

SA's economic-freedom rating deteriorates further

South Africa ranks 99th out of 165 countries and territories included in the *Economic Freedom of the World: 2022 Annual Report*, released today by the Free Market Foundation (FMF) in conjunction with Canada's Fraser Institute.



Source: [Pixabay](#)

Last year, South Africa ranked 93rd and has therefore deteriorated further in the rankings. The country's best ranking of 47th was achieved in 2000.

According to FMF director, Eustace Davie the reason for the deterioration in the economic-freedom ranking is clearly visible in the deterioration in economic activity in the country.

"Mass unemployment is a particularly significant and tragic consequence of that deterioration," he said.

"When jurisdictions increase taxes and regulations, the people become less economically free, which means slower economic growth and less investment," said Fred McMahon, and Dr Michael A. Walker research chair in economic freedom with the Fraser Institute.

Hong Kong and Singapore again top the index, continuing their streak as first and second respectively, while Switzerland, New Zealand, Denmark, Australia, the United States, Estonia, Mauritius, and Ireland round out the top 10.

“The most recent comprehensive data are from 2020,” McMahon said. “Hong Kong is already showing a decline in freedom and we expect the decline to continue going forward.”

The report, launched in 1996, measures economic freedom – the ability of individuals to make their own economic decisions – by analysing several indicators including regulation, size of government, property rights, government spending and taxation. The year’s report, based on 2020 data (the most recent available), also captures the effect of Covid-related restrictions.

The 10 lowest-rated countries are Democratic Republic of Congo, Algeria, Republic of Congo, Iran, Libya, Argentina, the Syrian Arab Republic, Zimbabwe, Sudan and Venezuela. (Despotic countries such as North Korea and Cuba can’t be ranked due to lack of data.)

The rankings of other major countries include Japan (12th), Canada (14th), Germany (24th), Italy (43rd), France (54th), Mexico (65th), India (90th), Russia (94th), Brazil (114th) and China (116th).



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According to research in top peer-reviewed academic journals, people living in countries with high levels of economic freedom enjoy greater prosperity, more political and civil liberties, and longer lives.

For example, countries in the top quartile of economic freedom had an average per-capita GDP of \$48,251 in 2020 compared to \$6,542 for bottom quartile countries.

And poverty rates are lower. In the top quartile, 2.02% of the population experienced extreme poverty (\$1.90 a day) compared to 31.45% in the lowest quartile.

Finally, life expectancy is 80.4 years in the top quartile of countries compared to 66 years in the bottom quartile.

“Where people are free to pursue their own opportunities and make their own choices, they lead more prosperous, happier and healthier lives,” McMahon said.

The Fraser Institute produces the annual *Economic Freedom of the World* report in co-operation with the Economic Freedom Network, a group of independent research and educational institutes in nearly 100 countries and territories.

It’s the world’s premier measurement of economic freedom, measuring and ranking countries in five areas – size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally and regulation of credit, labour and business.



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This year’s report was prepared by James Gwartney of Florida State University; Robert Lawson and Ryan Murphy of Southern Methodist University; and Joshua Hall of West Virginia University.

South Africa’s 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: declined to 5.99 from 6.14 in last year's report.
- Legal system and property rights: improved to 5.95 from 5.09.
- Access to sound money: declined to 8.21 from 8.24.
- Freedom to trade internationally: declined to 5.8 from 6.6.
- Regulation of credit, labour, and business: declined to 6.78 from 7.16.

"All South Africans who have any influence on the economy of the country should take note of the detailed analysis of the economy that this research provides," said Davie. "This includes members of parliament, the Reserve Bank, business leaders, government officials, members of all political parties and commentators on economic matters.

"The message is clear. The greater the level of economic freedom in the country, the better off citizens of the country will be. There is no reason why South Africans should not be as economically free or even more free than people living in Estonia, Mauritius, or Ireland.

"The people of South Africa should demand that their country set out to become one of the freest in the world, just as Mauritians set out to do and achieved in 20 years."

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