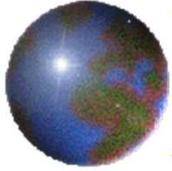


# *European Values*

Free Market Road Show  
Bratislava May 14, 2018



# The Freedom Continent

- According to the *Human Freedom Index*, 26 out of the 35 freest nations are European.
- Many of the others in the top 35 are part of the European diaspora.

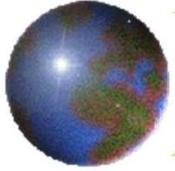
Rank	Freedom Rank Δ (2014–15)	Country/Territory	Personal Freedom	Economic Freedom	Human Freedom	Freedom Score Δ (2014–15)
1	▲1	Switzerland	9.33	8.44	8.89	▲0.03
2	▼1	Hong Kong	8.79	8.97	8.88	▼0.15
3	0	New Zealand	9.25	8.48	8.86	▲0.06
4	▲4	Ireland	9.17	8.19	8.68	▲0.09
5	0	Australia	9.22	7.99	8.60	▼0.04
6	▲1	Finland	9.40	7.75	8.58	▼0.04
7	▲2	Norway	9.47	7.67	8.57	▼0.02
8	▼2	Denmark	9.36	7.77	8.56	▼0.08
9	▲3	Netherlands	9.37	7.74	8.55	▲0.05
9	▲1	United Kingdom	9.05	8.05	8.55	▼0.02
11	▼7	Canada	9.13	7.94	8.54	▼0.16
12	▼1	Austria	9.38	7.66	8.52	▼0.03
13	▲2	Sweden	9.32	7.65	8.48	▲0.03
13	▲3	Estonia	9.01	7.95	8.48	▲0.09
13	▼1	Luxembourg	9.33	7.63	8.48	▼0.03
16	▼4	Germany	9.22	7.69	8.45	▼0.05
17	▲7	United States	8.83	7.94	8.39	▲0.12
18	▲8	Taiwan	8.98	7.70	8.34	▲0.13
18	▲16	Singapore	7.86	8.81	8.34	▲0.29
18	▲2	Lithuania	8.75	7.92	8.34	0.00
21	▼4	Malta	8.95	7.70	8.33	▼0.03
22	▼5	Belgium	9.19	7.44	8.31	▼0.04
22	▼3	Portugal	9.09	7.53	8.31	▼0.04
24	▼2	Latvia	8.72	7.75	8.23	▼0.04
25	▲4	Cyprus	8.64	7.79	8.21	▲0.10
25	▼4	Czech Republic	8.96	7.46	8.21	▼0.08
27	▼1	Japan	8.93	7.47	8.20	▼0.01
28	0	Romania	8.66	7.72	8.19	▲0.02
29	▲1	Korea, Republic of	8.79	7.54	8.17	▲0.06
30	▲6	Spain	8.77	7.51	8.14	▲0.11
31	▼6	Iceland	9.01	7.23	8.12	▼0.12
32	▼10	Poland	8.81	7.34	8.08	▼0.20
33	▼1	France	8.74	7.33	8.04	▼0.05
33	▼3	Slovakia	8.76	7.31	8.04	▼0.06
35	▼1	Italy	8.74	7.30	8.02	▼0.02



# High Scores for Economic Freedom

- Every nation from the European Union (with the embarrassing exception of Greece) ranks in the top-50 percent for economic liberty.
- Most are in the top quartile.





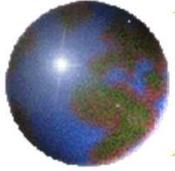
# *A History of Limited Government*

- ❖ European nations became rich in the 1800s and early 1900s when the public sector was very small (about 10% of GDP) and income taxes generally didn't exist.

Table 1: Social Transfers as a Percentage of GDP at Current Prices in Select OECD Countries

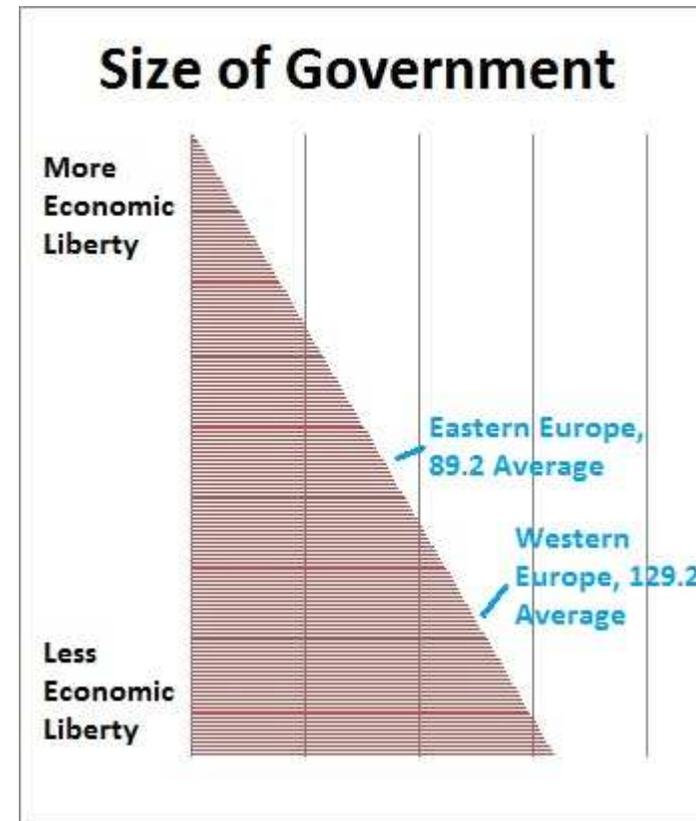
Country	1880 <sup>a</sup>	1890 <sup>a</sup>	1900 <sup>a</sup>	1910 <sup>a</sup>	1920 <sup>a</sup>	1930 <sup>a</sup>
Australia	0	0	0	1.12	1.66	2.11
Austria	0	0	0	0	0	1.20
Belgium	0.17	0.22	0.26	0.43	0.52	0.56
Canada	0	0	0	0	0.06	0.31
Denmark	0.96	1.11	1.41	1.75	2.71	3.11
Finland	0.66	0.76	0.78	0.90	0.85	2.97
France	0.46	0.54	0.57	0.81	0.64	1.05
Germany	0.50	0.53	0.59			4.82
Greece	0	0	0	0	0	0.07
Ireland						3.74
Italy	0	0	0	0	0	0.08
Japan	0.05	0.11	0.17	0.18	0.18	0.21
Netherlands	0.29	0.30	0.39	0.39	0.99	1.03
New Zealand	0.17	0.39	1.09	1.35	1.84	2.43
Norway	1.07	0.95	1.24	1.18	1.09	2.39
Sweden	0.72	0.85	0.85	1.03	1.14	2.59
Switzerland	...	...	...	...	...	1.17
UK	0.86	0.83	1.0	1.38	1.39	2.24
United States	0.29	0.45	0.55	0.56	0.70	0.56

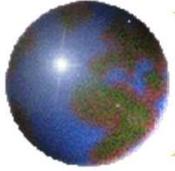
Source: Lindert (2002); OECD (1985)



# *Redistribution Replaces Responsibility*

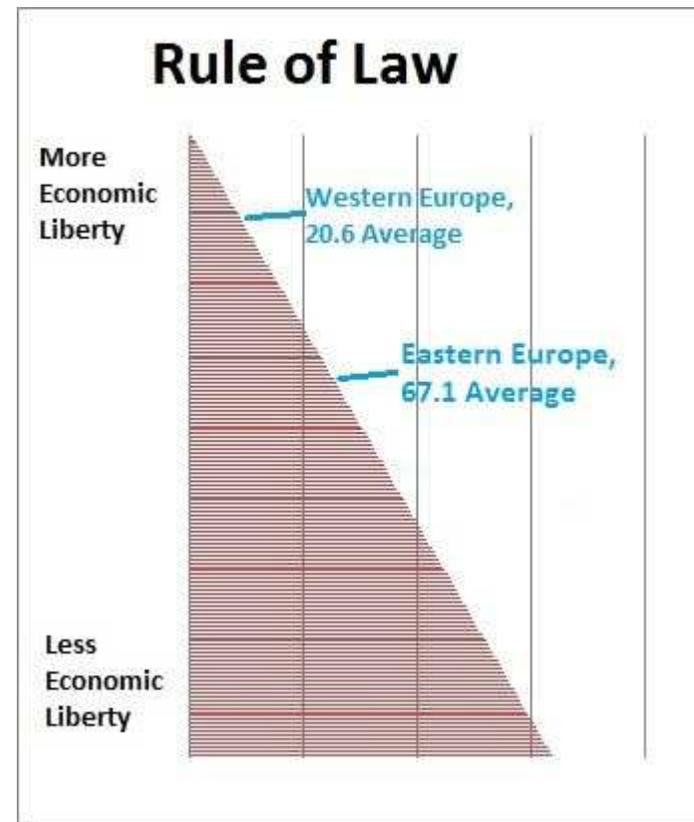
- ✦ The European value of self-reliance has been crowded out by a perversely defined value of solidarity.
- ✦ This is the justification for the large welfare state.

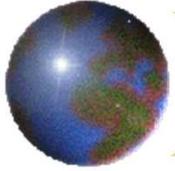




## *Other Market Principles Remain*

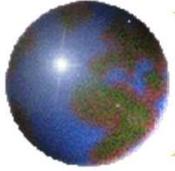
- ❖ Other than fiscal policy, Europe remains a beacon of economic liberty.
- ❖ Quality of governance is especially strong in Europe, as illustrated by high scores for rule of law.





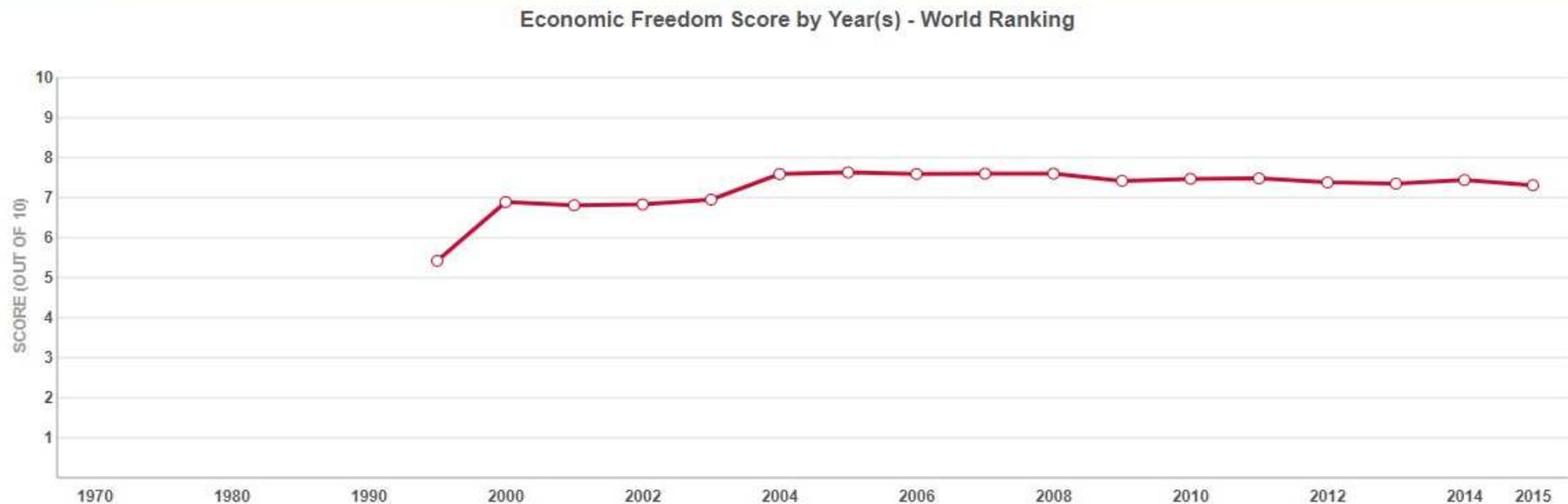
## *What about Slovakia?*

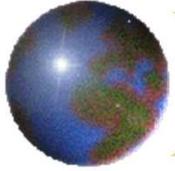
- ⊕ A positive story of economic reform and post-Soviet transition.
- ⊕ Reasonably good growth.
- ⊕ A pathway of transition.
- ⊕ But also a story of missed opportunity.
- ⊕ The reform agenda has stalled...and even reversed.



## *Economic Freedom Score*

- ✪ Communism's collapse was good news, and there was another shift toward markets in the early 2000s.

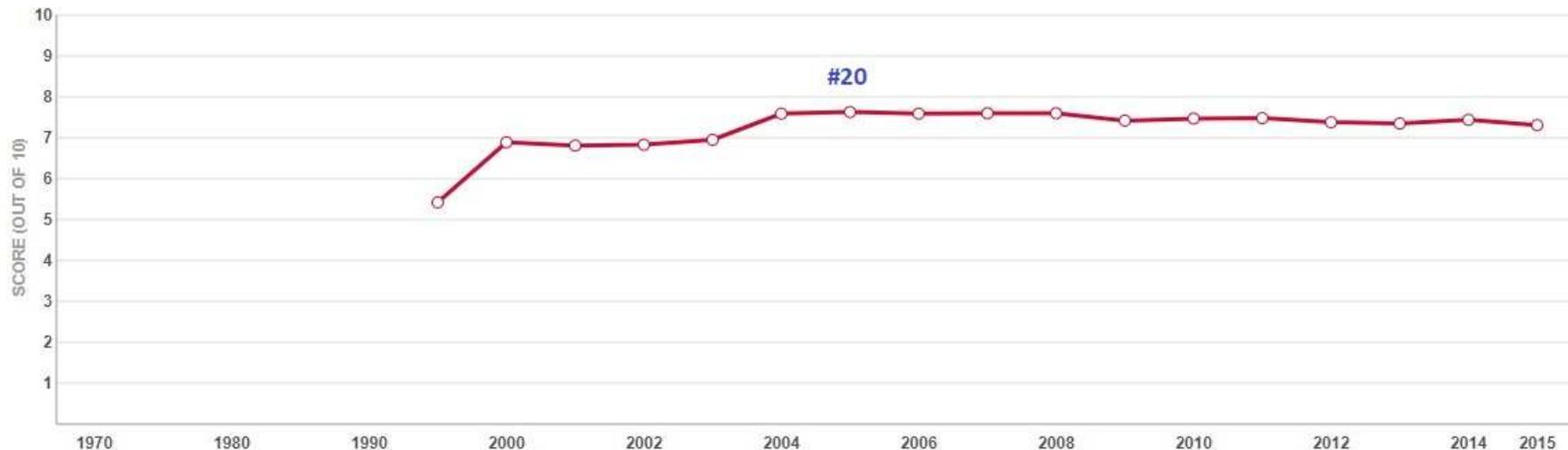


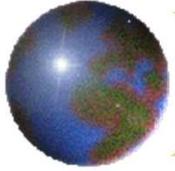


## *Slovakia's Peak Performance*

- ✦ Slovakia's highest ranking for economic freedom was in 2005, when it was #20 in the world with a score of 7.63.

Economic Freedom Score by Year(s) - World Ranking

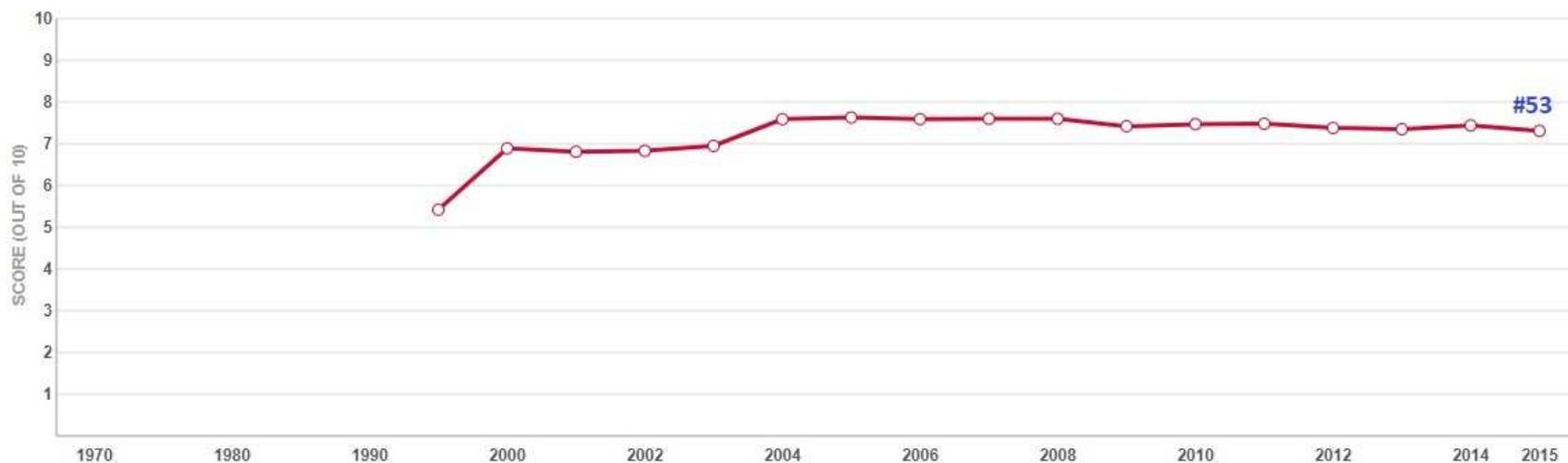




## *Slovakia's (Mostly) Relative Decline*

- ✦ Slovakia's score has since dropped to 7.31, which doesn't sound significant, but it is now only #53 in the world.

Economic Freedom Score by Year(s) - World Ranking





# A “Lost Decade”?



## Slovak Rep

2005 MOST FREE

20

RANK

7.63

SCORE (OUT OF 10)

RANK	SCORE (out of 10)	CATEGORY
76	6.48	Size of Government
33	6.63	Legal System and Property Rights
41	9.15	Sound Money
19	8.15	Freedom to Trade Internationally
24	7.77	Regulation



## Slovak Rep

2015 2ND QUARTILE

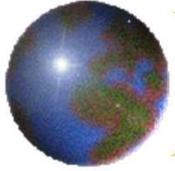
53

RANK

7.31

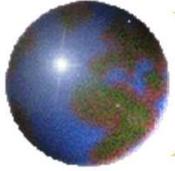
SCORE (OUT OF 10)

RANK	SCORE (out of 10)	CATEGORY
118	5.51	Size of Government
62	5.64	Legal System and Property Rights
10	9.74	Sound Money
16	8.30	Freedom to Trade Internationally
63	7.36	Regulation



## *Bratislava vs. Brussels*

- ❖ Interestingly, Slovakia's score has improved in the two categories – trade and monetary policy – where Brussels is in charge.
- ❖ In the three categories where local politicians are in charge – fiscal, regulation and legal/rights – scores have declined.



## *Conclusion*

- ✦ Europe is still a great place to live.
- ✦ In Europe, Slovakia is one of the best-performing economies.
- ✦ But the large welfare state in Europe is a challenge, particularly with aging populations and declining societal capital.
- ✦ Solution: More economic freedom.