

NEWS RELEASE

Recession caused global decrease in economic freedom; Canada remains ranked in seventh spot overall

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For Immediate Release

TORONTO, ON—In the wake of the global recession, the average level of economic freedom around the world dropped for the first time in decades, according to a new study released today by the Fraser Institute, Canada's leading public policy think-tank.

Canada wasn't spared from the decline, although its score changed only slightly, dropping to 7.95 from 8.0, still good enough to retain its seventh place ranking overall, according to the *Economic Freedom of the World: 2010 Annual Report*.

"Although Canada remains one of the world's most economically free nations, our government's response to the recession, which included additional borrowing and debt plus increased regulation, resulted in a slight drop in Canada's overall level of economic freedom," said Fred McMahon, Fraser Institute vice-president of international policy research.

This year's report shows that economic freedom experienced its first global downturn in a quarter century, with the average score falling to 6.67 in 2008 (the most recent year for which data is available) from 6.74 in 2007. Of the 123 countries with economic freedom rankings dating back to 1980, 88 (71.5 per cent) saw their rankings decrease while only 35 (28.5 per cent) recorded increases.

"From 1980 to 2008, there was a gradual but steady upward movement in economic freedom worldwide. But, in response to the recession of 2008, many countries opted for perverse credit expansion and regulatory policies, damaging economic freedom and hindering future growth," McMahon said.

"But even in the wake of recession, the quality of life in nations with free and open markets is vastly superior to that of countries with government-managed economies."

Hong Kong again leads the rankings of 141 nations and jurisdictions, followed by stalwarts Singapore, New Zealand, Switzerland, and Chile.

This year's report also includes new research examining the impact of economic freedom on rates of unemployment. The results suggest that high levels of economic freedom lead to reduced joblessness. Denmark, for example, increased its economic freedom score to 7.8 in 2007 from 6.5 in 1980, causing a marked improvement in the Danish labour market and an estimated reduction in unemployment rate between 1.0 and 1.3 percentage points over the period.

"Given the substantial costs of unemployment and the enormous number of jobless people worldwide, governments should consider increasing economic freedom as a means of reducing unemployment, particularly in the wake of the global recession," McMahon said.

The report also examines the effect of economic freedom on rates of homicide in Venezuela, Colombia, South Africa, Latvia, and Lithuania. The results suggest that increases in economic freedom lead to decreases in homicides.

"Markets foster better cooperation among the citizenry, as reflected in the negative correlation between rates of economic freedom and homicide," McMahon said.

Research shows that people living in countries with high levels of economic freedom enjoy higher levels of prosperity, greater individual freedoms, and longer life spans.

(more)

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The annual peer-reviewed economic freedom report uses 42 different measures to create an index ranking 141 countries around the world based on policies that encourage economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of private property. Economic freedom is measured in five different areas: (1) size of government, (2) legal structure and security of property rights, (3) access to sound money, (4) freedom to trade internationally, and (5) regulation of credit, labor, and business.

Canada's scores in key components of economic freedom (from one to 10, where higher values indicate higher levels of economic freedom):

- Size of government: dropped to 6.54 from 6.63
- Legal structures and security of property rights: dropped to 8.28 from 8.50
- Access to sound money: rose to 9.54 from 9.50
- Freedom to trade internationally: rose to 7.10 from 7.09
- Regulation of credit, labour, and business: dropped to 8.30 from 8.31

International rankings

Hong Kong maintains the highest level of economic freedom worldwide, with a score of 9.05 out of 10. The other top scorers are Singapore (8.70), New Zealand (8.27), Switzerland (8.08), Chile (8.03), the United States (7.96), Canada (7.95), Australia (7.90), Mauritius (7.82), and the United Kingdom (7.81).

The rankings and scores of other large economies include Taiwan, 22nd (7.48); Germany, tied with Japan and Kuwait in 24th (7.46); France, 35th (7.32); South Korea, tied with Sweden in 37th (7.28); Spain, tied with Iceland and Honduras in 39th (7.26); Italy, tied with Montenegro and Poland in 66th (6.90); Mexico, 69th (6.89); China, tied with South Africa in 82nd (6.65); Russia, 84th (6.62); India, tied with Croatia and Moldova in 87th (6.51); Brazil, tied with Madagascar in 102nd (6.18); and Argentina, 114th (5.59).

Zimbabwe maintains the lowest level of economic freedom among the 141 jurisdictions analyzed, followed by Myanmar, Angola, and Venezuela.

Several countries have substantially lifted their scores and improved their relative levels of economic freedom over the past three decades. Ghana saw the biggest increase in this year's report, climbing to a score of 7.17 from 3.27 in 1980, followed by Uganda, which rose to 7.15 from 3.42; Peru, which jumped to 7.36 from 4.27; Israel, which increased to 6.86 from 3.79; and Turkey, which climbed to 6.91 from 3.95.

Over the same period, economic freedom has steadily regressed in many other countries. Venezuela fell to 4.35 in 2008 from a score of 6.29 in 1980, while Zimbabwe dropped to 3.57 from 4.93, Myanmar to 3.49 from 4.84, Malaysia to 6.71 from 7.07, and Nepal to 5.44 from 5.75.

“Commitment to economic freedom is a common theme among the world's most prosperous nations. While residents of these countries enjoy the highest standards of living and the most personal freedoms, people in countries at the bottom of the rankings are typically impoverished and subject to oppressive governments that recognize few—if any—individual rights or freedoms,” McMahon said.

About the Economic Freedom Index

Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The annual report is published in conjunction with the Economic Freedom Network, a group of independent research and educational institutes in 80 countries worldwide. The 2010 report was prepared by James Gwartney, Gus A. Stavros Eminent Scholar Chair at Florida State University; Robert A. Lawson, Auburn University; and Joshua Hall, Beloit College. The complete publication may be downloaded, free of charge, from www.fraserinstitute.org.

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