

Economic freedom rising

By Ken Frenke, CFP®

My wife, Pat, and I recently visited Colonial Williamsburg, where two-and-a-half centuries ago the seeds of freedom were planted in the hearts of many of America's founders. It was a good reminder of how our forefathers fought for economic and personal freedom.

Those seeds planted centuries ago in a distant British colony have spread around the world. The 20th century witnessed the greatest growth of freedom in history. In 1900, roughly 12 percent of the world's population lived in democracies, although no country in the world, including the U.S., had universal voting rights. By 2000, more than 62 percent of people lived in some form of electoral democracy.

Ranking economic freedom

Today, governments increasingly recognize that the world's economy and their own nations' economies depend on the free movement across borders of goods, services, people, and ideas.

Each year, The Heritage Foundation and *The Wall Street Journal* rank countries in an *Index of Economic Freedom*. The authors define economic freedom as "the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary to protect and maintain liberty itself."

To estimate the degree to which governments either promote or limit freedom, they looked at 50 economic variables including trade policy, personal and corporate tax rates, property rights, legal system, monetary policy, and wage and price controls.

Best and worst

As George Washington recognized, all government involves the use of force, however minimal.

Our founders knew that when the government exerts force in the market beyond basic protection of person and property, it risks undermining our economic freedom.

Although you can argue exactly where that line is crossed, the Heritage Foundation has ranked countries in four broad economic categories: "free," "mostly free," "mostly unfree" and "repressed." Here are some of this year's findings.

- **Economic freedom continues to advance.** The scores of 86 countries improved, while 57 are worse and 12 are unchanged. Seventeen countries are free, 56 are mostly free, 70 are mostly unfree, and 12 are repressed.

- **In the last 10 years, the number of free countries increased from seven to 17.** Hong Kong (considered an independent country in the study) is the most free. The United States is tied with Switzerland for twelfth. The score for the U.S. has improved over the last 10 years, but we've fallen from seventh in 1995 to twelfth today because of the greater improvement of other countries. For example, Chile, until recently mostly free, has made significant economic reforms to move ahead of the U.S.

- **The number of repressed countries fell from 13 to 12, but this is somewhat deceiving.**

Iraq was dropped from the rankings because of the war. Five other countries, previously ranked as repressed, are no longer ranked because reliable data is not available. North Korea is the only country that received the worst score possible, a notoriety once shared with Iraq.

- **It may surprise you to know that 10 years ago the U.S. barely made it into the economically free category because of our high tax rates.** Since then, tax rates have been lowered and our score has improved. However, the largest negative factor in our ranking remains the "fiscal burden of gov-

ernment." Budget deficits, a growing national debt, and future liabilities for Social Security and Medicare are the greatest risk to our economic freedom. The high cost of government programs is the reason countries such as Germany, Japan, and France are only considered mostly free.

How this affects you

The degree of economic freedom affects a country's standard of living in many ways, from tangible factors such as personal income and investment opportunity to less tangible qualities such as health and safety. Free commerce promotes the public good by encouraging people to become better educated, more self-disciplined, and industrious.

Likewise, it should not be surprising that the most economically depressed nations on earth are the most politically repressive. The citizens of nations governed by oppressive leaders lack basic human rights and suffer from poverty, corruption, and violence. I'm remind-

ed of the Proverb: "Abundant food is in the fallow ground of the poor, but it is swept away by injustice" Proverbs 13:23.

Being aware of the relationship between economic and personal freedom is important. That's why I encourage you to read the study at Heritage.org and take the following action steps.

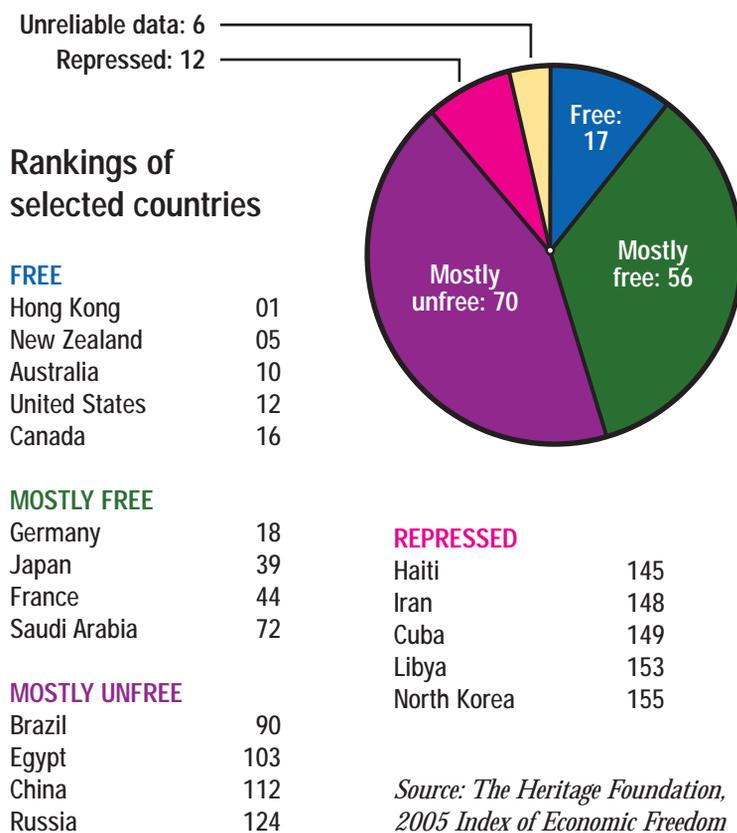
1. Consider how you should vote and invest.
2. Consider how we should view other nations.
3. Determine the best way to distribute foreign aid.

Our concern should be sharing the gospel of Christ with citizens of rich and poor countries alike, but understanding how to best meet the needs of the oppressed will go a long way toward them seeing Jesus in us.



Ken Frenke is president of Kenneth Frenke & Company and is a regular guest on Crown's radio programs. Send your comments on the economy to him at newsletter@crowns.org.

Index of economic freedom rankings of 161 countries



Source: The Heritage Foundation, 2005 Index of Economic Freedom