

# Economic Freedom Index 2014 Factsheet

## What is economic freedom, and why is it important?

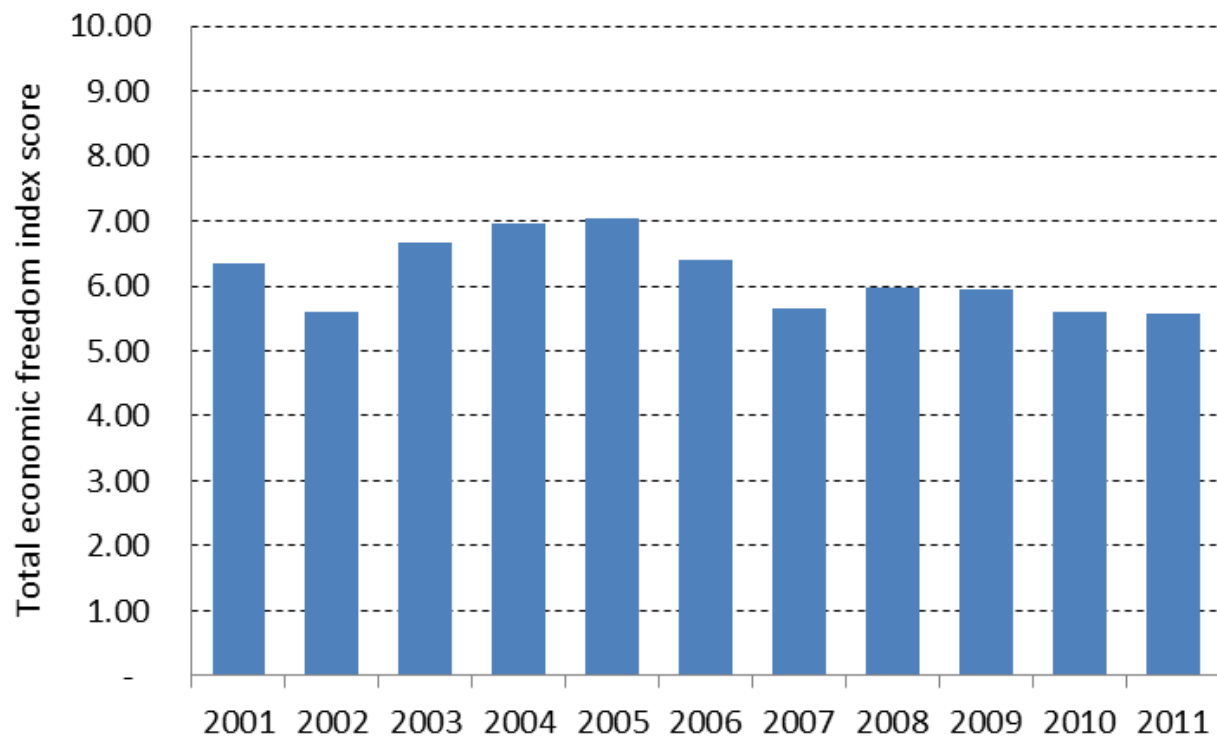
- Economic freedom is the freedom to buy and sell goods and services without undue restrictions.
- Individuals and businesses left free to discover their own ways of creating value, without heavy taxation, or regulatory and government spending restrictions, contribute to widespread economic prosperity and social harmony.
- Numerous studies have shown that greater levels of economic freedom are associated with stronger economic growth outcomes.

## Methodology

- Indicators across four key dimensions – government spending, taxation and debt, government dependency, and regulatory environment – are compiled to estimate and rank economic freedom in six Australian states.
- The study compiles (to the greatest extent possible) an ‘all-government’ economic freedom index, capturing fiscal and other activities by commonwealth, state and local governments.
- All indicators are converted on a zero to ten scale, and weighted consistently, to derive index scores for 2011.

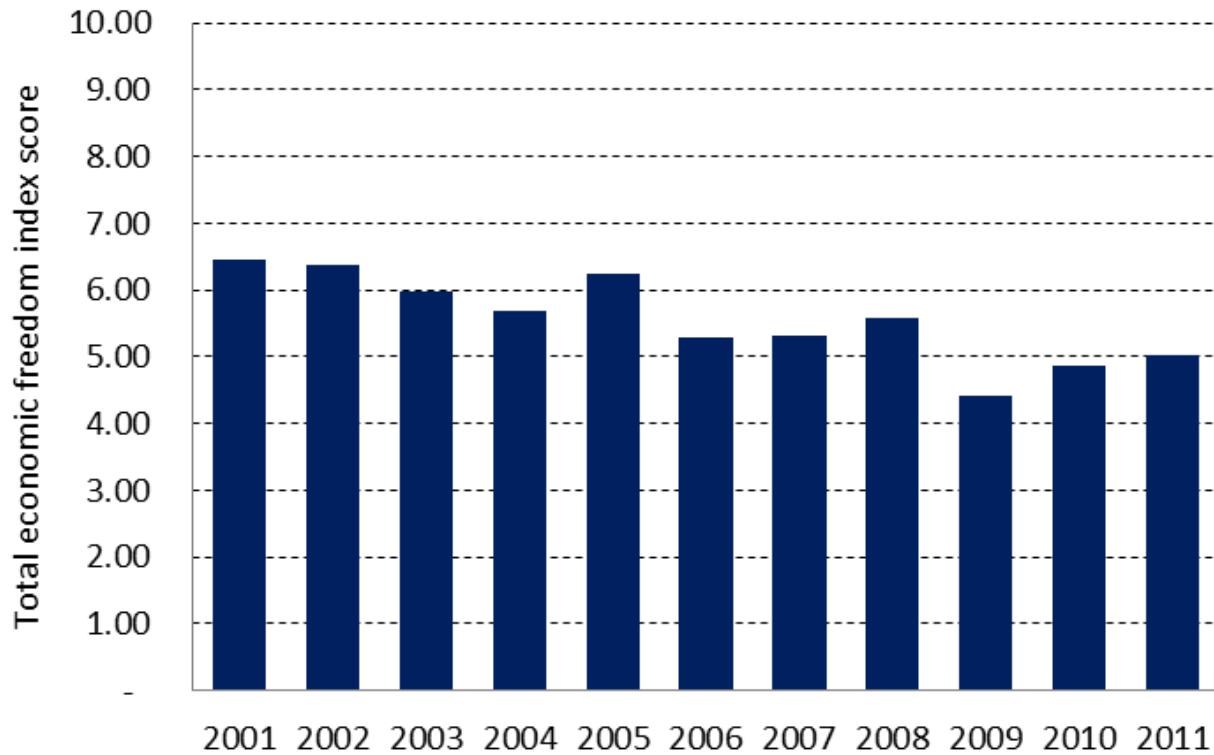
## State Results – New South Wales

- New South Wales is the second freest state, due to lower government spending and fewer dependents on government for income.
- There is still room for improvement for governments in New South Wales to lower taxes and debts further, and reduce the flow of new legislation.



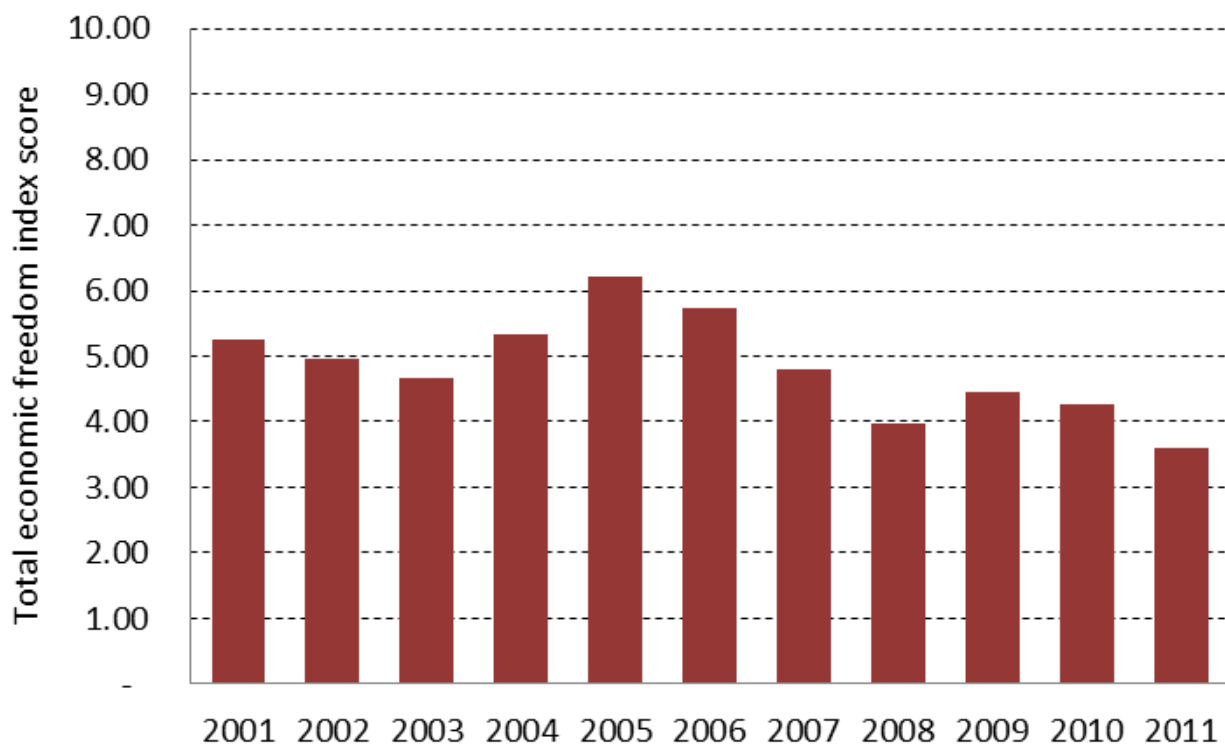
## State Results – Victoria

- Victoria is the third freest state, with relatively low levels of government spending and dependency rates.
- To improve its freedom rating Victoria should reduce its high tax rates and strong rate of legislative passage.



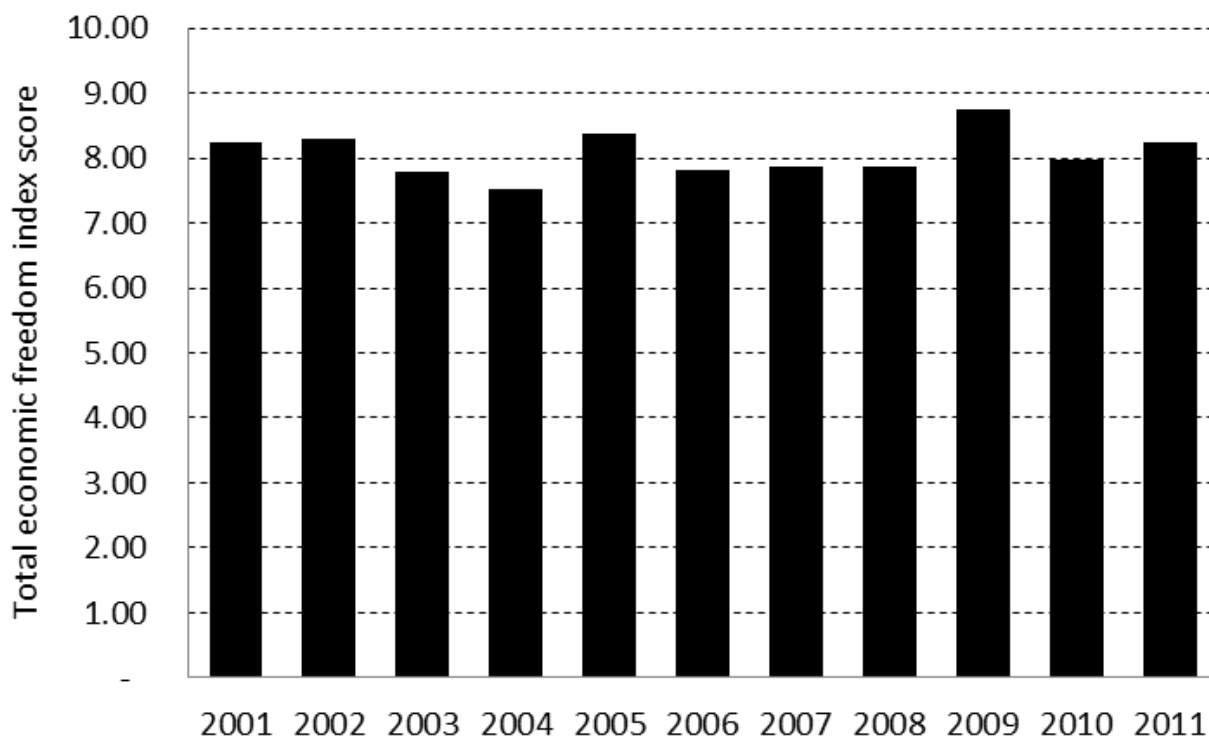
## State Results – Queensland

- Queensland is ranked as the fifth freest state in terms of economic freedom, as a result of high public consumption expenditures and strong legislation flows.
- The state should lower dependency rates, as well as avoid regulatory activism.



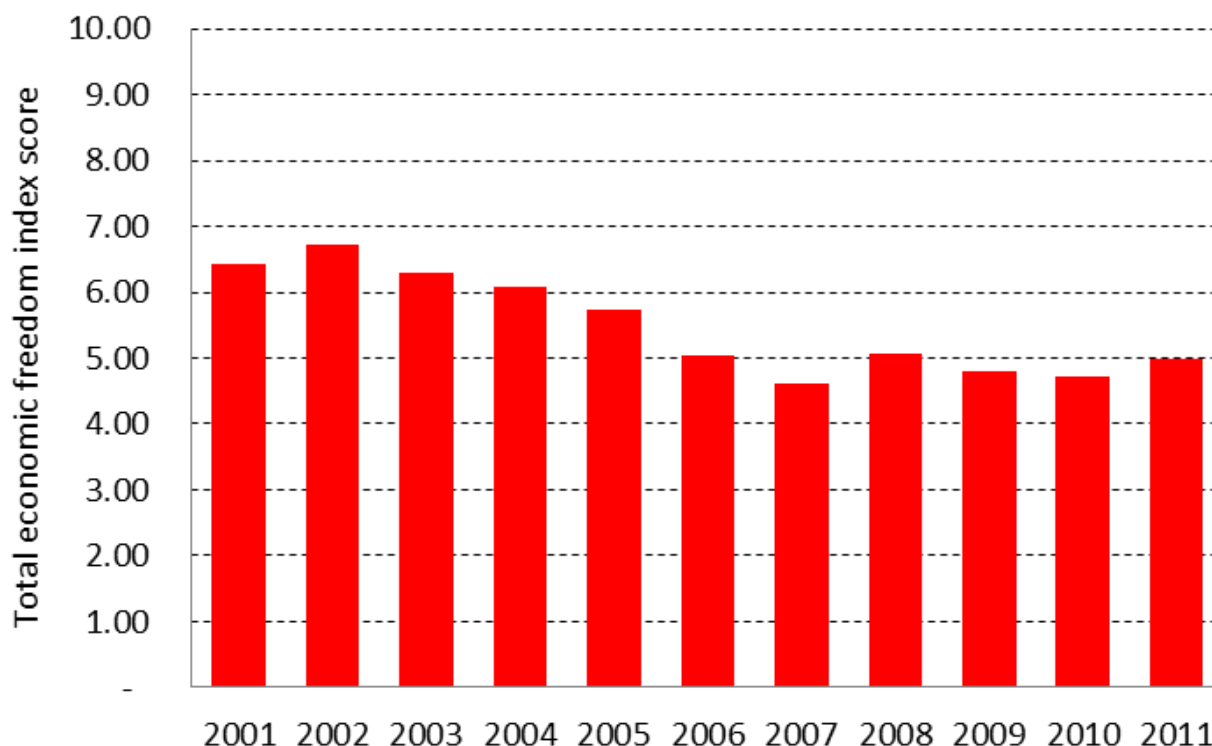
## State Results – Western Australia

- Low rates of government spending and dependency on governments for income contributed to Western Australia being Australia’s most economically free jurisdiction.
- To maintain this position, the state must reduce its fast growing debts and keep strong limitations on spending.



## State Results – South Australia

- South Australia is the fourth highest ranked state, partly due to a low rate of new legislation passed in 2011.
- The state could improve its ranking by reducing government spending growth and welfare dependency levels.



## State Results – Tasmania

- In 2011 Tasmania was assessed as having the lowest levels of economic freedom, weighed down by high levels of spending and direct government dependency.
- To improve its position, the state should seek expenditure reductions and reduce dependency by growing the economy.

