

# [During and regulation of credit, labor, and business.](https://assignbuster.com/during-and-regulation-of-credit-labor-and-business/)

During the Cold War, the clash of economicphilosophy between Adam Smith’s free market policies and Karl Marx’s communist/socialistviews led to debates on the topic of development and that economic growth isnot the only criteria for a country’s wellbeing. Economic development can be definedas the process of improving quality of life of all humans, including thepromotion of freedom. Economic freedom is an important aspect of development as”(it) is based on the concept of self-ownership”, meaning that individuals havethe right to make their own choices and protected from violation of these rights(Gwartney et. al.

, 2017). The Economic Freedom of the World Index (EFW) measuresthe country’s institutions and policies with economic freedom. In the followingparagraphs I will summarize the first chapter of the 2017 EFW report and discussthe findings and quality of the index. The EFW measures the degree ofeconomic freedom present in five major areas, size of government, legal systemand property rights, sound money, freedom to trade internationally, and regulationof credit, labor, and business. Each area of measure consists of several componentsand sub-components within. The (sub)components are ranked on a scale from 0 to 10and averaged to make up for the higher degree of order to derive the summaryrating for each country.

The data used by the index are gathered from externalsources such as the International Monetary Funds and World bank that provideimpartial data for a large number of countries. The 2017 report ranked a total of 159countries and found the top three freest countries for 2015 are Hong Kong, Singaporeand New Zealand while the bottom three are Republic of Congo, Central AfricanRep., and lastly Venezuela (Gwartney et. al.

, 2017). The report had pointed outthat growth rate per capita GDP of the developing countries have exceeded the high-incomecountries, as the EFW difference between high income industrial countries anddeveloping countries has been decreased by 40% from 1980 to 2015, showing a clearsign of convergence. Gwartney et. al. attributed the cause of narrowing gap tothe rapid improvements in areas of sound money and freedom of internationaltrade in the developing countries (2017). The chapter concluded with graphs showingconnections between economic freedom and numerous factors of economic development.

The connections suggest that countries with higher degree of economic freedom tendto have higher per capita GDP, growth, substantially lower extreme and moderatepoverty rates and higher life expectancy. High EFW countries also have more politicalrights and civil liberty, with lesser gender inequality and greater happiness level.