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Media Release

Economic freedom reduces violent conflict between nations, according to new research

For Immediate Release

VANCOUVER, BC, CANADA, 08 SEPTEMBER 2005—Economic freedom is almost 50 times more effective than democracy in diminishing violent conflict between nations, according to the **Economic Freedom of the World: 2005 Annual Report**, released today by The Fraser Institute.

In new research published in this year's report, Erik Gartzke, a political scientist from Columbia University, compares the impact of economic freedom on peace to that of democracy on peace.

"Researchers have long known democracies go to war about as often as other nations but tend not to go to war with each other. However, stable democracies typically have strong levels of economic freedom, leading to the question of whether it is democracy or economic freedom that affects the probability of violent conflict," said co-author of the report, James Gwartney, Professor of Economics at Florida State University.

When measures of both economic freedom and democracy are included in a statistical study, economic freedom is about 50 times more effective than democracy in diminishing violent conflict. The impact of economic freedom on whether states fight or have a military dispute is highly significant, while democracy is not a statistically significant predictor of conflict.

Nations with a low score for economic freedom (below 2 out of 10) are 14 times more prone to conflict than states with a high score (over 8). The overall pattern of results does not shift when additional variables, such as membership in the European Union, nuclear capability, and regional factors, are added.

Gartzke points out that wealth and power are created by markets and the efficient production that arises from them, not by conquest of land or raw materials; changes in the nature of production in modern capitalist states make conquest unprofitable.

International rankings

In this year's index, Hong Kong retains the highest rating for economic freedom, with a score of 8.7 (out of a possible 10), closely followed by Singapore at 8.5. New Zealand, Switzerland, and the United States tied for third with ratings of 8.2.

The United Kingdom, Canada, and Ireland ranked 6th, 7th, and 8th, respectively. Australia, Estonia, Luxembourg, and the United Arab Emirates tied for 9th.

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Canada also ranked 7th in last year's Index.

The rankings of other large economies are Germany, 19; Japan, 30; France, 38; Italy, 54; Mexico, 59; India, 66; China, 86; Brazil, 88; and Russia, 115.

Among those nations that have made substantial gains in economic freedom since 1985 are Bolivia, Brazil, El Salvador, Ghana, Iceland, Jamaica, Nicaragua, Peru, Poland, Tanzania, Uganda, and Zambia, though some of these began at very low levels or have experienced ups and downs over the period. Among those nations that have registered significant losses in economic freedom since 1985 are Myanmar, Venezuela, and Zimbabwe.

Most of the lowest-ranking nations are African, Latin American, or former communist states. Botswana's ranking of 30 is the best among continental sub-Saharan African nations. Chile and Costa Rica, tied at 20, have the best record in Latin America. Of the nations with enough data to be ranked, the bottom nations were Burundi, Guinea-Bissau, the Democratic Republic of Congo, Venezuela, Zimbabwe, and Myanmar.

Economic freedom on the rise

The average economic freedom score rose from 5.2 (out of 10) in 1985 to 6.4 in the most recent year for which data are available.

“Of the 109 nations with scores in 1985 and which are included in the most recent index, 96 recorded an improvement in their economic freedom score, seven saw a decline, and six registered changes of under 0.1 points,” said co-author, Robert Lawson, Professor of Economics at Capital University, Ohio, USA.

Nations with high levels of economic freedom have significant advantages:

- Nations in the top quintile (one-fifth) in economic freedom have an average per capita GDP of US\$25,062, compared to US\$2,409 for those nations in the bottom quintile.
- In nations of the top quintile, the average income of the poorest 10 percent of the population is US\$6,451, compared to \$1,185 for those in the bottom quintile.
- Life expectancy is 77.7 years in the top quintile compared to 52.5 years in the bottom quintile.
- In nations of the top quintile, only 0.1 percent of children are in the labor force, compared to 22.6 percent in the least economically free nations.
- Nations in the top quintile of economic freedom have an average score of 1.7 for political rights on a scale of 1 to 7, where 1 marks the highest level of freedom, and 7 the lowest level. The bottom quintile has an average score of 5.0.

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 cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property.

This is the 9th edition of *Economic Freedom of the World*. This year's publication ranks 127 nations for 2003, the most recent year for which data are available. The report also updates data in earlier reports in instances where data have been revised. Thirty-eight components and sub-components are used to construct a summary index and to measure the degree of economic freedom in five areas: (1) size of government; (2) legal structure and protection of property rights; (3) access to sound money; (4) international exchange; and (5) regulation.

The annual report is published in conjunction with the Economic Freedom Network, a group of independent research and educational institutes in over 60 nations.

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The media release and publication are posted at www.fraserinstitute.ca. For more information on the Economic Freedom Network, data sets, and previous Economic Freedom of the World reports, go to www.freetheworld.com.