



Free Your City and the Growth Will Follow

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One of the difficult things about public policy is convincing policymakers that they really don't need to "do something" to solve a problem. The unparalleled economic success of the West — [along with the unprecedented recent progress in eradicating poverty around the world](#) — is due to unleashing the power of free people trading freely. This is true across continents as well as within cities. According to [a study of economic freedom and population growth in the United States](#): "Simple statistical analysis indicates that metropolitan areas with higher economic freedom tend to have higher per capita incomes and faster population growth, which mirrors such prosperity metrics found in research on nations and states."

The study found Missouri's top two cities to be middle of the pack when it comes to economic freedom; of the top 52 metropolitan statistical areas (MSAs) Kansas City and St. Louis ranked 24th and 22nd respectively. Note that these are measurements of the city and the several counties around them, and so the policies of suburban communities like St. Charles and Johnson County are contributing to the whole.

The freedom index looked at three areas, each with three measures. Below are the three measures for each category, and St. Louis and Kansas City's ranking in each category:

Government spending (Kansas City ranked 16th, St. Louis 20th)

- General consumption expenditure by government as a percentage of personal income
- Transfers and subsidies as a percentage of personal income
- Insurance and retirement payments as a percentage of personal income

Taxation (Kansas City ranked 30th, St. Louis 20th)

- Income and payroll tax revenue as a percentage of personal income
- Sales tax revenue as a percentage of personal income
- Revenue from property tax and other taxes as a percentage of personal income

Labor market freedom (Kansas City ranked 32nd, St. Louis ranked 33rd)

- Minimum wage (full-time income as a percentage of per capita income)
- Government employment as a percentage of total state employment
- Private union density (private union membership as a percentage of total employment)

All the urban core areas studied likely scored worse than the larger MSA they were in due to higher sales, property and income taxes, lower incomes, greater government employment and the resulting higher costs of public pensions.

The irony of municipal public policy is that cities are filled with the doyens of “do something.” They argue that cities must increase taxes here and there to fund programs that do this and that to solve real and imagined problems. But the real success is not in top-down command-and-control economies but rather in open and free economies where the people are free to earn and invest. It’s true of nations and it’s true of cities.

About the Author



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[2] <https://www.worldbank.org/en/news/press-release/2018/09/19/decline-of-global-extreme-poverty-continues-but-has-slowed-world-bank>

[3] <https://reason.org/policy-study/us-metropolitan-area-economic-freedom-index/>

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Advancing liberty with responsibility by promoting market solutions for Missouri public policy.

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