

Newman Weekly

By Dr. Muriel Newman
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The New Zealand Centre for Political Debate

Freedom and Prosperity

In his fascinating 1998 treatise on economics "Eat the Rich", PJO'Rourke investigated why some parts of the world are rich and others are poor. He compared the state of affairs in a range of countries from Cuba to Hong Kong, Albania to the USA, and concluded that the whole miracle of the modern industrial economy is based on the wealth-creating attributes of hard work, education, and responsibility, along with property rights, the rule of law and a democratic government.

With these as cornerstones of a modern economy firmly in place, he believes that the free market - the engine room of economic growth - is able to operate effectively, with "the most-important part of the free market" being "the part that's free".

The degree of freedom found within an economy is an important indicator of national prosperity. The Heritage Foundation, in conjunction with the Wall Street Journal, publishes an annual guide to the economic freedom of nations. They believe that "Wealth comes from the actions of people, not the actions of government, and the freer people are to direct their efforts to where they are most productive, the greater the wealth created".

In their 2006 Index of Economic Freedom, 161 countries are compared against a list of 50 independent variables in order to determine their relative economic freedom. The lower the score, the greater the freedom and prosperity of a country, whereas the higher the score, the greater the level of government interference in the economy and the less economic freedom the country enjoys.

Topping the list is Hong Kong on a score of 1.28, followed by Singapore on 1.56, and Ireland on 1.58. The UK ranks 5th with a score of 1.74 and New Zealand on 1.84 is 9th equal, along with Australia and the US. Unfortunately for us, New Zealand's score trend is now heading in the wrong direction.

The freedom to strive to succeed, underpins an

inborn human drive to improve our own lives, as well as those of our families and our communities. Progressive governments recognise this by encouraging individuals to pursue their dreams and goals. They know that the energy of a nation does not spring from the efforts of the government; what makes a country buzz is the collective endeavours of tens of thousands of people all pursuing their hopes and aspirations on a daily basis.

Smart governments understand the power of the people and pro-actively encourage it, by removing obstacles to progress. That includes reducing the size and scope of government through less regulation, lower taxes, and a flexible labour market. It is not unusual for those countries that rank at the top of the economic freedom charts, to achieve growth rates of over 8 percent, to have dramatically cut company tax (in the case of Ireland down to 12.5 percent), and to be prioritising the reform of under-performing public services through privatisation and the introduction of competition.

It was Thomas Jefferson who commented: "My reading of history convinces me that most bad government results from too much government." While the optimal size of government has been estimated to be around 23 percent of the total wealth produced by the nation, most countries, including New Zealand (at around 40%), have governments that consume much more than that. That is a key problem.

Nowadays, New Zealanders face excessive rules and regulations. As ordinary citizens, this hampers our ability to successfully go about our daily lives, to run our small businesses, and even to receive assistance from a bloated and increasingly ineffective public service.

Last week I highlighted some of the problems in our public health system - including the fact that there are now 12,000 administrators for the 12,000 hospital beds - concluding that the driving force in health is no longer the health and well-being of patients, but the health and well-being of the system itself. Interestingly, in Britain,

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where the National Health Service is facing a similar under-performance crisis, people are being shed from the system, but it is not patients from the waiting lists who are being sent home, it is public servant administrators who are being let go!

In fact, I find it difficult to understand why New Zealanders have become so complacent and accepting of failure, effectively allowing the government to blame and punish patients, instead of having to accept responsibility for creating a bureaucratic mess and widespread systemic failure.

That's why it was such a breath of fresh air yesterday to hear three high profile doctors standing up and speaking out about government failure. They explained that the medical profession had been **d i s e m p o w e r e d** and disenfranchised by a health system that is now "rotten to the core" and "grossly inefficient" (Morning Report interview "New Zealand's Public Health System In Crisis").

So, if big government can be dangerous to our health, what is the optimum size of government? The NZ Centre for Political Debate guest comment this week (Dr. Daniel Mitchell) comes from the Heritage Foundation's economic and tax expert Dr Daniel Mitchell, who addresses the vexed question of what constitutes the proper size of government. Dan has also referred NZCPD readers to the Market Center Blog, which discusses these issues in more detail at www.freedomandprosperity.org.

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One posting that caught my eye led to "Business Week Online" and an article about Apple Computers. Apple is moving some of its operation out of California to Nevada to take advantage of their business-friendly laws. According to the Nevada Commission on Economic Development, the state has business incentives that are hard to match: no company tax, no capital gains tax, and no income tax!

Over the last six years, with 30,000 new public servants and record government spending, New Zealand is being transformed into a big government nation. As a result, our fundamental freedoms are being eroded: running a businesses has become a bureaucratic nightmare, and every where you look new laws and restrictions are being proposed or introduced. An army of 'do-gooders' have the ear of government, and government itself, with it's track record of vindictiveness against those who dare to speak out, bullies and conditions us to accept second best and failure.

While we are still a country that performs better than most – a 'rich' country by PJ O'Rourke's standards – those of us who value freedom as being crucial to our Kiwi-way, can now see it slowly slipping away.

The poll this week asks, do you agree with Thomas Jefferson: "... that most bad government results from too much government."

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