



Written by [Alex Newman](#) on September 21, 2012

## U.S. Economic Freedom Plummetts to 18th Place Globally, Study Shows

Due in large part to an explosion of government spending and less secure property rights, the United States plunged to its lowest ever ranking on the [Economic Freedom of the World report](#), dropping from second place out of 144 nations in 2000 to a humiliating 18th in this year's annual survey. The global average scores, meanwhile, actually increased slightly.

The study, conducted by the respected Canada-based Fraser Institute, measures more than 40 different variables related to economic freedom. Those are divided into five broad categories: size of government, legal system and security of property rights, access to sound money, freedom to trade internationally, and regulation of credit, labor, and business.

"The United States, like many nations, embraced heavy-handed regulation and extensive over-spending in response to the global recession and debt crises," observed Fred McMahon, Fraser Institute vice-president of international policy research. "Consequently, its level of economic freedom has dropped." And it is getting worse, fast.

According to the survey, the United States scored 6.43 out of 10 in terms of the size of government — slightly lower than Syria, ruled by socialist tyrant Bashar al-Assad. The steepest decline was in the protection of private property rights, which analysts [attributed to](#) increasing reliance on eminent domain, the expansion of the terror and drug wars, as well as an uncertain business environment sparked by lawless government bailouts and breached contracts. Overall the United States scored 7.69 out of 10

"I think we think of the underlying causes of our decline in legal system and property rights, the Supreme Court's Kelo decision, the war on terror, and things related to the rule of law — things like TARP and the bailouts — have all contributed to the decline of scores in areas one and two," [explained](#) one of the report's authors, Beloit College economics Professor Joshua Hall. "We need people to understand our long term living standards depend upon getting back to that economic freedom that we enjoyed just a decade ago."

Despite the increasingly unstable U.S. dollar being inflated away by wild Federal Reserve currency printing, America performed fairly well in the "sound money" category on the index — at least for this report. However, experts [warned](#) that when inflation begins to accelerate thanks to the Fed's [ongoing "quantitative easing" policies](#), U.S. economic freedom scores will plummet much further.

Compared to just last year, American economic freedom — once considered the global gold standard —





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plunged 10 spots. The dramatic decline appears to be accelerating, too, as all levels of government continue to borrow and spend their citizens into oblivion while dumping increasing amounts of economy-destroying regulations on the populace.

“It is a travesty that our country is spiraling away from the principles that have made us an economic beacon for the world,” [said](#) Americans for Prosperity chief Tim Phillips, adding that the United States has essentially lost a full decade worth of growth. “This report shows what many fiscal conservatives have known all along, that our long-term growth is being threatened because big-government economic policies have grown the size of government, increased regulation and are now reducing our economic freedom and future prosperity.”

At the top of this year’s global rankings were [Hong Kong](#) in first place, followed by [Singapore](#), New Zealand, Switzerland, Australia, Canada, Bahrain, Mauritius, Finland, and Chile at number 10. Also finishing above the United States were welfare states like Finland and Denmark, as well as countries ruled by strongmen like Qatar and the United Arab Emirates. Estonia, formerly part of the Soviet Union, came in at 14 as it speeds down the road toward a freer market.

On the other end of the spectrum were nations like socialist Hugo Chavez’s crumbling Venezuela, Zimbabwe, which is ruled by Marxist despot Robert Mugabe, Myanmar, Congo, and Angola — some of the poorest places on earth. Communist dystopias like Cuba and North Korea were not included on the list, but presumably those dictatorships would have also ranked at or very close to the bottom of the barrel.

Among the larger economies, Communist China came in at 107, Brazil at 105, India at 111, Japan at 20, Germany in 31st place, and Russia at 95. The United Kingdom tied for 12th with Ireland, both placing well above the United States. Overall, the global average rose slightly to 6.83 out of 10 for the most recent year available, up from 6.79 the previous year — the lowest level in close to three decades.

Countless studies have shown that economic freedom is closely linked to prosperity, as evidenced by comparing leading indicators of well-being — health, income, growth, employment, stability, literacy, infant mortality, and more — with government respect for the free-market system. Unsurprisingly, rich countries generally have far more economic freedom than poorer ones. See Korea.

“Sadly, citizens living in the bottom-ranked countries face a significantly lower quality of life since they lose the benefits that come from growth spurred on by economic freedom and suffer reduced prosperity,” the Fraser Institute’s McMahon explained after releasing the report. Even poor people in freer countries are often far better off than average citizens living under economically oppressive regimes.

While the Fraser Institute’s study shows the most significant plunge, other respected surveys have also shown the U.S. economy in an accelerating tailspin compared to the rest of the world. The Heritage Foundation’s Index of Economic Freedom, for example, [showed America sinking for a fourth consecutive year](#) — dropping from ninth to tenth place and solidifying its designation as “mostly free” earned in 2009, down from “free” the year before that.

“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 Heritage 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.”



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In terms of competitiveness, the U.S. economy is doing poorly as well. According to the World Economic Forum's Global Competitiveness Index, the United States dropped to seventh place behind Sweden, Finland, Germany, and other countries due largely to exploding government debt and deficits. Liberty-minded Switzerland took the top spot from America in 2009 and has remained in first place ever since.

"The United States needs to drastically shrink the size and scope of the government in our economy in order to reclaim a spot among the freest countries in the world," [noted](#) Suffolk University economics Professor Benjamin Powell, a senior fellow at the Independent Institute. "Unfortunately, that doesn't appear to be on the agenda of either presidential candidate. I guess that shouldn't be a surprise since it was the big government branch of both political parties that decreased our freedoms over the past dozen years."

While the economic freedom and the prosperity it entails continue to evaporate in the United States, more than a few governments have apparently started to learn the lesson: liberty works, big government does not. For centuries, the U.S. Constitution has restrained the coercive power of the federal government, contributing to the creation of the most prosperous society the world has ever known. But according to economists and experts worldwide, if the U.S. government does not reverse course soon, the consequences for the American people and indeed the world will be tragic.

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