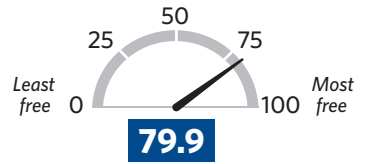


CANADA

Economic Freedom Score



World Rank: **6** Regional Rank: **1**

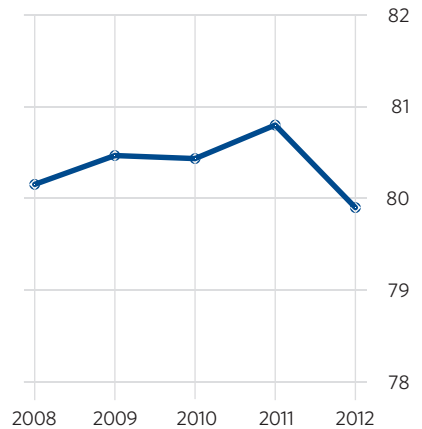
Canada's economic freedom score is 79.9, making its economy the 6th freest in the 2012 *Index*. Its overall score is 0.9 point lower than last year, reflecting worsening scores for government size and monetary freedom. Canada continues to be the freest economy in the North America region, though it has dropped just below the cutoff for characterization as a "free" economy.

The foundations of economic freedom are very strong in Canada, and the economy has emerged from the global economic slowdown relatively unscathed. The rule of law is sustained by an effective and independent court system, ensuring protection of property rights and the equitable application of the commercial code.

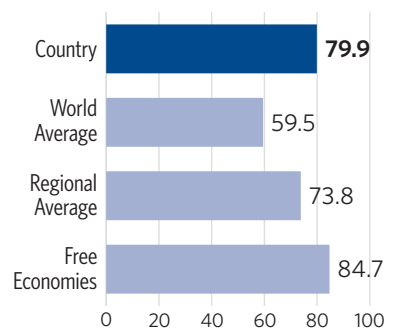
Canada also performs well in other pillars of economic freedom and continues to sharpen its long-term competitiveness. The soundness of public finance has been notable, although government spending has been rising as a share of GDP. Along with open-market policies that support trade and dynamic investment, the efficient regulatory environment facilitates entrepreneurial activity and provides a high degree of certainty for business planning. The steady reduction of the standard corporate tax rate over the past three years has also contributed to Canada's competitiveness.

BACKGROUND: Canada's multi-ethnic population is governed under a federal democratic system that provides substantial provincial and territorial autonomy. Prime Minister Stephen Harper, whose priorities include lower taxes, a strong defense, and fighting crime, won a second term in May 2011 as his Conservative Party gained a solid majority in Parliament. Tensions between Anglo and French Canadians have softened in the past decade, and cultural protectionism in international trade has declined. Restrictions on foreign ownership in media and other sectors have been under review by the government and the courts. As a party to the North American Free Trade Agreement, which connects 450 million people in an economic area producing about one-third of the world's GDP, Canada is a major exporter of oil, minerals, automobiles, manufactured goods, and forest products.

Freedom Trend



Country Comparisons



Quick Facts

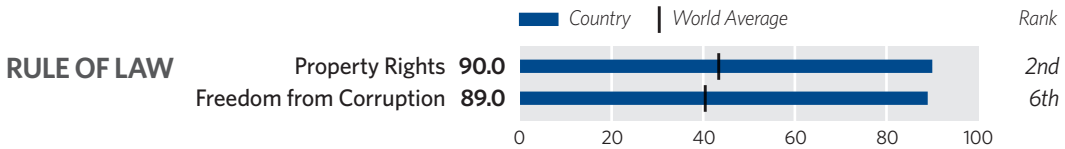
- Population:** 34.1 million
- GDP (PPP):** \$1.3 trillion
- 3.1% growth in 2010
- 5-year compound annual growth 1.2%
- \$39,057 per capita
- Unemployment:** 8.0%
- Inflation (CPI):** 1.8%
- FDI Inflow:** \$23.4 billion
- Public Debt:** 83.9% GDP

How Do We Measure Economic Freedom?

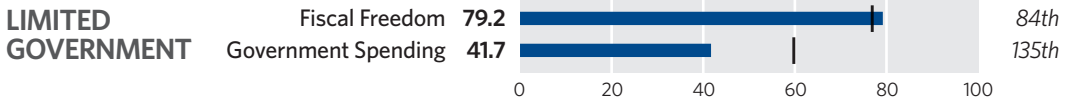
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

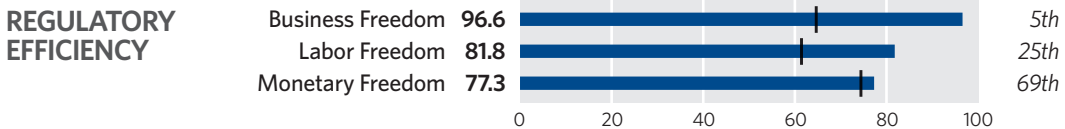
THE TEN ECONOMIC FREEDOMS



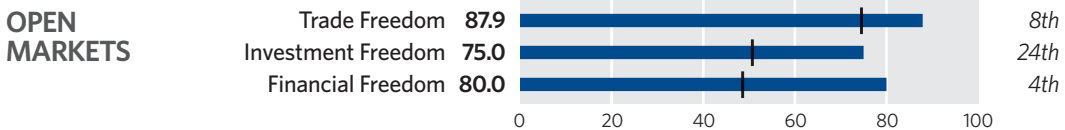
Canada’s foundations of economic freedom are solid. Private property is well protected, with an independent and transparent judicial system firmly in place. Contract enforcement is very secure, and expropriation is highly unusual. Protection of intellectual property rights is consistent with world standards. Effective anti-corruption measures discourage bribery of public officials and uphold clean government.



The top federal income tax rate remains at 29 percent. The 16.5 percent top corporate tax rate is scheduled to decline further to 15 percent in January 2012. Other taxes include a value-added tax (VAT) and a property tax, with the overall tax burden amounting to 31.1 percent of total domestic income. Government spending has increased to over 40 percent of total domestic output. Budget deficits have widened, and public debt has risen.



The regulatory framework is highly conducive to business formation and operation, with no minimum capital required for starting a company. The average cost of getting necessary licenses has been cut almost in half. Flexible labor regulations enhance employment and productivity growth. Inflation has been modest, but the government controls virtually all prices for health care services through its mandatory “single-payer” nationalized program.



The trade regime is very competitive, with low tariff and non-tariff barriers facilitating dynamic gains from free trade. The country’s openness and flexibility strongly sustain the investment environment, which has been efficient and dynamic. The prudent banking sector has weathered the global financial turmoil with no need for bailouts or considerable injections of state funds. The “big six” domestic banks account for around 90 percent of total assets.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+1.2	Business Freedom	+0.2	Trade Freedom	-0.2
Freedom from Corruption	+2.0	Government Spending	-11.0	Labor Freedom	+0.1	Investment Freedom	0
				Monetary Freedom	-1.5	Financial Freedom	0