



New Data Shows Big Loss of Economic Freedom in the United States

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My favorite Heritage Foundation publication (other than...ahem...my studies on [government spending](#) and the [flat tax](#)) is the annual [Index of Economic Freedom](#).

Like the Fraser Institute's Economic [Freedom of the World](#) and the World Economic Forum's [Global Competitiveness Report](#), the Index is a broad measure of liberty to engage in voluntary exchange in a system of secure property rights and honest government.

Unfortunately, the United States has been moving in the wrong direction in recent years. As you can see [here](#), [here](#), and [here](#), America used to rank in the top 10. But this chart shows that the United States is now has fallen to number 12 and is considered to be only "Mostly Free."

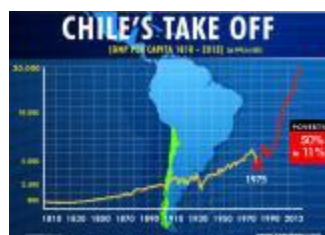
FREE (100 - 80)				
RANK	COUNTRY	OVERALL	CHANGE	
1	Hong Kong	90.1	+0.8	▲
2	Singapore	89.4	+1.4	▲
3	Australia	82.0	-0.6	▼
4	Switzerland	81.6	+0.6	▲
5	New Zealand	81.2	-0.2	▼
6	Canada	80.2	+0.8	▲

MOSTLY FREE (79.9 - 70)				
RANK	COUNTRY	OVERALL	CHANGE	
7	Chile	78.7	-0.3	▼
8	Mauritius	76.5	-0.4	▼
9	Ireland	76.2	+0.5	▲
10	Denmark	76.1	0.0	▬
11	Estonia	75.9	+0.6	▲
12	United States	75.5	-0.5	▼
13	Bahrain	75.1	-0.4	▼
14	United Kingdom	74.9	+0.1	▲
15	The Netherlands	74.2	+0.7	▲
16	Luxembourg	74.2	0.0	▬
17	Taiwan	73.9	+1.2	▲
18	Germany	73.4	+0.6	▲
19	Finland	73.4	-0.6	▼
20	Sweden	73.1	+0.2	▲
21	Lithuania	73.0	+0.9	▲
22	Georgia	72.6	+0.4	▲
23	Iceland	72.4	+0.3	▲
24	Austria	72.4	+0.6	▲
25	Japan	72.4	+0.6	▲
26	Czech Republic	72.2	+1.3	▲
27	Botswana	72.0	+1.4	▲
28	United Arab Emirates	71.4	+0.3	▲
29	Macau	71.3	-0.4	▼
30	Qatar	71.2	-0.1	▼
31	South Korea	71.2	+0.9	▲
32	Norway	70.9	+0.4	▲
33	Saint Lucia	70.7	+0.3	▲
34	Colombia	70.7	+1.1	▲

I'm not surprised to see [Hong Kong and Singapore](#) at the top of the list, but notice how large of a lead they have over the other four "Free" nations. Their big advantage, if you dig into the details, exists because of relatively low [burdens of government spending](#) and comparatively modest tax rates.

Canada's strong performance shows how [a nation can improve](#) with the right reforms.

In the "Mostly Free" section, it's kind of embarrassing that America is behind Denmark. The United States actually has a slightly better (or, to be more accurate, slightly [less worse](#)) fiscal regime (with "[Lazy Robert](#)" being the poster child for the welfare state), but Denmark gets very good grades for being [very laissez-faire in other regards](#).

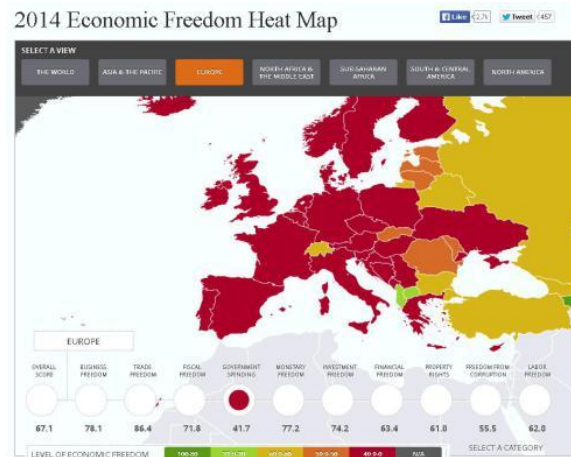


I'm pleased to see, by the way, that Chile and Estonia score reasonably well. Estonia has been [a good role model in recent years for fiscal restraint](#) (even if Paul Krugman [can't understand](#) the numbers). Chile, meanwhile, engaged in [many pro-growth reforms](#) over the past three decades

(though I'm worried the new government may harm the nation's leading position in Latin America).

You'll notice that Slovakia isn't on the list of "Free" or "Mostly Free" nations. That nation suffered a big drop, in part because a [socialist government repealed the flat tax](#). Such a shame.

One of the good things about the Heritage Index is that you can play with the data to compare nations based on particular variable. Here's a chart showing scores for "government spending" in Europe. Wow, talk about a "red" continent.



Switzerland stands out for being the only advanced nation with a semi-decent score of "Moderately Free," though that's nothing to brag about. But when all your neighbors are "Unfree," you look good by comparison. No wonder [Switzerland is in much better shape than France](#).

P.S. I [prefer the Fraser Institute's Economic Freedom of the World over the Heritage Index of Economic Freedom](#), not because I'm an expert on the methodology of the two publications, but for the simple reason that I assume Economic Freedom of the World must be slightly more accurate because, unlike the Heritage Index, it showed the U.S. score declining during the Bush years.

P.P.S. [I wrote back in 2010](#) that we shouldn't fear the supposed Chinese tiger and the new numbers in the Index corroborate what I wrote. China is mired way down in the "Mostly Unfree" category, with a score that puts them in 137th place.

P.P.P.S. If you like global rankings that make no sense, here are some quasi-amusing options.

- One group claimed that [America is one of the world's most authoritarian nations](#).
- The statisticians at the OECD [put together a ranking asserting that poverty is a bigger problem in the United States](#) than in Greece, Portugal, or Turkey.
- In a [2010 ranking of influence in the world of global finance](#), the FCI 500 placed me higher than either George Soros or Paul Krugman. I wish that was even close to true.

- A bunch of enviro-nutjobs [put together a “Happy Planet” index](#) showing the USA behind such garden spots as Cuba, Albania, and Venezuela.