Introduction

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The greatest lesson we can learn from the past. . . is that freedom is at the core of every successful nation in the world.

— *Frederick Chiluba*

It is a great pleasure to bring out the India edition of the *Economic Freedom of the World 2004*. The Fraser Institute in Vancouver, Canada published the original in association with more than fifty liberal think tanks around the world. The Centre for Civil Society has been part of this freedom network since 1997.

Three Types of Freedom

Human freedoms can be classified in three categories: political freedom, civil freedom, and economic freedom. Political freedom refers to the right to vote, elect a representative, participate in the collective decision making processes. Civil freedom includes the freedom of expression and of the press, freedom of association, freedom to practice one's faith. The freedom to produce and trade—to earn an honest living—without undue interference is the essence of economic freedom. It includes the right to own, use, and dispose property, right to proper and speedy resolution of disputes and enforcement of contracts, and overall protection of life and property so that everyone can earn their livelihood safely and peacefully.

The significance of political and civil freedom is widely recognised, but that of economic freedom is scarcely understood. The UN Declaration of Human Rights, for example, hardly dwells on economic freedom. Economic freedom however is just as important, if not more, than political and civil freedom. In many cases, other freedoms would be meaningless without economic freedom. The right to free expression would be of little value if all printing presses or paper mills and radio and television stations belonged to the government. Private property rights and economic freedom assure that there would be multitude of means available to express your opinion, which provides real protection to the right to free expression.

Economic Freedom and Making a Living on the Street

Many assume that economic freedom matters only to the rich; the poor have hardly any economic means and therefore have little use for economic freedom. The reality is exactly the opposite. Consider cycle-rickshaw pullers and street vendors in the cities and towns of India.

Delhi has approximately 500,000 cycle-rickshaws providing an affordable and accessible transportation service to the poor. The Municipal Corporation of Delhi has mandated that rickshaws have to be licensed and only 90,000 licences shall be given out. More than 80% of the cycle-rickshaws are illegal. This government created illegality exposes the pullers to constant harassment and extortion. One study suggests that on average a bribe of Rs. 200 per month per cycle rickshaw is paid. Even the licensed rickshaws have to pay up. The government functionaries extort Rs. 100,000,000 (Rs. 10 crores) a month from the cycle-rickshaw pullers! Delhi's about 600,000 street vendors operate without the necessary license and pay up about Rs. 120,000,000 (Rs. 12 crore).[1] This is the burden of the license-permit raj—of economic unfreedom—on the poorest of the poor in Delhi.

During municipal raids, which occur regularly on a weekly or monthly basis, the goods, hand cart, weighing balance and other equipment, as well as rickshaws are impounded. Once the rickshaw is seized, it takes 5-15 days and more bribes to get it released. During these days, the puller loses his means of livelihood. Because of these problems and uncertainties created by the licensing system, the pullers prefer to rent than own the rickshaw. More than 90% of rickshaws in Delhi are rented and not owned. This is despite Delhi's law that the owner and the driver of the rickshaw must be the same person. The law obviously intends to promote ownership and limit exploitation of rickshaw pullers by middlemen. But the licensing system has created a situation where hardly anyone desires to own his cycle-rickshaw. The law was supposed to outlaw the middleman, but only the middlemen own rickshaws.

The actual outcome is exactly opposite to what was intended by the law. This conflict between intentions and results is so common in the case of economic regulations and restrictions that it is enshrined into a law: The Law of Unintended Consequences.

Should we do away with the license raj for rickshaws, give them the freedom to earn an honest living without the fear of illegality? Despite the severe harm caused by the licensing system, many raise the spectre of rickshaws clogging the roads of the city if the system were abolished. They fear rampant growth in the number of rickshaws. Let us first ask why are there 5 lac rickshaws in Delhi? And not 4 lac or 6 lac? Because the market demand is for 5 lac rickshaws. It is simple supply and demand. The licensed capacity is 90,000, but what impact did it have on the actual number of rickshaws? If the capacity were 70,000 or 1.5 lac, how many rickshaws would actually be on the road? About 5 lac! Irrespective of whatever the government decides, the people get what they demand—5 lac rickshaws.

The license regime does not really control the number of rickshaws in the city; it does not serve any purpose in traffic or congestion management. It does however serve one purpose, probably the only purpose: it makes the rickshaw business illegal and therefore open to extortion and harassment. Shouldn't we abolish this inhumane system? The government restrictions over legitimate economic activities and therefore the lack of economic freedom hurt the poor far more than the rich. The rich have the means to buy their freedom; the poor will always be at the mercy of the system. (The same logic applies to street vendors, small shopkeepers—all the entry-level professions where entry is restricted by government.)

India's Liberalisation: Rich Getting Richer and Poor Getting Poorer?

The focus on economic freedom also explains why the rich have become richer and the poor have remained largely stagnant after the liberalisation of 1991. The areas in which the richer classes earn their living have been liberalised by the removal of the license-permit raj in the industry and by the opening of international trade. But the areas in which the urban poor make their living—the entry-level professions—have not seen any liberalisation. They still live under the draconian license-permit raj. It is no wonder that after 1991 the upper classes are able to earn more but the poor are not. The poor are unenthusiastic about economic liberalisation, not because they are becoming poorer, but because they have not seen any liberalisation in their areas of work. The poor are getting poorer not because of the liberalisation of the rich but because of the lack of their liberalisation. We must do for them, what we have done for the rich: Give them economic freedom to earn their living without the fear of licenses and raids. With the higher degree of economic freedom, economic rewards would also increase correspondingly.

The rural poor who earn their living in agriculture fare no better. The agricultural produce is the most strictly regulated—their prices, movement and storage, wholesale markets (*mandis*), exports and imports. The Essential Commodities Act considers agricultural produce so essential that it has condemned its producers to perpetual poverty through a multitude of restrictions. Sugarcane, for example, produced in a district cannot be taken across the border without government permission. Imagine a similar law in other areas of our economic activity: All scooters manufactured in Pune cannot be sold outside the city without government permission. Or all the management graduates from Gujarat must sell their services in Gujarat only!

The tragedy of India's liberalisation is that the areas in which her rural and urban poor make their living have not been given any release from the grip of the government. They still live under the license-permit-raid raj.

The Employment Guarantee Scheme: Livelihood Freedom Test

Economic freedom enables individuals to earn their living and also determines the level of economic reward they would receive for their work. The government policies should be designed to expand and not restrict economic freedom.

On the one hand the government spends crores of rupees on employment generation schemes and on the other hand it sets insurmountable regulatory hurdles in the path of earning a living. The government must first remove all such hurdles by applying the Livelihood Freedom Test to all rules and regulations. The Livelihood Freedom Test is simple: Any rule that prevents a citizen from earning an honest living must follow 'Rethink, Revise, or Remove' formula. This is the best employment guarantee scheme!

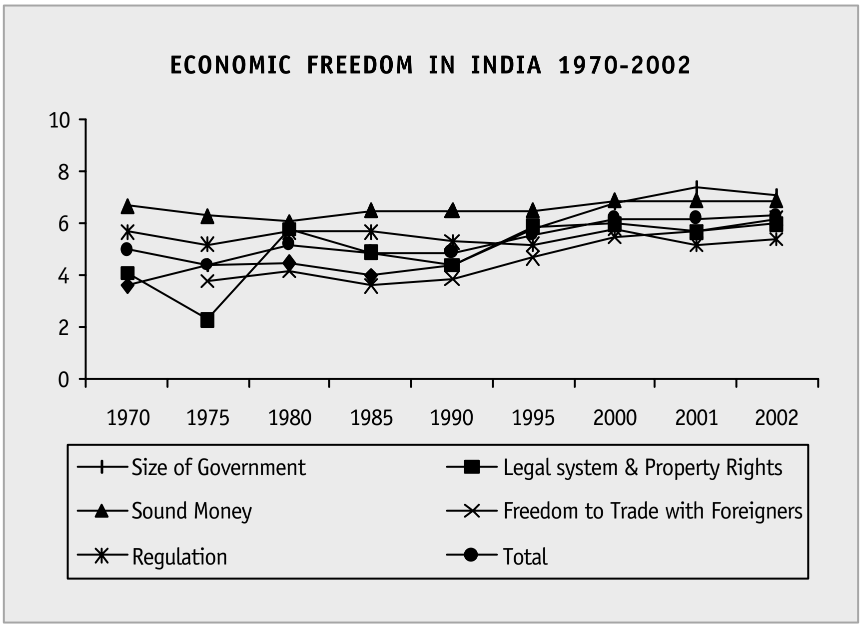
The Livelihood Freedom Test would help remove artificial restrictions on the ways in which people can earn their living. This would also address the issue of the 'jobless growth.' In addition to labour market restrictions, the rules and regulations that control access to entry-level, low-capital self-employment options increase unemployment. With the removal of these restrictions, economic growth would not only increase employment but also be more balanced in offering opportunities to all classes of the society.

Measurement of Economic Freedom: Economic Freedom of the World Index

Discussions at the 1984 Mont Pelerin Society meeting in England led Michael Walker of the Fraser Institute to organise a symposium to explore the relationship between political and economic freedom. Under the guidance of Milton and Rose Friedman, the first meeting took place in 1986 at Napa Valley, California. Dr Walker narrates the fascinating story of the origins of the Index in his introduction to the first volume, *Economic Freedom of the World 1975-1995 (1996)*.[2]

Along with the Fraser Institute, the Freedom House, and the Heritage Foundation in collaboration with the *Wall Street Journal* publish two other economic freedom indexes. The differences and similarities are summarised by James Gwartney and Robert Lawson in their introduction to 1997 Annual Report, which is reproduced in the endnote for easy reference.[3]

The Fraser Institute's economic freedom index is based on five main variables with 21 components and uses 38 distinct pieces of data (of 2002). The Index is based completely on empirical data and does not include any subjective judgements of the authors, which makes the Index independently replicable. The five main variables are the size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally, and regulation of credit, labour, and business.



Anyone with no knowledge of India's recent history can judge from the graph that her economic freedom score has improved particularly since 1990. The improvement is pronounced in the size of government, legal system and property rights, and freedom to trade internationally. Where most developing countries have regularly suffered bouts of hyperinflation, it is a remarkable achievement that India's monetary authorities have provided relatively sound money all through the data period. Despite the liberalisation since 1991, India' score on regulation of credit, labour and business has not seen much advance.

The World Bank study, *Doing Business*, documents the problems in opening a simple business in various countries. As expected on the basis of India's score on regulation, she performs poorly. The challenges of launching a business in India are captured through four measures: procedures required to establish a business, the associated time and cost, and the minimum capital requirement. Entrepreneurs can expect to go through 11 steps to launch a business over 89 days on average, at a cost equal to 49.5% of gross national income (GNI) per capita. They must deposit at least 428.0% of GNI per capita in a bank to obtain a business registration number, compared with the regional average of 85.6% of GNI and the OECD average of 47.0% of GNI.

STARTING A BUSINESS IN INDIA

Nature of Procedure (2004)	*Proc #*	*Duration (days)*	*US$ Cost*
Obtain pre-approval of name, have documents vetted	1	7	10.41
Stamp the Memorandum and Articles of Association	2	2	25.4
File for registration	3	9	193.6
Make a seal	4	7	10.41
Obtain PAN	5	60	1.35
Obtain TAN	6	45*	0
File for sales tax	7	15*	2.6
Register for Profession Tax	8	2*	0
Register with Mumbai Shops and Establishment Act	9	2*	20.82
File for EPF	10	2*	0
File for ESIC	11	1*	0
Totals:	11	89	$264.59

* This procedure runs simultaneously with previous procedures.

Source: http://rru.worldbank.org/DoingBusiness/ExploreEconomies/BusinessClimateSnapshot.aspx?economyid=89

India and Neighbours

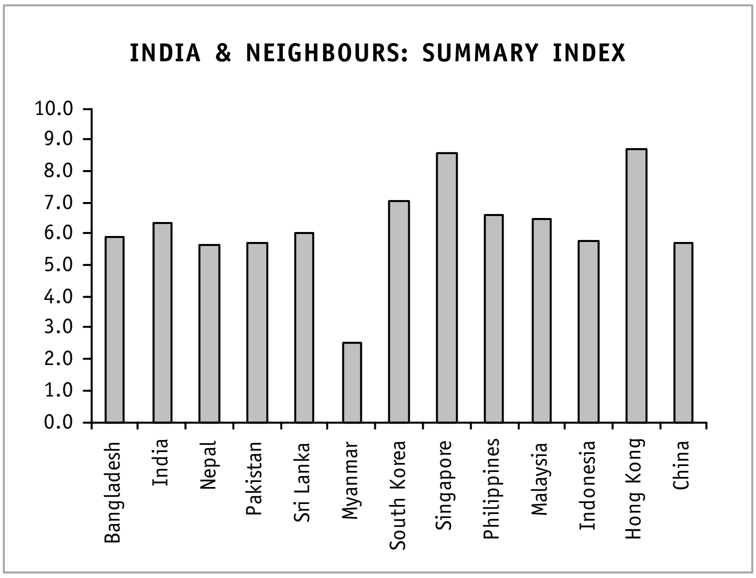
The data on our immediate SAARC neighbours reveal instructive facts. India has the highest score of 6.3 out of 10 while Nepal has the lowest at 5.6. Out of 123 countries in the EFW Index, Nepal is at 94 and India at 68 is the best performer among SAARC countries. Pakistan has the worst score in the area of legal system and security of property. Nepal is at the bottom in freedom to trade internationally but at the top in providing sound money to her citizens. Bangladesh has the best score on the size of the government but the worst, along with India, in the area of regulation.

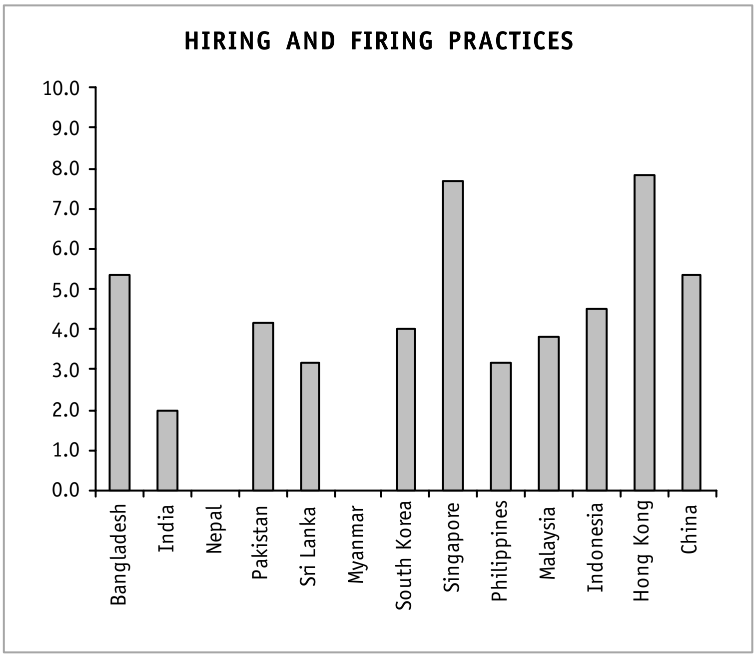
ECONOMIC FREEDOM IN SAARC COUNTRIES 2002

Components	*India*	*Sri Lanka*	*Pakistan*	*Nepal*	*Bangladesh*
Size of Government	7.1	7.4	7.2	5.1	8.1
Legal System & Property Rights	6.0	3.8	2.7	4.8	3.2
Sound Money	6.9	6.5	6.9	7.0	6.9
Freedom to Trade Internationally	6.2	6.7	5.7	5.4	5.9
Regulation	5.4	5.7	6.0	5.9	5.4
Overall Score	6.3	6.0	5.7	5.6	5.9
Overall Rank*	68	78	90	94	83

* Out of 123 countries, and lower rank implies more economic freedom.

The labour markets in India have remained untouched by the wave of liberalisation. Given the importance of this reform in a labour surplus country like India, it is instructive to see how other countries manage their labour markets. Only Nepal and Myanmar have more rigid labour markets





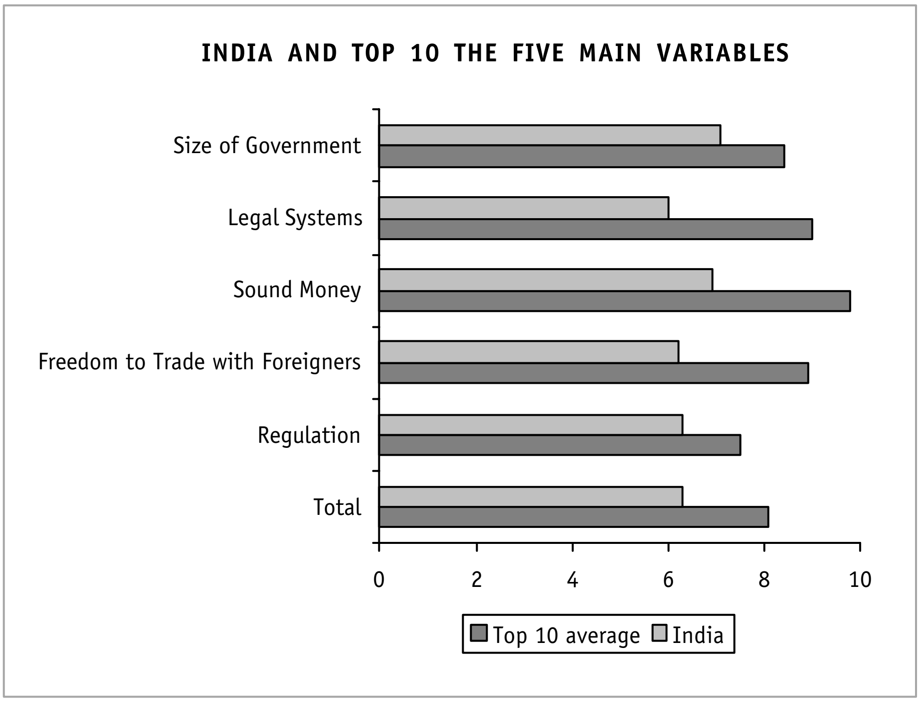
than India. The communist China has 2.5 times more flexibility in her labour markets! With the very high degree of freedom in hiring and firing in Hong Kong and Singapore, shouldn't we conclude that workers there are more exploited than in India, Nepal, and Myanmar?

India's very restrictive labour laws and industrial dispute rules have led to the 'jobless growth' after the 1991 liberalisation. They have encouraged capital-intensive investments; some of the public sector companies have one of the highest capital to labour ratio in the world. Perversely, the laws intended to protect labour have tilted the balance in favour of capital and have kept the labour away from the benefits of rapid economic growth.

India and the World: How can We be the Best?

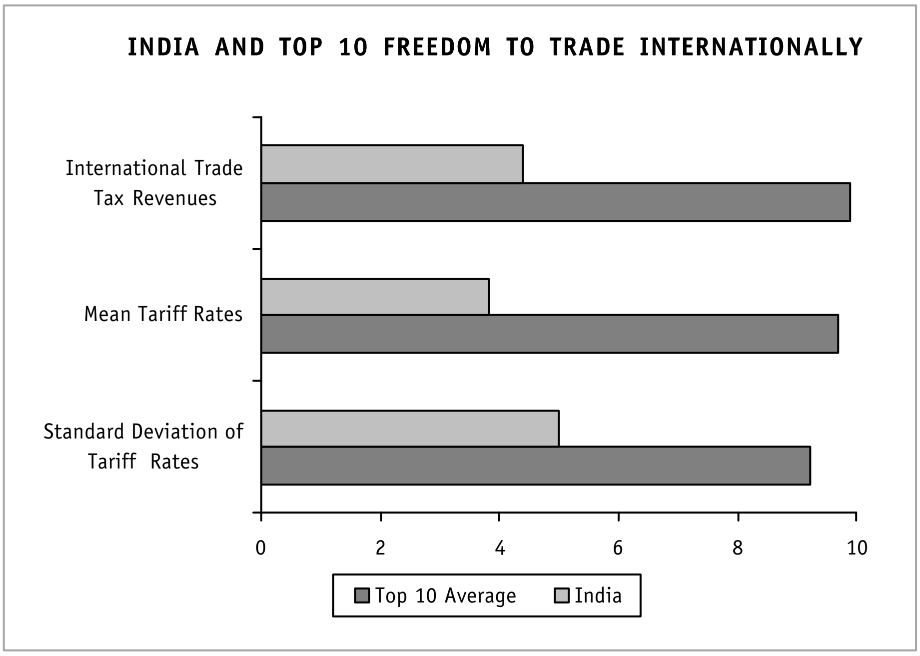
One quick way to figure out the areas where India needs to improve to compete with the best in the world is to compare India's score on each of the components of the EFW Index with the top 10 countries in that same component. The difference between the average score of the top 10 countries and the score of India would inform us where and how much of reforms are necessary.

Despite the significant liberalisation of international trade, India still lags far behind the top ten countries. Two other areas for critical improvement are sound money and legal system and security of property rights. The relatively better score on the size of government and regulation is somewhat misleading. The top 10 countries have large welfare programs and these transfer payments increase the size of the government substantially. India has very few such income transfer programs. It shows that smaller size is no hindrance to being a very intrusive government. For developing countries, the size of government variable seems generally misleading. Bangladesh, for example, gets 10 out of 10 in this area! The quality and not just the size is just as relevant. A big government in terms of expenditures could be less meddling and a small government could be more interfering. The same applies to regulation.

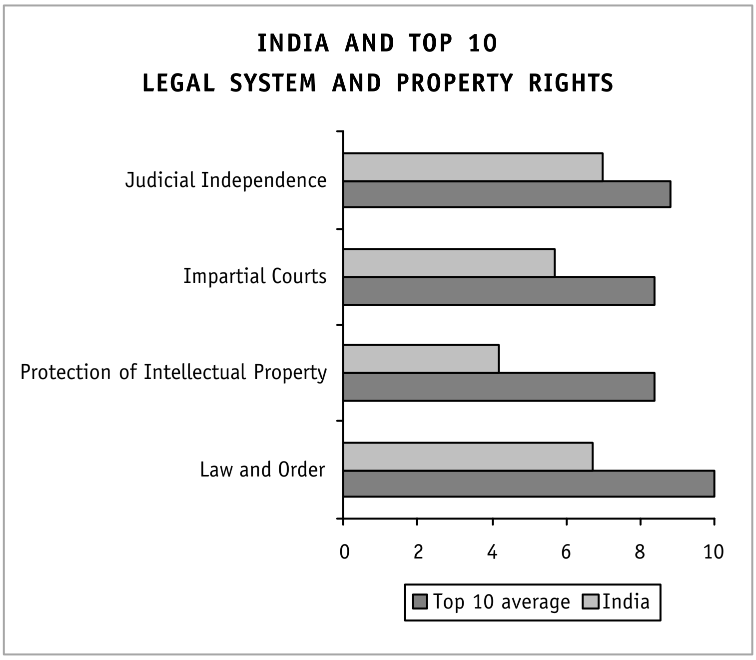


India's Freedom to Trade Internationally

What should India do to improve her rank in the area of freedom to trade internationally? A closer look at the components of this main variable will give some clues. There are five components and each has several sub-components. The chart illustrates the first component (A: Taxes on international trade) that has three sub-components. For more detailed understanding, I invite the reader to create similar charts for the remaining four components with their sub-components.



India does very poorly on all the three sub-components. She collects far larger amount of revenues from taxes on international trade as a percentage of exports plus imports compared to the top 10 countries. Her mean tariff rates are still very high. The large standard deviation of tariff rates implies more discretionary powers to customs officials and therefore higher scope for corruption. An importer of onions had gone to the Supreme Court to get the highest court's verdict on whether onions are fruits or vegetables! The large difference in the tariff rates of fruits and vegetables prompted the law suit. Chile, no not chilli, has a single tariff rate of 15 percent. The customs officers there have little power; they are simple log-keepers.



In a globalising world, it is important to improve not only with respect our own past but also in comparison to other countries in the world. India's score in the area of freedom to trade internationally has been steadily picking up since 1990 but her rank has been falling except in 2002. We have been opening up but not as fast as others.

India's Legal System

In the area of judicial independence and impartial courts (where private parties challenging government actions and regulations can expect fair trial), India does comparatively well. But in the area of law and order (where the top 10 countries have a perfect score) and in intellectual property protection she leaves much to be desired.

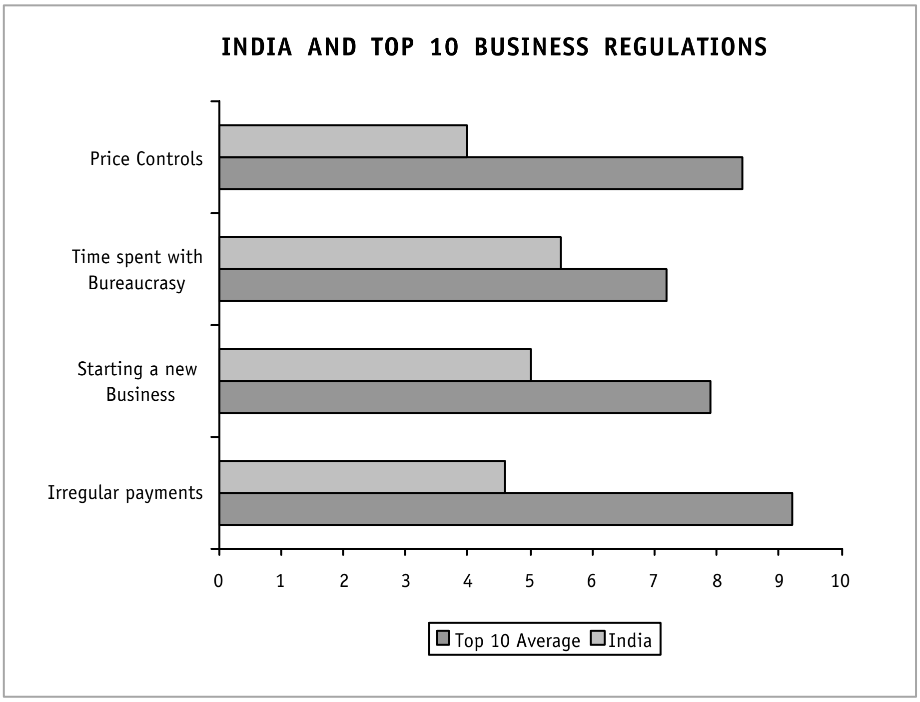
India's Regulation of Business and Credit

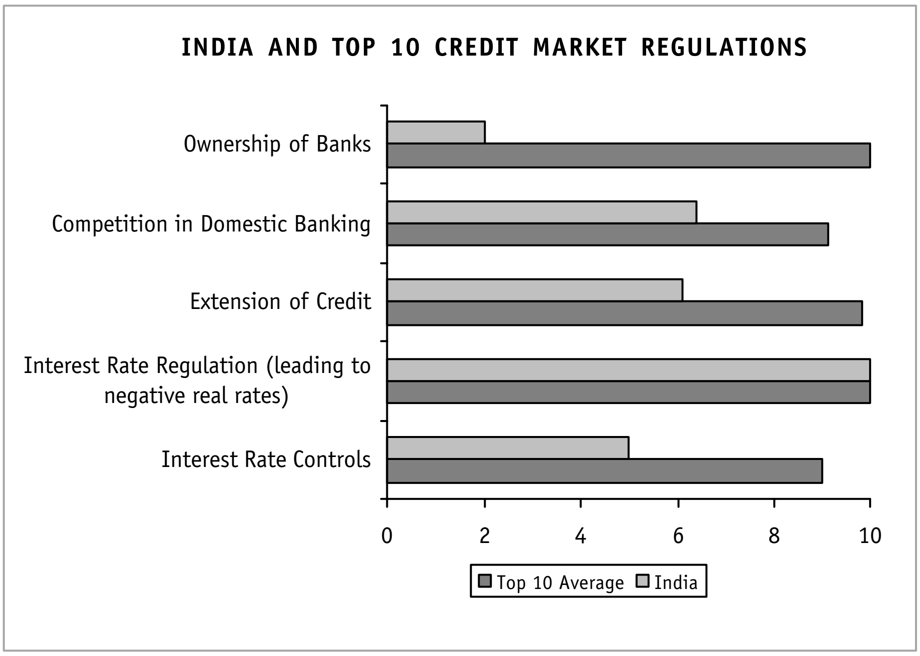
With respect to business, we are still heavily regulated. Our liberalisation and delicensing has been half-baked. Starting a new business is an Herculean task. The time spent by entrepreneurs with the bureaucracy is far longer compared to the top ten average. And corruption—irregular payments—is rampant.

The worst performance in the area of business regulation is in price controls. The government directly or indirectly influences prices of a vast number of goods and services. It continues to subsidise diesel, kerosene, and cooking gas. The Essential Commodities Act and the Minimum Support Prices practically decide the prices of all agricultural produce.

The credit markets have received hardly any respite. There are 50 foreign banks operating more than 200 branches, but they account for only 13 percent of total deposits. The banking system—the intermediary of savings and investments—is still under tight government control. All banks face severe restrictions on the use of both their assets and liabilities. The government also directs the allocation of credit. It requires that domestic Indian banks make 40 percent of their loans at concessional rates to priority sectors identified by the government. Since July 1993, foreign banks have been required to make 32 percent of their loans to these sectors.

The comparison of India with the top ten countries provides a roadmap for reforms. With the use of accurate data, it is possible to put milestones on this reform road. The software included in the attached disk conveniently calculates the distances to be travelled in relation to the world as well as our regional neighbours.





Conclusion

During most of India's history, producers and traders have enjoyed high degree of freedom and security. India manufactured and traded goods that were envy of the world. Many of the world's main trade routes were through India. Trade flourished between India and China, Afghanistan, Egypt, the Roman Empire, the present South East Asian countries of Bali, Java, Sumatra, Cambodia, and Malaysia. We must add *Jai Vyapar* to *Jai Jawan, Jai Kisan,* and *Jai Vighyan*!

What use is economic freedom to a person with an empty stomach? That is the standard refrain when one talks of economic freedom. However, as our examples of cycle-rickshaw pullers and street vendors show, economic freedom is critical in earning an honest and dignified living. Economic freedom and secured property rights benefit even those who have no property. It is in the nature of freedom that even if I do not exercise it, its use by others confers benefits to me. A poor illiterate person may be unlikely to exercise his freedom of expression, but the fact that others in the society have that freedom provides him tremendous benefits.

Lack of economic freedom also affects fulfilment of our social objectives. Consider for example the goal of universal education. The Delhi Education Act of 1973, similar laws exist in all cities and states, requires an 'Essential Certificate,' a license, from education authorities for opening a new school or even for expanding an existing one. The license-permit raj that ruled the industry in India until 1991 still operates in the field of education. Severe scarcity of schools, poor quality of education, and high fees and donations are the predictable results of the license-permit raj in education. Before 1991, people had to wait for years to get a telephone connection or a scooter. It was a scarcity economy—long queues, high prices, and shoddy quality. Scarcity education system is what we still have. Economic freedom is as much a solution in education as it is in industry in expanding access with lower prices and improving quality.

Many fear that more economic freedom will lead to more income inequalities. The EFW software provides an easy way to assess this fear objectively. Take the data on Gini coefficients from the World Bank (given in the software) and plot them against the countries ranked on the basis of their economic freedom. Do economically freer countries have less or more income inequalities?

A ready way to check the link between economic freedom and income inequality is to compare the diet of the 'first family,' that is, the family of the President or Prime Minister with that of the average family in a country. What do the first family and the average family eat normally? Invariably the gap in the diet will be far narrower for those countries that are economically freer like Germany, United States or Switzerland than for economically less free countries like North Korea, Myanmar, Cuba, or Iran. The every-day lunch or dinner menu of the Chancellor of Germany is more or less the same as an average German family, while the difference is undoubtedly larger in North Korea.

The quantification of economic freedom through the EFW Index has allowed social scientists to assess its importance in economic and social development. A growing literature now supports the wisdom of Adam Smith: Economic freedom is critical in achieving higher rates of development (see the Appendix 2 for references). Importantly, simple changes in the legal and regulatory system of governance can increase economic freedom. Unlike building of infrastructure, schools, and hospitals, economic freedom can be improved without too much of capital and new technologies. It is the easiest and the most effective way there is to better people's quality of life.

No country with a persistently high level of economic freedom has failed to achieve increases in per capita income. In fact the poorer sections of society gain much from economic freedom. The objective assessment of the relationship between economic freedom and development (as captured in the UN Human Development Index) should now be extended from across countries to provinces or states of a country. Such intra-country, or inter-province or inter-state comparisons of economic freedom are the next logical frontier. Many provinces or states publish their own Human Development Index, which can be used to evaluate the impact of economic freedom across provinces or states. Initial efforts in China and India in creating provincial and state-based economic freedom index must be strengthened (search www.freetheworld.com for details).

In protecting the dignity of the individual and in building a prosperous and peaceful society, economic liberty is as critical as political and civil liberties. India's destiny lies in a second freedom movement—for economic freedom.

New Delhi
8 September 2004

References

1. Data from *Law, Liberty, and Livelihood*, eds., Parth J Shah and Naveen Mandava, Centre for Civil Society, New Delhi, forthcoming (in association with Academic Foundation).
2. For those interested in the papers and a summary of the discussion of the entire series of such symposia, see Michael A. Walker, ed., *Freedom, Democracy, and Economic Welfare*, Vancouver: Fraser Institute, 1988; Walter Block, ed., *Economic Freedom: Toward a Theory of Measurement*, Vancouver: Fraser Institute, 1991; and Stephen T. Easton and Michael A. Walker, eds., *Rating Global Economic Freedom*, Vancouver: Fraser Institute, 1992.
3. During the last several years, two other organizations—the Heritage Foundation and the Freedom House—have published measures of economic freedom. It is encouraging to see others developing an interest in this topic. At our invitation, Richard Messick the editor and coordinator of the Freedom House Index and Kim Holmes and Bryan Johnson, the lead authors of the Heritage project, met with us at a San Francisco meeting of the Economic Freedom Network. Presentations on the background and nature of these two indexes, as well as our own, were made. While there are some similarities between the three indexes, there are also major differences.

   First, our index is the only one of the three that starts with a clear presentation of what economic freedom is and then uses that as the foundation for the development of a measuring rod. Given the meaning of economic freedom, what variables should be used for its measurement? What weight should be given to each? What set of components would provide a sound measure for a specific category? We wrestled with these questions and related issues for several years. They were the focal point of the Fraser Institute/Liberty Fund symposia series. Input was obtained from numerous sources, including some of the world's leading economists. We sought—and are continuing to seek—to develop objective indicators of economic freedom for all major areas. The variables in our index work together—for example, it is important to measure not only monetary and price stability, but it is also important to identify whether it is possible to shift to another currency if monetary instability is present. Since some factors that affect economic freedom are more important than others, accurate measurement requires that the more important factors be weighted more heavily. Neither Heritage nor Freedom House attempt to deal with any of the these issues. They simply average their components, which in effect weights them all equally.

   Second, we developed ratings for five different years over two decades. This makes is possible to track the economic freedom of various countries over time. In contrast, both the Heritage and Freedom House Indexes cover only a few years in the mid-1990s.

   Third, both the Heritage and Freedom House indexes are highly subjective. Neither presents an underlying set of data which is then used in a systematic manner in the rating process. While both list factors considered in their ratings, it is often unclear precisely how these factors influence their category ratings. Furthermore, evaluation of countries on the basis of the factors listed requires the

authors to make numerous subjective judgements. This results in ambiguities regarding why a rating for a country is high, middle or low in a specific area. In contrast, we did not inject our subjective views into the component ratings. Most of the components of our index are objective variables (for example, standard deviation of the inflation rate or government consumption as a share of the total) designed to measure important elements of economic freedom. In cases where subjective judgements would influence the relative standing of countries, we use survey data or evaluations by others rather than injecting our own views. We also present the underlying data set used to rate countries and carefully explain how it was used to derive the component ratings. We wanted our index to be transparent in order to enhance its credibility.

Perhaps none of this would matter very much if it did not lead to some unusual outcomes. Consider the case of Bahrain, a country which the 1997 Heritage Index ranks as the third freest economy in the world. Bahrain is characterized by monetary stability and liberal financial markets. It deserves high marks in these areas. But it is also an economy dominated by government. In fact, 45% of all consumption expenditures are determined by the government rather than by the personal choices of its citizens. This is the largest share—more than Sweden, more than Russia, more than any former Soviet bloc country—among the 115 countries in our study. Can a country that uses central planning and political power to allocate almost half of total consumption be classified as one of the freest in the world? In essence, Bahrain is a big government welfare state financed with oil revenues. Since the Heritage Index gives very little weight to size of government, Bahrain earns an exceptionally high rating.

The Freedom House Index also has serious internal deficiencies that lead to unusual outcomes. One of the six categories in the Freedom House Index is "Freedom to Earn a Living." This is certainly a basic element of economic freedom. Inspection, however, reveals that this rating is primarily based on the freedom to organize labor unions. High taxation does not affect the rating received in the "freedom to earn a living" category. Apparently persons living in countries imposing 50%, 60% or even 100% tax rates would be "free to earn a living" as long as they could organize labor unions. The Freedom House Index ignores the size of government altogether. The use of government to channel 50% or 60% of GDP does not reduce a country's economic freedom rating in the Freedom House survey. For example, in 1995 the total government expenditures of Sweden and Denmark summed to 68% and 61% of GDP, respectively. Thus, taxation, government expenditures, and political decision-making control more than three-fifths of the Swedish and Danish economies. Nonetheless, these two economies (tied with four others) are rated as the freest in the world by the Freedom House.

The development of the Freedom House and Heritage indexes was based on a different set of objectives, including public relations and political considerations. At the October meeting in San Francisco, Freedom House made it clear that they sought to improve the image of economic freedom in circles—particularly among proponents of labor unions and activist government—where it has traditionally had a bad name. Perhaps, this explains why the Freedom House index does not consider high taxes and large government expenditures as an infringement on economic freedom. The Heritage Foundaton has made it clear that their index was designed to influence Congress, particularly the allocation of the foreign aid budget of the United States. As a result, the Heritage spolesmen explained, it was necessary to keep the index simple. Given these factors, the absence of a clear statement in either the Freedom House or Heritage publications concerning the meaning of economic freedom and the relationship between the concept and their index is not surprising.

The bottom line is this: the indexes of both the Heritage Foundation and Freedom House are ambiguous and poorly structured, and they often generate inaccurate and misleading outcomes. Measures of this type will leave many with the impression that economic freedom is nebulous and highly subjective, and therefore largely a meaningless concept. We reject this view; we believe that economic freedom is highly meaningful and that it is possible to measure it objectively. This is why we feel compelled to point out that our index is fundamentally different from those of Freedom House and the Heritage Foundation. We have one objective—to develop the best possible measure of economic freedom. In that regard, we realize that much more needs to be done (*Economic Freedom of the World 1997 Annual Report*, pp 9-12).