



Do Americans still believe freedom leads to prosperity?

By Dr. Barry Asmus - 12/01/10 12:40 PM ET

One of the greatest displays of American military and economic might took place during the tsunami relief efforts of 2004, when close to 230,000 people died. When all seemed most bleak, American rescue operations were there. Within hours of the disaster, a giant city rolled upon the shores of Indonesia, in the form of one of America's 24 aircraft carriers (the world has only 34). The ship's nuclear power generators fueled the water purification efforts, bringing life and hope to millions of Indonesians. The confluence of American technology, manpower and execution symbolized the last century of American dominance on the world stage. Billions of dollars poured out of the hearts of Americans, giving more to the relief effort than the next five countries combined. The whole world watched. America's capability to organize such a massive relief effort would not have been possible but for its economic system. The modern ideals of private property, free markets and low taxes found unprecedented success in America over the last two hundred years. Beginning with free trade between the states, low taxes, and a nearly hereditary aversion to government meddling – America prospered. The United States, with less than 5% of the world's population, created almost 1/3 of the world's wealth for every year over the last century.

The market happens like gravity happens – talent, capital and creativity are attracted to countries where they are wanted and well-treated. Intellectual resources gravitated to the American economy where they were put to their highest and most productive use. The scope, scale and volume of American production became the center of gravity in the economic universe. Just as planets orbit the sun, so too did the world's economies orbit the United States. However, today the planets are realigning, where a markedly interventionist government repels entrepreneurship while the rest of the world is learning to attract it.

At home, a 35 percent corporate tax rate, strong union laws and more than two trillion dollars worth of annual government regulation has compelled a significant amount of capital and labor to find another home. Unions abhor free trade, but specialization and free trade is what Adam Smith told us creates prosperity. Every year, the American tax code becomes more complicated and less competitive. Americans tout free trade, but undermine that truth when the current administration refuses to sign a free trade agreement with Columbia. Without exception, the United States topped all of the leading indices of

economic freedom, competitiveness and globalization over the last century. But today, the Wall Street Journal's Index of Economic Freedom shows the United States has fallen from the top-tier in 1999 to being moderately competitive in 2010.

Not only are current American economic policies less attractive, but countries like China and India are becoming centers of gravity themselves. They literally replicated policies that made the United States the power it is today. No longer are Eastern European engineers as eager to leave for the United States, when the majority of their countries have moved to a 15-20 percent flat tax. Indications of America's decline are a falling dollar, massive government debt, an uncertain tax future and a healthcare bill with at least three negative unintended consequences per page.

For more than 100 years, the United States has enjoyed a boom in productivity and living standards unparalleled in human history. The central actor in that rise has been the entrepreneur, supported by the pillars of limited government, free enterprise, free ideas and a free flow of capital. Indeed, freedom is the mainspring of economic prosperity and the best investment a country can make. The rest of the world believes this, the question is, do we?

Dr. Barry Asmus is a senior economist with the National Center for Policy Analysis.