# Economic Freedom of the World

## 2009 Annual Report

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**Robert Lawson** 

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with the assistance of Joshua Hall

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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 <freethewon@auburn.edu> or via telephone at +1.334.844.3007. Please cite the data set as:

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James Gwartney & Robert Lawson

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### **About the Contributors**

#### **Herbert Grubel**

Herbert Grubel is a Senior Fellow at the Fraser Institute and Professor of Economics (Emeritus), Simon Fraser University. He has a B.A. from Rutgers University and a Ph.D. in economics from Yale University. He has taught full time at Stanford University, the University of Chicago, and the University of Pennsylvania; and has had temporary appointments at universities in Berlin, Singapore, Cape Town, Nairobi, Oxford, and Canberra. Herbert Grubel was the Reform Party Member of Parliament for Capliano-Howe Sound from 1993 to 1997, serving as the Finance Critic from 1995 to 1997. He has published 16 books and 180 professional articles in economics dealing with international trade and finance and a wide range of economic policy issues.

#### Jakob de Haan

Jakob de Haan is Professor of Political Economy, University of Groningen, the Netherlands. He was Scientific Director of SOM, the graduate school and research institute of the faculty of Economics and Business of the University of Groningen between 1998 and 2009. He graduated from the University of Groningen, where he also got his Ph.D in 1989. He has published extensively on issues like public debt, monetary policy, central bank independence, political and economic freedom, and European integration. He is member of the editorial boards of *Public Choice* and *European Union Politics*, editor of the *European Journal of Political Economy*, and was President of the European Public Choice Society from 2005 to 2007. Professor de Haan has also been visiting professor at the Free University Berlin, Kiel Institute, and the University of Munich in Germany.

#### Jan-Egbert Sturm

Jan-Egbert Sturm is Professor of Applied Macroeconomics and Director of the KOF Swiss Economic Institute at the ETH Zurich in Switzerland. He received his Ph.D. at the University of Groningen, the Netherlands, in 1997. After graduation, he became researcher at the University of Groningen until 2001 and taught as Visiting Professor at the School of Business, Bond University, Gold Coast, Australia, in 2000 and 2005. He was Head of the Department for Economic Forecasting and Financial Markets at the Ifo Institute for Economic Research and Professor of Economics at the University of Munich (LMU) in Germany from 2001 to 2003. Between 2003 and 2005, Sturm was professor in Monetary Economics in Open Economies at the University of Konstanz, Germany, and Director of the Thurgau Institute of Economics (TWI) in Kreuzlingen, Switzerland, from 2003 to 2005. In his research, Jan-Egbert Sturm relies heavily on empirical methods and statistics, concentrating on monetary economics, macroeconomics, and political economy and with a special interest in fields that are closely related to practical and current problems.

#### **Eelco Zandberg**

Eelco Zandberg holds a B.Sc. degree in Economics from the University of Groningen and is currently Research Master student (profile: Economics and Econometrics) at the University of Groningen. He will be a Ph.D. student at the University of Groningen from September 1, 2009 onwards. In his master's thesis, he focuses on the political economy of economic reform.

## **About the Members of the Economic Freedom Network**

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#### About the Economic Freedom Network

If you have questions about the Economic Freedom Network, please contact Jean-François Minardi via e-mail to <freetheworld@fraserinstitute.org> or via telephone +1.514.281.9550 ext. 306.

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MOER, founded in 1991, is the country's lone free-market institute and continues to struggle to promote freemarket 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.

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#### Belgium Centre for the New Europe

#### Bolivia \* Fundación Libertad y Democracia (FULIDE)

The Fundación Libertad y Democracia 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, FULIDED seeks to reflect Bolivia's participation in the global economy. E-mail: fulide@fulide.org.bo; website: <hr/>

#### Brazil 🚸 Instituto Liberal do Rio de Janeiro

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Le Centre des Affaires Humaines (CEDAH) is a free-market educational and research public-policy think tank founded in December 2007 in Burkina Faso. The CEDAH is an independent, non-profit organization with no affiliations to any political party. It is financed entirely from contributions from individuals, organizations, and foundations. In order to protect its research independence, it does not accept grants from the government of Burkina Faso or political parties. The mission of CEDAH is to propose original and innovative solutions for the crafting of efficient public policies, using successful reforms applied elsewhere as models. The CEDAH studies how markets function with the aim of identifying the mechanisms and institutions that foster the prosperity and long-term welfare of all the individuals that make up our society. E-mail: info@cedahburkina.com; website: <http://www.cedahburkina.com>.

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#### 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 locations throughout North America 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.org; website: <a href="http://www.fraserinstitute.org">http://www.fraserinstitute.org</a>, <a href="h

#### Chile **Instituto Libertad y Desarrollo**

Instituto Libertad y Desarrollo is a private think-tank wholly independent of any religious, political, financial, or governmental groups. It is committed to the free market and to political and economic freedom. It publishes studies and analyses of public-policy issues. **\*** E-mail: clarroulet@lyd.org; website: <a href="http://www.lyd.com">http://www.lyd.com</a>.

#### Colombia Instituto Libertad y Progreso (ILP)

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#### Denmark • Center for Politiske Studier (CEPOS)

#### Dominican Republic • Fundación Economía y Desarrollo, Inc.

The Fundación Economía y Desarrollo, Inc. (FEyD) is a private, non-profit organization dedicated to fostering competitive markets, private enterprise, and strategies that promote economic development. To meet its objectives, FEyD has several regular publications in the most important newspapers in the country. It also produces a one-hour television program called "Triálogo," which is broadcast three times a week and explains studies of the performance of the Dominican economy and its sectors. **\*** E-mail: tachi46@hotmail.com.

#### Ecuador 🔹 Instituto Ecuatoriano de Economía Política

#### Estonia 🚸 International University Audentes

#### 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; website: <a href="http://www.libres.org">http://www.libres.org</a>>.

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

#### 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@freiheit.org; website: <hr/>

#### 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@ieaghana.org; 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: cien@cien.org.gt; website: <a href="http://www.cien.org.gt">http://www.cien.org.gt</a>>.

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

#### Hong Kong • Hong Kong Centre for Economic Research

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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)

#### 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

#### Indonesia The Institute for Development of Economics and Finance

E-mail: Indef@indo.net.id; website: <http://home.indo.net.id/~indef/>.

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#### Italy 🚸 Centro Einaudi

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

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#### Jordon Young Entrepreneurs Association

Email: director@yea.com.jo; website: <http://www.yea.com.jo>.

#### 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.  $\oplus$  E-mail: kimenyi@kippra.or.ke.

#### Korea Center for Free Enterprise

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#### 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.

#### Luxembourg D'Letzeburger Land

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#### 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

#### 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: djargal@yahoo.com; soyoloo@soros.org.mn; website: <a href="http://www.forum.mn">http://www.forum.mn</a>.

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

#### Nepal The Prosperity Foundation

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#### New Zealand The New Zealand Business Roundtable

#### Nigeria 🚸 Initiative of Public Policy Analysis

#### Norway \* Center for Business and Society Incorporated (Civita)

#### 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.

#### Pakistan 🚸 Alternate Solutions Institute

#### Palestine **•** Pal-Think for Strategic Studies

Pal-Think for Strategic Studies is an independent, non-profit, institute in Gaza, Palestine. It was established in March 2007. Pal-Think's mission is promote peace, freedom, and prosperity through debate on public issues, producing policy recommendations for the decision-makers in Palestine and the Middle East. The main objective of Pal-Think is to conduct research on thematic issues that serve as a basis for policy debates on matters that are important to the Palestinians, the region, and the international community.

#### 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: diablo@diablopty.com; website: <a href="http://www.fundacionlibertad.org.pa">http://www.fundacionlibertad.org.pa</a>.

#### Peru Centro de Investigación y Estudios Legales (CITEL)

#### 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: crcfi@info.com.ph; website: <a href="http://www.crc.org.ph">http://www.crc.org.ph</a>.

#### Poland 🚸 Centrum im. Adama Smitha

#### 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: <a href="http://www.causaliberal.net">http://www.causaliberal.et</a>.

#### Romania 🚸 Romania Think Tank

#### 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: <a href="http://www.iea.ru">http://www.iea.ru</a>.

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#### Slovak Republic 🚸 The F.A. Hayek Foundation

#### South Africa 🔹 The Free Market Foundation of Southern Africa

#### 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: info@pathfinderfoundation.org.

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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

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#### 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: <a href="http://www.cedice.org.ve"></a>.

#### Vietnam • Research Center for Entrepreneurship Development

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## **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. Forty-two data points are used to construct a summary index and to measure the degree of economic freedom in five broad areas:

- 1 Size of Government: Expenditures, Taxes, and 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.

#### Economic freedom has grown considerably in recent decades

- The chain-linked summary index (exhibit 1.4) permits comparison over time. The average economic freedom score rose from 5.55 (out of 10) in 1980 to 6.70 in 2007, the most recent year for which data are available.
- Of the 103 nations with chain-linked scores going back to 1980, 92 saw an improved score and 11 saw a decrease.
- 12 nations increased their score by more than 2.50 points since 1980, though most started from a very low base. With the increase noted in parentheses, they are: Ghana (3.69), Uganda (3.31), Israel (3.24), Jamaica (2.80), Peru (2.78), Hungary (2.66), El Salvador (2.54), Mauritius (2.52), Nigeria (2.52), Iran (2.51), Nicaragua (2.51), and Chile (2.50).
- Only three nations decreased their score by more than one point, Zimbabwe (-2.33), Venezuela (-2.26), and Myanmar (-1.58).
- In this year's index, Hong Kong retains the highest rating for economic freedom, 8.97 out of 10. The other top 10 nations are: Singapore (8.66), New Zealand (8.30), Switzerland (8.19), Chile (8.14), the United States (8.06), Ireland (7.98), Canada (7.91), Australia (7.89), and the United Kingdom (7.89)
- The rankings of other large economies are Germany, 27 (7.50), Japan 30 (7.46), France 33 (7.43), Italy 61 (6.95), Mexico 68 (6.85), Russia 83 (6.50), China 82 (6.54), India 86 (6.45), and Brazil 111 (6.00),
- Eight of the nations in the bottom 10 are African. The other two nations are Venezuela and Myanmar. The ten nations are: Zimbabwe (2.89), Myanmar (3.69), Angola (4.04), Venezuela (4.33), Republic of the Congo (4.44), Central African Republic (4.79), Guinea-Bissau (4.84), Democratic Republic of the Congo (5.00), Chad (5.09), and Niger (5.11).

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

- Nations in the top quartile of economic freedom had an average per-capita GDP of \$32,443 in 2007, compared to \$3,802 for those nations in the bottom quartile in constant 2005 international dollars. (Exhibit 1.6)
- The top quartile has an average per-capita economic growth rate of 2.4%, compared to 0.9% for the bottom quartile. (Exhibit 1.7)
- In the top quartile, the average income of the poorest 10% of the population was \$9,105, compared to \$896 for those in the bottom quartile, in constant 2005 international dollars. (Exhibit 1.11)
- Life expectancy is 79 years in the top quartile compared to 59 years in the bottom quartile. (Exhibit 1.12)
- Nations in the top quartile, have an average score of 84.8 out of 100 for environmental performance while those in the bottom quartile have an average score of 64.5. (Exhibit 1.13)
- Nations in the top quartile have an average score of 7.5 for corruption on a scale of 1 to 10, where 10 marks the lowest level, while those in the bottom quartile have an average score of 2.6. (Exhibit 1.14)
- Nations in the top quartile have an average score of 1.6 for political rights on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.4. (Exhibit 1.15)
- Nations in the top quartile have an average score of 1.6 for civil liberties on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.1. (Exhibit 1.15)

#### Economic Freedom of the World, 2007

Chapter 1 provides an overview of the economic freedom of the world project and the results of this report. It also reviews some causes of the current economic crisis and looks back at the Great Depression, examining briefly some of the policy responses—monetary contraction, trade restrictions, and increased government spending and taxation—that, perversely, prolonged that economic downturn. It warns against repeating similar mistakes.

#### The Impact of Financial and Economic Crises on Economic Freedom

Chapter 3 reviews the impact of banking crises, and their negative economic impact, on economic freedom. While the study finds that economic freedom may decline in the short term in response to crises, the results also indicate that, over a longer time, economic freedom had a tendency to increase after a banking crisis. As this case study shows, in Norway and Sweden the banking crisis did not distract these countries from continuing with their market-based reform policies.

The econometric results for changes in the level of economic freedom based on observations at 5-year intervals from 1970 to 2005 suggest that countries that had a banking crisis in the previous period increased their level of economic freedom. This result stands in sharp contrast to the chapter's findings for the sample of annual observations over the period from 2001 to 2006 that suggest that in the short term a banking crisis lowers economic freedom.

However, the authors warn that, due to the global nature of the current crisis, their results may underestimate the impact of the crisis on economic freedom. In other words, evidence based on previous crises may not capture the impact of the current crisis fully. As most countries in the world are in a serious economic downturn at the same time, the authors caution that it will be much harder to get out of this recession.

#### The Effects of American Recession-Fighting Policies on Economic Freedom

The third chapter examines the recession-fighting policies of the US government and concludes that many policy responses will reduce the country's overall level of economic freedom in, at least, the short-term, through the following mechanisms.

- Monetary policy will likely cause inflation.
- The fiscal-stimulus package will likely result in unprecedented levels of deficits and interest payments that reduce the amount of credit going to the private sector.
- Federal spending on infrastructure, social programs, and transfers to the states will increase government consumption and transfers, lead to more regulation and, in some cases, encroach on state responsibilities, damaging the integrity of the legal system.
- Bailout policies involve changes in existing rules, damaging property rights, the integrity of the legal system, and the legal enforcement of contracts.
- Other measures, or proposed measures, that will reduce economic freedom include higher marginal incometax rates, increased regulation of the financial and manufacturing industries, and increased regulation related to the cap-and-trade system.

The policy implications of these findings are simple, the author argues. Since reductions in economic freedom lower economic growth and the overall well-being of Americans, the policies should be evaluated in the light of these costs when they are undergoing detailed design, are implemented, and when they are reviewed in the future.

#### 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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