



# Liberty Centered Government

Dr. Tom G. Palmer  
[Tom.Palmer@AtlasNetwork.org](mailto:Tom.Palmer@AtlasNetwork.org)



# 1. The nature of states

- “a state is that human community which (successfully) lays claim to the monopoly of legitimate physical violence within a certain territory, this ‘territory’ being another of the defining characteristics of the state.”
  - Max Weber, “Politics as a Vocation”



## 2. The nature of governments

- “Government (to define it de jure or according to ancient prudence) is an art whereby a civil society of men is instituted and preserved upon the foundation of common right or interest, or (to follow Aristotle and Livy) it is the empire of laws and not of men.”

- James Harrington, *The Commonwealth of Oceana*



## 2. The nature of governments

- “[t]he only way whereby any one divests himself of his Natural Liberty, and *puts on the bonds of Civil Society* is by agreeing with other Men to joyn and unite into a Community, for their comfortable, safe, and peaceable living one amongst another, in a secure Enjoyment of their Properties, and a greater Security against any that are not of it.”

- John Locke, *Second Treatise of Government*





### 3. Liberty and government

◦ “[T]he end of law is not to abolish or restrain, but to preserve and enlarge Freedom: where there is no Law, there is no Freedom.”

◦ John Locke, *Second Treatise of Government*



### 3. Liberty and government

- “For Liberty is to be free from restraint and violence from others which cannot be, where there is no Law: But Freedom is not, as we are told, A Liberty for every Man to do what he lists: (For who could be free, when every other Man’s Humour might domineer over him?) But a Liberty to dispose, and order, as he lists, his Person, Actions, Possessions, and his whole Property, within the Allowance of those Laws under which he is; and therein not to be subject to the arbitrary Will of another, but freely follow his own.”
  - John Locke, *Second Treatise of Government*



## 4. What is presumed? Liberty or Power?

### ◦ Liberty

#### ◦ What is not prohibited is allowed

- Every adult is presumed free to do what he or she wants with what is his or her own (body, house, land, etc.) unless there is some reason to stop him or her;
  - Reasons to restrict one's freedom include various harms to others and provision of public goods
  - Powers are specified, but rights are assumed to be plenary (unenumerated), unless restricted by an authorized power

### ◦ Power

#### ◦ What is not allowed is prohibited

- Government is presumed to have the power to prohibit or restrict and the people must request permission before undertaking action
- Rights – permissions – are specified (enumerated), but powers are assumed to be plenary, unless specifically restricted by a permission



## In a Liberty Centered Government, Powers Are Enumerated

- “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

- Amendment X, United States Constitution



## In a Liberty Centered Government, Rights Are Unenumerated

- “The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people.”
  - United States Constitution, Amendment IX



## 5. Why the presumption of liberty?

- Falsification

or

- Verification



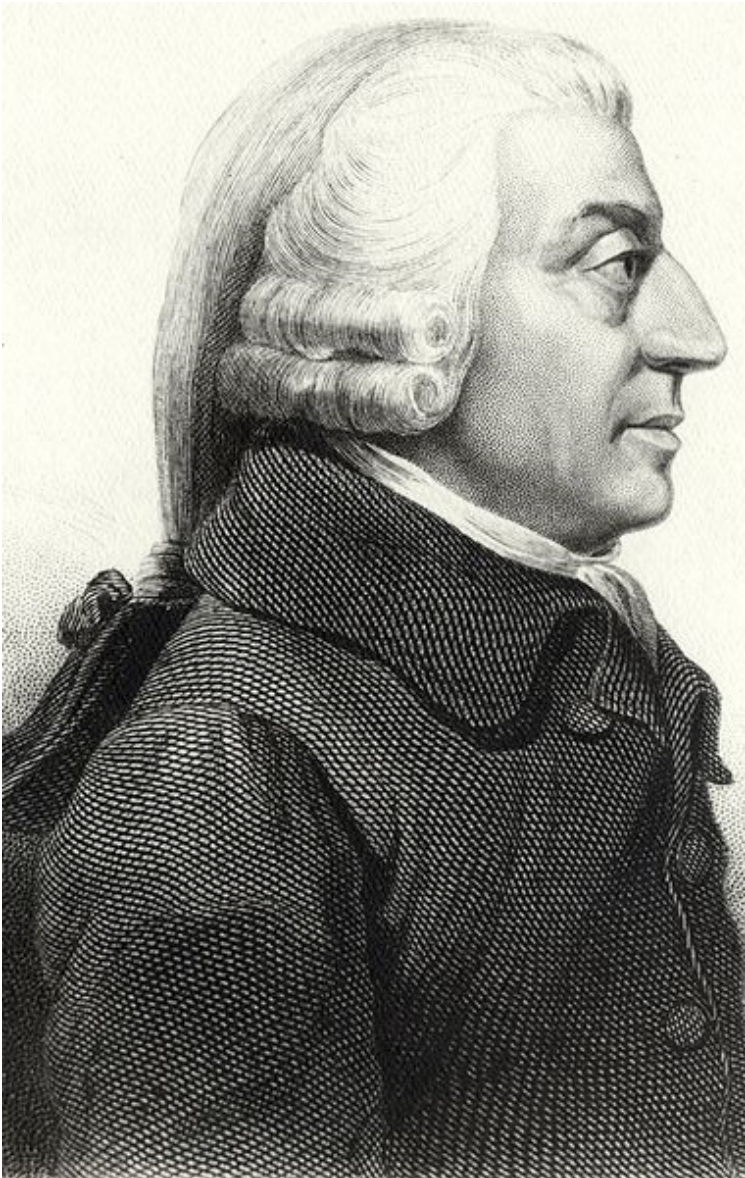
# Who bears the burden of proof?

- The presumption of innocence

- An indefinitely long list of charges can be made against a person.
- No matter how many that person may falsify, there may still be more that have not been falsified.
- The burden of proof is on the one who claims that you committed a crime to verify the charge, not on the one who is charged to falsify it.

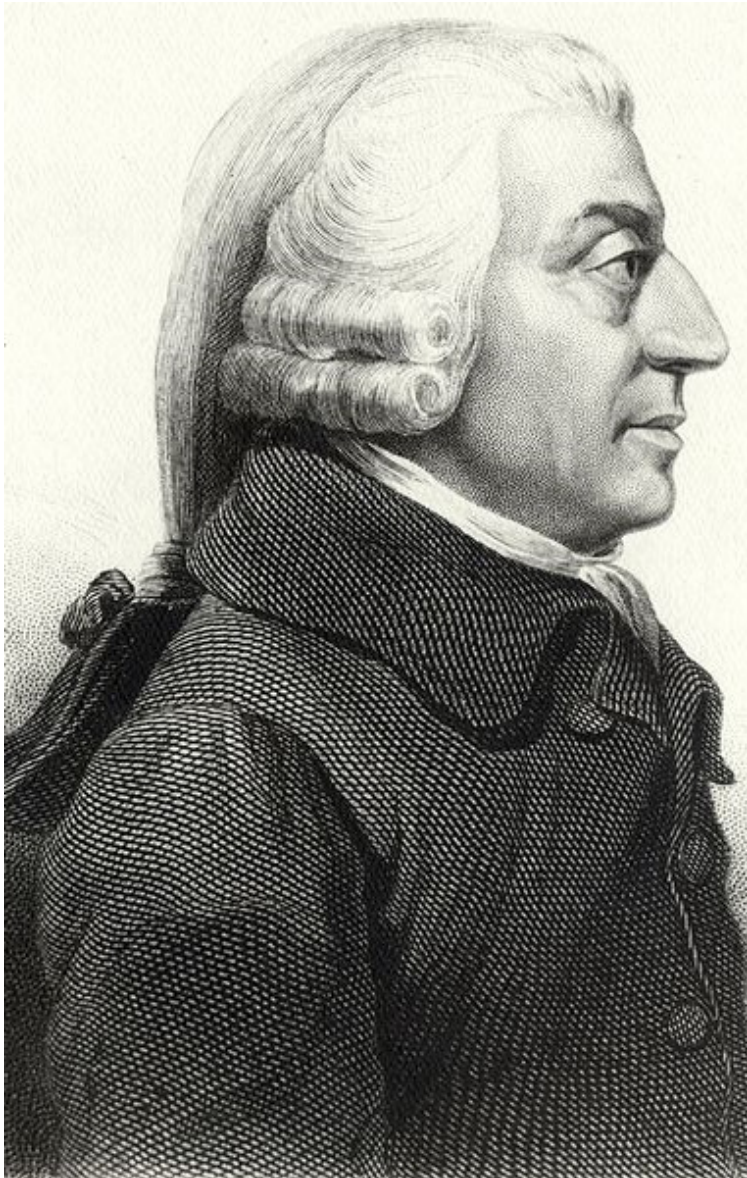
- The presumption of liberty

- An indefinitely long list of claims could be raised why one should not be permitted to do something, for example, that it is harmful.
- No matter how many such claims may be falsified, one cannot prove that there are not other reasons that could be offered.
- The burden of proof is on the one who would limit another's liberty to show that the act would be harmful, not on the one who would act to show that it would be harmless.



# The simple system of natural liberty

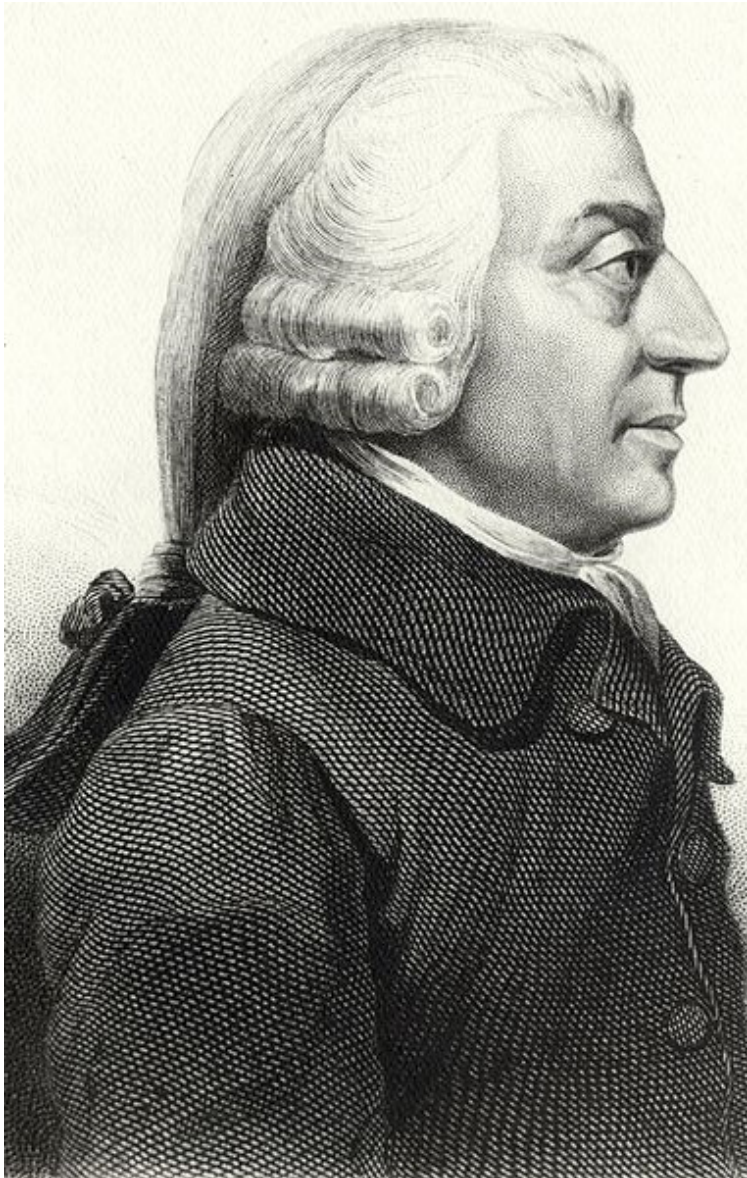
- “All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.



# The simple system of natural liberty

- The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society.





# The simple system of natural liberty

- According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain publick works and certain publick institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain....”

TABLE 1.1 Ease of doing business ranking

Rank	Economy	EODB score	EODB score change	Rank	Economy	EODB score	EODB score change	Rank	Economy	EODB score	EODB score change
1	New Zealand	86.59	0.00	65	Colombia	69.24	+0.20	129	Barbados	56.78	0.00
2	Singapore	85.24	+0.27	66	Luxembourg	69.01	0.00	130	St. Vincent and the Grenadines	56.35	+0.01
3	Denmark	84.64	+0.59	67	Costa Rica	68.89	-0.47	131	Cabo Verde	55.95	+0.02
4	Hong Kong SAR, China	84.22	+0.04	68	Peru	68.83	+0.56	132	Nicaragua	55.64	+0.37
5	Korea, Rep.	84.14	-0.01	69	Vietnam	68.36	+1.59	133	Palau	55.59	+0.01
6	Georgia	83.28	+0.48	70	Kyrgyz Republic	68.33	+2.57	134	Guyana	55.57	-1.21
7	Norway	82.95	+0.25	71	Ukraine	68.25	+0.94	135	Mozambique	55.53	+1.78
8	United States	82.75	-0.01	72	Greece	68.08	-0.12	136	Pakistan	55.31	+2.53
9	United Kingdom	82.65	+0.33	73	Indonesia	67.96	+1.42	137	Togo	55.20	+6.32
10	Macedonia, FYR	81.55	+0.32	74	Mongolia	67.74	+0.27	138	Cambodia	54.80	+0.41
11	United Arab Emirates	81.28	+2.37	75	Jamaica	67.47	+0.55	139	Maldives	54.43	+0.10
12	Sweden	81.27	0.00	76	Uzbekistan	67.40	+1.08	140	St. Kitts and Nevis	54.36	+0.01
13	Taiwan, China	80.90	+0.24	77	India	67.23	+6.63	141	Senegal	54.15	+0.37
14	Lithuania	80.83	+0.29	78	Oman	67.19	-0.02	142	Lebanon	54.04	+0.07
15	Malaysia	80.60	+2.57	79	Panama	66.12	+0.41	143	Niger	53.72	+1.24
16	Estonia	80.50	+0.01	80	Tunisia	66.11	+1.51	144	Tanzania	53.63	+0.34
17	Finland	80.35	+0.05	81	Bhutan	66.08	+0.20	145	Mali	53.50	+0.23
18	Australia	80.13	-0.01	82	South Africa	66.03	+1.37	146	Nigeria	52.89	+1.37
19	Latvia	79.59	+0.33	83	Qatar	65.89	+0.64	147	Grenada	52.71	+0.07
20	Mauritius	79.58	+1.29	84	Malta	65.43	+0.28	148	Mauritania	51.99	+0.92
21	Iceland	79.35	+0.05	85	El Salvador	65.41	+0.21	149	Gambia, The	51.72	+0.23
22	Canada	79.26	+0.38	86	Botswana	65.40	+0.46	150	Marshall Islands	51.62	+0.01
23	Ireland	78.91	-0.51	87	Zambia	65.08	+1.48	151	Burkina Faso	51.57	+0.12
24	Germany	78.90	0.00	88	San Marino	64.74	+2.27	152	Guinea	51.51	+2.02
25	Azerbaijan	78.64	+7.10	89	Bosnia and Herzegovina	63.82	+0.27	153	Benin	51.42	+0.13
26	Austria	78.57	+0.03	90	Samoa	63.77	+0.01	154	Lao PDR	51.26	+0.11
27	Thailand	78.45	+1.06	91	Tonga	63.59	+0.03	155	Zimbabwe	50.44	+1.92
28	Kazakhstan	77.89	+0.73	92	Saudi Arabia	63.50	+1.62	156	Bolivia	50.32	+0.15
29	Rwanda	77.88	+4.15	93	St. Lucia	63.02	+0.06	157	Algeria	49.65	+2.06
30	Spain	77.68	+0.07	94	Vanuatu	62.87	-0.21	158	Kiribati	49.07	+0.33
31	Russian Federation	77.37	+0.61	95	Uruguay	62.60	+0.34	159	Ethiopia	49.06	+0.91
32	France	77.29	+0.99	96	Seychelles	62.41	-0.01	160	Micronesia, Fed. Sts.	48.99	0.00
33	Poland	76.95	-0.36	97	Kuwait	62.20	+0.75	161	Madagascar	48.89	+0.71
34	Portugal	76.55	-0.07	98	Guatemala	62.17	+1.01	162	Sudan	48.84	+3.75
35	Czech Republic	76.10	+0.05	99	Djibouti	62.02	+8.87	163	Sierra Leone	48.74	+0.15
36	Netherlands	76.04	+0.01	100	Sri Lanka	61.22	+1.80	164	Comoros	48.66	+0.14
37	Belarus	75.77	+0.72	101	Fiji	61.15	+0.04	165	Suriname	48.05	-0.05
38	Switzerland	75.69	+0.01	102	Dominican Republic	61.12	+0.55	166	Cameroon	47.78	+0.83
39	Japan	75.65	+0.05	103	Dominica	61.07	+0.04	167	Afghanistan	47.77	+10.64
40	Slovenia	75.61	+0.02	104	Jordan	60.98	+1.42	168	Burundi	47.41	+0.73
41	Armenia	75.31	+2.06	105	Trinidad and Tobago	60.81	-0.12	169	Gabon	45.58	-0.23
42	Slovak Republic	75.17	+0.29	106	Lesotho	60.60	+0.19	170	São Tomé and Príncipe	45.14	+0.30
43	Turkey	74.33	+4.44	107	Namibia	60.53	+0.24	171	Iraq	44.72	+0.04
44	Kosovo	74.15	+0.44	108	Papua New Guinea	60.12	+1.19	171	Myanmar	44.72	+0.51
45	Belgium	73.95	+2.24	109	Brazil	60.01	+2.96	173	Angola	43.86	+2.16
46	China	73.64	+8.64	110	Nepal	59.63	-0.32	174	Liberia	43.51	-0.04
47	Moldova	73.54	+0.38	111	Malawi	59.59	+0.84	175	Guinea-Bissau	42.85	+0.27
48	Serbia	73.49	+0.17	112	Antigua and Barbuda	59.48	+0.06	176	Bangladesh	41.97	+0.91
49	Israel	73.23	+0.64	113	Paraguay	59.40	+0.41	177	Equatorial Guinea	41.94	+0.28
50	Montenegro	72.73	+0.20	114	Ghana	59.22	+2.06	178	Timor-Leste	41.60	+1.71
51	Italy	72.56	-0.15	115	Solomon Islands	59.17	+0.33	179	Syrian Arab Republic	41.57	+0.02
52	Romania	72.30	-0.53	116	West Bank and Gaza	59.11	+0.39	180	Congo, Rep.	39.83	+0.36
53	Hungary	72.28	+0.34	117	Eswatini	58.95	+0.13	181	Chad	39.36	+1.15
54	Mexico	72.09	-0.18	118	Bahamas, The	58.90	+0.77	182	Haiti	38.52	+0.11
55	Brunei Darussalam	72.03	+1.85	119	Argentina	58.80	+0.87	183	Central African Republic	36.90	+2.67
56	Chile	71.81	+0.37	120	Egypt, Arab Rep.	58.56	+2.74	184	Conoco. Dem. Rep.	36.85	+0.67

# Now....How does Brazil fare?

- Brazil is a free and democratically governed country.
- Brazil has a free media and substantial freedom of speech.
- Brazilians enjoy freedom of religion.
- Brazil has a fundamentally market economy with substantial constraints
  - Let's look at the obstacles to creating value through work, investment, and free exchange



# It's not easy to build a business...or anything.

- Dealing with construction permits: 175 out of 190
  - Number of days involved: 434
- Paying taxes: 184 out of 190
  - Time (hours per year): 1,958

BRAZIL		Latin America & Caribbean		GNI per capita (US\$)	
Ease of doing business rank (1–190)		Ease of doing business score (0–100)		Population	
109		60.01		8,580	
209,288,278					
✓ Starting a business (rank)	140	✓ Getting credit (rank)	99	✓ Trading across borders (rank)	106
Score for starting a business (0–100)	80.23	Score for getting credit (0–100)	50.00	Score for trading across borders (0–100)	69.85
Procedures (number)	10.6	Strength of legal rights index (0–12)	2	Time to export	
Time (days)	20.5	Depth of credit information index (0–8)	8	Documentary compliance (hours)	12
Cost (% of income per capita)	5.0	Credit bureau coverage (% of adults)	80.5	Border compliance (hours)	49
Minimum capital (% of income per capita)	0.0	Credit registry coverage (% of adults)	78.7	Cost to export	
				Documentary compliance (US\$)	226.4
Dealing with construction permits (rank)	175	Protecting minority investors (rank)	48	Border compliance (US\$)	862
Score for dealing with construction permits (0–100)	49.86	Score for protecting minority investors (0–100)	65.00	Time to import	
Procedures (number)	19.2	Extent of disclosure index (0–10)	5	Documentary compliance (hours)	24
Time (days)	434	Extent of director liability index (0–10)	8	Border compliance (hours)	30
Cost (% of warehouse value)	0.7	Ease of shareholder suits index (0–10)	4	Cost to import	
Building quality control index (0–15)	9.0	Extent of shareholder rights index (0–10)	7	Documentary compliance (US\$)	106.9
		Extent of ownership and control index (0–10)	6	Border compliance (US\$)	375
✓ Getting electricity (rank)	40	Extent of corporate transparency index (0–10)	9		
Score for getting electricity (0–100)	84.37			Enforcing contracts (rank)	48
Procedures (number)	4	Paying taxes (rank)	184	Score for enforcing contracts (0–100)	66.00
Time (days)	64.4	Score for paying taxes (0–100)	34.40	Time (days)	731
Cost (% of income per capita)	52.5	Payments (number per year)	10	Cost (% of claim value)	22.0
Reliability of supply and transparency of tariffs index (0–8)	6	Time (hours per year)	1,958	Quality of judicial processes index (0–18)	13.1
		Total tax and contribution rate (% of profit)	65.1		
x Registering property (rank)	137	Postfiling index (0–100)	7.80	Resolving insolvency (rank)	77
Score for registering property (0–100)	51.94			Score for resolving insolvency (0–100)	48.48
Procedures (number)	13.6			Time (years)	4.0
Time (days)	31.4			Cost (% of estate)	12.0
Cost (% of property value)	3.6			Recovery rate (cents on the dollar)	14.6
Quality of land administration index (0–30)	13.8			Strength of insolvency framework index (0–16)	13.0

## World Bank 2019 Doing Business Report



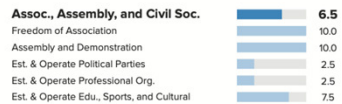
# BRAZIL

LATIN AMERICA & THE CARIBBEAN

Ranking  
**109**  
Score  
**6.48**

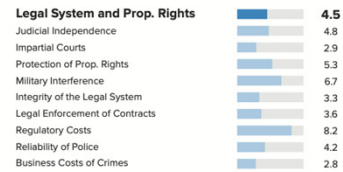
## Personal Freedom

88/162 Ranking Score 6.74

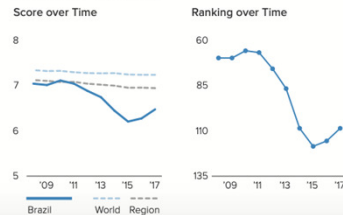


## Economic Freedom

120/162 Ranking Score 6.23



## Human Freedom



WHAT OF OVERALL  
HUMAN FREEDOM, AND  
NOT ONLY THE FREEDOM  
TO CREATE VALUE?

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Human Freedom</b>	<b>7.05</b>	<b>7.02</b>	<b>7.02</b>	<b>7.05</b>	<b>6.89</b>	<b>6.75</b>	<b>6.45</b>	<b>6.21</b>	<b>6.28</b>	<b>6.48</b>
<b>Ranking</b>	<b>70</b>	<b>70</b>	<b>66</b>	<b>67</b>	<b>76</b>	<b>87</b>	<b>109</b>	<b>119</b>	<b>116</b>	<b>109</b>
Economic Freedom	6.36	6.29	6.47	6.47	6.29	6.12	6.00	5.83	6.11	6.23
Personal Freedom	7.72	7.76	7.77	7.63	7.49	7.39	6.90	6.59	6.44	6.74
<b>Rule of Law</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>	<b>4.7</b>
Procedural Justice	6.1	6.1	6.1	6.1	5.5	5.5	5.0	5.2	5.0	5.0
Civil Justice	5.5	5.5	5.5	5.5	5.1	5.1	5.3	5.3	5.3	5.3
Criminal Justice	4.9	4.9	4.9	4.9	3.7	3.7	3.7	3.9	3.7	3.7
<b>Security and Safety</b>	<b>6.8</b>	<b>7.0</b>	<b>7.1</b>	<b>6.0</b>	<b>6.2</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>	<b>5.5</b>	<b>6.7</b>
Homicide	0.5	0.9	1.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Disappearance, Conflict, Terrorism	10.0	10.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Women's Security, Safety	10.0	10.0	10.0	8.8	8.8	7.5	7.5	7.5	7.5	10.0
<b>Movement</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
Freedom of Domestic Movement	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Freedom of Foreign Movement	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Women's Freedom of Movement	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>Religious Freedom</b>	<b>9.3</b>	<b>9.4</b>	<b>9.3</b>	<b>9.4</b>	<b>9.5</b>	<b>9.4</b>	<b>7.7</b>	<b>7.7</b>	<b>7.4</b>	<b>7.4</b>
Freedom to Establish Religious Org.	10.0	10.0	10.0	10.0	10.0	10.0	5.0	5.0	5.0	5.0
Harassment and Physical Hostilities	8.8	8.9	8.6	8.7	8.9	8.6	8.6	8.8	8.2	8.2
Legal and Regulatory Restrictions	9.1	9.4	9.4	9.5	9.5	9.5	9.5	9.4	9.1	9.1
<b>Assoc., Assembly, and Civil Society</b>	<b>8.3</b>	<b>8.3</b>	<b>8.3</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
Freedom of Association	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Assembly and Demonstration	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Est. & Operate Political Parties	5.8	5.8	5.8	8.8	8.8	8.8	2.5	2.5	2.5	2.5
Est. & Operate Professional Organizations	7.1	7.1	7.1	8.8	8.8	8.8	2.5	2.5	2.5	2.5
Est. & Operate Edu., Sports, and Cultural	8.8	8.8	8.8	10.0	10.0	10.0	7.5	7.5	7.5	7.5
<b>Expression and Information</b>	<b>8.7</b>	<b>8.7</b>	<b>8.6</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.6</b>	<b>8.4</b>	<b>8.5</b>	<b>8.5</b>
Press Killed	10.0	9.8	9.8	10.0	9.2	9.3	9.5	8.7	9.5	9.8
Press Jailed	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Laws and Reg. That Influence Media	5.0	5.3	5.3	5.7	5.7	5.7	5.7	5.7	5.3	5.3
Political Pressure, Control Media	6.0	5.5	5.3	5.0	4.5	4.8	4.8	4.5	4.5	4.5
Access to Cable and Satellite	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Freedom of Access to Frgn. Info.	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
State Control over Internet Access	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>Identity and Relationships</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>
Legal Gender	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	0.0	0.0
Same-Sex Relationships	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Divorce	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

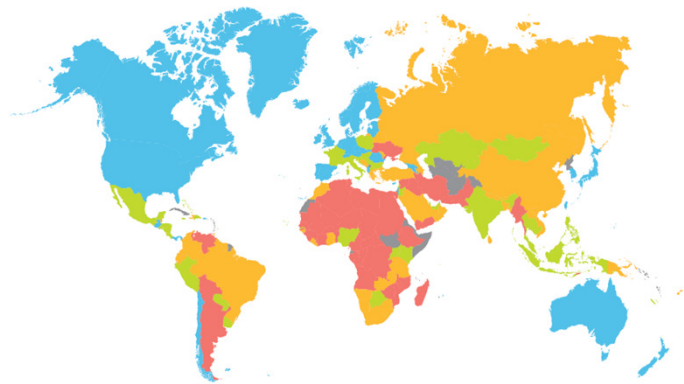
James Gwartney, Robert Lawson,  
Joshua Hall & Ryan Murphy

with Daniel L. Bennett, Rosemarie Eike,  
Fred McMahon, Boris Nikolaev



## 2019 ANNUAL REPORT

# Economic Freedom of the World



● MOST FREE
 ● 2ND QUARTILE
 ● 3RD QUARTILE
 ● LEAST FREE

Exhibit 12a: Summary Economic Freedom Ratings for 2017, First and Second Quartiles

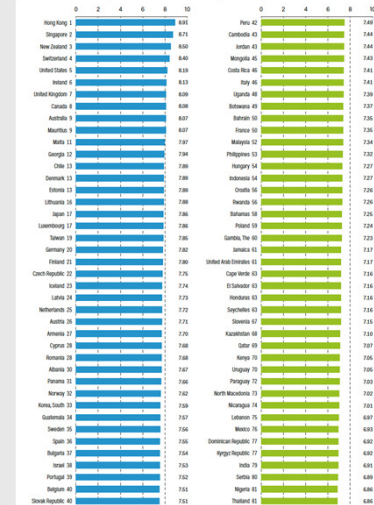
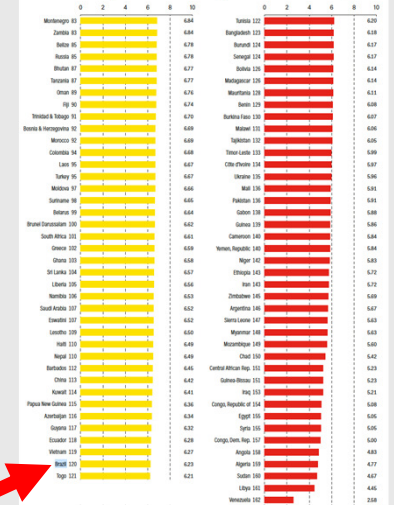


Exhibit 12b: Summary Economic Freedom Ratings for 2017, Third and Fourth Quartiles



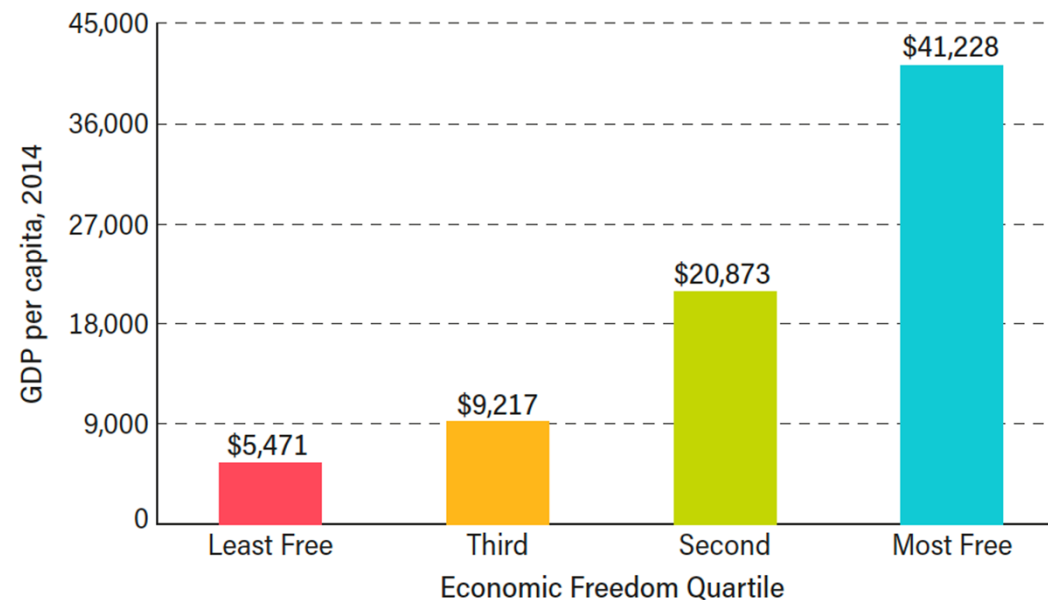
## What of freedom to engage in exchange more generally?

- On the Economic Freedom of the World Report of the Fraser Institute of Canada, Brazil ranks 120 out of 162

# Economic Freedom: How much do people have to live on?

Exhibit 1.8: Economic Freedom and Income per Capita

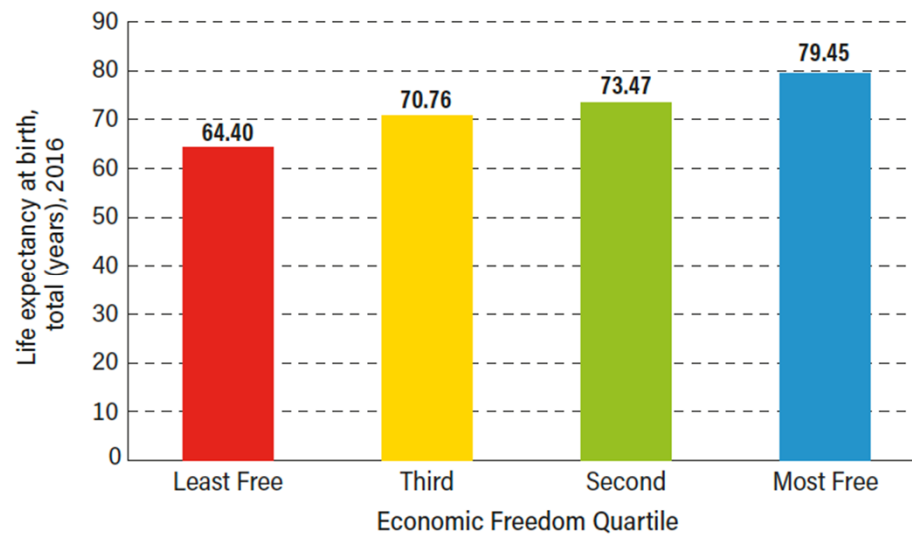
*Countries with more economic freedom have substantially higher per-capita incomes.*



# Economic Freedom: How long can they expect to live?

Exhibit 1.8: Economic Freedom and Life Expectancy

*Life expectancy is about 15 years longer in countries with the most economic freedom than in countries with the least.*

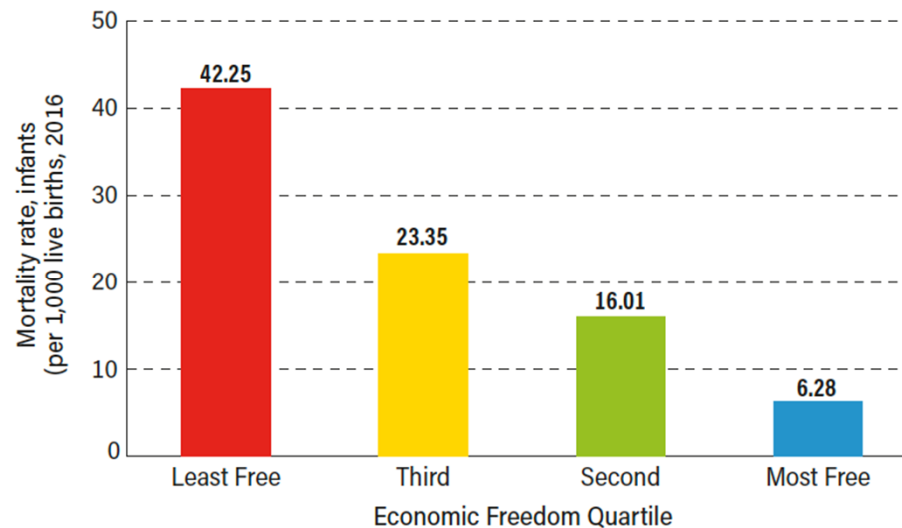


Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*.

# Economic Freedom: How many babies die before reaching a year of age?

Exhibit 1.9: Economic Freedom and Infant Mortality Rate

*The infant mortality rate is almost seven times higher in nations in the lowest quartile of economic freedom compared to nations in the highest quartile.*

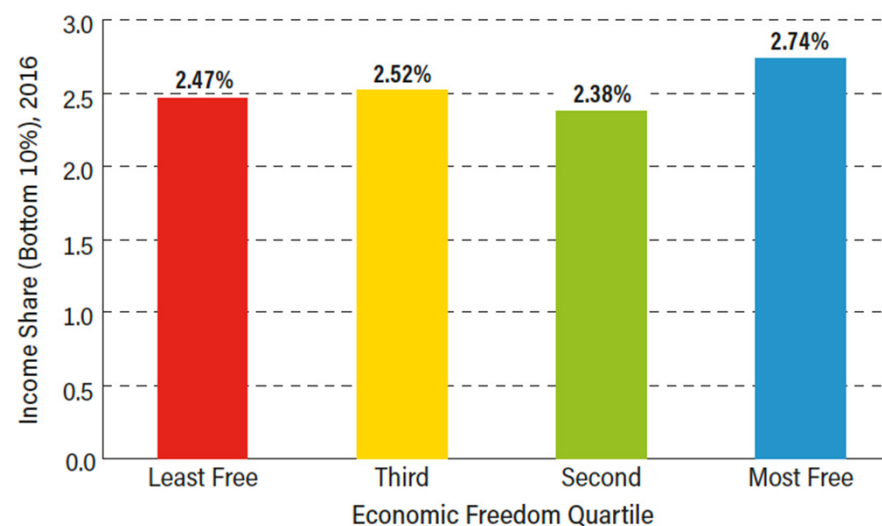


Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*.

# Economic Freedom: Do the poor receive more or less of total wealth produced?

Exhibit 1.6: Economic Freedom and the Income Share of the Poorest 10%

*The share of income earned by the poorest 10% of the population is unrelated to economic freedom.*



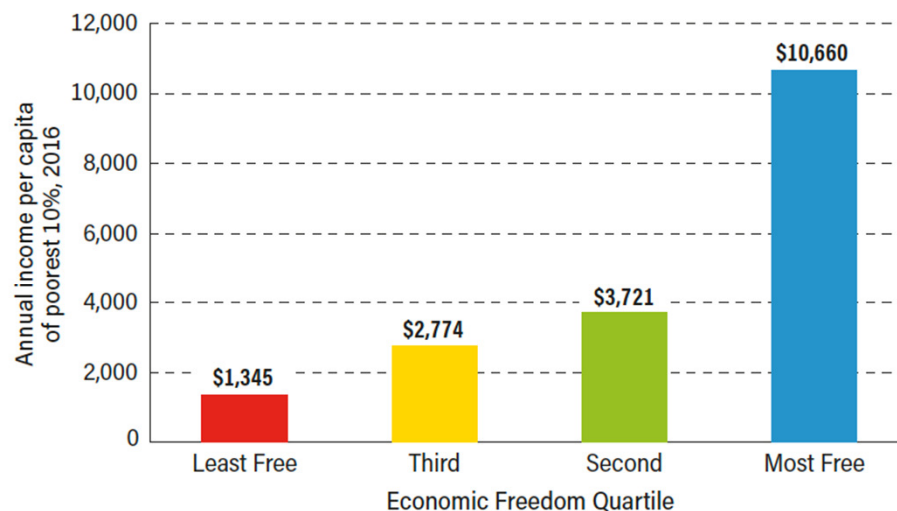
Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*.



# Economic Freedom: What percentage of national income goes to the poor?

Exhibit 1.7: Economic Freedom and the Income Earned by the Poorest 10%

*The amount of income, as opposed to the share, earned by the poorest 10% of the population is much higher in countries with higher economic freedom.*

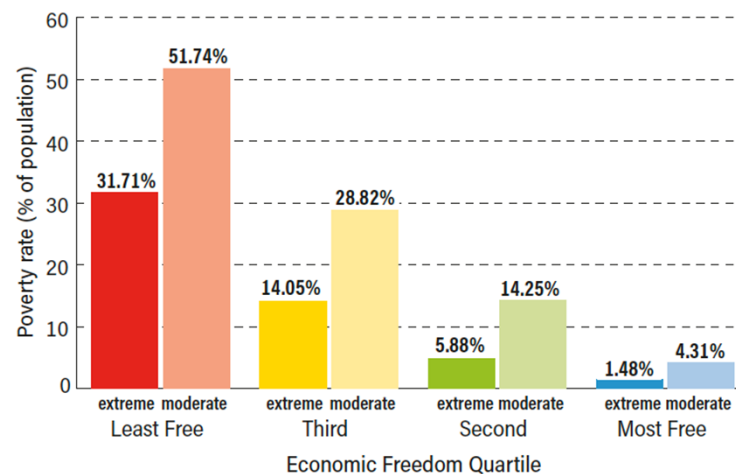


Note: Annual income per capita of poorest 10% (PPP constant US\$), 2016  
Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, World Development Indicators.

# Economic Freedom: What percentage of people live in poverty?

Exhibit 1.10: Economic Freedom and Extreme and Moderate Poverty Rates

*Extreme and moderate poverty are lower in countries with more economic freedom.*

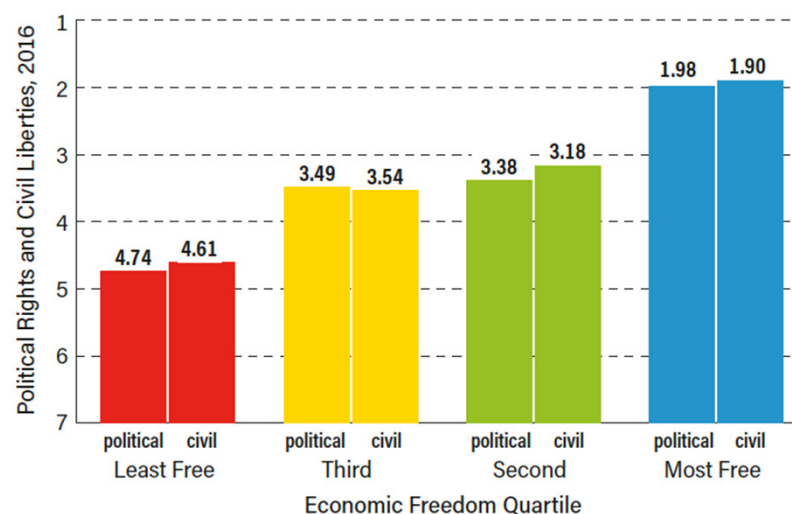


Note: The **extreme** poverty rate is the percentage of a country's population that lives on \$1.90 per day; the **moderate** poverty rate is the percentage that lives \$3.20 per day, in 2011 constant PPP-adjusted dollars.

Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*; for details, see Connors, 2011.

# Economic Freedom: What is the relationship of market capitalism to political and civil liberties – to democracy and personal freedom?

*Greater economic freedom is associated with more political rights and civil liberties.*

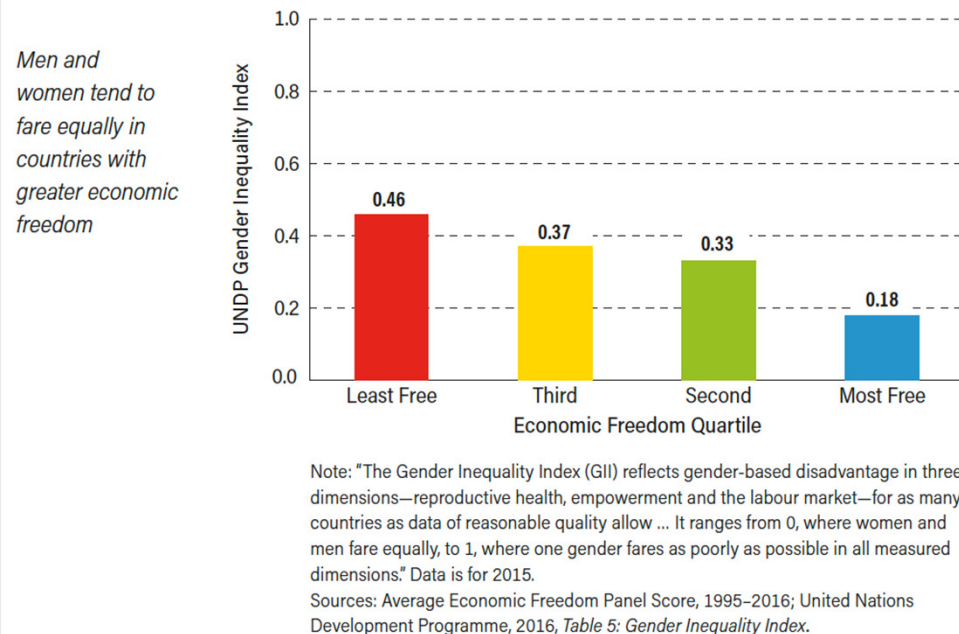


Note: **Political rights** and **civil liberties** are measured on a scale from 1 to 7: 1 = the highest degree of political rights and civil liberties; 7 = the lowest.

Sources: Average Economic Freedom Panel Score, 1995–2016; Freedom House, 2017, *Freedom in the World 2017*.

# Economic Freedom: How equal are women in reproductive health, empowerment, and rights to work?

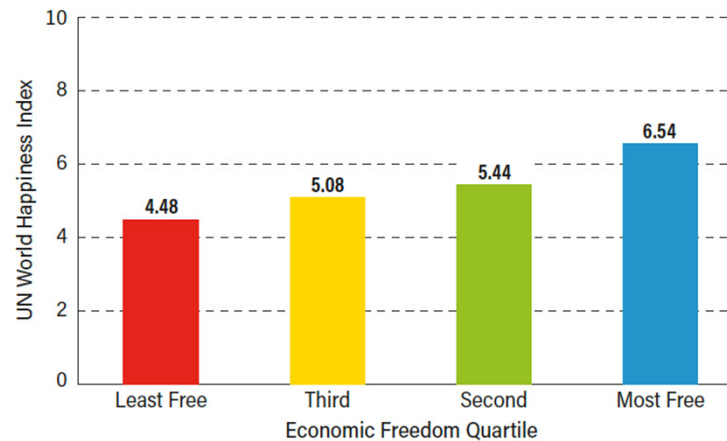
Exhibit 1.12: Economic Freedom and the UN Gender Inequality Index



# Economic Freedom: But....are people happy with economic freedom?

Exhibit 1.13: Economic Freedom and the UN World Happiness Index

*People in countries with greater economic freedom tend to be happier about their lives.*



Note: "The rankings are based on answers to the main life evaluation question ... This is called the Cantril ladder: it asks respondents to think of a ladder, with the best possible life for them being a 10, and the worst possible life being a 0. They are then asked to rate their own current lives on that 0 to 10 scale." Data are for 2015.

Sources: Average Economic Freedom Panel Score, 1995–2016; United Nations, 2016, *World Happiness Report 2016 Update*.

# Free-market reforms that eliminate obstacles to creating wealth can be done quickly and effectively

- On Every Continent

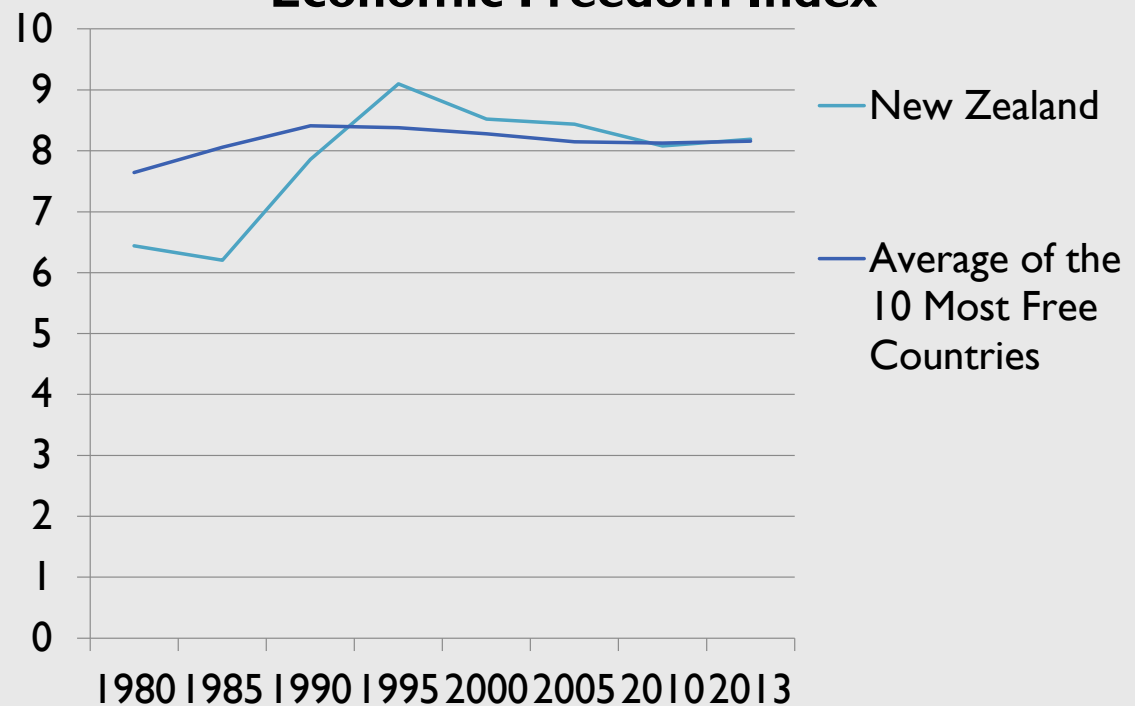
- Hong Kong
- South Korea
- Chile
- Georgia
- Botswana
- New Zealand
- Estonia

- Small countries, large countries, former Communist countries, former colonies, left-wing, right-wing,: IT DOESN'T MATTER, IF YOU GET THE REFORMS RIGHT



- New Zealand went from catastrophe and poverty to wealth in a fairly short time

## Economic Freedom Index





# A Few Key New Zealand Reforms



- **State Owned Enterprise Act of 1986**

- No subsidies
- Have to earn profits
- Management is independent, even if ownership is state...dividends go to government

- **State Sector Act of 1988**

- Instead of allocations or appropriations, budgets were changed into purchase agreements, in which government in British sense bought services or products from ministries, which then had to produce the goods
- Those purchase agreements are written and signed and made public
- Failures to produce resulted in people being fired, whereas in US or Europe they usually result in bigger allocations....in the US they are rewarded for failure and in NZ they are rewarded for success and penalized for failure

- **Public Finance Act of 1989**

- Instead of typical government accounting, with unfunded liabilities not on the books, they use GAAP, must account for all assets and liabilities and report them like a company would, with monthly and annual public financial reports

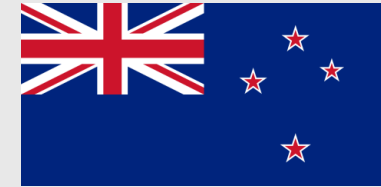
- **The Reserve Bank Act of 1989**

- Central bank policy has one and only one goal, to maintain the purchasing power of the NZ dollar, whereas in US they wobble between so-called “full employment” and price stability, leading to more financial crises.
- They also create a contractual agreement between the minister of finance, who is politically accountable, and the governor of the Reserve Bank, who otherwise has independence from political intervention or manipulation
- Makes it harder to fiddle with the money system in a lead-up to the election, which was a major problem in NZ in the 1960s through 1980s and is still a big problem in the US

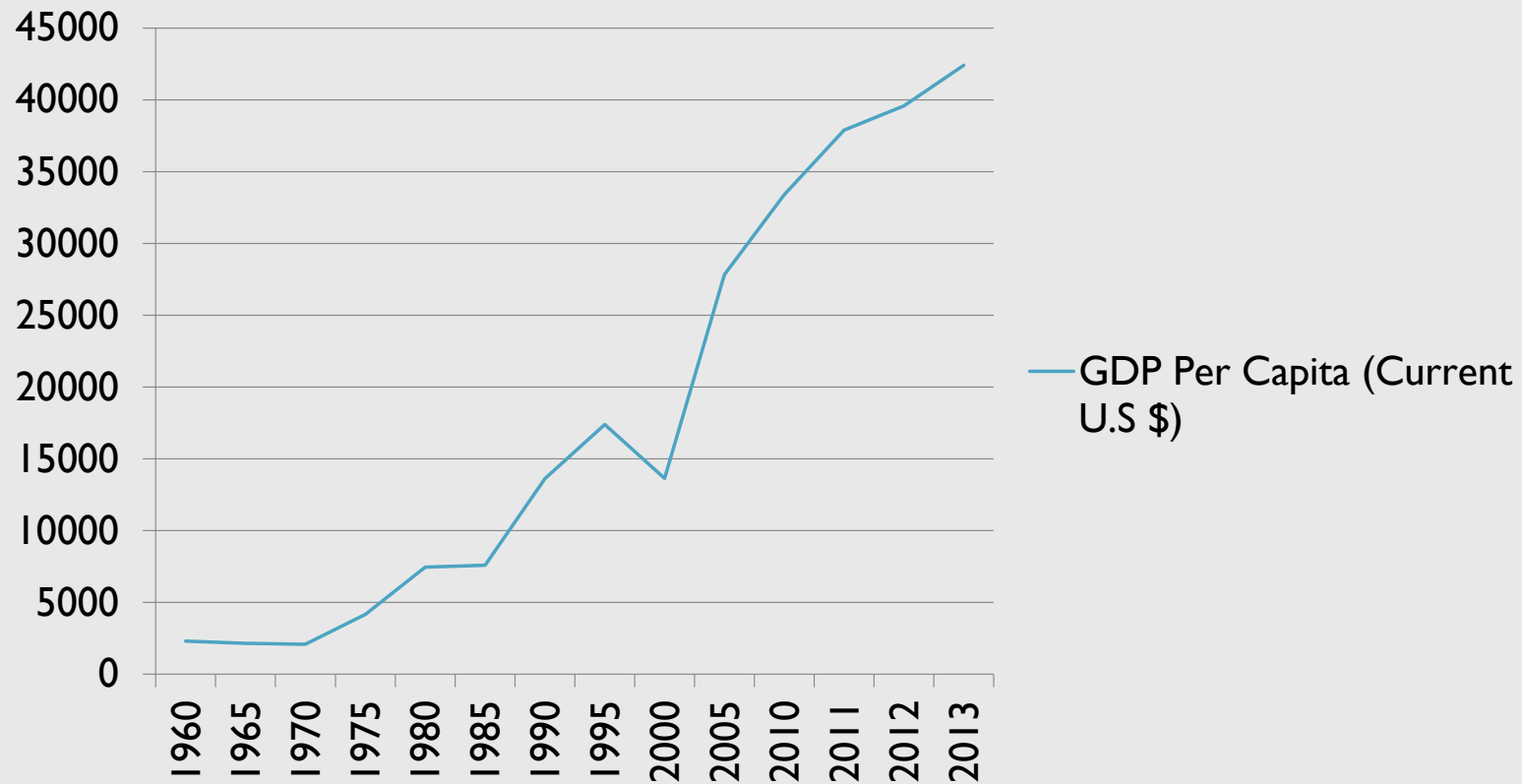
- **Elimination of Subsidies to Agriculture in 1985**

- **Almost Total Freedom of International Trade**

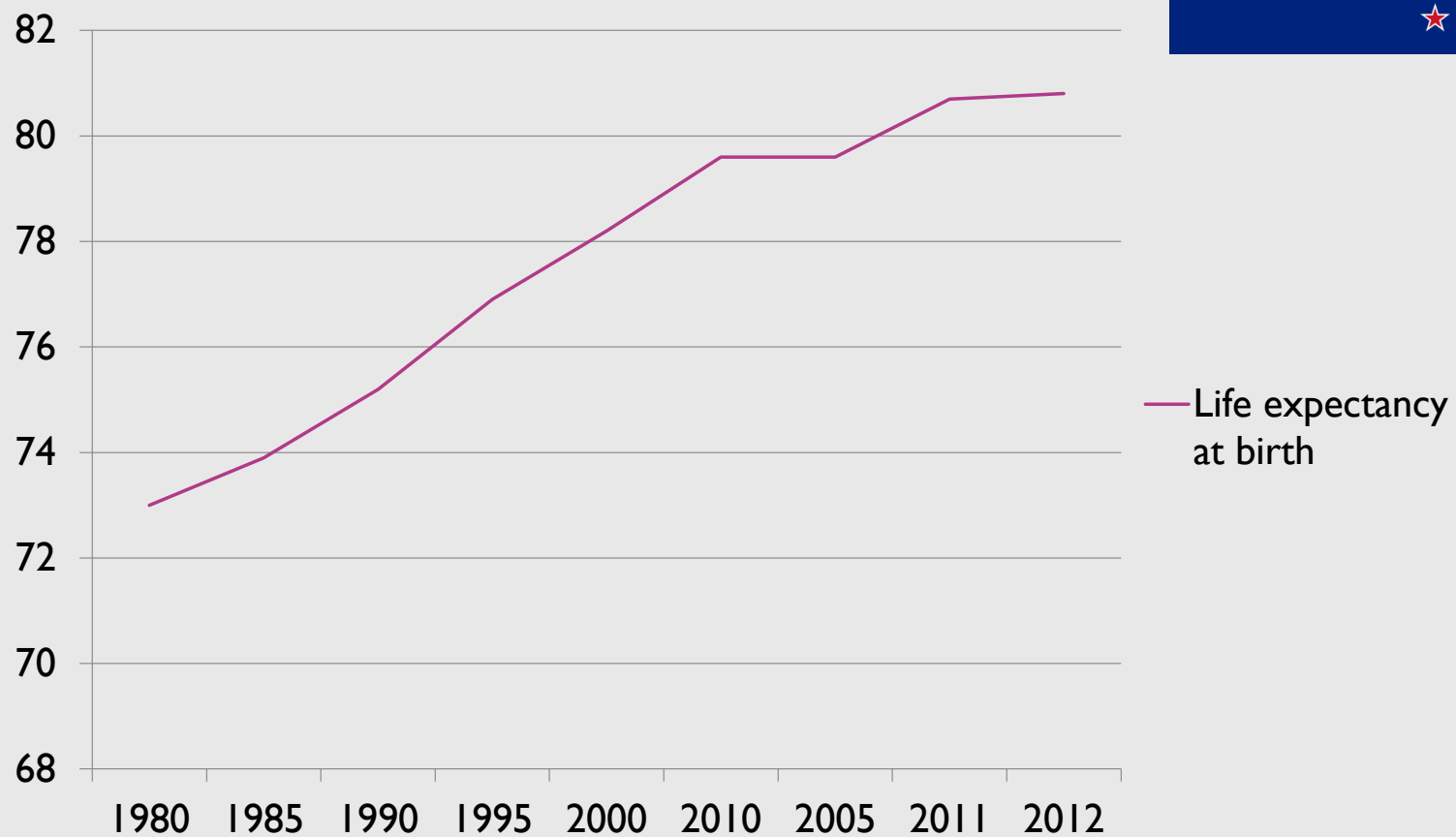
- (By 1999 about 95% of New Zealand’s tariffs were set at zero)



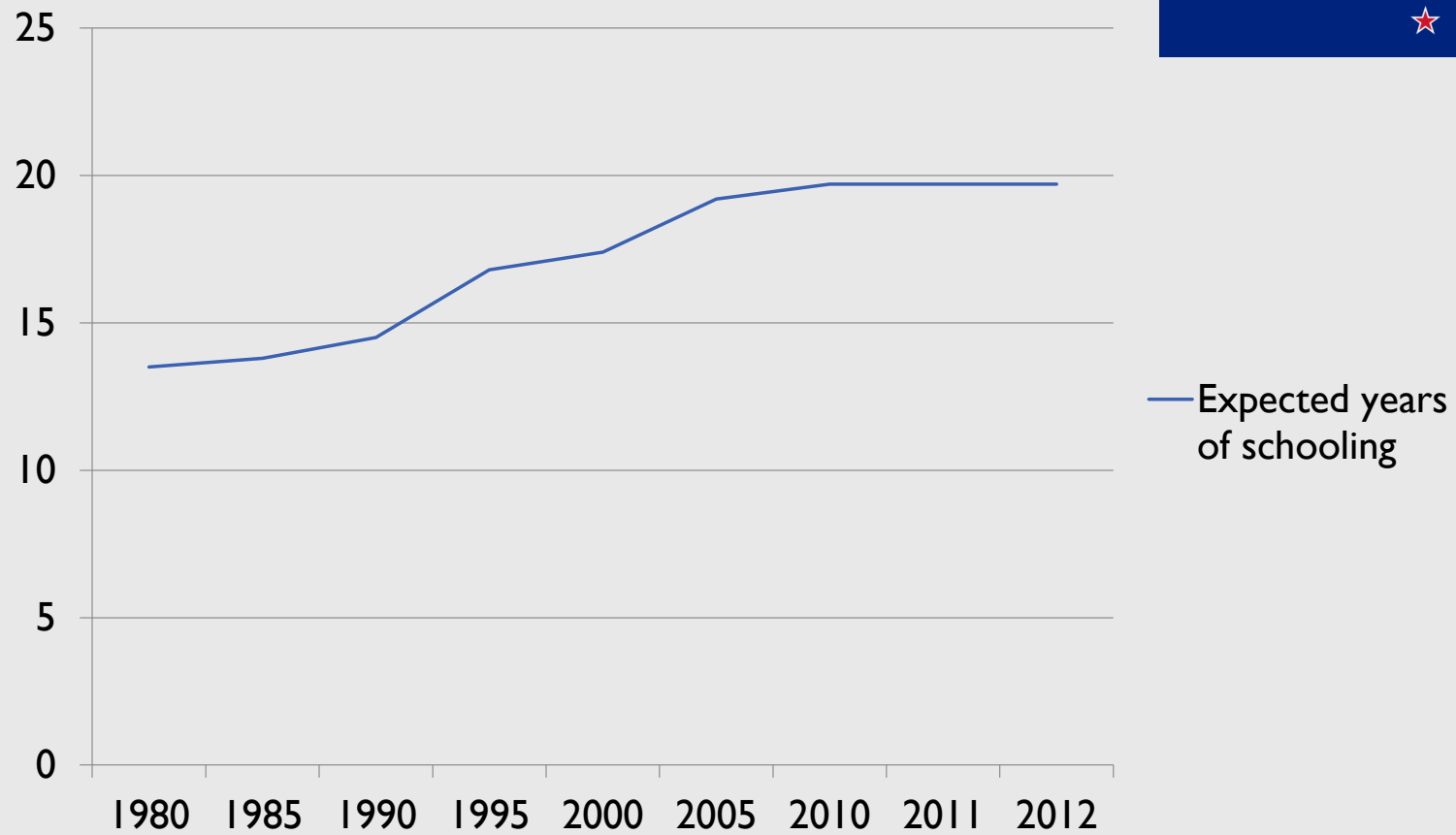
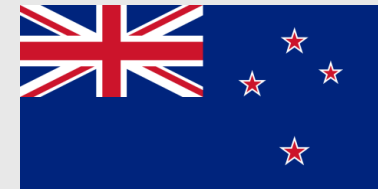
## GDP Per Capita (Current US \$)



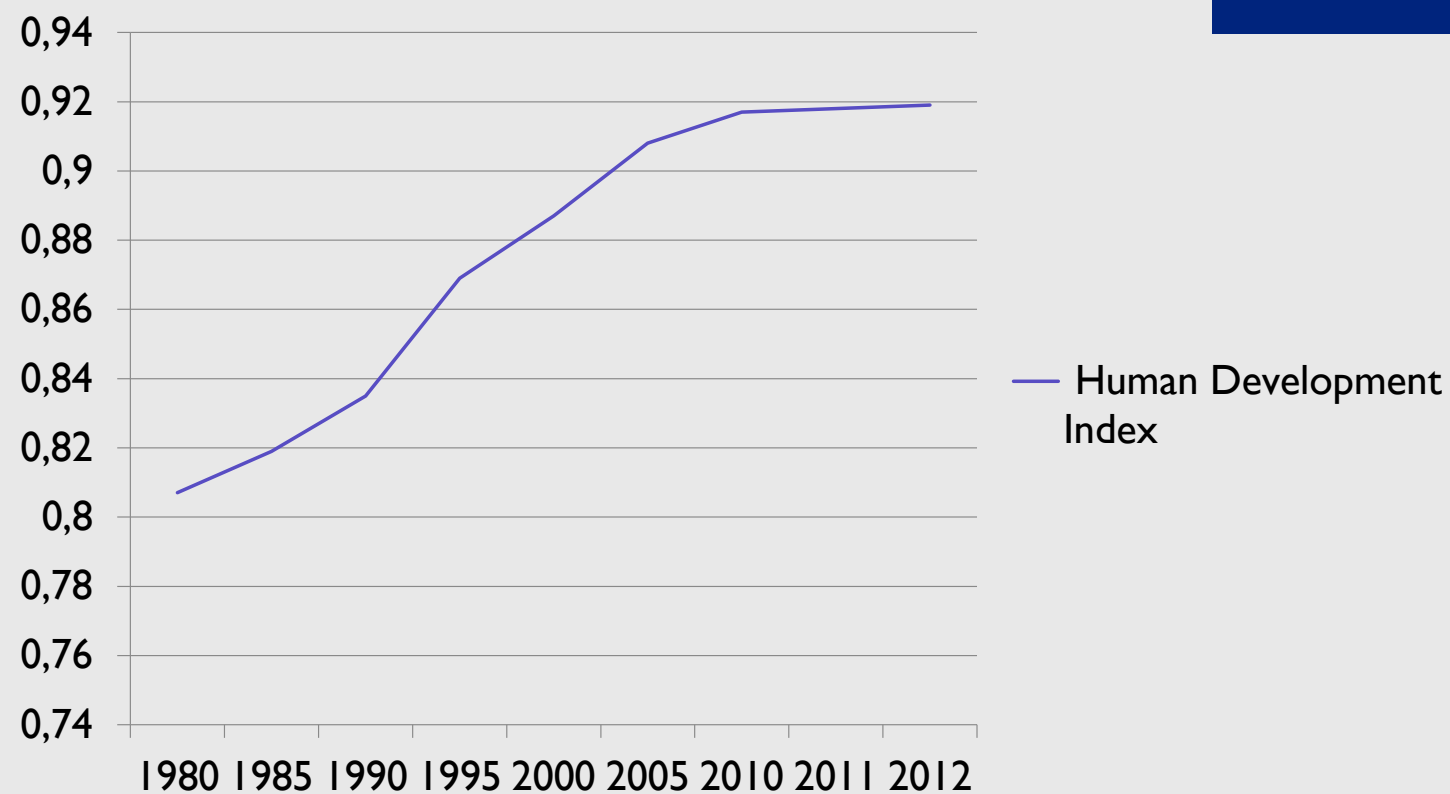
## Life Expectancy at Birth



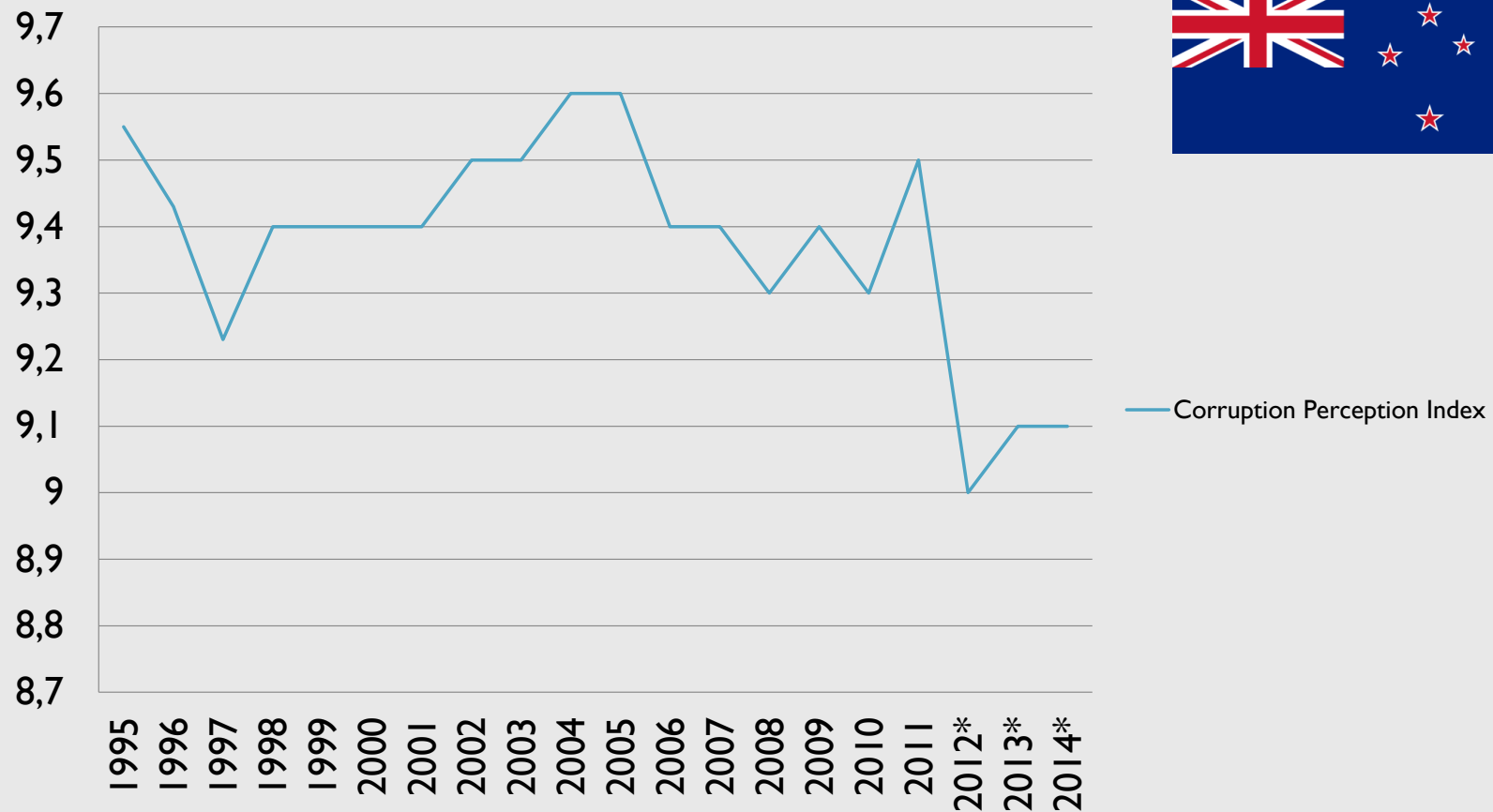
## Expected years of schooling



## Human Development Index



## Corruption Perception Index

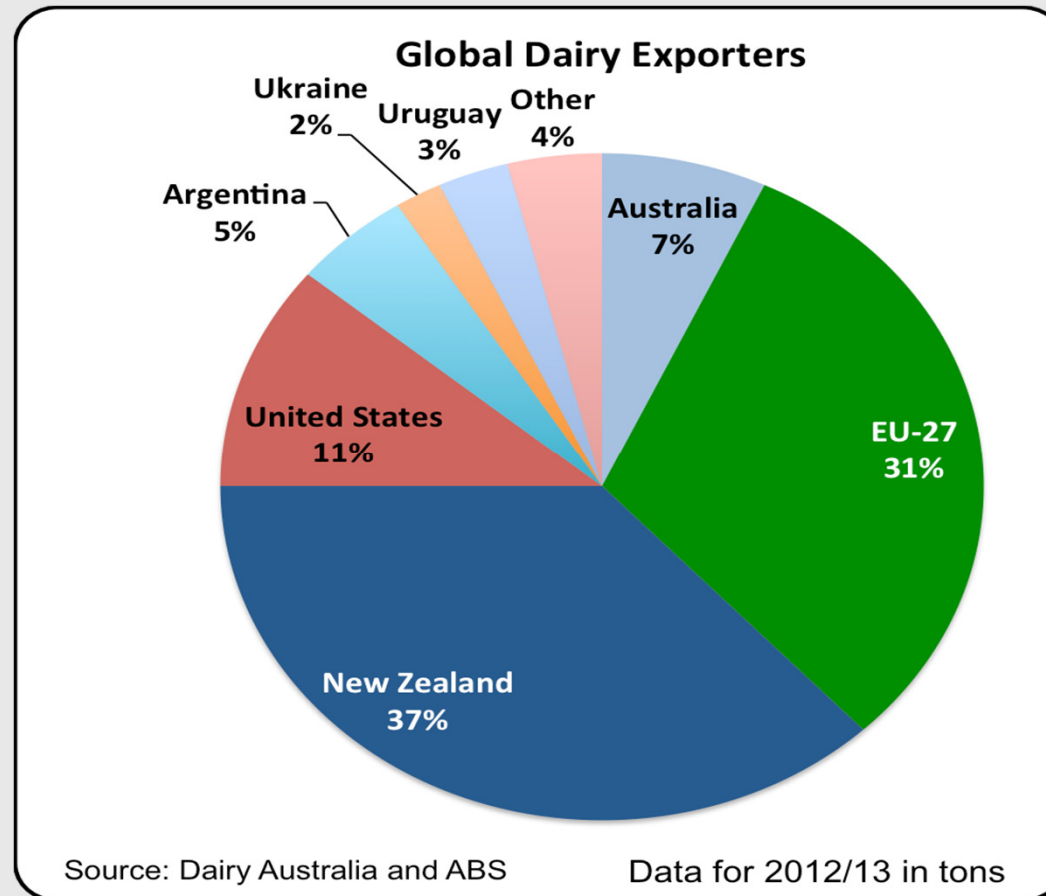


In 1995 Transparency International started publishing the *Corruption Perception Index*.

New Zealand has been ranked among the top 5 countries every single year.

\*Transparency International modified the scale in these years. It went from 1-10 to 1-100.

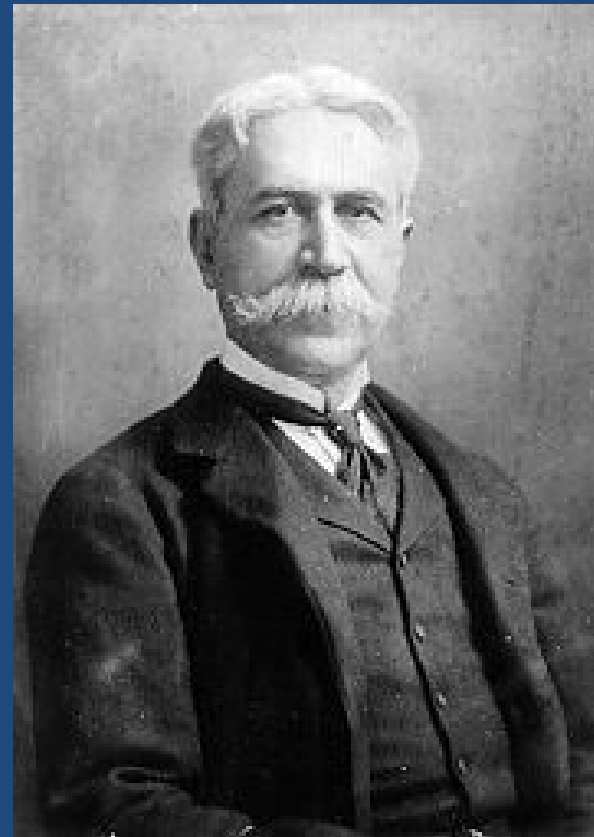
## After Eliminating Subsidies and Trade Restrictions, New Zealand is the Biggest Dairy Exporter Worldwide.



Freedom is not merely a characteristic of an individual, but of a society. A great man admonished us to defend our freedom by defending the freedom of all.

- “Educate your children, educate yourselves, in the love for the freedom of others, for only in this way will your own freedom not be a gratuitous gift from fate. You will be aware of its worth and will have the courage to defend it.”

— Joaquim Nabuco, Brazilian  
Abolitionist, Diplomat, Historian



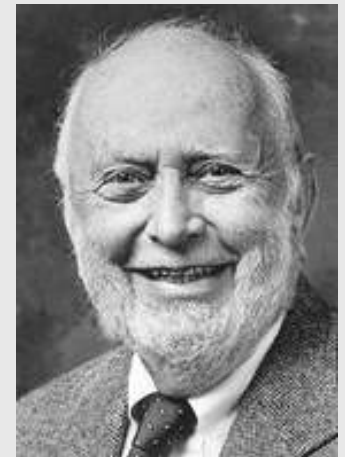


# What can civil servants do to advance liberty centered government?

- Identify problems in the economy and society: people suffering in poverty, underperformance of firms, environmental harms, etc., etc.
- Identify the behavior that constitutes or results in the harms
- Identify the incentives that motivate the behavior
  - Why do people behave that way? In what way do they see it as beneficial to them or as advancing their interests?
- Identify the rules or institutions that create those incentives
- Propose and advance changes in the rules or institutions that create incentives for harmful behavior that results in harm to society

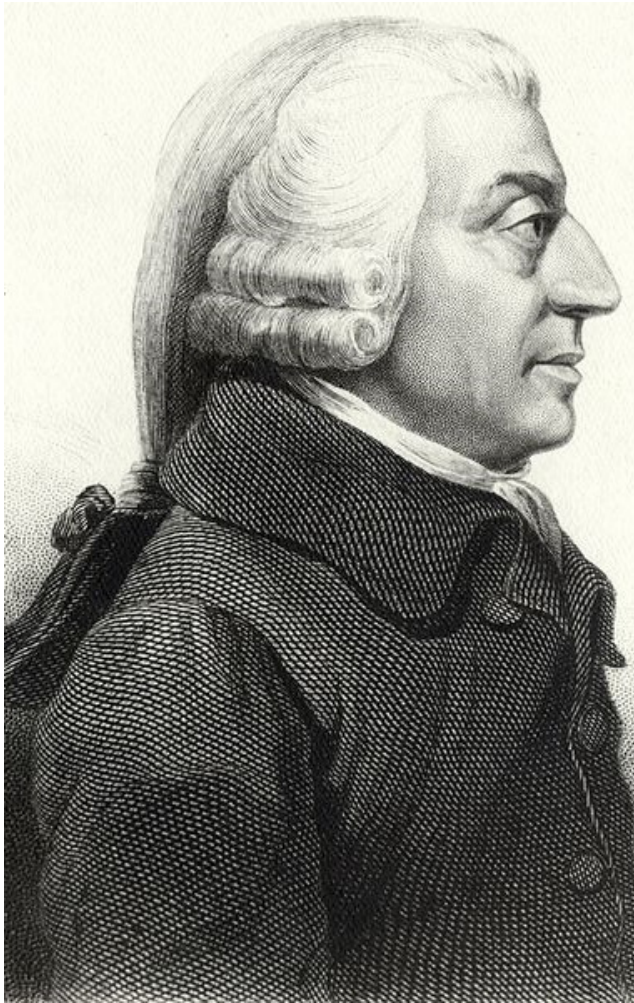
**“Institutions provide the incentive structure of an economy; as that structure evolves, it shapes the direction of economic change towards growth, stagnation, or decline.”**

**Douglas North, 1993 Nobel Prize Winner in Economics**



# What can civil servants do to advance liberty centered government?

- Recognize that government actions, especially permits and interventions, impose burdens on fellow citizens.
  - Promote the presumption of liberty. Instead of requiring permission for everything, regulate those actions that are harmful to others.
  - Whenever possible, reduce the costs of compliance, because every additional artificially imposed cost reduces human welfare.
  - Identify edicts, "regulations," requirements, permits, and other obstacles to free human activity and voluntary cooperation and propose them for elimination.
- Focus efforts on creating a state capable of fulfilling its vitally important functions:
  - Security of the people from invasion or violence;
  - Administration of a system of justice and adjudication to facilitate peaceful coordination among the people;
  - Efficient production of a limited class of authentically public goods.
    - Public goods are not any goods produced by a public authority. They have two crucial criteria:
      - It is costly to exclude people from consuming them; and
      - They are non-rivalrous in consumption.
  - Leave everything else to the voluntary efforts of free people.



Adam Smith

# Liberty Centered Government Follows the Simple System of Natural Liberty

“Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical.”



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“Wu Wei”

“Liberty is the mother,  
not the daughter of  
order.”

The more prohibitions there are,  
The poorer the people will be.  
The more edicts are promulgated,  
The more thieves and bandits there will be.  
Therefore a sage has said:

So long as I ‘do nothing’ the people will of themselves be transformed.

So long as I love quietude, the people will of themselves go straight.

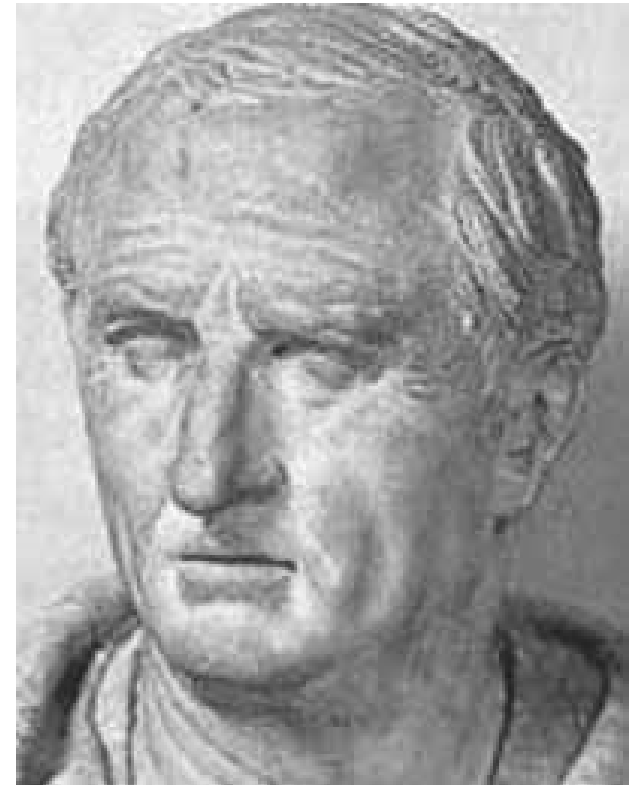
So long as I act only by inactivity the people will of themselves become prosperous.

Lao Tse, ca. 500 B.C.E.

Holding office is not an end in itself, but the holding of an obligation, of a public trust, of a sacred duty.

“The administration of the affairs of state must be taken like a public trust, to be undertaken for the benefit of those entrusted to one’s care, and not for the benefit of those upon whom the trust is conferred. Indeed, those who undertake the charge of government for the benefit of their political party while neglecting other parts of society infect the public calling with a dangerous virus—they introduce discord and sedition. If some adhere to the party of the plebes, and others to the elites, then few will serve the needs of the state itself.”

-- Marcus Tullius Cicero, *De Officiis* (On Duties)







PLEASE ALLOW ME ONE FINAL POINT

BE BOLDLY  
BRAZILIAN.  
DON'T  
BE....

Well, you know.....pale imitations  
of neighbors



# Two Diverging Roads: Brazil and Argentina

## Brazil

- Reform of Pensions, Budget, and State Assets



Onyx Lorenzoni, chief of staff for President Jair Bolsonaro, likened the asset sales to giving the government "liposuction" and said the program will attract investments from home and abroad, according to a statement from the president's office.

have let him stay in power.

BY BENJAMIN N. GEDAN | OCTOBER 24, 2019, 3:07 PM

## Argentina

- "Gradualismo," Massive Deficit Financing, No Major Reforms



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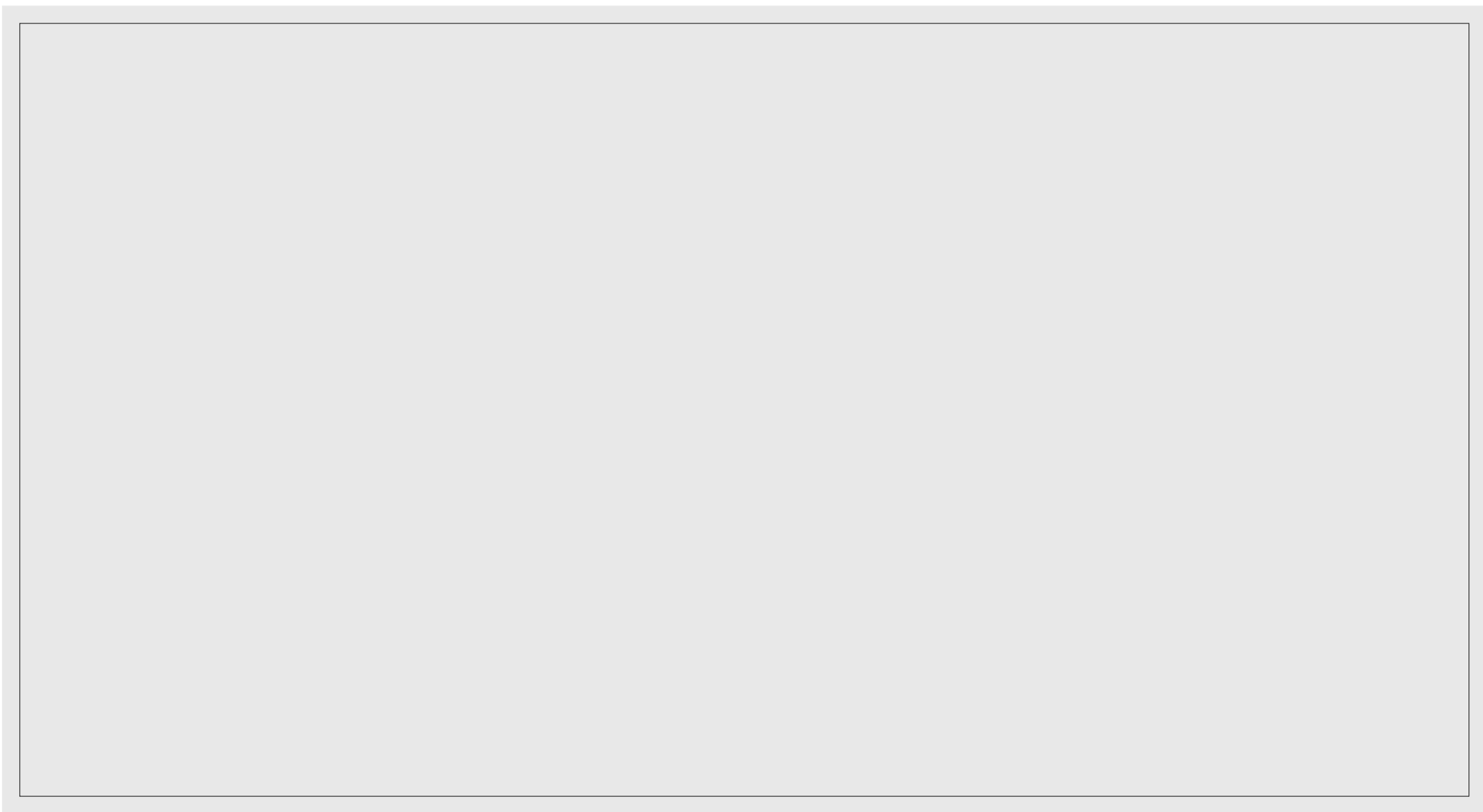
ia Contributor

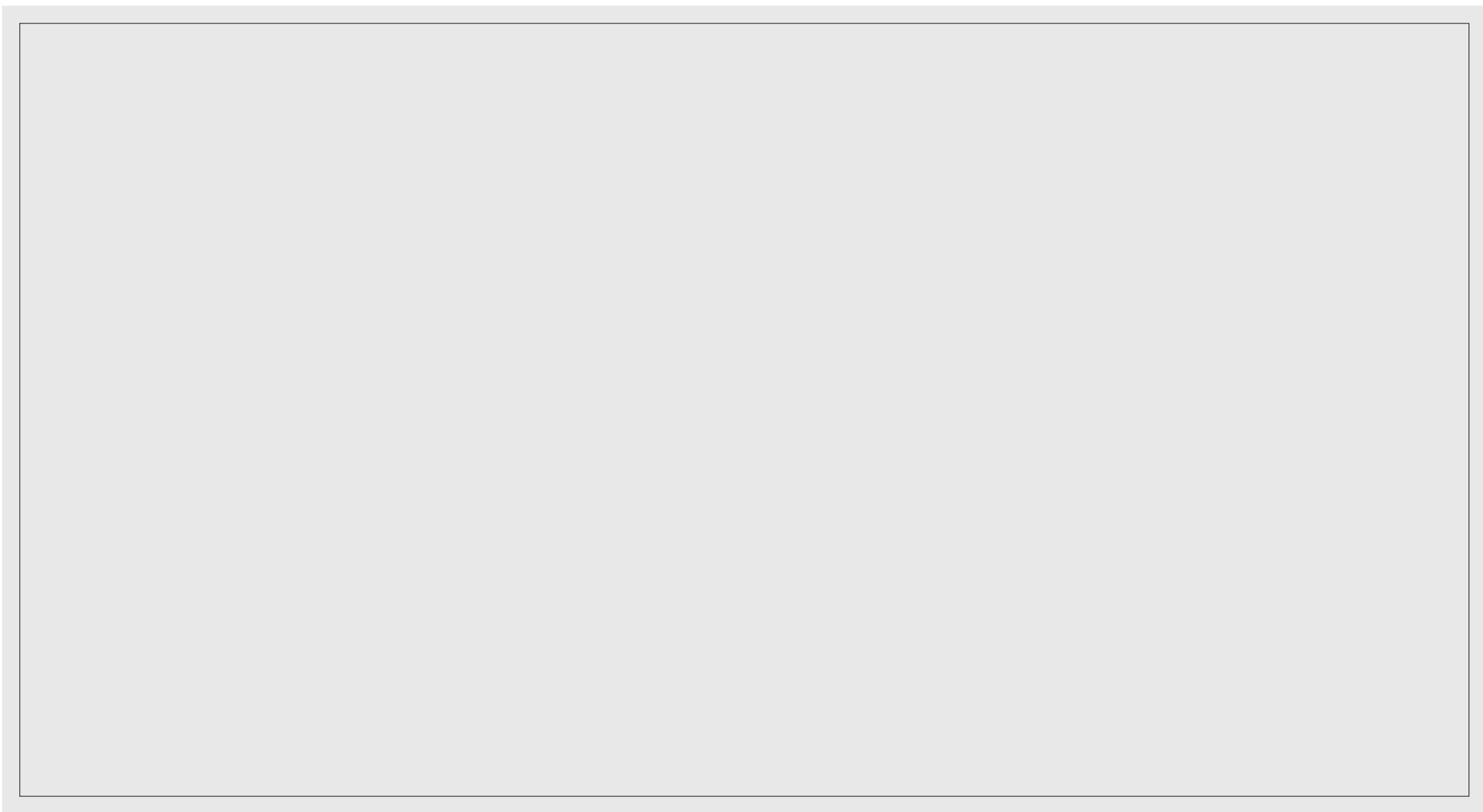
Special Director for Perfil in Argentina



## Lesson: Don't Be Argentina







# As Locke noted, “where there is no Law, there is no Freedom”

- “Stripped of all its technicalities, this [the rule of law] means that government in all its actions is bound by rules fixed and announced before-hand – rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances and to plan one’s individual affairs on the basis of this knowledge.”

- F. A. Hayek, *The Road to Serfdom*



- OTHER THINGS TO ADD
- NEW ZEALAND info
  - What Causes What? Is the ppt
- Zero sum games
  - Classical Liberal Ideas and Principles  
&  
Policy Reform is the ppt