



CENTRE FOR CIVIL SOCIETY

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PRESS RELEASE

Recession caused global decrease in economic freedom; India rated 6.51 overall

DELHI, INDIA— INDIA ranked 87, in the *Economic Freedom of the World: 2010 Annual Report*, released today by the Centre for Civil Society

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 shows that economic freedom experienced its first global downturn in a quarter century, with the average score falling to 6.67 in 2008 (the most recent year for which data is available) from 6.74 in 2007. Of the 123 countries with economic freedom rankings dating back to 1980, 88 (71.5 per cent) saw their rankings decrease while only 35 (28.5 per cent) recorded increases.

“In response to the economic decline of 2008, many countries opted for perverse credit expansion and regulatory policies, damaging economic freedom and hindering future growth,” said Dr Parth J Shah, President, CCS.

“Even in the wake of recession, the quality of life in nations with free and open markets is vastly superior to that of countries with government-managed economies.”

The report ranks Hong Kong number one, followed by Singapore and 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 annual peer-reviewed *Economic Freedom of the World* report is produced by the Fraser Institute, Canada’s leading public policy think-tank, in cooperation with independent institutes in 80 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 economic freedom on rates of unemployment and homicide.

"Commitment to economic freedom is a common theme among the world's most prosperous nations. While residents of these countries enjoy the highest standards of living and the most personal freedoms, people in countries at the bottom of the rankings are typically impoverished and subject to oppressive governments that recognize few—if any—individual rights or freedoms," said Dr Parth J Shah.

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 6.84 from 6.98 in the last year's report
- Legal structures and security of property rights: changed to 5.93 from 5.94
- Access to sound money: changed to 6.69 from 6.71
- Freedom to trade internationally: changed to 6.79 from 6.67
- Regulation of credit, labour and business: changed to 6.31 from 5.95

International Rankings

Hong Kong maintains the highest level of economic freedom worldwide, with a score of 9.05 out of 10. The other top scorers are Singapore (8.70), New Zealand (8.27), Switzerland (8.08), Chile (8.03), the United States (7.96), Canada (7.95), Australia (7.90), Mauritius (7.82), and the United Kingdom (7.81).

The rankings and scores of other large economies include Taiwan, 22nd (7.48); Germany, tied with Japan and Kuwait in 24th (7.46); France, 35th (7.32); South Korea, tied with Sweden in 37th (7.28); Spain, tied with Iceland and Honduras in 39th (7.26); Italy, tied with Montenegro and Poland in 66th (6.90); Mexico, 69th (6.89); China, tied with South Africa in 82nd (6.65); Russia, 84th (6.62); India, tied with Croatia and Moldova in 87th (6.51); Brazil, tied with Madagascar in 102nd (6.18); and Argentina, 114th (5.59).

Zimbabwe maintains the lowest level of economic freedom among the 141 jurisdictions analyzed, followed by Myanmar, Angola, and Venezuela.

Several countries have substantially lifted their scores and improved their relative levels of economic freedom over the past three decades. Ghana saw the biggest increase in this year's report, climbing to a score of 7.17 from 3.27 in 1980, followed by Uganda, which rose to 7.15 from 3.42; Peru, which jumped to 7.36 from 4.27; Israel, which increased to 6.86 from 3.79; and Turkey, which climbed to 6.91 from 3.95.

Over the same period, economic freedom has steadily regressed in many other countries. Venezuela fell to 4.35 in 2008 from a score of 6.29 in 1980, while Zimbabwe dropped to 3.57 from 4.93, Myanmar to 3.49 from 4.84, Malaysia to 6.71 from 7.07, and Nepal to 5.44 from 5.75.

Economic Freedom and Unemployment, Homicide

This year's report includes new research examining the impact of economic freedom on rates of unemployment. The results suggest that high levels of economic freedom lead to reduced joblessness. Denmark, for example, increased its economic freedom score to 7.8 in 2007 from 6.5 in 1980, causing a marked improvement in the Danish labor market and an estimated reduction in unemployment rate between 1.0 and 1.3 percentage points over the period.

"Given the substantial costs of unemployment and the enormous number of jobless people worldwide, governments should consider increasing economic freedom as a means of reducing unemployment, particularly in the wake of the global recession," said Dr Parth J Shah.

The report also examines the effect of economic freedom on rates of homicide in Venezuela, Colombia, South Africa, Latvia, and Lithuania. The results suggest that increases in economic freedom lead to decreases in homicides.

"Markets foster better cooperation among the citizenry, as reflected in the negative correlation between rates of economic freedom and homicide," said Dr Parth J Shah.

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. The 2010 report was prepared by James Gwartney, Gus A. Stavros Eminent Scholar Chair at Florida State University; Robert A. Lawson, Auburn University; and Joshua Hall, Beloit College.

This year's publication ranks 141 nations representing 95% of the world's population for 2008, the most recent year for which data is 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)

Established on 15 August 1997, the Centre for Civil Society (CCS) is an independent, non-profit public policy think tank devoted to improving the quality of life for all citizens of India by reviving and reinvigorating civil society. Through its award winning programs, CCS is a resource for innovative community and market based ideas for sound public policy solutions, particularly in the 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.

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