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Rewards of economic freedom

By Richard W. Rahn

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If you had to list 10 freedoms that are important to you from your most to your least important, how would you rank them? You might ask your family and friends the same question, and I expect you will find the lists and priorities quite different.

Those who work in the media are likely to rank freedom of the press near the top. Civil libertarians are likely to put the right of peaceable assembly, the right against self-incrimination and the right against unreasonable search and seizures on their list. Hunters are likely to rank high the right to bear arms, while city dwellers may not list it at all.

Most people will probably list freedom of speech and freedom of religion in the top 10. Economic libertarians are likely to list the right to be secure in their property, or for their property taken for public use without just compensation, in their top 10.

People, being people, have different freedom preferences, which is fine. However, much of press seems too focused on "artistic freedom," such as the right for public displays of pornography or the right to display art that disparages someone else's religion. These are interesting debates that will never be fully resolved. On the other hand, many in the media and chattering classes seem to have little interest in economic freedom, which greatly affects the well-being of us all and, particularly, the world's poor.

The Economic Freedom of the World, 2005 Annual Report has just been published by Canada's Fraser Institute. This report has been authored for the last decade by Professors James Gwartney and Robert Lawson, with the cooperation of some 67 public policy organizations from around the world, including the Cato Institute in the U.S. (The Heritage Foundation and the Wall Street Journal also publish an excellent annual Index of Economic Freedom using a different methodology, though reaching similar conclusions.) This new report is important as it provides further empirical evidence of the importance of economic freedom to individual well-being and opportunity.

The report's conclusions include the following: "Countries with more economic freedom have substantially higher per-capita incomes and higher growth rates." These findings show economic freedom is not just desirable from some philosophical viewpoint but is a necessary and absolute good. Countries that move from less economic freedom to more raise their citizens' well-being much faster than the more restrictive regimes.

"Life expectancy is over 25 years longer in countries with the most economic freedom than it is those with the least." Those who argue they support socialism or the "social market economy" because it is more humane ignore the fact that people in most free market economies live longer and healthier lives than those in most of the very regulated economic systems.

"Countries with more economic freedom have lower levels of unemployment." As an example, we find the least economically free European countries, such as France and Germany, have much higher unemployment rates than those that are freer, such as Britain, Switzerland and Ireland.

"The amount of income going to the poorest 10 percent of the population is much greater in nations with the most economic freedom than it is in those with the least." The socialists argue it is necessary to give up economic freedom to protect the poor, but the empirical evidence shows though redistribution can make the rich poor it cannot make the poor rich because it kills the incentives to create wealth.

"With fewer regulations, taxes, and tariffs, economic freedom reduces the opportunities for corruption on the part of public officials." Corruption feeds on the ability of government officials to permit engagement in lawful activities.

"Political rights and civil liberties go hand-in-hand with economic freedom; and political stability increases with economic freedom." It is difficult to divorce civil liberties from economic liberties. For instance, a free press depends largely on the ability to privately own and operate news media. The ability to engage in free speech is limited by the range of one's own voice without the economic freedom to print or broadcast.

Economic freedom is reduced by high taxes and regulation; failure to secure proper rights; restricting domestic and international trade; unnecessarily costly regulation of credit, labor and business; and denying access to sound money.

Almost all poor countries are poor because their political leaders have restricted economic freedoms. The next time we see a political leader on global TV blaming others for his people's plight and demanding aid, we should insist a condition of aid would be removing restrictions of economic freedom.

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