

Chapter 1: Economic Freedom of the World, 2007

The index published in *Economic Freedom of the World* (EFW) is designed to measure the consistency of a nation's institutions and policies with economic freedom. The key ingredients of economic freedom are

- personal choice
- voluntary exchange coordinated by markets
- freedom to enter and compete in markets
- protection of persons and their property from aggression by others.

These four cornerstones underpin the design of the EFW index. Put simply, institutions and policies are consistent with economic freedom when they provide an infrastructure for voluntary exchange and protect individuals and their property from aggressors. In order to achieve a high EFW rating, a country must provide secure protection of privately owned property, even-handed enforcement of contracts, and a stable monetary environment. It also must keep taxes low, refrain from creating barriers to both domestic and international trade, and rely more fully on markets rather than the political process to allocate goods and resources.

Since 1980, there has been a gradual but steady movement toward economic freedom. Monetary policy has been more stable, trade barriers have declined, high marginal tax rates reduced, and exchange rate controls virtually eliminated. Consider the following. The median inflation rate was 4% in 2007, down from 14% in 1980. Among the 93 countries with data in both periods, only 17 had a double-digit average annual rate of inflation during the period from 2003 to 2007, compared to 61 for the five years ending in 1980. The mean tariff rate fell from 26.2% in 1980 to 9.0% in 2007. The number of countries imposing marginal tax rates of 50% or more fell from 62 in 1980 to 9 in 2007. Fifty countries imposed exchange rate controls that generated a black market premium of 10% or more in 1980, but only three in 2007.

The economic progress during this era has been impressive. The world's inflation-adjusted, per-capita

income rose from \$5,400 in 1980 to \$8,500 in 2005, an average annual growth rate of approximately 2% (Shleifer, 2009). Over this quarter of a century, the one-dollar-per-day poverty rate fell from 34% to 19%, life expectancy has risen from 64.4 years to 68.1, and the infant mortality rate has fallen from 53% to 36%. Other indicators of quality of life such as school attendance, literacy, and access to clean water have all improved.

Economic growth is primarily the result of gains from trade, capital investment, and the discovery of improved products, lower-cost production methods, and better ways of doing things. Numerous studies have shown that countries with more economic freedom grow more rapidly and achieve higher levels of per-capita income than those that are less free. Similarly, there is a positive relationship between changes in economic freedom and the growth of per-capita income. Given the sources of growth and prosperity, it is not surprising that increases in economic freedom and improvements in quality of life have gone hand in hand during the past quarter of a century.

Learning the right lessons from the current global economic downturn

The world now confronts a global economic downturn and it is critically important that we learn the right lessons from the experience. At this point, two things are clear. First, government regulation and improper monetary policy were major contributing factors to the crisis. Imprudent lending practices, highly leveraged financial institutions, imprudent relations between bond dealers and risk-rating agencies, and high-pressure marketing all played a role. Moreover, global financial markets quickly spread the risky mortgage-backed securities throughout the world. But the foundation of the crisis was provided by government regulations and the policies of the central banks that mandated the risky loans and supplied the massive credit that created the boom and bust in the housing industry. Furthermore, the key players in the United

States, including the two huge government-sponsored lenders, Fannie Mae and Freddie Mac, were doing what their regulators wanted them to do: extending more and larger loans with lower down payments to households with low and moderate incomes.¹

Second, the opponents of economic freedom are blaming the crisis on the operation of markets and hoping to use it as an excuse for a vast expansion in government. Their success is dependent on what we learn from the experience.

The Great Depression revisited

The closest parallel to the current situation is the Great Depression. At this point, both the severity and expected duration of the current downturn are mild compared to the Great Depression. But the downturn of 1930 did not start out as a decade-long catastrophic event, nor did it have to be. More than any event in economic history, the Great Depression illustrates the tragic results of perverse government policies. As Milton Friedman and Anna Swartz have shown, the downturn was brought about by a monetary contraction. In the United States, the money supply fell by more than 30% between 1929 and 1933. While monetary expansion was present from 1934 to 1936, the central bank once again shifted toward monetary contraction in 1937 (Friedman and Schwartz, 1963).

Restrictive trade policies added to the downward spiral. The infamous Smoot-Hawley trade bill enacted in June 1930 increased tariff rates in the United States by more than 50%. Predictably, other countries—60 in total—retaliated with similar trade restrictions and world trade fell by nearly two-thirds in the three years that followed. Smoot and Hawley argued that the higher tariffs were needed to save jobs. The unemployment rate was 7.8% when the bill was enacted; it tripled to 25% over the next three years. Many history books tell us that the Great Depression was caused by the stock-market crash of October 1929. But they do not inform us that the stock market rose steadily during the five months beginning in November 1929 and had returned to the level it had been in October 1929 by mid-April, 1930. However, as it became obvious that Smoot-Hawley was going to pass, stock prices plummeted once again.

As if this was not enough, the Hoover Administration and Democratic Congress passed the largest tax increase

in American history in 1932. The top marginal rate was raised from 25% to 63% and other rates increased by similar proportions. The Roosevelt Administration followed with still higher tax rates, pushing the top marginal rate to 79% in 1936. The policies of the Roosevelt administration also included price controls, cartelization of more than 500 industries, destruction of agriculture products in order to drive their prices higher, and numerous other policy shifts that generated uncertainty and prolonged the recession until the beginning of World War II.

One would think that government failure on the massive scale that generated and prolonged the Great Depression would lead to reforms that would curtail the role of government. But this was not the case. People learned the wrong lesson from the episode.

What are we learning from the current crisis?

Is the current crisis going to increase or reduce economic freedom? Does it make any difference whether countries adopt policies consistent with economic freedom? It matters because a market economy provides incentives for productive action dramatically different from those of an economy that is managed and directed by the political process.

With markets, profits and losses will direct people toward productive actions and away from unproductive and counterproductive ones. If a business is going to be successful in a market economy, it must bid resources away from others and use them to supply goods that people value enough to pay prices sufficient to cover their costs. Profits can properly be viewed as a reward for using resources productively, that is, in ways that increase their value. In contrast, losses are a penalty imposed on those who use resources in ways that reduce their value. Markets also provide people with a strong incentive to innovate, and discover lower-cost production methods and new products that people value highly relative to cost. This incentive to use resources productively and discover better ways of doing things is the driving force underlying economic growth and progress.

The incentive structure of the political process is vastly different. There is nothing comparable to profits and losses that will consistently direct resources into productive, and away from counterproductive, projects. Politicians will allocate resources toward the politically powerful—those who can provide them with the most votes, campaign funds, high-paying jobs for political allies, and yes, even bribes. There is no reason to expect that this incentive structure will channel resources into productive and away from counterproductive projects. Innovators and entrepreneurs will be disadvantaged by this system because it will

¹ For additional details on how regulation undermined the mortgage lending market, see Liebowitz, 2009; Wallison, 2008; and Sowell, 2009. For an analysis of the contribution of monetary policy to the crisis, see Taylor, 2009.

not be enough to produce products that consumers value highly relative to cost; one will also have to compete for political favor and cater to the views of the political class. The result: more resources will be used to obtain political favors—economists refer to this as rent-seeking—and fewer channeled into productive activities. This process will stifle entrepreneurship, growth, and economic progress.

Aren't our political leaders acting with good intentions and trying to do what is right? They may well be, but this will not protect us from unsound policies. The leech doctors of the eighteenth-century had good intentions. They thought that the leeches would draw various diseases out of the blood stream and lead to recovery. But their good intentions did not protect their patients from the adverse consequences of unsound practices. Neither will good intentions protect ordinary citizens from unsound governmental policies.

The impact of policies that conflict with economic freedom is not in doubt. Price controls, trade restrictions, monetary instability, high taxes, subsidies, political favoritism of some businesses and sectors relative to others, and government management of the economy will lead to slower growth, lower future income levels, and higher poverty rates. Economic theory explains why they do not work and real world experience validates this view. These policies have failed in a wide range of countries that have tried them. Moreover, they failed in the 1930s and they will fail today.

How will the current crisis affect economic freedom?

Chapters 2 and 3 address this question. The short-term response of governments will almost surely reduce economic freedom but history shows that this need not be the case over a longer time frame. 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? Trillions of dollars have already been spent on this crisis but its real cost will depend on how economic and political institutions are affected. The ingredients of sound institutions and policies in the decades ahead are the same as they have been in decades past: well-defined property rights, rule of law, monetary and price stability, open markets, low taxes, control of government spending, and neutral treatment of both people and enterprises. If we choose this route, the current crisis will be reversed and it will soon fade into history. However, 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 lost decade of stagnation and decline.

The Economic Freedom of the World project is about the measurement of the consistency of institutions and policies with economic freedom. It provides both a compass for policymakers and a measuring rod with which to evaluate their performance. As we reflect on the lessons of the current situation, it will be particularly important to track the direction of economic freedom in the years ahead.

The Economic Freedom of the World index, 2007

The construction of the index published in *Economic Freedom of the World* is based on three important methodological principles. First, objective components are always preferred to those that involve surveys or value judgments. Given the multi-dimensional nature of economic freedom and the importance of legal and regulatory elements it is sometimes necessary to use data based on surveys, expert panels, and generic case studies. To the fullest extent possible, however, the index uses objective components. Second, the data used to construct the index ratings are from external sources such as the International Monetary Fund, World Bank, and World Economic Forum that provide data for a large number of countries. Data provided directly from a source within a country are rarely used, and only when the data are unavailable from international sources. Importantly, the value judgments of the authors or others in the Economic Freedom Network are never used to alter the raw data or the rating of any country. Third, transparency is present throughout. The report provides information about the data sources, the methodology used to transform raw data into component ratings, and how the component ratings are used to construct both the area and summary ratings. Complete methodological details can be found in Appendix: Explanatory Notes and Data Sources (page 191). The entire data set used in the construction of the index is freely available to researchers at www.freetheworld.com.

Exhibit 1.1 indicates the structure of the EFW index. The index measures the degree of economic freedom present in five major areas: [1] Size of Government: Expenditures, and Taxes, Enterprises; [2] Legal Structure and Security of Property Rights; [3] Access to Sound Money; [4] Freedom to Trade Internationally; [5] Regulation of Credit, Labor, and Business.

Exhibit 1.1: The Areas, Components, and Sub-Components of the EFW Index

1 Size of Government: Expenditures, Taxes, and Enterprises

- A General government consumption spending as a percentage of total consumption
- B Transfers and subsidies as a percentage of GDP
- C Government enterprises and investment
- D Top marginal tax rate
 - i Top marginal income tax rate
 - ii Top marginal income and payroll tax rates

2 Legal Structure and Security of Property Rights

- A Judicial independence (GCR)
- B Impartial courts (GCR)
- C Protection of property rights (GCR)
- D Military interference in rule of law and the political process (ICRG)
- E Integrity of the legal system (ICRG)
- F Legal enforcement of contracts (DB)
- G Regulatory restrictions on the sale of real property (DB)

3 Access to Sound Money

- A Money growth
- B Standard deviation of inflation
- C Inflation: Most recent year
- D Freedom to own foreign currency bank accounts

4 Freedom to Trade Internationally

- A Taxes on international trade
 - i Revenues from trade taxes (% of trade sector)
 - ii Mean tariff rate
 - iii Standard deviation of tariff rates

- B Regulatory trade barriers
 - i Non-tariff trade barriers (GCR)
 - ii Compliance cost of importing & exporting (DB)
- C Size of trade sector relative to expected
- D Black-market exchange rates
- E International capital market controls
 - i Foreign ownership/investment restrictions (GCR)
 - ii Capital controls

5 Regulation of Credit, Labor, and Business

- A Credit market regulations
 - i Ownership of banks
 - ii Foreign bank competition
 - iii Private sector credit
 - iv Interest rate controls/negative real interest rates
- B Labor market regulations
 - i Minimum wage (DB)
 - ii Hiring and firing regulations (GCR)
 - iii Centralized collective bargaining (GCR)
 - iv Mandated cost of hiring (DB)
 - v Mandated cost of worker dismissal (DB)
 - vi Conscription
- C Business regulations
 - i Price controls
 - ii Administrative requirements (GCR)
 - iii Bureaucracy costs (GCR)
 - iv Starting a business (DB)
 - v Extra payments/bribes (GCR)
 - vi Licensing restrictions (DB)
 - vii Cost of tax compliance (DB)

Within the five major areas, there are 23 components in this year's index. Many of those components are themselves made up of several sub-components. In total, the index comprises 42 distinct variables. Each component and sub-component is placed on a scale from 0 to 10 that reflects the distribution of the underlying data. The sub-component ratings are averaged to determine each component. The component ratings within each area are then averaged to derive ratings for each of the five areas. In turn, the five area ratings are averaged to derive the summary rating for each country. The following section provides an overview of the five major areas.

1 Size of Government: Expenditures, Taxes, and Enterprises

The four components of Area 1 indicate the extent to which countries rely on the political process to allocate resources and goods and services. When government spending increases relative to spending by individuals, households, and businesses, government decision-making is substituted for personal choice and economic freedom is reduced. The first two components address this issue. Government consumption as a share of total consumption (1A) and transfers and subsidies as a share of GDP (1B) are indicators of the size of government. When government consumption is a larger share of the total, political choice is substituted for personal choice. Similarly, when governments tax some people in order to provide transfers to others, they reduce the freedom of individuals to keep what they earn.

The third component (1C) in this area measures the extent to which countries use private rather than government enterprises to produce goods and services. Government firms play by rules that are different from those to which private enterprises are subject. They are not dependent on consumers for their revenue or on investors for capital. They often operate in protected markets. Thus, economic freedom is reduced as government enterprises produce a larger share of total output.

The fourth component (1D) is based on (Di) the top marginal income tax rate and (Dii) the top marginal income and payroll tax rate and the income threshold at which these rates begin to apply. These two sub-components are averaged to calculate the top marginal tax rate (1D). High marginal tax rates that apply at relatively low income levels are also indicative of reliance upon government. Such rates deny individuals the fruits of their labor. Thus, countries with high marginal tax rates and low income thresholds are rated lower.

Taken together, the four components of Area 1 measure the degree to which a country relies on personal choice and markets rather than government budgets and political decision-making. Therefore, countries with low levels of government spending as a share of the total, a smaller government enterprise sector, and lower marginal tax rates earn the highest ratings in this area.

2 Legal Structure and Security of Property Rights

Protection of persons and their rightfully acquired property is a central element of economic freedom and a civil society. Indeed, it is the most important function of government. Area 2 focuses on this issue. The key ingredients of a legal system consistent with economic freedom are rule of law, security of property rights, an independent judiciary, and an impartial court system. Components indicating how well the protective function of government is performed were assembled from three primary sources: the *International Country Risk Guide*, the *Global Competitiveness Report*, and the World Bank's *Doing Business* project.

Security of property rights, protected by the rule of law, provides the foundation for both economic freedom and the efficient operation of markets. Freedom to exchange, for example, is meaningless if individuals do not have secure rights to property, including the fruits of their labor. When individuals and businesses lack confidence that contracts will be enforced and the fruits of their productive efforts protected, their incentive to engage in productive activity is eroded. Perhaps more than any other area, this area is essential for the efficient allocation of resources. Countries with major deficiencies in this area are unlikely to prosper regardless of their policies in the other four areas.

3 Access to Sound Money

Money oils the wheels of exchange. An absence of sound money undermines gains from trade. As Milton Friedman informed us long ago, inflation is a monetary phenomenon, caused by too much money chasing too few goods. High rates of monetary growth invariably lead to inflation. Similarly, when the rate of inflation increases, it also tends to become more volatile. High and volatile rates of inflation distort relative prices, alter the fundamental terms of long-term contracts, and make it virtually impossible for individuals and businesses to plan sensibly for the future. Sound money is essential to protect property rights and, thus, economic freedom. Inflation erodes the value of

property held in monetary instruments. When governments finance their expenditures by creating money, in effect, they are expropriating the property and violating the economic freedom of their citizens.

The important thing is that individuals have access to sound money: who provides it makes little difference. Thus, in addition to data on a country's inflation and its government's monetary policy, it is important to consider how difficult it is to use alternative, more credible, currencies. If bankers can offer saving and checking accounts in other currencies or if citizens can open foreign bank accounts, then access to sound money is increased and economic freedom expanded.

There are four components to the EFW index in Area 3. All of them are objective and relatively easy to obtain and all have been included in the earlier editions of the index. The first three are designed to measure the consistency of monetary policy (or institutions) with long-term price stability. Component 3D is designed to measure the ease with which other currencies can be used via domestic and foreign bank accounts. In order to earn a high rating in this area, a country must follow policies and adopt institutions that lead to low (and stable) rates of inflation and avoid regulations that limit the ability to use alternative currencies.

4 Freedom to Trade Internationally

In our modern world of high technology and low costs for communication and transportation, freedom of exchange across national boundaries is a key ingredient of economic freedom. Many goods and services are now either produced abroad or contain resources supplied from abroad. Voluntary exchange is a positive-sum activity: both trading partners gain and the pursuit of the gain provides the motivation for the exchange. Thus, freedom to trade internationally also contributes substantially to our modern living standards.

In response to protectionist critics and special-interest politics, virtually all countries adopt trade restrictions of various types. Tariffs and quotas are obvious examples of roadblocks that limit international trade. Because they reduce the convertibility of currencies, controls on the exchange rate also hinder international trade. The volume of trade is also reduced if the passage of goods through customs is onerous and time consuming. Sometimes these delays are the result of administrative inefficiency while in other instances they reflect the actions of corrupt officials seeking to extract bribes. In both cases, economic freedom is reduced.

The components in this area are designed to measure a wide variety of restraints that affect international exchange: tariffs, quotas, hidden administrative restraints, and exchange rate and capital controls. In order to get a high rating in this area, a country must have low tariffs, a trade sector larger than expected, easy clearance and efficient administration of customs, a freely convertible currency, and few controls on the movement of capital.

5 Regulation of Credit, Labor, and Business

When regulations restrict entry into markets and interfere with the freedom to engage in voluntary exchange, they reduce economic freedom. The fifth area of the index focuses on regulatory restraints that limit the freedom of exchange in credit, labor, and product markets. The first component (5A) reflects conditions in the domestic credit market. The first two sub-components provide evidence on the extent to which the banking industry is dominated by private firms and whether foreign banks are permitted to compete in the market. The final two sub-components indicate the extent to which credit is supplied to the private sector and whether controls on interest rates interfere with the market in credit. Countries that use a private banking system to allocate credit to private parties and refrain from controlling interest rates receive higher ratings for this regulatory component.

Many types of labor-market regulations infringe on the economic freedom of employees and employers. Among the more prominent are minimum wages, dismissal regulations, centralized wage setting, extension of union contracts to nonparticipating parties, and conscription. The labor-market component (5B) is designed to measure the extent to which these restraints upon economic freedom are present. In order to earn high marks in the component rating regulation of the labor market, a country must allow market forces to determine wages and establish the conditions of hiring and firing, and refrain from the use of conscription.

Like the regulation of credit and labor markets, the regulation of business activities (component 5C) inhibits economic freedom. The sub-components of 5C are designed to identify the extent to which regulations and bureaucratic procedures restrain entry and reduce competition. In order to score high in this portion of the index, countries must allow markets to determine prices and refrain from regulatory activities that retard entry into business and increase the cost of producing products. They also must refrain from "playing favorites," that is, from using their power to extract financial payments and reward some businesses at the expense of others.

Construction of Area and Summary ratings

Theory provides us with direction regarding elements that should be included in the five areas and the summary index, but it does not indicate what weights should be attached to the components within the areas or among the areas in the construction of the summary index. It would be nice if these factors were independent of each other and a weight could be attached to each of them. During the past several years, we have investigated several methods of weighting the various components, including principle component analysis and a survey of economists. We have also invited others to use their own weighting structure if they believe that it is preferable. In the final analysis, the summary index is not very sensitive to substantial variations in the weights.

Furthermore, there is reason to question whether the areas (and components) are independent or work together like a team. Put another way, they may be linked more like the wheels, motor, transmission, drive shaft, and frame of a car. Just as it is the bundle of these factors that underlies the mobility of an auto, it may be a bundle of factors that underlies the composition of economic freedom. With regard to an automobile, which is more important for mobility: the motor, wheels, or transmission? The question cannot be easily answered because the parts work together. If any of these key parts break down, the car is immobile. Institutional quality may be much the same. If any of the key parts are absent, the overall effectiveness is undermined.

As the result of these two considerations, we organize the elements of the index in a manner that seems sensible to us but we make no attempt to weight the components in any special way when deriving either area or summary ratings. Of course, the component and sub-component data are available to researchers who would like to consider alternative weighting schemes and we encourage them to do so.

Summary Economic Freedom Ratings, 2007

Exhibit 1.2 presents summary economic freedom ratings, sorted from highest to lowest. These ratings are for the year 2007, the most recent year for which comprehensive data are available. Hong Kong and Singapore, once again,

occupy the top two positions. The other nations in the top 10 are New Zealand, Switzerland, Chile, United States, Ireland, Canada, Australia, and the United Kingdom. The rankings of other major countries include Germany (27th), Japan (30th), Korea (32nd), France (33rd), Spain (39th), Italy (61st), Mexico (68th), China (82nd), Russia (83rd), India (86th), and Brazil (111th). The ten lowest-rated countries are Niger, Chad, Democratic Republic of Congo, Guinea-Bissau, Central African Republic, Republic of Congo, Venezuela, Angola, Myanmar, and again in last place, Zimbabwe.

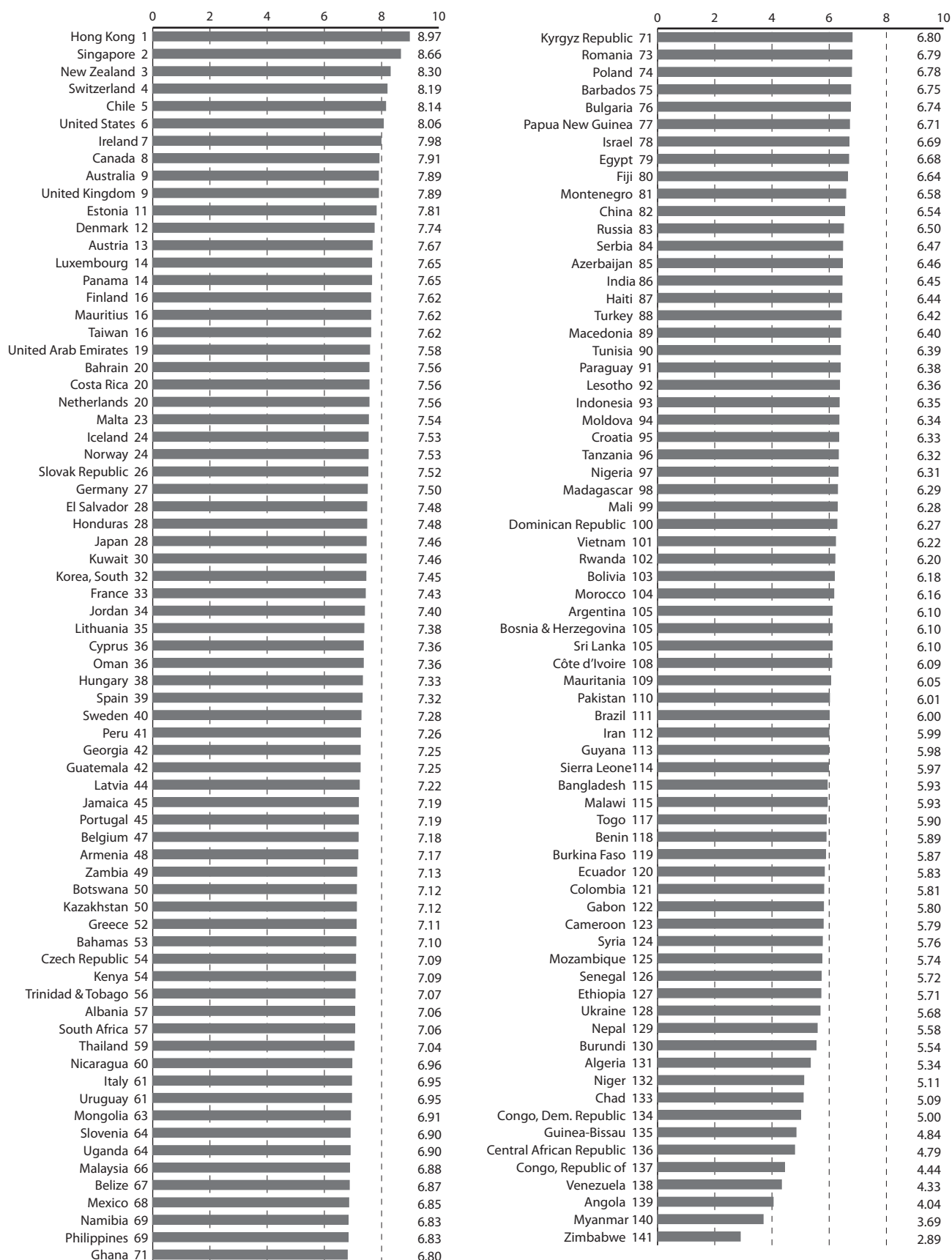
The EFW index is calculated back to 1970 as the availability of data allows; see the Country Data Tables in chapter 4 or our website, <http://www.freetheworld.com>, for information from past years. Because some data for earlier years may have been updated or corrected, researchers are always encouraged to use the data from the most recent annual report to assure the best-quality data.

Area Economic Freedom Ratings (and Rankings), 2007

Exhibit 1.3 presents the ratings (and, in parentheses, the rankings) for each of the five areas of the index and for components 5A, 5B, and 5C. A number of interesting patterns emerge from an analysis of these data. High-income industrial economies generally rank quite high for Legal Structure and Security of Property Rights (Area 2), Access to Sound Money (Area 3), and Freedom to Trade Internationally (Area 4). Their ratings were lower, however, for Size of Government: Expenditures, Taxes, and Enterprises (Area 1) and Regulation of Credit, Labor, and Business (Area 5). This was particularly true for western European countries.

On the other hand, a number of developing nations show the opposite pattern. Albania makes an interesting case study. It shows that reasonably sized government alone is not enough to reap the benefits of economic freedom. The institutions of economic freedom, such as the rule of law and property rights, as well as sound money, trade openness, and sensible regulation are required. Albania ranked quite high at 4th in Size of Government: Expenditures, Taxes, and Enterprises (Area 1) and 24th in Sound Money (Area 3). However, Albania scored poorly in all the other categories: 91st in Legal Structure and Security of Property Rights (Area 2), 108th in Freedom to Trade Internationally (Area 4), and 103rd in Regulation (Area 5). Despite relatively high rankings in a couple of areas, Albania's overall ranking was only 57th.

Exhibit 1.2: Summary Economic Freedom Ratings, 2007



Weakness in the rule of law and property rights is particularly pronounced in sub-Saharan Africa, among Islamic nations, and for several nations that were part of the former Soviet bloc, though some of these nations have made strides toward improvement. 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.

The economies most open to foreign trade are Hong Kong, Singapore, and Chile followed by a number of European nations such as Ireland and Netherlands. Some former Soviet-bloc nations also rank fairly high in openness to trade: Slovak Republic (8th), Estonia (12th), and Czech Republic (15th). The least regulated countries—those at the top in Regulation of Credit, Labor, and Business (Area 5)—were New Zealand, Belize, Bahamas, Hong Kong, Bahrain, Denmark, United States, Iceland, Singapore, and Chile.

Exhibit 1.3: Area Economic Freedom Ratings (Ranks), 2007

	AREAS					COMPONENTS OF AREA 5		
	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to Trade Internationally	5 Regulation	5A Credit Market Regulation	5B Labor Market Regulations	5C Business Regulations
	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)
Albania	8.8 (4)	5.0 (91)	9.4 (24)	6.1 (108)	6.0 (103)	7.1 (120)	5.0 (100)	6.0 (59)
Algeria	4.8 (124)	4.6 (102)	6.2 (125)	6.1 (107)	5.0 (131)	5.5 (136)	4.0 (121)	5.4 (91)
Angola	0.0 (141)	3.2 (131)	4.5 (139)	6.9 (69)	5.7 (116)	7.2 (115)	5.2 (92)	4.7 (119)
Argentina	7.4 (32)	4.4 (108)	7.1 (101)	6.4 (99)	5.2 (127)	6.9 (122)	4.2 (116)	4.4 (131)
Armenia	8.1 (14)	5.6 (75)	9.0 (49)	6.7 (83)	6.5 (81)	8.5 (80)	5.7 (75)	5.3 (97)
Australia	6.9 (55)	8.5 (9)	9.5 (20)	6.8 (74)	7.8 (15)	9.5 (15)	7.2 (24)	6.7 (23)
Austria	5.6 (107)	8.6 (7)	9.6 (15)	7.7 (25)	6.9 (54)	9.2 (40)	4.8 (103)	6.8 (20)
Azerbaijan	5.0 (121)	6.2 (50)	8.0 (81)	6.7 (82)	6.3 (86)	7.3 (111)	5.7 (77)	6.0 (58)
Bahamas	8.2 (10)	7.1 (29)	6.7 (115)	5.1 (131)	8.3 (3)	9.6 (11)	8.0 (5)	7.4 (6)
Bahrain	6.4 (74)	6.5 (44)	9.0 (48)	7.7 (24)	8.2 (5)	9.2 (39)	8.5 (1)	7.0 (16)
Bangladesh	8.1 (13)	2.9 (134)	6.4 (123)	5.9 (113)	6.3 (87)	7.4 (106)	6.3 (54)	5.3 (94)
Barbados	6.7 (61)	8.0 (16)	6.5 (121)	5.4 (125)	7.1 (41)	8.6 (76)	7.3 (23)	5.5 (87)
Belgium	4.3 (133)	7.1 (30)	9.6 (11)	8.0 (14)	6.9 (59)	8.9 (56)	5.4 (85)	6.4 (37)
Belize	6.7 (65)	5.8 (68)	8.2 (76)	5.3 (126)	8.4 (2)	9.6 (10)	7.4 (16)	8.1 (1)
Benin	7.2 (37)	4.2 (115)	7.0 (107)	5.2 (130)	5.8 (108)	9.0 (49)	4.0 (123)	4.5 (129)
Bolivia	6.3 (80)	3.9 (120)	8.2 (69)	7.0 (67)	5.5 (123)	7.9 (93)	3.8 (124)	4.9 (115)
Bosnia & Herzeg.	5.6 (106)	3.8 (123)	7.8 (87)	6.8 (77)	6.6 (76)	9.5 (16)	5.2 (90)	5.0 (110)
Botswana	5.0 (120)	6.9 (34)	9.0 (47)	7.0 (62)	7.6 (20)	9.4 (17)	6.7 (39)	6.5 (31)
Brazil	6.0 (90)	5.3 (81)	7.5 (92)	6.4 (100)	4.8 (135)	6.1 (130)	4.2 (115)	4.0 (134)
Bulgaria	4.7 (125)	5.3 (82)	8.6 (59)	7.8 (18)	7.3 (35)	9.6 (13)	7.1 (31)	5.1 (105)
Burkina Faso	6.1 (87)	4.4 (109)	7.3 (97)	5.1 (133)	6.5 (80)	8.6 (75)	5.3 (87)	5.7 (78)
Burundi	4.3 (134)	3.0 (132)	8.5 (63)	5.0 (134)	6.9 (57)	8.6 (73)	7.5 (14)	4.6 (125)
Cameroon	7.1 (45)	3.6 (127)	7.0 (104)	5.4 (124)	5.8 (109)	7.4 (107)	6.6 (41)	3.5 (137)
Canada	6.6 (67)	8.5 (10)	9.5 (21)	7.1 (59)	7.9 (13)	9.3 (29)	7.2 (26)	7.1 (12)
Central Afr. Rep.	6.3 (83)	2.1 (140)	7.0 (105)	3.6 (139)	4.9 (132)	7.1 (118)	3.7 (129)	4.1 (133)
Chad	6.8 (57)	2.0 (141)	5.9 (132)	5.5 (120)	5.2 (128)	6.0 (132)	4.5 (111)	5.0 (114)
Chile	7.9 (19)	7.1 (31)	9.1 (44)	8.5 (3)	8.0 (10)	9.2 (37)	7.9 (7)	7.0 (13)
China	4.5 (129)	6.3 (49)	9.3 (30)	7.6 (36)	5.1 (129)	7.3 (113)	3.1 (135)	4.8 (117)
Colombia	4.7 (126)	4.5 (104)	7.9 (84)	6.0 (112)	6.0 (105)	8.6 (70)	3.5 (131)	5.9 (67)
Congo, Dem. Rep.	5.7 (103)	2.2 (139)	7.3 (95)	5.5 (121)	4.4 (140)	4.3 (140)	5.2 (91)	3.6 (136)
Congo, Rep. of	3.6 (138)	2.5 (137)	5.3 (136)	5.3 (128)	5.5 (124)	6.0 (133)	5.9 (64)	4.5 (127)

Exhibit 1.3 (continued): Area Economic Freedom Ratings (Ranks), 2007

	AREAS					COMPONENTS OF AREA 5		
	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to Trade Internationally	5 Regulation	5A Credit Market Regulation	5B Labor Market Regulations	5C Business Regulations
	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)
Costa Rica	7.8 (25)	6.7 (40)	8.8 (54)	7.7 (27)	6.8 (63)	8.1 (87)	6.1 (58)	6.2 (46)
Côte d'Ivoire	8.5 (7)	2.9 (133)	6.6 (119)	6.5 (94)	6.0 (106)	7.4 (108)	5.4 (86)	5.1 (109)
Croatia	4.3 (132)	5.7 (72)	8.3 (68)	6.8 (76)	6.6 (71)	9.1 (46)	5.6 (80)	5.1 (104)
Cyprus	7.0 (50)	7.7 (21)	9.4 (25)	7.0 (64)	5.8 (114)	9.2 (35)	3.2 (134)	4.9 (116)
Czech Republic	5.2 (117)	6.2 (51)	9.3 (32)	8.0 (15)	6.8 (66)	9.0 (53)	6.2 (55)	5.1 (108)
Denmark	4.4 (131)	8.9 (2)	9.4 (26)	7.8 (17)	8.2 (6)	9.4 (21)	7.7 (10)	7.3 (7)
Dominican Rep.	7.6 (27)	4.6 (101)	6.0 (129)	7.0 (61)	6.2 (97)	7.2 (116)	5.8 (68)	5.5 (89)
Ecuador	8.0 (15)	3.9 (119)	5.0 (138)	6.6 (91)	5.6 (118)	7.9 (91)	3.7 (128)	5.3 (93)
Egypt	7.2 (40)	5.9 (64)	8.7 (58)	6.8 (75)	4.9 (133)	5.9 (134)	3.7 (126)	5.1 (107)
El Salvador	9.2 (3)	4.5 (105)	9.4 (27)	7.3 (51)	7.1 (45)	9.6 (9)	5.0 (98)	6.6 (30)
Estonia	7.1 (47)	7.4 (26)	9.2 (40)	8.1 (12)	7.4 (29)	9.7 (6)	5.0 (96)	7.3 (9)
Ethiopia	5.8 (98)	4.8 (96)	5.8 (133)	5.5 (122)	6.8 (65)	6.1 (131)	8.0 (6)	6.2 (43)
Fiji	7.5 (29)	6.2 (52)	6.2 (126)	5.3 (127)	8.0 (11)	9.4 (24)	7.3 (22)	7.3 (8)
Finland	5.1 (119)	9.1 (1)	9.5 (17)	7.4 (42)	7.0 (47)	9.6 (8)	4.5 (110)	6.9 (19)
France	5.5 (109)	7.6 (23)	9.6 (9)	7.5 (37)	7.0 (53)	9.1 (47)	5.6 (81)	6.2 (44)
Gabon	6.2 (86)	4.2 (114)	6.0 (130)	5.7 (117)	6.9 (58)	7.3 (114)	7.4 (18)	6.1 (57)
Georgia	7.2 (36)	5.3 (85)	8.3 (67)	7.7 (20)	7.7 (18)	9.2 (38)	6.6 (40)	7.3 (10)
Germany	5.6 (105)	8.5 (12)	9.5 (19)	7.8 (19)	6.1 (99)	7.8 (96)	4.0 (122)	6.6 (27)
Ghana	6.6 (71)	5.6 (73)	8.2 (71)	7.5 (39)	6.1 (102)	7.7 (101)	4.8 (104)	5.8 (74)
Greece	6.9 (54)	6.4 (47)	9.6 (7)	6.5 (92)	6.1 (98)	8.2 (84)	4.4 (112)	5.8 (73)
Guatemala	8.2 (12)	5.1 (87)	9.3 (35)	7.4 (43)	6.3 (88)	8.9 (55)	4.1 (119)	5.9 (64)
Guinea-Bissau	3.1 (140)	3.7 (125)	5.9 (131)	5.6 (118)	5.8 (110)	8.5 (79)	4.6 (109)	4.4 (130)
Guyana	3.4 (139)	4.7 (100)	7.5 (93)	7.6 (31)	6.7 (69)	8.0 (88)	6.0 (62)	6.1 (52)
Haiti	8.5 (8)	2.5 (138)	8.6 (61)	6.4 (98)	6.2 (94)	7.0 (121)	7.1 (32)	4.7 (120)
Honduras	8.7 (6)	4.7 (98)	9.0 (51)	8.1 (11)	6.9 (56)	8.7 (65)	5.7 (78)	6.4 (35)
Hong Kong	9.3 (2)	8.2 (15)	9.5 (18)	9.6 (1)	8.3 (4)	9.3 (32)	8.1 (4)	7.5 (5)
Hungary	5.8 (99)	6.6 (41)	9.1 (45)	8.1 (9)	7.0 (50)	9.0 (48)	5.9 (66)	6.1 (55)
Iceland	6.9 (53)	8.7 (5)	8.2 (75)	5.8 (116)	8.1 (8)	9.2 (33)	7.4 (17)	7.7 (3)
India	7.0 (51)	5.9 (60)	6.7 (116)	6.7 (87)	6.0 (107)	6.3 (129)	6.3 (51)	5.3 (96)
Indonesia	7.1 (43)	4.1 (117)	7.6 (91)	7.1 (58)	5.8 (111)	7.6 (103)	4.8 (102)	5.0 (111)
Iran	6.4 (75)	6.1 (54)	8.1 (79)	5.0 (135)	4.4 (138)	5.4 (137)	2.6 (140)	5.2 (102)
Ireland	6.6 (69)	8.0 (18)	9.6 (8)	8.4 (4)	7.4 (28)	8.7 (64)	6.5 (44)	6.9 (18)
Israel	4.5 (130)	5.8 (66)	9.3 (31)	7.6 (29)	6.2 (96)	7.5 (104)	4.7 (106)	6.3 (38)
Italy	5.8 (100)	5.9 (62)	9.5 (16)	7.2 (54)	6.3 (90)	7.8 (98)	5.7 (74)	5.5 (90)
Jamaica	8.8 (5)	5.5 (76)	8.2 (72)	6.9 (70)	6.5 (79)	8.0 (89)	6.1 (61)	5.5 (88)
Japan	6.2 (85)	7.8 (19)	9.8 (2)	6.2 (106)	7.3 (32)	8.3 (81)	7.4 (19)	6.2 (41)
Jordan	6.1 (88)	6.5 (43)	9.2 (41)	7.7 (23)	7.5 (23)	9.0 (52)	7.1 (29)	6.4 (36)
Kazakhstan	7.0 (49)	6.3 (48)	8.5 (64)	6.7 (86)	7.1 (39)	9.4 (18)	6.3 (49)	5.7 (80)
Kenya	7.8 (24)	5.0 (89)	8.9 (52)	6.7 (80)	7.0 (48)	8.5 (77)	6.6 (42)	5.9 (62)
Korea, South	6.6 (68)	7.3 (28)	9.6 (6)	7.1 (55)	6.6 (75)	9.1 (45)	4.4 (113)	6.2 (45)
Kuwait	6.5 (73)	7.4 (25)	9.0 (50)	6.8 (79)	7.8 (16)	9.7 (7)	7.1 (30)	6.5 (33)
Kyrgyz Republic	6.8 (56)	4.7 (99)	8.4 (65)	7.2 (53)	6.9 (61)	8.6 (74)	5.8 (69)	6.2 (42)
Latvia	5.4 (112)	6.9 (35)	8.8 (56)	7.6 (34)	7.5 (21)	9.4 (19)	6.8 (36)	6.2 (49)

Exhibit 1.3 (continued): Area Economic Freedom Ratings (Ranks), 2007

	AREAS					COMPONENTS OF AREA 5		
	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to Trade Internationally	5 Regulation	5A Credit Market Regulation	5B Labor Market Regulations	5C Business Regulations
	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)
Lesotho	6.3 (82)	4.4 (107)	7.9 (83)	6.3 (102)	6.9 (60)	9.1 (43)	6.3 (53)	5.2 (99)
Lithuania	7.0 (52)	6.9 (37)	8.8 (55)	7.5 (40)	6.8 (62)	9.6 (12)	5.0 (99)	5.8 (75)
Luxembourg	4.9 (122)	8.2 (14)	9.5 (22)	8.1 (10)	7.5 (24)	9.0 (51)	6.5 (47)	6.9 (17)
Macedonia	5.4 (113)	4.9 (94)	7.9 (82)	6.6 (89)	7.2 (38)	9.0 (50)	6.1 (57)	6.3 (39)
Madagascar	8.2 (11)	3.6 (126)	7.3 (98)	6.7 (81)	5.6 (120)	6.7 (125)	4.4 (114)	5.6 (81)
Malawi	5.4 (114)	5.5 (77)	6.8 (108)	5.5 (123)	6.5 (82)	7.5 (105)	6.1 (59)	5.9 (69)
Malaysia	6.0 (92)	6.6 (42)	6.8 (113)	7.5 (38)	7.5 (22)	9.4 (23)	6.9 (35)	6.2 (48)
Mali	7.3 (35)	4.5 (106)	7.1 (100)	6.2 (104)	6.3 (93)	8.6 (69)	4.6 (108)	5.6 (83)
Malta	5.9 (95)	7.8 (20)	9.6 (10)	7.5 (41)	6.9 (55)	9.3 (30)	6.9 (34)	4.6 (126)
Mauritania	6.2 (84)	5.1 (88)	5.6 (135)	6.7 (88)	6.7 (70)	8.7 (63)	6.2 (56)	5.2 (98)
Mauritius	7.9 (22)	6.0 (56)	9.2 (38)	7.6 (35)	7.5 (25)	8.9 (54)	6.8 (37)	6.7 (25)
Mexico	7.4 (33)	5.3 (79)	8.0 (80)	6.9 (71)	6.6 (73)	9.1 (44)	5.6 (83)	5.2 (103)
Moldova	5.9 (93)	5.9 (59)	6.8 (109)	7.0 (65)	6.0 (104)	8.3 (82)	4.2 (117)	5.5 (84)
Mongolia	6.3 (77)	5.7 (71)	8.2 (74)	7.1 (56)	7.2 (37)	9.9 (3)	5.6 (82)	6.2 (50)
Montenegro	5.5 (110)	5.4 (78)	7.3 (96)	7.4 (45)	7.3 (33)	9.9 (2)	6.8 (38)	5.2 (101)
Morocco	6.8 (59)	6.0 (55)	6.8 (111)	6.0 (111)	5.2 (126)	6.4 (128)	3.3 (132)	5.9 (68)
Mozambique	4.6 (127)	3.9 (118)	7.8 (88)	6.7 (85)	5.7 (115)	8.7 (66)	2.9 (137)	5.6 (82)
Myanmar	6.3 (79)	3.3 (130)	3.8 (140)	1.3 (141)	3.7 (141)	3.9 (141)		
Namibia	5.6 (104)	7.6 (24)	6.5 (120)	6.5 (93)	7.9 (12)	9.8 (4)	7.7 (11)	6.1 (51)
Nepal	6.4 (76)	3.8 (122)	6.8 (110)	5.3 (129)	5.6 (119)	6.6 (126)	5.1 (94)	5.0 (113)
Netherlands	4.1 (136)	8.4 (13)	9.6 (12)	8.4 (6)	7.3 (30)	9.3 (31)	6.3 (52)	6.5 (34)
New Zealand	6.7 (62)	8.9 (3)	9.7 (5)	7.7 (21)	8.4 (1)	10.0 (1)	7.6 (12)	7.7 (4)
Nicaragua	7.5 (28)	4.3 (110)	8.6 (60)	7.2 (52)	7.1 (42)	9.2 (41)	6.3 (50)	5.8 (76)
Niger	5.3 (115)	4.2 (116)	6.6 (118)	4.4 (137)	5.0 (130)	7.7 (99)	2.9 (138)	4.5 (128)
Nigeria	6.3 (81)	4.3 (112)	6.7 (117)	7.3 (50)	7.0 (52)	8.8 (58)	7.8 (8)	4.3 (132)
Norway	5.8 (96)	8.9 (4)	9.2 (37)	6.6 (90)	7.1 (44)	9.4 (20)	5.2 (89)	6.6 (29)
Oman	5.4 (111)	7.3 (27)	9.1 (46)	7.3 (47)	7.6 (19)	8.8 (59)	7.6 (13)	6.5 (32)
Pakistan	7.1 (44)	4.2 (113)	6.3 (124)	5.8 (115)	6.6 (77)	8.5 (78)	6.1 (60)	5.1 (106)
Panama	8.3 (9)	5.3 (80)	9.3 (33)	8.4 (5)	7.0 (51)	9.2 (42)	5.9 (63)	5.9 (70)
Papua New Guinea	6.5 (72)	4.7 (97)	7.1 (102)	8.0 (13)	7.1 (40)	7.3 (112)	7.3 (20)	6.7 (22)
Paraguay	7.4 (31)	3.4 (129)	8.2 (70)	7.4 (44)	5.4 (125)	7.3 (110)	3.2 (133)	5.7 (79)
Peru	7.8 (23)	5.3 (84)	9.2 (42)	7.6 (33)	6.5 (83)	7.3 (109)	6.5 (43)	5.5 (86)
Philippines	8.0 (18)	4.8 (95)	8.2 (73)	7.0 (66)	6.2 (95)	8.2 (83)	5.1 (93)	5.3 (95)
Poland	5.5 (108)	5.8 (69)	9.2 (39)	7.0 (63)	6.4 (85)	8.7 (62)	5.7 (71)	4.7 (121)
Portugal	5.7 (101)	7.0 (33)	9.6 (14)	7.3 (48)	6.3 (89)	8.2 (85)	4.9 (101)	5.9 (71)
Romania	4.9 (123)	5.8 (67)	8.9 (53)	7.6 (30)	6.7 (67)	7.9 (94)	6.4 (48)	6.0 (60)
Russia	6.7 (66)	5.8 (65)	8.3 (66)	5.9 (114)	5.8 (112)	7.8 (97)	5.7 (76)	3.9 (135)
Rwanda	6.7 (63)	4.6 (103)	7.8 (85)	4.6 (136)	7.2 (36)	7.2 (117)	7.8 (9)	6.8 (21)
Senegal	6.0 (89)	3.8 (124)	6.8 (114)	6.2 (103)	5.8 (113)	8.8 (60)	3.7 (125)	4.8 (118)
Serbia	6.8 (60)	4.9 (93)	7.4 (94)	6.7 (84)	6.6 (74)	9.2 (36)	5.9 (67)	4.6 (124)
Sierra Leone	8.0 (16)	3.9 (121)	7.2 (99)	5.1 (132)	5.7 (117)	5.4 (138)	5.7 (72)	6.0 (61)
Singapore	8.0 (17)	8.5 (11)	9.3 (28)	9.4 (2)	8.1 (9)	9.2 (34)	7.0 (33)	8.0 (2)
Slovak Republic	6.6 (70)	6.5 (46)	9.3 (34)	8.2 (8)	7.0 (46)	9.4 (22)	6.5 (46)	5.2 (100)

Exhibit 1.3 (continued): Area Economic Freedom Ratings (Ranks), 2007

	AREAS					COMPONENTS OF AREA 5		
	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to Trade Internationally	5 Regulation	5A Credit Market Regulation	5B Labor Market Regulations	5C Business Regulations
	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)	Rating (Rank)
Slovenia	5.2 (118)	5.9 (58)	9.2 (36)	7.3 (49)	6.8 (64)	8.6 (68)	5.9 (65)	5.8 (72)
South Africa	7.2 (39)	6.5 (45)	7.7 (89)	6.8 (78)	7.1 (43)	9.3 (28)	5.7 (73)	6.2 (47)
Spain	6.3 (78)	6.8 (38)	9.6 (13)	7.1 (57)	6.7 (68)	9.3 (25)	5.1 (95)	5.8 (77)
Sri Lanka	6.8 (58)	5.0 (90)	6.0 (128)	6.3 (101)	6.3 (92)	7.7 (102)	5.8 (70)	5.4 (92)
Sweden	3.7 (137)	8.5 (8)	9.5 (23)	7.7 (22)	7.0 (49)	9.3 (27)	4.7 (107)	7.0 (14)
Switzerland	7.9 (20)	8.7 (6)	9.8 (3)	6.8 (73)	7.8 (17)	8.9 (57)	7.4 (15)	7.0 (15)
Syria	5.8 (97)	5.1 (86)	7.8 (86)	5.6 (119)	4.5 (137)	4.8 (139)	3.7 (127)	5.0 (112)
Taiwan	7.2 (38)	6.8 (39)	9.8 (1)	7.9 (16)	6.4 (84)	8.6 (71)	4.7 (105)	5.9 (66)
Tanzania	5.7 (102)	6.0 (57)	7.6 (90)	6.1 (110)	6.3 (91)	7.9 (92)	5.5 (84)	5.5 (85)
Thailand	7.1 (42)	6.1 (53)	7.0 (103)	7.7 (26)	7.3 (34)	8.7 (61)	7.2 (27)	5.9 (63)
Togo	9.4 (1)	2.5 (136)	6.8 (112)	6.1 (109)	4.7 (136)	6.4 (127)	2.9 (139)	4.7 (122)
Trinidad & Tobago	7.5 (30)	4.9 (92)	8.7 (57)	6.9 (72)	7.3 (31)	8.6 (67)	7.3 (21)	6.1 (54)
Tunisia	5.3 (116)	6.9 (36)	7.0 (106)	6.2 (105)	6.6 (72)	8.0 (90)	5.2 (88)	6.6 (28)
Turkey	7.9 (21)	5.7 (70)	6.4 (122)	6.5 (96)	5.6 (121)	6.7 (124)	3.6 (130)	6.3 (40)
Uganda	7.1 (46)	4.3 (111)	9.2 (43)	6.5 (95)	7.4 (26)	7.7 (100)	8.4 (2)	6.1 (56)
Ukraine	6.0 (91)	5.3 (83)	5.2 (137)	6.4 (97)	5.5 (122)	8.1 (86)	5.0 (97)	3.4 (138)
United Arab Emir.	7.1 (48)	7.0 (32)	8.1 (77)	8.3 (7)	7.4 (27)	7.8 (95)	7.1 (28)	7.2 (11)
United Kingdom	6.7 (64)	8.0 (17)	9.3 (29)	7.6 (32)	7.8 (14)	9.7 (5)	7.2 (25)	6.6 (26)
United States	7.2 (41)	7.6 (22)	9.7 (4)	7.6 (28)	8.1 (7)	9.3 (26)	8.4 (3)	6.7 (24)
Uruguay	7.4 (34)	5.6 (74)	8.1 (78)	7.0 (60)	6.6 (78)	7.1 (119)	6.5 (45)	6.1 (53)
Venezuela	4.6 (128)	2.9 (135)	5.6 (134)	3.7 (138)	4.9 (134)	8.6 (72)	3.0 (136)	3.0 (140)
Vietnam	5.9 (94)	5.9 (63)	6.2 (127)	7.0 (68)	6.1 (101)	9.5 (14)	4.1 (118)	4.7 (123)
Zambia	7.7 (26)	5.9 (61)	8.5 (62)	7.4 (46)	6.1 (100)	6.8 (123)	5.7 (79)	5.9 (65)
Zimbabwe	4.2 (135)	3.5 (128)	0.0 (141)	2.4 (140)	4.4 (139)	5.8 (135)	4.0 (120)	3.3 (139)

The Chain-Linked Summary Index, 1970–2007

The EFW data are available for many countries back to 1970. Through time, the index has become more comprehensive and the available data more complete. As a result, the number and composition of the components for many countries will vary across time. This presents a problem similar to that confronted when calculating GDP or a price index over time when we know that the underlying goods and services are changing from one year to another. In order to correct for this problem and assure comparability across time, we have done the same thing that statisticians analyzing national income do: we have chain-linked the data.

The base year for the chain-link index is 2004, and as a result the chain-link index is not available for any countries added since that year. Changes in a country's chain-linked index through time are based only on changes in components that were present in adjoining years. For example, the 2005 chain-linked rating is based on the 2004 rating but is adjusted based on the changes in the underlying data between 2004 and 2005 for those components that were present in both years. If the common components for a country in 2005 were the same as in 2004, then no adjustment was made to the country's 2005 summary rating. However, if the 2005 components were lower than those for 2004 for the components present in both years, then the country's 2005 summary rating was adjusted downward proportionally to reflect this fact.

Correspondingly, in cases where the ratings for the common components were higher in 2005 than for 2004, the country's 2005 summary rating was adjusted upward proportionally. The chain-linked ratings were constructed by repeating this procedure backward in time to 1970 and forward in time to 2007. The chain-linked methodology means that a country's rating will change across time periods only when there is a change in ratings for components present during adjacent years. This is precisely what one would want when making comparisons across time periods.

Exhibit 1.4 shows the average chain-linked economic freedom index rating for the 102 countries with ratings since 1980. The average level of economic freedom, as measured by the chain-linked EFW index, has increased to 6.70 in 2007 from 5.55 in 1980. Much of this increase was driven by reductions in marginal income-tax rates, if not aggregate taxation; improvements in monetary policy; and global trade liberalization.

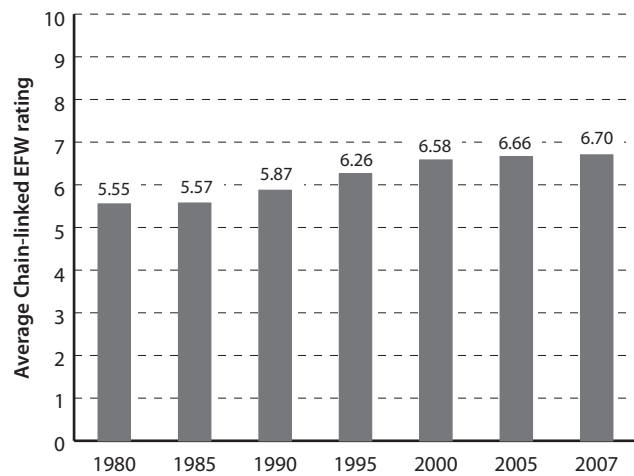
The Chain-Linked Summary ratings for all years are found in Exhibit 1.5. Researchers using the data for long-term studies should use these chain-linked data. There are 53 countries that have ratings in 1970; 70 in 1975; 102 in 1980, 109 in 1985, 113 in 1990, 123 for 1995 through 2002, 127 in 2003, 130 from 2004 to 2007. These longitudinal data make it possible to follow the changes in economic freedom and analyze their impact over a lengthy period of time.

The chain-link methodology was also used to derive area ratings. The ratings (and rankings) for the chain-linked summary and area ratings are presented in the country tables of chapter 4. The country tables also present the unadjusted summary and area ratings, but when tracking ratings across time, the chain-link ratings will present a more accurate picture.

Big movers

Several countries have substantially increased their ratings and become relatively free during the past decade. Exhibit 1.5 allows us to track these changes. The chain-linked rating of Estonia has increased by nearly two units since 1995 and it is now one of the freest economies in the world. Lithuania and Latvia have increased their ratings by similar magnitudes since 1995 and their 2007 ratings are greater than 7.0. The ratings of Cyprus, Hungary, Kuwait, and Korea have also improved substantially and their ratings are now 7.25 or more. Two African economies, Ghana and Zambia, have become substantially freer and their chain-linked ratings are now 6.97 and 7.16, respectively.

Exhibit 1.4: Average Chain-linked EFW Rating for the 102 countries with ratings since 1980



But not all of the news is good. Economic freedom is regressing in several other countries. The rating of Zimbabwe has fallen by 3.18 units and that of Argentina by 0.80 units since 1995. During the same period, the ratings of Malaysia and the Philippines have fallen by about six-tenths of a point. Since 2000, the rating of Venezuela has declined by over 1.5 units, down to 4.07. During the same period, Nepal's chain-linked rating has fallen from 5.62 to 5.18. The chain-linked rating of the United States is down almost seven-tenths of a point from 8.55 in 2000 to 7.88 in 2007, which has sent the accompanying ranking down to 7th from 2nd in 2000. Lower ratings in the legal structure area and for the administrative costs of clearing customs were primarily responsible for the rating reduction of the United States.

Concluding thoughts

This chapter concludes with some graphs illustrating simple relationships between economic freedom and various other indicators of human and political progress (exhibits 1.6–1.15, pp 19–22). The graphs use the average of the chain-linked EFW index for the period from 1990 to 2007, breaking the data into four quartiles ordered from low to high. Because persistence is important and the impact of economic freedom will be felt over a lengthy time period, it is better to use the average rating over a fairly long time span rather than the current rating to observe the impact of economic freedom on performance.

The graphs begin with the data on the relationship between economic freedom and the growth rate and level of per-capita GDP. In recent years, numerous scholarly

Exhibit 1.5: The Chain-Linked Summary Index of Ratings, 1970–2007

	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Albania					4.14	4.76	5.99	6.07	6.31	6.72	6.46	6.81	7.03	7.19
Algeria			4.19	3.95	3.79	4.17	4.61	4.60	4.53	4.55	4.61	5.44	5.40	5.33
Angola														
Argentina	5.29	3.35	4.41	3.98	4.78	6.77	7.19	6.49	5.96	5.72	5.96	5.62	5.73	5.97
Armenia											6.89	6.95	7.01	7.01
Australia	7.24	6.30	7.13	7.35	7.66	7.80	7.87	7.65	7.62	7.72	7.75	7.78	7.82	7.81
Austria	6.63	6.28	6.76	6.73	7.22	7.04	7.36	7.19	7.08	7.63	7.67	7.64	7.68	7.76
Azerbaijan											6.13	6.12	6.26	6.49
Bahamas		6.78	6.67	6.62	6.61	6.45	6.70	6.77	6.75	6.87	6.97	7.19	7.02	7.17
Bahrain			7.56	6.94	6.91	7.03	7.33	7.23	7.22	7.25	7.13	6.83	7.35	7.34
Bangladesh		3.17	3.64	3.95	4.69	5.47	5.83	5.75	5.84	5.69	5.65	5.94	5.84	5.77
Barbados		6.20	6.39	6.79	6.69	6.63	6.64	6.63	6.54	6.62	6.72	6.85	6.66	6.91
Belgium	7.82	7.06	7.28	7.31	7.55	7.21	7.68	7.36	7.15	7.32	7.26	7.20	7.07	7.11
Belize			5.63	5.48	5.92	6.38	6.39	6.32	6.73	6.81	6.80	7.10	7.05	7.01
Benin			5.52	5.25	5.53	5.14	5.74	5.75	5.87	5.82	5.66	5.99	6.03	6.02
Bolivia			4.39	3.55	5.39	6.40	6.79	6.51	6.51	6.39	6.32	6.34	6.35	6.13
Bosnia & Herzeg.														
Botswana			5.64	5.90	6.10	6.36	7.18	7.14	7.14	6.92	6.94	6.83	6.67	6.91
Brazil	5.66	4.78	4.45	3.87	4.54	4.58	5.85	5.83	5.98	5.85	5.79	5.93	6.02	6.02
Bulgaria				5.38	4.14	4.54	5.03	5.56	5.87	6.14	6.15	6.29	6.47	6.46
Burkina Faso														
Burundi		4.27	4.40	4.70	4.84	4.46	4.92	5.10	5.03	4.53	4.42	4.79	5.34	5.35
Cameroon			5.65	5.68	5.61	5.39	5.67	5.86	5.87	5.90	5.94	5.82	5.90	5.81
Canada	8.04	7.13	7.66	7.75	8.10	7.91	8.14	8.01	7.86	7.95	7.99	8.00	7.93	7.85
Central Afr. Rep.				4.39	4.78	4.37	4.76	4.81	4.68	5.18	5.08	4.49	4.86	4.72
Chad				4.78	4.78	4.75	5.18	5.63	5.74	5.62	5.55	5.27	5.25	4.96
Chile	4.31	3.93	5.56	6.18	7.02	7.47	7.28	7.47	7.45	7.61	7.62	7.93	7.95	8.07
China			4.41	5.37	5.18	5.52	5.98	6.04	5.96	6.03	5.84	6.07	6.08	6.41
Colombia	5.32	5.01	4.83	5.19	5.12	5.45	5.31	5.46	5.33	5.46	5.46	5.44	5.54	5.58
Congo, Dem. Rep.	4.30	3.87	2.88	3.72	3.26	3.42	3.94	3.89	4.52	4.36	4.48	4.47	5.18	4.83
Congo, Rep. of			4.38	4.19	4.83	4.95	4.25	4.54	4.40	4.40	4.43	4.73	4.67	4.43
Costa Rica		6.33	5.61	5.36	6.76	6.85	7.31	7.17	7.03	7.29	7.15	7.29	7.42	7.47
Côte d'Ivoire			5.52	6.08	5.53	5.17	5.99	6.06	5.92	5.86	5.81	5.88	6.02	6.07
Croatia						4.78	6.22	6.17	5.98	6.01	6.16	6.31	6.40	6.39
Cyprus		5.89	5.68	5.62	6.10	6.28	6.34	6.43	6.85	6.83	7.45	7.56	7.49	7.55
Czech Republic						5.95	6.70	6.78	6.68	6.83	6.92	6.87	6.79	6.98
Denmark	7.05	6.33	6.53	6.68	7.41	7.46	7.63	7.43	7.39	7.61	7.63	7.78	7.78	7.81
Dominican Rep.			5.37	5.02	4.63	5.90	6.59	6.54	6.46	6.09	5.36	6.20	6.05	6.13
Ecuador	4.08	5.04	5.42	4.64	5.31	5.98	5.67	5.47	5.86	5.80	5.22	5.59	5.64	5.58
Egypt		3.99	4.86	5.39	4.94	5.77	6.57	6.40	6.03	5.94	6.09	6.60	6.70	6.83
El Salvador			4.81	4.46	4.75	6.96	7.26	7.24	7.17	7.17	7.25	7.40	7.38	7.36
Estonia						5.83	7.51	7.58	7.62	7.71	7.70	7.86	7.79	7.74
Ethiopia														
Fiji		5.29	5.64	5.97	5.79	6.02	6.16	6.02	5.96	5.91	5.94	6.39	6.62	6.74
Finland	7.12	6.38	6.94	7.14	7.39	7.35	7.50	7.37	7.36	7.61	7.58	7.75	7.64	7.63
France	6.86	6.01	6.22	6.13	7.07	6.80	7.04	6.72	6.81	7.04	7.18	6.98	7.01	7.31
Gabon			4.55	5.09	5.33	5.26	5.75	5.57	5.51	5.50	5.52	5.69	5.97	5.95

Exhibit 1.5 (continued): The Chain-Linked Summary Index of Ratings, 1970–2007

	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Georgia										6.25	6.13	6.45	7.13	7.13
Germany	7.69	7.11	7.36	7.39	7.80	7.54	7.50	7.29	7.29	7.61	7.58	7.70	7.62	7.55
Ghana		4.10	3.28	3.42	5.05	5.44	5.87	5.91	6.16	6.61	6.39	6.55	7.17	6.97
Greece	6.35	5.99	5.97	5.38	6.04	6.18	6.64	6.57	6.64	6.98	6.93	6.96	6.98	7.07
Guatemala	6.14	6.59	5.99	4.87	5.56	6.63	6.32	6.37	6.39	6.53	6.67	7.12	7.22	7.29
Guinea-Bissau					3.16	3.71	4.49	4.93	5.02	4.87	4.88	4.94	5.22	4.94
Guyana						4.84	6.11	6.02	5.83	5.78	5.59	5.80	5.61	5.69
Haiti			6.06	5.45	5.16	5.10	6.31	6.13	6.10	6.25	6.27	6.35	6.24	6.16
Honduras			6.05	5.45	5.51	6.05	6.50	6.37	6.58	6.65	6.65	6.65	6.92	7.12
Hong Kong	9.02	8.87	9.23	8.83	8.78	9.14	8.85	8.78	8.72	8.77	8.71	8.92	8.91	8.96
Hungary			4.62	5.24	5.39	6.15	6.54	6.82	6.81	7.38	7.52	7.37	7.38	7.28
Iceland	6.45	4.78	5.43	5.75	7.03	7.40	7.76	7.67	7.61	7.73	7.80	7.82	7.69	7.48
India	5.44	4.57	5.42	5.09	5.12	5.73	6.24	6.08	6.21	6.28	6.28	6.50	6.53	6.50
Indonesia	4.75	5.40	5.25	6.17	6.53	6.57	5.98	5.67	5.84	6.18	6.08	6.42	6.36	6.44
Iran	5.53	5.37	3.68	3.99	4.66	4.40	5.63	6.03	5.97	5.94	6.04	6.35	6.33	6.19
Ireland	7.13	6.20	6.73	6.75	7.32	8.19	8.13	7.93	7.82	7.74	7.86	8.13	7.99	8.03
Israel	5.11	4.44	3.79	4.34	4.79	5.87	6.55	6.51	6.82	6.79	6.87	7.25	7.02	7.03
Italy	6.08	5.33	5.53	5.68	6.59	6.50	7.09	6.95	6.94	6.71	6.84	6.87	6.93	6.80
Jamaica			4.31	5.14	5.70	6.57	7.38	7.21	7.09	7.09	7.20	7.34	7.24	7.11
Japan	7.05	6.57	7.08	7.12	7.46	7.10	7.43	7.06	6.95	7.34	7.28	7.38	7.30	7.30
Jordan		5.46	5.50	5.84	6.05	6.42	7.24	6.97	7.06	7.01	6.96	7.21	7.09	7.32
Kazakhstan														
Kenya	4.82	4.56	4.75	5.10	5.26	5.53	6.25	6.32	6.28	6.48	6.39	6.65	6.66	6.83
Korea, South	5.49	5.37	5.71	5.65	6.18	6.42	6.58	6.89	6.87	6.97	7.11	7.18	7.31	7.34
Kuwait			5.18	7.12	5.14	6.56	6.63	6.97	6.97	7.08	7.08	7.11	7.33	7.42
Kyrgyz Republic														
Latvia						5.27	6.78	6.81	7.02	6.87	6.99	7.28	7.29	7.16
Lesotho														
Lithuania						5.34	6.55	6.58	6.95	6.92	6.95	7.26	7.21	7.21
Luxembourg	7.71	7.75	7.69	8.06	7.99	7.81	7.93	7.90	7.76	7.74	7.76	7.51	7.48	7.51
Macedonia										5.79	5.65	5.87	6.11	6.18
Madagascar			4.39	4.62	4.51	4.50	5.73	6.02	5.62	5.85	5.81	5.82	5.83	6.11
Malawi		5.43	4.98	5.21	5.53	4.74	5.06	5.57	5.63	6.04	5.76	5.54	5.48	5.88
Malaysia	6.64	6.43	7.08	7.13	7.49	7.53	6.73	6.36	6.44	6.51	6.74	6.91	6.88	6.85
Mali		5.62	5.72	4.87	5.10	5.20	6.20	6.07	5.78	6.07	5.97	6.04	6.28	6.41
Malta			5.77	5.42	5.62	6.79	6.68	6.65	6.72	6.48	7.17	7.31	7.30	7.45
Mauritania														
Mauritius		5.23	5.18	6.42	6.36	7.54	7.27	7.25	6.99	6.86	6.88	7.45	7.37	7.70
Mexico	6.60	5.86	5.75	4.97	6.27	6.47	6.34	6.19	6.32	6.27	6.48	6.83	6.84	6.80
Moldova														
Mongolia											6.32	6.65	6.53	6.39
Montenegro														
Morocco	5.66	5.07	4.46	5.16	5.18	6.04	6.01	5.99	5.95	6.13	5.98	6.17	6.20	6.19
Mozambique										5.41	5.51	5.50	5.41	5.44
Myanmar			5.23	4.78	3.74	4.34	4.32	4.07	3.69	3.47	3.82	3.97	4.18	3.65
Namibia					5.50	6.51	6.62	6.71	6.68	6.96	6.54	6.74	6.76	6.79
Nepal			5.62	5.19	5.29	5.25	5.62	5.65	5.57	5.09	5.13	5.15	5.04	5.18

Exhibit 1.5 (continued): The Chain-Linked Summary Index of Ratings, 1970–2007

	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Netherlands	7.63	6.95	7.51	7.65	7.81	7.82	8.04	7.75	7.67	7.60	7.60	7.67	7.54	7.56
New Zealand	6.72	6.02	6.73	6.57	7.95	8.64	8.35	8.21	8.18	8.19	8.24	8.30	8.11	8.14
Nicaragua			4.11	2.09	3.03	5.54	6.55	6.41	6.49	6.59	6.53	6.62	6.56	6.62
Niger			4.20	4.53	4.53	3.97	4.85	4.52	4.49	4.55	4.89	4.57	4.66	4.61
Nigeria	3.87	3.81	3.81	4.09	3.79	4.26	5.60	5.39	5.76	5.81	5.71	5.86	6.33	6.33
Norway	6.38	5.90	6.17	6.70	7.26	7.34	7.03	6.84	6.70	7.28	7.27	7.54	7.41	7.44
Oman				6.58	6.11	6.77	6.91	6.98	6.94	7.17	7.20	7.39	7.44	7.64
Pakistan	4.58	3.83	4.66	5.10	5.10	5.71	5.54	5.60	5.65	5.42	5.53	5.83	5.83	5.84
Panama		6.71	5.68	6.24	6.53	7.38	7.43	7.40	7.34	7.39	7.35	7.42	7.42	7.40
Papua New Guinea				6.01	6.16	6.25	5.70	5.72	5.65	5.61	5.64	6.19	6.22	6.64
Paraguay			5.70	5.08	5.72	6.44	6.22	6.29	6.15	6.14	6.06	6.16	6.13	6.10
Peru	4.76	4.04	4.28	3.12	4.11	6.31	7.08	7.05	6.96	6.97	7.00	7.00	6.99	7.06
Philippines	5.75	5.43	5.44	5.12	5.83	7.22	6.96	6.78	6.78	6.82	6.54	6.82	6.74	6.65
Poland				4.07	4.00	5.30	6.19	5.96	6.14	6.09	6.61	6.70	6.74	6.77
Portugal	6.37	4.28	5.99	5.74	6.54	7.32	7.38	7.27	7.34	7.32	7.47	7.25	7.25	7.24
Romania				4.67	4.57	3.92	5.02	4.98	5.42	5.72	5.74	6.39	6.45	6.70
Russia						4.49	5.27	5.15	5.39	5.48	5.92	6.11	6.11	6.24
Rwanda					4.11	3.18	4.44	4.60	4.84	4.47	4.46	4.72	4.94	5.15
Senegal			4.67	5.34	5.45	4.86	5.92	5.76	5.86	5.75	5.76	5.82	5.54	5.57
Serbia														
Sierra Leone		5.39	5.47	3.87	4.01	4.43	5.14	4.94	5.45	5.67	5.47	5.81	5.62	6.02
Singapore	7.89	7.58	7.94	8.14	8.71	8.79	8.51	8.41	8.51	8.41	8.50	8.68	8.59	8.63
Slovak Rep						5.54	6.16	6.49	6.36	6.70	7.30	7.38	7.38	7.42
Slovenia						4.83	6.52	6.65	6.60	6.71	6.73	6.75	6.85	6.91
South Africa	6.69	5.97	6.12	5.78	5.62	6.44	6.97	6.92	6.93	7.06	6.89	7.02	6.91	6.94
Spain	6.71	6.02	6.19	6.19	6.51	7.03	7.29	7.03	7.05	7.44	7.49	7.33	7.16	7.16
Sri Lanka			5.20	5.27	5.10	6.18	6.26	6.16	5.97	6.13	5.99	5.98	5.95	5.93
Sweden	5.76	5.63	5.94	6.65	7.02	7.18	7.43	7.15	7.26	7.41	7.19	7.30	7.21	7.21
Switzerland	8.09	7.92	8.32	8.43	8.36	8.09	8.53	8.27	8.32	8.30	8.31	8.20	8.12	8.16
Syria	4.48	4.69	3.85	3.52	4.06	4.75	5.15	5.48	5.20	5.02	5.44	5.54	5.47	5.78
Taiwan	6.90	6.11	6.94	7.12	7.37	7.31	7.28	7.17	7.33	7.34	7.58	7.71	7.67	7.66
Tanzania	4.41	3.99	3.97	3.55	4.05	5.31	6.01	6.14	5.99	6.09	6.23	6.08	6.26	6.27
Thailand	6.09	5.92	6.19	6.21	6.97	7.19	6.66	6.67	6.67	6.65	6.74	6.80	6.85	6.87
Togo			3.91	4.78	5.24	4.98	5.41	5.63	5.77	5.40	5.23	5.42	5.49	5.25
Trinidad & Tobago		4.95	5.23	5.08	5.82	7.10	7.38	7.30	7.07	6.94	6.94	6.92	6.98	6.96
Tunisia	5.08	5.05	5.39	5.08	5.80	6.11	6.38	6.40	6.29	6.27	6.31	6.46	6.34	6.32
Turkey	4.08	4.21	3.98	5.11	5.17	5.76	5.79	5.28	5.47	5.94	6.12	6.25	6.35	6.43
Uganda			3.37	2.96	2.95	5.24	6.55	6.45	6.48	6.59	6.58	6.60	6.55	6.69
Ukraine						3.76	4.72	4.79	5.25	5.14	5.58	5.52	5.54	5.48
United Arab Emir.			6.20	7.12	7.53	7.10	7.36	7.33	7.41	7.45	7.28	7.44	7.61	7.61
United Kingdom	6.55	6.28	6.72	7.65	8.12	8.08	8.25	8.11	8.01	8.13	8.08	8.10	7.99	7.86
United States	7.64	7.77	8.03	8.18	8.38	8.32	8.55	8.23	8.09	8.04	8.07	7.90	7.82	7.88
Uruguay			6.11	6.01	6.28	6.26	6.88	6.71	6.83	6.70	6.90	6.91	6.86	6.88
Venezuela	6.85	5.83	6.33	5.99	5.41	4.25	5.59	5.49	4.44	3.99	4.46	4.56	4.49	4.07
Vietnam										5.65	6.06	6.30	6.46	6.45
Zambia		4.56	5.04	3.94	3.49	4.83	6.53	6.62	6.47	6.55	6.67	7.00	7.15	7.16
Zimbabwe			4.95	4.87	5.02	5.80	4.58	3.62	3.53	3.69	3.27	3.20	3.04	2.62

studies have analyzed these relationships in detail (e.g., de Haan et al., 2006). Almost without exception, these studies have found that countries with more economic freedom grow more rapidly and achieve higher levels of per-capita GDP.

Many of the relationships illustrated in the graphs below reflect the impact of economic freedom as it works through increasing economic growth. In other cases, the observed relationships may reflect the fact that some of the variables that influence economic freedom may also influence political factors like trust, honesty in

government, and protection of civil liberties. Thus, we are not necessarily arguing that there is a direct causal relation between economic freedom and the variables considered below. In other words, these graphics are no substitute for real, scholarly investigation that controls for other factors. Nonetheless, we believe that the graphs provide some insights about the contrast between the nature and characteristics of market-oriented economies and those dominated by government regulation and planning. At the very least, these figures suggest potential fruitful areas for future research.

Exhibit 1.6: Economic Freedom and Income per Capita

Countries with more economic freedom have substantially higher per-capita incomes.

Sources: Fraser Institute; World Bank, *World Development Indicators*,
<<http://go.worldbank.org/U0FSM7AQ40>>,
<<http://go.worldbank.org/1SF48T40L0>>.

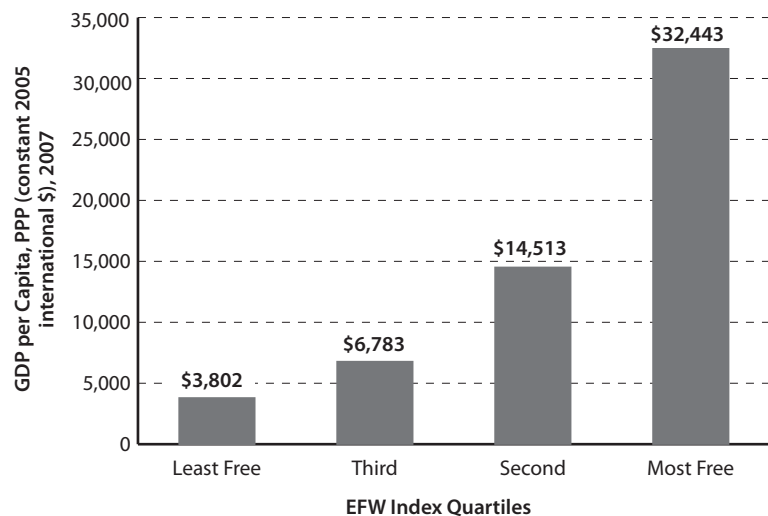


Exhibit 1.7: Economic Freedom and Economic Growth

Countries with more economic freedom have higher growth rates.

Sources: Fraser Institute; World Bank, *World Development Indicators*,
<<http://go.worldbank.org/U0FSM7AQ40>>,
<<http://go.worldbank.org/1SF48T40L0>>.

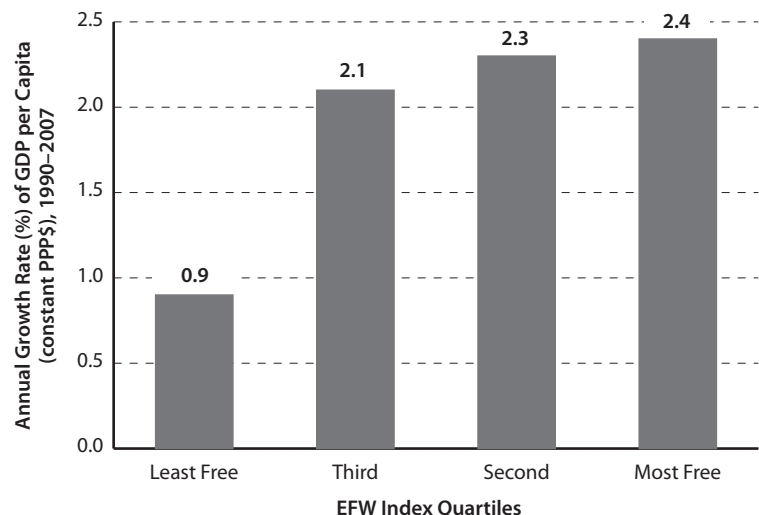


Exhibit 1.8: Economic Freedom and Foreign Direct Investment

Countries with more economic freedom attract more foreign investment.

Sources: Fraser Institute; World Bank, *World Development Indicators*,
<http://go.worldbank.org/U0FSM7AQ40>,
<http://go.worldbank.org/1SF48T40L0>.

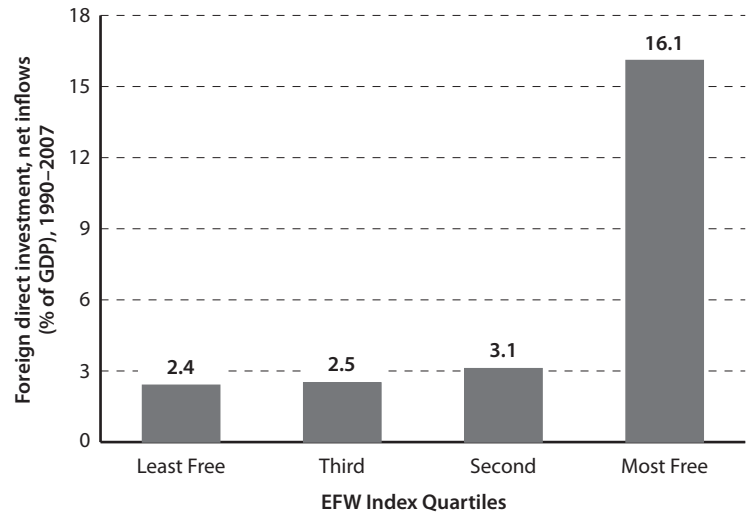


Exhibit 1.9: Gross Capital Formation

Total investment is slightly higher in countries with more economic freedom.

Sources: Fraser Institute; World Bank, *World Development Indicators*,
<http://go.worldbank.org/U0FSM7AQ40>,
<http://go.worldbank.org/1SF48T40L0>.

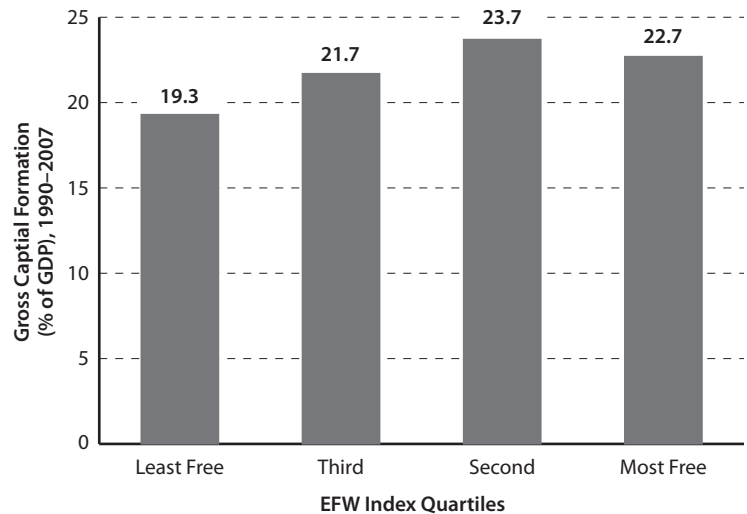


Exhibit 1.10: Economic Freedom and the Income Share of the Poorest 10%

The share of income earned by the poorest 10% of the population is unrelated to the degree of economic freedom in a nation.

Sources: Fraser Institute; World Bank, *World Development Indicators*,
<http://go.worldbank.org/U0FSM7AQ40>,
<http://go.worldbank.org/1SF48T40L0>.

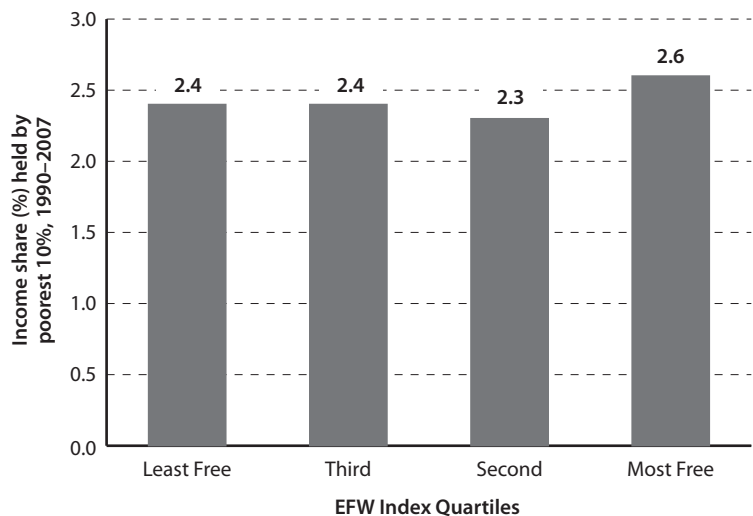
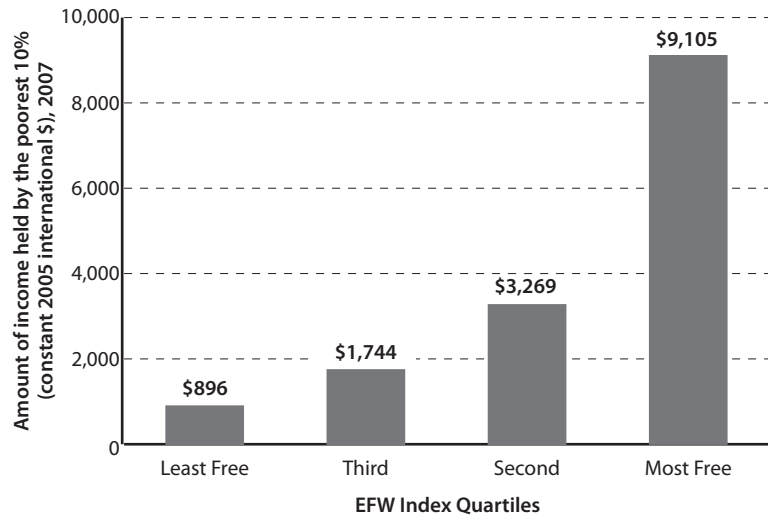


Exhibit 1.11: Economic Freedom and the Income Level of the Poorest 10%

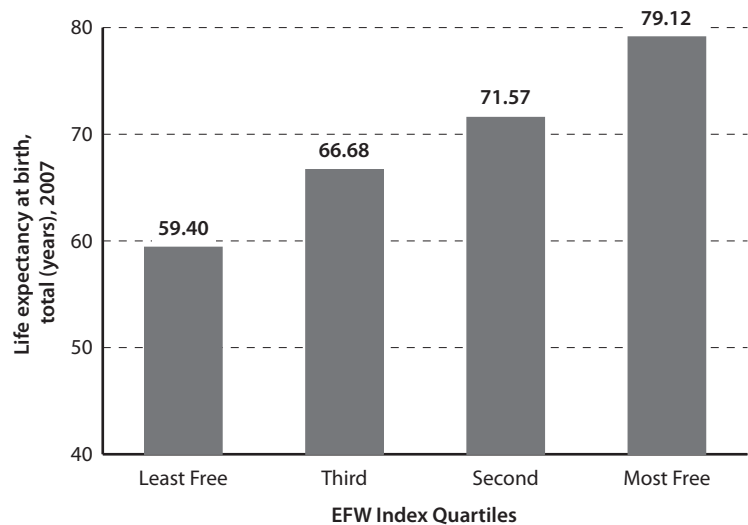
The amount per capita, as opposed to the share, of income going to the poorest 10% of the population is much greater in nations with the most economic freedom than it is in those with the least.

Sources: Fraser Institute; World Bank, *World Development Indicators*, <http://go.worldbank.org/U0FSM7AQ40>, <http://go.worldbank.org/1SF48T40L0>.

**Exhibit 1.12: Economic Freedom and Life Expectancy**

Life expectancy is over 20 years longer in countries with the most economic freedom than it is in those with the least.

Sources: Fraser Institute; World Bank, *World Development Indicators*, <http://go.worldbank.org/U0FSM7AQ40>, <http://go.worldbank.org/1SF48T40L0>.

**Exhibit 1.13: Economic Freedom and Environmental Performance**

Environmental stresses on human health are lower and ecosystem vitality is greater in countries with more economic freedom.

Note: Higher index values (out of 100) indicate greater environmental performance.

Sources: The Fraser Institute; Yale Center for Environmental Law and Policy (YCELPL) and Center for International Earth Science Information Network (CIESIN), Columbia University, with the World Economic Forum, and Joint Research Centre (JRC) of the European Commission, *2008 Environmental Performance Index*, <http://sedac.ciesin.columbia.edu/es/epi/>.

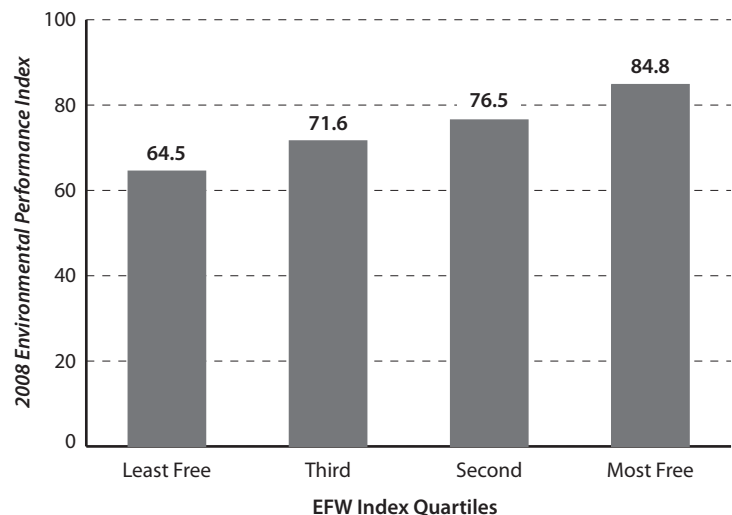


Exhibit 1.14: Economic Freedom and Corruption

With fewer regulations, taxes, and tariffs, economic freedom reduces the opportunities for corruption on the part of public officials.

Note: "CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt)."

Sources: Fraser Institute; Transparency International, *Corruption Perceptions Index 2007*, <http://www.transparency.org/policy_research/surveys_indices/cpi/2007/>.

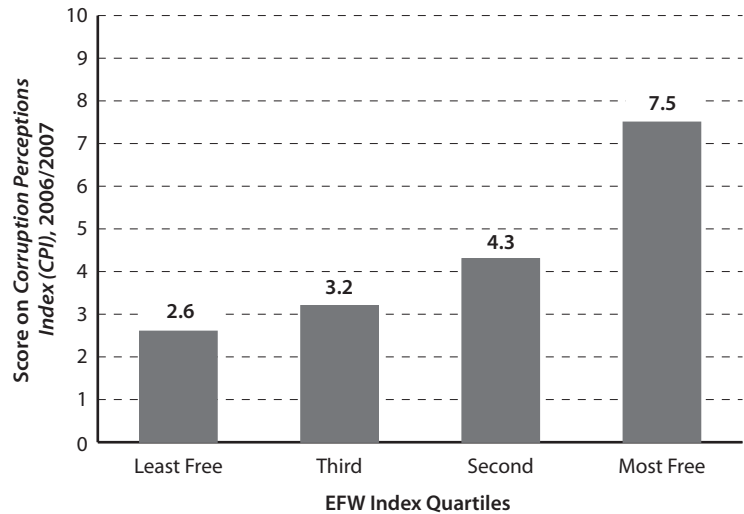


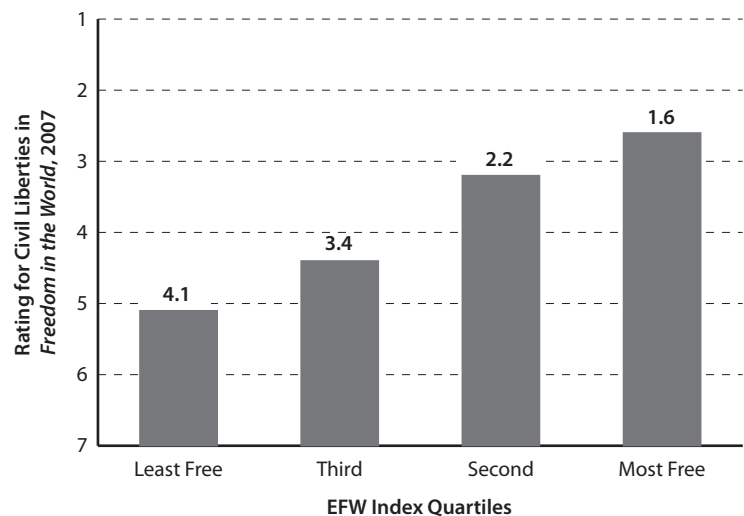
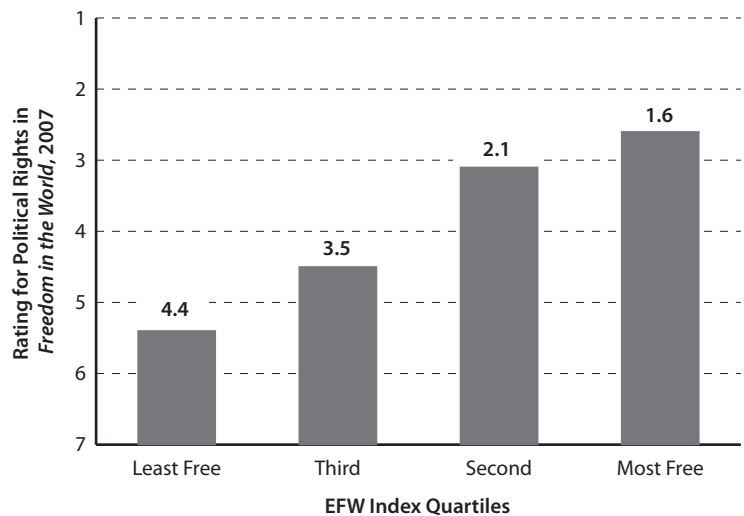
Exhibit 1.15: Economic Freedom and Political Rights and Civil Liberties

Political rights (e.g., free and fair elections) and civil liberties (e.g., freedom of speech) go hand in hand with economic freedom.

Note: Political rights and civil liberties are measured on a scale from 1 to 7: 1 = the highest degree of political rights and civil liberties; 7 = the lowest.

"The Freedom in the World survey provides an annual evaluation of the state of global freedom as experienced by individuals. The survey measures freedom—the opportunity to act spontaneously in a variety of fields outside the control of the government and other centers of potential domination—according to two broad categories: political rights and civil liberties. Political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organizations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate. Civil liberties allow for the freedoms of expression and belief, associational and organizational rights, rule of law, and personal autonomy without interference from the state." <<http://www.freedomhouse.org/template.cfm?page=35&year=2006>>

Sources: The Fraser Institute; Freedom House, *Freedom in the World Comparative and Historical Data*, <<http://www.freedomhouse.org/template.cfm?page=439>>.



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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 downloaded for free at <<http://www.freetheworld.com>>. The data file available there contains the most up-to-date and accurate data for the Economic Freedom of the World index. Some variable names and data sources have evolved over the years since the first publication in 1996; users should consult earlier editions of the *Economic Freedom of the World* annual reports for details regarding sources and descriptions for those years. All editions of the report are available in PDF and can be downloaded for free at <<http://www.freetheworld.com>>. However, users are always strongly encouraged to use the data from this most recent data file as updates and corrections, even to earlier years' data, do occur. Users doing long term or longitudinal studies are encouraged to use the chain-linked index as it is the most consistent through time. If you have problems downloading the data, please contact Jean-François Minardi via e-mail to <freetheworld@fraserinstitute.org> or via telephone +1.514.281.9550 ext. 306. If you have technical questions about the data itself, please contact Robert Lawson via e-mail to <rlawson@auburn.edu> or via telephone at +1.334.844.3007. Please cite the data set as:

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