

# Alberta tops in North America for 'economic freedom'

By Kathryn Blaze Carlson, Postmedia News November 22, 2011



## A Fraser Institute report is trumpeting Alberta as the jurisdiction with the most economic 'freedom' in North America.

**Photograph by: [Archive, Calgary Herald](#)**

Alberta has been named the most "economically free" jurisdiction in North America, beating out its provincial counterparts and all 50 U.S. states as Canada narrows a gap with its southern neighbour, according to a report released Tuesday.

The Fraser Institute's Economic Freedom of North America 2011 report found Canadian provinces, on average, moved up in the ranking as compared to U.S. states when judged on the size of government, taxation and labour-market flexibility.

"The chicken is coming home to roost: Canada is staying on the course of economic freedom, while the United States has accelerated its spending and regulation," said Fred McMahon, a Fraser Institute vice-president and co-author of the report. "It's been a long-term trend that's really beginning to bite now."

The think-tank's report uses 2009 data, so given the U.S. government's continued stimulus spending since the 2008 recession, Canada will only continue to close the freedom divide, McMahon said. The rankings take into account all levels of government, including federal, provincial/state, and municipal.

Canada's climb and America's descent in the ranking is ever-more significant because economic freedom is directly correlated with prosperity, according to the report from the right-wing Fraser institute.

The 12 North American jurisdictions with the highest levels of economic freedom had an average per capita GDP of \$54,435, compared to the 12 lowest-ranked jurisdictions, where the average per capita GDP was \$40,229.

Alberta Finance Minister Ron Liepert said he was "not surprised" that Canada — and Alberta specifically — is seen as economically freer in terms of smaller government, less taxation and freer markets. As energy minister until recently, he said he met often with U.S. state legislators in oil- and gas-producing states.

"In almost every case, they had what I call 'Alberta envy,'" Liepert said, referring to the resource-rich province that has a 10 per cent flat tax on personal income and zero sales tax.

"I remember a conversation with a fellow from Wyoming. He had nothing but good things to say about the kind of climate we have here. . . . In a general sense, they felt it was much easier to do business in Canada these days than it is in the U.S."

Saskatchewan soared in the Fraser Institute's rankings, moving to 32nd overall from 53rd and trailing only behind Alberta among Canadian provinces.

Earners in Saskatchewan can make more money before they start paying taxes than in any other province, and resource royalties bolster government coffers so lawmakers rely less on taxation for revenue.

While its boost in the rankings is impressive, the province's overall rating on the three key indicators — size of government, taxation, and labour market freedom — remained largely unchanged.

"The biggest thing is that the United States' jurisdictions have been trending down," McMahon said, explaining Saskatchewan's bump in the rankings.

"Everybody else must be moving down," echoed David McGrane, a University of Saskatchewan political science professor. "It's not as though a lot has changed in a single year in Saskatchewan."

The drop in U.S. rankings is because the Obama government has continued a spendthrift approach first adopted by the Bush administration, while Canada's spending increase has been far less dramatic, McMahon said.

In the report, he and University of Texas researcher Avilia Bueno also argue the United States has seen a significant spurt in regulatory growth, in part due to stock-market scandals such as the one spurred by the Enron fraud and because of the housing bubble blamed on a failure of policy.

The country has also fought two formal wars, which have caused government spending to balloon and therefore what's hailed as economic freedom to decrease.

As the logic goes, economic freedom decreases when governments spend because spending requires revenue, which generally comes from taxes, meaning people are less free to spend and invest their income.

Ontario and Quebec, Canada's two largest provinces, ranked 49th and 58th overall, climbing barely in the rankings from 51st and 59th respectively.

"Quebec is the highest tax jurisdiction in all of North America and it has long had a very large government," McMahon said, adding that Ontario has been growing its government and increasing taxes, too. "It's almost like Ontario has Quebec envy — a perverse envy. It's as if the kid in the class that's getting a B+ is copying the kid that's getting a C-."

Newfoundland and Labrador ranked third among the provinces and 37th overall, while British Columbia ranked fourth in Canada and 43rd overall.

The bottom five spots overall are filled by Canadian provinces — Manitoba in 56th, New Brunswick in 57th, Quebec in 58th, Nova Scotia in 59th, and Prince Edward Island in 60th. But their declines are less dramatic than the gains of other provinces, so Canada gained in economic freedom on balance.

Delaware and Texas placed 2nd and 3rd respectively overall.

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