



# CENTRE FOR CIVIL SOCIETY

## PRESS RELEASE

### INDIA RATED 6.64 FOR ECONOMIC FREEDOM HONG KONG AND SINGAPORE NUMBER ONE AND TWO

**September 16, 2008**  
**For Immediate Release**

**NEW DELHI, INDIA—INDIA** ranked **70**, in the *Economic Freedom of the World: 2008 Annual Report*, released today by **CENTRE FOR CIVIL SOCIETY (CCS)**.

Last year India ranked **68**.

“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.

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 Angola and Myanmar.

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

It 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.

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 economic freedom on poverty reduction.

“Economic freedom is one of the key building blocks 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](http://www.freetheworld.com)

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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 the government: changed to 7.14 from 7.17 in the last year's report
- Legal structures and security of property rights: changed to 6.12 from 6.72
- Access to sound money: changed to 6.70 from 6.84
- Freedom of trade internationally: changed to 6.82 from 6.36
- Regulation of credit, labour and business: changed to 6.17 from 5.69

**The 2008 Economic Freedom Index is based on 2006 data.**

India's rating has increased from 6.31 in 2001 to 6.64 in 2006 but at the same time its rank has fallen from 65 to 70. The other countries are reforming faster and deeper. The biggest drop has come in the component called 'Access to Sound Money' where India's rank has fallen from 84 to 104 capturing the worsening problem of inflation in the country. The second biggest fall is in the area of Regulation of Credit, Labour, Business where despite the increase in rating from 5.81 in 2000 to 5.90 this year, India's rank has fallen from 66 to 99. This demonstrates that other countries have deregulated the credit, labour and business far more than India has done. So there is a clear message in the report for the Indian government to focus on improving monetary policy and regulatory environment.

## **Economic Freedom of the World**

### **International Rankings**

In this year's main index, Hong Kong retains the highest rating for economic freedom, 8.94 out of 10. The other top scorers are: Singapore (8.57), New Zealand (8.28), Switzerland (8.2), the United Kingdom (8.07), Chile (8.06), Canada (8.05), Australia (8.04), the United States (8.04), and Ireland (7.92).

The rankings and scores of other large economies are Germany, 17 (7.64); Taiwan, 18 (7.63), Japan, 27 (7.48); South Korea, 29 (7.42); Sweden, 33 (7.35); France, 45 (7.19); Italy, 49 (7.15); Mexico, 58 (6.98); India, 77 (6.59); China, 93 (6.29); Brazil, 96 (6.16); and Russia, 101 (6.12).

Several countries have substantially increased their ratings and become relatively free during the past decade. Estonia increased its rating by 2.27 points since 1995 and is now one of the freest economies in the world. Lithuania and Latvia have increased their ratings by at least two points since 1995 and their 2006 ratings are greater than 7.0. The ratings of Cyprus, Hungary, Kuwait, and South Korea have also improved substantially and their ratings are now 7.3 or more. Two African economies, Zambia and Ghana, have become substantially freer with ratings of 7.13 and 7.04, respectively.

However, African nations continue to occupy most of the bottom spots on the index with the lowest levels of economic freedom, joined by Venezuela and Myanmar. The 10 nations with the lowest levels of economic freedom are: Zimbabwe (2.67), Angola (4.10), Myanmar (4.19), the Republic of Congo (4.64), Niger (4.67), Venezuela (4.67), Guinea-Bissau (5.01), Central Africa Republic (5.01), Chad (5.12), Rwanda (5.23), and Burundi (5.23).

"Weakness in the rule of law and property rights is particularly pronounced in sub-Saharan Africa, among Islamic nations, and for many nations that were part of the former Soviet bloc," said James Gwartney, lead author of the report and professor of economics at Florida State University.

"Many Latin American and Southeast Asian nations also score poorly for rule of law and property rights. The nations that rank poorly in this category also tend to score poorly in the trade and regulation categories, even though several have reasonably sized governments and sound money."

### **Economic Freedom and World Poverty**

The 2008 edition of the Economic Freedom of the World report includes new research from Gwartney and Seth W. Norton, professor of business at Wheaton College, examining the role of economic freedom in eliminating poverty with a particular focus on sub-Saharan Africa.

They point out that numerous studies have shown that countries with more economic freedom grow more rapidly and achieve higher per-capita income levels than those that are less free; therefore, it would seem that this growth should also help reduce poverty.

Gwartney and Norton note that since economic growth is the driving force underlying reductions in poverty, countries such as Chile, Peru, Thailand, Malaysia, South Korea, China, and India have seen their poverty rates decrease in recent decades because these countries have achieved rapid economic growth.

"If a country adopts reforms supportive of economic freedom, will the wellbeing of the poor improve? Theory indicates that the answer to this question is "yes," but substantial reductions in poverty are likely to take some time," Norton said.

"It will take time for the new policy direction to acquire credibility, investors and other decision-makers to respond to the more attractive environment, and the rate of growth to increase. As the higher level of economic freedom is sustained and the more rapid growth persists, poverty rates will fall, and they will fall by larger amounts with the passage of time."

### **Economic Freedom of the World**

The authors conclude that the institutions and policies of most sub-Saharan African nations are highly inconsistent with economic growth. The failure of the legal system to protect property rights, the roadblocks imposed by trade restrictions, and the heavy regulation and administrative costs imposed on business undermine economic growth because they stifle the gains from trade, entrepreneurship, and investment. Given that most of the sub-Saharan countries are relatively small, the high trade barriers are particularly damaging.

In order to encourage economic growth in Africa, Norton and Gwartney recommend that African nations reduce and eliminate trade barriers and business regulations; improve their legal system; and develop an interstate highway system through Africa.

### **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 2006, 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](http://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](http://www.ccs.in)

CCS is building awareness on the hurdles faced by small entrepreneurs through innovative outreach programs like JEEVIKA, the annual South Asia Livelihood Documentary Festival that captures the livelihood challenges faced by the rural and urban poor and brings it to the attention of current and future policy makers thereby advocating economic freedom in India.

**For further details:** [www.jeevika.org](http://www.jeevika.org)

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