

ECONOMIC **MYTHS** AND ECONOMIC **REALITIES**

FIVE **MISTAKES** WE ARE TOLD EVERY SINGLE DAY, AND
THE **REAL SOURCES** OF ECONOMIC GROWTH



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The world's ten richest countries have about 60 times the income per capita of the bottom ten. Nobel Prize-winning economists have acknowledged their ignorance regarding the sources of economic growth. This explains why, despite considerable financial assistance, the gap between poorer and richer countries has grown year after year, both globally and within countries like the USA and Europe.



Using straightforward statistical diagrams, this book explains approximately 90% of the variance in income among countries or states. First, it empirically demonstrates what does not work – the myths – from reindustrialization to Keynesianism. Then, it examines the real drivers of growth by evaluating whole countries (public, social and private sectors combined, including the non-working population) as companies, assessing their business administration across areas like marketing, work culture, strategy and operations. After all, numerous multinationals are larger than countries.



The lessons are twofold: First, nothing is more pointless than perfecting the irrelevant. Second, there are no underdeveloped countries, only undermanaged ones (P. Drucker). The wealthiest countries are, overall, the best-run companies.



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OVERALL DESCRIPTION OF CONTENT

1. The book has two parts: one on economic realities and another on economic myths.

2. On economic realities:

2.1. For the first time ever, it is explained empirically 90% of the income variance among countries. The book uses solid analysis presented in very simple diagrams accessible to all;

2.2. That is achieved by considering whole countries (public, social and private sectors combined, including the non working population) as companies, assessing their business administration across areas like marketing, work culture, strategy and operations. After all, numerous multinationals are larger than countries;

2.3. Thus, there are no underdeveloped countries, only undermanaged ones. The wealthiest countries, are, overall, the best-run companies.

3. **On economic myths:** there are five ideas that are conveyed daily and are plainly wrong (in some cases), or there is no data, no empirical support for them (in other cases). And thus remain dubious, at best. Those five myths are:

3.1. Large funding from the richer to the poorer countries (e.g. within the European Union) or states (within the USA) promotes competitiveness;

3.2. Keynesian public programs promote growth;

3.3. Within economic blocks (European Union, USA, etc.) there is a trend towards the convergence of countries/federal states;

3.4. Gross domestic product is a good measure of a country's wealth;

3.5. Industrialization, that is to increase the manufacturing sector, is the source to create wealth.

4. The **overall conclusion** of the book is that unless both external aid and internal policies are directed to the eight key variables (freedom, transparency, accountability, etc.) they are and will be as have been, a total and absolute waste. They target the irrelevant.

No wonder that the world's ten richest countries have about 60 times the income per capita of the bottom ten. And that the gap between poorer and richer countries has been widening. And also some of the richer stall and don't advance.

FURTHER DETAILED INFORMATION ON THE BOOK:

“Economic Myths and Economic Realities: **five** mistakes we are told every single day; and the **real** sources of economic growth”

The book is divided in **two** parts: economic **myths** and economic **realities**.

1. Economic myths

The **first part** of the book (**economic myths**) presents a few diagrams (from official statistical sources such as EU, IMF, etc.) on **five ideas** that are conveyed daily and are plainly wrong (in some cases), or there is no data, no empirical support for them (in other cases). And thus remain dubious, at best. They are:

Idea	Myth	Reality
First	Large funding from the richer to the poorer countries (e.g. within the European Union) promotes competitiveness	In the last quarter of century central funding not only has not avoided, as may have fostered corruption and hampered economic competitiveness, economic freedom and growth.
Second	Keynesian public programs promote growth	The impact of public investment programs is irrelevant in a country's short term growth.
Third	Within economic blocks (European Union, USA, etc.) there is a trend towards the convergence of countries/federal states	It is the opposite that happens. Countries belonging to economic unions tend to diverge : their standard of living becomes more different. The wealthier countries become wealthier. Poorer ones, become (relatively) poorer. The same applies to the federal states within the USA.

Idea	Myth	Reality
Fourth	Gross domestic product is a good measure of a country's wealth	GDP is an <i>obsolete concept</i> . National income should be used instead. However, most economists and institutions do not. The World Bank is an exception. Examples from Luxembourg, Ireland, Portugal, etc. explain why.
Fifth	Industrialization , that is to increase the manufacturing sector, is the source to create wealth	Aside exceptional cases, there is no (mathematical) relation whatsoever, between a country's wealth and the importance of the industry in its economy.

2. Economic realities

The **second part** (on **economic realities**) indicates empirically, using very simple but clear diagrams, what the **real sources of economic growth** are. Why the world ten richest countries have **fifty-nine** times the income per capita of the bottom ten. That is, it focuses on the causes of prosperity, which – according to the Nobel prize winner R. Lucas - are as important as elusive.

To demonstrate the sources of economic progress, the book assumes that the whole of countries (and not only the private sector, but also the public and social sectors) are companies. After all there are many multinationals which are far larger than countries: Walmart, State Grid, Amazon, UnitedHealth, Toyota, to name only a few.

And under that assumption one is able to explain **90%** of economic growth, that is of the variance among countries wealth.

The book uses a sample of 33 countries (both developed and developing), during the five years period in-between the (end of the) subprime crisis and (the beginning of) the Covid recession and then evaluates the quality of those countries during that period in nine **business administration areas**: 1) strategy, 2) marketing, 3) finance/accounting, 4) human resources, 5) information systems, 6) operations/production, 7) R&D, 8) administrative area (security, hygiene, energy) and 9) general management (objectives, organization, control, coordination).

It is worthwhile to note that the book does not argue that the richest countries have the best firms.

It demonstrates (empirically) that the wealthiest countries **are** the best companies. The whole of the countries - not only the private sector but also the public and social ones, including the non-working population -, all together outperform the poorer countries in the business functions of human resources management (work ethics, personal ethics, instruction), marketing knowledge, strategy and so forth.