

ASPECTS REGARDING THE RELATION BETWEEN ECONOMIC FREEDOM, DEMOCRACY AND DEVELOPMENT

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Abstract

Liberalism is an ideology centered around the entire social life of the individual as opposed to democracy, which comprises only the social aspects related to the functioning of the political system. Democracy has liberalism as its basis, being thus an expression of the spiritual and civic engaging of a set of values which are attributed to the individual in order to have the power to act rationally and freely. A democratic political system allows for the active but voluntary participation of citizens creating at the same time favorable conditions for the economic growth and development. Thus, the individuals may enjoy the economic freedom of operating within a market economy. Most studies regarding the impact of economic development on political changes suggest a strong relationship between the increasing levels of economic development and the opening of the political success, as well as between the changing social structures and the emergence of political competition. Lipset's theory remarkably states that all developed states are democratic states with the exception of Singapore and that democracy is never influenced in a relatively rich country. Economic freedom is a complex concept able to manifest itself in various aspects relating to the individual's economic behaviour and designating his fundamental right to have access and to act economically by performing economic activities. The research is based on secondary data (indicators reflecting the level of economic freedom, of democracy and of development) existing in the international databases (Political Stability, Index of Economic Freedom, Governance Indicators, World Development Indicators etc.). The main direction of the qualitative analysis of the paper is based on the concept of economic freedom, an overview of its history and chronological presence in the economic theory and practice, as well as on the ways of quantifying it using various indices that measure the economic freedom of the countries in Europe. The empirical part of the research comprises the analysis of the relationship between economic freedom and economic growth with the help of Heritage Foundation's Index of Economic Freedom. The methodology for creating the index focused mainly on theoretical input as well as on a theoretical extension of the interpretation of each segment.

Key words: liberalism, economy, democracy, economic development