

Four Policy Pillars Congress Should Focus on to Enhance America's Competitiveness

Anthony B. Kim and Ambassador Terry Miller

KEY TAKEAWAYS

A nation's level of economic freedom goes hand in hand with its competitiveness and the overall standard of living of its citizens.

America's economic freedom is under assault from a government that has grown too big in terms of its scale, scope, and power grab in people's daily lives.

Congress can and should preserve economic freedom by adhering to the principles of rule of law, limited government, regulatory efficiency, and open markets.

The Biden Administration's recent Interim National Security Strategic Guidance states, "Because traditional distinctions between foreign and domestic policy—and among national security, economic security, health security, and environmental security—are less meaningful than ever before, we will reform and rethink our agencies, departments, interagency processes, and White House organization to reflect this new reality."¹

At the core of the intended course of "reforming and rethinking" should be the task of advancing economic freedom to achieve the dynamic and inclusive growth needed to preserve and enhance America's overall competitiveness.

More than ever, economic freedom—which is secured by adherence to the principles of rule of law, limited government, regulatory efficiency, and open

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markets—is critical to generating the opportunities for people to work, produce, save, and prosper while enhancing the nation’s overall capacity for greater health, a cleaner environment, and national security.

Competitiveness Means Preserving and Enhancing Economic Freedom

For over a quarter century, The Heritage Foundation’s annual *Index of Economic Freedom* has measured the impact of economic liberty and free enterprise in countries around the globe. The strongly positive correlation between a nation’s level of economic freedom and its citizens’ overall standard of living and competitiveness underscores just how critical economic freedom is in practice. This correlation is the reason why so many countries seek ways to enhance their economic freedoms and, ultimately, the real success of their people.

Regrettably, after reaching a high score in 2006, the United States fell from the “Free” category to “Mostly Free” in 2010. Economic freedom has continued to slide, hitting an all-time low in 2021, putting America behind 19 other nations.²

America’s economic freedom is under assault from massive government spending bills that drive the country and citizens deeper into debt, and the taxes that must ultimately pay for the government’s spending spree shift the freedom to choose from the individual to the government. Economic freedom is also eroded, however, through small, seemingly innocuous regulations, such as efficiency requirements for lightbulbs and toilets, and “social justice” mandates that affect hiring, terms of employment, or the provision of services.

Contrary to what some politicians argue, America’s competitive position is not threatened because the federal government is not spending enough. Instead, the problem is that government has grown too big in terms of its scale, scope, and power over people’s daily lives.

Economic Freedom Matters More Than Ever

Inevitably, any discussion of economic freedom will focus on the critical relationship between individuals and the government. Any state action or government control that interferes with individual autonomy limits economic freedom.

However, the goal of economic freedom is not simply the absence of government coercion or constraint, but also the creation and maintenance of a mutual sense of liberty for all. Some government action is necessary to

defend the citizens of a nation and to promote the peaceful evolution of civil society, but when government action rises beyond the minimal necessary level, it is likely infringing on someone's economic or personal freedom.

Now is the time for Congress to defend the overarching principles of limited government, individual freedom, and free enterprise. Specifically, Congress should:

- **Preserve the rule of law by continuing to strengthen property rights, judicial effectiveness, and government integrity.** Well-functioning legal frameworks protect the rights of all citizens against infringement of the law by others, including by governments and powerful parties. A fair judicial system treats everyone as equal before the law and provides redress no matter one's place in society. The integrity of America's free market system requires the even-handed rule of law to reinforce public confidence, including in the fairness and security of the election process.
- **Uphold limited government by keeping the tax burden, government spending, and fiscal health in sound check.** The cost, size, and intrusiveness of government are a central issue of economic freedom. Widening deficits and a growing debt burden, both of which are direct consequences of poor government budget management, have led to the erosion of America's overall fiscal health, which the ongoing pandemic has exacerbated. Deviations from sound fiscal positions often disturb macroeconomic stability, induce economic uncertainty, and thus limit economic freedom.
- **Advance regulatory efficacy to ensure the freedom to start and expand businesses, to work, and to invest under monetary stability.** The Biden Administration's flood of new regulations is a challenge to America's entrepreneurial spirit and entails great risk to those who will find their job opportunities curtailed as a result. President Joe Biden has instructed government agencies to recommend improvements to regulatory review for the purposes of "promoting public health and safety, economic growth, social welfare, racial justice, environmental stewardship, human dignity, equity, and the interests of future generations."³ Congress can block excesses by codifying rigorous rulemaking standards and reclaiming its lawmaking authority.⁴

- **Enhance America’s competitive economic dynamism through polices that keep U.S. markets open and attractive.** Congress should build on the momentum of the past decades to increase economic freedom and dynamic growth around the world, not disrupt it with renewed protectionist trade policy triggered by the COVID-19 pandemic. If there was ever a time to adhere closely to the principles of economic freedom, this is it. Any notion that America can deal with the ongoing pandemic and make the much-needed economic rebound without access to international investment and trade flows is wishful thinking. The United States should facilitate and enhance the freedom to engage in trade and investment with other countries around the world under mutually accepted rules, and that should be the core of America’s global economic policy agenda for 2021 and beyond.

Conclusion

For many Americans, economic freedom is about much more than a business environment in which entrepreneurship and prosperity can flourish. With its far-reaching impacts on various aspects of human development, economic freedom empowers ordinary people, unleashes powerful forces of choice and opportunity, nourishes other liberties, and improves the overall quality of life.

No other system—and many have been tried—comes close to the record of free market capitalism in promoting growth and improving the human condition. The undeniable link between economic freedom and prosperity is a striking demonstration of what people can do when they have maximum opportunity to pursue their own interests under fair laws, limited government, regulatory efficiency, and market openness.

Milton Friedman was confident that freedom would prevail, as indicated in the conclusion of *Free to Choose*, a powerful restatement of his beliefs co-authored with his wife, Rose:

Fortunately, we are waking up. We are again recognizing the dangers of an over-governed society, coming to understand that good objectives can be perverted by bad means, that reliance on the freedom of people to control their own lives in accordance with their own values is the surest way to achieve the full potential of a great society.

Fortunately, also, we are as a people still free to choose which way we should go—whether to continue along the road we have been following to ever bigger government, or to call a halt and change direction.⁵

Though stated four decades ago, the Friedmans's keen observations are surprisingly relevant to today's challenging time for America. The reckless and populist policy choices of an increasingly leviathan government have placed the United States on a path that diverges sharply from its historical quest for greater freedom.

Congress should act now to safeguard and revitalize America, where freedom, opportunity, and prosperity thrive.

Anthony B. Kim is Research Manager and Editor of the *Index of Economic Freedom* in the Center for International Trade and Economics (CITE), of the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, at The Heritage Foundation.

Ambassador Terry Miller is Director of CITE and Mark A. Kolokotronis Fellow in Economic Freedom.

Endnotes

1. The White House, "Interim National Security Strategic Guidance," March 3, 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf> (accessed March 30, 2021).
2. Terry Miller, Anthony B. Kim, and James M. Roberts, *2021 Index of Economic Freedom* (Washington, DC: The Heritage Foundation, 2020), <https://www.heritage.org/index/>.
3. The White House, "Memorandum for the Heads of Executive Departments and Agencies: Modernizing Regulatory Review," January 20, 2021, <https://www.whitehouse.gov/briefing-room/presidentialactions/2021/01/20/modernizing-regulatory-review/> (accessed March 30, 2021).
4. Diane Katz "From Regulatory Review to Social Engineering: Biden's Misguided Approach," Heritage Foundation *Issue Brief* No. 6056, February 26, 2021, <https://www.heritage.org/sites/default/files/2021-02/IB6056.pdf>.
5. Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (New York: Harcourt Brace Jovanovich, 1980), pp. 309 and 310.