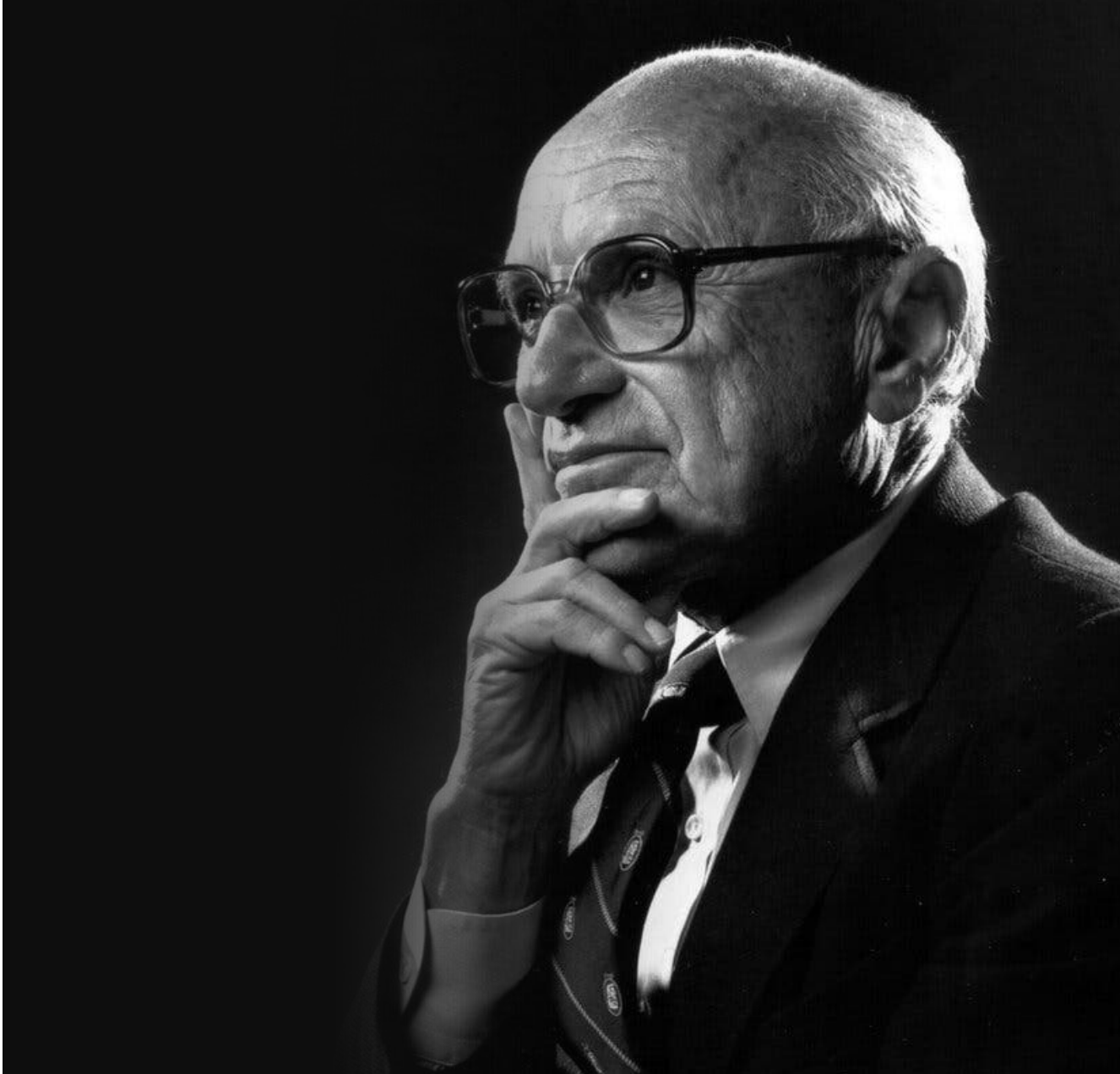


2020 ESSAY CONTEST WINNERS

THE IDEAS OF MILTON FRIEDMAN: EXPLORING THE CONNECTIONS BETWEEN ECONOMIC FREEDOM AND OTHER FREEDOMS OR ASPECTS OF THE HUMAN CONDITION





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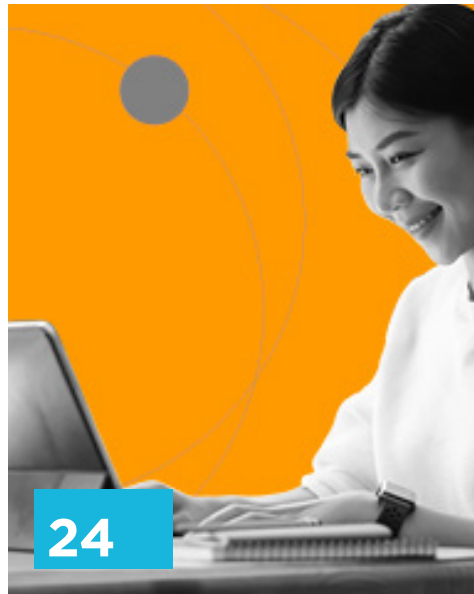
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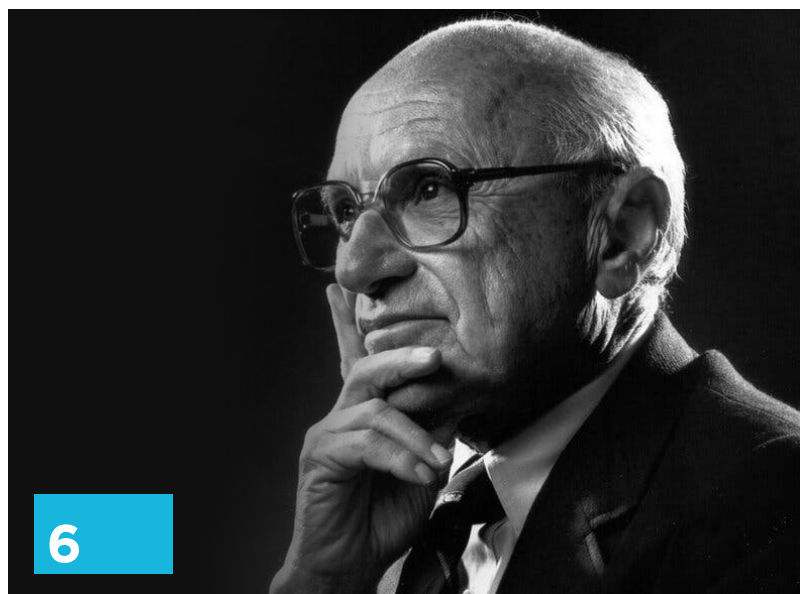
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WELCOME

Dear Readers,

We hope that you had an enjoyable and safe summer and that you are excited about the transition into the next phase of your academic career or new semester.

In this edition of the *Canadian Student Review*, we highlight the winners of the 2020 Essay Contest. We received over 400 submissions that discussed the ideas of Milton Friedman and explored the connections between economic freedom and other freedoms or aspects of the human condition. Elsewhere, Dr. Art Carden presents the 11 inspiring books you should be reading right now.

We have also included a wonderful short article that explores the recent spike in household savings and included two of our most recent *Explore Public Policy Issues* webinar series recorded for your enjoyment.

We hope you enjoy this issue of CSR and that you can join us at one of our *Explore Public Policy* post-secondary webinars this fall. Make sure that you're connected with our [Education Programs Facebook page](#) to stay up to date on all of our programs!

Best,

Ryan



ECONOMIC FREEDOM AND DEMOCRACY: ARE WE FOCUSING ON THE WRONG THINGS?

SHAAKIRA GADIWAN

What causes one democracy to flourish and the other to deteriorate? One answer lies in the economic growth that stems from economic freedom; democracies that arise without prior economic growth tend not to survive. Research suggests a positive relationship between economic freedom and economic growth, and between growth and political freedom (Vega-Gordillo, 2003). Moreover, as Milton Friedman observed, there has been no society that offered substantial political freedom without also offering considerable economic freedom (Landsburg, 2019: p. 35). What remains to be understood is the mechanism by which attaining economic freedom paves the road for democracy. With the number of countries pursuing democracy today, it is imperative to stress the importance of economic freedom as a key determinant of what democracies consist of: civil freedom and political freedom. By identifying a dynamic by which democracy arises and developing insights into how economic freedom affects that dynamic, policymakers can make better economic decisions to reach their goals.

Defining economic freedom and democracy

Economic freedom is the minimization of government influence over private economic activity and is protected by the rule of law, a counterpart to democracy. Democracy, meanwhile, is a contributor to both civil and political freedom. In *The Logic of Social Systems*, Alfred Kuhn defines democracy as a cooperative institution, meaning that all citizens are both sponsors and recipients of government actions (Phillips and Kuhn, 1976: 734). Political rights are the freedom of citizens to exercise their “sponsor function,” i.e., dismissing and electing government. Civil freedom limits the elected government from

interfering with the citizens’ sponsor roles, ensuring the right of citizens to political freedom. Civil freedom also protects citizens’ recipient roles. These include freedom of speech and freedom of the press, both of which are necessary for the development and propagation of innovative ideas. In fact, political rights without such civil freedoms would be meaningless. Uncensored media is essential if individuals are to have access to a wide range of information about potential leaders; only then is political freedom fully realized. A democratic institution enforces these civil rights, which in turn legitimizes political rights.

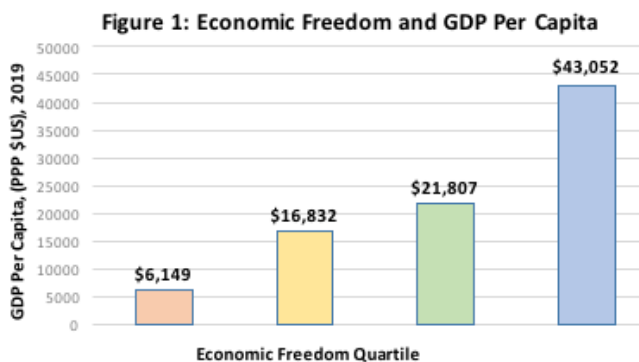
Balance of power

According to Seymour Lipset (1959), the basic conditions for a democracy to develop are a steady increase in the overall wealth of a society and a high educational standard. Lipset includes increased wealth because it is crucial to balancing power in a society. Democratic participation, that is, an equal voice for everyone, will develop and be sustained only if the influence of economically dominant groups is offset by the organizational power of the lower and middle classes, which arises due to capitalist developments like factory production, urbanization, and new forms of communication. A larger middle class makes it more difficult to exclude them politically (Lipset, 1959).

Several authors, including Lipset (1959), Barro (1999), Przeworski and Limongi (1997), and Fukuyama (2004) argue that countries with a higher GDP per capita are more likely to be democratic than dictatorial. As a society’s overall income increases, so does social cohesion, leaving fewer people feeling marginalized and thus increasing everyone’s motivation to

participate in political activities. Lipset finds that, in Latin America, 7 democracies and unstable dictatorships had average incomes about 40 percent higher than 13 stable dictatorships. Rabushka finds that in countries where per capita incomes are low, there are almost no civil or political freedoms (Walker, 1988: 81). In contrast, countries with high per capita incomes have a 50 percent chance of enjoying high levels of civil and political freedom. Thus, low per capita GDP is a likely indicator of low levels of civil and political freedom.

Free economies produce greater wealth and grow faster than less free economies. The freest economies have an average per capita income of \$43,052 compared with \$6,149 in the least free countries (see Figure 1). Per capita growth in the past 10 years was 2.5 percent in the freest countries while it was only 0.6 percent in the least free countries (Vasquez, 2005). Economic freedom is also correlated with poverty reduction. Gwartney et al. (2019: 20) find that the annual income per capita from 1995 to 2016 of the poorest 10 percent of the population in the freest countries is \$10,646, while it is only \$1,503 in the least free countries.



Through competition, economic freedom fosters innovation and productivity, which increase wealth and reduce poverty (Godfrey, 2008). Many small entrepreneurs benefit from being able to purchase inputs at low prices and sell their outputs on fair terms. Free economies facilitate equality of opportunities and disperse power by breaking down the barriers to competition that protect incumbent elites.

Education

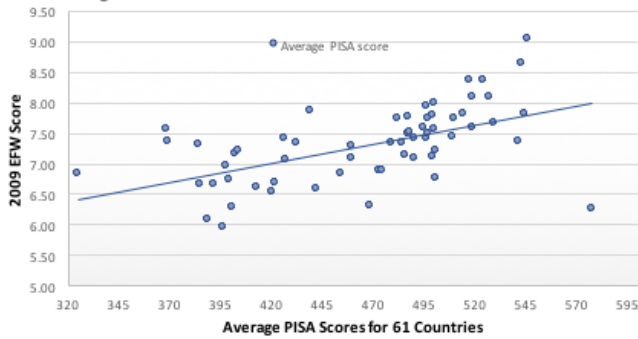
The second condition Lipset sets for a democracy to develop is a high educational standard. Studies suggest that the more education individuals attain, the more likely they are to support democratic practices (Trow, 1957: 17). Education reduces the intensity of people's commitment to extreme ideologies and increases their capacity to make rational electoral choices. Economic freedom fosters a learning environment that cultivates these behavioural foundations for political freedom. It also helps people afford formal education by increasing the average per capita income. Those who are literate are better equipped to navigate the ever-increasing amount of information available that is required for democratic participation.

There is growing evidence that economic freedom increases student achievement and that less government intervention is the most effective means of producing higher education levels. Centralized education policies lead to an increase in fruitless government spending, and these policies correlate with failures such as declining scores on standardized tests (Roberts and Olson, 2013). One example of this is Nigeria, which has a centralized education system and where less than two-thirds of its population is literate; it ranks 142 (out of 162 countries) in economic freedom as measured by the 2019 EFW index.

In 2009, the Organization for Economic Cooperation and Development (OECD) measured student achievement in math, reading, and science through a metric called the Program for International Student Assessment (PISA). Figure 2 demonstrates the average of each country's score in the three subjects (serving as an aggregate score across the disciplines) against their EFW index for that year. A positive correlation ($r=0.59$) emerges, indicating that countries scoring higher in economic freedom do the same on these international tests.

Economic freedom also encourages more women to pursue education, which in turn increases the amount of human capital capable of research and innovation, encouraging growth. In the most free countries, 87.09 percent of female youth strive to acquire marketable skills while only 71.29 percent do so in the least free countries (Fike, 2020). The prospect of lasting

Figure 2: Economic Freedom and Student Test Scores



Note: Students are 15 years of age.

Sources: OECD (2010); and Gwartney and Lawson (2009).

progress due to the economic protection promised by the rule of law and the continuous demand for marketable skills inspires women to invest more in professional programs that enables them to assume positions that advance their careers (Goldin, 2006: 8). The mechanism is not new: just as increases in income strengthen social cohesion, women acquiring education results in their being less relegated to the sidelines, which leads to more political participation in society, thus making it more receptive to democracy.

Economic freedom produces a more intelligent society, one that can make decisions about public policy. Instead of centralizing education systems, districts should implement school choice policies that will maximize student success as schools compete. Research demonstrates that students in the Milwaukee public school systems, for instance, were “performing at somewhat higher levels as a result of competitive pressure from the school voucher program” (Wolf, 2012). Similarly, test scores of students in the Florida public school system improved from the “threat of competition alone” (Hart and Figlio, 2011). An increase in government spending simply results in larger bureaucracies with lower outcomes for students, since teachers shift their focus from students to catering to the expectations of the relevant administration, as that is where most of their pay comes from.

The threat of economic interventionism

The conjecture that increased government involvement promotes the general welfare of a country's people is challenged by the case of Venezuela. Until the 1970s, Venezuela was a democracy and functioned on free market principles. The education system underwent considerable improvement with the

help of modernization that resulted from economic freedom; the literacy rate increased to 93 percent (Heritage, 2002). However, over the past few decades, the government spent more, introduced higher taxes, and violated property rights. This caused per capita GDP to drop by 2.06 percent from 1970 to 2016 (Restuccia, 2018). Moreover, the national income suffered a 44.82 percent drop in the same timeframe (Wid.World, 2019). The education system has seen a similar decline. Currently, education in Venezuela is highly centralized and regulated. A 2017 report reveals almost 50 percent of university students dropped out of the three public universities in Táchira, many claiming the lack of academic freedom and university autonomy as responsible for their departure (Hernández-Smilde, 2017). Political repression has followed these economic repressions. Today, Venezuela is governed by a dictator and is on the brink of economic collapse, ranking the lowest in the EFW 2020 index. Chile demonstrates the opposite case. From 1973-1990, Chile was governed by a military junta under General Pinochet. Unemployment was above 20 percent and a sizable proportion of the banking sector had become bankrupt. The junta was inept at managing economic difficulties, so it appointed a group of economists who had studied under Milton Friedman at the University of Chicago. They lowered the inflation rate in Chile by 27 percent after implementing private free market principles (Ffrench-Davis, 2002: 7). From 1984 to 1990, Chile's GDP grew by an annual average of 5.9 percent, the fastest on the continent (UN, 2009). School life expectancy rose from 10 years in 1970 to 15.17 years in 2011 (UNESCO, 2013). In 1990, the country became a democracy after 56 percent of Chileans voted in a referendum for Pinochet's power to end. The growth resulting from the country's expansion of economic freedom promoted a desire among the populace for more political freedom. Now, Chile has economic freedom and, in its democracy, both political and civil freedom.

Economic freedom proves itself as a mechanism for dispersing power, a formative development in the pursuit of democracy. Economic freedom fosters female literacy and education, which increases human capital. This disperses wealth and power, making a society more amenable to democracy. A democracy that emerges without prior economic development

is susceptible to the abuse of power due to the likelihood of wealth being concentrated in the hands of a few. A market economy makes it easier for individuals to be economically independent from the government, making it less likely for centrally planned and authoritarian governments to arise. Therefore, countries trying to adopt a democracy must focus on growth-oriented policies that are based on economic freedom if they want to see civil liberty and political freedom in the long run. ◆

Shaakira Gadiwan is a recent graduate from Western Canada High School. She is pursuing a degree in engineering at the University of Calgary and strives to increase the propensity of technology to foster economic growth.

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LINKING ECONOMIC FREEDOM TO THE DECRIMINALIZATION OF THE LGBTQ COMMUNITY

MATTHEW TAYLOR

Introduction

The LGBTQ community has long been persecuted around the world. Besides the human rights abuses suffered by this community and the stifling of its members' abilities to freely express who they are, an unexpected consequence of criminalizing the LGBTQ community is that, in general, countries where the LGBTQ community is criminalized have less economic freedom than those where it is not.

Friedman (1962) claimed that "I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity" (in Walker, 1986: 53). Stronger markets and more economic freedom make society more socially tolerant, especially of the LGBTQ community. Friedman's take on the link between economic freedom and personal freedom is supported by findings by Berggren et al. (2013, 2014, 2015, 2017, 2019), Teague et al. (2020), and by Montesquieu's *doux commerce* theory (Movsesian, 2018: 456).

Criminalization of the LGBTQ community around the world

According to the Human Dignity Trust (2020), "73 jurisdictions [around the world] criminalise private, consensual, same-sex sexual activity." Punishments for breaking anti-LGBTQ laws in these countries range from fines to corporal punishment to imprisonment to the death penalty. Roughly half of these countries are Commonwealth countries.

Interestingly, there is an element of sexism in the criminalization of the LGBTQ community. More countries criminalize sexual activity between men than between women: 73 countries criminalize sexual activity between men, while only 47 countries criminalize sexual activity between women (Human Dignity Trust, 2020).

Related literature

The *doux commerce* theory put forth by Montesquieu "holds that commerce tends to civilize people; to make us more reasonable and prudent" (Movsesian, 2018: 456). What Montesquieu claims is that markets, spurred by economic freedom, create more socially tolerant and open-minded citizens. As Berggren et al. (2013, 2014, 2015, 2017, 2019) and Teague et al. (2020) discuss, there is a link between economic freedom and social tolerance—in this case social tolerance is the tolerance of the LGBTQ community. Essentially, a more tolerant society emerges when economic freedom increases. Furthermore, Berggren et al. (2017) find that post-communist countries and countries with a certain religious majority—mainly majority-Muslim countries—are less tolerant of the LGBTQ community. Globalization also plays a major role in tolerance as per Berggren et al. (2015).

Methodology

I used two indices of economic freedom in my examination of the link between economic freedom and the decriminalization of the LGBTQ community: the Fraser Institute's 2017 Economic Freedom of the World Index, and the Heritage Foundation's 2020 Index of Economic Freedom. I used two indices so I could examine data from multiple sources. Neither index

has economic freedom rankings for every country criminalizing the LGBTQ community as listed by the Human Dignity Trust. I found I could analyze several countries because where one index did not assign an economic freedom rating to a country, the other index might have. Despite using two indices, however, eight countries were left out of the analysis because they were not included in either: Antigua and Barbuda, the Cook Islands, Grenada, Palestine, Saint Kitts and Nevis, Somalia, South Sudan, and Tuvalu.

The Economic Freedom of the World Index ranks 162 countries while the Index of Economic Freedom ranks 180 countries. I normalized the rankings from each index in order to compare the economic freedom rankings between the two indices on a consistent scale. I divided the ranks assigned by each index by the number of countries that each respective index ranked and multiplied by 100 to give an “economic freedom percentage.” The higher this percentage, the less economic freedom a country has.

Results

Of the 73 countries listed by the Human Dignity Trust that criminalize the LGBTQ community, only two, Mauritius and Singapore, were in the top quartile of economic freedom rankings as defined by the Economic Freedom of the World Index. A further 13 countries were in the second quartile (Fraser Institute, 2019). Five countries (Malaysia, Mauritius, Qatar, Singapore, and the United Arab Emirates) were in the top quartile of economic freedom rankings as defined by the Index of Economic Freedom, while a further 12 countries were in the second quartile (Heritage Foundation, 2020). Based on its economic freedom percentage for each index, Singapore was the most economically free country in the world (Taylor, 2020).

The average Economic Freedom of the World Index value for countries that criminalize the LGBTQ community is 6.39 (on a 10-point scale), while for countries that do not criminalize the LGBTQ community it is 7.00. The average Index of Economic Freedom value for countries that criminalize the LGBTQ community is 57.81 (on a 100-point scale), while for countries that do not criminalise the LGBTQ community the value of this Index is 63.50 (Taylor, 2020). Based on these values, countries that do not criminalize the LGBTQ

community are more economically free than those that do.

Table 1: Values of economic freedom indices

	Economic Freedom of the World Index (10-point scale)	Index of Economic Freedom (100-point scale)
Average value of index for countries that criminalize the LGBTQ community	6.39	57.81
Average value of index for countries that do not criminalize the LGBTQ community	7.00	63.50

Linking the criminalization of the LGBTQ community to a lack of economic freedom

A country that criminalizes the LGBTQ community tends to be less economically free than a country that does not. According to Landsburg, “personal freedom encompasses... freedom of expression and the option to choose an unorthodox lifestyle” (2019: 35).

Culture and religion also play a major role in the criminalization of the LGBTQ community. Countries that criminalize the LGBTQ community are generally socially conservative and are either in Africa or Asia (Taylor, 2020) or majority-Muslim or post-communist (Berggren et al., 2017). This criminalization constrains the LGBTQ community’s ability to exercise its economic freedom, such as by having to screen for and select “queer-friendly” health care providers rather than being able to select any health care provider that may provide better services (Hudak and Bates, 2018: 818-824). While non-LGBTQ individuals have a wide range of economic freedoms, LGBTQ individuals’ economic freedoms in countries where the LGBTQ community is criminalized are far more constrained.

The importance of measuring and understanding economic freedom

Measuring and understanding economic freedom helps to advance the freedoms and the rights of the LGBTQ community. By highlighting the link between the criminalization of the LGBTQ community and a restriction of economic freedom, it is clear that countries that criminalize the LGBTQ community are

generally less economically free than countries that do not. As Adam Smith stated, “the most decisive mark of the prosperity of any country is the increase of the number of its inhabitants” (in Soares, 2007: 59). By decriminalizing the LGBTQ community and allowing its members access to the market, a country’s economy can grow stronger because the scope of the market has been expanded. All of the country’s citizens will have more economic freedom due to the greater number of opportunities for trade and wealth generation.

This linkage could also be used to pressure countries that criminalize the LGBTQ community into decriminalising it. Many countries rely on foreign aid from wealthier nations, and these nations could theoretically withhold their foreign aid unless countries that criminalize the LGBTQ community decriminalize it.

Friedman’s take

In 1962, Milton Friedman claimed that “I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity” (in

Walker, 1986: 53). This claim is supported by a Fraser Institute analysis: “of the 20 countries that rank highest in personal freedom, all but one are also in the top 25 percent for economic freedom” (Landsburg, 2019: 35).

Despite the linkage between economic freedom and other freedoms including political, civic, and human freedom, there are exceptions to the general trend that countries with more economic freedom are also countries with more freedoms in other areas. Capitalism, which Friedman equates with economic freedom, does not guarantee human freedom—it is only a means towards freedom—a fact that is confirmed by Fraser Institute data analysis (Walker, 1986: 53; Landsburg, 2019: 36). This explains why Malaysia, Qatar, and the United Arab Emirates, and especially Mauritius and Singapore (in the top quartile of both economic freedom indices), are some of the world’s most economically free countries even though they criminalize the LGBTQ community. While higher personal freedom is correlated to higher economic freedom, higher economic freedom is not necessarily correlated to higher personal freedom.



Final thoughts

In addition to affording members of the LGBTQ community some of their human rights, decriminalizing the LGBTQ community would result in an increase in economic freedom in countries where the LGBTQ community was formerly criminalized. Overall, the economy in these countries would be generally strengthened as allowing LGBTQ people access to the market expands the scope of the market and creates more opportunities for trade and wealth generation. Although economic freedom is no guarantee for personal freedom, it is certainly a step in the right direction—ideally, countries would continue to remove limits on personal freedom, which would simultaneously increase economic freedom. Friedman would say that economic freedom is a necessary step in the right direction; after all, he said that he “knew of no example, in any time or in any place, of a society that had offered substantial political freedom without also offering substantial economic freedom” (Landsburg, 2019: 35). ♦

Matthew Taylor is currently a chemical engineering student specializing in petroleum at the University of Saskatchewan. His interests include reading, writing, and studying food economics in his spare time.



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ECONOMIC FREEDOM: A POWERFUL TOOL THAT CAN TRANSFORM THE WORLD

AIDEN BUSHELL

Renowned as one of the most significant economists of all time, Milton Friedman influenced people across the world about economic freedom and its connection to each person's political and personal freedom (Landsburg, 2019: 35). These political and personal freedoms Friedman described include access to free elections, minority representation, freedom of expression, and the ability to choose an unorthodox lifestyle (35). Friedman defined economic freedom as a system of free markets and private ownership that functions with limited intervention from the government (35). He explained that once economic freedom is achieved, it is a steppingstone to personal and political freedom (35). Following the industrial revolution, the world experienced a period of "accelerated prosperity" where many countries gained increasing amounts of economic freedom (Fraser Institute, 2020). Now, researchers are able to measure and document economic freedom to better understand the processes behind it. These measurements are known as The Economic Freedom of the World Index in which countries around the globe are documented and ranked on a scale of between one and ten, where ten is the highest possible economic freedom in a desired country (Gwartney, Lawson, Hall, et al., 2019a). For example, in 2016 Hong Kong was ranked with the highest economic freedom worldwide at 8.97 and Venezuela was ranked the lowest with an index of 2.88. Economic freedom has been shown to have a significant effect on life expectancy, poverty rates, gender equality, and happiness, while at the same time expanding and improving political and civic freedoms across the globe (Fraser Institute, 2020). Hall and Lawson explain that vast amounts of evidence show that economic freedom corresponds

with an abundance of positive effects with little to no negative trade-offs (Hall and Lawson, 2014). Without universal access to economic freedom, many societies will continue to struggle to live healthy and prosperous lives.

The ability to live a long and healthy life is something that everyone across the world desires. Research using the Economic Freedom of the World Index has shown that economic freedom is associated with a longer life expectancy (Gwartney, Lawson, Hall, et al., 2019a). When comparing countries with the highest economic freedoms scores to those with the lowest scores, there is a significant disparity in life expectancy (Tyrrell, 2019a). But, there still is hope this significant disproportion in life expectancies can change. The World Health Organization showed that global average life expectancy increased by 5.5 years between 2000 and 2016, the most rapid increase since the 1960s (World Health Organization, 2018). The significant increase in global life expectancy is largely due to increased economic freedom with improvements in health care, access to clean water and sanitation, and mortality incidence (Tyrrell, 2019a). For example, in the African region, WHO determined that life

WITHOUT UNIVERSAL ACCESS TO ECONOMIC FREEDOM, MANY SOCIETIES WILL CONTINUE TO STRUGGLE TO LIVE HEALTHY AND PROSPEROUS LIVES

Exhibit 1.7: Economic Freedom and Life Expectancy

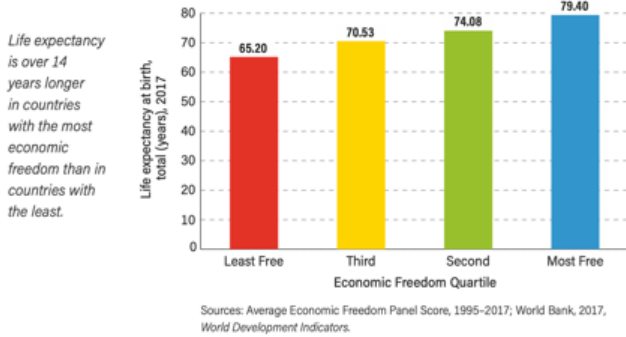


Figure 1. Economic Freedom and Life Expectancy (Gwartney, Lawson, Hall, et al., 2019b).

expectancy increased by 10.3 years between 2000 and 2016, mainly due to increased child survival rates and access to healthcare (World Health Organization, 2018). Gwartney, Lawson, Hall, et al. extensively researched economic freedom and created a graph comparing the varying quartiles of economic freedom and how each quartile affects life expectancy rates in countries across the world. Their findings are displayed in figure 1.

Figure 1 reveals the significant effect economic freedom has on life expectancy rates; there is a 14-year difference in life expectancy between the least economically free and most economically free countries. Economic freedom is having a significant impact on the life expectancy rates of regions around the world—it is giving more societies the ability to live longer and healthier lives.

Research has shown that economic freedom is also associated with lower poverty rates (Gwartney, Lawson, Hall, et al., 2019b). Worldwide, poverty is defined as surviving on less than \$1.90 per day, and Gwartney et al. estimated that over 1.1 billion people

Exhibit 1.11: Economic Freedom and Extreme and Moderate Poverty Rates

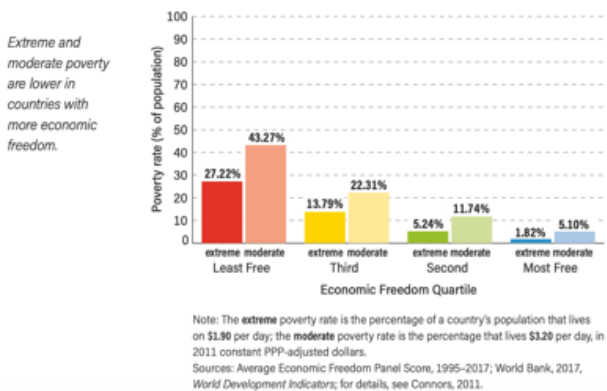


Figure 2. Economic Freedom and Extreme and Moderate Poverty Rates (Gwartney, Lawson, Hall, et al., 2019b).

escaped extreme poverty between 1990 and 2013 (Tyrrell, 2019b). The researchers also found that 95% of the one billion people escaping extreme poverty were from countries that increased their Index of Economic Freedom scores by approximately 7.4 points (Tyrrell, 2019b). This research shows how powerfully capable economic freedom is at saving people from extreme poverty. For example, the rise of China and India suggests that economic freedom has had a significant effect on poverty rates and prosperity in those countries (Press, 2017). After giving more regard for individual freedom and partially freeing markets, over time these countries experienced an exponential growth in their Index of Economic Freedom scores, and it led to the greatest reduction in absolute poverty the world has ever seen (Press, 2017). Gwartney, Lawson, Hall, et al. researched the effect of economic freedom on poverty levels and their research is summarized in figure 2.

Figure 2 shows that economic freedom has a substantial effect on poverty rates in countries across the world, as there is an over 25 percent difference in extreme poverty rates between the least free and most free countries. Overall, economic freedom has been shown to significantly decrease poverty rates, providing the opportunity for more people around the world to live prosperous lives.

Economic freedom has a significant impact on the lives of women across the world, too. Women living in countries with high levels of economic freedom are found to live almost 15 years longer than women living in low economically-free countries (Women and Progress, 2019). More access to economic freedom is also associated with increased gender equality and greater literacy in females (Fike, 2018). A 2017 research study on economic freedom found that women are 15 percent more likely to be enrolled in primary school and 25 percent more likely to participate in the workforce if they reside in more economically free countries (Women and Progress, 2019). This shows that more access to economic freedom gives women around the world more opportunities to gain an education, showcase their talents, and live happier lives. The same 2017 research study found that only 33 percent of women living in countries with low economic freedom have their own bank account (Women and Progress,

2019). Not having access to a personal bank account is detrimental to an individual's financial security, independence and personal freedom. In many of these low economically free countries, this is largely due to the fact that married women are required to obey their husbands and must get permission from

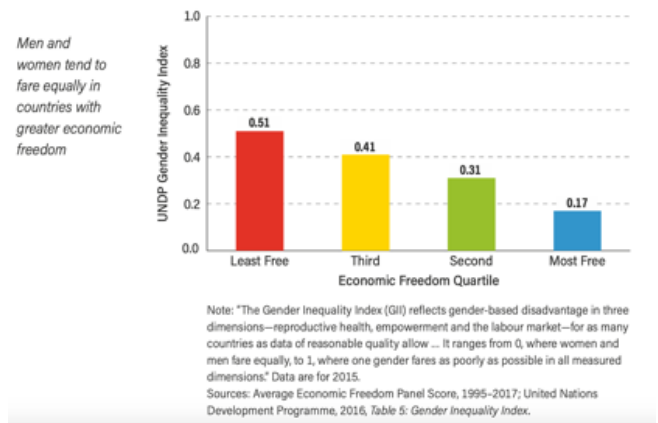


Figure 3. Economic Freedom and the UN Gender Inequality Index (Gwartney, Lawson, Hall, et al., 2019b).

them to find a job (Women and Progress, 2019). With universal access to economic freedom, women across the globe will have increased opportunities in the economic and labour markets, to gain an education, and to secure financial independence and better health outcomes (Fike, 2018). Figure 3 contains data from Gwartney, Lawson, Hall, et al. that compares the effect of economic freedom on the gender inequality index in countries around the world.

Figure 3 shows a substantial difference in gender inequality between the least and most free countries—a three-fold difference between the two quartiles. Access to economic freedom has a significant impact on the well-being of women across the world, ultimately allowing women to live their lives with more freedom and prosperity while helping to diminish gender disparity.

Everyone wants to live a long and healthy life, but is living a happy life just as important? Research has shown that greater economic freedom is also associated with greater happiness (Gwartney, Lawson, Hall, et al., 2019b). It is widely accepted that an individual's income has an impact on their reported level of happiness. Those with a lower income may feel less secure and under greater pressure while

trying to support themselves and their family. Jeremy Jackson, an associate professor at North Dakota State University, believes economic freedom significantly affects happiness by directly increasing the number of options available for an individual (Jackson, 2017). These options include greater wealth, prosperity, and autonomy in their decision making without being forced to accept coercive decisions that potentially harm their happiness (Jackson, 2017). A study conducted in 2011 by Daniel Gropper and his associates further demonstrates the extent to which economic freedom affects happiness in 100 countries around the world.

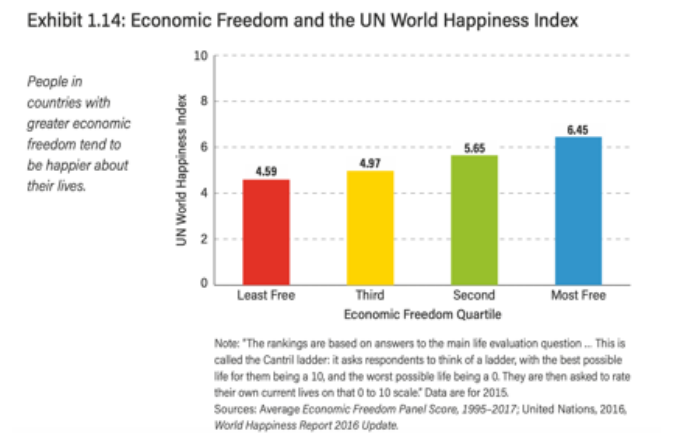


Figure 4. Economic Freedom and the UN World Happiness Index (Gwartney, Lawson, Hall, et al., 2019.)

The study compiled data from the Fraser Institute Index of Economic Freedom and compared it to 100 countries measures of happiness recorded in studies such as Veenhoven's World Database of Happiness, the Happy Planet Index 2.0, and World Values Survey (Gropper et al., 2011). The research from these other indexes and surveys yields very similar results to that conducted by Gwartney, Lawson, Hall, et al., whose research on the effect of economic freedom on the UN World Happiness Index is depicted in figure 4.

Figure 4 indicates that economic freedom has a significant effect on happiness, as countries in the highest quartile of economic freedom have a happiness index of almost 2 full points higher than countries that are in the lowest quartile of economic freedom. Economic freedom gives societies greater liberty and independence to make their own decisions in life, thus leading to greater happiness for individuals.

Economic freedom is a powerful tool that is connected to a variety of other freedoms and aspects of the human condition. Economic freedom is shown to significantly increase life expectancy, gender equality, happiness and prosperity while reducing poverty rates (Fraser Institute, 2020). Economic freedom is also shown to help advance and expand political and civic freedoms across the globe (Fraser Institute, 2020). This is evident in countries such as China and India where more economic freedom is giving societies the ability to become more independent and more able to make their own decisions when it comes to their political and personal beliefs (Press, 2017). Continuing to measure economic freedom is important in uniting the world as a whole because it allows researchers to further understand the inequalities between privileged and repressed countries around the world. It is to be hoped that in the near future access to economic freedom will be more universal, as this will give individuals more opportunity to express themselves and their ideas while living a healthy and prosperous life. ♦

Aiden Bushell is currently a first year Graduate Entry to Medicine student at University College Cork. His interests centre on promoting the health and wellness of others, as he spends most of his time volunteering at the local hospital and coaching soccer. He hopes to act on these interests in further study of both medicine and sports science.



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11 BOOKS YOU SHOULD BE READING

ART CARDEN

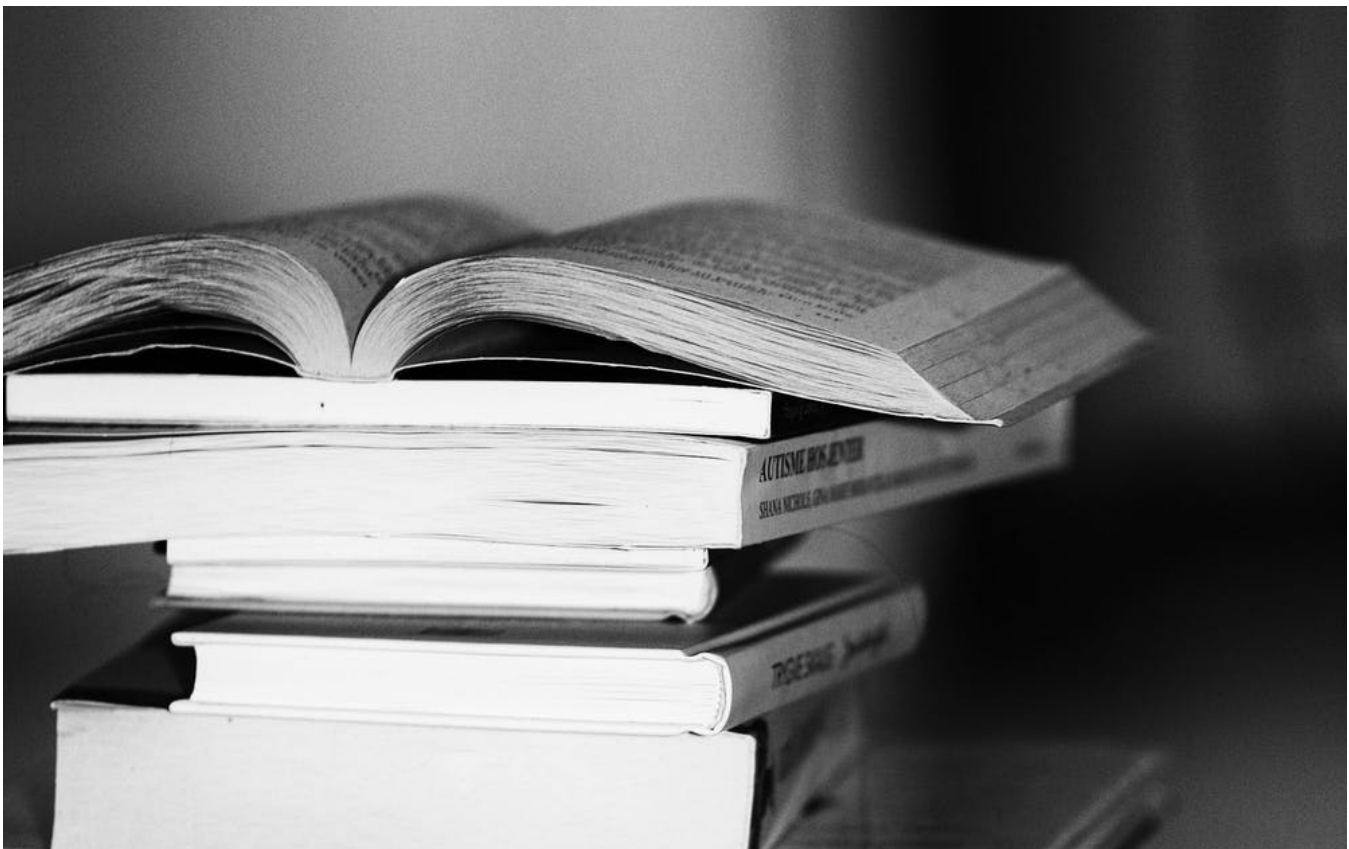
Donald J. Boudreaux's list "[Books on Liberty That You Haven't Read but Should](#)" inspired me to create my own list of books you probably haven't read but should. Here's the list, with links where available. The books on this list have had a considerable effect on my worldview, and with only one exception I read them all for the first time after I earned my Ph.D.

One lesson you should take from that is that as much as this sounds like the takeaway point from a bad high school commencement address, the end of your formal schooling is just the beginning of a life of sustained inquiry.

1. Thomas Sowell, *A Conflict of Visions*. He includes this as the third in an informal trilogy that includes [The Quest for Cosmic Justice](#) and [The Vision of the Anointed](#). *Conflict* discusses the differences between what Sowell calls the constrained vision of people as morally and intellectually limited, exemplified by Adam Smith, Edmund Burke, Friedrich Hayek, and Milton Friedman, and the unconstrained vision of people exemplified by William Godwin, George Bernard Shaw, Karl Marx (when he was looking forward, anyway), and others who see humanity as something that can be changed and perfected by intellectual, political, and moral surrogates. [Here's](#) my sort-of-annotated bibliography of Sowell's works.
2. Robert Higgs, *Depression, War, and Cold War*. Boudreaux mentioned Higgs's classic [Crisis and Leviathan](#). I think *Depression, War, and Cold War* is as good if not better as it applies some of his ideas to two important myths: First, Higgs refutes the claim that the New Deal helped us get out of the Great Depression. Second, he shows that World War II did not end the Great Depression. Even if you don't have the inclination to read the entire book, you can find his 1997 article "[Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed After the War](#)" [here](#).
3. Adam Smith, [The Theory of Moral Sentiments](#). It is my humble opinion that one cannot really understand *The Wealth of Nations* without Smith's first book, *The Theory of Moral Sentiments*. The cartoon version of the Smithian person is vain, selfish, and ambitious only to fill his own belly. That's not the Smithian person of *The Wealth of Nations*, and it's certainly not the Smithian person of *Theory of Moral Sentiments*.
4. Henry Hazlitt, [Time Will Run Back](#). Hazlitt, the author of the classic [Economics in One Lesson](#), wrote a dystopian novel titled *Time Will Run Back*, which discusses how a totalitarian socialist society "discovers" the market process as a way of determining whether the economy is using resources wisely. [Here](#) are Bryan Caplan's thoughts.

Note: This article originally appeared on [AIER.org](#)

5. Lawrence White, [*The Clash of Economic Ideas*](#). What were the important economic ideas in the 20th century? Who were the main characters? Who were the German Ordoliberals? Lawrence White takes readers on a fascinating tour of the early 20th-century struggle over “the commanding heights” of the economy — and the commanded lows.
6. Douglass North, [*Understanding the Process of Economic Change*](#). This was North’s most ambitious book, and I worked as his research assistant during its writing from 2002 to 2005. North explored the relationship between cognition, mental models, and institutional change, and the last decade-plus of work on behavioral economics and psychology has convinced me that North is onto something very important. Identity matters. Moral systems matter. Moral sentiments matter. *Understanding the Process of Economic Change* was an incomplete analysis, and North would be the first to say so, but it provided a useful foundation for further inquiry. It is, I think, a book that will age well. At a conference in early 2018, Price Fishback of the University of Arizona (also a student of Douglass North, though his advisor was actually Robert Higgs) suggested that every North student’s favorite North book is the one he was working on when they were in grad school. In Fishback’s case, it was [*Structure and Change in Economic History*](#) (which you should also read). In my case, it is *Understanding the Process of Economic Change*.
7. Jason Brennan, [*Why Not Capitalism?*](#) Jason Brennan is a publishing machine who will probably have finished writing a new book by the time you finish reading this article. He is an exemplar of the rare scholar who produces outstanding quality in great quantity. *Why Not Capitalism?* is his response to G.A. Cohen’s short *Why Not Socialism?* I [outlined](#) my disagreements with Cohen in a review for the Foundation for Economic Education in 2010. Brennan offers what I think is a decisive refutation of Cohen’s claims through the use of a thought experiment that is similar and, I think, superior to Cohen’s imagined camping trip. Through an explanation of the Mickey Mouse Clubhouse — an example that will be immediately relevant to the parents of small children — Brennan shows that “utopia is capitalist.”



8. Hans Rosling, [Factfulness](#). Too much of the world's chatter is based on the factually false. Rosling points out that a lot of development ideas are based on decades-out-of-date understandings of poverty and progress. Embracing *Factfulness* and what it teaches us about economic, political, social, and cultural progress will, I think, lead you to a new hopefulness about what the rest of the century has in store.
9. Eugene Richter, [Pictures of the Socialistic Future](#). The tragedy of *Pictures of the Socialistic Future* is that it was published well before the Bolsheviks took power in Russia. Richter explained how the "socialistic future" would operate with chilling and tragic accuracy.
10. Matt Ridley, [The Rational Optimist](#). Ridley is, with Deirdre McCloskey and others, a recipient of the Julian Simon Award from the Competitive Enterprise Institute. *The Rational Optimist* shows precisely why he is so worthy of the award. Ridley discusses how innovation happens and what exchange and division of labor have to do with it. After reading *The Rational Optimist*, I suspect you will join Ridley as an optimist about what the future brings.
11. William Easterly, [The White Man's Burden](#). This was Easterly's follow-up to his excellent *The Elusive Quest for Growth* and the predecessor to his also-excellent *The Tyranny of Experts*. As Easterly argues, a lot of international development effort is rooted in a breathtaking overconfidence in the ability of Western intellectuals and do-gooders to fix systems, structures, and societies and a profound disrespect (bordering on contempt) for the objects of our charity. Easterly will make you question the presumption that the world's poor are only a little more foreign aid or a few more matching-t-shirt-clad church youth groups away from health and prosperity. Reading Easterly will convince you of two things: First, you're not as smart as you think you are. Second, the people you want to help are a lot smarter than you think they are.

A flood of new books hits the market every day. Hardly any of them, sadly, are worth reading, but there are some that are worth reading, pondering, considering, engaging, and then reading again. So it is with the books on this list. ♦

Art Carden is a Senior Fellow at the American Institute for Economic Research. He is also an Associate Professor of Economics at Samford University in Birmingham, Alabama and a Research Fellow at the Independent Institute.

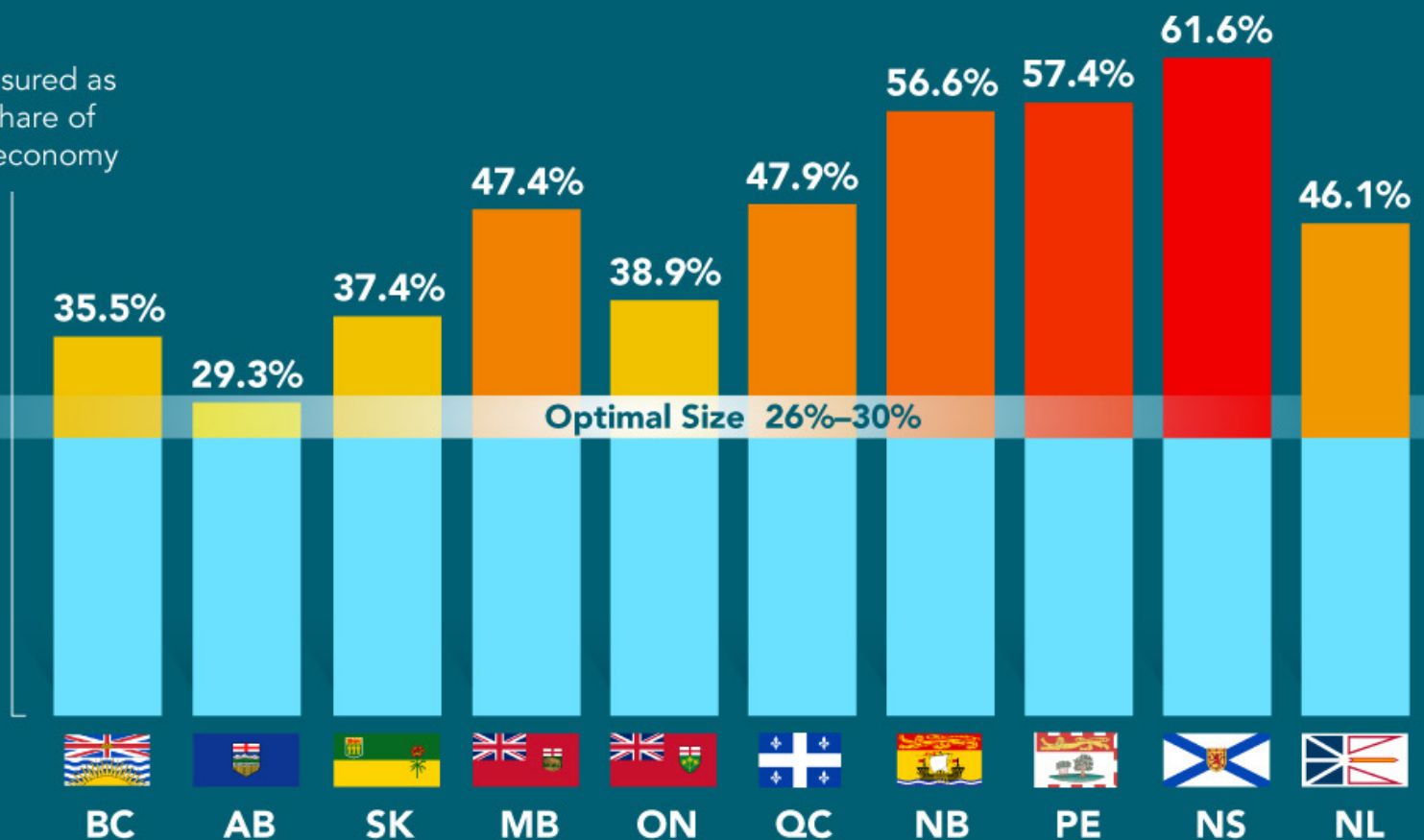


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Total government spending (federal, provincial and local) in 2018 exceeds the historic optimal level

Measured as a share of the economy



SPIKE IN HOUSEHOLD SAVINGS RATE ONLY TEMPORARY

ALEX WHALEN AND JAKE FUSS

Recent data from Statistics Canada provide insight into the economic behaviour of Canadians during the COVID-19 outbreak. On August 28, StatsCan reported household savings rates for the first and second quarter of 2020, with historic results.

In the first quarter of 2020, Canadians saved 7.6 per cent of disposable income, which was the highest rate since 1996. However, the second quarter saw a spike to 28.2 per cent, the highest savings rate since at least 1961. To put this figure in context, the average rate over the five years preceding COVID was about 3 per cent.

In normal times, an increase in household savings might be considered a good thing, as higher household savings has been associated with higher levels of entrepreneurship and other benefits. Obviously these are not normal times, so what should we make of the spike in Canada's household savings?

Economic theory provides some insight. The late Nobel prize-winning economist Milton Friedman developed a concept known as the Permanent Income Hypothesis (PIH) to analyze consumer behaviour. Supported by empirical data, Friedman's research suggests that people tend to consume in line with what they expect will be their permanent income. In other words, people tend not to treat temporary changes in income the same way as they do permanent changes (i.e. they save the bulk of their transitory income).

The permanent income hypothesis asserts that temporary increases in income will lead to minimal increases in consumption because people understand

the temporal nature of the increase in income. Permanent increases in income, however, are likely to lead to larger increases in consumption because people place higher probabilities on sustaining the greater income level in the future.

This finding has implications for Canada's current savings rates as well as temporary income programs such as the Canada Emergency Response Benefit (CERB). Friedman's work suggests that a temporary spike in income is more likely to be saved than spent, as people anticipate that higher government spending today is financed through higher taxes in the future, and because they recognize the temporary nature of the income. As such, the savings rate in Canada has likely spiked because Canadians are depositing temporary payments from the CERB (and similar programs) into savings accounts at their banks rather than spending all of the money, because permanent income for the individual remains unchanged.

Finally, historical research from the Bank of Canada suggests that Canadians may be reacting to the rapid deterioration of government finances. Their analysis examining Canada's long-term trends in personal savings found that the fiscal balances of government are one of the most important determinants of personal savings. Put differently, Canadians

...THE FISCAL BALANCES OF GOVERNMENT ARE ONE OF THE MOST IMPORTANT DETERMINANTS OF PERSONAL SAVINGS

save more when they are worried about the government's fiscal direction. People also tend to save more [out of precaution](#) at times of high uncertainty over their own prospects. This is consistent with Friedman's theory that in periods of severe economic contraction, a greater share of income is seen as transitory rather than permanent.

[Read more on our blog here.](#)

Canadians have been saving at unprecedented rates in the first half of 2020. Research tells us that this behaviour may be explained by a spike in temporary income measures such as CERB, as well as increased concern over the country's future fiscal and economic prospects. For governments considering policy changes, it will be important to remember that the recent spike in savings is only temporary and we must look to improve long-term economic and fiscal conditions to meaningfully improve the quality of life for Canadians. ♦

Jake Fuss is an Economist at the Fraser Institute. He holds a Bachelor of Commerce and a Master's Degree in Public Policy from the University of Calgary. Mr. Fuss has written commentaries appearing in major Canadian newspapers including the Globe and Mail, Toronto Sun, and National Post. His research covers a wide range of policy issues including government spending, debt, taxation, labour policy, and charitable giving.



Alex Whalen is a Policy Analyst with the Fraser Institute and coordinator for many of the activities for the recently launched Atlantic Canada division. Prior to joining the Institute, Alex was the Vice-President of the Atlantic Institute for Market Studies (AIMS), which merged with the Fraser Institute in November 2019. He is a graduate of the Schulich School of Law at Dalhousie University, where he focused on business and tax law, and of the UPEI Business School, where he focused on economics and entrepreneurship. He brings prior experience as an entrepreneur, business manager, and freelance writer to his work at the Institute.



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Climate Innovations: Real Solutions to Real Problems

Bjorn Lomborg

Things are getting better, from life spans, to poverty, to indoor air pollution – once we realize this, we can start asking the right questions to find the right solutions. World leaders have committed to wildly expensive but largely ineffective policies that hamper growth and crowd out more pressing investments in human capital, from immunization to education. Ultimately, Dr. Lomborg believes investing in human capital and innovation is what will advance the real technology and solutions that will help protect our planet. ♦

[Link to Bjorn Lomborg's Recording](#)

Free Market Conservation in Action

Laura Huggins

Laura Huggins explains not only how privately funded wildlife reserves are emerging in North America but how the simple camera trap—an automated digital device that takes a photo whenever an animal triggers a motion sensor—is playing an increasingly important role in species conservation. Camera trap systems are enabling conservation organizations to directly reward private landowners for hosting threatened species on their land. By providing a payment per image of a live animal, wildlife that were once seen as a liability to private landowners are becoming an asset. ♦

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