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MASTER'S THESIS

**The goal is liberty: How the U.S. and
China fit between economic and political
freedom.**

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Proposed title of thesis: *The goal is liberty: How the U.S. and China fit between economic and political freedom.*

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Short outline of your proposed line of argument (including potential chapters) and the methodology you plan to use:

I believe in Milton Friedman's idea that there is a tie between economic freedom and political Freedom. I believe in the idea that once economic freedom is lost, political and other freedoms will also follow suite. Having one form of freedom without the other unequalizes things and ultimately things will need to change. I'm not putting a strict time limit on how long things will take to change but I do believe that it is inevitable. ***In this paper I will be discussing the relation between economic and political freedom, how they feed and affect each other. I will used the United States and China in the modern context as examples and case studies relating to my concept of economic and political freedom. I will also justify my reasoning for why I believe that maintaining freedom in economic and political realms is important and needs to be preserved.*** I believe that Socialism trades society's supreme ideal of freedom for the hazy concept of "fairness". All in all, the idea of helping those that are worse off sounds great, but brining it into government means giving up certain amounts of freedom. The role of government is important and needs to be present in society, however, too many times we've seen that government intervention was not successful and the goal was missed. There are too many things that can go wrong and turning back from many of the policies can be impossible.

Outline: Key topics

1

Discussion about Political and Economic Freedom.

- Both are important, they belong together.
- Free Market Vs. the Government.

2

United States- The turn towards socialism. Government involvement in the financial world. If road does lead to socialism, are there benefits or negatives.

- How is the U.S. handling the dire economic situation.
 - Budget deficits are one of the key problems facing the U.S. and Europe alike. Are bailouts and rescue packages the correct path to take? Many economist believe that in order to lower national debts cutting the budget and highering taxes will be needed. The trend in the U.S. however has started off with bailouts and stimulus packages. The size of the bailouts are enormous, there was a world credit loss of \$2.8 trillion in October 2009 and U.S. government alone has provided 11 trillion to recuse the economy (November, 2009)
 - . Government intervention can be two faced and the outcome critical to the economy in the future.
 - Currently the U.S. government is getting further involved in the economic realm through bailouts and new policies. Key questions and ideas to be covered: Obama's economic policies. Obama's economic policy effects. What does more government intervening do to US economy and Politics in the long run?

2

China- Backwards trend (comparatively to US). More economic freedom, less political freedom. Will this unbalance of freedoms last and how is it coping today.

DECLARATION:

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography. The thesis as submitted is 132,243 keystrokes long (including spaces), i.e. 70 manuscript pages.

Your name: Kristina Winkler

Your signature:

Date:

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The goal is liberty: How the U.S. and China fit between economic and political freedom.

Kristina Winkler

Introduction

The best thing a society can do to increase its prosperity is to wise up. This means, in turn, that it is very important that economists, inside government and out, get things right. When we are wrong, we do a lot of harm. When we are right--and have the clarity needed to prevail against the special interests and the quacks--we make an extraordinary contribution to the amelioration of poverty and the progress of humanity.¹

--Mancur Olson

The economist Mancur Olsen is right. The task of navigating society through rough seas is a key concern for every nation. Increasing national prosperity and power is on the top of all “*great power*”² nation’s ‘to do lists.’ It’s the game plan to get to the goal: success and prosperity. The methods countries use is of major concern and needs to be done right. Caution in such delicate matters is of key concern, as Donald Rumsfeld once put it, “It is easier to get into something than to get out of it.”³

The past and current century trends, especially in the West, has been towards democracy and capitalism. This trend has proven to lead the West towards progress and world recognition. Democracy and capitalism has managed to achieved a higher position and regard due to the impressive success of counties such as the United States, Britain, France and Germany. The end of the Cold War and fall of the USSR created a moment of clarity and certainty; Nikita Khrushchev had been wrong. His boast to Western ambassadors, “History is on our side. We will bury you,” was simply wrong.⁴ American democracy prevailed over Russia’s communism and nabbed the reward of superpower. American political scientist Francis Fukuyama wrote, “What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such. . . .That is, the end point of mankind’s ideological evolution and the universalization of Western liberal democracy as the final form of human government.”⁵ Nonetheless, we are in a new century now and finding our way in the world with completely different circumstances.

The rise of the Red Dragon, China, is the main concern these days. It’s as if the ‘Russian concern’ has been replaced with a ‘Chinese’ one. America’s economy is the world’s largest and remains the world’s largest producer of manufactured goods, however, ever since China liberalized parts of its economy from the 1970s onward, and joined the World Trade Organization in 2001, its industrial and manufacturing sector has soared and has reached to the position of second largest economy.⁶ China’s economy currently continues to grow at a quick rate and at some point in the very near future will takeover as the world’s largest economy. China’s economy has also been able to emerge fairly undamaged from the whole global financial crisis and recession because its government has made expansionary fiscal and monetary interventions

to counter the slowdown in international demand, and exports.⁷ Once again, it seems that American democracy and capitalism is under a new threat. When China's power increases, several scenarios are possible. China can either overthrow the existing order or become a part of it. China could "use their growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system, especially the declining hegemon, will start to see China as a growing security threat."⁸ The current world order has been molded around American ideals of democracy and a free market. Does the world want to see a change? China's rise could possibly put a damper on political freedom ideals, but what about their ideas on the free market? China has grown in part by their willingness to try and participate in more open and free markets. This is all speculation and the real results will only be realized as soon as they actually happen.

The political ideologies of the United States and China are conflicting and worlds apart. Not only does the Chinese Communist Party have complete control over its political realm, but its economy is also controlled by the party. They allows some economic movements in response to market forces, but ultimately the party holds the authority over nearly all economic decision-making.⁹ Politically, the Communist Party has closed off any chance for other political groups to get involved. Political freedom in the forms of civil liberties and political rights is nearly nonexistent. And as mentioned earlier, America is in quite a different economic and political position. America is ranked by Freedom House's survey as having full freedom in political right and civil liberties, and ranks fairly well in The Heritage Foundation's *Index of Economic Freedom*.

China's economic success is the reason the world must now deal with its neighbor. After Mao's "Great Leap Forward" failed in 1958, it was up to Deng Xiaoping to change China's situation through economic reforms. These reforms were quite revolutionary for China because they took elements of a free market and worked with it to create an economy where the government was still able maintained it and control it. The reforms modernized China's economy and brought it to it's current economic grandeur. In spite of this economic success, many believe that the hegemon ticket cannot be won by a country who has low standards of living and no political freedoms for their citizens. How is China supposed to work as a super nation when it can't even provide liberty for all? The Chinese people are contained in a bubble that will not allow them to rise out of their situations and build a better life for themselves. The economic reforms caused a decline in poverty and increased living standard, but compared to other great powers, China is still lagging.

The countries that have discovered the benefits of liberty have discovered the recipe for citizen happiness, wealth and prosperity. There is no perfect democratic or capitalist system, only the hope that freedom will allow the best ideas to come forward without too much difficulty. In a way, living a life without freedom is like not living at all. The choices we make in life define who we are and what we want. Having our freedom to choose taken away hinders our ability to be who we want to be. When the idea of freedom is incorporated into society, citizens must make sure that the idea of it is not lost and is preserved. This thesis largely discusses the theory that both economic and political freedom are important in our world order and they work best when together. The following excerpt was published in 1962, by Milton Friedman :

It is widely believed that politics and economics are separate and largely unconnected; that individual freedom is a political problem and material welfare an economic problem; and that any kind of political arrangements can be combined with any kind of economic arrangements. The chief contemporary manifestation of this idea is the advocacy of "democratic socialism" by many who condemn out of hand the restrictions on individual freedom imposed by "totalitarian socialism" in Russia, and who are persuaded that it is possible for a country to adopt the essential features of Russian economic arrangements and yet to ensure individual freedom through political arrangements.¹⁰

Here Friedman points out the idea of "democratic socialism." The idea that somehow democracy and socialism can work together is contradictory and unrealistic. Somehow however, this notion of a government controlled economy infused with individual freedoms still plays into many people's minds as a grand possibility. Economic and political freedom is not meant to work separately, they compliment each other. For example, a free private market does several things, first, it is able to create enough wealth to provide the material foundations for political freedom and second, it allocates an environment for learning and personality development that constructs behavioral foundations for political freedom.¹¹ Another way of connecting the two is through the realization that "a society whose civil liberties are incomplete is unlikely to sustain a free private market since civil liberties and economic freedom have in common the freedom from coercions by other individuals or governments.¹²" True economic freedom opens the door for achieving political freedom. On the flip side, economist Joseph A. Schumpeter brings up an important question on whether capitalism can survive and whether it inevitably leads down a path towards socialism. His theory explains that when capitalism is successful it "paradoxically tends to impair the prestige or social weight of the class primarily associated with it and that the giant unit of control (large corporations) tends to oust the bourgeoisie from the functions to which it

owed that social weight,¹³ this then causes people to want to change things from within their system, so they vote towards a more socialist based economy.

This thesis cuts strait to the examination of economic and political freedom and it's relationship to the United States and China. One of the concerns is whether the theory of economic freedom leading to political freedom is at all possible for China. Yet another great question is whether American political freedoms will at all limit economic freedom. These case studies are important because as times change, so does the economy and politics along with it. New ideas and events come forth and pierce into the current situation, changing things. As mentioned before, China is a hot topic because of their ever increasing power and influence in world economy and politics. America is also of big interest because they are the current dominant player in the world. The direction that these two countries take is an important and interesting topic that tracks the direction the world order will go in. It is important to understand where economic freedom and political freedom stand today and in the future.

The layout of this paper is designed to make ideas understandable and simple to follow. Firstly, I set out to clarify broad terms such as economic freedom and political freedom. These two terms are fairly simple and include some interesting tidbits that complement the bigger ideas of this composition. The following section, *The Combination of Economic and Political Freedom*, introduces the complexity and connectivity of political freedom to economic freedom. The section *Capitalism, Socialism and Democracy* is a short piece focusing on the linkage between the three and also takes a closer look at Schumpeter's theory of capitalism's demise. The next two sections are the case studies on the United States and China. Both sections are going to briefly cover the historical aspect of how they came to be and why they went down the

roads they did. Then a discussion about current events and trends will play into the analysis of how economic and political freedom fit within the two societies.

Economic Freedom

Economic independence is the foundation of the only sort of freedom worth a damn.

-Henry Louis Mencken

Economic freedom refers to the freedom to buy and sell without any restriction from the government or economic authority. Living in a nation with a free private market gives the individual person the chance to choose what to consume, produce, and to give. Today we can witness many kinds of economic systems all around the world, but it's capitalism that has formulated a system where economic freedom plays a major role. Within capitalism there's also several other variants. The first that is relevant to this thesis is free-market capitalism. It refers to a market that is comprised of a free-price system where supply and demand are allowed to reach their point of equilibrium without any intervention and where the state is limited to protecting property rights, enforcing taxes and private contracts.¹⁴ Free-market capitalism relies solely on the participation of privately-owned enterprises and individuals. This is one of the purest forms of capitalism and is often times looked up to by various economic freedom supporting groups. The French term *laissez-faire* ("leave it alone") is very closely related to free-market economy and was actually a concept that was originated by the 18th-century Scot, Adam Smith, who wrote *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776).¹⁵ His work is significant in that it was one of the first modern works that discussed the idea of a free market. Authors Christopher Conte and Albert Karr explained how Smith's work managed to significantly influence the growth of American capitalism and how it was his belief that as long as markets

were free and competitive, the actions of private individuals, motivated by self-interest, would work together for the greater good of society.¹⁶ Economic freedom is about people being able to earn their own money through their own labor. This becomes not only beneficial for them but also for society because whatever labor they do, they end up producing something of value for the rest of society. Adam Smith perfectly explains this situation, “By directing that industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.¹⁷”

Many view America’s economy as solely a free-market economy, but in reality, it is not so, because there has always been fluctuations of government involvement. Historically, the U.S. government policy towards business has been laissez-faire, but involvement with economic regulation and social regulation has occurred even at the earliest times with companies seeking and receiving aid ranging from tax breaks to outright subsidies from the government. The American government has been and currently is regulating price controls, destructive competition, safer workplaces and cleaner environments.¹⁸ Most recently however, the 2007/2008 financial crisis has left some Americans looking to the government for a quick fix, and in recent years the government has been shelling out the big bucks for a financial recovery bailout. Because of these current circumstances, America is leaning more towards a mixed economy rather than a free-market economy.

The Business Dictionary explains that a mixed economy is, “an economic system in which both the private enterprise and a degree of state monopoly (usually in public services, defense, infrastructure, and basic industries) coexist. All modern economies are mixed where the means

of production are shared between the private and public sectors.¹⁹ Usually individuals in mixed economies are able to help guide the economy by two things, the choices they make as consumers and through the votes they cast for public officials who shape economic policy.²⁰ This is very much how America functions and through time evolves its economic system.

Measuring economic freedom has been undertaken by the Heritage Foundation and the Fraser Institute. The two major economic freedom indexes attempt to obtain an overall economic freedom ranking for each country during a particular year based on scores of many different factors relevant to economic freedom.²¹ For the year 2011, The Heritage Foundation has ranked the top ten in this order, beginning with the most free: Hong Kong, Singapore, Australia, New Zealand, Switzerland, Canada, Ireland, Denmark, United States and Bahrain. As you can see the United States ranks in at number nine with a freedom score of 77.8 and puts it in the ‘mostly free’ section. The worst ranking, in the 179 position was North Korea with a freedom score of one. China fell into the 135 position with a freedom score of 52 and is considered ‘mostly unfree.’²² “People in countries with either “free” or “mostly free” economies enjoy a much higher standard of living than people in countries with “mostly unfree” or “repressed” economies.²³”

An economic system that guarantees freedom and stays clear from any system that plans and manages it, will bring about economic efficiency and greater social welfare because the market process “is a spontaneous order in which resources are efficiently allocated according to individual needs (that are) voluntarily expressed by people.”²⁴

Political Freedom

Everything that is really great and inspiring is created by the individual who can labor in freedom.²⁵

-Albert Einstein

The idea of political freedom is no recent concept. In fact, it dates back to ancient Greek times and has continued to be an important topic. In an article on political freedom, Wenbo Wu and Otto Davis nicely explain political freedom as “freedom from coercions by arbitrary power including the power exercised by the government.” They go on to say that “political freedom consists of two basic elements: political rights and civil liberties.” Political rights are important because they allow citizens to decide on who their public officials will be and how they are to be governed. Civil liberties allow people to make their own decisions as long as they do not harm or violate the rights of others in the process.²⁶

Political freedom is a key feature to democratic societies. Democracy in the modern context is a form of government where the highest power is vested in the people and the people directly or indirectly through a system of representation, like an election, make all the decisions for the state.²⁷ Direct democracy is based on the public participating in government directly, but most modern democracies, such as the United States, are representative democracies, or republics.²⁸

An interesting feature about democracies is that they tend to be able to function together, and war against each other does not typically occur. It is, the genuine and stable democracies that tend to have the higher chances of peace amongst each other, where as young democracies may go through a rougher time, a transition; “this transitional phase of democratization, countries

become more aggressive and war-prone²⁹,” and have a higher chance of getting into a confrontation with another democracy. Quick examples include: “Two pairs of states -- Serbia and Croatia, and Armenia and Azerbaijan, (they) have found themselves at war while experimenting with varying degrees of electoral democracy.” “Even mainstream Russian politicians have adopted an imperial tone in their dealings with neighboring former Soviet republics, and military force has been used ruthlessly in Chechnya.³⁰” After this hurdle however, democratic countries tend to get on the same page. When America took the position of the global superpower from Great Britain, right away it was apparent that dealing with countries of the same political outlooks and similar style of government was the way towards a peaceful coexistence. The countries that have democracies tend to have similar goals and aspirations, so even with their differences they are able to work together easier.

To get a better understanding of where the world’s countries fall in regards to political freedom, the report by *Freedom in the World* offers perspective:

The number of countries designated by *Freedom in the World* as Free in 2010 stood at 87, representing 45 percent of the world’s 194 polities and 2,951,950,000 people—43 percent of the global population. The number of Free countries declined by two from the previous year’s survey. The number of countries qualifying as Partly Free stood at 60, or 31 percent of all countries assessed by the survey, and they were home to 1,487,000,000 people, or 22 percent of the world’s total. The number of Partly Free countries increased by two from the previous year. A total of 47 countries were deemed Not Free, representing 24 percent of the world’s polities. The number of people living under Not Free conditions stood at 2,434,250,000, or 35 percent of the global population, though it is important to note that more than half of this number lives in just one country: China. The number of Not Free countries remained unchanged from 2009.³¹

The United States managed to rank in as a 'free' society with 1 in political rights and a 1 in civil liberties. China is considered 'not free,' with a score of 7 in political rights and a 6 in civil liberties. 1 represents the most free and 7 the least free.³²

The Combination of Economic and Political Freedom

Economic arrangements play a dual role in the promotion of a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.

-Milton Friedman

I would like to begin this section with a fairly well known excerpt from Milton Friedman, a twentieth century leading advocate of free markets:

Historical evidence speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom that has not also used something comparable to a free market to organize the bulk of economic activity.³³ History suggests only that capitalism is a necessary condition for political freedom. Clearly it is not a sufficient condition.³⁴

Friedman introduces the complexity and connectivity of political freedom to economic freedom.

Economic freedom is only possible when individuals within a society are allowed to choose what to consume, produce and give. Well, for these individuals to have the freedom of choice, they must have some kind of civil liberties. A society with limited civil liberties isn't going to have an easy time maintaining a free private market because civil liberties and economic freedom both have in common, the freedom from coercions by other individuals or

governments.³⁵ Wu and Davis plainly state: “Human freedom embedded in civil liberties is the means through which economic freedom is realized.³⁶”

Societies that are able to function with a non-democratic government and a fairly economically free marketplace are going to be dealing with pressures towards more political freedoms. The perfect example is the Chinese 1989 massacre in Tiananmen Square where several hundred civilian protesters were shot dead by the Chinese army during a military operation to crush a democratic protest.³⁷ The protest was a call for democracy and an end to corruption. This demonstration occurred after years of fairly progressive economic reforms. The reason people want more political freedom is because they’ve already been able to grasp some of what freedom really means through their experience of a more liberal marketplace. Friedman also believes this point and rationalizes that: “Economic arrangements play a dual role in the promotion of a free society. On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.³⁸”

One way to look at things is by the private property example. “Without secure private property and independent wealth, the exercise of political rights and civil liberties loses its effectiveness. Hayek (1944) maintains that "Economic control is not merely control of a sector of human life which can be separated from the rest: it is the control of the means for all our ends.³⁹" Basically the idea is that if government is in control, and they own everything, people don’t exactly have anything to exercise their rights over. Freedom of having and controlling property and funds, are those things that allow people to do what they want and start what they want, for example: free media, businesses and religion.⁴⁰

There is a different trend in the case of political freedom existing alongside economic freedom. According to Friedman, "political freedom, once established, has a tendency to destroy economic freedom."⁴¹ There are several ways to look at this statement and conclude. One thing to consider is that "competitively elected politicians and their agents in the bureaucracy are self interested and may intervene and disturb the free market to please their constituencies and sponsors."⁴² There should always be some concern towards interferences by those that hold some power within the government because they hold the power to interfere with the market by restricting competition or limiting sales through the manipulation of prices.⁴³ A problem can also arise when people's perceptions of their economy change. When a society goes through tough times and job loss becomes a reality that's visible, people tend to avert to socialist ideas. People can easily get frightened, so they try to prevent something negative from happening, like through protection by the state, where they allow changes to be made. The consequence of such actions can result in future problems and loss of freedom if government intervention is substantial. One example for better understanding this concept, is India.

It was given its political freedom by Britain over forty years ago. It has continued, with rare exceptions, to be a political democracy. It has continued to be a country where people are governed by representatives chosen at the ballot box, but it has had very little economic freedom and very limited human freedom. On the economic side, it has had extensive controls over exports and imports, over foreign exchange, over prices, over wages. There have been some reforms in the past year or so, but until recently you could not establish any kind of enterprise without getting a license from the government. The effect of such centralized control of the economy has been that the standard of life for the great bulk of the Indians is no higher today than it was forty years ago when India was given its political freedom.⁴⁴

Another interesting twist to this India example is that India has been a major recipient of some \$55 billion in foreign aid over the past forty years and despite that has failed to grow.⁴⁵ Friedman's thoughts on this development are that India failed to grow despite foreign aid because he believe that "foreign aid provided the resources that enabled the government to impose the kind of economic policies it did."⁴⁶ This situation shows that perhaps in some cases foreign aid can strengthen governments that already have too much power, and put a damper on potential government changes⁴⁷.

Capitalism, Socialism and Democracy

Democracy is the road to socialism.⁴⁸

-Karl Marx

The relationship between capitalism, socialism and democracy is quite an alluring topic. For one thing, it's difficult not to be curious about the relationship between democracy and socialism, and second, Marx's input on democracy, especially when he explains that it leads down a road towards socialism can be viewed as a relative topic to today's politics. "Marx argued that the fight for social justice could not be successfully pursued unless it was linked to the struggle for democratic rights⁴⁹," and that the prerequisite for the socialist revolution was the democratic revolution. He thought that when a democratic society reached its highest of development in capitalism, a trend of increasing inequality would pursue and make people unhappy. Unhappy people turn to the ways of socialism in order to obtain more equality for themselves. The process of working towards socialism doesn't stop there, it continues all the way to communism, in his eyes. Now the question is whether he was on to something. There is no

doubt that within each democratic country there is a party that advocates at least some measures of socialist policies.

The idea of socialism in itself sounds quite comforting if you don't look at all the trade offs. Socialism is a collective structure that uses a guideline of 'morals' to run the system. Intellectuals tend to determine socialism as the morally superior social system compared to capitalism, because it focuses on collective measures to help keep everyone maintain the same level of equality, however, historically it's quite clear that there is no simple equation that works for the perfect establishment (by government) of equality and happiness for the common good.⁵⁰ Critics of capitalism often says it's exploitative, dehumanizing and alienating because it works on the basis of individualism. Despite that being said, capitalism actually shows that anyone, regardless of one's birth or station in life can use their abilities to do well in society.⁵¹ There are defiantly winners and loser in capitalism, but the success is based on those individuals who use their industriousness and smarts for "deal(ing) with one another as traders, that is, as free moral agents trading and selling goods and services on the basis of mutual consent⁵²." The losers in a capitalist system have the potential and ability to lift themselves from their past position because the whole point to capitalism is to have the freedom to achieve through hard work. During the early twentieth century, America saw a huge influx of immigrants who came for the chance to do something with their lives and earn a good income. The most important trait that capitalism has which socialism does not, is the ability to work your way up. Socialism is more about the dependence on the state and having a life where you need not worry about basic necessities. The one big issue with socialism is that not everyone wants to fit into a cookie cutter mold, some individuals want the chance at greater success (or not). People are individuals and individuals

want different things. What makes freedom so attractive is that it offers everyone the chance to do as they please, with freedom however comes a price, and the price is that situations can change and you just have to brace things when they get rough.

Joseph Schumpeter (1883- 1950), an Austrian economist who migrated to the United States in the 1930s, also provides an interesting thesis about the direction of capitalism.⁵³ In his book *Capitalism, Socialism, and Democracy* (1942), he argued that capitalism would eventually perish of its own success, and give way to some form of public control or socialism, much along the same line as Marx believed.⁵⁴ Schumpeter believed that there is a difference in the way that the transformation is going to take place. Instead of an economic crisis, he instead saw “a growing crisis of legitimacy, due to the progress of rationalisation.⁵⁵” An example of this crisis can be when family-owned businesses go on the decline and big corporations thrived, then there’s that unsettling feeling of “the life (being taken) out of the idea of property.⁵⁶” This was not good because it was one of the reason for discontent within capitalism. He believed capitalist societies would “become socialistic because intellectuals will persistently advocate change in a socialistic direction.⁵⁷” The effects of socialism in America can still be felt today. According to the Future of Freedom Foundation, any government-owned, -funded, or -subsidized operation is considered to be a socialist program. For example, publicly owned airports, sports arenas or government-funded universities would be considered socialist operations by that definition.

Schumpeter believes that the intelligentsia should be watched in regards to the demise of capitalism. Schumpeter sees that not only is the alienated class the problem, but it’s the intelligentsia that “wield(s) the power of the spoken and the written word⁵⁸.” It’s also the intelligentsia who are most suspicious and hostile to the establishment of capitalism. Schumpeter

comments that the “intellectual group cannot help nibbling, because it lives on criticism and its whole position depends on criticism that stings; and criticism of persons and of current events will, in a situation in which nothing is sacrosanct, fatally issue in criticism of classes and institutions⁵⁹.” It is also quite ironic is how anticapitalistic ideology and critiques of the market system today come from one of the strongest capitalist countries, the United States.⁶⁰ Seymour Martin Lipset explains the current trend:

Intellectuals have long been the strongest supporters of the relatively small far-left tendencies in American politics, including the various radical third parties that have sprung up from time to time in the country's history. The judgment that Marxism is alive and relatively well in American intellectualdom is prevalent. As Garry Abrams notes, “American universities may be one of the last bastions of intellectual Marxism, at least in the developed world.” Oxford political theorist John Gray also concludes that “the academic institutions of capitalist America will be the last redoubt of Marxist theorizing.” Cambridge University Nobel laureate M.F. Perutz notes that “Marxism may be discredited in Eastern Europe, but it still seems to flourish at Harvard.⁶¹”

American universities see a large number of American students go through their doors. The late 20th century and 21st century have had a significantly large increase of the number of students entering the universities. It may be that these left-winged tendencies have left an impact on the students and the result is what’s going on today in American politics. Or maybe not. Friedman also contributes his ideas, “The first of these roles of economic freedom needs special emphasis because intellectuals in particular have a strong bias against regarding this aspect of freedom as important. They tend to express contempt for what they regard as material aspects of life, and to regard their own pursuit of allegedly higher values as on a different plane of significance and as deserving of special attention. For most citizens of the country, however, if not for the

intellectual, the direct importance of economic freedom is at least comparable in significance to the indirect importance of economic freedom as a means to political freedom.⁶²

America

Foundations

Freedom is never more than one generation away from extinction. We didn't pass it to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same.⁶³

-Ronald Reagan

America was born out of a situation. This situation was based on American's desire for liberty. From the very beginning the American Founders understood how important economic freedom really was and how it was connected with political freedom. The reason personal freedom was so important to the colonist, was that most of the them ended up leaving Europe because of their unpopular views, either in religion or politics. These people wanted to get away to a place where they could do and think as they pleased. When the British government began taxing without discussing it, colonists took matters into their own hands. The revolution was in fact a fight against economic policies over which they had no say: "taxation without representation."⁶⁴ Just the sheer fact that the colonists were able to have the courage to do something about their situation, shows the passion and aggravation that was involved.

The revolution and the creation of the new nation was greatly influenced by the enlightenment which took place in Europe. The late 17th century and 18th century saw a wave of new ideas that challenged the old way of thinking. Scientists and philosophers sprouted new ideas that revolutionized modern thinking, "Isaac Newton's laws of gravity and motion described

the world in terms of natural laws beyond any spiritual force. John Locke asserted the right of a people to change a government that did not protect natural rights of life, liberty and property.⁶⁵ These ideas didn't stop in Europe, they expanded, evolved, making their way into people's minds, and made the long journey across the sea. A distinctive feature of the creation of America was its free from the historical burden of Europe. America was a clean slate where the enlightened ideas of liberty and progress could flourish.⁶⁶ Other countries that have had revolutions have had to deal with their historical baggage.

The Declaration of Independence in 1776 announced the separation of the thirteen American British colonies from Great Britain, and began the journey towards a new nation. The Declaration of Independence itself is quite an amazing documentation of American ideals. One of the most important and celebrated phrases to come out of the declaration is: "We hold these truths to be self-evident, that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness."⁶⁷ Even though at the time of creation, this document was quite contradictory because it didn't include everyone, it did symbolize (and still does) the hopes and dreams of all Americans. Because this phrase has been instilled in every American that has gone through the educational system, it plays a major role in the way Americans think. American thought is an important feature of the nation. It embraced and encouraged the freedom to think, write, and speak.

Many see the *pursuit of happiness* as meaning many things, one being protection of property. Property is an important issue because "the right to enjoy the fruit of one's labor is a fundamental tenet of liberty."⁶⁸ Kim R. Homes and Matthew Spalding give different examples of the importance of property rights:

The right to own property protects other freedoms. Congregations own churches where they practice religious freedom. Newspapers own printing presses, which facilitate the freedom of the press. Home ownership contributes to the financial well-being and security of families. Business property produces goods and services to trade in an open market, just as intellectual property protects ideas and innovation. The right to property guarantees the means to live in freedom and practice self-government.⁶⁹

The relationships between different types of freedoms overlap. American founders realized this and built a foundation around this idea. Usually when you have one freedom it leads to another.

When it was time to decide on the structure and system of the new government, it was quite clear what the founders did not want. Each delegate had different goals and ideas in mind for the Constitution, but they all had one thing in common: the revolutionary fight against the corrupt British tyranny.⁷⁰ Their experience with European aristocratic systems was not something they wanted to repeat within their own government, so their focus remained on building a balanced government, one that was not too involved but was still able to regulate commerce when needed.⁷¹ A decision was made to create a government that was based on federalism. This way the individual states didn't have to fend for themselves and they could successfully work with each other in many areas. The debate on this topic was involved, but in the end the decision was made for the sharing of power between the national government and the state governments.

The constitution was created for two main purposes. These purposes were for: “the nation’s security (to “provide for the common defense”) and the national economy (the power to regulate interstate commerce, tax, and set the national currency).⁷²” So on these grounds, the Constitution created the first modern free trade area by making sure that there were no restrictions on trade between different states.⁷³ This economic policy proved to be very beneficial because as the nation grew so did its economic prosperity. The free trade tradition was born and “carried on by

presidents like James Polk, who reduced tariffs, and Ronald Reagan, who proposed a North American free trade area and signed a free trade agreement with Canada. His vision became reality when Bill Clinton signed the North American Free Trade Agreement in 1993—creating the world’s largest free trade area and increasing trade in the hemisphere from \$297 billion in 1993 to almost \$1 trillion in 2007.⁷⁴” As a result of this liberal economic policy, America expanded and grew quickly.

Personal economic freedom has been a huge component in American beliefs and has existed ever since the foundation of the country. The fear of excessive government power and the belief that inefficiency comes with that excess, has always meant that Americans have tended to prefer limiting the government and prefer private institutions handling the people’s economic needs. This way of thinking has remained in the American psyche but changes regarding the way personal economic freedom is obtained has changed. There are situations, especially in difficult times, where Americans want government institutions instead of the private. However, sometimes the combination of personal economic freedom and government institutions can be contradictory.

The early beginnings of America could have taken quite a different turn. But the founders had their ideas and went with them. The Declaration of Independence, Constitution and The Bill of Rights were all important documents in declaring what Americans thought was important: Individual liberty, limited government, and the rule of law. “It was almost as if the Constitution was a social blueprint. The framers believed that the political systems played a very big role in shaping the values of the societies that they governed.⁷⁵”

Growth of Government Intervention

Thomas Jefferson once said, “a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement.⁷⁶” Oh, how far America has wandered. Early America was a time that didn’t see much regulation in business, but in the 20th century things took a different turn.

The 20th century was a time when people started to notice how powerful corporations could get, and how they did. The government intervened in order to protect the small businesses and consumers. “In 1890, Congress enacted the Sherman Antitrust Act, a law designed to restore competition and free enterprise by breaking up monopolies.⁷⁷” In 1906, regulations were made for food and drug labeling and meat inspection. Then in 1913, the government created the federal reserve banking system for the regulation of the nation’s money supply and regulate the banking system.⁷⁸ When the 1930s rolled around, a huge business crisis hit the American people and resulted in the highest unemployment rates ever. The Great Depression hit America hard. Americans had really thought that capitalism was failing. The median unemployment rate was 17% throughout the New Deal era.⁷⁹ The depression had the president, Franklin D. Roosevelt, working overtime to try to fix what was broken.

People looked to government to ease hardships and reduce what appeared to be self-destructive competition. Roosevelt and the Congress enacted a host of new laws that gave government the power to intervene in the economy. Among other things, these laws regulated sales of stock, recognized the right of workers to form unions, set rules for wages and hours, provided cash benefits to the unemployed and retirement income for the elderly, established farm subsidies, insured bank deposits, and created a massive regional development authority in the Tennessee Valley.⁸⁰

This was a big turning point for America because this was when the government took the huge step of towards government involvement. This turning point in America history, the insertion of the government into economic matters, has been seen as having both a positive and negative effect. On the one hand, a depression had occurred, this caused people to want to be able to prevent it from happening again. But on the other hand, there are reports that claimed the measures taken by the government didn't actually do much in fixing anything.⁸¹

After the Great Depression, the government continued its involvement by enacting regulations for child labor, workplace safety, health codes and discrimination in hiring on the basis of age, sex, race, or religious belief.⁸² It wasn't long before "nearly every product sold in the United States is affected by some kind of government regulation: food manufacturers must tell exactly what is in a can or box or jar; no drug can be sold until it is thoroughly tested; automobiles must be built according to safety standards and must meet pollution standards; prices for goods must be clearly marked; and advertisers cannot mislead consumers."⁸³

Regulation agencies started multiplying, reaching over 100 by the early 1990s in fields from trade to communications, nuclear energy, product safety, medicines to employment opportunity.⁸⁴ The structure of these agencies consist of independent boards whose members are appointed by the president and must be confirmed by the Senate. "Many regulatory agencies are structured so as to be insulated from the president and, in theory, from political pressures. By law, these boards must include commissioners from both political parties who serve for fixed terms, usually of five to seven years."⁸⁵

Rules and regulations in the business world are always changing and evolving. The creation of agencies to deal with specific areas were needed for keeping such a large economy

stable. If the founders of the constitution were to review the history of American economic intervention, they would probably be surprised at where America is today. Regulation is an inevitable factor in the history of any country. Keeping a nation's economy stable and strong, is also very important, the question is whether there is enough self-control to stop government from going too far before it's too late.

Current Issues

The foundations of America clearly reveal that America was founded by individuals who understood the importance of liberty. The tradition of freedom in both politics and commerce has made its way through generations of Americans, and it continues to today. Some government regulation has been a normal staple in American economy. However, instead of sticking to one level of economic freedom, the convergence of increased government involvement into the economic system has been justified as a way towards a more just and fair America. This trend can be dangerous because it interferes with traditional American fundamentals of liberty. In the past two years the national government's role in the economy has expanded sharply, and the federal budget deficit has gotten extremely large, with gross public debt approaching nearly 100 percent of GDP.⁸⁶ Concerns over the expansion of the federal budget has put many on edge.

Spending and Debt

If you've never taken a gander at America's debt clock (usdebtclock.org), now's the time to do so. The live streaming site gives people the chance to see for themselves how quickly

America is accumulating debt. It's quite unnerving seeing the numbers live in action. Over the years, America has accumulated such debt, that by May 16th of 2011 the federal debt limit was reached at a total of \$14.294 trillion.⁸⁷ Here is something to think about: "The federal government is borrowing 40 cents of every dollar that it spends."⁸⁸ The Index of Economic Freedom reports, "In the most recent year, total government expenditures, including consumption and transfer payments, equaled 38.9 percent of GDP."⁸⁹ In order to deal with the debt limit, Congress may need to negotiate terms to increase the limit so that America doesn't risk defaulting on its debt.⁹⁰ As normal, the Republican and Democrats are trying to figure out how to deal with all of this. The Republicans are asking for more substantial cuts than the democrats want to allow, and the Obama administration has proposed a \$4 trillion package of budget cuts.⁹¹ One of the targets of cuts is the new healthcare program that the Obama Administration worked so hard to put through. The Republican are relentlessly trying to see even more cuts happen to the federal budget.

The *New York Times* has reported that, "President Obama began the longer-term discussion by proposing a \$3.7 trillion 2012 budget that reflected a cut-and-invest agenda: It would create winners and big losers as he proposes to slash spending in some domestic programs to both reduce deficits and make room for increases in education, infrastructure, clean energy, innovation and research to promote long-term economic growth and global competitiveness."⁹² This article also mentioned that his proposal didn't offer much in dealing with the long term problems, so when the proposal reached the House, the Republicans took the opportunity to suggest some major changes. With the current situation in America being as it is, either major cuts in spending

or higher taxes are going to be necessary for the survival of the American financial and economic system.

The constant back and forth between the Democrats and the Republics has and will continue on this subject all the way until things are finalized because the two parties have two very different directions. Both parties want what's best for America, but they have different ways of doing this. Their priorities differ in which programs to cut and how to tax the American people. After President Obama's proposal, the Republican's responded through Representative Paul D. Ryan of Wisconsin, "(our) plan would reduce the deficit by \$5.8 trillion over the next decade, mainly by making deep cuts in discretionary spending programs and turning Medicare into a "defined benefit," in which seniors would get vouchers to buy private insurance. Medicaid would shrink as the federal contribution to state programs would be capped. It also proposes reducing the top corporate and individual tax rates to 25 percent in what Republicans say is a move to improve American economic competitiveness.⁹³" Here you can witness the main goal: American economic competitiveness. Boost the economy and all current issues of debt and spending will benefit.

The vote fell on party lines with a Republican vote of 235 to a 193 Democrat vote (plus four Republican votes).⁹⁴ Even though this proposal passed it was later dismissed by the Republican because they believed that the Democratically held Senate wouldn't pass the legislation. The whole 2012 budget plan proposals shows how the process between the two different parties is varied.

One way of looking at the whole American debt mess is by understanding how everything works. A real problem with a common conception of the debt crisis is the belief that the taxes

and premiums Americans pay go into Social Security and Medicare, and then go into real trust funds where they will be used to cover promised future benefits. An article published by *The Heritage Foundation* says differently, “That’s not the case. Instead, the money taken from one set of Americans today just goes out the door to pay for benefits for others. Any “surplus” is not kept in a fund either, but rather is spent immediately by the government for other purposes and replaced with an IOU that is nothing more than a tax lien that future taxpayers will be forced to repay.⁹⁵” The problem gets deeper when,

...the three major entitlements—Social Security, Medicare, and Medicaid—account for 43 percent of federal spending, or 10.3 percent of GDP. These three programs will surge from 10.3 percent of the economy to almost 20 percent in just 40 years. To pay these promised benefits in full for just Social Security and Medicare, the government would need to set aside and invest almost \$40 *trillion* of our tax dollars today to cover this long-term shortfall.⁹⁶

A huge concern with the American debt problem is that the government will not have a solution in time to save the American financial structure for the long run. Since the Great Depression, the government has taken steps towards intervention in social works, but has not managed to handle the financials responsibly. This whole situation is a prime example of the American government getting too involved with social and other programs and getting into deep trouble because of its inability to handle it correctly. In one of Milton Friedman’s speeches he discusses how the American government was built up for 150 years to have a limited government. He explains that up till 1929, the government was able to never exceed about 12% of the national income. Federal government spending was about 3 to 4% of the national income except in the cases of the Civil War and World War I.⁹⁷ This type of America seems like a dream now.

Financial Crisis

One of the biggest problems facing America, and the world as well, has been the financial crisis of the late 2000s. It came with serious repercussions and created a new phase of mentality about the state of affairs in the United States. In the past, America managed to keep its economy from completely veering off into a deep crisis and depression. The inflation-ridden late 1970s and the recession of the early 1980s and 1990s were times when America managed to pull itself out of any further trouble and eventually bounced back.⁹⁸ This time around however has Americans fearful that things will not get better soon enough. Recent polls gauge that many Americans are unhappy with the political and economic situation, and this could result in some changes within the political and economic structure.

It was the collapse of the US sub-prime mortgage market and the reversal of the housing boom in other industrialized economies that started the horrible economic downturn.⁹⁹ “The subprime crisis came about in large part because of financial instruments such as securitization where banks would pool their various loans into sellable assets, thus off-loading risky loans onto others. (For banks, millions can be made in money-earning loans, but they are tied up for decades. So they were turned into securities. The security buyer gets regular payments from all those mortgages; the banker off loads the risk. Securitization was seen as perhaps the greatest financial innovation in the 20th century.¹⁰⁰)” Inevitably, the subprime loans have managed to frozen the credit markets, send stock markets spinning, and caused the collapse of Bear Stearns.¹⁰¹

This ended up being such a huge crisis that the Obama Administration believed the only way out without complete collapse was a government bailout. This bailout ended up being one of the biggest Federal Reserve actions since the Great Depression. The bailout served as ‘new capital’ being put back into the bank, for the purpose of allowing the lose and preventing the bust.¹⁰² It’s important to recognize that the loss in the confidence of the financial sector resulted in huge consequences. When confidence fell, so did everything else. “Some investment banks were sitting on the riskiest loans that other investors did not want. Assets were plummeting in value so lenders wanted to take their money back. But some investment banks had little in deposits; no secure retail funding, so some collapsed quickly and dramatically.¹⁰³”

The Troubled Asset Relief Program, known as TARP, is the infamous bank bailout that passed in September 2008. It passed in the midst of collapse: “as stock markets plunged, credit markets around the globe seized up and the world seemed on the verge of a cataclysmic financial meltdown.¹⁰⁴” The *New York Times* explain, “Congress authorized the Treasury Department to use up to \$700 billion to stabilize financial markets through the program -- a step that inspired widespread public outrage, helping to fuel what became the Tea Party Movement, and, in the mind of most economists, one that played a crucial role in pulling the global economy back from the brink.¹⁰⁵” Americans were terrified of what was happening. Something of this magnitude hadn’t occurred for a while and Americans just simply were not prepared. Had it been earlier in America’s history, chances are there would be no intervention and something along the lines of the Great Depression would ensue. The bailout amount approved was 700 billion, but luckily the full 700 billion did not need to be used. The government had committed “\$470 billion and disbursed \$387 billion, mostly to hundreds of banks and later to A.I.G., the car industry —

Chrysler, General Motors, the G.M. financing company and suppliers — and to what has been, so far, a failed effort to help homeowners avoid foreclosures.¹⁰⁶” After months of lobbying and strong performances on stress tests, in June of 2009, the Treasury Department announced that 10 of the banks that were covered in the bailout would now begin repayment of billions of dollars in taxpayer aid.¹⁰⁷

The first banks to return TARP funds included American Express, Bank of New York Mellon, the BB&T Corporation, Capital One Financial, JPMorgan Chase, the State Street Corporation and US Bancorp. Morgan Stanley, which needed to raise \$1.8 billion after the stress test, also received permission, as did Northern Trust, a large custodial bank that did not undergo the stress test. Goldman Sachs was cited as the 10th bank. By the end of the year, Bank of America and Wells Fargo had joined the other big banks in repaying their bailout money. The Treasury sold off its shares in Citigroup, the most troubled of the big banks, over the course of 2010.¹⁰⁸

With the repayment under way the whole fiasco of the bailout has simmered down. But the impression and outcome of this bailout will last for a while. The government is now tied closely with these corporations.

In order to try to save the America economy, at least from a deeper recession, Congress passed the American Recovery and Reinvestment Act of 2009 on February 17th of 2009 with the hopes that it would: create new jobs and save existing ones, spur economic activity and invest in long-term growth and foster unprecedented levels of accountability and transparency in government spending.¹⁰⁹ To achieve these goals, the Act did think like provide \$288 billion in tax cuts and benefits for millions of working families and businesses and increased federal funds for education and health care as well as entitlement programs (such as extending unemployment

benefits) by \$224 billion.¹¹⁰ *The New York Times* clearly describe in the broadest of terms, “an economic stimulus is an effort by the government to pump money into an ailing economy, whether through spending, tax cuts or interest rate reductions. By replacing money not being spent by businesses or consumers, a stimulus is meant to put a floor under a recession and pave the way for a return to growth.¹¹¹” This bill became very publicized and was attacked by Republicans and Tea Party conservatives. When unemployment got close to 10 percent, “Mr. Obama in 2010 pushed a series of "jobs bills," only to find them blocked by Republicans and conservatives or whittled down in response to worries about the deficit.¹¹²” The whole situation seemed like a no-win battle, don’t pump the money into the economy and have a bad recession, or, contribute to the ridiculous deficit problem.

So where has all the debt gone? Well, mostly China. Floyd Norris reports that,

For eight years after the United States resumed running large budget deficits in 2002, China was the largest lender, buying a fifth of the new Treasury securities sold during that span — an expenditure of more than \$900 billion. During 2006, China financed more than half the American deficit. When the financial crisis struck hardest, China spent more than \$100 billion on Treasuries over the two-month period of September and October 2008.¹¹³

It can always be a bit worrying when someone else holds so much of someone’s debt. Many people look at the debt owning situation with China very negatively because it causes a feeling of ownership. China is now a major economic player in the world and dealings with them could be changed since they are financially invested in America. One concern lays in the obvious vocalness of china’s disapproval of the Federal Reserve's bond buying program, a policy known

as quantitative easing.¹¹⁴ The Federal Reserve released that it plans on buying \$600 billion in long-term Treasuries lead to a weaker dollar and higher interest rates, which would then reduce the value of China's Treasury stake.¹¹⁵ Relations are defiantly more intense now. "There's an old adage," Guy LeBas, a chief fixed income strategist said. "If the bank lends you a thousand dollars, the bank owns you. But if the bank lends you a million dollars, you own the bank."¹¹⁶

As the years have gone by, Americans are ready for the recession to end, an April 2011 *New York Times*/CBS News poll gives some perspective on how 60% of Americans are disapproving of the way the Obama Administration has been handling the economy, and how three out of four conclude that Congress has not been doing a very good job.¹¹⁷ The Rasmussen Reports, a media company that collects, publishes and distributes public opinion poll information, discovered in a national telephone survey taken the week ending Sunday, May 8, that 64% of voters now say the country is heading in the wrong direction. "Leading up to Obama's inauguration, the number of voters who felt the country was heading in the right direction remained below 20%. The week of his inauguration, voter confidence rose to 27% and climbed into the low to mid-30s until mid-May of that year. Since then, belief that the country is heading in the right direction has been trending lower."¹¹⁸ Knowledge is key to a democracy and media coverage also plays a huge role in information distribution. Media is a huge outlet for playing out politics and changing the opinions of what Americans believe. Constantly the news focuses on things that are considered the hot topic of the day and have politically slanted agendas that are set by the private media corporation. These media corporations have evolved through a free market economy, and the resulted has been the production of difference stations broadcasting different political slants. But if people don't do some research themselves or at least

use several media outlets, they may fall victim to being misinformed or misunderstand the whole big picture. Americans and others alike shouldn't listen when the Wizard of Oz say, "Pay no attention to that man behind the curtain!" Most defiantly keep an eye and an ear out for what is going on behind the scenes.

The global financial crisis caused a few people to question whether a more hands on government would be better suited. British philosopher and sociologist Herbert Spencer illustrates how it's events like this that can make a person ask, "Things are not going good, why should we continue like this?" The person that is asking the questions takes for granted, first, that all suffering ought to be prevented, but this type of thinking is dangerous because a lot of the suffering that happens can be very restorative, and prevention of it could be prevention of a cure.¹¹⁹ Spencer continues his explanation:

In the second place, it takes for granted that every evil can be removed: the truth being that, with the existing defects of human nature, many evils can only be thrust out of one place or form into another place or form - often being increased by the change. The exclamation also implies the unhesitating belief, here especially concerning us, that evils of all kinds should be dealt with by the State. There does not occur the inquiry whether there are at work other agencies capable of dealing with evils, and whether the evils in question may not be among those which are best dealt with by these other agencies. And obviously, the more numerous governmental interventions become, the more confirmed does this habit of thought grow, and the more loud and perpetual the demands for intervention.¹²⁰

From this excerpt (*The Man Versus the State, 1884*), Spencer is able provide the simple argument that government involvement in every situation is unneeded and dangerous. Translating this concept into today's economic woes is an interesting idea. American intervention is slowly

becoming the solution to all of America's problems. Americans need to realize this trend and check ahead of time, if this is the route and solution.

Following from Spencer's views, in the past few years, the Tea Party Movement has gained much support from people who have conservative and libertarian views on how the government should be run. Being a democratic society has allowed the people of America the opportunity to express themselves through protests and organization. This here movement is once of those examples. The name of the movement is significant because it refers to the Boston Tea Party, where colonists demonstrated their frustrations and objections to a British tax on tea in 1773. This reference suggests that the political movement wants the government to see them and ignoring them (like in the case of the British) is not an option. Their main ideology surrounds the idea that "government should not provide what individuals can provide for themselves. So, police and public safety are acceptable functions of government, but government should not take from one person's income to provide for another's health or well-being.¹²¹"

The current Tea Party Movement is focusing a lot of their attentions to policies regarding federal budget and economy because they are the big issues right now. This political movement has actually been a great help to the Republicans' successful bid to take control of the House of Representatives in the 2010 midterm elections, and continues to try and help get more of the Republican elected.¹²² As far as public opinion on this topic goes, "Four in 10 voters in the 2010 midterm elections expressed support for the movement in exit polls. Those figures, and victories at the polls, underscored the extent to which Republicans and Democrats alike may have underestimated the power of the Tea Party, a loosely-affiliated, at times ill-defined, coalition of grass-roots libertarians and disaffected Republicans.¹²³" Liberals and Democrats on the other

hand, see the Tea Party Movement as extreme group that lacks a clear mandate and has a distaste for the compromises of legislating.¹²⁴ The main problems that the movement is going to have to deal with is creating a clear message about who they are and what they want. There are no specific platforms, only support for certain policies and changes. Some of the things they advocate for are, “the repeal the health care legislation (health care bill passed in March 2010), permanently extend the tax cuts passed under President George W. Bush and to eliminate the estate tax, but also to replace the progressive income tax with a flat tax or a national sales tax.^{125”} Another problem this movement might have, is the inability to compromise. The Tea Party should have strong beliefs and stick to them, but they should also prepare to deal with situations where not everyone agrees on the same thing. The whole confrontation between the liberals and the conservatives, and the rallying of protestors within the Tea Party Movement, is an example of a healthy functioning democratic society.

Healthcare for all, courtesy of the government

A massive amount of debt didn't stop the passage of the March 2010 giant healthcare bill that significantly expanded the federal government's control of the health care industry. The mention of this bill is important because it allows us to see the direction America is headed in. Controversy over social programs is huge in America because the split of opinions is very diverse and very intense. As was mentioned earlier, it's a lot harder to get out of something than it is to get into it. Obama's healthcare bill did succeed on very slim margins, “The House approved the bill passed by the Senate on Christmas Eve by 219 votes to 212, with 34 Democrats joining Republicans in voting against it.^{126”} Senate Democrats defeated a bid by Republicans to

repeal the sweeping health care overhaul with a vote of 47 to 51, with all Republicans voting unanimously for repeal but falling 13 votes short of the 60 needed to advance their proposal.¹²⁷ “Republicans denounced the overhaul as impeding job creation and giving the government too big a role in the health care system. Democrats highlighted the law’s benefits, especially for the uninsured, and noted that the nonpartisan Congressional Budget Office had projected that the law would reduce future deficits.¹²⁸” As of March 2010, the Congressional Budget Office announced that over 10 years, the cost of the healthcare bill would be \$940.¹²⁹ The savings reported are estimated at \$138 billion over a decade.¹³⁰ Although there will be some savings, the cost is still substantially bigger.

This bill and other issues created a big enough stir however, that in November there was a Republican takeover in the elections of the U.S. House of Representatives.¹³¹ “Republicans welcomed 87 new members, many infused with the conservative zeal of the Tea Party movement that helped Republicans so decisively end Democratic rule in the November elections. Nine Democratic freshmen joined the House, which now has 242 Republicans and 193 Democrats, a shift of 63 seats from the 111th Congress.¹³²” Before the Republicans took the House, it was controlled, along with Congress and the Presidency, by the Democrat Party. Many believe that the healthcare bill was only able to pass because the Democrats had control in all these areas.

Considering the financial situation of America and a general concern for the actual effectiveness of the bill, one year after President Obama signed the bill into law, many Americans were still divided on its passage. A recent Gallup poll says, 46% of Americans believe it was a good thing and 44% say it was a bad thing. “Most Americans are skeptical that the law will improve medical care in the U.S. or their own personal medical care. Opinions on the impact

of the healthcare law on medical care in the U.S. are divided in similar fashion to Americans' overall reactions to the bill: 39% say it will improve medical care in the United States, while 44% say it will make it worse.¹³³ It's a major problem to be divided on such a huge program. This health care program is a huge step in furthering government involvement, so to have nearly half of the population either against it or uneasy about it is not a good.

The question that many are pondering is whether President Obama's health care bill was the right thing to do right in the wake of the economic and budget problem. Then again, if he didn't try to pass this bill now, there's no way of knowing when his next opportunity would be have been. Everything was aligned just right so he could get that bill though. At the introduction of federally funded programs, America began concerning itself a lot more with the possibly of heading towards more welfare involvement. It started with programs such as Medicaid, Medicare (the two largest), employer-funded health insurance (paid by salary deduction), military veterans (receive healthcare via government-run scheme), State Children's Health Insurance Programme (coverage for children whose parents do not qualify for Medicaid) and the uninsured (in emergency room situations).¹³⁴ Every state also has their own health programs that low-income individuals can sign up for. This however differs between every state. Some states are more welfare based than others. All in all, to give you a general idea of the costs (from the year 2007), the BBC reports Americans spent some \$2.2 trillion on healthcare, which was about 16.2% of the GDP. "This is nearly twice the average of other countries in the OECD (Organization for Economic Co-operation and Development).¹³⁵" "Second, the US Census Bureau estimates that 46.3 million people in America, out of a population of 300 million, were uninsured in 2008.

However, this includes 9.2 million non-citizens and 18 million people who earn more than \$50,000 a year.¹³⁶ So then the real number then would be around 19 million.

This new bill does several things, it favors tougher regulations for insurers, establishes an individual mandate (that is you must get health insurance), sets up insurance exchanges for those who do not have coverage provided by employers, offers subsidies for the less well-off, although their exact size varies from committee to committee, and pays for most of the reforms by cutting waste in the Medicare program.¹³⁷ There are several problems with this healthcare plan if looked at from the perspective of how it affects liberty. The government is imposing laws on insurers, which might alter the way they decide to do business. An example: Rising prices of all packages on all people because they're forced to give lower rates or required to insure all who apply (preexisting conditions). The establishment of the mandate for some type of health coverage completely denies an individual's freedom to chose what they want to do. It may be beneficial for the whole society to be insured, but when it comes down to it, the law takes away the freedom to chose. Providing subsidies to less well-off people may help them, but it also raises the question of what the cut off should be for the financial support. Another problem can be the financial burden of supporting all those that qualify. "Many Republicans argue that the reform envisaged by Mr Obama and Democratic Party leaders will make healthcare "more bureaucratic and expensive.¹³⁸ So in respects to the foundations laid out by the founders, this current healthcare reform is certainly overstepping the bounds of economic freedom. One of the key problems that America faces is that healthcare reform is wanted by many, even by many conservatives, however, Americans have high standards (which is a good thing) and want something that actually works and doesn't take away economic freedom. There is no way of

knowing how something is going to work out until it has had a good run. Americans will soon discover whether their soon to be enforced healthcare reform does anything positive for them.

Labour is Important

The labour market is a very important and powerful areas within an economy. One way that Americas check to see how things are going is by the unemployment rate. Recently with all the financial problem in the world, unemployment increases have been a huge concern. Recently this year (2011), *The Economist* bring out some concerns about the misleading view on the declining jobless rate. “The recent decline in the jobless rate has been misleading, the result of a surprisingly small growth in the workforce (as discouraged workers drop out) as much as fast job creation. A stubborn 46% of America’s jobless, some 6m people, have been out of work for more than six months. The weakness of the recovery is mostly to blame, but there are signs that America may be developing a distinctly European disease: structural unemployment.¹³⁹” America has always been a hard working nation. Immigrants flooded into the States as soon as they could for the employment prospects and chance at prosperity. Any employment problems that leave lasting effects are not a good thing. “The longer this goes on, the more workers will find it impossible ever to return to employment, the more young people will find their prospects destroyed because they can’t find a decent starting job.¹⁴⁰”

The Bureau of Labor Statistics at the United States Department of Labor provides statistics on the the unemployment rate month by month, throughout the years based on the current population surveys. Their data shows the rise in the unemployment rate began in May of 2008. Generally speaking, the trend throughout the late 1990s and 2000s has been between a percent

rate of four and six, after May of 2008 it increases every month a couple of percentage points. In 2009 the unemployment rate reached it's highest point in October at 10.1 percent. 1982 and 1983 was another time when the unemployment rate reached a high 10.8 percent and lasted for many months. The year 2011 continued the higher unemployment rate trend between 9.4 and 9.8. 2011 so far has dropped a few percentage points but remains around nine percent.¹⁴¹

So where exactly does this leave the United States? Things are constantly happening and things are constantly changing. History has shown us that with every step and action comes consequence. All the failures and negative views of the George W. Bush Administration are behind us and the new Obama Administration must proceed. The things covered are literally just a snippet of a tiny on going circumstances. What is most concerning, is how our society is taking a dive into an area where the founders wanted nothing to do with. These are different times however, globalism was not as it is today. America is involved in so many things and ever expanding its possibilities. Americans had to fight for their independence and freedom, and Americans today shouldn't think the fight is over. A constant lookout must be kept for situations and events that may severely impact the current state.

China

You say, away with you Communists; we say, away with you imperialists.¹⁴²

-Mao Zedung

Hello Revolution, Hello Reforms

So much has changed in China in the past fifty years, let alone in five. These changes would not have been made possible without reforms taken out by the Chinese Government,

whether it was this year, or the year of Mao's Death. Either way, there has been a notable change in Chinese politics, economy, and society in general. Many would suggest the beginning of modern China began with the Communist Revolution. While this can be debated, the Communist Party has maintained control, despite various market-oriented reforms, and has remained the party on top with all of the power. The Communists in power have not officially recognized political competition from other parties because they are simply not allowed.

Reform in China is not usually classified during the rule of Mao Zedong, but changes did take place. During this time however the changes that happened did nothing positive for the population. Mao's attempt to speed up the revolution had disastrous effects, and resulted in starvation and death of millions of Chinese citizens. The "quickening of the revolution" was a reform in 1958, it also changed Mao's thinking on the issue of property rights, and a departure of his previously held view on land ownership, simply put, he "recognized the need for property rights."¹⁴³

The leadership of Deng Xiaoping was arguably the most radical time in China regarding the transformation of Chinese society from communist protectionism to international market-oriented capitalism. In 1997, just before Deng was stepping down as leader of China, the well-known journal *Foreign Affairs* wrote:

China is headed in the right direction. Deng's successors cannot achieve his stature, and the more stable and secure China remains, the faster power will devolve to a more liberal generation. As in other Asian nations, economic development will foster political liberalization, as well as a capitalist Hong Kong and an independent Taiwan. Though decentralization is stressful, China does not suffer from the structural weaknesses that undermined the Soviet Union. Corruption and human rights abuses are severe, but

citizens can vote in competitive local elections and change jobs as they wish. China should be permitted to continue a liberation unprecedented in history.¹⁴⁴

One of the issues worth bring up from this passage is whether China was and is now headed in the “right direction.” It’s always difficult to assess what exactly is the right way on an individual country basis, but generally speaking, political liberalization for China would mean the creation of a better standard of living and obtainment of many freedoms that they are currently lacking.

China’s future depends upon private economic growth and the free market. The 2011 Index of Economic Freedom points out that “The Communist Party, though allowing some economic movements in response to market forces, still maintains ultimate authority over virtually all economic decision-making. The state-controlled financial sector often allocates credit based on political criteria, undermining economic efficiency and productivity.¹⁴⁵” “In recent years there has been some sporadic attempts to facilitate some nominal openness to foreign investment or to imply currency market liberalization,” but the needed economic reforms have been nonexistent.¹⁴⁶

To say the reforms moved away from Communist ideals, is an understatement. Deng referred to the reforms as a “new revolution,” where the market would be the source of China’s increased power, unlike the unrealistic, incompatible, Communist doctrine, that had been the rule of the day previously.¹⁴⁷ Accepting the market as a means to growth and strength also meant taking more of a stance on world affairs, and acquiesce to inevitable “international interdependence, which characterizes the current global economic system.¹⁴⁸”

1979 was one of the most important years for the opening of China’s economy to international investors. China created a law that allowed foreign equity investment, which helped in creating the China that we see today. Then in 1980, China became a member of the International Monetary Fund and the World Bank,¹⁴⁹ solidifying a permanent global, economic

presence. Opening up China for trade, was according to many experts, the single most important action the Chinese government had undertaken as it transitioned its economy. Fifty percent of Chinese GDP derives from exports¹⁵⁰. Many would agree that if it were not for these economic reforms, 400 million people would not have been lifted out of severe poverty, since the late 1970's.¹⁵¹

Tiananman Square

The growing economic freedom also translated politically to many Chinese citizens, who were poised to participate in demonstrations advocating increased human rights and political freedom. Tiananman Square reflected this desire, but also made evident the tight grip the Communist government wanted to maintain. This power preservation translated into government-sponsored violence in Tiananman Square in 1989.

Hu Yaobang, a symbol for possible democracy, died in April of 1989 from a heart attack and seizure, and triggered weeks of massive protests in April and May.¹⁵² More than a million people would fill the streets in protest of growing corruption and demanding more of the democracy.¹⁵³ “And then, after seven exhilarating weeks, it all came to a sudden end. In the early hours of June 4, as the world watched in horror, the tanks of the People's Liberation Army rolled toward Tiananmen Square and troops fired on the crowds, killing hundreds and wounding thousands.¹⁵⁴” This incident put China in the news and not in the good light they wanted. Here was China, killing their own people because they demanded freedom. Sun Yong, an army engineer who marched against the Government declared, “The People's Liberation Army belongs to the people, and it is time for every Chinese to speak out.¹⁵⁵”

All around the world people and nations were shocked at the events that had unfolded at Tiananmen Square. Soviet leader Mikhail Gorbachev said he was very saddened saddened by the events that had occurred and hoped that the government would adopt his own domestic reform program and begin to democratize the Chinese political system.¹⁵⁶ “In the United States, editorialists and members of Congress denounced the Tiananmen Square massacre and pressed for President George Bush to punish the Chinese government. A little more than three weeks later, the U.S. Congress voted to impose economic sanctions against the People's Republic of China in response to the brutal violation of human rights.¹⁵⁷” Everyone was shocked that the measures take were so brutal. The brutality of it all, however, worked for the Chinese government because it worked in suppressing and changing the tune from democracy to submission.

No Nobel

The likelihood for political reforms and increased personal freedoms does not look anywhere near immediate. This is evident from the recent 2010 actions and words of the Chinese Government regarding Xiu Liaobo’s Nobel Peace Prize victory. He has been sentenced to eleven years in jail, and considered a criminal of the Chinese State by Communist Party officials. “The Nobel Committee giving the peace prize to such a person runs completely contrary to the aims of the prize,” Ma Zhaoxu, a spokesman said in a statement posted on the ministry’s Web site. “Liu Xiaobo is a criminal who has been sentenced by Chinese judicial departments for violating Chinese law.¹⁵⁸”

The Chinese Government sent threats to Norway, suggesting that their awarding the prize to Xiabobo, could result in irreparable damage between the two countries. Vast, collective support from most of the West has undermined the Chinese threat.¹⁵⁹ This event displayed the ugly face of China’s communism and was a prime example of China’s stubbornness and refusal

to submit to any Western judgments. The Nobel Committee was not so kind in its criticism of the lack of basic, fundamental rights that citizens could not realize, because if the citizens spoke out against the government, jail was often the consequence.¹⁶⁰

Headlines about the award were nowhere to be found in the Chinese-language state media, or on the country's main Internet portals.¹⁶¹ Of course in China, there was no news of this made public. Broadcasts from international news agencies like CNN were blacked out for the evening news in luxury hotels, and many mobile phone users reported not being able to read or receive text messages containing Liu Xiaobo's name in Chinese.¹⁶² The Chinese government obviously want to maintain control over what the people know. Controlling all information means they don't have to deal with the aftershocks of their *clearly* faulty actions.

The Chinese treatment of the Xiaobo affair suggest that the Communist Party is not ready at all to start, even slowly granting political freedoms to its citizens. Andrew Jacobs reports that "Beijing dispatched its diplomats to warn countries against sending envoys to the ceremony, while the Foreign Ministry and state media issued a steady drumbeat of invective, describing the prize as a Western plot to hold back a rising China and branding the award's supporters as "clowns." Global Times, a populist tabloid affiliated with the party-owned People's Daily, called the event a "political farce" and Oslo a "cult center."¹⁶³ These are strong reactions that show how upset the Chinese government got. They were willing to risk their international image on this issue. Minxin Pei, a political scientist at Claremont McKenna College in California, expresses his concerns over the point that "those who focus solely on the damage done to Beijing's global image are missing the point. In the end the only opinions that matter are those held by China's 1.3 billion citizens."¹⁶⁴ He continues, "After Tiananmen, China suffered three years of

international isolation, but it recovered. The regime's approach to the Nobel was strategic. They know the world will come calling again because China and its economy cannot be ignored for long.¹⁶⁵

Censorship

The idea that “economic progress works through advancing economic freedom” provides people with the opportunity to discuss and adopt different views which then ultimately leads societies to be more open and inclusive¹⁶⁶, however, China has managed to use censorship to the point where many Chinese have no idea what is going on. The continued censorship of the press, via internet, television, and even cellular telephone signals suggest that the Chinese government is nowhere near the scope of possibility ready to further political reforms. Because of the scale, the Chinese government is having to deal with increasing censorship difficulties, and one being, expense (as more people have access to the internet, cell phones, etc.). Leaks of information will get through government controls since it's near impossible to censor 1 billion people at all times, regardless of how powerful the state censorship apparatus is.

The revolts that have been rolling through the Middle East and North Africa, and homegrown efforts to organize protests have frightened the Chinese government into more action. “The chinese government tightened its grip on electronic communications, and appeared to be more determined than ever to police cellphone calls, electronic messages, e-mail and access to the Internet in order to smother any hint of antigovernment sentiment.¹⁶⁷” With 2012 coming up, the government is not going to risk any politically sensitive materials reaching their citizen, it is unlikely that they will ease control anytime soon. “Council on Foreign Relations Senior

Fellow Elizabeth C. Economy says the Chinese government is in a state of "schizophrenia" about media policy as it "goes back and forth, testing the line, knowing they need press freedom--and the information it provides--but worried about opening the door to the type of freedoms that could lead to the regime's downfall.¹⁶⁸" Hopefully this tight leash is relaxed after a while.

Censorship is the easiest reform to realize as it involves the Chinese Government allowing the free flow of information to its people. The more the Chinese government attempts to hide the truth, especially truth known to hundreds of millions of people outside of China, the worse the repercussions are going to be. The chances are high that this can have a dangerous escalating effect where the things that were covered up are the things that lead to chaos. Political reform in China begins with decreasing censorship on the part of the government. A situation might also be that there is an embarrassment factor for the Chinese people when the information block is let down. The Chinese people will see that outsiders have been allowed a lot more information than they have and this could have an embarrassing effect.

China may be in the international spot light for the wrong reasons sometimes, but the international attention will only increase as it grows wealthier. As China attempts to reform from an 'only manufacturing' to a 'service and knowledge' economy, much of the economic success will depend on the free exchange of ideas and the free use of the internet. No censorship means competition with the wealthiest nations in creating new ideas and products will suffer. It is so difficult and expensive to censor any nation, let alone, one the size of China's, and while it may be beneficial to the government in the short term, it could have grave consequences if the information of China reaches the populace of the PRC.¹⁶⁹

Some of the ways China controls the media are by “requiring foreign correspondents to get permission before making reporting trips within the country, and reporters often face harassment if they cover delicate issues.” There are often time when the government sets up a schedule or place for the reporters to go get the story they want. That way the reporters get to see, and report on what the Chinese government wants them to report on.

When Secretary Hillary Clinton was discussing the recent events happening in early 2011, like the protests that rocked the Middle East and led to the ouster of prominent autocrats in Tunisia and Egypt, she decided to make a comment that upset the Chinese government. She had pledged to that she would continue the U.S. efforts to weaken censorship in countries, like China and Iran, with repressive governments.¹⁷⁰ “In response, China warned the United States to not to meddle in internal affairs (BBC) of other countries.¹⁷¹” Here is yet another situation where China is brought up in a negative way on Western media. It is understandable that this was brought up by Clinton because it was an issue she was covering at the time. China has a repressive communist government, so some media attention by the West is going to happen. It’s a part of free media, clearly something China does not like, nor encourage.

Another problem that China will have to eventually deal with is the inability to handle a mass awakening by it’s population. What is meant by this statement is that at some point in time, the Chinese people will see that their government is keeping a lot more from them they they ever realized. Trust will drop after the realization that the citizens have been fooled and the Communist Party will most likely come to a devastating end. It’s a strange concept for the Western world to take, but most of the people in China do not know who Liu Xiabobo is.¹⁷² Most of the people in China also do not have access to an uncensored internet or television. China has

an estimated 420 million Internet users,¹⁷³ their recent population estimate is at 1,336,718,015 billion.¹⁷⁴ What will happen when millions of people discover the attempts of government to keep so many things away from it's people? It is only when the Chinese people unite that will allow changes to be made.

Reforms Now?

Reform for China means addressing the problems of the Chinese population without losing any power of the CCP. Without addressing these home based problems, the road could lead to similar protests like that of the Tiananmen protests in 1989. It's only a matter of time before the Chinese people get fed up with all the factors that have been discussed.

“This combination of factors has created major discontent among the broader population, with a growing number of “mass incidents,” as the Chinese term mass protests. From some 74,000 incidents in 2004, Chinese newspaper reporting suggests that there were nearly 130,000 incidents in 2008. “Put in a different metric, these numbers translate into an increase from approximately 24 mass incidents a day in 1993 to over 248 a day in 2006 and 329 in 2008.¹⁷⁵”

While the likelihood of increased political reforms do not seem imminent, the Prime Minister has mentioned the importance of political reform in the People's Republic. Specifically in August of 2010, Prime Minister Wen suggested that something had to be changed about the “issue of the excessive concentration of unrestrained power,” an obvious reference to the monopoly on power held by the Communist Party.¹⁷⁶ He also went on to say that China should “create conditions for the people to criticize and supervise the government.¹⁷⁷” People's opinions towards the government were valued, and there needed to be more emphasis put on the infrastructure for increased dialogue between the people and the Chinese Government.¹⁷⁸ These

comments that were made by the Prime Minister created a wave of excitement in some of the state-controlled newspapers: “*Southern Daily*, in Guangdong Province, published a commentary saying a new wave of “leftist” thinking was blocking reforms in some places. It said it was time for a “breakthrough”, and called for “a new generation of reformers to stand up”. *Yangzi Daily* added that social stability in China would be unsustainable without political change. *Global Times* quoted a Communist Party academic as saying that the “slow pace” of political reform in China was the “root cause of growing social conflict.¹⁷⁹” These intellectuals believed the growing social unrest in China is directly related to the slow, or non-existent political reforms, much of the country is anxiously waiting for.¹⁸⁰

It’s easy enough for the Prime Minister to talk about political reform, but action is much more difficult for a variety of reasons. One reason is that many party officials, or most for that matter, have a lot to lose if political reforms were granted, most notably their power, and for some, corrupt business relationships may come to an end. The vast bureaucracy may be quite resistant to changes also, as the Prime Minister speaks about, but rarely follows through on real reform.

The reasoning behind the weak push for reform might also have something to do with the inability to express what exactly should be done and how. Wen and others, don’t want to give the average Chinese citizen more access to power, they just want them to somehow promote stability.¹⁸¹ There really is no need to hand over any power to the citizens when there’s no call for it. “What, then, is the basis for “reform”? Wen’s comments indicate that the real intent is to somehow increase accountability within the party while retaining power. Only by increasing accountability can problematic party members be identified and corrected if possible or removed

if necessary. But this increased accountability is not the same as instituting popular votes, much less multi-party democracy or any other fundamental political reform. Instead, it is similar to the limited efforts for reform that eventually led to the Tiananmen protests in 1989.¹⁸²

There is also a widespread belief that people inside the Communist Party, under the Prime Minister are attempting to silence his talk on political reforms. Specifically, it has been noticed that Prime Minister Wen, talks less now about political reforms than he did just this summer 2010.¹⁸³ An argument is that his ‘nice’ sounding, pro-Democracy speeches are only for “Western Ears,” and they are not broadcasted in China¹⁸⁴. Considering all the censorship that goes into the function of China, this is most defiantly a possibility.

2012 could be an interesting year in China’s Democratic debate, as new party leadership will assume power, defined by a younger generation. This younger generation is going to have to deal with how to adapt their political system, which is organized along Leninist lines and designed for a monolithic command economy, to suit a modern China that has a booming private sector.¹⁸⁵ The assumed new leader is Xi Jinping.¹⁸⁶ The outlook is currently staying positive, because there’s hope that this potential leader may have what it takes to bring some political reforms. People hope that his modern family structure and dynamics prove he may be ready for something new. “His father, once a comrade of Mao Zedong's, was purged three times. Xi is an engineer, like most of China's leaders, but he also has a law degree and a breadth of knowledge that many of his colleagues lack. His wife is one of China's most famous singers. His daughter is at Harvard.¹⁸⁷” It looks like it could be any ‘ol Western family.

There are a few things that the Chinese government could do to extend political rights. There are three areas in which the Chinese Government can extend political rights: the first being

to include extending elections to towns and cities, less censorship, and a Parliament that represents the people.¹⁸⁸ People in some villages can elect their leaders, this principle should also be practiced in towns and cities. If this were to happen, eventually the People's Parliament could actually start to reflect the will of the people, and be an appropriate check on the Executive, and its bureaucracy.

There is also the real possibility that if political reforms are granted than the country could collapse into chaos. While Democracy has a rightful place in China, party members fear that increased personal liberty could result in challenges to social stability. "Du Daozheng, former director of the State Press and Publication Administration, said little progress was made in the past three decades and concerns about political risks and competing interests were to blame.¹⁸⁹" Du also mentioned that he believed chaos wouldn't happen because "most Chinese support the current reform and opening-up policy and they expect a steady life and a government that is honest, transparent, and efficient and which represents their views.¹⁹⁰" This view is on a very positive track, but perhaps that is what's needed to get the ball rolling. The potential for chaos is never an appropriate reason to deny fundamental human rights to over one billion people every day. Keeping the chaos bottled up for a long time could expound the volatility of the situation, until the pressure forces the bottle to burst.

Red Culture

An article by Peter Martin and David Cohen, "Socialism 3.0 in China," hypothesizes that the next new wave of Chinese socialism is going to look a lot less like capitalism. As the 2012 power transition approaches, politician and everyone alike are on the lookout for the next big idea. Xi Jinping (potential future president), recently visited the city of Chongqing, where he saw

what the ‘Red Culture’ policies of municipal Party Secretary Bo Xilai were all about. The believe is that the city of Chongqing and several others were representing the successful experimentation of a large public sector that could co-exist with a dynamic market. The authors point out that “Over the past few years, as Chongqing has become a popular destination for factories relocating from the more developed coastal provinces, where wages and costs are rising, its GDP has grown by about 14 percent a year—much faster than the national average—providing fodder for left-wing academics to cast it as a model for growth.¹⁹¹” This has become the perfect example for the political scientists of the New Left to encourage the expansion of state-owned enterprises.¹⁹²

Cui Zhiyuan, a Qinghua University professor, tries to explain that instead of the state crowding out the private sector, the two seem to be working together very well.¹⁹³ One important part of this Chongqing model is that the funds from the revenue go to the construction of affordable housing and transportation infrastructure that is much needed for the very poor in the city. Housing is a huge concern of late, so this has been a very positive development for the city’s poor. There is an aim to house 30 million of the city’s residents in these cheap apartments. Bo proclaimed, “It’s not about how many tall buildings you have, it’s how happy people are.¹⁹⁴” Whether this trend plays out in the long run, or not, just the strong existence of the ‘Red Culture’ movement within the government shows again, that China is not ready to move on to anything that resembles a democracy.

Future

China’s future depends upon private economic growth and the free market. The 2011 Index of Economic Freedom points out that “The Communist Party, though allowing some economic movements in response to market forces, still maintains ultimate authority over virtually all

economic decision-making. The state-controlled financial sector often allocates credit based on political criteria, undermining economic efficiency and productivity.¹⁹⁵ “In recent years there has been some sporadic attempts to facilitate some nominal openness to foreign investment or to imply currency market liberalization,” but the needed economic reforms have been nonexistent.¹⁹⁶

When looking at the current Chinese political situation in relation to the continuing success of the booming economy, it's quite clear that the two have split in separate directions. In a year the 18th Party Congress will be held and the major leadership transition will occur. This has prompted a reaction where campaigns, in order to gain strength, are projecting a tougher view on the West. Some would also say that China is finally in a position of strength and is able to express and show more of their agenda. Another recent issue has been that the internal security police, the propaganda department and the military have gained more power. It's now easier to understand the Chinese hostile reaction to Liu Xiaobo and their strong backing of North Korea.¹⁹⁷ Author Gordon Chang expresses: “I actually don't think that Chinese foreign policy really has actually been constructive, because, all along, they have been proliferating nuclear weapons technology. They have been backing North Korea to the hilt. And they have been engaging in cyber-warfare against the United States. This is not a sign of a constructive member of the international community.¹⁹⁸”

Under Deng Xiaoping, China seemed to try work with creating better relations in the international realm. For the sake of the economy China needed to cooperate with different countries. This has been the mentality for a long time. “Deng summed up the policy in a famous slogan: “Coolly observe, calmly deal with things, hold your position, hide your capacities, bide your time, accomplish things where possible.¹⁹⁹” Even as China began its ‘power’ ascent, the

Chinese officials tried to calm everyone and pledged a *heping jueqi* (peaceful rise).²⁰⁰ “Now China’s behavior—most recently towards Japan, South Korea and the South China Sea—has begun to alarm China-watchers. It doesn’t make much sense why the country’s leaders suddenly risk undermining a policy that has brought China such prosperity.²⁰¹” Working with other countries in a globalized world is key in economic success. China can see the benefits first hand from their own experiences. However the notion of China’s increased position in power has seemed to bring out a different behavior.

Caution

A stronger presence and opinion in certain international issues isn’t the only thing on the mind of the current Chinese government, the government is distracted by domestic issues that it must try to deal with before dealing with political reforms. Susan Shirk, director, University of California's Institute on Global Conflict and Cooperation, expresses that, “Under Deng Xiaoping, Jiang Zemin, and Hu Jintao, there was a steady growth of blessings as China’s economy continuously expanded, often in double digits. However, the sharing of those blessings has steadily become more unequal. China today has over a hundred billionaires (based on dollar equivalent), but at the same time, tens of millions of Chinese are still living in poverty.²⁰²” Economy may be booming, but as long as the people are not gaining a better standard of life, future turmoil and anger will flare up.

“China’s economic growth has benefited the south and eastern regions more than anywhere else. This has created a growing disparity between north and south. The agricultural north has, by contrast, been left behind. Many farmers struggle to make a living. Therefore, this has encouraged a migration of workers from north to south. China has struggled to deal with this

regional inequality.²⁰³” The Communist Party is preaching that they’re all about the common people, but they are not able to successful help their rural citizen get out of their poverty stricken situation. It is no wonder that government officials are considering adding even more government control on their already planned marketplace. And because people’s right do not extend very far they have a limited number of things they can do to help themselves get out of their difficult situation. There is no guarantee that the Chinese people will be heard if have complaints. The growing wealth divide is also cause for concern as cities on the coast increase their wealth, while those in the interior of the country stay impoverished. A very small part of China is experiencing the most wealth, and this is located in the Coastal Areas.

Mi Yushan from the Ningxia Province explains his situation, "The wealth gap is certainly unfair! The price of chemical fertilizer is increasing but the price at which we can sell grain has dropped. We farmers have few fields. We have just enough food so that we don't get hungry - but we have little money left over. We have to work as temporary laborers in the town to earn money.²⁰⁴” Another farmer, Wang Ran from the Guizhou Province says, “The agricultural tax is high. Government officials say they are going to reduce the rural taxes, but they haven't and we don't know when they will. If they did reduce our taxes, that would really change our lives. We are so poor because there is no development here. The government does give aid but for some reason there is hardly any allocated to this area. I have no way to buy fertilizer. We need economic help.²⁰⁵”

The problems does not stop at income inequality, regional disparity is also a consistent problem. The Chinese government has focused on urban rather than rural growth, and as

mentioned once before, and resulted in wealthier regions on the coast obtaining benefits through Deng Xiaoping's special economic zones.²⁰⁶

Widespread corruption in the Chinese government is another problem that leads to delegitimization of the CCP. "In 2010, China scored a 3.5 in terms of corruption, according to Transparency International. (Denmark, Singapore, and New Zealand, the least corrupt states, scored 9.3, and the United States scored 7.1.).²⁰⁷" The CCP has been able to control their image and steer things away from the topic. However, when social unrest intensifies, there is no doubt that the corruption factor of the CCP will add fuel to the flame.

Since 2008, China has planned to invest billions in infrastructure and social welfare. The stimulus packages was to be focusing on key areas such as housing, rural infrastructure, transportation, health and education, environment, industry, disaster rebuilding, income-building, tax cuts, and finance.²⁰⁸ If this and other measures do not work, the Chinese population will continue to get closer to a social unraveling. If the Chinese people don't step up to proclaim their rights then it might fall to the newer middle class successors of the new generation. The problem is that it is unclear right now as to when an such successors might step up. Another problem that could occur is the change back to a stricter planned economy. Bo's Chongqing had been very persuasive to other party members. The Chinese have done well economically, thankfully to the interjection of the free market into their system, but if things were to turn south, it's quite possible that instead of risking chaos, they may revert to stricter forms of control.

Economic success of China has not come without some problems. "Since 1978 the Chinese economy has maintained economic growth at an average of nearly 8%²⁰⁹," which compared to western states is an amazingly huge growth. The UK, for example only had an

average rate of 2.5%.²¹⁰ Unfortunately for China, the success of the growth also came with a price tag. The most obvious problem is probably pollution. This is due to the growth rate mixed with a population of over 1 billion. Another issue is shortage of power. “The growing demand of the Chinese economy has placed great demands on China’s creaking power infrastructure. This has led to the creation of projects like the Three Gorges Dam.²¹¹”

Another issue that the Chinese are dealing with are fears that China has been caught up in its own property bubble. *The New York Times* report, “China's unrelenting real estate boom has driven housing prices up by 140 percent nationwide since 2007, and by as much as 800 percent in Beijing over the past eight years.²¹²” This property bubble is a big problem especially in Beijing and the south East where the house prices have increased significantly. “China’s residential property bubble is mainly the result of excessive credit expansion in 2009. Other factors include significant inflows from abroad, low bank deposit rates, widespread property speculation, corruption, and incentives for local governments to drive up land prices to augment local fiscal revenues.²¹³” “There are also concerns that if this property bubble bursts, it would create negative equity.²¹⁴ This is one of the biggest current issues in chinese politics because it has become quite a big social and political problem. Affordable housing is basic necessity, and it’s also a basic ‘want,’ as far as buying goes.

An inefficient banking sector plagues the chinese financial sector because they continue to have a reputation of giving bad loans. Many loans are not being paid back just yet. “This is a legacy of the Communist intervention in industry. Banks often made loans to large government business’ with little regard for free market principles. As a consequence it is difficult for genuine new starts to get sufficient capital funding. But, much investment is squandered.²¹⁵”

Although the Chinese economy can grow at a very quick rate, the possibility of unemployment is still possible and quite a concern. The reason for unemployment problems in China is because there are still many state owned enterprises which are grossly inefficient, and therefore, in the process of privatization and modernization many surplus workers are no longer needed.²¹⁶ “There is also a lot of unemployment (and disguised unemployment) in the agricultural sector.²¹⁷” Another issue in the market is that the Chinese government seems to be deliberately suppressing its currency in an effort to increase its exports and “it is argued by many (especially in the US) that the Yuan is undervalued against the US dollar by up to 40%.²¹⁸” The problems that could arise from this include: increases in inflationary pressure in the Chinese economy, making it expensive for Chinese to buy foreign goods, and it would give an artificial advantage to Chinese manufacturers.²¹⁹

An ‘overheating’ of the economy is also a risk posed by the continuous growing that China’s experiencing. “There are concerns that this could easily lead to inflationary pressures, this is particularly a problem because of relatively loose monetary policy, undervalued exchange rate, property boom, and inflation is currently 3.8%, but, there are upward pressures.”²²⁰ One very important lesson we have learned is not to make excessively large policy adjustments, but rather to take small, micro steps, and fine-tune them. The aim is to avoid a hard landing of the economy,"Li Xiaochao, an official at Beijing's National Bureau of Statistics.²²¹ The Communist Party is is dealing with trade offs regarding being in the free world marketplace.

In the month of May in 2011, China has been laying out plans for their future economic prosperity. China wants to think of the future and make its way strongly so to secure their place in the retrospect of world economics. An article from the *Council on Foreign Affairs* explains,

The economic blueprints focus on seven "Strategic Emerging Industries" that Beijing aims to dominate on a global level: alternative energy, biotechnology, new-generation information technology, high-end equipment manufacturing, advanced materials, alternative-fuel cars, and new energy technologies. Global firms that compete in everything from hydropower to flat panel display technology will have to account for stronger Chinese competition. And for countries, such as Japan and Korea, with hopes of having their domestic firms lead these industries, these new Chinese plans may necessitate revamping their policies of state assistance for corporations.²²²

China wants to move in the direction of increasing its role on the high tech industries in its economy. "By 2020, Standard Chartered estimates that China's economy will reach \$25 trillion. At these levels, China intends that \$3.75 trillion, or roughly the equivalent of Germany's annual GDP, will come from its seven strategic industries.²²³" There is no doubt that China will be able to expand in new economic direction.

The whole situation of China is quite important and should be kept a close eye on. When the transition of power occurs between Hu Jintao to Xi Jinping, it "will mark the rise of the last generation of Chinese leaders who personally experienced the Great Proletarian Cultural Revolution and therefore have firsthand experience of how far China has come.²²⁴" If Xi Jinping and Li Keqiang are put in power they will serve through the 19th Party Congress (2017) until 2022.²²⁵ As China gets more and more power, America can maintain a strong status if they're willing to build strong ties with other countries. "The only nation that can serve as a counterweight is the U.S. in conjunction with its allies and friends in the region. Washington should continue to coordinate with Tokyo, Seoul, Manila, Canberra, and Bangkok, as well as Taipei, Singapore, and other regional capitals, especially in the face of growing Chinese assertiveness.²²⁶" America needs to build their relationships with these countries so that there is

trust and communication. Creating an alliance like this one can't just be thrown together because the reliability isn't there between the countries. If America can achieve an alliance like the strong one they've created in Europe then everything should work smoothly. Currently the strong support shown by Secretary of State Hillary Clinton "for a multilateral resolution to the South China Sea issue is a good move; by contrast, failure to effect the Korea-U.S. Free Trade Agreement is a blow to America's position in the western Pacific, sending the wrong signal to the current and future Chinese leadership."²²⁷ Foreign Affairs is constantly seeking attention and hopefully the mistakes that are made can be outweighed through all the good relations created. The power shift has already begun, now all we can do is wait it out and see what really happens. Hopefully China continues their journey and embrace even more economic freedoms which will hopefully lead to a political revolution as well.

Conclusion

"I prefer liberty with danger than peace with slavery."²²⁸

-Jean-Jacques Rousseau

The predicament of economic and political freedom in different countries around the world varies as different countries must deal with different situations. The United States and China in particular have had very different experiences and thus have come about to have quite different outcomes. Both America and China work together economically because they understand that by doing so they can achieve wealth and economic prosperity. Economic freedom has the potential to bring a nation up and increase their wealth and employment. This is exactly what happened to

both the United States and China. Both countries are also dealing with their own significant set of issues.

The world continues to look up to democracy and the free market. Friedman beautifully illustrates the uniqueness of our current trend of politically and economically free societies. “Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude, and misery. The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came along with the free market and the development of capitalist institutions.²²⁹” There’s no denying that the highest economic success comes from economically free and *most often* politically free nations. If you take a closer look at the *Index of Economic Freedom* you can see that the countries with the most freedom are very prosperous and they tend to be democratic. Hong Kong is rated at number one for 2011 with the most economic freedom and is also seen as having one of the most successful economies. Hong Kong may be a special administrative region of the People’s Republic of China, but it governs its own affairs on a day-to-day basis and enjoys a wide range of freedoms under the territory’s mini-constitution, the Basic Law.²³⁰ As one of the most prosperous economy’s in the world, everyone should take notice that they do it through a small government, low taxes, and light regulation.²³¹ The other top economically free states, with the exception of Singapore (who is a nominally democratic state and has limits on freedom of speech and assembly), have both economic and political freedoms. Australia, New Zealand, Switzerland, Canada, and other high ranking countries enjoy economic success and prosperity. These examples clarify that economic freedom

is important and most often does partner with political freedom. States such as China prove that planned economies can work, as long as they are able to adapt to the ways of the free market. This method is not the most efficient because state-controlled economic sectors often do things that undermining economic efficiency and productivity.²³² Anyhow, China has managed to become one of the fastest growing economies and will continue to do so into the future.

Unlike America, China did not see democracy and capitalism as the means to the perfect new government. The Chinese Communist Party came into the picture with ideas of socialism and equality across the board. The only reason China has developed the way it has economically, can be attributed to Deng Xiaoping, who saw the condition of China and knew that there was another way towards wealth and prosperity. Deng worked to transform the old protectionism China into the modern international market-oriented China. He has succeeded and the results have been amazing. Of course, the results have been impressive mainly because of where the Chinese started from. When America first saw its economy boom with the industrial revolution, it also saw an amazingly fast growth rate. China is going through something similar, with a much larger population.

There are a few things that have been stumbled upon, mainly several underlying problems that hinder China from progress in political and economic freedom. The current situation on political rights in China is not a good one, political reforms seem slim because politicians are too afraid of what they'll be losing. Instead they use censorship to keep the public in the dark. The extent at which the government is projecting their power over the people is enormous. If the citizens were somehow able to join together about issues, the government would be more apt to listen to them so that problems wouldn't occur.

One of the first issues on the agenda is the problem of the Chinese and their mentality towards the idea of political reforms and change. It's not that Chinese politicians or citizens are unable to expand their reform oriented thinking, Deng has proven that it's possible to think outside the box with his economic reforms. For the citizens it might be a result of the misinformation and blockage of certain materials. A majority of the population don't have a lot of the media devices needed to keep themselves informed, but even when they do have the access, the government works hard to block information that might damage their image. The Chinese people have no way of getting really riled up. Successful underground media outlets or activities may also be difficult in China because of the massiveness of the population and country.

The problem with the politicians is that they're afraid of the change and what it might bring. The risks include citizen uproar about everything that China has tried to block out. Chaos erupting and leading the people to a new revolution is another fear of theirs. Like any party or individual in power, it's not a good feeling leaving from power. This accounts for nearly all positions that maintain some kind of power. The idea is that there's always some work to be done or an ideology to spread. With the Communist Party you have a group that has been in power for so long, they will not allow anyone else to compete with their power and authority. The Communist Party is content and will not risk anything that might put their power in jeopardy.

Chinese people would need to rise up against the Communist Party in order for anything to successfully change. It has to come from the people because the government will do nothing. Currently there are people who are fighting the government through peacefully means, but they usually end up in prison. The recent Nobel fiasco has however shed some light on one dissident

that has been preaching of China's bad ways. You would think that for the safety of maintaining their position, there would be more push to listen to the people and give them rights, but political reform seem like a dream that will never come true. Also, if the people do not push for the reform, then why should the Party care. The international community is looking at China, and wanting them to make some changes, but China does not have to please the international community, they just need to make sure that there are no problems within their own country. The people within the country are the real source of government power, even within undemocratic countries.

When Deng took control, he was able to do something revolutionary and yet keep the Communist Party in power. This is also possible to do with the political reforms that are needed. The reforms may seem revolutionary for the current government, but in the long run, it could revolutionize the party and loosening up the reigns on political freedoms. The 2012 power switch is a curious topic because it could change the direction China is pursuing economically and politically. New leader equals new ideas. Many people may hope for this change, but hope has never really determined anything.

So the question remains, has China's economic success, which was obtained with the help of some economic freedom in the world markets, opened the path up for political freedoms as well? The answer is, unfortunately, no. Recent events have shown that the Chinese government is just not ready to give their citizens the rights and freedoms they deserve. It might take a big event or problem for the Chinese government to really change their ways. They have power and control, so until that's threatened, the likelihood that major changes will occur are slim.

America, is in the most opposite of situations. After the American Revolution, the possibilities for the new nation were endless. There was no long history that tied them to anything or anyone. The founders knew that they had the power to take their dreams to the next level. Democracy and capitalism became the nation. Today, America continues to have a democracy and a free marketplace. Of course, there have been some major events that have altered and created a specific path that America is taking right now.

When a country reaches a place where they have been able to successful obtain the highest amount of freedom they can, there's only one place to go after- and that's downwards. I think that in a way, America's situation has shown this. The start of the country began with very little government regulation and lots of freedom to do pretty much anything economically (excluding women and slaves). But as time went on, the 20th century resulted in more political right as well as economic rights to women and African Americans. Economic freedom however, could not last long because people wanted more regulations from the government to create some order and to help the market. There was much regulation that did need to be implemented for the sake of safety and health. It was only after problems or 'bumps in the road' occurred, that caused the major reactions to do something about it. Reactionary legislation has become somewhat of a trend that has shaped and formed American economy into the creation it is today. Legislation that is based off of reaction however can have its consequences because there's a higher chance of problems coming out sudden and quickly formulated legislation. If there is desire or a need for some legislation, and it's not rushed, then the chances are that more thought and work will go into the creation of it.

Today America shows an ever increasing pull towards more government involvement. Don't get me wrong, there's still a long way to go before America hits socialism. America seems to be in the phase of exploring social policy and figuring out if a welfare state is the right path. Americans in general tend to be very divided on this topic because historically there hasn't been high government involvement in the area. Ever since the Great Depression, Americans have been begun thinking more about the role of the government and what it could accomplish for them. It seemed like the European states were heading in a more welfare state direction, so this may have then sparked some debates about government help for programs such as social security and universal healthcare in America. Again this whole situation falls under the assumption that the only way America can really go now, is downhill because America has already been at the top, and it's a lot harder to hike back up to the top. Current politics in America has become divided as to what the role of the government should be in these social areas. Debates about involvement within the marketplace have also created big tensions. This is where Republican and Democrat conversation has lately been having issues. With everything that has been happening in America, there have been many proposals and bills that have been getting ripped apart by the two parties. Finding a middle ground has been no easy task.

The increases in support to government policies and involvement is quite the interesting topic considering that America's past rival, Russia, is a good example of how socialist programs did not work. Even China can be used as an example for the failures that still exist in society after allowing the government to take the reigns. All around the world countries experiment and try to figure out the best route for their society. Every type of government has their faults within their own system, they must deal with it, and hopefully make things better. In the case of America,

sometimes the problem is that instead of leaving things be, or trying to work on what you have, the government wants to completely change something. The government is important and does so much for the American society that is good, but increasing it's involvement is not the solution to every answer. It's as if politicians just need something to do regardless of what it may be. Bad policies are easy to create and difficult to remove.

A huge concern for America right now is getting out of this financial debacle securely. The debt crisis alone shows that the government has been out of control on spending since even way before the market crisis was having major problems. If one thing can be learned from all this, it's don't spend the money if you don't have it. All the recent spending on rescue plans and social policies has only contributed to the devastating debt problem that America is suffering through currently.

Another fascinating occurrence is the ability for people to completely ignore consequences and what its future might bring. The government need to be thinking in the long term. This obviously was not done if America is ready to default on their debt and must vote to up the ante. And all the while the government is still continuing to provide services that take massive amounts of tax payers money. Americans need to decide what they want and what they can live with out, and cut it out of their system. Taxes are another solution that is possible.

Something that should be studied farther and is of great interest and value, is the ever increasing movement towards the mentality that 'suffering can be prevented'. This idea is supported by the call to equality instead of freedom. Of course the manifestation in America is much less socialist sounding and more along the lines of 'social democracy' or 'market socialism'. The financial crisis has only intensified the situation by giving a reason for more

government involvement in economy. In the case of the Great Depression, the president thought that something had to be done. The cries of the people intertwined with his, and he created a program that put people back to work and gave some social support. Although the effectiveness of the programs can be debated, America overcame that crisis and moved forward. It seems that when things start to go bad for people, they instantly want to secure themselves, but instead of depending on themselves to do so, they turn to the government for protection. The government is for the people, for helping maintain and support, however, when it starts increasing in size and getting involved in things that it never used to be, there needs to be caution. Laws upon laws and regulations upon regulations begin to add up if they are continuously added.

MASTER'S THESIS ABSTRACT

The goal is liberty: How the U.S. and China fit between economic and political freedom.

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Abstract:

In this paper I will be discussing the relation between economic and political freedom, how they feed and affect each other. I will use the United States and China in the modern context as examples and case studies relating to my concept of economic and political freedom. The political ideologies of the United States and China are conflicting and worlds apart. Not only does the Chinese Communist Party have complete control over its political realm, but its economy is also controlled by the party. America on the other hand is ranked by Freedom House's survey as having full freedom in political right and civil liberties, and ranks fairly well in The Heritage Foundation's *Index of Economic Freedom*. One of the concerns is whether the theory of economic freedom leading to political freedom is at all possible for China. Yet another great question proposed is whether American political freedoms will at all limit economic freedom. These case studies are important because as times change, so does the economy and politics along with it. The direction that these two countries take is an important and interesting topic that tracks the direction the world order will go in.

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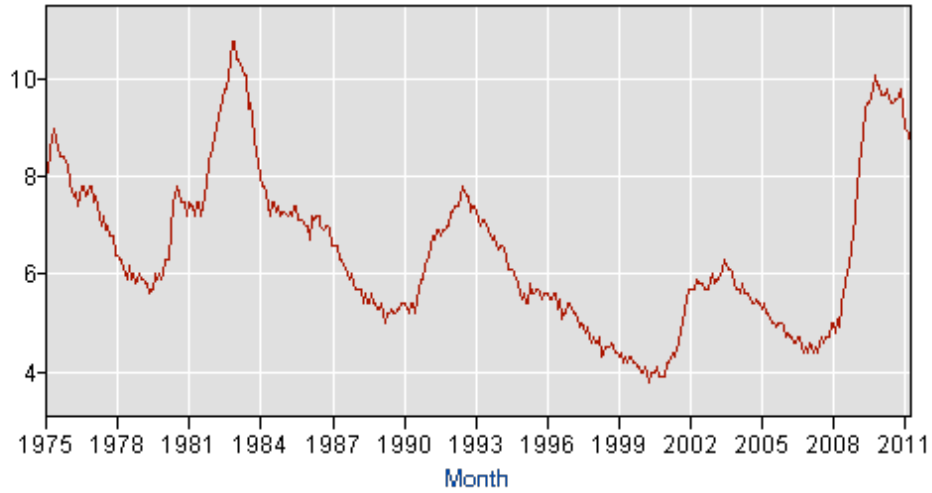
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Appendix A- U.S. Unemployment Rates



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
1981	7.5	7.4	7.4	7.2	7.5	7.5	7.2	7.4	7.6	7.9	8.3	8.5	
1982	8.6	8.9	9.0	9.3	9.4	9.6	9.8	9.8	10.1	10.4	10.8	10.8	
1983	10.4	10.4	10.3	10.2	10.1	10.1	9.4	9.5	9.2	8.8	8.5	8.3	
1984	8.0	7.8	7.8	7.7	7.4	7.2	7.5	7.5	7.3	7.4	7.2	7.3	
1985	7.3	7.2	7.2	7.3	7.2	7.4	7.4	7.1	7.1	7.1	7.0	7.0	
1986	6.7	7.2	7.2	7.1	7.2	7.2	7.0	6.9	7.0	7.0	6.9	6.6	
1987	6.6	6.6	6.6	6.3	6.3	6.2	6.1	6.0	5.9	6.0	5.8	5.7	
1988	5.7	5.7	5.7	5.4	5.6	5.4	5.4	5.6	5.4	5.4	5.3	5.3	
1989	5.4	5.2	5.0	5.2	5.2	5.3	5.2	5.2	5.3	5.3	5.4	5.4	
1990	5.4	5.3	5.2	5.4	5.4	5.2	5.5	5.7	5.9	5.9	6.2	6.3	
1991	6.4	6.6	6.8	6.7	6.9	6.9	6.8	6.9	6.9	7.0	7.0	7.3	
1992	7.3	7.4	7.4	7.4	7.6	7.8	7.7	7.6	7.6	7.3	7.4	7.4	
1993	7.3	7.1	7.0	7.1	7.1	7.0	6.9	6.8	6.7	6.8	6.6	6.5	
1994	6.6	6.6	6.5	6.4	6.1	6.1	6.1	6.0	5.9	5.8	5.6	5.5	
1995	5.6	5.4	5.4	5.8	5.6	5.6	5.7	5.7	5.6	5.5	5.6	5.6	
1996	5.6	5.5	5.5	5.6	5.6	5.3	5.5	5.1	5.2	5.2	5.4	5.4	
1997	5.3	5.2	5.2	5.1	4.9	5.0	4.9	4.8	4.9	4.7	4.6	4.7	
1998	4.6	4.6	4.7	4.3	4.4	4.5	4.5	4.5	4.6	4.5	4.4	4.4	
1999	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.0	
2000	4.0	4.1	4.0	3.8	4.0	4.0	4.0	4.1	3.9	3.9	3.9	3.9	
2001	4.2	4.2	4.3	4.4	4.3	4.5	4.6	4.9	5.0	5.3	5.5	5.7	
2002	5.7	5.7	5.7	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.9	6.0	
2003	5.8	5.9	5.9	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.8	5.7	
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4	
2005	5.3	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.0	4.9	
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4	
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0	
2008	5.0	4.8	5.1	4.9	5.4	5.6	5.8	6.1	6.2	6.6	6.8	7.3	
2009	7.8	8.2	8.6	8.9	9.4	9.5	9.5	9.7	9.8	10.1	9.9	9.9	
2010	9.7	9.7	9.7	9.8	9.6	9.5	9.5	9.6	9.6	9.7	9.8	9.4	
2011	9.0	8.9	8.8	9.0									

<<http://data.bls.gov/pdq/SurveyOutputServlet>>