

EconWorld2018@Lisbon

Economic Freedom – The cause of Equality or Inequality?

Vakhtang Chkareuli¹¹Tbilisi State University, Georgia

ABSTRACT

Over the past couple of centuries there have been substantive changes in policies and institutions either in favor or against economic freedom. The breaking point was year when Adam Smith's one of the most influential works was released: "The Theory of Moral Sentiments", where he developed the concept of an "Invisible Hand" for the first time. From that period, free market economy and globally, economic freedom became major debating topics both for economists and politicians. The questions about economic freedom are often linked with issues like economic development, income inequality, government size, market economy etc. The aim of our article is to answer the main questions about economic freedom, whether it narrows the gap between "rich and poor" or not, can we discuss economic freedom as the fair economic system, or how is fairness understood between different social classes. We will use Gini coefficient and the index of economic freedom for calculating relationship between economic freedom and income inequality. Econometric apparatus will give us opportunity to assess whether the link between above mentioned variables is strong or weak. At the end research will lead us to the most hidden parts of free market economy.

KEYWORDS Economic Freedom; Income Inequality; Gini Coefficient; Economic Growth

JEL C40, D63, D40, E02