Study: As U.S. Drops Again, Swiss Economy Still Most Competitive

The United States dropped in the Global Competitiveness Index ranking for the fourth year in a row because of exploding debt and deficits even as liberty-minded Switzerland maintained its top spot, according to an annual survey published by the World Economic Forum (WEF). Having placed fifth last year and first in 2008 before Obama assumed power, the U.S. economy continued its downward spiral, slipping to an embarrassing seventh place in the most recent 2012-2013 rankings. Even Sweden, famous for its massive government and high taxes, ranks higher than America.

According to the WEF survey, the American economy's sharp decline in recent years is due to, among other problems, a lack of trust in government and politicians — especially by businesses — as well as declining macroeconomic and political stability. More important to the latest drop in the rankings this year, however: increasing fears over the U.S. economy's fiscal health as the federal government continues to borrow more than a trillion dollars per year with no end in sight.

"We see this development as a result of the growing macroeconomic imbalances in the country but also due to the political deadlock that has been augmenting the problem of macroeconomic imbalances," WEF senior economist Margareta Drzeniek was quoted as saying. "There does seem to be an inability to make decisions on the political side."

The WEF think tank itself, famous for its annual gathering of global elites in Switzerland, echoed those concerns. "In addition to the burgeoning macroeconomic vulnerabilities, some aspects of the country's [United States] institutional environment continue to raise concern among business leaders, particularly the low public trust in politicians and a perceived lack of government efficiency," the Geneva-based institution explained.

But that is not all. The wild federal deficit spending projected to reach $1.1 trillion this year and the incredible failure to urgently address it contributed too, as evidenced by rating agencies' decisions to slash their credit outlook on U.S. government debt last year. There is also the looming "fiscal cliff" economists keep warning about as massive tax hikes — so-called "Taxmageddon" — approaches quickly.

"A number of weaknesses are chipping away at its competitiveness … the U.S. fiscal imbalances and continued political deadlock over resolving these challenges," another WEF economist, Jennifer Blanke, told CNBC. "If you look at competitiveness, what we are talking about is productivity. It's countries that are productive that can support the sorts of rising living standards and high wages that everyone is looking for."

Other economies that ranked ahead of America this year include Singapore in second place, followed by

Finland, the Netherlands, and Germany. At the bottom of the 144-country list were Burundi, Sierra Leone, Haiti, Guinea, and Yemen. However, instead of a significant shuffling in the rankings, the WEF survey found that there were deepening divisions instead.

According to WEF economists, one of the reasons that the divides are not being narrowed is that "political deadlock" is preventing governments from adopting longer-term approaches to competitiveness and future growth — with Europe and the United States among the prime examples. "This political deadlock is jeopardizing the future prosperity of those countries because it may lead to a reduction of productivity and a loss of competitiveness and reduced growth in the future," explained the WEF's Drzeniek.

Switzerland, which has held the top spot since the U.S. lost it in 2009, was applauded by the survey for its across-the-board economic strength: labor-market efficiency, sophisticated business sector, strong innovation, and more. With their uniquely decentralized political system, the Swiss have succeeded in maintaining some of the lowest tax rates in the world while preserving much more of the free market than other countries.

The system, unsurprisingly, has paid off handsomely.

Switzerland's unemployment is below 3 percent, the economy has done remarkably well despite the global economic crisis, and businesses continue to flock to the nation in droves. GDP per capita is among the highest in the world — more than double that of the European Union.

The Swiss central bank, meanwhile, is largely owned by the public with profits paid out to cantonal governments, unlike in the U.S. with its privately-owned, secretive, and out-of-control Federal Reserve System. And the Swiss have managed to stay out of the controversial and increasingly unstable EU and its imploding single "euro" currency despite vicious threats.

The United States, on the other hand, is losing businesses due in large part to the highest corporate tax rate in the developed world. The federal government also continues to lawlessly borrow and spend trillions of dollars despite constitutional limitations on its powers. And the trend is only getting worse, as reflected in other recent studies as well.

The WEF findings, for example, largely mirror the Heritage Foundation's Index of Economic Freedom, which has seen the once-freest economy in the world — America — plummet to tenth place in their latest survey published in January. Over the last four years under Obama, the U.S. economy lost its status as "free" and sank to "mostly free" in terms of economic freedom. It is now behind countries like Switzerland, Australia, New Zealand, Chile, Canada, Mauritius, and Ireland.

"Corruption is a growing concern as the cronyism and economic rent-seeking [crony capitalism] associated with the growth of government have undermined institutional integrity," the study's authors noted. "Restoring the U.S. economy to the status of a 'free' economy will require significant policy changes to reduce the size of government, overhaul the tax system, and transform costly entitlement programs. By boosting growth in the private sector, such freedom-enhancing policies are the best hope for bringing down high unemployment rates and reducing public debt to manageable levels."

As the American and European economies continue to sink — Greece came in at 96th place — both the EU apparatus and the U.S. government have been busy bullying Switzerland into changing its successful policies. Big governments around the world, often working together through cartel-like organizations such as the OECD, have been trying to force the Swiss to raise their taxes, for example.

But according to Columbia University economics Professor Xavier Sala-i-Martin, other governments could learn something from competitive leaders like Switzerland. "The Global Competitiveness Index provides a window on the long-term trends that are shaping the competitiveness of the world's economies," he explained. "In this light, we believe it offers useful insight into the key areas where countries must act if they are to optimize the productivity that will determine their economic future."

Of course, the assault on the free-market system in America has been underway for decades. According to experts, the troubling trend really began a century ago with the creation of the Federal Reserve central bank and the income tax — two key planks of the Communist Manifesto.

In recent years, however, the process has been accelerating at an unprecedented rate with the bailouts and federal takeover of healthcare, banks, the automobile sector, and more. And incredibly, instead of solutions, the federal government and the Obama administration continue to spend ever-more money on war, corporate welfare, and failing entitlement programs.

Analysts argue that if the trend toward more and more government is not reversed soon, it may be too late. And the consequence of such a scenario — as history has shown on countless occasions: currency implosion, poverty, national bankruptcy, tyranny, and worse — will mean an unmitigated disaster for the American people, and probably the world.

Photo of Swiss National Bank headquarters in Bern, Switzerland

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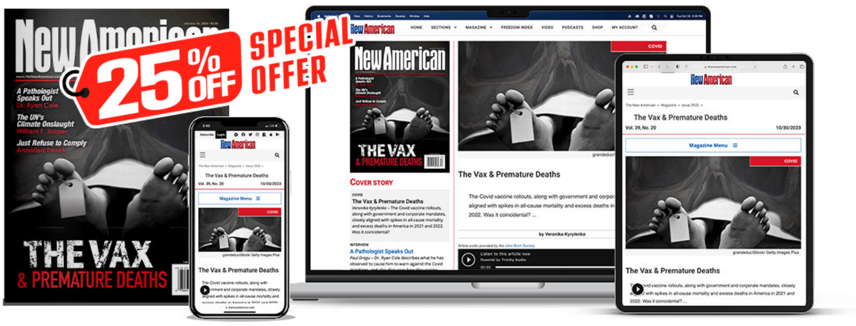

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