

NEWS RELEASE

Albertans enjoy highest levels of economic freedom in Canada while rest of the nation falls far behind

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For Immediate Release

TORONTO, ON—Alberta has the highest level of economic freedom in Canada, and the second highest level in North America, trailing only Delaware and tied with Texas, according to a new study from independent research organization the Fraser Institute.

But the rest of Canada badly trails Alberta. Ontario has the second highest economic freedom ranking in Canada, but is 51st overall in North America, trailing every US state except West Virginia. British Columbia (52nd), Newfoundland (tied for 53rd) and Saskatchewan (tied for 53rd) follow Ontario.

“Economic freedom is one of the main drivers of prosperity and growth. Provinces 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, co-author of the report and director of globalization studies at the Fraser Institute.

“Provinces with high levels of economic freedom are those that tend to have lower taxes, smaller government, and flexible labor markets. These conditions create jobs and opportunities leading to economic growth.”

The report points out the clear connection between economic freedom and prosperity. The five provinces with the highest levels of economic freedom had an average per capita GDP in 2005 of \$47,472 compared to the five provinces with the lowest levels of economic freedom, where average per capita GDP was \$33,579.

The Fraser Institute’s peer-reviewed study, *Economic Freedom of North America: 2008 Annual Report*, measures the impact of economic freedom on the level of economic activity and the growth of economic activity in the 10 Canadian provinces and 50 U.S. states by creating an index utilizing 10 components based on size of government, taxation, and labor market freedom. The complete study is available as a free PDF download at www.fraserinstitute.org.

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

The report found that between 2000 and 2005, five provinces improved their levels of economic freedom led by Newfoundland and Labrador. Alberta, Saskatchewan, BC, and Nova Scotia also improved while Ontario, Quebec, and Prince Edward Island saw their levels of economic freedom decrease.

The report demonstrates the impact of economic freedom by contrasting the economies of BC and Ontario. Between 1995 and 2000, economic freedom grew in BC at a much smaller rate than Ontario. During this period, BC’s economic growth was just five per cent compared to Ontario’s 14 per cent.

But in the most recent five-year period examined (2000-2005), economic freedom in BC increased while Ontario has slipped. As economic freedom grew in BC, the province’s economy grew by 10 per cent, while Ontario’s economy grew by just two per cent over the same time period, the lowest rate of all provinces.

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“Although Ontario remains slightly ahead of BC in overall terms of economic freedom, the rate of change is a key factor when looking at economic growth. If economic freedom in Ontario continues to show weak growth, it’s likely Ontario’s economy will also lag,” McMahon said.

The report also found that the beneficial effects of economic freedom are much weaker for Canadian provinces than for American states, primarily due to Canada’s fiscal federalism and the structure of the equalization program.

“Low levels of economic freedom reduce economic activity which results in additional federal transfers of money from wealthy provinces to the have not provinces,” McMahon said.

“Since most of these transfers can be captured in the have not provinces by a small group of political and business elites, it creates incentives to limit economic growth and reduce economic freedom in order to maintain the steady stream of federal largesse.”

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MEDIA CONTACTS:

Amela Karabegovic
Associate Director of Globalization Studies, The Fraser Institute
Tel: (604) 714-4563
Email: amela.karabegovic@fraserinstitute.org

Fred McMahon
Director of Globalization Studies, The Fraser Institute
Tel: (416) 363-6575, ext. 226
Email: fred.mcmahon@fraserinstitute.org



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For further information, contact:
Dean Pelkey, Director of Communications, The Fraser Institute,
Tel: (604) 714-4582, Email dean.pelkey@fraserinstitute.org