to deteriorating health conditions as nature and Cameroon's biodiversity are altered significantly.

This situation is by no means unavoidable but requires a clear policy commitment if it is to be averted. Cameroon has important gas reserves, and the low usage of wood by households in cities proves that there are possible alternatives. Obviously, providing access to gas and other forms of energy to rural areas requires an important investment in infrastructure and creation of logistic networks that are not yet in place, but certainly should be a priority for the government and the international community in the near future.

Cameroonian women not only suffer from a very unequal legislative environment, but also due to structural conditions on these areas that further hamper their personal development compared to men.

The Path Forward

The strength of data lies in its capacity to tell stories and be scrutinized. The data on Cameroon need more attention and the authorities should work with the groups that collect the original data used to build these Indexes, along with the Cameroon

National Institute of Statistics, development institutions, and other research institutions that collect data, to ensure that representation of Cameroon is accurate, especially since these data are often used by market players to inform investment decisions.

¹⁵ European Commission and UN Environment Programme FRID-Geneva, Interactive Country Fiches, "Cameroon: Forest," <https://dicf.unepgrid.ch/cameroon/forest#section-states>.

In the interim, one crucial conclusion from the data is the interdependence between the health, education, and environment components and the women's economic freedom component. This interconnectedness is a double-edged sword, as weak legislative focus undermines women's economic empowerment, which leads to poor health and education outcomes and in some cases may also lead to environmental degradation.

Bottom-up or top-down policies could help move these indicators, building on the successes already achieved in these domains, first by focusing on laws that provide women with better economic empowerment. This essay has cited several examples of initiatives in other countries which could be adapted to fit the national context and implemented in Cameroon.

Education remains the fastest way to economic empowerment of populations and women in general. In the long run it can help reduce costs of healthcare as educated women tend to adopt more preventive approaches for themselves and their children, reducing the cost of healthcare which is not only high but still comprises lots of risks for women. To this end, the policy of free primary education must be coupled with robust teacher quality and performance indicators to ensure that children are actively learning. A year

of lost learning, even if it appears free, is costly for teacher, student, and parent. This kind of waste undermines the economy in the long run as an unskilled population is an economic cost to the country over time.

Cameroon's environmental resources, if well managed, could represent an important source of revenue for local populations and women in particular in an economic environment where carbon markets are growing, protection of fauna and flora is valued, and organic production commands a premium from markets. Support by government to reforestation projects could help generate resources for rural populations while promoting more nature tourism, building on the strengths of the country. An important component of the women's health and environment nexus, however, would be policies which help women use cleaner cooking practices, as unsafe technologies claim the lives of many women.

Overall, the policies needed to improve the economic freedom components for women are well within reach of the Cameroonian government, as many are policy-based first and foremost. In addition, it would serve the government well to work with the Indexes to scrutinize the data and scoring so that they can provide a more accurate report on the economic freedom of women in Cameroon.

Vera Songwe

Vera Songwe is a nonresident senior fellow in the Global Economy and Development practice at the Brookings Institution and chair and founder of the Board of the Liquidity and Sustainability Facility. Songwe is a board member of the Mo Ibrahim Foundation and previously served as undersecretary-general at the United Nations and executive secretary of the United Nations Economic Commission for Africa. Songwe's expertise includes work on Africa's growth prospects in a global context, with a focus on improving access to sustainable finance.

Ethiopia

Abbi Kedir

SUB-SAHARAN AFRICA

Socioeconomic Data 2023

General Information

POPULATION

126.53 million

LIFE EXPECTANCY (2022)

66 years

RELIGION (2010)

Christian → 62.8%

Muslim → 34.6%

Folk religion → 2.6%

ETHNIC
FRACTIONALIZATION
(2013)

0.783

Economic Data

GDP PER CAPITA

2,803

% of US GDP pc → 3.8%

GDP pc Growth → 3.8%

INFLATION

30.2%

DEBT/GDP (GENERAL 2023)

38.7%

TRADE (% OF GDP)

21.0%

UNEMPLOYMENT (2021)

3.9%

SECTORAL ALLOCATION

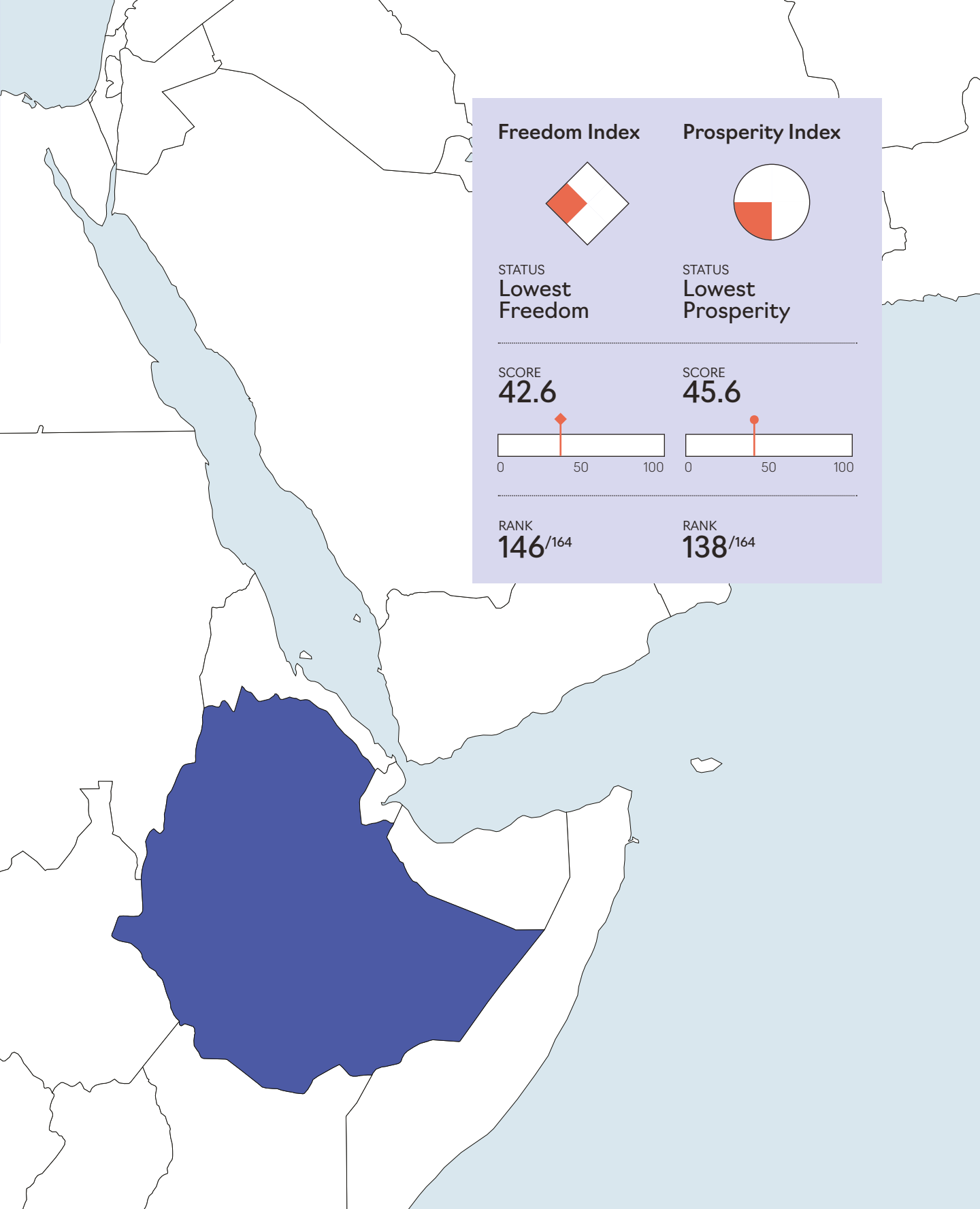
Agriculture → 36.8%

Industry → 25.2%

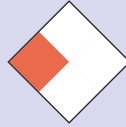
Services → 38.0%

GINI COEFFICIENT (2015)

33.1



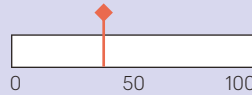
Freedom Index



STATUS
**Lowest
Freedom**

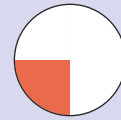
SCORE

42.6



RANK
146¹⁶⁴

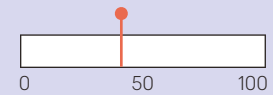
Prosperity Index



STATUS
**Lowest
Prosperity**

SCORE

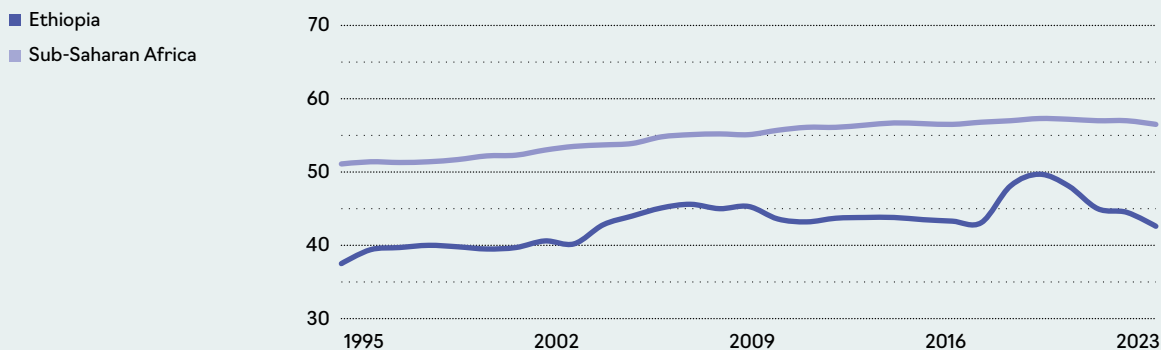
45.6



RANK
138¹⁶⁴

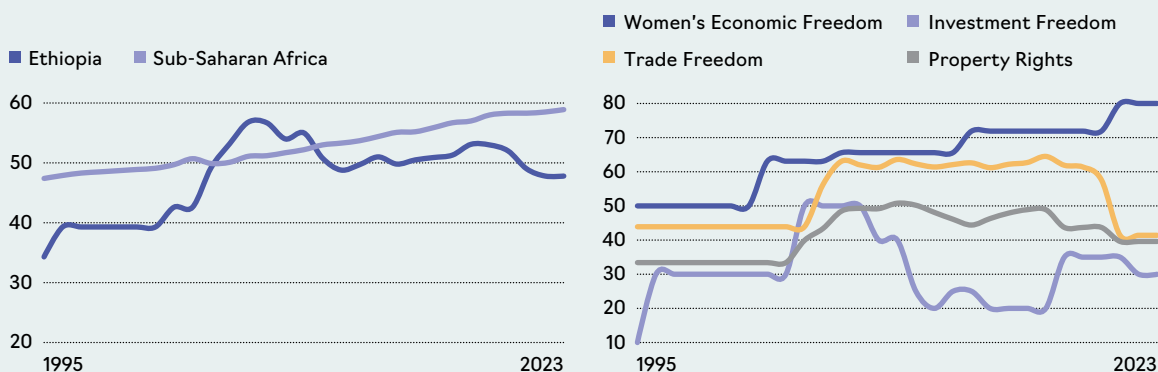
Freedom Index

1995-2023



	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Freedom Rank	146	-	-2	-
Freedom Score	42.6	56.5	-2.7%	-0.3%
Economic Subindex	47.8	58.9	-4.2%	6.8%
Political Subindex	40.2	60.6	5.7%	-6.4%
Legal Subindex	39.9	50.0	-8.2%	-0.3%

Economic Subindex

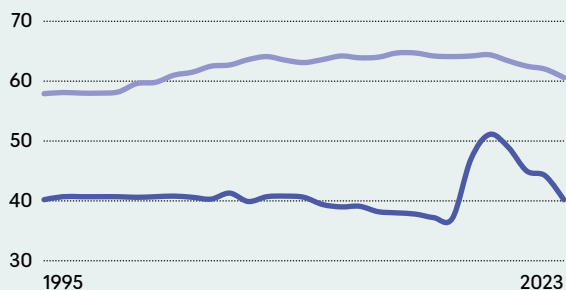


	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Women's Economic Freedom	80.0	73.9	11.3%	13.0%
Investment Freedom	30.0	50.7	50.0%	5.1%
Trade Freedom	41.4	69.0	-32.3%	3.4%
Property Rights	39.6	41.7	-14.4%	0.4%

ETHIOPIA

Political Subindex

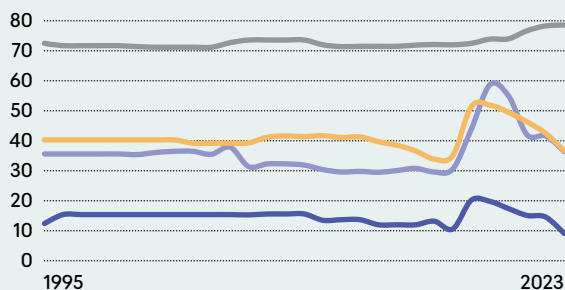
■ Ethiopia ■ Sub-Saharan Africa



■ Legislative Constraints on the Executive ■ Political Rights

■ Civil Liberties

■ Elections



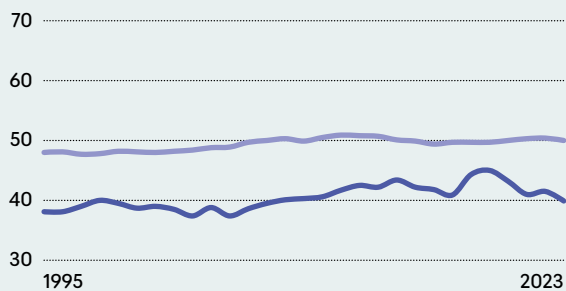
2023

Change Since 2014

	Ethiopia	Region	Ethiopia	Region
Legislative Constraints on the Executive	9.1	47.0	-24.2%	-9.2%
Political Rights	36.4	61.8	20.9%	-5.6%
Civil Liberties	36.7	61.7	-4.7%	-1.7%
Elections	78.6	71.9	9.8%	-8.9%

Legal Subindex

■ Ethiopia ■ Sub-Saharan Africa



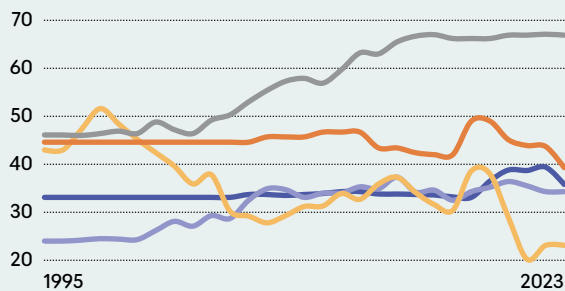
■ Judicial Independence and Effectiveness

■ Bureaucracy and Corruption

■ Security

■ Clarity of the Law

■ Informality



2023

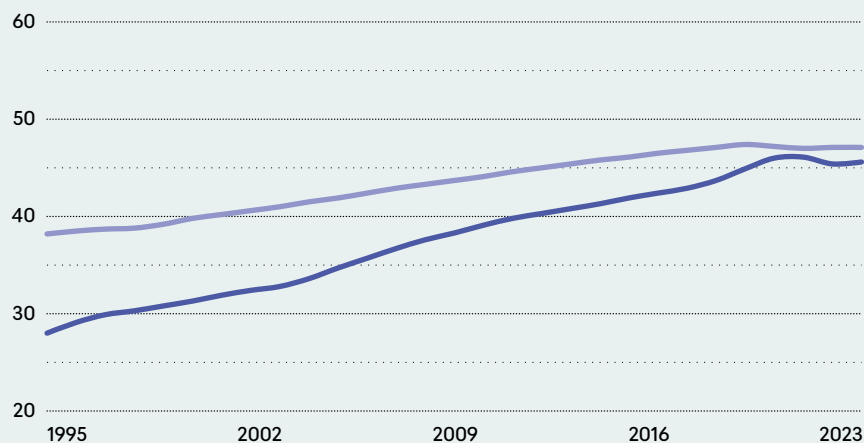
Change Since 2014

	Ethiopia	Region	Ethiopia	Region
Judicial Independence and Effectiveness	35.8	55.2	5.9%	0.8%
Bureaucracy and Corruption	34.3	32.0	-8.1%	2.2%
Security	23.1	52.6	-38.0%	-0.1%
Clarity of the Law	39.3	49.0	-9.4%	-1.9%
Informality	66.9	62.9	2.1%	-2.3%

Prosperity Index

1995-2023

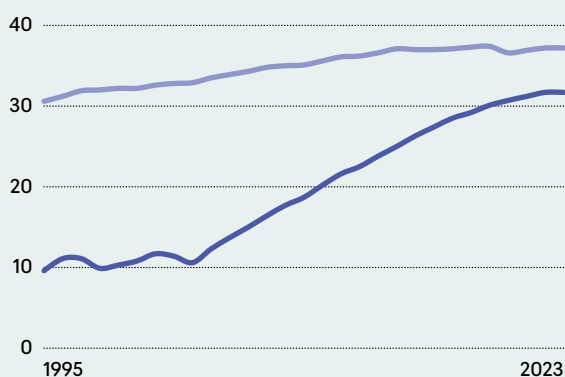
■ Ethiopia
■ Sub-Saharan Africa



	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Prosperity Rank	138	–	18	–
Prosperity Score	45.6	47.1	10.4%	2.8%

Income

■ Ethiopia ■ Sub-Saharan Africa



	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Income	31.7	37.2	26.4%	0.5%
Inequality	73.7	47.8	-0.6%	0.7%

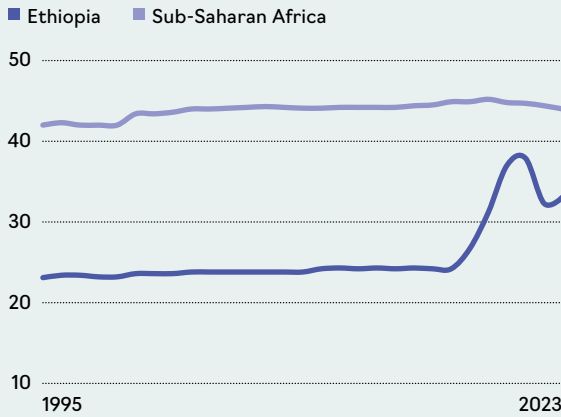
Inequality

■ Ethiopia ■ Sub-Saharan Africa

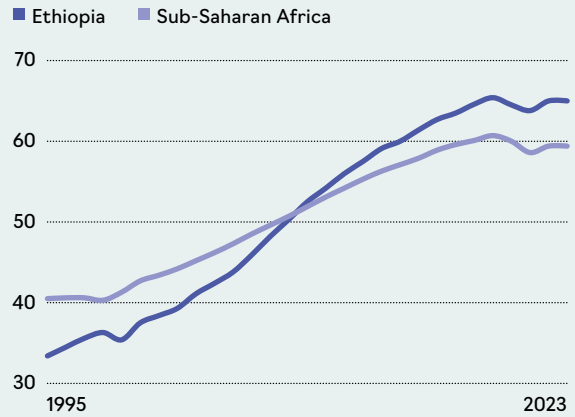


ETHIOPIA

Minorities

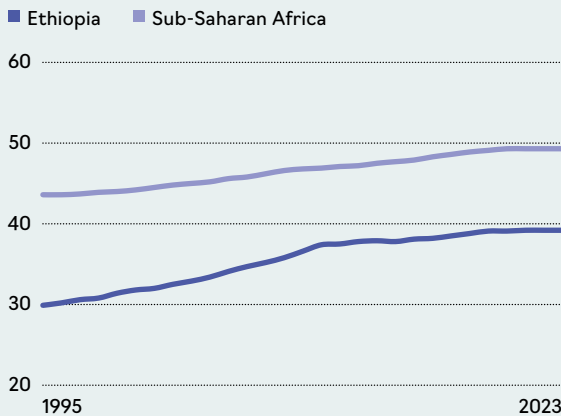


Health

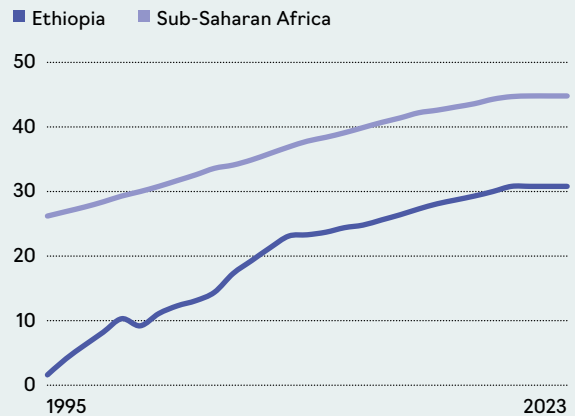


	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Minorities	33.1	44.0	37.1%	-0.5%
Health	65.0	59.4	8.3%	4.1%

Environment



Education



	2023		Change Since 2014	
	Ethiopia	Region	Ethiopia	Region
Environment	39.2	49.3	3.8%	3.4%
Education	30.8	44.8	16.3%	8.1%

Evolution of Freedom

Since 2000, Ethiopia has achieved remarkable economic growth, driven by public investment in infrastructure and industrial expansion, positioning itself as one of Africa's fastest-growing economies. Coupled with extensive construction projects, the service and agricultural sectors also made modest contributions. However, since 2020, the country has faced significant setbacks, including internal conflicts that disrupted production and trade, alongside the global COVID-19 pandemic, which exacerbated supply chain disruptions and weakened demand for exports. These challenges were further compounded by rising inflation, which strained household incomes and increased the cost of living, and a severe shortage of international reserves, making it difficult to stabilize its currency. The recent decision to float the Ethiopian birr has added to the volatility, causing currency fluctuations that have increased uncertainty in trade and investment flows. These converging shocks have placed immense pressure on Ethiopia's economic stability, underscoring the need for carefully managed reforms and international support to restore macroeconomic balance.

The **Freedom Index** portrays a realistic picture of the politico-economic development of Ethiopia in the past three decades. The rapid improvement on the **economic subindex** around the turn of the century illustrates the country's sustained strong economic growth in that period. More recently, this subindex reflects the euphoric momentum that came with a new administration in 2018, promising additional economic liberalization in trade and investment. I think the rise observed in the property rights component starting in the early 2000s is also a product of an effort to better protect foreign investment.

Unfortunately, these improvements were not very long-lived, with scores on the investment freedom component dropping first, followed by declines in the trade and property rights components a few years later. 2020 appears to be a clear inflection point, with the expansion of internal conflicts in the country—starting with war in Tigray—that have been devastating for the economic climate. Along with the war, the COVID-19 pandemic lockdown and supply chain disruption exacerbated the economic development challenges. Some of the industrial zones in areas of conflict are now difficult to access, and the lack of stability makes it harder to retain and attract foreign investors. A dramatic example of the effects of these protracted conflicts since November 2020 is the fact that Ethiopia lost its beneficiary status under the African Growth and Opportunity Act¹ in 2022. This dented the country's ability to propel its economic development via export growth.

The women's economic freedom component shows an optimistic view of the situation for women in Ethiopia. In terms of legislation, especially at a federal level, it is true that the economic rights of women have come closer to that of males since 1995. Raising the legal marriage age to eighteen since 2000 has helped reduce child marriage rates, ensuring that young people have more time to complete their education and achieve better economic outcomes. The strict enforcement of the legal marriage age legislation is essential to tackle child marriage problems in some regions, such as Amhara, where the incidence of child marriage was persistently high in the past. Enforcement across all regions in the country contributes to improved health, educational attainment, labor market outcomes, and well-being for young women.

¹ The African Growth and Opportunity Act is a US trade initiative that provides eligible African countries with duty-free access to the American market for a range of products. Its goal is to promote economic development and strengthen trade relationships between the United States and Sub-Saharan Africa.

by allowing them to marry at a more mature age, thereby decreasing the risks and complications associated with early pregnancies. So, the improvement in the legal framework for women, particularly around economic issues, is probably what is being captured in this component, and it is also true that we now see a larger share of women in top government positions, including ministerial posts.

Nonetheless, the implementation of gender equality more generally and at all levels of society is probably a much harder task. There is still significant cultural resistance in some regions and ethnic groups; for example, some impose informal limits on the assets that women can inherit. My own research on the topic shows that the school-to-work transition remains very challenging for many women, especially when they turn eighteen and the pressure to marry is intense, particularly in rural and remote areas.

The **political subindex** clearly captures the excitement of the country when the current administration came to power. However, the regressive nature of the new government—responding both to internal and external factors—became immediately clear, in terms of civil liberties and political rights. In recent years, the country has been going through civil conflicts, a cost-of-living crisis, high levels of indebtedness, and tight monetary policy. These, combined with global factors such as the COVID-19 pandemic and the Ukraine-Russia war,² have been detrimental for Ethiopia and the welfare of its population. If the current trajectory continues, the near future is worrisome.

The unexpectedly high score on the election component may stem from a limited interpretation of this variable. While elections do take place, the

system does not yet fully embody a completely democratic political structure with guaranteed political and civil liberties and a robust system of checks and balances on the executive. Ethiopia has no history of a meaningful political opposition. The legislative constraints on the government are very low, which explains, in part, the developments of the past thirty years.

The low level of the **legal subindex** components accurately shows the poor state of the rule of law in Ethiopia—a common problem in many African countries. I am somewhat surprised by the relatively good and rising performance of informality, which is probably due to the obvious difficulties in measuring the size of the informal economy and the share of the informal sector in employment. My own research, using the harmonized World Bank Enterprise Surveys, shows a persistently high level of informality in the enterprise sector.³ Another potential problem with this component is that informality is not a binary phenomenon, but a continuum, as firms navigate the formal and informal sectors simultaneously, making the actual share of the informal economy—and the number of individuals engaged in it—even harder to measure.

The sharp drop in security starting from 2020 is explained by the proliferation of internal conflicts and fighting between the federal government and various groups in regions such as Tigray, Amhara, and Oromia. The Pretoria Agreement of November 2022 may have slightly improved the situation by stopping the war in Tigray, but the ongoing conflicts in Amhara, Oromia, and elsewhere could jeopardize those security improvements, and the overall future stability of the country.

² For details, see Seneshaw Tamru and Tewodros Makonnen Gebrewolde, "Impact of the Russia-Ukraine war on Ethiopia," *IGC*, August 8, 2022, www.theigc.org/blogs/impact-russia-ukraine-war-ethiopia.

³ Colin C. Williams, Alvaro Martinez-Perez, and Abbi M. Kedir, "Informal Entrepreneurship in Developing Economies: The Impacts of Starting up Unregistered on Firm Performance," *Entrepreneurship Theory and Practice* (2017), 41:5, 773–799.

Evolution of Prosperity

The significant rise in the **Prosperity Index** since 1995 is noteworthy, but it is important to consider the very low initial levels in areas like income, education, and health. While the country remains one of the least prosperous globally and has yet to reach the average level for Sub-Saharan Africa, the substantial progress, especially since 2000, is undeniable.

The rise in **income** starting around the turn of the century is substantial. When initial conditions are at a very low level of economic development, any form of growth and stability favors the reallocation of resources to more productive uses and rapidly shows up in gross domestic product (GDP) measures. Sectors like construction and infrastructure clearly benefit from a more stable macroeconomic framework, boosting income growth. For the first two decades of the twenty-first century, growth was propelled mainly by strong public investment. However, the most important question is whether the increase in GDP has been adequately and fairly distributed. The **inequality** component for Ethiopia, based on the Gini coefficient, is in line with other aggregate measures of inequality. Nonetheless, when you focus on the lower end of the income distribution, the bottom 20 percent, the situation is not so optimistic, and is probably worsening, pointing to the lack of inclusion and progressive redistribution. There are also important disparities across Ethiopia's regions that are usually not well captured by data, as these are mainly collected in the larger cities.

The extraordinary increase in Ethiopia's **health** component can be attributed to the extensive work of grassroots service providers, expanding health-care and coverage in line with policies since 2000 (e.g., the use of health extension workers). Broadly speaking, the country focused on improving primary and preventive healthcare, which produced a sharp drop in child mortality and adult morbidity

over the past three decades, though maternal mortality remains a significant problem. The small dip on this component since 2019 is not only due to the COVID-19 pandemic, which was not so severe in health terms as in Europe, but also to the deaths related to armed conflicts.

In any case, while Ethiopia has been meeting the Millennium Development Goals and is even ahead of schedule for indicators such as child mortality, there is a long way to go if the country is to achieve the 2030 Sustainable Development Goals. Despite progress in terms of GDP growth, Ethiopia still faces complex economic challenges including the prevalence of poverty, inequality, malnutrition, and destitution.

Regarding **education**, the graph clearly captures the significant improvement in schooling rates, which have increased in all levels of the educational system, for both males and females. However, quality has been an issue, and our graduates are not as well prepared as these data suggest. As an example, think of the investments carried out by the Chinese government in the last two decades. The Chinese investors came to Ethiopia because labor is relatively cheap, but they have realized that the skills and human capital of many of the workers they hired are very poor, to the extent that they have even needed to send them to Beijing to train. To make headway in education, the country needs to "invest in learning" and development of cognitive and other skills for better employability of graduates. This necessitates a paradigm shift away from the usual culture of "spending on schooling" which simply focuses on completing a given schooling cycle, with little attention paid to acquiring employable skills and other practical outcomes for learners.

The very low level of the **minorities** component reflects a recurrent problem of the Ethiopian institutional environment: the close alignment

of political power and access to services and opportunities. That is, economic growth has failed to be inclusive of all societal groups. The current administration must reverse this tendency so that the proceeds of economic growth reach the wider

population. Children, youth, women, the disabled, and the elderly should not be neglected, and the economic management should give utmost priority to have a social protection angle in the ongoing reforms and policy measures.

The Path Forward

The current and future challenges for Ethiopia are enormous. First and foremost, the various armed conflicts around the country are the biggest impediment to movement of labor, traded goods, and execution of productive activities. If peace and security are not restored in all regions of the country, there will be further deterioration of the socioeconomic situation nationwide. Agricultural and industrial production, and other employment-generating economic activities such as trade and investment, continue to suffer.

It will be difficult to attract domestic and foreign investors, who are critical to revive the ailing economy in a situation of insecurity and uncertainty. Economic growth will not be able to maintain the pace of the first two decades of the twenty-first century. The debt problem in the country dented the confidence of investors and the country's credit rating and/or worthiness suffer consequently. Macroeconomic management will be a major challenge in the context of very limited international reserves, devalued currency, and high levels of debt repayments with high cost of capital. The relatively easy access Ethiopia has enjoyed to international capital markets and bilateral lending from countries like China can suddenly become a problem. China, with its aid (e.g., lending for road and other infrastructure projects), might offer benefits in the present but at a very high cost in the future. But the debt problem Ethiopia faces is not only the making of China; it has been a problem for several years and borrowing from other sources such

as the International Monetary Fund and the World Bank contribute to current debt levels.

Another big challenge that Ethiopia faces is the alarming demographic trend. Even if there has not been a census in the country since 2007, some global estimates put the population at around 120 million and growing. This demographic situation poses a major challenge for attaining food security and creating enough jobs for the growing young and educated population. Each year, two to three million young Ethiopians enter the labor force, and it is clear that the labor market cannot absorb such a huge number of workers. Any hope of transforming the economy—or even of gaining a meaningful grip on it—is an elusive dream in a country where there are high levels of unemployment, poverty, inequality, destitution, internal conflicts, food insecurity, and an ever-growing and underskilled youth population.

Addressing the challenges facing Ethiopia requires more than just external assistance; it demands the implementation of robust public policies that focus on aiding the poor, youth, and women, all within a framework that fosters inclusive economic growth. While Ethiopia's strategic importance to global powers, including the United States, might influence the flow of foreign aid from organizations like the International Monetary Fund, the impact of such aid (in the form of grants and/or loans) will depend heavily on the conditions attached to it and how Ethiopia uses the aid for growth enhancing, productive,

and poverty-reducing activities. If strict fiscal consolidation is enforced, it could exacerbate inequality and worsen conditions for the most vulnerable populations, potentially leading to increased poverty and destitution. My concern for Ethiopia is profound, and I hope that an end to conflicts will soon allow the country to return to the better economic path it was on before 2020.

Abbi Kedir

Abbi Kedir is the director of research at the African Economic Research Consortium based in Nairobi, Kenya. Kedir was an associate professor in international business at the University of Sheffield, UK, from 2016 to 2023. Kedir has authored more than fifty journal articles and is an editorial board member of the *Journal of Development Studies*, *International Journal of Entrepreneurial Behaviour & Research*, *Economies*, and *Frontiers in Environmental Science*.

Nigeria

Zainab Usman

Socioeconomic Data 2023

General Information

POPULATION	LIFE EXPECTANCY (2022)
223.80 million	54 years
RELIGION (2010)	ETHNIC FRACTIONALIZATION (2013)
Christian → 49.3%	0.850
Muslim → 48.8%	
Folk religion → 1.4%	
Other → 0.5%	

Economic Data

GDP PER CAPITA	INFLATION
5,695	24.7%
% of US GDP pc → 7.7%	
GDP pc Growth → 0.4%	
DEBT/GDP (GENERAL 2023)	TRADE (% OF GDP) (2021)
46.4%	23.0%
UNEMPLOYMENT (2022)	
3.8%	
SECTORAL ALLOCATION	
Agriculture → 23.1%	
Industry → 33.2%	
Services → 43.6%	
GINI COEFFICIENT (2018)	
39.8	

Freedom Index

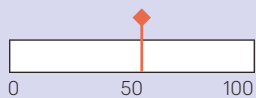


STATUS

**Low
Freedom**

SCORE

53.9



RANK

115/¹⁶⁴

Prosperity Index

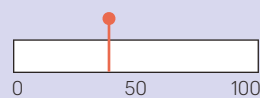


STATUS

**Lowest
Prosperity**

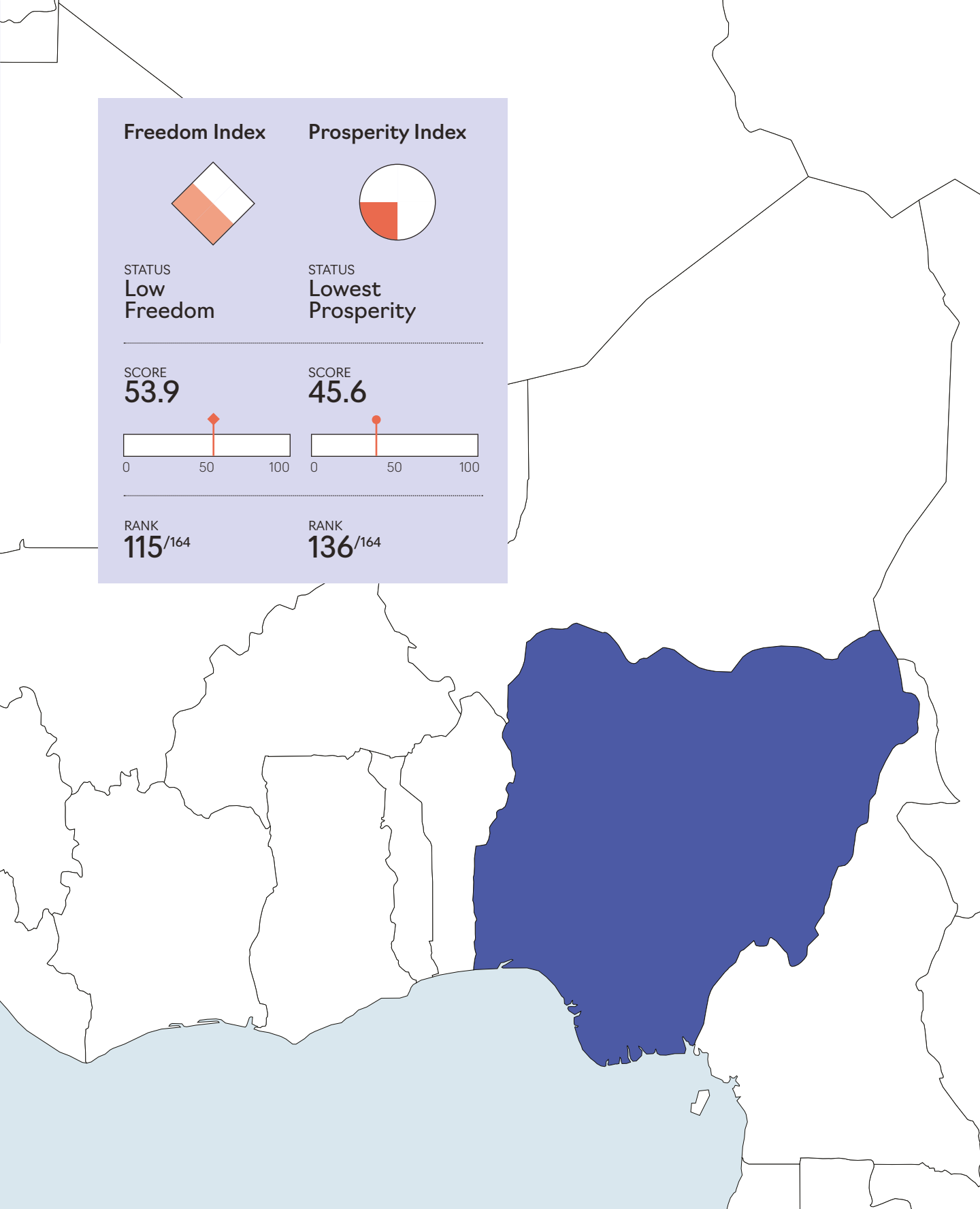
SCORE

45.6



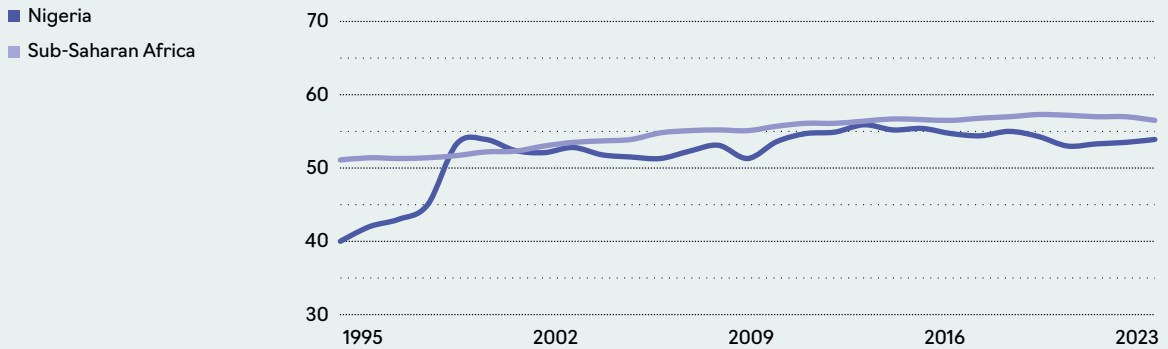
RANK

136/¹⁶⁴



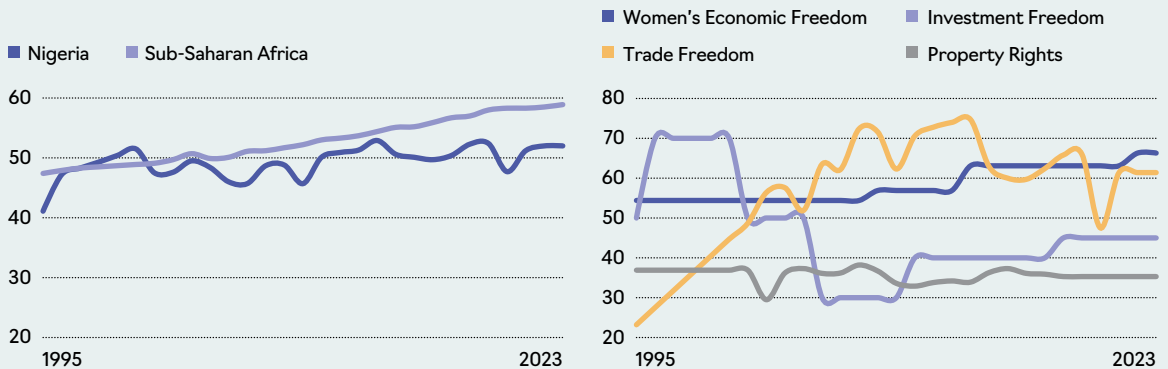
Freedom Index

1995-2023



	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Freedom Rank	115	-	-2	-
Freedom Score	53.9	56.5	-2.4%	-0.3%
Economic Subindex	52.0	58.9	2.8%	6.8%
Political Subindex	72.4	60.6	-5.2%	-6.4%
Legal Subindex	37.3	50.0	-3.9%	-0.3%

Economic Subindex

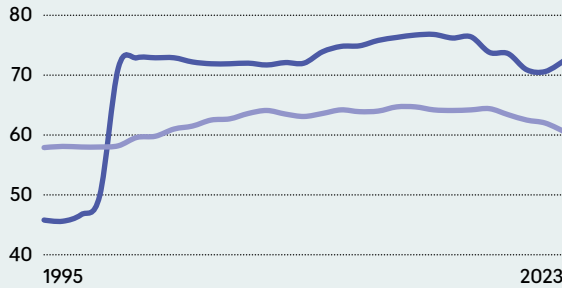


	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Women's Economic Freedom	66.3	73.9	5.0%	13.0%
Investment Freedom	45.0	50.7	12.5%	5.1%
Trade Freedom	61.4	69.0	-2.3%	3.4%
Property Rights	35.3	41.7	-2.7%	0.4%

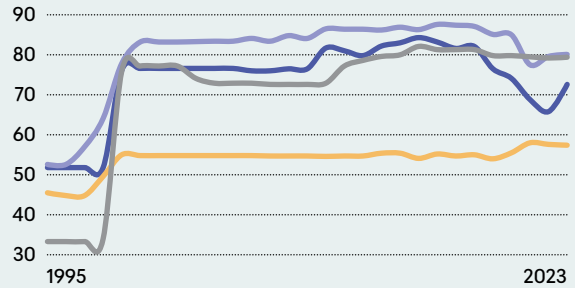
NIGERIA

Political Subindex

■ Nigeria ■ Sub-Saharan Africa



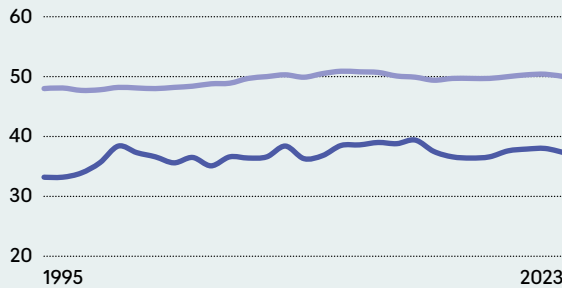
■ Legislative Constraints on the Executive ■ Political Rights
■ Civil Liberties ■ Elections



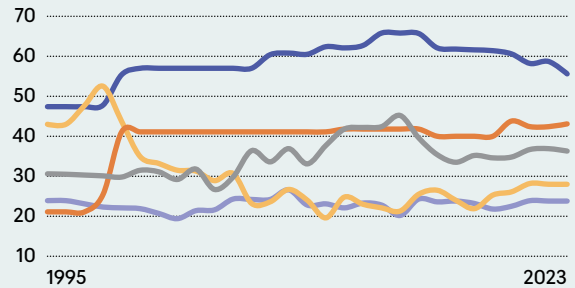
	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Legislative Constraints on the Executive	72.6	47.0	-12.5%	-9.2%
Political Rights	80.1	61.8	-7.8%	-5.6%
Civil Liberties	57.4	61.7	3.5%	-1.7%
Elections	79.4	71.9	-0.7%	-8.9%

Legal Subindex

■ Nigeria ■ Sub-Saharan Africa



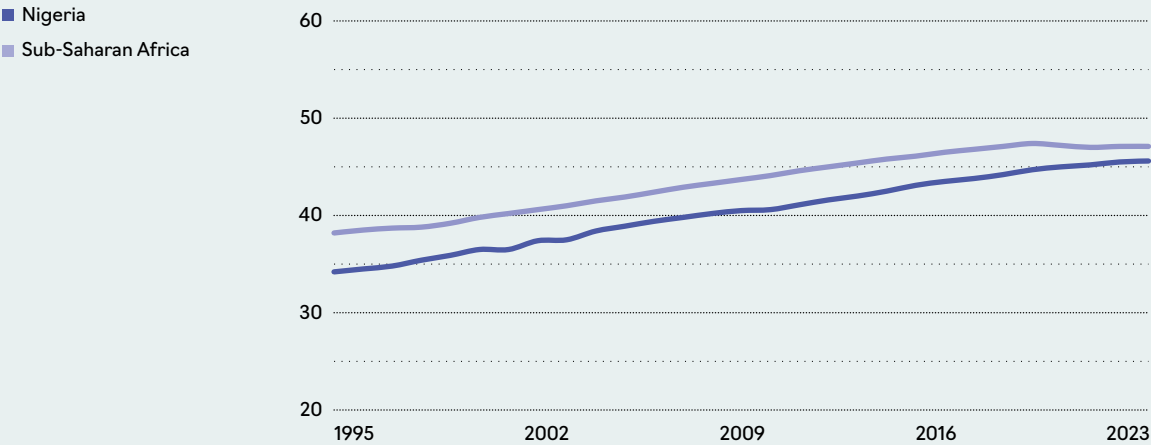
■ Judicial Independence and Effectiveness ■ Bureaucracy and Corruption ■ Security
■ Clarity of the Law ■ Informality



	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Judicial Independence and Effectiveness	55.6	55.2	-15.6%	0.8%
Bureaucracy and Corruption	23.8	32.0	18.1%	2.2%
Security	28.0	52.6	31.6%	-0.1%
Clarity of the Law	43.1	49.0	3.0%	-1.9%
Informality	36.3	62.9	-19.6%	-2.3%

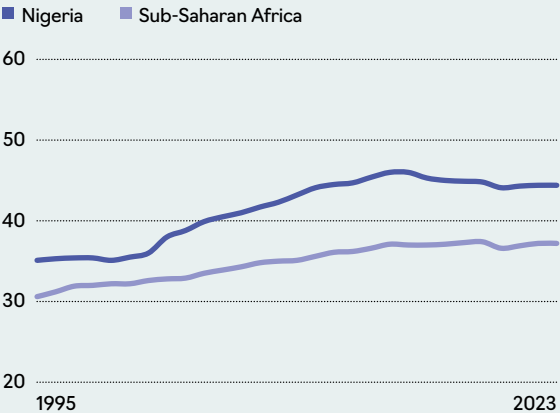
Prosperity Index

1995-2023

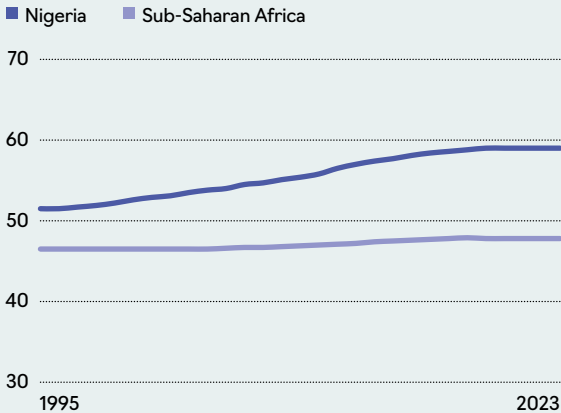


	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Prosperity Rank	136	–	9	–
Prosperity Score	45.6	47.1	7.2%	2.8%

Income



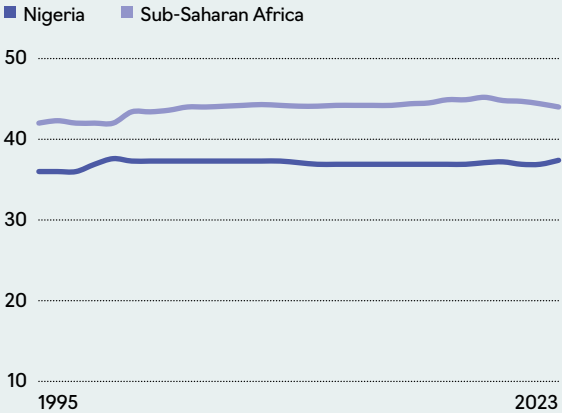
Inequality



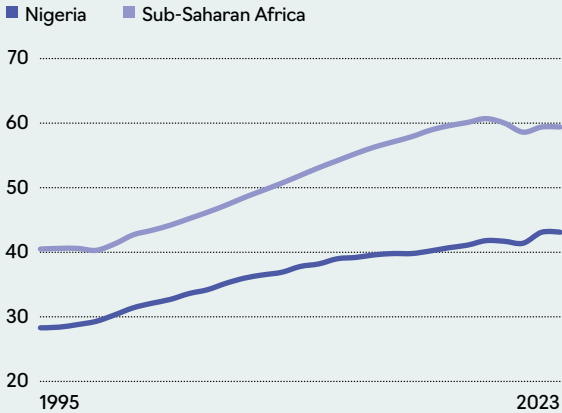
	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Income	44.4	37.2	-3.4%	0.5%
Inequality	59.0	47.8	2.4%	0.7%

NIGERIA

Minorities

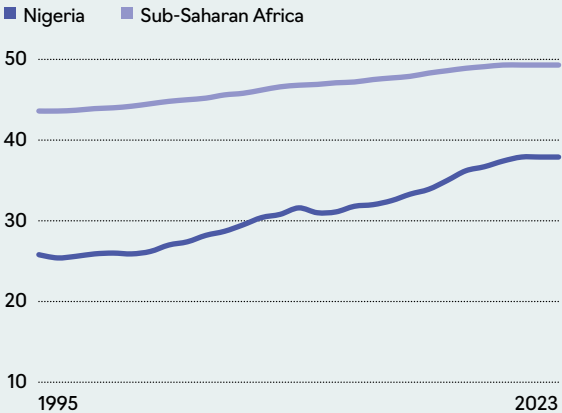


Health

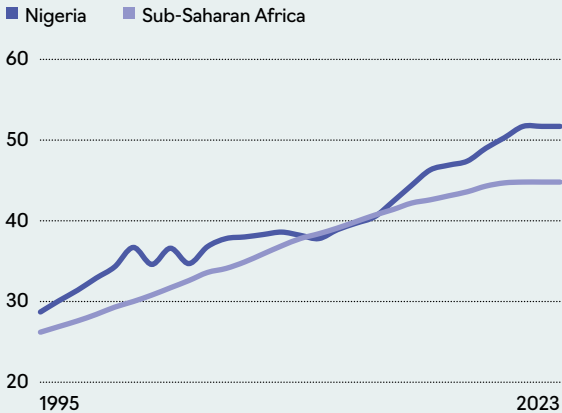


	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Minorities	37.4	44.0	1.4%	-0.5%
Health	43.1%	59.4	8.5%	4.1%

Environment



Education



	2023		Change Since 2014	
	Nigeria	Region	Nigeria	Region
Environment	37.9	49.3	16.7%	3.4%
Education	51.7	44.8	21.8%	8.1%

Evolution of Freedom

The **Freedom Index** illustrates well two important aspects of Nigerian institutional development in the last three decades. First, the transition to democracy explains the sharp increase of the Index score in 1999, which closes the gap with the average of the Sub-Saharan Africa region. Second, the often volatile evolution in the subsequent decades is a sign that the liberalization process has not been free of challenges and inconsistencies. Politically, the country has consistently held elections since the turn of the century, even though these have often fallen short of high levels of fairness and transparency. In terms of economic policy, while the successive governments have enacted varying degrees of reforms, these efforts have been somewhat inconsistent and not often coherent depending on the sector we analyze.

The **economic subindex** exemplifies well this latter point, with really high short-run fluctuations throughout the period of analysis, mainly driven by the trade and investment freedom components. To be sure, the oil industry is central for Nigeria's economy, representing 90 percent of its exports, and the fluctuations in both measures is, to an important extent, driven by the situation and the legal framework governing this sector. For about twenty years, the country has had internal debates about new oil industry legislation, and a new law was enacted in 2021, which has generated a climate of uncertainty, causing investors to be reluctant to pursue new investments in the country. In fact, Nigeria is producing less oil today than it did in 2010.

Another factor that can explain some movements, such as the substantial fall in trade and investment freedom in the first decade of the century, is the introduction of different local content policies. Obviously, these kinds of policies are favored by domestic investors and can support a country's broader development agenda, but they can often affect the degree to which foreign

capital finds the country attractive for investment. Finally, the relevance of the oil industry in generating government revenue and foreign reserves has many times led the government and central bank to heavily intervene in the exchange rate market, sometimes in non-orthodox ways. This was particularly the case after the oil price collapse of 2015, which may explain the fifteen-point fall in trade freedom in the following years.

It is fair to say that the liberalizing effort has been robust in some other sectors of the Nigerian economy. The telecoms industry was liberalized in the early 2000s, as well as the banking sector, which certainly helped unlock growth and productivity. But trade policy has at best been erratic, with the country pursuing an import substitution strategy in sub-sectors such as beverage products, sugar, flour, and cereal. As a result, it is clear that the country has not yet been able to establish a stable and secure framework for international trade and investment.

Nigeria's score on property rights protection is relatively low, compared to the regional average, and does not seem to vary much along the period 1995–2023. Nonetheless, this score has less to do with a risk of government expropriation of property than may be the case in some other economies with such low scores. The score may be reflecting the strict local content policies implemented across different sectors, which in some ways impose limits on the capacity of companies and owners to manage their assets.

The women's economic freedom component seems to have improved in the last three decades, but is still lower in Nigeria (66.3) than in other comparator countries in the region like Kenya (83.8), Ethiopia (80), or South Africa (88.1). Some important laws regarding gender equality are probably weaker in Nigeria. For example, there are no quotas for parliamentary participation for women, nor

specific legislation incentivizing women's economic participation, although there are a variety of customary and religious laws at the subnational level that have varying impacts on women's acquisition of assets. Overall, there might be a significant gap between formal legality and actual practice on this matter, because women in the country are highly entrepreneurial, and girls' school enrollment has increased substantially since the 1990s, which favors their labor force participation and overall economic activity outside the home.

Moving on to the **political subindex**, the democratic transition of 1999, that situated the country together with other democracies in the region, is evident in the graph. All components of the subindex sharply improve, with the notable exception of civil liberties. This indicator is the average of two variables, one measuring private civil liberties (freedom of movement, religion, etc.) and another the degree of physical violence (freedom from torture and political killings). When looking at the disaggregated data, it is clear that the very low level of the civil liberties component is generated by an extremely poor performance in the latter, while private civil liberties have consistently scored above 80 in the last two decades. Violent insurgencies are likely influential in the low level of the physical violence variable, with Islamist Boko Haram in the northeast, the separatist movement Indigenous People of Biafra in the southeast, and the rising levels of violent crime including kidnapping for ransom in various parts of Nigeria. The declining quality of the police forces may also be an important factor. There have been protests against police brutality around the country, most recently in 2020, and individual rights relating to detention and imprisonment are not always adequately guaranteed.

The rest of the components of the political subindex reach standard levels for young democracies in the developing world, at least until 2016, even though there are some small fluctuations that can be discussed. The component measuring the

quality and fairness of the electoral process suffers a five-point drop in 2003, and does not recover the initial level until 2011. This fits well with the generalized view that the 2003 and 2007 elections held in the country suffered clear deficiencies. Subsequent elections in 2011 and 2015 were visibly more credible, and the data reflect it well with a ten-point increase.

Legislative constraints on the executive have been historically strong in Nigeria. Two episodes illustrate this fact fairly well. First, in 2007, the first post-military president tried to extend his tenure to get a third term in power, but he was successfully thwarted by the legislature. Second, in 2010, the successor president fell ill and his inner circle tried to prevent the handover of power to his vice-president. The legislature stepped in again, ensuring a legal transition of power. However, the data show a clear fall starting in 2015, exacerbated in 2019, and only reversed in 2023. It is not clear that any important piece of legislation was passed during this period that could have reduced the power of parliament to control the executive, so the scores may just be capturing the fact that, in the 2015 elections, the opposition party won a decisive majority in the legislature, and thus in the following years legislative checks on the executive may have been relatively soft as a result of both being of the same political party.

Finally, the seven-and-a-half-point drop in political rights in 2020 can be explained by a combination of the emergency situation generated by the COVID-19 pandemic and the security concerns due to the insurgencies in the Niger Delta, the northeast, and the southeast of the country. It is undeniable that the government became increasingly intolerant with some forms of freedom of speech, for example limiting the use of social media. Nonetheless, the Nigerian situation is not necessarily comparable to other parts of the world that are experiencing deeper and more extended democratic regressions, and the partial recovery in 2023 seems to confirm this intuition.

Turning to the **legal subindex**, it is very clear that judicial independence and effectiveness and clarity of the law receive significantly higher scores than the rest of the components of the subindex. This is comparable to the regional average, at least since the democratic transition of 1999. In the last twenty years, there have been numerous disputes between different branches of power (legislative versus executive, federal versus the thirty-six states, etc.) which have been decided in high courts, often times against the powerful federal government. A good example is the decision of the Supreme Court in the case between the federal government and the Lagos state over local government funds, which was decided in favor of the latter, a strong indication of Nigeria's judicial independence. In most cases, judicial decisions are accepted, respected and abided by.

Security, as well as bureaucracy quality and control of corruption, are the components dragging the legal subindex score down, generating a substantial gap with respect to the Sub-Saharan Africa regional average. These scores reflect realities on the ground. As commented earlier, the various insurgent movements around Nigeria, together with the spread of organized violent crime and banditry, generate a generalized environment of insecurity. The government appears to

have made some progress in fighting insurgents in the last few years, pushing them back and dismantling their strongholds in both the oil-rich Niger Delta in the south and with regards to the Islamist Boko Haram in the northeast. However, there are high levels of violent crime, kidnapping for ransom, and banditry that the government—both at the federal level and across the thirty-six states—has struggled to address, with significant implications for the continuing development of the country.

Last but not least, the recurrent and discouraging low score on bureaucracy and corruption is very real. The Nigerian civil service desperately needs a total overhaul, and the country's successive political leaders are fully cognizant of this fact. But such reform could affect tens of thousands or even millions of public employees, who are politically powerful, which makes it politically very costly for any government. The crucial anti-corruption agencies created in the early 2000s, such as the Independent Corrupt Practices Commission and the Economic and Financial Crimes Commission, were somewhat effective initially, in the first decade of the century, but soon became politicized. Thus, widespread and grand corruption in public administration can only be tackled with holistic reform, which does not seem to be imminent.

Evolution of Prosperity

Despite the sustained growth of Nigeria's score in the **Prosperity Index** since 1995, it still finds itself among the lowest prosperity group, ranking 136 out of 164 countries covered by the Indexes. However, there are some encouraging trends worth noting. First, the **income** component was influenced by the oil boom, in terms of high global oil prices in the 2002–15 period. Yet, as my own research shows, the oil boom was only a small part of the story. Other sectors of the economy also thrived since the

early 2000s, such as banking and financial services and the telecoms industry, which were liberalized, smaller industrial services adjacent to oil production, and other non-oil exporting sectors. As a result, the data clearly show that oil's contribution to gross domestic product (GDP) growth has been declining—from around 40 percent in the year 2000 to less than 10 percent today—with respect to the rest of the economy, denoting that Nigerian growth was not only based on the commodity

boom. Nevertheless, the commodity price crash of 2015 affected the country's overall growth trajectory, as Nigeria relies on oil exports for the bulk of its foreign exchange reserves, and thus many non-oil industries and sectors suffered increasing difficulties in accessing foreign imported inputs. The global effects of the COVID-19 pandemic further exacerbated the situation, and Nigeria has not yet been able to recover the 2015 level of real GDP per capita.

The promising evolution of the **inequality** component is probably capturing the substantial decrease in poverty rates within the country. Yet it must be noted that there is a clear regional divide in Nigeria, and the inequality and poverty reduction has not been homogenous across the country. The majority Muslim regions in the north of Nigeria are significantly poorer than the south, explained by much lower levels of educational attainment, higher prevalence of informality, and lower levels of industrial production, etc. Therefore, interregional or horizontal inequality is certainly deep and pervasive, and public policy should be directed to reduce the north-south gap.

By far the most striking data come from the **health** component, where Nigeria ranks 162 among 164 countries, and the gap with respect to the Sub-Saharan Africa average has been widening in the last two decades. Nigeria's life expectancy is much lower than its income level would predict, close to that of much poorer countries in West and Central Africa like Niger, Central African Republic, and others. This is a combination of two factors. First the already mentioned violence across the country, with its associated high levels of mortality

of young fighters. Second, a precarious health-care system that is significantly underfinanced, lacking professionals and personnel, especially in rural areas, a problem that will only be aggravated in the coming years given the high levels of population growth.

The similarly low score regarding equal access and absence of discrimination for **minorities** also has important regional differentiations. The imposition of Sharia law in some northern states in the early 2000s did not favor Christian and other religious minority groups, or secular-oriented Muslims, in these states. However, since the mid-2010s, the popularity of Sharia law in these states has declined significantly because the political leaders who championed its implementation were largely underperformers in terms of the actual quality of governance.

Finally, the score on the **environment** component of the Prosperity Index is clearly low, but seems to show a positive trend in the last twenty-five years, with important caveats. On the one hand, pollution related to oil production is high, and there is uncertain commitment on its decisive reduction, which necessarily worsens air quality in the areas where oil extraction and refineries are prevalent. On the other, indoor air quality may have improved since the year 2000, when less than 1 percent of the population had access to clean cooking technologies, but even today that share is below 20 percent, which is very low. Deforestation, particularly in the north, is pervasive because many households still rely on biomass, wood burning, and other sources of domestic energy that are highly detrimental for their health.

The Path Forward

Developments within Nigeria, within the African continent, and around the world will contribute to

the country's freedom and prosperity trajectory within the medium term.

There are likely to be continuities and changes in the various dimensions that constitute Nigeria's Freedom Index. The consolidation of the country's electoral democracy will continue even if progress is not linear—it is very unlikely to experience a military coup or other such drastic setbacks to its democracy as was recently the case in Mali, Niger, and Burkina Faso in West Africa. Yet, the quality of Nigeria's elections will continue to vary by election cycle, contingent on the nature of the electoral competition and the profile of candidates running.

The pace, consistency and scope of Nigeria's domestic economic reforms, as well as global economic conditions, will have a determinative impact on Nigeria's economic subindex. While the country's debilitating challenge of depending on fuel subsidies will remain prominent in the short term, efforts to increase the domestic refining and supply of refined fuels, including the completion of the Dangote refinery complex, will eventually address this challenge in the medium to long term. Nigeria will also continue to implement local content policies across various industries due to the demand coming from the country's large and vibrant private sector. In addition to the oil and gas sector, creative industries (entertainment, movies, music), and the financial sector, where these local content policies have been most visibly enforced, information and communications technology and the digital economy could be the next frontier. A dynamic trade policy will certainly help propel Nigeria's economy to greater heights, including helping to further advance important elements of small business development and women's economic empowerment, but its design and implementation is not yet on the radar of the country's top decision makers.

There are likely to be both significant advancements and notable setbacks in the components of Nigeria's political subindex. The exercise of

effective checks on the executive by Nigeria's National Assembly (i.e., federal legislature) may increase in the next election cycle, especially if opposition parties are able to leverage the current popular discontent and gain more seats in the two legislative houses. Progress on this front in the subnational legislatures—state houses of assemblies—is perhaps less certain. Without drastic and concerted efforts at addressing Nigeria's security challenges, including a wholesale overhaul of the national police force, the significant levels of violent crime are unlikely to abate in the medium term.

So much about Nigeria's legal subindex will continue to be weighed down by the absence of comprehensive civil service reform. While this does not have direct bearing on the country's notable levels of judicial independence, it directly impacts Nigeria's bureaucratic quality. It remains to be seen whether any government can shoulder the political costs of overhauling Nigeria's civil service by implementing the recommendations of the Oronsaye report to reform the public sector.¹

In the short term, Nigeria's per capita income will continue its declining trend as a result of COVID-19 shocks as well as the inflationary impacts of recent exchange rate and subsidies reforms. Consequently, Nigeria's per capita income will continue to trail its regional peers including South Africa, Ghana, Kenya, and Côte d'Ivoire. However, the pace of this income decline could be halted and even reversed in the medium term with the design and implementation of pro-productivity economic policies on the supply side but also on the demand side. Addressing Nigeria's electricity, transportation and digital connectivity infrastructure gaps will be crucial on this front. Reducing the incidents of violent crime, especially banditry plaguing rural farming communities, is also necessary. Effective coordination of trade, investment

¹ The report is an outcome of a presidential committee set up in 2011 to reform government ministries, departments, and agencies, headed by former Head of Service of the Federation, Steven Oronsaye. See: Opeoluwa Dapo-Thomas, "What Is the Orosanye Report and How Significant Is It?" Nairametrics, March 3, 2024, <https://nairametrics.com/2024/03/03/what-is-the-orosanye-report-and-how-significant-is-it>.

and industrial policies focused on labor-intensive industries, particularly agriculture and manufacturing, will be essential.

In the near term, Nigeria's social indicators are likely to deteriorate before they stabilize and, contingent on the rollout of mitigating policies, experience a trend reversal. Due to domestic factors, such as the impacts of the removal of subsidies, harmonization of exchange rates, and inflation, as well as exogenous factors such as the COVID-19 pandemic, the incidence of poverty is very likely to increase inequality. Findings from a new round of the Nigeria Living Standards Survey when released—the last round was conducted in 2018–19—will likely confirm this trend. However, a comprehensive rollout of income-smoothing social protection interventions could support households and even small businesses to navigate the adverse impacts of liberalization policies.

Increased health spending as well as workforce training could further bolster Nigeria's health and mortality indicators.

Finally, Nigeria's environment-related indicators may stabilize and take an improving turn as relevant policies take effect. Progress in the implementation of Nigeria's natural gas masterplan, in the medium term, could help reduce gas flaring and the associated environmental pollution. Political outreach by the federal government to aggrieved groups in the oil-producing Niger Delta could help reduce some types of small-scale oil theft and illegal oil refining that often result in oil spills and aggravate environmental degradation. Extensive support being provided by multilateral development banks and other international organizations to support clean cooking solutions could help reduce biomass use by households and thereby slow down the pace of deforestation in the country.

Zainab Usman

Zainab Usman is the founding director of the Africa Program at the Carnegie Endowment for International Peace in Washington, DC. Usman's enduring area of expertise is identifying the policies and institutions to enable low- and middle-income economies to harness their natural resources to achieve sustainable economic development. She is author of the book *Economic Diversification in Nigeria: The Politics of Building a Post-Oil Economy*, which was selected as one of the best books of 2022 on economics by the *Financial Times*.

Methodology

The Freedom and Prosperity Indexes are a creation of the Atlantic Council's Freedom and Prosperity Center. The Center's mission is to increase the well-being of people everywhere—and especially of the poor and marginalized in developing countries—through unbiased, data-based research on the relationship between freedom and prosperity.

The Center's work is both theoretical and practical. It aims to produce research regarding the best path to development, but also to apply the conclusions of this research through reform proposals, education, and an active media presence around the world. It is in this spirit that we created the Freedom and Prosperity Indexes.

They are two separate Indexes that rank 164 countries around the world according to their levels of freedom and prosperity. All Index measurements are weighted equally and the score for each Index is simply the average of its component parts. Scores range between zero and one hundred, with higher values indicating more freedom

or prosperity. The Indexes are constructed using publicly available datasets produced by other prominent organizations and international institutions.

The Freedom Index ranks countries according to the equally weighted average of three subindexes: economic subindex, political subindex, and legal subindex. Each country's score ranges between zero and one hundred, with higher values indicating more freedom.

Countries are placed into four categories based on the Freedom Index ranking for each year: "High Freedom," "Moderate Freedom," "Low Freedom," and "Lowest Freedom." Our category system is therefore a relative ordering of countries in four equal groups.

The Prosperity Index ranks countries according to the equally weighted average of six components: income, health, education, environment, minorities, and inequality. The Index is scaled so that a country's score ranges between zero and one hundred, with higher values indicating more prosperity.

The definition of a prosperous society is the subject of an ongoing theoretical debate that involves various perspectives from fields such as economics, sociology, political science, and philosophy. One view is that prosperity is characterized by high levels of economic growth and material wealth, as measured by metrics like gross domestic product (GDP) per capita. This approach emphasizes the importance of policies that promote free markets, investment, and innovation to achieve sustained prosperity. However, critics of this view argue that a narrow focus on economic growth can lead to negative consequences for society, including income inequality, environmental degradation, and social exclusion.

Another perspective on prosperity suggests a more holistic approach that considers social cohesion, environmental sustainability, and human well-being as key components of a prosperous society. Proponents of this view argue that policies should be designed to promote these outcomes, in addition to economic growth and material wealth.

There is also a debate about the contested and value-laden nature of the concept of prosperity, with some arguing that different societies may have different ideas about what constitutes prosperity and that these ideas may evolve over time.

Here we took the holistic approach and captured the most commonly accepted components in the literature for which data were available. We decided to give equal weight to all to remain neutral.

Countries are placed into four categories based on their Prosperity Index ranking for each year: "High Prosperity," "Moderate Prosperity," "Low

Prosperity," and "Lowest Prosperity." Our prosperity category system is, again, relative, classifying countries in four equal groups for each year.

The Indexes use data produced, among others, by the Fraser Institute, the Global Carbon Budget, the Heritage Foundation, the Institute for Health Metrics and Evaluation, the United Nations, the Varieties of Democracy (V-Dem) Institute, the World Bank, World Economics, and the Standardized World Income Inequality Database. In the few exceptional cases in which we do not have data for a variable from our preferred source, we use alternative sources of data. These instances are listed in each relevant section.

In this volume, the Freedom and Prosperity Indexes cover the period from 1995 to 2023. For the most recent year, the Indexes use the most recent data available. For the Freedom Index, most of these data are from 2023. For the Prosperity Index, most of these data are from 2022. If a country-year observation is missing for a given variable, we follow a transparent algorithm to fill in the missing values. Whenever possible, we use linear interpolation between two available observations. When missing data are at the beginning or ending of the series, it is not possible to interpolate. In such cases, we extend forward or backward to the closest available observation.

We try to minimize data transformations. Besides the necessary scaling to ensure that all components lie in the same range (zero to one hundred), we only use standard techniques (taking the natural logarithm) to linearize highly nonlinear variables such as GDP per capita.

Freedom Index

The Freedom Index has three subindexes: economic, political, and legal. Each subindex is comprised of multiple components. The components used to construct each subindex are listed

below, together with the original sources of data and analyses. A spreadsheet with the raw data, as well as the code used to construct the Indexes, are publicly available on our website.

Economic Subindex

Economic subindex refers to an economic system that upholds the rights of all businesses and entrepreneurs. Economic freedom is measured as an equally weighted average of four components: property rights, trade freedom, investment freedom, and women's economic freedom.

Property Rights

The property rights component assesses the extent to which a country's legal framework allows individuals to acquire, hold, and utilize private property, secured by clear laws that the government enforces. It provides a quantifiable measure of the degree to which a country's laws protect private property rights and the extent to which those laws are respected.

Source of data: Fraser Institute, Component 2C Protection of Property Rights, Economic Freedom of the World.

Trade Freedom

The trade freedom component covers a diverse range of trade restrictions, encompassing tariffs, quotas, hidden administrative restraints, and exchange-rate interventions. It is the average of three equally weighted components: tariffs, regulatory trade barriers, and black-market exchange rates. A high score reflects a nation that maintains low tariffs, enforces streamlined and effective customs clearance processes, and has a freely convertible currency.

Source of data: Fraser Institute, Component 4A Tariffs, 4B Regulatory trade barriers, 4C Black-market exchange rates, Economic Freedom of the World.

Investment Freedom

The investment freedom component assesses several regulatory limitations that are usually enforced on investments. Points are subtracted from a country's investment regime's perfect score of one hundred for each restriction present. An ideal score indicates a country with unrestricted flow of investment capital, allowing individuals and firms to transfer their resources freely into and out of specific activities, both within the country and across its borders.

Source of data: Heritage Foundation, Index of Economic Freedom.

Women's Economic Freedom

The women's economic freedom component attempts to capture inequality in legislation between men and women throughout the duration of a woman's working life, from the time she can enter the labor force through to retirement. The component is measured on a scale of zero to one hundred, with higher values representing more equality.

Source of data: World Bank, Women, Business and the Law Index 1.0.

Political Subindex

Political subindex measures the institutional framework for the selection of those holding executive political power and the limits and controls imposed on exercising this power. It is a concept that closely resembles the ideals of democracy and individual rights. Political freedom is measured as an equally weighted average of the following four components: elections, civil liberties, political rights, and legislative constraints on the executive.

Elections

The elections component captures the electoral core of democracy, that is, whether political leaders are chosen by the citizenry in open, clean, and fair elections with ample suffrage. It is an equally weighted average of three components: share of population with suffrage, clean elections, and elected officials.

Source of data: V-Dem dataset including share of population with suffrage indicator (v2x_suffr), Clean Elections Index (v2xel_frefair), and Elected Officials Index (v2x_elecof).

Civil Liberties

The civil liberties component includes an array of individual rights in the liberal tradition (i.e., criminal procedural rights, absence of torture, freedom

of movement, etc.) that limit the scope of governmental action, guaranteeing an area of individual autonomy and freedom in personal affairs. It is an equally weighted average of two components: private civil liberties and physical violence.

Source of data: V-Dem dataset including Private Civil Liberties Index (v2x_clpriv) and Physical Violence Index (v2x_clphy).

Political Rights

The political rights component encompasses individual rights directly linked to the democratic political process, such as freedom of expression or association. It is an equally weighted average of two components: Freedom of Expression and Alternative Sources of Information Index, and the Freedom of Association Thick Index.

Source of data: V-Dem dataset, Freedom of Expression and Alternative Sources of Information Index (v2x_freexp_altinf) and Freedom of Association Thick Index (v2x_frassoc_thick).

Legislative Constraints on the Executive

The legislative constraints on the executive component evaluates the level of control the democratically elected legislative branch has on the executive's exercise of power.

Source of data: V-Dem dataset, Legislative Constraints on the Executive Index (v2xlg_legcon).

Legal Subindex

Legal subindex measures the degree to which a country abides by the rule of law, has a legal system that fairly protects property and contract rights, and prevents corruption and the arbitrary abuse of power. The legal subindex is measured as the equally weighted average of five components: clarity of the law, judicial independence and effectiveness, bureaucracy and corruption, security, and informality.

Clarity of the Law

The clarity of the law component measures the basic formal requirements of the legal system, in particular if laws are general, clear, public, noncontradictory, consistent, and predictably enforced.

Source of data: V-Dem dataset, Transparent Laws with Predictable Enforcement Index (v2cltrnslw).

Judicial Independence and Effectiveness

The judicial independence and effectiveness component measures the strength of an efficient and fair judicial system, which ensures that laws are fully respected and that any violations are met with appropriate legal action. It is an equally weighted average of two components: the Judicial Constraints on the Executive Index, and Independent and Accessible Justice components.

Source of data: V-Dem dataset including Judicial Constraints on the Executive Index (v2x_jucon), and Independent and Accessible Justice data (simple average of v2xcl_acjst, v2juacnt, v2jureview, v2jupurge, v2jupoatck).

Bureaucracy and Corruption

The component on bureaucracy and corruption measures the degree to which government officials are subject to and comply with the law. It is an equally weighted average of two components: government effectiveness and control of corruption.

Source of data: World Bank, Worldwide Governance Indicators for government effectiveness and control of corruption.

Security

The security component measures whether the citizenry generally observes the country's legal norms and regulations. It is based on perceptions of the likelihood of political instability or violence driven by political motives, such as terrorism.

Source of data: World Bank, Worldwide Governance Indicators for political stability and absence of violence/terrorism.

Informality

The informality component measures informal economic activity. Data for this component are expressed as a percentage of GDP made up by the informal economy. To convert to a scale of zero to one hundred, we subtract that value from the perfect score of one hundred. High scores represent less informality.

Sources of data: We use data from World Economics Quarterly Informal Economy Survey, which is available for the period 2000–23. To cover the period 1995–99, we use the World Bank's Dynamic General Equilibrium model-based estimates of informal output. To avoid artificial jumps at the year 2000, we calculate the average ratio between both series for the period 2000–05 for each country, and use that value to scale the World Bank data.

Prosperity Index

The Prosperity Index attempts to capture both the average level of prosperity, through the level of purchasing power and human capital that an average citizen displays, and shared prosperity, through measures of environment quality as well as income inequality and the well-being of minority groups. Countries are scored and ranked according to the equally weighted average of six components. The Index scores are indicated on a scale from zero to one hundred, where zero represents the worst performance in the sample and one hundred the best. The components are listed below.

Income

The income component is measured according to GDP per capita, expressed in constant 2017 US dollars and adjusted for purchasing power parity (PPP). The original data are linearized before scaling by taking the natural logarithm. Higher scores indicate greater GDP per capita.

Sources of data: World Bank, GDP per capita, PPP, constant 2017 international \$.

Data for Afghanistan, Eritrea, South Sudan, Taiwan, Venezuela, and Yemen: International Monetary Fund, World Economic Outlook.

Data for Syria: Penn World Table.

Environment

The environment component is measured by the unweighted average of three components: the ratio of CO₂ emissions to GDP per capita (both in logs); death rates from air pollution per 100,000 people (age standardized); and the share of the population with access to clean cooking technologies. Higher scores indicate better environmental performance (less emissions, fewer deaths, or higher access, respectively).

Sources of data: For emissions: the Global Carbon Budget 2023, Fossil CO₂ emissions by country (territorial).

GDP per capita uses the same series and sources as our income component.

For deaths from air pollution: Institute for Health Metrics and Evaluation, 2019 Global Burden of Disease study.

For access to clean fuels: World Bank, Access to clean fuels and technologies for cooking (% of population).

Minorities

The minorities component is measured through several variables from the V-Dem dataset, which capture discrimination and/or exclusion from public services, state jobs, or business opportunities based on gender, political affiliation, or social group (ethnic, race, language, region, caste, religion, immigration status, and so on). The resulting component is the unweighted average of nine V-Dem indicators, where higher values imply less discrimination.

Source of data: V-Dem dataset, access to public services distributed by gender (v2peapsgen), access to state jobs distributed by gender (v2peasjgen), access to state business opportunities distributed by gender (v2peasbgen), access to public services distributed by political group (v2peaspspol), access to state jobs distributed by political group (v2peasjpol), access to state business opportunities distributed by political group (v2peasbpol), access to public services distributed by social group (v2peapssoc), access to state jobs distributed by social group (v2peasjsoc), and access to state business opportunities distributed by social group (v2peasbsoc).

Health

The health component is measured through life expectancy. The measurement of life expectancy is expressed in years that a newborn infant would be expected to live if the prevailing patterns of mortality at the time of birth were to stay the same throughout the individual's life.

Source of data: United Nations World Population Prospects.

Education

The education component is measured through both expected years of schooling and mean years of schooling. We set eighteen as the maximum value for the former, and fifteen for the latter, just as the United Nations Human Development Index does. We take the average of both measures, and the result is scaled to the interval zero to one hundred.

Source of data: United Nations Human Development Index.

Inequality

The inequality component measures the equal distribution of income across the population. It is measured through the after taxes and transfers Gini coefficient. Higher scores indicate lower inequality.

Source of data: Standardized World Income Inequality Database v. 9.6., variable (gini_disp).

Socioeconomic Data Sources

Population: Population, total, (1) United Nations Population Division. World Population Prospects: 2022 Revision; (2) statistical databases and publications from national statistical offices; (3) Eurostat: Demographic Statistics; (4) United Nations Statistics Division. Population and Vital Statistics Report (various years) (retrieved from World Bank Open Data).

Life Expectancy: Life expectancy at birth, total, (1) United Nations Population Division. World Population Prospects: 2022 Revision; or derived from male and female life expectancy at birth from sources such as: (2) statistical databases and publications from national statistical offices; (3) Eurostat: Demographic Statistics (retrieved from World Bank Open Data).

GDP per capita: GDP per capita, PPP (constant 2021 international \$), (1) International Comparison Program, World Bank; (2) World Development Indicators database, World Bank; (3) Eurostat-Organisation for Economic Co-operation and Development (OECD) PPP Programme (retrieved from World Bank Open Data).

Inflation: Inflation, consumer prices (annual percent), International Monetary Fund, International Financial Statistics and data files (retrieved from World Bank Open Data).

Trade (% of GDP): Trade (percent of GDP), World Bank National Accounts data, and OECD National Accounts data files (retrieved from World Bank Open Data).

Unemployment: Unemployment, total (percent of total labor force) (modeled ILO estimate), International Labour Organization (ILO). "ILO Modelled Estimates and Projections database

(ILOEST)" ILO Department of Statistics (ILOSTAT). Accessed June 18, 2024 (retrieved from World Bank Open Data).

Religion: Pew Research Center, The Global Religious Landscape, 2010.

Ethnic Fractionalization: Drazenova, Lenka, Historical Index of Ethnic Fractionalization Dataset (HIEF), 2019 (retrieved from Harvard Dataverse).

Debt/GDP: General government debt, percent of GDP, International Monetary Fund (IMF) Global Debt Database; if unavailable, we use central government debt, percent of GDP, IMF Global Debt Database.

Inequality: Solt, Frederick. Standardized World Income Inequality Database (SWIID), Version 9.7. 2020. *Social Science Quarterly* (2020), 101:3: 1183–1199.

Sectoral allocation: World Bank national accounts data, and OECD National Accounts data files (retrieved from World Bank Open Data).

- **Agriculture:** calculated as agriculture, forestry, and fishing value added (percent of GDP) divided by the total value added of agriculture, industry, and services.
- **Industry:** calculated as industry value added (percent of GDP) divided by the total value added of agriculture, industry, and services.
- **Services:** calculated as services value added (percent of GDP) divided by the total value added of agriculture, industry, and services.

Contributors

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Arezki is the author of numerous academic journal publications, including in the *Quarterly Journal of Economics*, *Nature*, *Economic Journal*, and *Economic Policy*. He is the co-editor and co-author of seven books including *Coping with the Climate Crisis: Mitigation Policies and Global Coordination*, published by Columbia University Press (2018).

Leszek Balcerowicz

Leszek Balcerowicz is an economist and professor of economics at the Warsaw School of Economics. He served as deputy prime minister and minister of finance in the first non-communist government in Poland after 1989 (1989–91), and again from 1997 to 2000. He was president of the National bank of Poland from 2001–07.

The recipient of numerous honors and awards, Balcerowicz was distinguished with Poland's highest decoration—the Order of the White Eagle (2005)—for his contribution to the reforms in Poland, and has also received the Milton Friedman, Ludwig Erhard, and Friedrich von Hayek prizes. A member of the Washington-based international advisory body Group of Thirty, he is founder and chairman of the Civil Development Forum, a Warsaw-based think tank.

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