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A Modest Uptick in U.S. Economic Freedom

What I learned: In a country that prides it’s self on freedom, liberty and equality, it is surprising to say the least, to find that our freedoms shrink with every passing year. At least that’s the picture the U.S.’s annual scores on the Index of Economic Freedom paints. Over the last seven years the U.S has had successively lower index ratings until last year when a Republican-majority house of representatives curbed government spending. This article also correlates economic freedom with economic prosperity, implying that free markets economies are inherently superior, and return greater income per person, as well as boasting the best societal features. It places most of the blame for recent economic repression on Obama era spending, taxes and regulations. In A Modest Uptick in U.S. Economic Freedom, Terry Miller claims that republicans will slow the growth of government spending and consequently improve our economic freedom. I was especially surprised to find that the cumulative economic freedom worldwide has been on the rise, hitting an all time high of 60.4 this year. In the context of Chinese communism, North Korean dictatorship, and middle-eastern oppression it’s easy to conclude that the world is turning backwards. In actuality, we are making record-shattering progress, at least in terms of economic freedom. I was further surprised to find that countries such as Hong Kong, Singapore and Australia were among the world leaders in economic freedom seeing as none of their economies dominate world trade.

What was unclear: The entire article’s conclusions were based on the assumption that Economic freedom (as measured by the Index of Economic Freedom) perpetuates prosperity, and the lack thereof is a recipe for disaster. While this proposition makes intrinsic sense, anecdotal counter examples are so numerous it is almost laughable. For example, countries like The People’s Republic of China manage to thrive economically with a communist government that owns the majority of businesses. They have overtaken America as the world’s largest economy, and continue to grow their Gross Domestic Product at unrivaled rates, all while drastically increasing individual and state wealth. Other less extreme examples are, socialist countries like Denmark and Finland who lack economic freedom but compensate with well planed and funded government programs. Finland offers the highest ranked primary school education in the world. Denmark boasts the lowest income inequality of any nation, while sporting extremely high national credit scores and literacy rates. Both countries offer their citizens free healthcare and primary/secondary education among other social programs. Qatar and Luxembourg are the two countries with the world’s highest GDPs per capita, and yet rank 31st and 21st respectively, proving that economic prosperity is, at least, not *directly* correlated to economic freedom. Furthermore, without additional evidence to substantiate its claims, this article is guilty of both causation fallacy and confirmation bias. It supports the argument that economic prosperity is a derivative of economic freedom by comparing the per capita GDP between the countries that scored the five highest and five lowest freedom-indexes. Just because economic prosperity can be correlated to economic freedom does not imply causation. It is perhaps typical for countries with suppressed economies like Ecuador, Ukraine and Iran to be in periods of political or regional conflict, or even to lack the basic infrastructure necessary to liberate their populations from the poverty trap. Even if they were instantaneously transformed into free markets, their economies would likely continue to stagnate because of other external factors. Countries that severely lack economic freedom are often governed poorly all-around. This does not however prove that a lack of economic freedom is a lack of economic success. Terry Miller is guilty of conformation bias, because he uses very unsubstantiated logic as the foundation for all following arguments. On top of this deception, he conveniently fails to mention the numerous counter examples found in the lower midrange of the index list. If we are to take everything this article proposes as fact, than it stands to reason that all economies and societies would be best off in perfectly free market economies. It is also unclear how Obamacare and Dodd-Frank regulations will retard investment and job growth; we are simply expected to take his word on it.

How this relates to micro: This article examines economic freedom with the notion that a *free market* provides the most opportunities, and the right combination of demand schedules accompanied by supply-side competitors to ensure maximum satisfaction of a society given scarce resources. This article also contains causation fallacy, which is a reoccurring topic in all branches of economics.