

## Handout B: Summative Questions Answer Key

1. Those countries near the top of the GDP list are also the strongest in economic freedom, rule of law, human development, competitiveness, and personal freedom. Those at the bottom are also weak in those categories.

**2. GDP:**

Top – Switzerland, Singapore, and USA;

Bottom – China, Nigeria, and North Korea

**HDI:**

Top – Switzerland, South Korea, and USA;

Bottom – China, Nigeria, and North Korea

**Freedom:**

Top – Switzerland, Chile, and USA;

Bottom – China, Cuba, and North Korea

Although students' answers will differ, the top groups have a high degree of economic and political freedom and the rule of law. The bottom states lack those characteristics. Students should note that the Founding principles of the United States help to protect these freedoms.

3. The data make it clear that there is little—and probably a negative—correlation between natural resources and national well-being. The relationship is complex, but it is clear that states that rely on trading goods and services on the open market do better in the long run than those that are rich in resources.
4. A strong rule of law is a key to prosperity. First, it provides property rights, which means that the state or other entities cannot arbitrarily take what people produce or earn away from them. Second, it provides a stable legal environment for business: Contracts are legally enforced, violations may be sued, and the business environment is predictable and protected against fraud. The United States ensures the rule of law found in the Constitution and Bill of Rights.
5. Although the evidence is correlative, there is a clear pattern between freedom on the one hand, and economic prosperity on the other. Free societies with a clear rule of law encourage individualism; free thinking, creativity, productivity, and effort (through the profit motive); saving and investing; and outstanding education, health, and environmental standards. The United States protects economic and political rights through the Founding principles embodied in the Declaration of Independence, Constitution, and Bill of Rights.