



Do Washington politicians know the keys to prosperity?

Estonia, the tiny former Soviet satellite state, has much to teach the U.S. about how to grow an economy.

Jay Evensen

October 21st, 2021

I don't know if Arizona Sen. Kyrsten Sinema truly understands the keys to prosperity. Most likely, as with any self-aware politician, she reflects the views of her constituents, which is the key to political survival in a democracy.

If numerous media reports this week are correct, she and West Virginia Sen. Joe Manchin may slowly be forcing Washington's Democratic establishment to pare down the \$3.5 trillion spending package the White House hoped to have pushed on Americans by now.

According to The Wall Street Journal on Wednesday, free tuition at community colleges may be gone (except, of course, for the Pell grants and other programs that already pay the way for low-income students), while expansions to Medicare also may be on the verge of toppling.

The same goes for some of the tax increases that were supposed to pay for it all.

Interesting thing, that.

Those who support the giant spending package like to say the nation could pay for it all by making the rich and corporations pay more.

They seem to understand, on some level, that it's wise to pay for what government does. And yet, few politicians ever talk about paying for what government already is doing. That would require finding at least \$3 trillion more this year just to cover the current annual spending deficit.

So, I wonder if Sinema, or very many other people elected to Washington, understand the keys to prosperity.

They aren't a secret.

As Luis Pablo de la Horra wrote a couple of years ago for the website of the [Foundation for Economic Education](#), or FEE, these were outlined in “The Wealth of Nations,” which Adam Smith wrote in 1776. They are, “free trade, a reliable legal framework that protects private property and enforces contracts, and sound money.”

And if you want a modern example of how these work, look no further than the former Soviet satellite nation of [Estonia](#). It became free of Soviet domination in 1991 and has since become one of the most prosperous nations in the world. For eight years now, it has ranked first in the International Tax Competitiveness Index compiled by the [Tax Foundation](#) in Washington.

Estonia’s leaders started their transition from socialism by reforming their currency, embracing free trade, balancing the budget and privatizing companies that had been state-run and devoid of the benefits of competition.

The [World Bank reports](#) that Estonia’s wealth has grown from about \$6,500 per capita in 1995 to more than \$38,000 today. Other former Soviet republics haven’t done as well.

The United States, which used these keys well to establish its prosperity, now has a national debt that is 126% the size of its economy, according to [usdebtclock.org](#). Estonia’s is projected to reach 20% of its economy this year, due mainly to the struggles brought on by the pandemic. It was only 8.2% in 2018, [according to Tradingeconomics.com](#).

As Chris Edwards [wrote this month](#) for the Cato Institute, a Libertarian think tank, “U.S. debt has risen partly because of recessions and other crises in recent years, but other countries have also faced shocks.” And many of them have handled them better.

“American politicians are more debt-addicted than politicians in most other high-income countries,” he wrote.

Or at least, the politicians in Washington are. As Edwards noted, federal debt climbed 495% since 2001, while state and local government debts climbed by only 148%.

“Apparently, voters are sending politicians to Washington who are more irresponsible than the ones they send to state capitals,” Edwards said, adding that it wasn’t always so. From 1791 to 1929, Washington balanced its budget 68% of the time, despite the absence of any balanced budget amendment or other artificial prodding. Since 1930, he said, only about 13% of the time have the books balanced, and not once since 2001.

Of course, there are many voices in Washington warning against the proposed spending package. Utah’s congressional delegation has been consistent in this and has joined fellow Republicans in the chorus of fiscal prudence.

Republicans, however, are not without their own culpability. Overspending didn’t suddenly cease when they were in power.

It's hard to say whether Sinema, Manchin or many other politicians in Washington really get what it takes to direct a nation toward prosperity.

But for anyone paying attention, it is interesting to watch how Estonia, a nation quite familiar with the ravages of socialism and totalitarianism, has decided to flee from that end of the spectrum with such great success. Why would anyone head in the other direction?