



Dave Ramsey's Personal Finance | #36

Jun 24



00:00

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42:37



Dave Ramsey's Personal Finance | #36

June 24, 2019

The whole team has an informative conversation on Dave Ramsey's personal finance philosophy and tactics. Russ

42:37



Trump's Trade War with China | #35

June 17, 2019

Note: This episode was recorded on June 3, 2019 Russ and Levi discuss the trade war between President Trump and th

29:12



Randall Holcombe on Politica...

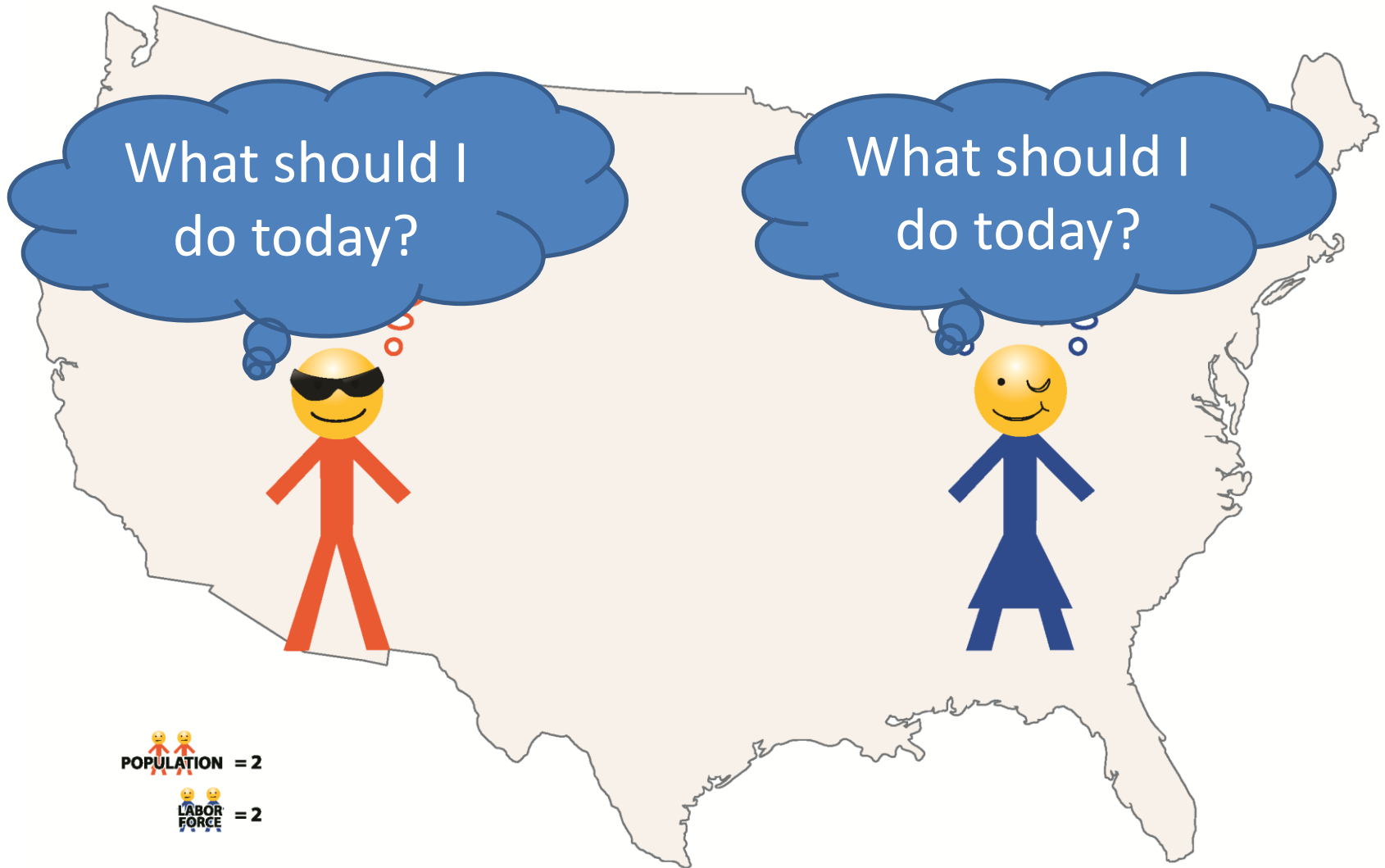
June 10, 2019

Russ and Levi interview Dr. Randall Holcombe of Florida State University. Dr. Holcombe discusses the concepts in hi

42:41

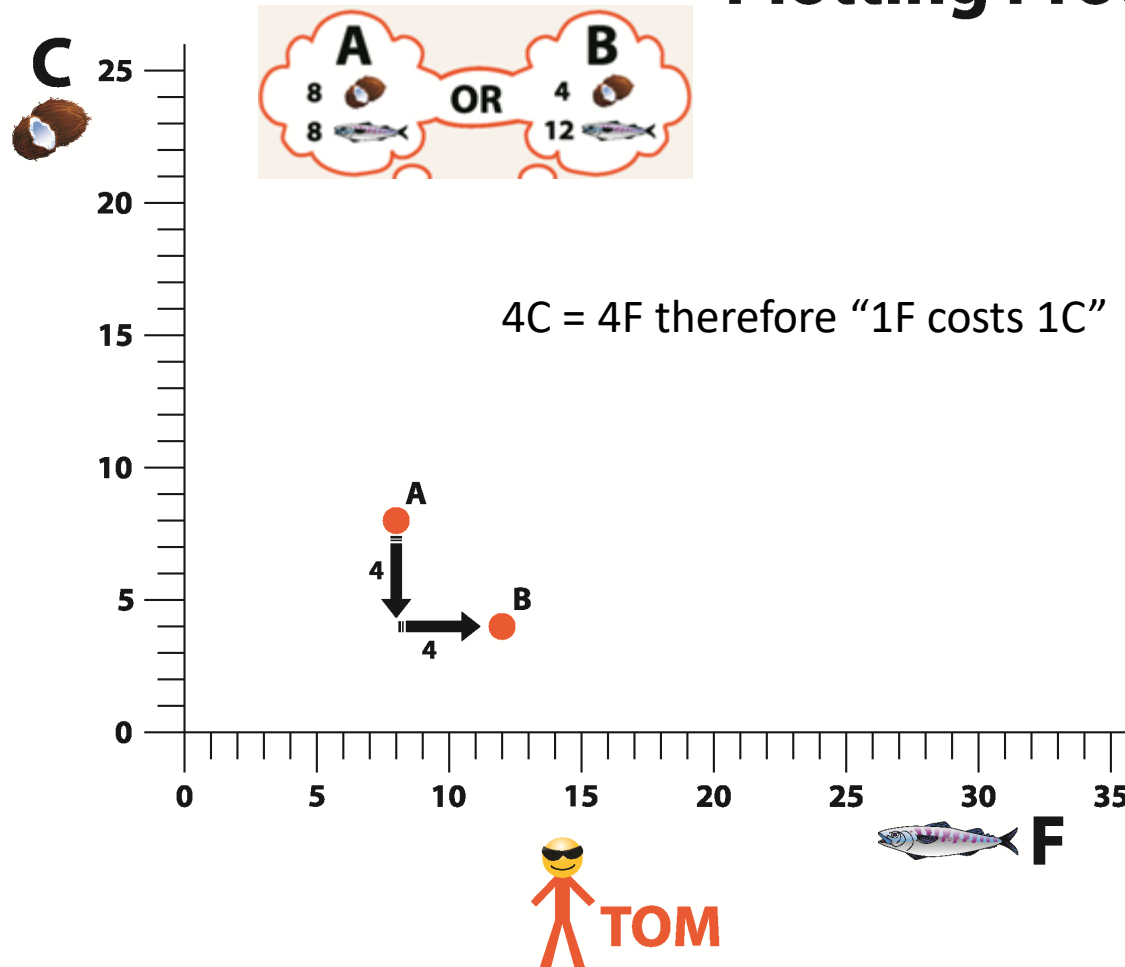
Figure 1.2

Production Possibilities

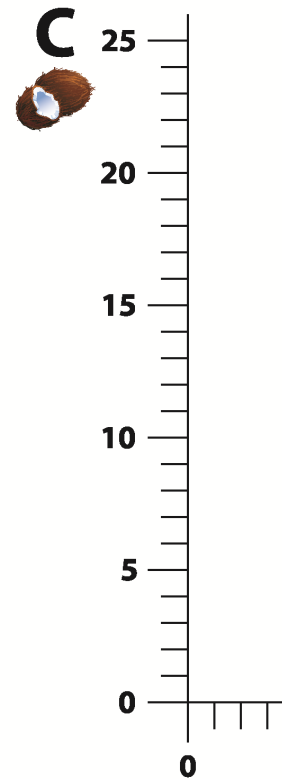


Tom's Possibilities

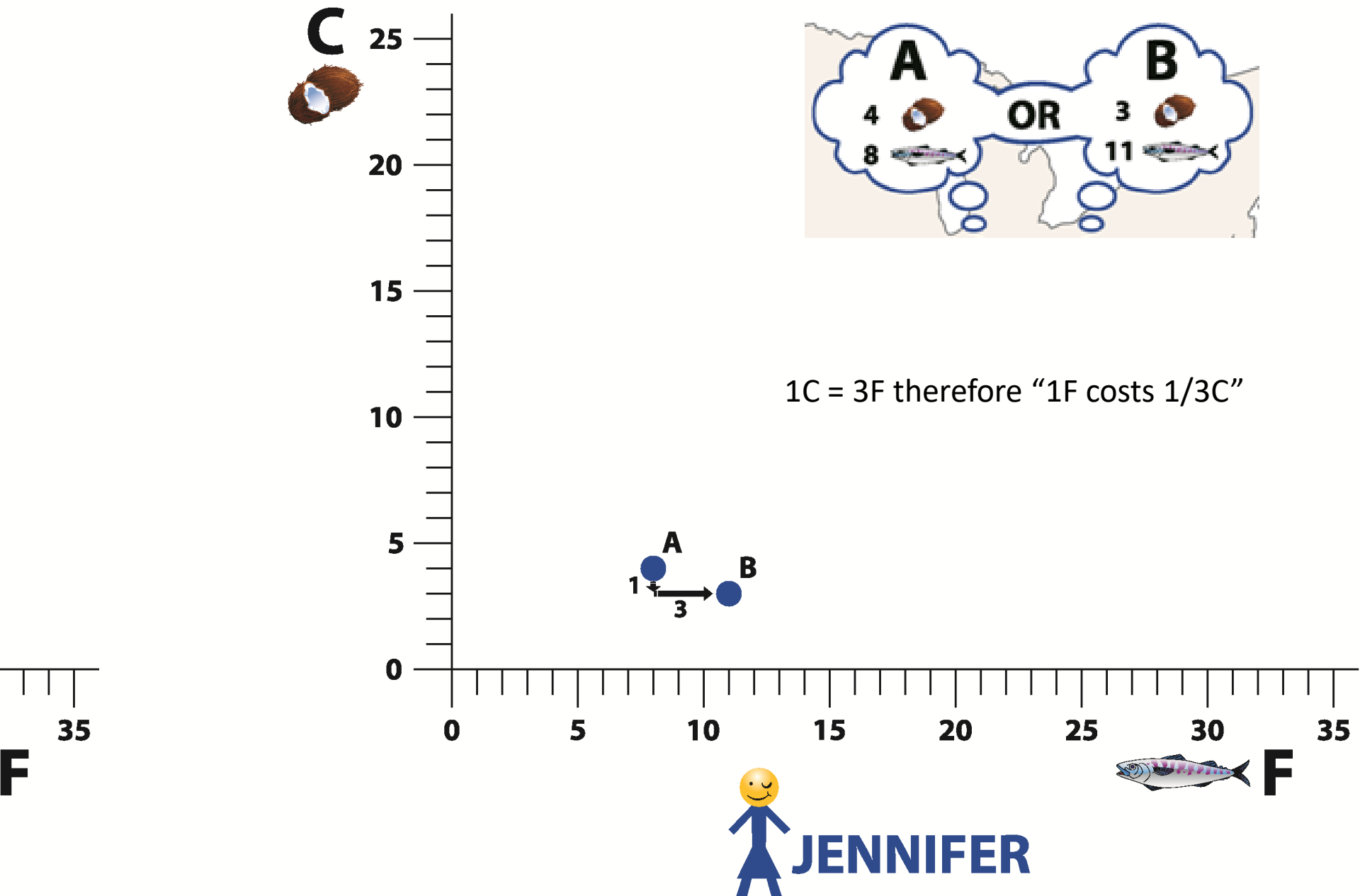
Figure 1.3



Plotting Production Possibilities

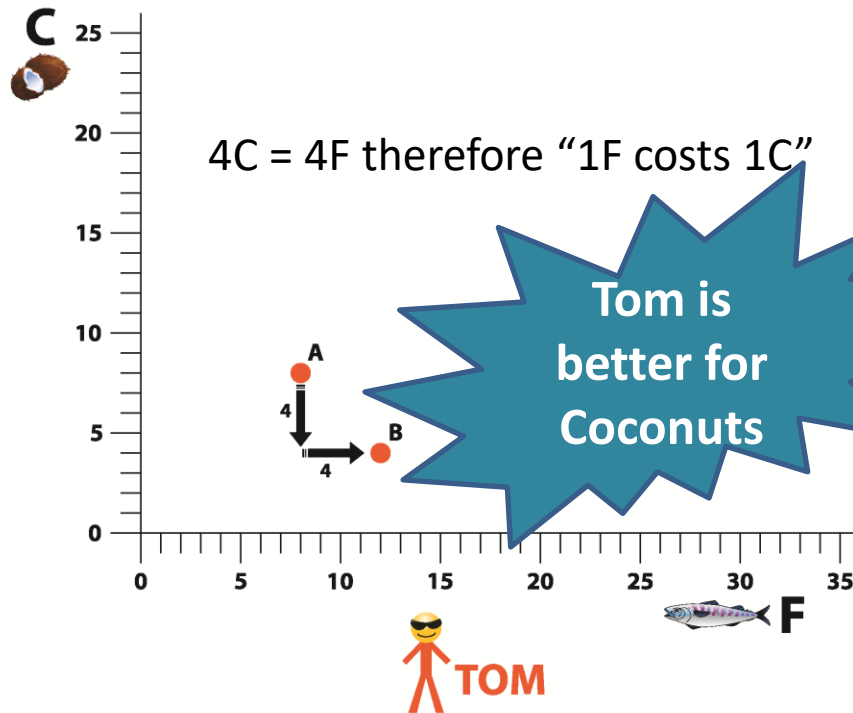


Production Possibilities

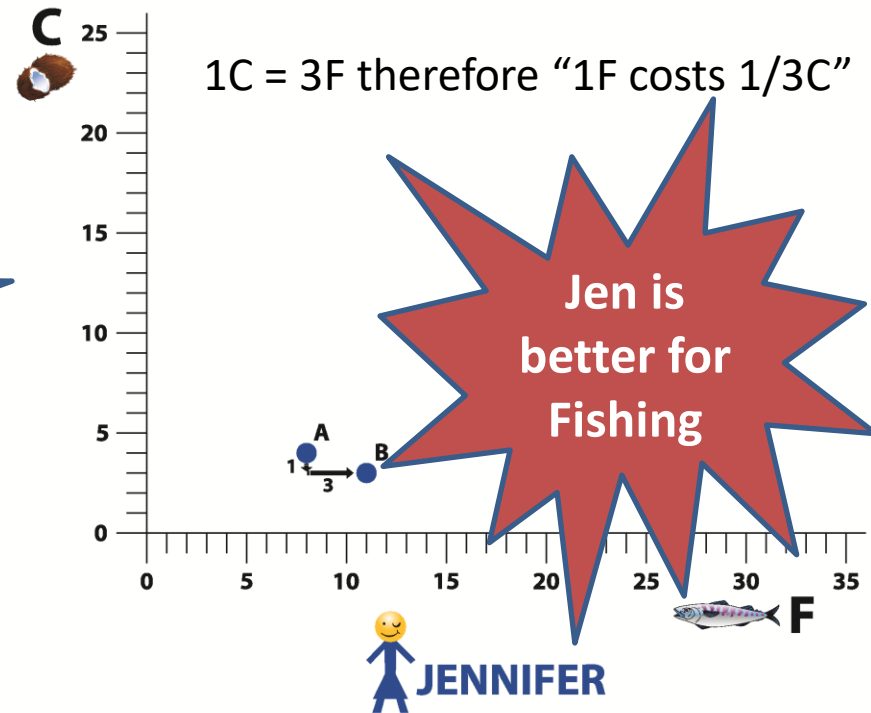


Who should do what?

Figure 1.3



$4C = 4F$ therefore "1C costs 1F"



$1C = 3F$ therefore "1C costs 3F"

Figure 1.4

Island vs Individual PPF

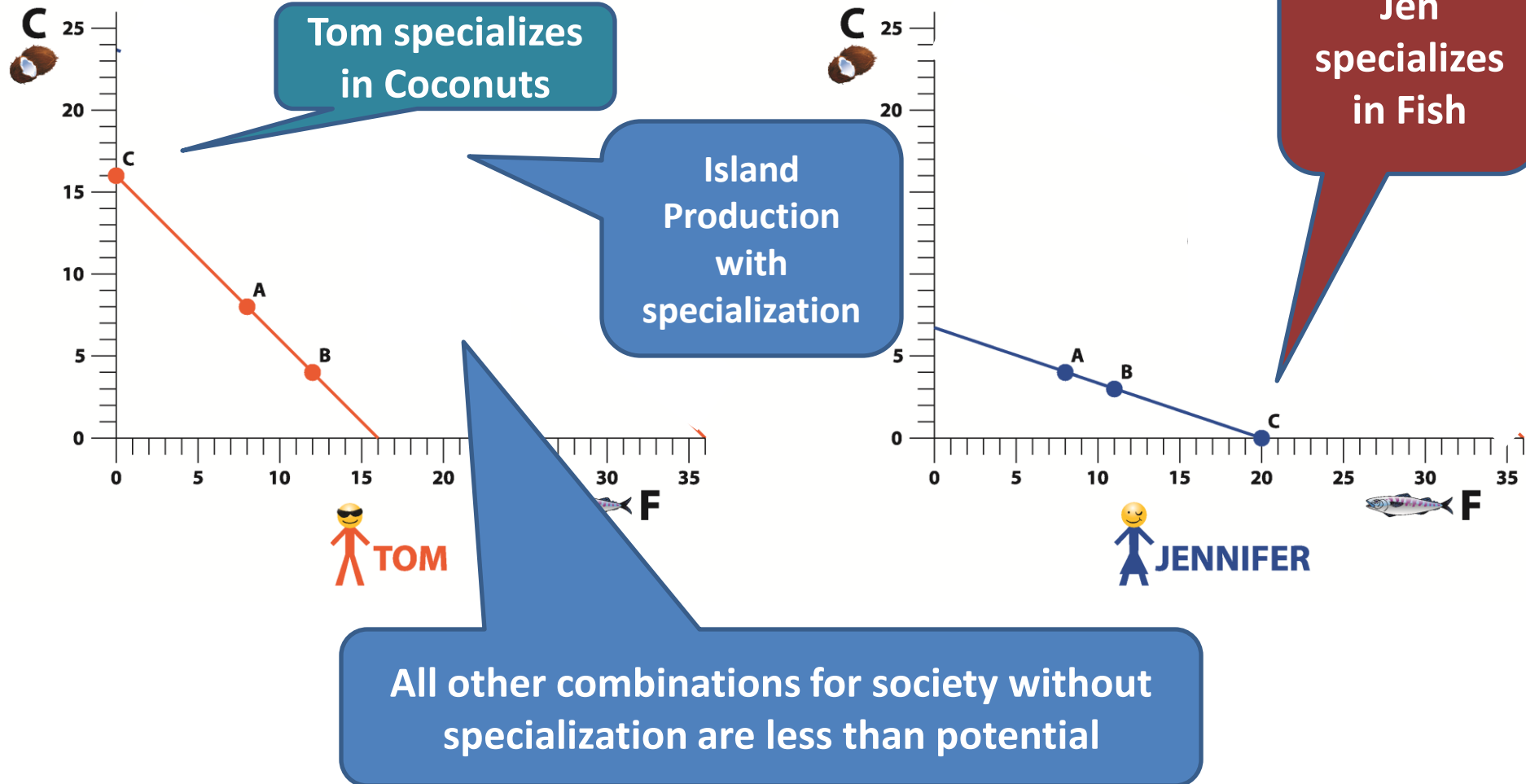


Figure 1.5

How about
**2 Fish per
Coconut?**

tion an

???

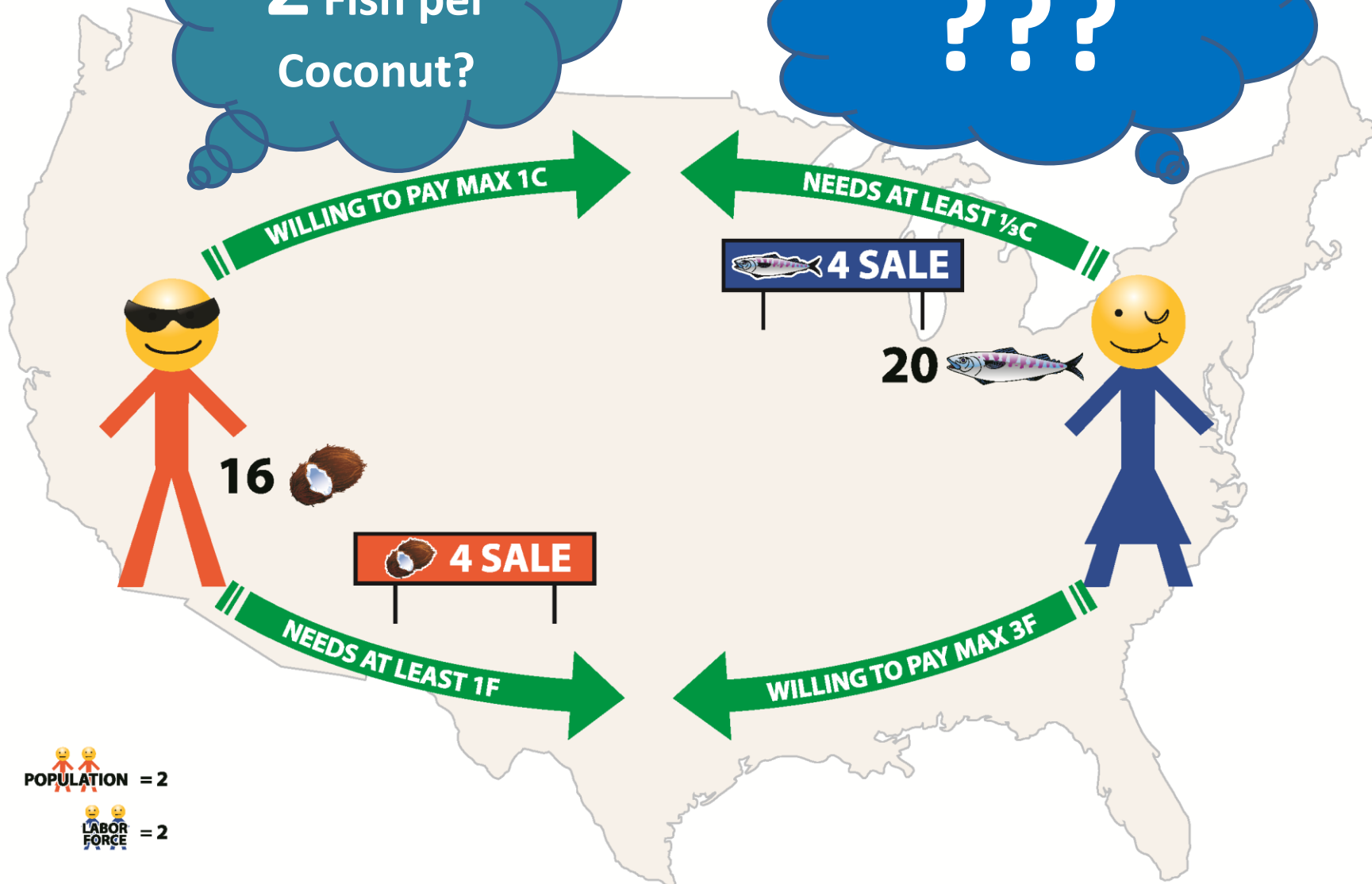
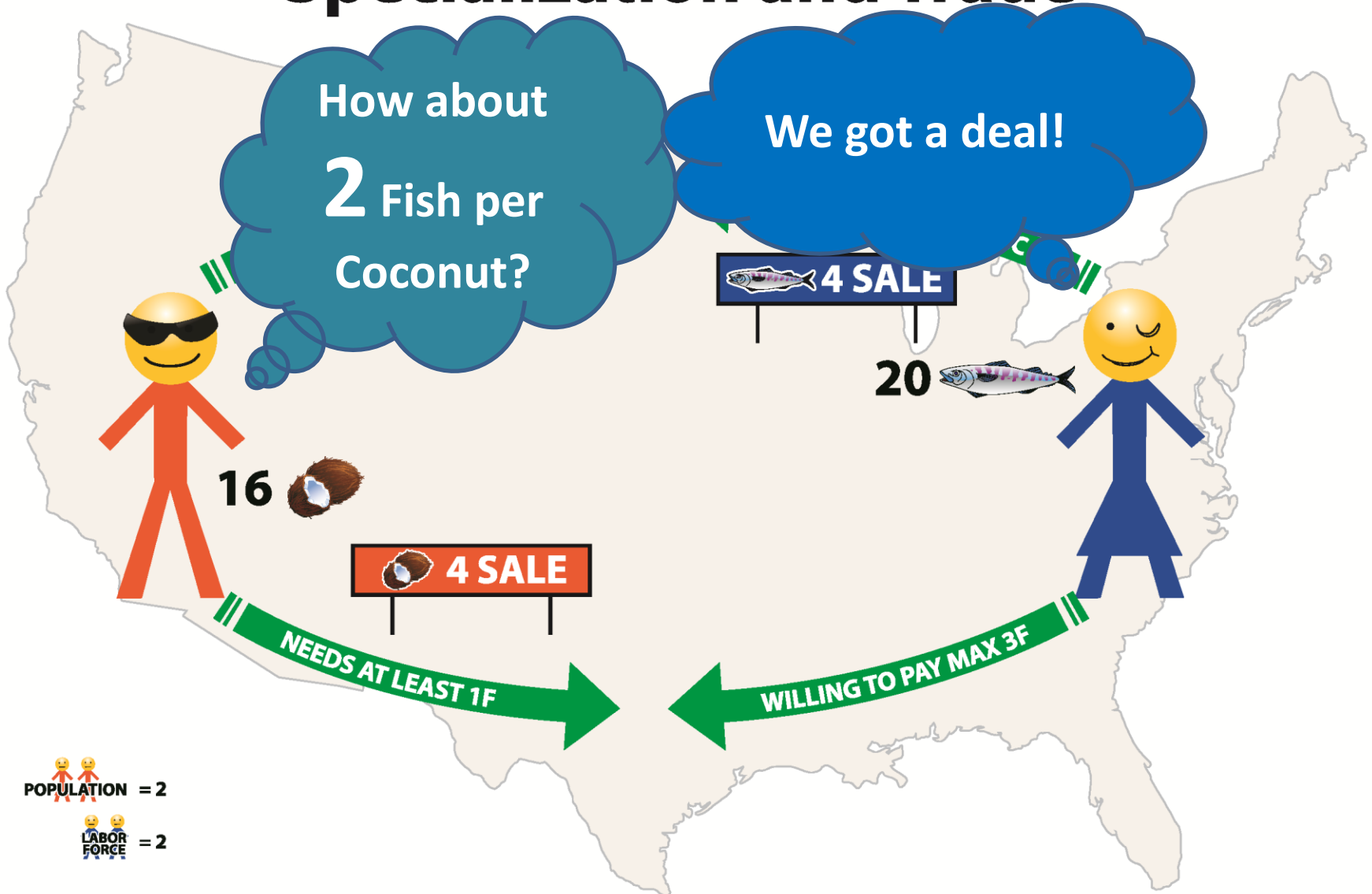


Figure 1.5

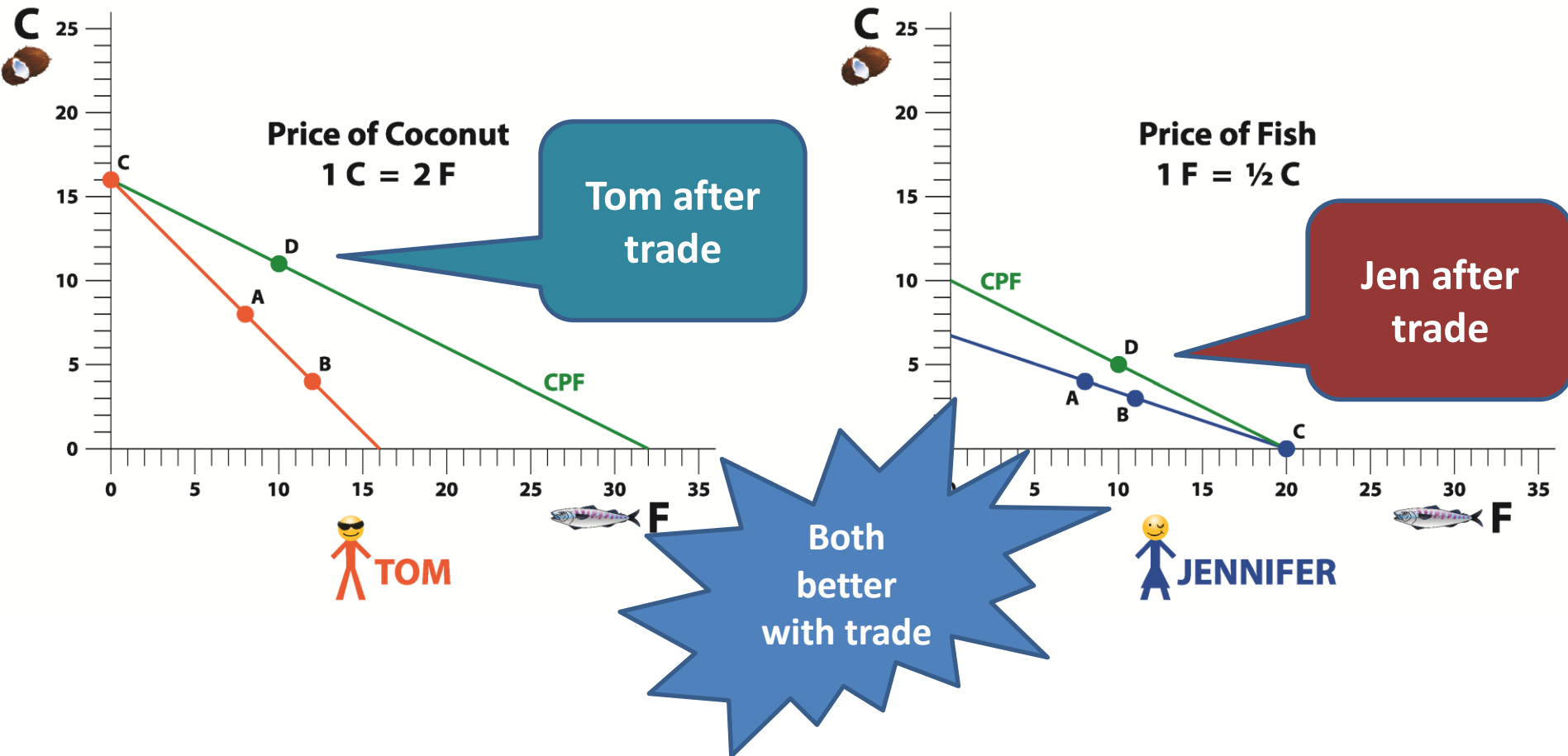
Specialization and Trade



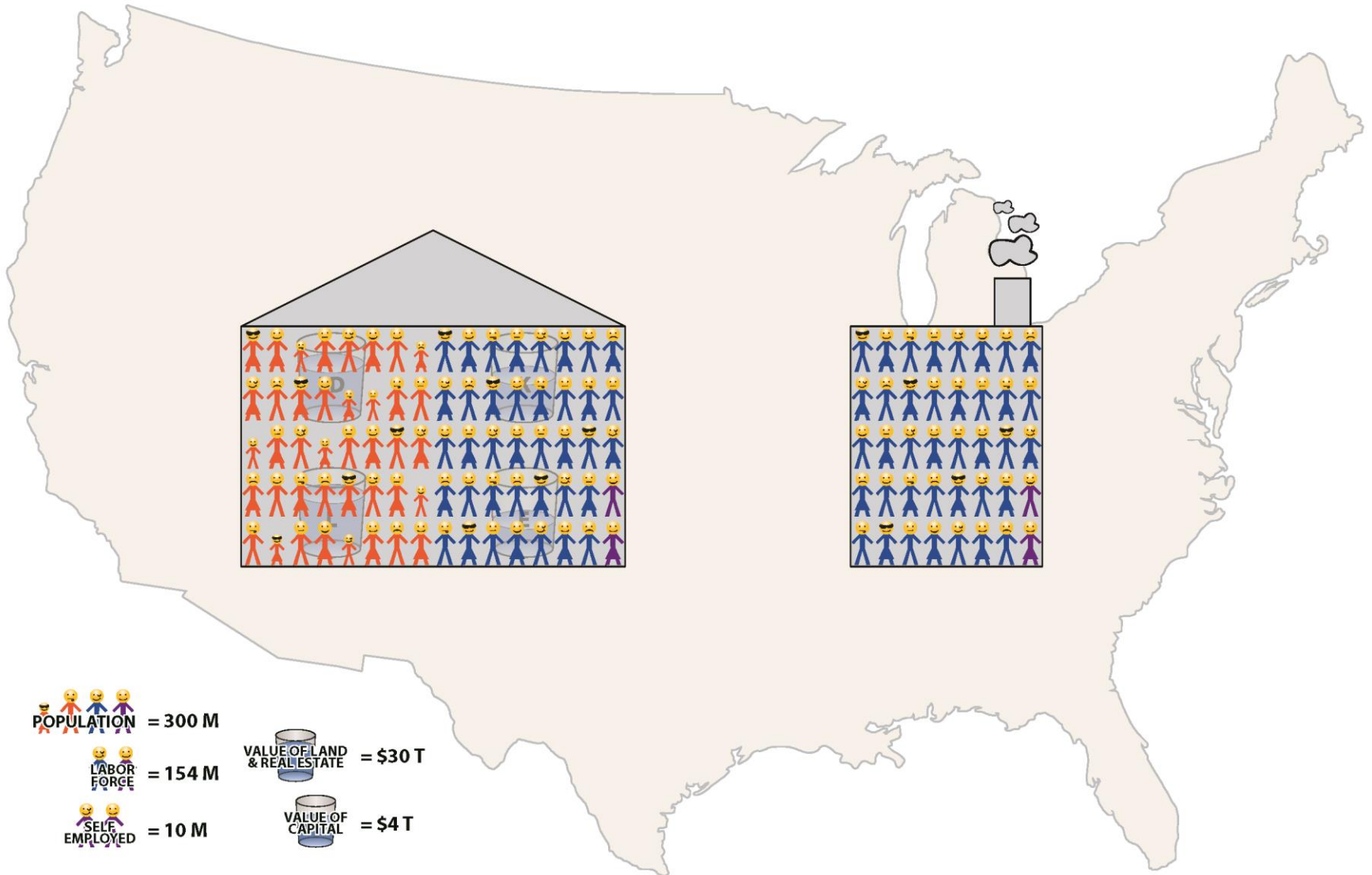
Two Winners!

Figure 1.6

New Consumption Possibilities



Specialization Today



Economic Freedom of the World

Russ McCullough PhD

Wayne Angell Chair of Economics
Angell Snyder School of Business
Founder/Director, Gwartney Institute

Levi Russell PhD

Economic Education and Research
Angell Snyder School of Business
Associate Professor, Gwartney Institute



James Gwartney PhD

*Eminent Scholar – The Gus A. Stavros
Center for the Advancement of Economic
Education and Free Enterprise*



What is economic freedom?

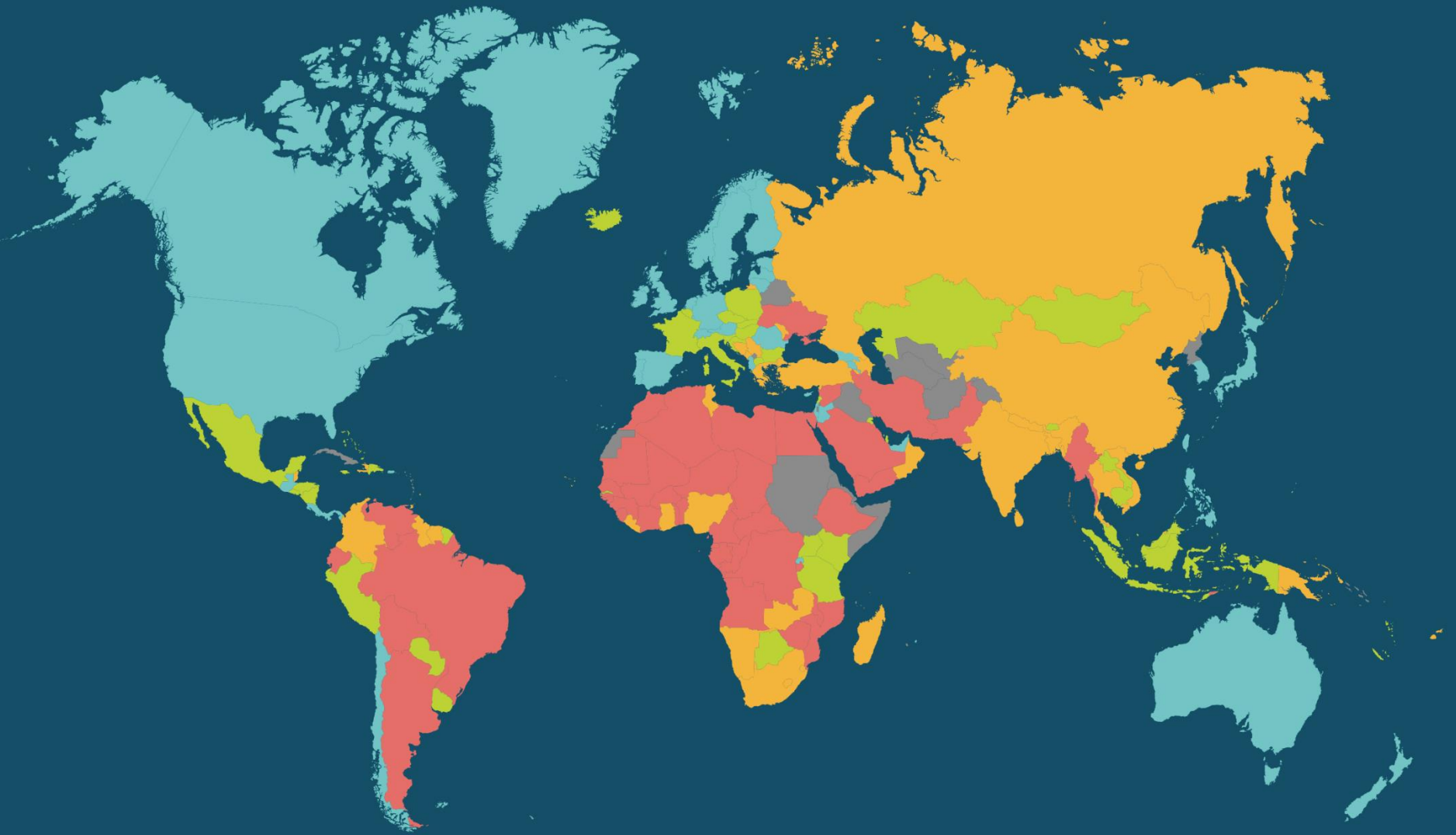
- Individuals have economic freedom when property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others.
- In order to achieve a high economic freedom rating, a country must keep government spending and taxes low, provide access to sound money, protect property rights, and enforce contracts evenhandedly. It must also refrain from imposing trade barriers and regulations that undermine voluntary exchange

Methodology of EFW Index

- Objectivity and transparency
- 162 countries
- 42 variables grouped into 5 areas
- Time series: 1980-2016 for 102 countries
- 0-10 rating scale for components with 10 indicating more economic freedom
- Gender adjustment – Gender Disparity Index (GDI) used to adjust Area 2 (Legal System)

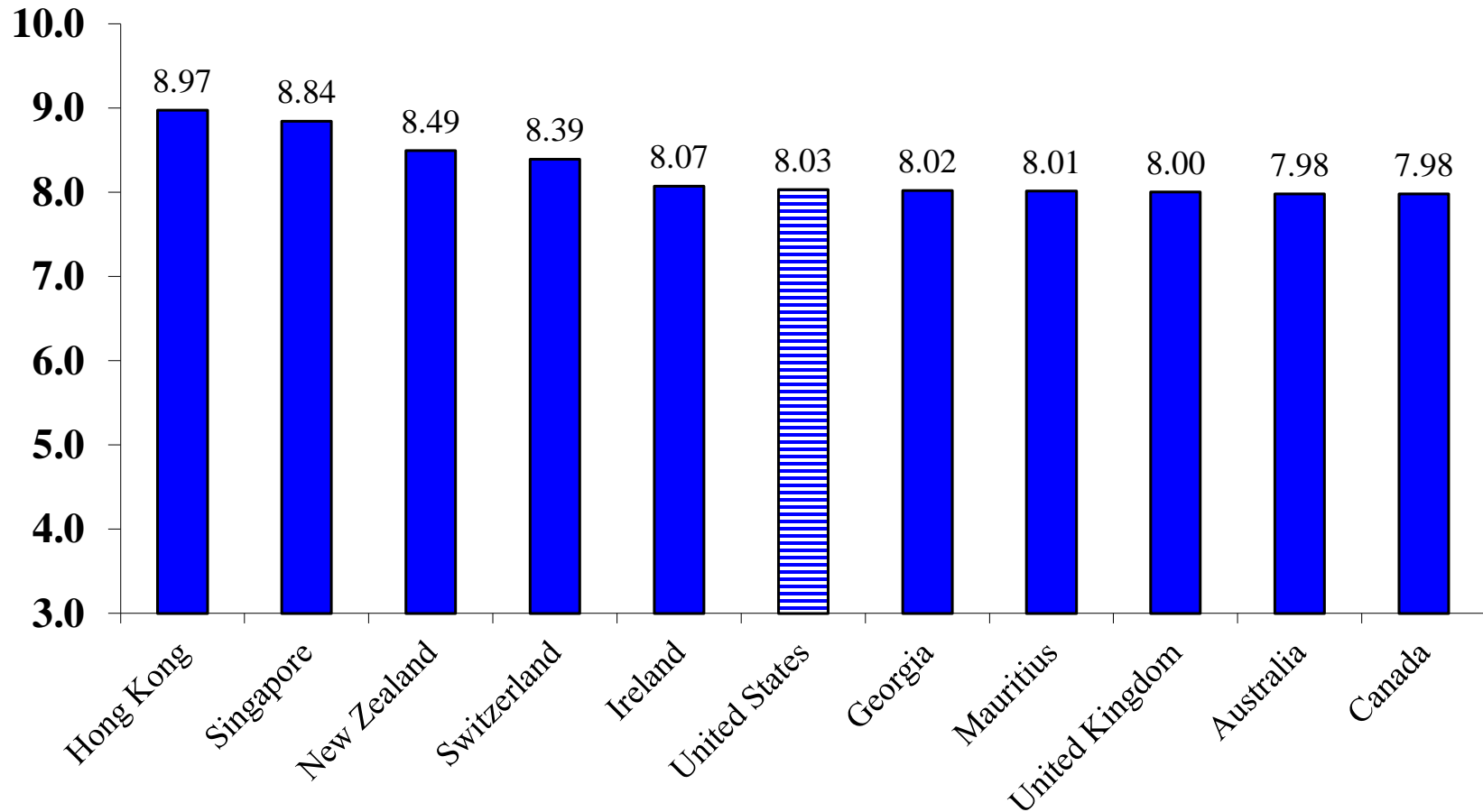
The Five Areas of EFW Index

1. Size of Government
2. Legal System and Protection of Property Rights
3. Access to Sound Money
4. Freedom to Trade Internationally
5. Regulation of Capital, Labor, and Business



Economic Freedom Ratings, 2016

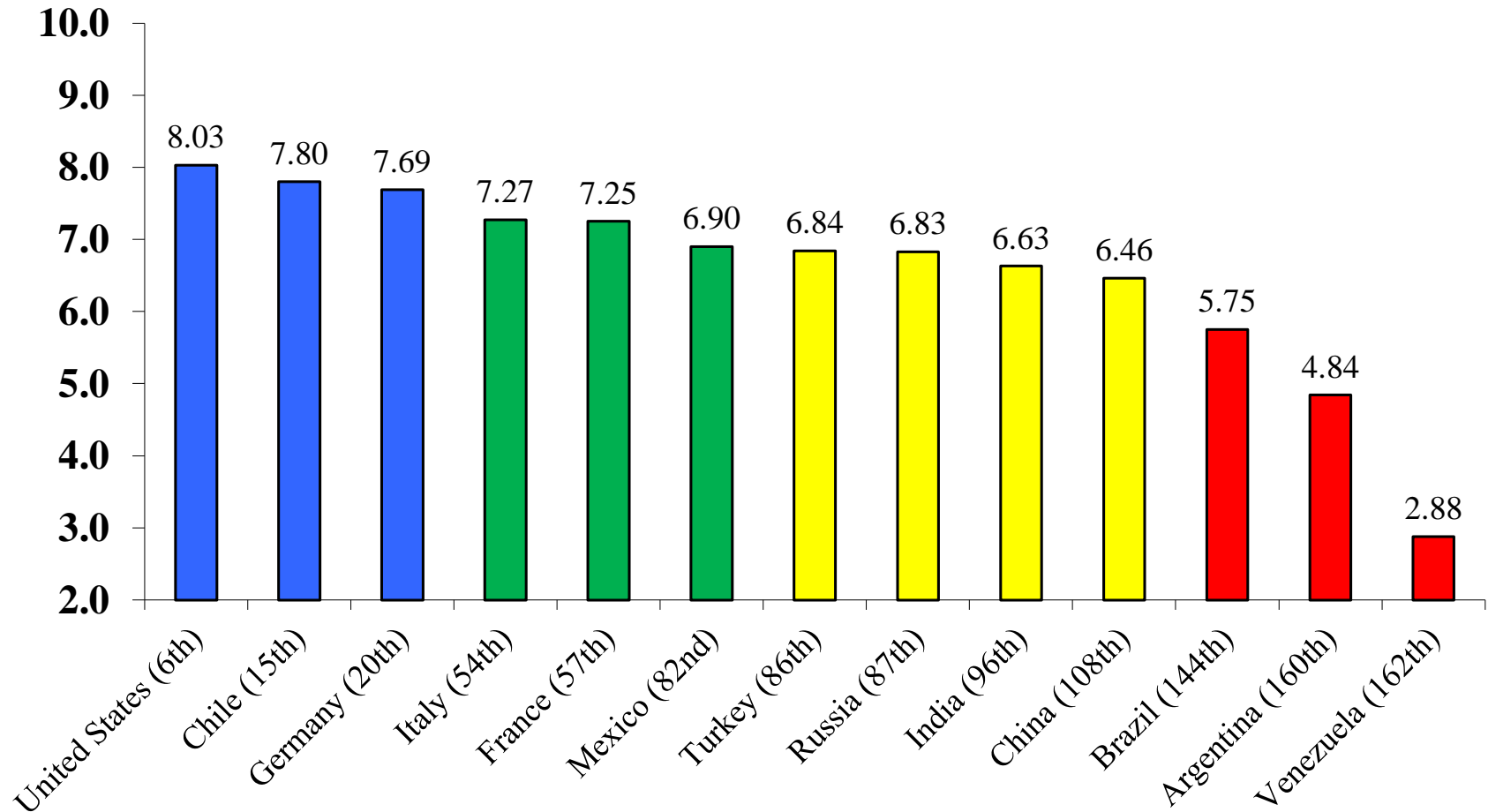
Top 10



Source: EFW 2018, Exhibit 1.2.

Economic Freedom Ratings, 2016

Select Nations



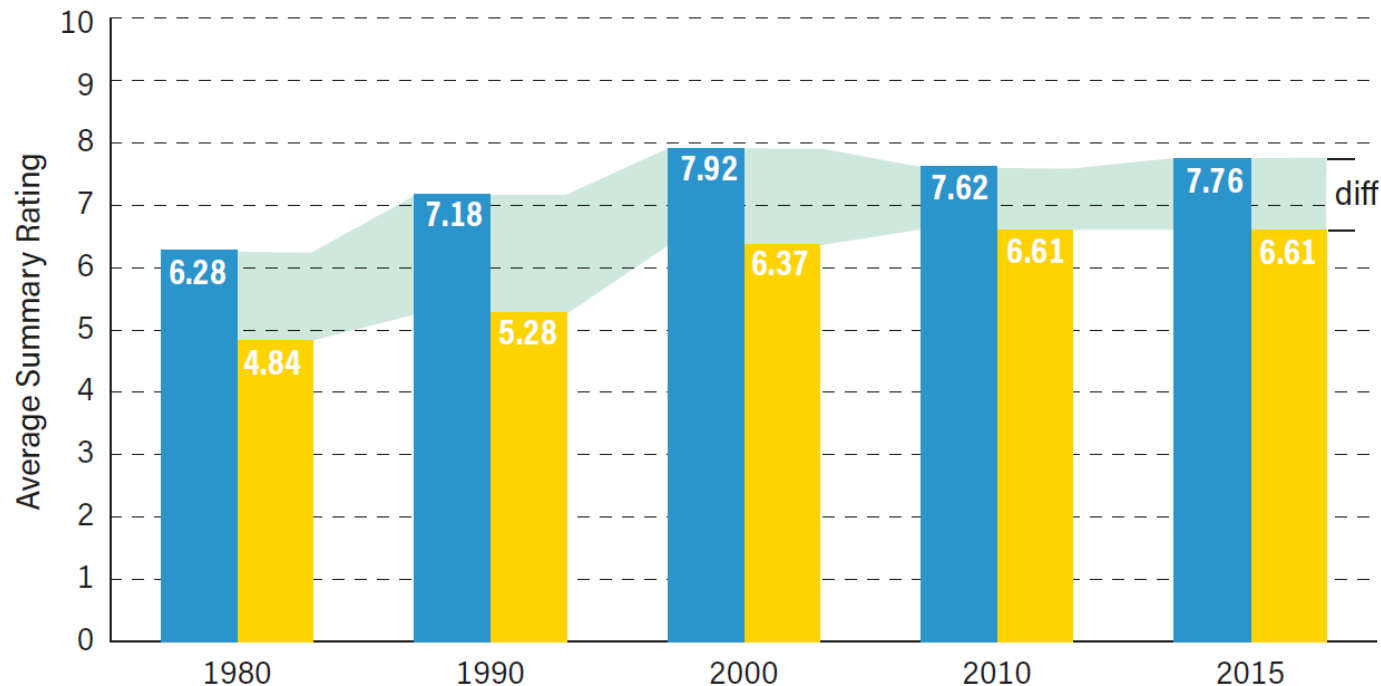
Three Lessons from the EFW Project

1. Economic freedom has increased since 1980
2. Income gap between high-income and developing countries has narrowed (less Income Inequality)
3. Economic freedom matters. Numerous studies indicate that countries with more economic freedom have higher levels of investment, more rapid growth, and higher per capita GDP.

Three Lessons from the EFW Project

1. Economic freedom has increased since 1980

Exhibit 1.9: Difference between the Average EFW Summary Ratings of High-Income Industrial Countries and Developing Economies, 1980–2015

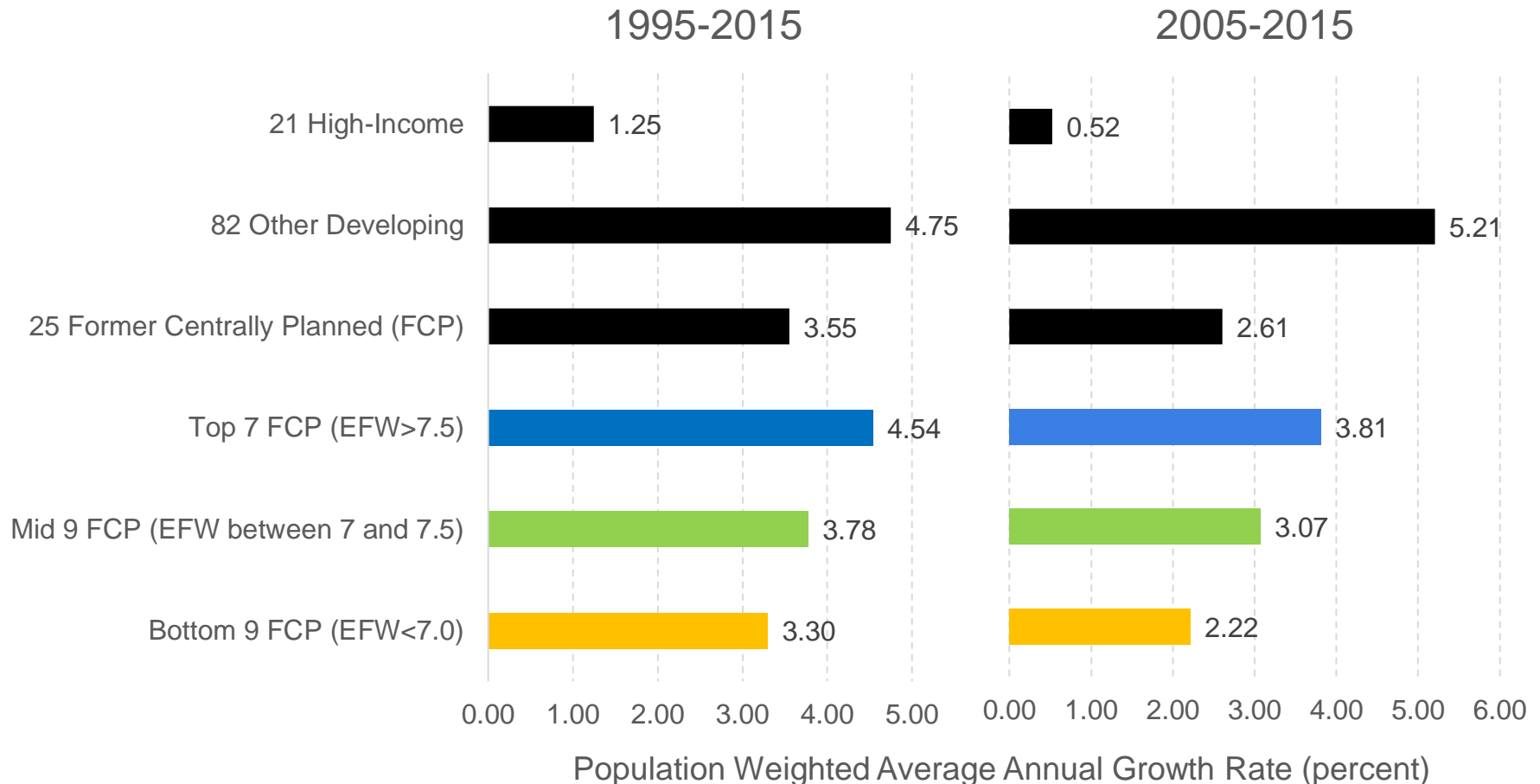


Note: The average EFW summary ratings are derived from the EFW panel dataset. The calculations are for the 102 countries—81 developing and 21 high-income industrial—with continuous data from 1980 to 2015. The following 21 countries are classified as high-income industrial in the World Bank's 1985 classification: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom, and the United States.

Three Lessons from the EFW Project

2. Income gap between high-income and developing countries has narrowed

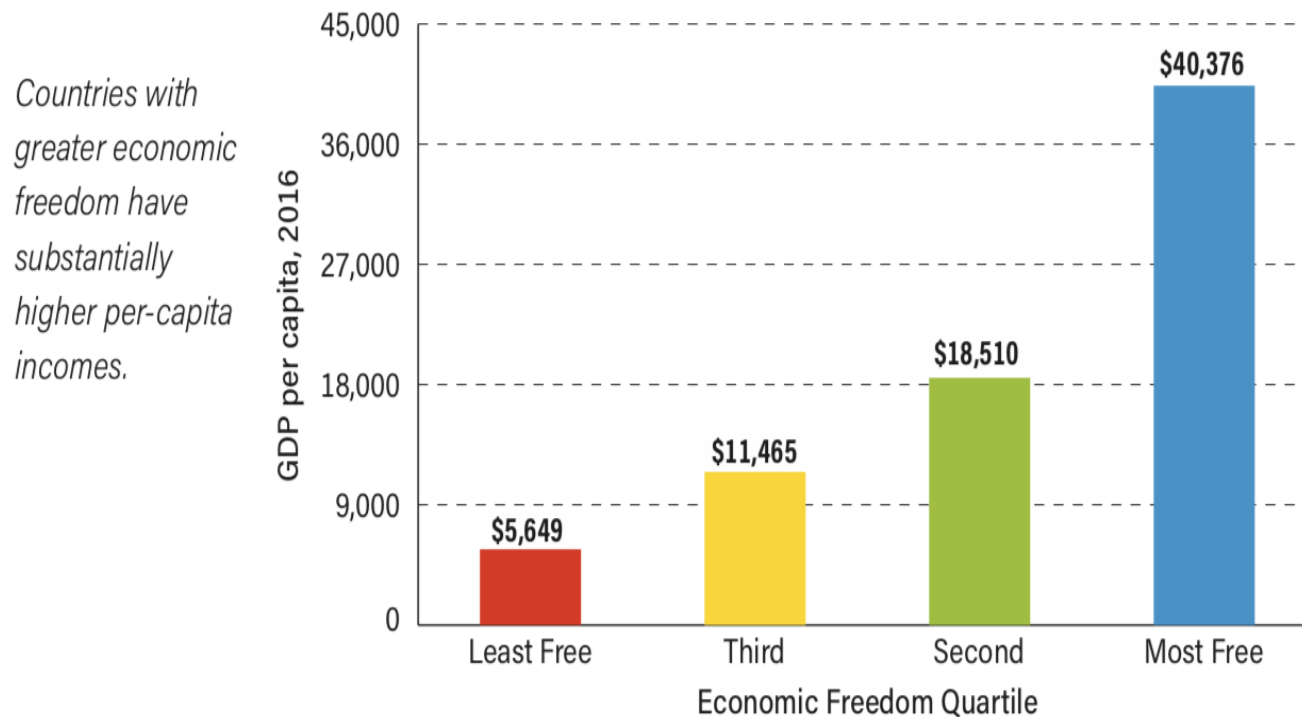
Growth Rates of per capita GDP for Several Groups of Countries
(Periods 1995-2015 and 2005-2015)



Three Lessons from the EFW Project

3. Economic freedom matters. Numerous studies indicate that countries with more economic freedom have higher levels of investment, more rapid growth, and higher per capita GDP.

Exhibit 1.5: Economic Freedom and Income per Capita



Note: Income = GDP per capita, (PPP constant US\$), 2016.

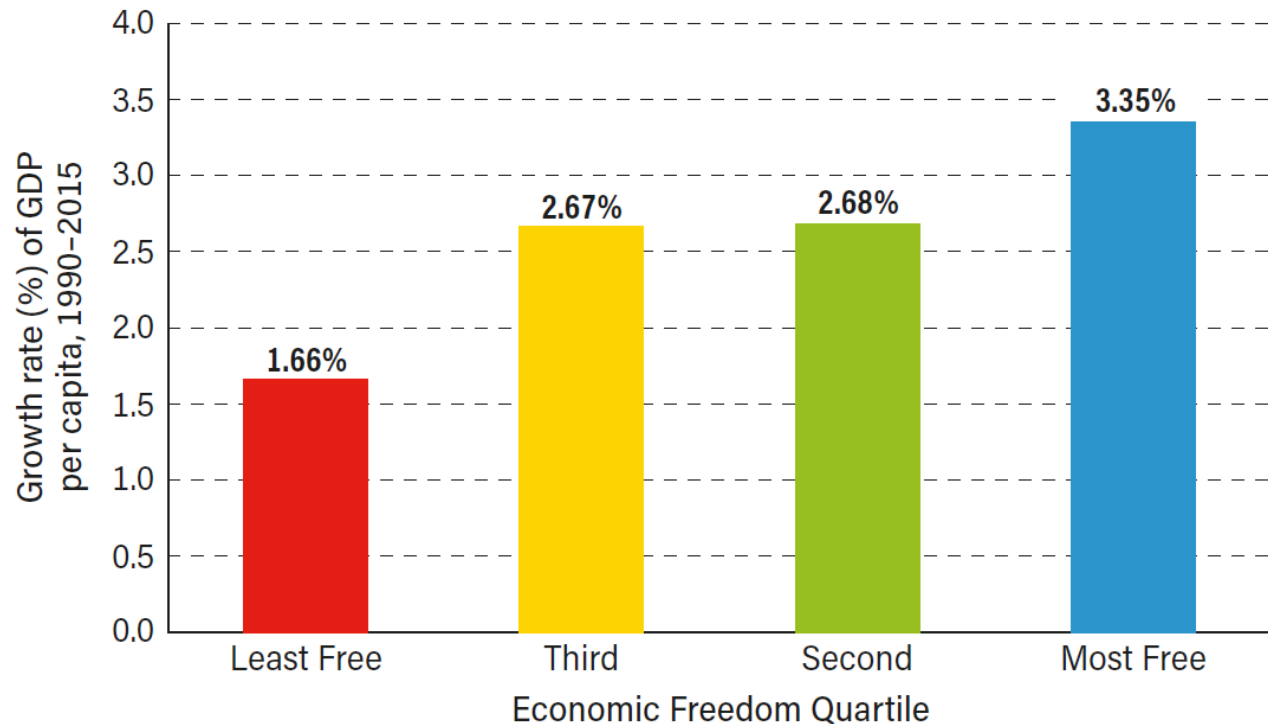
Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*.

Three Lessons from the EFW Project

3. Economic freedom matters. Numerous studies indicate that countries with more economic freedom have higher levels of investment, more rapid growth, and higher per capita GDP.

Exhibit 1.12: Economic Freedom and Economic Growth

Countries with greater economic freedom tend to grow more rapidly.



Note: The growth data were adjusted to control for the initial level of income.

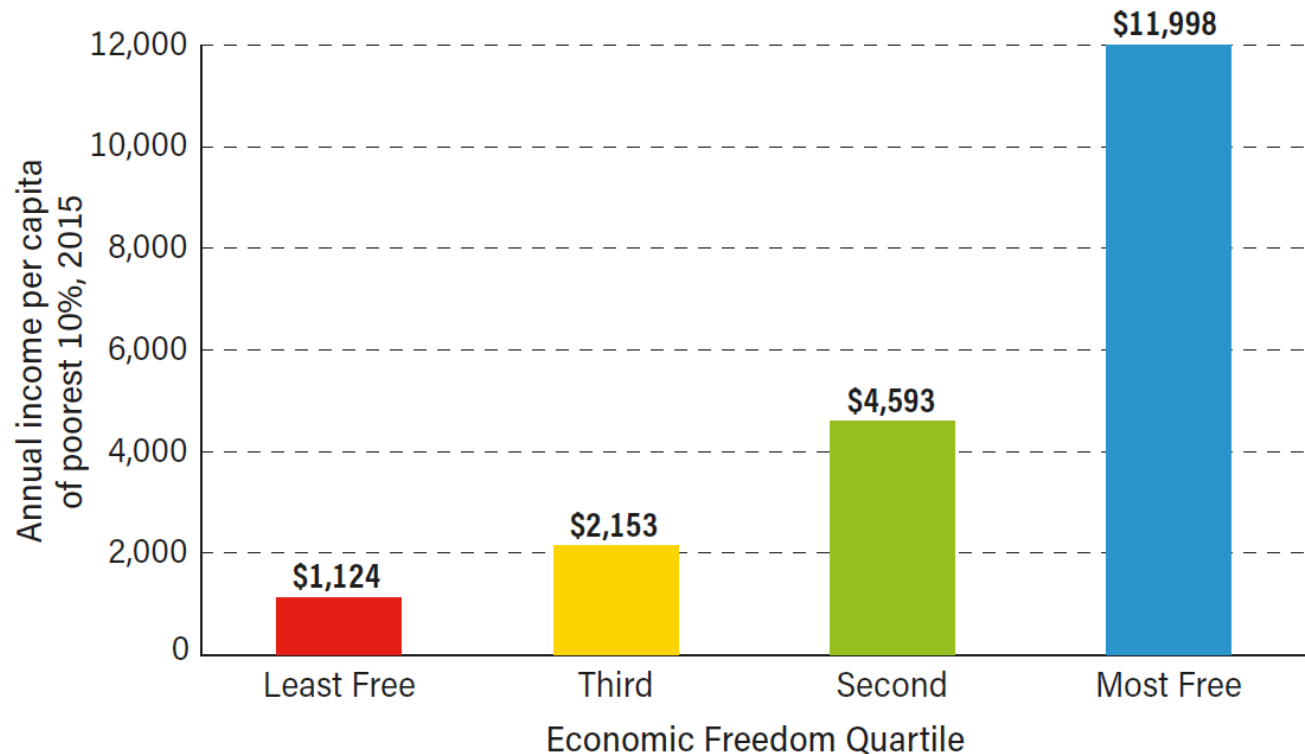
Sources: *Economic Freedom of the World: 2017 Annual Report*; World Bank, 2017, *World Development Indicators*.

Three Lessons from the EFW Project

3. Economic freedom matters. Numerous studies indicate that countries with more economic freedom have higher levels of investment, more rapid growth, and higher per capita GDP.

Exhibit 1.14: Economic Freedom and the Income Earned by the Poorest 10%

The amount of income, as opposed to the share, earned by the poorest 10% of the population is much higher in countries with higher economic freedom.



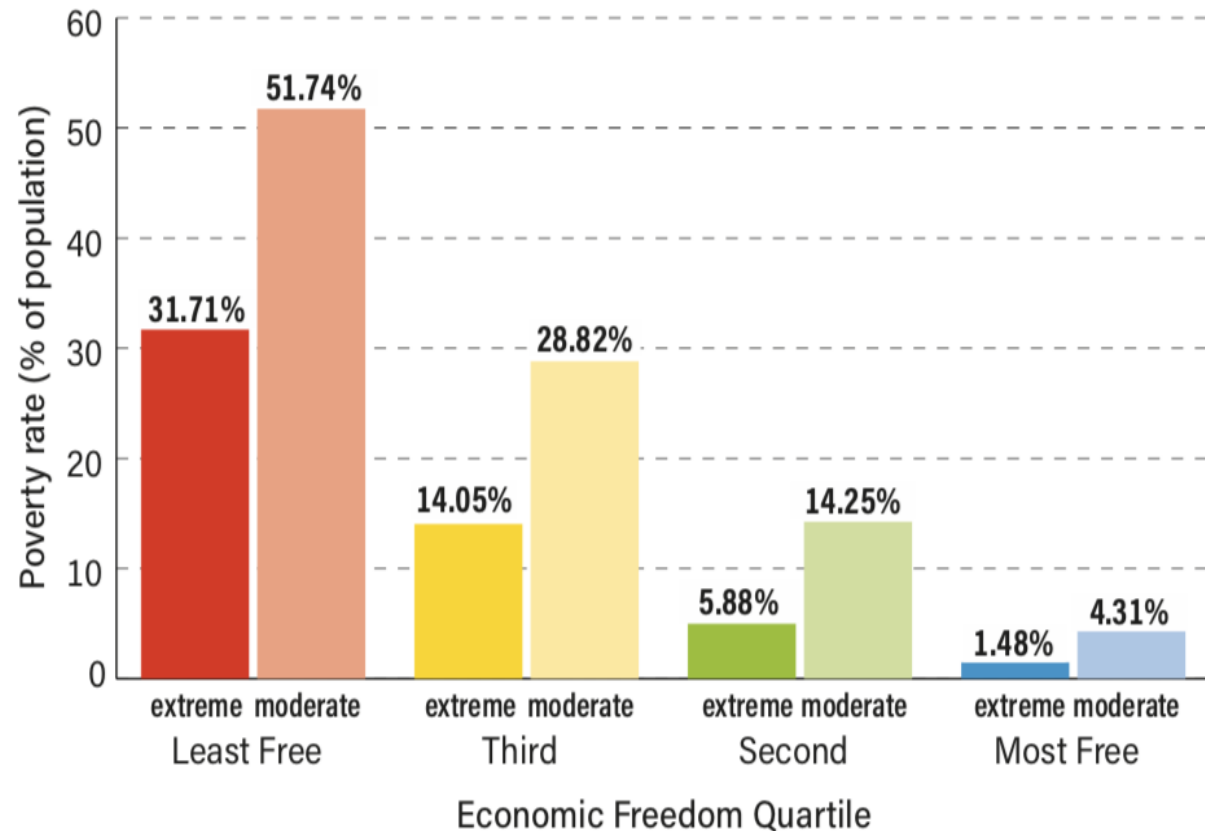
Note: Annual income per capita of poorest 10% (PPP constant 2011 US\$), 2015

Sources: *Economic Freedom of the World: 2017 Annual Report*; World Bank, 2017, *World Development Indicators*.

Three Lessons from the EFW Project

Exhibit 1.10: Economic Freedom and Extreme and Moderate Poverty Rates

Extreme and moderate poverty are lower in countries with more economic freedom.



Note: The **extreme** poverty rate is the percentage of a country's population that lives on **\$1.90** per day; the **moderate** poverty rate is the percentage that lives **\$3.20** per day, in 2011 constant PPP-adjusted dollars.

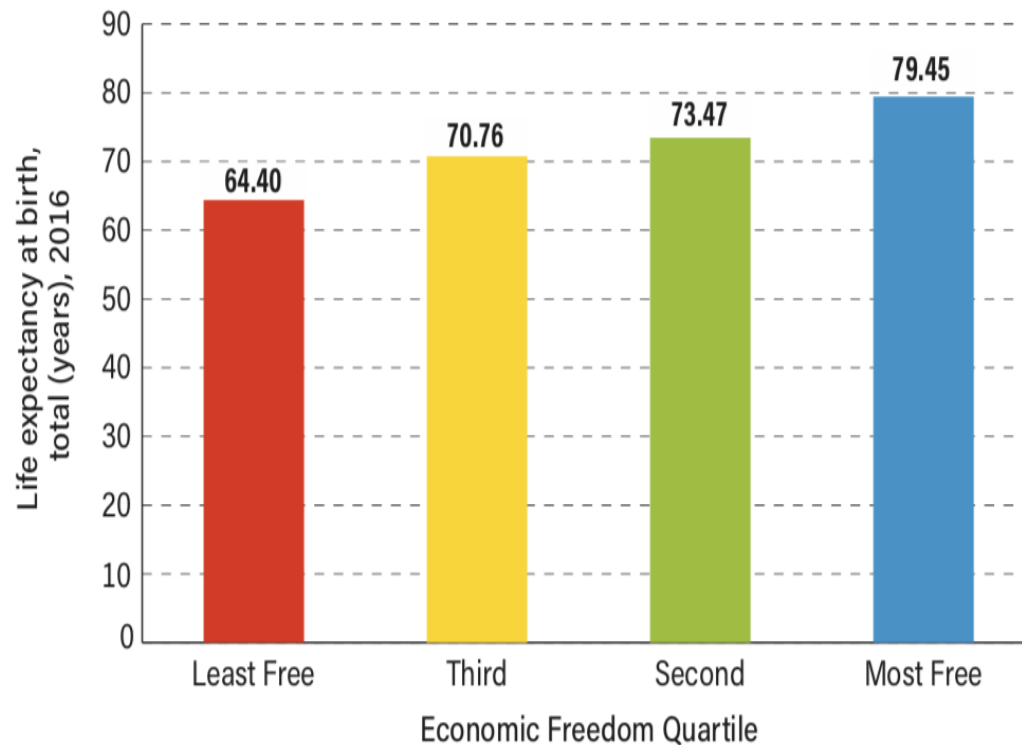
Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*; for details, see Connors, 2011.

Three Lessons from the EFW Project

3. Economic freedom matters. Numerous studies indicate that countries with more economic freedom have higher levels of investment, more rapid growth, and higher per capita GDP.

Exhibit 1.8: Economic Freedom and Life Expectancy

Life expectancy is about 20 years longer in countries with the most economic freedom than in countries with the least.

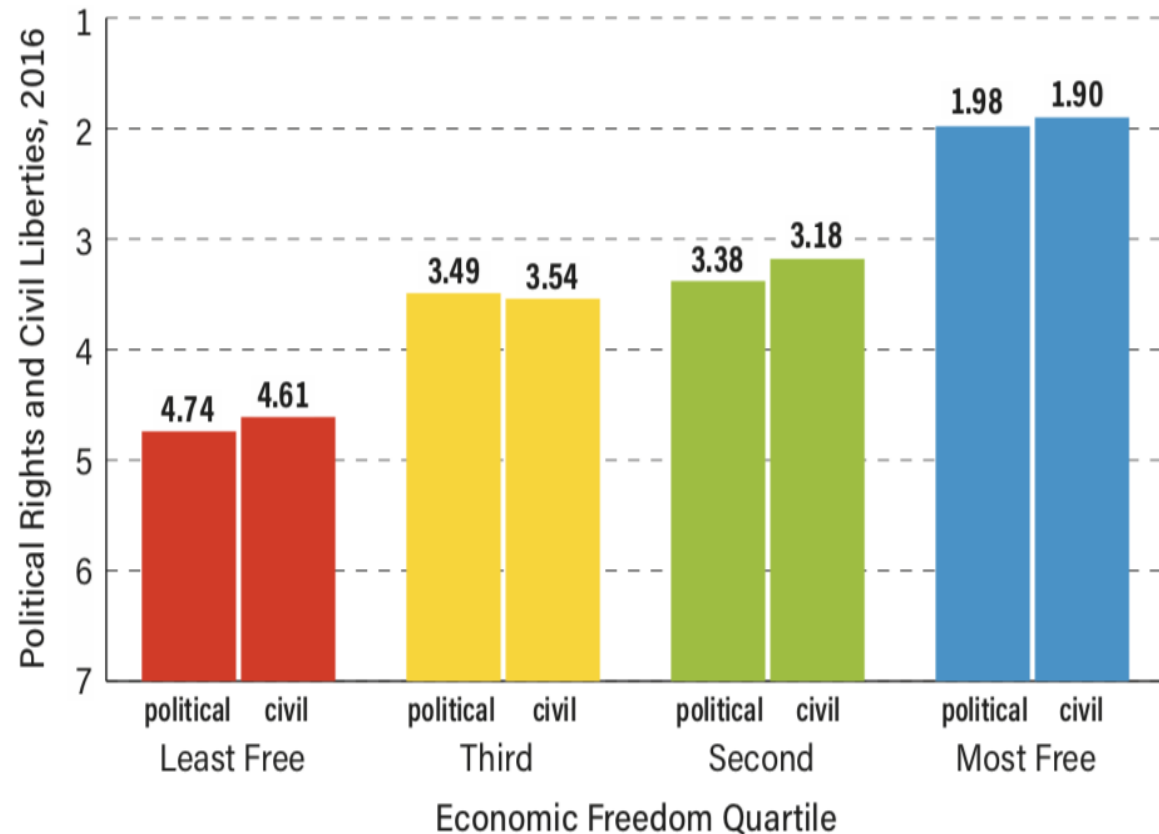


Sources: Average Economic Freedom Panel Score, 1995–2016; World Bank, 2017, *World Development Indicators*.

Three Lessons from the EFW Project

Exhibit 1.11: Economic Freedom and Political Rights and Civil Liberties

Greater economic freedom is associated with more political rights and civil liberties.



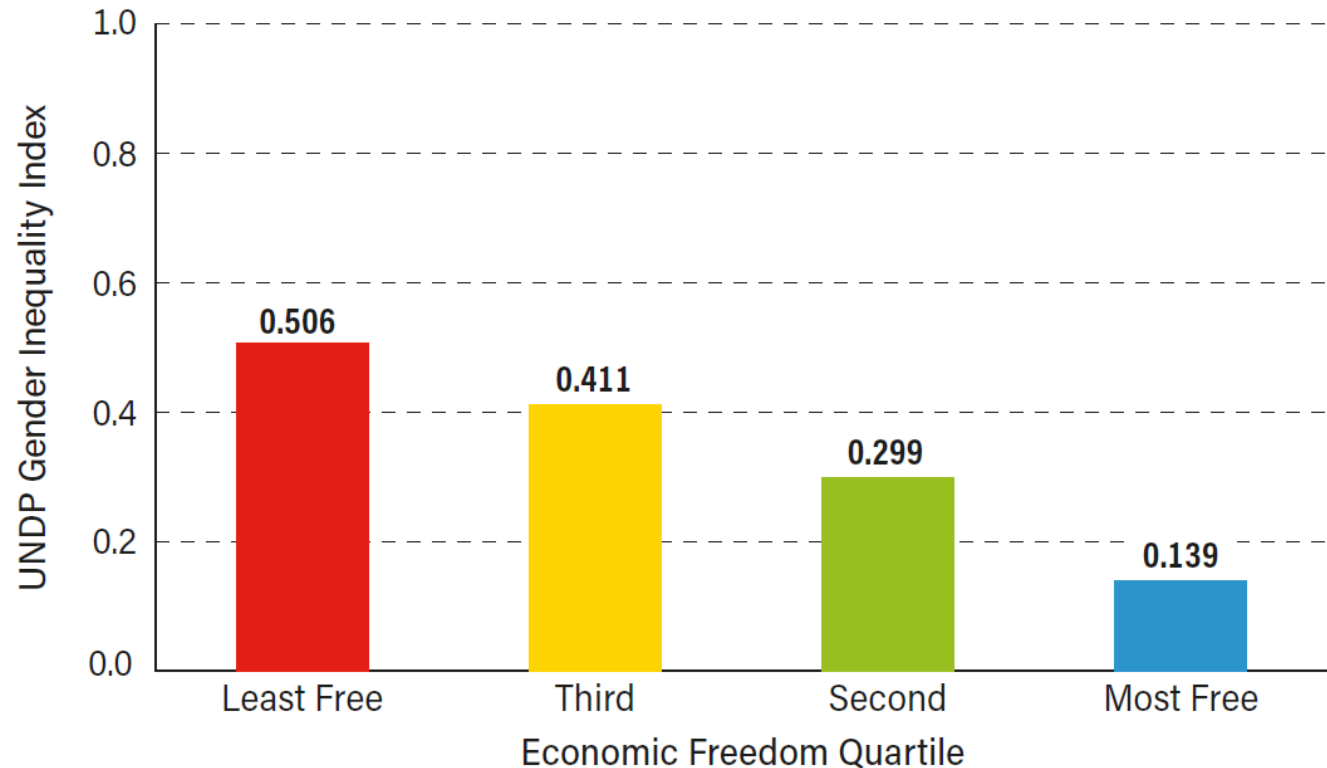
Note: **Political rights** and **civil liberties** are measured on a scale from 1 to 7: 1 = the highest degree of political rights and civil liberties; 7 = the lowest.

Sources: Average Economic Freedom Panel Score, 1995–2016; Freedom House, 2017, *Freedom in the World 2017*.

Three Lessons from the EFW Project

Exhibit 1.18: Economic Freedom and the UN Gender Inequality Index

Men and women tend to fare equally in countries with greater economic freedom



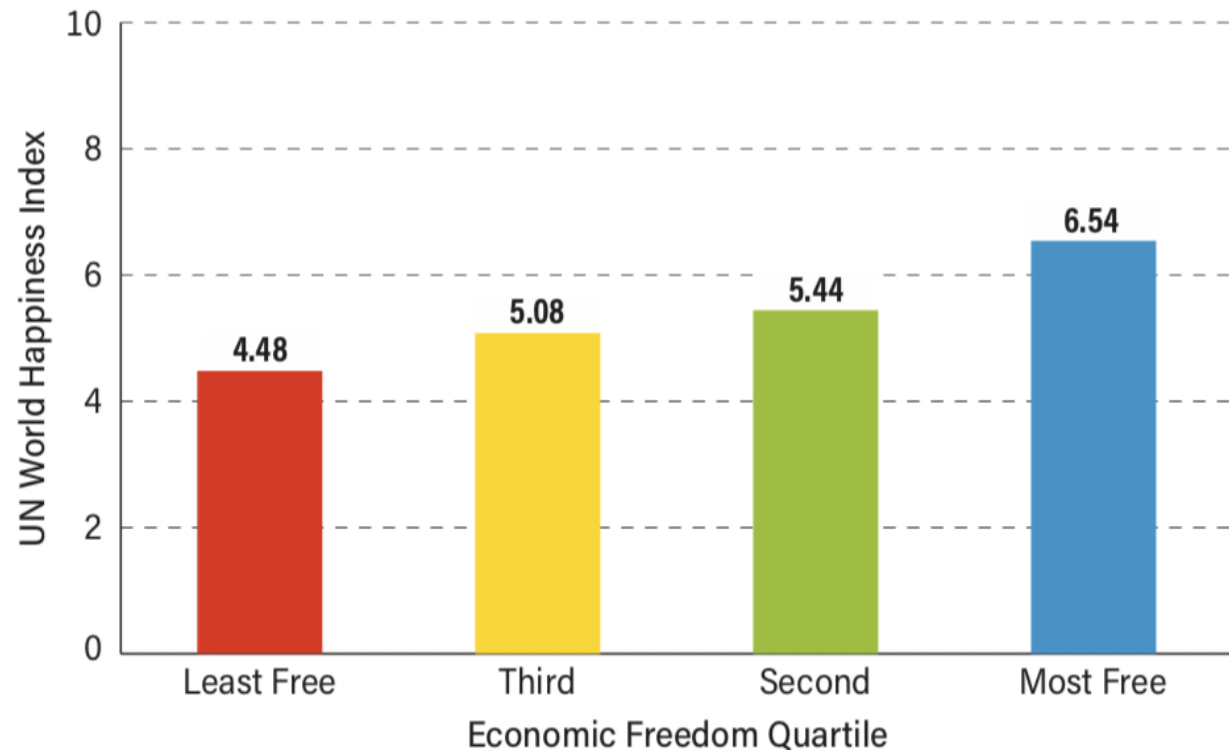
Note: "The Gender Inequality Index (GII) reflects gender-based disadvantage in three dimensions—reproductive health, empowerment and the labour market—for as many countries as data of reasonable quality allow ... It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions." Data is for 2015.

Sources: *Economic Freedom of the World: 2017 Annual Report*; United Nations Development Programme, 2016, *Table 5: Gender Inequality Index*.

Three Lessons from the EFW Project

Exhibit 1.13: Economic Freedom and the UN World Happiness Index

People in countries with greater economic freedom tend to be happier about their lives.



Note: "The rankings are based on answers to the main life evaluation question ... This is called the Cantril ladder: it asks respondents to think of a ladder, with the best possible life for them being a 10, and the worst possible life being a 0. They are then asked to rate their own current lives on that 0 to 10 scale." Data are for 2015.

Sources: Average Economic Freedom Panel Score, 1995–2016; United Nations, 2016, *World Happiness Report 2016 Update*.

Guatemala ranked 23 of 162?

https://www.ottawa.edu/academics/school-of-business/university-institutions/gwartney-institute/

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Blog

Wednesday, June 5, 2019

What's wrong with economic freedom in Guatemala?

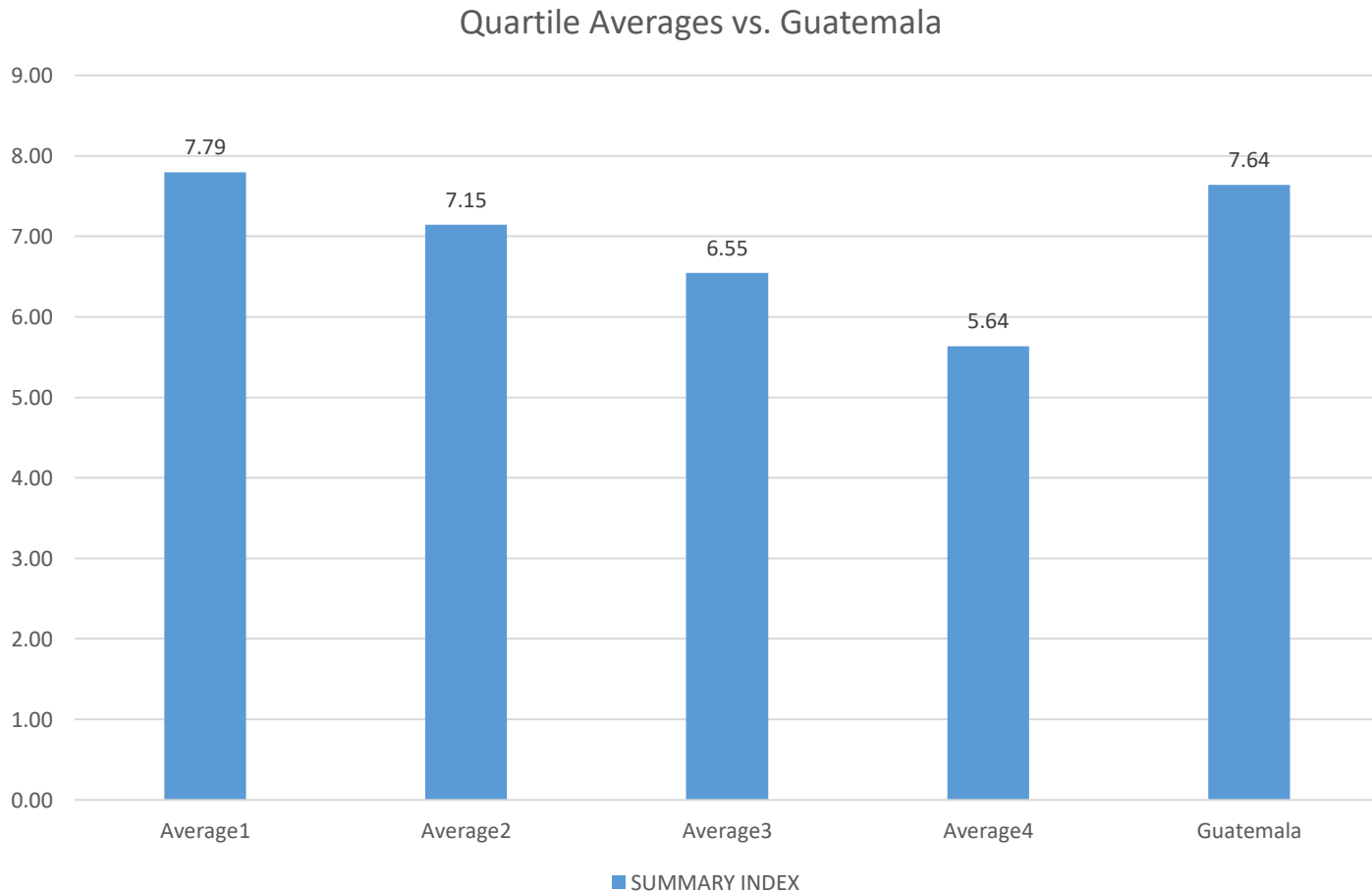
by Russ McCullough

I am excited to be traveling to Guatemala with my wife and son in August! My wife helps run a non-profit called Education and More there where the organization contracts with local indigenous women to produce products that use the hand-woven

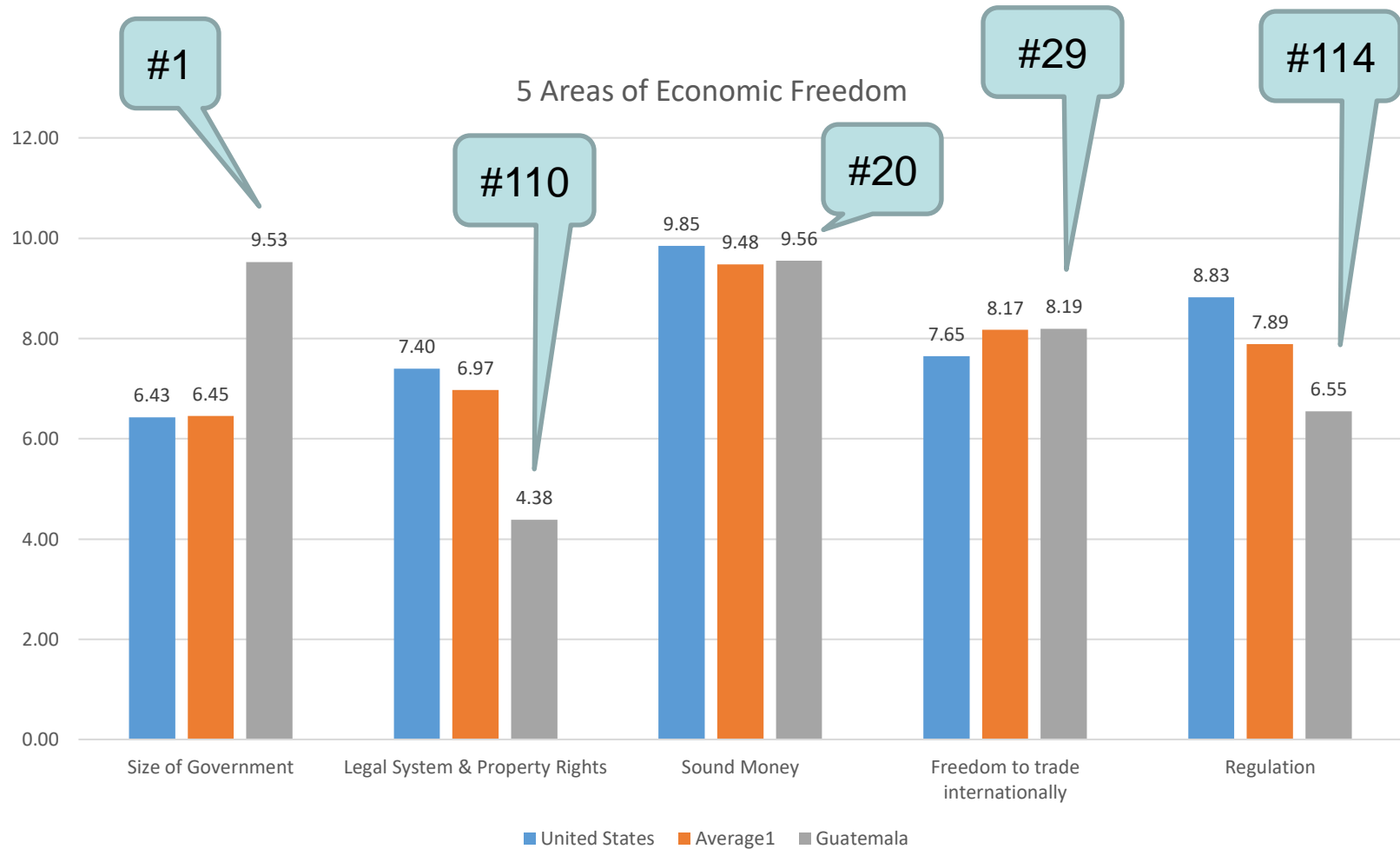
Labels

bitcoin civil rights corporate welfare disaster response economic freedom employment entertainment GDP health care Herald columns local market solutions money parenting policy population

Overall Rank of 23 in the World



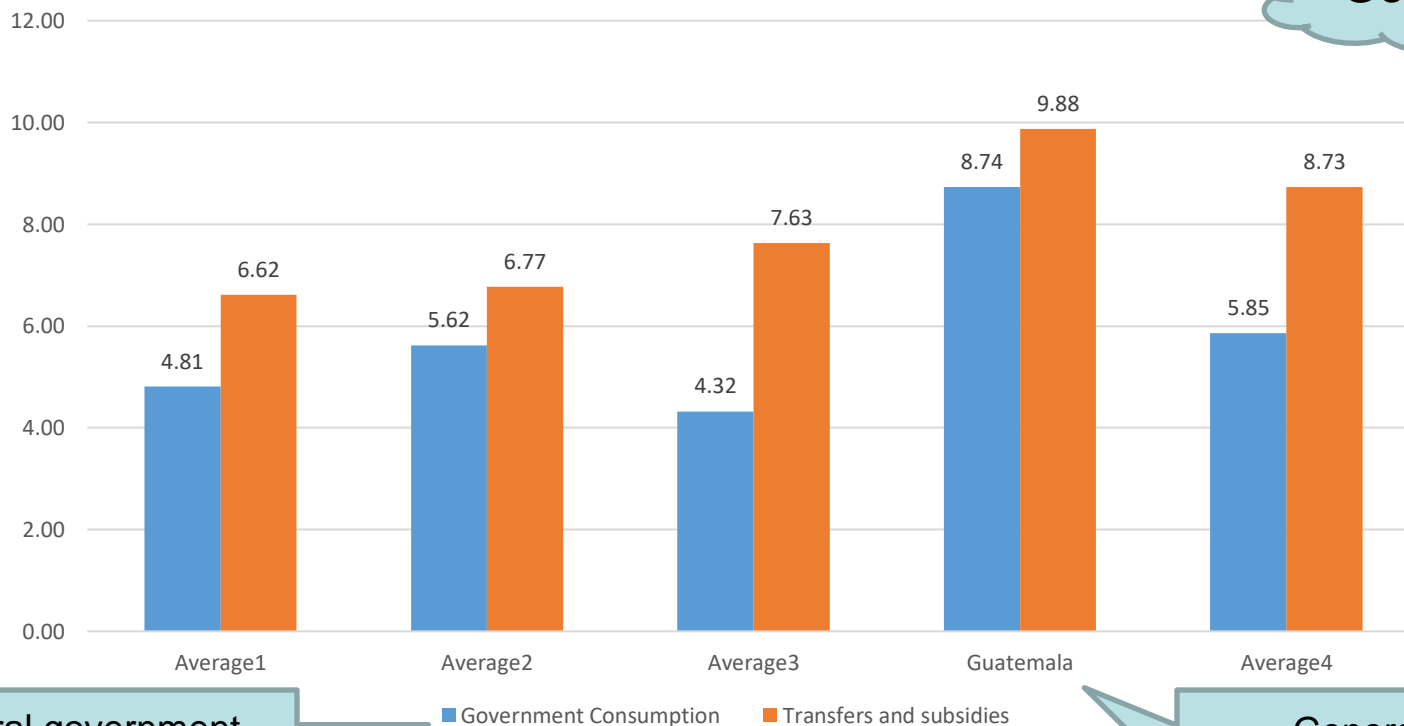
Overall score 7.64 (most free?)



Smaller 'Size of Government' than all average quartiles

Quartile Averages to Guatemala

Good?



General government consumption spending as a percentage of total consumption.

General government transfers and subsidies as a share of GDP.

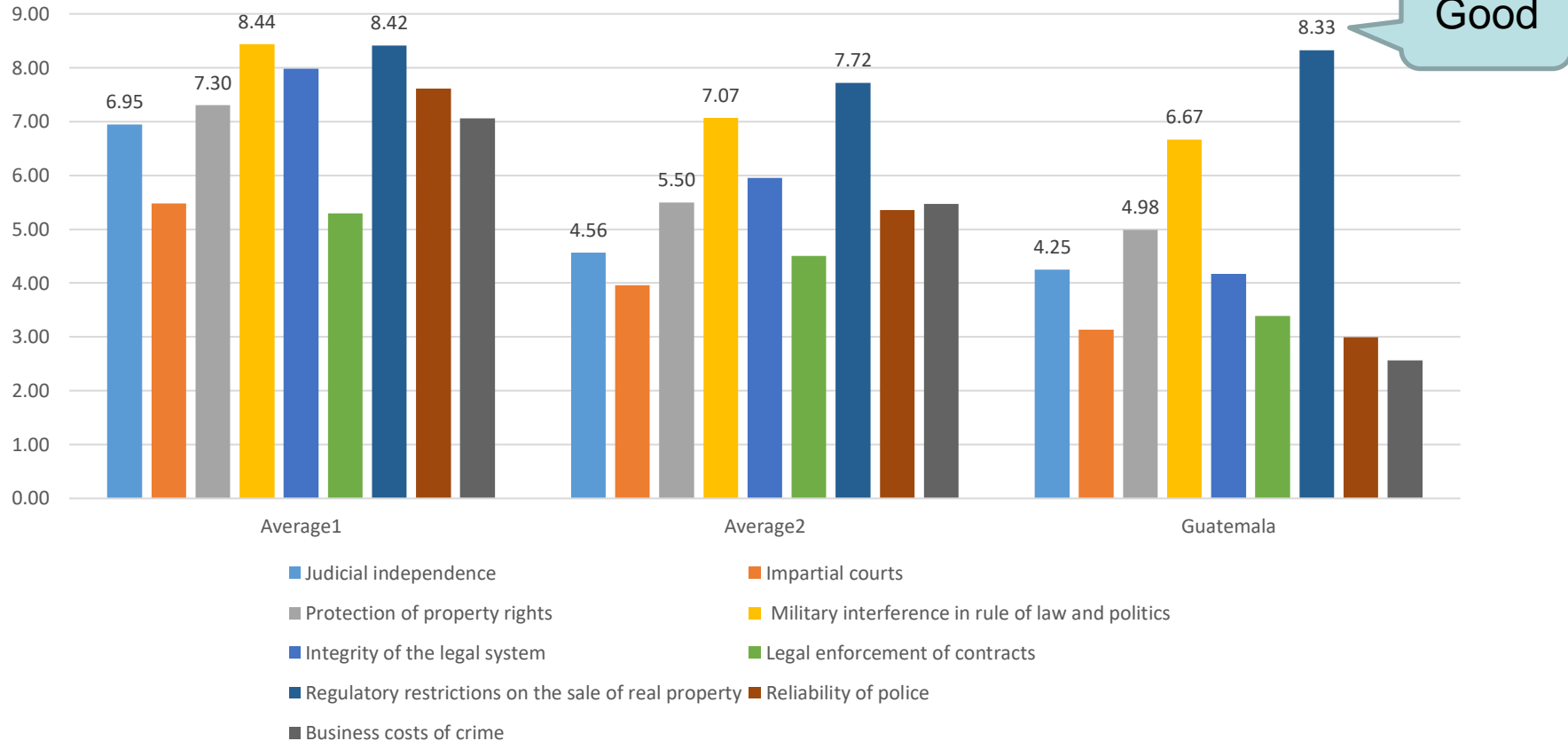
- 1A Government consumption
 - This component is measured as general government consumption spending as a percentage of total consumption.
- 1B Transfers and subsidies
 - This component is measured as general government transfers and subsidies as a share of GDP.

Overall score 7.64 (most free?)



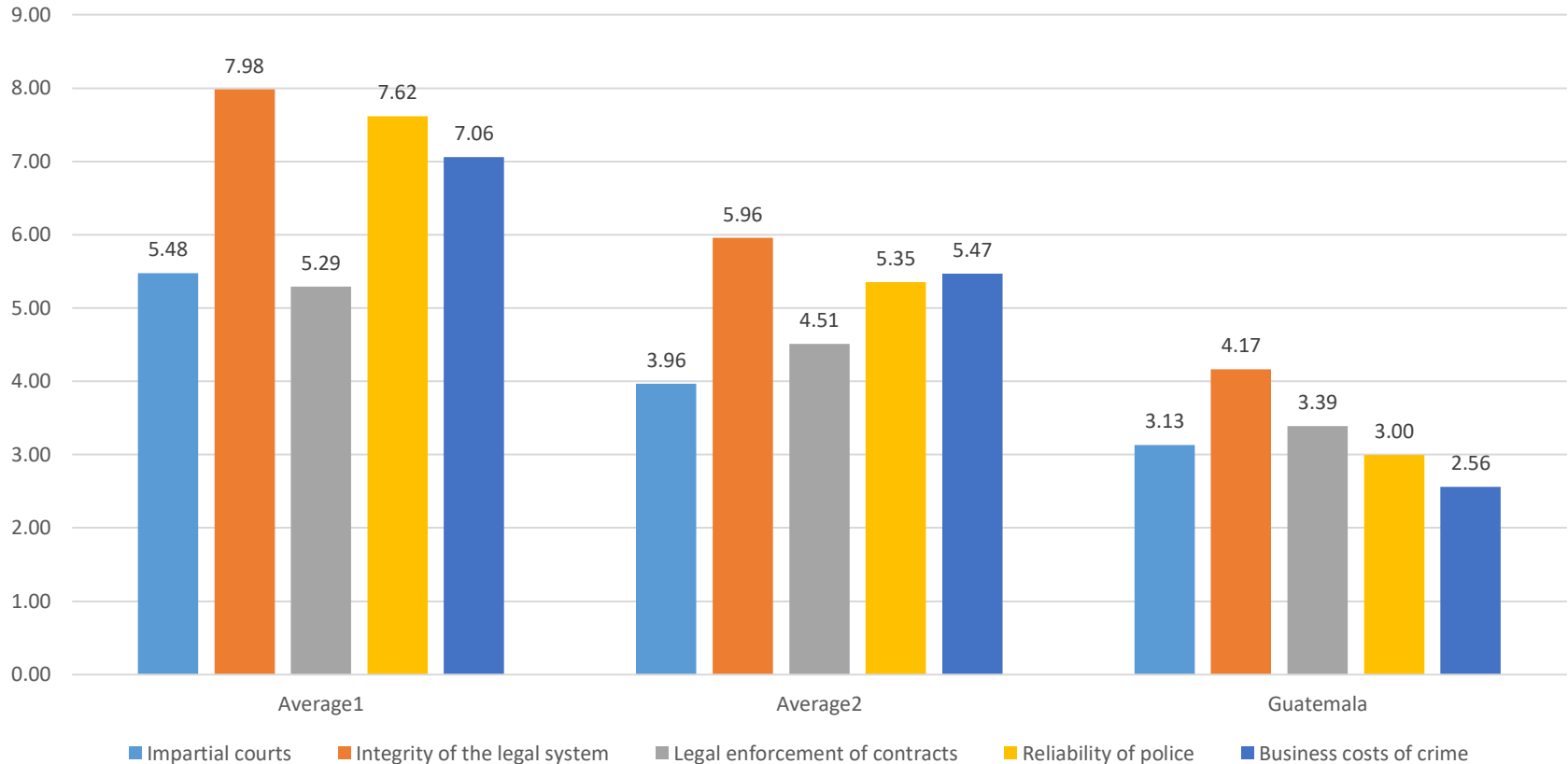
Property rights recommendations

Sub-Areas of property rights



Low hanging fruit

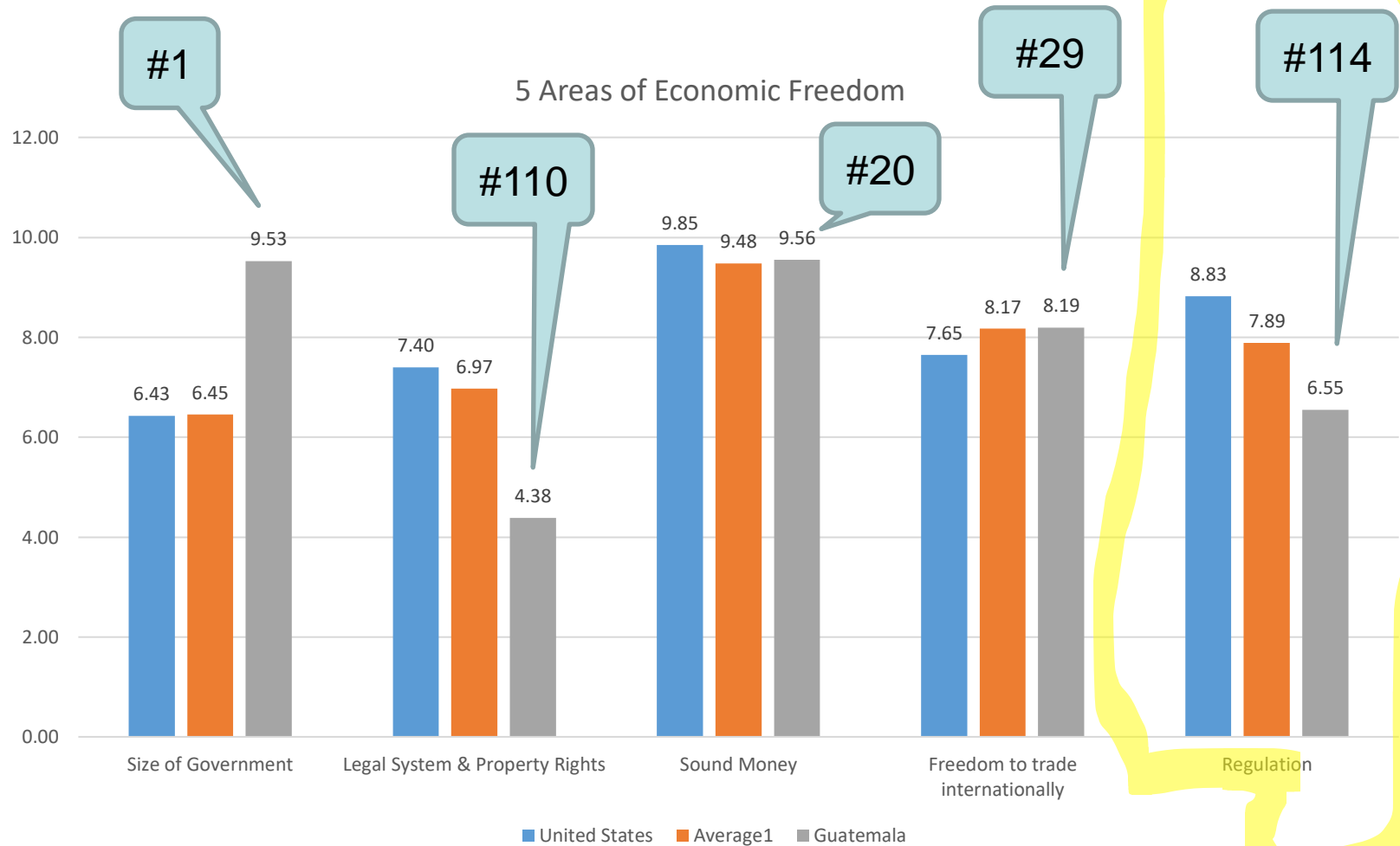
Where to start on property rights



Global Competitiveness Report question:

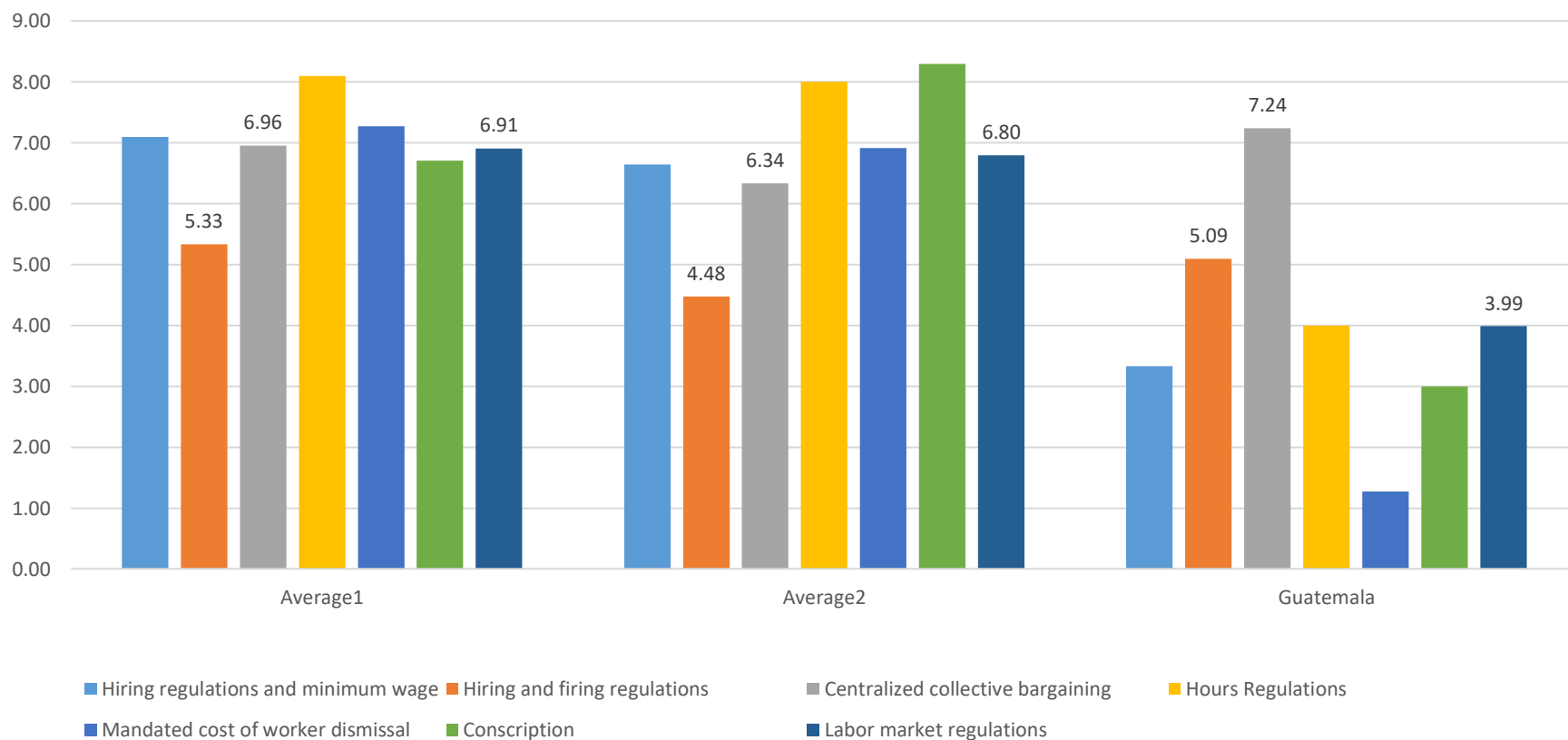
“To what extent does the incidence of crime and violence impose costs on businesses in your country? (1 = To a great extent; 7 = Not at all)”.

Overall score 7.64 (most free?)



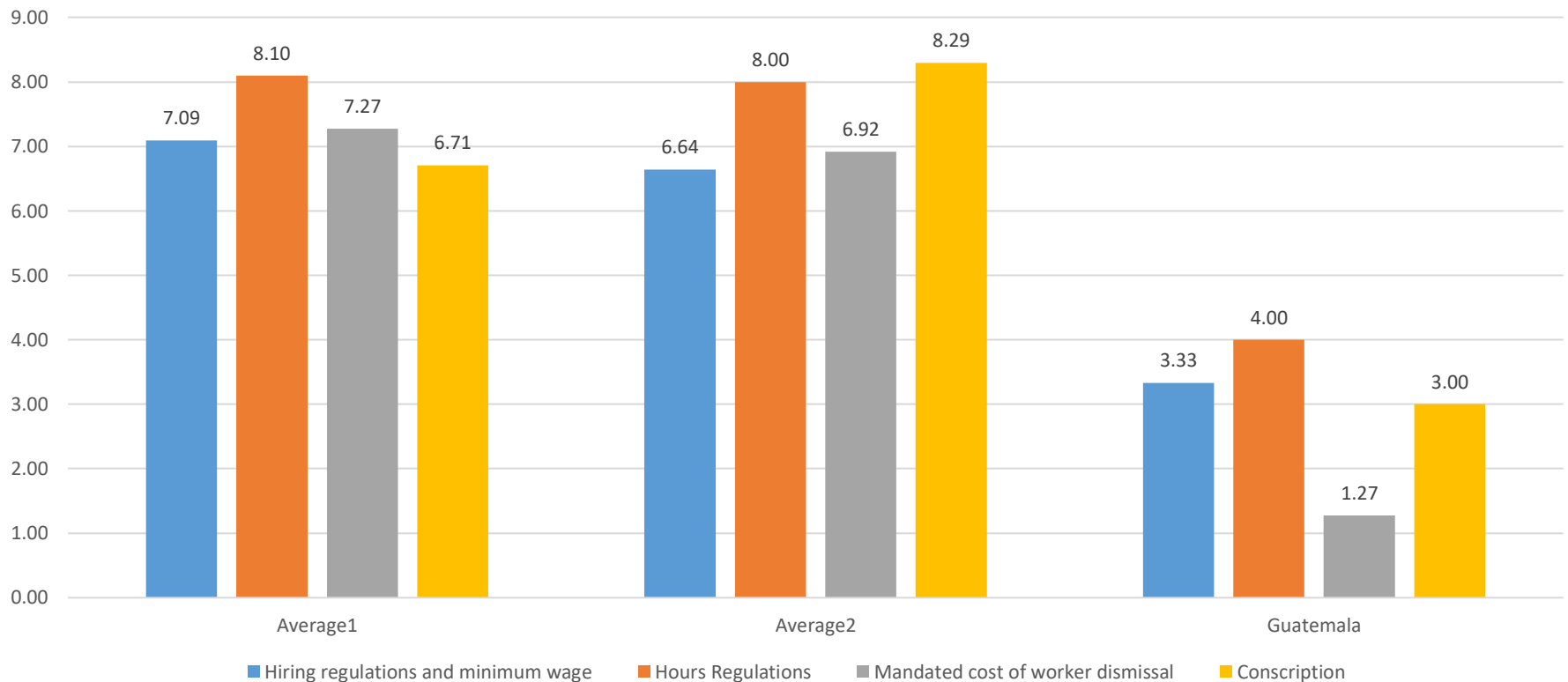
Regulation Recommendations

Labor Market Regulations



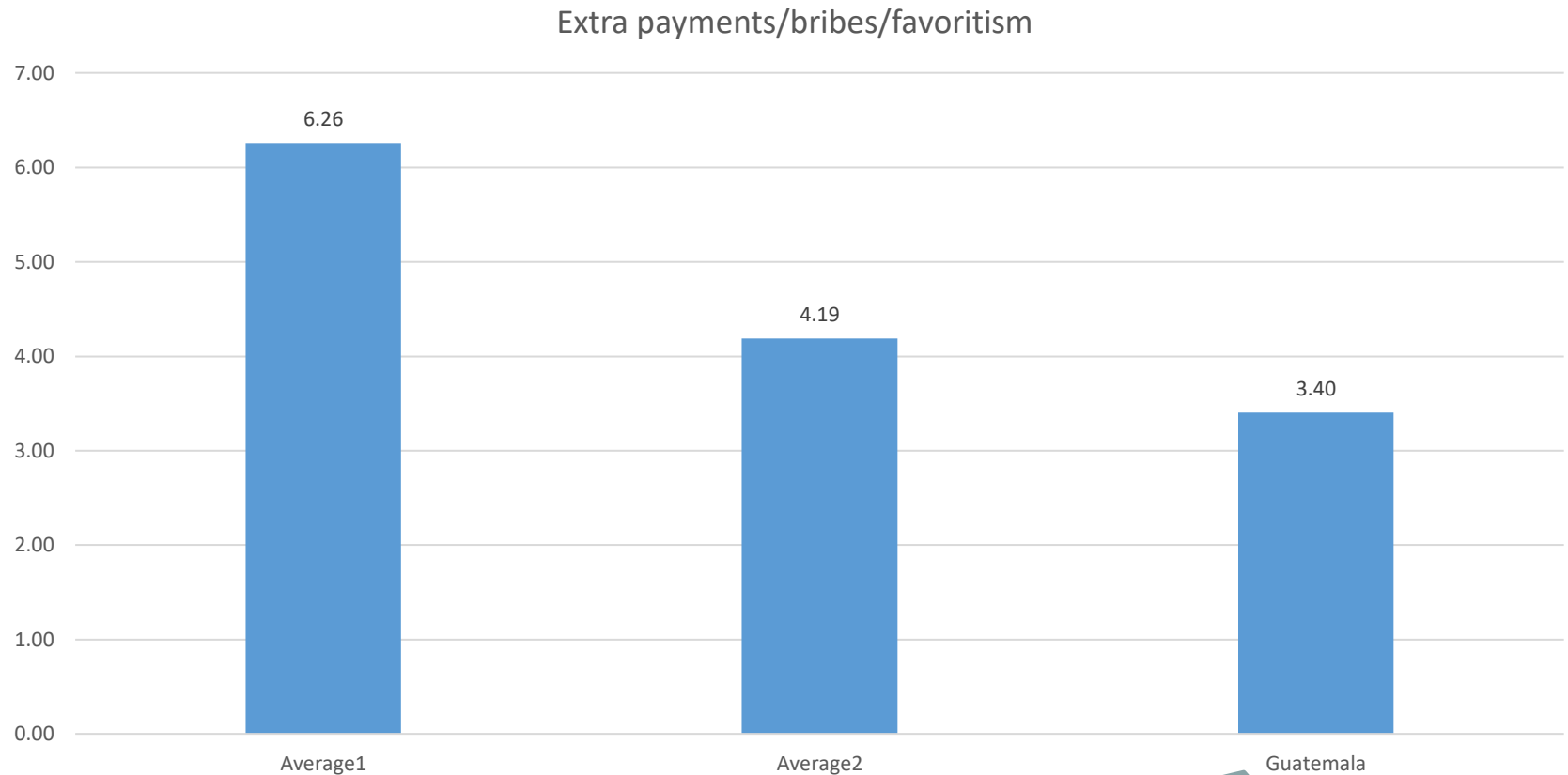
Low Hanging Fruit

Where to start on regulation



- Rating of 10 was assigned to countries without military conscription.
- When length of conscription was more than six months but not more than 12 months, countries were rated at 3.
- If conscription was present but apparently not strictly enforced or the length of service could not be determined, the country was given a rating of 3.

3 ? For Sub-sub area 5c

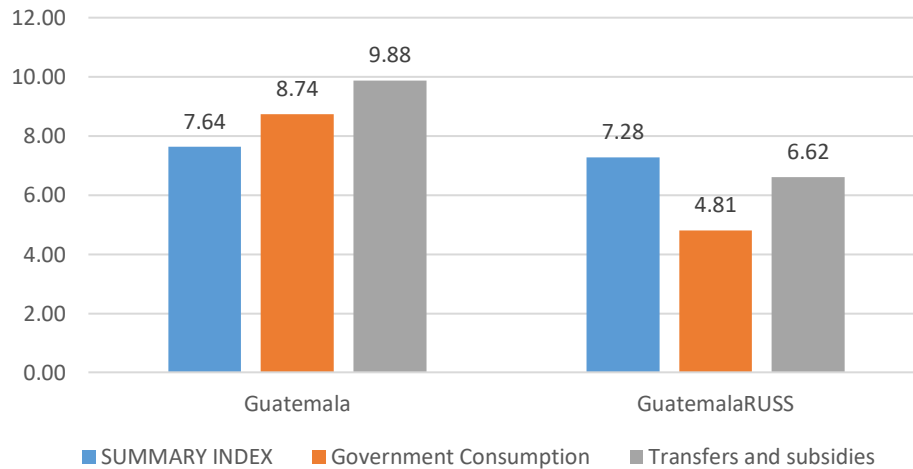


(3) “To what extent do government officials in your country show favoritism to well-connected firms and individuals when deciding upon policies and contracts? 1 = Always show favouritism, 7 = Never show favouritism”. The wording of the questions has varied slightly over the years.

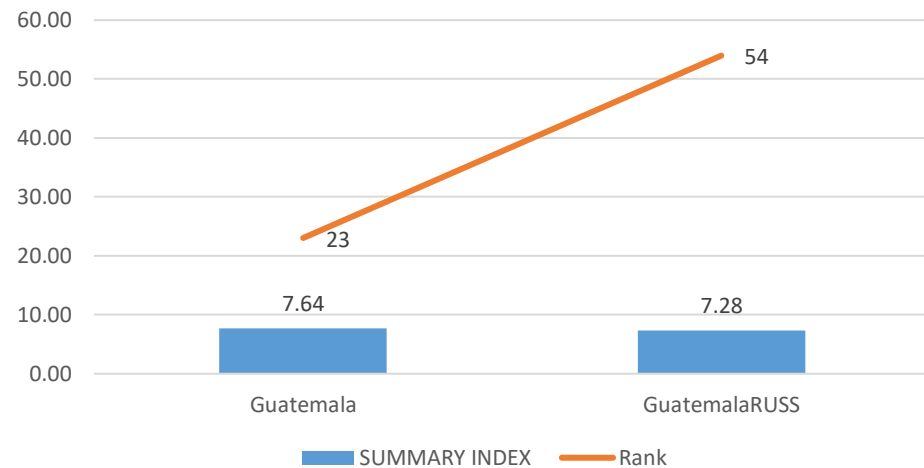
Source World Economic Forum, *Global Competitiveness Report*.

Assumptions

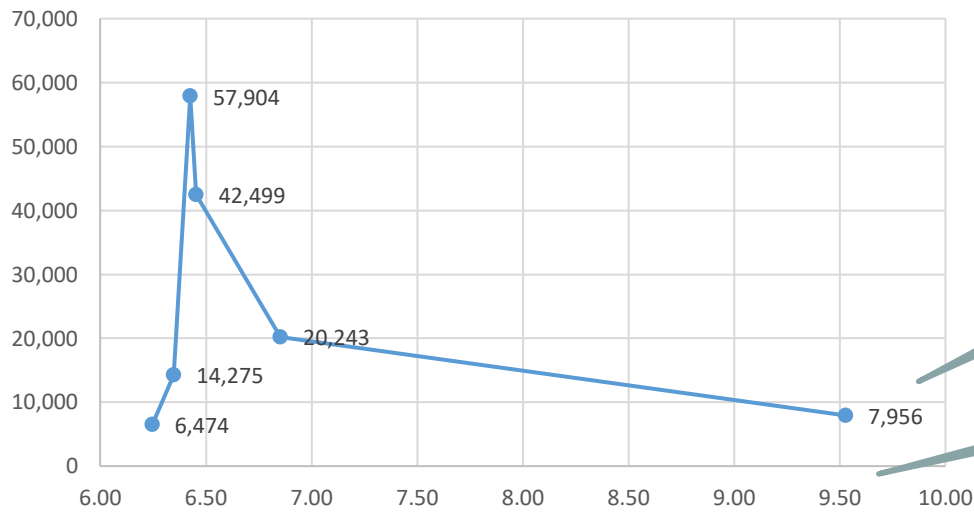
Substituting Q1 average for Guatemala



Change in Rank



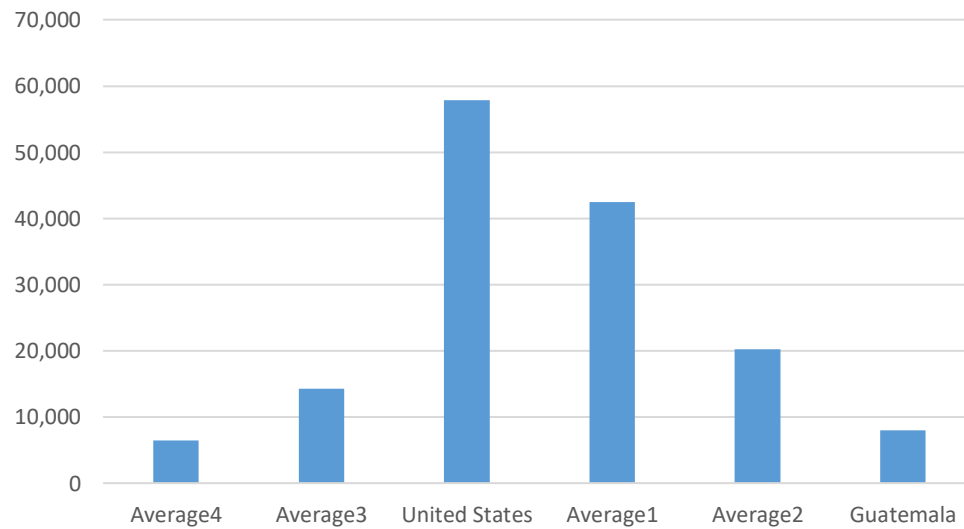
Size of Government and Income



Guatemala
Per Capita
Income

Size Score

Size of Government and Income



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Economic Freedom in the Night

