

POLITICAL SYSTEMS AND ECONOMIC GROWTH

In April 2000 I wrote about political systems and power groups.

All political systems are the same, I suggested. What makes them different is the number of power groups in control of the national system. When a nation has few power groups, they control the country to satisfy only their needs, the needs of a few people.

In this case the country does not have to expand rapidly. The power groups in control do not need much wealth because the wealth has to be shared by few. The Soviet Union, Cuba, and China under Mao are the most obvious examples.

On the other hand, countries with a large number of power groups (democracies) need a fast growing economy to create the wealth to be shared by the various power groups.

All political systems are the same, I concluded then. Power is the unifying parameter of political systems. How you label these systems is irrelevant.

The great book *The Birth of Plenty* by W. J. Bernstein provides a superb historical perspective on the conditions for prosperity through the centuries and adds to my perspective by providing practical guidelines.

Four conditions are necessary for a country to grow.

1. *Property rights*. They provide the backbone for entrepreneurship and for civil liberties.
2. *Scientific method*. It establishes a cultural framework to educate the people of a country and promote research in the main fields of human endeavor.
3. *Capital marketplace*. A country cannot grow without a modern financial system providing the necessary financing to an expanding economy.
4. *Communications*. Countries cannot grow without the ability to trade based on efficient communication.

The author provides many convincing examples of expanding or collapsing societies.

One more case. The failure to grow of the Arab states in the Middle East can be easily explained by applying the analysis of this book.

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