

# York Daily Record

## Free enterprise is the cure for poverty

By: Nick Pandelidis – June 12, 2013

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People of good will would agree that there is much poverty and sickness in this world, and that as individuals and as societies of individuals, we should support and promote social and economic policies to lessen this condition. For most of human existence, poverty and sickness was the nearly universal human condition. Average life expectancy for millennia ranged from 30 to 40 years, and most had barely enough food, clothing and shelter to survive.

This precarious human condition only recently changed. Over the last 200 years, the development of free societies and free markets has spawned a previously inconceivable average standard of living and average life expectancy. Two hundred years ago, 85 percent of the global population lived on less than \$1 a day, in today's dollars. Today that number is 20 percent and falling. In the past 20 years as China and India have introduced more free enterprise into their economies, we have witnessed hundreds of millions of people pull themselves out of abject poverty.

Together, the Cato Institute and Canada's Frazier Institute annually put out the Economic Freedom of the World report. This study considers five broad measures of economic freedom - size of government, legal system and property rights, sound money, freedom to trade internationally and regulation - to rank 141 countries. Examining 42 specific measures, the Frazier/Cato report found that 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. That higher economic growth leads to higher incomes and to greater longevity.

Among the nations in the top fifth of the economic freedom index in 2011, average income was almost seven times as great as for those countries in the bottom fifth (per capita gross domestic product of \$31,501 versus \$4,545). Economic freedom had an even greater benefit for 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.

What about income inequality? The data found no correlation between economic freedom (and therefore per capita wealth) and income distribution. Specifically, comparing the share of national income going to the poorest 10 percent in the freest economies, in the countries in the middle of the economic freedom ranking, and in the least free economies revealed only small variations of that share, ranging from 2.19 percent to 2.58 percent (the freest 25 percent of countries). This analysis suggests that with more economic freedom, the rich don't get richer at the expense of the poor; and again, more economic freedom resulted in the poorest having more income by greater than a factor of 8.

Not surprisingly, wealth has significant ramifications on health. Again comparing the bottom one-fifth of countries according to economic freedom measures to the top one-

fifth, more economic freedom (and therefore more wealth) adds about 20 years to life expectancy. Infant mortality in the freest economies is just over one-tenth the rate of that in the least free countries.

Such compelling empiric evidence demonstrating the strong correlation between free enterprise and poverty alleviation must challenge and compel us to re-evaluate our country's usual anti-poverty measures done in (imposed on) the third world. There has been a growing understanding that simply delivering tons of food, medicine and clothing has done more harm than good. While this type of relief is helpful in the immediate aftermath of a catastrophe, in the setting of chronic poverty, it perpetuates poverty. The relief is prone to corruption as it is big business for the relief contractors, and a source of booty for the powerful in those countries. It establishes dependency and stifles entrepreneurship by displacing the local subsistence economy.

To a great extent, our country's poverty alleviation strategy is based in a faulty progressive belief that people are the problem. In this view, there are limited resources and too many people. As a result, much of U.S. relief is contingent on the receiving nation enacting population control measures, including abortion.

For those who believe in the truth and goodness of freedom and free markets, people are not the problem, they are the solution. That freedom unleashes individuals' God-given unique talents and ingenuity to imagine, innovate and create. The pie gets bigger.

Global poverty and sickness is not so much the result of a lack of or unequal distribution of global wealth, but rather a lack of and unequal distribution of freedom. We have all heard the expression, "Give a man a fish and feed him for a day. Teach him to fish and feed him for the rest of his life." That is not quite right. People know how to fish; they need access to the pond. Economic freedom is that access.