

Economic freedom for the rest of us

Jim Stanford [Canadian Auto Workers]

copyright: Jim Stanford, 2007

Thank you for Margaret Legum's solid critique of the Economic Freedom Index¹ -- a silly project that is sponsored by several right-wing think tanks around the world (including the Heritage Foundation in the U.S., and Canada's Fraser Institute which actually started the whole thing).

The thinking behind the Index is thoroughly neoclassical: markets work best when government intervention is minimized, and private sector agents are given maximum "freedom" to produce and accumulate. The variables which enter this index (many of which are subjective scores, rather than empirical data) reflect this orientation. A country is free if it has low taxes, weak regulation (including labour market regulation), and free trade. One form of government intervention which is desirable, of course, is the active protection of property rights (including increasingly abstract intellectual property rights); this variable enters the Index with a positive weighting.

The obvious question to be asked, however, is: "Freedom for who?" The choice of variables in the right-wing freedom index assumes that what is good for investors and employers, is good for everyone (trickle-down writ large). In reality, however, economic freedom is in the eye of the beholder. What enhances freedom for an employer (eg. the freedom to hire labour at the cheapest wage possible) undermines economic freedom for his or her employees (eg. the freedom to work in a job without suffering poverty).

All this is reminiscent, of course, of Anatole France's famous quote: "The law, in its majestic equality, forbids the rich as well as the poor to sleep under bridges, to beg in the streets, and to steal bread."

The Fraser Institute has a Canadian version of the Economic Freedom Index which ranks Canada's ten provinces according to their freedom scores. In conjunction with the Canadian Centre for Policy Alternatives (Canada's main progressive think tank), I prepared two studies earlier this decade which constructed an alternative index. This index was called Economic Freedom for the Rest of Us (or EFRU for short -- the acronym sounds deliberately like F-you!). It was composed of various indices of the extent to which average people (as opposed to employers and investors) are able to support themselves in a reasonably prosperous and secure manner. Some of our variables (such as trade union penetration) also appeared in the Fraser Institute's index ... but with the opposite sign! Needless to say, the ranking of Canada's provinces differed considerably depending on which vision of "freedom" is utilized.

Here are links to the two EFRU studies:

http://policyalternatives.ca/documents/National_Office_Pubs/efru.pdf

http://policyalternatives.ca/documents/National_Office_Pubs/efru2000.pdf

¹ Margaret Legum, "Should We Aspire to a High Score for 'Economic Freedom'?", *post-autistic economics review*, issue no. 42, 18 May 2007, p. 60, <http://www.paecon.net/PAERreview/issue42/Legum42.htm>

I wonder if progressive economists might be interested in networking internationally to produce an alternative global index which similarly attempts to measure economic freedom -- for the rest of us.

Author contact: stanford@caw.ca

SUGGESTED CITATION:

Jim Stanford, "A Silly Project", *post-autistic economics review*, issue no. 43, 15 September 2007, pp. 59, <http://www.paecon.net/PAEReview/issue43/Stanford43.htm>