

Don't lose sight of our economic freedom

In 1886 Judge Gideon J. Tucker told a widow her attorney had given her bad advice about her husband's will because her attorney was not watching carefully to see if and how the legislature had changed inheritance law during the previous legislative session. The judge concluded, "No man's life, liberty, or property is safe while the legislature is in session."

The Utah legislature is now in session and we citizens need to heed Judge Tucker's warning about life, liberty, and property. One measure of how safe our lives, liberty, and property are is the Economic Freedom Index of North America. According to that index, Utah's economic freedom score dropped us from 4<sup>th</sup> in the index among all states last year to 7<sup>th</sup> this year. In fact, Utah was one of the biggest losers in terms of economic freedom as we experienced the 9<sup>th</sup> sharpest decline of economic freedom in the United States and the lowest economic freedom score for Utah since 1995.

For Utah, the fall in the ranking was mostly caused by factors related to the recession and can therefore not be blamed solely on our state legislators. We hasten to note that Utah remains in the Freedom Index's top 10 of US States. Nevertheless, we should urge our legislators to pay attention to Utah's economic freedom and work hard to keep the state more firmly on the track of economic freedom and growth. Economists know that long run economic growth depends importantly on economic freedom. Economic growth suffers whenever governments intervene in labor markets, when they raise taxes, and increase spending. Utah would benefit from a return to higher levels of economic freedom. A recent study shows that a 1 point increase in the level of economic freedom of a particular state above its mean level of economic freedom is associated with an increase in economic growth of 1.4 percentage points above its mean level of growth (Compton, Giedeman, & Hoover (2011) Panel Evidence on Economic Freedom and Growth in the United States, *European Journal of Political Economy*, 27:3).

One path our state legislators could pursue to return Utah to higher levels of economic freedom would be to heed the advice of the Privatization Policy Board. In its report to the governor, the board suggests that the state legislature should privatize some or all of the state's public golf courses. The subsidy that Utah's taxpayers currently provide at two of the courses is between \$65 and \$75 per round of golf. Another recommendation the board made is to privatize the retail side of state liquor control. The standard argument against relinquishing some of the state's control over the alcohol market will result in more alcohol-related fatalities or other alcohol-related social problems. But recent studies do not support that claim, which suggests there is no practical reason for the state to remain in that market.

Finally, our legislators would be well advised to put all public services to the "Yellow Pages" test. If you can find a service advertised in the Yellow Pages, government should not try to do it itself. Idaho Falls used the Yellow pages test a few years ago and hired private contractors for as many services as they could find. Among other things, they privatized snow removal and street, water, and sewer repair. It turns out that Idaho Falls spent half of what Pocatello spent for public works with the same number of miles of roads and water and sewer lines in each city. Why not put each piece of proposed legislation through the Yellow Pages test. Such a test will stop any further sliding on the economic freedom scale. More importantly, it will ultimately higher lead to higher levels of economic growth.