

# WEALTH DAILY

## Invest with the Cato Economic Freedom Report

*Economic Freedom Equals Prosperity*

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The Economic Freedom of the World report has been released, and the United States is not even in the top 10. It comes in at number 12 in economic freedom.

The report is put out by the Cato Institute and the Fraser Institute in Canada, along with many other think tanks around the world. It ranks countries based on various criteria, including property rights, regulations, open markets, and the law.

The top 10 countries are as follows:

1. Hong Kong
2. Singapore
3. New Zealand
4. Switzerland
5. Mauritius
6. United Arab Emirates
7. Canada
8. Australia
9. Jordan
10. Chile/Finland (tie)

It is no coincidence that the top countries with the most economic freedom also tend to be the richest countries with the highest living standards.

The United States is still a very wealthy country compared to most of the world, but things have slipped a bit. You have to consider that much of that wealth is a result of many generations of capital investment and savings.

A brief summary of the report states that the U.S. economic ranking slipped because of increasing regulations, ramifications of wars on terrorism and drugs, and a weakening rule of law.

While the U.S. still has strong property rights, relatively speaking, there is no doubt that property rights have weakened over the last six years. When the economy tanked in 2008, we saw the massive bailouts.

We also witnessed the auto union getting preference over senior creditors in the bailout of the big auto companies. The government and court system blatantly violated contract law, and this did not get the media attention it deserved.

It may not have seemed like a big deal to most people at the time, but it has a serious long-term effect on the attitude of investors, entrepreneurs, and lenders.

### **Dog-Eat-Dog Capitalism**

Many critics of capitalism and free markets will come up with slogans. They will call it dog-eat-dog capitalism and survival of the fittest, and they'll say free markets line the pockets of the rich and hurt the poor.

First, it is important to point out that we don't live in a society with fully free markets. It is very much a mixed economy. The Wall Street [bailouts](#) in 2008 were not an example of capitalism — quite the opposite. They were government cronyism and an alliance between big business and government.

In a free market, businesses that don't make a profit by satisfying consumer wants and needs would fail.

Critics of free markets who claim we need more government welfare and that capitalism hurts the poor should take a quick glance at this report on economic freedom. It doesn't take a lot of thought to realize that the places with greater economic freedom are far more desirable places to live.

In the countries that were the most economically free, the poorest 10% of these populations still had an average income that was about double that of the overall populations in the least free countries. In the top quartile of economically free countries, the life expectancy was 79.9 years compared to just 63.2 years in the bottom quartile.

I have never been able to figure this out. If economic freedom leads to greater prosperity and higher living standards, then why do so many people advocate policies for less economic freedom?

You are far better off being a poor person in a relatively economically free country than being an average person in an economically unfree country.

Some will point to a wealth and income disparity in the U.S., but let's look at the big picture: Some of this disparity is perpetuated by policies that are anti-free market. The bailouts are a good example of this.

But in a free market economy, there is nothing wrong with disparity — there is always going to be disparity. There is even greater disparity in the most oppressive countries.

The key is that in a free market environment, most people get wealthier. There are still rich and poor, but all groups have the opportunity to better themselves, and most do.

### **Freedom, Not Democracy**

Some people mistakenly believe you are free if you live in a democracy. Not only is this not correct, but it is often quite the opposite.

Despite what so many think, the U.S. is not supposed to be a democracy. There are certain democratic processes, but we are supposed to live in a constitutional republic. There are many anti-democratic measures built into the Constitution, including the 1st Amendment.

The whole idea of free speech is anti-democratic. The speech that needs to be protected is unpopular speech — speech that would generally not be approved by a majority of people.

The idea of property rights is anti-democratic as well. If you own your property in a free society, you are the king of your castle. You can do what you want with it, as long as you don't encroach on others. A majority of people can't get together and decide by way of vote to take your property away from you.

When you have something closer to a true democracy, then voters are mostly trying to vote themselves goodies from everyone else. It ends up being a giant bureaucratic welfare state.

Just having the right to vote for elected officials does not guarantee any kind of freedom. At the same time, not having that right does not necessarily guarantee a total lack of freedom.

The United Arab Emirates was ranked number six on the Economic Freedom report. You could almost say this country is a benevolent dictatorship, if that isn't an oxymoron.

The U.A.E. is a very wealthy place. The regulations are low, and taxes are almost non-existent. A lot of poor foreigners go there to seek work. A lot of people are under the false impression that the U.A.E. is rich because of oil, but oil actually makes up a small percentage of its national income.

Take a look at some pictures of Dubai. It really is incredible. It has a huge tourist industry, and it is becoming a major hub for business and world trade, particularly in finance.

This is not a full defense of the U.A.E., as there are certainly social laws I do not agree with. But given a choice, I would much rather live in Dubai than in a more democratic country such as India, where poverty reigns.

I think a lot of people in India would give up their right to mark a ballot in a voting booth for the opportunity to live in a dictatorship such as the United Arab Emirates. Voting doesn't make you free if everyone else is voting to take away your property.

### **More Economic Freedom**

The answer to massive poverty in the world is more economic freedom. If you want to continue the poverty, then hand out government welfare. If you want to lift people up, then allow freedom, voluntary trade, and property rights.

If you like to invest in foreign stocks, then I recommend taking a chance in an [up-and-coming country](#). It doesn't have to be a wealthy country now; it simply has to be rising. The only way a country is going to rise significantly is by having freer markets, including stronger property rights.

You can use these economic freedom reports to see which countries are improving and allowing more foreign investment.

I am still a long-term optimist for the United States, but unfortunately, it has slipped quite a bit. In the short term, you may actually find better opportunities elsewhere.