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Economic Freedom Underpins Human Rights and Democratic Governance

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In her preface to the Department of State's recently published *Country Reports on Human Rights Practices for 2007*, Secretary of State Condoleezza Rice wrote: "These values [liberty, dignity, and rights] are the basic endowments of all human beings, and the surest way to protect and preserve them is through effective, lawful, democratic governance."¹ There is no distinct formula through which to guarantee this process, but an unequivocal linkage to ensuring this progression lies in economic freedom. As a fundamental element of enhancing human rights, economic freedom is an indispensable means toward promoting effective, lawful, and democratic governance.

A Valuable End in Itself. Economic freedom is a part of human liberty that is concerned with the material autonomy of the individual in relation to the government and other organized groups. As Friedrich Hayek once observed, "To be controlled in our economic pursuits means to be controlled in everything."² Hayek's observation on economic freedom is based on the truth that each person is a free and responsible being with an inalienable dignity and fundamental human rights that should come first in any political system.

It is not surprising to see that seven of the 10 countries identified as "the most systematic human rights violators"³ (North Korea, Burma, Iran, Syria, Zimbabwe, Cuba, and Belarus) by the State Department's human rights report are "repressed" economies according to the *Index of Economic Freedom*, an annual publication by The Heritage Foundation and

The Wall Street Journal that measures economic freedom around the world.⁴ Government leaders in these countries put their own tyrannical political systems ahead of the people's economic freedoms. The concentration of power and wealth in the hands of unaccountable and autocratic political elites results in erosion and nullification of basic social and economic rights such as the rights to health, food, water, and education.

As the *Index* defines it, "the highest form of economic freedom provides an absolute absence of coercion or constraint of economic liberty beyond the extent necessary for citizens to protect and maintain liberty itself."⁵ In other words, economic freedom is about individuals' basic economic rights to work, produce, save, and consume without the state's intimidation and infringement. It encompasses the freedom to engage in entrepreneurial activities, having choices in education and health care, fair taxation, and just treatment by the courts under the rule of law.

Greater economic freedom generates opportunities for people and creates sustainable wealth and respect for human rights. By reducing barriers to economic activities, economic freedom helps to cre-

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ate a framework in which people fulfill their dreams of success. This is well-documented in the *Index*, which identifies strong synergies among the 10 key ingredients of economic freedom, among which are openness to the world, transparency, and the rule of law.

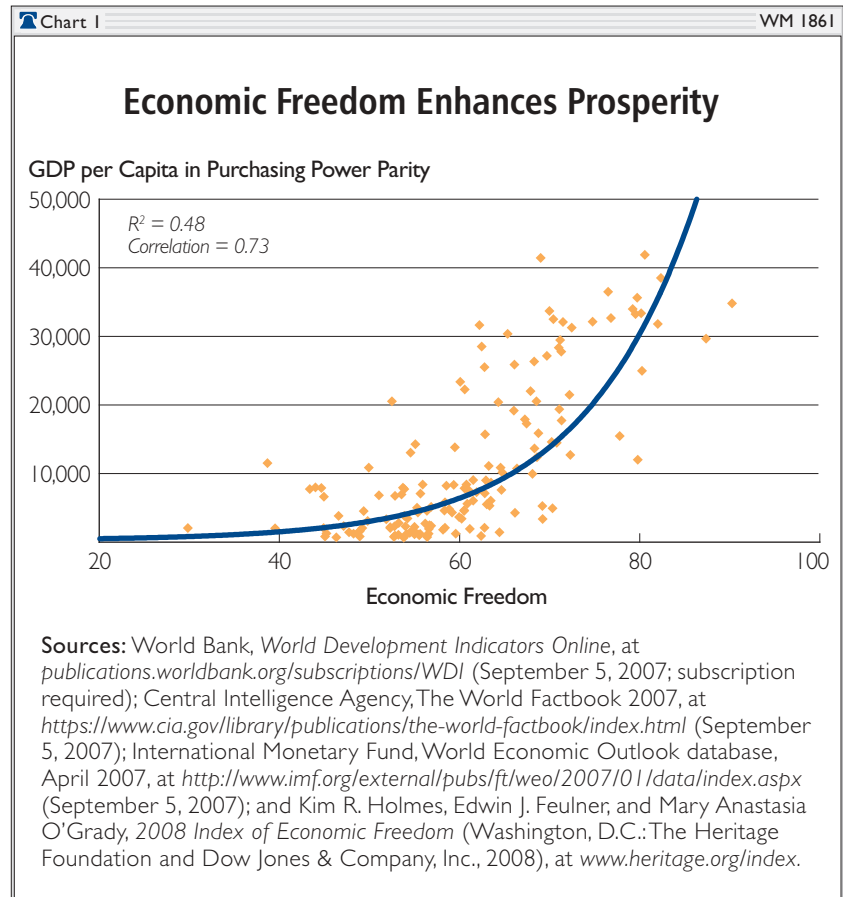
Empirical findings confirm that greater economic freedom empowers people and improves their quality of life by unleashing opportunities and innovative ideas. As Chart 1 demonstrates, there is a strong positive relationship between economic freedom and prosperity. People in countries with greater economic freedom enjoy higher standards of living than people in countries with less economic freedom.

More important, there is another noticeable dimension to the relationship between economic freedom and prosperity; one that involves the evolution of economic freedom and standard of living over time. Table 1 shows that, measured by 10-year compound averages, countries' improvements in their *Index* scores and their growth rates of per capita GDP are positively related to each other with the simple correlation of 0.44. In other words, countries moving toward greater economic freedom tend to achieve higher growth rates of per capita GDP over time.⁶

Promoting and preserving human rights cannot be seen in isolation from economic freedom. When living standards are low and poverty persists, vio-

lence often replaces peace, and basic human rights are easily violated. Sustainable economic development backed by economic freedom thereby plays a vital role in supporting the expansion and protection of human rights.

A Vital Means to Democratic Governance. Greater economic freedom can also provide more fertile ground for effective and democratic governance. It empowers people to exercise greater control over their daily decision-making processes. In



1. U.S. Department of State, *Country Reports on Human Rights Practices for 2007*, at www.state.gov/g/drl/rls/hrrpt/2007/.
2. Friedrich Hayek, *The Road to Serfdom* (Chicago, Ill.: The University of Chicago Press, 1944).
3. Jonathan Farrar, Acting Assistant Secretary, Bureau of Democracy, Human Rights, and Labor, "Remarks on the State Department's 2007 Country Reports on Human Rights Practices," March 11, 2008, at www.state.gov/g/drl/rls/rm/2008/102116.htm.
4. Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at www.heritage.org/index.
5. *Ibid.*
6. Countries are grouped by their *Index* score changes based on 10-year compound average growth rate. As shown in the number of countries in each group in the table, the countries are divided under a normal distribution curve.

doing so, economic freedom ultimately nurtures political reform as well. Economic freedom makes it possible for independent sources of wealth to counterbalance political power and encourages the cultivation of a pluralistic society.

Debate over the direction of causality between economic freedom and democracy has been somewhat controversial due to the complex interplay between the two freedoms. However, the positive relationship is undeniable. Chart 2 shows the relationship between economic freedom and democratic governance measured by the Economist Intelligence Unit's democracy index.⁷ They are clearly interrelated and together form a coherent whole.

It is undeniable that freedom has reached every area of the world over the past century. Economic freedom is a powerful building block for advancing effective and democratic governance. Yet the world needs to be mobilized behind that cause more effectively, and it needs to confront those who advocate ideologies of repression and extremism.

In his recent book, *Liberty's Best Hope: American Leadership for the 21st Century*, Heritage Foundation Vice President Kim Holmes highlights the need to build coalitions of freedom-loving countries around the world. He suggests inviting countries to join a common alliance of liberty through a "Global Economic Freedom Forum" and a "Liberty Forum for Human Rights" that would enshrine the powerful interplay of economic freedom, human rights, and political freedom.⁸

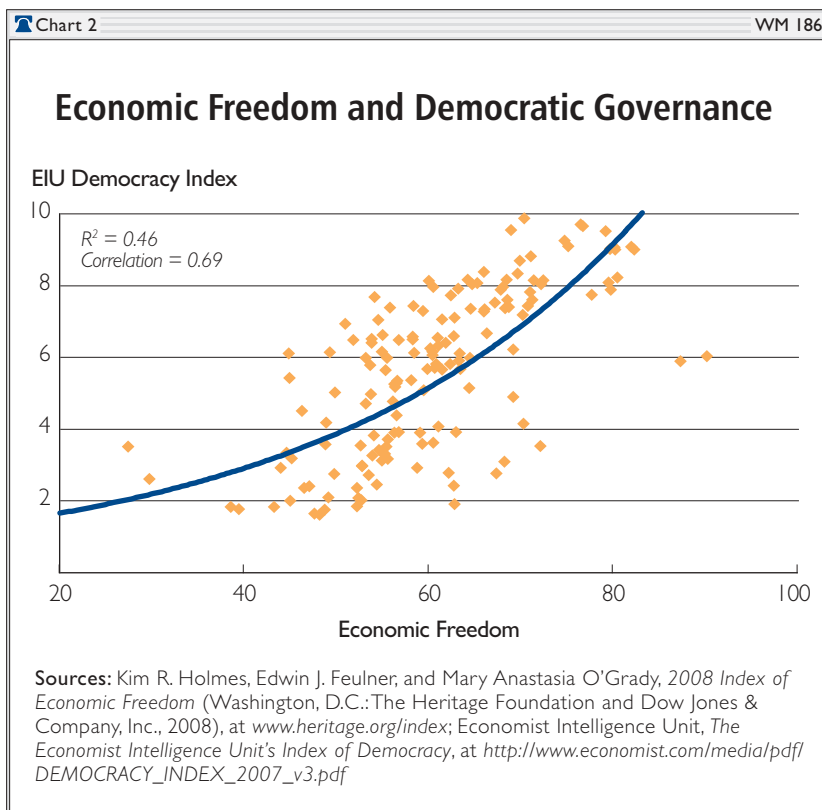
Conclusion. As President George W. Bush once noted, "Freedom can be resisted, and freedom can be delayed, but freedom cannot be denied."⁹ This is why the United States should continue to stress freedom as a liberating moral force and the foundation of

Table 1 WVM 1861

Change in Economic Freedom Score and GDP per Capita Growth

Change in Economic Freedom (%) (1998 Index–2008 Index)	Average GDP per Capita Growth (%) (1996–2006)
Over 2 (20 Countries)	5.50
Between 1 and 2 (25 Countries)	2.73
Between 0 and 1 (53 Countries)	2.55
Between –1 and 0 (36 Countries)	2.38
Below –1 (13 Countries)	1.68

Sources: International Monetary Fund, World Economic Outlook database, October 2007, at <http://www.imf.org/external/pubs/ft/weo/2007/02/weodata/index.aspx>; Kim R. Holmes, Edwin J. Feulner, and Mary Anastasia O'Grady, *2008 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2008), at www.heritage.org/index.



7. Covering 192 countries, the EIU Democracy Index is based on five categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. The Index classifies: full democracy: scores of 8 to 10; flawed democracy: scores of 6 to 7.9; hybrid regimes: scores of 4 to 5.9; authoritarian regimes: scores below 4. For more information, see www.economist.com/media/pdf/DEMOCRACY_INDEX_2007_v3.pdf.

America's leadership for the future. It is the compelling force of economic freedom that empowers people, unleashes powerful forces of choice and opportunity, and nourishes other liberties. As the 21st century progresses, freedom's champions must

join to advance their common cause of freedom, peace, and prosperity.

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8. Kim R. Holmes, *Liberty's Best Hope: American Leadership for the 21st Century* (Washington, D.C.: The Heritage Foundation, 2008), at <https://secure.heritage.org/bookstore/ProductDetail.cfm?ID=71>.
 9. President George W. Bush, speech given in Prague, Czech Republic, June 2007, at www.whitehouse.gov/news/releases/2007/06/20070605-8.html.