



## Ideas Changing the World

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### Daily Policy Digest

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#### Economic Issues

September 21, 2011

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#### Economic Freedom of the World

The foundations of economic freedom are personal choice, voluntary exchange and open markets. The Economic Freedom of the World report seeks to measure the consistency of the institutions and policies of various countries with voluntary exchange and the other dimensions of economic freedom. The report is copublished by the Cato Institute, the Fraser Institute in Canada and more than 70 think tanks around the world.

This year's report notes that economic freedom fell for the second consecutive year.

- The average economic freedom score rose from 5.53 (out of 10) in 1980 to 6.74 in 2007, but fell back to 6.64 in 2009, the most recent year for which data are available.
- In this year's index, Hong Kong retains the highest rating for economic freedom, 9.01 out of 10, followed by Singapore, New Zealand, Switzerland, Australia, Canada, Chile, the United Kingdom and Mauritius.
- The world's largest economy, the United States, has suffered one of the largest declines in economic freedom over the last 10 years, pushing it into 10th place.
- Much of this decline is a result of higher government spending and borrowing and lower scores for the legal structure and property rights components.

This year's report also contains new research comparing policies that promote "freedom" compared to "entitlement" in relation to economic development. The findings suggest that fundamental freedoms are paramount in explaining long-term economic growth. Countries that favor free choice -- economic freedom and civil and political liberties -- over entitlement rights are likely to achieve higher sustainable economic growth and to achieve many of the distinctive proximate characteristics of success identified by the Commission on Growth and Development (World Bank, 2008). In contrast, pursuing entitlement rights through greater coercion by the state is likely to be self-defeating in the long run. The report also includes findings on the positive relationship between increases in economic freedom and improvements in women's wellbeing.

Source: "Economic Freedom of the World: 2011 Annual Report," Cato Institute/Fraser Institute, September 20, 2011.

**For text:**

<http://www.cato.org/pubs/efw/>

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