

# NEWS RELEASE

## Canada ties with US and UK for fifth place in annual ranking of economic freedom among 141 countries

September 4, 2007  
For Immediate Release

**TORONTO, ON**—Canada is the fifth-ranked country in the world for economic freedom, tied with the United States and the United Kingdom, according to the *Economic Freedom of the World: 2007 Annual Report*, released today by independent research organization The Fraser Institute.

Canada was ranked eighth in the 2006 report.

The annual peer-reviewed 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.

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

“These measures are part of a fundamental base needed to build a free and prosperous nation. A quick glance at the names of countries scoring lowest on the index quickly shows that without protection of property rights and judicial independence, there is little individual freedom and little in the way of prosperity,” said Fred McMahon, The Fraser Institute’s Director of Trade and Globalization Studies.

Hong Kong once again was the top ranked country, followed by Singapore, New Zealand and then Switzerland.

The full report is available at [www.fraserinstitute.org](http://www.fraserinstitute.org)

Canada’s scores in key components of economic freedom (from 1 to 10 where a higher value indicates a higher level of economic freedom):

- Size of government: improved to 6.8 from 6.6
- Legal structures and security of property rights: improved to 8.6 from 8.4
- Access to sound money: improved to 9.7 from 9.6
- Freedom to trade internationally: dropped to 7.5 from 7.8
- Regulation of credit, labour and business: remained stable at 7.8

“Economic freedom has proven to be a key driver of prosperity and growth. Although the changes in Canada’s scores are relatively small, they are enough to improve our overall ranking and should serve as notice to policymakers of the importance of the size of government, low tax rates, and secure property rights when it comes to creating sound economic policy,” McMahon said.

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However, McMahon added that Canadians should pay attention to the drop in our country's score for freedom to trade internationally, which fell to 7.5 from 7.8 last year.

### **International Rankings**

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 and scores 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 near the bottom 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), Togo (5.1) and Niger (5.1). Botswana's ranking, tied for 38th with a score of 7.2, is the best among sub-Saharan African nations.

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).

This year 11 additional countries have been added to the index. These countries are Angola (4.2, 138<sup>th</sup>), Bosnia and Herzegovina (6.1, 97<sup>th</sup>), Burkina Faso (5.5, 122<sup>nd</sup>), Ethiopia (6.0, 101<sup>st</sup>), Kazakhstan (7.3, 32<sup>nd</sup>), Kyrgyz Republic (6.8, 60<sup>th</sup>), Lesotho (6.8, 60<sup>th</sup>), Mauritania (6.5, 76<sup>th</sup>), Moldova (6.5, 76<sup>th</sup>), Montenegro (6.8, 60<sup>th</sup>), and Serbia (5.6, 119<sup>th</sup>).

“Weakness in the rule of law and property rights is particularly pronounced in sub-Saharan Africa, in the Middle East, and for several nations that were part of the former Soviet bloc although some of these nations have shown improvement,” said James Gwartney, lead author of the report and a Professor of Economics at Florida State University.

“Many Latin American and Southeast Asian nations also score poorly for rule of law and property rights. The nations that rank poorly in this category also tend to score poorly in the trade and regulation categories, even though several have reasonably sized governments and sound money.”

### **Global Spread of Economic Freedom**

The 2007 edition of the Economic Freedom of the World report also includes new research from Russell Sobel, economics professor at West Virginia University, and Peter Leeson, professor in the study of capitalism at George Mason University, showing how economic freedom spreads between countries.

Sobel and Leeson note that historically, many foreign policy decisions have been based on the notion that economic reforms in a few key nations would substantially improve the economies of other countries throughout the region – the so-called “domino effect.”

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The authors conclude that while economic freedom changes in one country have only a modest impact on neighbouring countries, when multiple neighbours experience simultaneous changes in economic freedom, the impact is much greater. Broad regional changes in freedom can and do have significant impacts on surrounding countries. By liberalizing trade with foreign nations, economically free countries can exert a positive, if modest, impact on economic freedom in less free nations.

This research indicates that free-trade agreements allowing a number of nations to simultaneously coordinate trade liberalization could have a sizeable influence on spreading economic freedom to economically repressed regions of the world, Sobel and Leeson 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.

This year's publication ranks 141 nations for 2005, the most recent year for which data are available. The report also updates data in earlier reports in instances where data have been revised.

The annual report is published in conjunction with the Economic Freedom Network, a group of independent research and educational institutes in over 70 nations.

For more information on the Economic Freedom Network, data sets, and previous Economic Freedom of the World reports, visit [www.freetheworld.com](http://www.freetheworld.com).

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