

NEWS RELEASE

Hong Kong has highest levels of economic freedom followed by Singapore and New Zealand

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For Immediate Release

TORONTO, CANADA— Hong Kong is again first in the rankings of 141 nations and jurisdictions for economic freedom, according to a new study released today by the Fraser Institute, Canada's leading economic think tank.

Hong Kong is 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," said Fred McMahon, Fraser Institute director of trade and globalization studies.

"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."

The annual peer-reviewed Economic Freedom of the World report is produced by the Fraser Institute in cooperation with independent institutes in 75 nations and territories.

The Economic Freedom of the World report uses 42 different measures to create an index ranking 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.

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.

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

(more)

International Rankings

In this year's main index, Hong Kong retains the highest rating for economic freedom, 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), Canada (7.91), 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 followed by Myanmar, Angola, and Venezuela.

Several countries have substantially increased their ratings and improved their relative levels of economic freedom during the past decade. Estonia 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. Cyprus, Hungary, Kuwait, and Korea have also improved substantially and their scores are now 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 and the Global Recession

The 2008 edition of the Economic Freedom of the World report includes new research that examines the likely impact of the global recession on levels of economic freedom.

The study looked at banking crises that took place in Norway and Sweden during the 1990s and found that although economic freedom may decline in the short term in response to crises, over a longer time, economic freedom has a tendency to increase after a banking crisis. In the case of Norway and Sweden, the banking crisis did not distract these countries from continuing with their market-based reform policies.

“Even though a banking crisis can be very painful, it is an illusion that they can be fully ruled out by better government regulation. In fact, a case can be made that perverse regulations in combination with the creation of too much liquidity played a key role in the creation of the current crisis,” McMahon said.

“The short-term response of governments will almost surely reduce economic freedom but history shows that this need not be the case over the long term. Several countries that have experienced financial crises have moved toward greater economic freedom in subsequent years. The impact on economic freedom depends on what we learn from the crisis. Will we move toward institutions and policies more consistent with economic freedom? Or will we politicize, micromanage, and expand the size and role of government?”

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.

For more information on the Economic Freedom Network, data sets, and previous Economic Freedom of the World reports, visit www.freetheworld.com

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