

Why Is Our Economy Troubled? Maybe Because Of Eroding Economic Liberty

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Economic Freedom: The U.S. economy has been the world's biggest for decades. It's also been among the freest. But that long run is over. And our position at the top will soon be history, too, if liberty isn't restored.

From 1980 to 2000, the U.S. was ranked one of the world's three freest economies in the Cato Institute's Economic Freedom of the World Report.

In the latest rankings, it has fallen to 18th, behind such bulwarks of freedom as Qatar, Estonia, the United Arab Emirates and Mauritius.

Is this the fundamental transformation of the country that Barack Obama promised?

To be fair, the slide began before Obama became president. But he's done nothing to reverse or slow the decline. In fact, an argument can be made that he's accelerated it.

The U.S. crashed to 18th due to poor scoring in four of the five areas that the index assesses. America's rating for its Legal System and Protection of Property Rights has decreased by two points since 2000. Our Freedom to Trade Internationally has fallen by a full point, while our ratings for Size of Government and Regulation each have dropped by more than a half-point.

The Obama record on property rights has been dismal. Among other violations, he has employed a pay czar to regulate compensation; fleeced General Motors executives and credit holders; condemned private wealth ("you didn't build that"); threatened to put coal-fired plants out of business; and called for wealth redistribution.

Obama has also been behind a decline in confidence in our legal system. He runs a Justice Department that prosecutes capriciously; has done nothing to rein in the abusive and runaway lawsuits that cost the country \$250 billion a year and create a climate of business uncertainty; and has publicly bullied the Supreme Court justices he doesn't agree with.

Meanwhile, his nominees on the high court care little about liberty and rule of law.

Obama has a poor record on trade, as well.

He did sign free-trade deals with South Korea, Colombia and Panama — all negotiated by the Bush White House — last fall.

But Obama's focus is primarily on growing exports. Nothing wrong with that, but any progress there is offset by the hurdles he's placed on imports.

As a candidate, Obama criticized NAFTA, and as a president he has waged a war against cheap imported goods.

In response to the administration making repeated trade cases against China, economist Don Boudreaux notes that Obama has been "nearly twice as active as" Bush "at raising Americans' cost of living by badgering suppliers to hike the prices charged on products such as consumer electronics, furniture, and footwear."

In his 2012 State of the Union address, Obama made it clear that he won't be a friend of free trade during a second term.

CNBC senior editor John Carney called that speech "probably the most protectionist" State of the Union address of his lifetime. Even leftist blogger Matthew Yglesias noted that the speech included "a strikingly retrograde, self-contradictory, and confused agenda of reviving American prosperity through mercantilism."

A president's words have impacts on markets, which, in turn, affect economies. He cannot vow to pursue a trade war and not expect it to hurt his country's economy.

Obama's record on the size of government and regulation are no better.

Under his stewardship, the federal debt has grown from \$10.6 trillion to nearly \$16 trillion. He has added almost as much debt as every other president combined.

And, yes, Mitt Romney was right when he said, "Since President Obama assumed office three years ago, federal spending has accelerated at a pace without precedent in recent history," even though some self-appointed fact-checkers have said he's wrong.

Obama has been no better on regulation than he has been in any of the other areas in the index in which the U.S. has fallen.

The Heritage Foundation reports that during his first three years in office, Obama added 106 major rules, while George Bush added 28 in his first three. The costs

have been just as disproportionate: \$46 billion for Obama's rules, \$8.1 billion for Bush's.

Unless Obama is tossed out of office this fall, the flood of rules will get worse.

As our own John Merline reports, "The National Federation of Independent Business calculates there are more than 4,000 federal rules in the pipeline, and that just the 13 biggest ones would, if imposed in an Obama second term, cost businesses a total of more than \$515 billion over four years."

It's no coincidence that America has had both a high degree of economic freedom and the greatest economic prosperity in history.

You can't have the latter without the former. It's particularly galling that Obama probably knows this, yet keeps moving the country in the wrong direction.