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Statistical Analysis Of The Index Of Economic Freedom 2017 Improve The Sequence Of Countries Through Policy Priorities Iraq As A Model

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Abstract

The Freedom Foundation's Institute for Economic Freedom publishes the Economic Freedom reform, a ranking or ranking of 180 countries or semi-autonomous territories, as well as 6 non-classified countries, ending the list ranked 180th in North Korea with an index 4.9. It is regrettable that North Korea follows Iraq as the first unrated country to be followed by five countries including four Arab countries namely Libya, Somalia, Syria and Yemen, all of which are outside the classification, Therefore research study is a study of the index of economic freedom of 2017 focusing attention on Iraq, which can improve the location of Iraq In the ranking by a change in policy priorities. Two important indicators were identified for achieving the goal: Financial Freedom and Trade Freedom, followed by the importance of Judicial Efficiency, Investment freedom, and so on.

Keywords: Economic Freedom, Iraq, Public Policies

Análisis estadístico del índice de libertad económica 2017 Mejorar la secuencia de países a través de prioridades políticas Iraq como modelo

Resumen

El Instituto de Libertad Económica de la Freedom Foundation publica la reforma de la Libertad Económica, una clasificación de 180 países o territorios semiautónomos, así como 6 países no clasificados, terminando la lista en el puesto 180 en Corea del Norte con un índice 4.9. Es lamentable que Corea del Norte siga a Irak como el primer país no calificado que será seguido por cinco países, incluidos cuatro países árabes, a saber, Libia, Somalia, Siria y Yemen, todos los cuales están fuera de la clasificación, por lo tanto, el estudio de investigación es un estudio del índice de libertad económica de 2017 centrado en la atención en Iraq, que puede mejorar la ubicación de Iraq en el ranking por un cambio en las prioridades políticas. Se identificaron dos indicadores importantes para lograr el objetivo: libertad financiera y libertad comercial, seguidos de la importancia de la eficiencia judicial, la libertad de inversión, etc.

Palabras clave: libertad económica, Iraq, políticas públicas

First: Preface

There has been increasing talk in Iraq in recent years, especially after 2003, about a number of practices in the contemporary state such as reform, transparency, e-government, governance, good governance, 100 days, and more. Respect for economic freedom, which did not include Iraq in the classification adopted for 2017, trying to identify the index and its components, and then a statistical study of the most influential sub-indicators on the general index (economic freedom), to be the focus of government policies to reach desired reform in Iraq away from the processors is unrealistic, Accordingly, the subject will be studied within the following methodology:

1. The problem of research: The problem of research is the exclusion of Iraq from the index of economic freedom for the year 2017, despite the fact that Iraq is a country where there is a lot of human resources and economic as well as the location distinguished between three continents.
2. The importance of research: The importance of research comes

from the importance of the issues raised therein, including:

- Index of economic freedom as one of the important indicators that can be relied on in credit and investment issues, and others, which includes in its current version of nearly 186 countries.
- There is a relationship between economic freedom and a number of economic aspects such as economic growth and freedom of business, and others.
- Exclude Iraq from the general index of economic freedom 2017 despite the fact that Iraq is a rich country with significant economic resources.
- Public policies as the government's tool in achieving the desired objectives.

□

3. Research objectives:

- Identify the index of economic freedom and the sub-indices of the general index in its current version 2017.
- Statistical analysis of the relationship between the sub-indicators and the general index in its current version 2017.
- Study and evaluate Iraq's position within the general index and sub-indicators, despite the exclusion of Iraq from the ranking.
- Directing the Iraqi government on the steps to be focused in its public policies to improve the position of Iraq within the general index.

4. Research Hypotheses:

The research is based on one main hypothesis: (There is a statistically significant relationship between the general index of economic freedom and the sub-indicators of the general index separately.

Methodology of study:

The study used analytical approach to achieve research objectives and the use the correlation method to determine the shape of the relationship between general index and sub-indicators.

Data of research:

The research was based on data on index of economic version (2016-2017) from the Heritage Foundation.

Second: Definition of the report (economic freedom) and its importance:

The report of economic freedom introduce the first version in 1995 with cooperation the wall street journal .the study is the latest version of the 2017 Index of Economic Freedom of the The Heritage Foundation, a ranking or ranking of a group of countries or cities in this report for 180 countries or semi-autonomous regions, as well as 6 non-classified countries , the top 180 countries in the first ranking in economic freedom Hong Kong with a final value of the index 89.8 followed by Singapore second with 88.6 and then ranked third New Zealand at 83.7 to finish the list ranked 180 for North Korea with an index of 4.9, it is regrettable that North Korea follows Iraq as the first unrated country to be followed by five countries including four Arab countries, namely Libya, Somalia, Syria and Yemen, all outside the classification. The classification adopted for any country or city includes the outcome of 12 sub-indices preceded by a index of the percentage change in the ranking for the previous year 2016 , and the other 12 sub-indicators are grouped into four main groups (Miller, et al, 2016: 20):

The first group: is related to the rules of the law, Property right , judicial effectiveness, and the government integrity.

The second group: is the government size, tax burden, government spending, and fiscal health.

The third group: relates to regulatory efficiency, business freedom, labor freedom , and monetary freedom.

The fourth group: is the Market Openness, trade freedom, investment freedom, and monetary freedom.

It is important to note here that the four totals of the 13 sub-indicators of the general index of economic freedom are the result of the policies adopted by these states in the areas concerned and the electronic version of the report available on the website (www.heritage.com) (Miller, et al., 2016: 19-24), and some believe that there is a kind of importance to the subject of economic freedom through the interconnection between them and a number of contemporary social phenomena, including (Ismaily et al , 2015: 10-12):

1. Economic freedom is a way to achieve growth and prosperity at the level of countries and governments. Some studies have shown a link

between economic freedom and the improvement of per capita GDP.

2. Economic freedom is an important step to achieve freedom and democracy in general, as well as being able to promote political stability and civil peace by making room for all.

3. Economic freedom helps to disengage from the economic aspect between the citizen and the government. This relationship, which in some countries reaches a kind of subordination, and therefore economic freedom deals with this link by allowing individuals to work away from government restrictions.

4. Economic freedom helps to reduce the dissatisfaction of citizens as well as to enhance the sense of citizenship.

5. Economic freedom helps reduce opportunities for corruption. When government intervention is reduced and therefore fewer restrictions and demands are made, there is less chance of bribery and nepotism.

6. Economic freedom helps to create employment opportunities and thus less unemployment and reduce the involvement of young people in terrorism.

Third: Statistical analysis of the economic freedom index 2017:

After identifying the sub-indicators, a statistical study of the results of the report on economic freedom will be carried out in this section by determining the degree of correlation by calculating the Pearson coefficient between the index (economic freedom) as a variable of a number of independent variables representing the index's branches, (Percentage change from last year 2016) and ending with (financial freedom). The SPSS version 23 and Excel were based on the calculation of correlation coefficients, as shown in Table (1):

Table (1)
 correlation coefficient between the general index of economic freedom and the sub-indices.

General Index		change from 2016	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
	Pearson Correlation	.102	.453**	.691**	.872**	.395**	.220**	.621**	.469**	.318**	.693**	.707**	.681**	.709**
	N	134	136	136	136	136	136	136	136	136	136	136	136	136

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source:

The table prepared by the researcher based on the results of the statistical program.

A number of observations can be included in the table above:

1. There is a correlation and to varying degrees between the general

index of economic freedom and the 13 sub-indicators. It is also known in statistics that the values of correlation coefficients range between the values of + 1 and the values of -1 and the relationship is strong positive when the correlation coefficient values of the +1 Thus, the strength of the relationship decreases until the relationship decreases when the value approaches the 0 and the relationship is lost when the correlation value is 0 and the relationship tends to be inverse and the strongest side is possible when the correlation coefficient values are closer to -1.

2. All correlation coefficients are statistically significant except for the 2016 sub-index, thus excluding them from the analysis of the next paragraphs of the research. The fact that the correlations coefficients are statistically significant invites hypotheses of research to be accepted which relates to the change indicator for 2016 Leading to the adoption of the alternative hypothesis for this sub-variable.

3. The results shown in the table above are almost expected as the general indicator is the result of the sub-indicators of the constituent component, but what is important is to know the sub-indicators which are more related to the general index and therefore most urgent attention to improve the location of countries in the general index, The situation becomes clearer if the values are reordered as shown in Table (2).

Table (2)
correlation coefficient between the general index of economic freedom and the sub-indices is ranked descending

General Index	Pearson Correlation	Financial Freedom	Trade Freedom	Monetary Freedom	Judicial Effectiveness	Investment Freedom	Government Integrity	Fiscal Health	Business Freedom	Property Rights	Tax Burden	Labor Freedom	Government Spending	change from 2016
		.709**	.707**	.693**	.691**	.681**	.672**	.621**	.469**	.433**	.395**	.318**	.220**	.102
	n	106	106	106	106	106	106	106	106	106	106	106	106	104

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source:

The table prepared by the researcher based on the results of the statistical program.

In the table above, we find that there is a difference in the effect of the sub-indicators on the general index of economic freedom, and by focusing on correlation coefficient values in the table, the index of financial freedom has a significant impact on the general index of economic freedom, , And the picture becomes clearer in Table (3).

Table (3)
 Relationship of the general index of economic freedom and sub - indices according to correlation coefficient value

Financial Freedom	Trade Freedom	Monetary Freedom	Judicial Effectiveness	Investment Freedom	Government Integrity	Fiscal Health	Business Freedom	Property Rights	Tax Burden	Labor Freedom	Government Spending	change from 2016
.709*	.797*	.693*	.694*	.601*	.672*	.521*	.468*	.433*	.395*	.318*	.229**	-.192
strong correlation relationship		average correlation relationship					weak correlation relationship					

*, Correlation is significant at the 0.01 level (2-tailed).

**, Correlation is significant at the 0.05 level (2-tailed).

Source:

The table prepared by the researcher based on the results of the statistical program

Here we find a significant result for countries wishing to improve their position on the general index of economic freedom, including Iraq. They should prioritize their public policies on the two most influential sub-indicators of the general index of economic freedom: financial freedom and free trade. The impact on the general index is monetary freedom, efficiency of the judiciary, investment freedom, government integrity and fiscal health. At a later stage, it should pay attention to the less influential sub-indicators in the general index of economic freedom, The right to property, the tax burden, freedom of work and government spending, which we prefer in the Iraqi situation.

Fourth: Iraq in the index of economic freedom 2017:

In the above paragraph, we find that there is a decrease in the effect of the sub-indices on the general index of economic freedom. Therefore, the Iraqi situation will be analyzed according to the results of the statistical analysis. Starting with the two most important sub-indicators: financial freedom and free trade. The values of Iraq in the index of economic freedom, as shown in Table (4).

Table (4)
 Iraq sub-indicators in the index of economic freedom

General Index	N/A	change from 2016	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
			37.3	15.9	19.1	N/A	36.1	11.3	61.2	66	73.7	N/A	N/A	N/A

Source:

The table prepared by the researcher based on the report data

The situation becomes more significant if we define Iraq's ranking of the indicators in 186 countries, ascending order, as shown in Table (5).

Table (5)
Iraq sub-series within the index of economic freedom in 180 countries

Labor Freedom	Monetry Freedom	Business Freedom	Property Rights	Government Spending	Fiscal Health	Judical Effectiveness	Government Integrity
54	103	120	140	161	169	171	174

Source: The table prepared by the researcher based on the report data

As shown in the table above, although Iraq was not included in the overall index, it was in a significant position within a single sub-index, namely, freedom of action to delay the remaining seven indicators (monetary freedom, business freedom, ownership rights, fiscal health, effectiveness). (The tax burden, freedom of trade, investment freedom and financial freedom), and it becomes more significant if we look at Iraq’s sub-indicators within the index of economic freedom according to the indications of statistical analysis As shown in table (6).

Table (6)
Iraq sub-indicators of the index of economic freedom according to the indications of statistical analysis

sub-indicator by type of relationship	Financial Freedom	Trade Freedom	Monetry Freedom	Judical Effectiveness	Investment Freedom	Government Integrity	Fiscal Health	Business Freedom	Property Rights	Tax Burden	Labor Freedom	Government Spending
strength of relationship	strong correlation relationship		average correlation relationship				weak correlation relationship					
sub-indicator of Iraq	N/A	N/A	76.9	15.9	N/A	19.1	11.3	61.2	37.3	N/A	60	36.1
Iraq ranking	N/A	N/A	103	171	N/A	174	169	120	140	N/A	54	161

Source:

The table prepared by the researcher based on the data of the report and the results of the statistical analysis.

In focusing on the values shown in the table above, it is clear that Iraq did not have the values of the two most important sub-indices that have an important impact on the general index of economic freedom, namely financial freedom and freedom of trade, as well as weak values of indicators with average effect on the general index, 171 from 186 countries, no data on investment freedom, 174 from 186 for government integrity and 169 from 186 countries in the Fiscal health Index. Among those present strongly in the index of freedom of action in the sequence 54 out of 186 countries, and then the situation in Iraq has worsened as it was in the serial 120 within 186 countries for the freedom of business, 140 in 186 countries

for the right of ownership, and 161 in 186 countries for the freedom of business, is weak and the tax burden indicator remains non-existent although it has little impact on the overall index of economic freedom.

Fifth: Improving Iraq’s position through policy analysis:

Before entering into the details of the sub-indicators for Iraq it is important first to construct a matrix of relative importance of the degree of correlation and strength of the sub-indicator, as shown in Figure (1).

Figure (1)
 Matrix of importance for Iraq's sub-indices

		Iraq Ranking		
		high from 1 to 62	average 63 - 125	late 126 to end or not available (N/A)
Correlation Strength	strong correlation from +1 to +0.7			Financial Freedom Trade Freedom
	average correlation from 0.6999 to 0.5		Monetary Freedom	Judicial Effectiveness Investment Freedom Government Integrity Fiscal Health
	weak correlation from 0.4999 to 0.0001	Labor Freedom	Business Freedom	Property Rights Tax Burden Government Spending

Source:

Figure by the researcher based on the data of the report and the results of statistical analysis

Of the above matrix shows that in front of the Iraqi government and in order to improve its position on the general index of economic freedom a number of options:

1. The first option, which is important, calls for focusing attention on improving the sub-indices (financial freedom and free trade) because there is a strong and statistically significant correlation between the general index and the sub-index with a weak ranking of Iraq within these sub-indices.
2. The second option is also important for the sub-index (monetary freedom). It was found that there is a significant and significant correlation between the general index and the sub-index with the average order of Iraq in the order of this sub-index.
3. The third option, which is less important than its predecessors, relates to the sub-indicators (judicial effectiveness, investment freedom, government integrity, and fiscal health). It was found that there is a medi-

um and statistically significant correlation between the general index and the sub-index with a weak order for Iraq that needs improvement.

Sixth. Conclusions:

1. There is a significant relationship between the general index of economic freedom and the sub-indices of the general index except for the first sub-indicator on change from 2016.
2. There is a strong correlation between the general index of economic freedom and the sub-indicators (financial freedom, freedom of trade), which is a strong relationship that begins to decline for other sub-indicators, the least being the relation to the sub-index (government expenditure).
3. Although Iraq is not included in the general index, it is included in the general index. However, it is present in a certain order in some sub-indices, but the important is that there is no value for Iraq among the two main sub-indicators (financial freedom and freedom of trade).

Seventh: Recommendations:

1. The authors of the report should rearrange the sub-indices and the strength of the relationship between the main indicator and the sub-indicators.
2. The Iraqi government should follow up the relevant international indicators and try to rely on these indicators in the formulation and implementation of public policies that can improve the ranking of Iraq in a number of these indicators.
3. With regard to the economic freedom index, the GOI should rely on sub-indicators by formulating and implementing public policies through which the ranking of Iraq can be improved within the overall index.
4. With regard to the economic freedom index's sub-indicators, the Iraqi government should focus its attention on the two main sub-indicators (financial freedom and free trade) by means of public policies, as they have the most influence on the general index of economic freedom.

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