



Israel's economic freedom ranking drops to 76. Last year it was 44. Hong Kong and Singapore rank number one and two.

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For Immediate Release

Jerusalem, Israel— Israel ranks 76th in the world in terms of economic freedom according to the Economic Freedom of the World: 2008 Annual Report, released today by the Jerusalem Institute for Market Studies (JIMS). The setback is substantial since Israel ranked 44th in last year's report.

While other countries in the world have become freer over the past year, Israel has suffered from more regulation and an ever growing public sector. Israel's very poor ranking this year is mainly due to the severe drop in one component - government enterprises and investment- this component measures the extent to which countries use private rather than government enterprises to produce goods and services. This component is published by the IMF's Government Finance Statistics electronic data. *"Government firms play by rules that are different from those to which private enterprises are subject. They are not dependent on consumers for their revenue or on investors for capital. They often operate in protected markets. Because public firms are not subject to competition, they can charge higher prices for lower quality services"* says Professor Robert Sauer, President of JIMS.

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 more likely to be poor and to face a corrupted government," said Corinne Sauer, Director of JIMS.

These are Israel's scores in key components of economic freedom (ranging from 1 to 10 where a higher value indicates a higher level of economic freedom):

Size of government: changed to 3.8 from 5.3 in the last year's report

Legal structures and security of property rights: changed to 6.2 from 6.6

Access to sound money: changed to 9.1 from 9.3

Freedom to trade internationally: changed to 7.6 from 7.8

Regulation of credit, labor and business: changed to 6.4 from 6.7

Israel's rankings were significantly weakened due to Israel's oversized government. One of Israel's lowest ratings (2.1), stable since 1990, was in the rate of government spending as a percentage of total consumption. Israel also loses points due to extremely burdensome tax rates.

The full report is available at www.freetheworld.com

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. 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.

"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."

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

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