

Economic Freedom of the World

2006 Annual Report

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with

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The full data-set, including all of the data published in this report as well as data omitted due to limited space, can be freely downloaded at <<http://www.freetheworld.com>>. If you are using the data across time periods, it would be better to use the chain-link series presented in Chapter 1, exhibit 1.5, and available at the website, for reasons outlined in that chapter. If you have any difficulties down-loading the data, please feel free to contact us via e-mail to freetheworld@fraserinstitute.ca or via telephone at +1.604.714.4563.

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James Gwartney & Robert Lawson

Dedication to Sir John Cowperthwaite

From 1970 to the present, Hong Kong has ranked as the freest economy in the world in the index published annually in *Economic Freedom of the World*. No one deserves more credit for this lofty rating than Sir John Cowperthwaite, the Financial Secretary of Hong Kong during the 1960s. As the following notes by Alex Singleton and Milton Friedman highlight, Cowperthwaite's contributions go far beyond his impact on Hong Kong. His achievements and Hong Kong's experience have influenced economic freedom throughout the world. When Sir John died earlier this year, we wanted to honor his contribution in a visible manner. Thus, it is a pleasure to dedicate this year's report to him.

James Gwartney & Robert Lawson

Obituary

Sir John Cowperthwaite was the main figure responsible for Hong Kong's economic transformation, lifting millions of people out of poverty. While scholars like Milton Friedman and F.A. Hayek put an intellectual case for the free markets, it was Cowperthwaite who provided the textbook example showing economically liberal policies leading to swift economic development. His practical example provided confidence to the Thatcher and Reagan governments, and was a key influence in China's post-Mao economic liberalization.

Cowperthwaite read classics at St Andrews and Christ's College, Cambridge. While waiting to be called up by the Cameronians (Scottish Rifles), he went back to St Andrews to study economics. This Scottish education imbued him with the ideas of the Enlightenment, especially the work of Adam Smith, who had been born nearby in Kirkcaldy. He was a liberal in the 19th century sense, believing that countries should open up to trade unilaterally. In 1941, he joined the Colonial Administrative Service in Hong Kong. When it fell to the Japanese, he was seconded to Sierra Leone as a district officer, before returning in 1946 to help the colony's economic recovery. "Upon arrival," the *Far Eastern Economic Review* put it, "he found it recovering quite nicely without him." He quickly worked his way up the ranks and was made Financial Secretary in 1961, in charge of its economic policy for a decade.

When he became Financial Secretary, the average Hong Kong resident earned about a quarter of someone living in Britain. By the early 1990s, average incomes were higher than Britain's. Cowperthwaite made Hong Kong the most economically free economy in the world and pursued free trade, refusing to make its citizens buy expensive, locally produced goods if they could import cheaper products from elsewhere. Income tax was never more than a flat rate of 15%. The colony's lack of natural resources, apart from a harbour, and the fact that it was a food importer, made its success all the more interesting. Cowperthwaite's policies soon attracted the attention of economists like Milton Friedman, whose television series *Free to Choose* featured Hong Kong's economic progress in some detail.

Asked what is the key thing poor countries should do, Cowperthwaite once remarked: "They should abolish the Office of National Statistics." In Hong Kong, he refused to collect all but the most superficial statistics, believing that statistics were dangerous: they would lead the state to fiddle about remedying perceived ills, simultaneously hindering the ability of the market economy to work. This caused consternation in Whitehall: a delegation of civil servants were sent to Hong Kong to find out why employment statistics were not being collected; Cowperthwaite literally sent them home on the next plane back.

Cowperthwaite's frugality with taxpayers' money extended to himself. He was offered funds from the Hong Kong Executive to do a much needed upgrade to his official residence but refused, pointing out that since others in Hong Kong did not receive that sort of benefit, he did not see why he should.

Cowperthwaite's hands-off approach and rejection of the economic theory then in vogue, meant he was in daily battle against Whitehall and Westminster. The British government insisted on higher income tax in Singapore; when they told Hong Kong to do the same, Cowperthwaite refused. He was an opponent of giving special benefits to business: when a group of businessmen asked him to provide funds for a tunnel across Hong Kong harbour, he argued that, if it made economic sense, the private sector would come in and pay for it. It was built privately. His economic instincts were revealed in his first speech as Financial Secretary: "In the long run, the aggregate of decisions of individual businessmen, exercising individual judgment in a free economy, even if often mistaken, is less likely to do harm than the centralized decisions of a government, and certainly the harm is likely to be counteracted faster."

His ability to pursue policies that, at the time, were deeply unfashionable, was helped by having supportive Hong Kong Governors, Sir Robert Black and Sir David Trench, who both had free-market sympathies. Moreover, Cowperthwaite was formidable at arguing his case: as Dennis Healey recalled: "I always retired hurt from my encounters with the redoubtable Financial Secretary."

From 1972 to 1981, Cowperthwaite was an advisor to Jardine Flemming & Co. in Hong Kong. He retired to St Andrews with his wife Sheila and was an active member of the Royal & Ancient. For many years, he spent six months of the year with his wife traveling the world visiting friends and relatives. He was an old-school civil servant and, much to the frustration of economists, resisted requests to write an autobiography about his time in Hong Kong, believing that his duty was to serve, not to reveal the minutiae of government business.

John James Cowperthwaite KBE OBE CMG, born April 25, 1915; died January 21, 2006.

Alex Singleton, Director-General
The Globalisation Institute

Cowperthwaite and the free market in practice

I first met John Cowperthwaite in 1963, the third year of his ten-year stint as Financial Secretary of Hong Kong. I had just been looking into Hong Kong's monetary system and had discovered that the experts at the leading banks in Hong Kong did not understand how it worked. When I told Cowperthwaite that, he replied, "Better they shouldn't; they would mess it up." He made it clear that he was a real disciple of Adam Smith: free trade and free markets were the prescription for the underdeveloped countries of the world—as he proceeded to demonstrate by converting Hong Kong from one of the poorest countries in the world to one of the richest, thereby providing a striking refutation for the socialist cliché "free trade may be fine in theory but it won't work in practice."

Cowperthwaite is the answer to what many have regarded as a paradox: at the very time shortly after World War II that Britain was embarking on an extreme socialist policy in the homeland, one of its last remaining colonies, Hong Kong, was embarking on an extreme free-market policy. By some accident of officialdom, the Colonial Office had assigned John Cowperthwaite to serve as the Financial Secretary of Hong Kong. The result: the home country strangled by socialism; the colonial possession converted into a showplace of free markets.

Milton Friedman

About the Authors

James D. Gwartney is Professor of Economics and holds the Gus A. Stavros Eminent Scholar Chair at Florida State University, where he directs the Gus A. Stavros Center for the Advancement of Free Enterprise and Economic Education. He served as Chief Economist of the Joint Economic Committee of the US Congress during 1999/2000. He is the co-author of a leading textbook, *Economics: Private and Public Choice*, and a recently published primer, *Common Sense Economics: What Everyone Should Know About Wealth and Prosperity* (St. Martin's Press, 2005). His professional publications have appeared in the *American Economic Review*, *Journal of Political Economy*, *Industrial and Labor Relations Review*, *Cato Journal*, *Kyklos*, and *Southern Economic Journal*. Prof. Gwartney was president of the Association of Private Enterprise Education and was awarded the association's Adam Smith Award in 2004. His doctoral degree in economics is from the University of Washington and he is a member of the Mont Pelerin Society.

Robert A. Lawson is Professor of Economics and holds the George H. Moor Chair in the School of Management at Capital University in Columbus, Ohio. He earned his B.S. in economics from the Honors Tutorial College at Ohio University and his M.S. and Ph.D. in economics from Florida State University. Prof. Lawson has professional publications in *Public Choice*, *Cato Journal*, *Kyklos*, *Journal of Labor Research*, *Journal of Institutional and Theoretical Economics*, and the *European Journal of Political Economy*. He is a senior fellow with the Buckeye Institute for Public Policy Solutions, where he has written extensively on issues of state and local public finance. Lawson is a former president of the Association of Private Enterprise Education and is a member of the Mont Pelerin Society.

About the Contributor

William Easterly is Professor of Economics at New York University (NYU), joint with Africa House, and Co-Director of NYU's Development Research Institute. He is also a non-resident Fellow of the Center for Global Development in Washington, DC. William Easterly received his Ph.D. in Economics at MIT. He spent 16 years as a Research Economist at the World Bank. He is the author of *The White Man's Burden: How the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (Penguin, 2006), *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (MIT, 2001), three other co-edited books, and 46 articles in refereed economics journals. Prof. Easterly is an associate editor of the *Quarterly Journal of Economics*, the *Journal of Economic Growth*, and of the *Journal of Development Economics*. He was born in West Virginia and grew up in Bowling Green, Ohio.

About the Participating Institutes

Co-publishers of *Economic Freedom of the World*

Albania ♦ Albanian Center for Economic Research (ACER)

The Albanian Center for Economic Research is a public-policy institute that focuses on research and advocacy activities. In addition to providing policy-makers and academics with applied economic research, it works to build public understanding of economic development issues. ♦ E-mail: zefpreci@interalb.net.

Argentina ♦ Fundación Libertad

Fundación Libertad is a private, non-profit institution working towards two main goals: the research and distribution of public-policy issues (specifically in socio-economic and business areas) and the promotion of the concept of a free-market society. Founded in Rosario, Argentina, in 1988 by a group of businessmen, professionals, and intellectuals, the Foundation has developed its activities with the support of more than 200 private companies. Its projects include courses, lectures, seminars, research, studies, and publications as well as a strong permanent presence in the media, through columns, and television and radio programs produced by the Foundation. These projects have focused on economic policies, education, regulations, and public spending. Outstanding guest speakers have delivered lectures and conferences for the Fundación Libertad; these include Peruvian writer Mario Vargas Llosa, Nobel prize-winning economists such as Gary Becker, Douglass North, Robert Lucas, and James Buchanan, historian Paul Johnson, Nobel Peace Prize Laureate Lech Walessa, and other intellectuals like Jean Françoise Revel. Fundación Libertad has also led the creation of REFUNDAR, a network of Argentine foundations made up of ten organizations, located in the country's major cities. This network has helped us spread our ideas all over the country and is affiliated with similar international organizations. ♦ E-mail: dmaggiolo@libertad.org.ar.

Australia ♦ Institute of Public Affairs

Established in 1943, the IPA is Australia's oldest and largest private-sector think-tank. Its aim is to foster prosperity and full employment, the rule of law, democratic freedoms, security from crime and invasion, and high standards in education and family life for the Australian people. To identify and promote the best means of securing these values, the IPA undertakes research, organizes seminars, and publishes widely. ♦ E-mail: ipa@ipa.org.au; website: <<http://ipa.org.au>>.

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TIGRA® is the premier Austrian think-tank on governance research. Headquartered in Salzburg, it was founded to study and advance effective and efficient economic policies. TIGRA® organizes workshops and publishes papers and reports. Their mission is "From analysis to action." TIGRA® is a network of experts who provide effective market solutions to policy-makers. Special emphasis is put on knowledge management, monitoring the scope and quality of regulations ("cutting red tape"), and setting benchmarks. ♦ E-mail: bendl@erwin.tc; website: <<http://www.tigra.at>>.

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The Center for Economic and Political Research, Azerbaijan, is a non-profit, non-governmental, research institute founded in 1994. Its mission is to facilitate the country's democratization and economic liberalization and to increase the role of civil society. The main objectives of the Center's activities are analyzing the economic

situation and progress of market reforms, political processes, foreign political relations, and regional economic and political tendencies. The Center also conducts sociological surveys and holds conferences, round-tables, and seminars on different aspects of economic and political reforms in the country. ♦ E-mail: sb@azerin.com.

Bahamas ♦ The Nassau Institute

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Bangladesh ♦ Making Our Economy Right (MOER)

MOER (Making Our Economy Right), founded in 1991, is the country's lone free-market institute and continues to struggle to promote free-market capitalism against all odds. The concept of individual freedom and free markets determining the supply of goods, services, and capital is little understood in Bangladesh. For the past 50 years or so, Fabian socialism and the doctrines of Karl Marx were the basis of our country's economy. MOER contributes free-market, libertarian articles in English and Bangla newspapers. We also moderate a weekly radio talk show that focuses on liberalization of the economy. MOER also publishes books both in Bangla and in English for free distribution to libraries and others with the support of the International Policy Network of London. MOER's fourth book, published this year, *Clamoring for Free Market Freedom in Bangladesh*, has a foreword by Nobel laureate Milton Friedman. The book is a compilation of articles by Nizam Ahmad. ♦ E-mail: drmanzur@citechco.net; website: <<http://www.moer-bangladesh.org>>.

Belarus ♦ Scientific Research Mises Center

Scientific Research Mises Center was founded in 2001. Its mission is to advance ideas and ideals of free-market democratic society based on individual choice and personal responsibility and to create an open community of people who share those ideas. The centre promotes the original ideas of limited government, individual liberty, and private property through publications and discussion forums and conferences. The goal of the Center is to demonstrate the power of private institutions, both for-profit and non-profit, to create a good society and to foster the understanding that free choice of a fully informed individual is the foundation for a just, prosperous, and open society. ♦ E-mail: liberty@belsonet.net; website: <<http://liberty-belarus.info>>.

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The Fundación Libertad y Democracia (FULIDE) is a non-profit organization founded by citizens interested in promoting democracy and freedom. The purpose of the Foundation is to investigate and analyze issues that have economic, political, or social impact on the free market and private initiative. Through seminars, debates, and publications, FULIDE seeks to reflect Bolivia's participation in the global economy. ♦ E-mail: fulide@cainco.org.bo; website: <<http://www.fulide.org.bo>>.

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provide for a Board of Trustees and forbid any political or sectarian affiliations. The institute publishes books, organizes seminars, and elaborates policy papers on subjects related to public policy. ♦ E-mail: ilrj@gbl.com.br; website: <http://www.institutoliberal.org.br>.

Bulgaria ♦ Institute for Market Economics

Established in 1993, IME is the first independent economic think-tank in Bulgaria. It is a private, registered, non-profit corporation that receives international support and is widely respected for its expertise. IME designs and promotes solutions to the problems that Bulgaria is facing in its transition to a market economy, provides independent assessment and analysis of the government's economic policies, and supports an exchange of views on market economics and relevant policy issues. ♦ E-mail: ime@omega.bg; website: <http://www.ime-bg.org>.

Cambodia ♦ The Cambodia Institute of Development Study

The Cambodia Institute of Development Study (CIDS) is a non-profit, independent, local research institute founded in December 2004. The Institute's mission is to provide high-quality research on the local and provincial levels in the specialized areas of economics, natural resources and environment, agriculture and rural development, and public finance and governance, within the context of world integration. Its objectives are to generate and disseminate research on the national and provincial economies, and to enhance the capacity and promote the professional development of local resources by providing training and practical research opportunities. ♦ E-mail: k_cdrrot@yahoo.com.

Canada ♦ The Fraser Institute

Our vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals. Founded in 1974, we are an independent research and educational organization with offices in Vancouver, Calgary, and Toronto, and international partners in over 70 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research. ♦ E-mail: info@fraserinstitute.ca; website: <http://www.fraserinstitute.ca>, <http://www.freetheworld.com>.

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Instituto Libertad y Progreso (ILP) is a research and educational institution based in Bogota and focused on institutional topics, both in Colombia and internationally. ILP is focused on constitutional reform, constitutional law, economic institutions, and political thought. ♦ E-mail: andresmejiv@cable.net.co; website: <http://www.ilyp.net>, <http://www.libertadyprogreso.net>.

Costa Rica ♦ Instituto para la Libertad y el Análisis de Políticas

The Instituto para la Libertad y el Análisis de Políticas (INLAP—the Institute for Liberty and Public Policy Analysis) is a non-profit, non-partisan organization created to defend and promote individual liberty through analysis of public policy and educational activities. Its specific objectives are to increase awareness of the moral foundations of liberty and to promote liberty as an individual right necessary to achieve the highest levels of economic and human development; and to foster changes in social organization and public policies by influencing the thinking of policy makers, community leaders, and citizens.

INLAP produces timely analyses of proposed laws, decrees, and regulations, and its recommendations provide guidance for elected officials who seek to achieve greater individual liberty and creativity and a more

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our students to develop their professional, academic and personal abilities, as creative, progressive, committed individuals, to the very highest standards, so that they might best contribute to economic, social, cultural, intellectual and political life at national, European and global levels. We aim to be the leader in international education in North-Eastern Europe. ♦ E-mail: university@university.ee; website: <http://www.university.ee>.

France ♦ Association pour la Liberté Economique et le Progrès Social (ALEPS)

ALEPS promotes the idea of free markets generating social progress. It connects French liberal intellectuals with the global scientific community. Thanks to its permanent contacts with various prestigious foreign institutes, in 1990 ALEPS published “Manifeste de l’Europe pour les Européens,” signed by 600 faculties from 28 countries.

The economic collapse of central planning and the disappearance of totalitarian regimes in Eastern Europe has not solved all social problems. A post-socialist society has still to be set up, both in Eastern Europe as well as in Western countries such as France, where 40 years of the welfare state have led to mass unemployment, fiscal oppression, an explosive expansion of social security, an increase in poverty and inequality, and a loss of moral virtues and spiritual values. ALEPS provides the political and intellectual push towards this necessary revival. ♦ E-mail: jacques.garello@univ.u-3mrs.fr.

Georgia ♦ Society for Disseminating Economic Knowledge: New Economic School—Georgia

The Society was founded in 2001. The goal of the Society is to disseminate and promote free-market ideas and to create a resource center promoting free-market economics for students, young scientists, teachers, and other interested parties. Through publications, conferences, seminars, lectures, panel workshops, summer and winter schools, scientific Olympiads, and competitions, the Society seeks to disseminate classical liberal ideas. ♦ E-mail: nesgeorgia@yahoo.com; website: <http://www.economics.ge>.

Germany ♦ Liberales Institut

The Liberales Institut (Liberty Institute), based in Potsdam, is the think-tank of the Friedrich-Naumann-Foundation. It spreads free-market ideas through the publication of classical liberal literature, the analysis of current political trends, and the promotion of research. The Institute organizes conferences and workshops to stimulate an intellectual exchange among liberals around the world. ♦ E-mail: LibInst@fnst.org; website: <http://www.fnst.de>.

Ghana ♦ The Institute of Economic Affairs

The Institute of Economic Affairs (IEA), Ghana was founded in October 1989 as an independent, non-governmental institution dedicated to the establishment and strengthening of a market economy and a democratic, free, and open society. It considers improvements in the legal, social, and political institutions as necessary conditions for sustained economic growth and human development. The IEA supports research and promotes and publishes studies on important economic, socio-political, and legal issues in order to enhance understanding of public policy. ♦ E-mail: iea@ghana.com; Tel: 233-21-244716/233-21-7010714; Fax: 233-21-222313.

Guatemala ♦ Centro de Investigaciones Económicas Nacionales

The Centro de Investigaciones Económicas Nacionales (CIEN—the Center for Research on the National Economy, was established in Guatemala in 1982. It is a private, non-partisan, not-for-profit, public-policy institute, funded by the sale of its books and periodical publications, income from conferences and seminars, and the support it receives from its members and the public. The Center’s program is devoted to the technical study of economic and social problems that impede the stable development of the nation. Its members, staff, research associates, and supporters share the principles of a social order of free and responsible individuals interacting through a market economy functioning within the rule of law. ♦ E-mail: [curizarh@cien.org.gt](mailto:curizarh@ cien.org.gt); website: <http://www.cien.org.gt>.

Haiti ♦ Institut de Recherche pour la Liberté Économique et la Prospérité (IRLEP)

L’Institut de Recherche pour la Liberté Économique et la Prospérité (IRLEP), Haiti, was founded in 2004. It is a non-partisan, non-profit, research and educational organization devoted to improving the quality of life in

Haiti through economic growth and development. Through publications and conferences, IRLEP promotes the principles and concepts of individual rights, limited government, competition, free trade, and physical and intellectual property rights. IRLEP does not accept funding and subsidies from public institutions and political parties. ♦ E-mail: irlephaiti@yahoo.com.

Hong Kong ♦ Hong Kong Centre for Economic Research

The Hong Kong Centre for Economic Research is an educational, charitable trust established in 1987 to promote the free market in Hong Kong by fostering public understanding of economic affairs and developing alternative policies for government. The Centre publishes authoritative research studies and is widely recognized as the leading free-market think-tank in Asia. It has been influential in persuading public opinion and the government in Hong Kong to liberalize telecommunications, open up air-cargo handling franchises, privatize public housing, adopt a fully funded provident scheme instead of a pay-as-you-go pension scheme, remove the legally sanctioned fixing of deposit interest rates by banks, and adopt market mechanisms for protecting the environment. ♦ E-mail: asiuecon.hku.hk; website: <<http://www.hku.hk/hkcer/>>.

Hungary ♦ Szazadveg Foundation

The Szazadveg Foundation is a non-profit organization performing political and economic research, and advisory and training activities. This think-tank is independent of the government or any political parties and has been operating as a foundation since its establishment in 1990. Szazadveg publishes the results of its research to the public at large and also provides professional services to economic institutions, political and civil organizations, political parties, and the government. ♦ E-mail: gazso@szazadveg.hu; website: <<http://www.szazadveg.hu>>.

Iceland ♦ Centre for Social and Economic Research (RSE)

RSE is an independent, non partisan, non-profit organization in Reykjavik, Iceland, founded in 2004. Its mission is to promote an understanding of private property and free-market ideas for a progressive, democratic society. RSE achieves its mission through programs of publication and conferences. Its work is assisted by a council of academic advisors of the highest standard from various academic fields. RSE is funded entirely by voluntary contributions from its supporters. ♦ E-mail: birgir@rse.is; website: <<http://www.rse.is>>.

India ♦ Centre for Civil Society

The Centre for Civil Society (CCS) is an independent, non-profit, research and educational organization inaugurated on August 15, 1997 and devoted to improving the quality of life for all citizens of India. The CCS maintains that, having earlier attained their political independence from an alien state, the Indian people must now seek economic, social, and cultural independence from the Indian state. This can work from two directions simultaneously: a “mortar” program of building or rebuilding the institutions of civil society and a “hammer” program of readjusting the size and scope of the political society. The CCS conducts monthly dialogues on topical issues to introduce classical liberal philosophy and market-based solutions into public debate. It has published *Agenda for Change*, a volume in 17 chapters that outlines policy reforms for the Indian government, Israel Kirzner’s *How Markets Work*, and *Self-Regulation in the Civil Society*, edited by Ashok Desai. It organizes Liberty and Society seminars for college students and journalists. ♦ E-mail: parth@ccsindia.org; website: <<http://www.ccsindia.org>>.

Indonesia ♦ The Institute for Development of Economics and Finance

E-mail: Indef@indo.net.id

Ireland ♦ Open Republic Institute

The Open Republic Institute (ORI) is Ireland’s only platform for public-policy discussion that is specifically interested in individual rights within the context of open society and open market ideas. The ORI works within a non-political framework to provide public-policy analysis and new policy ideas to government, public representatives, civil servants, academics, students, and citizens. ♦ E-mail: pmacdonnell@openrepublic.org; website: <<http://www.openrepublic.org>>.

Israel ♦ Institute for Advanced Strategic and Political Studies

The mission of the Institute for Advanced Strategic and Political Studies is to develop policies in economics, strategic studies, and politics that will bring about limited government in domestic affairs and the balance of power in strategic planning. The Institute's Division for Economic Policy Research (DEPR) publishes Policy Studies in both English and Hebrew, while the Division for Research in Strategy and Politics produces a series of documents in strategic studies and another in politics. ♦ E-mail: iaspsdc@iasps.org; website: <http://www.israeleconomy.org>.

Italy ♦ Centro Einaudi

The Centro di Ricerca e Documentazione "Luigi Einaudi" was founded in 1963 in Turin, Italy, as a free association of businessmen and young intellectuals to foster individual freedom and autonomy, economic competition and the free market. The Centro is an independent, non-profit institute financed by contributions from individuals and corporations, by the sale of its publications, and by specific research commissions. The Centro carries on research activities, trains young scholars and researchers, organizes seminars, conferences and lectures, and publishes monographs, books and periodicals, including: the quarterly journal, *Biblioteca della libertà*; *Rapporto sull'economia globale e l'Italia* (Report on the global economy and Italy); *Rapporto sul risparmio e sui risparmiatori in Italia* (Report on savings and savers in Italy); and *Rapporto sulla distribuzione in Italia* (Report on the retail trade in Italy—published also in English). ♦ E-mail: giovanni.ronca@geva.fiatgroup.com; website: <http://www.centroeinaudi.it>.

Ivory Coast ♦ Bureau d'Analyse d'Ingenierie et de Logiciels (BAILO)

E-mail: bailo@globeaccess.net

Kenya ♦ African Research Center for Public Policy and Market Process

The African Research Center for Public Policy and Market Process, Kenya, is the first research centre founded in Africa by the African Educational Foundation for Public Policy and Market Process, an independent educational organization registered in the United States. The primary mission of the Center and the Foundation is to promote ideas about free markets and voluntary associations in Africa. The Center conducts research on all aspects of free markets, voluntary association, and individual liberty, and publishes the results to as wide an audience as possible. The Center also organizes seminars and conferences to examine liberty and enterprise in Africa. ♦ E-mail: kimenyi@kippra.or.ke.

Korea ♦ Center for Free Enterprise

The Center for Free Enterprise (CFE) is a foundation committed to promoting free enterprise, limited government, freedom and individual responsibility, the rule of law and restraint of violence. Funded by the members of the Federation of Korean Industries (FKI), the CFE was founded as a non-profit, independent foundation on April 1, 1997, at a time of economic crisis in Korean society. The CFE has concentrated on championing a free economy through books and reports on public policies, statistics, and analyses. In workshops and policy forums, the CFE has put forward alternatives to policies proposed as solutions for issues facing Korean society. ♦ E-mail: csn@cfе.org; website: <http://www.cfe.org>.

Kyrgyz Republic ♦ Economic Policy Institute—Bishkek Consensus

The Economic Policy Institute—Bishkek Consensus (EPI), Kyrgyzstan, was created in December of 2003 as a non-profit, non-partisan, independent institute with developed partnerships and cooperative relationships with government, business, international community, civil society, and the news media. EPI's mission is to promote economic, social, and governance reforms in Kyrgyzstan, involving institutions of civil society to elaborate and execute the reforms, developing local potential and using best international experience. Its strategic position is to be an independent and highly objective source of information and research on public-policy issues, as well as an unbiased forum for collaboration of diverse interest groups in the reform of public policy. ♦ E-mail: office@epi.kg.

Lithuania ♦ Lithuanian Free Market Institute,

Lithuanian Free Market Institute (LFMI) is an independent, non-profit organization established in 1990 to advance the ideas of individual freedom and responsibility, free markets, and limited government. Since its inception, LFMI has been at the forefront of economic thought and reform in Lithuania. Not only has LFMI helped frame policy debates by conducting research and creating reform packages on key issues, it has also conducted extensive educational campaigns and played a key “behind-the-scenes” role in helping to craft and refine legislative proposals. LFMI promoted the idea of a currency board and provided decisive input to the Law on Litas Credibility; it led the creation of the legal and institutional framework for the securities market and contributed significantly to the country’s privatization legislation; and it initiated and participated in the policy-making process on private, fully funded pension insurance. LFMI’s recommendations were adopted in legislation on commercial banks, the Bank of Lithuania, credit unions, insurance, and foreign investment. LFMI significantly influenced the improvement of company, bankruptcy and competition law.

LFMI has provided a valuable input to tax and budgetary policy. LFMI’s influence led to introducing program budgeting, exempting reinvested profits, reducing inheritance and gift taxes, abolishing capital-gains tax, suspending the introduction of real-estate tax, eliminating income tax on interest on loans from foreign banks and international financial organizations as well as revising stamp duties, VAT regulations, and other taxes. LFMI initiated a deregulation and debureaucratization process aimed at eliminating excessive business regulations and downsizing bureaucracy. An important influence was exerted on the revision of employment, capital market, land purchase, and building regulations. Passage was gained for a deregulation-based approach to the fight against corruption. ♦ E-mail: AstaT@freema.org; website: <<http://www.freema.org>>.

Luxembourg ♦ D’Letzeburger Land

E-mail: info@mmp.lu

Mexico ♦ Centro de Investigación para el Desarrollo A.C.

Centro de Investigación para el Desarrollo A.C. (CIDAC) is an independent, not-for-profit research institution devoted to the study of Mexico’s economy and political system. Its philosophy is that Mexico’s economy can be made viable only through a greater, more efficient, and more competitive private sector. CIDAC was founded in 1980 as an executive training facility for the financial sector at large (public and private, banking and business). It received an endowment from Banamex, then Mexico’s largest private bank. In 1983, immediately after the expropriation of the private banks, CIDAC changed its mandate from teaching to research. Over the last five years, CIDAC has held over 40 conferences for businessmen and its professionals continuously address academic, policy, and business forums. CIDAC has also published 19 books on various economic, political, and policy issues, 45 monographs, and over 500 op-ed pieces in Mexican, American, and European papers and magazines. ♦ E-mail: cidacmx@aol.com; website: <<http://www.cidac.org>>.

Mongolia ♦ Open Society Forum

The Open Society Forum is an independent, non-governmental, organization founded in 2004. The Forum’s goals are to provide quality policy research and analysis and broad public access to information resources pertaining to governance, economic, and social policies. It focuses on economic freedom, land reform, rule of law, freedom of media, campaign financing, nomadic pastoralism, privatization, shadow economy, and education policy. The Forum conducts research and holds conferences to encourage public participation in policy formulation. ♦ E-mail: osf@soros.org.mn; djargal@yahoo.com; soyoloo@soros.org.mn; website: <<http://www.forum.mn>>.

Montenegro ♦ The Center for Entrepreneurship and Economic Development (CEED)

The Center for Entrepreneurship and Economic Development is the first non-governmental, non-partisan free-market centre established in Montenegro. Its mission is to educate entrepreneurs about private ownership, democratic society, free markets, and the rule of law through a number of programs, initiatives, publications, and events. The Center was established to meet the demand for business knowledge by pioneering entrepreneurs who needed training to operate in a new environment after the break-up of the former Yugoslavia. ♦ E-mail: cfepg@cg.yu; website: <<http://www.visit-ceed.org>>.

New Zealand ♦ The New Zealand Business Roundtable

The New Zealand Business Roundtable is made up of the chief executives of about 60 of New Zealand's largest businesses. Its aim is to contribute to the development of sound public policies that reflect New Zealand's overall interests. It has been a prominent supporter of the country's economic liberalization. ♦ E-mail: nzbr@nzbr.org.nz; website: <<http://www.nzbr.org.nz>>.

Nigeria ♦ Institute of Public Policy Analysis

The Institute of Public Policy Analysis (IPPA) is a private, non-profit organization involved in research, education, and publication on matters affecting the freedom of individuals. Its objective is to provide market-oriented analysis of current and emerging policy issues, with a view to influencing the public debate and the political decision-making process. ♦ E-mail: info@ippanigeria.org; website: <<http://www.ippanigeria.org>>; mail: P.O. Box 6434 Shomolu, Lagos-Nigeria.

Norway ♦ Center for Business and Society Incorporated (Civita)

Civita, the first market-oriented think tank in Norway, was established in 2004. It strives for increased consensus on important market economic principles and their implications for welfare, freedom, and democracy. Civita is also dedicated to promoting personal responsibility and civil society to achieve larger, more important roles in society's development. To communicate its ideas to the public, it conducts research, publishes reports and holds seminars and conferences. ♦ E-mail: Dag.Ekelberg@civita.no; website: <<http://www.civita.no>>.

Oman ♦ International Research Foundation (IRF)

The International Research Foundation (IRF), Sultanate of Oman, was established in 2005 as a non-governmental, independent, non-profit "Think-Tank" based in Oman to conduct research on domestic and international economic issues with emphasis on the Arab World. The IRF has set its research and public-affairs agenda on a collegial basis, relying on the input of its research staff, its editorial board, and its Senior Fellows. It maintains a working arrangement with governmental and non-governmental organizations in the region and other parts of the world. IRF is the regional member of The Fraser Institute's Economic Freedom Network.

The vision of IRF is to create wealth and jobs through the promotion of economic freedom. Its mission is to measure, research, and communicate to a global audience the impact of competitive markets on the welfare of individuals. The Board of Trustees of the IRF consists of high profile private-sector members from different organizations. IRF has initiated the establishment of a network of academic researchers to facilitate research projects, which will help in its endeavor to research economic issues affecting the daily life of individuals. ♦ E-mail: sheikha@ociped.com.

Pakistan ♦ Alternate Solutions Institute

Alternate Solutions Institute, founded in 2003, is the first free-market think tank in Pakistan. Its mission is (1) to seek solutions to challenges pertaining to the economy, law, education, and health in accordance with the principles of classical liberalism and (2) to promote the implementation of these solutions. The Institute aims to promote the concept of a limited, responsible government in Pakistan under the rule of law protecting life, liberty, and property of all of its citizens without any discrimination. The Institute conducts research and holds seminars, workshops, and conferences to educate interested students, teachers, and journalists about the principles of classical liberalism. ♦ E-mail: info@asinstitute.org; website: <<http://asinstitute.org>>.

Panama ♦ Fundación Libertad

The Fundación Libertad, Panama, is a non-profit foundation engaged in the promotion and development of liberty, individual choice, and voluntary cooperation and in the reduction of the size of government. Fundación Libertad was founded in 2001 by members of professional and business organizations to promote free enterprise and democracy and to address issues affecting the freedom of the common citizen including the increasing discretionary power of the state and the proliferation of legislation fostering discrimination and establishing

privileges, all of which are contrary to the spirit of democratic capitalism. Fundación Libertad has drawn initial support from sister organizations such as Centro de Divulgación del Conocimiento Económico (CEDICE) in Caracas, Venezuela, and the Centro de Investigación y Estudios Nacionales (CIEN) in Guatemala. ♦ Email: Roberto Brenes: diablo@pty.com; Carlos E. González: cg@pananet.com; website: <http://www.fundacionlibertad.org.pa>.

Peru ♦ Centro de Investigación y Estudios Legales (CITEL)

CITEL was organized in 1989. Its principal field is the economic analysis of law. To that end, it conducts research on different legal institutions, publishes books, and organizes seminars and colloquia. ♦ E-mail: eghers@tsi.com.pe.

Philippines ♦ The Center for Research and Communication

The Center for Research and Communication (CRC) has, since 1967, conducted research and published works on domestic and international economic and political issues that affect the Asia-Pacific region. It provides forums for discussion and debate among academicians, businessmen, civil officials, and representatives of other sectors that shape public opinion and chart the course of policies. CRC is the main research arm of the University of Asia and the Pacific in Metro Manila, Philippines, and currently serves as the Secretariat of the Asia Pacific Economic Cooperation (APEC) Business Advisory Council. ♦ E-mail: hbasilio@info.com.ph.

Poland ♦ Centrum im. Adama Smitha

The Centrum im. Adama Smitha (the Adam Smith Research Centre—ASRC) is a private, non-partisan, non-profit, public-policy institute. It was founded in 1989 and was the first such institute in Poland and in Eastern Europe. The ASRC promotes a free and fair market economy, participatory democracy, and a virtuous society. Its activities in research and development, education, and publishing cover almost all important issues within the areas of economy and social life. The ASRC acts as a guardian of economic freedom in Poland. More than 50 experts are associated with the ASRC. ♦ E-mail: adam@smith.pl; website: <http://www.adam-smith.pl>.

Portugal ♦ Causa Liberal

Causa Liberal is an independent, non-partisan, non-profit organization of Portuguese individuals who share the principles of the classical liberal tradition and wish to further its application in modern-day Portugal. Its mission is to defend the principles of the free society and its building blocks: individual rights, the rule of law, free markets, and private property. Its primary goals are to establish and consolidate a network of individuals with an interest in the study, discussion, and promotion of the classical liberal tradition, and to advance free-market ideas and policies in Portugal. ♦ E-mail: causaliberal@yahoo.com; website: <http://www.causaliberal.net>.

Romania ♦ Romania Think Tank

Romania Think Tank is an independent research institute founded in 2003. The Think Tank is funded entirely by its founding members. Its objective is to promote the development of free market, low taxation, reduction of bureaucracy, free trade, and the stimulation of foreign investment. To this end, the Romania Think Tank publishes numerous articles in the Romanian and international media, and studies and analyzes issues relevant to the development of a free-market economy in Romania. ♦ E-mail: office@rtt.ro; website: <http://www.rtt.ro>.

Russia ♦ Institute of Economic Analysis

The Institute of Economic Analysis is a macroeconomic research institute that analyzes the current economic situation and policies and provides expert analysis of acts, programs, and current economic policy. It will offer advice to Russian government bodies, enterprises, and organizations and prepares and publishes scientific, research, and methodological economic literature. It also conducts seminars, conferences, and symposia on economic topics. The Institute is an independent, non-governmental, non-political, non-profit research centre that works closely with leading Russian and international research centres. Its research focuses on macroeconomic, budget, and social policies. ♦ E-mail: iea@iea.ru; website: <http://www.iea.ru>.

Serbia ♦ Free Market Center (FMC)

Free Market Center (FMC) is a non-profit, non-governmental organization founded in 2001. It is the only free-market think-tank in Serbia. The Center promotes the understanding and acceptance of ideas like individual liberty, the free-market economy, limited government, and peaceful cooperation. To that end, the FMC strives to achieve greater involvement in redirecting the attention not only of leading thinkers but also of members of the public, entrepreneurs, policy-makers, and students to the role of free markets and the proper role of government. Through publications, discussion forums, and conferences, the Center seeks to disseminate classical liberal ideas. ♦ E-mail: fmc@yubc.net; website: <http://www.fmc.org.yu>.

Slovak Republic ♦ The F.A. Hayek Foundation

The F.A. Hayek Foundation is an independent and non-partisan, non-profit organization that provides a forum for the exchange of opinions among scholars, businessmen, and policy-makers on the causes of, and solutions to, economic, social, and political problems. It proposes practical reforms of the economy, education, social security, and legislation as the Slovak Republic is transformed into an open society. Education of high-school and university students is a large part of its activities. The F.A. Hayek Foundation promotes classical liberalism, which was virtually absent until 1989: market economy, reduced role of the government, rule of law and individual choice, responsibilities and rights to life, liberty, and property. ♦ E-mail: hayek@hayek.sk; website: <http://www.hayek.sk>.

South Africa ♦ The Free Market Foundation of Southern Africa

The Free Market Foundation is an independent policy research and education organization founded in 1975 to promote the principles of limited government, economic freedom and individual liberty in Southern Africa. Funding is received from members (corporate, organizational and individual), sponsorships, and the sale of publications. ♦ E-mail: fmf@mweb.co.za; website: <http://www.freemarketfoundation.com>.

Sri Lanka ♦ The Pathfinder Foundation

The Pathfinder Foundation has replaced the Center for Policy Research. Through informed and well-researched information, it seeks to challenge old ideas and the conventional wisdom, stimulate debate, change public attitudes, and seek new and innovative solutions to the economic and social problems of Sri Lanka. ♦ E-mail: amm@pathfinder.mmbgroup.com.

Sweden ♦ Timbro

Timbro is a Swedish think-tank that encourages public opinion to favour free enterprise, a free economy, and a free society. Timbro publishes books, papers, reports, and the magazine, *Smedjan*. It also arranges seminars and establishes networks among people. Founded in 1978, Timbro is owned by the Swedish Free Enterprise Foundation, which has as its principals a large number of Swedish companies and organizations. ♦ E-mail: mattiasb@timbro.se; website: <http://www.timbro.se>.

Switzerland ♦ Liberales Institut

The Liberales Institut is a forum where the basic values and concepts of a free society can be discussed and questioned. The Institute's aim is the establishment of free markets as the best way towards the goals of openness, diversity, and autonomy. The Liberales Institut is not associated with any political party. Through publications, discussion forums, and seminars, it seeks to develop and disseminate classical liberal ideas. ♦ E-mail: libinst@bluewin.ch; website: <http://www.libinst.ch/>.

Trinidad and Tobago ♦ Institute of Business

The Institute of Business (The University of West Indies) was created in 1989 as a channel partner for developing managerial talent for the business community in Trinidad and Tobago. Its mission is to empower people and organizations in developing nations to optimize their performance capabilities and international com-

petitiveness through development and deployment of consulting; education, research, and training resources. One of the Institute's core services are business and academic research in areas of real concern to business managers, enabling them to improve their ability to manage successfully in the face of increasingly complex markets. ♦ E-mail: rbalgobin@uwi-iob.org; website: <http://www.uwi-iob.org>.

Turkey ♦ **Association for Liberal Thinking**

The Association for Liberal Thinking is a non-profit, non-governmental organization seeking to introduce the liberal democratic tradition into Turkey. The Association promotes the understanding and acceptance of ideas like liberty, justice, peace, human rights, equality, and tolerance. It also encourages academic writing on liberal themes to help the Turkish people assess contemporary domestic and international changes and attempts to find effective solutions to Turkey's problems within liberal thought. The Association for Liberal Thinking is not involved in day-to-day politics and has no direct links to any political party or movement. Instead, as an independent intellectual group, it aims to set broader political agendas so as to contribute to the liberalization of economics and politics in Turkey. ♦ E-mail: liberal@ada.net.tr; website: <http://www.liberal-dt.org.tr>.

Ukraine ♦ **The Ukrainian Center for Independent Political Research**

The Ukrainian Center for Independent Political Research (UCIPR) was established in early 1991 as a non-profit, non-partisan, and non-governmental research institution that would increase awareness of democracy among the Ukrainian people and analyze domestic and international politics and security. The UCIPR is politically independent; it does not accept any funding from either the state or any political party. The UCIPR publishes books and research papers on Ukraine's domestic and foreign policy, the economy in transition, security, relations with neighbouring states, the Crimean dilemma, interethnic relations, and the freedom of the news media. The Center has hosted a number of national and international conferences and workshops. ♦ E-mail: maxim@uncpd.kiev.ua; website: <http://www.ucipr.kiev.ua>.

United Kingdom ♦ **Institute of Economic Affairs (IEA)**

The mission of the Institute of Economic Affairs (IEA) is to improve public understanding of the foundations of a free and harmonious society by expounding and analyzing the role of markets in solving economic and social problems, and bringing the results of that work to the attention of those who influence thinking. The IEA achieves its mission by a high-quality publishing program; conferences, seminars, and lectures on a range of subjects; outreach to school and college students; brokering media introductions and appearances; and other related activities. Incorporated in 1955 by the late Sir Antony Fisher, the IEA is an educational charity, limited by guarantee. It is independent of any political party or group, and is financed by sales of publications, conference fees, and voluntary donations. ♦ E-mail: pbooth@iea.org.uk; website: <http://www.iea.org.uk>.

United States of America ♦ **Cato Institute**

Founded in 1977, the Cato Institute is a research foundation dedicated to broadening debate about public policy to include more options consistent with the traditional American principles of limited government, individual liberty, free markets, and peace. To that end, the Institute strives to achieve greater involvement by the intelligent, concerned, lay public in questions of policy and the proper role of government through an extensive program of publications and seminars. ♦ E-mail: ivasquez@cato.org; website: <http://www.cato.org>.

Venezuela ♦ **The Center for the Dissemination of Economic Knowledge (CEDICE)**

CEDICE is a non-partisan, non-profit, private association dedicated to the research and promotion of philosophical, economic, political, and social thinking that focuses on individual initiative and a better understanding of the free-market system and free and responsible societies. To this end, CEDICE operates a library and bookstore, publishes the series, *Venezuela Today*, and other studies, provides economic training for journalists, and conducts special events and community programs. ♦ E-mail: cedice@cedice.org.ve; website: <http://www.cedice.org.ve>.

Vietnam ♦ Research Center for Entrepreneurship and Development Policies

The Center, founded in 2004, is a non-government research and educational organization devoted to entrepreneurial development of private sector in Vietnam. Its mission is to study the development of policies that create the most favorable institutional and policy environment for entrepreneurial development of the private sector in Vietnam. Through publications, discussion forums, and conferences, the Center seeks to disseminate and encourage appropriate policies and entrepreneurial development. ♦ E-mail: manhcuongiss@yahoo.com.

Zambia ♦ The Zambia Institute for Public Policy Analysis (ZIPPA)

The mission of the Zambia Institute for Public Policy Analysis (ZIPPA) is to promote wider appreciation of the key role of free markets and competition in economic development. Zambia, though peaceful and stable, is currently mired in a combination of protracted poverty, the HIV/AIDS pandemic, political animosities following a disputed election, and scepticism about economic liberalization. In this depressing environment, ZIPPA wants to play a constructive role by promoting realistic economic policies and by suggesting solutions that have been successfully applied in other countries to similar economic problems. ♦ E-mail: mwanalum@zamnet.zm.

**Economic Freedom of the World
2006 Annual Report**

Executive Summary

Economic Freedom of the World

The index published in *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. Thirty-eight data points 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 security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labour and business.

Economic freedom has grown considerably in recent decades

- ◆ The chain-linked summary index (exhibit 1.5) permits comparison over time. The average economic freedom score rose from 5.1 (out of 10) in 1980 to 6.5 in the most recent year for which data are available. Of the 102 nations with scores in 1980 and in the most recent index, 98 recorded improvements in their economic freedom score, four saw a decline.
- ◆ Of the five nations that have increased their score by more than 3 points since 1980, two are in Africa. The five nations in order of gain are Ghana, with the largest increase of 4.0 points, Israel, Uganda, Jamaica, and Hungary. These nations began at a low point of economic freedom and must continue to make progress to enjoy the full benefits of economic freedom. The nations that have registered losses in economic freedom since 1980 are Venezuela, with the largest fall of 2.6 points, Zimbabwe, Myanmar, and the Republic of Congo.
- ◆ In this year's index, Hong Kong retains the highest rating for economic freedom, 8.7 out of 10, followed by Singapore at 8.5. New Zealand, Switzerland, and the United States tied for third with ratings of 8.2. Ireland and the United Kingdom are tied for 6th at 8.1. Canada ranked 8th with a rating of 8.0. Iceland and Luxembourg are tied for 9th at 7.9. The rankings of other large economies are Germany, 17; Japan, 19; France, 24; Italy, 45; India, 53; Mexico, 60; Brazil, 88; China, 95; and Russia, 102. (Exhibit 1.2)
- ◆ The majority of nations ranked in the bottom fifth are African, with the most of the remainder from Latin American and former communist states. Botswana's ranking of 35 is the best among continental sub-Saharan African nations. Chile, at 20, has the best record in Latin America. The bottom 10 nations are Zimbabwe, Myanmar, the Republic of Congo, the Democratic Republic of Congo, Venezuela, Guinea-Bissau, Algeria, Burundi, Rwanda, and the Central African Republic. However, a number of other nations for which data are not available, such as North Korea and Cuba, may have even less economic freedom.

Nations that are economically free out-perform non-free nations in indicators of well-being

- ◆ Nations in the top quartile of economic freedom have an average per-capita GDP of US\$24,402, compared to US\$2,998 for those nations in the bottom quartile. (Exhibit 1.6)
- ◆ The top quartile has an average per-capita economic growth rate of 2.1%, compared to minus 0.2% for the bottom quartile. (Exhibit 1.7)

- ◆ Unemployment in the top quartile averages 5.9%, compared to 12.7% in the bottom quartile. (Exhibit 1.8)
- ◆ Life expectancy is 77.8 years in the top quartile compared to 55.0 years in the bottom quartile. (Exhibit 1.9)
- ◆ In nations of the top quartile, only 0.3% of children are in the labor force, compared to 19.3% in the least economically free nations. (Exhibit 1.11)
- ◆ In nations of the top quartile, the average income of the poorest 10% of the population is US\$6,519, compared to \$826 for those in the bottom quartile. (Exhibit 1.14)
- ◆ Nations in the top quartile of economic freedom, have an average score of 1.8 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 quartile has an average score of 4.6. (Exhibit 1.16)

Freedom versus Collectivism in Foreign Aid

The United Nations and other bodies have called for more foreign aid to help lift developing nations out of poverty. These groups believe increased aid is necessary to meet the United Nations Millennium Development goals, which include promoting growth, providing universal education, reducing the spread of HIV/AIDS, and halving extreme poverty. Yet, the demand for foreign aid is typically made in the absence of any empirical evidence that it leads to benefits for recipient nations and without asking whether there are better approaches to poverty reduction for the international community to support. In Chapter 2, William Easterly of New York University examines these issues.

- ◆ A key argument for increased foreign aid invokes the “poverty trap.” Proponents argue that a lack of capital and an inability to acquire capital because of desperate poverty prevents even those nations with good policy from advancing. A “Big Push” is required by outside donors.
- ◆ Foreign aid has no positive impact (and possibly a negative impact) on economic growth in the poorest nations (Table 3). This indicates that the “push” from foreign aid is ineffective in breaking the “poverty trap.”
- ◆ On the other hand, economic freedom has a strong and positive impact on prosperity in general (Table 1) and on helping lift nations out of poverty (Table 3).
- ◆ Easterly shows that, once economic freedom is taken into account, poor nations, far from being caught in a “poverty trap,” grow faster than rich nations.” Moreover, the results suggest that foreign aid may hinder growth, though Prof. Easterly cautions that further research is required to investigate this result.
- ◆ A key component of the success created by economic freedom is the ability to experiment, find economically successful areas of production, and prune those that do not succeed so that resources may be transferred to where they are most productive.

Data Available to Researchers

The full data-set, including all of the data published in this report as well as data omitted due to limited space, can be freely downloaded at <<http://www.freetheworld.com>>. If you are using the data across time periods, it would be better to use the chain-link series presented in Chapter 1, Exhibit 1.5, and available at the website, for reasons outlined in that chapter. If you have any difficulties down-loading the data, please feel free to contact us via e-mail to freetheworld@fraserinstitute.ca or via telephone at +1.604.714.4563.