

YUGOSLAVIA RANKED 144th ON THE LIST OF ECONOMIC FREEDOM

Yugoslavia (Serbia, Montenegro) has been ranked 144th, among 155 countries of the world, on the list of economic freedom for 2002, published by the Heritage foundation and the Wall Street Journal. Yugoslavia appears for the first time on the list, which is published for 9th consecutive years.

The 2002 Index of economic freedom is one of the two most important documents of this type (the other one is published by the Fraser Institute, Vancouver). Both indexes have a strong influence on private investors, and think-tanks advising them. And the both indexes are based on the insight, that the degree of economic freedom rather than other factors is decisive for growth and prosperity. A low degree of economic freedom results in poor private investment, while a high degree of economic freedom is responsible for larger private investment, and for growth and prosperity. This Index does not take into account political freedom and civil rights.

The Index for 2002 ranks 155 countries, according to some 50 factors, arranged in 10 general indicators. The best score is represented by 1 (one) and means the highest degree of economic freedom; the worst off score is represented by 5 (five), and means a complete absence of economic freedom. According to score, countries are ranked into four groups: free (1-1.99), mostly free (2-2.99), mostly not-free (3-3.99) and not free (4-5.0).

Hong-Kong (index 1.35) is on the top of the list in 2002, followed by Singapore (2nd, 1.55), New Zealand (3rd, 1.70) and Estonia, Ireland, Luxembourg, The Netherlands and USA (4-8, 1.80 each). Estonia enjoys the best rank among transition countries, followed by Czech Republic (32nd and 33rd, 2.40 each), while the worst off among transition countries are Tajikistan and Ukraine (137th and 138th, 3.85 each), Bosnia (140th, 3.90), and FRY (144th, 4.05). Other countries which emerged from dissolution of SFRY are not doing especially well: Slovenia (79th, 3.10), Macedonia (96th, 3.25) and Croatia (108th, 3.40).

From ten index-components, Yugoslavia fared better with "fiscal burden of government" (2.5), "government intervention in the economy" and "wages and prices" (3.0 each), than with "trade policy", "banking and finance", "property rights" (4.0 each), and "monetary policy", "capital flows and foreign investment", "regulation" and "black market" (5.0 each). Having in mind that Montenegro has some more liberal solutions than Serbia (currency, lower tariff rate, better low on concessions, etc.), the two countries would be differently ranked if taken separately.

Low index for FRY indicates that real reforms are ahead. Since there is no prosperous countries with an index lower than 2.70 (i.e. up to 45th place on the list), it is clear that the way to serious economic improvement leads just via profound reforms: deep changes are painful, but just such reforms - and in no way donations and credits to the state - can lead to flourishing market economy. The fact that the IMF and the EBRD rank Yugoslavia better than the Index cannot moderate its bad position, since the IMF and EBRD are important for a credibility of a state, while the Index and private think-tanks are decisive for private investors. There is no point in speculating about the state ability here to invest, since it was notoriously bad. Nevertheless, current teams in charge in Yugoslavia are able to buy time with such credits, until Western tax payers discover the "game" and reduce their "generosity".

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