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Economic freedom, the surest path out of poverty

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Once again, the Fraser Institute has released its annual Economic Freedom of North America report. And once again - unsurprisingly- the United States is in a downward spiral.

Over the past 15 years, the United States has dropped from an 8.6 on Fraser's 10-point scale to a 7.7. In 2000, Fraser ranked the United States as the most economically free country on the planet. Today, we are 14th - less economically free than Canada, the United Kingdom, Switzerland, and the United Arab Emirates.

What does this mean? Ultimately, it means that the United States, once the gold standard of freedom both political and economic, has slipped - badly.

At the same time, the rest of the world is learning what we are in the process of forgetting: Enhanced economic freedom makes everyone's lives better.

Consider the facts. For the first time in human history, the extreme poverty rate has fallen to less than 10 percent worldwide. Since 1990, the number of humans living in extreme poverty has fallen by 1.2 billion, even while the total number of humans has grown by two billion. While this does not mean that the vast majority of the globe's inhabitants are living according to U.S. standards, it does mean that the global standard of living is rising, and quickly.

What is the source of this income growth? The data are clear: economic freedom.

Economic freedom is the ability to make economic decisions for oneself rather than having those decisions imposed by a government. Comparing Fraser's economic freedom measures to government and United Nations quality-of-life measures yields a fascinating and consistent pattern.

Across countries, states, cities, and time, societies that enjoy higher levels of economic freedom enjoy higher quality of life. On average, they have higher incomes, less unemployment, less poverty, less income inequality, less gender inequality, less child labor, less pollution, and less violence.

All these outcomes that people associate with healthy societies are also associated with economic freedom. Why? Because economic freedom means that the people who have to live with the consequences of economic decisions are also the people who have the right to make those decisions. When members of society are forced to live with the consequences of their own choices, they ultimately, and sometimes unknowingly, make the world a better place.

We know this because poverty is becoming an aberration. It has already become such an aberration that people in developed countries have largely lost sight of what poverty truly means.

Americans who wag their fingers at the "1 percent" are unaware that most of them are "99 percenters" only within the United States.

Remove the distinction of national borders and America suddenly becomes a country almost entirely comprised of 1-percenters. To get into the top 1 percent worldwide, all a person needs is a job paying at least \$35,000 a year. The threshold for attaining "middle income" globally is generally taken to be \$10 per person per day. For a family of four, that's \$14,600, or almost exactly what a full-time minimum-wage U.S. worker earns in a year.

Of course, there are still some truly poor among us, and they deserve our utmost attention. Those who are truly concerned about helping the poor, rather than using them as an excuse to impose favored social policies, must look to economic freedom. In a world of imperfect humans, economic freedom is the one force that has shown itself - across cultures, geographies, and time - to be capable of lifting up all peoples.

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