

Cory Morgan: Decline in Economic Freedom Raises a Red Flag for Canada

Commentary

By Cory Morgan | The Epoch Times

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The Peace Tower is seen as people make their way along a walkway near Parliament Hill in Ottawa on July 6, 2026. The Canadian Press/Justin Tang

The Fraser Institute has released its Economic Freedom of the World annual report, and Canadians should be alarmed as the country has dropped from 9th to 18th. Economic freedom correlates directly with happy, healthy, prosperous lives. Canada is still a long way from the bottom, but moving in the direction of nations such as Algeria, Iran, Myanmar, Libya, Sudan, Zimbabwe, and Venezuela is not a trend to be ignored.

Growth in the size of the federal government, onerous regulatory frameworks, and freedom to trade internationally were where Canada was found lacking by the report. The data used for the rankings is from 2024 and does not account for the current trade dispute. Freedom to trade internationally has dropped significantly with Canada's largest trade partner recently, which likely would cause the country to fall even further in the rankings if that were taken into account.

The benefits of maintaining economic freedom are easily seen. In the freest quartile of countries, average incomes are roughly 6.9 times higher than in the least-free quartile, people live around 14 years longer, and they work fewer hours per week than those living in nations at the bottom of the rankings.

But are Canadians noticing the decline? Economic apathy is endemic, and it's hard to inspire public discourse on something such as economic freedoms. Ironically, people are often working too hard to take the time to look outward and understand why they must keep working harder to attain less.

Continued Canadian indifference will be costly. A nine-place slide in a single year is not statistical noise. It coincides with a long Canadian pattern of high and rising government claims on national income, layered regulation, and new frictions on cross-border exchange. Those choices show up later as slower real income growth, tighter housing and business formation, heavier tax burdens on work and investment, and a widening gap with peers that score better - the United States at 5th, Australia and New Zealand near the top, and the United Kingdom still ahead of Canada. Hong Kong, Switzerland, and Singapore continue to occupy the leading places even as global averages remain below pre-pandemic levels after the surge in spending, rules, and trade barriers.

Canada is not Venezuela, but it is moving away from the cluster of jurisdictions whose residents capture the gains the data associate with greater freedom, and toward a more ordinary, more constrained position.

While the communist regime that runs China ideologically opposes economic freedom, it understands the value in it. That's why the regime maintains it in Hong Kong, which ranks at the top of the list for economic freedoms, while China itself is ranked 110th. It's a bizarre demonstration of ideological hypocrisy and what the selective application of rights leads to.

The Carney government appears to be more economically pragmatic than the Trudeau one before it. They understand the need for expanding the Canadian economy, but they are trying to do so through more government involvement rather than getting out of the way. They speak of reducing regulation, yet continue to create more government departments. Subsidies and government ownership of major projects are being used to spur economic development rather than changing policies or structures to allow development to happen organically. The ongoing West Coast pipeline saga is an example of this.

Reversing the trend requires measurable contraction in the areas that dragged the score down. Size of government improves only when spending growth is held below revenue growth for a sustained period and when marginal tax rates on work, saving, and investment are cut rather than raised. Regulation improves when permitting timelines shrink, occupational and business licensing is narrowed to genuine safety cases, and new rules carry expiry or cost-offset requirements. Trade freedom improves when tariffs, procurement preferences, and regulatory divergence that function as barriers are reduced rather than multiplied. Property rights and sound money, already relative strengths, need protection from further erosion.

Unfortunately, that all sounds rather dry to the average citizen. It's politically easier to hold ribbon cuttings and make specious announcements than to make systemic changes. Politicians measure their results based on opinion polls more often than economic outcomes.

Think-tank scorecards, auditor-general findings, and simple comparisons of after-tax incomes and business-formation rates are more useful than reassurances that Canada remains 'nice.' Rankings move when policy moves. Docility keeps the arrows pointing the wrong way. The responsibility to foster change lands on the laps of citizens in a democracy. Unfortunately, we tend to be reactive rather than proactive.

The warning signs have been posted. The question now will be how bad things will have to get before citizens take notice of them.

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