



## The Ticket to Prosperity

Gaza is home to Palestinian people, who have suffered injustices and have a history of legitimate grievances against both Israel and Arab governments. If there's one immutable fact of life, it is that history cannot be changed or controlled. What can be changed and controlled is the future. That points to the most tragic aspect of people in poor territories such as Gaza — focusing attention on the past, which they can do nothing about, and not paying enough attention to the future.



In the case of Palestinians, the first order of business is to recognize that they cannot militarily force Israel to withdraw from the West Bank and East Jerusalem and meet other territorial demands. Therefore, they should cease all military and terrorist actions against Israel. If there were peaceful coexistence, there would be reciprocity and accommodation on Israel's behalf. The major accession would be for Israel to end its military blockade of Gaza's port and border. The most important first step for Palestinian people is to recognize that they have been betrayed by their leadership and that their destiny truly lies in their hands.

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A real-world example that Gaza might follow is that of Hong Kong. At the time of liberation from Japanese control in 1945, Hong Kong was a poor colony of Great Britain. Geographically, Hong Kong is little more than a rock off the coast of China with few natural resources. Hong Kong's wealth was its plentiful supply of cheap labor, which attracted many foreign manufacturing firms. Hong Kong's experience of going from a Third World colony in 1945 to having a gross domestic product per capita that ranks among the world's 10 highest in 2015 can serve as a useful blueprint for both Gaza and poor countries around the world. The basic ingredients for Hong Kong's progress were not foreign aid and other handouts from Western nations but instead law and order and a free market. A similar story can be told about Singapore. Both rank in the top 10 in wealth and the top two in economic freedom.

Despite decades of economic aid, many recipient nations are worse off now than they were before they first received development assistance. What foreign aid usually accomplishes is to enable tyrants to retain power, letting them be able to pay off cronies and buy military equipment to suppress their people and engage in military ventures. Foreign aid also enables tyrants to set up multimillion- and even multibillion-dollar personal accounts in foreign banks.

Today's Third World poverty is mostly self-inflicted — indigenously created. The growth-promoting characteristics of the non-poor countries that are all but absent in poor countries are protected private property rights, personal liberty, enforcement of contracts, rule of law and a market-oriented economic system.

A country need not be rich to create these wealth-enhancing institutions. That's much of the story of the U.S. In 1776, we were a poor nation, but we established the institutional structure to become rich. That institutional structure attracted not only foreign investment but talented, hardworking immigrants, as



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well. Contrast that with today's poor countries, whose policies and institutional structure do just the opposite — repel investment and export their most talented and ambitious people to freer and richer countries.

People with limited understanding make the mistake of making a link between economic freedom and democracy. There is no such necessary link. India, for example, politically is a democracy. Economically, it is mostly unfree and poor, ranking 128th on the 2015 Index of Economic Freedom. There are countries much higher on the economic freedom index that do not have much of a history of democracy, such as Chile, now ranking seventh, and Taiwan, 14th, yet these countries are far wealthier than some of their more democratic counterparts. Why? It's because their economic systems are free or mostly free, something that is not guaranteed by a democratic political system.

*The bottom line for why some countries are rich while others are poor is best-explained by the amount of economic freedom.*

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