

Media Release

Alberta's record-breaking gains in economic freedom already under threat

New report ranks economic freedom among the provinces

For Immediate Release

VANCOUVER, BC, 27 JANUARY 2004—For the first time in the 20-year span measured by the **Economic Freedom of North America** report, a Canadian province -- Alberta -- has broken into the top 10 in economic freedom among the Canadian provinces and U.S. states. However, provincial policies already threaten Alberta's ability to maintain high levels of economic freedom and, ultimately, prosperity for its citizens.

The report measures the relative amount of economic freedom among the Canadian provinces and U.S. states. The Fraser Institute and the National Centre for Policy Analysis released the report in Canada and in the United States.

"Fact-based research shows that economic freedom is key to fostering prosperity," says study co-author Fred McMahon. "Aside from Alberta, all of the Canadian provinces, including Ontario, are in the bottom 10 in economic freedom and have levels of prosperity matched only by a few poor U.S. states, like Mississippi."

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

"Alberta is also the only Canadian province that has levels of economic freedom and prosperity that match those in the United States, but Alberta is already threatening the future prosperity of its citizens," McMahon notes.

Alberta scores in the top 10 in the all-government index but ranks 25th in the sub-national index. Extremely low levels of federal spending boost Alberta's score in the all government index. (High government spending lowers economic freedom by impeding freely entered into exchanges of goods and services).

A provincial spending spree in Alberta damages its rank on the sub-national index. Alberta scores 36th on the sub-index that rates provincial/local government spending. "Alberta would be in even worse shape now," McMahon added. "The most recent data available for all provinces and states dates to 2001 but Alberta's spending has continued to increase."

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Freedom Among the Provinces

Canada's freest province after Alberta, Ontario, scores 51st on both the sub-national and all-government indexes. However, this is far better than Quebec, which ranks 57th and 58th on the indexes respectively. Although Quebec enjoys the same benefits of geography and resource wealth as Ontario, Quebec's even lower level of economic freedom has left it economically well behind Ontario.

"Quebec's lower score in economic freedom predicts its per capita GDP would be \$5,670 less than Ontario's, which is almost identical to the actual gap of \$5,440," McMahon said. "If Quebec caught up to Ontario in freedom it would also become as prosperous as Ontario. If Quebec increased freedom beyond that, it would become richer than Ontario."

PEI continues to have the worst economic freedom score in Canada and the United States and, not surprisingly, is the poorest jurisdiction in either nation, just behind Newfoundland and Labrador, which also has an extremely bad record in economic freedom.

Detailed information on each of the provinces and states can be found at www.freetheworld.com

Measuring Economic Freedom

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

Econometric research shows a one-point increase on the 10-point economic freedom index increases per capita GDP by Cdn\$4,370. The results are remarkably robust and stable, and extensively peer-reviewed.

About the Index

Both the all-government and sub-national indexes contain three sub-indexes designed to measure restrictions on economic freedom: 1) Size of Government, 2) Takings and Discriminatory Taxation, and 3) Labour Market Freedom. This year a new variable was added to measure how much policy affects workers' freedom to join, or not to join, unions.

The Fraser Institute's work on North American economic freedom has been published by the peer-reviewed *European Journal of Political Economy*.

The North American index is an intellectual offshoot of the *Economic Freedom of the World* index, the result of two decades of work by more than 100 scholars including several Nobel Laureates.

The media release and study (in pdf) can be viewed at www.fraserinstitute.ca and www.freetheworld.com.