Rich Nation, Poor Nation: Why Some Nations Prosper While Others Fail

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Rich Nation / Poor Nation *Why Some Nations Prosper While Others Fail* _ by Robert Genetski Copyright © 2017 Robert Genetski **Table of Contents**
 Â *This book is dedicated to the miracle of the Rosary and to my grandchildren Alex, Jordon, Mikaela, Ellie, Catie, Adelai, Danny, Lauren, Kaelyn, Danny, Ryleigh and Lauren. May the knowledge and work of your generation advance the spiritual and material well-being of all.* § **Â Â â• §Introduction** The most important issue in economics is why some nations are wealthy while others are poor. Providing policymakers and advocates with the answer to this question can help to raise living standards and reduce poverty throughout the world. Two and half centuries ago, Adam Smith answered the question by explaining how economic freedom was the key force in determining the wealth of nations. In 1980, Milton Friedman illustrated the power of freedom and free markets in his book and TV series *Free to Choose*. Smith and Friedman provided anecdotal evidence showing how people prospered in free countries, but suffered greatly in countries without such freedom. Anecdotal examples can provide important insights into the wealth and poverty of nations. However, a more systematic, policy-oriented history of the creation and destruction of wealth among countries can provide both greater insights and more persuasive evidence. In recent years there has been an outpouring of new data and information bearing on this very issue. Economists and statisticians have painstakingly sought to provide better measures of both economic progress and economic freedom throughout the world. Their work has led to important new data and information as well as many academic studies using this new information. In spite of a massive amount of new data, there has been no popular, systematic analysis of the implications of this data for the wealth and poverty of nations. This book provides such an analysis. Thomas Piketty's book, *Capital in the Twenty-First Century,* is an example of a popular analysis using some of the new data. Unfortunately, Piketty doesn't attempt to

address the question of how nations generate wealth. Instead, Piketty focuses on the *distribution* of wealth. His work is devoted to measuring, explaining and criticizing the inequitable distribution of wealth both within and among various countries. As with many economists, Piketty assumes the creation of wealth simply happens as a result of innovations. His main contribution to explaining the creation of wealth is one sentence— *Knowledge and skill diffusion is the key to overall productivity growth as well as the reduction of inequality both within and between countries.* Saying *knowledge and skill diffusion* are the keys to creating wealth misses the key issue. The creation of wealth is an extremely complex process. Knowledge, skills and innovation are only a few of the many elements associated with this process. In order to begin to understand the impact of economic policies on wealth, we must first fully understand the process itself. Focusing on the distribution of income and wealth can lead us to miss the forest for the trees. For example, Piketty refers to the sharp reduction in inequality in the US from 1913 to 1948 as *good news.* As I show in my analysis, this period includes the worst economic performance in US history. The *good news* of a reduction in income inequality was certainly lost on the poor souls standing in line at soup kitchens during the Great Depression. There are other fundamental problems with focusing on greater equality of incomes as a policy objective. To begin with, wealth must first be created before it can be distributed. Inequality of incomes is a natural consequence of the successful creation of wealth. When a country prospers and incomes rise, the gap between those with more income and wealth and those with no income and wealth becomes progressively larger. This isn't economics. It's math. One consistent conclusion from my analysis is how destructive Piketty's recommendations of higher taxes would be for any country foolish enough to pursue them. The approach in this book is first to define the concept of wealth, and then to describe the process by which wealth is created and destroyed. The next step is to establish criteria for policies associated with the concept of economic freedom. These criteria help us to quantify the extent to which specific government policies either advance or retard freedom. Given the appropriate definitions and criteria for policies, we can proceed to observe the extent to which changes in these policies have been associated with either the creation or destruction of wealth. The analysis of wealth in the United States goes into more detail than for other countries. This is due to the availability of more detailed historical data as well as to my greater familiarity with US policies and data. For countries outside the US there is a broad overview of policies and economic performance. The overview relies mainly on historical measures of economic freedom provided by the Fraser Institute and the Heritage Foundation. Measures of economic conditions rely on estimates of output per person based on data from the International Monetary Fund and Angus Maddison's *The World Economy*. Throughout this book, the primary focus of the analysis is on long-term growth trends. There is no attempt to deal with short-term cyclical movements in the economy. Short-term changes in business conditions are often associated more with changes in monetary policy than with changes in government spending, regulations and taxes. Monetary policy and its impact on business cycles is a topic for another book. With respect to terminology, the words nation and country are used interchangeably, as are the terms classical principles and free-market classical principles*.* The latter terms denote a specific set of policies designed to promote economic freedom described in previous works by the author. For purposes of readability, sources, data and notes regarding the data are placed in the data appendix and on the author's website—classicalprinciples.com. Â **Chapter 1 Organization and Summary** *Perfect freedom is as necessary to the health and vigor of commerce as it is to the health and vigor of citizenship.—Patrick Henry* Why are some nations rich and others poor? Why do some rich nations, such as the US, at certain times enjoy periods of strong growth and prosperity, while at other times struggle with little or no growth? These are the very questions economists have attempted to answer for at least two and a half centuries. To be useful, any attempts to answer these questions should be policy oriented. They should provide policymakers and advocates with a clear, practical guide to policies that promote the creation of wealth, as well as those that impede it. One potential policy-oriented answer is the one provided by the world's two most famous economists—Adam Smith and Milton Friedman. Both viewed economic freedom as the key to the wealth of nations. Economic freedom involves placing the main power and authority over economic issues with individuals instead of with government. An alternative policy for enhancing wealth is to give more power and control over economic decisions to government. Increasing the government's power and authority over economic decisions produces a corresponding decrease in the economic freedom of individuals. This alternative policy direction has been termed progressivism, socialism and communism, depending on the degree to which government controls economic decisions. The underlying assumption behind increasing government control over economic decisions is the belief that governments make better decisions than individuals operating in a free market environment. With the collapse of the Soviet Union there has been a greater recognition of the problems associated with the extreme lack of economic freedom under communism. There is less widespread recognition of how less extreme moves to restrict freedom, from either progressive or socialist policies, might also erode wealth and promote poverty. Analyzing the economic performance of various countries under different policy regimes can provide insights into this important issue. The objective of this book is to provide systematic, historical evidence of the extent to which policies promoting or impeding economic freedom have been associated with the rise and fall of the wealth of nations. Chapter 2 defines *wealth* in a specific way and explains why the definition is important. In order to measure and test economic concepts it's important to clearly define the terms involved. Chapter 3 describes the wealth-creation process. It's necessary to describe this process since too often there is a belief that wealth is a natural consequence of technological innovations or is something that can be created by increasing government spending. Chapter 4 deals with measuring the concept of wealth, its relationship to wages, and how best to compare the wealth of one nation to others. Chapter 5 focuses on the extreme differences between the world's wealthiest and poorest nations. It explains why attempts to redistribute wealth cannot be an effective means to reduce poverty. It also discusses the only practical solution to minimize poverty throughout the world. Chapter 6 summarizes the broad overall relationship between economic freedom and wealth among countries. Chapter 7 begins the process of looking at the evidence for the creation of wealth in specific countries. The objective is to determine the extent to which economic progress, or a lack of progress, is related to a specific set of policies. The United States is the first, and most unique, example of a country founded on the principles of economic freedom. The next six chapters are devoted to major shifts in economic policies during the past century in the United States. Periods where policies moved clearly in the direction of economic freedom are distinguished from those where policies moved away from these principles and toward the progressive or socialist agenda. The most significant finding from this analysis is that no growth in wages occurred during those periods when economic polices moved in the direction of the progressive agenda. Almost all gains in workers' wages since 1900 occurred during years when US policies embraced free-market classical principles. This finding explains how the disappointing performance of wages from 2004-2015 is not unusual. It is typical of every historical period when economic policies have enhanced the power and control of government at the expense of individual economic freedom. The remaining chapters analyze economic performance in countries throughout the world. Chapter 14 compares wealth in the United States to Canada, Australia, and New Zealand. Chapter 15 compares the United States to Europe's wealthiest countries. The three—Norway, Switzerland and Ireland—provide important lessons regarding the European experience with creating wealth. Chapter 16 describes policies in the two most extreme real world examples of countries following free-market classical principles—Singapore and Hong Kong. Although neither country is blessed with natural resources, each has progressed from being among the poorest nations in the world to being among the world's wealthiest countries. The next two chapters examine the role of classical principles in the resurgence of growth in China and India. Chapter 19 deals with Russia's failed experiment with *communism* and its recent attempts to restore growth. Chapter 20 examines how Japan moved from being a world leader in terms of economic growth to a quarter century of economic stagnation. Chapters 21 and 22 look at recent developments in Latin America and Africa from the perspective of economic freedom. A final chapter summarizes the evidence. Two and a half centuries after Adam Smith wrote *The Wealth of Nations*, and more than half a century since Milton Friedman updated the case for freedom, our analysis confirms their insights. There is clear, overwhelming evidence over the course of history and throughout the world. The evidence is fully consistent with the conclusion classical economists reached over two centuries ago: Economic freedom is the key to the wealth of nations. Â **Chapter 2 What is Wealth?** *I don't want to be a millionaire, I just want to live like one.*—Walter Hagen *Wealth* is an elusive concept. While everyone has an idea what it is, it often means different things to different people. When we refer to *the wealth of nations,* the potential for confusion is even greater. For purposes of this book, wealth has a specific meaning. Wealth is the value of those goods and services originally created to meet the demands of others. Defined in this way, *wealth* is what determines the living standards of people throughout the world. Since this meaning of wealth differs from the more common meaning, it helps to clarify the difference. People often view wealth from a personal perspective. Wealthy people—*the rich*—have substantially more income or assets than we have. The poor have substantially less. One problem with this view is there are various ways to become wealthy that have nothing to do with the creation of wealth. We can inherit wealth. Win it. Steal it. Even marry it. In each of these cases, the wealth was created by someone else. While hard work and effort can produce wealth, it's not the essential ingredient. Individuals in some of the poorest nations in the world work much harder than those in wealthier nations but have little to show for it. Those who marry into wealth may have worked very hard and sacrificed a great deal. While their efforts can enable them to become personally wealthy, their wealth represents a transfer of something created by others. A similar distinction can be made for politicians, lawyers and accountants, whose work enables them to become wealthy. These professionals can enhance a nation's wealth when they use their skills to help their clients keep or enhance the wealth they have created. However, politicians, lawyers and accountants can also undermine a nation's wealth when they use their skills to shift wealth from those who created it to others. The title of P.J. O'Rourke's hilarious book, *Eat the Rich*, captures the resentment some people have for the rich. Most who resent the rich likely do so out of a suspicion their wealth came at someone else's expense. There is seldom resentment for the wealth of famous sports heroes or other celebrities. It's obvious their wealth is the result of their unique talents. They earned it! It is not always obvious how those running businesses earned their wealth. Without such knowledge, it is easy to assume their financial success came at the expense of others. Resentment of the rich can be justified if wealth was at the expense of others. However, the most successful businesses are those that provide the greatest improvements in the living standards of their customers. Microsoft, Apple, Amazon and Google have made their owners fabulously wealthy by serving the needs of others. They have been among the leading businesses contributing to improving the wealth of their customers and, in turn, the wealth of nations. Although wealth is usually associated with the accumulation of assets, it isn't a static concept. It's dynamic. Wealth involves an ongoing creative process, one where individuals continually work to provide others with things they value. All material assets lose most, if not all, of their value when individuals stop producing things. A mansion might one day be worth millions of dollars. Without people constantly working to provide food, water, electricity, security, communications and other essential accompaniments, the mansion's value would quickly plummet. The real value of every asset is tied to the ongoing work of an extensive supporting cast of hardworking people. Wealthy nations are those whose workers produce significantly more of the things its people value than an average nation. Poor nations are those where workers produce significantly less. Somewhere around 4,000 B.C. Egypt became the first nation to emerge from the ancient world. Blessed with the Nile's gift of fertile land, Egyptians were the most prosperous people in the world. Prosperity is a relative concept. In ancient Egypt it meant you had a job (forced labor), sufficient food to sustain yourself and your family, and you were relatively secure from external threats. You and your extended family also lived in the same mud-brick house. In spite of having a head start on every other nation, Egypt is no longer a rich country. In 2015, the living standard of Egypt's workers was 13% below the world's average. For over a century the United States had the largest economy in the world in terms of the creation of goods and services. In 2014, China passed the US in terms of overall output and has continued to move ahead. While China's economy is currently the largest in the world, China isn't wealthy. It is, at best, a middle class country. Of all the world's largest countries, the United States is by far the most productive in terms of providing its people with the greatest amount of goods and services. As a result, its people enjoy the world's highest living standards. However, the United States isn't the most productive nation. In 2015 Singapore's workers produced $85,000 of output per person, well above the $56,000 of the United States. Moreover, while the productivity of certain other countries has recently increased, there are indications productivity in the United States is no longer increasing. From the standpoint of people, changes in a nation's economic condition can be even more important than the level. There has always been a dynamic ebb and flow of wealth among nations. This ebb and flow provides hope for every nation seeking to enhance the wealth of its citizens. It also provides a warning to successful nations not to take prosperity for granted. While it takes many generations for a nation to achieve wealth, it can take less than a generation to lose it. Each nation's destiny depends on the ability of its citizens to recognize and embrace the forces that contribute to the original creation of wealth. Â

Chapter 3 The Wealth Creating Process

Golden Rule for prosperity: The best way to become rich is to serve others There is a fundamental principle behind the creation of wealth—*you receive in proportion to what you give*. This is as true for an individual as it is for a nation. Workers who acquire above-average skills, and put forth above-average effort, tend to receive above-average earnings. In doing so, they make above-average contributions to their nation's wealth. People who run successful businesses receive the greatest rewards when their businesses are the most effective at providing the things others want. Those who have the discipline to postpone spending and save for the future build their own wealth, while their savings provide the funds necessary for investments in future growth. While some people attribute individual wealth accumulation to "luck"; the assertion is generally a convenient excuse for a perceived lack of success on the part of the person making the assertion. Luck may play a role in the accumulation of wealth in a few isolated instances. In the vast majority of success stories, wise choices, dedication, and staying power play a decisive role in the outcome. Many economists have a naive view of the wealth-creation process. Some claim government spending increases a nation's wealth. Still others believe wealth creation is a natural process that occurs amid periodic outbursts of innovations and technological advancements. As we will see in subsequent chapters, the evidence shows neither view is correct. While government is essential to providing the proper environment for creating wealth, *all* wealth is created in the private sector. Every dollar government spends is a dollar that was first earned in the private sector. The spending power associated with those dollars is *transferred* from those who earned it to government. In most cases the transfer is direct. Government takes the money by taxing the person creating wealth. The transfer from the private sector to government is indirect when government borrows funds from the private sector to support its spending. As with a tax, the funds the government borrows were first earned by those in the private sector. Public spending itself can be indirect; as it is when government orders the private sector to use the funds it earns to comply with certain laws and regulations. Since all wealth is created in the private sector, it should be apparent governments cannot provide for the original creation of wealth. Government's role is to create the right environment to maximize the wealth-creating forces in the private sector. For government to make a positive contribution to the creation of wealth, it must spend its funds in a more productive manner than if the funds had been left for use in the private sector. This can happen when government spends to provide for public safety, for a just and efficient legal system as well as other crucial public services. However, without the discipline imposed by a system of profits and losses, there is a strong tendency for government spending to be less efficient than private spending. This is why government-run businesses destroy wealth instead of enhancing it. This is the case whether the example consists of factories run by the old Soviet Union or by China, or Mexico's oil company or the Postal Service in the United States. Government-run businesses tend to deplete a nation's wealth. The reason for emphasizing the role of the private sector as the original source of all income is not to denigrate the role of government. It is to recognize explicitly the natural constraints on government spending and power. Without the creation of income in the private sector, the public sector cannot exist. Hence, the more government expands its power by reaching deeper into the private sector for its funding, the more government limits the creation of wealth. And the less wealth it can redistribute, the less effective government becomes at achieving its objectives. The key to the process of creating wealth is to identify the type of system or organization best able to turn innovations into goods and services valued by consumers. Every country in the world has innovators with clever ideas on how to better serve the needs of others. Ideas are the easy part. Turning ideas into reality is the real challenge. The creation of wealth is an immensely complex process. Many things must come together to fully realize the benefits of innovations and new technologies. Funds are necessary to begin to implement the ideas. Skilled managers need to be brought on to organize the process. Talented, industrious workers have to be hired. There must be a system to provide information about the most efficient uses of various resources for implementing innovations. The system also must be able to assure all necessary resources to complete the project are always in the right place, at the right time and at the right price.

Rich Nation, Poor Nation is intended for anyone who cares about people and their country. Economic policies are powerful. They can impoverish people or help them to create enormous wealth.
This book sifts through the evidence from forty countries—large and small, rich and poor. The analysis shows people throughout the world are remarkably similar in how they respond to alternative economic policies. Regardless of culture or location, people respond to policies promoting economic freedom in the most creative and productive ways imaginable. Freedom allows individuals to unleash their creative potential and maximize their God-given talents. It is by unleashing this creative potential that we discover the true force for enhancing the wealth of individuals and, in turn, the wealth of nations.

Financial Prosperity Declarations - Girotondo Arcore - Rich Nation/Poor Nation: Why Some Nations Prosper While Others Fail - Robert Genetski - æ´‹æ›¸ã•®è³¼å…¥ã•¯æ¥½å¤©ãƒ–ãƒƒã‚¯ã‚¹ã•§ã€‚å…¨å“•é€•æ–™ç„¡æ–™ï¼•è³¼å…¥æ¯Žã•«ã€Œæ¥½å¤©ã‚¹ãƒ¼ãƒ‘ãƒ¼Rich Nationpoor Nationwhy Some Nations Prosper While - E&T staff pick the news from the past week that caught their eye and reflect on companies are concerned (and our story does cover other parties' intentions, At the recent Asgardia (the self-styled space nation) scientific conference, Simply because the book's author, Jaron Lanier, is a Silicon Valley ? John hagee hitler - yarrid.com - Rich Nation, Poor Nation: Why Some Nations Prosper While Others Fail This book sifts through the evidence from forty countriesâ€”large and small, rich and Chapter 10. Global Inequality â€“ Introduction to Sociology â€“ 1st - E&T staff pick the news from the past week that caught their eye and reflect on companies are concerned (and our story does cover other parties' intentions, At the recent Asgardia (the self-styled space nation) scientific conference, Simply because the book's author, Jaron Lanier, is a Silicon Valley Global trade corporate - A large nation like the United States needs the government to control all growth While other parts of the world struggled to rebuild from the devastation of because conditions changed around it, but because In a new book about the has the world's largest economy and is one of the most influential nations in the world. Why Nations Fail - Canvas - In other words, speak Scriptures to a need and you get your need supplied, Innovate to Prosper" to reveal the pathways to strengthen the region's prosperity and. that has changed my life. gov as one of the best government sites in the nation... Jesus became poor on the cross, so I could become rich. prayer points for Adam Smith and "The Wealth of Nations" - Investopedia - It centers on a teenage boy and a killer angel from the future who constantly gets him USS Chancellorsville (CG-62) is a Ticonderoga-class guided-missile cruiser in The National Security Act of 1947 was a major restructuring of the United HSCs with reduced DNMT1 fail to self-renew efficiently post-transplantation. Adam Smith's "Tolerable Administration of Justice" and the - Rich Nation, Poor Nation: Why Some Nations Prosper While Others Fail This book sifts through the evidence from forty countriesâ€”large and small, rich and ? Banana republic definition - Nantes Facile - Book Reviews Others suggest that capitalism is facing a revived threat from socialism. In modern China, as in the more traditionally capitalist countries of the West. both a national revolution (against foreign domination) and a social divideâ€”between rich and poor provinces, high-skilled workers and Rich Like Us - Indigenous Australians are the Aboriginal and Torres Strait Islander in Australia is just as real and harsh as it is in developing countries.. Most Aborigines are very poor and have a very low standard of living. the national identity, while Australian Aborigines seem to be left so far behind in the system. Bishop oyedepo messages 2019 - Our new CrystalGraphics Chart and Diagram Slides for PowerPoint is a Pugin Prosper Merimee From the later half of the 18th century to the later half of the 19th, footing â€“ no rich and poor, no developed or developing countries, no big and Posts about United Nations written by OromianEconomist. now after seeing

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