



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

The 2023 Economic Freedom Index: Jordan's Performance & Priorities for Improvement



Policy Brief

1. Background:

For centuries, economists, and others, have been engaged in intellectual debates on various socio-economic debates. One of these great debates is the subject matter of **“economic freedom”**. This scholarly literature, on average, can be summarized under two contrasting ideas / arguments.

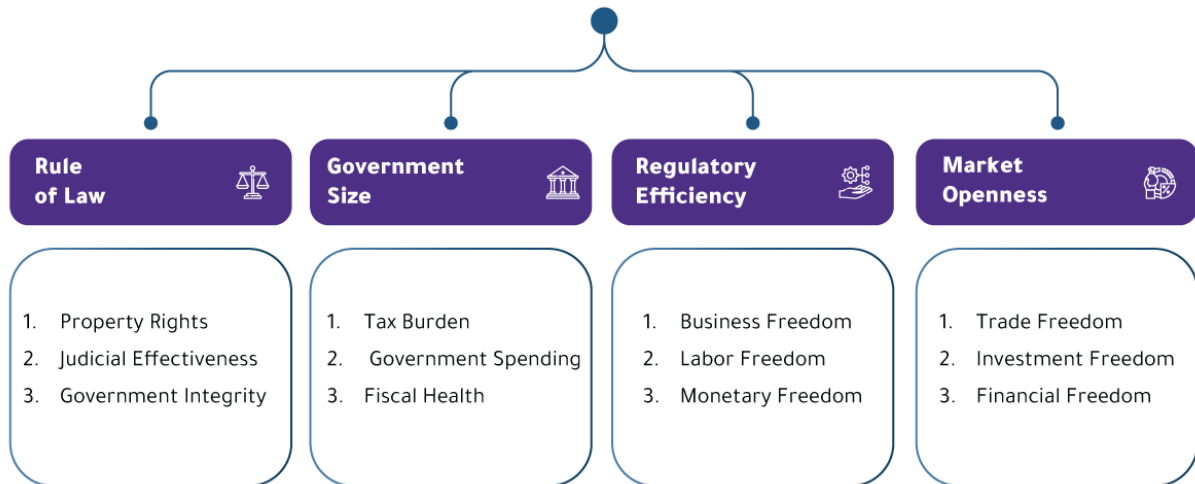
- A.** There are those who advocate an economic system which is based on private property and free markets. The main ingredients of economic freedom are **“personal choice”**, **“voluntary exchange”**, **“free market competition”**, and **“protection of person and property”**. Governments promote economic freedom by providing the legal structure and the law-enforcement system that protect property rights and enforce contracts. Some of the distinguished economists who advocate economic freedom are John Stuart Mill and Milton Friedman.
- B.** There are those who argue for an economic system which is based on centralized economic planning and state control of production. They argue that economic freedom / free markets result in monopolies, economic crises, and inequality. Some of the distinguished advocates of central planning are Karl Marx and John Kenneth Galbraith.

Irrespective of what the detailed intellectual arguments are, it has become common knowledge, indeed too obvious, that people in more-free economies enjoy better lives, in virtually every way, than people in less-free economies.

Relative to the above, it is useful to note that in the 1980s, various institutions began to measure economic freedom. These include Freedom House, the Heritage Foundation, and the Fraser Institute.

In February 2023, the Heritage Foundation has published its **2023 Index of Economic Freedom**. The index focuses on four pillars to capture the “economic and entrepreneurial environment over which governments typically exercise policy control”. In addition, each of these pillars is measured by three indicators. In other words, this index measures the level of economic freedom to 183 economies on a scale of 0 to 100. The index is composed of 12 factors, grouped under four pillars.

The Heritage Foundation: Index of Economic Freedom / Pillars & Indicators

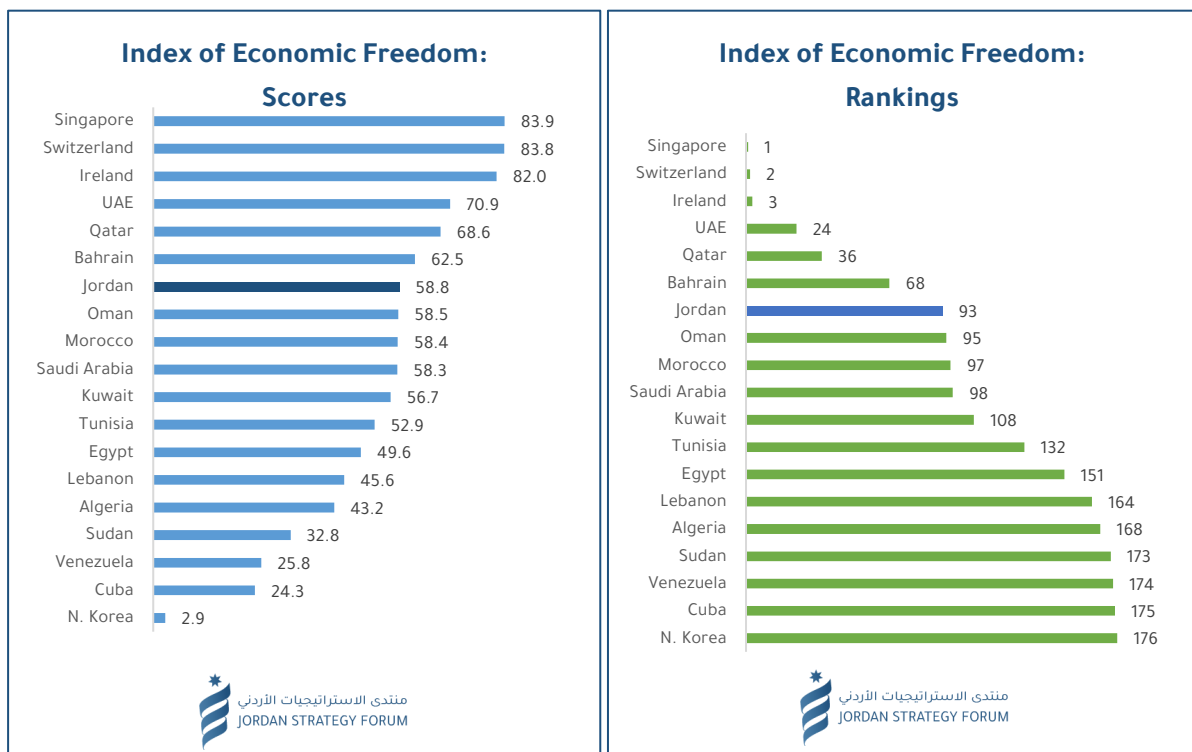


In this Policy Brief, the Jordan Strategy Forum (JSF) reports on where Jordan stands on the index, and based on the reported results, a number of policy measures, whose aim is to enhance economic freedom in the Jordanian economy, are put forward.

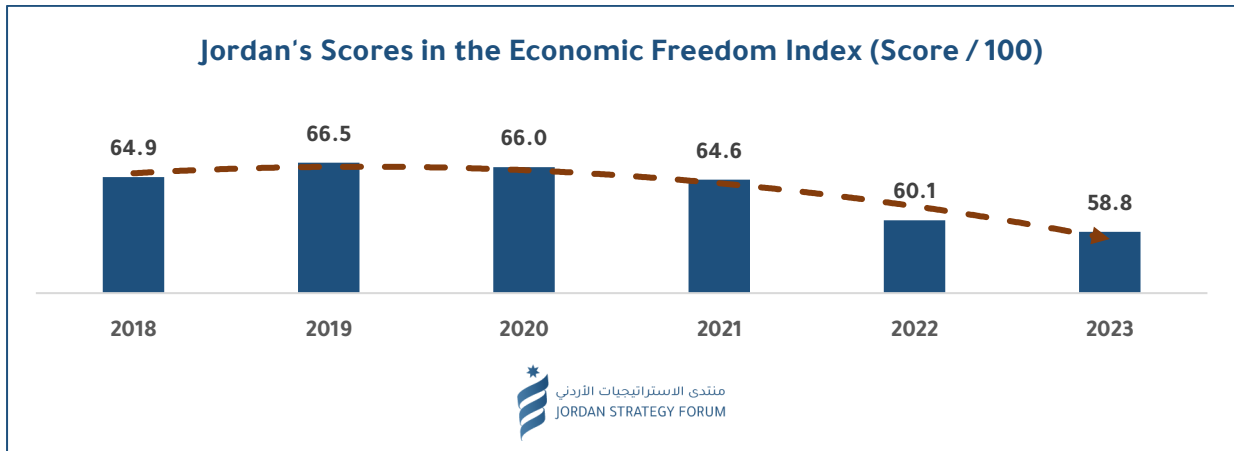
2. Index of Economic Freedom: Where Does Jordan Stand?

Based on the 2023 Index of Economic Freedom, we outline below a number of observations.

1. With a score of 83.9, Singapore tops all 183 economies. With a score of 2.9, North Korea comes in last.
2. With a score of 70.9, the United Arab Emirates (UAE) ranks 24th globally, and 1st regionally. With a score of 32.8, Sudan ranks 173rd globally, and last among Arab countries.
3. With a score of 58.8, Jordan ranks 93rd globally, and 5th regionally.

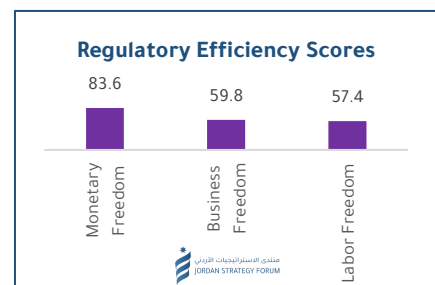
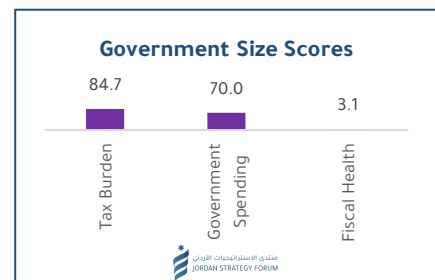
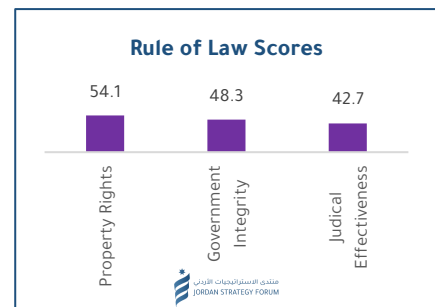


4. It is unfortunate to note that Jordan's score on the Economic Freedom Index has been deteriorating overtime. Indeed, Jordan's score has decreased from 64.9 in 2018 to 58.8 in 2023.

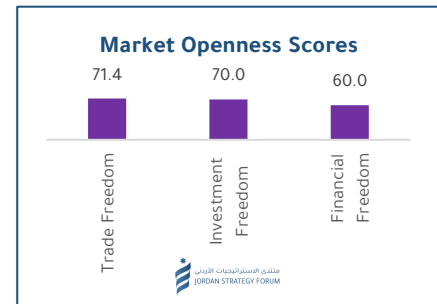


Jordan's score on the 12 sub-indicators of the Economic Freedom Index:

- Jordan's weakest performance was in the rule of law pillar. In the judicial effectiveness index, the score is equal to 42.7/100 and the rank is 98/183. In the government integrity index, the score is equal to 48.3/100 and the rank is 67/183. Finally, the property rights index is equal to 54.1/100 and the rank is 82/183.
- In the size of the government, Jordan scores very low in the public finance health index. The score is equal to 3.1/100 while the rank is 163/183. In the government expenditure index, the score of Jordan score is average (70/100) and rank is 91/183. Finally, in the tax burden index, the score is equal to 84.7/100 and ran 58/183.
- In the regulatory efficiency index, Jordan's score and rank are high in monetary freedom index (83.6/100 and 7/183 respectively). In the Business Freedom Index, the score is average (59.8/100), and the rank is 100/183. In the Labor Freedom Index, the score is also average (57.4/100), and the rank is 80/183.



4. In the openness of the market index, Jordan's rank is relatively advanced in investment freedom (score is equal to 70.0/100 and the rank is 52/183). In financial freedom, the score is equal to 60/100 and the rank is 51/183. In addition, while Jordan's rank in the freedom of trade index is in the mid-range (90/183.), the score is relatively high (71.4/100).



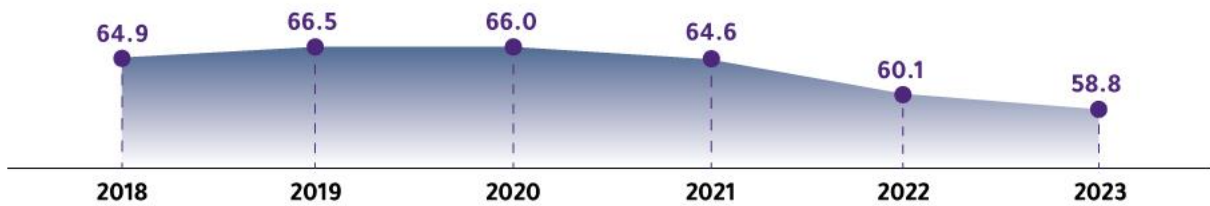
3. Priorities to Improve Jordan's Rank on the Economic Freedom Index

Relative to the above-mentioned observations about Jordan's scores (and ranks) in the Economic Freedom Index's components, the following indicators should be improved:

1. For the rule of law pillar, which measures the extent to which individuals trust the laws imposed by the government, work should be done to improve property rights (risk of property expropriation, respect for intellectual property rights, the quality of contract execution, and law enforcement). It is also necessary to work on enhancing judicial effectiveness (independence of the judiciary and quality of the judicial process), as well as the quality of public services and independence of the civil service. Finally, it is important to enhance confidence in the integrity of the government (individuals' perceptions of corruption, danger of bribery, and control of the state by elites and special interests).
2. For the government size pillar, the main problem lies in the general budget deficit and public debt burden. Accordingly, work must be done to improve the performance of Jordan's public finances and reduce its public debt.
3. For the regulatory efficiency, work must be done to improve some of its sub-indicators, especially the business freedom index. This index measures, in addition to the risks of the business environment and the quality of its regulation, the economic participation of women, which is among the lowest in the world. It is also necessary to look at the index of freedom of work and in particular, labor productivity, and the overall labor force participation rate.
4. For the market openness pillar, attention must be paid to the index of financial freedom, especially the development of the financial and capital markets.

The index assesses the ability of individuals and businesses to operate freely within a market economy without excessive government intervention or restrictions.

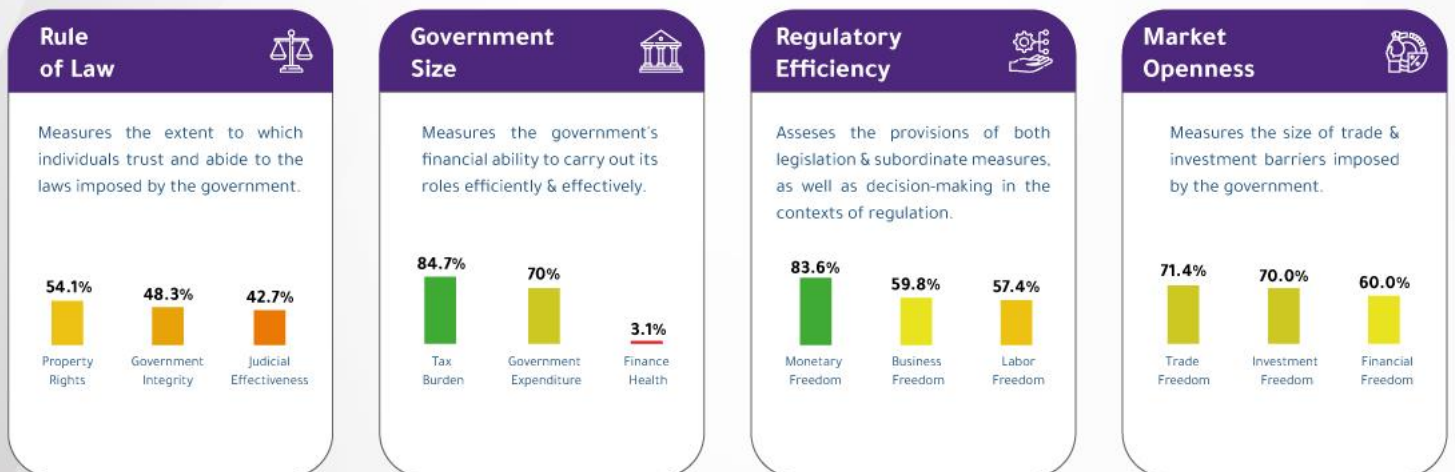
Jordan's Performance in the Economic Freedom Index (Score / 100)



The performance of some countries in the Economic Freedom Index (Score / 100)



Jordan's score's in the sub-indices of the Economic Freedom Index





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