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Opinion: Economic Freedom and the American Experiment

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When Thomas Jefferson wrote the Declaration of Independence 239 years ago, he placed equality and liberty at the heart of the American experiment. His argument was at once philosophical and political: In light of one self-evident truth, equality, humans are by nature free. No one of us may govern but by the consent of those governed. Equality was simply a philosophical requirement; nowhere did he claim that it was of practical value.

But in the 239 years since the American people declared their separation from Great Britain, it has become strikingly clear that liberty is, without question, of significant practical value. While good in and of itself, liberty brings with it so many other good things that, were it not a moral imperative, it would still be a fine idea.

The Fraser Institute (<http://www.fraserinstitute.org/>)'s annual Economic Freedom of the World Report offers data to measure the practical effects of economic liberty. Each year, the Fraser Institute ranks countries according to economic freedom by measuring the extent to which economic transactions in countries are determined by individuals on the one hand, and government on the other. Where fewer decisions are made by government, leaving people free to pursue their own goals unfettered, the higher is the degree of economic freedom.

Cross-referencing Fraser's findings with outcome data collected by the United Nations and the World Bank reveals the unmistakable practical benefits of liberty. On average, people in countries that are more economically free enjoy higher incomes, suffer less unemployment and less poverty, experience less child labor, less gender inequality, less income inequality, less deforestation, and better air quality. Yes, even the environment is healthier where economic freedom is greater.

To anyone who cares about the poor, the exploited, and the environment, the numbers should be startling. If we divide in half the 146 countries for which we have 2012 data, we find that the 73 countries that were more economically free had an average per-capita income over five times that of the 73 that were less economically free. Life expectancy in the freer countries is 16 percent longer. The literacy rate is 12 percentage points higher, and the poverty rate is almost 4 percentage points lower.

Of course, this might simply be coincidence. Rich countries tend not to tolerate authoritarian governments. Yet, the pattern holds even among poor countries. If we take the countries with below median per-capita incomes and divide them in half, we find that the poor-and-free countries had an average per-capita income 38 percent greater than the poor-and-unfree countries. Life expectancy for the poor-and-free countries is 11 percent longer, and the literacy rate is 18 percentage points higher than for the poor-and-unfree countries. There are natural economic experiments that illustrate the point. North and South Korea are populated by the same ethnic people with a shared (pre-1950) history and geography. Yet North Korea (lowest in economic freedom) has an estimated per-capita income one-tenth that of South Korea (which is 33rd in economic

freedom out of 151 countries). The island of Hispaniola divides almost down the middle with Haiti on the east side and the Dominican Republic on the west. Even before the 2010 earthquake that devastated Haiti's economy, average income in the Dominican Republic (66th most free) was over nine times that in Haiti (92nd most free). Prior to the earthquake, the poverty rate in the Dominican Republic was a whopping 42 percent, yet it was far lower than Haiti's 60 percent.

Eleven score and nineteen years ago, our forebears birthed a nation conceived in liberty and dedicated to the proposition that all humans are created equal. They did this not for profit or for the environment or to eradicate poverty. They did it because it was right. Only now, more than two centuries later, do we understand how right it actually is.

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