



# THE MARKET WILL SET YOU FREE

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Take a close look at this...Jonathan Haidt, the noted New York University psychologist, calls it “the most important graph in the world.”

Why does he say that?

Because he knows this graph reveals a simple, inescapable *fact*: there is no substitute for free market capitalism as a promoter of human prosperity.

Let it be noted that Haidt is no one’s idea of a conservative. But when hard evidence stares him in the face, he’s not going to look away.

The graph is based on the research conducted by the late British economist, Angus Maddison. The numbers along the X axis are years—two thousand of them. The numbers on the Y axis are dollars—all of them, divided by the number of people on the planet. It’s what’s called GDP *per capita*, which is the world’s economic output divided by its population. GDP is considered the best measurement of a country’s standard of living. And, in this case, the world’s standard of living.

Often when I show this graph to students, I get this comment: “*That’s not capitalism*; it’s just the impact of the Industrial Revolution.”

So I show them another chart by the Maddison Project. This one breaks the GDP hockey stick into regions. As you can see, there are a number of hockey sticks. But note that they don’t rise at the same time. The United States surged first.

Why?

Well, in a very fortuitous coincidence, the year 1776 witnessed both the signing of our Declaration of Independence and the publication of a book called *The Wealth of Nations* by the Scottish economist and philosopher, Adam Smith. In his book, Smith explained how to create a modern free market capitalist economy and the benefits of doing so.

America’s wise founders took Smith’s principles to heart, and within a mere 100 years—the blink of an eye historically—capitalism turned the United States from thirteen backwoods colonies into the world’s largest economy. And it has held that position ever since.

Western Europe shot up as well, but later. It rose steadily during the Industrial Revolution and then experienced a sharp rise after World War II when, between the end of the war and the

mid-1960s, it fully embraced the free market.

Japan, too, shot up after World War II—surpassing Western Europe for the first time after the US helped the Japanese transition to a democracy and a free market capitalist economy.

Eastern Europe took off after it was released from the Soviet Union and socialism in 1991.

China did likewise after the Chinese moved away from strict socialism and implemented some limited free market policies. One can only imagine where China would be now if its leaders had fully unleashed the forces of the free market.

Yes—during this period of economic expansion, the wealthy got wealthier. That always happens when new wealth is created. But the middle class and the poor also greatly benefited.

Here's another telling chart. This one is from the World Bank. In 1820, 94% of people lived in extreme poverty. Thanks to capitalism, by 2015 that number had declined to 9.6%—single digits for the first time in human history. Now, it's still too many, but if we are going to reduce the number even more, we need to understand what caused the decline: free market capitalism.

If we combine the Angus Maddison hockey stick chart and the World Bank data on extreme poverty, what we get is something quite amazing: unprecedented global prosperity and an unprecedented decline in poverty across the globe over the past 200 years. That's capitalism in a nutshell.

One more chart: Johan Norberg, a Swedish economic historian, shows us how well ordinary people do when they work in a free market economy.

Since 1990, hunger, poverty, illiteracy and child mortality have all declined significantly with the decline of socialism. This all happened while we added two billion more people to the world. Far more people; far less poverty. Better health outcomes; fewer babies dying. That's what economic freedom—capitalism—can do.

President John Kennedy, a Democrat, said it best while making his case for significant tax cuts in 1963. He said, "A rising tide lifts all boats." Kennedy didn't believe that the poor only get richer when the rich get poorer. He believed *everyone* could get richer with economic growth. History has shown that he was right.

This whole capitalism vs. socialism debate is backwards:

It's not those who advocate for free market capitalism who need to justify *their* actions. Rather, it's those advocating for socialism—or any form of it—who have a lot of explaining to do.

I'm Andy Puzder for Prager University.