

Economic Freedom of the World

2007 Annual Report

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Economic Freedom Network

2007

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The full data set, including all of the data published in this report as well as data omitted due to limited space, can be freely downloaded at <<http://www.freetheworld.com>>. If you are using the data across time periods, it would be better to use the chain-link series presented in Chapter 1, exhibit 1.5, and available at the website, for reasons outlined in that chapter. If you have any difficulties downloading the data, please feel free to contact us via e-mail to freetheworld@fraserinstitute.ca or via telephone at +1.604.714.4563.

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Acknowledgments

As always, we are grateful for the continued intellectual and financial assistance of The Fraser Institute. The Economic Freedom of the World project lost a great friend in Milton Friedman this year; we are honored to continue this work as a small part of his legacy in the promotion of the principles of economic freedom. Without the assistance and guidance of both Michael Walker, President of The Fraser Institute Foundation, and Milton Friedman, this project would never have gotten off of the ground. We are also thankful for the support of Mark Mullins, Executive Director of The Fraser Institute.

The members of the Economic Freedom Network again provided valuable support for this report. Our thanks also go to Kathy Makinen at the DeVoe Moore Center of Florida State University; and to Fred McMahon and Amela Karabegović at The Fraser Institute who continue to provide tremendous support in managing the overall project and in keeping us on top of our deadlines. We are grateful for their hard work on the project. Very special thanks go to Joshua Hall of Beloit College for his valuable assistance with this year's data revisions and updates. We are pleased to welcome Josh to the project.

James Gwartney & Robert Lawson

Dedication to Milton Friedman

The Greatest Economist of the Twentieth Century

I remember getting an invitation to participate in a 1989 conference focusing on how to develop a measure of economic freedom. The idea struck me as an impossible task but the invitation was from Milton Friedman. Thus, I quickly fired back my acceptance letter. Eventually, this led to a major highlight of my career, the opportunity to work with Milton Friedman on the development of a cross-country measure of economic freedom.

Milton Friedman is the godfather of the Economic Freedom of the World project and it could not have been undertaken without his leadership and direction. During the early development conferences, two things made a vivid impression on me. First, Milton was convinced that despite the complex and multidimensional nature of economic freedom, it could be measured. Moreover, it was important to do so. He told conference participants that social scientists at the University of Chicago often argued, “If you can’t measure it, measure it anyway.” His insights provided inspiration that a reasonably good measure of economic freedom could be developed.

Second, Milton was constantly reminding us that our goal was the development of a scientific instrument. To the fullest extent possible, the measure needed to be based on objective data. We did not want our subjective views to influence the rating of any country. We wanted to develop an index that others could replicate and that even those who disagreed with us would use as a research tool.

Long before the EFW Project, Milton Friedman had exerted a major impact on my views. I began studying economics in the early 1960s. It is difficult for anyone under age 50 to visualize the academic dominance of Keynesian macroeconomics and interventionist policies during that era. If you wanted to get an academic job or promotion and tenure at most of the leading American universities, it was not a good idea to challenge the dominant view. Against this background, Milton Friedman was a voice in the wilderness and he took considerable abuse for it. According to the dominant view of the 1960s,

- ◆ planned deficits during recessions and surpluses during periods of inflation would promote unprecedented stability;
- ◆ monetary policy was impotent and totally incapable of combating a recession; and
- ◆ there was a trade-off between inflation and unemployment: if we were willing to tolerate a little inflation, the unemployment level could be maintained at 3% or less.

Furthermore, macroeconomists were not the only ones in love with government planning. Most mainstream economists of the 1960s, particularly those at elite schools like Harvard, Yale, and MIT, favored central planning on a much larger scale. The students of the 1960s were told that if the United States and other market economies wanted to keep up with the Soviet Union, they must recognize the attractiveness of government planning and emulate, perhaps with an American twist, the successes of the Soviet system.

Except for a few enclaves like the University of Chicago, these views dominated the economics profession when I entered graduate school in 1962. Milton Friedman challenged every one of them and, over the course of the next two decades, the power of his intellectual skills and scholarly work almost single-handedly transformed the profession. His *Monetary History of the United States* (1963) with Anna Schwartz presented powerful evidence that monetary policy not only mattered, but was the major source of economic instability. The chapter on the Great Contraction illustrated that the Great Depression was primarily, if not exclusively,

the result of perverse monetary policy by the Federal Reserve rather than a defect of market economies. In his 1967 presidential address to the American Economic Association, Friedman summarized the link between perverse monetary policy and instability in the following manner: “Every major contraction in this country has been either produced by monetary disorder or greatly exacerbated by monetary disorder. Every major inflation episode has been produced by monetary expansion.”

Friedman’s empirical work with David Meiselman found that changes in monetary policy had a greater impact on total demand and growth than budget deficits. In other words, their work indicated that monetary policy was more potent than fiscal policy as a source of demand stimulus. Early on, Friedman recognized the nonsense of the Phillips Curve, the theory that inflation could be used to reduce the unemployment rate. He correctly noted that once people come to expect the inflation, the alleged trade-off between inflation and unemployment will dissipate. Further, an economy that follows inflationary policies in an effort to reduce unemployment will soon be plagued by both. The so-called “stagflation” of the 1970s illustrated his point.

History has confirmed the validity of Friedman’s views on the potency of money, the absence of the trade-off between inflation and unemployment, and the ineffectiveness of fiscal policy as a stabilization tool. Even his critics, albeit sometimes grudgingly, now admit that Friedman was right.

Milton Friedman had an uncanny ability to connect with both the general public and the brightest in his field. He knew how to state his position with clarity, zeal, and diplomacy. He was able to disagree without being disagreeable. Friedman was a superb debater and he refused to allow others to use emotionally charged words to gain advantage. When Friedman was a member of the Presidential Commission appointed by President Nixon in 1969 to study how the military draft might be eliminated, General William Westmoreland, who had been the commander of the troops in Vietnam and was Chief of Staff of the US Army at the time, told the commission that he did not want to command an army of mercenaries. Friedman stopped him and asked, “General, would you rather command an army of slaves?” General Westmoreland retorted, “I don’t like to hear our patriotic draftees referred to as slaves.” Friedman shot back that he did not like to hear a volunteer army referred to as mercenaries: “If they are mercenaries, then I, sir, am a mercenary professor, and you, sir, are a mercenary general; we are served by mercenary physicians, we use a mercenary lawyer, and we get our meat from a mercenary butcher.” That was the last the Commission heard from the general about mercenaries.

It is difficult to over-estimate the impact of Milton Friedman. He was the leading architect of the case for a volunteer military. In recent years, several other countries have followed the lead of the United States and eliminated the draft. Monetary policy throughout the world now focuses on control of the money supply and achieving price stability. The economies of Chile, China, India, and eastern European countries are now considerably more free than was true two decades ago. Mart Laar, twice selected as Prime Minister of Estonia, confirmed that he had read only one economics book, *Free to Choose*, when he assumed the leadership of his country. He thought that the book represented the views of all economists and used the ideas as a road map for his policy initiatives. The result: Estonia now has the fastest growing economy among the former Soviet bloc countries. The world is more prosperous and more free because of the life of Milton Friedman.

Friedman was a scholar’s scholar but capable of communicating complex ideas in an understandable manner. In my judgment, he was the greatest economist of the twentieth century—perhaps the greatest ever.

James Gwartney

To Change the World

As news of my friend's death spread around the globe, people sought to distill the effect Milton Friedman has had on the world: journalists looking for the best 700 words to capture the essence of the man; television channels scrambling, as they usually are, to find a "visual" to represent the event to their viewers. Of course, for most people in the world, the very best way to see the effect of Milton Friedman is to simply look around. From Mongolia to Manitoba, from Reykjavik to Cape Town, from Sydney to Beijing, and in every nook and cranny of the former Soviet Union, the ideas of Milton Friedman inform and enthuse the economic policies that are transforming the world and eradicating poverty at an unprecedented pace. *Free to Choose*, the book that developed from a television series of the same name, written by Milton and his brilliant wife Rose, has been the handbook for reformers in dozens of languages.

You can't really think about Milton without thinking about Rose, who has been the enabler, the critic, the instigator, the radical, and the moderator of their very joint effort to change the world. Rose made everyone more relaxed in approaching what was undoubtedly one of the greatest intellects in the history of the human race. The last time I was with Milton and Rose, two weeks before his death and the day before he entered hospital for the declining heart function that would end his life, he was as he had always been, curious, cheerful, combative and resolute. The occasion was a meeting about the Milton and Rose D. Friedman Foundation of which I am privileged to be a director. The business of the Foundation was dealt with efficiently and well but its conduct did not preclude us from having, in passing, a debate about the merits of "naked short selling." Our debate was about whether those who sell stock short ought to be required to cover their short sales by borrowing stock. Or whether stock markets should in that regard be like currency markets and commodity markets.

The debate reminded me that one of Milton's contributions to the world was his advice to the creators of the Chicago Mercantile Exchange, which is now one of the world's largest stock and commodity markets. The Founder of the Exchange commissioned Milton to do a paper on Futures Markets and the ideas in that 1971 paper played a key role in persuading both the founders and public officials about the merits of establishing such an exchange. In fact, the founder of the futures market at the exchange, Leo Melamed, has noted that public officials who at first were skeptical of the idea abandoned their skepticism when they found out that Milton Friedman was in favor of the idea.

This crucial intellectual contribution to what has become the world's largest financial exchange is just one indication of the fact that Milton Friedman was a polymath. Students of statistics first encounter him when they calculate an F test for Ranked data. Economic students recognize him for his original contributions to most of the theoretical underpinnings of both macro and micro-economics, from the theory of capital to the functioning of exchange rates, to the conditions of equilibrium in the labor market and, of course, the understanding of how consumption behavior and the demand for cash balances interact to spread monetary shocks through the economy. Central Bankers pay him homage daily as they monitor the inflation rate as an indicator of monetary policy. "Inflation is always and everywhere a monetary phenomenon," Milton's monetarist mantra, was not always the touchstone of monetary policy. In fact many, such as Canadian economist John Kenneth Galbraith, believed that inflation was caused by wage and other cost pressures and that the cure was wage and price controls.

While Ken and Milton were friendly acquaintances during the 1970s, that is no surprise since Milton was friendly to everybody, both the many who opposed his ideas and the few who embraced them. That is how he survived for 30 years while the world was foolishly imbibing socialist ideas. While people may not have agreed with him, they had to admit that he was a nice guy. The only people who had anything to fear were those who came to his Money Workshop at the University of Chicago with a half-baked idea—particularly one that had already been discussed in a previous paper.

One of the most endearing characteristics of this gentle intellectual giant was his humanity. His concern not to embarrass the askers of silly questions. His care to treat every person with respect even when they assailed him for his views. A great tennis player until he was in his mid-eighties, he was also a good skier and, he once sheepishly admitted to me, he'd like to learn in-line skating! He also did handwriting analysis as a parlour trick and ice breaker to make others feel more comfortable in social settings.

Professor Friedman's contributions to economic understanding were driven by his ambition to change the world. He was a student of history as well as a creator of it and acutely aware of the extent to which human suffering and underachievement were the unintended consequence of well meaning but incorrect policy. As early as the late 1950s, he began to lecture about the connections between human achievement and economic freedom. His book with Rose, *Capitalism and Freedom*, was an early statement of what was to become the comprehensive world view of libertarian economists. It was also what led Milton, Rose, and me to initiate in 1984 the process that created the Economic Freedom of the World index, which is now released annually by a network of institutes dedicated to promoting economic freedom in more than 70 countries and has inspired intracountry indices in China, India, the Arab world, North America, Europe, and Argentina.

While Milton and Rose have often been described as advocates of a free market, they were first investigators of how economic process worked. They wanted to know how markets for education and health care worked and that led them to favor vouchers and certification to ensure the effective delivery of these crucial services. Their support for educational choice through vouchers is currently expressed in the activities of the Milton and Rose D. Friedman Foundation.

They observed the ineffectiveness and wastefulness of public spending and the dearth of solutions to the problems that were the objectives of the public spending. Better, they concluded, to reduce taxes and have people spend their own money on the things they thought were important. Today these ideas are taken as obvious as governments around the world move closer to a Friedman-style model for public finances. But 40 years ago, they were regarded as quirky and unrealistic. Moreover, with full-blown Keynesian beliefs widespread in the capitals of the leading nations, Friedman was considered a pariah. Fortunately, this did not have any effect on his determination to show that the consensus view was incorrect and ineffective.

While Milton would reject the use of the term, national leaders from Premier Zhao Ziyang in China to Prime Minister Davíð Oddsson in Iceland would testify that Milton was a great missionary. And, he made many excursions to Canada to convert the northern socialists. His first, with Rose in 1940, was nearly his last as the convertible car in which they were traveling rolled off the highway between Banff and Jasper Alberta. In 1982, a trip with Rose to meet with then Premier William Bennett helped to produce a dramatic program of economic reform comparable to the performances by Roger Douglas in New Zealand and Margaret Thatcher in the United Kingdom, a program that swept across Canada. During his last trip just over a year ago, he was mobbed like a rock star by young people wanting his autograph. But his influence in Canada did not always require a visit. In 1971, when I was advising the Governor of the Bank of Canada on the conduct of Monetary Policy, it was Milton's ideas that informed our attempts to determine how to read the dial of monetary policy and eventually shaped that policy.

As a Jew, Milton Friedman was acutely aware that the freedom to engage in commerce, particularly for minorities and those who are preyed upon by governments, is the right that preserves life itself. He was puzzled by the fact that many Jews were ill disposed toward the market in spite of the fact that it had been the difference between life and death for so many of their predecessors. In the end, those whose religion, skin color, or ethnicity made them the object of government pogroms of one sort or another could survive only if they could find refuge in the fact that their freedom to trade, truck, and barter was not curtailed. This economic freedom Friedman regarded as the basis for all other freedoms.

While of course Milton Friedman continued to contribute to public debate in a wide range of areas until the very end, his last major policy project was to help with the creation of the Economic Freedom of the World index. As a co-chair with Rose Friedman and myself of all of the academic conferences that together created the intellectual capital upon which the Economic Freedom of the World index is based, Milton actively participated in the construction of the methodology of the index. I shall never forget the conference that we held in Sea Ranch California near the Friedmans' country home, which is documented in the volume, *Rating Global Economic Freedom*, edited by Stephen Easton and me.

During the course of one day's meeting, Milton assigned to each of the participants the task of ranking a group of countries from one to 10 in the extent to which they were economically free. We all dutifully complied and this produced a series of rankings of the countries. I had been staying at the Friedmans' house and early the next morning I arose to find Milton studiously typing the rankings into his computer so as to be able to make

a report to the gathering that morning about the findings. Of course, it was not the first time that I had seen Milton roll up his sleeves and get busy with the details of constructing a database but what was striking was the relish and enthusiasm that he brought to the task in spite of its mundane nature. Two things explained that enthusiasm. The first was his unquenchable thirst to know why and the necessarily coupled need to measure. But the second reason was that Milton Friedman, just like Rose, cared passionately about the achievement of economic freedom at higher levels and in every corner of the world. And he believed that one of the key ways to achieving that broadening and deepening of economic freedom was a careful program of measuring it.

In a curious way, we will not miss Milton Friedman. The main reason is that he is ever present in the ideas and policies with which we are surrounded. In fact, it is difficult to avoid him. For those of us who are engaged in the studying the impact of ideas he will always be our companion—encouraging us to be bold in our defense of economic freedom, counseling us to be tolerant of those who have not yet had the gift of understanding about these ideas, urging us to spread the word about the great power of markets and the unintended consequences that result from ignoring or attempting to subvert the inexorable force of incentives on behavior.

But I shall miss him nonetheless. I shall miss his sage counsel, which he happily gave. I shall miss his encouragement and enthusiasm, which knew no bounds. I shall miss his effervescent optimism, which was as reassuring as it was infectious. But most of all I shall miss our conversations about economic issues and economic freedom from which I always learned something new and in which I always felt privileged to be included. Thank you Milton for all that you gave to us and to the countless generations not yet born who will benefit from your wisdom and your teachings.

I believe the continuing effort to measure economic freedom in the world, of which the present volume is the latest manifestation, stands as a living monument to Milton Friedman and one that he would have found appropriate and important.

Michael Walker

President of The Fraser Institute Foundation

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About the Members of the Economic Freedom Network

Co-publishers of *Economic Freedom of the World*

Albania ♦ Albanian Center for Economic Research (ACER)

The Albanian Center for Economic Research is a public-policy institute that focuses on research and advocacy activities. In addition to providing policy-makers and academics with applied economic research, it works to build public understanding of economic development issues. ♦ E-mail: zpreci@icc-al.org.

Argentina ♦ Fundación Libertad

Fundación Libertad is a private, non-profit institution working towards two main goals: the research and distribution of public-policy issues (specifically in socio-economic and business areas) and the promotion of the concept of a free-market society. Founded in Rosario, Argentina, in 1988 by a group of businessmen, professionals, and intellectuals, the Foundation has developed its activities with the support of more than 200 private companies. Its projects include courses, lectures, seminars, research, studies, and publications as well as a strong permanent presence in the media, through columns, and television and radio programs produced by the Foundation. These projects have focused on economic policies, education, regulations, and public spending. Outstanding guest speakers have delivered lectures and conferences for the Fundación Libertad; these include Peruvian writer Mario Vargas Llosa, Nobel prize-winning economists such as Gary Becker, Douglass North, Robert Lucas, and James Buchanan, historian Paul Johnson, Nobel Peace Prize Laureate Lech Walessa, and other intellectuals like Jean Francoise Revel. Fundación Libertad has also led the creation of REFUNDAR, a network of Argentine foundations made up of ten organizations, located in the country's major cities. This network has helped us spread our ideas all over the country and is affiliated with similar international organizations. ♦ E-mail: dmaggiolo@libertad.org.ar; website: <http://www.libertad.org.ar>.

Australia ♦ Institute of Public Affairs

Established in 1943, the IPA is Australia's oldest and largest private-sector think-tank. Its aim is to foster prosperity and full employment, the rule of law, democratic freedoms, security from crime and invasion, and high standards in education and family life for the Australian people. To identify and promote the best means of securing these values, the IPA undertakes research, organizes seminars, and publishes widely. ♦ E-mail: ipa@ipa.org.au; website: <http://ipa.org.au>.

Austria ♦ TIGRA®

TIGRA® is the premier Austrian think-tank on governance research. Headquartered in Salzburg, it was founded to study and advance effective and efficient economic policies. TIGRA® organizes workshops and publishes papers and reports. Their mission is "From analysis to action." TIGRA® is a network of experts who provide effective market solutions to policy-makers. Special emphasis is put on knowledge management, monitoring the scope and quality of regulations ("cutting red tape"), and setting benchmarks. ♦ E-mail: bendl@erwin.tc; website: <http://www.tigra.at>.

Azerbaijan ♦ Center for Economic and Political Research

The Center for Economic and Political Research, Azerbaijan, is a non-profit, non-governmental, research institute founded in 1994. Its mission is to facilitate the country's democratization and economic liberalization and to increase the role of civil society. The main objectives of the Center's activities are analyzing the eco-

conomic situation and progress of market reforms, political processes, foreign political relations, and regional economic and political tendencies. The Center also conducts sociological surveys and holds conferences, round-tables, and seminars on different aspects of economic and political reforms in the country. ♦ E-mail: bagirov.sabit@gmail.com.

Bahamas ♦ The Nassau Institute

The Nassau Institute is an independent, non-political, non-profit institute that promotes economic growth, employment, and entrepreneurial activity. It believes that this can best be achieved with a free-market economy and a decent society—one that embraces the rule of law, the right of private property, the free exchange of property and services, and the individual virtues of self-control, commitment, and good will. ♦ E-mail: joan@seekersend.com or info@nassauinstitute.org; website: <<http://www.nassauinstitute.org>>.

Bangladesh ♦ Making Our Economy Right (MOER)

MOER, founded in 1991, is the country's lone free-market institute and continues to struggle to promote free-market capitalism against all odds. The concept of individual freedom and free markets determining the supply of goods, services, and capital is little understood in Bangladesh. For the past 50 years or so, Fabian socialism and the doctrines of Karl Marx were the basis of our country's economy. MOER contributes free-market, libertarian articles in English and Bangla newspapers. We also moderate a weekly radio talk show that focuses on liberalization of the economy. MOER also publishes books both in Bangla and in English for free distribution to libraries and others with the support of the International Policy Network of London. MOER's fourth book, published this year, *Clamoring for Free Market Freedom in Bangladesh*, has a foreword by Nobel laureate Milton Friedman. The book is a compilation of articles by Nizam Ahmad. ♦ E-mail: drmanzur@citechco.net.

Belarus ♦ Scientific Research Mises Center

Scientific Research Mises Center was founded in 2001. Its mission is to advance ideas and ideals of free-market democratic society based on individual choice and personal responsibility and to create an open community of people who share those ideas. The centre promotes the original ideas of limited government, individual liberty, and private property through publications and discussion forums and conferences. The goal of the Center is to demonstrate the power of private institutions, both for-profit and non-profit, to create a good society and to foster the understanding that free choice of a fully informed individual is the foundation for a just, prosperous, and open society. ♦ E-mail: jaroslavroman@gmail.com website: <<http://liberty-belarus.info>>.

Belgium ♦ Centre for the New Europe

The Centre for the New Europe is a European research institute, based in Brussels, that promotes a market economy, personal liberty, and creativity and responsibility in an ordered society. CNE is founded on the belief that European integration can work only in a society led by a spirit of democratic capitalism. The Centre develops policy alternatives, encourages economic growth and deregulation, seeks new market-based solutions for social and environmental concerns, and promotes individual freedom, choice and responsibility. ♦ E-mail: info@cne.org; website: <<http://www.cne.org>>.

Bolivia ♦ Fundación Libertad y Democracia (FULIDE)

The Fundación Libertad y Democracia is a non-profit organization founded by citizens interested in promoting democracy and freedom. The purpose of the Foundation is to investigate and analyze issues that have economic, political, or social impact on the free market and private initiative. Through seminars, debates, and publications, FULIDE seeks to reflect Bolivia's participation in the global economy. ♦ E-mail: fulide@fulide.org.bo; website: <<http://www.fulide.org.bo>>.

Brazil ♦ Instituto Liberal do Rio de Janeiro

Instituto Liberal was founded to persuade Brazilians of the advantages of a liberal order. It is a non-profit institution supported by donations and the sponsorship of private individuals and corporations. Its by-laws provide

for a Board of Trustees and forbid any political or sectarian affiliations. The institute publishes books, organizes seminars, and elaborates policy papers on subjects related to public policy. ♦ E-mail: ilrj@gbl.com.br; website: <http://www.institutoliberal.org.br>.

Bulgaria ♦ Institute for Market Economics

Established in 1993, IME is the first independent economic think-tank in Bulgaria. It is a private, registered, non-profit corporation that receives international support and is widely respected for its expertise. IME designs and promotes solutions to the problems that Bulgaria is facing in its transition to a market economy, provides independent assessment and analysis of the government's economic policies, and supports an exchange of views on market economics and relevant policy issues. ♦ E-mail: mail@ime.bg; website: <http://www.ime.bg>.

Cambodia ♦ The Cambodia Institute of Development Study

The Cambodia Institute of Development Study (CIDS) is a non-profit, independent, local research institute founded in December 2004. The Institute's mission is to provide high-quality research on the local and provincial levels in the specialized areas of economics, natural resources and environment, agriculture and rural development, and public finance and governance, within the context of world integration. Its objectives are to generate and disseminate research on the national and provincial economies, and to enhance the capacity and promote the professional development of local resources by providing training and practical research opportunities. ♦ E-mail: k_cdrrot@yahoo.com.

Canada ♦ The Fraser Institute

Our vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals. Founded in 1974, we are an independent research and educational organization with offices in Calgary, Montreal, Tampa, Toronto, and Vancouver, and international partners in over 70 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research. ♦ E-mail: info@fraserinstitute.ca; website: <http://www.fraserinstitute.ca>, <http://www.freetheworld.com>.

Chile ♦ Instituto Libertad y Desarrollo

Instituto Libertad y Desarrollo is a private think-tank wholly independent of any religious, political, financial, or governmental groups. It is committed to the free market and to political and economic freedom. It publishes studies and analyses of public-policy issues. ♦ E-mail: clarrolet@lyd.org; website: <http://www.lyd.com>.

Colombia ♦ Instituto Libertad y Progreso (ILP)

Instituto Libertad y Progreso (ILP) is a research and educational institution based in Bogota and focused on institutional topics, both in Colombia and internationally. ILP is focused on constitutional reform, constitutional law, economic institutions, and political thought. ♦ E-mail: andresmejia@cable.net.co; website: <http://www.libertadyprogreso.net>.

Costa Rica ♦ Instituto para la Libertad y el Análisis de Políticas

The Instituto para la Libertad y el Análisis de Políticas (INLAP—the Institute for Liberty and Public Policy Analysis) is a non-profit, non-partisan organization created to defend and promote individual liberty through analysis of public policy and educational activities. Its specific objectives are to increase awareness of the moral foundations of liberty and to promote liberty as an individual right necessary to achieve the highest levels of economic and human development; and to foster changes in social organization and public policies by influencing the thinking of policy makers, community leaders, and citizens.

INLAP produces timely analyses of proposed laws, decrees, and regulations, and its recommendations provide guidance for elected officials who seek to achieve greater individual liberty and creativity and a more productive economy. It also conducts detailed studies of well-meant public policies that may ultimately have

unintended adverse effects. The Institute's studies and recommendations are published in books, journals, and newspapers, appear as position papers and bulletins, and are also available via our website. ♦ E-mail: inlapp@racsa.co.cr; website: <http://www.inlap.org>.

Croatia ♦ The Institute of Economics

The Institute of Economics, Zagreb, established in 1939, is a major scientific and research institution for the study of economic processes and the application of contemporary theories in economics. The Institute's objective is the economic and social advance of Croatia. Research encompasses both macro-economics and micro-economics, policy issues (including specialized areas such as business economics), current economic trends, methods of economic analysis, development of human resources, spatial and regional economics, international economics and technological development, and investment project planning. Researchers from both inside and outside the Institute work together on research projects. The Institute employs 40 full-time researchers, the majority of whom have completed specialized training courses in foreign countries. Results of the Institute's research activities are published in books, reports and studies as well as in scientific journals. The Institute maintains close contact with international organizations, professional associations, institutes, and universities. ♦ E-mail: ssvaljek@eizg.hr; website: <http://www.eizg.hr/>.

Czech Republic ♦ Liberální Institut

Liberální Institut is an independent, non-profit organization for the development and application of classical liberal ideas: individual rights, private property, rule of law, self-regulating markets, and delineated government functions. It is financed by its various activities and by donations from individuals and private corporations. ♦ E-mail: miroslav.sevcik@libinst.cz; website: <http://www.libinst.cz>.

Denmark ♦ Center for Politiske Studier (CEPOS)

The Center for Politiske Studier (Center for Political Studies) was founded in 2004 as an independent, non-profit think-tank based in Copenhagen. It seeks to promote a free and prosperous society by conducting research that will foster the policies, institutions, and culture that will best support a market economy, rule of law, and a civil society consisting of free and responsible individuals. It does so by producing academic studies and policy analyses aimed partly at general political debate and partly at the political process in areas such as welfare, taxation, regulation, education, entrepreneurship, health care, the environment, and the organization of the public sector. ♦ E-mail: info@cepos.dk; website: <http://www.cepos.dk>.

Dominican Republic ♦ Fundación Economía y Desarrollo, Inc.

The Fundación Economía y Desarrollo, Inc. (FEyD) is a private, non-profit organization dedicated to fostering competitive markets, private enterprise, and strategies that promote economic development. To meet its objectives, FEyD has several regular publications in the most important newspapers in the country. It also produces a one-hour television program called "Triálogo," which is broadcast three times a week and explains studies of the performance of the Dominican economy and its sectors. ♦ E-mail: feyd01@tricom.net.

Ecuador ♦ Instituto Ecuatoriano de Economía Política

The Instituto Ecuatoriano de Economía Política (IEEP) is a private, independent, non-profit institution that defends and promotes the classical liberal ideals of individual liberty, free markets, limited government, property rights, and the rule of law. The IEEP achieves its mission through publications, seminars, and workshops that debate socioeconomic and political issues. The IEEP's funding comes from voluntary donations, membership subscriptions, and income from sales of its publications. ♦ E-mail: dora_ampuero@ieep.org.ec; website: <http://www.ieep.org.ec>.

Estonia ♦ International University Audentes

The International University Audentes is the international institute of Audentes University, the biggest private university in Estonia. The university was established in 1992. Our mission is to encourage and enable our students to develop their professional, academic and personal abilities, as creative, progressive, committed individuals,

to the very highest standards, so that they might best contribute to economic, social, cultural, intellectual and political life at national, European and global levels. We aim to be the leader in international education in North-Eastern Europe. ♦ E-mail: university@audentes.eu; website: <http://www.audentes.eu>.

France ♦ Association pour la Liberté Economique et le Progrès Social (ALEPS)

ALEPS promotes the idea of free markets generating social progress. It connects French liberal intellectuals with the global scientific community. Thanks to its permanent contacts with various prestigious foreign institutes, in 1990 ALEPS published “Manifeste de l’Europe pour les Européens,” signed by 600 faculties from 28 countries.

The economic collapse of central planning and the disappearance of totalitarian regimes in Eastern Europe has not solved all social problems. A post-socialist society has still to be set up, both in Eastern Europe as well as in Western countries such as France, where 40 years of the welfare state have led to mass unemployment, fiscal oppression, an explosive expansion of social security, an increase in poverty and inequality, and a loss of moral virtues and spiritual values. ALEPS provides the political and intellectual push towards this necessary revival. ♦ E-mail: jacques.garello@univ.u-3mrs.fr; website: <http://www.libres.org>.

Georgia ♦ Society for Disseminating Economic Knowledge: New Economic School—Georgia

The Society was founded in 2001. The goal of the Society is to disseminate and promote free-market ideas and to create a resource center promoting free-market economics for students, young scientists, teachers, and other interested parties. Through publications, conferences, seminars, lectures, panel workshops, summer and winter schools, scientific Olympiads, and competitions, the Society seeks to disseminate classical liberal ideas. ♦ E-mail: nesgeorgia@yahoo.com; website: <http://www.economics.ge>.

Germany ♦ Liberales Institut

The Liberales Institut (Liberty Institute), based in Potsdam, is the think-tank of the Friedrich-Naumann-Foundation. It spreads free-market ideas through the publication of classical liberal literature, the analysis of current political trends, and the promotion of research. The Institute organizes conferences and workshops to stimulate an intellectual exchange among liberals around the world. ♦ E-mail: LibInst@fnst.org; website: <http://www.fnst.de>.

Ghana ♦ The Institute of Economic Affairs

The Institute of Economic Affairs (IEA), Ghana was founded in October 1989 as an independent, non-governmental institution dedicated to the establishment and strengthening of a market economy and a democratic, free, and open society. It considers improvements in the legal, social, and political institutions as necessary conditions for sustained economic growth and human development. The IEA supports research and promotes and publishes studies on important economic, socio-political, and legal issues in order to enhance understanding of public policy. ♦ E-mail: iea@ghana.com; Tel: 233-21-244716/233-21-7010714; Fax: 233-21-222313.

Guatemala ♦ Centro de Investigaciones Económicas Nacionales

The Centro de Investigaciones Económicas Nacionales (CIEN—the Center for Research on the National Economy) was established in Guatemala in 1982. It is a private, non-partisan, not-for-profit, public-policy institute, funded by the sale of its books and periodical publications, income from conferences and seminars, and the support it receives from its members and the public. The Center’s program is devoted to the technical study of economic and social problems that impede the stable development of the nation. Its members, staff, research associates, and supporters share the principles of a social order of free and responsible individuals interacting through a market economy functioning within the rule of law. ♦ E-mail: cien@cien.org.gt; website: <http://www.cien.org.gt>.

Haiti ♦ Institut de Recherche pour la Liberté Économique et la Prospérité (IRLEP)

L’Institut de Recherche pour la Liberté Économique et la Prospérité (IRLEP), Haiti, was founded in 2004. It is a non-partisan, non-profit, research and educational organization devoted to improving the quality of life in

Haiti through economic growth and development. Through publications and conferences, IRLEP promotes the principles and concepts of individual rights, limited government, competition, free trade, and physical and intellectual property rights. IRLEP does not accept funding and subsidies from public institutions and political parties. ♦ E-mail: irlephaiti@yahoo.com.

Hong Kong ♦ Hong Kong Centre for Economic Research

The Hong Kong Centre for Economic Research is an educational, charitable trust established in 1987 to promote the free market in Hong Kong by fostering public understanding of economic affairs and developing alternative policies for government. The Centre publishes authoritative research studies and is widely recognized as the leading free-market think-tank in Asia. It has been influential in persuading public opinion and the government in Hong Kong to liberalize telecommunications, open up air-cargo handling franchises, privatize public housing, adopt a fully funded provident scheme instead of a pay-as-you-go pension scheme, remove the legally sanctioned fixing of deposit interest rates by banks, and adopt market mechanisms for protecting the environment. ♦ E-mail: asi@econ.hku.hk; website: <<http://www.hku.hk/hkcer/>>.

Hungary ♦ Szazadveg Foundation

The Szazadveg Foundation is a non-profit organization performing political and economic research, and advisory and training activities. This think-tank is independent of the government or any political parties and has been operating as a foundation since its establishment in 1990. Szazadveg publishes the results of its research to the public at large and also provides professional services to economic institutions, political and civil organizations, political parties, and the government. ♦ E-mail: gazso@szazadveg.hu; website: <<http://www.szazadveg.hu>>.

Iceland ♦ Centre for Social and Economic Research (RSE)

RSE is an independent, non partisan, non-profit organization in Reykjavik, Iceland, founded in 2004. Its mission is to promote an understanding of private property and free-market ideas for a progressive, democratic society. RSE achieves its mission through programs of publication and conferences. Its work is assisted by a council of academic advisors of the highest standard from various academic fields. RSE is funded entirely by voluntary contributions from its supporters. ♦ E-mail: birgir@rse.is; website: <<http://www.rse.is>>.

India ♦ Centre for Civil Society

The Centre for Civil Society (CCS) is an independent, non-profit, research and educational organization inaugurated on August 15, 1997 and devoted to improving the quality of life for all citizens of India. The CCS maintains that, having earlier attained their political independence from an alien state, the Indian people must now seek economic, social, and cultural independence from the Indian state. This can work from two directions simultaneously: a “mortar” program of building or rebuilding the institutions of civil society and a “hammer” program of readjusting the size and scope of the political society. The CCS conducts monthly dialogues on topical issues to introduce classical liberal philosophy and market-based solutions into public debate. It has published *Agenda for Change*, a volume in 17 chapters that outlines policy reforms for the Indian government, Israel Kirzner’s *How Markets Work*, and *Self-Regulation in the Civil Society*, edited by Ashok Desai. It organizes Liberty and Society seminars for college students and journalists. ♦ E-mail: parth@ccsindia.org; website: <<http://www.ccsindia.org>>.

Indonesia ♦ The Institute for Development of Economics and Finance

E-mail: Indef@indo.net.id; website: <<http://home.indo.net.id/~indef/>>.

Ireland ♦ Open Republic Institute

The Open Republic Institute (ORI) is Ireland’s only platform for public-policy discussion that is specifically interested in individual rights within the context of open society and open market ideas. The ORI works within a non-political framework to provide public-policy analysis and new policy ideas to government, public representatives, civil servants, academics, students, and citizens. ♦ E-mail: pmacdonnell@openrepublic.org; website: <<http://www.openrepublic.org>>.

Israel ♦ Jerusalem Institute for Market Studies

The Jerusalem Institute for Market Studies (JIMS) was founded in 2003 in Jerusalem, Israel, as an independent non-profit, economic policy think tank. JIMS' mission is to promote market solutions and limited government in Israel and the region. In order to spread free-market ideas, JIMS conducts original research and publishes public-policy papers and editorials. JIMS also runs a wide range of educational programs that targets elementary school students, high school students, college students and young professionals. ♦ E-mail: corinnesauer@gmail.com; website: <<http://www.jims-israel.org>>.

Italy ♦ Centro Einaudi

The Centro di Ricerca e Documentazione "Luigi Einaudi" was founded in 1963 in Turin, Italy, as a free association of businessmen and young intellectuals to foster individual freedom and autonomy, economic competition and the free market. The Centro is an independent, non-profit institute financed by contributions from individuals and corporations, by the sale of its publications, and by specific research commissions. The Centro carries on research activities, trains young scholars and researchers, organizes seminars, conferences and lectures, and publishes monographs, books and periodicals, including: the quarterly journal, *Biblioteca della libertà*; *Rapporto sull'economia globale e l'Italia* (Report on the global economy and Italy); *Rapporto sul risparmio e sui risparmiatori in Italia* (Report on savings and savers in Italy); and *Rapporto sulla distribuzione in Italia* (Report on the retail trade in Italy—published also in English). ♦ E-mail: segreteria@centroeinaudi.it; website: <<http://www.centroeinaudi.it>>.

Ivory Coast ♦ Bureau d'Analyse d'Ingenierie et de Logiciels (BAILO)

E-mail: bailo@afribone.net.ml.

Kenya ♦ African Research Center for Public Policy and Market Process

The African Research Center for Public Policy and Market Process, Kenya, is the first research centre founded in Africa by the African Educational Foundation for Public Policy and Market Process, an independent educational organization registered in the United States. The primary mission of the Center and the Foundation is to promote ideas about free markets and voluntary associations in Africa. The Center conducts research on all aspects of free markets, voluntary association, and individual liberty, and publishes the results to as wide an audience as possible. The Center also organizes seminars and conferences to examine liberty and enterprise in Africa. ♦ E-mail: kimenyi@kippra.or.ke.

Korea ♦ Center for Free Enterprise

The Center for Free Enterprise (CFE) is a foundation committed to promoting free enterprise, limited government, freedom and individual responsibility, the rule of law and restraint of violence. Funded by the members of the Federation of Korean Industries (FKI), the CFE was founded as a non-profit, independent foundation on April 1, 1997, at a time of economic crisis in Korean society. The CFE has concentrated on championing a free economy through books and reports on public policies, statistics, and analyses. In workshops and policy forums, the CFE has put forward alternatives to policies proposed as solutions for issues facing Korean society. ♦ E-mail: csn@cfe.org; website: <<http://www.cfe.org>>.

Kyrgyz Republic ♦ Economic Policy Institute—Bishkek Consensus

The Economic Policy Institute—Bishkek Consensus (EPI), Kyrgyzstan, was created in December of 2003 as a non-profit, non-partisan, independent institute with developed partnerships and cooperative relationships with government, business, international community, civil society, and the news media. EPI's mission is to promote economic, social, and governance reforms in Kyrgyzstan, involving institutions of civil society to elaborate and execute the reforms, developing local potential and using best international experience. Its strategic position is to be an independent and highly objective source of information and research on public-policy issues, as well as an unbiased forum for collaboration of diverse interest groups in the reform of public policy. ♦ E-mail: office@epi.kg.

Lithuania ♦ Lithuanian Free Market Institute

Lithuanian Free Market Institute (LFMI) is an independent, non-profit organization established in 1990 to advance the ideas of individual freedom and responsibility, free markets, and limited government. Since its inception, LFMI has been at the forefront of economic thought and reform in Lithuania. Not only has LFMI helped frame policy debates by conducting research and creating reform packages on key issues, it has also conducted extensive educational campaigns and played a key “behind-the-scenes” role in helping to craft and refine legislative proposals. LFMI promoted the idea of a currency board and provided decisive input to the Law on Litas Credibility; it led the creation of the legal and institutional framework for the securities market and contributed significantly to the country’s privatization legislation; and it initiated and participated in the policy-making process on private, fully funded pension insurance. LFMI’s recommendations were adopted in legislation on commercial banks, the Bank of Lithuania, credit unions, insurance, and foreign investment. LFMI significantly influenced the improvement of company, bankruptcy and competition law.

LFMI has provided a valuable input to tax and budgetary policy. LFMI’s influence led to introducing program budgeting, exempting reinvested profits, reducing inheritance and gift taxes, abolishing capital-gains tax, suspending the introduction of real-estate tax, eliminating income tax on interest on loans from foreign banks and international financial organizations as well as revising stamp duties, VAT regulations, and other taxes. LFMI initiated a deregulation and debureaucratization process aimed at eliminating excessive business regulations and downsizing bureaucracy. An important influence was exerted on the revision of employment, capital market, land purchase, and building regulations. Passage was gained for a deregulation-based approach to the fight against corruption. ♦ E-mail: AstaT@freema.org; website: <<http://www.freema.org>>.

Luxembourg ♦ D’Letzeburger Land

E-mail: info@mmp.lu

Mexico ♦ Centro de Investigación para el Desarrollo A.C.

Centro de Investigación para el Desarrollo A.C. (CIDAC) is an independent, not-for-profit research institution devoted to the study of Mexico’s economy and political system. Its philosophy is that Mexico’s economy can be made viable only through a greater, more efficient, and more competitive private sector. CIDAC was founded in 1980 as an executive training facility for the financial sector at large (public and private, banking and business). It received an endowment from Banamex, then Mexico’s largest private bank. In 1983, immediately after the expropriation of the private banks, CIDAC changed its mandate from teaching to research. Over the last five years, CIDAC has held over 40 conferences for businessmen and its professionals continuously address academic, policy, and business forums. CIDAC has also published 19 books on various economic, political, and policy issues, 45 monographs, and over 500 op-ed pieces in Mexican, American, and European papers and magazines. ♦ E-mail: cidacmx@aol.com; website: <<http://www.cidac.org>>.

Mongolia ♦ Open Society Forum

The Open Society Forum is an independent, non-governmental, organization founded in 2004. The Forum’s goals are to provide quality policy research and analysis and broad public access to information resources pertaining to governance, economic, and social policies. It focuses on economic freedom, land reform, rule of law, freedom of media, campaign financing, nomadic pastoralism, privatization, shadow economy, and education policy. The Forum conducts research and holds conferences to encourage public participation in policy formulation. ♦ E-mail: djargal@yahoo.com; soyoloo@soros.org.mn; website: <<http://www.forum.mn>>.

Montenegro ♦ The Center for Entrepreneurship and Economic Development (CEED)

The Center for Entrepreneurship and Economic Development is the first non-governmental, non-partisan free-market centre established in Montenegro. Its mission is to educate entrepreneurs about private ownership, democratic society, free markets, and the rule of law through a number of programs, initiatives, publications, and events. The Center was established to meet the demand for business knowledge by pioneering entrepreneurs who needed training to operate in a new environment after the break-up of the former Yugoslavia. ♦ E-mail: cfepg@cg.yu; website: <<http://www.visit-ceed.org>>.

New Zealand ♦ The New Zealand Business Roundtable

The New Zealand Business Roundtable is made up of the chief executives of about 60 of New Zealand's largest businesses. Its aim is to contribute to the development of sound public policies that reflect New Zealand's overall interests. It has been a prominent supporter of the country's economic liberalization. ♦ E-mail: nzbr@nzbr.org.nz; website: <<http://www.nzbr.org.nz>>.

Nigeria ♦ Initiative of Public Policy Analysis

The Initiative of Public Policy Analysis (IPPA) is a private, non-profit organization involved in research, education, and publication on matters affecting the freedom of individuals. Its objective is to provide market-oriented analysis of current and emerging policy issues, with a view to influencing the public debate and the political decision-making process. ♦ E-mail: info@ippanigeria.org; website: <<http://www.ippanigeria.org>>; mail: P.O. Box 6434 Shomolu, Lagos-Nigeria.

Norway ♦ Center for Business and Society Incorporated (Civita)

Civita, the first market-oriented think tank in Norway, was established in 2004. It strives for increased consensus on important market economic principles and their implications for welfare, freedom, and democracy. Civita is also dedicated to promoting personal responsibility and civil society to achieve larger, more important roles in society's development. To communicate its ideas to the public, it conducts research, publishes reports and holds seminars and conferences. ♦ E-mail: Dag.Ekelberg@civita.no; website: <<http://www.civita.no>>.

Oman ♦ International Research Foundation (IRF)

The International Research Foundation (IRF), Sultanate of Oman, was established in 2005 as a non-governmental, independent, non-profit "Think-Tank" based in Oman to conduct research on domestic and international economic issues with emphasis on the Arab World. The IRF has set its research and public-affairs agenda on a collegial basis, relying on the input of its research staff, its editorial board, and its Senior Fellows. It maintains a working arrangement with governmental and non-governmental organizations in the region and other parts of the world. IRF is the regional member of The Fraser Institute's Economic Freedom Network.

The vision of IRF is to create wealth and jobs through the promotion of economic freedom. Its mission is to measure, research, and communicate to a global audience the impact of competitive markets on the welfare of individuals. The Board of Trustees of the IRF consists of high profile private-sector members from different organizations. IRF has initiated the establishment of a network of academic researchers to facilitate research projects, which will help in its endeavor to research economic issues affecting the daily life of individuals. ♦ E-mail: azzan@ociped.com.

Pakistan ♦ Alternate Solutions Institute

Alternate Solutions Institute, founded in 2003, is the first free-market think tank in Pakistan. Its mission is (1) to seek solutions to challenges pertaining to the economy, law, education, and health in accordance with the principles of classical liberalism and (2) to promote the implementation of these solutions. The Institute aims to promote the concept of a limited, responsible government in Pakistan under the rule of law protecting life, liberty, and property of all of its citizens without any discrimination. The Institute conducts research and holds seminars, workshops, and conferences to educate interested students, teachers, and journalists about the principles of classical liberalism. ♦ E-mail: info@asinstitute.org; website: <<http://asinstitute.org>>.

Panama ♦ Fundación Libertad

The Fundación Libertad, Panama, is a non-profit foundation engaged in the promotion and development of liberty, individual choice, and voluntary cooperation and in the reduction of the size of government. Fundación Libertad was founded in 2001 by members of professional and business organizations to promote free enterprise and democracy and to address issues affecting the freedom of the common citizen including the increasing discretionary power of the state and the proliferation of legislation fostering discrimination and establishing privileges, all of which are contrary to the spirit of democratic capitalism. Fundación Libertad has drawn ini-

tial support from sister organizations such as Centro de Divulgación del Conocimiento Económico (CEDICE) in Caracas, Venezuela, and the Centro de Investigación y Estudios Nacionales (CIEN) in Guatemala. ♦ Email: diablo@diablopty.com; website: <http://www.fundacionlibertad.org.pa>.

Peru ♦ **Centro de Investigación y Estudios Legales (CITEL)**

CITEL was organized in 1989. Its principal field is the economic analysis of law. To that end, it conducts research on different legal institutions, publishes books, and organizes seminars and colloquia. ♦ E-mail: eghers@tsi.com.pe.

Philippines ♦ **The Center for Research and Communication**

The Center for Research and Communication (CRC) has, since 1967, conducted research and published works on domestic and international economic and political issues that affect the Asia-Pacific region. It provides forums for discussion and debate among academicians, businessmen, civil officials, and representatives of other sectors that shape public opinion and chart the course of policies. CRC is the main research arm of the University of Asia and the Pacific in Metro Manila, Philippines, and currently serves as the Secretariat of the Asia Pacific Economic Cooperation (APEC) Business Advisory Council. ♦ E-mail: crcfi@info.com.ph; website: <http://www.crc.org.ph>.

Poland ♦ **Centrum im. Adama Smitha**

The Centrum im. Adama Smitha (the Adam Smith Research Centre—ASRC) is a private, non-partisan, non-profit, public-policy institute. It was founded in 1989 and was the first such institute in Poland and in Eastern Europe. The ASRC promotes a free and fair market economy, participatory democracy, and a virtuous society. Its activities in research and development, education, and publishing cover almost all important issues within the areas of economy and social life. The ASRC acts as a guardian of economic freedom in Poland. More than 50 experts are associated with the ASRC. ♦ E-mail: adam@smith.pl; website: <http://www.adam-smith.pl>.

Portugal ♦ **Causa Liberal**

Causa Liberal is an independent, non-partisan, non-profit organization of Portuguese individuals who share the principles of the classical liberal tradition and wish to further its application in modern-day Portugal. Its mission is to defend the principles of the free society and its building blocks: individual rights, the rule of law, free markets, and private property. Its primary goals are to establish and consolidate a network of individuals with an interest in the study, discussion, and promotion of the classical liberal tradition, and to advance free-market ideas and policies in Portugal. ♦ E-mail: causaliberal@yahoo.com; website: <http://www.causaliberal.net>.

Romania ♦ **Romania Think Tank**

Romania Think Tank is an independent research institute founded in 2003. The Think Tank is funded entirely by its founding members. Its objective is to promote the development of free market, low taxation, reduction of bureaucracy, free trade, and the stimulation of foreign investment. To this end, the Romania Think Tank publishes numerous articles in the Romanian and international media, and studies and analyzes issues relevant to the development of a free-market economy in Romania. ♦ E-mail: office@rtt.ro; website: <http://www.thinktankromania.ro/>.

Russia ♦ **Institute of Economic Analysis**

The Institute of Economic Analysis is a macroeconomic research institute that analyzes the current economic situation and policies and provides expert analysis of acts, programs, and current economic policy. It will offer advice to Russian government bodies, enterprises, and organizations and prepares and publishes scientific, research, and methodological economic literature. It also conducts seminars, conferences, and symposia on economic topics. The Institute is an independent, non-governmental, non-political, non-profit research centre that works closely with leading Russian and international research centres. Its research focuses on macroeconomic, budget, and social policies. ♦ E-mail: iea@iea.ru; website: <http://www.iea.ru>.

Serbia ♦ Free Market Center (FMC)

Free Market Center (FMC) is a non-profit, non-governmental organization founded in 2001. It is the only free-market think-tank in Serbia. The Center promotes the understanding and acceptance of ideas like individual liberty, the free-market economy, limited government, and peaceful cooperation. To that end, the FMC strives to achieve greater involvement in redirecting the attention not only of leading thinkers but also of members of the public, entrepreneurs, policy-makers, and students to the role of free markets and the proper role of government. Through publications, discussion forums, and conferences, the Center seeks to disseminate classical liberal ideas. ♦ E-mail: fmc@yubc.net; website: <http://www.fmc.org.yu>.

Slovak Republic ♦ The F.A. Hayek Foundation

The F.A. Hayek Foundation is an independent and non-partisan, non-profit organization that provides a forum for the exchange of opinions among scholars, businessmen, and policy-makers on the causes of, and solutions to, economic, social, and political problems. It proposes practical reforms of the economy, education, social security, and legislation as the Slovak Republic is transformed into an open society. Education of high-school and university students is a large part of its activities. The F.A. Hayek Foundation promotes classical liberalism, which was virtually absent until 1989: market economy, reduced role of the government, rule of law and individual choice, responsibilities and rights to life, liberty, and property. ♦ E-mail: hayek@hayek.sk; website: <http://www.hayek.sk>.

South Africa ♦ The Free Market Foundation of Southern Africa

The Free Market Foundation is an independent policy research and education organization founded in 1975 to promote the principles of limited government, economic freedom and individual liberty in Southern Africa. Funding is received from members (corporate, organizational and individual), sponsorships, and the sale of publications. ♦ E-mail: fmf@mweb.co.za; website: <http://www.freemarketfoundation.com>.

Sri Lanka ♦ The Pathfinder Foundation

The Pathfinder Foundation has replaced the Center for Policy Research. Through informed and well-researched information, it seeks to challenge old ideas and the conventional wisdom, stimulate debate, change public attitudes, and seek new and innovative solutions to the economic and social problems of Sri Lanka. ♦ E-mail: amm@pathfinder.mmbgroup.com.

Sweden ♦ Timbro

Timbro is a Swedish think-tank that encourages public opinion to favour free enterprise, a free economy, and a free society. Timbro publishes books, papers, reports, and the magazine, *Smedjan*. It also arranges seminars and establishes networks among people. Founded in 1978, Timbro is owned by the Swedish Free Enterprise Foundation, which has as its principals a large number of Swedish companies and organizations. ♦ E-mail: fredrik.erixon@timbro.se; website: <http://www.timbro.se>.

Switzerland ♦ Liberales Institut

The Liberales Institut is a forum where the basic values and concepts of a free society can be discussed and questioned. The Institute's aim is the establishment of free markets as the best way towards the goals of openness, diversity, and autonomy. The Liberales Institut is not associated with any political party. Through publications, discussion forums, and seminars, it seeks to develop and disseminate classical liberal ideas. ♦ E-mail: libinst@libinst.ch; website: <http://www.libinst.ch>.

Trinidad and Tobago ♦ Arthur Lok Jack Graduate School of Business, The University of the West Indies

The Arthur Lok Jack Graduate School of Business was created in 1989 as a channel partner for developing managerial talent for the business community in Trinidad and Tobago. Its mission is to empower people and organizations in developing nations to optimize their performance capabilities and international competitiveness.

through development and deployment of consulting; education, research, and training resources. One of the Institute's core services are business and academic research in areas of real concern to business managers, enabling them to improve their ability to manage successfully in the face of increasingly complex markets. ♦ E-mail: rbalgobin@uwi-iob.org; website: <<http://www.gsb.tt>>.

Turkey ♦ Association for Liberal Thinking

The Association for Liberal Thinking is a non-profit, non-governmental organization seeking to introduce the liberal democratic tradition into Turkey. The Association promotes the understanding and acceptance of ideas like liberty, justice, peace, human rights, equality, and tolerance. It also encourages academic writing on liberal themes to help the Turkish people assess contemporary domestic and international changes and attempts to find effective solutions to Turkey's problems within liberal thought. The Association for Liberal Thinking is not involved in day-to-day politics and has no direct links to any political party or movement. Instead, as an independent intellectual group, it aims to set broader political agendas so as to contribute to the liberalization of economics and politics in Turkey. ♦ E-mail: info@liberal-dt.org.tr; website: <<http://www.liberal-dt.org.tr>>.

Ukraine ♦ The Ukrainian Center for Independent Political Research

The Ukrainian Center for Independent Political Research (UCIPR) was established in early 1991 as a non-profit, non-partisan, and non-governmental research institution that would increase awareness of democracy among the Ukrainian people and analyze domestic and international politics and security. The UCIPR is politically independent; it does not accept any funding from either the state or any political party. The UCIPR publishes books and research papers on Ukraine's domestic and foreign policy, the economy in transition, security, relations with neighbouring states, the Crimean dilemma, interethnic relations, and the freedom of the news media. The Center has hosted a number of national and international conferences and workshops. ♦ E-mail: maxim@uncpd.kiev.ua; website: <<http://www.ucipr.kiev.ua>>.

United Kingdom ♦ Institute of Economic Affairs (IEA)

The mission of the Institute of Economic Affairs (IEA) is to improve public understanding of the foundations of a free and harmonious society by expounding and analyzing the role of markets in solving economic and social problems, and bringing the results of that work to the attention of those who influence thinking. The IEA achieves its mission by a high-quality publishing program; conferences, seminars, and lectures on a range of subjects; outreach to school and college students; brokering media introductions and appearances; and other related activities. Incorporated in 1955 by the late Sir Antony Fisher, the IEA is an educational charity, limited by guarantee. It is independent of any political party or group, and is financed by sales of publications, conference fees, and voluntary donations. ♦ E-mail: pbooth@iea.org.uk; website: <<http://www.iea.org.uk>>.

United States of America ♦ Cato Institute

Founded in 1977, the Cato Institute is a research foundation dedicated to broadening debate about public policy to include more options consistent with the traditional American principles of limited government, individual liberty, free markets, and peace. To that end, the Institute strives to achieve greater involvement by the intelligent, concerned, lay public in questions of policy and the proper role of government through an extensive program of publications and seminars. ♦ E-mail: ivasquez@cato.org; website: <<http://www.cato.org>>.

Venezuela ♦ The Center for the Dissemination of Economic Knowledge (CEDICE)

CEDICE is a non-partisan, non-profit, private association dedicated to the research and promotion of philosophical, economic, political, and social thinking that focuses on individual initiative and a better understanding of the free-market system and free and responsible societies. To this end, CEDICE operates a library and bookstore, publishes the series, *Venezuela Today*, and other studies, provides economic training for journalists, and conducts special events and community programs. ♦ E-mail: cedice@cedice.org.ve; website: <<http://www.cedice.org.ve>>.

Vietnam ♦ Research Center for Entrepreneurship Development

The Center, founded in 2004, is a non-government research and educational organization devoted to entrepreneurial development of private sector in Vietnam. Its mission is to study the development of policies that create the most favorable institutional and policy environment for entrepreneurial development of the private sector in Vietnam. Through publications, discussion forums, and conferences, the Center seeks to disseminate and encourage appropriate policies and entrepreneurial development. ♦ E-mail: manhcuongiss@gmail.com; website: <http://www.rced.com.vn>.

Zambia ♦ The Zambia Institute for Public Policy Analysis (ZIPPA)

The mission of the Zambia Institute for Public Policy Analysis (ZIPPA) is to promote wider appreciation of the key role of free markets and competition in economic development. Zambia, though peaceful and stable, is currently mired in a combination of protracted poverty, the HIV/AIDS pandemic, political animosities following a disputed election, and scepticism about economic liberalization. In this depressing environment, ZIPPA wants to play a constructive role by promoting realistic economic policies and by suggesting solutions that have been successfully applied in other countries to similar economic problems. ♦ E-mail: mwanalum@zamnet.zm.

**Economic Freedom of the World
2007 Annual Report**

Executive Summary

Economic Freedom of the World

The index published in *Economic Freedom of the World* measures the degree to which the policies and institutions of countries support economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. Forty-two data points are used to construct a summary index and to measure the degree of economic freedom in five broad 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. This year's index includes a number of new components based on the World Bank's *Doing Business* ratings.

In the past year, more data has become available and, so, 11 new jurisdictions have been added to the 130 jurisdictions in last year's index. They are: Angola, Bosnia and Herzegovina, Burkina Faso, Ethiopia, Kazakhstan, Kyrgyz Republic, Lesotho, Mauritania, Moldova, Montenegro, and Serbia.

Economic freedom has grown considerably in recent decades

- ◆ The chain-linked summary index (exhibit 1.5) permits comparison over time. The average economic freedom score rose from 5.4 (out of 10) in 1980 to 6.6 in 2005, the most recent year for which data are available.
- ◆ Of the 102 jurisdictions with scores in the chain-link index in 1980 and in the most recent index, 90 had increases in score, nine had decreases in scores, and three had the same score, when changes are rounded to one decimal point.
- ◆ Five nations increased their score by more than three points since 1980: Hungary (3.0), Peru (3.0), Uganda (3.2), Ghana (3.6), and Israel (3.7). Only three nations decreased their score by more than one point: Zimbabwe (-1.7), Venezuela (-1.7) and Myanmar (-1.3). Other nations that saw reductions are: Nepal (-0.7), Bahrain (-0.3), Hong Kong (-0.2), Malaysia (-0.2), the Republic of Congo (-0.2), and Haiti (-0.1).
- ◆ In this year's main index, Hong Kong retains the highest rating for economic freedom, 8.9 out of 10. The other top scorers are: Singapore (8.8), New Zealand (8.5), Switzerland (8.3), Canada (8.1), United Kingdom (8.1), United States (8.1), Estonia (8.0), Australia (7.9), and Ireland (7.9).
- ◆ The rankings of other large economies are Germany, 18 (7.6); Japan, 22 (7.5); Mexico, 44 (7.1); France, 52 (7.0); Italy, 52 (7.0); India, 69 (6.6); China, 86 (6.3); Brazil, 101 (6.0); and Russia, 112 (5.8).
- ◆ The majority of nations ranked in the bottom fifth are African and all the nations in the bottom 10 are African, with the exceptions of Venezuela and Myanmar. They are: Zimbabwe (2.9), Myanmar (3.8), the Democratic Republic of the Congo, (4.0), Angola (4.2), the Republic of the Congo, (4.3), Central Africa Republic, (4.6), Venezuela (4.9), Burundi (5.0), Chad (5.1), and Niger (5.1). Botswana's ranking, tied for 39th with a score of 7.2, is the best among continental sub-Saharan African nations.

Nations that are economically free out-perform non-free nations in indicators of well-being

- ◆ Nations in the top quartile of economic freedom have an average per-capita GDP of US\$26,013, compared to US\$3,305 for those nations in the bottom quartile (exhibit 1.6).
- ◆ The top quartile has an average per-capita economic growth rate of 2.25%, compared to 0.35% for the bottom quartile (exhibit 1.7).
- ◆ In nations of the top quartile, the average income of the poorest 10% of the population is US\$7,334, compared to \$905 for those in the bottom quartile (exhibit 1.10).
- ◆ Life expectancy is 78.7 years in the top quartile but 56.7 years in the bottom quartile (exhibit 1.11).
- ◆ Nations in the top quartile of economic freedom have an average score of 1.8 for political rights on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.4 (exhibit 1.18).
- ◆ Nations in the top quartile of economic freedom have an average score of 1.7 for civil liberties on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.1 (exhibit 1.18).
- ◆ Nations in the top quartile of economic freedom have an average score of 81.0 (out of 100) for environmental performance, while those in the bottom quartile have an average score of 58.9 (exhibit 1.19).

The Spread of Global Economic Freedom

Global foreign policy has been strongly grounded in the idea that freedom, including economic freedom, spreads among countries. Russell S. Sobel and Peter T. Leeson, in Chapter 2, search for spatial dependence in economic freedom between geographic neighbors and trade partners using a panel of more than 100 countries between 1985 and 2000. Their results confirm that economic freedom does indeed spread through both geography and trade: both a country's levels of economic freedom and changes in its economic freedom are affected by levels and changes in neighbouring countries and its trading partners.

- ◆ Both levels of economic freedom and changes in it spread at about the same rate through both geography and trade. Countries “catch” about 20% of their average geographic neighbors’ and trading partners’ levels of, and changes in, economic freedom. This result is remarkably robust to alternative specifications and estimation techniques.
- ◆ Although these results provide strong evidence that freedom spreads, they also suggest freedom does not spread as strongly as suggested by the “domino theory” that underpinned American and Soviet foreign relations during the Cold War. The idea that reforms within a few key nations would substantially alter the state of economic freedom in the rest of a region does not appear to be correct.

Policy implications

While it is important to be cautious in drawing policy implications from the analysis, the results suggest significant conclusions.

- ◆ While changes in the economic freedom in one country have only a modest impact on neighboring countries, when multiple neighbors experience simultaneous changes in economic freedom, the impact is much greater. Thus broad regional changes in freedom can and do have significant impacts on surrounding countries.

- ◆ By liberalizing their trade with foreign nations, economically free countries can exert at least a modest positive impact on economic freedom in less free nations. While the effect of trade liberalization with any one country is relatively small in terms of the broader impact on other neighbors, free-trade agreements that allow a number of nations to simultaneously coordinate trade liberalization could have a sizeable influence on spreading economic freedom.

Data Available to Researchers

The full data set, including all of the data published in this report as well as data omitted due to limited space, can be freely downloaded at <<http://www.freetheworld.com>>. If you are using the data across time periods, it would be better to use the chain-link series presented in Chapter 1, Exhibit 1.5, and available at the website, for reasons outlined in that chapter. If you have any difficulties downloading the data, please feel free to contact us via e-mail to freetheworld@fraserinstitute.ca or via telephone at +1.604.714.4563.

