

## Socialism Kills

By John C. Goodman – 11/8/2012

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In a [recent Health Alert](#) I evaluated Paul Krugman's claim that ObamaCare is going to save "tens of thousands of lives" and the repeal of ObamaCare will lead to the death of "tens of thousands" of uninsured people.

Krugman's bottom line: Mitt Romney wants to let people die. The economics profession on this same subject: Krugman's claims are hogwash.

But there is something that does cause people to die: socialism. More precisely, the suppression of free markets (the kinds of interventions Krugman routinely apologizes for) lowers life expectancy and does so substantially.

Economists associated with the Fraser Institute and the Cato Institute have found a way to measure "economic freedom" and they have investigated what difference it makes in [141 countries around the world](#). This work has been in progress for several decades now and the evidence is stark. Economies that rely on private property, free markets and free trade, and avoid high taxes, regulation and inflation, grow more rapidly than those with less economic freedom. Higher growth leads to higher incomes. Among the nations in the top fifth of the economic freedom index in 2011, [average income was almost 7 times as great](#) as for those countries in the bottom 20 percent (per capita gross domestic product of \$31,501 versus \$4,545).

What difference does this make for health? Virtually, every study of the subject finds that wealthier is healthier. People with higher incomes live longer. The Fraser/Cato economists arrive at the same conclusion. Comparing the bottom fifth to the top fifth, more economic freedom adds about 20 years to life expectancy and lowers infant mortality to just over one-tenth of its level in the least free countries.

What about the effects of economic freedom on the poorest citizens? In the 2011 report, the average income of the poorest tenth of the population in the least free countries was around \$1,061. By contrast, the [poorest tenth of the freest countries' populations](#) earned about \$8,735. If you are poor, it pays to live where capitalism is less hobbled.

What about equality of incomes? As it turns out there is almost no global relationship between the distribution of income and the degree of economic

freedom. But in a way, that's good news. It means that the rich don't get richer and the poor poorer under capitalism. Everybody becomes better off.

What about within the United States? Some years back the Council of Economic Advisers (CEA) calculated a "[predicted poverty rate](#)" based on economic growth alone. In other words, economic growth by itself lifts people out of poverty, even if nothing else is happening. The CEA results suggest that if there had never been a welfare state (no Aid to Families with Dependent Children, no food stamps, no Medicaid, etc.) the poverty rate would be lower today than it actually is! This adds to a wealth of evidence that the welfare state is subsidizing poverty, not eliminating it.

I don't like to get into partisan politics, because, like Milton Friedman, I believe in ideas and not politicians. But *The New York Times* editorial page is becoming increasingly partisan. The unsigned editorials these days are almost indistinguishable from the Obama campaign's talking points. Far from being thoughtful, they are vehicles for White House propaganda. Many of Paul Krugman's editorials read pretty much the same way.

So let's consider the two political parties. Think of Democrats as being primarily responsible for the structure of the welfare state (social insurance programs) and Republicans as being primarily responsible for tax policy (including the Earned Income Tax Credit [EITC] — the embodiment of Milton Friedman's negative income tax). Which policies have been better for poor people? If you buy the CEA analysis and the work of [Charles Murray](#), [George Gilder](#) and a [host of other scholars](#), the welfare state has led to more poverty, not less of it. On the other hand, almost every Republican tax change has made the [tax code more progressive](#). That is, almost every time the Republicans change the tax law, the burden of the federal income tax is shifted from low-income people to high-income people! That's why almost half the population doesn't pay any income tax at all.

Although to be fair, Republicans have been as guilty as Democrats in creating high implicit marginal tax rates. When low-income people calculate how much extra cash they get to keep from an extra dollar earned, [their return is lower than even that of the very rich!](#)

[As an aside, Democrats have been very reluctant to give money to poor people through means-tested social insurance programs. Whether it's food, housing, education or medical care, almost all the cash goes to a constituency that is definitely not poor. That's why it's hard to know how much anyone benefits from these programs. On the other hand, when the Republican-designed EITC delivers \$1 to a poor family, the family gets \$1 worth of benefit. Of course, the EITC may do other harm through its implicit high marginal tax rate, however.]

I'm not endorsing everything the Republicans have done. Rather, I simply note that under Republican policies we are likely to have less poverty.

All in all, the welfare state probably isn't the primary reason poor people are poor. The main obstacles to success are (1) bad schools and (2) barriers to good jobs in the labor market.

What is the biggest challenge in making bad schools better? The teachers' unions. They are dedicated to the idea that the school system is foremost a jobs program and only secondarily a place for children to learn. Teachers' unions have steadfastly opposed almost every reform idea that has any promise whatsoever in every city and town throughout the country. As for barriers to entry into the labor market, who is the foremost backer of minimum wage laws, Davis Bacon Act restrictions, medieval-guild-type occupational licensing laws and labor union monopolies everywhere? You guessed it: the labor unions themselves.

Yet who forms the backbone of the Democratic Party? The very same organizations that are most responsible for keeping poor people poor and closing off their opportunities to succeed in life. Further, their perverse political influence disproportionately affects minorities. That is one reason why the [black teenage unemployment rate](#) is almost 40% — double that of white teenagers! It is one of the reasons for the very large [student achievement gap](#): black student test scores are 70% to 80% of the scores of white students.

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