

# ECONOMIC FREEDOM WANING ACROSS CANADA



**Video Highlight**

The Essential John Stuart Mill: The Benefits of Individualism and Choice

**Blog Post:**

Economic Freedom Waning in Quebec and across Canada

**Student Article:**

Canada Needs a Solid Fiscal Standing to Face Future Emergencies



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*Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being.*

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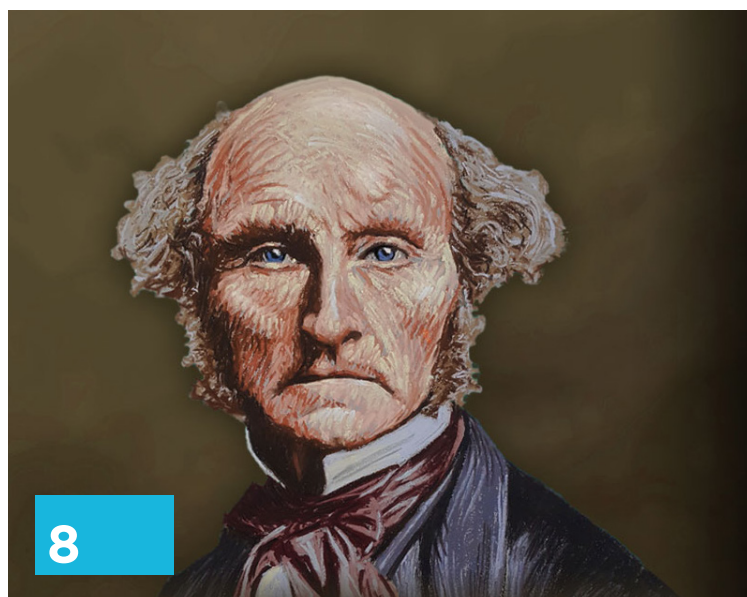
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# WELCOME

Dear Readers:

I hope you enjoyed a safe and warm holiday. Welcome to a new and exciting semester!

This issue features three of our student contributors. Measar Musa explains Canada's immediate need to address federal debt, Sam Kerr discusses the unintended consequences of regulation on trade, and Marium N. Oishee shares her insight on Ronald Bailey and Marian L. Tupy's book, *Ten Global Trends Every Smart Person Should Know*. In addition to these contributions, this issue highlights a recent infographic that ranks Canada's performance among universal health care systems. Within these pages you'll also find a video from the Fraser Institute's *Essential John Stuart Mill* series, "The Benefits of Individualism and Choice."

We're also including a thought-provoking quote from Montesquieu, two exciting blog posts, and two more recordings from the *Explore Public Policy Issues* webinar series for your enjoyment.

If you or someone you know wishes to contribute content to the *Canadian Student Review*, please have them contact me directly at [Daniela.Castillo@fraserinstitute.org](mailto:Daniela.Castillo@fraserinstitute.org).

Regards,

Daniela



Daniela Castillo

# CANADA NEEDS A SOLID FISCAL STANDING TO FACE FUTURE EMERGENCIES

MEASAR MUSA

Canada is now slowly emerging from the COVID-19 pandemic, the economic impacts of which will become fully transparent in the months to come as data from the job market and other economic indicators become available. The health measures that previously limited some activities are being eased and with many economically significant activities such as tourism set to resume, the Canadian economy looks to be ready for a period of growth. Overall, one can be reasonably optimistic that in the coming months both Canada's economy generally and its health situation specifically will be much improved. One thing that has not significantly improved and remains a hurdle that pre-dates the pandemic is the growing federal debt.

In the latest pre-pandemic fiscal update in the fall of 2019, the government projected a deficit of \$25.1 billion dollars for the fiscal year 2020-21, declining to \$8.6 billion in 2024-25 (Canada, Department of Finance, 2019). The latest budget that was introduced in spring 2021 estimated the deficit to be \$354.2 billion dollars in the year 2020-21, declining to \$35.8 billion dollars by the end of the fiscal year 2024-25, over 4 times as large as that predicted 16 months earlier (Canada, Department of Finance, 2021).

At first glance, it may seem like this is an acceptable way forward due to the pandemic. However, there is no concrete plan to eliminate the deficit, which poses serious risks that could further affect Canada's finances in the near future.

One of those risk factors is that interest costs on debt could increase. While interest rates may be relatively low now, rising interest rates would cause the cost

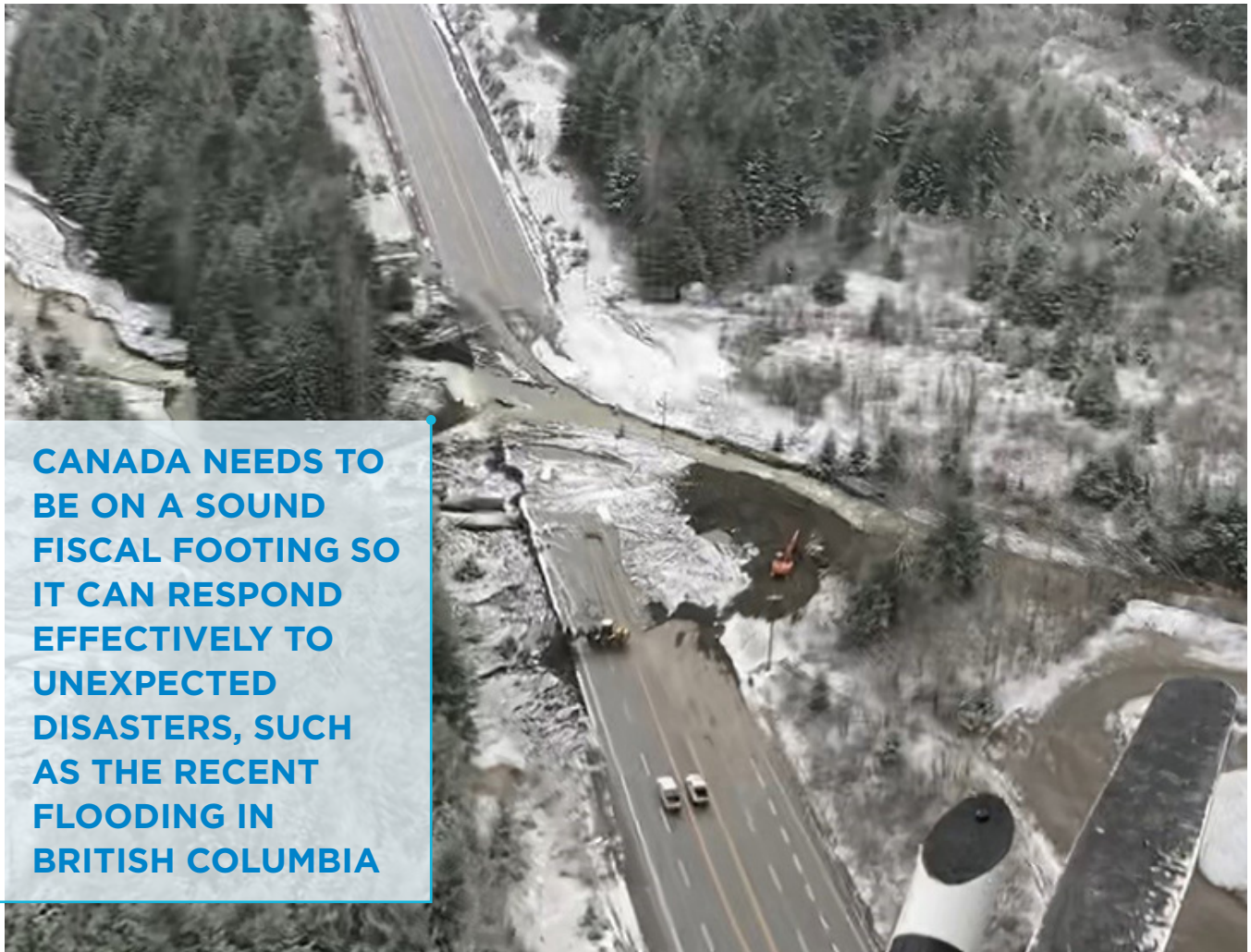
of servicing debt to rise. This can have a very serious impact on the whole economy. The larger the debt, all else equal, the more severe the impact will be. For example, if the interest rates go back to 2019-20 levels, federal interest costs will rise from \$22.1 billion to \$35.2 billion, an increase of nearly 60 percent, or \$13.1 billion in 2021-22 (Clemens, Palacios, and Fuss, 2021).

Additionally, having a large sum of debt that is outstanding could affect Canada's future ability to borrow more money. This has already had an impact on Canada as

a whole, and more recently, on some provinces, as Canada's credit rating fell by one level in June 2020 for the first time since 2004, and British Columbia had its credit worthiness downgraded by the credit rating agency Fitch, partly because of the large federal debt (Brethour, 2021, June 28). Much like the case for individuals, the country's credit rating is an important indicator of the federal government's ability to pay back future debt for funds it may wish to borrow when and if needed.

Some may suggest that the pandemic and its effects are a once-in-a-lifetime event, so the level of government debt is exceptional and won't be repeated. But the reality is that Canada has many challenges that are likely to materialize in the coming decade. Solid financial planning now is of utmost importance to be able to respond to those events without further compromising Canada's fiscal standing.

**THE LARGER THE DEBT, ALL ELSE EQUAL, THE MORE SEVERE THE IMPACT WILL BE.**



**CANADA NEEDS TO BE ON A SOUND FISCAL FOOTING SO IT CAN RESPOND EFFECTIVELY TO UNEXPECTED DISASTERS, SUCH AS THE RECENT FLOODING IN BRITISH COLUMBIA**

One major hurdle that will have multiple impacts is climate change. A recent study has concluded that weather-related catastrophic events are costing the economy more, with the average cost of a catastrophic weather event being nine times higher per capita for the decade after 2010 than before (Sawyer, Ness, Clark, and Beugin, 2020). The most recent example is the 2016 Fort McMurray wildfires, for which the total direct and indirect costs were nearly \$11 billion—equal to an estimated 1.5 years of lost provincial economic growth (Alam, Islam, Mosely, Thomas, and Dowdell, 2017).

Additionally, climate change can have many expenses that are initially unaccounted for, such as health-related costs associated with extreme events such as heat waves, hurricanes and floods, or health care facilities flooding and emergency medical services being more expensive to deliver to the affected communities (Clark, Ness, Coffman, and Beugin, 2021).

Lastly, climate change does not affect one country alone; another consideration is that climate change will force many to migrate within and outside their countries, with a recent study suggesting that upwards of 143 million people in Sub-Saharan Africa, South Asia, and Latin America alone will migrate due to climate by 2050 (Rigaud, et al., 2018). This internal migration will lead to “stepwise migration,” where many of those who migrate within their own borders will eventually be forced to emigrate (Lustgarten, 2020, July 23). If Canada wants to take a key role in leading efforts to resettle these refugees, as it has done previously (BBC, 2019, June 19), doing so will require an increasing financial commitment.

Compounding a catastrophic weather-related disaster with other factors such as an aging population, increased refugee resettlement and foreign aid, and suddenly, the potential for higher spending and more debt accumulation becomes greater and a much more

constant event and less of a rarity. Being able to take on this spending without already dealing with a large outstanding debt, or ideally, having emergency funds in reserve, is vital.

For Canada to be prepared for the future, reducing spending now and putting into action a plan to be in excellent fiscal standing is paramount to be able to adequately face all the challenges that Canada will experience in the coming years. ◆

*Measar Musa is a Master of Public Administration student at the University of Ottawa. He is actively involved in community leadership. His areas of interest include fiscal policy, international trade policy, diplomacy, and international relations.*

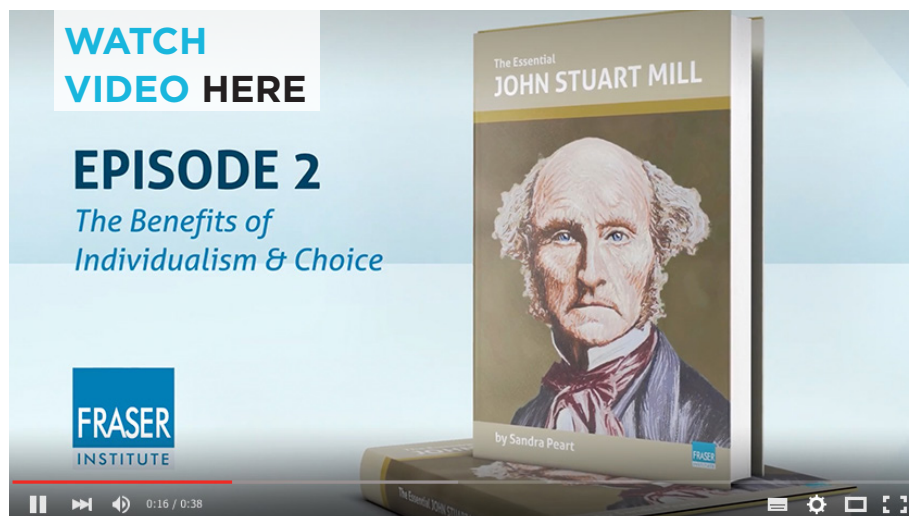


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# ESSENTIAL JOHN STUART MILL: THE BENEFITS OF INDIVIDUALISM AND CHOICE

ONE OF J.S. MILL'S MOST WELL-KNOWN INSIGHTS IS THAT BOTH INDIVIDUALS AND SOCIETY AS A WHOLE BENEFIT WHEN PEOPLE ARE ALLOWED—AND EVEN ENCOURAGED—TO PURSUE THEIR DIFFERENT INTERESTS, PREFERENCES AND TASTES. FOR MILL, EXERCISING THE ACT OF CHOICE IS HOW WE LEARN TO MAKE BETTER DECISIONS, WHICH IMPROVES OUR LIVES.





# ECONOMIC FREEDOM WANING IN QUEBEC AND ACROSS CANADA

YANICK LABRIE

Since the 1990s, economists have assembled data to measure “economic freedom” in countries around the world. People enjoy economic freedom when the property they acquire through trade is protected, when they’re free to start businesses without excessive regulation, or when they can simply use their property as they see fit. In essence, economic freedom speaks to voluntary market exchange, secure property rights, low taxes, and limited government intervention in the economy.

Since 2002, the Fraser Institute has published its annual *Economic Freedom of North America* report, which measures economic freedom in Canada, the United States, and Mexico. Year after year, the numbers tell a very consistent (albeit underappreciated) story. Indeed,

economic freedom has been positively associated with social and personal indicators of human well-being—better health, more education, better employment opportunities, greater economic prosperity, greater social mobility, greater gender equality, less poverty, more social trust and so on. In fact, there’s even good evidence that economic freedom is associated with better outcomes during pandemics.

Worryingly, Canadian provinces remain less economically free than American states and are steadily losing ground, moving away from the ideal of economic freedom. In fact, Canada’s two most populous provinces—Ontario and Quebec—rank in the bottom 10 among all provinces and US states (60



jurisdictions in total). Only Alberta (ranked 33rd) and British Columbia (47th) outrank some US states.

A decade ago, the data told a different story. Alberta ranked first and Ontario did not languish in the bottom 10 like it does now. From 2003 to 2016, Canadian provinces held their ground while economic freedom waned in the US, so the gap with Canada gradually narrowed.

Today's political developments do not give much room for optimism. Due in part to the pandemic, budget deficits and government spending levels have soared. The size of the government sector, in terms of employment, has also surged to rarely seen levels. Unavoidably, all of this will entail higher taxes or significant spending cuts in the future as governments wind down the large debt levels they racked up during COVID. Because government spending levels and rates of taxation remain fundamental to levels of economic freedom, tax increases will automatically reduce economic freedom.

In Quebec, prospects are even bleaker. Prior to 2018, the province got its fiscal house in order and became a champion of fiscal responsibility in Canada. Since then, however, the Quebec government has rapidly increased spending (even prior to COVID). Fiscal projections to 2024 suggest Quebec will be the only province (except Prince Edward Island) that will fall far short of returning to pre-pandemic spending levels. In addition to the fiscal mess, Quebec has recently engaged in a series of nationalistic policies—most notably, Bill 96, which aims to deter the use of English in the province. The bill will likely fail to achieve its objective and simply result in a new costly regulation to help drive businesses away from Quebec.

As the COVID crisis winds down and Canadians assess the way forward, policymakers should consider that increasing economic freedom remains key to improving people's living standards and avoiding any lingering shadow of the pandemic. ♦

*Yanick Labrie, Fraser Institute senior fellow, is a health economist and public policy consultant living in Montreal. He holds a bachelor's degree in economics from Concordia University and a master's degree in economics from the Université de Montréal. Many of his articles have appeared in The Globe and Mail, The National Post, The Ottawa Citizen, The Montreal Gazette, La Presse and Le Devoir, among other newspapers.*



# COMPARING PERFORMANCE OF UNIVERSAL HEALTH CARE COUNTRIES, 2021

[READ MORE HERE](#)



Canada, one of the highest spenders among universal health-care systems, ranks modest to poor on performance

Canada Australia Germany Switzerland

	Canada	Australia	Germany	Switzerland
<b>Health-care Spending</b> (% of GDP)	<b>2<sup>nd</sup></b> /28	<b>9<sup>th</sup></b> /28	<b>4<sup>th</sup></b> /28	<b>1<sup>st</sup></b> /28
<b>Doctors</b> (per thousand)	<b>26<sup>th</sup></b> /28	<b>10<sup>th</sup></b> /28	<b>13<sup>th</sup></b> /28	<b>7<sup>th</sup></b> /28
<b>Hospital Beds</b> (per thousand)	<b>25<sup>th</sup></b> /26	n/a /26	<b>3<sup>rd</sup></b> /26	<b>10<sup>th</sup></b> /26
<b>Specialist Wait</b> (<4 weeks)	<b>10<sup>th</sup></b> /10	<b>5<sup>th</sup></b> /10	<b>3<sup>rd</sup></b> /10	<b>2<sup>nd</sup></b> /10

Note: Data for spending, doctors and beds are adjusted for age

# THE TRADE AND BUSINESS SIDES OF A EUROPEAN UNION “GREEN LABEL” PROGRAM

SAM KERR

## The Trade and Business Sides of a European Union “Green Label” Program

In December 2019, the European Commission enacted its European Green Deal as part of a proposal to reduce greenhouse gas emissions and decouple economic growth from resource consumption (European Commission, 2021). The Green Deal sets out eight policy objectives, including promoting fresh air, clean water, healthy soil and biodiversity, increasing access to healthy and affordable food, and “future proofing” jobs, among other environmental goals.

As part of this agreement, the Commission introduced plans to standardize the way companies make and substantiate environmental claims. The Commission suggests that this change would help “increase efforts to direct private capital towards climate and environmental action” (EUR-Lex, 2020: 2). This is a commendable objective that appears to further both economic growth and environmental protection, but it is also necessary consider the possible downside of the new regulations. What effect will these regulations have on trade? How will the EU’s green labeling proposal affect business?

### The European Union’s rationale for this proposal

Before considering how this proposed regulation will affect trade and other market transactions, it is worthwhile to examine the EU’s rationale for harmonizing green product packaging. According to the Commission, the status quo has led to “[too many] methods to measure and assess environmental impacts” (EUR-Lex, 2020). Furthermore, the

Commissions claims that the status quo has led to “a proliferation of claims related to environmental information, which goes hand in hand with a proliferation of misleading claims, including climate-related claims” (EUR-Lex, 2020). The Commission asserts that there are three grounds for the EU to intervene in green product labeling:

1. **Market failure.** The European Commission claims that a lack of a single, reliable method to quantify environmental impacts has led to unfair claims about environmental performance (EUR-Lex, 2020). Market failure occurs when prevailing prices of goods do not produce quantities where the price reflects the marginal benefit of consumption (The Library of Economics and Liberty, n.d.). In this view, companies are not competing for products based on their actual environmental performance.
2. **Regulatory Failure.** The European Commission claims that the status quo leads to regulatory failure. Currently companies voluntarily disclose information about their products, but this has led to a proliferation of green claims. Firms may choose to disclose a product’s environmental benefits only when it is in their interest and obscure its environmental harm otherwise, and consumers may be misled.
3. **Imperfect information.** Even though imperfect information seems to be the market failure identified in point 1, the European Commission claims the status quo has led to this as a separate phenomenon. The Commissions states that under the status quo, market participants lack simplified,

immediate, and trustworthy information on products' environmental performance (EUR-Lex, 2020). Some products may incorrectly be seen as "green" based on erroneous eco-labels. In other words, a key assumption of a functioning market is not in place.

### **How might the EU's regulatory proposal effect trade?**

Formal tariffs and barriers to trade have gradually declined as countries have embraced economic rationales against tariffs (Irwin, 1996). Trade liberalization is a positive economic development because countries specialize in producing goods that they can produce relatively efficiently, while at the same time consumers have access to better and cheaper products (Boudreaux, Undated). The benefits of liberalizing trade have persuaded 164 countries to become observers at the World Trade Organization (WTO), which has a stated goal of providing a forum for negotiating and monitoring further trade liberalization. In 2007, the members of the WTO represented 96.7% of global GDP (WTO, 2013).

Continued efforts to reduce tariffs will likely stimulate further economic innovation. In this regard, national product regulations are a major existing trade barrier. Countries with free trade agreements may not enact specific new tariffs, but regulations can still create substantial barriers to trade. Their regulations, standards, testing and certification procedures, known as technical barriers to trade, may create obstacles that impede trade (Global Affairs Canada, 2018).

### **Does the European Union's green labeling proposal pose a barrier to trade?**

For the packaging requirements to not reduce trade, they need to meet at least two conditions. First, they need to not discriminate against imported products or in favour of domestic goods. Second, these packaging regulations can be no more restrictive of trade than necessary. It is worth considering whether these requirements are fulfilled in the European Union, and what risks might arise for trade should they be implemented.

### **Discriminating against non-European Union products**

As noted earlier, a basic premise of free trade is that countries should remove tariffs to allow each other to specialize where they have a comparative advantage (Friedman, 1962). Proposing a new environmental labeling system in the European Union could add cost for products from outside of the EU by forcing non-EU producers to undertake new product testing and packaging designs to comply with the regulations pertaining to products sold within the jurisdiction. Therefore, it is important that this measure does not harm international producers and boost demand for goods within the European Union while harming international trade.

### **Creating a predictable trading environment**

As members of the WTO, EU countries have also agreed to the Technical Barriers to Trade (TBT) agreement, which members adopted on January 1, 1995 and which is intended to address non-tariff trade barriers (WTO, 2021). One component of the TBT agreement is that regulations should create a stable environment. If the European Union enforces new packaging regulations, these regulations need to promote stable trade, whereby companies can plan for regulations that will be put in place. This provision within the TBT agreement is important in that it fosters economic activity. Changing regulations might harm business productivity and economic growth. If the EU decides to adopt new packaging requirements, it is important that businesses understand and can comply with the new requirements and also that they have time to adapt to changes. Furthermore, regulations for green packaging should comply with international standards—EU standards should be based on scientific evidence and broadly be in accord with WTO rules for implementing product standards.

### **Are there alternatives?**

An alternative to the EU's green labeling proposal is to allow companies to independently verify green claims. The EU notes, however, that this status quo has led to several forms of market failure. This may be true, but it also does not account for the fact that many

companies verify their products against conflicting government standards, and that alternative systems could be used to regulate green claims.

In favour of consumer choice, companies like SGS global services, Green Seal, UL Environment, and Cradle to Cradle provide third party product certification services. Companies submitting their products to these rating programs can receive independent certification of green claims that consumers can trust. When compared to designing and implementing a standardized scheme for certifying products, this option may reduce red tape while allowing consumers to make their choices among competing claims. The option implies a certain level of consumer choice but also sophistication on the part of consumers to evaluate claims, while removing the possibility of labeling requirements creating barriers to trade. In other words, alternatives exist to the enforcement of standardized product labeling.



## How should the EU's green product legislation be seen in the future?

Standardized packaging regulations for green products have the potential to create barriers to trade while increasing costs for businesses. Therefore, regulators, businesses, and legislators should weigh the anticipated benefits of creating a single eco-label against the risks that this action could discourage investment and impede trade. Non-EU members should watch the proposed regulations and raise concerns through appropriate channels. Although creating a standardized green label may appear to solve problems with the status quo, this regulation must be carefully designed so that the EU remains compliant with its trade agreements. ◆

*Sam Kerr is a Master of Public Administration student at the University of Victoria. He is currently working at Global Affairs Canada in the Trade Policy and Negotiations Branch. He previously worked at Environment and Climate Change Canada. He holds a master's degree in history from the University of Calgary (2020), and a bachelor's degree in history and economics from the University of Victoria. In the summer of 2021 he worked at the University of Calgary; he plans to continue to research policy issues as he writes his MPA thesis.*



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# A REVIEW OF *TEN GLOBAL TRENDS EVERY SMART PERSON SHOULD KNOW*

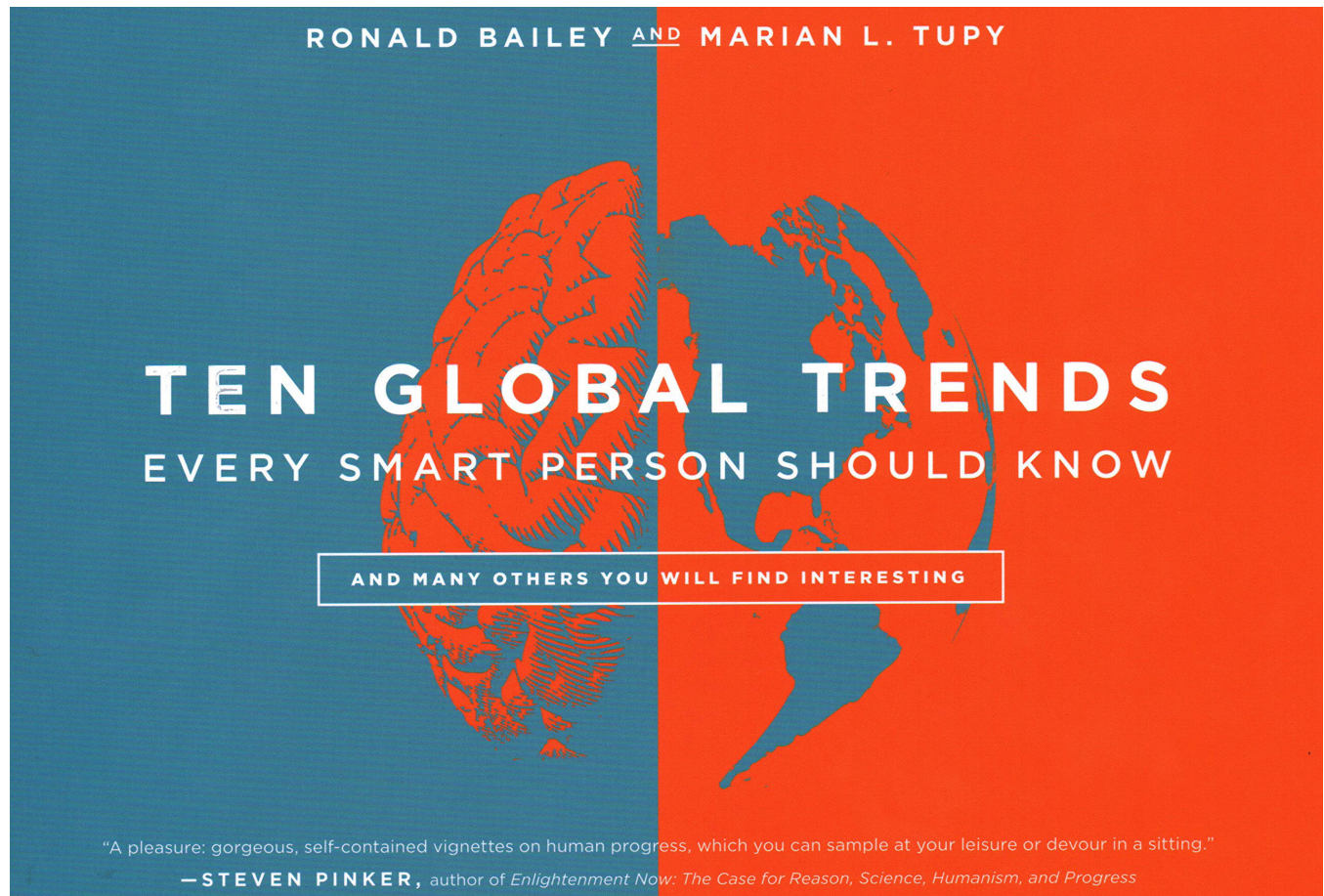
MARIUM N. OISHEE

During my lifetime, one conviction I have always held is that as long as there is life, there is hope. However, the last two years have tested that belief every moment, for every single one of us, in the worst possible ways. In a world tormented by pandemic, forest fires, landslides, and every other conceivable natural calamity, *Ten Global Trends Every Smart Person Should Know* is the epitome of hope.

The book begins with the promised 10 trends that encompass a spectrum of contemporary issues such as the global economy, standard of life, natural

resources, and democracy, to name a few. Once those choice trends are established through what I trust is some well-researched and “uncontroversial data from official and scientific sources,” the book presents us with more thought-provoking facts in the form of 68 additional trends.

The rest of the book is divided into eight categories: people trends, health trends, violence trends, work trends, natural resource trends, farm trends, tech trends, and US trends. By the time you arrive at Trend 78, you know just about enough to be intrigued to



learn more, but also to have faith that humanity is in good hands. Granted, not every trend is a happy one and not every trend is going to give you butterflies of excitement, but to quote Harvard University psychologist Steven Pinker, as the authors of this book do, "It's essential to realize that progress does not mean that everything gets better for everyone, everywhere, all the time. That would be a miracle, but that wouldn't be progress."

At its core, this is a book of hope, with a side order of knowledge. This may not be the book you will quote during an evening conversation with your friends. This is, however, a book you will think of at the end of the day, when mainstream or social media are plaguing you with terrible news from which you want to escape. What makes this book truly special is that it was curated to cater to the needs of all the busy people whose schedules do not allow them to indulge in a thorough, lengthy read, which is why this book presents just enough hard, need-to-know facts to stimulate your curiosity, making you want to educate yourself further.

In a world where hope seems to be waning continuously, I cannot think of a better book to recommend for a light read. If you are going to pick up one book today, let it be Bailey and Tupy's *Ten Global Trends Every Smart Person Should Know*.

This book is available for purchase [here](#). ◆

*Marium N. Oishee is a recent graduate from the Bachelor of Business Administration (Hons.) program at Memorial University of Newfoundland. An avid reader since childhood, Marium is fascinated by all things literary. Hailing from Bangladesh, she is always on the search for spicy food and is always cold. She would love to grab a (virtual) coffee with you and can be reached at [mnoishee@mun.ca](mailto:mnoishee@mun.ca).*

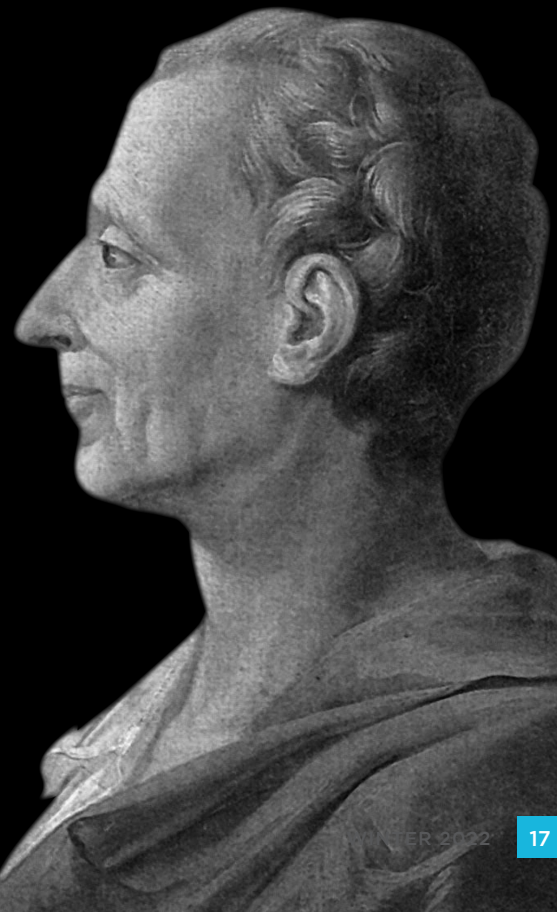




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DEMOCRATIC AND ARISTOCRATIC STATES ARE NOT IN THEIR OWN NATURE FREE. POLITICAL LIBERTY IS TO BE FOUND ONLY IN MODERATE GOVERNMENTS; AND EVEN IN THESE IT IS NOT ALWAYS FOUND. IT IS THERE ONLY WHEN THERE IS NO ABUSE OF POWER. BUT CONSTANT EXPERIENCE SHOWS US THAT EVERY MAN INVESTED WITH POWER IS APT TO ABUSE IT, AND TO CARRY HIS AUTHORITY AS FAR AS IT WILL GO.

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— MONTESQUIEU, *THE SPIRIT OF THE LAWS*



# THE DEATH OF CAPITALISM— SCHUMPETER'S PROGNOSIS COMING TRUE

RUSSELL S. SOBEL

Capitalism is doomed to be replaced by socialism. At least that's the view of Joseph Schumpeter, the well-known Harvard economist responsible for his popularization of the term "creative destruction"—the process where new entrepreneurial innovations arise and subsequently cause the old way of doing things to disappear.

Somewhat ironically, despite Schumpeter being a staunch defender of capitalism and its long-run benefits, this view put him in agreement with the noted socialist writer, Karl Marx. While Marx believed the end of capitalism would come in the form of a working-class revolt due to capitalism's failures, Schumpeter instead believed that capitalism's successes would eventually destroy the system from within—a prediction that in many ways looks to be coming true at a more rapid rate than ever.

Schumpeter believed that the enormous productivity of capitalism would easily churn out the goods needed for basic consumption, freeing up labour from the fields and factories to enjoy a leisurely life in the new modern intellectual class of academics, journalists, and bureaucrats. This class would be so separated and removed from the actual process of entrepreneurship and production, they would turn against the very philosophical foundations and institutions of the economic system that made their lives possible. Not understanding the roots of their own condition, they spend their daily efforts deliberately working to undermine the systems of private property, private contracting, decentralized decision-making, entrepreneurship, and voluntary exchange. They condemn capitalism as a foregone

conclusion and view any pro-capitalism position as crazy and anti-social.

To Schumpeter, discussion among the intellectuals would require the condemnation of capitalism as "virtually a requirement of the etiquette of discussion." This is a prediction many believe has come true on university campuses in Canada and the United States.

Adding fuel to the fire, in Schumpeter's view, the continual flow of product innovation becomes something people take for granted, entrenched in the routine operation of large firms. Progress is no longer so visibly attributed to innovative entrepreneurial individuals. The sizeable political and social class of small merchant entrepreneurs and their employees who once directly felt vested in the economic system of capitalism and property ownership are replaced by emotionally unattached employees, managers, or shareholders of large bureaucratic firms. Thus, the entrepreneur falls from being on top of the pyramid of society. Children aspire to be doctors, teachers, bureaucrats, or politicians, but no longer entrepreneurs.

Even at the time of his writings in the mid- to late-1900s, Schumpeter believed this transition to socialism was already underway. He cited as evidence the rapid growth of government regulations, controls on banking and labour markets, price controls, high levels of taxation and redistribution, calls for government takeovers of industries, and the growing influence of large business firms in the political process attempting to use the power of government to protect their interests from potential domestic and foreign

competition. A system of crony capitalism in which the appearance of markets is outwardly maintained, but to a large degree the allocation of resources, and the profit and loss of businesses, are determined by political decision-making rather than consumer choices and market forces. Firms and individuals compete for government favours rather than consumer dollars in the marketplace.

Schumpeter believed the use of democracy to intervene in economic affairs would continue to march until personal and economic freedoms are greatly curtailed and regulated. Whether or not it's called socialism, it will be to a large extent functionally.

Today, these same trends continue to progress as more and more individuals lose sight of capitalism as the true historical source of their well-being and of its long-run benefits. They instead focus on using expanded government control to alleviate short-run economic concerns and social shortcomings as they see them, without realizing the harmful long-run secondary effects of greater and greater government control and intervention.

While both Schumpeter and Marx agreed on the eventual transition from capitalism to socialism, there's an important difference in their viewpoints. Marx personally desired socialism and believed it to be a superior economic system. But Schumpeter held the opposite view, believing in the power of private innovation and entrepreneurship and the benefits capitalism produced; ones he believed were far superior to the outcomes under socialism. Unlike Marx, Schumpeter did not want capitalism to be replaced by socialism, nor did he think this transition would be beneficial for the well-being of society. In fact, he thought it would result in major declines in living standards.

Until people once again celebrate and aspire to the creative genius of entrepreneurship and recognize that it's precisely market-based exchanges and the systems of private property and market competition that have lifted them from the necessity of being poverty-stricken farm and factory workers just to survive, we remain solidly on the path Schumpeter predicted in his famous 1942 book, *Capitalism, Socialism and Democracy*. ♦

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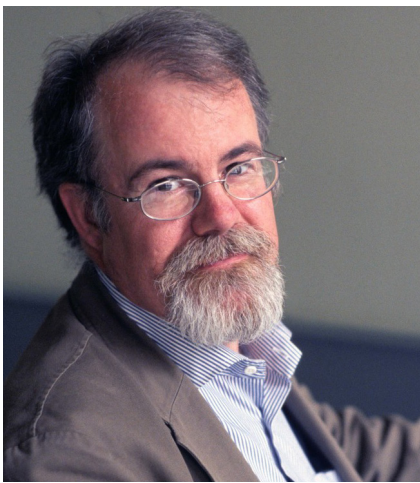


# EXPLORE PUBLIC POLICY ISSUES



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*William Easterly*

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*Liya Palagashvili*

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