

ECONOMIC FREEDOM - MODERN SOCIETY GROWTH VECTOR

Mădălina Maria BREZULEANU¹,

e-mail: brezuleanu.madalina@yahoo.com

Abstract

Specialised literature regarding freedom, economic growth and development, has constantly shown that in the nations that have less restrictions regarding the activity of the private economic agents, the transactions tend to register higher levels of economic growth. These things may be less clear in the context in which there are more hypotheses: if freedom leads to growth, or growth is a determining factor of freedom, or if both are in a causation relationship. To evaluate these possibilities, Granger causation tests are being done in relation to the annual freedom indicators, elaborated by The Heritage Foundation and Freedom House. These indicators analyse the basic components which include the commercial policy, taxation, government intervention, monetary policy, capital flows, foreign investments, banking services, control of salaries and prices, property rights, and regulation of the markets subject to testing and summary assessment of freedom. The main objective of the research is the analysis of the relationship between economic freedom and economic growth. There are four indicators used to measure the level of economic freedom and they are the ones elaborated by Fraser Institute, The Heritage Foundation, Freedom House and Scully and Slottje. The research methodology used to attain the objectives mentioned above comprises qualitative methods (meta-analysis of the specialised literature) and quantitative methods (econometric methods-regression and correlation analysis, self-correlation tests, comparative analysis and correspondence analysis). The main aim of the qualitative analysis is focused on the concept of economic freedom, an overview of the history and the chronology of its presence in the economic theory and practice, as well as on the ways of quantifying it using diverse indices that measure economic freedom in countries around the world. In this research I have used the index of economic freedom elaborated by Heritage Institute. The main components of this index are: *the rule of law, government limitations, efficiency of regulations, but also the freedom of the markets*. We consider that this index is a good measure of economic freedom; however, in the performed analysis we have also focused on its various components and have analysed separately the effects on the economic growth. The indicators that were analysed were taken from the statistical databases such as Heritage, World Bank, Eurostat. The indicators selected for performing the analysis were taken at the level of the countries of the European Union with characteristic values of the year 2019.

Key words: economic freedom, real GDP increase rate (%), foreign direct investments, export volume, unemployment rate