

Anastas ANGJELI*

A NEW ECONOMIC MODEL WHICH MAXIMIZES THE ECONOMIC FREEDOM

Abstract: Globalization is an ongoing process of increasing economic, political and social interdependence, between countries. Such a process is characterized by positive and negative aspects but is considered inevitable and certainly no country can be unaffected by this process. The recent economic and financial global crisis has probably proved this affirmation. The exit from this crisis cannot be found outside the conditions imposed by globalization. One of these is the economic freedom based on an increased level of internal competition and equal rules for all. The purpose of this paper is to analyze the concept of economic freedom, the current economic conditions in Albania and in the region and to make recommendations for a new economic model that the maximizes economic freedom.

Key words: *economic model, economic freedom, Albania, region, economic development*

1. MEASURING ECONOMIC FREEDOM

Economic freedom is the key to great chances and opportunities, it is a powerful mechanism towards growth and prosperity. Economic freedom is essentially related with the economic development and the welfare of the population. It has to do with people, the chances of the individual to achieve their goals and fulfill their needs. Thus, "Economic freedom is the right of an individual to maintain what he earns, to produce what he chooses, to compete in product markets and labor markets of his choice.

Governance is strictly related with economic freedom. Good governance has a positive effect on economic development and expansion of economic freedom. Poor governance on the contrary can harm the economic environment and discourages domestic and foreign investments. Measuring the economic freedom is, ultimately, the method of expression in a synthetic manner of the results of politics and of the economic environment of a country. Barriers and restrictions of economic free-

* Academy of Sciences of Albania, Mediterranean University of Albania, member of the Albanian Parliament

dom are associated mainly with regulatory reforms and the country's governance. So, economic barriers and restrictions are related to with the country's governance.

From 1995 onwards, researchers have used a quantitative expression, an indicator for economic freedom. This has allowed the study of changes of economic freedom, in a certain place, in different periods of time. It has also served as an incentive, motivation, for different countries, to undertake regulatory reforms in order to improve economic freedom. One of these indicators, serving this purpose is the Economic Freedom Index, which is published annually in the report "Index of Economic Freedom" by two prestigious organizations, The Heritage Foundation and The Wall Street Journal. There is also the Doing Business Report, published by the World Bank, which classifies countries according to 10 key indicators and considers regulations imposed by governments that help or hinder doing business in a country. This can be used also as an indicator or estimator for the degree of economic freedom.

2. ALBANIA IN THE INDEX OF ECONOMIC FREEDOM

In the general ranking of Doing Business 2013, published by the World Bank, Albania was ranked 85th with a deterioration of 3 places comparing to the previous year (2012). In the 10 categories of "Doing Business", Albania decreased in 7 of them. More specifically in "Starting a Business" lost two places, in "Getting Electricity" three places, "Registering Property" "two places", "Protecting Investors" one, in "Trading Across Borders" one place, in "Resolving Insolvency" one place. The largest decline for Albania was in the category of "Paying Taxes" where Albania lost five places and was ranked 160th occupying last place in the region. In the three remaining categories Albania, had the same rating as the previous year.

Two months ago the prestigious newspaper The Wall Street Journal and Heritage Foundation, published the report on the Index of Economic Freedom 2014, which actually contains the assessment for the second half of 2012 and the first half of 2013.

In the 2014 Index of Economic Freedom published by The Heritage Foundation Albania has received a general 66.9 score, ranked in 54th place. Albania has an improvement of 1.7 points compared with the Index published a year ago (2013).

In the 20-year history of the index, Albania has made important progress in the economic freedom rank by 17 points. It is among the 20 countries with the largest improvements. With improvement in nine of 10 categories of economic freedom, Albania is gradually entering the category "Moderately Free" but still problematic in the category of property rights. The improvement is most noticeable in "Investment Freedom" and "Trade Freedom". Albania is ranked 25th among 43 countries in the European region and the overall result of our country is above the global average and placed in the category of "Moderately Free" country.

In the category Rule of Law, Albania has the lowest score, more specifically regarding the Property Rights has a score of 30.0 (the same assessment as the previous year) and a score of 30.4 in the Freedom from Corruption (deterioration compared with the previous year). The Heritage Foundation report on the rule of law

notes that: (In Albania there is) "A weak regulatory environment, opaque government procurement rules, a culture of impunity, and political interference make it difficult for the judiciary to deal with high-level and deeply rooted corruption in Albania, a major transit country for human trafficking and illegal arms and narcotics. Protection of intellectual property rights is weak, and Albania still lacks a clear property rights system, particularly for land tenure."

In the category Regulatory Efficiency Index Freedom notices improvement in the Labor Freedom and gives a score of 49.7 and also in the Monetary Freedom 80.0. There is deterioration in the Business Freedom 78.1. More specifically, "The efficient regulatory framework supports business formation. The number of days needed to start a business has been cut to four, with no minimum capital required. Despite efforts to increase flexibility in the labor market, relatively rigid employment regulations hinder productivity growth and dynamic job creation. Price controls and state subsidies distort domestic prices for electricity, water, and railroad transportation."

In the category Open Markets, Albania has a positive rating and improvement in comparison with the previous year in two subcategories. More specifically the Trade Freedom was scored 87.5 and Investment Freedom 75.0. Financial Freedom has no change in comparison with the previous year and has a score of 70.0, "Albania's average tariff rate has improved significantly from 5.1 percent to a relatively low 1.3 percent. The country officially welcomes foreign investment, but red tape and insufficient protection of property rights discourage investment. The financial system remains relatively well-developed and stable despite the challenging external environment. The banking sector is well-provisioned, but the share of non-performing loans has been rising."

3. THE ECONOMIC MODEL THAT SUPPORTS GOOD GOVERNANCE AND ECONOMIC FREEDOM.

I think that the essence of the new economic model of Albania in the post transition period, should be based in the application of the neoclassical economic theory. This theory studies the components of the economic structure and evolution in the development process, which constitute the nature of modern economic development.

The main hypothesis of the new model of economic growth is that industrial structure is as a result of the factors of production in a given moment and the opportunities change over time. Therefore the facilitation and the identification of factors and growth opportunities, ie the sectors and industries that should be given priority, constitutes necessity for ensuring economic growth. In order to fulfill the objectives of economic growth, governments will need to adopt appropriate policies in order to facilitate private sector development in line with the country's comparative advantages and benefit from the advantages of entry in different markets. Therefore, in the Albanian economy is imperative that the economic, financial and social situation should be treated not only in terms of the global crisis in general and the eurozone in particular, but also from the perspective of its development in new economic environment.

4. RECOMMENDATIONS

The maintenance and further expansion of economic freedom will depend on:

1. the perfection and the successful implementation of structural and economic reforms in general and the regulatory reforms in particular, which constitute, an important issue for the further development of the market economy in our country.
2. keeping control of the macroeconomic situation in general and the public finances in particular, especially public debt, budget deficit, inflation, which in comparison with the evaluation period of this index at the end of 2013 results in deteriorating.
3. the efficient implementation of the new fiscal package (which has significant changes) in favor of the development of business and the economy in general.
4. from law enforcement, the continuation of the fight against corruption.
5. the protection of intellectual rights (which is weak) and establishing a clear system of property rights, particularly land ownership.

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