



Improving the Economic Freedom of Sri Lankans

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Thanks to:

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Grauben Lara

Tom Palmer

Content

- What is Economic Freedom
- Why it is important
 - Results of economic freedom on prosperity and human well-being
- Sri Lanka's record on economic freedom

What is Economic Freedom

Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. An index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions.

James Gwartney et al. 1996

Components of the Economic Freedom of the World Index

- Size of government and taxation
- Private property and the rule of law
- Sound money
- Trade regulation and tariffs
- Regulation of business, labour and capital markets

Reflections on the Obvious

Benefits in the Real World

Why
Economic Freedom is
Important

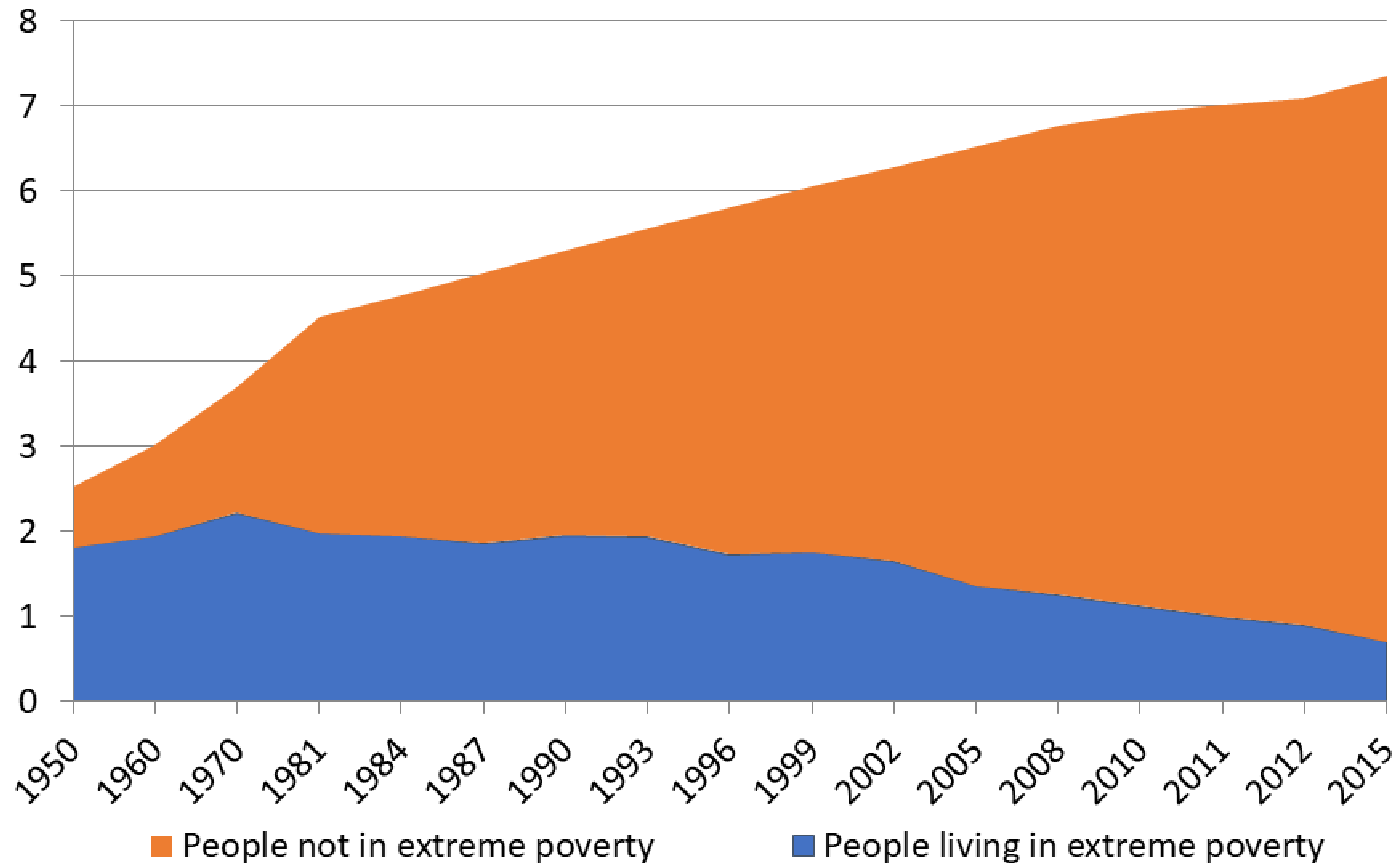
The Age of
Global Free Trade,
Free Market Economies, and Economic Freedom
Have Brought
Huge Benefits to Humankind

**The human condition
has improved immensely**

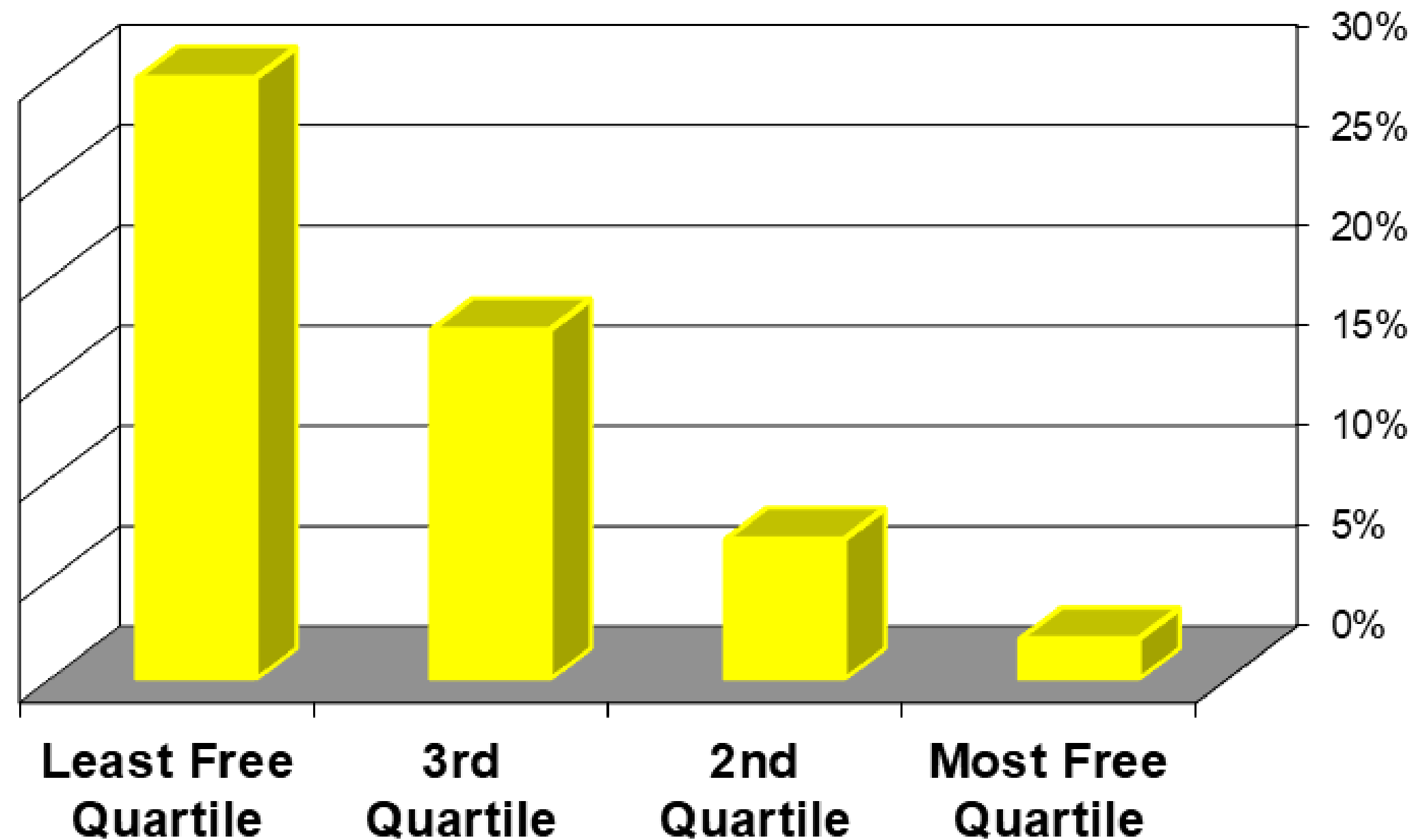
But the gains were most achieved by those
living in economically free areas

Escape from Global poverty

Billions

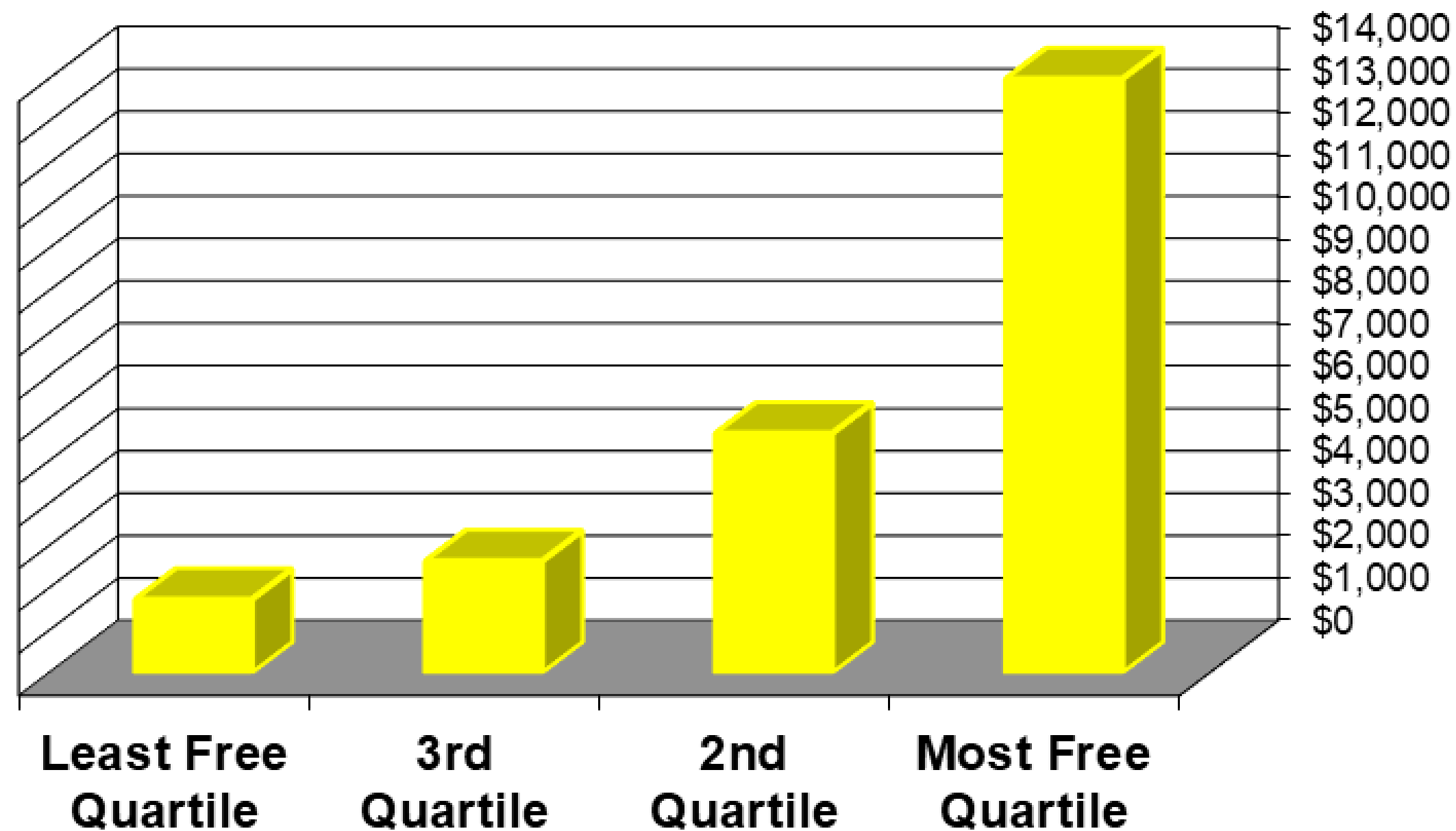


**Extreme poverty headcount ratio
at \$1.90 a day
(PPP) (% of population)**



Least Free Most Free

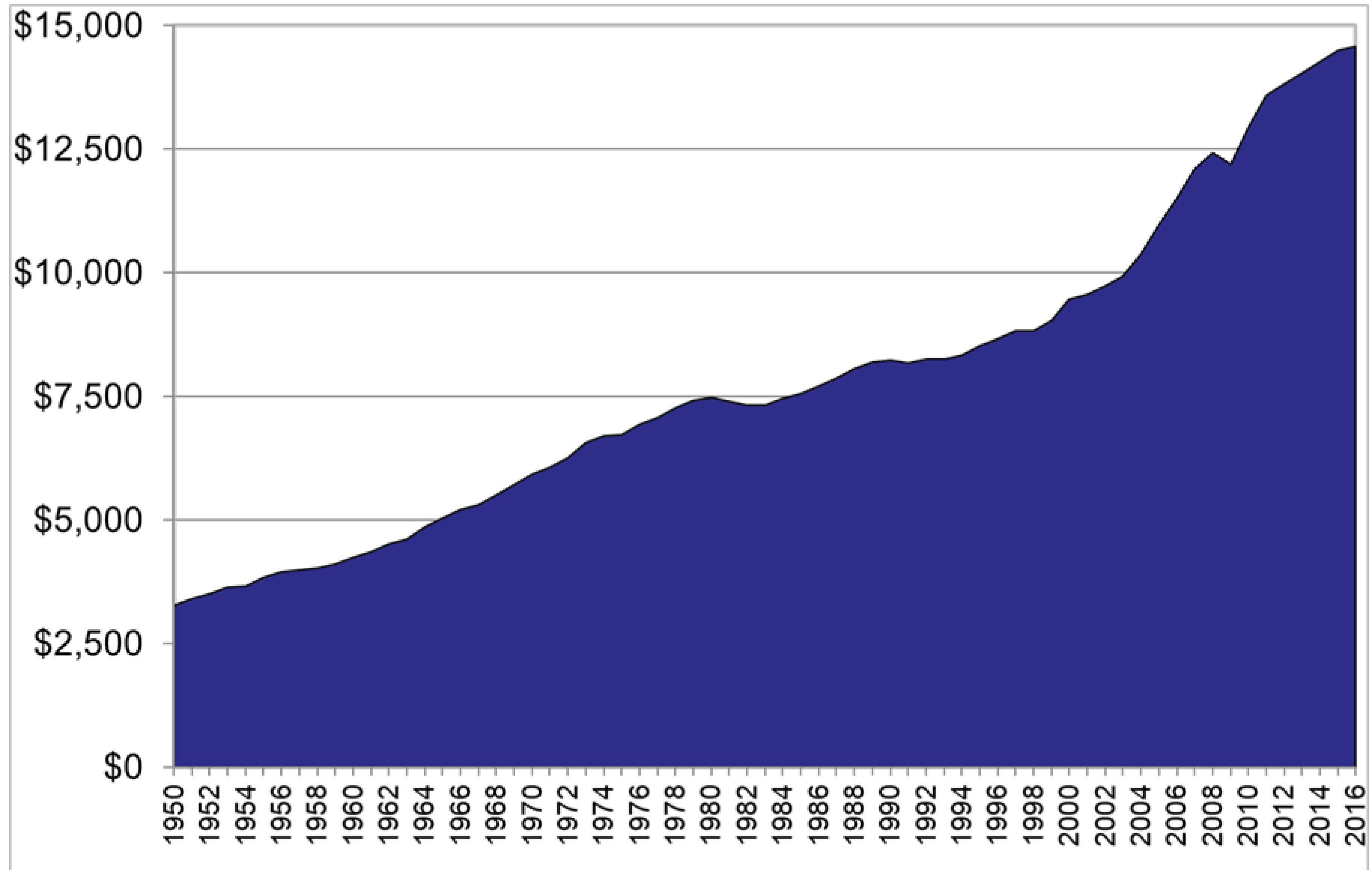
Income of the Poorest 10% and Economic Freedom (PPP)



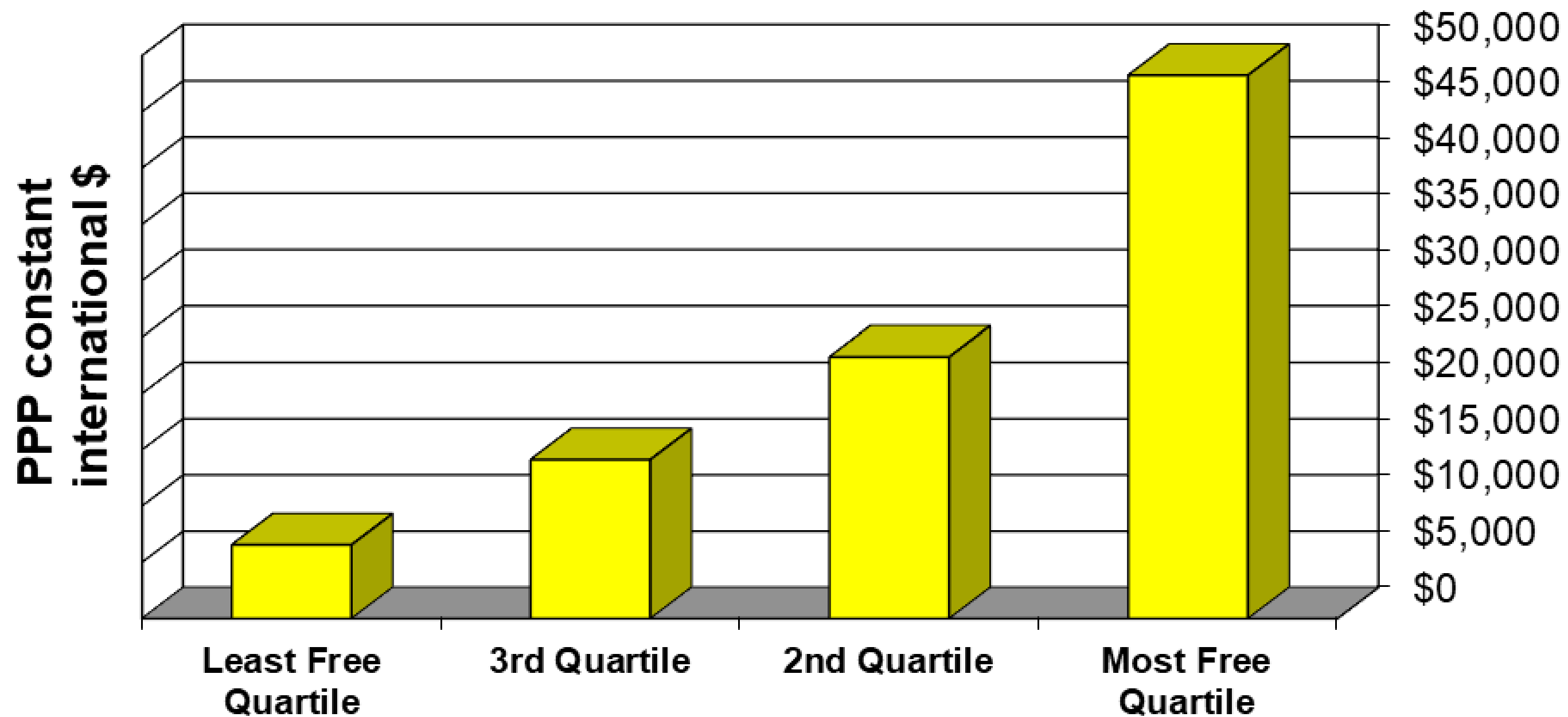
Least Free Most Free

Global Per capita GDP

Constant US\$

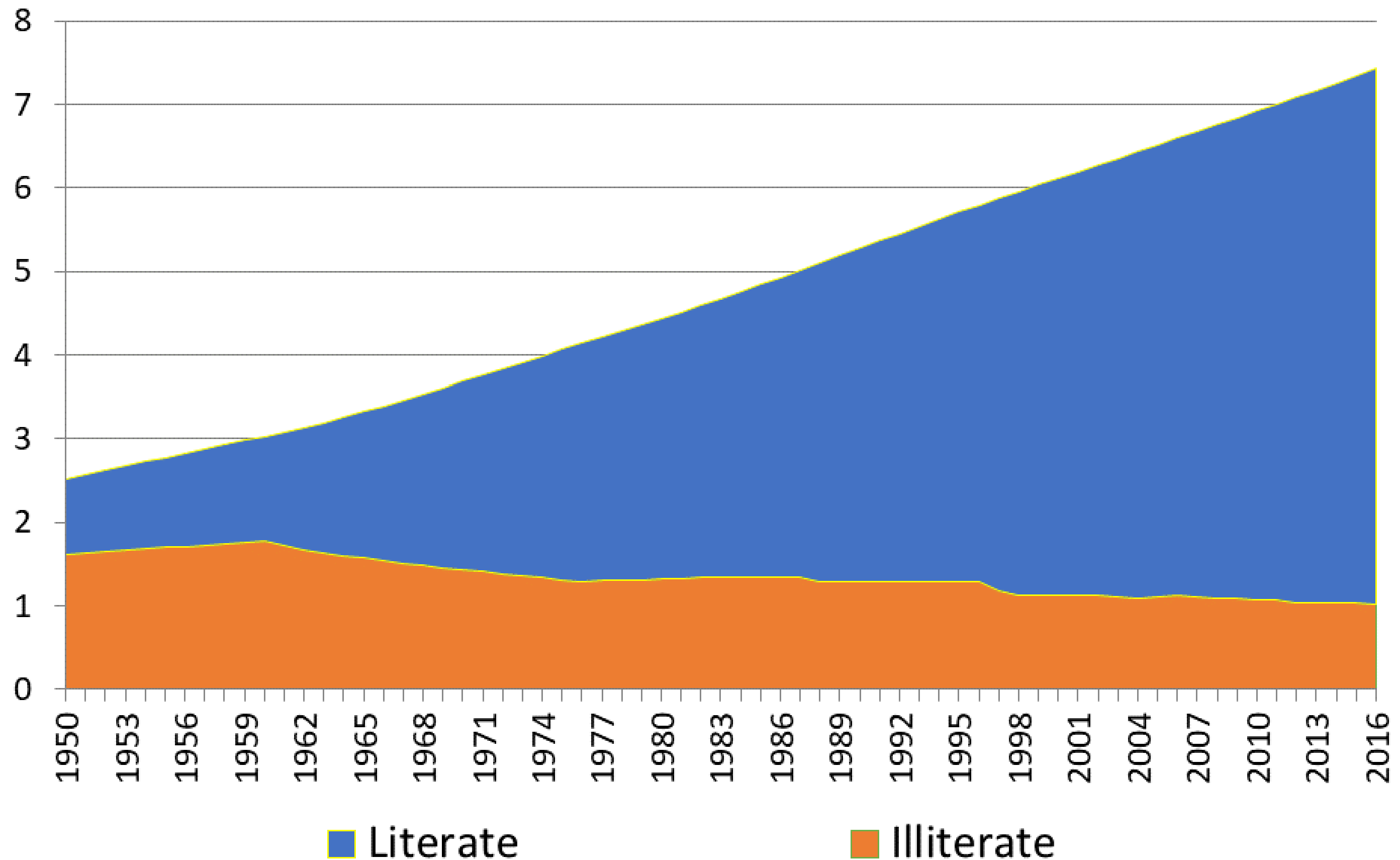


Per Capita Income and Economic Freedom Quartile



Least Free Most Free

Literacy: Billions of individuals

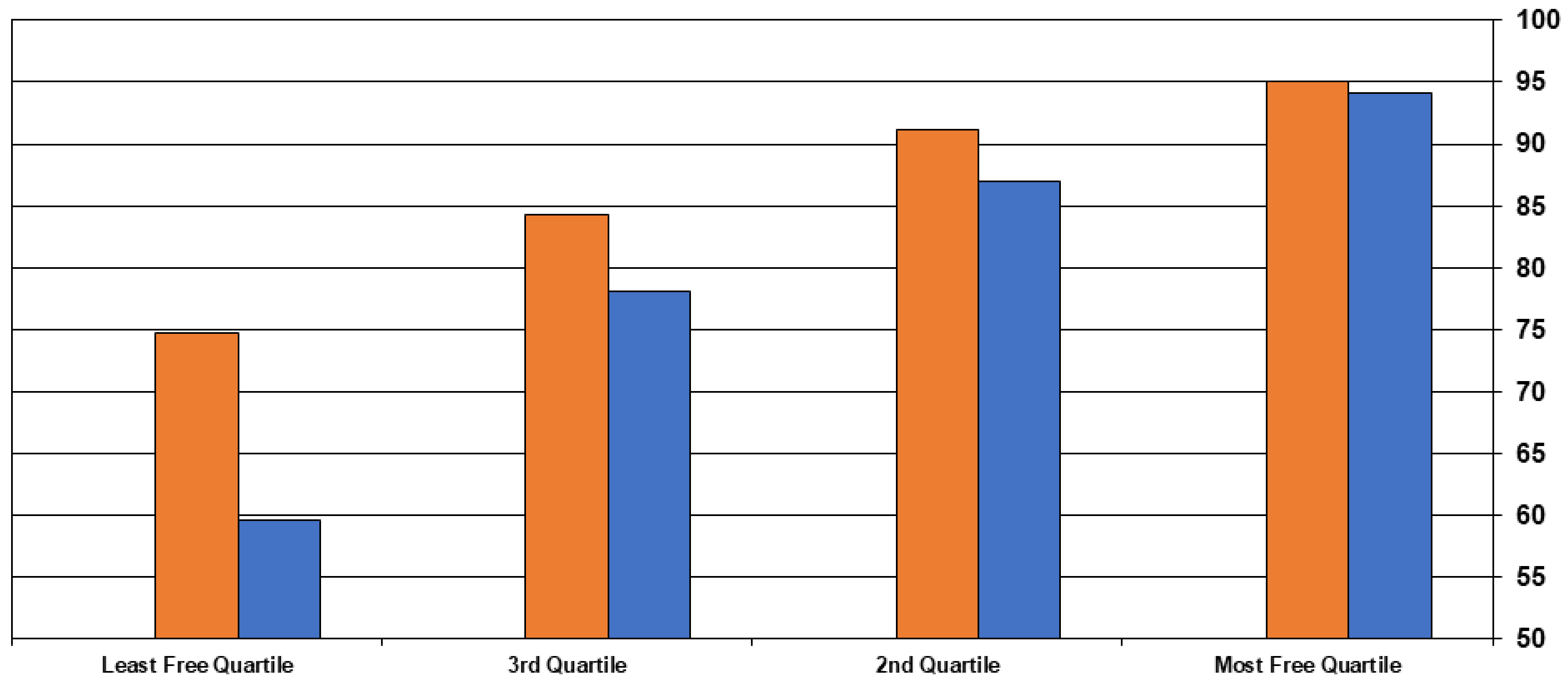


Literacy (% of population)

Male



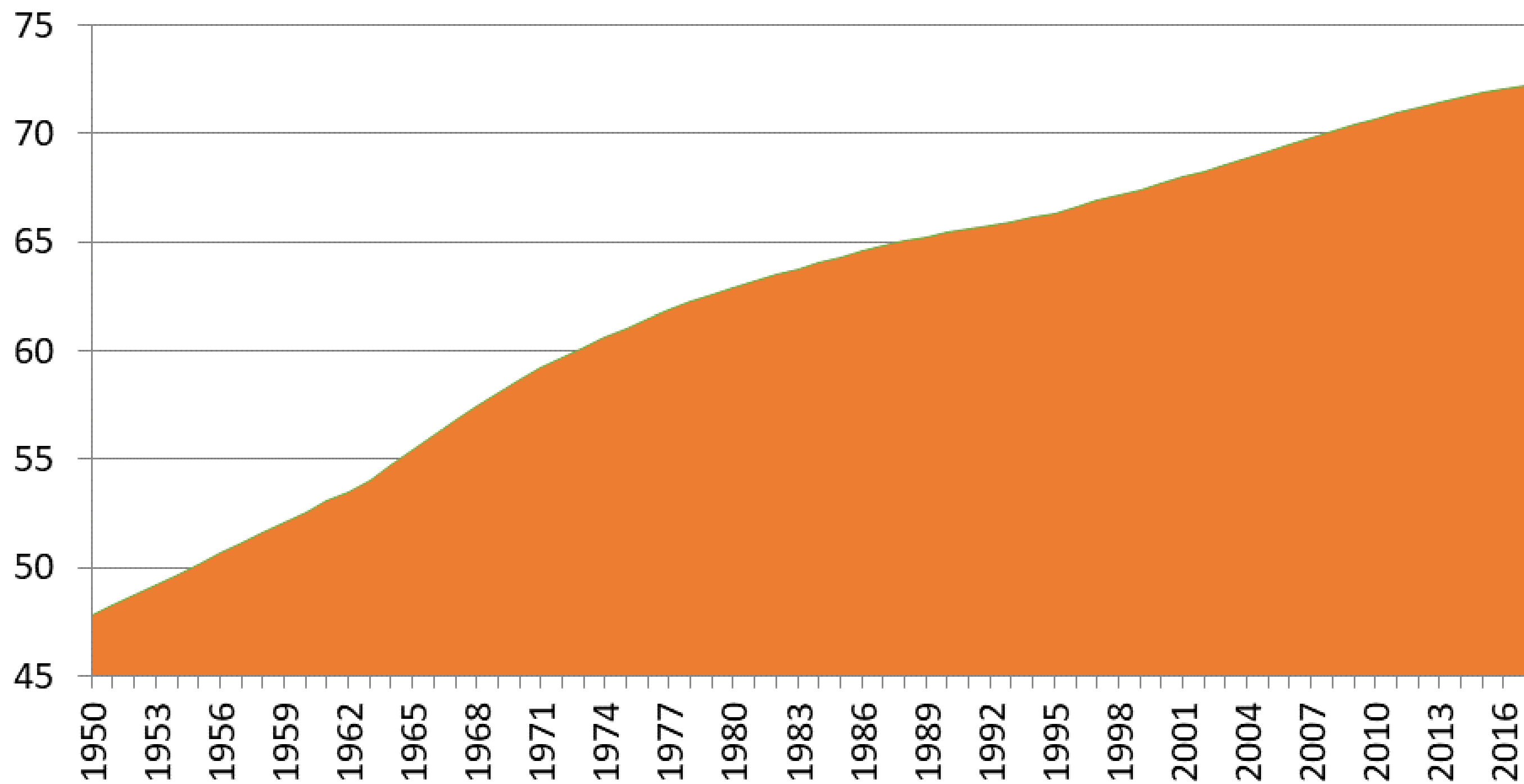
Female



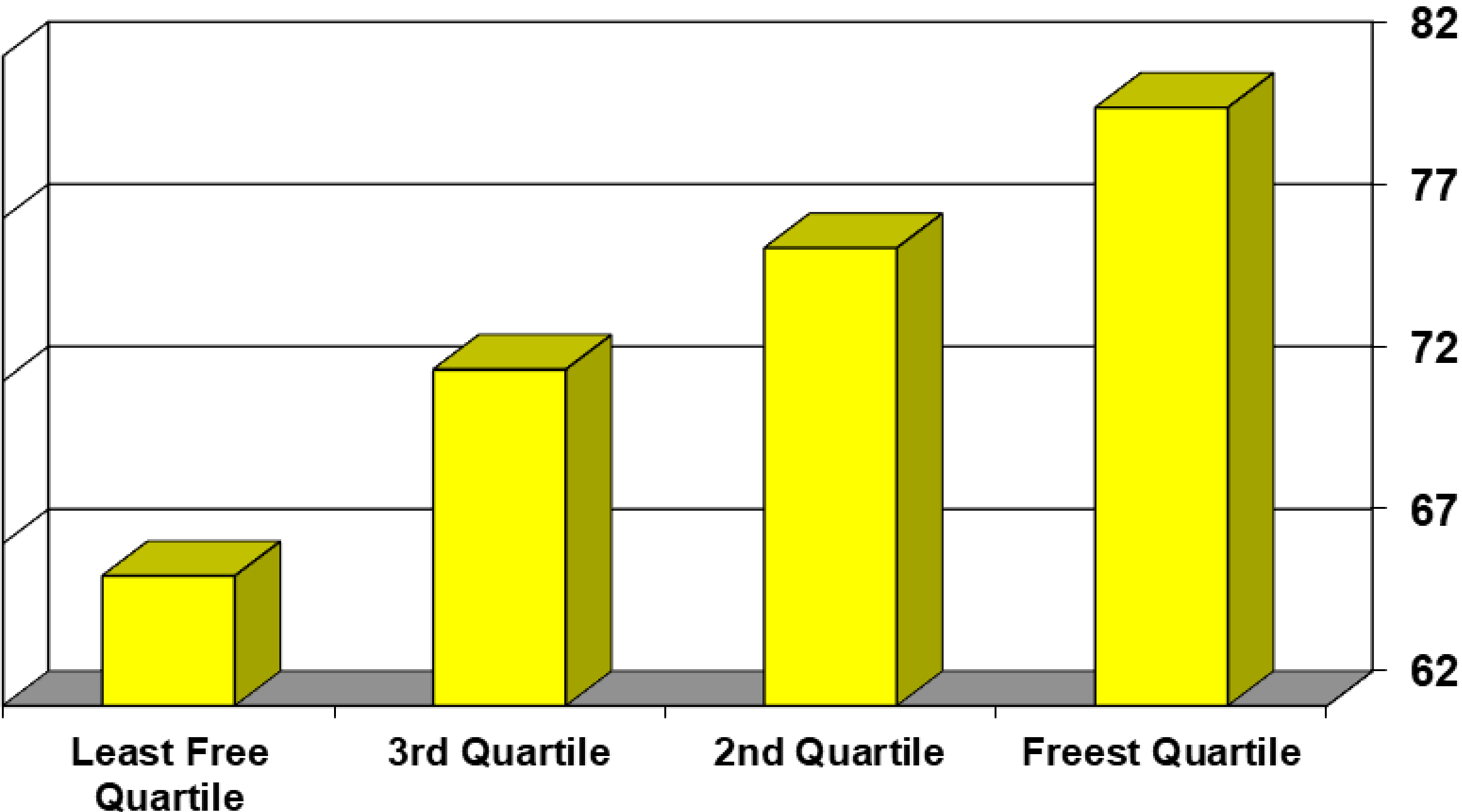
Least Free Most Free

Sources: The Fraser Institute; World Development Indicators 2013

Life Expectancy: Years



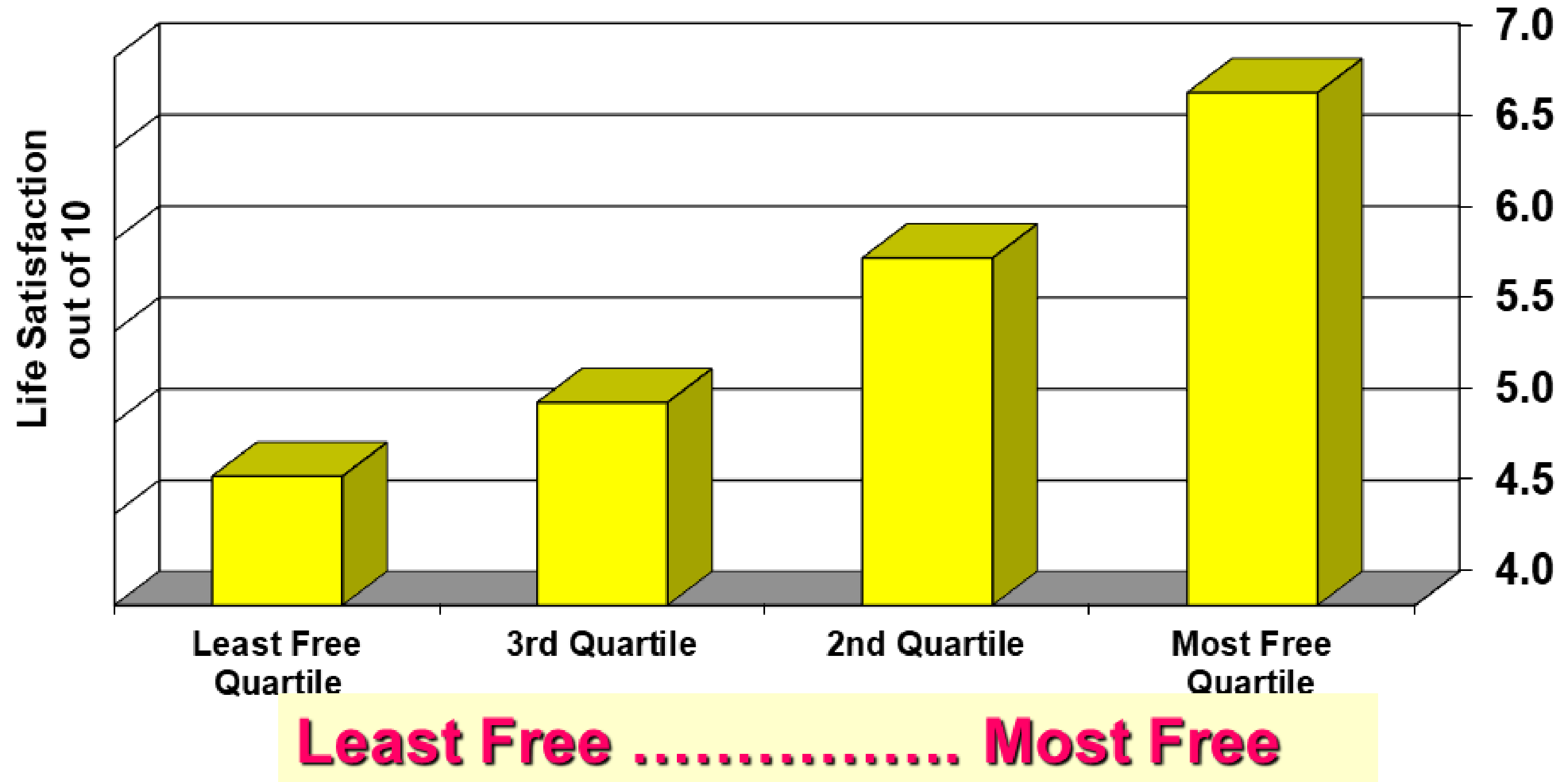
Life expectancy at birth



Least Free Most Free

One last thing.

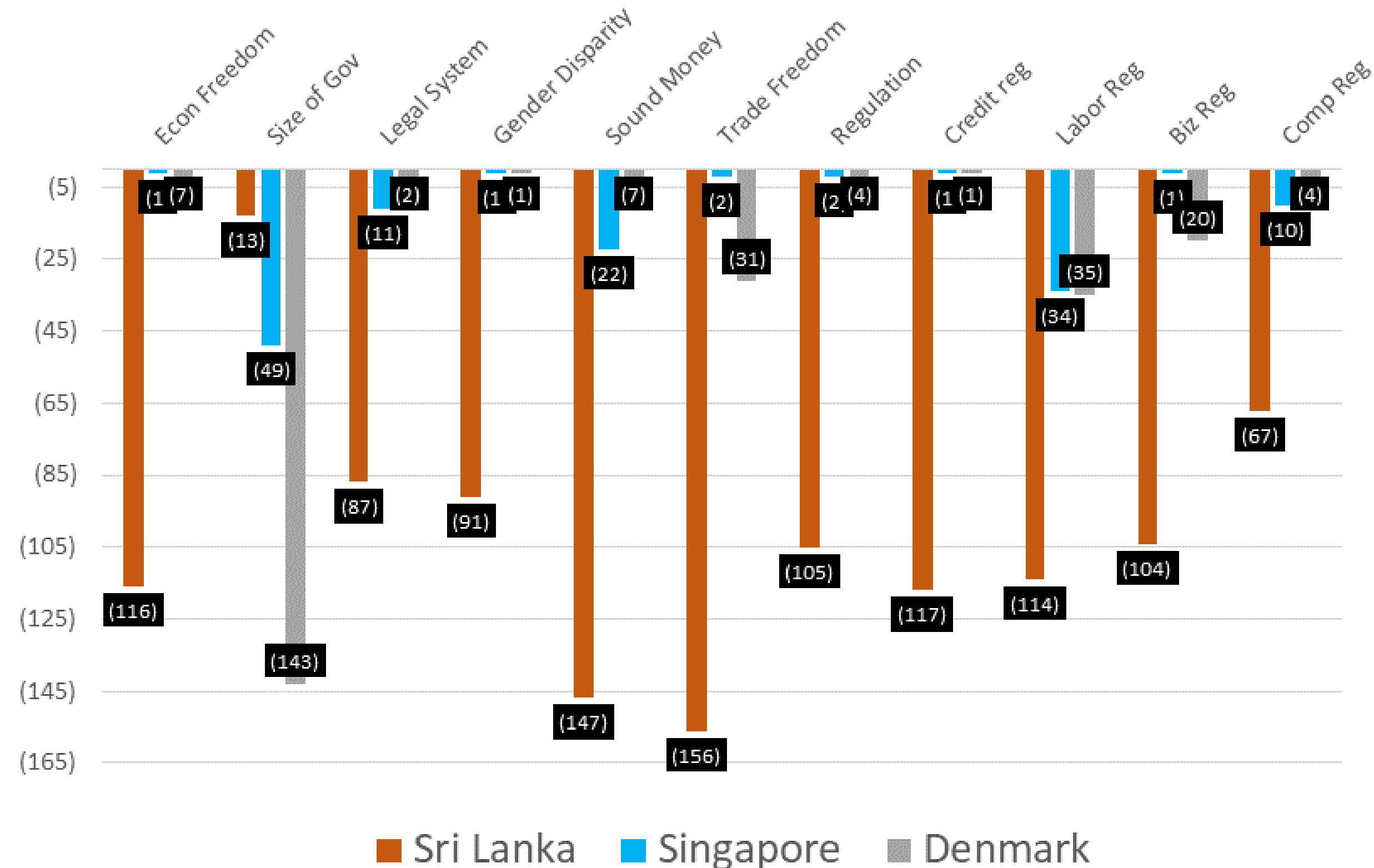
Economic Freedom and Life Satisfaction/Happiness



Turning to Sri Lanka

First a quick look at Sri Lanka compared to Singapore and Demark:

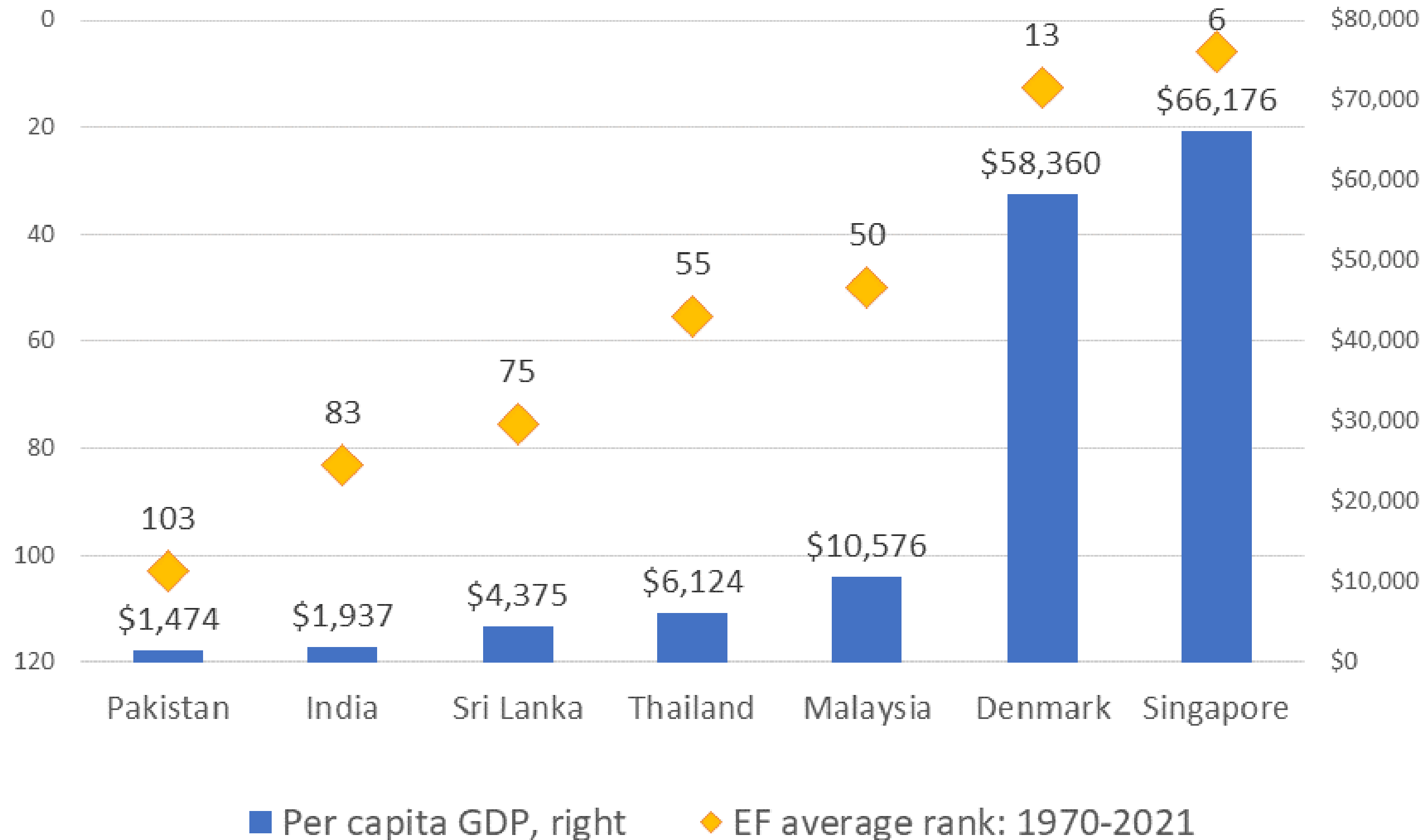
Ranks out of the 165 jurisdictions in the index



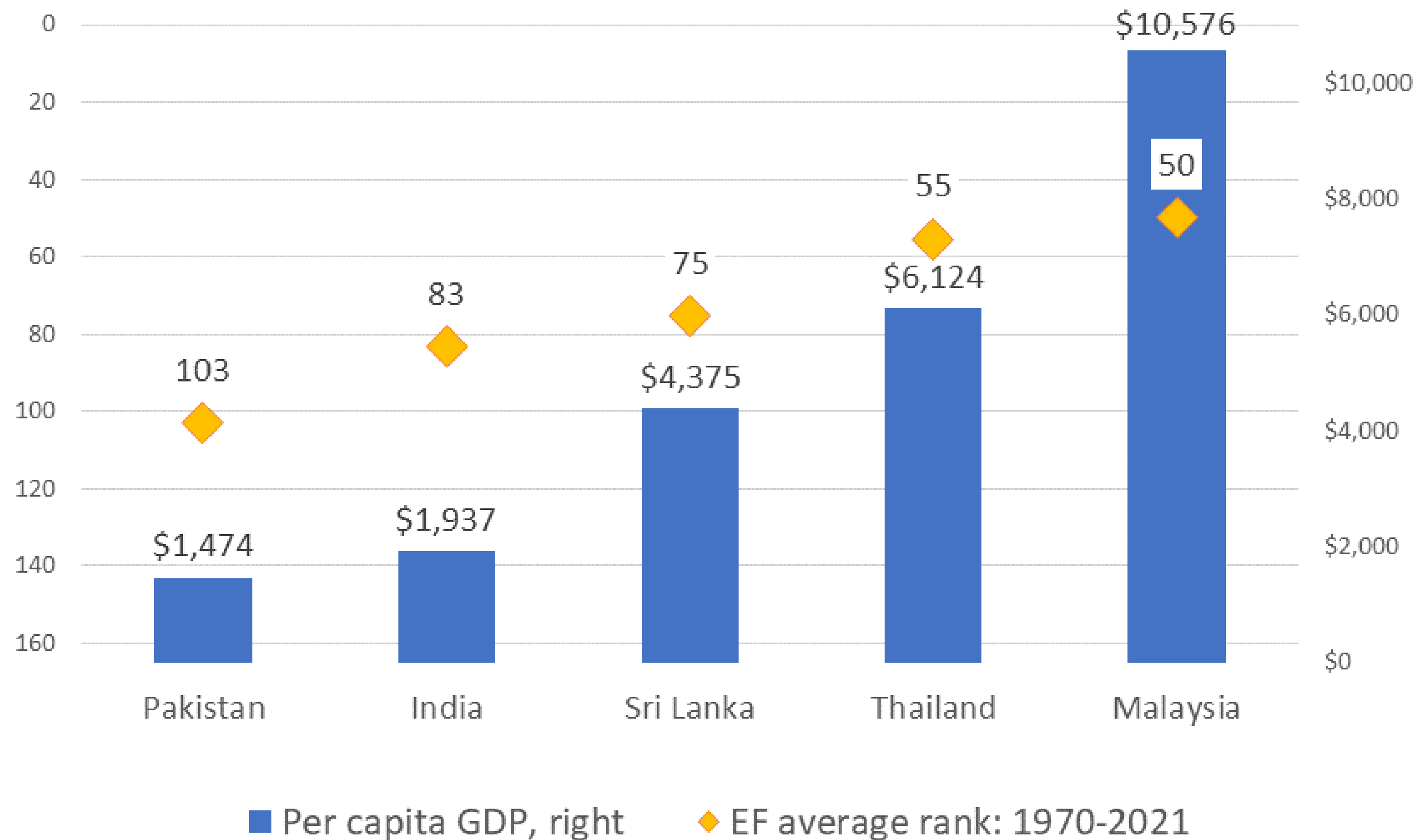
Highlights

- Sri Lanka has relatively small government, indicated by its high rank. But is government able to provide the services, like rule of law, essential to economic freedom?
- Sri Lankans are not well protected by the rule of law: Sri Lanka has the 83rd worst legal system in the world.
- Women do not have the same economic freedom as men in Sri Lanka. Sri Lanka ranks 91st in Gender Disparity.
- Sri Lanka ranks 147th in Sound Money, undermining property rights.
- Sri Lanka's economy is largely cut off from the world: 156th in trade barriers.
- Sri Lankans are strangled by red tape: 105th in the world in regulation.
- Particularly troublesome are barriers that keep workers—particularly the unskilled and dispossessed—out of the formal labor market and the path to prosperity. Sri Lanka ranks 114th.
- Business is also strangled by red tape. Sri Lanka is 104th in business regulation, stifling business's ability to create jobs and prosperity.

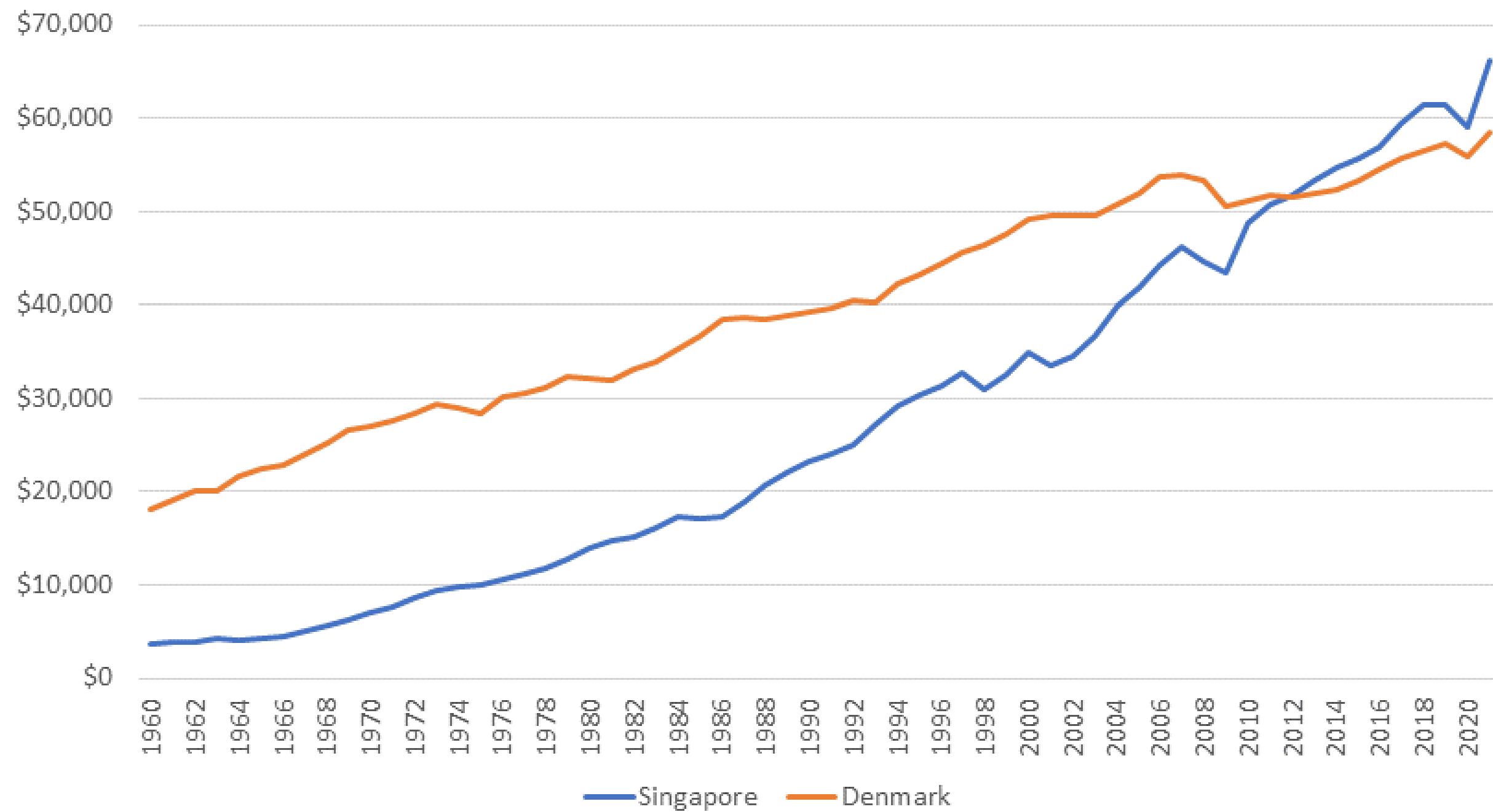
Average EF rank (1970-2021) and Per Person GDP



Average EF rank, 1970-2021, and Per Person GDP, 2021, Constant 2015 US\$



Singapore Vs Denmark: Per Capita GDP

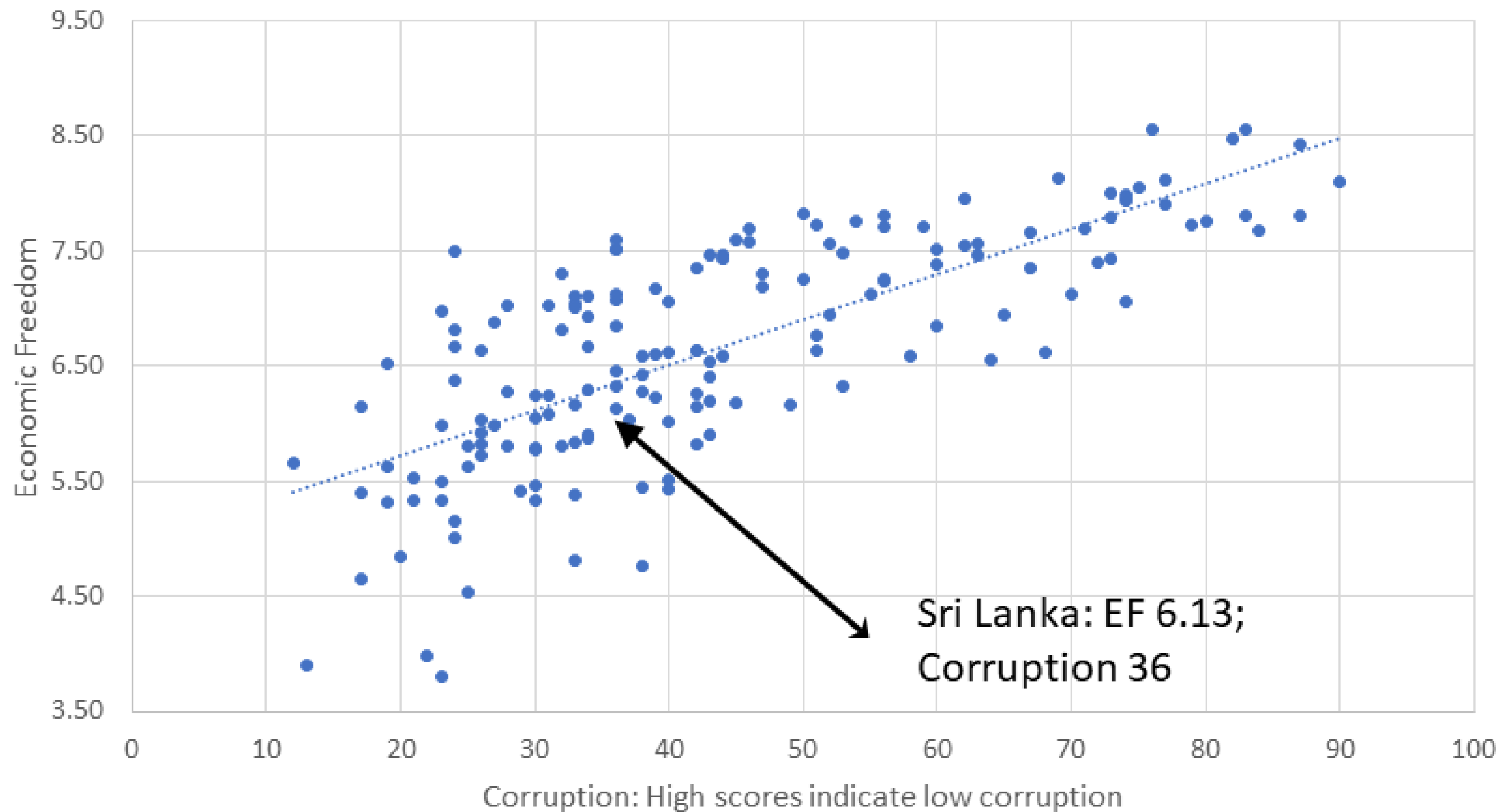


Corruption and Economic Freedom

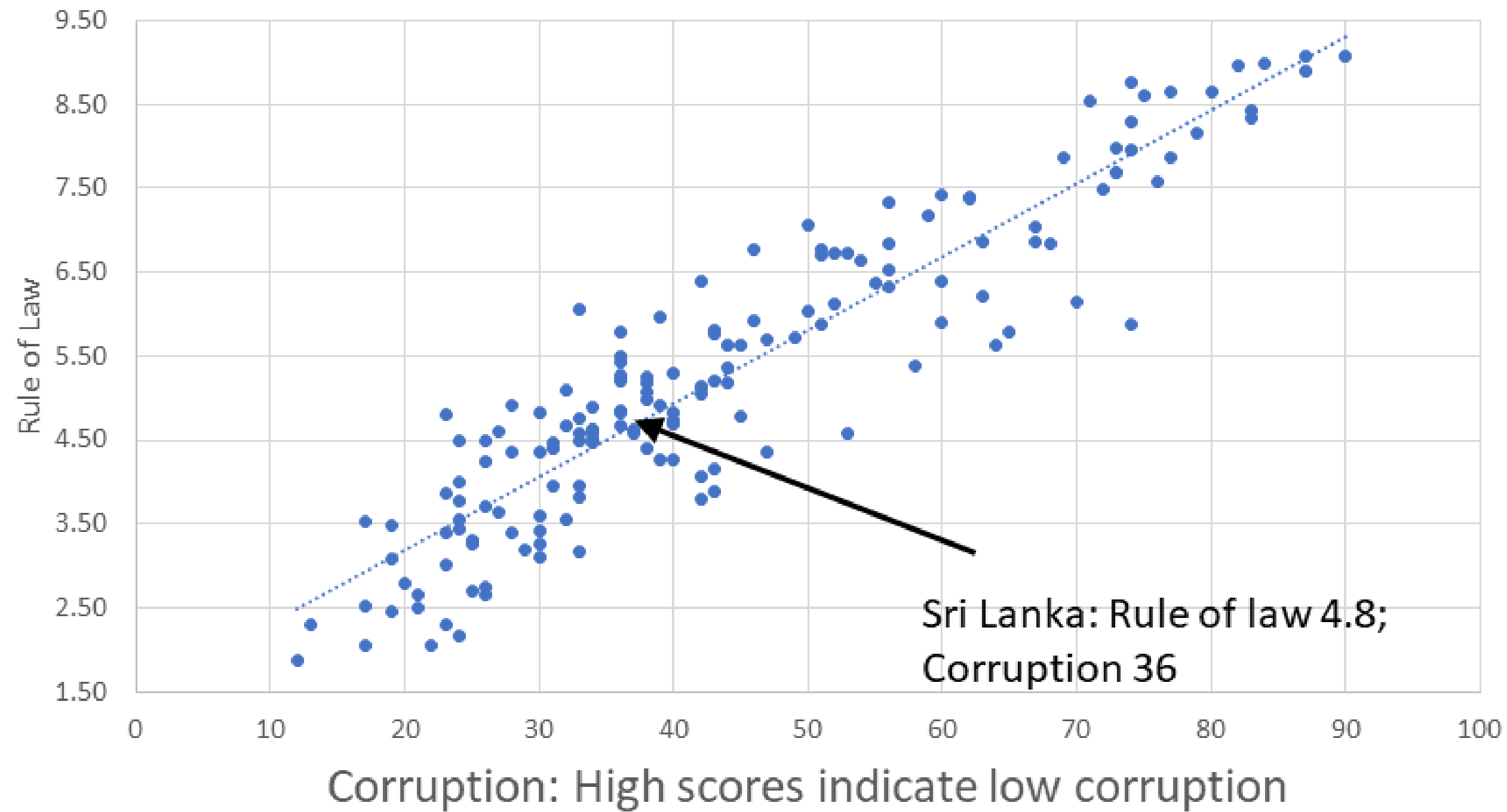
- Lack of economic freedom creates corruption
- When economic freedom is high and an individual is free to make their own economic decisions, there is no one pay off and corruption withers
- If economic freedom is restricted and an individual needs permission, then there is someone to pay off and corruption grows.
- Sri Lanka's low level of economic freedom fuels corruption.
- In the Corruption Perception, Sri Lanka scores 36 out of 100, where low scores indicate high corruption.
- Sri Lanka ranks 101 out of 180 jurisdictions.

Advocata's proposal to digitalize the courts and property registration could dramatically reduce corrupt and increase economic freedom

Corruption and Economic freedom

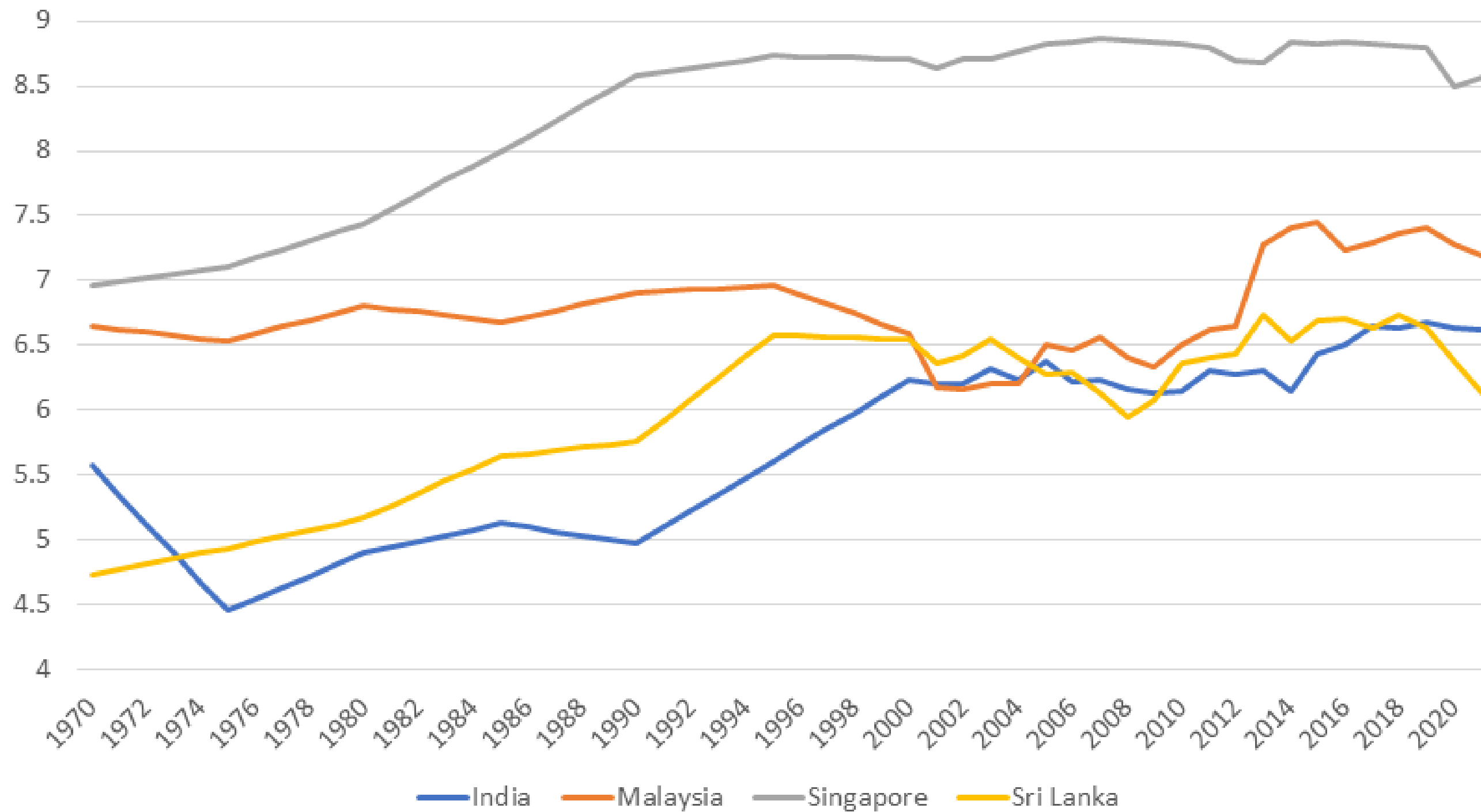


Corruption and Rule of Law

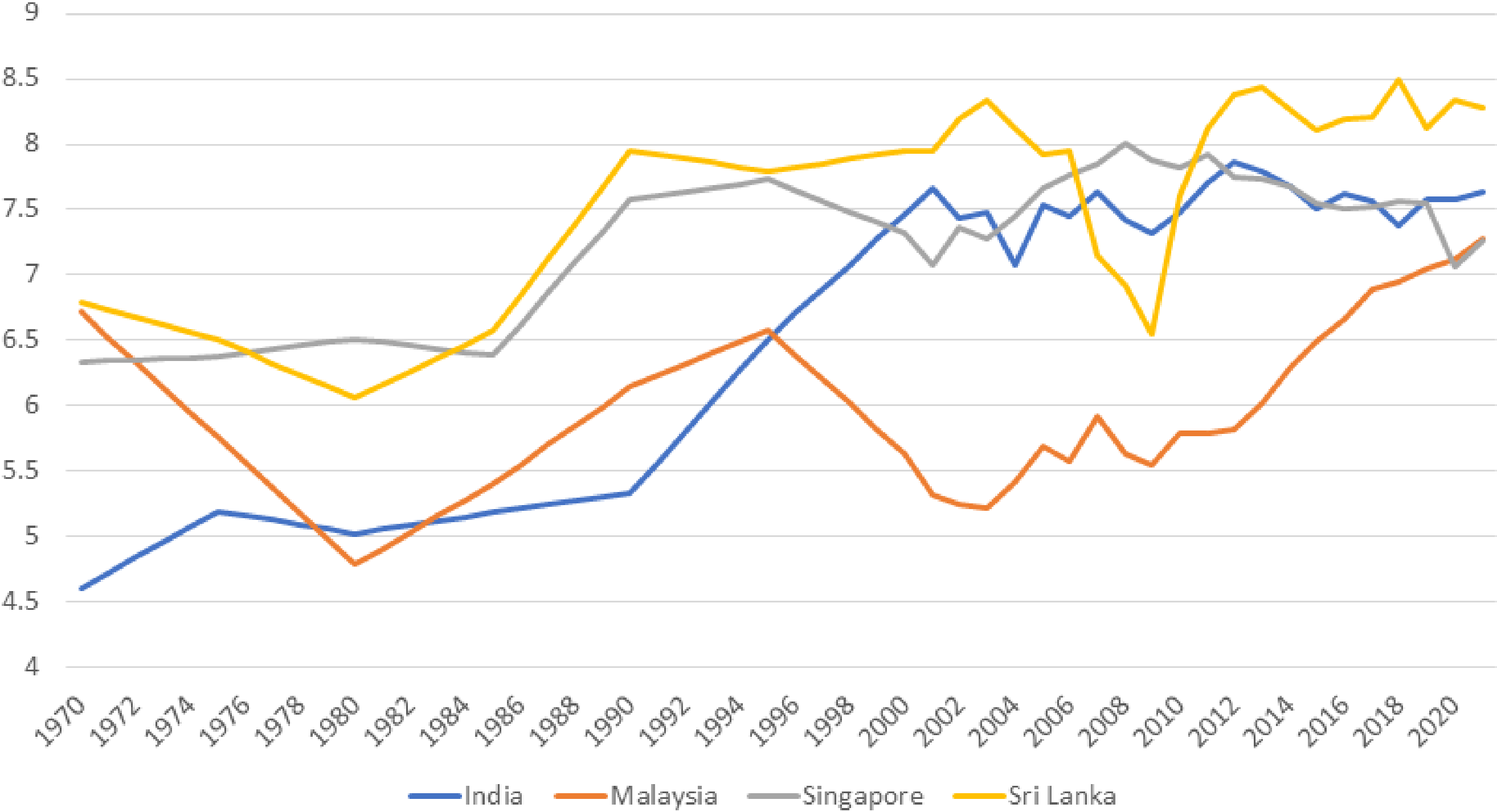


Sri Lanka's scores

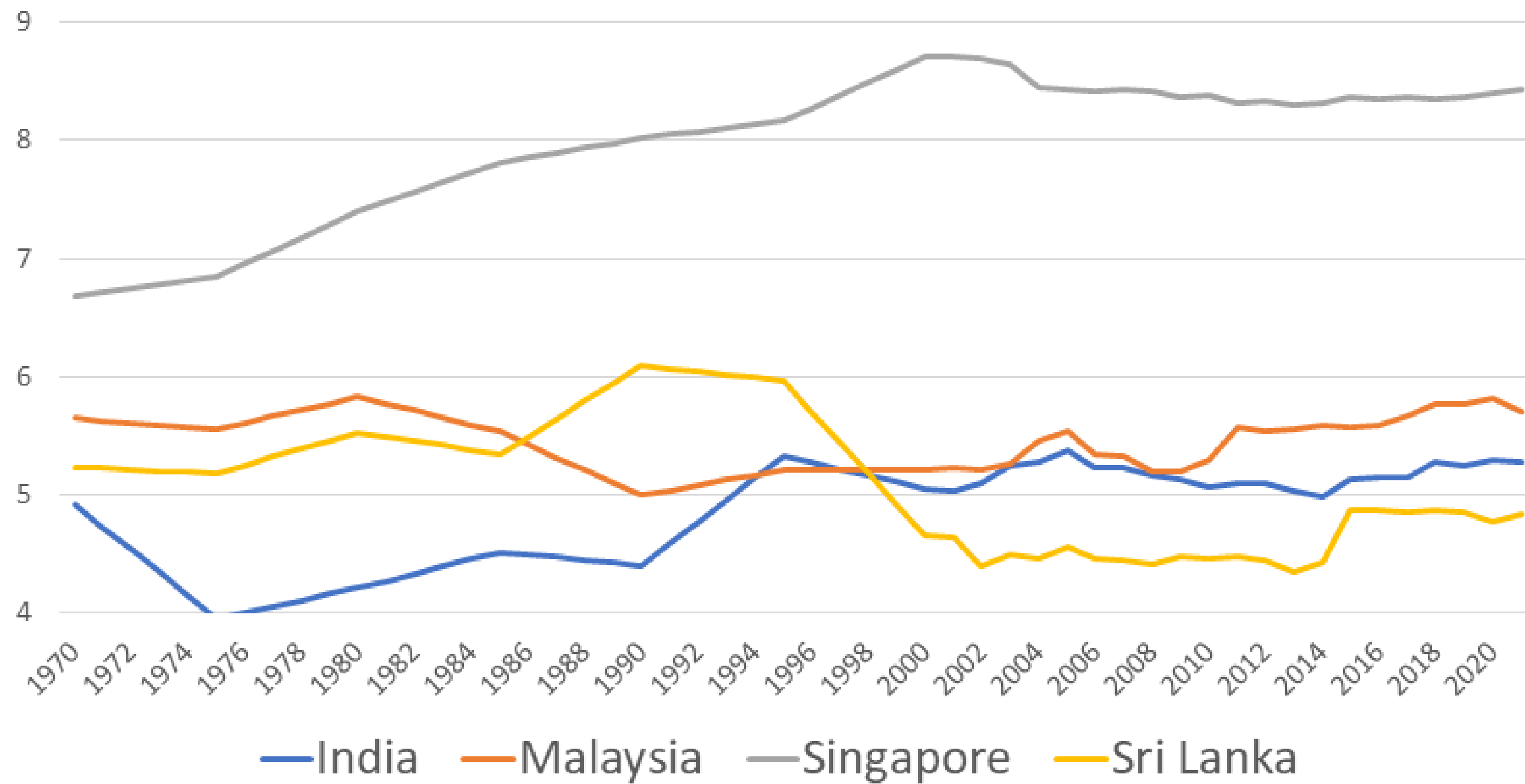
Economic Freedom Overall



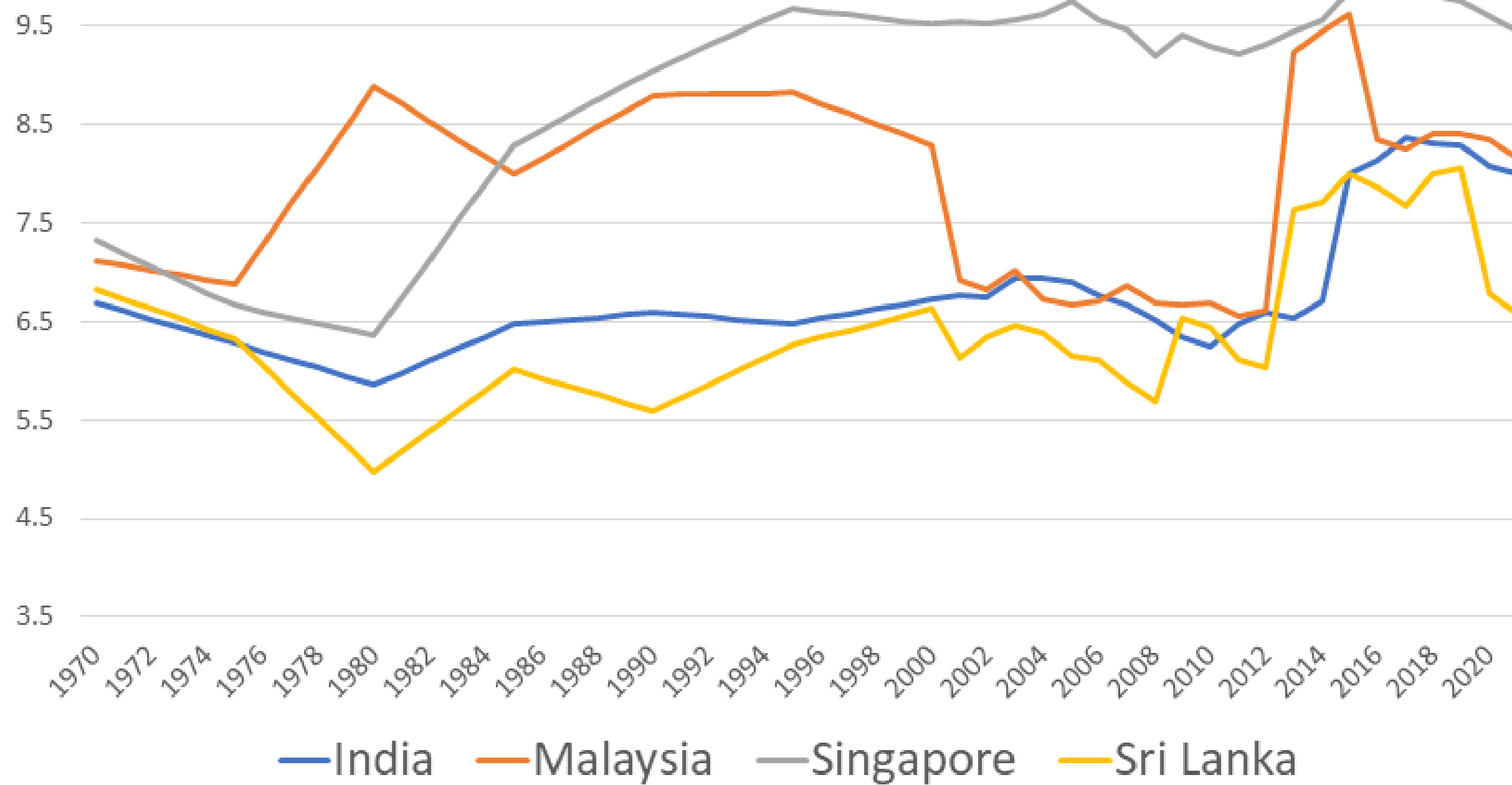
Size of Government



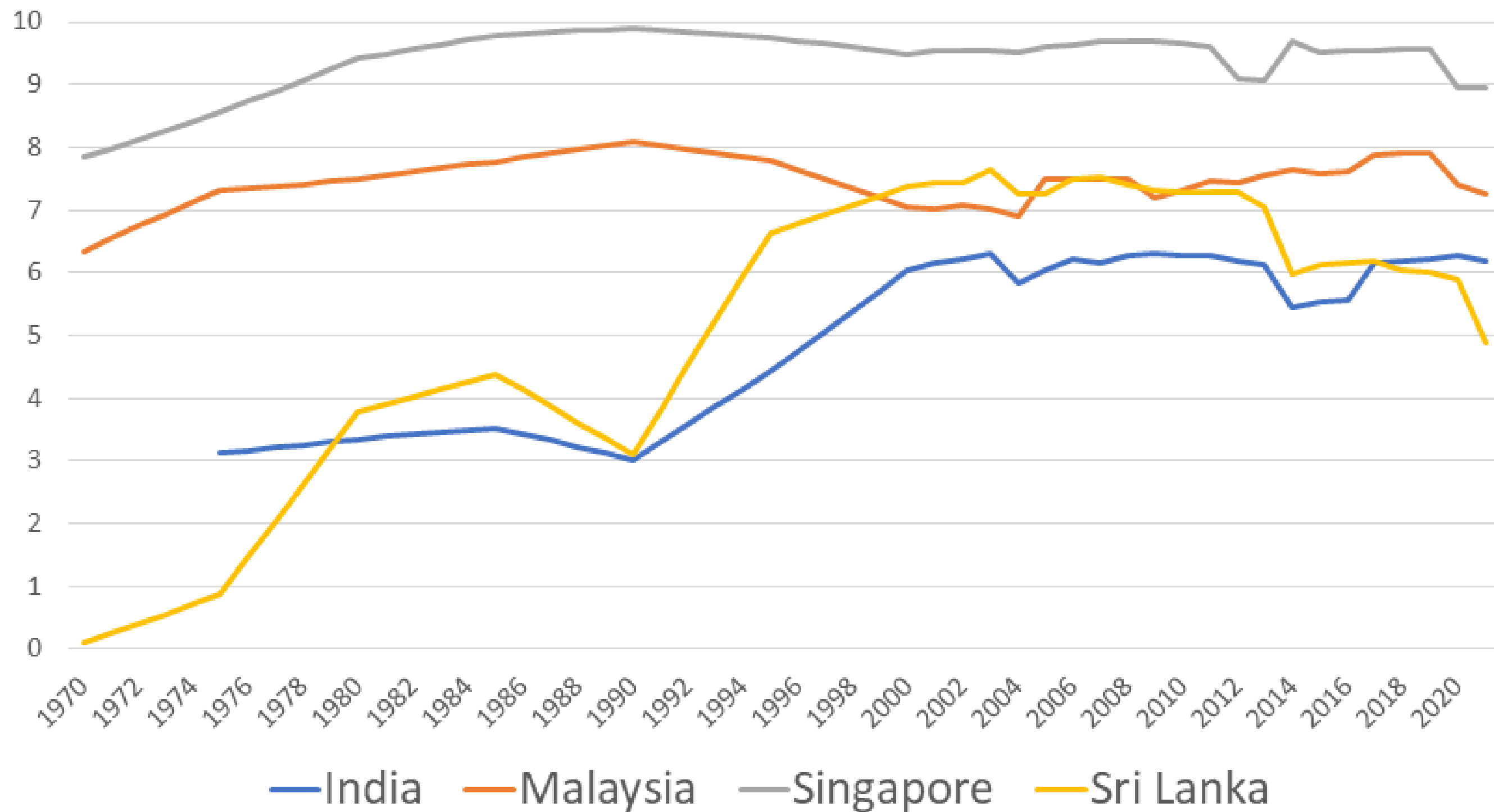
Rule of Law



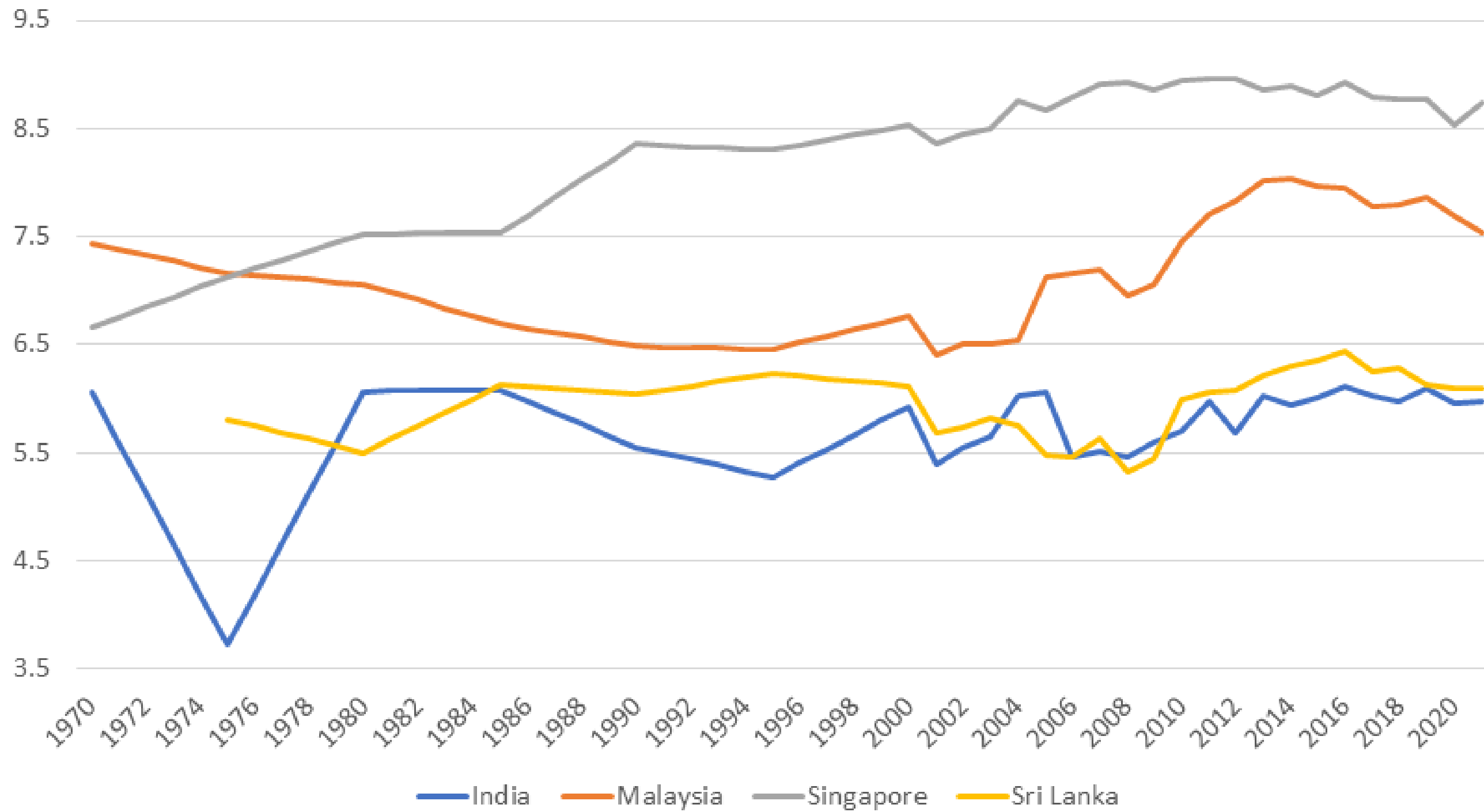
Sound Money



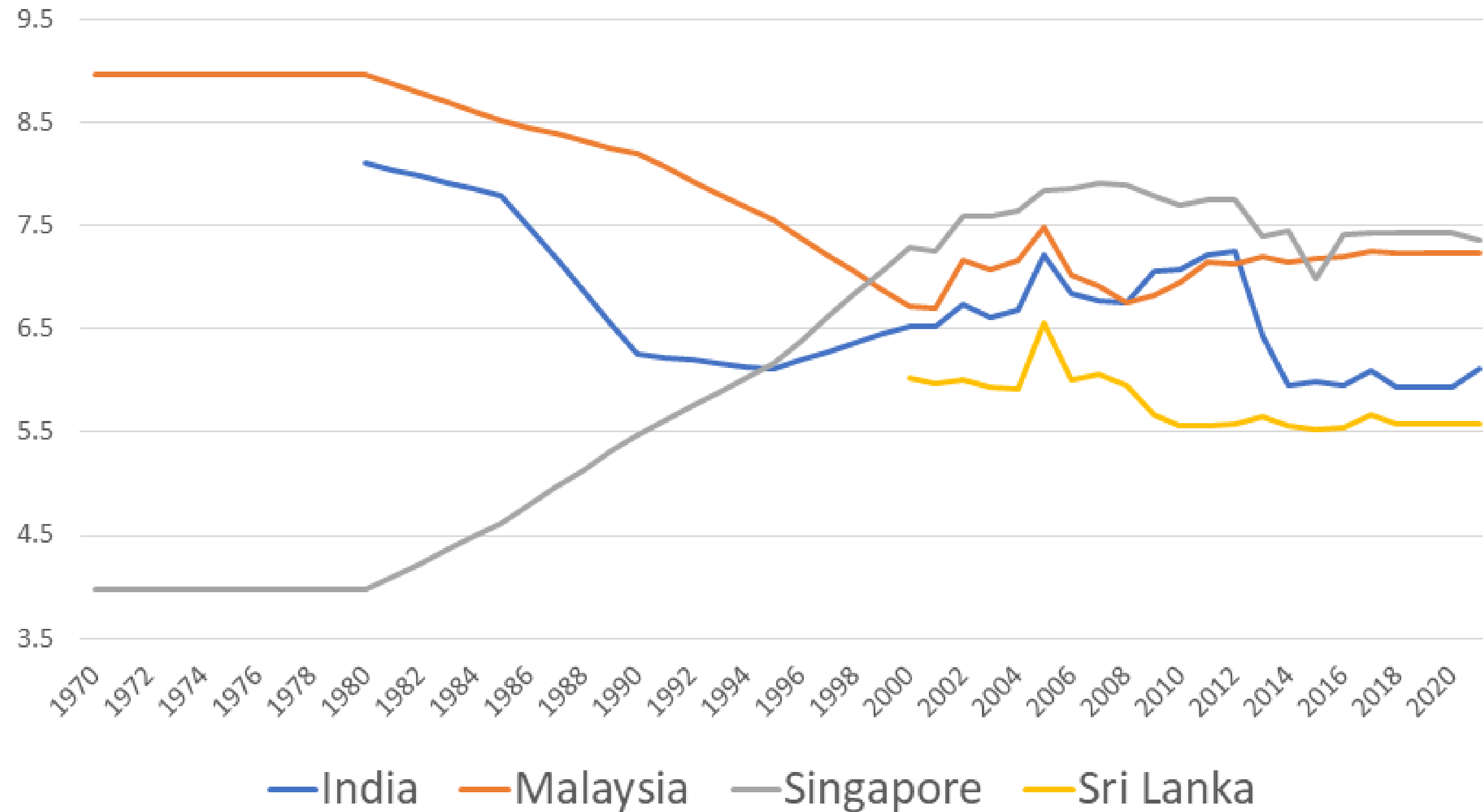
Freedom to Trade



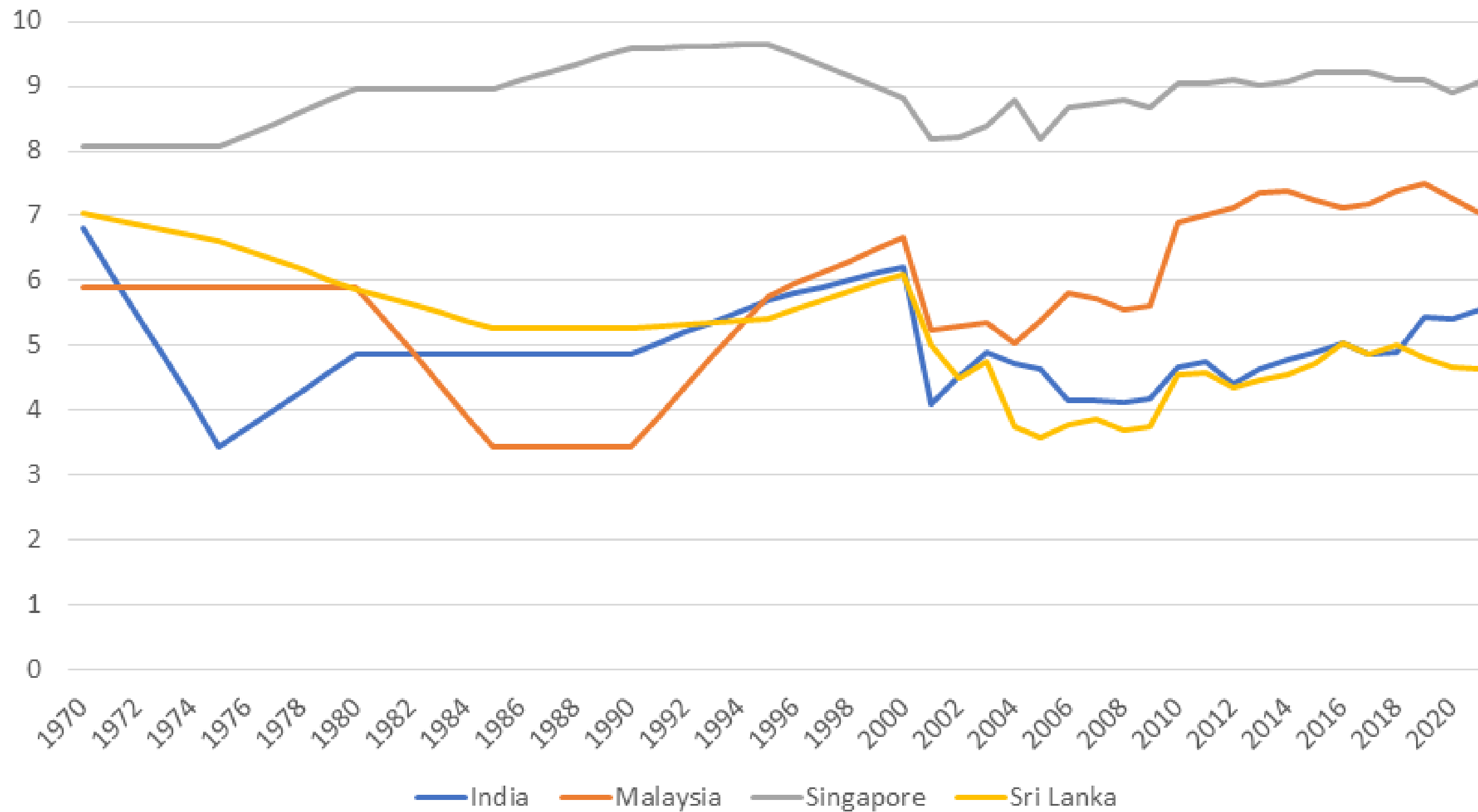
Regulation



Labour Regulations



Business Regulation

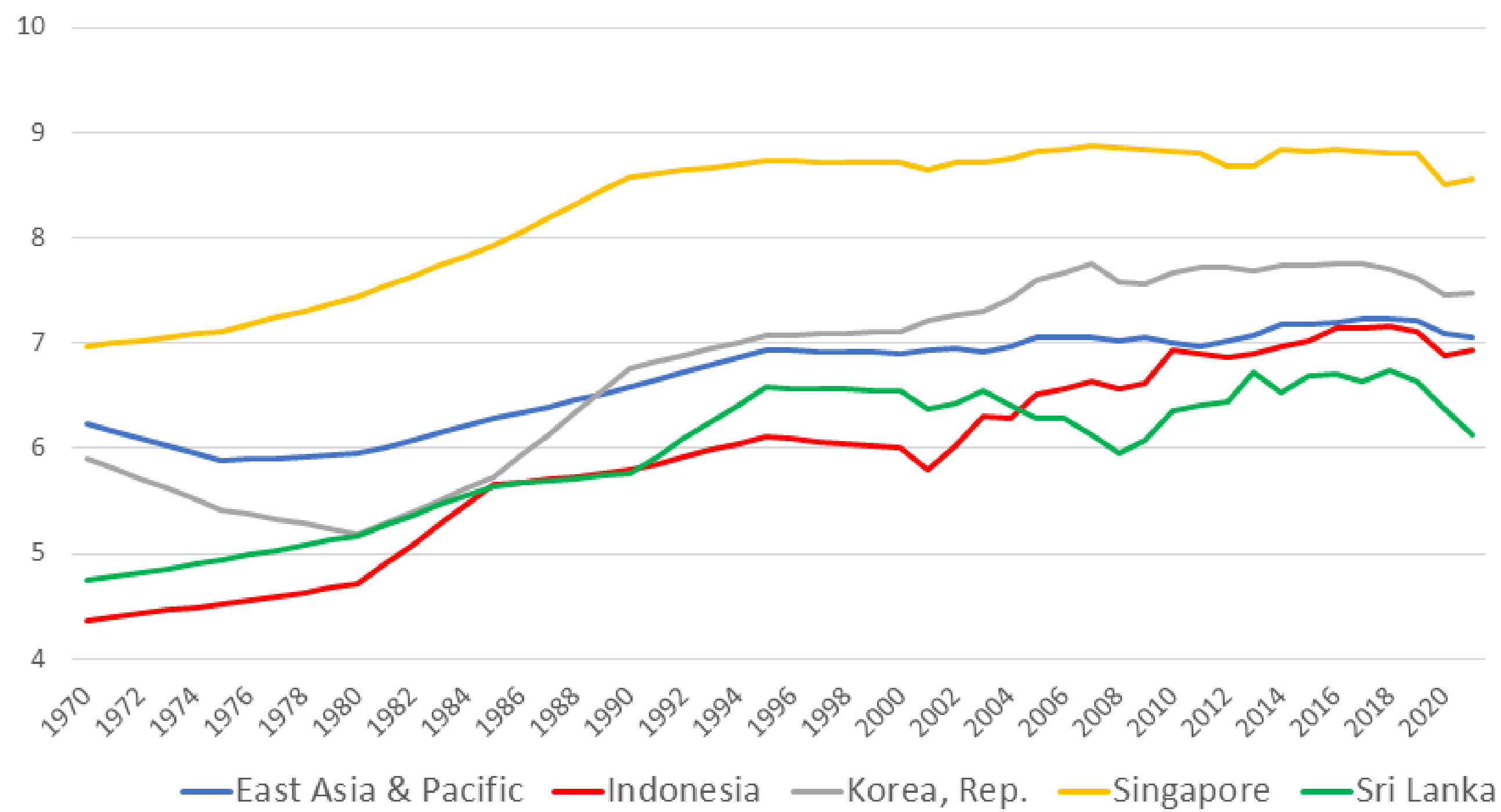


To continue strong growth,
increased economic freedom is needed

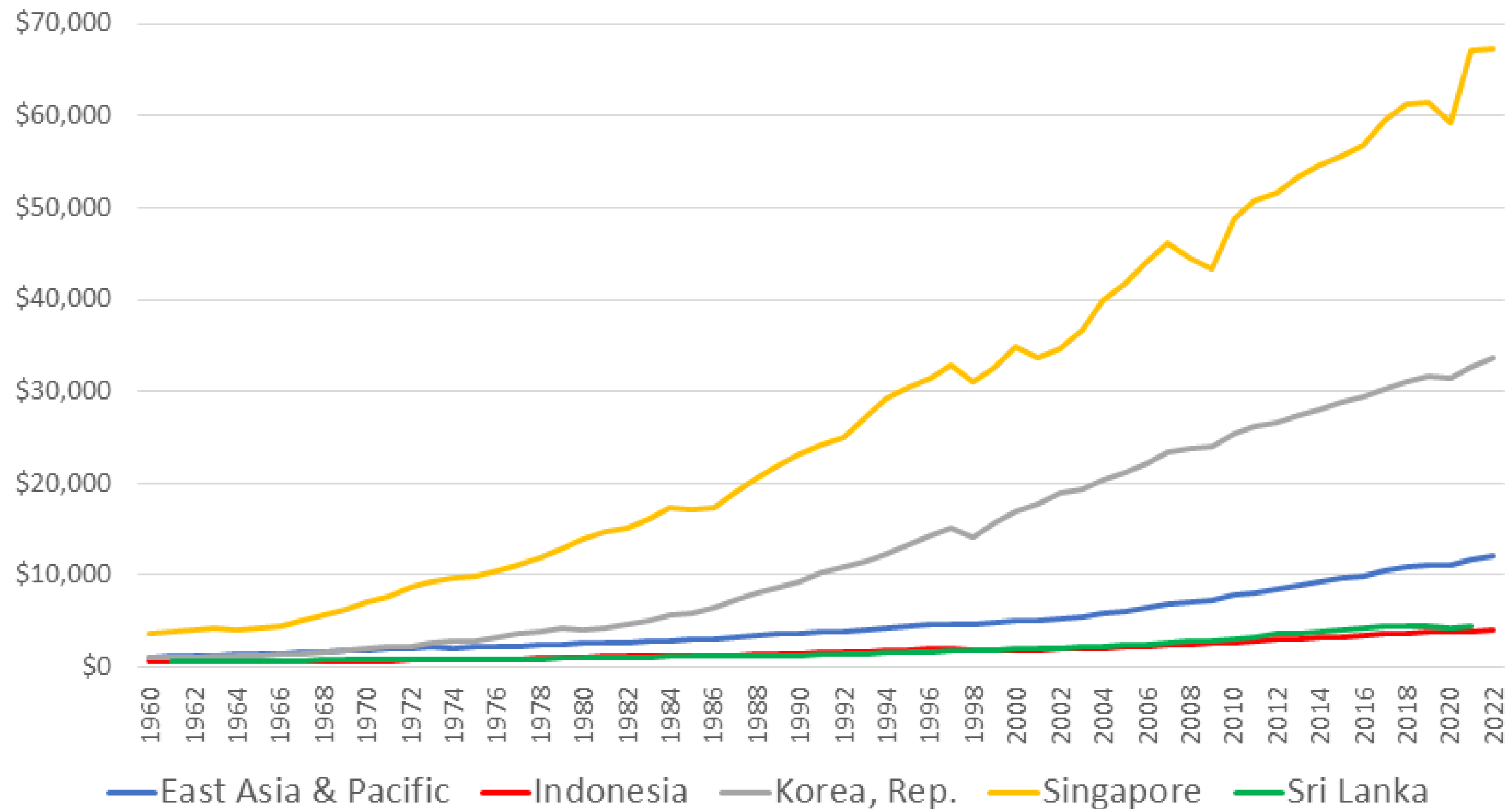
Rocket Nations

The longer-term success of
economically free nations

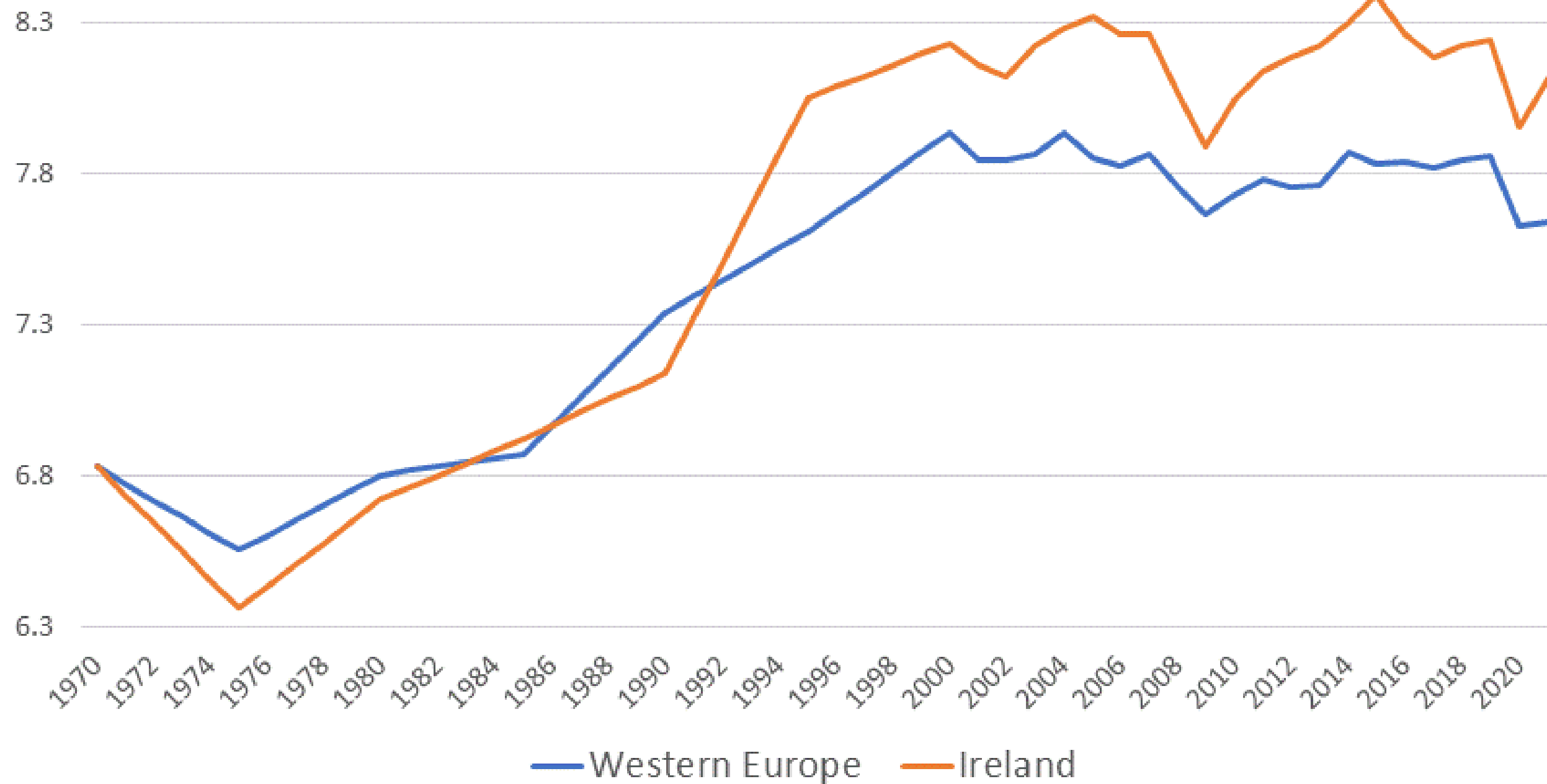
Asia: Economic Freedom



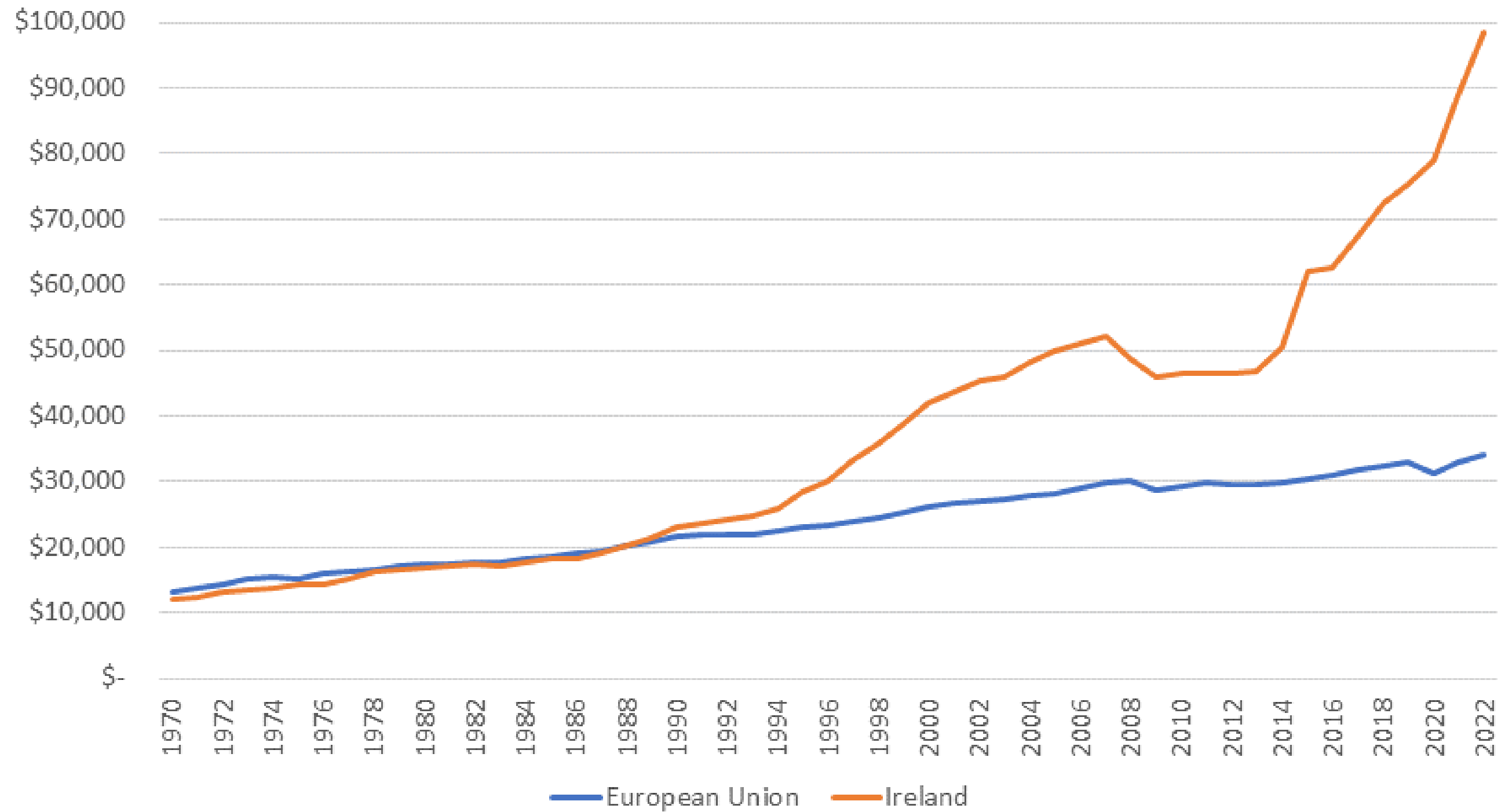
Per Capita GDP: Constant 2015 US\$



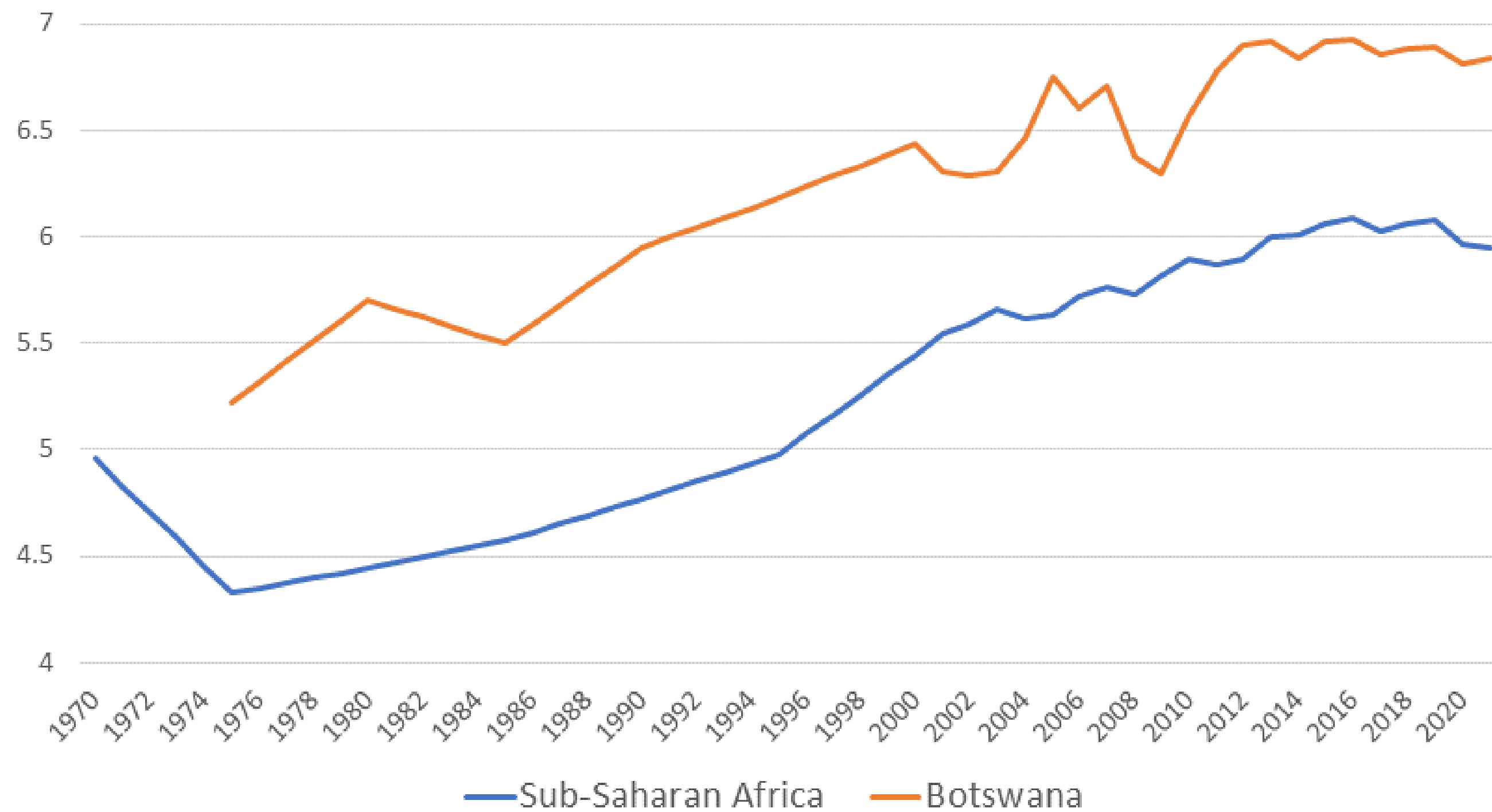
Western Europe and Ireland



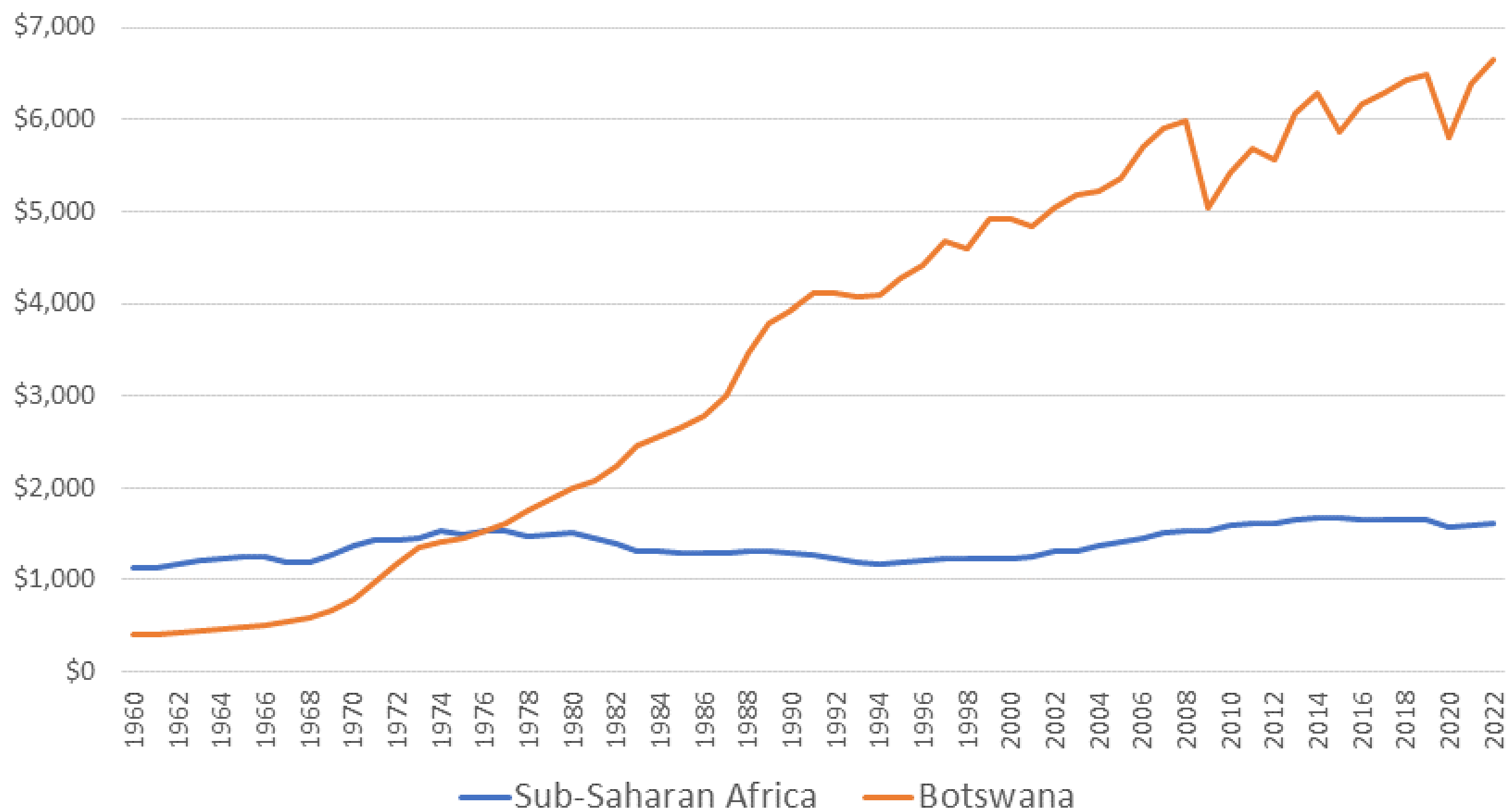
Per Capita GDP



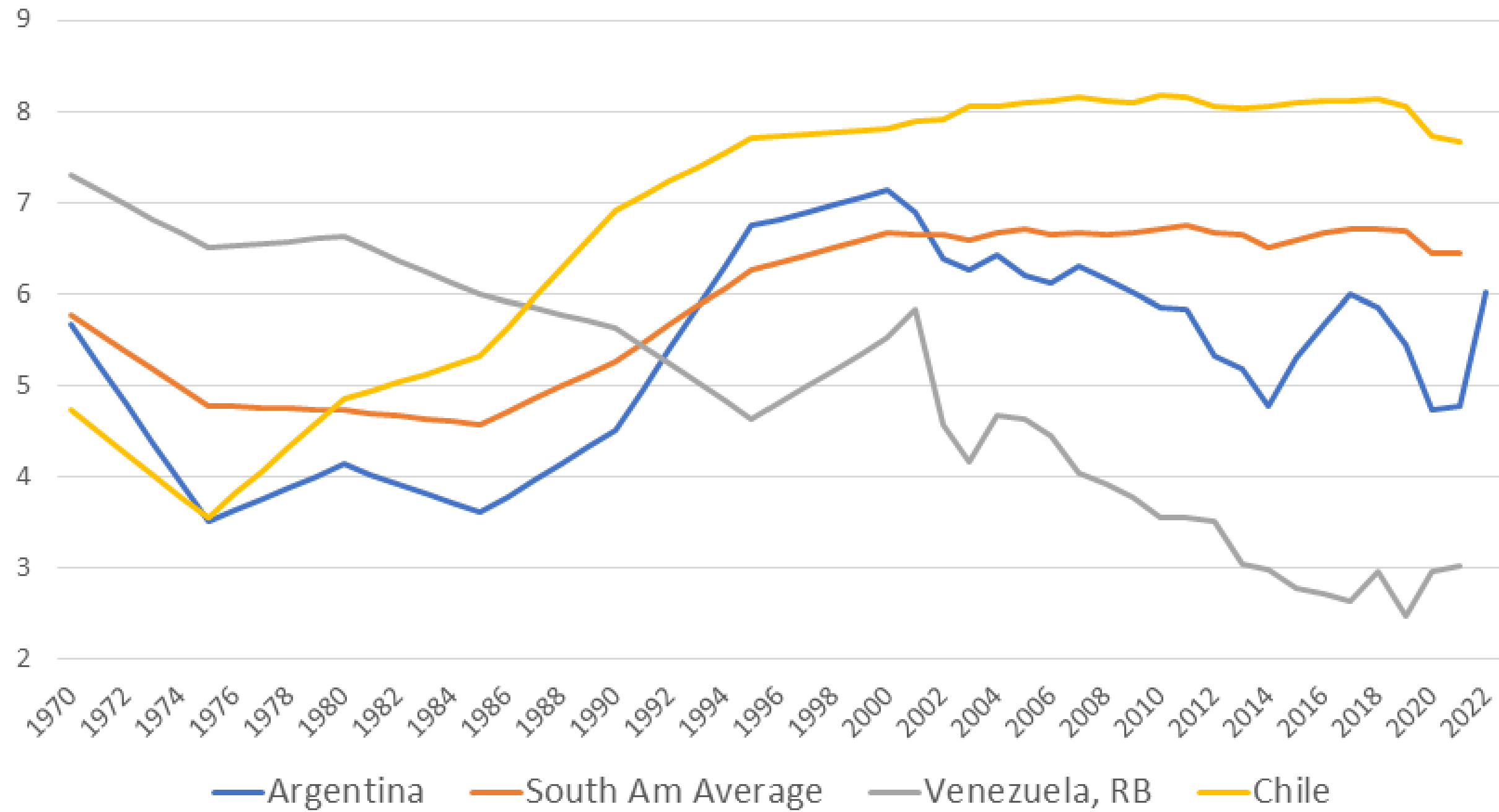
Sub-Sahara Africa



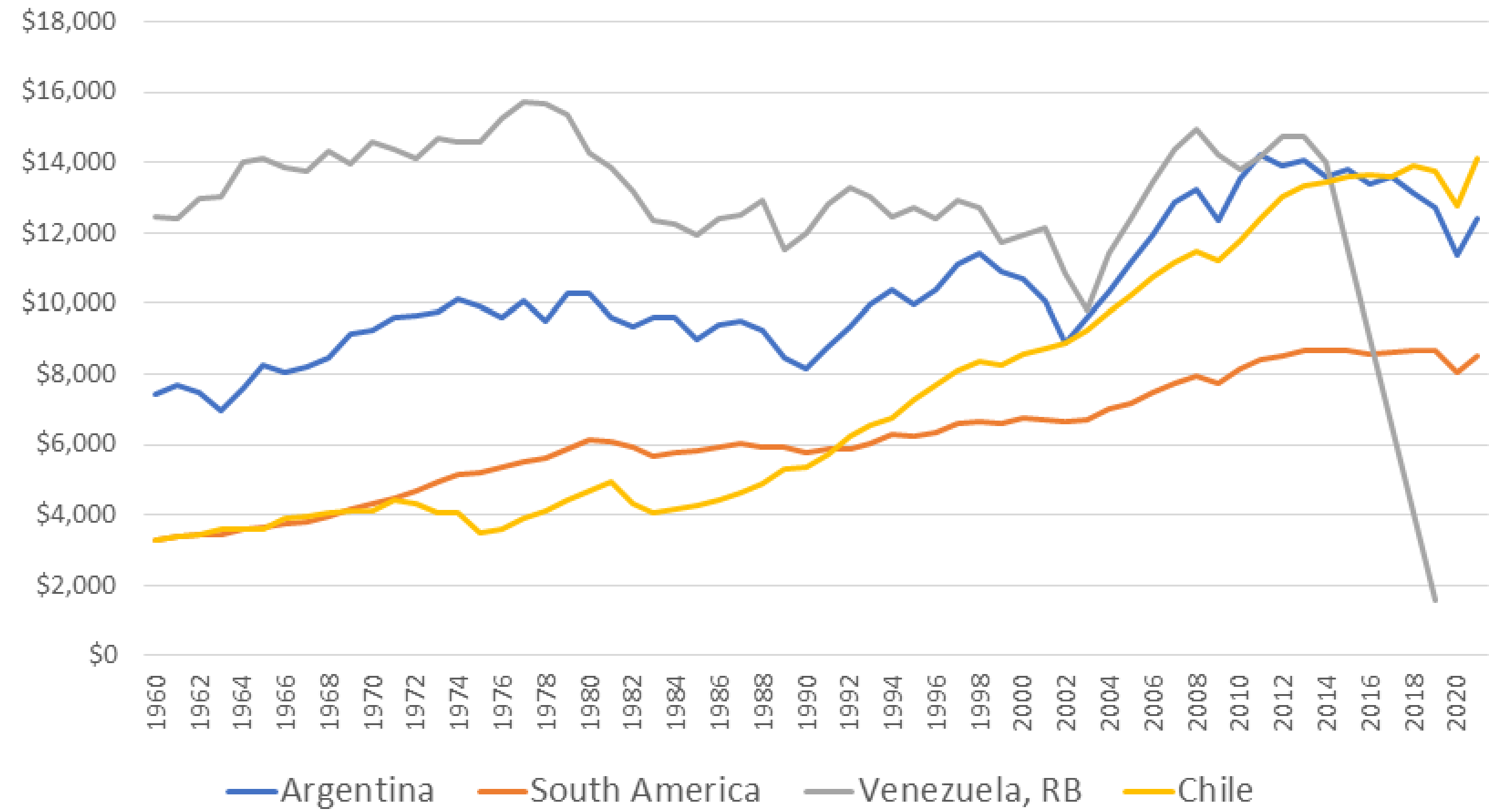
Per Capita GDP



South America



Per capita GDP



With the right
economic policies,
the future can be
bright for Sri Lanka.

It could even become a
Rocket Nation.

Thank you!

All data and publications available for free at:

www.fraserinstitute.org