



Written by [Alex Newman](#) on January 16, 2012

Study: U.S. Economic Freedom Drops for Fourth Year

The global trend was also disappointing to free-market advocates, with the world average falling as governments ramped up spending in a failed effort to fight the economic crisis.

The respected index, published by the U.S.-based Heritage Foundation and the *Wall Street Journal*, has ranked the economic freedom of almost 180 countries annually for the past 18 years. It uses a score out of 100 based on the average of rankings earned in 10 different categories: labor freedom, business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, and freedom from corruption.



In first place was Hong Kong — as usual — with a score of almost 90, up 0.2 points over last year. Singapore was a close second, followed by Australia, New Zealand, and Switzerland — all of which earned a designation of “free.” Canada, Chile, Mauritius, and Ireland also finished in the top 10, with the United States lagging behind with a score of 76.3, down 1.5 points from the year before.

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Sub-Saharan Africa made the biggest gains in economic freedom during 2011 for the second year in a row, according to the data. Mauritius even earned the highest ranking ever achieved by an African nation. However, the region still trails the rest of the world overall in most categories.

North America, meanwhile, dropped the most overall — all three countries in the region lost ground for an average decline of 1.3 points. Mexico’s score fell the most, plunging by 2.5 points. Canada’s sank the least — less than one point — but still enough to knock it out of the “free” category.

About three out of four European countries also saw reduced scores in the most recent index. Greece took the prize, dropping almost five full points — more than any other nation in the world — to 55.4. Nations in North Africa and the Middle East have generally been making slow but steady gains, according to the study.

At the bottom of the barrel in the “repressed” category were, as expected, countries such as Cuba, Iran, Venezuela, and Zimbabwe — all ruled by oppressive regimes of various socialist persuasions. Communist North Korea, which finished dead last yet again with a measly score of one point, is widely considered the most totalitarian nation on Earth.

“The 2012 index results confirm again the vital linkage between advancing economic freedom and eradicating poverty,” Heritage Foundation president and co-editor of the study Edwin Feulner [wrote](#) in the *Wall Street Journal*. “Countries that rank ‘mostly unfree’ or ‘repressed’ in the index have levels of poverty intensity ... that are three times higher than those of countries with more economic freedom.”



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Around the world, economic freedom — already in short supply — declined by two tenths of a point in 2011, according to the index average. It dropped from 59.7 to 59.5, sinking further into “mostly unfree” territory and prompting concern among economists about a troubling trend toward more state power and less liberty.

“The mounting burden of reckless government spending has overwhelmed gains in economic freedom in other policy areas,” the editors of the report explained in a [press release](#), citing policies supposedly aimed at combating global economic turmoil. “Tension between government control and the free market has heightened around the world, particularly in developed countries.”

The U.S. economy, which has been pursuing a downward trend for four solid years, barely managed to remain in the top 10. Denmark, with a score of 76.2, was just one tenth of a point behind. In 2008, the United States was considered “free” with a score of 81, finishing in seventh place overall. But if current trends continue, America could easily fall out of the top 10 by next year.

The United States [ranked](#) 127th out of 179 in the government spending category, with more than 42 percent of GDP now being consumed by government expenditures and a debt load larger than the size of the entire economy. The numbers were even worse in terms of fiscal freedom — America finished in 133rd place this year — putting U.S. scores well below world average in both categories.

“Corruption is a growing concern as the cronyism and economic rent-seeking associated with the growth of government have undermined institutional integrity,” the index also noted. From a score of 76 in freedom from corruption just a few years ago, America has now sunk to 71. The rapidly expanding regulatory regime, waivers issued to political allies of President Obama, and other concerns have all been cited by analysts to explain the sudden drop.

According to the study’s authors, declining confidence in the U.S. government to maintain open markets has discouraged entrepreneurs and stifled investment in the productive sector. At the same time, over 70 new “major regulations” have been imposed just since 2009 at a cost of almost \$40 billion per year, the report said.

“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,” the study’s authors explained. “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.”

Other analysts suggested increasing economic freedom in the United States by repealing ObamaCare and the Dodd-Frank financial legislation, reforming Social Security, and more. Firing Federal Reserve boss Ben “helicopter” Bernanke and instituting sound money would help, too, [experts said](#). But for now, America is expected to continue sinking.

“The 2012 results show the torch of leadership in advancing freedom passing to other regions,” [noted](#) Heritage President Feulner. “Whether this is a long-term trend remains to be seen, but it is clear that if America and Europe do not soon regain trust in the principles of economic freedom on which their historical successes have been built, their people, and perhaps those of the world as a whole, are in for dark days ahead.” Among the consequences of declining economic freedom, he said, have been slower growth, fiscal and debt crises, and high unemployment.

The editors of the index also said governments’ responses to the financial crisis around the globe have largely made matters worse. And the consequences could haunt the world’s inhabitants for a long time



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to come. “Government spending has not only failed to arrest the economic crisis, but also — in many countries — seems to be prolonging it,” the report stated. “The big-government approach has led to bloated public debt, turning an economic slowdown into a fiscal crisis with economic stagnation fueling long-term unemployment.”

But analysts [commenting](#) on the situation appear motivated to reverse the trend. Editorials published in the United States and around the world [called](#) on political leaders to rein in government and protect free markets. And despite the ominous direction being pursued in many nations, success stories such as Chile and Mauritius offered hope to some economists that at least some leaders were learning from past mistakes.

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