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The U.S. Isn't as Free as It Used to Be

Canada now boasts North America's freest economy.

By TERRY MILLER

The United States is losing ground to its major competitors in the global marketplace, according to the 2010 Index of Economic Freedom released today by the Heritage Foundation and The Wall Street Journal. This year, of the world's 20 largest economies, the U.S. suffered the largest drop in overall economic freedom. Its score declined to 78 from 80.7 on the 0 to 100 Index scale.

2010 Index of Economic Freedom

| | | | | |
|-----------------------|------------------------------------|-----------------------------|---------------------------------|-----------------------------------|
| 1. Hong Kong | 40. Barbados | 76. Uganda | 113. Brazil | 150. Belarus |
| 2. Singapore | 41. Mexico | 77. Namibia | 114. Indonesia | 151. Equatorial Guinea |
| 3. Australia | 42. Kuwait | 78. Cape Verde | 115. Benin | 152. Central African Republic |
| 4. New Zealand | 43. Oman | 79. Belize | 116. Gabon | 153. Guyana |
| 5. Ireland | 44. Israel | 80. Kyrgyz Republic | 117. Pakistan | 154. Angola |
| 6. Switzerland | 45. Peru | 81. Paraguay | 118. The Gambia | 155. Lesotho |
| 7. Canada | 46. United Arab Emirates | 82. Kazakhstan | 119. Senegal | 156. Seychelles |
| 8. United States | 47. The Bahamas | 83. Guatemala | 120. Sri Lanka | 157. Sierra Leone |
| 9. Denmark | 48. Malta | 84. Samoa | 121. Yemen | 158. Uzbekistan |
| 10. Chile | 49. St. Vincent and the Grenadines | 85. Fiji | 122. Malawi | 159. Chad |
| 11. United Kingdom | 50. Latvia | 86. Dominican Republic | 123. Côte d'Ivoire | 160. Burundi |
| 12. Mauritius | 51. Hungary | 87. Ghana | 124. India | 161. Togo |
| 13. Bahrain | 52. Jordan | 88. Mongolia | 125. Moldova | 162. Ukraine |
| 14. Luxembourg | 53. Albania | 89. Lebanon | 126. Papua New Guinea | 163. Liberia |
| 15. The Netherlands | 54. Costa Rica | 90. Burkina Faso | 127. Tonga | 164. Timor-Leste |
| 16. Estonia | 55. Trinidad and Tobago | 91. Morocco | 128. Tajikistan | 165. Comoros |
| 17. Finland | 56. Macedonia | 92. Croatia | 129. Niger | 166. Kiribati |
| 18. Iceland | 57. Jamaica | 93. Rwanda | 130. Nepal | 167. Guinea-Bissau |
| 19. Japan | 58. Colombia | 94. Egypt | 131. Suriname | 168. Iran |
| 20. Macau | 59. Malaysia | 95. Tunisia | 132. Cameroon | 169. Republic of Congo |
| 21. Sweden | 60. Panama | 96. Azerbaijan | 133. Mauritania | 170. Solomon Islands |
| 22. Austria | 61. Slovenia | 97. Tanzania | 134. Guinea | 171. Turkmenistan |
| 23. Germany | 62. Portugal | 98. Nicaragua | 135. Argentina | 172. Democratic Republic of Congo |
| 24. Cyprus | 63. Romania | 99. Honduras | 136. Ethiopia | 173. Libya |
| 25. Saint Lucia | 64. France | 100. Zambia | 137. Bangladesh | 174. Venezuela |
| 26. Georgia | 65. Saudi Arabia | 101. Kenya | 138. Laos | 175. Burma |
| 27. Taiwan | 66. Thailand | 102. Swaziland | 139. Djibouti | 176. Eritrea |
| 28. Botswana | 67. Turkey | 103. Bhutan | 140. People's Republic of China | 177. Cuba |
| 29. Lithuania | 68. Montenegro | 104. Serbia | 141. Haiti | 178. Zimbabwe |
| 30. Belgium | 69. Madagascar | 105. Algeria | 142. Micronesia | 179. North Korea |
| 31. Republic of Korea | 70. Dominica | 106. Nigeria | 143. Russia | NOT RANKED |
| 32. El Salvador | 71. Poland | 107. Cambodia | 144. Vietnam | |
| 33. Uruguay | 72. South Africa | 108. Vanuatu | 145. Syria | |
| 34. Czech Republic | 73. Greece | 109. The Philippines | 146. Bolivia | |
| 35. Slovakia | 74. Italy | 110. Bosnia and Herzegovina | 147. Ecuador | Afghanistan |
| 36. Spain | 75. Bulgaria | 111. Mozambique | 148. Maldives | Iraq |
| 37. Norway | | 112. Mali | 149. Sao Tome and Principe | Liechtenstein |
| 38. Armenia | | | | Sudan |
| 39. Qatar | | | | |

The U.S. lost ground on many fronts. Scores declined in seven of the 10 categories of economic freedom. Losses were particularly significant in the areas of financial and monetary freedom and property rights. Driving it all were the federal government's interventionist responses to the financial and economic crises of the last two years, which have included politically influenced regulatory changes, protectionist trade restrictions, massive stimulus spending and bailouts of financial and automotive firms deemed "too big to fail." These policies have resulted in job losses, discouraged entrepreneurship, and saddled America with unprecedented government deficits.

In the world-wide rankings of economic freedom, the U.S. fell to eighth from sixth place. Canada now ranks higher and boasts North America's freest economy. More worrisome, for the first time in the Index's 16-year history, the U.S. has fallen out of the elite group of countries identified as "economically free" by the objective measures of the Index. Four Asia-Pacific economies now sit atop the global rankings. Hong Kong stands in first place for the 16th consecutive year, followed by Singapore, Australia and New Zealand. Every region of the world maintains at least one country among those deemed "free" or "mostly free" by the Index.

Some countries, notably Britain and China, have followed America's poor example and curtailed economic freedom. But many others—such as Poland, South Korea, Mexico, Japan, Germany and even France—have maintained or expanded economic freedom despite the global crisis. Ignoring the pressures of recession, these enlightened nations have continued to liberalize their economies, granting their entrepreneurs and consumers greater freedom. As a result, the average Index score dropped only 0.1 point in 2010. Eighty-one countries out of the 179 ranked recorded higher scores than in 2009.

These trends are important because study after study shows a strong correlation between economic freedom and prosperity. Citizens of economically freer countries enjoy much higher per-capita incomes on average than those who live in less free economies. Economic freedom also has positive impacts on overall quality of life, political and social conditions, and even on protection of the environment. Perhaps of most significance in these hard times, Index data indicate that freer economies do a much better job of reducing poverty than more highly regulated economies.

The public sector can't match the vitality of the private sector in promoting growth. Governments, even those that promise change, are primarily agents of the status quo. They tend to reflect the views and needs of those already holding political or economic power. Even democratic nations have their vested interests. Real change, however, can happen when those outside the mainstream have the freedom to try new things: new production processes, new technologies and new methods of organizing workers and capital.

It is common these days to dismiss as simpletons or ideologues those who speak in favor of the free market or capitalism. An honest assessment shows otherwise. Economic freedom, as represented in the Index of Economic Freedom, is a philosophy that rejects economic dogma, championing instead the diversity that follows when entrepreneurs are free to choose their own paths to prosperity.

The abiding lesson of the last few years is that the battle for liberty requires perpetual vigilance. President Obama professes desire to foster prosperity, environmental protection, poverty reduction and better health care. How ironic, then, that his economic proposals so consistently ignore or even undermine the one system—free enterprise capitalism—that has proven best able to achieve those goals.

Now America's once high-flying economy is barely crawling forward. Americans deserve better, and they can do better—as soon as they reverse course and start regaining the economic freedom that made America the most prosperous country in the world.

Mr. Miller is director of the Center for International Trade and Economics at the Heritage Foundation. He is co-editor, with Kim R. Holmes, of the "2010 Index of Economic Freedom" (471 pages, \$24.95), available at heritage.org/index.

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