

Slap for M'sia in economic freedom index
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Malaysia has dropped one spot to rank 78 out of 140 countries in an index measuring the level of economic freedom this year.

This is on the back of poor performance in several areas of the index, including the size of the government and access to sound money.

Worryingly, Malaysia scored zero for the sub-category of government enterprise and investment due to the large presence of government-linked companies (GLCs) in the economy.

NONE Presenting the 'Economic Freedom of the World Report 2011' in Kuala Lumpur, Fraser Institute representative Fred McMahon (right) said this significantly increases the likelihood of rent-seeking.

"Malaysia get a zero on this because GLCs make up 50 percent of the economy.

"It dramatically reduces free exchange and increases the politicisation of economy and rent-seeking," he said of the index which captures hard data collected in 2009.

The index measures the size of government through the amount of government consumption, transfer and subsidies, the number of GLCs and top marginal tax rate.

The index also measures legal structure and security of property rights; access to sound money (measured through access to own foreign currency bank accounts and inflation levels); freedom to trade internationally; and regulation of credit, labour and business.

Performance almost stagnant

Malaysia achieved commendable improvements in the areas of legal structures and regulation for credit, labour and business, but ranked lower compared to last year for the remaining categories.

Its index performance has hovered around the same figure since 2000, with the 2011 figure being the worst. The country had done better at 7.07 out of 10 in 1980 to rank 13, but this dived in the late 1990s and early 2000s.

azlan At an index score of 6.68 out of 10 this year, the nation trails Singapore which is in second place with 8.68 and Hong Kong which leads the pack at 9.01.

Malaysia also sits behind Thailand which is ranked 65th.

"Malaysia ranks about halfway and is about tied at the world average and is well behind (index leaders) Hong Kong and Singapore...When you look at income per capita, Malaysia also is in the middle quartile," McMahon said.

"If it wants to produce lives for its citizens, and I know this is what the prime minister and the government is dedicated to do, then greater economic freedom would help."

He said the institute's research shows that economic freedom has direct correlation with income per capita, the reduction of corruption, civil rights, life expectancy and literacy rates.

Greater economic freedom also contributes to a reduction in ethnic divisions.

"In non-economically free nations, rent-seeking is a set size of the economic cake. Government controls that. It sets ethnic divisions because it wants its ethnic group to maintain wealth," he added.

"When a nation is economically free, citizens get ahead by creating goods and services for others...instead of suppressing others."

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