

## THE AMERICAS (REGION C)

The Americas is one of the most economically diverse regions and presents a puzzle. Countries range from the hyperwealthy United States and developing powerhouse Brazil to the small island economies of the Caribbean and poor nations of Central America. The average population for each country is 30 million people, and the overall regional population is 871 million: second only to Asia on both counts. With the world's lowest average unemployment rate and peaceful relationships, it would seem poised for broadly shared economic success.

Chart C1 shows the 1995–2007 time series of the average economic freedom score for the region, compared to the world average. On that simple basis, the region has performed well.

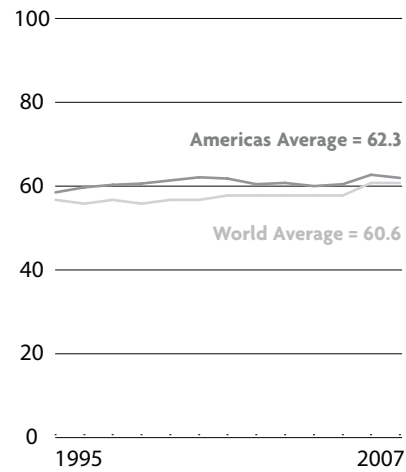
Across the region, however, the reality is that economies are stagnating. Among the five regions, the Americas has one of the lowest average per capita incomes and by far the slowest compound five-year growth rate. The puzzle is that the income rank is inverted if a population-weighted average is used instead of a simple average. Once population is taken into account, income per capita is higher in the Americas than in any other region, even Europe. All this statistical evidence means that the smaller nations around the Western Hemisphere seem to be stuck in poverty traps.

Chart C2 shows the clear relationship between high levels of economic freedom and high GDP per capita, implying a large freedom gap. The recent rise of populists like Evo Morales and Hugo Chávez threatens to widen the freedom gap in the Americas even more.

The Americas has been the second-highest region in terms of freedom since 1999, when it was the world leader. That was before Argentina's economic implosion and the protectionist policy responses that followed, notably the weakened average trade score.

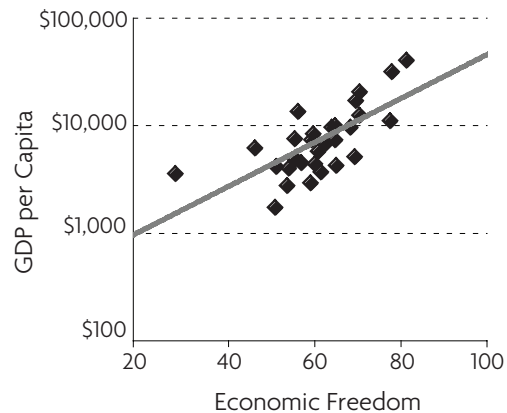
Table C1 ranks the countries in the region from most free to least free based on their overall freedom scores. It also includes the change from last year's score, the country's world rank, and each country's 2007 scores for each of the 10 economic freedoms. Chart C3 shows

Chart C1: The Americas Average Economic Freedom



Source: Tim Kane, Kim R. Holmes, and Mary Anastasia O'Grady, *2007 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2007), at [www.heritage.org/index](http://www.heritage.org/index).

Chart C2: Economic Freedom vs. GDP per Capita in the Americas



Sources: World Bank, World Development Indicators Online, at [publications.worldbank.org/subscriptions/WDI](http://publications.worldbank.org/subscriptions/WDI) (October 19, 2006; subscription required); Central Intelligence Agency, The World Factbook 2005, at [www.cia.gov/cia/publications/factbook/index.html](http://www.cia.gov/cia/publications/factbook/index.html) (October 19, 2006); International Monetary Fund, World Economic Outlook database, April 2006, at [www.imf.org/external/pubs/ft/weo/2006/01/data/index.htm](http://www.imf.org/external/pubs/ft/weo/2006/01/data/index.htm) (October 19, 2006); and Tim Kane, Kim R. Holmes, and Mary Anastasia O'Grady, *2007 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2007), at [www.heritage.org/index](http://www.heritage.org/index).

the distribution of countries across five different categories.

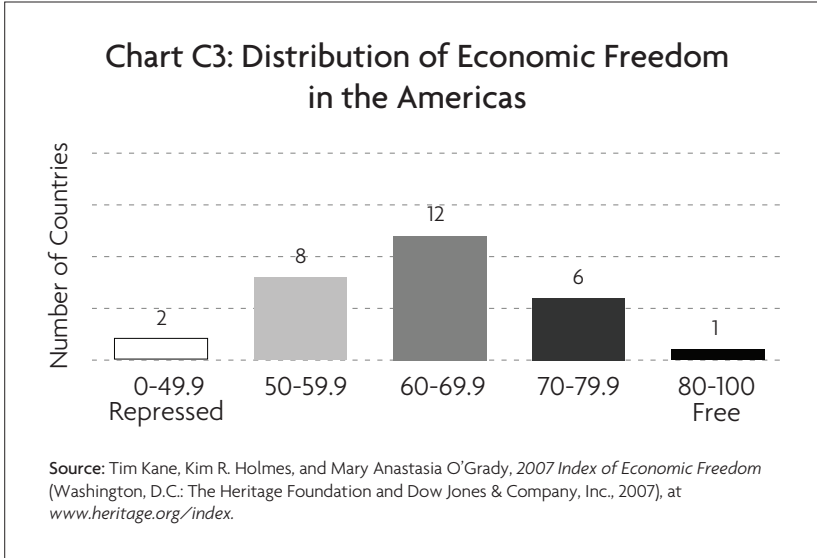
Only three countries from the Americas rank

## Table C1: Economic Freedom Scores for the Americas

2007 World Rank	2007 Regional Rank	Country	Economic Freedom 2007	Change from 2006	Business Freedom	Trade Freedom	Fiscal Freedom	Freedom from Government	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labor Freedom
4	1	United States	82.0	-0.4	94.5	76.6	79.4	67.5	83.8	80	80	90	76	92.1
10	2	Canada	78.7	-0.0	96.1	78.2	83.9	61.8	80.6	60	70	90	84	82.7
11	3	Chile	78.3	-2.9	68.9	72.4	85.7	87.6	79.9	70	70	90	73	85.3
23	4	Trinidad and Tobago	71.4	-0.4	61.8	69.0	88.0	83.7	74.7	70	70	70	38	89.2
24	5	Bahamas	71.4	-1.2	80.0	28.8	98.3	89.9	77.3	40	70	80	70	80.0
28	6	Barbados	70.5	-4.7	90.0	47.0	78.3	64.4	76.5	50	60	90	69	80.0
29	7	El Salvador	70.3	-0.7	62.6	66.6	90.9	95.1	76.7	70	70	50	42	79.2
33	8	Uruguay	69.3	1.8	68.1	71.6	90.8	81.7	73.1	70	30	70	59	79.0
46	9	Jamaica	66.1	-1.6	78.3	60.4	83.4	67.4	70.9	80	60	50	36	74.1
47	10	Panama	65.9	-1.3	75.1	66.2	88.7	86.8	85.8	70	60	30	35	61.2
49	11	Mexico	65.8	1.2	82.1	72.6	88.1	77.2	77.0	50	60	50	35	66.0
51	12	Costa Rica	65.1	-2.3	63.5	72.4	88.6	92.3	67.1	70	40	50	42	65.4
56	13	Belize	63.7	-1.8	76.7	57.2	79.8	80.1	73.5	50	50	50	37	82.8
61	14	Nicaragua	62.7	-1.7	59.7	72.4	86.4	85.6	71.2	70	60	30	26	65.7
63	15	Peru	62.1	1.2	65.1	62.6	86.8	92.2	85.7	50	60	40	35	43.3
68	16	Guatemala	61.2	0.6	54.1	70.2	86.5	96.4	72.2	50	60	30	25	68.0
70	17	Brazil	60.9	-0.8	53.3	64.8	88.6	88.8	72.6	50	40	50	37	63.8
73	18	Colombia	60.5	-2.4	71.4	61.4	82.4	87.0	70.2	50	60	30	40	53.0
76	19	Honduras	60.3	0.7	56.6	69.2	87.8	82.9	71.5	50	70	30	26	59.2
90	20	Guyana	58.2	-1.4	57.0	57.0	78.5	66.1	74.0	50	60	40	25	74.1
95	21	Argentina	57.5	0.2	65.5	61.4	82.3	89.6	71.3	50	40	30	28	56.6
99	22	Paraguay	56.8	1.4	47.0	67.4	97.8	79.8	78.4	50	60	30	21	36.7
100	23	Dominican Republic	56.7	0.1	57.6	63.8	86.5	91.5	63.2	50	40	30	30	54.9
108	24	Ecuador	55.3	-0.3	57.1	62.0	85.7	85.2	74.1	30	60	30	25	44.2
112	25	Bolivia	55.0	-4.1	62.3	69.2	93.2	74.3	70.9	30	60	30	25	35.0
133	26	Suriname	52.6	-0.6	42.0	55.0	76.3	65.3	69.1	30	30	50	32	75.9
135	27	Haiti	52.2	2.4	37.6	74.2	85.3	95.2	62.0	30	40	10	18	70.2
144	28	Venezuela	47.7	2.6	48.8	56.2	83.7	69.5	57.6	20	40	30	23	48.0
156	29	Cuba	29.7	-2.5	10.0	60.2	62.8	10.0	65.8	10	10	10	38	20.0

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among the top 20 in the world: the United States (4), Canada (10), and Chile (11). Indeed, the region's countries are distributed in a more balanced fashion than are the countries of any other region, almost like a bell curve. All but three countries receive an economic freedom score between 50 percent and 80 percent, and roughly half fall in the middle category of "moderately free."



Looking at each of the specific economic freedoms, countries in the Americas perform better than the world average in eight of 10. Corruption and inflation are the problem areas, representing weaker monetary policy and rule of law. The deficits in freedom from corruption and monetary freedom are due to a few outliers, such as Suriname for corruption and the Dominican Republic, which is suffering from over 50 percent annual inflation.

The typical North/Central/South American nation stands out positively in terms of limited government taxation and expenditures, as well as strong labor freedoms. The other five freedoms are also slightly stronger in the Americas than they are elsewhere, with lighter trade, investment, financial, and regulatory burdens.

The United States and Canada are the leaders in most of the 10 categories. The U.S. is most free in investment freedom, financial freedom, property rights, and labor freedom. The result: a flexible, adaptive economy that remains one of the world's premier financial markets. Canada leads in freedom from corruption and (deviating from the European model) trade and business freedom. Guatemala (for its low government expenditures), Panama (for its low inflation rate), and the Bahamas (for low taxes) round out the rest of the best.

