

## Why China's Rich Want To Immigrate To America

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They are rich; they are connected, and live in a country with an economy that grows by leaps and bounds. They are China's rich. But they want to immigrate to America, a country with an economy barely growing. According to an *AssociatePress* article, moving overseas is on the top of China's wealthy wish list—with the US being the most desirable destination. Why? What does the American society possess that China is still missing?

What America possesses is the right cocktail of institutions. Over the course of its history, America has developed and maintained a good (if not ideal) combination of free markets and government, with each institution deployed in areas of society it excels: Free markets in allocating economic resources efficiently and effectively in the production of private goods and services, and government in creating a "general equality of condition among the people," as graphically described in Alexis De Tocqueville *Democracy in America*. The government protects civil liberties and economic freedoms, and takes care of the "commons," sectors of the economy where free markets are inadequate or fail altogether: the provision of public and semi-public goods, and the protection of the public from health, traffic, occupational, and environmental hazards.

No matter how they came to America, people enjoyed the economic opportunities created by free markets, and the quality of life assured by a fair, transparent, and effective government.

This right cocktail of institutions is exactly what China is missing. As I discussed in an article in *Barron's*, China has failed to develop and maintain a good combination of free markets and government, as it deploys the two institutions backwards, in areas of society each institution fails. China deploys government in the allocation of economic resources to the production of private goods and services. Beijing and Prefecture governments act as the ultimate landlords, managers, entrepreneurs, and regulators, running almost every major bank, financing the debt of State Owned Enterprises (SOEs) and Town Village Enterprises (TVEs), and construction projects.

At the same time, China has failed to develop a fair and transparent government that protects civil liberties and economic freedoms, and to deploy such a government in the protection of the "commons." China creates a dangerous cocktail of institutions that pit the country's open economic system against a closed political system, and its industries against nature, threatening to derail its phenomenal progress since the 1978 reforms, undermining the economic opportunities and the quality of life of its citizens. China ranks near the top of the list of countries with most car accidents, work-related accidents, and environmental pollution; and near the bottom of the list of countries according to economic freedom and ease of doing business.

The bottom line: China's post-1978 economic regime has produced what the country was lacking, economic growth. But it has yet to create the right combination of institutions that will make this growth sustainable, allowing its citizens to enjoy the quantity of life provided by an efficient and effective market system, and the quality of life assured by a fair, efficient, and effective government. Until such a system is created, China's citizens, rich and poor, will reach to America to find it.

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