



CENTRE FOR CIVIL SOCIETY

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PRESS RELEASE

India rated 6.45 for economic freedom but likely to drop as governments respond to global recession

NEW DELHI, INDIA— INDIA ranked 86, in the *Economic Freedom of the World: 2009 Annual Report*, released today by CENTRE FOR CIVIL SOCIETY (CCS).

Last year India ranked 77.

“Rich are getting richer and poor are becoming poorer!” is now a common refrain in India in any discussion on economic reforms. Since 1991, India has undergone a great deal of liberalization internally and externally. Many feel that the gains of this liberalization and globalization have not accrued to the poor. The reason is simple: the areas in which the middle and upper classes make their living have seen the highest degree of liberalization, while the areas in which the poor earn their livelihood have seen the fewest reforms.

Unequal distribution of Economic Freedom is at the basis of India's uneven development. The government must first remove all hurdles by applying the Livelihood Freedom Test. Test all existing rules and regulations for their impact on the freedom to earn an honest living. Does any law restrict opportunities for any person to earn a living, particularly in a profession that requires little capital or skills? If so, then Review, Revise, or Remove. With the higher degree of economic freedom, we would achieve more equitable and inclusive growth,” said Dr Parth J Shah, President, CCS.

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

“Economic freedom is vitally important to building prosperity and reducing poverty so the finding that it may increase in the long run following a financial crisis is good news,” said Dr Parth J Shah, President, CCS.

The report ranks Hong Kong number one, followed by Singapore then New Zealand. Zimbabwe once again has the lowest level of economic freedom among the 141 jurisdictions included in the study, followed by Myanmar, Angola, and Venezuela. The 2009 report is based on data from 2007, the most recent year for which comprehensive data available.

The annual peer-reviewed Economic Freedom of the World report is produced by the Fraser Institute, Canada's leading economic think tank, in cooperation with independent institutes in 75 nations and territories.

The Economic Freedom of the World report uses 42 different measures to create an index ranking countries around the world based on policies that encourage economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of private property. Economic freedom is measured in five different areas: (1) size of government; (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor and business.

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Research shows that individuals living in countries with high levels of economic freedom enjoy higher levels of prosperity, greater individual freedoms, and longer life spans. This year's report also contains new research showing the impact of the global recession on levels of economic freedom.

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

The full report is available at www.freetheworld.com

INDIA scores in key components of economic freedom (from 1 to 10 where a higher value indicates a higher level of economic freedom):

- Size of government: changed to 6.98 from 7.14 in the last year's report
- Legal structures and security of property rights: changed to 5.94 from 6.12
- Access to sound money: changed to 6.71 from 6.7
- Freedom to trade internationally: changed to 6.67 from 6.82
- Regulation of credit, labour and business: changed to 5.95 from 6.17

International Rankings

In this year's main index, Hong Kong retains the highest rating for economic freedom, 8.97 out of 10. The other top scorers are: Singapore (8.66), New Zealand (8.30), Switzerland (8.19), Chile (8.14), United States (8.06), Ireland (7.98), Canada (7.91), Australia tied with the United Kingdom (7.89), and Estonia (7.81).

The rankings and scores of other large economies include Taiwan, tied for 16th with Finland and Mauritius (7.62); (Germany, 27 (7.50); Japan, 28 (7.46); South Korea, 32 (7.45); France 33 (7.43); Spain, 39 (7.32); Sweden, 40 (7.28); Italy, 61 (6.95); Mexico, 68 (6.85); Israel, 78 (6.69), China, 82 (6.54), Russia, 83 (6.50), India, 86 (6.45); Argentina, 105 (6.10), and Brazil, 111 (6.00).

Several countries have substantially increased their ratings and improved their relative levels of economic freedom during the past decade. Estonia has increased by nearly 2.0 since 1995 and it is now one of the freest economies in the world, ranking 11th overall. Lithuania and Latvia have increased their ratings by similar magnitudes since 1995 and their 2007 ratings are now 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 with ratings of 6.97 and 7.16, respectively.

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 while Argentina has declined by 0.80 since 1995. During the same period, the ratings for Malaysia and the Philippines have also fallen. Since 2000, the rating of Venezuela has declined by more than 1.5, down to 4.07. During the same period, Nepal's rating dropped to 5.18 from 5.62. The United States has also declined by almost seven-tenths of a point to 7.88 from 8.55 in 2000, which has sent the accompanying ranking down to 7th from 2nd in 2000.

Economic Freedom and the Global Recession

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

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

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

“The short-term response of governments will almost surely reduce economic freedom but history shows that this need not be the case over the long term. Several countries that have experienced financial crises have moved toward greater economic freedom in subsequent years. The impact on economic freedom depends on what we learn from the crisis. Will we move toward institutions and policies more consistent with economic freedom? Or will we politicize, micromanage, and expand the size and role of government? If we choose to follow the latter route, our destiny will be like the generation of 1930; we will face a lost decade of stagnation and decline.”

About the Economic Freedom Index

Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom.

This year’s publication ranks 141 nations representing 95% of the world’s population for 2008, the most recent year for which data are available. The report also updates data in earlier reports in instances where data have been revised.

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

Centre for Civil Society (CCS)

CCS is an independent, non-profit, research and advocacy organization devoted to improving the quality of life for all citizens of India by reviving and reinvigorating civil society. But we don’t run primary schools, or health clinics, or garbage collection programs. We do it differently: we try to change people’s ideas, opinions, and mode of thinking by research, seminars, and publications. We champion limited government, rule of law, free trade, and individual rights. We are a resource for innovative community and market based ideas for critical public policy issues facing India today, particularly in areas of education, livelihood, governance and environment. By bringing these ideas to current and future leaders, CCS is advancing opportunity and prosperity for all Indians.

For further details: www.ccs.in

The full report is available at: <http://www.freetheworld.com/release.html>

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