



Factsheet: Index of Economic Freedom and Regulation

2010 Index of Economic Freedom: America, No Longer the Land of the Free

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Unprecedented Decline for United States

- **U.S. Drops from "Free" to "Mostly Free":** For the first time in the history of the *Index for Economic Freedom*, the United States is no longer in the top category of economically free countries and is even second in the North American region (behind Canada). This year's score of 78, though high in global standards, is 2.7 points lower than last year and bumps it to a second-tier country of freedom.
- **What Is Economic Freedom?** Economic freedom refers to the ability of individuals to control their own labor and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please, with that freedom both protected by the state and unconstrained by the state. Governments allow labor, capital, and goods to move freely and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.
- **Why the *Index of Economic Freedom* Is Important :** Studies in the *Index of Economic Freedom* demonstrate important relationships between economic freedom and job creation, per capita income, economic growth rates, human development, democracy, the elimination of poverty, and environmental protection. The *Index* is annually released by The Heritage Foundation and *The Wall Street Journal*.

What Changed in 2009?

- **U.S. Interventionism:** The U.S. government's interventionist responses to the economic and financial crisis that began in 2008 have significantly undermined economic freedom and long-term prospects for economic growth.
- **Great Uncertainty:** Uncertainties caused by ongoing regulatory changes and politically influenced stimulus spending have discouraged entrepreneurship and job creation, slowing recovery.
- **Tax Rates, Bailouts, and Stimulus:** Tax rates are increasingly uncompetitive and massive. Stimulus spending is creating unprecedented deficits. Bailouts of financial and automotive firms have generated concerns about property rights.
- **Other Factors :** There are multiple factors that affect a country's economic freedom-- government size and regulation, [trade](#) restrictions, inflation and price controls, and labor policies, to name a few. Economic freedom has declined in seven of the 10 categories measured.

Why Is Economic Freedom Important?

- **Jobs, Jobs, Jobs :** Economic freedom is crucial to increasing prosperity and creating jobs. Overregulation, taxes, and uncertainty in the market discourage investment--the key factor in creating jobs. The solution to creating more jobs and delivering economic growth sits with entrepreneurs and businesses, not with government decision-makers.
- **Public Sector Is No Match for Private Sector:** Put simply, the public sector can't match the vitality of the private sector in promoting growth. Governments, even those that promise change, are primarily agents of the status quo. Real change happens when those outside the mainstream have the freedom to try new things: new production processes, new technologies, and new methods of organizing workers and capital.
- **A Higher Standard of Living:** Furthermore, greater economic freedom has a positive correlation to higher standards of living and GDP growth, less poverty, and good governance. Citizens in economically free nations enjoy greater access to ideas and resources, forces that let all of us exchange, interact, and participate in an increasingly interconnected world.
- **Access to the American Dream:** The best way to help those in poverty is to give them access to the pursuit of their own dreams and goals and a stake in their own success.

Most economic fallacies derive from the tendency to assume that there is a fixed pie, that one party can gain only at the expense of another.

~Milton Friedman

For more information, please visit: www.JobsAndFreedom.com.

Internet location: <http://www.heritage.org/Research/Factsheets/2010-Index-of-Economic-Freedom-America-No-Longer-the-Land-of-the-Free>

Other Experts on this Issue

- [Ambassador Terry Miller](http://www.heritage.org/About/Staff/M/Ambassador-Terry-Miller) : <http://www.heritage.org/About/Staff/M/Ambassador-Terry-Miller>
- [Anthony Kim](http://www.heritage.org/About/Staff/K/Anthony-Kim) : <http://www.heritage.org/About/Staff/K/Anthony-Kim>
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