

Empathic Economic Growth: An Attempt to Reconcile Empathy with Economic Practice

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ABSTRACT

Economic policies that do not include empathy toward the population can bring market failures and damage to the economy. Governments can positively offset market failures by adopting empathy into policies. Empathic growth benefits real people by adding security, prosperity and general well-being to their lives.

This monograph considers the real-world effects of several specific national economic policies without regard to any specific theory set. While few statistics support the policies examined here, hundreds of my Macroeconomics students have written analyses of their home country polices using this framework. See their most recent work at www.miepa.net.

No conflicts of interest occur with this paper; all work was self-Funded.

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Personal Foreword

This paper presents my approach to modify economic theory in order to lessen the several social ills encouraged by Classical Economic Theory as embodied in Adam Smith's book *Wealth of Nations* published in 1776; several economists have expanded Smith as shown below on page 4 *Very Brief History of Economic Thought*.

Genesis of this work

With the Brief History intellectual framework below I observed in the 1960's that economic theory had little or no relevance to the business world unless it helped the firm make more profits. In reaction I wrote a monograph in the 1980's: 'Economic Theory and Practice: J. M. Keynes Meets the Wise Guy with the Diamond Pinky Ring: A light and pithy discussion about making money. For the non-economist with a broad mind and a sense of humor'. It is a Kindle book available here:

[https://www.amazon.com/gp/product/B08B763744/ref=dbs_a_def_rwt_bibl_vppi_i3]

Friend and feminist author Peg Moran in Santa Rosa suggested I contact Jake Warner of Nolo Press in Berkeley to publish that book. He liked my prose style but didn't like the Pinky book. Jake asked me to write a different book, i.e., 'How to Write a Business Plan'. That book first published in 1984 and the latest, 14th Ed published in 2019. [https://www.amazon.com/gp/product/B07K6Z9TZC/ref=dbs_a_def_rwt_bibl_vppi_i0]

On sabbatical, I moved to a cabin in Laytonville CA to write another PINKY version and to expand its concepts. Landlord Ernie was very accommodating while I was there. My journalist friend Dave Alcott suggested I create a website for the resulting policy ideas.

The Mike P. McKeever Institute of Economic Policy Analysis [MIEPA] went live in the late 1990's. The URL is www.miepa.net

I am grateful to hundreds of my economics students who wrote policy analyses of their home countries over the past 20 plus years. The site currently shows more than 50 analyses of countries from Argentina to Yemen.

Very Brief History of Economic Thought

Classical theory.

Adam Smith wrote his book to justify England's 18th Century Opium Wars in China. Or, perhaps, the book was used by later apologists for that purpose. Smith recognized the power of market forces to create economic behavior, but excluded individual well-being from his explanations; he recognized that a nation's need for social justice can moderate the extreme behaviors of avaricious economic actors. The resulting social ills gave rise to alternative economic theories and systems throughout the 18th, 19th and 20th Centuries.

Marx.

Karl Marx in *Das Kapital*, 1867, suggested labor is the source of all value and that capitalists were thieves collecting the benefits of labor.

The 1918 Russian revolution was fought to overthrow extremes of inequality and misery. Planned economies with government ownership of factories and businesses replaced the oligarchic structure inherited from the Tsars. While the planned economy had some successes in the 20th century, it was crippled by the 1980's and collapsed. Russia was left with an anarchic system, which quickly devolved into the current oligarchic kleptocracy.

Russia's collapsing planned economic system left a valuable lesson: Any economic system, however structured, requires markets to succeed in creating a prosperous society.

Mao Tse Tung.

In the People's Republic of China, Chairman Mao reduced economics to a simple proposition by following Marx to an extreme. Mao said the goal of the working classes is to overturn the capitalist class by murder and then install a Dictatorship of the Proletariat. Among his oft-quoted statements: "Political power grows out of the barrel of a gun." Following this maxim, China became a single-party dictatorship.

During the 1980's, under the pragmatic economic liberalization of Deng Xiaoping, China opened its economy to some Western markets and blended state and private ownership to make itself a world power.

Hitler and Fascism.

The Fascist dictators of the 1930's used working class anger to wrest political power from elected governments. They had no economics behind their ideology, rather used whatever form suited their ambitions.

John Maynard Keynes.

In 'The General Theory of Employment, Interest and Money', published in 1936, Keynes sought to create an alternative solution to very high unemployment. He suggested that national governments should borrow money to 'prime the pump' and reduce unemployment by expanding economic activity and GDP.

He did not advocate reducing social ills with direct action but relied on macroeconomic actions to reduce social misery indirectly.

Milton Friedman and the monetarists.

This economic school, called the Chicago School after the University of Chicago where Friedman taught, advocates a return to classical theory in which market forces correct all social ills.

Post Keynesian Economics [PKT].

PKT advocates that the national government should address social ills directly by providing direct payments to disadvantaged people. Free education, free health care and free child care are a few of the PKT style programs. Some countries practice versions of this model today in the Nordic Model.

High income and property taxes pay for the social programs. Sweden, Norway and Denmark have demonstrated this approach can work and allow rich people to receive adequate rewards.

A. Preface: Setting the Stage

Economic Theories are Tools

Economic principles by themselves are neutral tools. Governments build economic policies based on one or another of existing theories. Sometimes bad actors take control of an economic system and use the tools to benefit themselves while harming others.

Empathic Economics Can Block Harmful Results

Empathic economics recognizes the harm potential and explicitly promotes positive social impacts by reversing the order of policy creation. Old models begin with implementing economic tools and allow whatever social results occur as natural. On the other hand, empathic economics creates a list of desired social outcomes and then uses economic tools to create that positive social structure.

Some Economists Suggest Growth is Inherently Empathic

Most economists suggest economic growth as the key to a good social structure and improving citizens' lives. Growth can mean better lifestyles, more jobs, better health and so forth. [<https://www.oecd.org/derec/unitedkingdom/40700982.pdf>]

Regrettably, many economists assess growth only by measuring increases in GDP. However, rising GDP also frequently increases income inequality and other negative social strains.

While economic growth helps most economies, it is not the primary or sole determinant of economic success. At least four [4] additional statistics reflect a country's economic health.

I suggest four major measurements to track any society's health: Income and wealth disparity, wage market failure, Artificial Intelligence and monopoly market power.

Economic Issues with Growth Income and wealth disparities

People with steady jobs partially insulate themselves from the travails of life, but people with large fortunes and high incomes can insulate themselves completely from normal vicissitudes. Such insulation prevents the insulated from experiencing or understanding the lives lived by most citizens. Many of societies' rulers and governors are among the insulated few. That insulation can prevent the rulers from understanding how their decisions affect normal people. Additionally, some of the insulated devote most of their energies and fortunes to preserving their privileges regardless of the impact on the rest of society.

Wage market failure:

Wages in a free market society are set by the interaction of the demand for workers and the supply of potential employees. Classical economic theory suggests that when wages are below the cost to sustain life, the number of workers shrinks and wages then adjust upward due to labor shortage.

That adjustment rarely occurs in reality. Most labor markets have a supply of workers that is larger than the demand for their work. Many people now receive wages too low to sustain a life and thus work more than one job.

Past governments recognized that failure and established two mechanisms to counter it: Minimum wage and Labor unions.

Cities, states and the national government can create minimum wages for workers. Most voters like minimum wages and regularly vote in favor of increasing the wage. Lots of evidence suggests minimum wage increases have no negative impact on job creation. But, some business owners object to wage hikes and lobby against them. The Federal minimum wage has not changed in the last 12 years at this writing of March 2021.

Workers brought labor unions to the US at its founding. FDR strengthened unions' powers in the 1930's. Recently the United States congress has gradually reduced effective enforcement of laws protecting workers' rights to organize and strike for higher wages.

Some critics charge that unions and minimum wages do not provide adequate protection for workers in the 21st Century.

Artificial Intelligence [AI]:

Today we see machines replace many workers; some economists predict that the trend will continue and accelerate so that many formerly high paying jobs will be lost to AI.

Some of those economists predict that a form of Guaranteed Basic Income will be required to prevent rampant poverty and misery due to job loss on a national scale.

Monopoly and market power:

Small businesses [SME's] provide jobs for about half the entire work force. When companies

create monopolies or establish dominant market positions, they can and sometimes do use that power to prevent SME's from forming or prospering. Dominant firms can and do prevent job creation from potential competitors while ensuring their own dominance.

A. Empathic Economic Growth:

Definition of Empathic Economics

What is Empathic Economics? In my view it is the study of social and governmental policies and practices supporting healthy economic growth.

I call it Empathic Economics because it uses economic theory as a basis for evaluating specific national economic policies but rejects the traditional view that economic theory stands alone and does not account for its real world impacts. Economic theory today evolves away from an older consideration of economics as a math driven discipline without regard to real world impacts of those theories. The more correct model discussed here establishes a set of desired social and political objectives and then designs economic policies to achieve those objectives.

Evil and Economics

A major part of Economic theory focuses on establishing market prices through interactions of demand and supply in a free market place. That is to say: 'the Laws of Economics are tools without consideration of any impact on real people.' The theories are analogous to tools in a toolbox. A hammer is a hammer whether used for good or evil.

When politicians and business managers apply those tools without any empathy for the people they affect, they use the tools for evil purposes.

"In my work with the defendants (at the Nuremberg Trials 1945-1949) I was searching for the nature of evil, and now I think I have come close to defining it. A lack of empathy. It's the one characteristic that connects all the defendants, a genuine incapacity to feel with their fellow men. Evil, I think, is the absence of empathy." [The Evil of Nazism as per Captain G. M. Gilbert, US Army psychologist assigned to watching the Nazi defendants at the Nuremberg Trials.]

Empathic Economics policies hold creation of a stable middle class together with a political representative democracy and a strong social safety net as their primary objectives.

Empathic Economics policies include maximum economic freedom within a country's borders, trade management to prevent foreign currency imbalances and a realistic approach to political systems. Sound economic policies can coexist with a variety of political systems. Empathic Economics policies produce economic growth within any country. They explicitly allow for both non-GDP wealth creation and traditional GDP growth.

B. Empathic Economic Policy Groupings

Empathic Economic policies have six different policy groups. First, policies divide between

internal policies and external policies. Internal economic policies affect people and commerce within a country's borders; external economic policies affect trade and relationships with foreign people and governments. Second, policies divide among Critical criteria, Important criteria and Beneficial criteria.

Critical policies are vitally important to the well-being and security of the country. Important policies are slightly less critical than the first group. Beneficial policies are helpful, but not necessary, to citizen well-being.

Critical Internal Policies, 15 points each

Economic policies in Group 1 are critical to the well-being and security of the nation-state. The policies in this group are any government's first priority. These policies rate three times higher than Beneficial policies; an analyst assigns a score of 15 points to these whereas the analyst assigns a score of 5 to Beneficial policies.

[Please read procedures on rating policies below to see how the analysis works. Also please note that individual policy numbers may have changed over time due to addition of new policies.]

1. Freedom from internal control, 15 points

Citizens are free from positive or pro-active control by government agencies. They are free to move about and engage in all activities not prohibited for good reason. This freedom provides the maximum opportunity to create new enterprises and wealth. Un-free citizens must obtain permission before undertaking any wealth creating activity. Countries wherein citizens are free to move about at their own discretion receive high marks.

Entrepreneurs who can move freely inside the country create more jobs.

2. Freedom of speech, 15 points

Citizens express themselves freely without censorship or restriction. This freedom provides potential entrepreneurs with maximum exposure to possible opportunities. High marks to countries with no restrictions on speech or other communication.

A free flow of ideas creates jobs - entrepreneurs get inspiration from every source of discussion and ideas. The more ideas circulate in society, the more jobs.

3. Effective, fair police force, 15 points

Citizens and enterprise managers need freedom from fear of criminals; freedom from fear of crime encourages maximum new enterprise creation.

A perception the police force is fair to all members of a community allows all members to share a sense of responsibility for the society's future. Minority citizens will start new enterprises when they think feel they will be treated equally. Countries receive high marks when the police force is efficient and fair.

4. Private property, 15 points

Laws protecting private property in conformance with local practices create nationally recognized proof of ownership, instead of extra-legal titles that are recognized locally only; this creates incentives to establish wealth-creating ventures, and produces benefits for the entire economy. Countries where citizens and foreigners alike have clear and court protected rights of property ownership receive high scores, provided that all property (real, personal and intellectual) is protected. See THE MYSTERY OF CAPITAL: WHY CAPITALISM TRIUMPHS IN THE WEST AND FAILS EVERYWHERE ELSE, Hernando de Soto, Basic Books, 2000

5. Commercial banks, 15 points

Businesses need capital to start an expand. Commercial banks create capital by taking demand deposits and lending for long terms, pooling risk and monitoring borrowers. Job creation requires a sound commercial banking system.

Commercial banks lend money to enterprises from citizens who deposit their cash, thus facilitating commercial activity and employment. Countries receive high marks when the commercial banking system is sound and actively finances business operations while limiting its activities in financial, non-business activities.

6. Communication systems, 15 points

Business activity depends on good communication and transportation.

An extensive network of communication installations – broadband internet, telephone, TV, radio, newspapers, magazines and so forth - facilitates the introduction of new ideas and business opportunities. Countries receive high scores when communication facilities are ubiquitous.

The analyst reduces the score where any populations are less well served than others.

An extensive network of communication facilities - telephone, TV, radio, FAX, newspapers, magazines, computer networks and so forth - facilitates the introduction of new ideas and business opportunities into a country. High scores are received when communication facilities are ubiquitous.

7. Transportation, 15 points

Good transportation facilitates the movement of merchandise and people, thereby improving the commercial activity of the country.

All means are included: roads, rail, air, and ship. All markets of the country should be available by at least two transportation means. Countries receive high marks when all markets and population centers are easily accessible to passenger and freight transportation.

The analyst identifies any population pockets not readily served by transportation of goods and people. The extent of such pockets reduces the score on this policy.

8. Education, 15 points

Highly educated populations create more jobs than poorly educated populations.

Both the quality and quantity of education is critical to wealth creation. All the schools and universities in a country should prepare students to compete with students from other countries as well as other students within the country. Most children should receive an education sufficient to enable them to function in a modern economy. Countries with high literacy rates, high percentages of children enrolled in secondary schools and at University and which Universities are world renowned for excellence receive high marks.

The analyst compares both the percentage of school age population at all levels currently in school in the subject country with a similar measure in industrialized countries. The, the analyst compares the quality of the education received in the subject country with the quality of the education received in industrialized countries. A high score requires that quantity of students as a percentage of the population and the quality of the education received match or exceeds the industrialized world.

9. Social Mobility, 15 points

The ability of each individual person in any group in society to advance in earning capacity is critical to wealth creation; barriers to such advancement reduce the society's capacity to create wealth. Public sector jobs shall be earned by ability and not given to cronies. Additionally, the education system should provide access by all persons to the tools needed by individuals from deprived backgrounds to join the more elite classes.

A careful study of several isolated towns showed a positive correlation between open competition for well paying jobs and higher incomes on the one hand and between a nepotistic society and lower incomes on the other. Societies which encourage talent regardless of connections create more jobs than societies where family matters.

See: 'Worlds Apart: Why Poverty Persists in Rural America', by Cynthia M. Duncan, Yale University Press; New Ed edition (August 11, 2000); ISBN-10: 0300084560; ISBN-13: 978-0300084566

10. Share of All Jobs in Small Businesses, 15 points

It is possible to use the percentage or share of overall jobs in a national economy held by workers in small businesses as an indicator of the openness of the economy to new business creation. Small to Medium size Enterprises [SME's] are companies with fewer than 100 employees. Ideally, a country will have at least half or 50% of all jobs held by employees in SME's. Data for the USA is available from the U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Census Bureau, Statistics of U.S. Business and Non-employer Statistics.

Critical External Policies, 15 Points each

Economic policies in Group 2 are as critical to a country's well-being as the policies in Group 1. An effective sovereign government manages its external policies as well as it manages its internal policies.

11. Freedom from outside control, 15 points

Citizens of any country should be free from control by any citizen or agency of any other country. Countries wherein citizens are subject only to the laws of the home country receive high marks. Residents and citizens of a country who feel secure from kidnapping by other governments will be encouraged to hire employees and start businesses.

12. Protection of Domestic Enterprises, 15 points

Countries which create the most jobs, growth and wealth protect their domestic companies from foreign competition with tariffs, quotas and other restrictions, while taking care to enjoy the gains from trade wherever possible. [See Ian Fletcher, Free Trade Doesn't Work: What Should Replace it and Why; www.freetradedoesntwork.com for a complete discussion.] The more effective countries create an industrial policy - that is, they identify the industries they want to grow inside their country and then encourage those industries - and then use trade policy to support it.

The analyst will examine the current trade account for goods and services to determine whether the country shows a surplus - more exports than imports - or deficit - more imports than exports. High marks are given when the trade balance of goods and services in the current account are above balanced or balanced where exports equals imports. Low marks are given for a trade deficit. Financial transactions are not counted in this analysis.

Higher marks are given when the country has an explicit plan to establish some specified industries for future growth and fashions its trade policies to accomplish that goal.

13. Foreign currency transactions, 15 points

Business owners who spend too much time changing currencies spend less time on expanding their primary business and hire fewer employees as a result.

Effective national governments require that citizens and businesses use only the domestic currency in the home country. All foreign currencies must be converted to domestic currency to conduct business. This creates a single currency and enables the government's fiscal and monetary policies to be effective. Countries in which all transactions are conducted in the official, national currency receive high scores.

14. Border control, 15 points

Smugglers and other criminals take advantage of weak borders. This drains money from legitimate businesses and reduces job creation.

Effective governments have strong borders. The national government decides which persons

and goods shall enter and which shall not. Failure to control a country's borders leaves the wealth creating process inside the country open to any disruption from outside trends. Countries with effective control of smuggling in both directions get high scores.

Important Internal Policies, 10 Points each

Policies in this group are almost as important to national security as are policies from the first group.

15. Single Currency, 10 Points

Use of a single currency as money throughout a country encourages commerce within the country. Use of currencies issued by a variety of banks or other domestic bodies discourages commerce. Use of a single currency allows the economic policies of the sovereign government to have predictable effects. The difficulties are more severe when one or more of the currencies preferred for commerce are foreign currencies. Countries receive high marks when the only currency issued in the country is the official, government-approved currency.

16. Cultural, language homogeneity, 10 Points

More wealth is created among a population that shares common values, language and customs. Introducing minority cultural groups increases the difficulty of conducting commerce and raises the possibility of armed conflict. When minority groups remain relatively small compared to the majority culture, wealth creation can continue. The likelihood of problems increases when the cultural differences are severe and when the various cultural groups are nearly equal in size. High scores go to countries with cultural and language homogeneity.

There is absolutely no justification here for any forced uniformity such as "ethnic cleansing." Any such action is morally reprehensible on its face. Countries with minority conflicts that remain peaceful create more wealth than countries where ethnic conflicts become violent.

17. Political effectiveness, 10 Points

Natural disasters and terrorist acts injure and kill people. They also interrupt normal business activity. Good governments recognize disaster and fix them.

This improves the business climate even more when it extends to all parts of the country, rather than remaining localized in the major population centers. Countries which govern rural areas equally as well as urban areas create more wealth. High scores accrue to countries wherein the political process does solve problems.

18. Institutional stability, 10 Points

Business owners like predictability. If society's core institutions change frequently, a business owner will lose faith in the future and reduce new job creation.

Countries wherein most organizations remain stable for many years create more wealth than those countries where institutions change frequently. Countries with stable governments, courts, schools, law enforcement and businesses receive high scores.

19. Honest government, 10 Points

Business people are realistic and can tolerate a low level of corruption provided it is fair, minimal and predictable. But, corruption seen as massive and unpredictable drains too much cash from business operations and reduces new job creation.

Good governments attract leaders who truly wish to help their subjects while poor governments contain functionaries who use their office for profit. Government leaders who work to limit or eliminate corruption create high scores for their country.

A private organization publishes a corruption index of many national governments which is available on the internet. The Transparency International Corruption Perception Index is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2006

A government's reputation for fair and honest dealings creates a high score for this policy.

20. Common law enforcement, 10 Points

When the public perceives the justice system as biased toward any class, people who are not favored will withdraw from the economic system. This withdrawal reduces new businesses and job creation.

Good governments have the same set of non-conflicting laws, justice and dispute resolution throughout the population. Also, the administration and implementation of the legal system is uniform in all parts of the country and for all parts of the population. High scores result when the legal system is effective and when it is equally fair in all parts of the country.

If a rich person is able to buy better justice than a poor person, then the country receives a lower score.

21. Central bank, 10 Points

A sound currency is critical to business operations. The central bank manages the currency.

Central banks are required to manage the commercial banks in the country and the currency of the country through a fractional reserve banking system. These banks should be independent of political control and charged with producing the most good for the economy in the long term. A country receives a high score when the central bank manages the country's commercial banks and monetary policy effectively and the central bank is independent of political control.

The analyst judges whether the bank can withstand the pressure to change monetary policy to please the government or not.

When a central bank effectively controls the money supply, manages the banking system and also acts independently of political pressure receives a high score. Other banks receive lower scores.

22. Domestic budget management , 10 Points

Governments constrain job growth when they fail to balance their national budget on a consistent basis because any deficit is borrowed; the borrowed funds are then not available to expand businesses.

Good governments spend as much money as they collect in taxes. Continuing or increasing budget deficits indicate a weak government that caters to special interests. A balanced domestic budget results in a high score for the country. However, if a country attempts to reach zero inflation, it is likely that wealth creation will be reduced; while inflation must be controlled, wise countries recognize that zero inflation is impossible to achieve and allow limited inflation as an incentive to job creation.

The analyst locates the annual national tax revenue and expenditure totals for three or four years. Then performs the math to see if the government consistently spends more than it collects in tax revenues. Governments which consistently spend more than tax revenues by 10% or more regardless of GDP fluctuations receive a low score.

Sound fiscal policy requires occasional deficits to stimulate economic growth. The analyst judges whether the deficits are consistent or occasional.

23. Government debt, 10 Points

Good governments manage their debt to avoid any negative effect on economic growth. Any large national debt siphons cash away from productive activities thus limiting job growth.

Debt paid to foreigners is more of a drain on the economy than debt paid to citizens. It is possible to manage debt to achieve a high credit rating while still producing a negative force on the economy. Countries with total government debt as a low percentage of GDP receive a high score. A country is excessively indebted when the present value of its debt service exceeds 50 percent of its GDP. Note that the USA debt exceeds annual GDP.

The analyst locates the amount of annual debt service [payments] for both internal debt [payments for debt owed to citizens] and external debt [payments for debts owed to foreign entities]. Then this annual payment compares to GDP.

NOTE: Debt produces a negative effect on the economy because debt service payments take money from wealth creating activities. This is true even if the borrowed principal produces wealth because the total repayment stream will be in excess of the borrowed principal. While inflation reduces the economic cost of borrowed money, inflation creates severe negative effects on the economy and borrowing to finance budget deficits increases inflation.

24. Economic statistics, 10 Points

Accurate and plentiful statistics produce increased awareness of business opportunities. Poor statistics increase risk and reduce investment. High scores go to countries who publish plentiful statistics, provided that independent observers rate them as accurate.

The analyst locates opinions from business people about the quality and quantity of statistics available regarding business opportunities. This policy does not refer to any level

of macroeconomic indicators; it refers to the availability and quality of census-like data on incomes, ages, ownership rates of major durables like automobiles and TV sets, etc.

25. Protection of public health and safety, 10 Points

Good management and regulation of waste, food inspection, infectious disease and other public health issues increases wealth in a country. Countries receive high scores when their public health statistics for indicators like infant mortality and tuberculosis approach the highest world-wide standards as collected by the UN.

The analyst locates TB and infant mortality rates for the subject country and then compare those rates to Western, industrialized countries like Western Europe, Japan or the United States. Equal or better rates results in a high score while worse rates [i.e., higher rates of TB and infant mortality] result in a lower score.

26. High Wage policies, 10 Points

Countries that encourage high wages have larger domestic markets. Strong unions help workers receive high wages.

Obviously, countries with high wage policies must protect domestic workers from low wage foreign competition or the positive effects of the high wage policies will not offset lower prices from foreign goods. Countries receive high scores when most of the working people can afford to buy consumer goods beyond basic living necessities.

Indicators of high wage policies can include active trade unions, educations and health programs for low income people, etc. Here's the question to ask: can an average single working person who is not a professional afford an apartment, a refrigerator and a vacation? A yes answer results in a high score.

27. Environmental protection, 10 Points

Good environmental regulations protect the quality of life and the value of real property. More people are attracted to a clean area, thus improving the business climate.

Countries that protect their natural environment from harm preserve the value of their resources. Countries which resolve conflicts between resource preservation and resource development receive credit for sound policy making. Countries receive high scores when they protect clean air, water and forests with effective regulations.

Most countries enact legislation intended to preserve the environment, but many countries have little or no enforcement. The score is based on the actual enforcement regardless of the laws. No enforcement and widespread pollution results in a low score.

Important External Policies, 10 Points Each

28. Strong army, 10 Points

Business owners want safety and security for their families and customers; without a feeling of safety, most entrepreneurs will move elsewhere. A few will stay in unstable situations, but they will move their families out of harm's way and keep operations to a minimum.

The national armed forces should be strong enough to protect the country from armed attack by likely hostile neighbors as well as from attack by revolutionaries or bandits within its borders. Small countries do not require armed forces to protect them from large countries; they rely on defense agreements with protector states instead of diverting massive funds to military uses. Military treaties are discussed in Policy 34.

Countries which have sufficient armed force to protect the nation's borders from attack receive high scores, provided that the cost of the forces is below one-third of the domestic budget.

Beneficial Internal Policies, 5 points

29. Foreign trade impact, 5 Points

If trade is too low as a share of GDP, then the country is failing to provide the best opportunity for domestic jobs. If trade is too high, then the country depends on trade and is subject to external shocks to its economy.

Well-managed countries rely on foreign markets for a manageable share of their economic output. If trade accounts for a majority of the nation's economy, the country is vulnerable to outside forces. On the other hand, if trade accounts for almost none of the country's economy then it is likely that the country will create more wealth for its citizens by increasing foreign trade. Countries where the total of imports and exports (foreign trade) is about one-third of the GDP receive high scores.

Here the analyst will add together the total annual imports and exports of goods and services and divide the result by the country's GDP for the same year. The goal is to have the total foreign trade account for 33% of the GDP. That will receive the highest score.

30. Management of foreign currency budget, 5 Points

Well-managed countries recognize that foreign currency surpluses and deficits have multiplied effects on the economy because of the fractional reserve banking system; these countries do not accumulate large surpluses or deficits of foreign currencies. Either imbalance reduces the economy's strength. Large balances of payment deficits effectively reduce the money supply thus reducing overall consumer demand and business opportunities.

Countries receive high scores when the combined balance of payments for goods, services and real capital transfers is close to zero.

The analyst locates foreign trade statistics about the country, calculates the total of last year's exports of goods and services [in US dollars or in national currency] and then subtracts last year's imports of goods and services. If the balance is zero, then the country receives a high score. If the balance is either negative or positive result equaling more than 10% of GDP, the

country receives a low score. The analyst will exclude capital flows from this calculation.

31. Layers of collective action, 5 points

Many layers of collective action help create a middle class of experienced managers who are then able to consider starting a business. Also, the responsiveness to local problems that produces in a society encourages middle class people to stay instead of moving to a different country.

Countries with a wide variety of collective enterprises develop a tradition of accomplishment and leadership. Elected school boards, city councils and volunteer groups give many people an emotional stake in the country's future and also provide a steady supply of seasoned managers. Countries wherein there are many locally elected bodies that are not dependent on the central government for funding or appointed officials receive high scores.

For example, if the elementary schools in your small provincial city are managed by a school board whose members you elect from your community, then a higher score should be assigned provided this method applies to police, water, sewer, education and other community activities.

On the other hand, if the people who manage community activities are appointed from a central city far away from your community, the country receives a lower score on this policy.

32. Pro-business climate, 5 Points

If the society places a high value on business, then more people will consider enterprise leadership as a career and more businesses will be created. When business persons enjoy high social status and encouragement from the government the country receives a high score.

For example, when you are introduced to a business owner, if you assume the person is a criminal, then the country will receive a low score on this policy. This was the case in many countries of the former Soviet Union.

33. Government enterprises, 5 Points

Government owned requiring taxpayer subsidies make it difficult for privately owned profit-making companies to compete and thus create inefficiencies in the economy.

Subsidized companies can contribute to the well being of a country, provided that they are self-supporting. However, some governments establish and maintain enterprises for other reasons; these enterprises destroy wealth when they require government subsidies to continue. If the treasury pays few such subsidies, the country receives a high score.

While the numbers are frequently hard to find, it is helpful to know what percentage of GDP is from government owned enterprises. But, a government owned enterprise may be beneficial to the economy. The critical test is whether the government provides subsidies to keep the company going. If a large government owned company needs and receives government subsidies to survive, then the country receives a low score on this policy.

Recently in China, the government provided such subsidies because there would be too much

unemployment if some subsidized companies failed.

Beneficial External Policies, 5 Points Each

34. International security agreements, 5 Points

Potential entrepreneurs don't want to start or expand businesses when their personal safety is at risk. Mutual military aid treaties and other agreements that increase a country's ability to counter an armed threat help a country's security. Countries which enter such treaties to protect their domestic security from attack receive high marks when the treaties are effective.

The analyst judges whether the country has mutual defense treaties with neighboring countries so that any armed threat to the home country will be met with armed counter measures from several countries. If such agreements exist and are seen as strong, then the country should receive a score of a 4 or 5 on this policy.

For countries such as the USA and China, the home military is so strong that treaties are not necessary; these countries also receive a high score on this policy.

35. Protection of domestic enterprises from government mandated costs: 5 Points

When any country imposes costs on its domestic enterprises in excess of costs in other countries like environmental taxes or worker safety regulations, domestic companies will be at a cost disadvantage in the home market. Countries should protect domestic companies from government imposed cost disadvantages. Countries which impose tariffs to neutralize these costs receive high scores.

For example, suppose the entrepreneur plans to start a woodworking business in California. That business will probably be required to install an extensive dust removing system in the plant because dust in confined spaces can explode and injure workers. If the business were located in Mexico, perhaps the business would not need to install such dust removal systems. This means that the California business is at a disadvantage when compared to the Mexican business - it is cheaper to operate in Mexico.

C. Empathic Economics Method of Analysis

Any good policy analysis for any Nation focuses on whether the Nation conducts the policy to help businesses and then hire workers. Evaluating an individual country with these policies requires intimate knowledge of the everyday life in the country, and sound judgment about each policy since the normal economic statistics rarely cover these policies. The evaluator imagines that he wishes to open a new business in the capital city of his home country. Then he judges whether each individual policy would help or encourage him to open that business, would hinder him in opening that business or would have no effect on his decision to open a business.

Then the analyst assigns a numerical score to each policy as to that policies effect on his hypothetical business opening decision. The policy's numerical scores are based on this scale:

5.0 - Strongly encourages opening a business

4.0 - Moderately encourages opening a business

3.0 - Neutral, has no effect on the decision

2.0 - Moderately discourages opening a business

1.0 - Strongly discourages opening a business.

After the analyst assigns a score, he writes a short discussion of the effects of that policy in the country under analysis: Does that policy encourage business and job creations or not. The discussion supports the numerical score assigned to that policy. After all, most readers will have limited knowledge of the country; a discussion that contradicts the score will confuse the reader.

Sources

Each policy should have at least two sources supporting his numerical score for each policy. The analyst may use his personal experiences and observations as a source, but the analyst must be a native of the country about which he writes and that he had lived in the country under analysis until at least the age of 16 years. Readers want to read about real situations that people face every day as opposed to government propaganda or wishes. We discourage excessive reliance on personal experience as a sole source and requires that there is at least one other source as back up.

We allow unpublished sources and quotes from Wikipedia. The analyst may use unpublished web sites and/or personal interviews as sources. These sources may be in a native language and do not have to be in English although the published analysis will be published in English.

Obviously, the quality of the analysis is determined by the quality of the sources and MIEPA strongly encourages good references.

Empathic Economics Sample Policy Analysis

I have published complete economic policy analyses of more than 50 countries on the website www.miepa.net. Students in my Econ classes wrote all the studies shown there.

Here is an example of what a single, specific policy analysis looks like as written by a student about the United States:

[First, we present the policy description, then an actual example]

DESCRIPTION - 3. Effective, fair police force, 15 points

Citizens and enterprise managers need freedom from fear of criminals; freedom from fear of crime encourages maximum new enterprise creation.

A perception the police force is fair to all members of a community allows all members to share a sense of responsibility for the society's future. Minority citizens will start new enterprises

when they think feel they will be treated equally. Countries receive high marks when the police force is efficient and fair.

[Actual policy analysis sample.]

Sample Analysis: '3. Effective, fair police force (3.0) by Analyst S. L.

'While the U.S. police force is relatively effective, the fairness of it is explicitly bad. The police force has had many scandals of racism, especially with murdering many minorities, young black men in particular. Criminalization rates of minorities are highly disproportionate compared to population, even when minorities are not more likely to commit crimes.

For example in New York City, the implementation of stop and frisk lead to 90% non-whites getting stopped, 53% of those being African Americans. In contrast to the population, which was 66% non-whites and only 25% black. In other words, an African American was twice as likely to be stopped then they were to be black. Businesses however, are protected by police and need not fear in the same way individuals might.

https://www.washingtonpost.com/news/wonk/wp/2013/08/13/heres-what-you-need-to-know-about-stop-and-frisk-and-why-the-courts-shut-it-down/https://inthesetimes.com/working/entry/17520/police_unions_racist

From Policy Analysis, United States of America, by LILAH SEGAL-ANGEL December 2019. See the complete analysis on the website. [<http://www.miepa.net/com/usa.html>]. I present Lilah Segal-Angel's complete analysis below beginning on page 27 of this monograph.

D. Requirements for Analysts

The ideal policy analyst is a student or professional who has completed at least the first year of a university level economics class with a grade of B or better. The analyst will have lived in his or her home country until the age of 16 years at minimum. H/she will be fluent in the home country language as well as English. The analyst will be computer, Microsoft Windows and internet

literate and will have easy access to email and web browsing. S/he will be able to budget four hours per week to the project for a 15 week period.

Policy analysis work qualifies for publication on the website when it is completed according to the above procedures. Any deviation from approved procedures will eliminate the opportunity for publication. No financial reward is offered.

Any published work will remain on the website until another analysis of the same country is published. If two or more analysts write on the same country at the same time, both studies will be published and remain until another analysis is published.

Students complete most analyses as part of their chosen, extra-credit class work in Economics classes.

E. Jobs Growth Theory – Mike P. McKeever

Empathic Economics uses the idea of creating jobs in a country as a measure of good effects on economic policies: Policies that create jobs help a society. My theory of Economic Growth helps explain how the policies work. Here is that discussion:

In the economic circular flow of money and goods, businesses sell goods to consumers and hire workers to produce and sell those goods. The workers take their wages and buy products and services from businesses.

The classical economist's way of looking at the flow was to say that 'Supply creates Demand'. In other words, business must hire workers to create products and those workers in turn use their incomes to create demand for businesses by spending their wages. Classical economics then looks at businesses as the foundation of economic activity for their efforts to create products by hiring workers. While creating a product or service the business pays workers wages which then creates an income for consumers. Classical economics focuses on business product creation and assumes the demand will follow.

The jobs theory turns that around to make this statement: 'Demand Creates Supply'. In other words, if consumers have an income, businesses will be formed to supply products to consumers. Then, the focus is on the consumer's income – if consumers have an income, business will cater to that income by creating products for consumers to buy.

Economic growth then becomes the creation of new businesses and jobs; and, it is measured by the number of jobs created. One cannot just measure the number of businesses created since one new business may create hundreds of jobs while another new business creates only one job.

When more jobs are created, then the economy grows. It is measurable – just count the number of new jobs created and subtract the number of jobs lost. If the number is positive, then there is economic growth. If the number is negative, then the economy has shrunk.

For example, the number of people working in the USA grew from 64,630,000 in 1959 to 145,926,000 in December of 2006, according to the 2007 Economic Report of the President [<http://www.gpoaccess.gov/eop/tables07.html>]. This is a growth of two and one quarter times over a 47 year period.

During that same period, the population grew from 177,830,000 in 1959 to 299,801,000 in 2006. This was a growth of about 68%.

Not only did the absolute number of jobs grow by 125% during that period, the number of jobs grew almost twice as fast as the population.

The number of jobs per capita is derived by dividing the number of jobs by the population. It grew from 0.36 in 1959 to 0.49 in 2006. In other words, one working person supported nearly two non-working people in 1959, but one working person supported only one non-working person in 2006. Economic growth is measured by an increase in per capita jobs.

Business Creates Jobs

In most economies, most jobs are created by small entrepreneurial businesses.

There are four conditions required for any businesses to be formed. When present, these pre-conditions allow for job creation; when absent, job creation is almost impossible.

Middle Class

Business owners largely come from a middle class, when that class is defined as a class of people who have the extra time and income to conceive of a business opportunity and save, borrow or collect investors in order to start a business and hire employees.

Property

A business is a venture in which property is bought and sold. If property cannot be protected or defined a business cannot survive. The system which creates and protects property is a legal system installed and maintained by a government. Job creation requires a complex legal system which describes, defends and resolves disputes about personal, real and intellectual property.

Personal Property

Personal property is merchandise which is not permanently attached to the ground. The items for sale in a retail store are personal property. The legal system which creates and transfers ownership of personal property is governed by the Uniform Commercial Code [UCC] in the United States. This is a set of definitions of such things as a contract, invoice, bill of lading, receipt and so on which are accepted by all states, counties and cities in the USA. The UCC is readily available on the Internet and is managed by Cornell University Law School; it is available at <http://www.law.cornell.edu/ucc/ucc.table.html>.

Businesses require predictable rules about the acquisition, possession and transfer of personal property since most businesses buy and sell personal property such as those incorporated in the UCC. Businesses also require an effective police force to protect their property against theft. If the business owner cannot predict whether or not a robber will steal his property, he will take his investment to a safer country. Then, there will be no business created and no jobs offered.

A society which wishes to see job creation will incorporate standard rules of creating, owning and transferring personal property.

Real Property

Real property, or real estate, includes land, buildings and any items permanently attached to the land or building. For example, the electrical wires enclosed in the walls of a house are real property since they cannot be removed without damaging the house. But, a mirror hung on the wall with nails is personal property because it is easily movable without damaging the wall.

Much of the value in real property derives from the ability to measure and exactly describe where is the vacant land or land which underlies buildings. This ability to locate land precisely enables banks in distant cities to loan money against the value of the land and buildings. It also makes possible the establishment of the proper owner of that land so that a person's claims of ownership can be defended in court.

Land is described by surveys documented in public records and claims of ownership are recorded in public records identified by each individual parcel. Creating the value in real property requires a complex set of public records, laws, court systems to settle disputes and a police force to secure ownership from criminals.

Intellectual Property

Intellectual property is the unique product of an individual who designs a new device, writes a new article or book or writes a new song, musical composition or computer program. The value in intellectual property derives from two things; first, a system of registering claims of uniqueness maintained by a government entity and, second, a system of laws which allows the creator of the new item to sue people for damages who copy his unique works without permission.

In countries where intellectual property is not protected by the government, pirates routinely copy intellectual property without permission and pocket the proceeds.

Of course, in less developed societies some of the legal systems described above may be non-existent or very simple while still allowing entrepreneurs the incentives to hire employees. Complex laws may be replaced by societal customs and traditional practices. But, as the economy grows, the legal system will grow with it and expand the job creating opportunities.

Monetary Exchange

Job creation requires that businesses grow so they can hire more people. In turn, the energy the business owner invests into growing his business requires that he be free from simple, repetitive tasks – that’s the only way he can explore new ideas and create new projects.

One of the most frustrating tasks for a business owner in an economy where there is no monetary exchange is the constant search for barter possibilities or currency exchange so the businessman can convert the goods he receives in exchange for his goods into products he needs. For example, say a business person makes plows from steel and sells them to farmers. With no monetary exchange, he will trade his plows for corn and then try to find someone with steel who will take his corn. Or, say a vendor sells supplies in a market where many currencies are circulated but buys products where only US dollars are accepted; he must spend a lot of time changing money.

Markets

A market is a place where buyers and sellers meet and exchange goods and money. It can be a physical place like a swap meet or open market, a series of locations like stores in a shopping center or a series of online web sites.

Markets can exist where property is either privately owned or publicly owned. Markets can be more or less regulated depending on the political philosophy of the country. As mentioned above, the Soviet experiment in central planning and non-market exchange in the 20th Century appears to prove that markets are required for economic growth.

The policies discussed in this site are designed to create the most possible jobs in any country. Since businesses create most jobs, improving the listed policies toward a higher score will promote and support business activity.

However, the profit goals of business can conflict with the overall goals of society in some circumstances. Additionally, evidence shows that poorly regulated markets tend to create large income and wealth disparities; such disparities can interfere with job creation and social justice when taken to the extreme. Great inequalities can create powerful pressure groups which can manipulate public policy toward private interests and which are more interested in personal profits than the welfare of society. Consequently, well managed countries ameliorate income and wealth disparities and closely monitor business activity and regulate that activity when profit seeking behavior conflicts with society’s goals.

Past Economic Growth Theories

Historically some economists have examined economic growth in an attempt to create a better life for more people. I list a few prior growth theories below.

Economists define economic growth as an increase in real GDP per capita. In other words, they take the entire money value of goods and services produced in a country in a year, reduce the value to account for inflation and then divide by the number of people in the country that year. That gives a measure of the amount of actual goods and services per person for that year. If the same measure next year shows a higher number, then there has been economic growth.

Using this measuring technique, the United States has shown more than one hundred years of positive economic growth – between 1895 and 1998 the real GDP per person in the USA grew by 2% per year. Although there are many explanations of this phenomenon, a few reasons include: educated population, business friendly government policies, consistent legal structure in a large market, and, a large middle class of people with enough income to think about investments.

Historically, there are several economic theories of how to create growth as measured by an increase in real GDP per capita.

Classical Growth Theory

Writing in the 1700's, Adam Smith proposed the first theory of economic growth. His idea was that economic changes allowed for an increase in population growth, and the increase in population growth was economic growth. He reasoned this way: market forces create equilibrium of wages so that any extra children born to a family will die from starvation or disease before entering the labor market. This die-off keeps wages at a level which just supports the number of workers demanded by businesses. If the demand for workers increases so that businesses want to hire more workers at every wage, then workers will bid up their wages beyond subsistence level and more children will be able to live long enough to enter the labor force.

Once the new workers enter the labor force, the competition for jobs will drive wages down to the level needed by businesses at a subsistence wage. But, economic growth will take place since the number of workers supported by business will be larger.

Neo-Classical Growth Theory

Writing in the 1950's Robert Solow proposed that economic growth is caused by a change in the relation of capital, or money, to labor hours worked. Basically, a new technology is invented which enables a worker to produce more output per hour worked. Business naturally invests in this new technology thereby raising the amount of capital used per hour of work. Economic growth is created because the additional capital has increased the worker's output per hour. This extra output becomes an increase in real GDP per person, or economic growth.

By following this theory, economic policies which encourage the accumulation of capital and the investment of capital into business will create economic growth.

New Growth Theory

In the late 1980's Paul Romer and others created a different theory of growth. This theory said that intellectual innovations, like personal computers and effective software programs, raise the productivity of all workers and raise the return on all capital invested in businesses. This higher return rate calls forth additional investment in businesses since now business investment is seen as more attractive than before.

Then this additional investment will create another intellectual innovation which will raise the productivity of all workers even further. Then additional capital will be invested and the cycle begins all over.

The question of whether these cycles would continue indefinitely was answered in the dot bomb recession of the late 1990's when businesses based on this growth theory mostly died.

F. Economic Policy Analysis Example

I have published several country economic policy studies on my website www.miepa.net

Undergraduate economics students wrote the analyses shown there. These students were well intentioned but young and inexperienced. I have not checked those studies for accuracy or completeness. Therefore, all the information and conclusions in each country analysis are solely the responsibility of the individual student and have not been verified, corrected, checked for copyright infringement or evaluated in any way by MIEPA or Mike P. McKeever. You are solely responsible for the results of any use you make of the information and conclusions in these studies. Use them at your own risk as interesting supplemental information only instead of seasoned judgments about the policy factors contained herein. Each student has granted permission for his or her work to be displayed here under his or her own name or wishes to remain anonymous and have either created a pen name or used no name at all; if you wish to contact them for any reason, forward your request to MIEPA and the student will be notified of your interest.

I show below one of the analyses of United States policies as prepared by LILAH SEGAL-ANGEL in December 2019.

RATING SUMMARY - LILAH SEGAL-ANGEL, United States of America

POLICY NUMBER	RAW SCORE	ADJUSTED SCORE	POSSIBLE	PERCENTAGE
1	5.0	15.0	15.0	100 %
2	5.0	15.0	15.0	100
3	3.0	9.0	15.0	60
4	5.0	15.0	15.0	100
5	4.0	12.0	15.0	80
6	5.0	15.0	15.0	100
7	3.0	9.0	15.0	60
8	3.0	9.0	15.0	60
9	2.0	6.0	15.0	40
10	5.0	15.0	15.0	100

11	5.0	15.0	15.0	100
12	3.0	6.0	10.0	60
13	5.0	10.0	10.0	100
14	3.0	6.0	10.0	60
15	5.0	10.0	10.0	100
16	3.0	6.0	10.0	60
17	2.0	4.0	10.0	40
18	5.0	10.0	10.0	100
29	2.0	4.0	10.0	40
20	2.0	4.0	10.0	40
21	5.0	10.0	10.0	100
22	2.0	4.0	10.0	40
23	2.0	4.0	10.0	40
24	5.0	10.0	10.0	100
25	3.0	6.0	10.0	60
26	1.0	2.0	10.0	20
27	3.0	6.0	10.0	60
28	5.0	10.0	10.0	100
29	3.0	3.0	5.0	60
30	3.0	3.0	5.0	60
31	5.0	5.0	5.0	100
32	5.0	5.0	5.0	100
33	4.0	4.0	5.0	80
34	5.0	10.0	5.0	100
35	2.0	2.0	5.0	40
TOTAL	<u>128.0</u>	<u>279.0</u>	<u>370.0</u>	<u>75.4%</u>

INDIVIDUAL POLICIES – LILAH SEGAL-ANGEL

1. Freedom from Internal Control (5.0)

Mobility rights are clearly listed in article thirteen of the Universal Declaration of Human Rights. They ensure that any citizen is able to move or reside where they please in the state. This affects business in a crucial way. If someone sees that there is potential for a larger profit margin somewhere else in the country, they have all the agency they need to move.

This is largely in contrast to other countries such as China and Russia, where citizens need an internal passport to even travel between states.

<https://projectpartner.org/poverty/hukou-system-explained-chinas-internal-passport/>

https://en.wikipedia.org/wiki/Freedom_of_movement_under_United_States_law

2. Freedom of speech (5.0)

One of the most well known and highly regarded principles of the United States democracy is the employment of freedom of speech. This is a non partisan consensus, which brings people together. The first amendment to the constitution ensures freedom of speech. This includes freedom of the press, religious establishments, and the right of people to petition of government. Organizations such as the American Civil Liberties Union (ACLU) are founded to ensure this is carried out and will represent those they don't believe have freedom of speech.

For businesses, this ensures they are able to not worry about government action taken against them for what they are selling.

In the United States, we also have freedom of the media. Anyone can create an account, channel, news or radio station, and begin talking about their views. Their views could be liberal or extreme, or even disagree and bash on the government. However, as the constitution states, this is not punishable by law offence.

https://www.law.cornell.edu/constitution/first_amendment <https://www.aclu.org>

3. Effective, fair police force (3.0)

While the U.S. police force is relatively effective, the fairness of it is explicitly bad. The police force has had many scandals of racism, especially with murdering many minorities, young black men in particular. Criminalization rates of minorities are highly disproportionate compared to population, even when minorities are not more likely to commit crimes.

For example in New York City, the implementation of stop and frisk lead to 90% non-whites getting stopped, 53% of those being African Americans. In contrast to the population, which was 66% non-whites and only 25% black. In other words, an African American was twice as likely to

be stopped then they were to be black. Businesses however, are protected by police and need not fear in the same way individuals might.

<https://www.washingtonpost.com/news/wonk/wp/2013/08/13/heres-what-you-need-to-know-about-stop-and-frisk-and-why-the-courts-shut-it-down/>

https://inthesetimes.com/working/entry/17520/police_unions_racist

4. Private Property (5.0)

The fifth amendment in the United States constitution states that no person will be deprived of property. Property rights are one of the distinguishing aspects the framers of the United States constitution saw as valuable. The United States protects property under law. Should citizens own private property, it is the courts role to intervene and judge if large scale issues arise. For example in the situation of a stolen goods, the police force will assess the situation and it will be brought to court if too large. We are protected with protection of our ownership.

https://www.law.cornell.edu/constitution/fifth_amendment

<https://people.uwec.edu/ivogeler/w270/privateproperty.htm>

5. Commercial Banks (4.0)

In the United States, the Federal Deposit Insurance Corporation insures the national banking system. The number of FDIC insured banks has declined by 3,162 banks. The two leading commercial banks are JP Morgan and Chase. Commercial Banks work more with businesses or individuals.

As our economy has been growing, so has the importance of these banks. The primary use purpose of these banks is to make loans and accept deposits. Business expansion is largely contingent on capital, enabled by the loans. In 2020 the projected annual revenue is over 250 billion dollars. Even though the number of banks has declined, the value of their loans has increased.

Despite political corruption (2008 recession and bail out) commercial banks are vastly important in our economy, especially in the entrepreneurship sector.

<https://www.statista.com/topics/4406/commercial-banks-in-the-us/>

<https://www.statista.com/statistics/184536/number-of-fdic-insured-us-commercial-bank-institutions/>

6. Communication 5.0

The federal communications commission is an independent government agency that overviews and regulates all domestic and international communication: satellite, radio, television, wire, and

cable. It was formed in 1934 by the Communications Act. They also manage smartphone companies, and wifi providers, making sure there are no monopolies and competition remains.

Citizens are able to communicate to anyone domestically (and in most cases internationally) provided they have the needed technology. Communication is easily accessible through phone calls, text messages, email, and postal services.

<https://www.fcc.gov> https://en.wikipedia.org/wiki/Federal_Communications_Commission

7. Transportation 3.0

Transportation in the United States is heavily reliant on cars. There is not a public transportation system to travel across the country and in many cases just to travel between cities. To travel one would need to fly, drive their own car, or go with a private bus company. Even in New York City, known for its subway system is far below its 1947 peak of riders.

Many European countries have well developed train systems that even travel internationally. In Japan, the bullet train, with the ability to travel at 320 kilometers per hour, has gained acclimation as a rapid mass transit method.

However, America is quite accessible through private means. There are over 330 international airports with a larger amount carrying domestic flights. Long highways connect states, and if someone owns a car, they do possess the individual ability to go anywhere on the mainland.

I am giving it 3.0, as the United States has the resources, technological ability, and obvious need for vast improvements.

<https://www.japanstation.com/shinkansen-high-speed-train-network-in-japan/>

<https://www.citylab.com/transportation/2018/08/how-america-killed-transit/568825/>

8. Education (3.0)

The United States education system is one of the largest institutions of education in the world. There are over almost 133,000 K-8 schools, according to data from the National Center for Education Statistics. A large amount of regulations for school, such as number of mandatory days per year and standardized testing, are determined by state. So, a student will have a different experience in across the country. Additionally, there is a large divide between public and private schools. Private schools generally have a smaller student to teacher ratio, and studies have shown they provide a higher level of academics, when SAT/ACT scores are compared.

Nationally, the United States doesn't have the bragging rights it does when we can compare our GDP. According to the Pew research center, we are nowhere near being in the top 20 for Science

and Reading and are much closer to 40 for Mathematics in an international ranking. Singapore comes in first for all three.

While public education is free and accessible to all, there are many limitations and inconsistencies throughout the country. The education system is ranked at 3.0 as there is still a lot more to go.

<https://www.pewresearch.org/fact-tank/2017/02/15/u-s-students-internationally-math-science/>

<https://www.daytondailynews.com/news/local-education/private-schools-top-public-average-act-sat-scores/ogxXenS4uDB7Hv6w39RtBK/>

https://nces.ed.gov/programs/digest/d17/tables/dt17_105.50.asp?current=yes

9. Social Mobility (2.0)

America was founded on ideals of social mobility, the story coined as the American Dream. It showed many people arriving as immigrants and raising their status to heads of businesses. In reality, the majority of people keep their social status. According to the economist, a person who was born in the bottom 20% of U.S. social status, they only have a 7.8% chance of rising to the top 20%.

<https://www.economist.com/graphic-detail/2018/02/14/americans-overestimate-social-mobility-in-their-country>

10. Shares of all jobs in small businesses (5.0)

The United States office of Advocacy classifies small businesses as those with less than 500 employees. They list that small businesses make up 99.7% of all United States employer firms. In 2015, small businesses employed 47.9% of all those in the workforce. The United States government promotes and encourages cultivation of small businesses. We recognize their positive impact on the economy, especially when it comes to lowering the unemployment rate.

<https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

11. Freedom from outside control (5.0)

The United States has been universally known as one of the leaders in modern democracy. It has a strong rule of law rooted in the ideals of freedom and power to the people. One of the main components is checks and balances, so no branch of government has the most power.

In addition, the U.S. has natural rights that are “life, liberty, and the pursuit of happiness.” This stretches far beyond what most countries institute, hold as ideal, and practice.

<https://freedomhouse.org/report/freedom-world/2019/united-states>

<https://www.khanacademy.org/humanities/us-government-and-civics/us-gov-foundations/us-gov-ideals-of-democracy/a/the-ideas-at-the-heart-of-us-government>

12. Protection of domestic enterprises (3.0)

To protect domestic enterprises, countries will institut tariffs to try and encourage consumers to purchase within the economy. Currently U.S. President Trump has instituted new tariffs and significantly raised them in order to try to combat the large trade deficit we are in.

However, previously the U.S. has been known for record low trade tariffs. Adam Smith was a big promoter of low tariffs, as they would interrupt free trade. According to the World Bank, in 2016 the U.S. had tariffs of 1.61% while Canada was much lower at 0.85% and China much higher at 3.58%.

<https://www.pewresearch.org/fact-tank/2018/03/22/u-s-tariffs-are-among-the-lowest-in-the-world-and-in-the-nations-history/>

<https://www.americanactionforum.org/research/the-total-cost-of-trumps-new-tariffs/>

<https://www.investopedia.com/ask/answers/042315/how-do-tariffs-protect-domestic-industries.asp>

13. Foreign Currency Transactions (5.0)

U.S. currency holds one of the highest regards internationally. According to the U.S. security and exchange commission, much of European exchange rates is conducted in USD. 65% of printed dollar bills are used internationally, with 75% of \$100 bills also used outside of the country. In addition, many countries calculate their GDP in terms of USD.

<https://www.thebalance.com/world-currency-3305931> <https://www.sec.gov/answers/forcurr.htm>

14. Border Control (3.0)

The responsibility of border control falls to the United States Customs Border Protection, which is part of the national government. They manage and control border security, immigration, and agricultural protection. In addition, over 60,000 people are employed by them. Since the Trump administration took office, the border has been in the news frequently. There has been much discussion of building a wall spanning the entire 2,000 mile US-Mexico border. In February 2019, President Trump declared a state of emergency because it was not being built.

Currently, there are thousands of immigrants who are detained in camps across the border seeking refuge. Many of them are forced into dire conditions and as a result have been in compressed health, some resulting in death.

<https://www.freedomforimmigrants.org/detention-statistics> <https://www.bbc.com/news/world-us-canada-46824649> <https://www.cbp.gov/about>

15. Currency (5.0)

The United States currency is the most popular in the world. It is the most frequently traded as well as it being the unofficial reserve currency. A term coined “dollarization” means another country will put their currency into dollars value. This happens when their currency is unstable and unmanageable. This occurred in Zimbabwe in 2008.

<https://www.investopedia.com/terms/d/dollarization.asp>

<https://www.investopedia.com/articles/forex/11/popular-currencies-and-why-theyre-traded.asp>

16. Cultural, Language Homogeneity (3.0)

America has always been fast to pride itself on diversity and multiculturalism. However, in practice there is much evidence against that. For example, even in recent years some schools have banned spanish speaking outside of spanish class.

In public places, many cities employ different languages for public service announcements. This however, has been a recent addition to encourage inclusivity, but mostly just appears in large urban centers.

<https://www.adcouncil.org/News-Events/Press-Releases/Ready-Campaign-Launches-National-PSA-in-Mandarin-with-Los-Angeles-Station-LA-18-KSCI>

<https://www.edweek.org/ew/articles/2003/10/29/09spanish.h23.html>

17. Political Effectiveness (2.0)

Since Donald Trump took office in the United States, we have multiple government shutdowns. The most recent one was the longest in U.S. history and caused many negative ripple effects, such as no airport security.

In addition to government shutdowns, President Trump has also created an extreme divisiveness which hinders effectiveness. For example, he has created a strong “us vs. them” ideology in the government. That has dissipated into the masses, which create divisive elections.

<https://www.vox.com/policy-and-politics/2018/1/19/16905584/government-shutdown-history-clinton-obama-explained>

<https://www.aljazeera.com/indepth/features/trump-america-divided-190805093010244.html>

18. Institutional Stability (5.0)

Governmental institutional stability is something that separates it from other countries, as well as being a large influence. The United States government was created in response from the oppressive government in Britain. Its model was to create enough stability and balance between official and the people.

So far throughout history the constitution has been effective in that way. Unlike other

governments, each time a term ends officials step down. We also have a distinct separation of powers. In addition, we have remained consistent in how policy is formed, how voting is conducted, and other ways that can only be structural and institutional stability.

<https://www.varsitytutors.com/earlyamerica/early-america-review/volume-13/constitution-separates-power>

<https://www.lawliberty.org/2015/10/22/the-stability-of-constitutions/>

19. Honest Government (2.0)

In 2018, the Corruption Perceptions Index ranked the United States at 22. While it ranks higher than many other countries in the big picture, considering the US is one of the most powerful and influential countries in the world, it is a poor ranking.

Since the beginning of the US, government corruption has been active. Now, with the Trump administration it is even more prominent. We blatantly see this in regards to the 2016 election with Russian collusion.

<https://www.nber.org/papers/w10952> <https://www.transparency.org/cpi2018>

20. Common Law (2.0)

Common law is unwritten expectations of civility. It appears where there are broad areas of law which are up for interpretation, and also ensures the equal treatment of people. In essence, no discrimination on the basis of gender, race, sexual orientation etc. In the US, common law is preached but not necessarily practiced. We see this in statistics, such as one from the NAACP, where they list African Americans being incarcerated at 5 times the rate of white people. Everyday people are treated inhumanely based off of their differences.

<https://www.naacp.org/criminal-justice-fact-sheet/>

<https://www.upcounsel.com/legal-def-common-law>

21. Central Bank (5.0)

The Federal Reserve bank is the United State's central bank. It was founded in 1913 and remains one of the most powerful financial institutions in the world. Although it is the US bank, it operates outside of the government, so decisions that are made do not have to go through congress.

The bank manages many things such as interest rates, monetary value/prices, and tries to ensure maximum employment. In other words it is in charge of maintaining financial stability in the US economy.

https://www.federalreserve.gov/faqs/about_12594.htm

<https://www.investopedia.com/terms/f/federalreservebank.asp>

22. Domestic Budget Management (2.0)

United States president announced his intended budget for 2020, at \$4.746 trillion; that is the highest it has ever been. However, the predicted U.S. government revenue is \$3.643 trillion. This budget would increase the debt deficit we are already in by \$1.103 trillion. Despite the United States being the wealthiest nation in the world, it lacks skills in budget management.

<https://www.thebalance.com/u-s-federal-budget-breakdown-3305789>

<https://www.thebalance.com/current-u-s-federal-government-tax-revenue-3305762>

23. Government Debt (2.0)

As of February 2019, the United States hit a record of 22 trillion USD in public debt. The Congressional Budget Office projects a deficit increase over the coming years. In 2017, the United States was in debt 105.7% of the GDP. China, one of the US's biggest competitors has almost half of the debt (ratio of GDP) of the US. However, Japan is in over twice the amount of debt (ratio to GDP) as the United States.

<https://www.cbo.gov/publication/55151>

<https://www.npr.org/2019/02/13/694199256/u-s-national-debt-hits-22-trillion-a-new-record-thats-predicted-to-fall>

24. Economic Statistics (5.0)

The United States practices an “open data” policy. This means the government honors data transparency and publishes many statistics for the people directly. Data is collected and published on many things (that include but are not limited to) crime, food and agriculture, transportation, labor, housing etc.

Different departments of the government are responsible for publishing their own findings. For example, the Bureau of Labor Statistics publishes information on the consumer price index, the producer price index, and current employment statistics. For the BLS, data is published every year, second month, and bi-annually.

<https://www.bls.gov/data/> <https://www.usa.gov/statistics>

<https://www.census.gov/quickfacts/fact/table/US/PST045218>

25. Protection of Public Health and Safety (3.0)

Throughout the past century, The United States has implemented many health and safety initiatives and pieces of legislature. The U.S. Department of Health and Safety is a branch of the federal government which oversees these initiatives. They monitor many issues such a food safety and regulations, drug use and safety, Medical Device safety, and safety from violence and abuse.

However, the United States still combats many issues relating to these focuses. For example,

there is an Opioid epidemic involving many states and grave impact.

The National Institute on drug abuse report states such as West Virginia and Ohio having nearly 50 per 100,000 people die in opioid overdose in 2017.

In The United States the infant mortality rate is about 6 while most European countries are at least half as small as that. We are closer to Chile in ranking than we are to countries with unstable governments such as Greece. Iceland has the lowest rate.

<https://www.drugabuse.gov/drugs-abuse/opioids/opioid-summaries-by-state>

<https://www.hhs.gov/programs/public-health-safety/index.html>

<https://www.americashealthrankings.org/learn/reports/2018-annual-report/findings-international-comparison>

26. High Wage Policies (1.0)

In 2019, the current federal minimum wage is \$7.50 per hour; it has not increased since 2009. Minimum wage differs within cities and states, and an employee is entitled to the higher wage. With working a standard 40 hour work week, based off of the federal minimum wage, one would make \$1,200 per month and \$1,4400 annually (non adjusted for taxes).

Even the places that are the cheapest to live in (Kansas, Arkansas) one would still need upwards of double working full time on the federal minimum wage.

<https://www.cnn.com/2018/07/19/living-wage-for-a-single-person-in-every-us-state.html>

<https://www.thebalancecareers.com/2018-19-federal-state-minimum-wage-rates-2061043>

27. Environmental Protection (3.0)

In 1970 President Nixon established the Environmental Protection Agency (EPA). It serves to protect and conserve the health of the environment and people. The EPA creates laws and regulations in Washington D.C.

In publications from the EPA's website studies conducted from the 1960's compared to now show consistent decrease in airborne toxins. In a Yale and Columbia University study, the United States was ranked 29th in terms of water, and 10th in air quality.

<https://www.epa.gov/air-trends/air-quality-national-summary>

<https://www.politifact.com/truth-o-meter/statements/2018/aug/23/donald-trump/united-states-not-cleanest-country/>

<https://www.washingtonpost.com/climate-environment/2019/02/08/under-trump-epa-inspections-fall-year-low/>

<https://www.investopedia.com/terms/e/environmental-protection-agency.asp>

28. Strong Army (5.0)

In the world today, The United States has the strongest military in comparison to other countries. Despite having less active members on duty (compared to other countries), the US' military budget in 2018 was \$587.8 billion. China falls second in budget ranking, having a near \$162.7 billion.

We also outperform other countries in number of tanks, aircrafts, air carriers, and rank second in submarines. The United States army is one of the most highly trained and influential militaries in the world.

<https://www.businessinsider.com/here-are-the-worlds-most-powerful-militaries-2018-2>

<https://www.heritage.org/defense/heritage-explains/how-strong-the-united-states-military>

29. Foreign Trade Impact (3.0)

The United States employs high trade tariffs to regulate prices, however, generally more trade restrictions hurt economies. Since 1975, the US has been in a trade deficit, meaning it consumes more imports than it exports.

The US and China have the biggest trade deficit with Mexico following. Most of the deficit is created by the US producing raw materials and outsourcing the manufacturing to foreign countries.

In 2017, the percent of GDP made up of trades (exports and imports) was 27%.

<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS> <https://www.thebalance.com/trade-deficit-by-county-3306264>

<https://economix.blogs.nytimes.com/2008/12/10/the-impact-of-foreign-trade-on-the-economy/?mtrref=www.google.com&gwh=4794AF7CDDFC609992561CB1583760D&gwt=pay&assetType=REGIWALL>

<https://taxfoundation.org/impact-of-tariffs-free-trade/>

30. Management of Foreign Currency Budget (3.0)

The United States currently has 128845 Million USD in foreign exchange reserves. This is managed by the US country Central bank. Reserves are either gold or a specific currency.

The United States has significantly increases its federal reserve holdings throughout the past 50 years. Both China and Germany, two of the US's biggest economic competitors have very similar amounts on reserve.

However, the U.S. is also in a grave trade deficit. Too many imports caused loans and therefore debt to the country.

<https://tradingeconomics.com/united-states/foreign-exchange-reserves>

31. Layers of collective action (5.0)

In the United States, we employ a democratic government system. Outcomes are decided by a majority vote. In addition, terms of service are pre-decided for almost all members who hold government office. This provides incentive for all citizens to be politically educated and cast their votes.

These values are protected constitutionally, and are also founding principles of the United States. The government is structured in a way that no branch, executive, legislative, or judicial has sole power. In addition to federal government offices, there are also many tiers of local representation. If someone should be seeking government intervention, they can go to a small local branch as opposed to one that is city, state, or nationally wide.

https://www.usconstitution.net/consttop_cnb.html <https://constitutioncenter.org/interactive-constitution/amendments/amendment-x>

32. Pro-business climate (5.0)

The United States was founded on capitalism being its driving economic force. Entrepreneurs have been greatly encouraged since America's founding. Policy makers continue to make reforms to legislation to foster and grow the pro-business climate. Additionally, lower tax rates (relative to other countries around the world) give more incentives for entrepreneurship. Additionally, the United States GDP continues to grow, supporting claims that our country supports business (and therefore job) growth.

<https://www.areadevelopment.com/LocationUSA/2018-US-inward-investment-guide/united-states-remains-global-leader-in-business-investment.shtml>

<https://tradingeconomics.com/united-states/gdp-growth>

33. Government enterprises (4.0)

The United States government has high subsidization rates in funding for private enterprises that continues to rise. In this case, many enterprises in the transportation and agricultural sector (for example) rely on the subsidations to survive.

Almost twenty two million people are employed by the United States government, contributing to a significant portion of the employment rate. Government employment is higher by a ratio 1.8:1 when compared to manufacturing employees.

<https://www.cnsnews.com/news/article/terence-p-jeffrey/21955000-12329000-government-employees-outnumber-manufacturing>

<https://www.investopedia.com/articles/basics/11/introduction-to-government-subsidies.asp>

https://www.jec.senate.gov/public/_cache/files/782adf3c-65d0-4e3e-a5b9-b3e23d4fd01d/government-spending-and-economic-growth-3-27-95.pdf

<https://fred.stlouisfed.org/series/DDEI08USA156NWDB>

34. International security agreements (5.0)

The United States has one of the strongest militaries in the world, as well as many International security agreement treaties. According to the United States Office of Management and Budget, fifteen percent of federal spending is used for defense. The United States spends \$649 billion on military every year. Its strong military standing compared to other countries puts entrepreneurs in a good position for security.

The United States is also a member of the North Atlantic Treaty Organization (NATO), which serves as a political alliance specifically in regards to security.

https://www.pgpf.org/chart-archive/0053_defense-comparison

https://www.rand.org/content/dam/rand/pubs/research_reports/RR700/RR736/RAND_RR736.pdf

35. Protection of domestic enterprises from government mandated costs (2.0)

The United States does not impose high tariffs on international trade exchanges. In addition, it also has high business regulations. This results in production to be more cost effective if it were held in another country with less government mandated costs. Regulatory costs in the United States per employee are higher for small businesses.

<https://www.investopedia.com/articles/economics/11/government-regulations.asp>

<https://www.pewresearch.org/fact-tank/2018/03/22/u-s-tariffs-are-among-the-lowest-in-the-world-and-in-the-nations-history/>

[Ed. Note - Observant readers notice the individual policies rate on the 5point scale but the scores adjust to reflect the weighted score according to the policy groupings. People comparing total scores by country will notice that the USA total score is 75.4% and the Norway score is 85.9%. Assuming equal competence between authors shows the USA is good but Norway is better.]