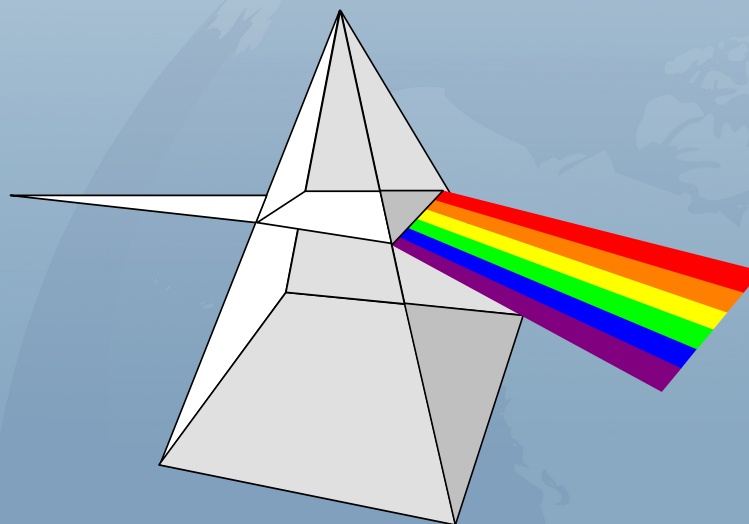


# **Economic Freedom of the World: 2011 Annual Report**





# Economic Freedom of the World Project



- Objective: find a way to measure economic freedom and explore the connection between it and other variables
- 25 year project
- Led by the late Milton Friedman and Rose Friedman, and Michael Walker
- Involved 60 of the world's top scholars, including three Nobel Laureates



# What is the Economic Freedom of the World Index?



- An annual compilation of data representing factors which make a country economically free
- Authors: James Gwartney, Robert Lawson, and Joshua Hall
- A compendium of 42 government policies affecting economic freedom based on objective data or independent surveys
- A ranking of 141 countries representing 95% of the world's population according to the extent to which they permit their citizens to be economically free
- Now a collaboration of Institutes in 85 nations and territories



# What is Economic Freedom



Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. An index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions.

**James Gwartney et al. 1996**



# Components of the Economic Freedom of the World Index



- Size of government and taxation
- Private property and the rule of law
- Soundness of money
- Trade regulation and tariffs
- Regulation of business, labour and capital markets



# **The EFW Network is a collaboration of 85 Countries**





# Member Institutes of Economic Freedom of The World Network



Afghanistan Economic and Legal Studies Organization (AELSO), Afghanistan  
Albanian Center for Economic Research (ACER), Albania  
Fundación Libertad, Argentina  
Centre of Political, Legal and Economic Researches and Forecasting (PLERF), Armenia  
Institute of Public Affairs, Australia  
TIGRA®, Austria  
Center for Economic and Political Research, Azerbaijan  
The Nassau Institute, Bahamas  
Making Our Economy Right (MOER), Bangladesh  
Scientific Research Mises Center, Belarus  
Centre for the New Europe, Belgium  
Políticas Públicas para la Libertad (POPULI), Bolivia  
Instituto Liberal do Rio de Janeiro, Brazil  
Institute for Market Economics, Bulgaria  
Le Centre des Affaires Humaines (CEDAH), Burkina Faso  
The Cambodia Institute of Development Study, Cambodia  
Instituto Libertad y Desarrollo, Chile  
Center for China & Globalization, China  
Instituto de Ciencia Política, Colombia  
Instituto para la Libertad y el Análisis de Políticas, Costa Rica  
Audace Institut Afrique, Côte d'Ivoire  
The Institute of Economics, Croatia  
Liberální Institut, Czech Republic  
Center for Politiske Studier (CEPOS), Denmark  
Fundación Economía y Desarrollo Inc, Dominican Republic  
Instituto Ecuatoriano de Economía Política, Ecuador  
Institut Economique Molinari, France  
Society for Disseminating Economic Knowledge: New Economic School, Georgia

Liberales Institut, Germany  
The Institute of Economic Affairs, Ghana  
Centro de Investigaciones Económicas Nacionales, Guatemala  
InafEcon-Institute of African Economics, Guinea  
Institut de Recherche pour la Liberté Economique et la Prospérité (IRLEP), Haiti  
Centro de Investigaciones Economicas y Sociales (CIES), Honduras  
Hong Kong Centre for Economic Research, Hong Kong  
Szazadveg Foundation, Hungary  
Centre for Social and Economic Research (RSE), Iceland  
Centre for Civil Society, India  
The Institute for Development of Economics and Finance, Indonesia  
Open Republic Institute, Ireland  
Jerusalem Institute for Market Studies, Israel  
Centro Einaudi, Italy  
Young Entrepreneurs Association, Jordan  
Central Asian Free Market Institute, Kazakhstan  
African Research Center for Public Policy and Market Process, Kenya  
Center for Free Enterprise, Korea  
Group for Legal and Political Studies, Kosovo  
Economic Policy Institute-Bishkek Consensus, Kyrgyz Republic  
Lithuanian Free Market Institute, Lithuania  
D'Letzeburger Land, Luxembourg  
Institute for Democracy and Economic Affairs (IDEAS), Malaysia  
Centro de Investigación para el Desarrollo A.C., Mexico  
Open Society Forum, Mongolia  
The Center for Entrepreneurship and Economic Development, Montenegro  
The Prosperity Foundation, Nepal  
The New Zealand Business Roundtable, New Zealand

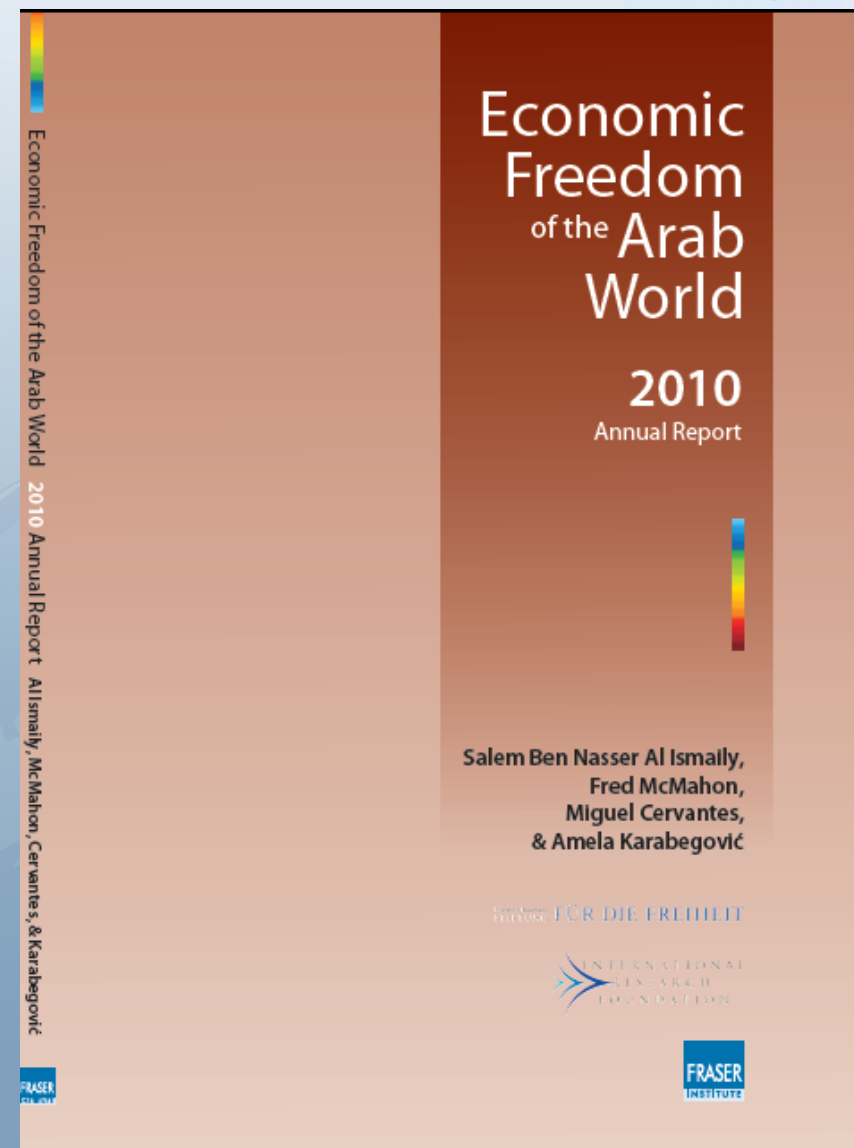
Initiative for Public Policy Analysis, Nigeria  
Center for Business and Society Incorporated (Civita), Norway  
International Research Foundation (IRF), Oman  
Alternate Solutions Institute, Pakistan  
Pal-Think for Strategic Studies, Palestine  
Fundación Libertad, Panama  
Centro de Investigación y Estudios Legales (CITEL), Peru  
The Center for Research and Communication, Philippines  
Centrum im. Adama Smitha, Poland  
Causa Liberal, Portugal  
Romania Think Tank, Romania  
Institute of Economic Analysis, Russia  
Free Market Center (FMC), Serbia  
The F.A. Hayek Foundation, Slovak Republic  
The Free Market Foundation of Southern Africa, South Africa  
Fundacio Catalunya, Spain  
Pathfinder Foundation, Sri Lanka  
Nile Institute of Economic Studies, Sudan  
Timbro, Sweden  
Liberales Institut, Switzerland  
Tajikistan Free Market Centre, Tajikistan  
Arthur Lok Jack Graduate School of Business, The University of the West Indies, Trinidad and Tobago  
Association for Liberal Thinking, Turkey  
The Ukrainian Center for Independent Political Research, Ukraine  
The Institute of Economic Affairs (IEA), United Kingdom  
CATO Institute, USA  
The Centre for the Dissemination of Economic Knowledge (CEDICE), Venezuela  
Research Center for Entrepreneurship Development, Vietnam  
Zambia Institute for Public Policy Analysis (ZIPPA), Zambia



# **Translations and Sub-national and Regional Indices**

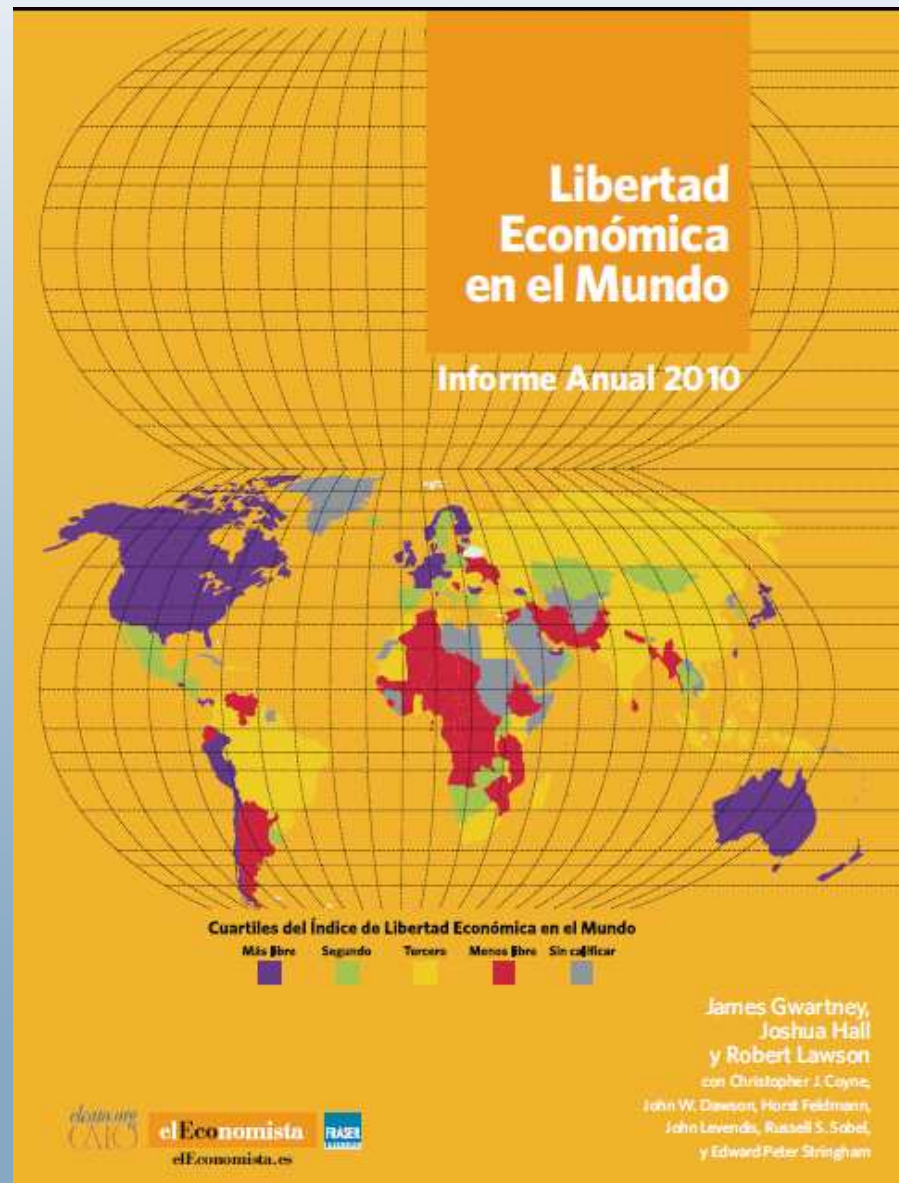


# Economic Freedom of the Arab World





# Economic Freedom of the World: Spanish





# Economic Freedom of the German Bundesländern





# Marketization Index of Chinese Provinces





# Economic Freedom Index of Indian States





# Economic Freedom Index of Argentinean Provinces





# Economic Freedom of Latin America



## Reporte de Libertad Económica para América Latina 2009 - 2010



Basado en Datos de América Latina del  
*Índice de Libertad Económica: Informe Mundial 2009*

Friedrich Naumann  
STIFTUNG FÜR DIE FREIHEIT





# Economic Freedom of Francophonie





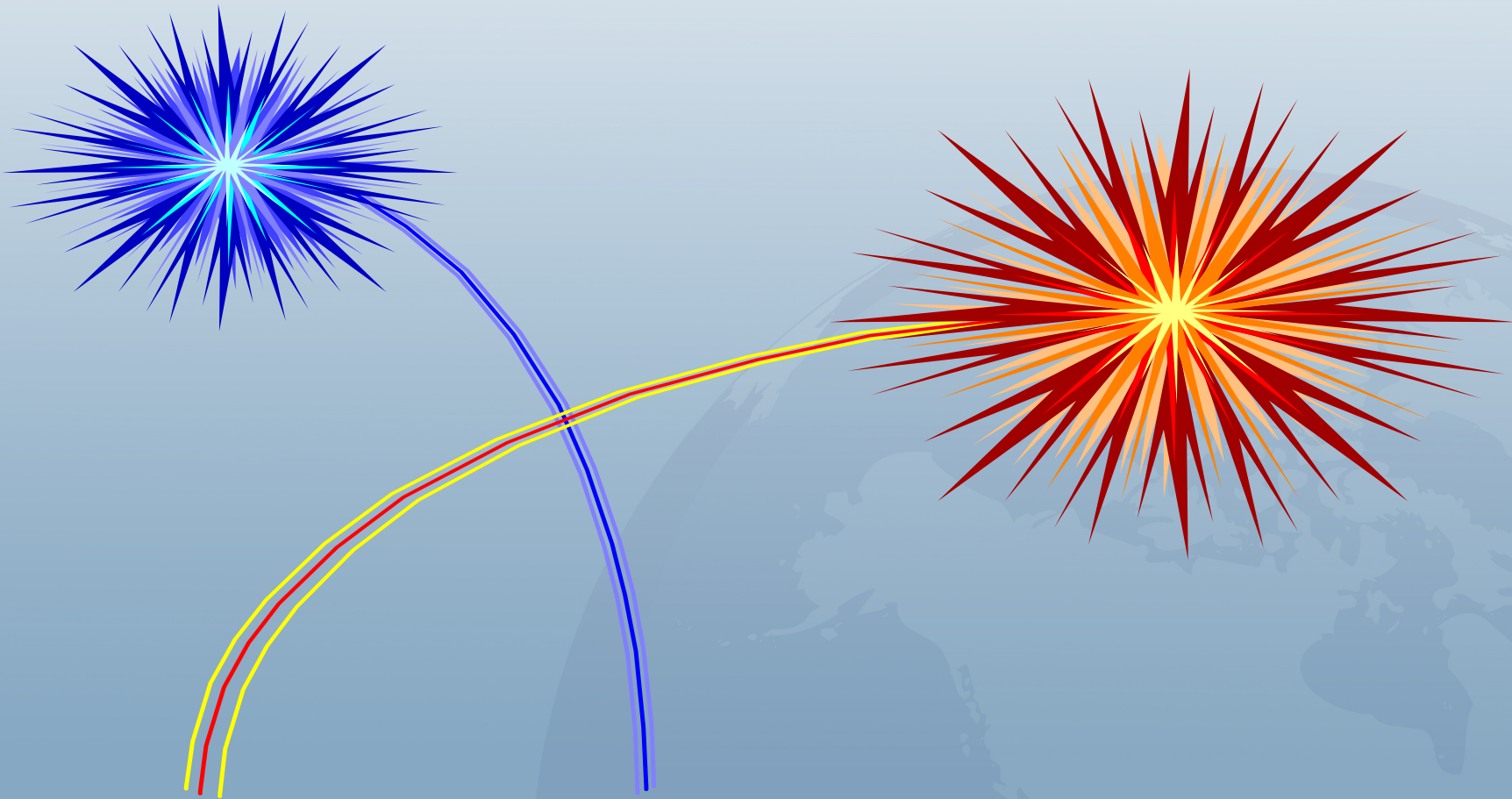
# Economic Freedom of North America

**FRASER**  
INSTITUTE





# Introducing the 2011 Economic Freedom of the World Index Results





# Economic Freedom of the World

The key ingredients of economic freedom are choice, voluntary exchange, freedom to compete, and protection of persons and property. The Index published in Economic Freedom of the World provides the most comprehensive measure of economic freedom available.

## Economic freedom shrinks and new threats appear

Average economic freedom rose from 5.53 (out of 10) in 1980 to 6.74 in 2007. It then fell for two consecutive years, resulting in a score of 6.64 in 2009, the most recent year of data available. It appears that responses to the economic crisis have reduced economic freedom in the short term, and perhaps prosperity over the long term.

## Benefits of a economic freedom

Nations in the top quartile of economic freedom had an average per-capita GDP of \$31,501 in 2009, compared to \$4,545 for bottom quartile nations (in constant 2005 international dollars). In the top quartile, the average income of the poorest 10% was \$8,735, compared to \$1,061 in the bottom.

## Theme chapters

### What Matters for Development: Freedom or Entitlement?

Jean-Pierre Chaufour, Lead Economist, Middle East and North Africa Region, World Bank, examines policies that promote "freedom" compared to "entitlement." Chaufour's empirical findings suggest that fundamental freedoms are paramount in explaining long-term growth. Countries that favor free choice achieve higher sustainable economic growth and the distinctive proximate characteristics of success identified by the Commission on Growth and Development. In contrast, pursuing entitlement rights through greater coercion by the state is likely to be self-defeating in the long run.

### Does Economic Freedom Promote Women's Well-being?

Michael D. Stroup, Stephen F. Austin State University, examines the impact of economic freedom on women's well-being. He finds, among other favorable outcomes, that a one-point increase in the average EFW Index is associated with:

- a decline in the UNDP Gender Inequality (GI) index of 0.03;
- a decline in the maternal death rate by 131 women per 100,000 births;
- an increase in female representation within the national legislative branch by over two parliamentary seats;
- an increase of almost five percentage points in the percentage of women with a secondary education.

The Index published in Economic Freedom of the World uses reproducible measures appropriate for peer-reviewed research. It has been cited in over 350 academic articles and 100 books. The dataset and other material is available at [freetheworld.com](http://freetheworld.com).



Printed and bound in Canada

## 2011 Annual Report

With co-publishers from 85 nations and territories

Afghanistan - Afghanistan Economic and Legal Studies Organization (AELSO)  
 Albania - Albanian Center for Economic Research (ACER)  
 Argentina - Fundación Libertad  
 Armenia - Centre of Political, Legal and Economic Research and Forecasting  
 Australia - Institute of Public Affairs  
 Austria - TIGRA  
 Azerbaijan - Center for Economic and Political Research  
 Bahamas - The Nassau Institute  
 Bangladesh - Making Our Economy Right (MOER)  
 Belgium - Centre for the New Europe  
 Bolivia - POPULI  
 Brazil - Instituto Liberal do Rio de Janeiro  
 Bulgaria - Institute for Market Economics  
 Burkina Faso - Le Centre des Affaires Humaines (CEAH)  
 Cambodia - The Cambodia Institute of Development Study  
 Canada - The Fraser Institute  
 Chile - Instituto Libertad y Desarrollo  
 China - Center for China & Globalization  
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 Hong Kong - Hong Kong Centre for Economic Research  
 Hungary - Szabadeg Foundation  
 Iceland - Centre for Social and Economic Research (ISE)  
 India - Centre for Civil Society  
 Indonesia - The Institute for Development of Economics and Finance  
 Ireland - Open Republic Institute  
 Israel - Jerusalem Institute for Market Studies  
 Italy - Centro Etnico  
 Jordan - Young Entrepreneurs Association  
 Kazakhstan - Central Asian Free Market Institute  
 Kenya - African Research Centre for Public Policy and Market Process  
 Korea - Center for Free Enterprise  
 Kosovo - Group for Legal and Political Studies  
 Kyrgyz Republic - Economic Policy Institute-Bishkek Consensus  
 Lithuania - Lithuanian Free Market Institute  
 Luxembourg - D'Almeida Institute  
 Malaysia - Institute for Democracy and Economic Affairs (IDEAS)  
 Mexico - Centro de Investigación para el Desarrollo A.C.  
 Mongolia - Open Society Forum  
 Montenegro - The Center for Entrepreneurship and Economic Development  
 Nepal - The Prosperity Foundation  
 New Zealand - The New Zealand Business Roundtable  
 Nigeria - Initiative for Public Policy Analysis  
 Norway - Center for Business and Society Incorporated (Cvita)  
 Oman - International Research Foundation (IRF)  
 Pakistan - Alamas Solutions Institute  
 Palestine - Pal-Think for Strategic Studies  
 Panama - Fundación Libertad  
 Peru - Centro de Investigación y Estudios Legales (CIEL)  
 Philippines - The Center for Research and Communication  
 Poland - Centrum im. Adama Smitha  
 Portugal - Casa Liberal  
 Rwanda - Rwanda Think Tank  
 Russia - Institute of Economic Analysis  
 Serbia - Free Market Center (FMC)  
 Slovak Republic - The F.A. Hayek Foundation  
 South Africa - The Free Market Foundation of Southern Africa  
 Spain - Fundació Catalana  
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 Vietnam - Research Center for Entrepreneurship Development  
 Zambia - Zambia Institute for Public Policy Analysis (ZIPPA)

Economic Freedom of the World 2011 Annual Report Gwartney, Lawson, & Hall



Most Free  
 2nd Quartile  
 3rd Quartile  
 Least Free

# Economic Freedom of the World

## 2011 Annual Report

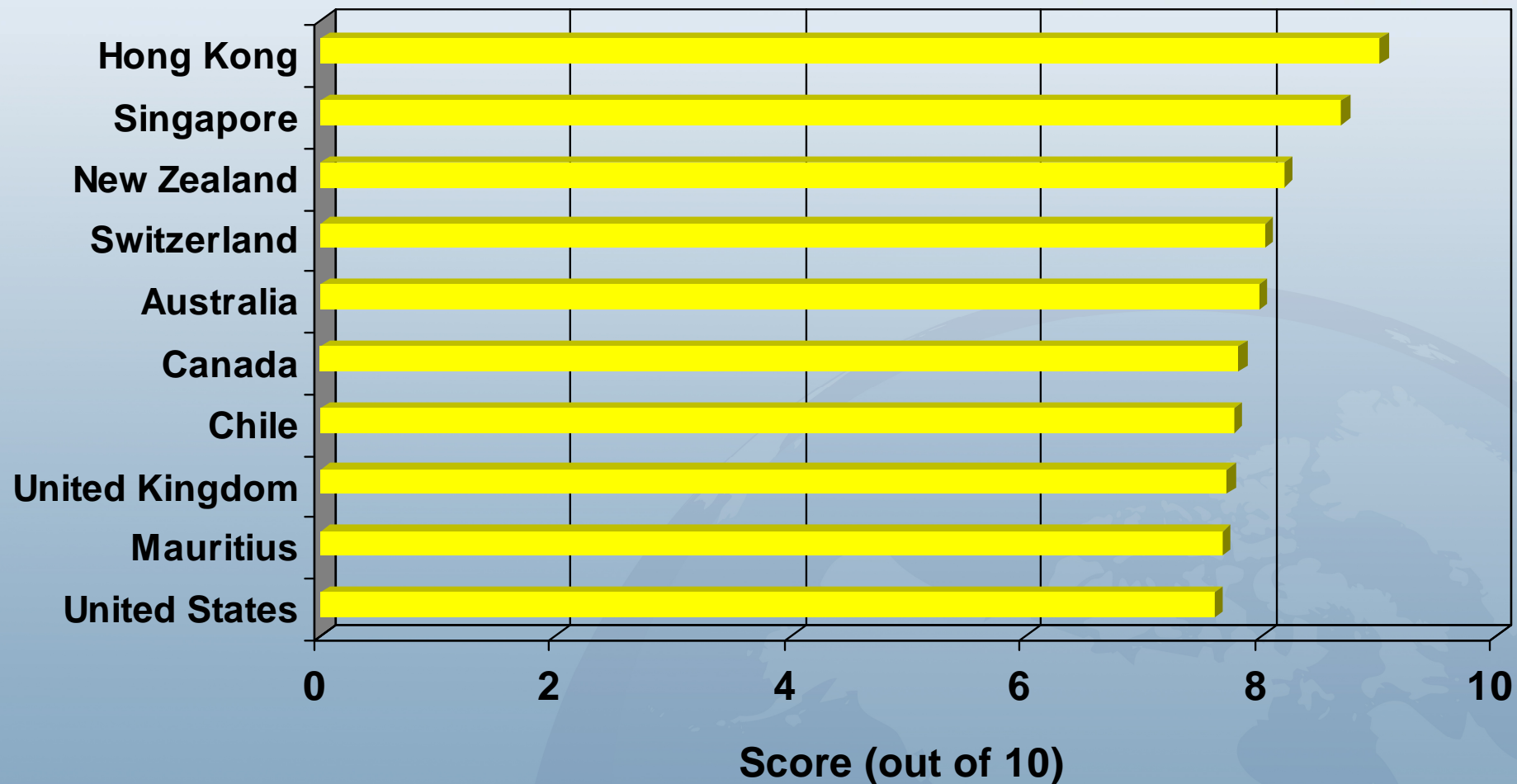
James Gwartney,  
 Robert Lawson,  
 & Joshua Hall

with Jean-Pierre Chaufour  
 & Michael D. Stroup





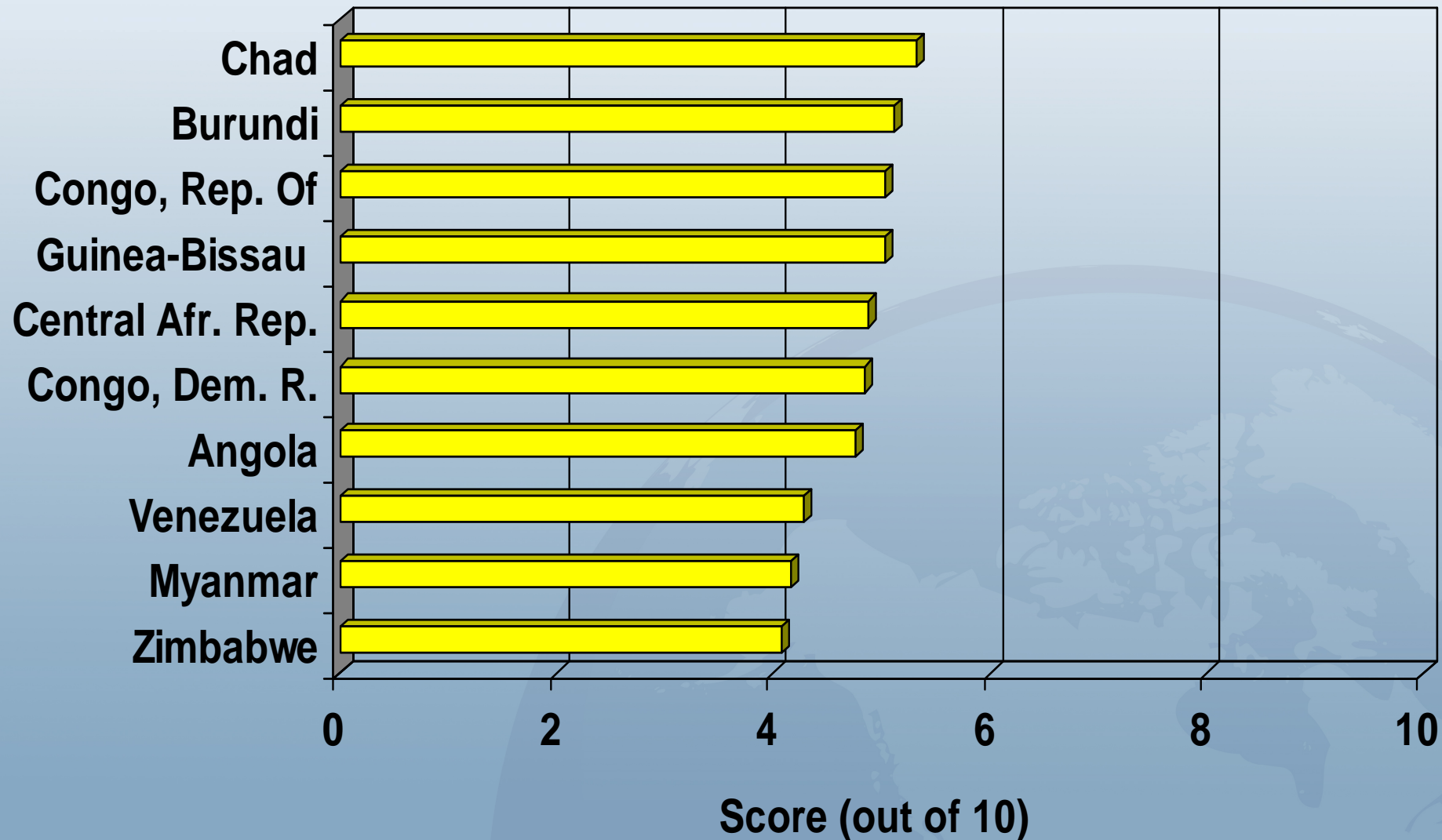
# Overall Economic Freedom Index and the Top 10



Source: The Fraser Institute.



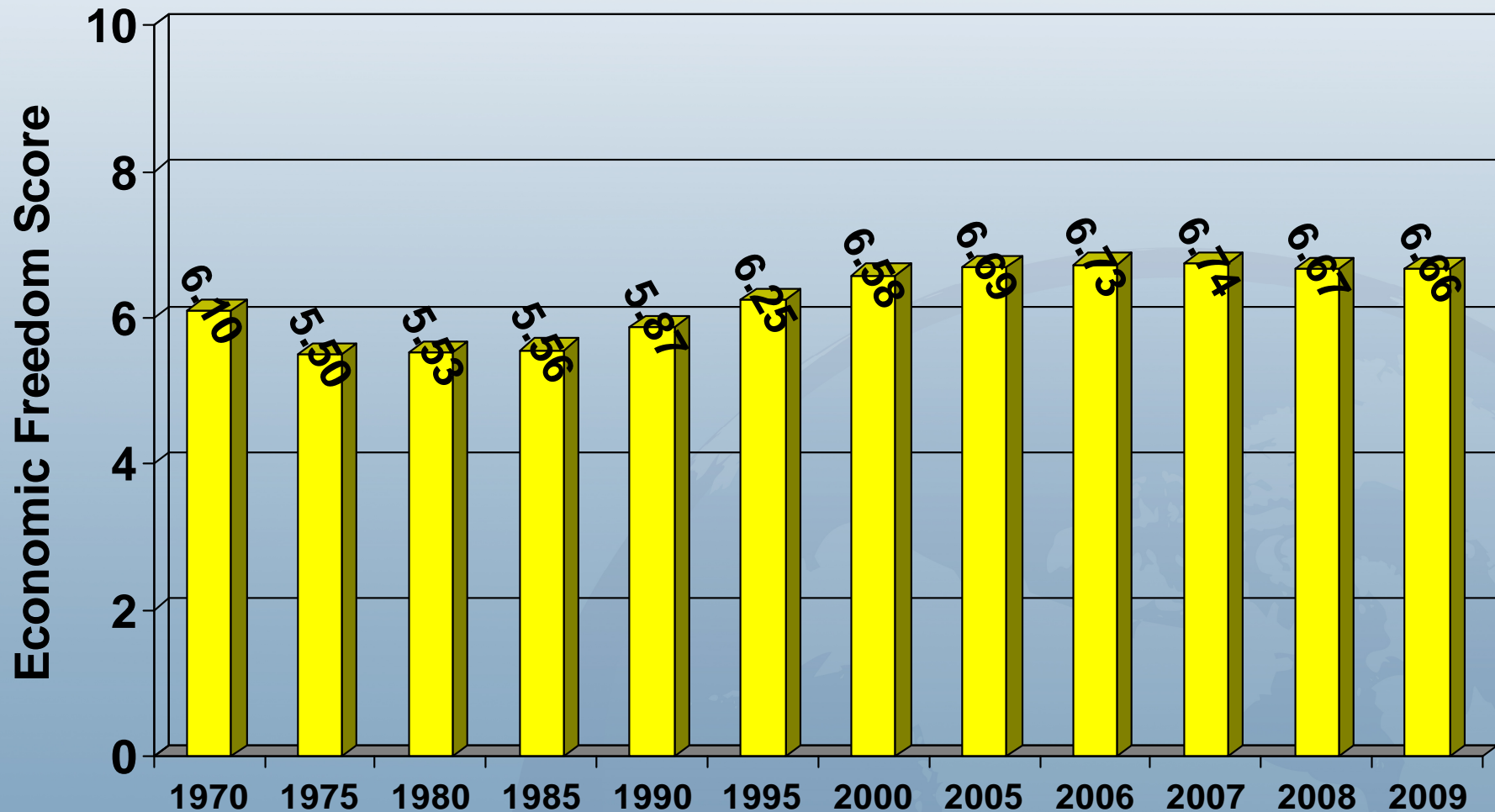
# Overall Economic Freedom Index and the Bottom Ten



Source: The Fraser Institute.



# World Average Economic Freedom Over Time

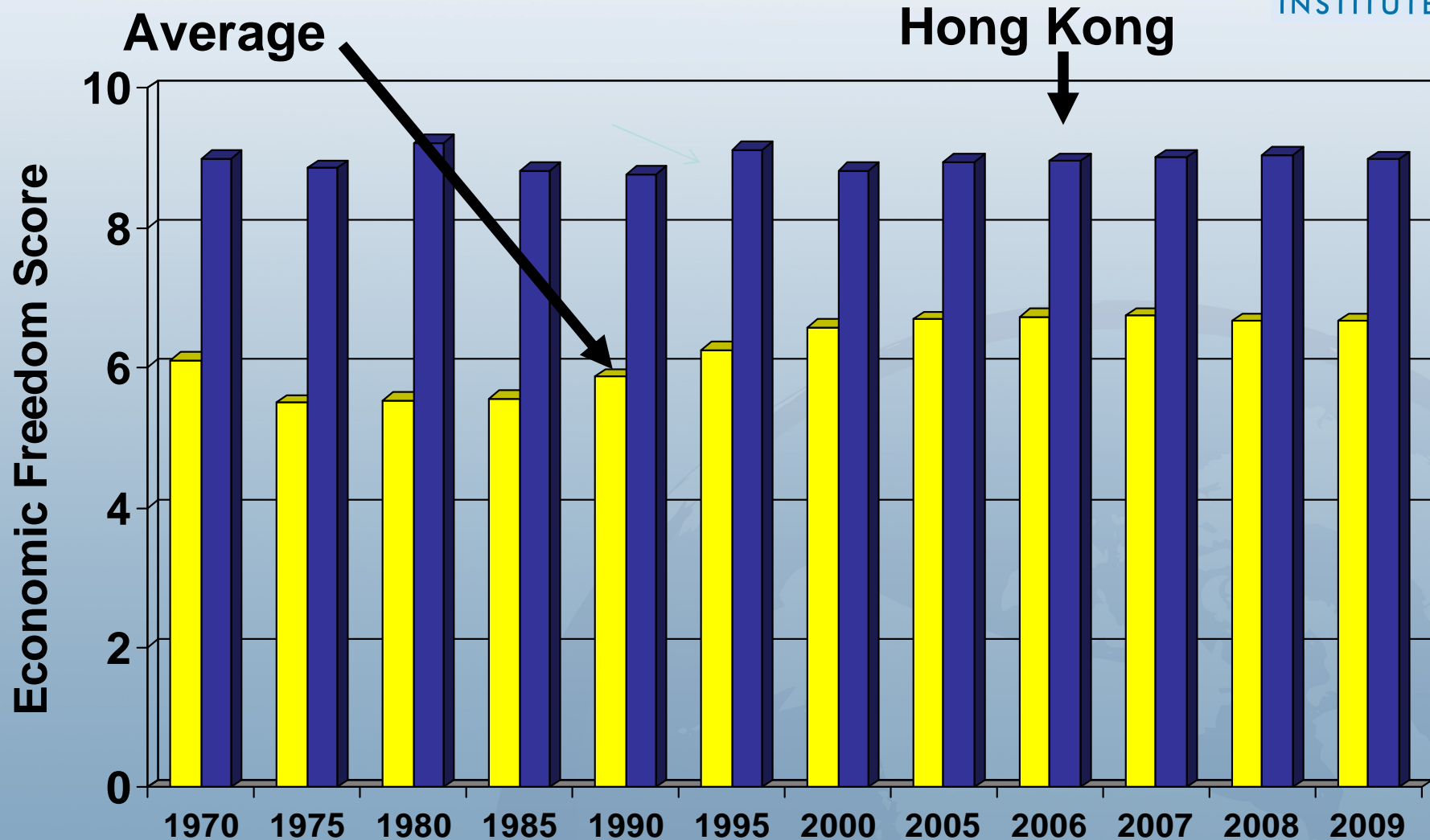


Source: The Fraser Institute.



# Economic Freedom Closing the Gap with Hong Kong

**FRASER**  
INSTITUTE



Source: The Fraser Institute.



# Why is Economic Freedom Important?



- Economic rights are fundamental rights in the sense that without them there can be no political freedom or civil freedoms
- They are a prerequisite for growth and development
- They are a prerequisite for broader human development

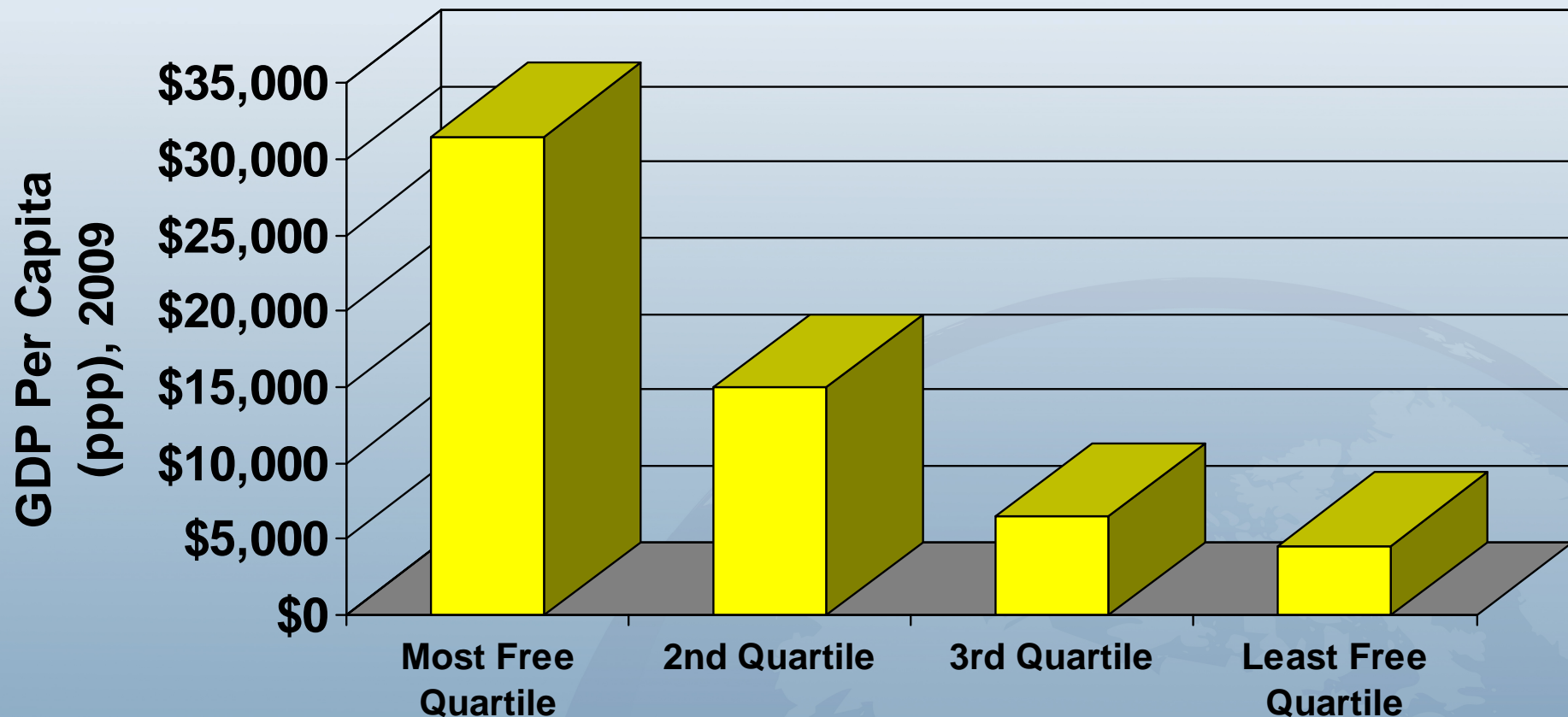


# The impact on prosperity and development

A faint, light blue background image of a globe showing the continents of North and South America.



# Per Capita Income and Economic Freedom Quartile



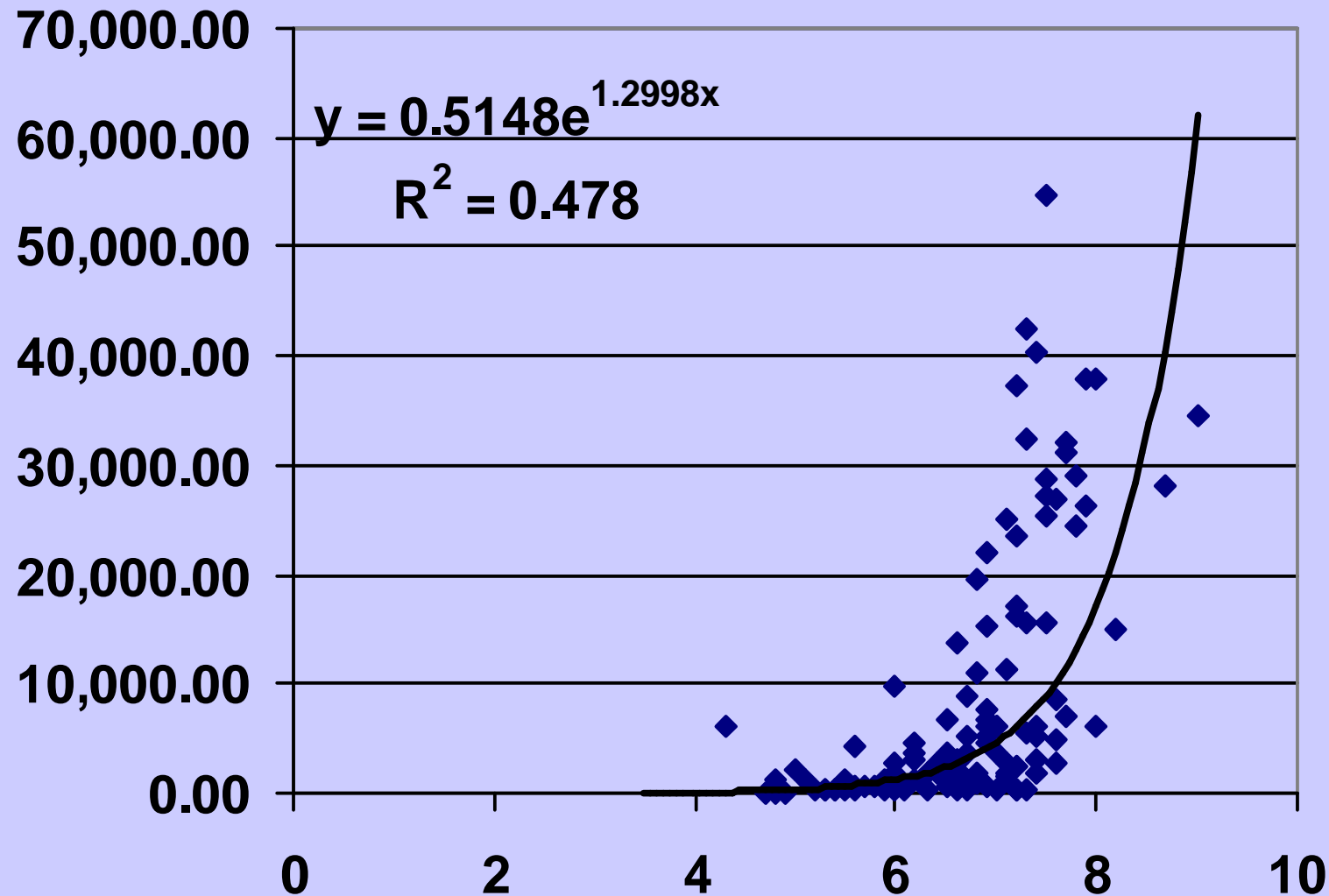
**Most Free ..... Least Free**

Sources: The Fraser Institute; The World Bank, World Development

Indicators, 2011.

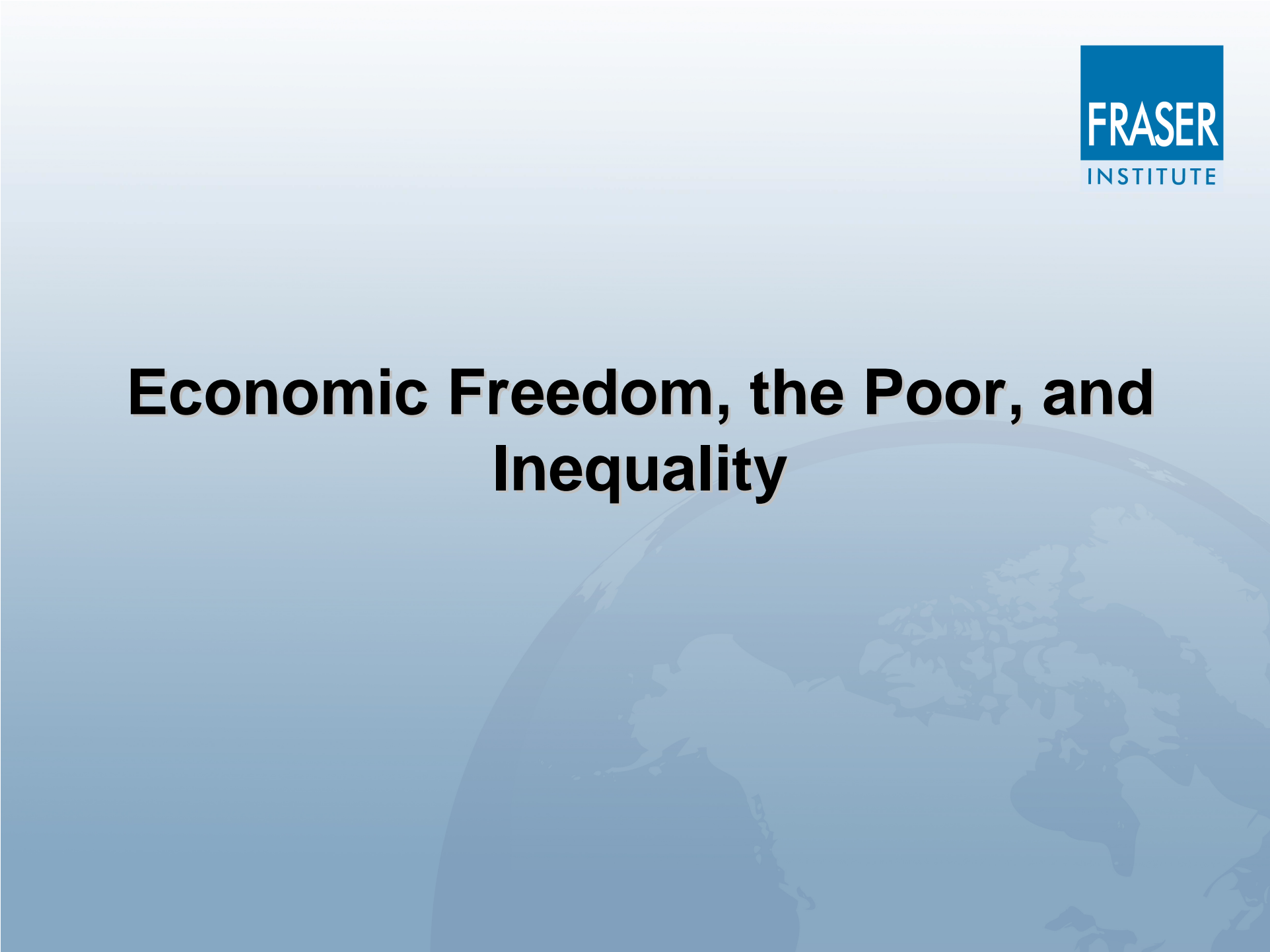


# Economic Freedom and Income



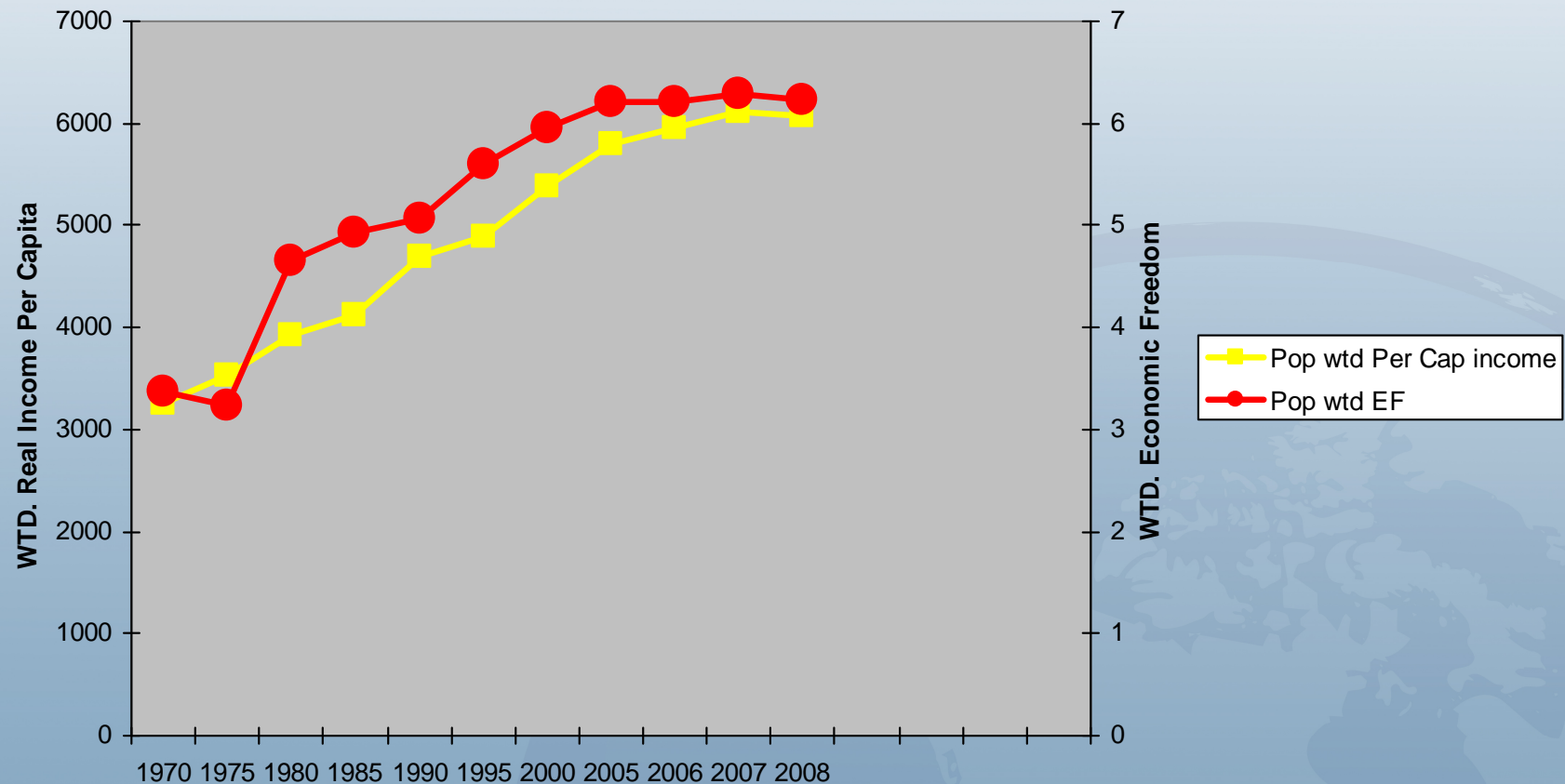


# **Economic Freedom, the Poor, and Inequality**

A faint, blue-tinted image of a globe showing the continents of North and South America, serving as a background for the slide.

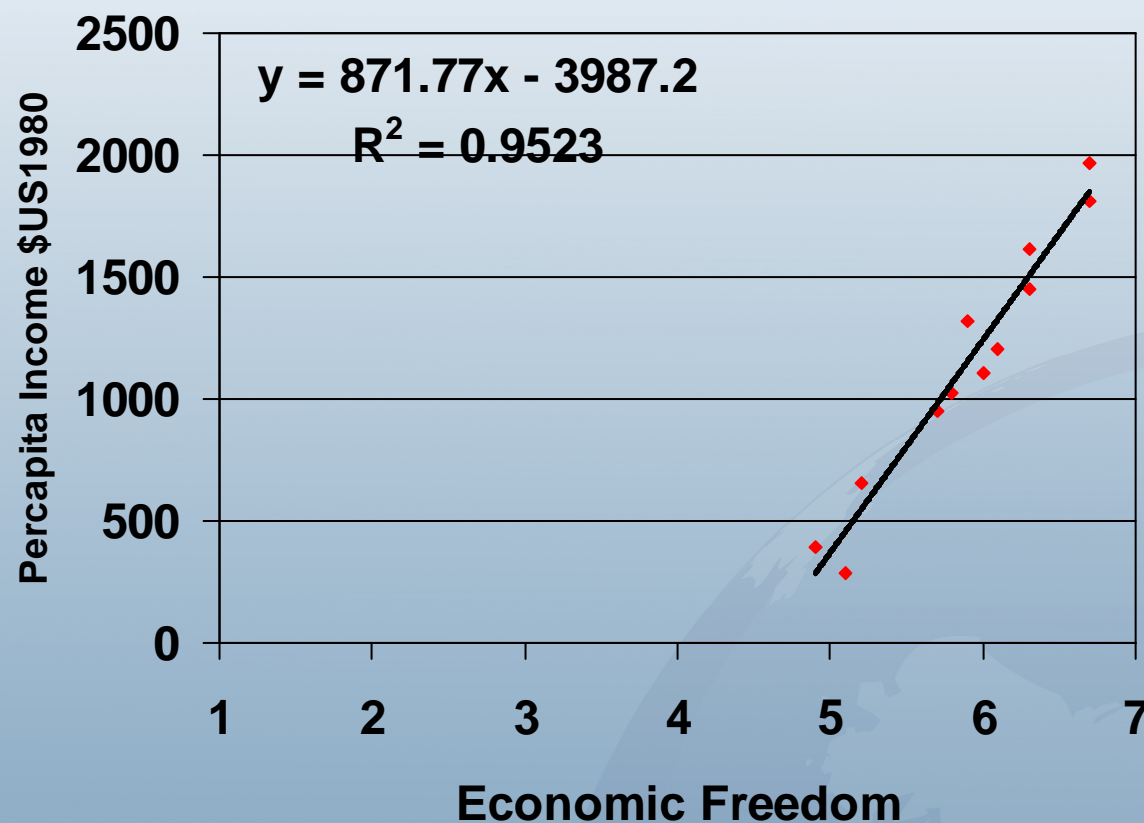


# Chart 23 Global Population Weighted Economic Freedom and Global Population Weighted Income per capita





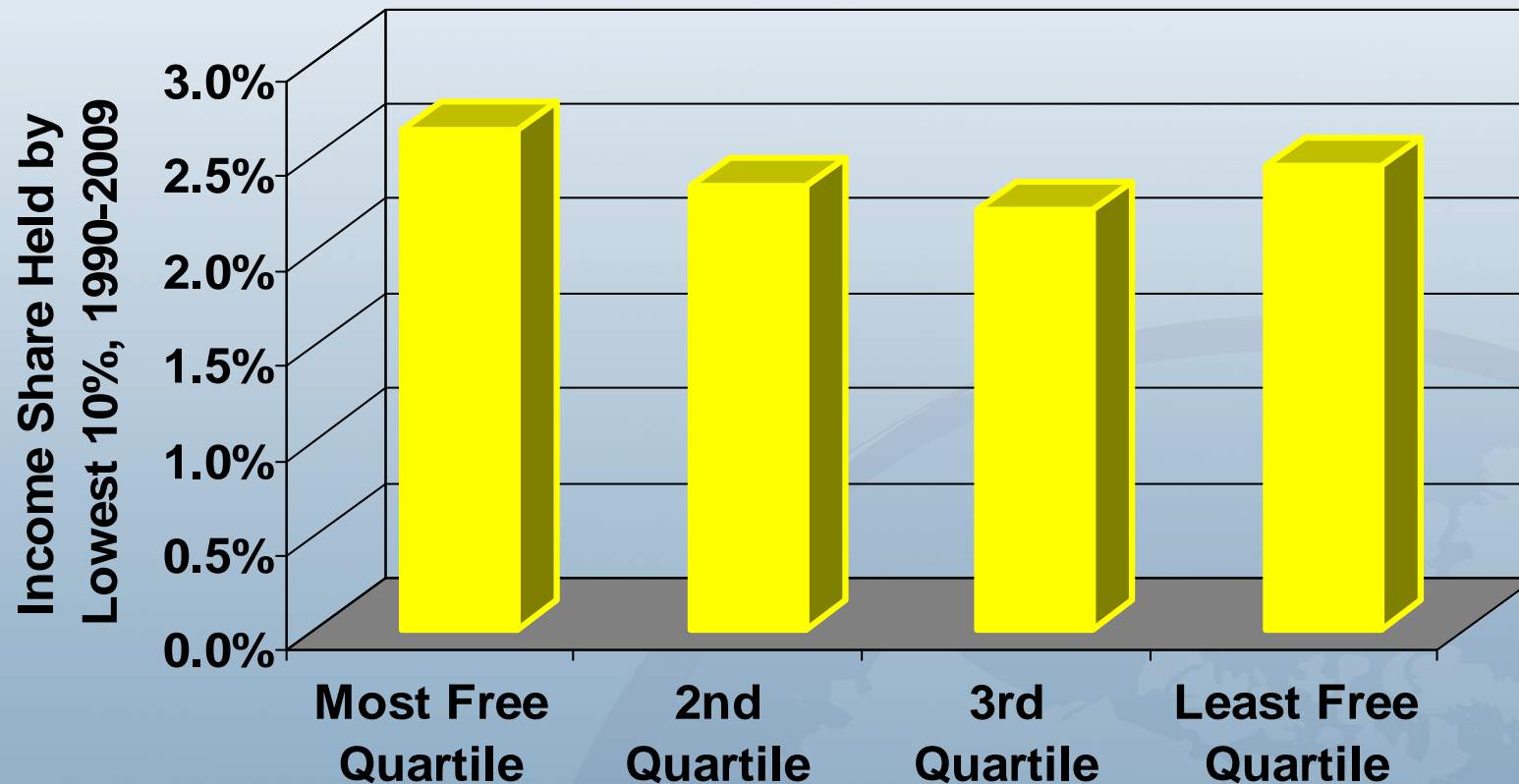
## CHART 21 Percapita Income and Economic Freedom in China 1980 - 2008



Sources: The Fraser Institute; The World Bank, World Development Indicators, 2010.



# Income Share of the Poorest 10% and Economic Freedom

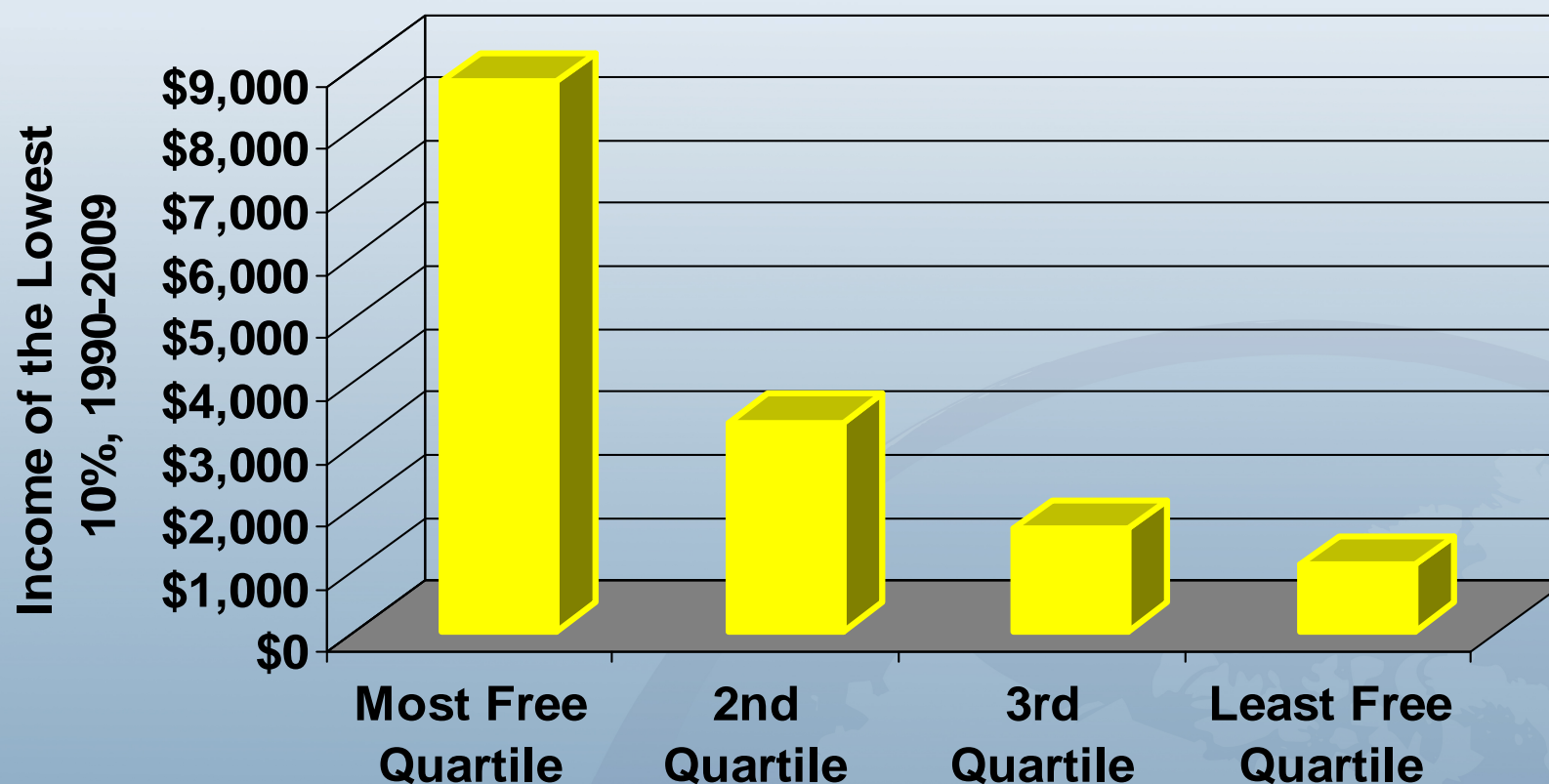


**Most Free ..... Least Free**

Sources: The Fraser Institute; The World Bank, World Development Indicators, 2011.



# Income of the Poorest 10% and Economic Freedom

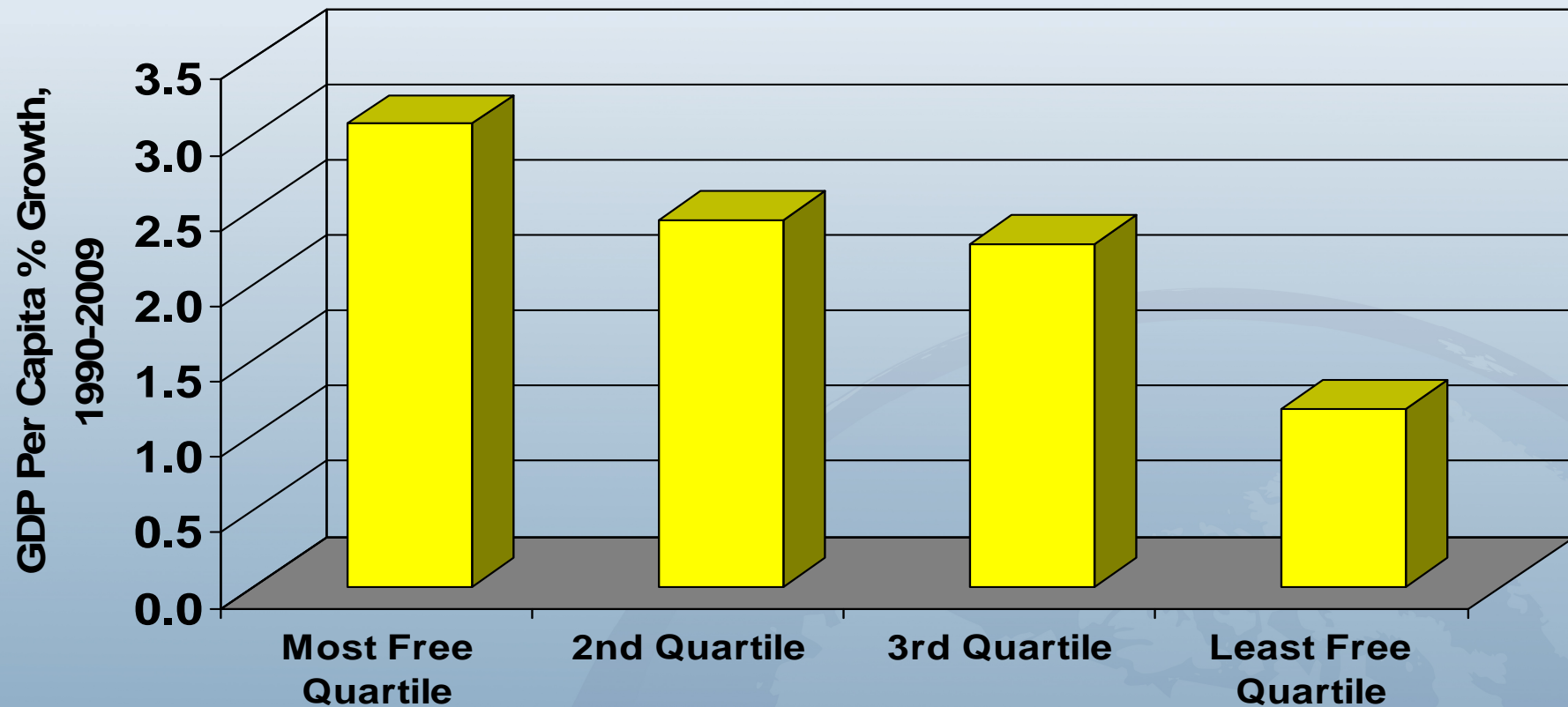


**Most Free ..... Least Free**

Sources: The Fraser Institute; The World Bank, World Development Indicators, 2011.



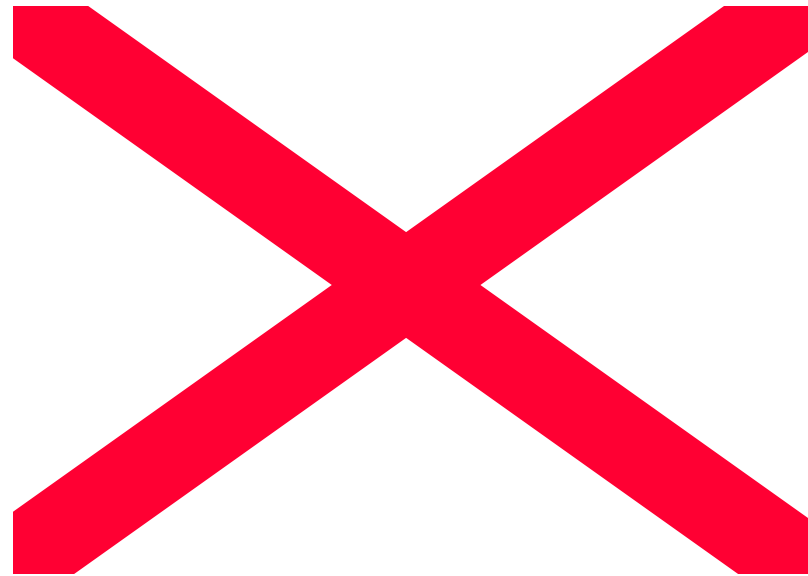
# Growth in Developing Nations Per Capita and Economic Freedom Quartile



**Most Free ..... Least Free**

Sources: The Fraser Institute; The World Bank, World Development Indicators, 2011.

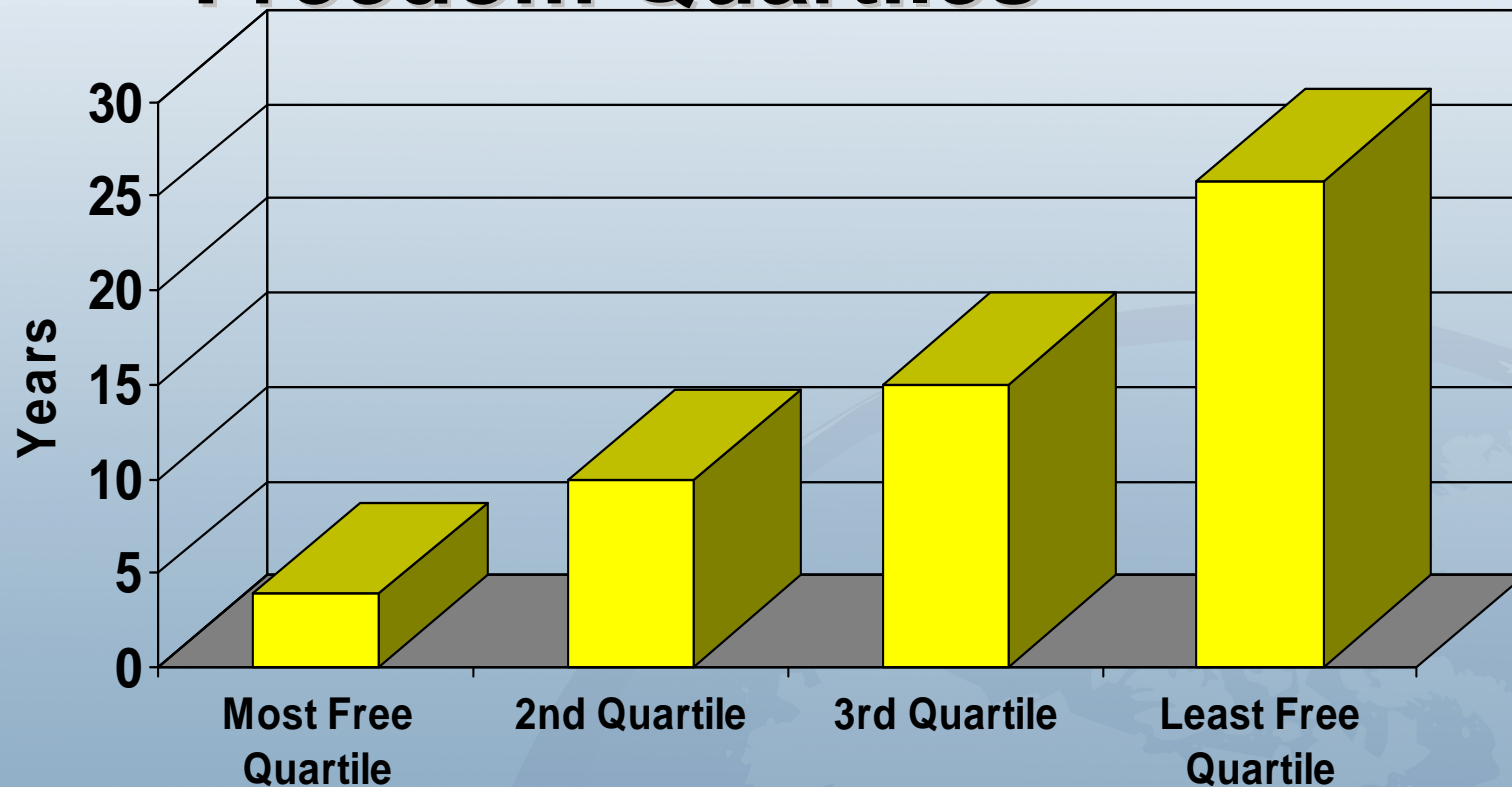




Sources: The Fraser Institute, The World Bank, World Development Indicators, 201



# Agriculture as a Percentage of the Economy and Economic Freedom Quartiles



**Most Free ..... Least Free**

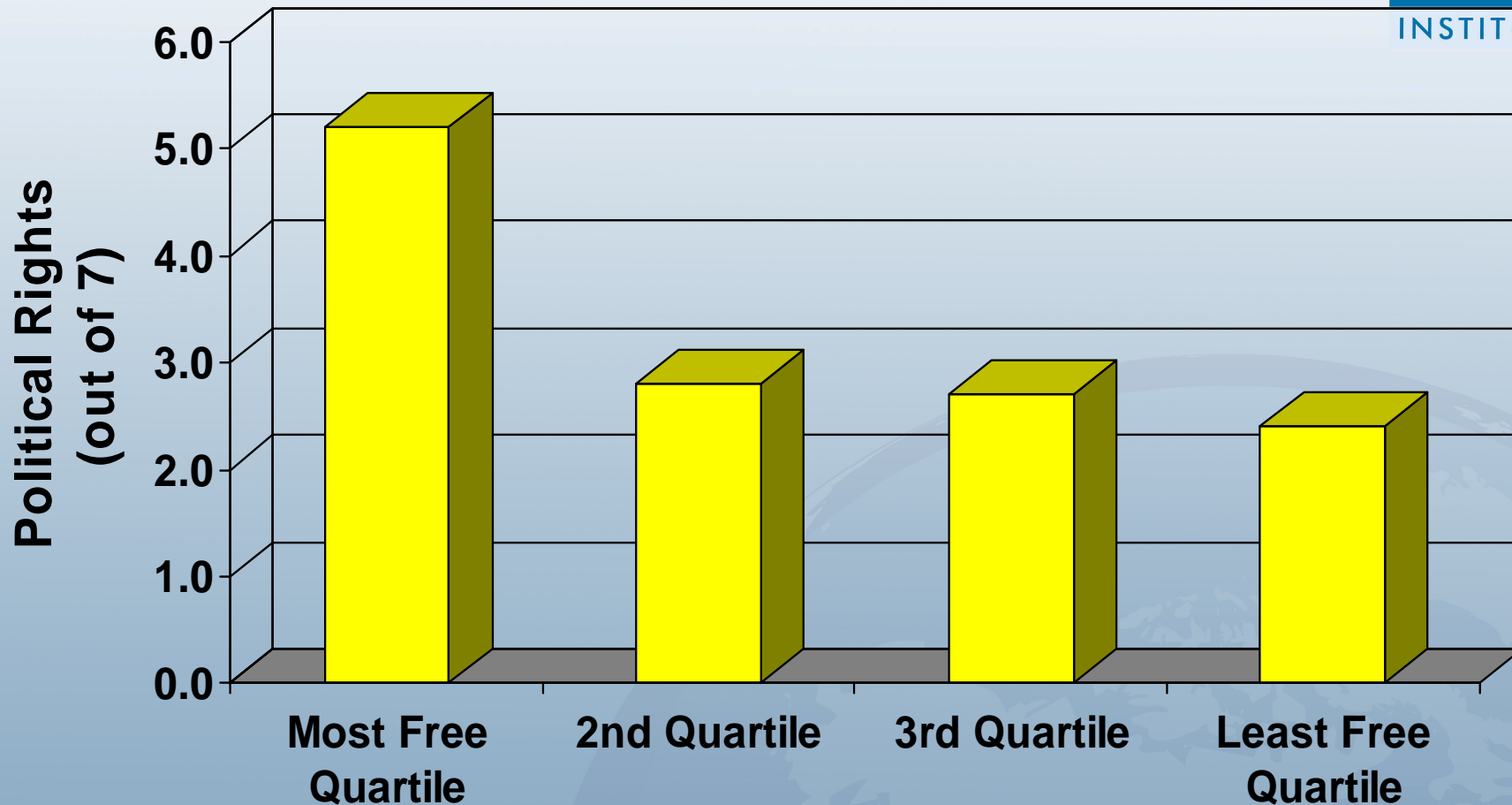
Sources: The Fraser Institute; The World Bank, World Development Indicators, 2009.



# ***Economic Freedom, Governance, and Democracy***



# Economic Freedom and Political Rights

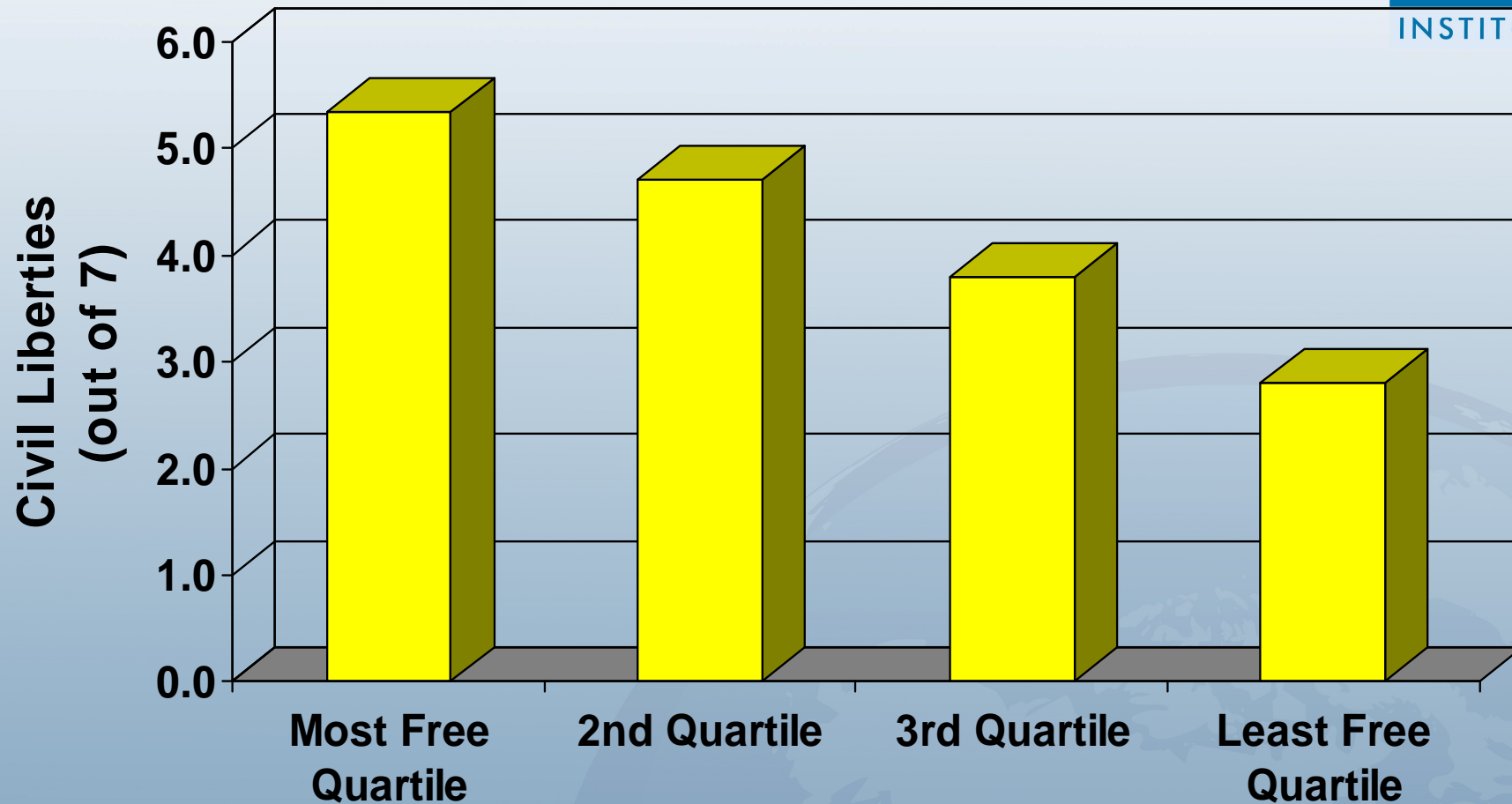


**Most Free ..... Least Free**

Sources: The Fraser Institute; Freedom House, Freedom in the World Country Ratings, 2009, available at <http://www.freedomhouse.org/>.



# Economic Freedom and Civil Rights

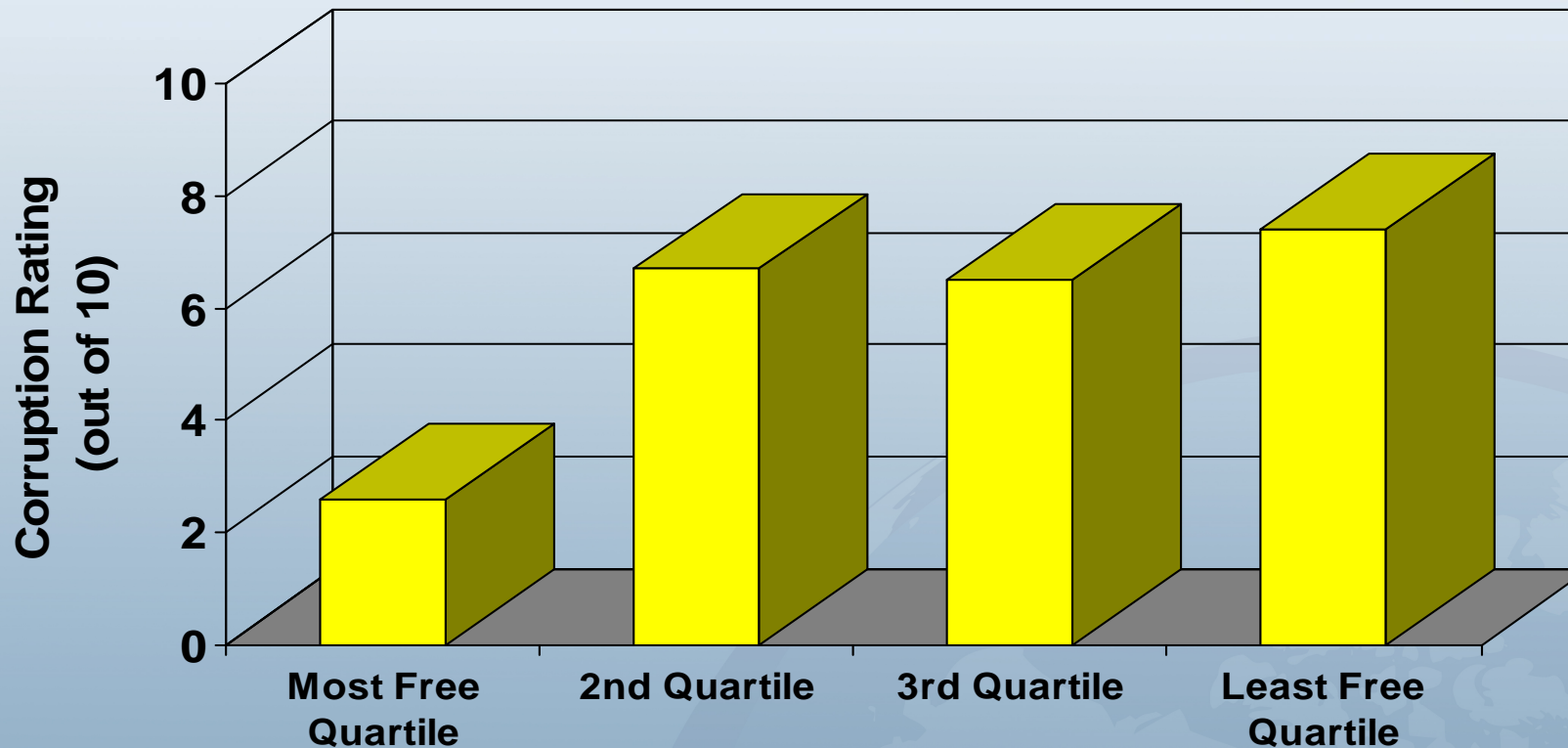


**Most Free ..... Least Free**

Sources: The Fraser Institute; Freedom House, Freedom in the World Country Ratings, 2009, available at <http://www.freedomhouse.org/>.



# Economic Freedom and Corruption



**Most Free ..... Least Free**

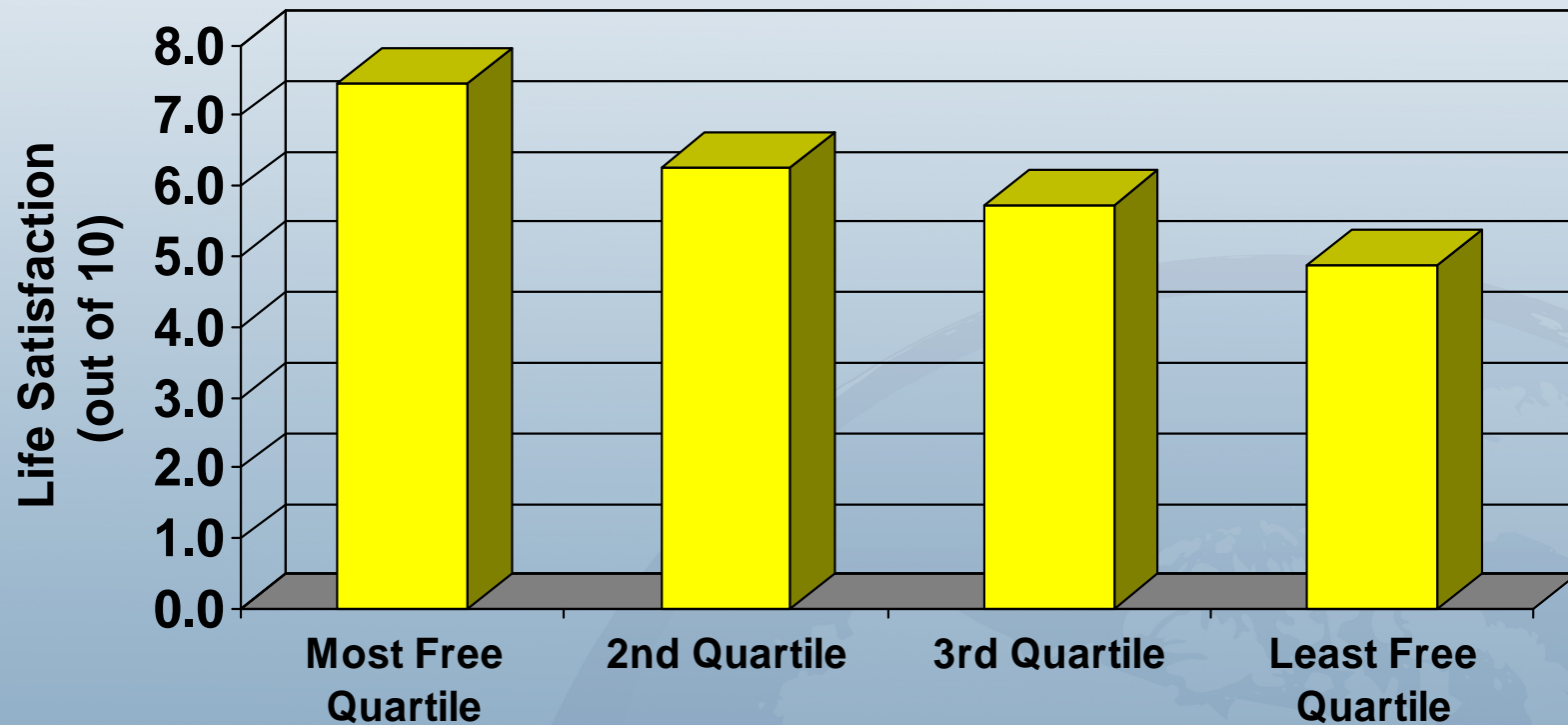
Sources: The Fraser Institute; Transparency International, Corruption Perceptions Index, 2010 available at <http://www.transparency.org>.



# ***The impact of Economic Freedom on other indicators of well-being***



# Economic Freedom and Life Satisfaction



**Most Free ..... Least Free**

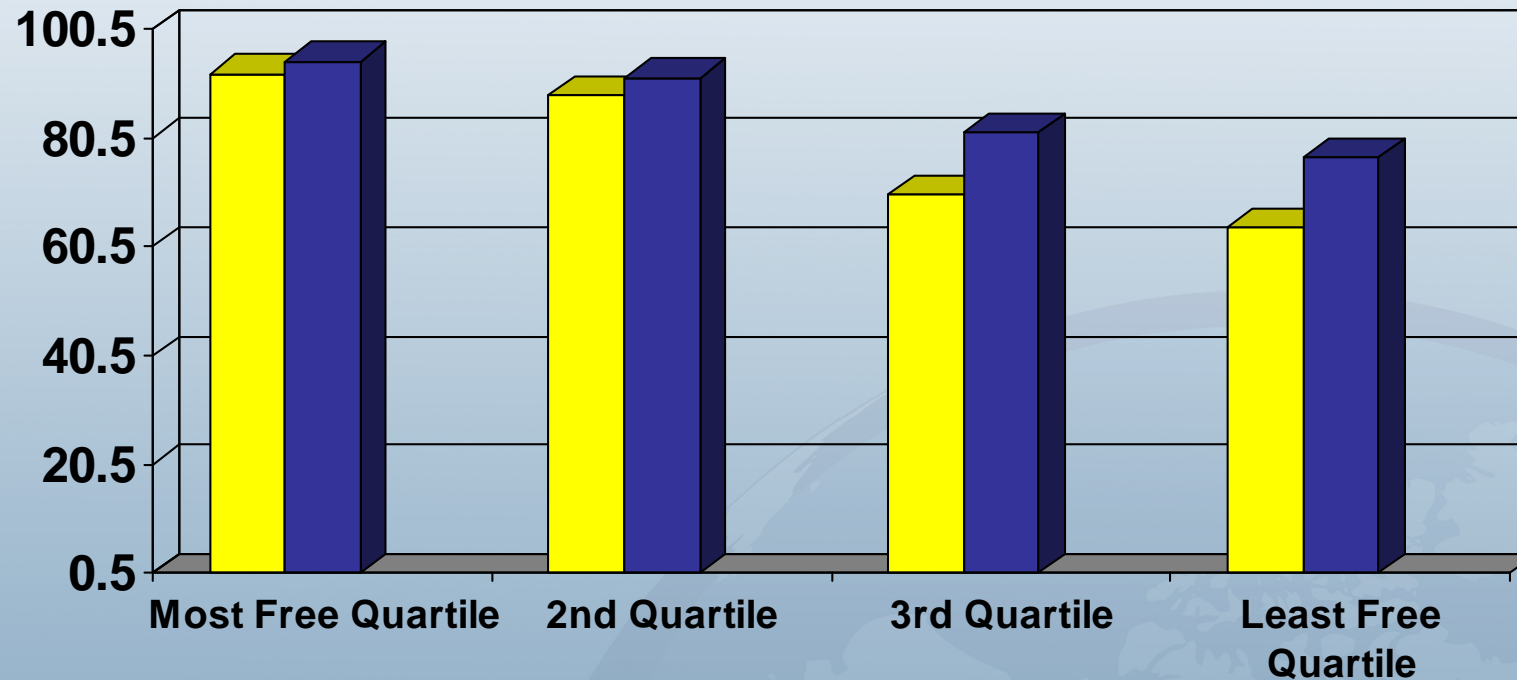
Sources: The Fraser Institute; (un)Happy Planet Index 2.0. Why good lives don't have to cost the Earth. 2009.



# Literacy

Male

Female

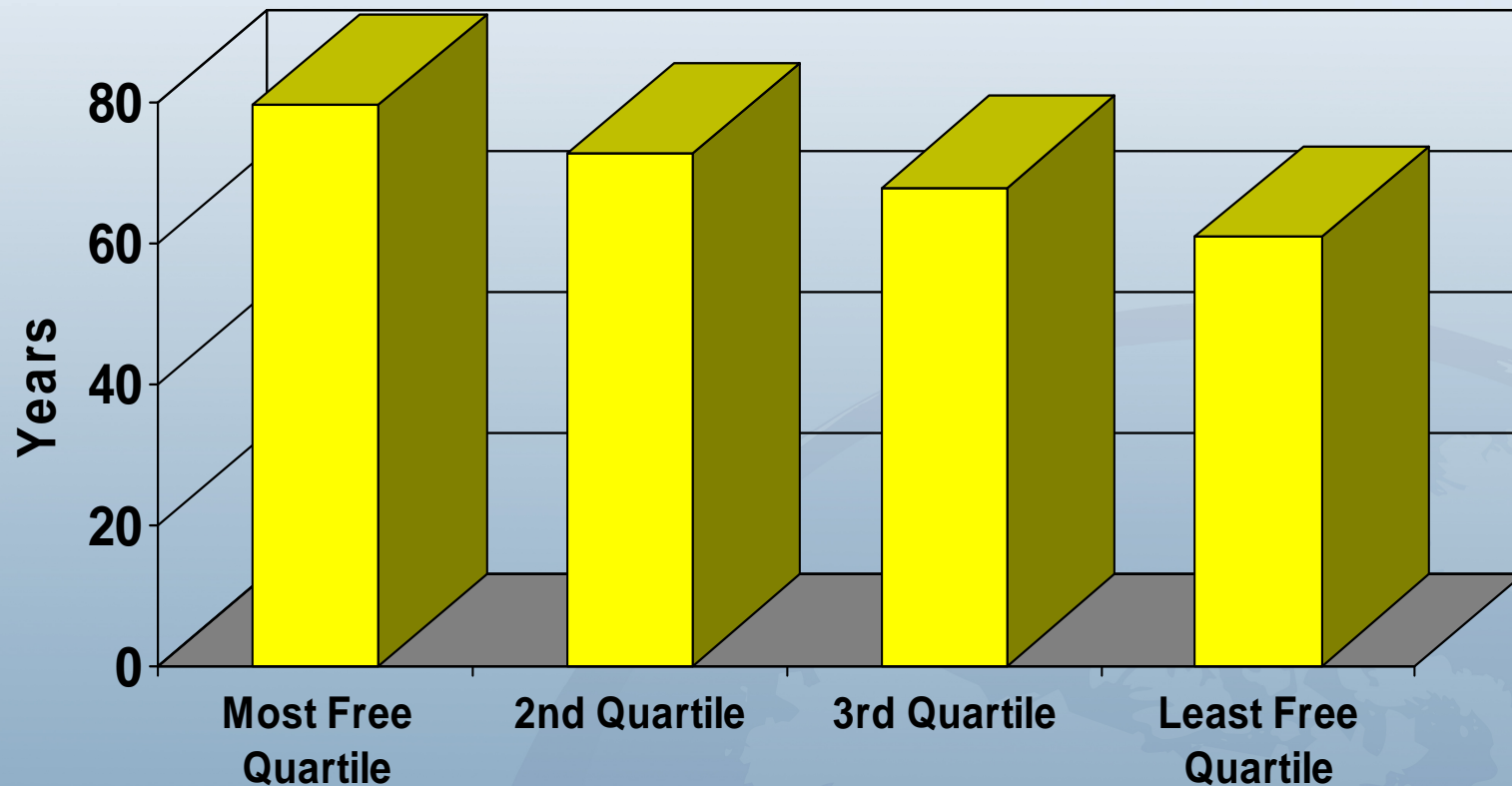


**Most Free ..... Least Free**

Sources: The Fraser Institute; United Nations Development Programme, Human Development Indicators 2011, available at <http://hdr.undp.org/>.



# Life Expectancy at Birth and Economic Freedom Quartiles



**Most Free ..... Least Free**

Sources: The Fraser Institute; The World Bank, World Development Indicators, 2011.



# Conclusions



## Economic Freedom

- Increases prosperity for all
- Reduces poverty
- Increases other freedoms
- Improves quality of life



# Epilogue

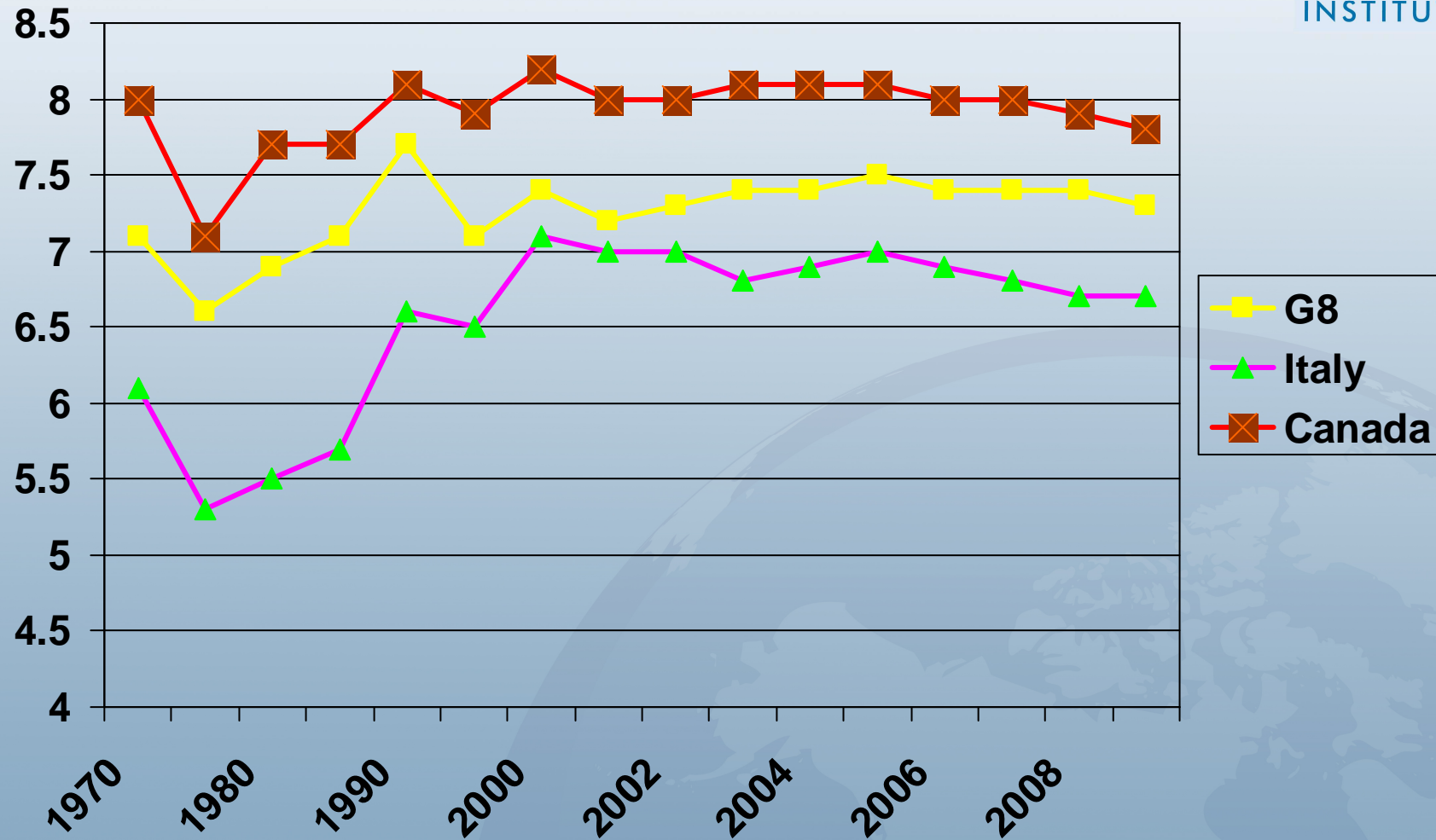


Some comments on the progress of  
Italian Economic Freedom



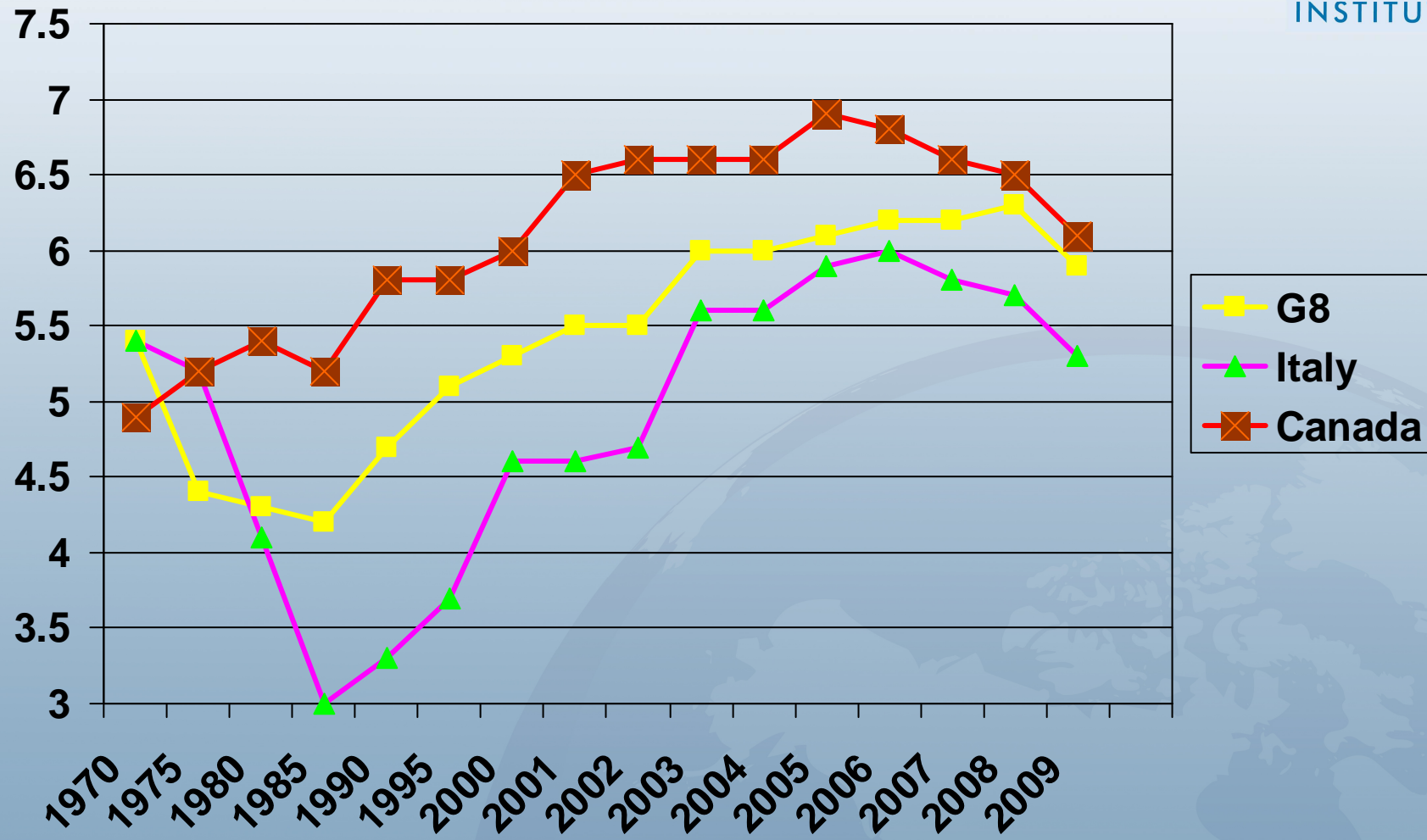


## Economic Freedom 1970 - 2009



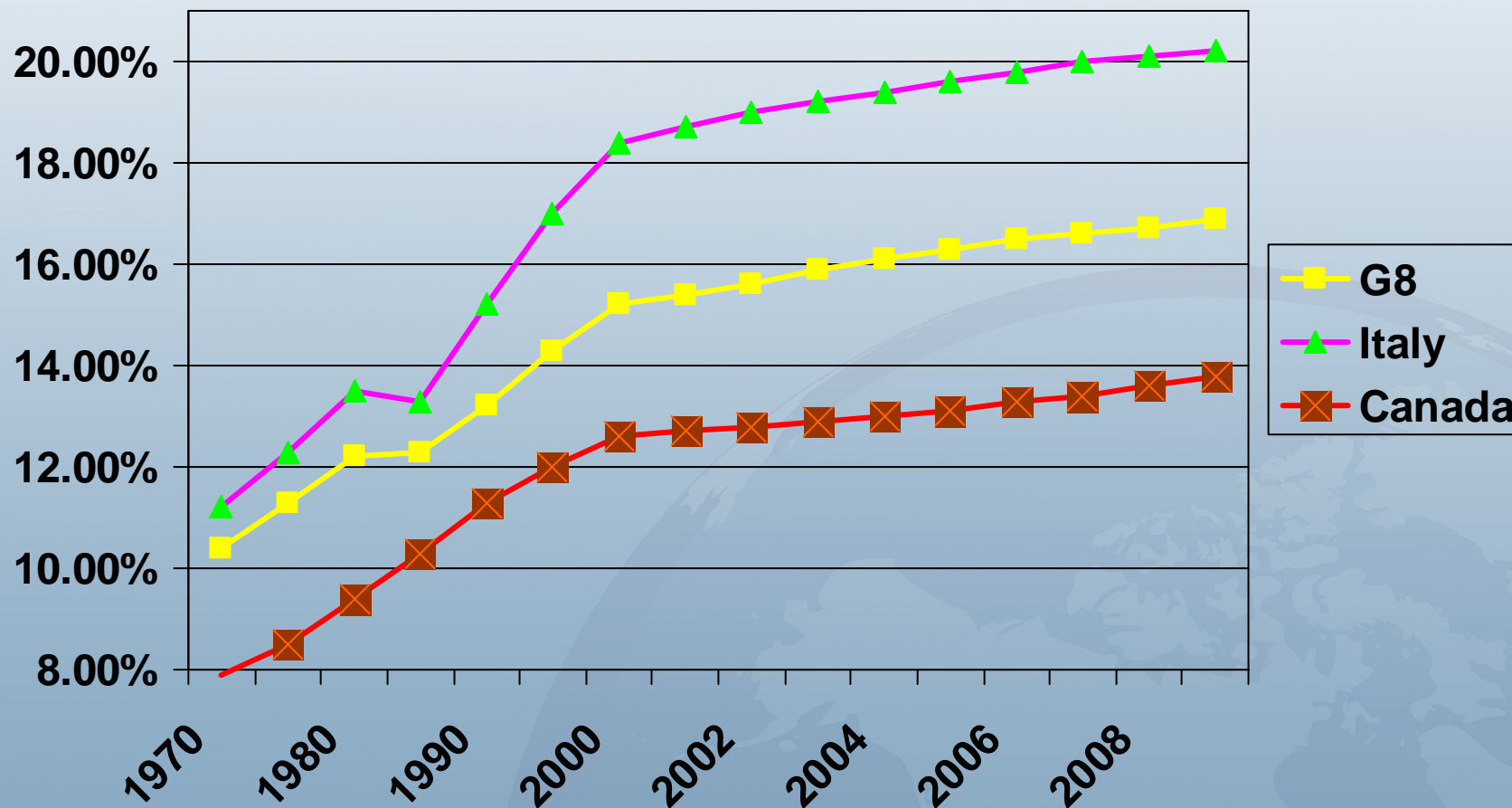


## Size of government 1970 - 2009



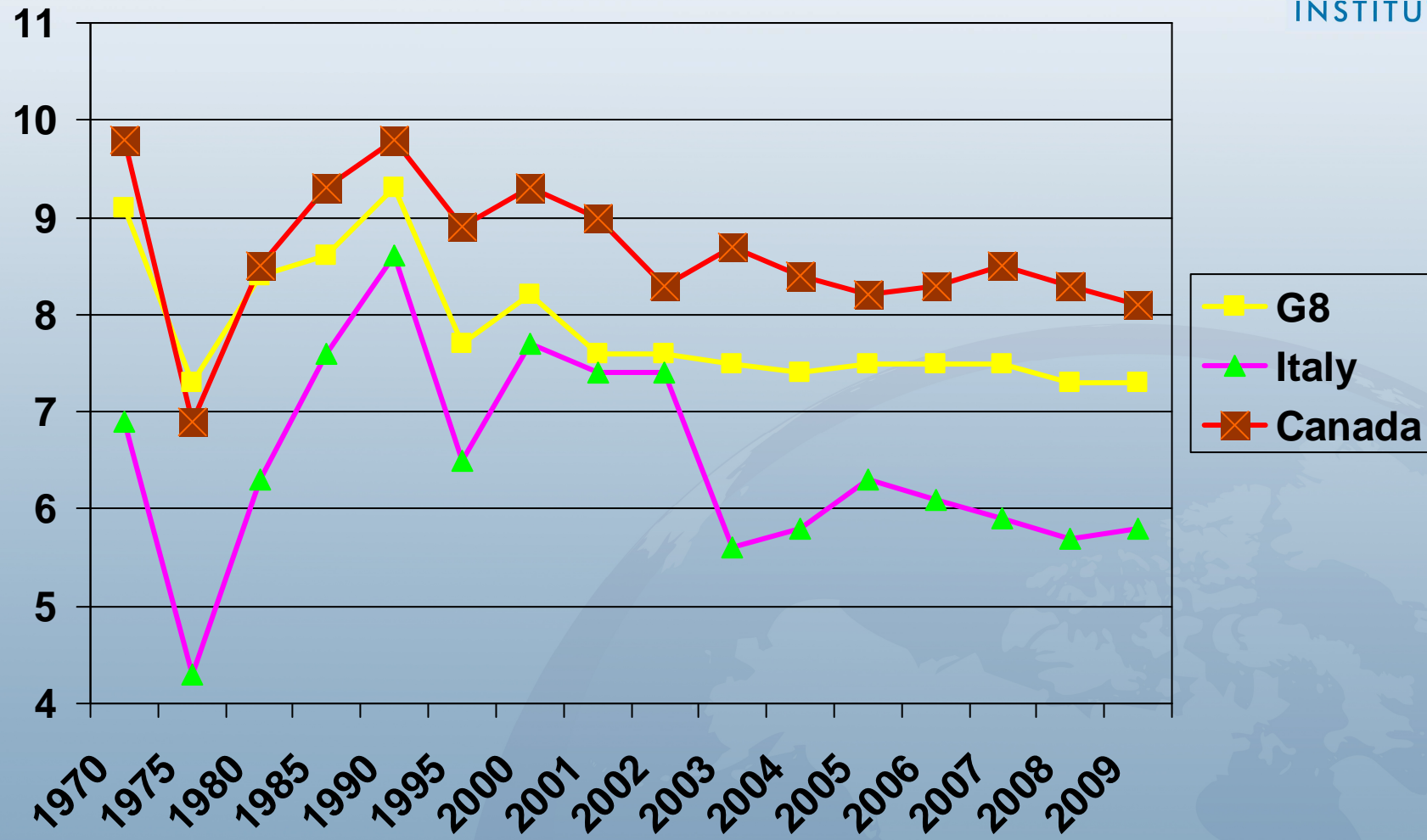


## Percent of Population over 65 years 1970 - 2009



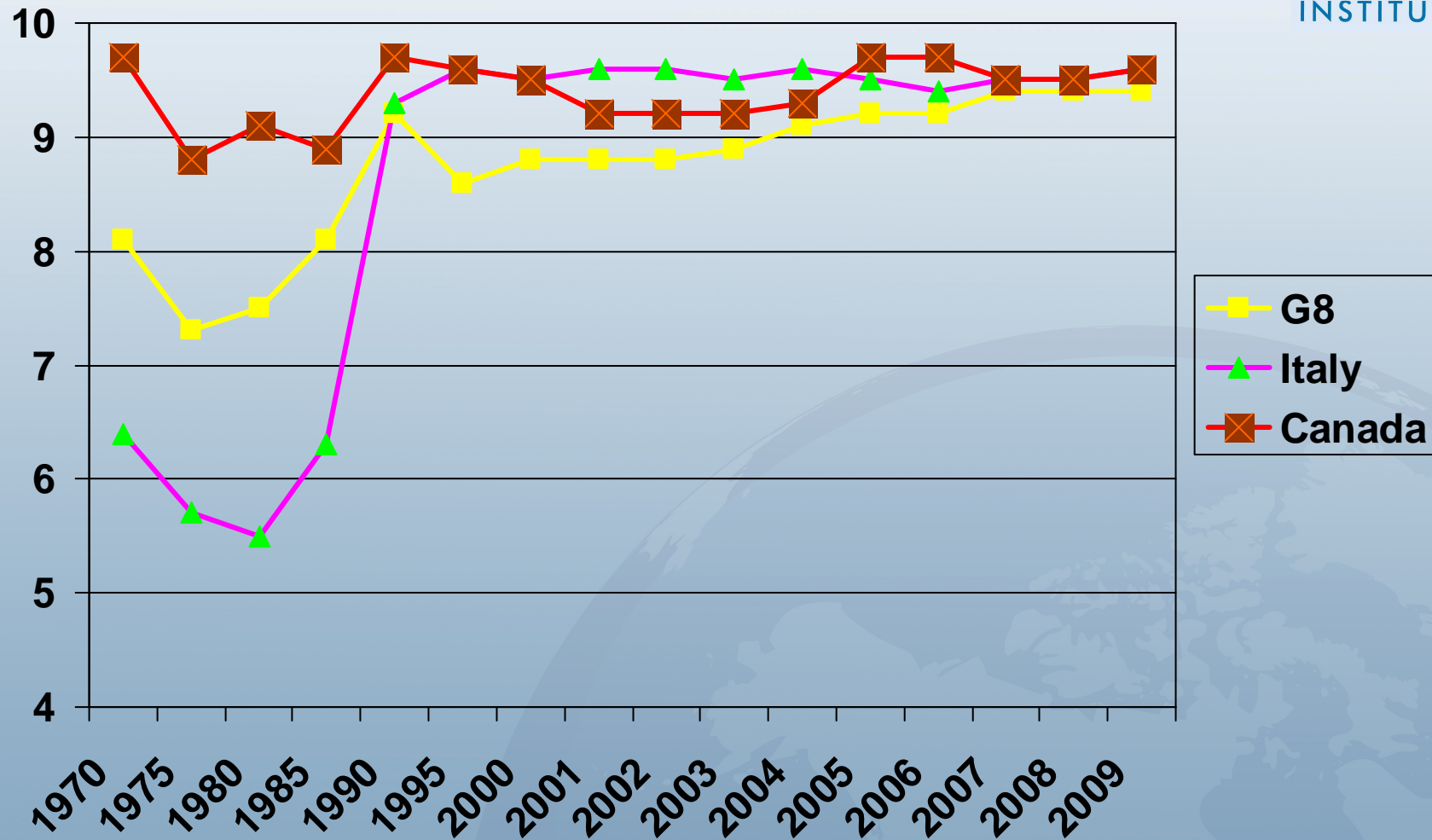


## Rule of Law 1970 - 2009



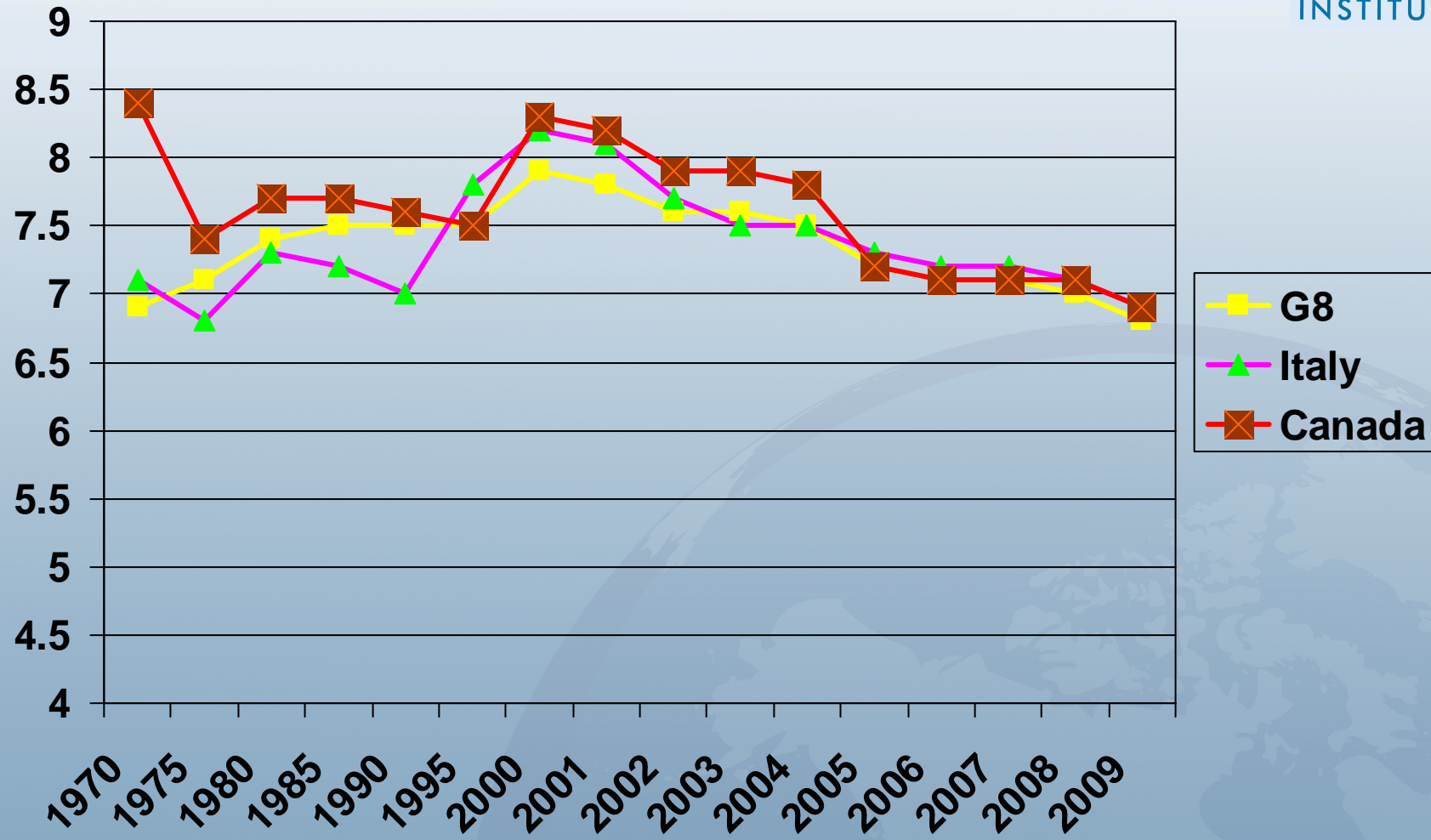


## Sound Money 1970 - 2009



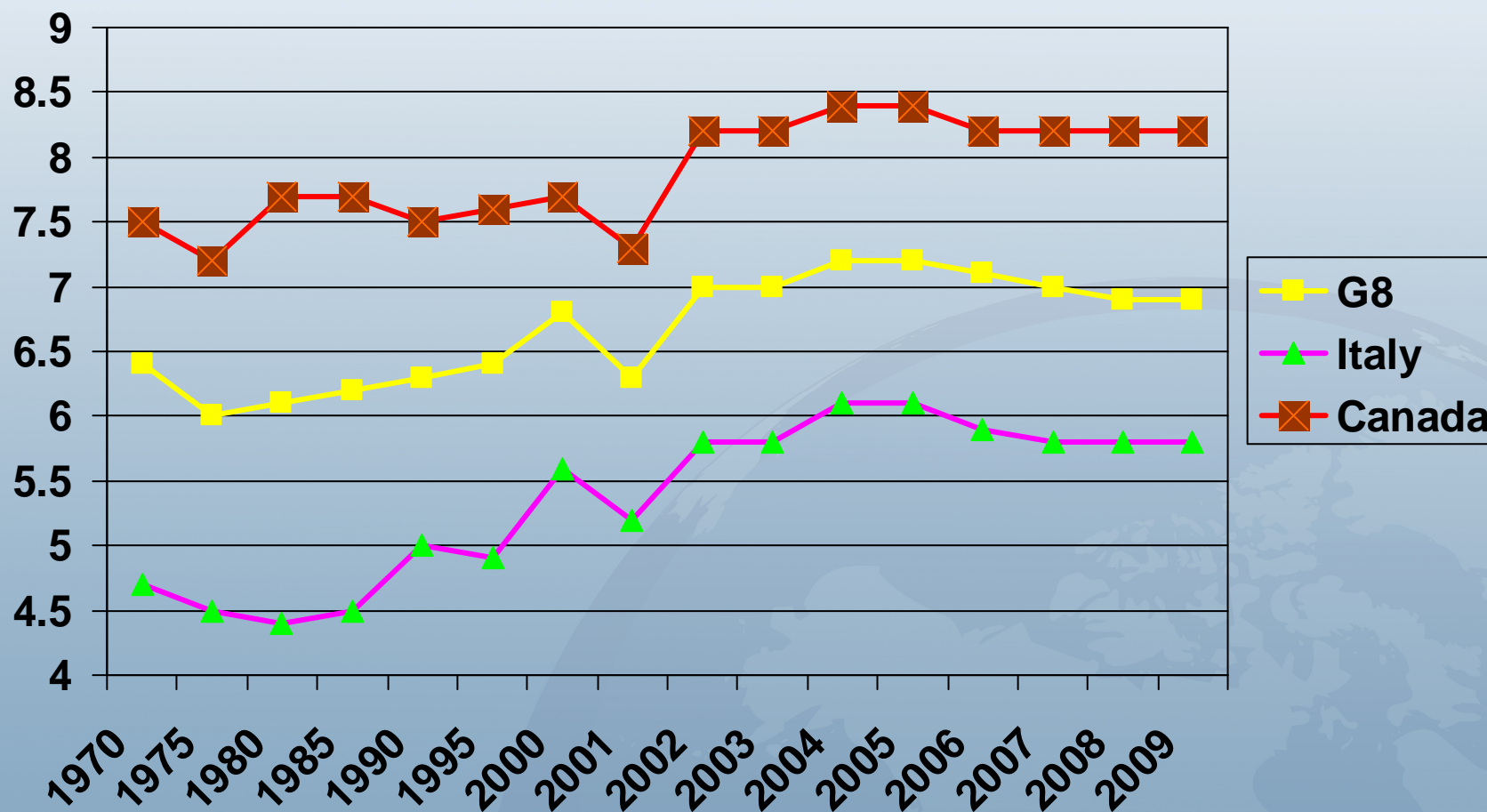


## Free Trade 1970 - 2009





# Regulation of Product, Labour and Capital Markets 1970 - 2009





[www.freetheworld.com](http://www.freetheworld.com)

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