

Media Release



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Economic Freedom Fell Globally and in New Zealand in 2008

New Zealand lost ground in 2008 in the ***Economic Freedom of the World: 2010 Annual Report***, released today in New Zealand by the New Zealand Business Roundtable. The report takes the annual series up to 2008, the most recent year for which data are available.

New Zealand retained its third place ranking after Hong Kong and Singapore but its absolute score slipped to 8.22. This is well below its peak of 8.64 in 1995 and is the biggest absolute and percentage decline among leading countries since that year. While New Zealand's score rose in some components of economic freedom, notably freedom to trade internationally, the main factor in its fall was growth in the size of government.

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 from 6.74 in 2007.

"This reflects the fact that, during the global financial crisis, many countries opted for protectionist and regulatory policies, damaging economic freedom and hindering future growth", said Business Roundtable executive director Roger Kerr. "However, in the top 10 countries, Hong Kong, Singapore and Australia (now in 8th place) went against the trend, increasing their average scores."

The annual peer-reviewed *Economic Freedom of the World* report is produced by the Fraser Institute, Canada's leading public policy thinktank, in cooperation with organisations in 80 nations and territories, including the New Zealand Business Roundtable.

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, labour, and business.

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.

"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 Roger Kerr.

The full report is available at www.freetheworld.com

New Zealand scores

New Zealand's scores in key components of economic freedom (from 1 to 10 where a higher value indicates a higher level of economic freedom) were:

- Size of government: fell to 6.14 from 6.70 in last year's report (putting New Zealand in 75th place)
- Legal structures and security of property rights: rose to 8.98 from 8.92
- Access to sound money: fell to 9.58 from 9.70
- Freedom to trade internationally: rose to 7.91 from 7.74
- Regulation of credit, labour and business: rose to 8.50 from 8.42

Within the last category, New Zealand had a particularly poor score of just 4.14 for hiring and firing regulations. Australia scores significantly better than New Zealand for the size of government. Its score for the size of government has improved by 20 percent (from 5.68 to 6.80) since 1995 whereas New Zealand's has declined since that year by 18 percent (from 7.46 to 6.14).

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

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 labour market and an estimated reduction in its unemployment rate between 1.0 and 1.3 percentage points over the period.

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 percent 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

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