

# WHAT AMERICA'S DECLINE IN ECONOMIC FREEDOM MEANS FOR ENTREPRENEURSHIP AND PROSPERITY

**W**hy did the U.S. economy recover so slowly from the 2008 recession? What lessons have economists learned that can encourage economic growth in the future?

A new book, *What America's Decline in Economic Freedom Means for Entrepreneurship and Prosperity*, jointly published by the Fraser Institute and the Mercatus Center at George Mason University, examines the role entrepreneurs and small businesses play in growing an economy. Can the United States decline in economic freedom explain its sluggish economic recovery?

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**DONALD BOUDREAUX, EDITOR**

"Entrepreneurship is a key building block for economic prosperity but it doesn't occur in a vacuum. Both the quality and quantity of entrepreneurship increase as economic freedom levels rise," writes Donald J. Boudreaux, the book's editor and a Fraser Institute senior fellow.



In a key chapter, Lawson (who is also co-author of the Fraser Institute's annual *Economic Freedom of the World* report) highlights how the U.S. has fallen to 12th in the global ranking of economic freedom in 2014 from being tied for second in 2000.

This decline is more than three times greater than the average decline of economic freedom among other OECD nations, Lawson notes. Why is economic freedom on the decline in the United States? Writes Lawson: "To a large degree, the United States has experienced a significant move away from rule of law and toward a highly regulated, politicized, and heavily policed state."

The result is that American entrepreneurs face additional regulations that erect barriers to product and service innovation. Risk taking is also discouraged by threats of litigation and fear of contracts not being upheld.

**Small business start-ups are down, large corporations' cash hoards are up, and innovation is threatened.**

While the book focuses on the American experience, it shows how all governments, including Canada's, should avoid implementing policies that reduce economic freedom. In particular, governments must carefully think through calls for additional levels of regulation or higher taxes that will make it more difficult for entrepreneurs to launch new business ventures. ©

The book can be downloaded here. >>

A video explaining the book's main ideas is available on YouTube. >>