



Worldwide Economic Freedom Threatened by Rise of Socialism in U.S.

by Richard W. Rahn

The good news is that through 2018 the world had slowly become more economically free. For more than two decades, a country ranking of economic freedom has been produced by the Fraser Institute in Canada and many other cooperating policy organizations around the world.

Economic freedom is highly correlated with personal liberty and personal income per capita. The “Economic Freedom of the World: 2020 Annual Report” ranking 162 countries was released last week. The index “measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property.”

The freest jurisdictions were Hong Kong, Singapore, New Zealand, Switzerland, Australia and the U.S. The least free were Iran, Angola, Libya, Sudan and Venezuela. Totally unfree countries like Cuba and North Korea were not ranked because they do not release internationally comparable data.

Of particularly good news is that many of the former communist countries of Eastern Europe, which were totally unfree three decades ago, are now in the first quartile of economically free countries. The countries of Georgia, Lithuania, Estonia, Latvia, Romania, Czech Republic, Bulgaria, Slovak Republic are now

essentially free-market and relatively prosperous countries — a tremendous achievement.

As one who was involved with the economic transition in Eastern Europe and the former Soviet Union during the 1980s and 1990s, I saw firsthand how the people were willing to throw off the yoke of alleged socialist security for the opportunity to determine their own destinies and make their own lives — and speak, and act, and travel freely. Despite the fears and risks, most succeeded.

The bad news is that the enemies of freedom are making a comeback. For decades, Hong Kong has been recognized as the world’s freest economy. As a former British Colony, they inherited many British institutions – including the common law, a competent and honest judicial system and, as Margaret Thatcher once put it, “an incorruptible civil service system.” When the British handed over Hong Kong to the Chinese in 1997, the people of Hong Kong were guaranteed the right to have their own legal and economic system for 50 years ... but, as always, the communists lied.

The communist Chinese government envied the economic success of Hong Kong and tried to emulate its market economy without the guarantee of personal liberty and property rights in its own territory. But the infectious nature of freedom was too much for the communists to tolerate. So, during this past year, the Chinese communists have been extinguishing the light of liberty in Hong Kong and liberty-loving people all over the world are shedding tears for the loss of the world’s freest economy.

Venezuela has the world’s largest oil reserves, and was the richest economy in Latin America — but the Venezuelan people threw it all away by electing (in a free election) a socialist, Hugo Chavez, who made promises that no one could keep. Venezuela is now a basket case, where a substantial portion of its population has already fled. The incompetent socialists have even managed to cause a gasoline shortage despite all of their oil.

Socialists always promise to keep democracy and civil liberties. A few who try to keep the democratic promise, like those in Sweden decades ago, get tossed from office

when the socialist economy fails as it always does. But most socialist/communist regimes move to get rid of democracy before they can be voted out of office – as happened in Venezuela.

In the U.S., there are now many who proudly proclaim themselves socialists, and who are supporting overt socialist candidates or others who have promised to implement socialist policies. Any reasonable objective and sensible person looking at the data and actual experience quickly can see that socialism has failed everywhere for the last couple of hundred years, while economic freedom works. So, are the people advocating socialism stupid or just mean-spirited?

The Democrats want to increase the corporate tax rate. For decades, there have been numerous studies showing that the corporate tax is both destructive and regressive. Corporations are merely a legal pass-through for the tax — which is paid by consumers in the form of high prices, or by workers in the form of lower wages and/or fewer jobs. Higher corporate taxes also make U.S. corporations less competitive with foreign companies. So, are those advocating higher corporate tax rates stupid or just mean-spirited?

Many candidates and their supporters are advocating higher taxes on “the rich.” It is well known that income tax rates are already higher than the revenue and growth maximizing rate (the Laffer curve). Ever since the invention of the income tax, there have been calls to increase the tax on the rich — and every time it has failed. The rich have endless opportunities to shift the form, timing and place of their income — including not working — and most do so in response to very high tax rates. Are those who cannot figure this out stupid or just mean-spirited? It is simple: Freedom works, socialism doesn’t. You choose.

Richard W. Rahn is chairman of the Institute for Global Economic Growth and Improbable Success Productions

<https://www.washingtontimes.com/news/2020/sep/14/worldwide-economic-freedom-threatened-by-rise-of-s/>