

OCPA FaxLine Report

a public policy information service for members of the Oklahoma Council of Public Affairs, Inc.

Dear OCPA Member:

Thursday, February 4, 2010

The Wall Street Journal and The Heritage Foundation have tracked the march of economic freedom with their influential Index of Economic Freedom for the last ten years. Their 2010 report reveals that one of the countries losing the greatest percentage of economic freedom during the last year is the United States [-2.7]. In fact, the United States is number 8, barely nudging out Denmark by one tenth of a percent and Chile by eight tenths of a percent. *Denmark? Chile? What is going on?*

Economic freedom is defined by the report as “the fundamental right of every human to control his or her 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. In economically free societies, 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.”

The top ten nations are 1) Hong Kong [89.7] 2) Singapore [86.1] 3) Australia [82.6] 4) New Zealand [82.1] 5) Ireland [81.3] 6) Switzerland [81.1] 7) Canada [80.4] 8) United States [78.0] 9) Denmark [77.9] and 10) Chile [77.2]

The way they measure freedom is to take ten areas which they best believe represented economic freedom. Then assign a grade to each using a scale from 0 to 100 (100 representing maximum freedom). The scores are then averaged to create an overall score for each country. The ten areas are: business freedom; trade freedom; fiscal freedom; government spending; monetary freedom; investment freedom; financial freedom; property rights; freedom from corruption and labor freedom.

Many Americans don't pay attention to such reports. With the most cursory examination of our economy, many shrug their shoulders and with a deep sigh carry on. But there are ramifications for such inattention. According to Brian M. Riedl, Senior Policy Analyst, Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation, the President's budget proposal for 2010 is a serious concern. “Over the 10 years in which both budgets overlap (FY 2010-2019), this year's budget would spend an additional \$1.7 trillion and run up an additional \$2 trillion in budget deficits. In fact, this year's proposal shows annual budget deficits as much as 49 percent larger than last year's proposal -- raising the debt by an additional 6 percent of GDP over the same period. It is a spending spree that will drive up both taxes and deficits.”

Riedl further notes that we will expand the federal government by 3 percent of GDP; raise taxes by over \$2 trillion over the next decade; borrow 42 cents for each dollar spent in 2010; run a \$1.6 trillion deficit in 2010; leave permanent deficits topping \$1 trillion in as late as 2020; and double the publicly held national debt to over \$18 trillion. I wonder what the odds are that the United States doesn't make the top ten when the Index of Economic Freedom is published next year?

Until next time . . . Brett A. Magbee, Vice President for Operations

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