



# EFN ASIA

## ECONOMIC FREEDOM NETWORK ASIA

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**EFN ASIA CONFERENCE 2015**

THIMPHU, BHUTAN

*“Economic Freedom as a Way to Happiness”*

# **Economic Freedom of the World ranking**

***Bhutan in focus***

**24 November 2015**

**QED Group**



# OVERVIEW



- 1 Background
- 2 EFW – Bhutan in focus
- 3 Other issues
- 4 Way Forward



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# Background

- The EFW index for 2015 ranks 157 countries and territories
- First time Bhutan included in the index since its first publication in 1996 (Guinea, Libya and the Seychelles)
- Data available for for just over 100 nations back to 1980 and many back to 1970
- Accurate measure of economic freedom to move the discussion from emotionally charged statements to scholarly research – EFW data has been used in over 500 scholarly articles



# Background

- Measures degrees of freedom in five major areas with 24 components and 42 distinct variables
  - Size of Government
  - Legal system and security of property rights
  - Sound money
  - Freedom to Trade internationally
  - Regulation
- Data from World bank, IMF, UN, WEF, WTO, European Bank for Reconstruction and Development, PWC, International Country Risk Guide (PRS Group), etc



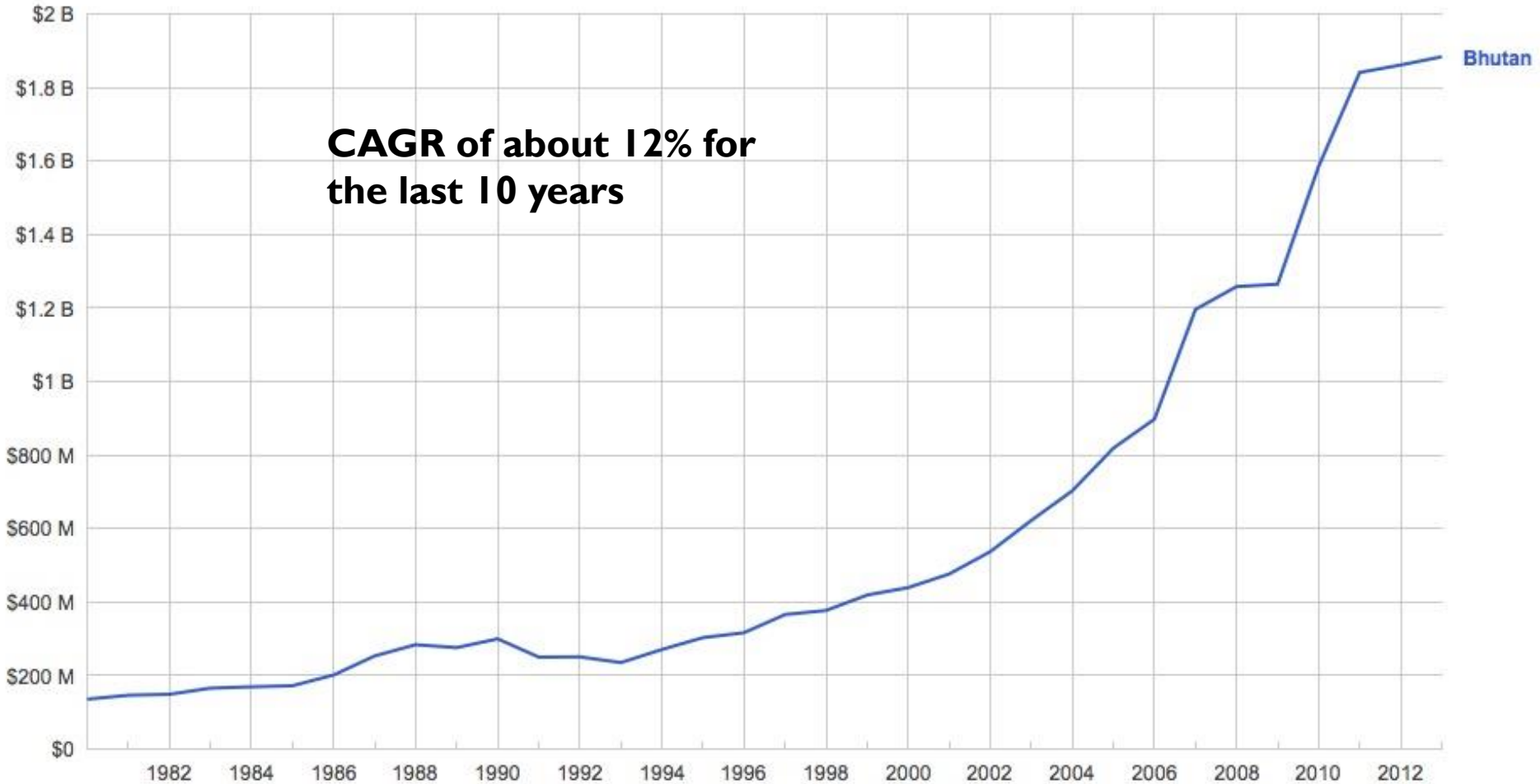
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# The growth story



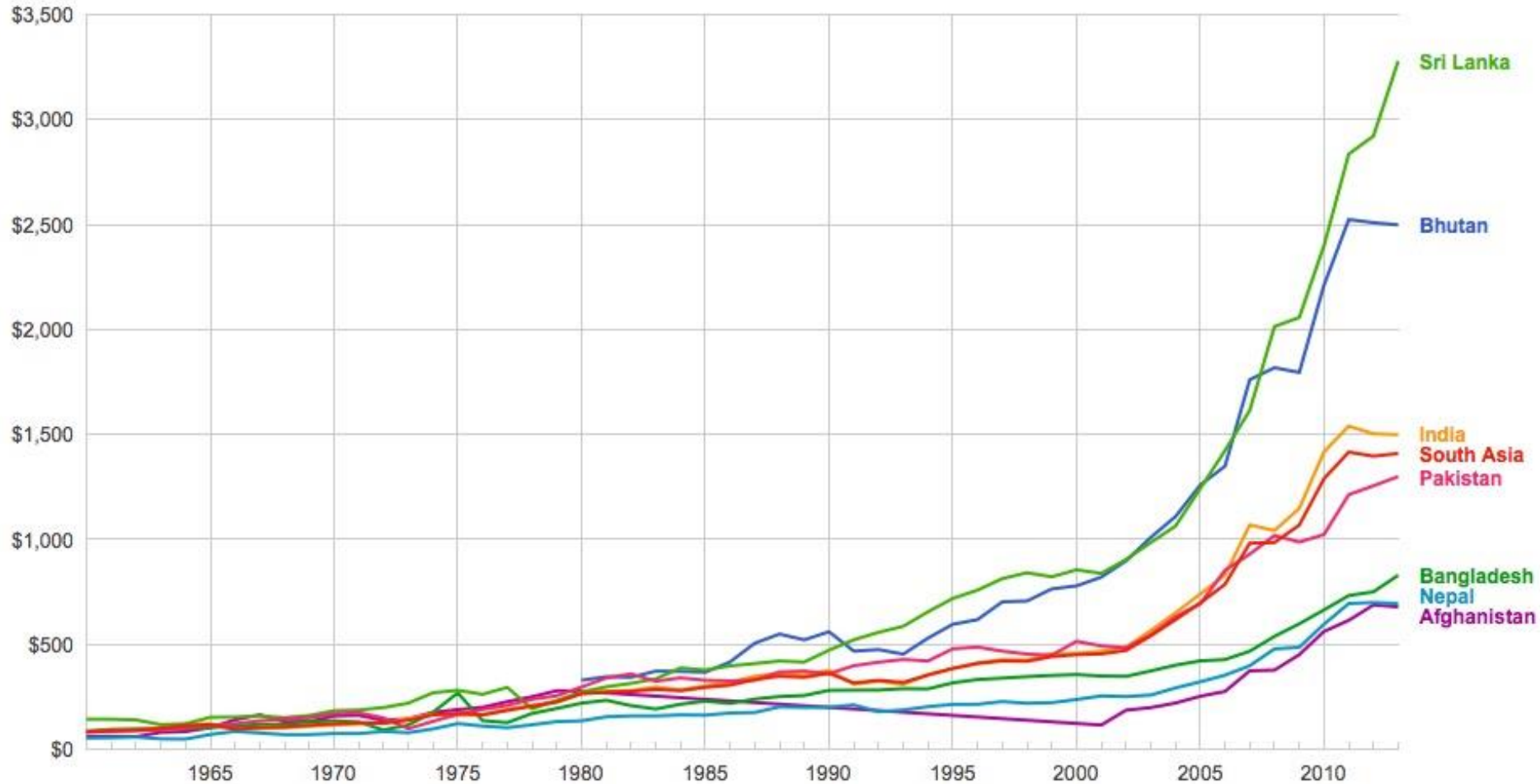
GDP (current US\$)

Source – World Bank





# The growth story

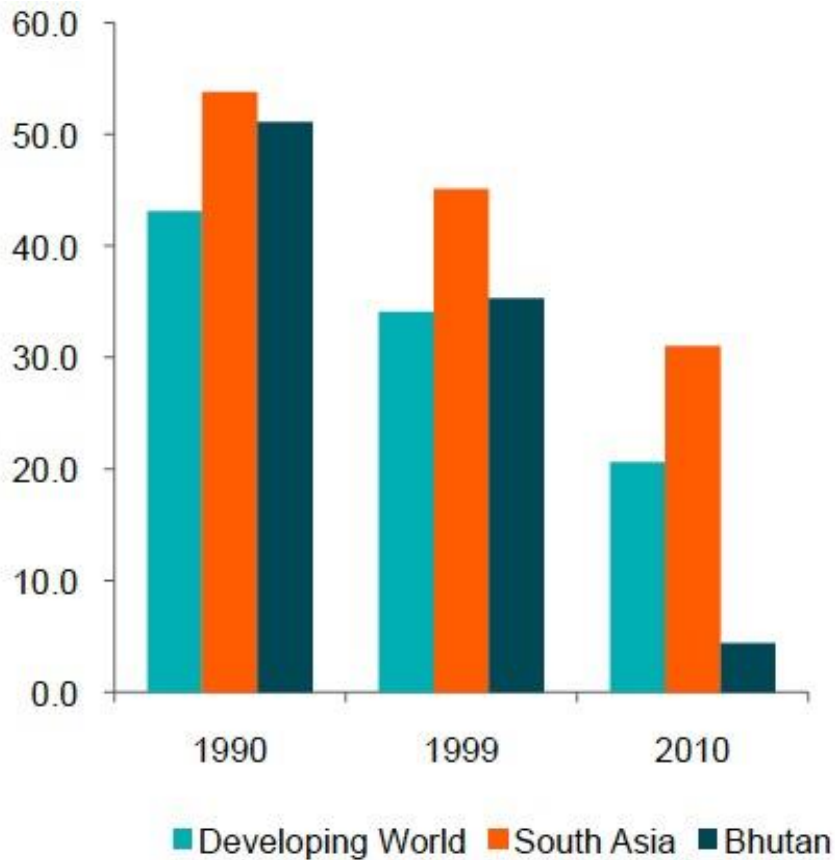


GDP per capita (current US\$)

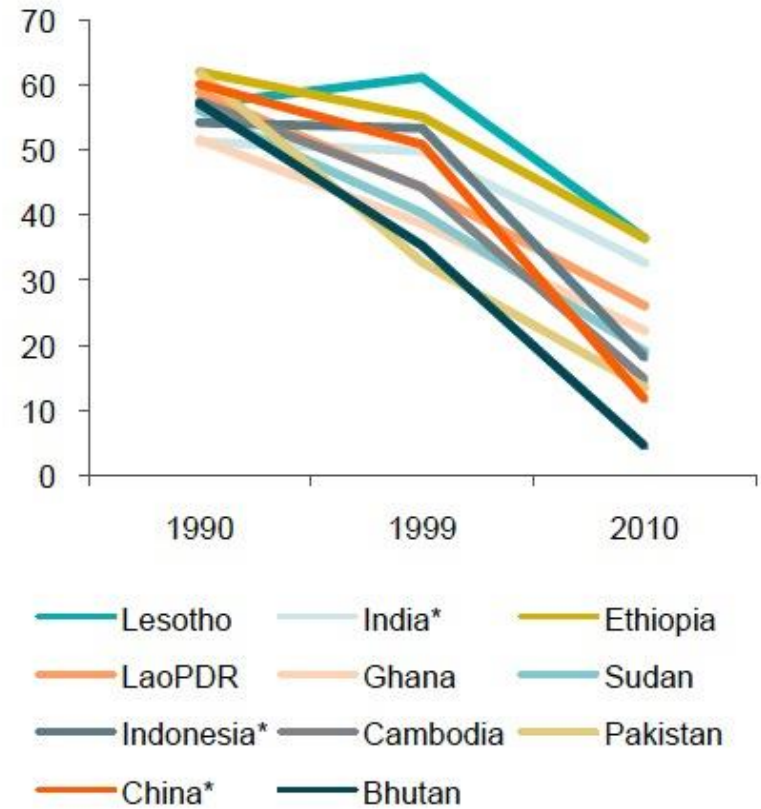
Source – World Bank



# The growth story



Bhutan outpaces South Asian countries in poverty reduction

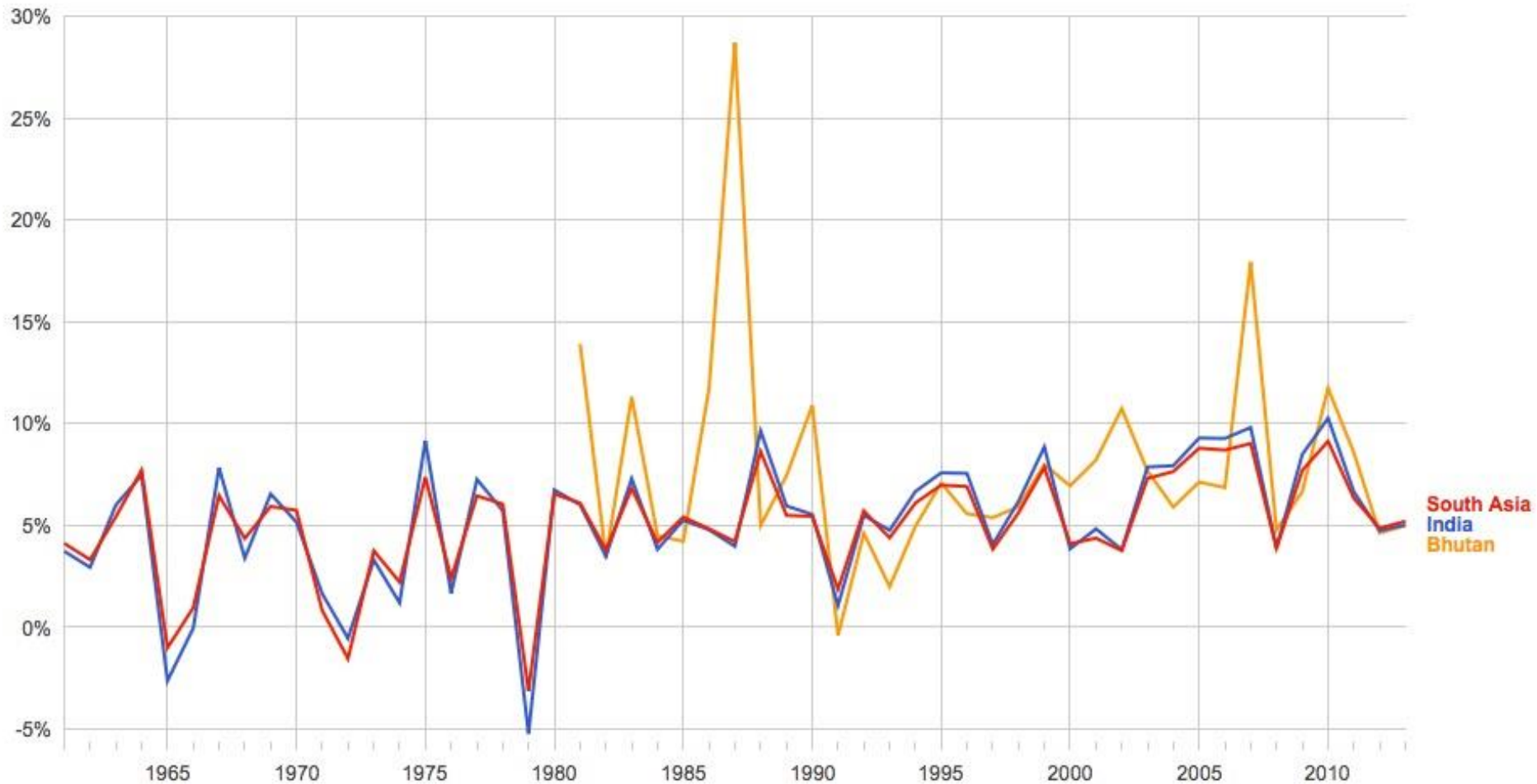


Bhutan poverty reduction leads countries with similar 1990 poverty levels

Source – World Bank



# The growth story

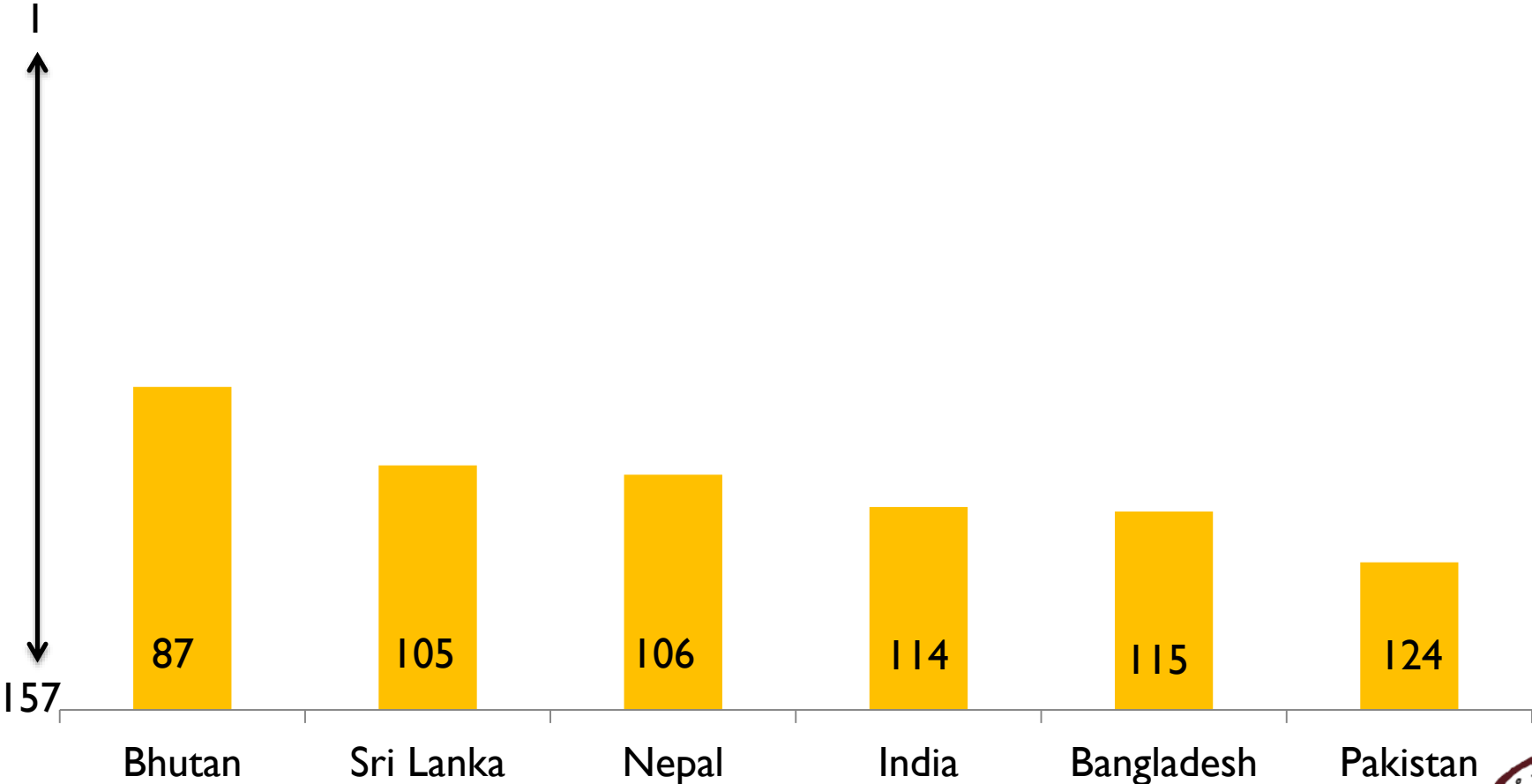


Source – World Bank

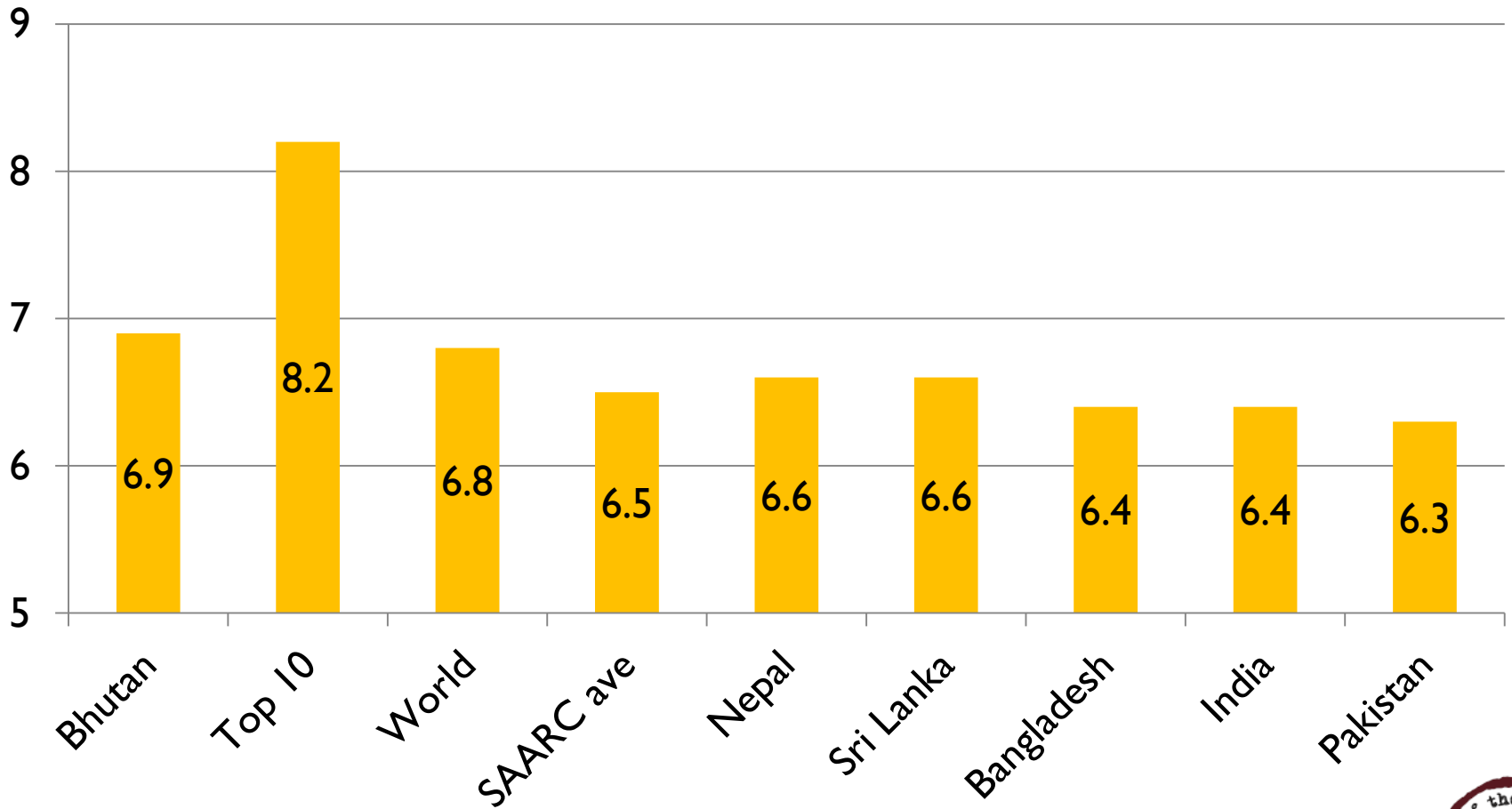
GDP growth rate



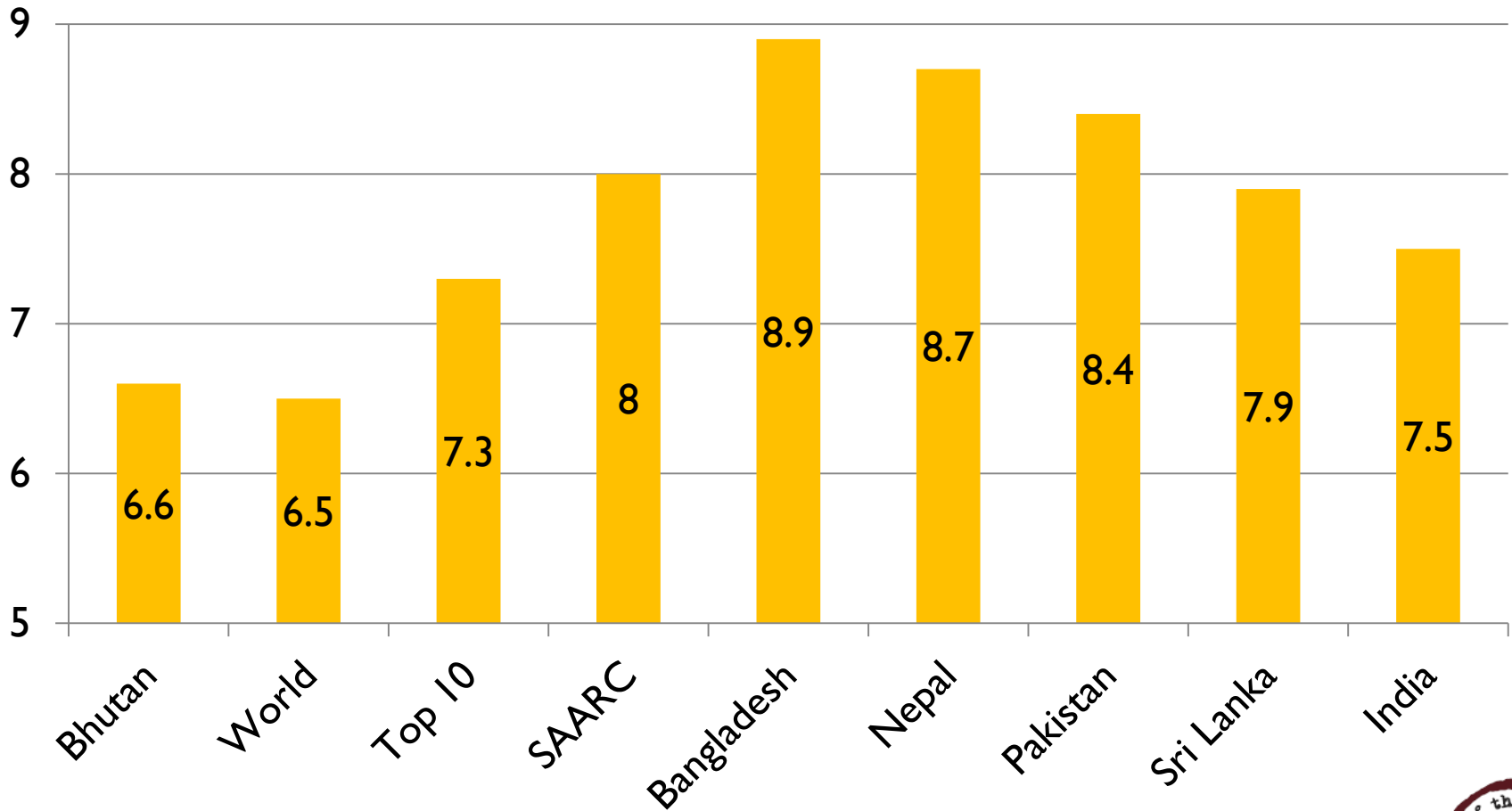
# Bhutan and SAARC Ranks



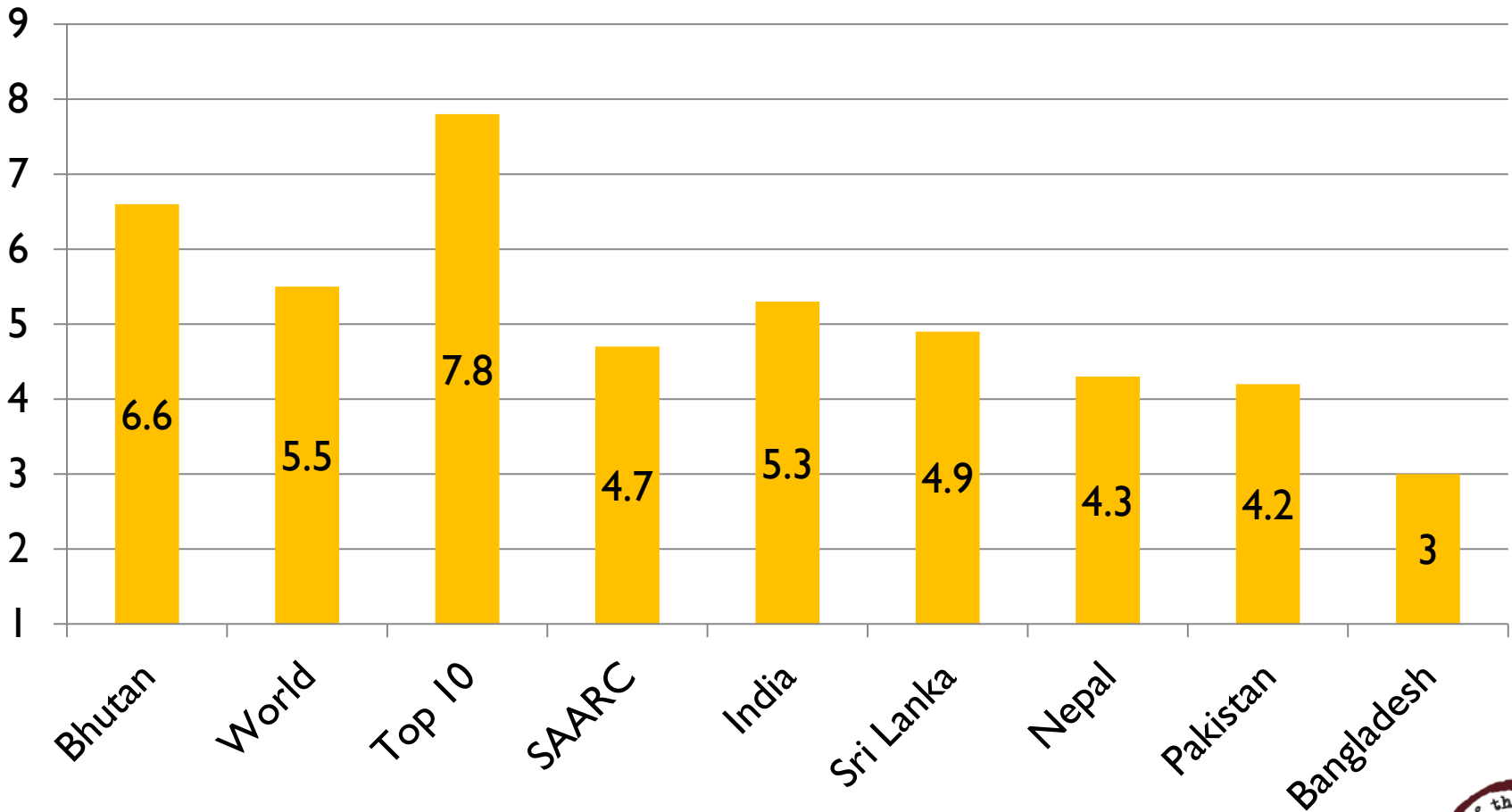
# EFW Overall Scores



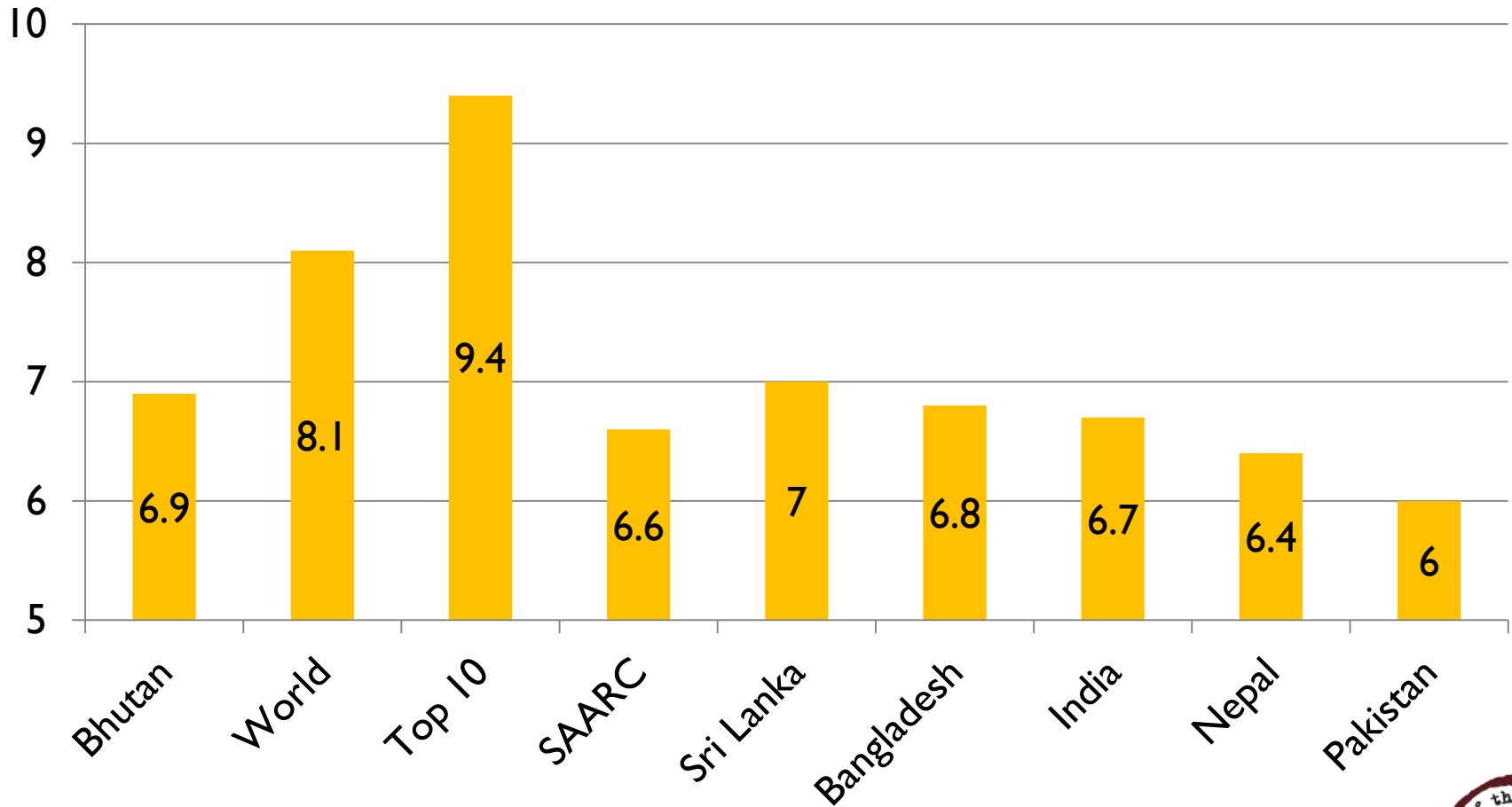
# Size of Government



# Rule of Law

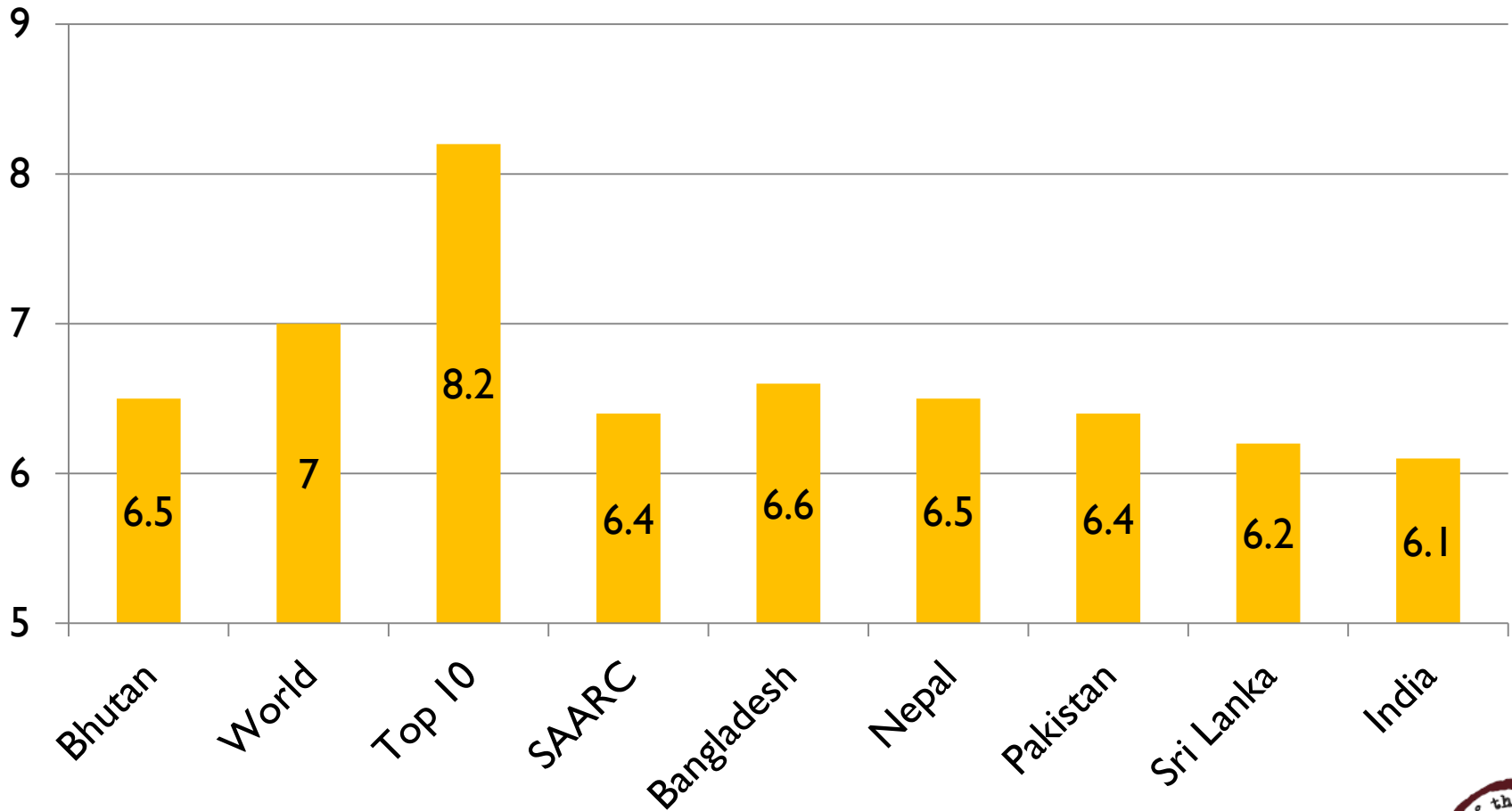


# Sound money

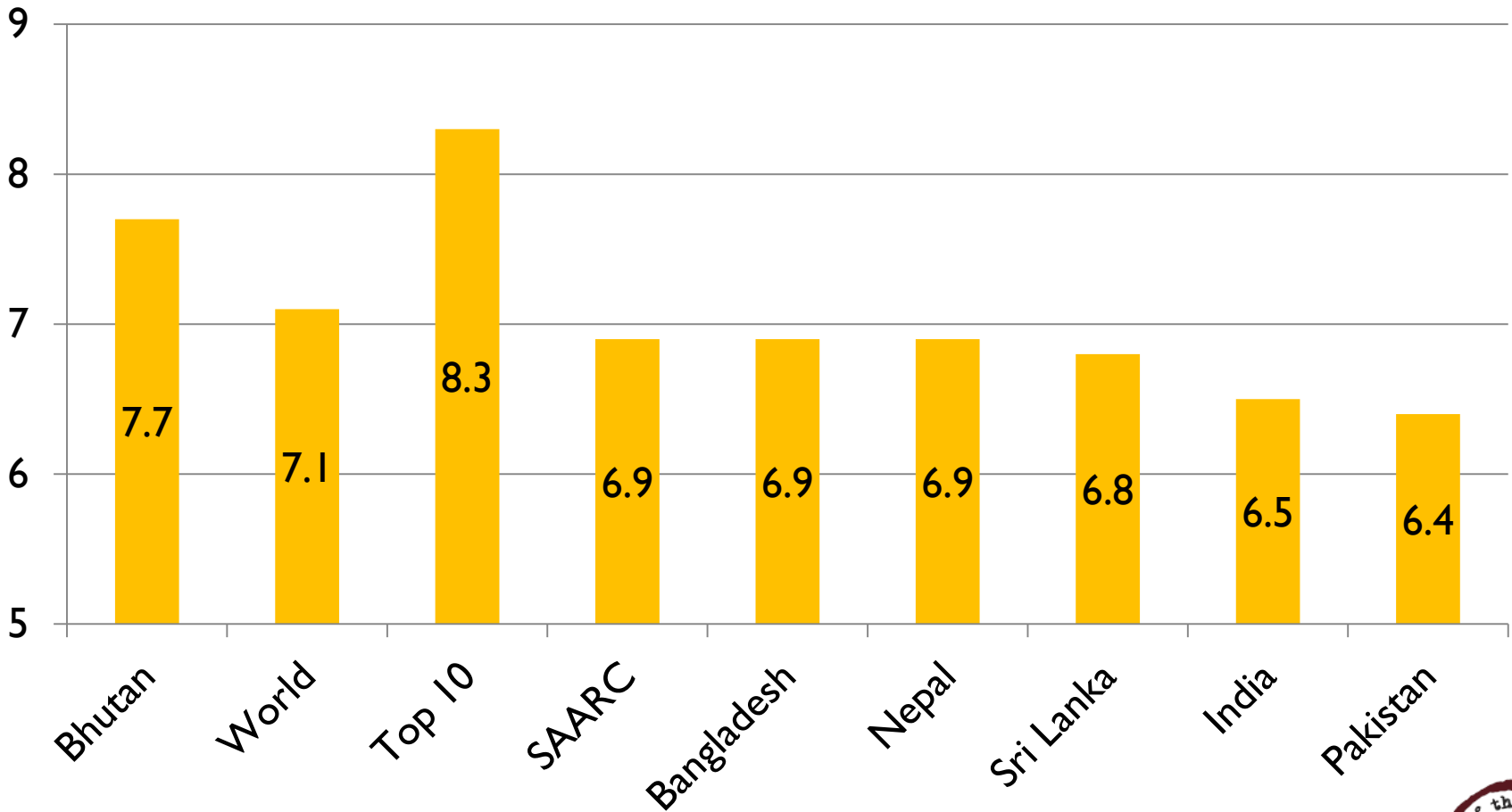




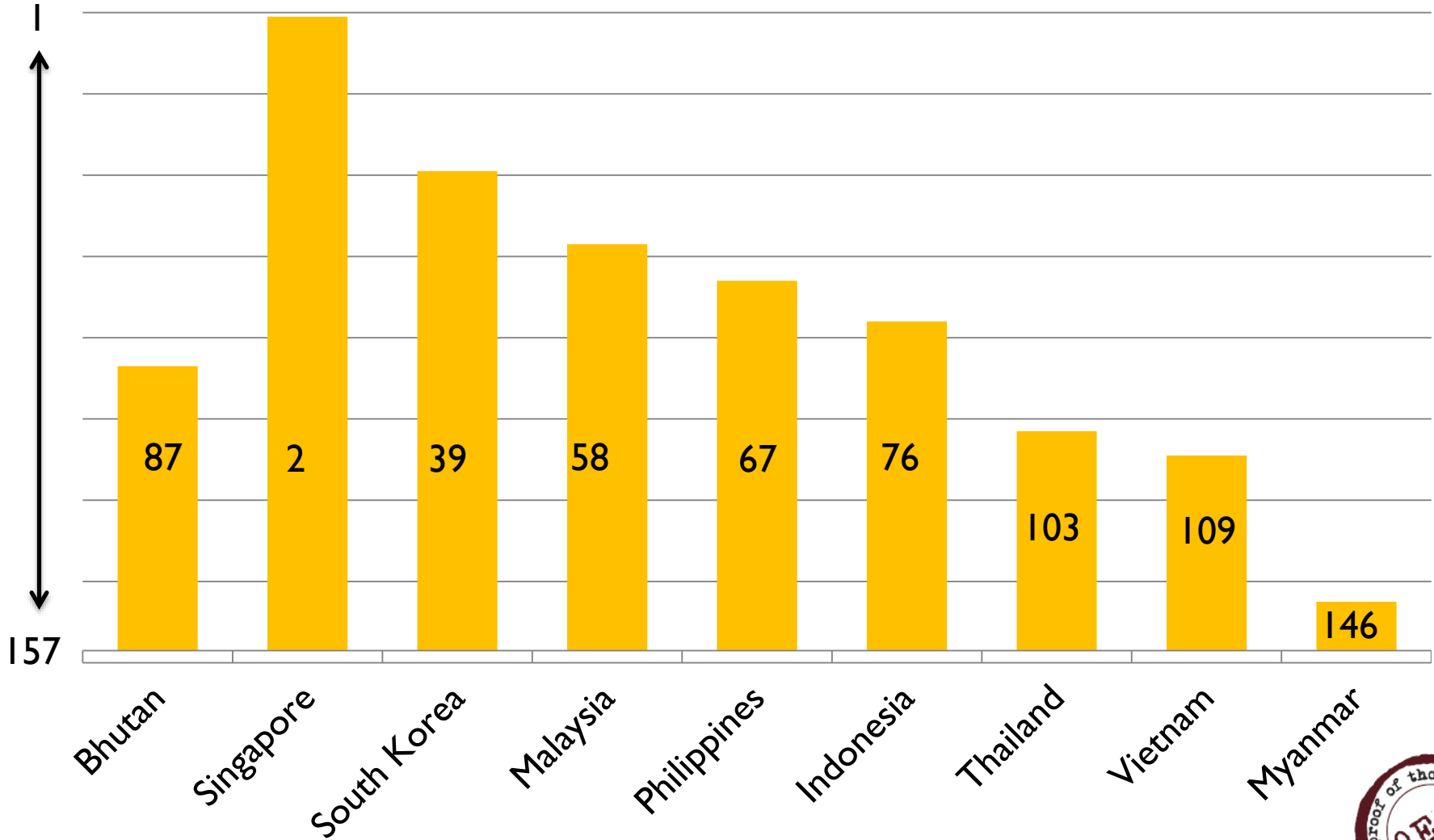
# Freedom to trade



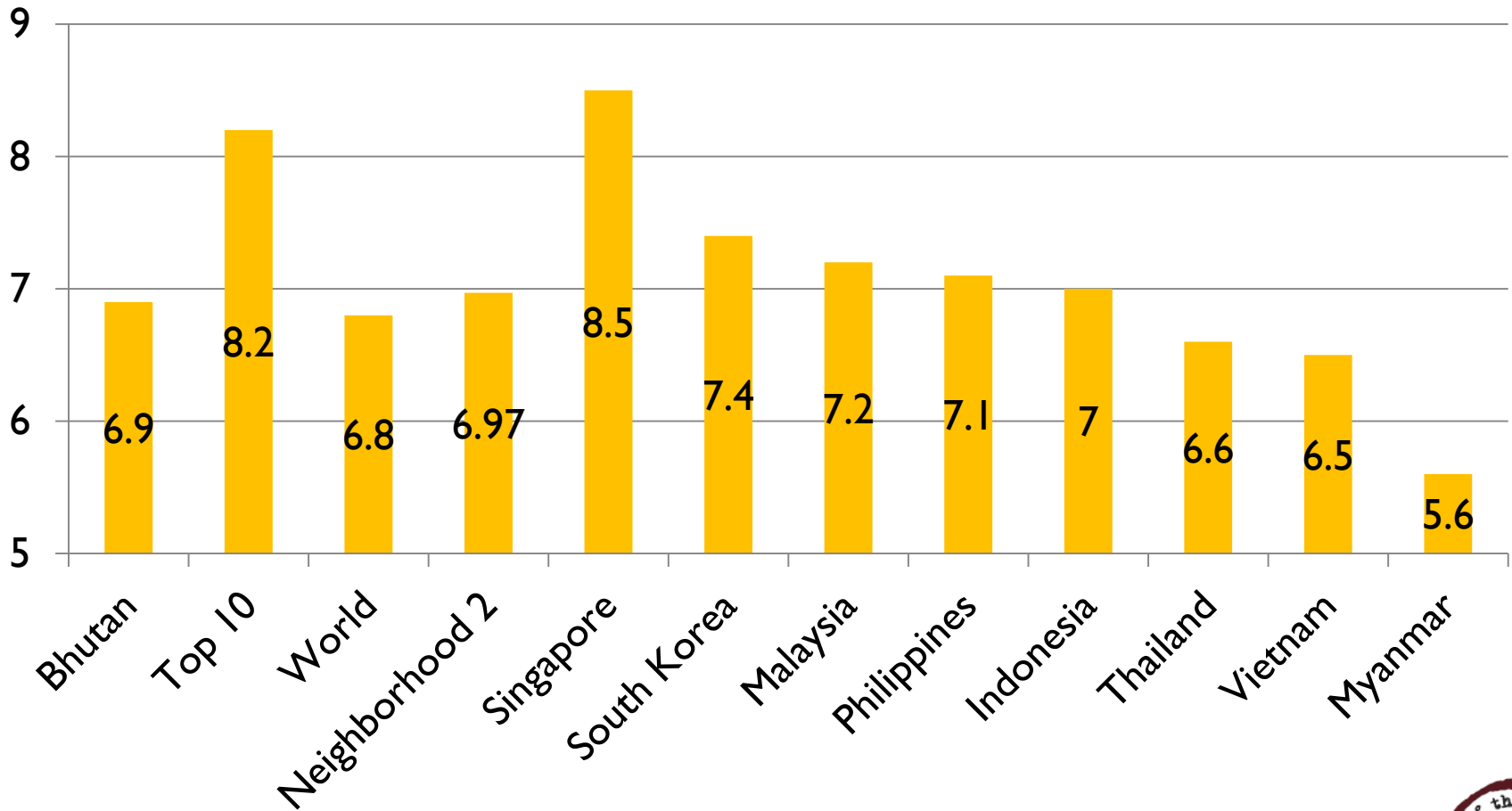
# Regulation



# Bhutan's Larger Neighborhood Ranks

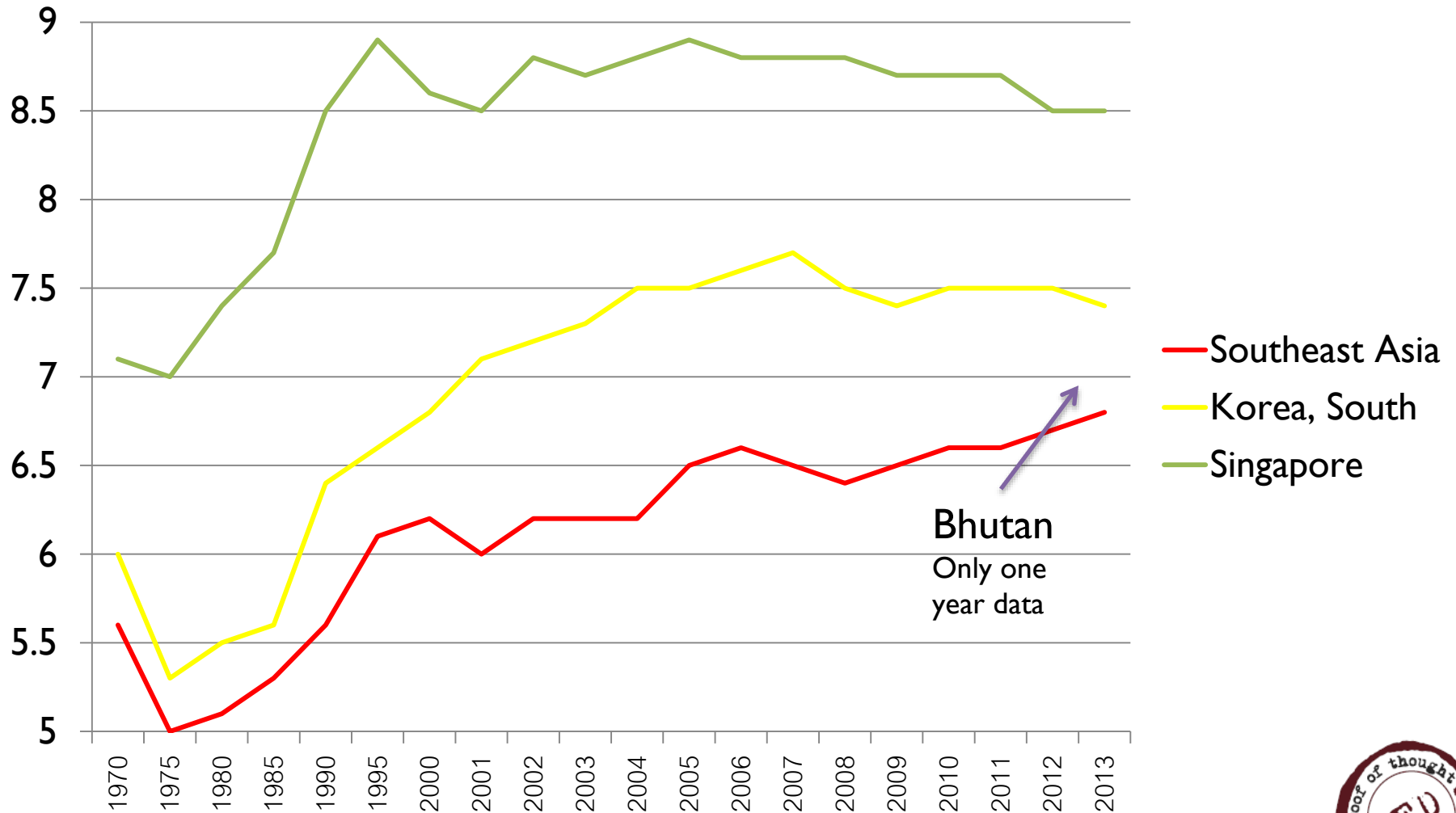


# The Larger Neighborhood Scores



# Asia

## Economic Freedom Scores



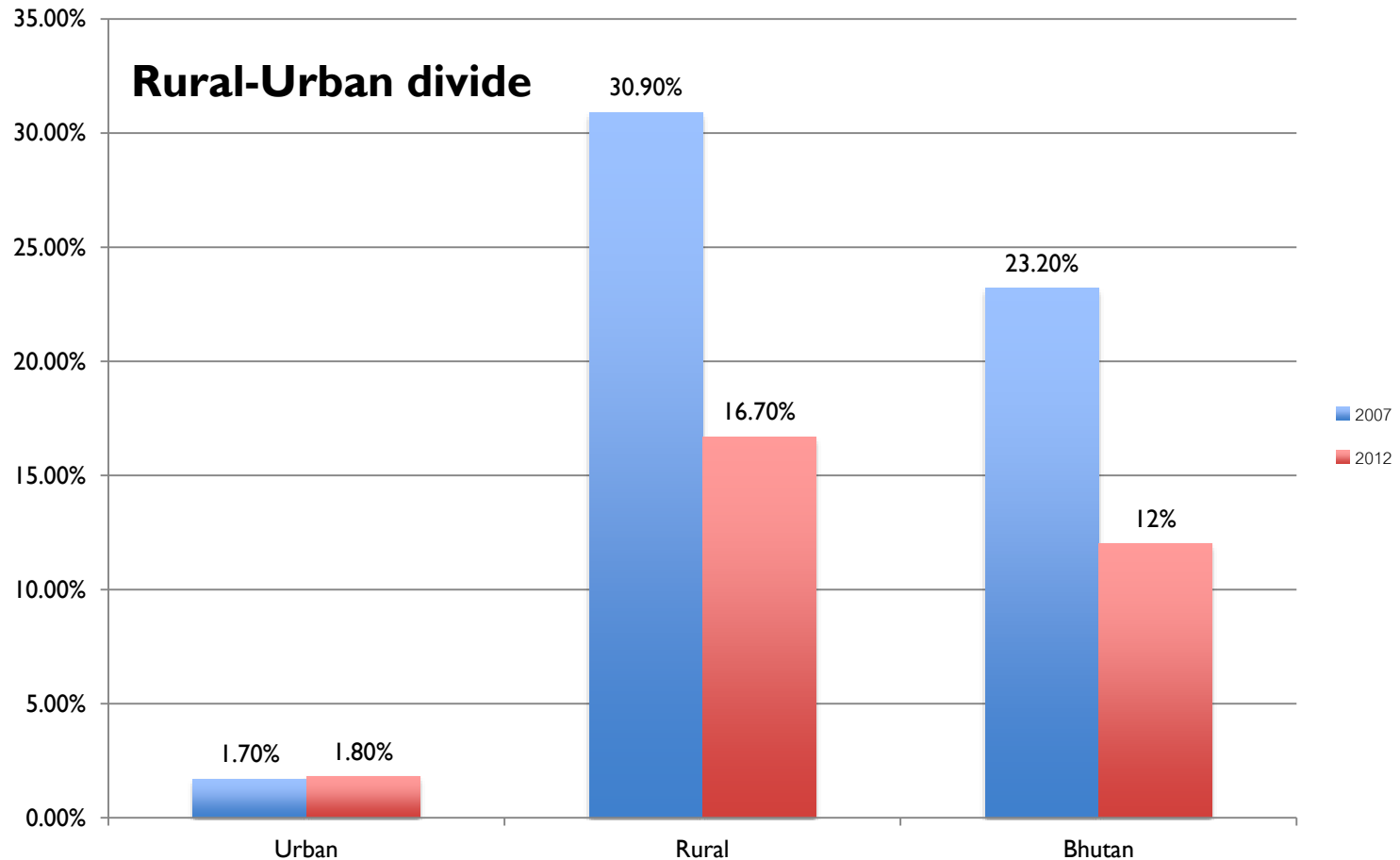
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# Poverty and inequality

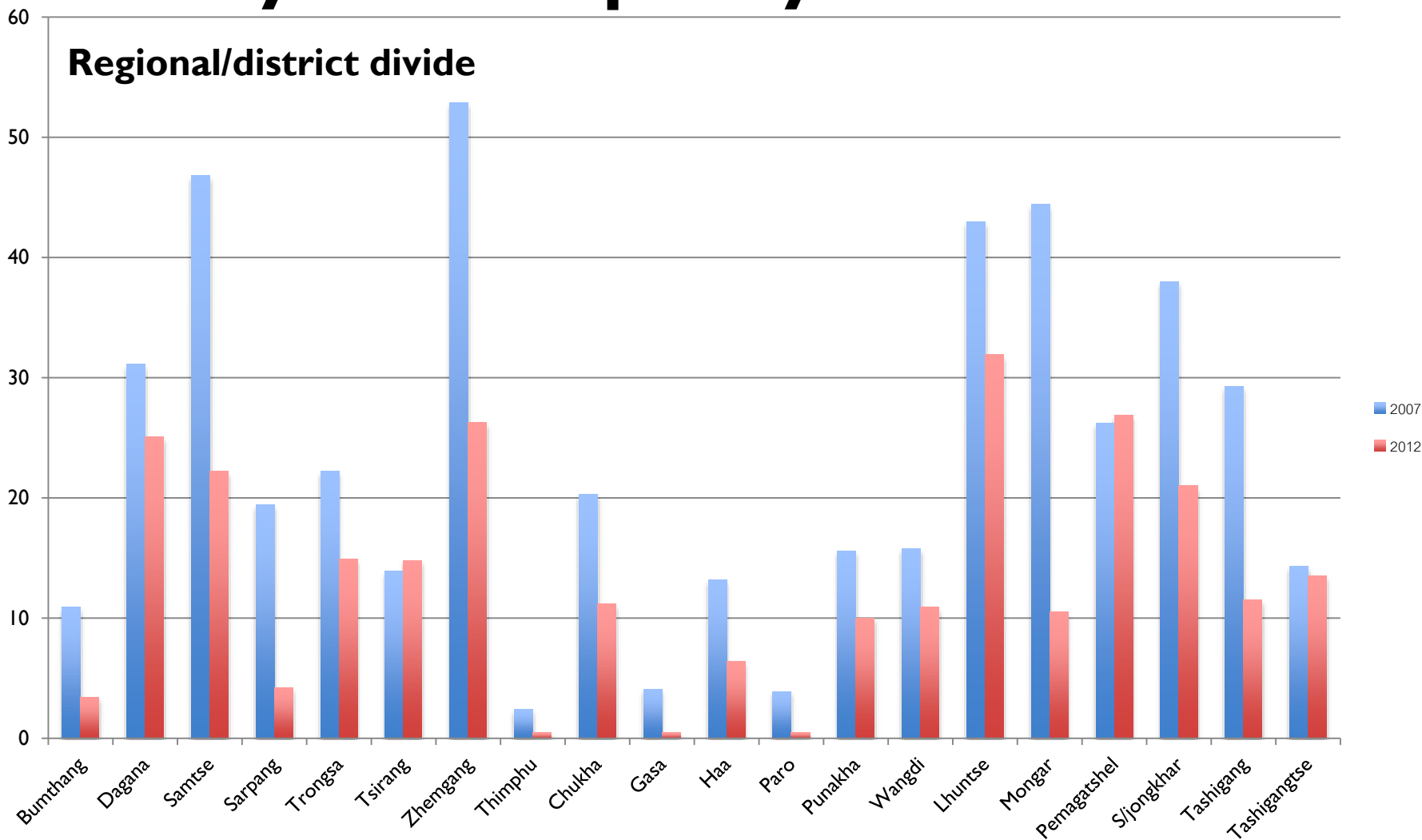


Distribution of poverty by area

Source – PAR, 2007 and 2012



# Poverty and inequality



Distribution of poverty by districts

Source – PAR, 2007 and 2012





# Poverty and happiness

Area/Poverty Status	Very happy	Moderately happy	Neither happy unhappy	Moderately unhappy	Very unhappy
<b>Urban</b>	33.7	54.2	10.4	1.2	0.5
Poor	34.0	54.3	10.0	1.1	0.5
Non-poor	14.4	47.8	34.4	3.4	0.0
<b>Rural</b>	32.2	50.8	12.7	3.0	1.3
Poor	33.7	50.4	12.2	2.7	1.1
Non-poor	21.9	54.0	16.6	5.1	2.4
<b>Bhutan</b>	32.7	52.0	11.9	2.4	1.0
Poor	33.8	51.8	11.4	2.1	0.9
Non-poor	21.5	53.7	17.6	5.0	2.3

Household distribution of subjective happiness by area and poverty status

**Poorer families tend to be happier**

Source – PAR, 2012



# GNH survey 2015 results

- 8.8% of population unhappy, 10.6% in 2010
- Men are happier than women
- People living in urban areas are happier than rural residents
- Single and married people are happier than widowed, divorced or separated
- Educated people are more happier
- Farmers are less happy than other occupational groups



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# Way Forward

- EFW launch in Bhutan will be an annual event
- QED will come up with a policy brief outlining a prescriptive set of recommendations for the Government – Rule of three
- Although Bhutan's rank is the best in South Asia, we fall behind in size of Government (6.6 vs. 8) – Government consumption and Government enterprises/investment
- Bhutan falls behind the world average in sound money (6.9 vs. 8.1 – freedom to own foreign currency bank accounts) and Freedom to Trade (6.5 vs. 7 – regulatory trade barriers and controls on the movement of capital & people)



**Thank you**



