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U.S. No Longer Among Top Ten Countries When it Comes to Size of Government

By Michael D. Tanner
October 9, 2014

There was a time, not so long ago, when the United States was considered the world standard for economic freedom. Yes, there were countries out there, like Hong Kong and Singapore, that might have had lower taxes or fewer regulations, but the world could still speak confidently of the American free-enterprise system. No longer.

This week, a consortium of think tanks from almost 90 countries released their *Economic Freedom of the World Report*. The United States is no longer among the top ten countries when it comes to size of government, rule of law and property rights, soundness of the money supply, regulation, and free trade. We now rank twelfth, down from second as recently as 2000. For the record, we now trail Hong Kong, Singapore, New Zealand, Switzerland, Mauritius, the United Arab Emirates, Canada, Australia, Jordan, Chile, and Finland.

Our economic situation looks even darker when one examines the individual components that made up our overall ranking. Americans may be aghast at the big governments of Europe, but we actually rank 46th in the world using the so-called "chain-linked" rankings. Our government is not yet as big, relative to population, as France's (ranked 113th) or Italy's (115th), but we are headed in that direction if we don't change our ways. Already we rank below Brazil and even Mexico.

Nor are we a bastion of free trade; we now rank 29th worldwide. Of particular concern, the soundness of our money continues to erode. As recently as 2005, we were an unsurprising number one. Today, after years of quantitative easing, we've slipped to 38th.

Even more frightening, in 1980, when the report was first issued, the U.S. legal system and our respect for property rights were the world's best. In 2000, we still ranked in the top ten. Today, we have fallen to 36th, trailing countries like Malaysia, Namibia, and Cyprus. That's pretty poor company. Among the reasons cited for this precipitous decline are the increased use of eminent domain to seize private property for public use (and often for the benefit of powerful political interests), increased property seizures resulting from the wars on terrorism and drugs, and violation of the property rights of bondholders in the automakers' bailout. Overall, the report concludes that the United States "experienced a significant move away from rule of law and toward a highly regulated, politicized, and heavily policed state."

Only on regulation did we squeak into the top ten. But even here the deterioration is significant. In 2000, before George W. Bush took office, we ranked second.

Of course, we can take comfort that we are not as badly off as Venezuela, which ranked dead last among the 152 nations considered. Other countries in the bottom ten included: the Republic of the Congo, Zimbabwe, Argentina, Algeria, Iran, Chad, Burundi, the Democratic Republic of the Congo, and Myanmar. Still, we should probably shoot for something a little higher than not being Chad.

Bad as this report is, it may actually understate our worsening condition. Most of the report's data come from 2012. Given the trajectory of governmental growth over the last two years (Obamacare, anyone?), next year's report is likely to look even worse.

Nor is this report the only indication that our economy is far from free. For example, Transparency International ranks the U.S. 19th on its Corruption Perceptions Index. While this ranking is distorted by the organization's antipathy to our campaign-finance laws, it also demonstrates increasing corruption and venality among our elected officials. On the World Bank's Ease of Doing Business Index, we do better, but we still trail Singapore, Hong Kong, and New Zealand.

It has long been pointed out that the United States has the highest business-tax rates among industrialized countries. And a broader look at overall business-tax competitiveness by KPMG ranked the U.S. behind such nations as Canada, the United Kingdom, Mexico, and the Netherlands.

There are very real consequences to the decline in U.S. economic freedom. The report makes very clear that there is a strong correlation between economic freedom and economic growth. For example, the quartile of countries rated most economically free had an average GDP per capita of $39,899. The least free quartile averaged just $6,253. Economic growth among the freest countries averaged 3.43 percent, compared to just 2.55 percent for those ranked least free. Freer countries also perform better on measures ranging from life expectancy to the amount of income earned by the poorest citizens. The authors conclude that "unless policies undermining economic freedom are reversed, the future annual growth of the U.S. economy will be only about half its historic average of 3 percent."

Moreover, while this report looked only at economic freedom (which is why Hong Kong and Singapore scored so high), the United States' growing surveillance state, the ongoing wars on drugs and terror, police militarization, and the increasingly intrusive regulatory bureaucracy raise important questions about civil liberties and civil rights as well.

We should not get too excited over the year-to-year fluctuations in these rankings. But the broad long-term trend has become ominous. The U.S. is steadily becoming less free. Like the frog in the proverbial slowly heating pot of water, we might not have noticed. But unless we reverse course soon, the consequences may be inescapable.

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