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AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

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for economic research



## Are We Economically Free? Mostly. by Jordan Cash

Former British Prime Minister Margaret Thatcher said there can be "no liberty unless there is economic liberty."[\[1\]](#) Yet, if freedom depends on economic liberty, then how free are we?

The Heritage Foundation, which produces the Index of Economic Freedom, defines economic freedom as "the fundamental right of every human to control his or her own labor and property. [...] 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."[\[2\]](#) Heritage ranks countries on economic freedom based on four categories: Rule of Law (property rights and freedom from corruption), Limited Government (government spending levels and fiscal freedom), Regulatory Efficiency (business, labor, and monetary freedom), and Open Markets (trade, investment, and financial freedom). Countries are then scored on a scale from 0-100.[\[3\]](#)

The United States scores fairly well in Heritage's index, although not as well as you might expect. With a freedom score of 76.3-1.5 lower than its 2011 score-the U.S. is ranked as the 10<sup>th</sup> most economically free country and designated as "Mostly Free." The countries ahead of the U.S. are Hong Kong, Singapore, Australia, New Zealand, Switzerland, Canada, Chile, Mauritius, and Ireland.[\[4\]](#) The U.S.'s lowest scores came in the category of limited government, where ratings of 46.7 for government spending and 69.8 for fiscal freedom brought down the overall rating significantly. The U.S. also saw its ratings on freedom from corruption, monetary freedom, and investment freedom decrease this year, with scores of 71, 77.2, and 70, respectively. On the other end, the U.S.'s highest scores came from business and labor freedom, both of which increased this past year to 91.1 and 95.8, respectively.[\[5\]](#) So while the United States is more economically free than most countries, there is room for improvement, specifically on government spending.

There are also varying levels of economic freedom among the states. The Mercatus Center, a research think tank at George Mason University in Virginia, has created its own index measuring both economic and personal freedom entitled "Freedom in the 50 States," which was released in June 2011.[\[6\]](#) The Platte Institute has focused solely on their economic freedom rankings.

Mercatus divides economic liberty into fiscal and regulatory policy. Fiscal policy is

divided into spending and taxation subcategories that measure several other variables, including budget constraints on local governments, percentage of population employed by the government, debt levels, and aggregate measures of state and local spending, among others.[7] Regulatory policy is measured by examining labor regulations, health-insurance mandates, occupational licensing, eminent domain laws, the tort system, land-use regulations, and utilities.[8]

Nebraska is ranked as the 21<sup>st</sup> most economically-free state in the Union.[9] On the individual measures of fiscal and regulatory policy, Nebraska comes out as the 29<sup>th</sup> most fiscally free and the 6<sup>th</sup> most regulatory free state.[10] While not bad when compared to the nation as a whole, the rank of 21 is a lower rank when compared to our neighboring states. South Dakota is the most economically free state in the Union, and Colorado and Iowa are both in the top ten at 10 and 7, respectively; Missouri is not far behind at 12<sup>th</sup>. Kansas is only slightly better than Nebraska at 19<sup>th</sup>. Nebraska does outdo Wyoming, who is ranked 23<sup>rd</sup>. [11] The primary driver behind Nebraska's middling score is the high level of government spending and the growth of state debt. For while Nebraska's constitution does specify that the budget must be balanced, the state can accrue debt up to \$100,000; the state can also accumulate debt through the issuance of bonds for highways, water conservation, and infrastructure maintenance.[12] The study does note that a portion of Nebraska's high spending is due to the current system of public utilities, however, that does not negate the fact that Nebraska's government spending is higher than neighboring states and makes us less economically free. The study also recommends a reform of Nebraska's eminent domain laws with more stringent requirements to deem "blighted" areas.[13]

Overall, the United States, and Nebraska in particular, are relatively free economically, but there is room for improvement at both the national and state level, and it is an area that must be improved if we are to remain the "land of the free."

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[1] *TIME Magazine*, "World: An Interview with Thatcher," *TIME Magazine*, May 14, 1979. Available at <http://www.time.com/time/magazine/article/0,9171,916774,00.html>, accessed August 23, 2012.

[2] Heritage Foundation, "Index of Economic Freedom: Frequently Asked Questions." Available at <http://www.heritage.org/index/faq>, accessed August 23, 2012.

[3] Heritage Foundation, "Index of Economic Freedom: Frequently Asked Questions." Available at <http://www.heritage.org/index/faq>, accessed August 24, 2012.

[4] Heritage Foundation, "Country Rankings." Available at <http://www.heritage.org/index/ranking>, accessed August 24, 2012.

[5] Heritage Foundation, "United States." Available at <http://www.heritage.org/index/country/unitedstates>, accessed August 24, 2012.

[6] William P. Ruger & Jason Sorens, "Freedom in the 50 States," Mercatus Center at George Mason University, June 2011. Available at [http://mercatus.org/sites/all/modules/custom/mercatus\\_50\\_states/files/Freedom50States2011.pdf](http://mercatus.org/sites/all/modules/custom/mercatus_50_states/files/Freedom50States2011.pdf), accessed August 24, 2012.

[7] Mercatus Center, "Fiscal Policy." Available at <http://mercatus.org/freedom-50-states-2011/fiscal-policy>, accessed August 24, 2012.

[8] Mercatus Center, "Regulatory Policy." Available at <http://mercatus.org/freedom-50-states-2011/regulatory-policy>, accessed August 24, 2012.

[9] Mercatus Center, "Nebraska." Available at <http://mercatus.org/freedom-in-the-50-states/NE>, accessed August 24, 2012.

[10] Mercatus Center, "Fiscal Policy." Available at <http://mercatus.org/freedom-50-states-2011/fiscal-policy>, accessed August 24, 2012; Mercatus Center, "Regulatory Policy." Available at <http://mercatus.org/freedom-50-states-2011/regulatory-policy>, accessed August 24, 2012.

[11] The individual pages for all the neighboring states may be found below.

South Dakota: <http://mercatus.org/freedom-50-states-2011/SD>

Iowa: <http://mercatus.org/freedom-in-the-50-states/IA>

Missouri: <http://mercatus.org/freedom-in-the-50-states/MO>

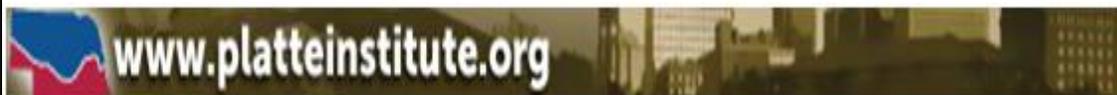
Kansas: <http://mercatus.org/freedom-in-the-50-states/KS%20>

Colorado: <http://mercatus.org/freedom-50-states-2011/CO>

Wyoming: <http://mercatus.org/freedom-in-the-50-states/WY>

[12] Nebraska Constitution, Article XIII, Section 1, "State may contract debts; limitation; exemptions." Available at <http://nebraskalegislature.gov/laws/articles.php?article=XIII-1>, accessed August 27, 2102.

[13] Mercatus Center, "Nebraska." Available at <http://mercatus.org/freedom-in-the-50-states/NE>, accessed August 24, 2012.



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