



Written by [Alex Newman](#) on November 3, 2014

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Inside Track

On Economic Freedom, America Still Lagging Behind

Much of the world continues to gain greater levels of economic freedom, according to a [new report](#) by the Canada-based Fraser Institute ranking more than 150 countries on everything from personal choice to security of private property. Research and studies show the trend should bring more prosperity, longer life spans, and more political freedom as well. But the news is less rosy for the United States — once the most economically free nation on the planet — as the policies of successive congresses and presidential administrations caused a steep decline in the U.S. position on the important index in recent years.



With America now tied with the United Kingdom for 12th place worldwide, it is up slightly from 2012, when the United States [plunged to its lowest-ever 18th place ranking](#) after unprecedented government spending and borrowing, bailouts of crony capitalists and mega-banks, and other fiascos. By 2013, America ranked 17th. However, despite the slight improvement, the United States still lags behind countries such as Canada, Switzerland, New Zealand, and others when it comes to economic freedom.

“The United States has suffered from a weakened rule of law, the ramifications of wars on terrorism and drugs, and a confused regulatory environment,” explained Michael Walker, a senior fellow at the Fraser Institute and co-founder of the Economic Freedom of the World project. “Consequently, it’s dropped from second place in the world rankings in 2000 to 12th place this year, five spots behind Canada.”

Aside from Canadians, the people of at least 11 other nations currently enjoy more economic freedom than Americans based on the index. At the top of the list are Hong Kong and Singapore, which have among the freest markets on Earth. Other nations in the top 10 include Switzerland, Mauritius, United Arab Emirates (UAE), Australia, Jordan, Chile, and Finland.

At the bottom of the barrel are Myanmar, the Democratic Republic of Congo, Burundi, Chad, Iran, Algeria, Argentina, Zimbabwe, and Republic of Congo. In last place is Venezuela, where the increasingly brutal socialist regime — despite gargantuan oil revenues — has all-but destroyed the economy, causing regular shortages even in basic goods such as food, electricity, and toilet paper. Nations with the most repressive regimes, Communist North Korea and Cuba, for example, were not ranked due to a lack of data.



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Communist China, which is currently seeking to exert greater control over the freewheeling and semi-autonomous Hong Kong at the top of the charts, ended in an embarrassing 115th place. None of the so-called “BRICS” regimes — Brazil, Russia, India, China, and South Africa — did very well. Russia came in at 98th place, India at 110th, Brazil in 103rd, and South Africa, still on its way down, ending up in 93rd.

By contrast, more prosperous nations did much better — as evidenced by Switzerland, for example, and other top performers, which also tend to be among the wealthiest nations, provided they have enjoyed economic freedom for some time. Germany finished in 28th place, Japan in 23rd, South Korea in 33rd, and Socialist Party-run France at 58th.

“The link between economic freedom and prosperity is undeniable,” said Fred McMahon, who serves as the Fraser Institute’s Dr. Michael A. Walker Research Chair in Economic Freedom. “Countries like Canada offer the highest quality of life and personal freedom while the lowest-ranked countries are usually burdened by oppressive regimes that limit the freedom and opportunity of their citizens.”

Academic studies [show that to be the case](#). Since the Fraser Institute first published its rankings in 1996, multiple studies relying on the data have looked at the effects of economic freedom on income levels, investment, growth, and poverty rates. “Virtually without exception, these studies have found that countries with institutions and policies more consistent with economic freedom have higher investment rates, more rapid economic growth, higher income levels, and a more rapid reduction in poverty rates,” the authors said.

The rankings come from collecting data in a wide array of fields. Among them: size of government, property rights, sound money, freedom to trade internationally, and government regulation. Each of those broad categories contains numerous subsections focusing on more narrow elements in the field. For instance, in “size of government,” researchers examine government spending, transfers and subsidies, government “enterprises,” and taxation rates. Smaller governments with lower levels of spending and taxes, of course, are generally more conducive to economic freedom.

This year, the United States [also ranked 12th in the respected Index of Economic Freedom](#) published by the *Wall Street Journal* and the Heritage Foundation, though that represented a 7th year of declines. In that index, because it uses different metrics for its analysis, Denmark, Ireland, and Estonia all scored higher than America. Within the United States, meanwhile, there are [fairly significant differences](#) in economic freedom levels, with states such as Texas and New Hampshire consistently close to the top while states such as Illinois and California rank far lower.

Plotting economic freedom scores on a graph with GDP per capita provides an easy way to grasp the importance of liberty in the economy. It is, in fact, very simple: Economic freedom leads to prosperity and liberty, while a lack of economic freedom leads to poverty, misery, oppression, and oftentimes death. According to Fraser Institute’s data, it seems many governments around the world are catching on, with the average ratings going from 5.32 out of 10 in 1980 to 6.84 by 2012.

In the United States, however, the trend has been generally downward. If Americans hope to remain prosperous, restoring economic freedom is essential. And if the federal government would simply obey the U.S. Constitution as written, America could easily regain its spot at the top of the world.



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