

NEWS RELEASE

Economic freedom falls in Canada; government response to global recession will cause further decrease

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For Immediate Release

TORONTO, ON—Levels of economic freedom in some of the world's most developed economies, including Canada, have decreased and could fall even further as a result of the global recession, according to a new study released today by the Fraser Institute, Canada's leading economic think tank.

[*The Economic Freedom of the World: 2009 Annual Report*](#) shows Canada sitting in eighth spot with a score of 7.91 out of 10. That's down from the 2008 report that had Canada in seventh spot with a ranking score of 8.05.

"Canada's level of economic freedom has slowly been decreasing since 2000 and there's no doubt this is a worrying trend, especially since we have yet to see the impact of government policies brought in as a result of the global recession," said Fred McMahon, Fraser Institute director of trade and globalization studies.

But Canada is not alone among nations whose scores decreased from the previous year. Singapore, the United Kingdom, Australia, Germany, Japan, Sweden, Italy, Spain, the Netherlands, Mexico, India, and Brazil all saw their economic freedom scores decrease.

Hong Kong is again first in the rankings of 141 nations and jurisdictions, followed by Singapore, New Zealand, Switzerland, and Chile. The 2009 report is based on data from 2007, the most recent year for which comprehensive data are available.

This year's report also includes new research that examines the likely impact of the global recession on levels of economic freedom. It suggests that economic freedom may decline in the short term in response to crises, but over a longer time, economic freedom has a tendency to increase after a banking crisis.

"Opponents of economic freedom are blaming the global recession on the operation of markets and hoping to use it as an excuse for a vast expansion in government. But even in recession, the quality of life in nations with free and open markets is vastly superior to that of nations with government managed economies," McMahon said.

"To successfully navigate the global financial crisis, nations must focus on policies that support the principles of economic freedom. By choosing this path, the current crisis will be reversed and fade into history. But if we learn the wrong lessons and choose reforms and policies inconsistent with economic freedom, our destiny will be like the generation of 1930; we will face a decade of stagnation and decline."

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.

The annual peer-reviewed economic freedom 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.

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“Canada’s scores in four of the five economic freedom measures decreased between 2005 and 2007. Now with the Canadian government taking a more interventionist role in the economy and adding layers of new regulations in response to the global recession, this trend of decreasing economic freedom in Canada will likely be exacerbated over the next few years,” 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: dropped to 6.63 from 6.88
- Legal structures and security of property rights: improved to 8.50 from 8.39
- Access to sound money: dropped to 9.50 from 9.68
- Freedom to trade internationally: dropped to 7.09 from 7.11
- Regulation of credit, labour and business: dropped to 7.86 from 7.92

International Rankings

Hong Kong retains the highest level of economic freedom, with a score of 8.97 out of 10. The other top scorers are: Singapore (8.66), New Zealand (8.30), Switzerland (8.19), Chile (8.14), United States (8.06), Ireland (7.98), Australia tied with the United Kingdom (7.89), and Estonia (7.81).

The rankings and scores of other large economies include Taiwan, tied for 16th with Finland and Mauritius (7.62); Germany, 27 (7.50); Japan, 28 (7.46); South Korea, 32 (7.45); France 33 (7.43); Spain, 39 (7.32); Sweden, 40 (7.28); Italy, 61 (6.95); Mexico, 68 (6.85); China, 82 (6.54); Russia, 83 (6.50); India, 86 (6.45); Argentina, 105 (6.10); and Brazil, 111 (6.00).

Zimbabwe once again has the lowest level of economic freedom among the 141 jurisdictions included in the study, followed by Myanmar, Angola, and Venezuela.

Several countries have substantially increased their scores and improved their relative levels of economic freedom during the past decade. Estonia has increased its score by nearly 2.0 since 1995 and it is now one of the freest economies in the world, ranking 11th overall. Lithuania and Latvia have increased their scores by similar magnitudes since 1995 and their 2007 scores are now greater than 7.0. The scores of Cyprus, Hungary, Kuwait, and Korea have also improved substantially and now sit at 7.25 or more. Two African economies, Ghana and Zambia, have become substantially freer with scores of 6.97 and 7.16, respectively.

But not all of the news is good. Economic freedom is regressing in several other countries. Zimbabwe’s score has fallen by 3.18 while Argentina has declined by 0.80 since 1995. During the same period, the scores for Malaysia and the Philippines have also fallen. Since 2000, Venezuela’s score has declined by more than 1.5, down to 4.07. During the same period, Nepal’s score dropped to 5.18 from 5.62. The United States has also declined by almost seven-tenths of a point to 7.88 from 8.55 in 2000, which has sent the accompanying ranking down to 7th from 2nd in 2000.

“Economic freedom is the key building block of the most 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, are governed by totalitarian regimes and have few, if any, individual rights or freedoms,” McMahon 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. 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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