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## Best for business

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Which countries do you think have the best business environments? Economists, politicians and business people fiercely debate this question. There is obviously no one correct answer because there are many variables, depending on such things as whether a particular business is capital- or labor-intensive, import- or export-dependent, etc.

Forbes magazine has just issued its list of the "2000 biggest, most powerful public companies on the globe," providing some new empirical evidence on this subject.

One can take issue with some of the Forbes criteria, but the measures are probably as good as any. We reviewed the Forbes list and did a country-by-country analysis, looking for common measures of success and failure.

To put the 52 countries represented on an equal plane, we calculated the number of companies (from the 2,000 list) per million population. For instance, 711 companies were U.S.-based, or 2.4 companies per million U.S. residents. The table lists the top 10 countries for the 2,000 largest businesses on a per capita basis.

Country	Large Public Companies Per Million Residents
Switzerland	5.0
Sweden	3.1
Singapore	3.0
Finland	2.9
Japan	2.6
USA	2.4
UK	2.3
Canada	2.0
Netherlands	2.0
Ireland	2.0

There were several small jurisdictions (fewer than 1 million residents, including Bermuda, Cayman, Iceland and Luxembourg) with much higher ratios than the countries listed above, but most of their companies are international tax and/or tort refugees. Hong

Kong has 4.1 companies per million residents but as an integrated part of China is not a country.

It is obvious and expected there would be a high correlation between the number of companies and per capita income. The top 10 range in per capital income (on a PPP basis) from Singapore at \$24,180 to the U.S. at \$37,750.

Several countries immediately jump out as not neatly fitting the per capita income measure. First there is Switzerland, whose per capita income is high but less than that of the U.S. on a purchasing-power basis, with more than twice as many large companies on a per capita basis as one would expect. The second anomaly is that France, Italy, and Germany not only do not make the top 10 (despite having high per capita incomes) but the number of large companies per capita is roughly half what would be expected. As a result they are far down the list.

Why have the top 10 built a good corporate environment? They all have a strong respect for the rule of law and reputations for reliable judicial systems and personal honesty. They are among 15 percent of the world's least-corrupt countries, according to the Transparency International Corruption Perceptions Index, and rank from No. 1 for Finland to No. 24 for Japan. Half are English-speaking nations, and most citizens of the others have at least some fluency in English, except for Japan.

All have had relatively stable money for many years. All have relatively free trade regimes with free markets for the most part. All but Sweden, Finland and the Netherlands have lower government spending as a percentage of GDP than the average for members of the Organization for Economic Cooperation and Development; Switzerland has the lowest.

All but the United States, Japan and the Netherlands have a lower-than-OECD average rate of corporate income tax. And all but Japan score in the top 10 percent of the Heritage Foundation/Wall Street Journal Index of Economic Freedom. Swedish and Finnish companies spend a much higher percentage of their income on research and development (R&D) than companies in other nations. These R&D expenditures seem to keep them competitive, despite heavy tax burdens.

The new Forbes list provides further evidence businesses and capital flow to those regions where they are well protected and not unduly abused. Businesses do not expect a perfect environment. But they do need reasonable legal, tax and regulatory environments to grow and prosper.

Switzerland is a good example. It scores high in all categories, but is not perfect. Transparency International rates it No. 7 in being corruption free. It also ranks No. 7 in the Annual Report of Economic Freedom compiled by a worldwide consortium of think tanks. It has the lowest general government consumption expenditures and one of the lowest total tax burdens among the OECD nations -- while providing very high government service -- including a safe and very clean environment. It has had a very

sound currency for decades. The rule of law is sacrosanct, and private property and financial privacy rights are well respected.

Despite its small size, Switzerland has created and attracted many world-class businesses, and five of the world's largest 100 companies in the growing but diverse fields of food products, pharmaceuticals and financial services.

Countries seeking to improve their business environment with benefits for all citizens need only look to Switzerland for a model.

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