

# Media Release

## Alberta among the best for economic freedom while other provinces trail most U.S. states

For Immediate Release

**TORONTO, ON, 26 SEPTEMBER 2006**—Alberta is tied with Colorado and North Carolina as jurisdictions with the second highest level of economic freedom in North America, according to the *Economic Freedom of North America: 2006 Annual Report*, released today by The Fraser Institute.

Delaware topped all provinces and states in this year's report. Ontario and British Columbia were second and third in Canada, but both provinces either tied with or trailed all but five U.S. states. All other Canadian provinces trailed West Virginia, the lowest-ranked U.S. state.

“Economic freedom is one of the main drivers of prosperity and growth. Provinces or states with low levels of economic freedom reduce the ability of their citizens to prosper economically leaving people poorer than they need be,” said Fred McMahon, Director of the Fraser Institute's Trade and Globalization Studies.

McMahon co-authored the study with Amela Karabegović, Associate Director of Globalization Studies at the Fraser Institute. The report, which measures the relative level of economic freedom among Canadian provinces and U.S. states, is released jointly with the National Centre for Policy Analysis in the United States and is available at [www.fraserinstitute.ca](http://www.fraserinstitute.ca).

Economic freedom measures the extent to which individuals control their own property without onerous taxation, are able to enter into voluntary transactions without having their freedom limited by government activities, and can enter freely into non-coercive agreements between potential employers and employees.

McMahon said the report shows that economic freedom has a powerful impact in Canada but the impact is much more significant and noticeable in the U.S.

“Canadian provinces are victims of fiscal federalism; a system that transfers money from wealthy, economically free provinces, to relatively unfree and poor provinces,” he said. “This mutes the impact of economic freedom and perversely, creates incentives for provincial politicians to limit economic freedom to increase the flow of federal transfers over which they have direct control.”

The report constructs two measures of economic freedom: the all-government index, which captures the restrictions imposed by all levels of government (federal, provincial/state, and local); and the sub-national index which captures the restrictions imposed by provinces/states and local government.

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All provinces, except Alberta, are clustered at the bottom of the rankings of both the all-government and the subnational economic freedom indexes as well as having low levels of prosperity. Alberta is tied for second in the all-government index and tied for ninth in the subnational index.

McMahon pointed out that Alberta scores higher on the all-government index than the subnational index because the federal government takes more in tax dollars from Alberta than it spends in the province. This lower level of federal spending increases economic freedom by leaving more economic space for transactions to which individuals and firms voluntarily agree.

Ontario ranked as Canada's second most economically free province, but ranks 47<sup>th</sup> in both the all-government index and sub-national index, ahead of only a handful of states in both instances. British Columbia is the only other Canadian province ahead of one state (West Virginia) in both of the indexes.

Historically, economic freedom in Canada remained fairly constant in the 1980s at the subnational level while it increased somewhat at the all-government level. In both indexes, economic freedom fell in Canada in the early 1990s and then began to rise. In the early 1990s, Canadian governments began to address debt and deficit problems but more often through increased taxation than through lower spending. As debts and deficits were brought under control, governments began to reduce some tax rates through the mid- and, particularly, late-1990s. Also in this period, fiscally conservative governments were elected in Canada's two richest provinces, Alberta and Ontario.

The North American Economic Freedom index is an offshoot of the *Economic Freedom of the World* index, the result of two decades of work by more than 60 scholars including three Nobel Laureates.

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Established in 1974, The Fraser Institute is an independent public policy organization with offices in Vancouver, Calgary, and Toronto. The media release and study (in PDF) are available at [www.fraserinstitute.ca](http://www.fraserinstitute.ca)

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