

HIGHLIGHTS OF THE

2026 INDEX OF
**ECONOMIC
FREEDOM**



Anthony B. Kim

RANKING THE WORLD BY ECONOMIC FREEDOM

Rank	Country	Overall Score	Rank	Country	Overall Score	Rank	Country	Overall Score
1	Singapore	84.4	65	France	64.6	129	Nepal	52.9
2	Switzerland	83.7	66	Vietnam	64.4	130	Comoros	52.7
3	Ireland	83.3	67	Azerbaijan	64.3	131	Tajikistan	52.5
4	Australia	80.1	68	Kazakhstan	64.2	132	India	52.5
5	Taiwan	79.8	69	Mongolia	63.9	133	Uganda	52.4
6	Luxembourg	79.7	70	Montenegro	63.8	134	Brazil	52.4
7	Denmark	79.0	71	Dominican Republic	63.8	135	Mali	52.1
8	Norway	78.8	72	Guatemala	63.5	136	Cameroon	52.0
9	Estonia	78.7	73	Italy	63.3	137	Zambia	51.9
10	The Netherlands	78.5	74	North Macedonia	63.3	138	Togo	51.6
11	Sweden	77.8	75	Greece	63.2	139	Chad	51.2
12	New Zealand	77.8	76	Bosnia and Herzegovina	63.1	140	Niger	51.0
13	Finland	76.6	77	Philippines	62.9	141	Laos	50.9
14	Canada	75.6	78	Micronesia	62.9	142	Kiribati	50.8
15	Lithuania	75.3	79	Hungary	62.5	143	Malawi	50.7
16	Iceland	75.0	80	Trinidad and Tobago	62.4	144	Sri Lanka	50.3
17	Chile	74.3	81	Kosovo	62.4	145	Russia	50.3
18	Cyprus	74.1	82	Thailand	62.2	146	Egypt	50.3
19	South Korea	73.7	83	Morocco	61.8	147	Liberia	49.8
20	Czech Republic	73.2	84	Vanuatu	61.1	148	Sierra Leone	49.6
21	Mauritius	73.0	85	São Tomé and Príncipe	60.6	149	Mozambique	49.6
22	United States	72.8	86	Uzbekistan	60.3	150	Belarus	49.1
23	United Arab Emirates	71.9	87	Namibia	60.2	151	Burkina Faso	49.1
24	Germany	71.7	88	Benin	60.0	152	Pakistan	48.9
25	Latvia	71.6	89	St. Vincent and Grenadines	60.0	153	Republic of Congo	48.6
26	Cabo Verde	71.4	90	Kuwait	59.9	154	China	48.3
27	Portugal	71.2	91	Colombia	59.8	155	Ethiopia	48.1
28	Barbados	70.4	92	Mexico	59.8	156	Tunisia	48.1
29	United Kingdom	70.4	93	Fiji	59.5	157	Timor-Leste	47.9
30	Japan	70.3	94	Jordan	59.3	158	Maldives	47.6
31	Qatar	70.2	95	Honduras	59.1	159	Equatorial Guinea	47.4
32	Uruguay	69.8	96	Tanzania	59.0	160	Turkmenistan	47.0
33	Austria	69.8	97	Tonga	58.9	161	Dem. Rep. of Congo	47.0
34	Slovenia	69.7	98	Cambodia	58.7	162	Haiti	46.1
35	Georgia	69.6	99	Guyana	58.7	163	Algeria	45.8
36	Belgium	69.2	100	South Africa	58.6	164	Burma	44.5
37	Costa Rica	69.1	101	Moldova	58.1	165	Guinea-Bissau	43.2
38	Bulgaria	68.9	102	Côte d'Ivoire	58.1	166	Lebanon	43.1
39	Oman	68.5	103	El Salvador	57.7	167	Central African Republic	43.1
40	Poland	68.5	104	Eswatini	57.5	168	Bolivia	42.4
41	Israel	68.4	105	Bhutan	57.5	169	Iran	41.8
42	Jamaica	68.2	106	Argentina	57.4	170	Burundi	40.2
43	Malta	68.2	107	Ghana	57.3	171	Eritrea	39.6
44	Samoa	68.0	108	Madagascar	57.0	172	Zimbabwe	35.2
45	Malaysia	68.0	109	Gabon	56.6	173	Sudan	32.5
46	Albania	68.0	110	Rwanda	56.5	174	Venezuela	27.3
47	Slovakia	67.7	111	Djibouti	56.3	175	Cuba	25.2
48	Botswana	67.7	112	The Gambia	56.3	176	North Korea	3.1
49	Croatia	67.5	113	Dominica	56.1			
50	Saint Lucia	67.5	114	Kyrgyz Republic	56.0			
51	Brunei Darussalam	67.5	115	Ecuador	55.6			
52	Armenia	67.1	116	Kenya	55.5			
53	Spain	66.8	117	Türkiye	55.0			
54	Seychelles	66.5	118	Lesotho	54.9			
55	Paraguay	66.4	119	Nigeria	54.8			
56	Peru	66.3	120	Bangladesh	54.8			
57	Bahrain	65.7	121	Angola	54.4			
58	Romania	65.4	122	Papua New Guinea	54.3			
59	Saudi Arabia	65.4	123	Mauritania	53.9			
60	Indonesia	65.1	124	Solomon Islands	53.7			
61	The Bahamas	65.1	125	Nicaragua	53.6			
62	Serbia	65.0	126	Senegal	53.2			
63	Panama	64.9	127	Guinea	53.1			
64	Belize	64.7	128	Suriname	53.0			

Economic Freedom Scores

- 80-100 Free
- 70-79.9 Mostly Free
- 60-69.9 Moderately Free
- 50-59.9 Mostly Unfree
- 0-49.9 Repressed

HIGHLIGHTS OF THE 2026 INDEX OF ECONOMIC FREEDOM

The American economy is resurgent. Despite the familiar chorus of naysayers, the facts tell a different story. With decisive regulatory reform, meaningful tax relief, and a clear commitment to pro-growth economic policies, the Trump Administration has been yielding impressive results. The U.S. stock market is near an all-time high, and gross domestic product has grown strongly by more than 4 percent in recent quarters, all while inflation, interest rates, and unemployment remain stable. The American economy is once again demonstrating what it can achieve when government steps back and the American people step forward.

President Trump promised a sharp break with the decline of his predecessor's era—defined by outdated and counterproductive regulatory, tax, and trade policies. He has delivered. His pro-growth agenda has set the stage for America's impressive comeback as the world's "hottest" economy and served as a necessary corrective to the failed experiment of "Bidenomics," restoring confidence, competitiveness, and momentum.

This edition of the *Index of Economic Freedom* confirms what we see unfolding in real time: When economic freedom advances, prosperity follows.

The United States recorded the greatest improvement in the 2026 *Index* among advanced economies. America's score has risen by nearly three points from last year, reversing a five-year decline and marking the most significant improvement since 2001—one of the strongest gains in the *Index's* 32-year history.

That progress is not accidental. It reflects the Trump Administration's pragmatic pro-growth economic strategy—lowering the cost of doing business, advancing and spreading prosperity, and enhancing long-term competitiveness—which has placed our country at the dawn of a Golden Era. Today, by that "dawn's early light," we can clearly see the prosperous, energetic future it portends even as many other countries remain stuck in a slow-growth trap.

But we must be clear: America is more than an economy. It is a nation. This Golden Era will be measured not only by stronger rankings and rising markets, but also by whether its promise is felt at the kitchen table by working families across this country.

Economic freedom is not an end in itself. It is a means to human flourishing—to what the Founders called the pursuit of happiness and what Aristotle described as *eudaimonia*. Conservatism seeks not merely efficiency, but the good, the true, and the beautiful.

Free markets must be part of our message of prosperity. As the *Index of Economic Freedom* has demonstrated year after year, prosperity, education, and the environment all thrive in countries that support free markets, the rule of law, private property, and limited government—particularly when institutions of civil society are flourishing.

Yet markets do not exist in a vacuum. Economic freedom must always serve families, communities, and the permanent things—ordered liberty, personal responsibility, and the dignity of work. Properly understood, economic freedom strengthens national security, nourishes civil society, and improves the quality of life for all citizens. It is a cornerstone of a healthy society. The *Index of Economic Freedom* remains one of the most important tools in defending and advancing that cornerstone.

This edition carries special meaning for The Heritage Foundation. In 2025, we lost our founder, Dr. Edwin J. Feulner—our longest-serving president, a statesman of the conservative movement, and the architect of an institution that reshaped American public policy. What began as a small outpost for conservative ideas became, under Ed’s leadership, the intellectual arsenal of the Reagan Revolution and a battleship for liberty in the decades that followed.

Ed founded the *Index of Economic Freedom* in 1995 and never ceased to contribute his insights to and provide inspiration for this worldwide, country-by-country annual benchmark study, describing it as one of the “crown jewels” of The Heritage Foundation and frequently presenting its findings to policymakers here in Washington and across the world.

The rankings in this *Index* will change over time—we hope for the better—in all countries everywhere, but the fundamental message of the *Index* will not change. As Ed said in introducing the first *Index* in 1995, in striving for peace and prosperity, “Freedom is what counts most.”

In dedicating this edition of the *Index of Economic Freedom* to Ed, we at The Heritage Foundation will honor his life the best way we know how: by carrying his mission forward with courage, integrity, and resolve. We will never forget his leadership.

“Onward,” and on offense.

Kevin D. Roberts, PhD
President
The Heritage Foundation
February 2026

EXECUTIVE HIGHLIGHTS

Economic freedom is an essential aspect of human dignity, autonomy, and personal empowerment. Equally important, it provides a proven formula for economic progress and success. Economic freedom is about much more than a business environment in which entrepreneurship and prosperity can flourish.

With its far-reaching impacts on various aspects of human development, economic freedom empowers individuals and families with choice and opportunity, nourishes other liberties, advances national security, and ultimately improves the overall quality of life.

The blunt truth is that economic freedom is the cornerstone of a healthy society with growing families and vibrant markets. Free enterprise and well-functioning markets are as essential today as they were when Ronald Reagan and Margaret Thatcher used them to rescue their nations' economies and win the Cold War.

Economic freedom is not just about economic efficiency for its own sake; it is a powerful means by which to further human flourishing. And work is more than a means of survival; it is a source of purpose and prosperity. Economic freedom is key to an industrious economy that rewards service and innovation, respects private ownership, and strengthens family formation and stability. A healthy economy should foster earned flourishing and remove obstacles that stifle opportunity.

As the country-by-country trends reported in the 2026 *Index of Economic Freedom* demonstrate, the need to revitalize and advance economic freedom has never been greater than it is today.

KEY FINDINGS OF THE 2026 INDEX OF ECONOMIC FREEDOM

- The direction and orientation of policy are important for economic freedom because there is a robust relationship between improving economic freedom and achieving higher economic dynamism. Especially notable is that among the world's fastest-growing large, advanced economies, the United States is the one whose economic freedom has improved the most in the past year.
- The United States' economic freedom score is 72.8, making its economy the 22nd freest in the 2026 *Index*. Its rating has increased by 2.6 points from last year, ending the precipitous five-year decline of America's economic freedom. Gains in monetary freedom, government spending, fiscal health, and investment freedom have outpaced the lower score in trade freedom, reflecting the positive impact of major regulatory and tax reforms on economic growth, investment, and business confidence.
- This noteworthy improvement also marks America's biggest score advancement since 2001 and the second-best in the U.S.'s 32-year history in the *Index*. The Trump Administration's pragmatic pro-growth economic strategy—lowering the costs of doing business, advancing and spreading prosperity, and enhancing long-term competitiveness—has yielded the strongest economic growth rate recorded in recent years.

- However, many countries around the globe are now at a crossroads. A nation’s true capacity for lasting growth and prosperity hinges on the quality of its institutions and economic system. The question is how soon and decisively they will correct their current policy course and reinvigorate their commitment to freedom, which has proven key to human flourishing and lasting prosperity.
- The *2026 Index*, which considers economic policy developments and conditions in 184 sovereign countries over the past year, reveals a world economy that remains “mostly unfree.” Although the global average economic freedom score has bounced back from 58.6 in 2024 (the lowest since 2010), it has increased by only 0.2 point to 59.9 over the past year from the 59.7 recorded in the *2025 Index*.
- Globally, fiscal soundness has continued to deteriorate. Rising deficits and mounting public debt in many countries have undermined and will likely further undercut overall productivity growth, ultimately leading to economic sluggishness rather than vibrant growth. The impact of restrictive tariffs on the global economy has been far more muted than feared in light of increased investment in such critical sectors as energy and artificial intelligence (AI). The absence of tariff retaliation by most countries has also offset the impact of tariffs on trade flows and growth worldwide.
- A return to “business as usual” will not suffice. In addition to the impacts of ill-managed public finance, countries are facing many long-term structural challenges in transparency, efficiency, openness, and government effectiveness.
- As shown in the ranking table for the 176 countries, four countries (up from three in the previous year) recorded economic freedom scores of 80 or more, putting them in the ranks of the economically “free”; 27 countries earned a designation of “mostly free” by recording scores of 70.0 to 79.9; and an additional 58 countries were considered at least “moderately free” with scores of 60.0 to 69.9. Thus, a total of 89 countries, or slightly more than half of the 176 countries graded, have institutional environments in which individuals and private enterprises benefit from at least a moderate degree of economic freedom.
- On the opposite side of the spectrum, about 50 percent of the countries graded in the *2026 Index* (87 economies) have registered economic freedom scores below 60. Of those, 57 economies are considered “mostly unfree” (scores of 50.0 to 59.9), and 30 countries, including China and Iran, are in the economically “repressed” category.
- Within the top 10 rankings, a notable reshuffling has taken place. Singapore continues to be the world’s freest economy, demonstrating consistently high economic resilience and prosperity. Switzerland is second, followed by Ireland, Australia, and Taiwan.
- Along with the impressive performance of the United States, Argentina’s economic freedom rating has increased by 3.2 points from last year, making it the best-performing country in the *2026 Index*. October

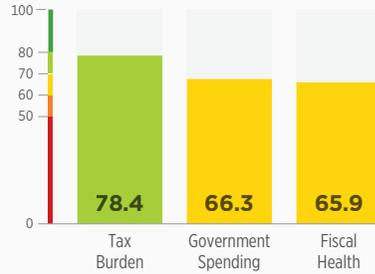
12 ECONOMIC FREEDOMS: A GLOBAL LOOK

RULE OF LAW



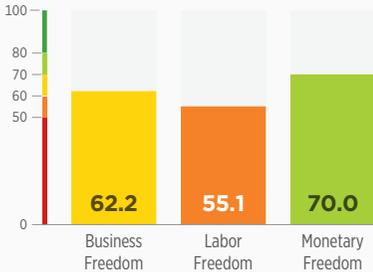
On average, of the four pillars of economic freedom on which *Index* grading is based, the rule of law indicator has the lowest scores on a scale of 0 to 100. This reflects the systemic corruption of government institutions in many countries. Without a robust rule of law, business owners and entrepreneurs find it difficult to know what to expect when making economic decisions.

GOVERNMENT SIZE



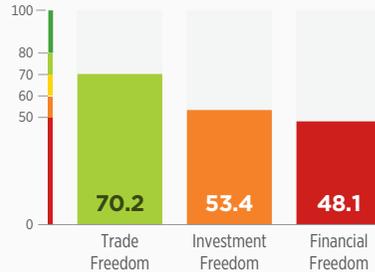
The average top individual income tax rate for countries in the 2026 *Index* is about 30 percent. The average top corporate tax rate is about 25 percent. The average overall tax burden as a percentage of gross domestic product (GDP) is about 20 percent. Government spending continues to average more than 30 percent of GDP, but gross public debt now averages above 65 percent.

REGULATORY EFFICIENCY



As with all other factors, the difference between high-scoring countries and low-scoring countries can be like the difference between night and day. The notable countries by average regulatory efficiency score include Singapore, Switzerland, Taiwan, Denmark, and Finland. The worst offenders in descending order are Sierra Leone, Cuba, Zimbabwe, Sudan, Venezuela, and North Korea.

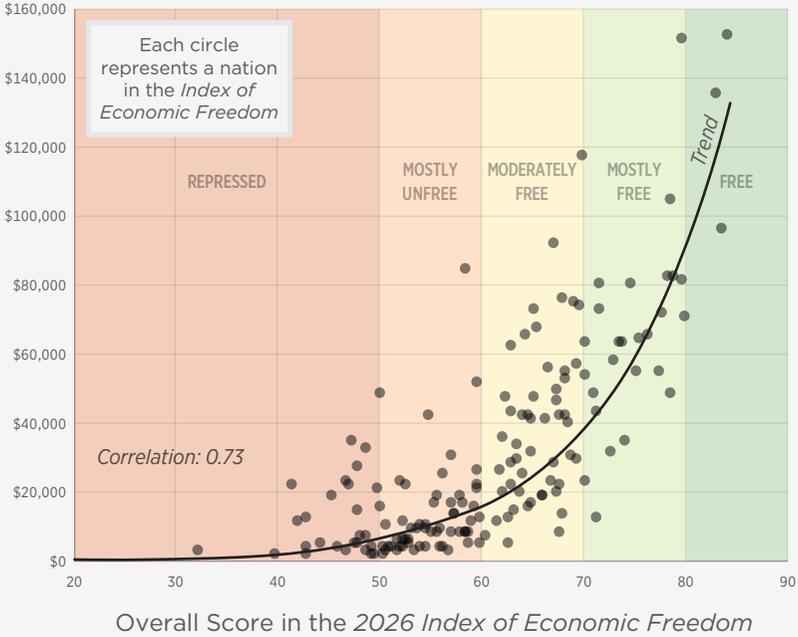
OPEN MARKETS



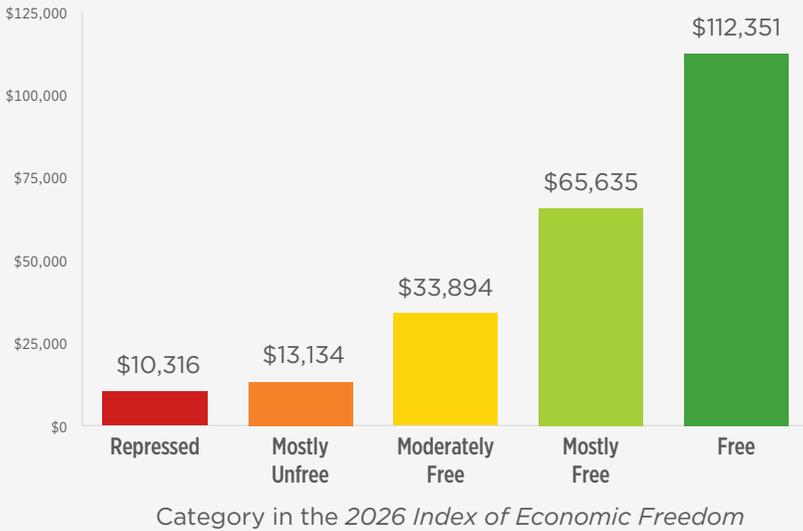
The fact that investment policy measures in many countries are geared toward promotion of sectoral investment rather than general market openness contributes to a global investment freedom score of just 53.4. The global score for financial freedom is the second lowest of the three open markets indicators at 48.1. Unfortunately, government interference in the financial sector has become pervasive in many countries.

ECONOMIC FREEDOM AND STANDARD OF LIVING

GDP per Capita, Purchasing Power Parity, 2024



Average GDP per Capita, Purchasing Power Parity



SOURCES: International Monetary Fund and 2026 Index of Economic Freedom.

Chart 1 heritage.org

2025's decisive midterm election victory provided reform-minded President Javier Milei with concrete support and greater momentum for continuing to transform Argentina's economy. Milei's reform agenda has yielded notable and measurable progress. Management of public finance has been improved as various fiscal, monetary, and regulatory reforms have reduced the size and scope of government. Argentina's overall economic freedom score has been improving significantly over the past three years under President Milei compared to global and regional averages.

- China's economic freedom score is 48.3, making its economy the 154th freest in the 2026 *Index*. Its rating has decreased by 0.7 point from last year, and China's economy continues to be classified as "repressed." The Chinese Communist Party directly controls economic activity. The regulatory framework remains complex and uneven. The state-controlled financial sector's extensive use of subsidies and credit controls continues to undercut efficiency and productivity. Businesses and the government have been struggling with high youth unemployment, persistent deflationary pressures, and a real-estate crisis that continues to act as a significant drag on growth.
- There continues to be a clear relationship between improving economic freedom and achieving higher economic dynamism as well as greater overall well-being. No matter their existing level of development, countries can measurably boost economic growth by implementing steps to increase economic freedom through policies that reduce taxes, rationalize the regulatory environment, open the economy to greater competition, and fight corruption.
- The standard of living, measured by incomes per capita, is much higher in economically freer countries. Countries rated "free," "mostly free," or "moderately free" in the 2026 *Index* generate incomes more than double the average levels in other countries and more than three times higher than the incomes of people living in economically "repressed" countries.
- As documented once again in the 2026 *Index*, economic freedom also correlates significantly with overall well-being, including health, education, the environment, innovation, societal progress, and democratic governance. All in all, the ongoing recovery remains uneven and uncertain with strikingly different outcomes across countries, sectors, and demographic groups. Output and employment gaps persist in many countries, particularly in emerging markets and developing economies, suggesting that countries face vastly different policy challenges during recovery and beyond.

THE CASE FOR ECONOMIC FREEDOM

Two recurring themes in human history are resilience and revival. The results of the 2026 *Index* demonstrate that by building on what works, countries can overcome challenges, revitalize their progress, and chart a course toward renewed economic success.

AS ECONOMIC FREEDOM RISES, THE GLOBAL ECONOMY EXPANDS AND POVERTY FALLS

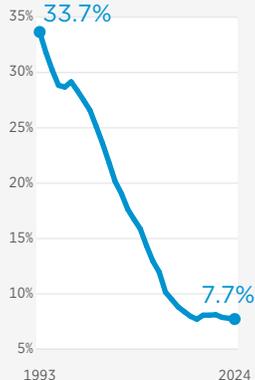
Average Score in the 2026 *Index of Economic Freedom*



Global GDP, in Trillions of 2015 U.S. Dollars



Percentage of Global Population Living in Abject Poverty



SOURCES: World Bank and 2026 *Index of Economic Freedom*.

Chart 2  heritage.org

Since 1995, the *Index* has measured economic freedom's advances and retreats around the globe country by country, correlating those changes with fundamental measures of well-being like economic growth, reductions in poverty, social indicators like longevity and health, and environmental protection.

Economic freedom, buttressed by the rule of law, fiscal responsibility, market openness, and sound regulatory environments, remains the surest pathway to resilience and prosperity. No other economic system has proven as capable of adapting to new challenges as free-market capitalism built on the principles of economic freedom. The dispersed information-gathering processes and price-setting power of free markets guide change far more efficiently than centralized political processes—typically slow and often biased toward the status quo—ever can.

Free markets and free enterprises, sustained by economic freedom, stimulate both the innovation and practical solutions necessary for progress and sustainable recovery, enabling better jobs, better products, and healthier, cleaner, and safer societies for all.

ADVANCING ECONOMIC FREEDOM: THE KEY TO HUMAN FLOURISHING AND RESILIENCE

The most fundamental benefit of economic freedom stems from its strong positive relationship to levels of per capita income. As indicated in Chart 1, countries moving up the economic freedom scale show increasingly high levels of average income. For countries achieving scores that reflect even moderate

levels of economic freedom (60 or above), the relationship between economic freedom and per capita gross domestic product (GDP) is highly significant. Economies rated “free” or “mostly free” in the 2026 *Index* enjoy incomes more than twice the average levels in all other countries and more than five times higher than the incomes of “repressed” economies.

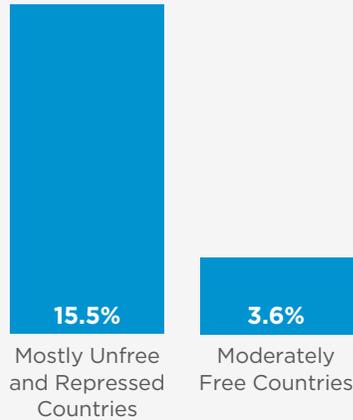
Over the past decades, countries that have adopted some version of free-market capitalism with businesses supported by efficient regulations and open to the free flow of goods, services, and capital have broken the vicious cycle of poverty and dependence.

The free-market system rooted in empowerment of the individual and open competition has fueled unprecedented economic growth worldwide. As Chart 2 illustrates, as the global economy has moved toward greater economic freedom over more than two decades, the world economy has achieved real GDP expansion of around 70 percent, lifting hundreds of millions of people out of poverty. Meanwhile, the global poverty rate has declined by about two-thirds. Economic freedom has made the world a profoundly better place with more people living longer and more fulfilling lives than ever before.

Greater economic freedom also has a significantly positive impact on poverty levels. Poverty intensity as measured by the United Nations Development Programme’s Multidimensional Poverty Index (MPI), which assesses deprivation at the individual level in education, health outcomes, and standard of living, is much lower on average in countries with higher levels of economic freedom. As depicted in Chart 3, the level of poverty in countries with economies considered “mostly free” or “moderately free” is only about one-fourth the level in countries rated “less free.”

POVERTY INTENSITY

Average Percentage of Population Living in Multidimensional Poverty



NOTE: Represented are the 104 developing countries scored in both indexes.

SOURCES: United Nations Development Programme and 2026 *Index of Economic Freedom*.

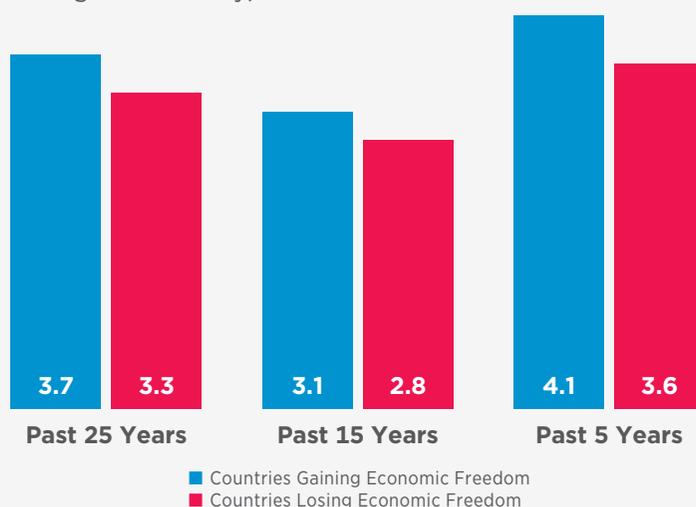
Chart 3  heritage.org

ECONOMIC FREEDOM: DRIVING VIBRANT GROWTH

Economic freedom is closely related to the openness to entrepreneurial activity that allows individuals to innovate, respond to new opportunities in the marketplace, and enjoy success based on their own efforts. Given this positive relationship, governments should be cautious in undertaking shortsighted

INCREASING ECONOMIC FREEDOM AND ECONOMIC GROWTH

Average Annual Growth of GDP per Capita
(Purchasing Power Parity)



NOTES: Figures are country averages for which both *Index* scores and data on GDP growth are available over the same time period.

SOURCES: International Monetary Fund and *2026 Index of Economic Freedom*.

Chart 4  heritage.org

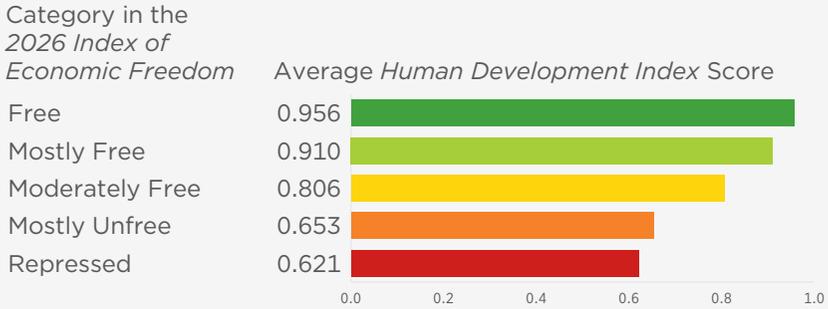
stimulus programs that increase their own spending or add new layers of regulation, both of which reduce economic freedom.

The best results are likely to be achieved through policy reforms that improve the incentives driving entrepreneurial activity. These reforms include improvements in the efficiency of business and labor regulations, reductions in tariffs and other barriers to trade or investment, and financial reforms to increase competition, ensure stability, and broaden access to credit.

As documented in this edition of the *Index*, as well as in previous editions and volumes of academic research, vibrant and lasting economic growth is most likely to occur when governments implement policies that enhance economic freedom and empower individuals with greater choice and more opportunities. Advancing economic freedom is a proven policy for dynamic economic expansion and is likely the surest path to true progress for the greatest number of people.

As Chart 4 demonstrates, there is a robust relationship between improving economic freedom and achieving higher per capita economic growth. Whether long-term (25 years), medium-term (15 years), or short-term (five years), the relationship between changes in economic freedom and changes in economic growth is consistently positive. Improvements in economic freedom are a

ECONOMIC FREEDOM AND HUMAN DEVELOPMENT



NOTE: Represented are the 181 nations that are in both datasets.

SOURCES: *Human Development Report 2025* and *2026 Index of Economic Freedom*.

Chart 5  heritage.org

vital determinant of rates of economic expansion that the record shows will reduce poverty.

Throughout all time periods considered, the average annual per capita economic growth rates of countries that have increased economic freedom the most are at least about 25 percent higher than those of countries in which freedom has stagnated or declined.

ECONOMIC FREEDOM: ENSURING GREATER HUMAN FLOURISHING AND POLITICAL FREEDOM

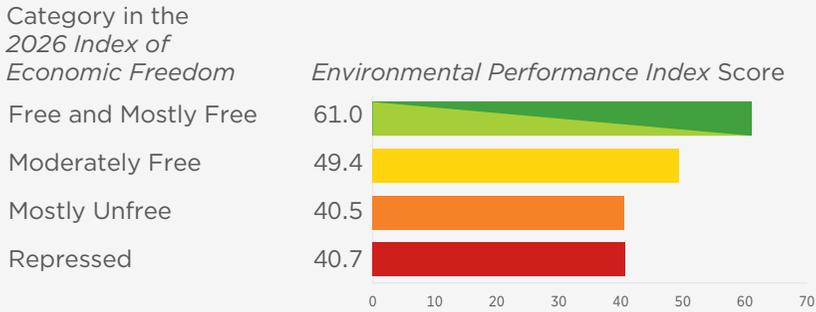
Increasing economic freedom is unequivocally about achieving greater overall prosperity that goes beyond the materialistic and monetary dimensions of well-being. Countries with higher levels of economic freedom enjoy higher levels of overall human development as measured by the United Nations Human Development Index (HDI), which measures life expectancy, literacy, education, and standards of living worldwide.

As Chart 5 shows, governments that choose policies to increase economic freedom are placing their societies on the path to more educational opportunities, better health care, and higher standards of living.

In recent years, environmentally related government policies have been more intrusive and economically distortionary. Many are promoting programs to tax carbon emissions, increase taxes on gasoline, and set up nontransparent and economically harmful exchanges for the buying and selling of carbon emissions in addition to using government revenue to subsidize various types of so-called clean energy. Such policies impose a huge cost on society and retard economic growth. Fortunately, the same free-market principles that have proven to be the key to economic success can also deliver environmental success.

Economic freedom has been shown to increase the capacity for environmentally friendly innovation. The positive link between economic freedom and

ECONOMIC FREEDOM AND ENVIRONMENTAL PERFORMANCE



NOTE: Represented are the 174 nations that are in both datasets.

SOURCES: *Environmental Performance Index 2024 and 2026 Index of Economic Freedom.*

Chart 6  heritage.org

higher levels of innovation ensures greater capacity to cope with environmental challenges. Moreover, the most remarkable improvements in clean energy use and energy efficiency over the past decades have occurred not as a result of government regulation, but because of advances in economic freedom.

The regulatory power of the marketplace pushes firms to identify ever more efficient means of production and respond to consumer demands for environmental sustainability. The result is a virtuous cycle of investment, innovation (including in greener technologies), and dynamic economic growth. (See Chart 6 and Chart 7.)

Greater economic freedom can also provide more fertile ground for effective and democratic governance. The achievement of political freedom through a well-functioning democratic system is a messy and often excruciating process, but the positive relationship between economic freedom and democratic governance is undeniable. (See Chart 8.)

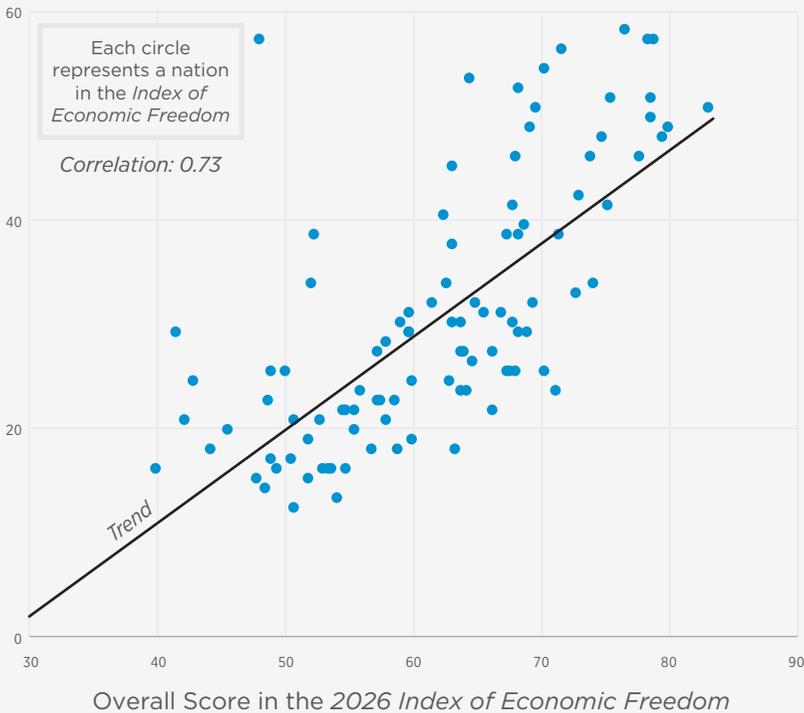
By empowering people to exercise greater control of their daily lives, economic freedom ultimately nurtures political reform by making it possible for individuals to gain economic resources they can use to challenge entrenched interests or compete for political power, thereby encouraging more pluralistic societies. Pursuit of greater economic freedom is thus an important stepping-stone to democracy. It empowers the poor and builds the middle class.

ECONOMIC FREEDOM: THE FOUNDATION OF UPWARD MOBILITY

The massive improvements in global indicators of income and quality of life in recent decades reflect a paradigm shift in the debate about how societies should be structured economically. This debate has largely been won by free-market capitalism. Criticisms persist, however, based primarily on the inequality of outcomes in a system that rewards individual effort and ability, which differ

ECONOMIC FREEDOM AND GLOBAL INNOVATION

2025 Global Innovation Index Score



NOTE: Represented are the 138 nations that are in both datasets.

SOURCES: *Global Innovation Index 2025* and *2026 Index of Economic Freedom*.

Chart 7  heritage.org

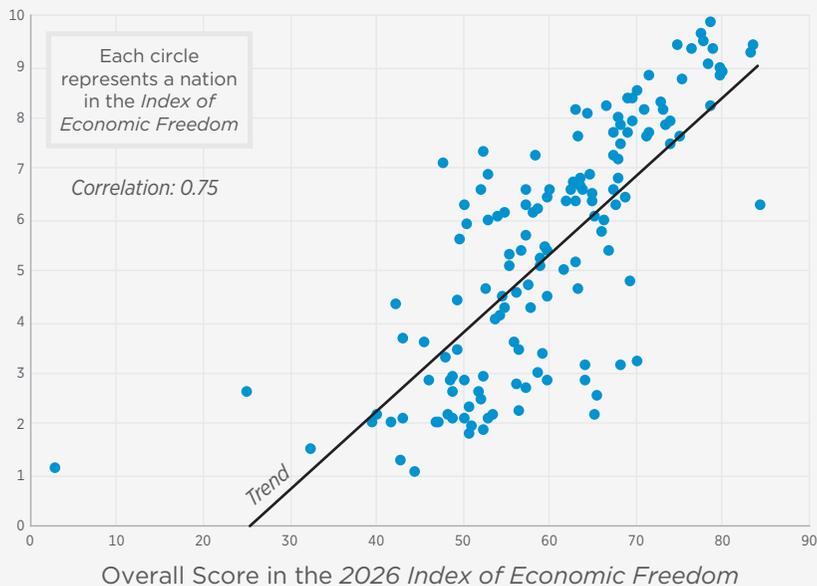
within any population, and where differences in individuals' starting positions can sometimes profoundly affect their end results.

Alternatives to free-market capitalism, such as socialism, have proven both unequal to the task of eliminating inequality and counterproductive in that they tend to slow economic growth and reduce the resources available to address poverty or pollution. Most advanced societies have thus opted for some version of free-market capitalism with various types of government intervention to redistribute resources. It is our hope that the *Index of Economic Freedom's* data on governments' tax, spending, and regulatory activities can shed light on the relative impact of such interventions.

Ultimately, discussions of inequality are more about a society's values than about its economic system. At the heart of ensuring upward economic mobility is advancing economic freedom so that dynamic and inclusive growth can occur meaningfully for *all* members of society. The evidence is strong that societies based on economic freedom are the societies in which social progress is

ECONOMIC FREEDOM AND DEMOCRATIC GOVERNANCE

Democracy Index 2024 Score



NOTE: Represented are the 164 nations that are in both datasets.

SOURCES: Economist Intelligence Unit and 2026 Index of Economic Freedom.

Chart 8  heritage.org

strongest. Advancing economic freedom is really about putting in place growth-inducing pro-market policies that benefit the greatest possible number of people rather than a select few.

TIME FOR RENEWAL, NOT RETREAT

The record is clear: Economically free and dynamic societies have demonstrated repeatedly that they are able to improve standards of living and respond effectively to any crises that may arise. This record includes countless individual stories of human progress and the achievements of countries and their citizens—billions of people whose lives have measurably improved and who continue to strive for greater freedom. The path by which the global economy can emerge stronger runs through the renewal of commitments to the proven ideas of the free-market system.

The imperative now is for governments to avoid compounding the problem with ill-advised actions that distort markets, destroy incentives to work and innovate, or otherwise diminish the prospects for rapid recovery and growth. In the long run, the proven way to revitalize the economic life of societies is by restoring what we know has worked best: economic freedom that has unambiguously made our societies strong, vibrant, and flourishing.

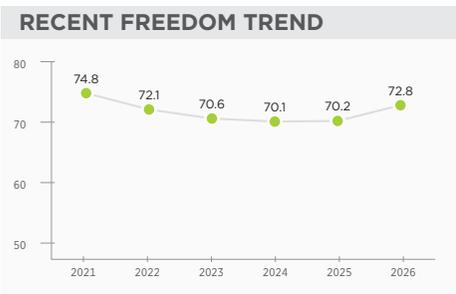
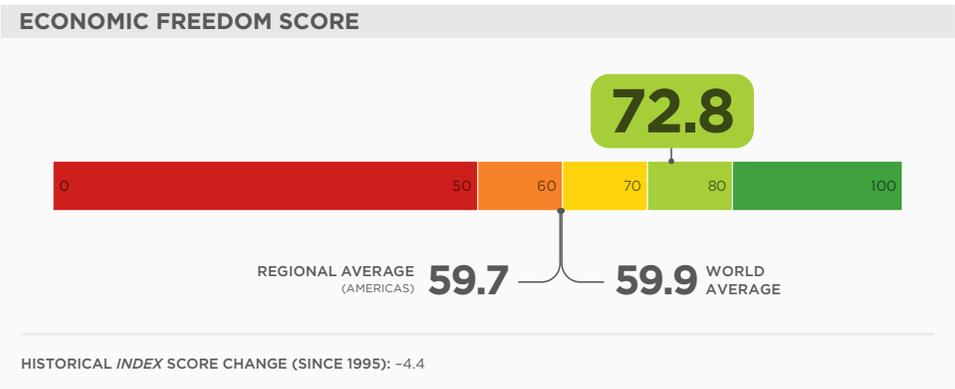


UNITED STATES

WORLD RANK:	REGIONAL RANK:
22	3
ECONOMIC FREEDOM STATUS: MOSTLY FREE	

The United States' economic freedom score is 72.8, making its economy the 22nd freest in the 2026 *Index of Economic Freedom*. Its rating has increased by 2.6 points from last year, ending the precipitous five-year decline of America's economic freedom. The Trump Administration's pragmatic pro-growth economic strategy—lowering the costs of doing business, advancing and spreading prosperity, and enhancing long-term competitiveness—has yielded the strongest economic growth rate recorded in recent years.

The American economy has achieved the largest score improvement among the major advanced economies and the third largest among all of the countries graded in the 2026 *Index*. Gains in monetary freedom, government spending, fiscal health, and investment freedom have outpaced the lower score in trade freedom, reflecting the positive impact of major regulatory and tax reforms on economic growth, investment, and business confidence. This improvement also marks America's biggest score advancement since 2001 and the second-best in the U.S.'s 32-year history in the *Index*.



QUICK FACTS

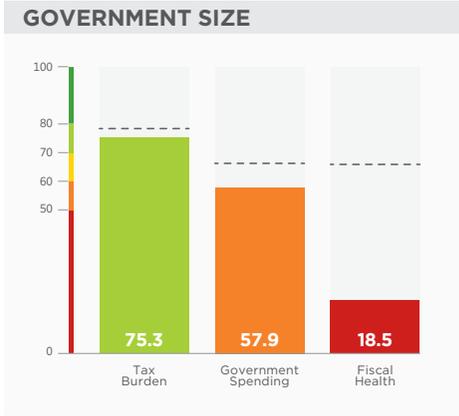
POPULATION: 340.1 million	UNEMPLOYMENT: 4.2%
GDP (PPP): \$29.3 trillion 2.1% growth in 2025 3-year average growth rate: 2.6%	INFLATION (CPI): 2.6%
PUBLIC DEBT: \$89,599 per capita	TRADE AS % OF GDP: 24.9%
	PUBLIC DEBT: 122.3% of GDP

2025 data unless otherwise noted. Data compiled as of January 2026.

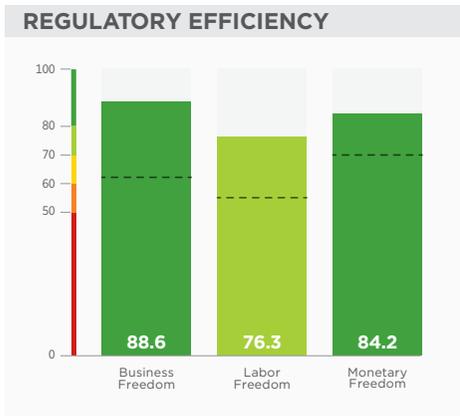
12 ECONOMIC FREEDOMS | UNITED STATES



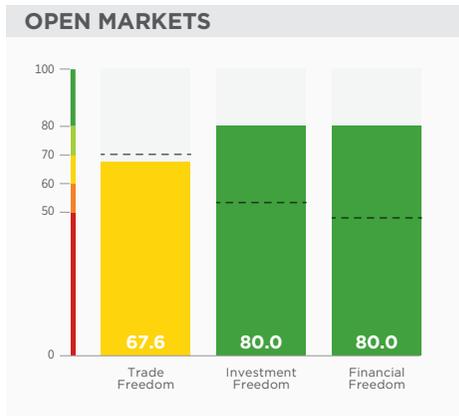
The overall rule of law is well respected in the United States. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual income tax rate is 37 percent, and the top corporate tax rate is 21 percent. The tax burden equals about 26 percent of GDP. Three-year government spending and budget balance averages are, respectively, 37.5 percent and -6.5 percent of GDP. Public debt amounts to more than 120 percent of GDP.



The United States’ overall regulatory environment is well institutionalized and efficient. The country’s business freedom score is far above the world average; its labor freedom score is above the world average; and its monetary freedom score is well above the world average.



The trade-weighted effective average tariff rate is estimated to be above 11 percent, and nontariff barriers are in force. The pro-investment and pro-growth agenda has generated strong economic momentum and elevated private-sector engagements, both domestic and foreign. The financial sector is one of the world’s most competitive and remains resilient.



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We believe the principles and ideas of the American Founding are worth conserving and renewing. As policy entrepreneurs, we believe the most effective solutions are consistent with those ideas and principles. Our vision is to build an America where freedom, opportunity, prosperity, and civil society flourish.

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