



NEWS RELEASE

Canada ranks seventh in global economic freedom index, just ahead of the United States

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For Immediate Release

TORONTO, ON—Canada is ranked seventh, just ahead of the United States, in the latest global rankings of economic freedom, released today by independent research organization the Fraser Institute.

The Economic Freedom of the World: 2008 Annual Report has Canada in seventh spot with the U.S. in eighth, tied with Australia. Hong Kong is again first in the rankings of 141 nations and jurisdictions, followed by Singapore, New Zealand, Switzerland, the United Kingdom, and Chile, the first Latin American country to break into the top 10. The 2008 report is based on 2006 data, the most recent available.

“Canada’s higher score in rule of law gives us an edge in the rankings. Both Canada and the United States have suffered large declines in this area in recent years, but the US declines are greater. Since this measure is partially based on survey data, it will be important to see if this is an ongoing trend,” said Fred McMahon, Fraser Institute director of trade and globalization studies.

McMahon noted that issues affecting the U.S. performance in the rule of law measure could relate to the Sarbanes-Oxley regulations, which have been described as overzealous and responsible for driving investment to other markets; an increasing controversy over eminent domain (the government’s ability to expropriate private property); or the negative perceptions created by the treatment of prisoners held at Iraq’s Abu Ghraib prison and the U.S. military base in Guantanamo Bay.

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. Economic freedom is measured in five different areas: (1) size of government; (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor and business. The full report is available at www.fraserinstitute.org

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

“Economic freedom is a key building block of prosperous nations. Countries with high levels of economic freedom are those in which people enjoy high standards of living and personal freedoms. Unfortunately, countries at the bottom of the index face the opposite situation; the people are often mired in poverty, governed by totalitarian regimes and have few, if any, individual rights or freedoms,” McMahon said.

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 6.88 from 6.76
- Legal structures and security of property rights: dropped to 8.39 from 8.55
- Access to sound money: dropped to 9.60 from 9.69
- Freedom to trade internationally: dropped to 7.14 from 7.51
- Regulation of credit, labour and business: improved to 8.22 from 8.11

(more)

International Rankings

In this year’s overall index, Hong Kong retains the highest rating for economic freedom, 8.94 out of 10. The other top scorers are: Singapore (8.57), New Zealand (8.28), Switzerland (8.20), the United Kingdom (8.07), Chile (8.06), Canada (8.05), Australia (8.04), the United States (8.04), and Ireland (7.92).

The rankings (and scores) of other large economies are Germany, 17 (7.64); Taiwan, 18 (7.63), Japan, 27 (7.48); South Korea, 29 (7.42); Sweden, 33 (7.35); France, 45 (7.19); Italy, 49 (7.15); Mexico, 58 (6.98); India, 77 (6.59); China, 93 (6.29); Brazil, 96 (6.16); and Russia, 101 (6.12).

Several countries have substantially increased their ratings and become relatively freer during the past decade. Estonia increased its rating by 2.27 points since 1995 and is now one of the freest economies in the world. Lithuania and Latvia have increased their ratings by at least two points since 1995 and their 2006 ratings are greater than 7.0. The ratings of Cyprus, Hungary, Kuwait, and South Korea have also improved substantially and their ratings are now 7.3 or more. Two African economies, Zambia and Ghana, have become substantially freer with ratings of 7.13 and 7.04, respectively.

However, African nations also continue to occupy most of the spots at the bottom of the index with the lowest levels of economic freedom, joined by Venezuela and Myanmar. The 10 nations with the lowest levels of economic freedom are: Zimbabwe (2.67), Angola (4.10), Myanmar (4.19), the Republic of Congo (4.64), Niger (4.67), Venezuela (4.67), Guinea-Bissau (5.01), Central Africa Republic (5.01), Chad (5.12), Rwanda (5.23), and Burundi (5.23).

“Weakness in the rule of law and property rights is particularly pronounced in sub-Saharan Africa, among many Islamic nations, and for many nations that were part of the former Soviet bloc,” said James Gwartney, lead author of the report and a Professor of Economics at Florida State University.

About the Economic Freedom Index

Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The annual report is published in conjunction with the Economic Freedom Network, a group of independent research and educational institutes in over 70 nations.

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