

**DOES THE ECONOMIC FREEDOM AFFECT THE
COUNTRY'S ECONOMIC GROWTH?
EXPLORING THE 10 INDEX OF ECONOMIC
FREEDOMS IN MALAYSIA.**

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ABSTRACT

This research is conducted to explore the 10 Economic Freedoms for Malaysia that includes Business Freedom, Trade Freedom, Fiscal Freedom, Freedom from Government, Investment freedom, Financial Freedom, Property Right, Freedom from Corruption, Monetary Freedom and Labour Freedom. This research measure the protectionism and liberalization of a country whether the countries should open their economies wider and accept the globalization and thus this will increase the level of economic freedom in a country.

The objective of this research are to identify the relationship between the economic freedom and economic growth in Malaysia, to determine the average scores of the 10 economic freedom as mentioned before and to explore the impacts of economic freedom to a country's economy. Thus, the research is mostly based on the used of secondary at such as journals, articles, books, etc.

Finally, the research concluded that both economic freedom and economic growth have a positive relationship and it is also impacts the country's per capita GDP, population, unemployment rate and inflation rate and thus affects the economic growth in countries.

CHAPTER 1

INTRODUCTION

1.1 Background of Study

As according to **The Heritage Foundation** and **The Wall Street Journal** annually report regarding to the index of economic freedom for 2007 assessment, Malaysia's economy is 65.8 percent free which makes it the world's 48th freest economy. Its overall score is 2.1 percentage points higher than last year, partially reflecting new methodological detail. Also, Malaysia is ranked 8th freest out of 30 countries in the Asia Pacific region, and its overall score is higher than the regional average. As a result, at this stage, Malaysia is now waking up and has put lots of efforts to open the economy wider in order to compete and standing in the global arena.

As we all aware, the inflows of the foreign investment into our country do brings many positive impacts such as the transfer of foreign technology, know-how approach, enhance country's competitiveness as well as contributing in the country's economic growth. This economic growth is actually related with the economic freedoms level that shows a country's openness towards globalization as well as indicating the economy's economic performance.

Therefore, the purpose of this study is actually to explain and to get an understanding on how does the economic freedoms can affects in the economic growth in Malaysia and this will be done by exploring the index of 10 economic freedom indicators for Malaysia that has been published and accounted by *The Heritage Foundation* in