

U.S. still sliding on the freedom scale

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Audrey Pietrucha

If economic and political liberties are necessarily linked, as many believe, then the United States' reputation as the land of the free slipped a little further this week as documented in Economic Freedom of the World 2011 Annual Report.

The 15th edition of the report, as compiled by the Cato Institute, the Fraser Institute of Canada and more than 70 think tanks from throughout the world, ranks 141 nations for 2009, the most recent year for which data are available. Hong Kong and Singapore led the way as nations offering the most economic freedom while Australia, Switzerland and New Zealand filled out the top five. The tiny African island nation of Mauritius took the number nine spot ahead of the United States, which just squeaked into the top 10.

The report designates the basis of economic freedom as voluntary exchange, personal choice, security of private property and the freedom to compete and measures the extent to which a nation's policies and institutions provide a foundation for these pillars. More than 40 data points are used to summarize and measure economic freedom in five broad areas. These areas include the size and scope of government as well as its impact on the private economy through expenditures and taxes; legal structure, especially as it relates to property rights; sound monetary policies; free international trade and regulation of credit, labor and business.

The report attributes the United States' decline over the last 10 years partly to lower scores in legal structure and property rights, but the bulk of the problem comes from higher government spending and borrowing. Considering this report is based on data from 2009 and does not include the last few bloated budgets delivered by Washington there is reason to believe next year's findings will be even more discouraging.

A fascinating finding of the report is the extent to which economically free nations outperform non-free nations in terms of the well-being of their populations. For instance, the average per-capita GDP of nations in the top quarter of the index was more than six times that of nations in the bottom quarter. The average income of the poorest ten percent of the freer nations' populations was more than eight times higher than that of the poorest inhabitants of unfree nations. In fact, the poorest members of economically freer nations were almost twice as rich as the average citizen of the economically least-free countries with the \$8,735 average income of the poorest members of the top quarter almost double the \$4,545 overall income per capita in the bottom quarter. Poverty rates influence wellness, of course, so it is not surprising that life expectancy in the top quartile is almost 19 years longer than that in the bottom quartile, 79.4 years compared to 60.7 years.

An interesting finding of this year's report was a comparison of policies that promote freedom over entitlement in relation to economic development. Jean-Pierre Chauffour, lead economist with the World Bank, Middle East and North Africa Region, studied the balance between coerced economic decisions and free choices and concluded that nations which emphasize free choice in the form of economic, civil and political liberties over entitlement rights are likely to achieve higher sustainable economic growth.

In contrast, pursuing entitlement rights through greater coercion by the state is likely to be self-defeating in the long run. This is important information for developed countries to consider as they pursue reform of the welfare state and even more important for developing nations as demands for political freedom spur the creation of new social contracts with citizens.

The African experience is important evidence of this finding. Post-colonial Africa turned almost exclusively toward socialism and authoritarian rule. Two notable exceptions were top-ten contender Mauritius and Botswana, which ranked 68 on the economic freedom scale. Sadly, eight of the 10 least-free nations were African including bottom dwellers Angola and Zimbabwe. The South American nation of Venezuela and the Asian nation of Myanmar were the only non-African nations to so dubiously distinguish themselves.

The message is clear -- societies that embrace economic and political freedom thrive while those whose people are not given choices in how they live their lives and spend their money fail. As we continue the discussion in our own nation about the proper balance between private and public economic behavior let's err on the side of freedom and at least give Mauritius a run for her money.

Audrey Pietrucha helps coordinate the Vermont Liberty Alliance. She can be reached at vermontliberty@gmail.com.