

Bridwell Institute

2022-23 Annual Report

Spotlight on Research

Two Essays Inside

New Studies **On Women** and **Economic Freedom**

By Meg Tuszynski

A Guided Tour of **the EFW:** **Its First 26 Years, 1,300 Papers**

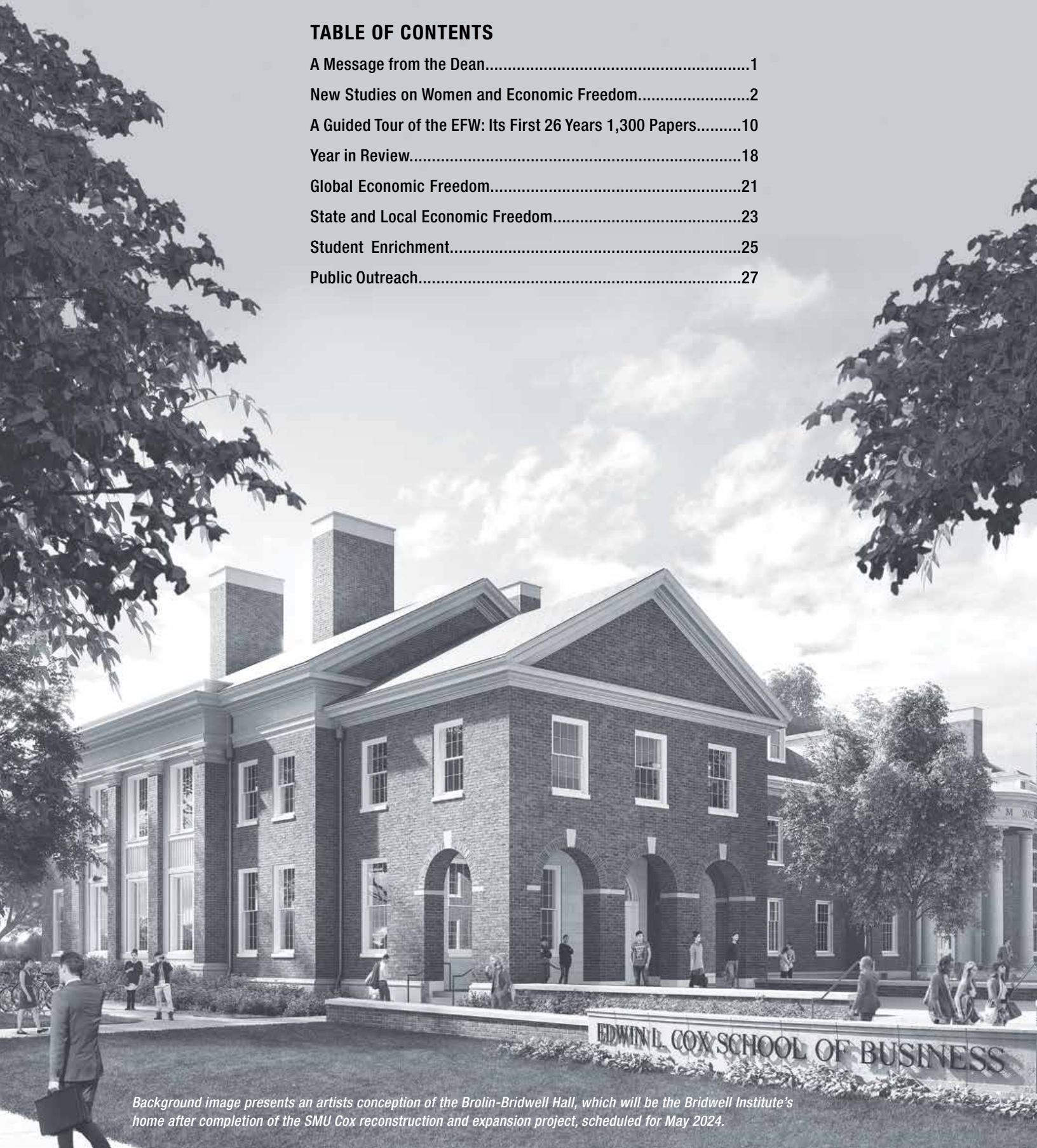
By Robert Lawson

Bridwell Institute for Economic Freedom

SMU Cox School of Business

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Background image presents an artists conception of the Brolin-Bridwell Hall, which will be the Bridwell Institute's home after completion of the SMU Cox reconstruction and expansion project, scheduled for May 2024.



Dean Myers

A Message from the Dean

Faculty research boosts a business school's prestige, helps professors build their careers, improves the quality of classroom instruction and contributes new knowledge to the debates and decisions shaping the economy at large.

No wonder deans like nothing better than to brag about it. This annual report gives me a chance to shine a spotlight on research at SMU Cox's Bridwell Institute for Economic Freedom.

The essay by Meg Tuszynski, the Bridwell Institute's assistant director, presents key findings of an extraordinary project on the neglected topic of women and economic freedom. Combining the talents of about two dozen researchers, it produced 15 empirical studies that will be published next year in a peer-reviewed journal.

The project took up a range of issues important to women's economic well-being – work, entrepreneurship, education, legal and cultural barriers and policy prescriptions. Two studies focused on how economic freedom influences decisions on having children.

"As a body of work, the papers find economic freedom associated with a variety of benefits for women, with few potential drawbacks," Tuszynski concludes.

In the essay that follows, Bridwell director Bob Lawson reviews a quarter century of empirical studies on economic freedom, conducted by researchers all over the world. He finds a large gap in favor of studies that link economic freedom to faster growth, higher incomes, greater entrepreneurship and other good outcomes.

Both essays illustrate how scholars use indexes that measure economic freedom in empirical work. The Bridwell Institute has made SMU Cox a national hub for creating and

maintaining these important data sets.

As two of the four co-authors of the *Economic Freedom of the World* report, Lawson and his colleague Ryan Murphy do much of the statistical work behind the annual ranking of more than 160 countries. Bridwell's Dean Stansel calculates a state-by-state economic freedom index for the *Economic Freedom of North America* report and another one covering all 383 U.S. metropolitan areas.

The essays illustrate another aspect of academic research – it's collaborative. Scholars all over the world employ the economic freedom indexes in their work. The Bridwell Institute invites researchers to SMU symposia on how to use the indexes in their own research. At conferences and speaking engagements, Bridwell economists discuss the indexes and related studies.

The "Year in Review," which follows the two essays, points to many of the Bridwell Institute's connections with researchers at other universities and research organizations. Being plugged into these kinds of global networks helps SMU Cox faculty generate more and better research.

I urge you to read this annual report and learn more about the compelling research at the Bridwell Institute for Economic Freedom.

Matthew B. Myers
Dean & Tolleson Chair of Business Leadership
David B. Miller Endowed Professor in Business
SMU Cox School of Business

New Studies on Women and Economic Freedom

By Meg Tuszynski

Rosemarie Fike’s essay in the 2016 *Economic Freedom of the World* annual report pointed to a problem in the way we measure some countries’ economic freedom.

“In assuming that all members of society have equal rights under the law,” she wrote, “past estimates of economic freedom have been overstated for countries that place additional legal and regulatory restrictions on the scope of women’s economic choices.”

Fike’s critique triggered a quick and meaningful response. The very next year, the EFW report included an official adjustment to the Legal System and Property Rights component that accounted for the unequal treatment of women (*see box page 3*).

In the wake of this gender adjustment, a trickle of papers began to examine the distributional consequences of economic freedom. Christopher Boudreaux and

Boris Nikolaev, for example, studied the relationship between economic freedom and differences in male and female entrepreneurship. Andreas Bergh and Christian Bjørnskov explored whether both men and women enjoyed the same benefits of economic growth when formal economic freedoms differ between them.

To spur additional research, the Bridwell Institute commissioned 15 scholarly papers – chosen from almost 40 proposals – that look at how differences in economic freedom influence women’s lives. This undertaking was sponsored in part by the Braly Family Foundation. The entire project will include a variety of other components, including the production of a policy brief and a panel discussion in spring 2024 (*for more on the project, see page 22*).

Participants in this project represent academic institutions in all parts of the country. Most are women, but a few men joined the effort. They used the EFW and other indexes to explore diverse topics – the impacts of legal and cultural barriers

on women’s economic participation, the effectiveness of gender equity mandates, family planning, the ripples from more women at work, the increases in women’s entrepreneurial activity, women’s educational outcomes and India’s economic development.

In this essay, I’ll give an overview of each paper’s key findings. It’s important to note, however, that this is an ongoing research project. After draft papers were finished, we held research colloquiums at SMU, where authors described their projects and received thoughtful feedback. Results may change a bit before final publication in the peer-reviewed journal *Contemporary Economic Policy*.

The preliminary findings are noteworthy and encouraging. As a body of work, the papers find economic freedom associated with a variety of benefits for women, with few potential drawbacks. Just as important, the scholars who conducted this research were asking questions that were mostly unexplored up to this point.

Meg Tuszynski is a research assistant professor at SMU and assistant director of the Bridwell Institute.

On Barriers and Mandates

The philosophy of economic freedom holds that economic outcomes will be better if individuals with secure property rights are allowed to work, produce, trade and innovate in open markets. The argument is old, but only in the past quarter century or so have economists developed ways to measure economic freedom – i.e., the tools to do the empirical studies that help settle arguments about economic freedom’s real-world impact.

Using the Economic Freedom of the World (EFW) and similar indexes, hundreds of published papers have presented empirical evidence that economic freedom correlates with a variety of beneficial outcomes both across countries and across states – for more on that, see the essay by Bridwell Institute Director Bob Lawson that starts on Page 10.

Almost all of these studies look at the relationship between economic freedom and various outcomes for the *average* member of the population. Yet, the economic outcomes for the average person in places like Kuwait and Malaysia depends critically on whether that person is male or female.



Rosemarie Fike

Claudia Williamson Kramer



Tweaking the EFW to Recognize Women’s Realities

In the 2017 EFW report, Fike introduced the Gender Disparity Index (GDI) to measure formal legal discrimination against women.

It uses 41 separate indicators from the World Bank’s Women, Business and the Law dataset, which details various legal and regulatory barriers women face. The GDI was the basis for adjustments to the EFW index’s Area 2 Legal System and Property Rights component.

Countries with no gender disparity see no change to their Area 2 score, while countries with significant gender disparity see a significantly lower score. The Fike adjustment allows researchers using the EFW index to better assess the role gender plays in economic outcomes.

According to the World Bank, 176 countries have some sort of formal legal barriers affecting women’s economic participation, although the intensity of these barriers varies. In addition to the formal barriers, countries vary in cultural attitudes that shape the acceptance of female employment, education, leadership and income-earning capabilities. Even without formal regulatory restrictions against women, patriarchal cultural attitudes may

still curtail women’s economic opportunities.

In her research paper, Claudia Williamson Kramer (University of Tennessee at Chattanooga) looked at both formal regulation affecting women’s economic opportunities and cultural attitudes toward women. She found that countries with higher levels of economic freedom tend to have both fewer formal restrictions and more inclusive attitudes.

On the regulatory side, Kramer found that countries with higher levels of economic freedom may also see higher rates of female workplace mobility, equal pay, workplace equality, equality of retirement and entrepreneurship equality. With respect to cultural attitudes, she says that “countries with more economic freedom tend to have values that express support for gender equality in employment, income earnings, education and leadership.”

Another question is whether gender equality mandates can help improve women’s economic status. An increasing number of countries and states have enacted such mandates, and others are considering them. Eight European countries, for example, have gender quotas for companies listed on stock exchanges. California mandates that corporations have at least one woman on



Megan Teague
Nikolai Wenzel



their boards – and more for boards with five or more members.

Fike, the economist who shook up the EFW, co-authored a paper for our project. She and Abigail Hall confronted the question of gender mandates’ efficacy head-on. They did find some evidence that gender mandates could improve women’s labor force participation.

However, Fike (Texas Christian University) and Hall (University of Tampa) suggest that creating an environment where women can flourish is more important than enacting gender mandates. In their paper, greater economic freedom was associated with a broader variety of labor market outcomes, including lower female unemployment rates, fewer women engaged in vulnerable employment, higher levels of education among female workers and a larger percentage of female employers.

Having women “at the table” matters – whether we’re talking about corporate boards or legislatures. Corporate culture and policymaking both differ notably when women are part of the conversation. One way to achieve the goal of having more women is through gender mandates, yet

these come with their own problems, including the perception that positions are undeserved, less diversity on other margins and younger, less experienced boards.

A paper by Megan Teague (West Chester University), Nikoloz Chkhaidze (International Black Sea University) and Nikolai Wenzel (Universidad de las Hespérides) looks directly at the relationship between economic freedom and women in power.

They find that countries with higher levels of economic freedom tend to have more women in ministerial positions and in parliament and more females on boards of directors. The results aren’t huge: a one point increase in a country’s economic freedom score – approximately the difference between the United States and Qatar or Slovenia – is associated with 2.5 percent more women in ministerial positions and about 5 percent more in parliament.

Teague and her co-authors suggest that expanding economic freedom may be a way to get women influential positions without legally mandating it. They note that improvements in economic freedom increase opportunities for all people – not just women – so more free countries

may see other sorts of diversity in these positions, too.

On Children and Families

Kerianne Lawson (North Dakota State University) and Clara Piano (Austin Peay State University) both looked at the relationship between economic freedom and family planning – although from different angles.

Lawson finds that people in more economically free countries tend to give birth to fewer children, even after controlling for wealth, education and official policies to either raise or maintain birth rates. This result confirms a trend researchers have noted in the field of development economics. As nations become wealthier, women tend to have fewer children but invest more heavily in the children they do have.

In addition, more economically free countries also saw lower adolescent birth rates – a decline in women ages 15-19 having children, which many would see as a good outcome. Fewer teen parents means young women can stay in school longer and get a foothold in the workforce before starting a family, setting them on a life trajectory different from that of teen mothers.

Yet Lawson finds that the decline in fertility isn’t limited to adolescent women. This isn’t good or bad; but it does have implications for things like the sustainability of government spending on entitlement programs.

Another way to understand the implications of economic freedom is to drill down to whether people are having as many children as *they want to have*. This is what Piano does in her paper. Instead of looking at fertility *rates*, she looks at the fertility *gap* – the difference between how many children people say they want and how many they actually end up having.

Due to data availability, Piano looks across

U.S. states rather than across countries, using the state-level index in the *Economic Freedom of North America* report.

She finds that greater economic freedom is associated with a lower fertility gap. Specifically, a 1 percent increase in a state's economic freedom score is associated with a nearly 10 percent decline in the average fertility gap. In states that are more economically free, women are more likely to have the number of children they want to have.

While Piano's paper doesn't explore why, I can offer at least a couple of reasonable explanations. We know from previous research that economically free states tend to be wealthier, so maybe women in these states can more easily afford childcare. Or perhaps women who have difficulty conceiving have better access to fertility treatments.

In any case, these two papers on fertility illustrate how expansions in economic freedom have significant non-economic, very personal implications.

On Women at Work

As countries have grown wealthier, women have turned increasingly to work

Economic freedom increases economic opportunity for both men and women. It liberates women to make their own choices about work and family.

outside the home. In 1950, the female U.S. labor force participation rate was 34 percent; it's now just over 57 percent (down a few percentage points from the early-2000s peak). Both the political left and the political right have noted some potential costs to this transition.

On the left, the argument suggests socialism would liberate women from the burdens that capitalism has placed on them. On the right, the argument is that an unintended by-product of women entering the workforce en masse has been a weakening of the family.

A paper by Anne Rathbone Bradley (The Fund for American Studies) argues that both types of market critiques are misguided by addressing the claims that economic freedom is somehow bad for families. Economic freedom increases economic opportunity for both men and women. It liberates women to make their own choices about work and family. She points specifically to the gig economy, which has increased access to flexible, part-time work – with disproportionate benefits for women.

Bobbi Herzberg (Mercatus Center) and Jeanne Hoffman (Institute for Humane Studies) also tackled a topic germane to women in the workforce. They examined the impact of pandemic-related career disruptions on women in academia.

Lack of access to childcare during the pandemic kept all working women from their jobs. Herzberg and Hoffman chose to limit their scope to women in academia for two reasons. One, academics tend to have more flexible work schedules. Two, colleges and universities at least outwardly profess a commitment to promoting minority employment.

Strong impacts on academic women's



Kerianne Lawson
Clara Piano
Anne Bradley



career trajectories due to the pandemic would suggest even stronger problems for women in less flexible jobs. The authors find preliminary evidence that active measures taken by colleges and universities to decrease gender disparity during the pandemic may have actually exaggerated this disparity.

Their research is still ongoing, but one implication might be that creating an environment in which all can flourish is more important than carving out rules that aim to help women at work. In fact, such special treatment might hurt more than it helps.

On Women as Entrepreneurs

Numerous studies have found that places with greater economic freedom tend also to have higher rates of entrepreneurial activity. Worldwide, about 40 percent of new businesses are created by women, according to the Global Entrepreneurship Monitor for 2022. Not surprisingly, there are substantial variations across countries.

In her paper, Israt Jahan (University of Wisconsin–La Crosse) looks at the

In countries where women have weaker property rights protections than men, fewer women engage in entrepreneurial activity.

relationship between large and sustained increases in economic freedom and female entrepreneurship. According to her findings, male and female entrepreneurs benefit equally from economic reform in the short run, but improvements in a country's economic freedom environment are disproportionately beneficial for female entrepreneurs over a longer time frame (10+ years).

Entrepreneurship discussions often make a distinction between opportunity entrepreneurship and necessity entrepreneurship. When we think about entrepreneurs, we usually conjure up the

Bill Gateses and Martha Stewarts of the world. These opportunity-driven types of entrepreneurs see a gap in the market and turn to entrepreneurship to fill the gap. Yet, about a quarter of entrepreneurs worldwide are categorized as necessity-driven entrepreneurs. They turn to entrepreneurship not because they see market opportunities but because they have no other alternatives.

In general, more women than men fall into the necessity-driven category, so good entrepreneurship research aims to pierce this distinction. Jahan finds that improvements in economic freedom not only foster female entrepreneurship overall, but also promote opportunity-driven entrepreneurship.

In another paper, Siri Terjesen (Florida Atlantic University) and Diana Hechavarria (Texas Tech University) worked to untangle the complicated relationship between female entrepreneurship, economic freedom and secular ideologies. They note the path that entrepreneurship takes is often highly context-dependent and influenced by economic, social and cultural forces.

They find economic freedom is positively related to female opportunity entrepreneurship in countries with higher rates of secularism. However, this also means that economic freedom may be negatively related to female opportunity entrepreneurship in countries with higher levels of religiosity.

Of the five areas that comprise the *EFW* index, the category of Legal System and Property Rights is arguably the most consequential for entrepreneurship. For a would-be entrepreneur facing an insecure property rights regime, the incentives for entrepreneurship are significantly blunted.

The paper by Kathleen Sheehan and Colin O'Reilly (both at Creighton University) examines the relationship between female entrepreneurship and

Roberta Herzberg
Israt Jahan



Siri Terjesen
Colin O'Reilly
Robin Grier



women's property rights protections. In countries where women have weaker property rights protections than men, fewer women engage in entrepreneurial activity. Weaker property rights protections also make it less likely that firms will have top managers who are female.

On Women's Education

A paper by Robin Grier (Texas Tech University) adds an element of female educational opportunities to the relationship between economic freedom and women's labor market opportunities. She looks at the relationship between large and sustained improvements in economic freedom (not just *any* increases in economic freedom) and subsequent improvements in female labor force participation and female schooling.

Grier finds a sustained one point jump in a country's economic freedom score is associated with around 1.6 percent more women participating in the labor force and 6.4 percent more females completing primary school.

Because Grier looks specifically at countries that experienced large and sustained jumps in freedom, her results can be thought of as improvements above and beyond whatever labor force and educational trends were already occurring.

"This is encouraging evidence against criticisms that capitalism significantly hurts women," Grier wrote. "Economically free societies are not only more efficient and productive, but they also offer more employment and educational opportunities to women."

Previous research found that people in more economically free countries not only tend to achieve higher educational attainment but also tend to invest more in education and see higher rates of return on those investments. We know, however, that in many countries female students don't enjoy the same educational opportunities or benefits as their male counterparts.

Angela Dills (Western Carolina University) examines how economic freedom is related to female human capital investment. Because higher levels of schooling don't

always translate into more actual learning, Dills looks at both educational attainment and actual learning outcomes.

Her results suggest that "as a country reduces gender disparity in economic freedom, gender gaps in educational outcomes may close." Specifically, in countries within which women and men experience substantively similar levels of economic freedom, women tend to also see higher literacy rates and smaller gaps in learning outcomes relative to men.

Educational improvements are an end in themselves, but a more educated population also delivers broader benefits to society.

Christina Peters, Alexandre Padilla (both at Metropolitan State University) and Maria Tackett (Gonzaga University) explore a particular way education matters. Their paper examines the relationship between individuals who pursue a foreign education and improvements in gender disparity.

Previous work found that students who study elsewhere may come home and successfully promote the expansion of democracy in their home countries. The

Our Papers – Their Authors and Titles

Anne Rathbone Bradley: “Rich in Things, Poorer in Spirit: Is Women’s Economic Freedom Bad for Families?”

Angela K. Dills: “Gender Disparities in Economic Freedom and Human Capital Investment”

Nabamita Dutta: “Female Top Managers and Perceived Obstacles by Indian Firms: Does Economic Freedom Help?”

Rosemarie Fike and Abigail R. Hall: “Economic Freedom vs. Gender Equality Mandates: Which is More Effective at Improving Women’s Labor Market Outcomes?”

Robin Grier: “The Causal Effect of Economic Freedom on Female Employment & Education”

Roberta Herzberg and Jeanne Hoffman: “Coming Apart at the Seams: Exogenous Shocks to the Already Fraying Campaign for Gender Equality in the US Workforce”

Israt Jahan: “Economic Freedom and Women Entrepreneurship”

Kerianne Lawson: “Economic Freedom for Women and Fertility”

Christina Peters, Maria Tackett and Alexandre Padilla: “Foreign Education, Gender Legal Rights and Economic Freedom”

Clara E. Piano and Lyman R. Stone: “Economic Freedom and the Fertility Gap”

Shruti Rajagopalan and Kadambari Shah: “Economic Liberalization and its Impact on Women in India”

Kathleen Sheehan and Colin O’Reilly: “Women’s Property Rights and Entrepreneurship: How Property Rights Equality Impacts Entrepreneurial Activity”

Megan Teague, Nikoloz Chkhaidze and Nikolai G. Wenzel: “Parity Without Socialism: Economic Freedom and Opportunity for Women”

logic, of course, is that those exposed to less repressive regimes as students often work to see improvements in political systems back home.

According to Peters and her co-authors, this same mechanism might be at play when it comes to reducing gender disparities. The results were surprising. The paper finds

no evidence that students who study in places with *more* gender equality than their own countries subsequently promote the expansion of women’s legal rights at home.

Instead, it points to the opposite. When students study in countries with *less* gender equality than their home countries, they come back and push for even more rights

for women. The authors characterize this as a backlash effect, suggesting that students are so upset by the unequal treatment they witness abroad that they’re more highly motivated to improve conditions at home.

On Women in India

Two separate papers examined the case of India – one focused on an unusual trend in women’s labor force participation and the other on women’s role in management.

Since India liberalized in 1991, it experienced a 33 percent improvement in its EFW score. Over this same time, real GDP more than quintupled. The link between economic freedom and faster growth is well-established, but various East and Southeast Asian countries that liberalized around the same time also saw declining fertility rates, freeing up women for higher rates of participation in education and/or the labor force.

India *did* realize declining fertility rates and it *did* achieve higher rates of educational attainment for women after liberalization. Strangely enough, it has

Alexandre Padilla
Kadambari Shah



seen a consistent decline in women's labor force participation.

This anomaly is the topic of a paper by Kadambari Shah and Shruti Rajagopalan (both at George Mason University's Mercatus Center), which argues that the reasons behind this decline in labor force participation are multifaceted and not well-understood.

Although a great deal of research finds improvements in economic freedom are correlated with a variety of beneficial effects, Shah and Rajagopalan's paper cautions us against being Panglossian. Economic freedom is not a silver bullet meant to solve every social and economic ill. Some problems are more complicated.

In the other India-related paper, Nabamita Dutta (University of Wisconsin-La Crosse) uses a large firm-level dataset from India to examine how perceived financing obstacles and corruption impact the probability of women being in top management positions as well as how economic freedom might play a mediating role in the presence of such obstacles.

According to a 2017 report by the African Development Bank, only 17 percent of board positions are filled by women in the world's 200 largest companies. Some recent studies have found that just the perception of financial and non-financial barriers can impact firm behavior, including the propensity to engage in innovation.

Dutta uses a Cato Institute dataset built on the same methodology as the EFW to assign an economic freedom score to each Indian state. States with higher economic freedom tend to have more females in top management positions, especially in firms that perceive themselves facing severe obstacles to financing or corruption.

"Economic freedom enhances the probability of having the female in the top management even with rising perceived obstacles," she wrote.

The Bridwell Institute launched this project as a step toward heeding Rosemarie Fike's call to expand research on economic freedom and women. The 15 papers produced results that were interesting, sometimes even surprising and certainly

a contribution to studies of women and economic freedom (*see box page 8*).

We hope this project stimulates additional research on women using the EFW and other economic freedom indexes.

The closing sentence of Kramer's paper sums up this project nicely: "In essence, freer markets correspond to freer women."

More broadly, the project has helped us better understand how economic freedom affects subgroups of state and national populations. While this project looked specifically at women, I hope it's the beginning of a larger conversation on how economic freedom affects not just the "average" person in a country, but the distributional consequences it has as well.

What's particularly promising about promoting women's rights and opportunities with economic freedom is that you get more "bang for your buck" than trying to achieve these ends via policy. Many policies aimed at helping women are good for women, but gains in economic freedom are not just good for women. They're good for all people.

Notes and References

The most recent version of the *Economic Freedom of the World* annual report, including access to the full dataset, can be found at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2023-annual-report>.

The most recent version of the *Economic Freedom of North America* annual report, including access to the full dataset, can be found at <https://www.fraserinstitute.org/studies/economic-freedom-of-north-america-2022>.

For an up-to-date understanding of the status of women's economic freedom around the world, see Rosemarie Fike's report from earlier this year <https://www.fraserinstitute.org/studies/womens-economic-rights-moving-closer-to-gender-equality>.

Fike's original essay challenging the way we measure economic freedom is

available in the 2016 *Economic Freedom of the World* annual report, available here <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2016-annual-report>.

For a high-level overview of the hundreds of empirical studies that have used economic freedom as a variable, see Bob Lawson's essay "Economic Freedom in the Literature: What Is it Good (Bad) For?" <https://www.fraserinstitute.org/studies/economic-freedom-in-the-literature-what-is-it-good-bad-for>.

A similar overview of the state-level economic freedom literature can be found in my paper with Dean Stansel, "Subnational Economic Freedom: A Review and Analysis of the Literature" *Journal of Regional Analysis and Policy* 48(1): 61-67.

A Guided Tour of the EFW: Its First 26 Years 1,300 Papers

By Robert Lawson

Nearly 250 years ago, Adam Smith observed that the “wealth of the nation” would be made greater by policies consistent with what he called a “system of natural liberty,” or what we today call economic freedom.

In the centuries since *The Wealth of Nations*, many eminent scholars – among them, David Ricardo, John Stuart Mill, Ludwig von Mises, Friedrich Hayek and Milton Friedman – have argued that an economic system based on private property, competitive markets and free trade would yield good outcomes. To these advocates and those following in their footsteps, economic freedom brings about not only material prosperity but also human flourishing in many dimensions.

In contrast, another group of celebrated scholars – including Karl Marx, John Maynard Keynes, Abba Lerner and Joseph Stiglitz – have argued that economic

Robert Lawson is director of the Bridwell Institute and co-author of the Economic Freedom of the World report.

Vincent Miozzi (Texas Tech University) and Meg Tuszynski (Bridwell Institute) contributed research assistance for this essay.

freedom leads to disastrous, or at least sub-optimal, outcomes, especially when it comes to business cycles and income equality. More recently, economic freedom skeptics have added concerns related to climate and the environment to the list.

The theoretical debates are interesting in and of themselves. At the end of the day, however, whether economic freedom yields positive or negative socioeconomic outcomes

is an empirical question – a matter of what the numbers tell us. Answering the good v. bad questions about economic freedom requires a statistical tool that compares countries by degrees of economic freedom.

That’s where the Economic Freedom of the World (EFW) index comes in. First published in 1996, it uses 61 data points to rank 165 nations on five broad areas fundamental to successful free enterprise economies – size

EXHIBIT 1

Cumulative Citations of the EFW Index, 1996 to April 2022

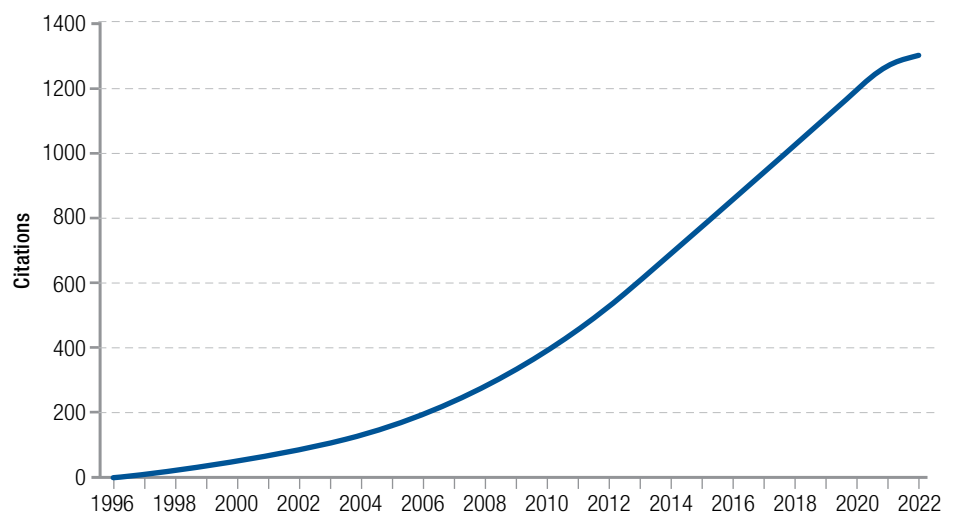
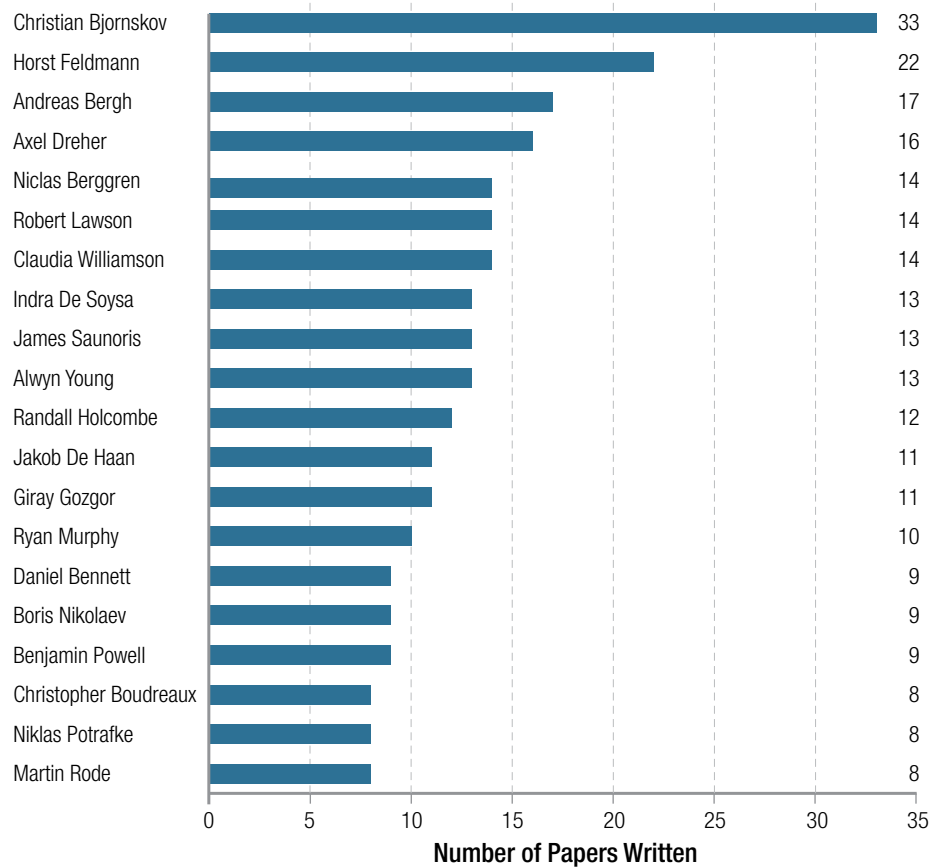


EXHIBIT 2

Top 20 Authors Using the EFW Index



of government, Legal System and property rights, sound money, freedom to trade internationally and regulatory burdens. Combining these five numbers yields a single economic freedom score, ranging from 1 for the least free to 10 for the most free. (See page 21 for a summary of the most recent EFW report.)

Researchers have applied the EFW index in a multitude of ways to examine issues related to economic freedom and its real-world impacts. In the journal *Contemporary Economic Policy*, West Virginia University economist Josh Hall and I used the Social Science Citations Index (SSCI) to catalog the results in all the academic papers citing the EFW index from 1996 through early 2011.

We summarized our findings this way:

“Of 402 articles citing the EFW index, 198 used the index as an independent variable in an empirical study. Over two-thirds of these studies found economic freedom to correspond to a ‘good’ outcome such as faster growth, better living standards, more happiness, etc. Less than 4 percent of the sample found economic freedom to be associated with a ‘bad’ outcome such as increased income inequality. The balance of evidence is overwhelming that economic freedom corresponds with a wide variety of positive outcomes with almost no negative tradeoffs.”

Adapted from a chapter I wrote for the Fraser Institute’s 2022 EFW report, this essay updates the earlier study with papers published from 2011 through early 2022. The second SSCI search produced an additional 901 papers – with the original 402 papers Hall and I identified, a total of 1,303. More than twice as many citations to the EFW index were recorded in the past 11 years than in the first 15 years after initial publication. Exhibit 1 shows the cumulative citations to the EFW index by year.

Top Authors, Journals and Fields

Before turning to the analysis of the degree to which the EFW index has been found to be good or bad, I looked at who is writing what kinds of papers in what journals.

Exhibit 2 shows the authors with the most SSCI journal citations of the EFW index, led by the indefatigable Christian Bjornskov (Denmark’s Aarhus University) with 33 papers and the prolific Horst Feldmann (England’s University of Bath) with 22.

These 20 authors accounted for fully 20 percent of all citations. For a project authored by American academics and published by Canada’s Fraser Institute, it’s interesting that 11 of the top 20 authors are based in Europe.

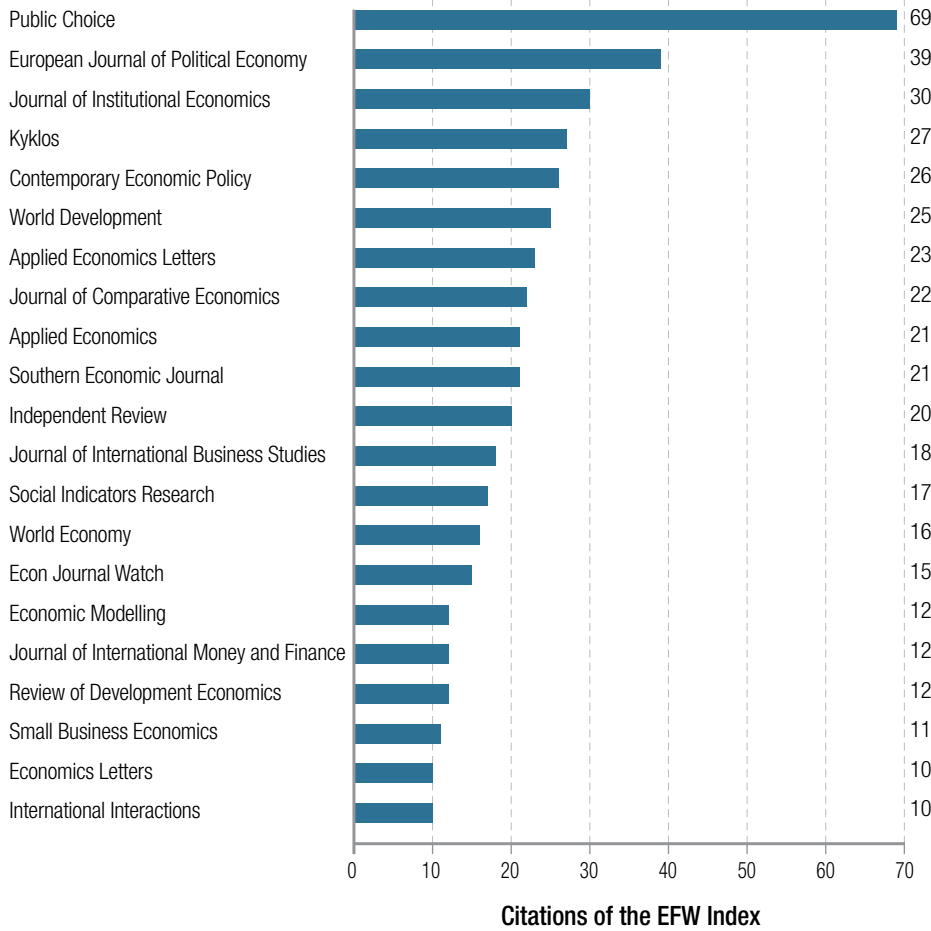
Only two have direct ties to the EFW project – Ryan Murphy and me, both of us part of the Bridwell Institute.

Exhibit 3 presents the 20 journals (actually 21 because of a tie) with the most articles citing the index. *Public Choice* leads with 69 citations. In total, the journals listed in Exhibit 3 account for 35 percent of all citations. Later, I will examine how sensitive our ultimate findings are to the inclusion or exclusion of the most prominent authors and journals.

Exhibit 4 lists the fields represented by all papers citing the EFW index. Not surprisingly, economics journals dominate the list with 821 citations. Three business fields (business, business finance and management) accounted for 331 citations

EXHIBIT 3

Journals with the Most Citations of the EFW Index



combined, while political science and international relations teamed up for 330 citations. (Because some journals cover more than one SSCI field, the total count is higher than the number of papers.)

How Researchers Use EFW

Each paper was coded for how it used the EFW index (Exhibit 5). Of the 1,303 papers citing the EFW index, 318 included only a minor or gratuitous mention. Another 156 used the index in a more substantial way but without a clear empirical model expressed with a dependent variable (such as per capita income) as a function of various independent variables (including the EFW index). Eighteen papers could not be found despite a good bit of effort.

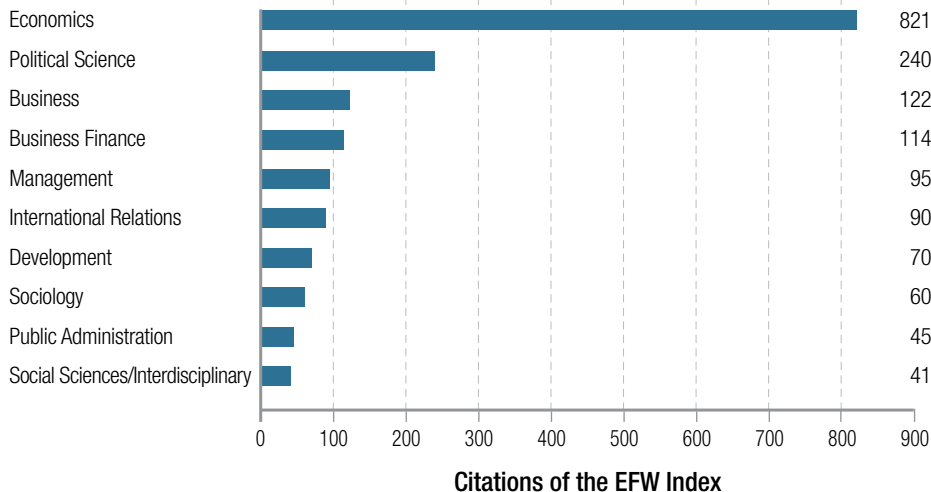
The remaining 811 papers employed a conventional empirical model. Of these, 90 used the level and/or change in the EFW index and/or one of its areas or components as the dependent variable. For the purposes of this analysis, I will focus on the remaining 721 papers that use the EFW index, its areas, components and/or subcomponents as an independent explanatory variable. This updated review increases the sample size by 523 papers from the 198 empirical papers Hall and I examined for 1996-2011.

Each of the 721 papers was coded by use of the EFW index: 251 used only the summary EFW index; 88 used the summary EFW index and one or more area, component or subcomponent; and 382 used one or more area, component or subcomponent but not the overall EFW index. In the 1996-2011 study, there were slightly more uses of the summary EFW index (94 papers) than the EFW's areas, components and subcomponents (84 papers).

Over the years, the EFW co-authors have expressed some discomfort with the practice of disaggregating the EFW index. In the 2021 EFW report, Gwartney, Hall, Murphy

EXHIBIT 4

Most Popular Fields Citing the EFW Index



and I wrote:

“There is reason to question whether the areas (and components) are independent or work together like the wheels, motor, transmission, driveshaft, and frame of a car. Just as these interconnected parts provide for the mobility of an automobile, it may be the combination of interrelated factors that brings about economic freedom. Which is more important for the mobility of an automobile: the motor, wheels, or transmission? The question cannot be easily answered because the parts work together. If any of these key parts break down, the car is immobile. Institutional quality may be much the same. If any of the key parts are absent, the overall effectiveness is undermined.”

Despite the EFW authors’ warning, it’s clear that disaggregating the index has become more popular. For the papers examined, I didn’t track the use of areas, components and subcomponents, but Area 2 Legal System and Property Rights was clearly the most common. Area 1 Size of Government, Area 4 Freedom to Trade Internationally, Area 5 Regulation and Component 5B Labor Market Regulation were also used frequently.

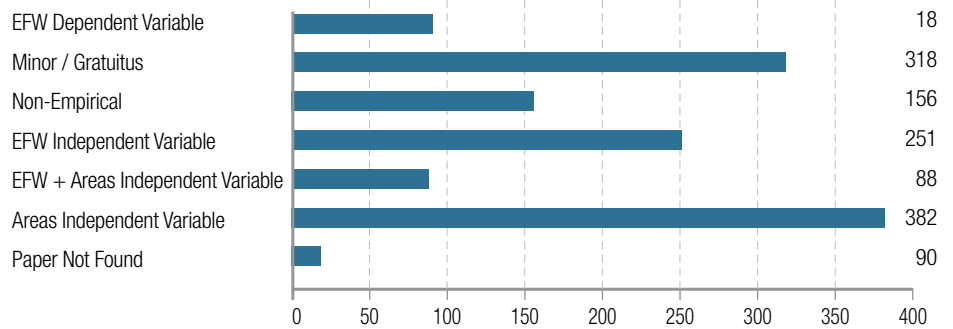
EFW and Desirable Outcomes

After determining how the EFW index was used, the next step was to evaluate whether the EFW index and/or its areas, components and subcomponents were positively linked to a desirable dependent variable (or negatively linked to an undesirable dependent variable). If so, the paper was coded as a “good” result for economic freedom.

If the EFW variable correlated positively with an undesirable outcome or negatively with a desirable outcome, the paper was coded as a “bad” result. If the EFW variable was sometimes good, sometimes bad, generally insignificant, or conditional on other factors, then the paper was coded as a

EXHIBIT 5

Types of Citations and Uses of the EFW Index



Citations of the EFW Index

“mixed/null/uncertain” result.

This scoring process is obviously somewhat subjective, but it was rarely difficult to code a paper. In determining whether the outcome was a good outcome or a bad outcome, a *ceteris paribus* (all things being equal) assumption was applied.

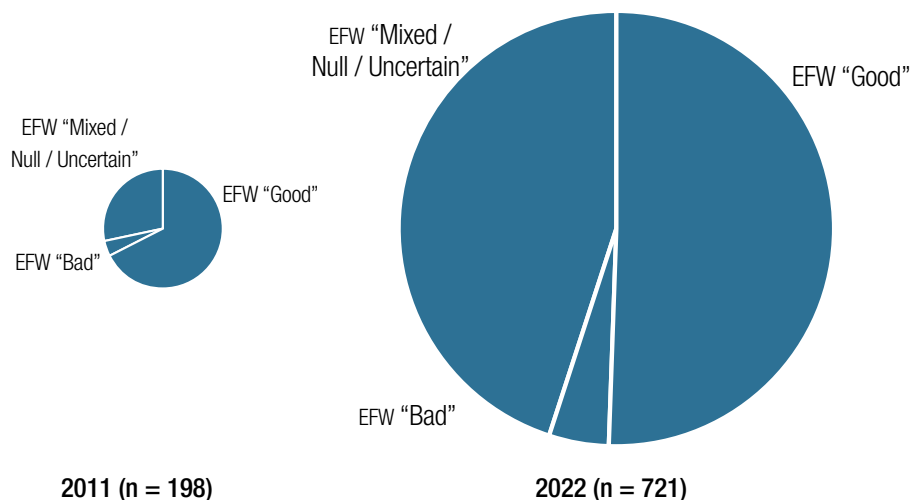
Outcomes like economic growth, foreign direct investment (FDI), life expectancy and happiness are clearly desirable outcomes, all things being equal - at least to most people. Likewise, outcomes like inequality and pollution are clearly undesirable outcomes, all things being equal - at least to most people.

A few outcomes were impossible to classify as uniformly desirable or undesirable, even holding all else equal, and in these cases, the papers were classified in the mixed/null/uncertain category. A good example of this would be those papers that looked at public opinions of various kinds as the dependent variable; there’s no way to code people’s opinions as either good or bad.

The papers vary in terms of their level of care with data and econometric sophistication. I didn’t omit or attempt to correct any papers that I thought were flawed – and there were many such papers.

EXHIBIT 6

Normative Outcomes Associated with the EFW Index 2011, 2022



All the papers passed through an editorial and peer-review process that led to final publication in an SSCI-indexed journal, and they're all now part of the social science record. It is simply not my place here to judge these papers a second time.

Among the 721 empirical papers, 365 (or 50.6 percent) were deemed to be good in that the EFW index variable was positively correlated with a good outcome. Only 4.6 percent (33 papers) were classified as bad. Some 44.8 percent (323 papers) fell into the mixed/null/uncertain category.

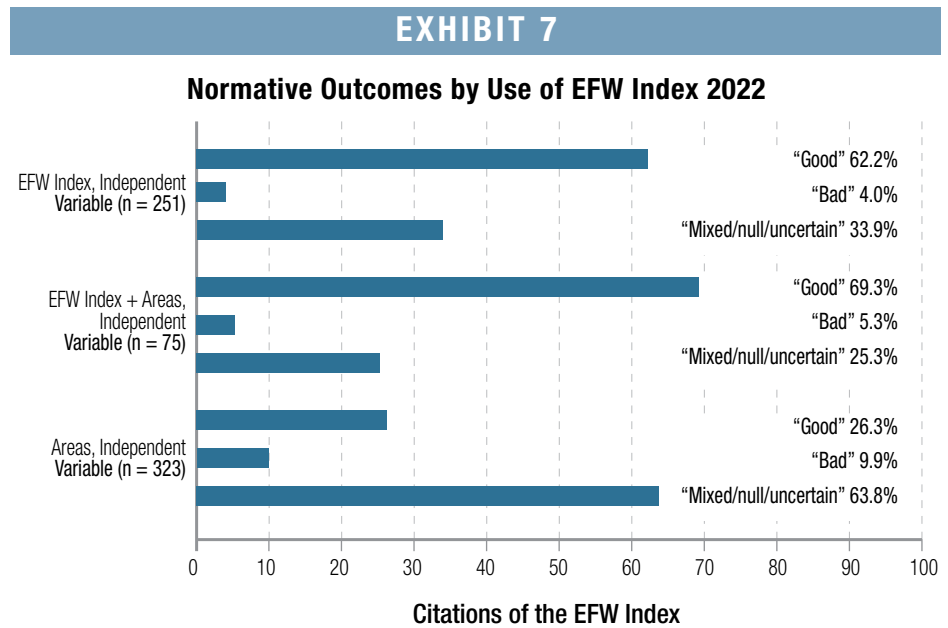
Compared to the 198 empirical papers in the 1996-2011 study, the updated results based on 721 papers indicate far fewer positive results, more mixed/null/uncertain results, and about the same portion of negative results (Exhibit 6).

Exhibit 7 breaks down the results based on how the EFW index was used. If the paper used the summary index only or used the summary index along with some areas/components/subcomponents, then it was about twice as likely to find a positive result as a mixed/null/uncertain result.

In contrast, papers using only elements of the EFW index, such as Area 2 Legal System and Property Rights or 5B Labor Market Regulation, were much less likely to find a positive result and much more likely to find a mixed/null/uncertain one. Normatively bad classifications, while still fairly rare, were more than twice as likely when using just areas/components/subcomponents than when using just the summary index.

Dependent Variable Diversity

With so many different dependent variables being used, it is almost impossible to summarize the studies' outcomes. Word clouds provide one way to illustrate the most common words describing the outcome variables when the EFW variable was coded positively (Exhibit 8) or



negatively (Exhibit 9).

Economic freedom, as measured by the EFW index, clearly seems to correspond in a good way with variables like economic growth, investment and income. Inequality is shown to be a very common outcome among

the papers classified as bad; that is, several papers found the EFW index variable(s) correlated with greater income inequality.

Some additional precision in understanding these results comes from sorting the broad results from the papers



EXHIBIT 9

Most Common Words Describing the Outcome Variables when the EFW Variable was Coded Negatively



into the following broad categories:

- **Conflict.** This refers to things like wars, civil unrest, and terrorist attacks.
- **Corruption and shadow economy.** Measures of corruption, such as Transparency International's Corruption Perception Index, and the underground economy are in this category.
- **Entrepreneurship and innovation.** This group covers papers looking at entrepreneurship, business starts/failures and such measures of innovation as patent applications.
- **Environmental outcomes.** This includes CO₂ emissions and other measures of pollution as well as environmental outcomes like biodiversity.
- **Economic growth.** This is primarily GDP per capita growth, but this group also includes some papers looking at growth by economic sector.
- **Human rights and social development.** This category includes papers looking at the United Nation's Human Development Index

as well as those looking at social progress indicators like life expectancy, social trust, etc.

- **Immigration and travel.** Papers on migrants, including refugees, and immigrant stocks and flows and papers on tourist travel are in this group. A positive outcome is recorded when higher levels of economic freedom increase the attractiveness of a jurisdiction to immigrants and tourists.
- **Income and productivity.** Typically, this category uses GDP per capita but there are numerous papers looking at output per work or total factor productivity.
- **Inequality.** Papers examining the effect of economic freedom on both income and wealth inequality are in this group.
- **Investment.** Papers looking at investment in both physical and human capital as the dependent variable are in this group; papers on FDI are also here.
- **Labor market outcomes.** This category includes papers focused on employment, unemployment, wages or labor force participation.

- **Trade.** The papers looking at imports and/or exports are collected in this category.

Exhibit 10 reports the breakdown of good, bad and mixed/null/uncertain outcomes in these 12 broad categories. In each, positive results outnumbered negative results, and in most cases, positive results were the most common finding overall, even when including mixed/null/uncertain results.

The EFW index variables were quite positively related to the more “economic” variables, such as growth, income, investment, labor and trade. The only categories in which the negative results accounted for even double-digit shares were environmental outcomes, human rights and social development and inequality. But again, it's important to note that even in these categories, economic freedom was more commonly found to have a good correlation with these outcomes than a bad one.

Publication Bias Issues

Could the preponderance of good findings (and relative paucity of bad ones) be the result of ideological bias or publication bias on the part of the authors and/or journals?

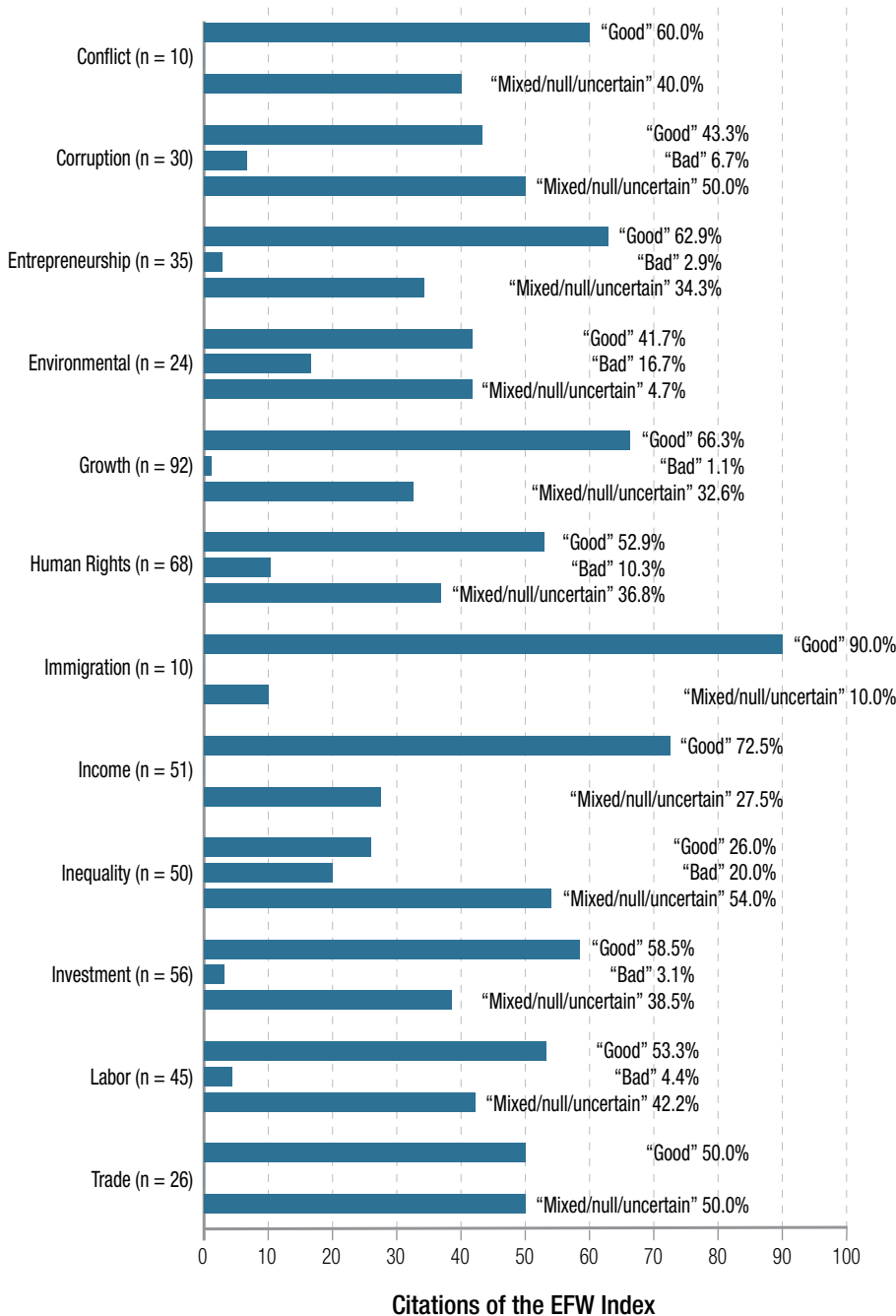
I assume that authors using the term “economic freedom” in the actual title of the paper are more likely to be sympathetic to liberal market policies and institutions of the type measured by the EFW index; likewise, I strongly suspect authors using the term “neoliberal” are more likely to be hostile to these ideas.

A review of the 721 empirical papers identified earlier finds some evidence of potential ideological bias. Sixty-nine of the papers used the term “economic freedom” in their titles, and more than 70 percent of them were coded as good (Exhibit 11). That's significantly higher than the 50.6 percent for the entire 721-paper sample.

Empirical papers using “economic freedom” in the title reported negative

EXHIBIT 10

Normative Outcomes by use of EFW Index 2022



In addition, causation is hard to determine. Are people who like or dislike economic freedom more likely to use such terms, and do they hack their regressions to get good or bad results? Or are people who find good or bad results more likely to use terms like “economic freedom” or “neoliberal”? Setting these cautions aside, it does seem that authors using the terms “economic freedom” or “neoliberal” are, respectively, more or less sympathetic to the cause of economic freedom than those not using these terms.

What about the possibility of publication bias among journals and referees? In the *Journal of Economic Surveys*, Chris Doucouliagos of Australia’s Deakin University argued that publication bias among journal editors and referees was responsible for some positive EFW findings with respect to growth.

Let’s re-examine this thesis by returning to Exhibit 10, which also reports the good/bad/mixed breakdowns among the 148 empirical papers published by the 20 most prolific authors (as shown in Exhibit 2). For good measure, Exhibit 11 also shows the results among the 270 empirical papers published in the 20 most common journals (as shown in Exhibit 3).

Compared to the overall 721-paper sample, the top authors and journals are slightly more or less likely to report that the EFW index correlates with a good or bad outcome; however, it doesn’t appear this effect is very strong because the author and journal results aren’t that far out of line with the larger sample.

Why Good Outcomes Fell

This essay updates the study Hall and I published in 2014. That review examined 198 papers that used the EFW index as an independent variable in a traditional empirical model from 1996 through early

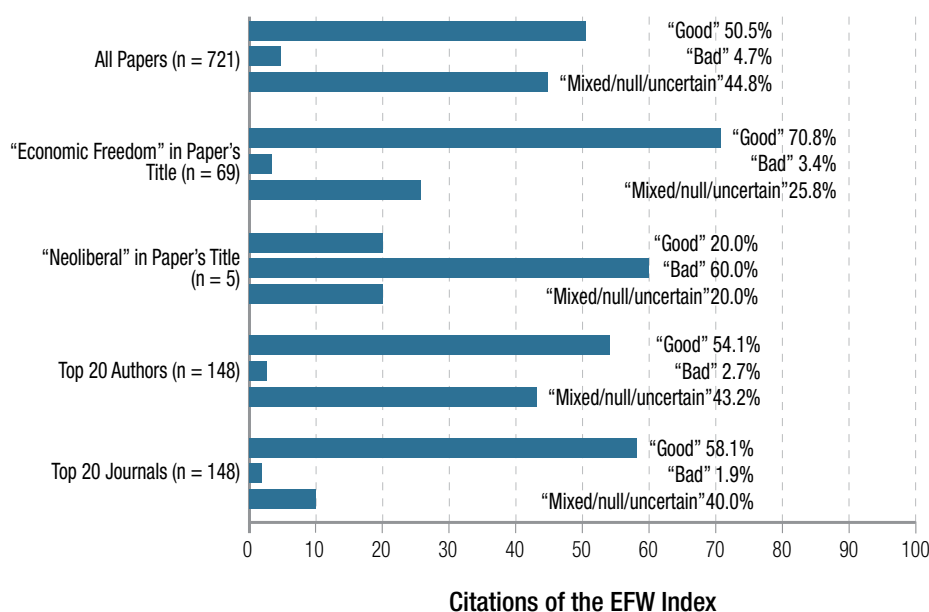
results 3.4 percent of the time – only slightly below the larger sample (4.6 percent). The balance of the papers (25.8 percent) were coded as mixed/null/uncertain, compared to 44.8 percent for the 721-paper sample.

Only five papers used the term “neoliberal”

in the title. Three of them reported bad outcomes for the EFW index, with one paper deemed good and the other mixed/null/uncertain. Any generalizations from this small sample should be done with extreme care, given that so few papers using “neoliberal.”

EXHIBIT 11

Normative Outcomes by use of EFW Index, 2022



2011. This installment adds 11 years and 523 papers to the original list, bringing the total number of empirical papers to 721.

In both studies, the bulk of evidence

suggests that economic freedom, as measured by the EFW index, corresponds with good outcomes. Over the 26 years from 1996 to 2022, slightly more than 50

percent of the papers report normatively good correlations, and about 45 percent report mixed/null/uncertain results.

Adding a decade's worth of research papers did produce one notable change: fewer good results and more mixed/null/uncertain results. The trend most likely stems from the use of increasingly sophisticated empirical methods and additional calls from editors and referees for ever more robustness checks – both of which likely contributed to the increase in mixed/null/uncertain results. In addition, more papers are disaggregating the EFW index, and these papers appear less likely to find clean positive or negative results.

There are a few papers – about one out of 20 – that reported a normatively bad outcome with respect to the EFW index. This is essentially unchanged by adding 523 papers. Importantly, there appears to be no consensus on these negative results; in every instance, at least as many other papers using the same or similar outcomes reported positive results.

Notes and References

On the SSCI Search

The list of SSCI papers was compiled on April 18, 2022. It can be found at: <https://www.dropbox.com/s/8onka7wf8unw1dc/EFW%20SSCI%20Database%204.18.2022.xlsx>.

It's worth noting that the SSCI is a relatively exclusive list of academic journals. Many more citations of the EFW index over these years weren't tracked by the SSCI – academic journals not in the SSCI and academic books, chapters in books, policy studies, etc. The SSCI doesn't track the many references in popular media.

The Google Scholar site reports more than 12,000 citations of the EFW index, although the numbers are clearly inflated because of self-citations and duplicate publications (e.g., a working paper, conference presentation and the final journal article may be counted two or more times).

More than twice as many citations of the EFW index were recorded in the past 11 years than in the first 15 years after initial publication. Some of the increase could be because the SSCI added more journals to their list.

On Migration Deemed Good

While there is a vigorous public debate about the desirability or

undesirability of immigrants, migrants, and refugees on various social outcomes such as jobs, wages, crime, social welfare spending, etc., social science research has generally not found immigrants to be associated with worsening social and economic conditions among natives, and there is little doubt about the welfare gains to the migrants themselves.

For more on migration, see Nowrasteh, A. and B. Powell. 2021. *Wretched Refuse: The Political Economy of Immigration and Institutions*. Cambridge, UK: Cambridge University Press.

Key References

Doucoulagos, Chris (2005). "Publication Bias in the Economic Freedom and Economic Growth Literature." *Journal of Economic Surveys* 19(3): 367-87.

Gwartney, James, Robert Lawson and Walter Block (1996). *Economic Freedom of the World: 1975-1995*. Vancouver: Fraser Institute.

Gwartney, James, Robert Lawson, Joshua Hall and Ryan Murphy (2021). *Economic Freedom of the World: 2021 Annual Report*. Vancouver: Fraser Institute.

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Bridwell Institute

2022-23 Annual Report

Year in Review

The Bridwell Institute was founded with the goal of being a hub for the study of economic freedom. We've been making strides in that direction for years, building relationships with like-minded economists at other universities and research organizations.

In academic year 2022-23, we kept the momentum going. Two donor-funded Bridwell Institute projects produced a gusher of new research – 15 papers on women and economic freedom and 10 papers on how economic freedom shapes key aspects of metropolitan areas' economies.

“Our core mission is the measurement of economic freedom, and we want to encourage more empirical studies that use our

indexes,” said Robert Lawson, the Bridwell Institute's director. “Economic freedom's consequences for women and metro areas haven't been explored in sufficient depth, so we saw an opportunity to fill some gaps and hopefully provide a catalyst for further research along these lines.”

The Institute tapped donor support for another project, one not directly related to economic freedom. We took on a controversial topic – whether diversity, equity and inclusion (DEI), which gets strong corporate support, promotes social justice and improves the performance of companies and institutions.

These projects have a common thread

beyond donors' generosity. Scholars from outside the Bridwell Institute designed and executed the studies. The Bridwell Institute commissioned the research, selected the topics and coordinated the efforts.

“Working with other people gets us more bang for the buck and broadens the scope of the Bridwell Institute's overall contribution to research,” Lawson said. “Projects like these help the Bridwell Institute add to our credibility in the research community.”

While taking on these projects, the Bridwell Institute maintained its usual pace of activities. The ongoing Flourishing & a Free Society Speaker Series featured talks

Remembering William J. O'Neil, With Fondness and Gratitude

When Al Niemi became SMU Cox dean in 1997, he envisioned a research institute focusing on the study of markets and economic freedom. Finding the right donor to make the vision a reality took him nearly a decade.

In 2008, a multimillion-dollar gift from William J. O'Neil, a 1955 SMU business school graduate, created the William J. O'Neil Center for Global Markets and a chair in the business school. The O'Neil Center became the Bridwell Institute for Economic Freedom in 2020.

O'Neil lived in California; as long as his health permitted, he made annual trips to Dallas to attend the O'Neil Center's annual conferences. W. Michael Cox, the O'Neil Center's founding director, recalls his long talks with O'Neil about the economy and investing.

“Bill O'Neil was inspiring and a true believer in capitalism,” Cox said. “He really understood how the relentless churning of markets led to economic progress and wealth creation. Just as important, he understood that socialism would lead to the loss of freedom and economic decline.”

O'Neil died at age 90 in May.



William J. O'Neil

on the lessons of pandemic policies, the unconventional wisdom of economics, the contradictions of DEI and the future of U.S. cities. The Texas Economic Forum focused on challenges to the Texas model in the fall and economic freedom and metropolitan areas in the spring.

Our economists continued to publish their research in academic journals and wrote articles for newspapers, magazines and on-line outlets. More than 130 SMU students enrolled in free market reading groups. Our program to improve teaching of high school economics took steps to expand to lower grades and other states. Our professors taught economics classes for several hundred SMU Cox students and responded to dozens of media inquiries.

“We managed to take on the new research projects without dropping the ball on the programs and activities we’ve been doing for some time,” Lawson said.



The Bridwell Institute staff had no additions or subtractions in academic year 2022-23:

- Lawson, the Jerome M. Fullinwider Centennial Chair in Economic Freedom, completed his eighth year as director of the O’Neil/Bridwell organization while continuing to teach MBA students and conduct research on economic freedom;
- Meg Tuszynski, research associate professor, finished her fifth year as assistant director and led Armentrout Scholars student reading groups in the spring and fall and managed the women and economic freedom project;
- W. Michael Cox, founding director of the O’Neil Center in 2008, focused on teaching MBA students and contributing to the institute’s Texas research;
- Richard Alm, writer-in-residence, produced this annual report and collaborated with Cox, Stansel and other

Bridwell Institute Faculty and Staff, 2022-23



Robert Lawson



Meg Tuszynski



W. Michael Cox



Richard Alm



Dean Stansel



Ryan Murphy



Liz Chow



Ray Hughel



Ann Marie Tipps



Michael Davis



Albert W. Niemi

- colleagues on the Texas Economic Forum;
- Dean Stansel, research associate professor, co-authored the *Economic Freedom of North America* (EFNA) report, managed the economic freedom and metropolitan areas project and coordinated the institute’s Armentrout Scholars student reading groups;
- Ryan Murphy, research assistant

professor, primarily worked with Lawson on measuring economic freedom and led the Bridwell Scholars, the institute’s advanced student reading groups;

- Program specialist Liz Chow, who earned her MBA in May 2021, handles the managing and marketing of the institute’s programs and initiatives;



*Harvard urban economist Edward Glaeser lectures on his new book *Survival of the City* at the Armentrout Scholars reading group's spring semester summit.*

- Ray Hughel, director of educational programs, coordinates our Teaching Free Enterprise program that delivers lesson plans on economic topics to high school teachers;

- Ann Marie Tipps, economic education specialist, works with Hughel in the Teaching Free Enterprise program;

- Mike Davis, senior lecturer, once again shouldered the institute's heaviest teaching load and was a versatile and quotable resource for local TV and other media;

- Al Niemi, who served as SMU Cox dean from 1997 to 2017, holds the William J. O'Neil Chair in Global Markets and Freedom and continued his teaching and research.

With an annual budget of approximately \$2 million, the Bridwell Institute relies primarily on donors to fund its operations. The institute acknowledges the generous support of Tucker and Gina Bridwell, the William E. Armentrout Foundation, Richard Weekley, Sarah and Ross Perot Jr.,

the U.S. Justice Charitable Foundation, the Templeton World Charity Foundation, the Leggett Foundation, the Karakin Foundation, the Kickapoo Springs Foundation, the Braly Family Foundation, the Bessemer Giving Fund, the Stand Together Foundation, the Still Water Foundation, the Hersh Foundation, Crow Holdings and numerous individual donors.



The Bridwell Institute pursues two major research agendas centered on empirical measures of economic freedom – data-driven assessments of the balance between markets and government control:

- **Global Economic Freedom** concentrates on measuring economic freedom and its impacts on key metrics of national performance.

- **State and Local Economic Freedom** takes a similar approach to studying state

and metropolitan-area economic freedom, with an emphasis on the economies of Texas and its largest cities.

The institute stands alone in academia with expertise in measuring economic freedom at all three levels of analysis – nations, states and metropolitan areas.

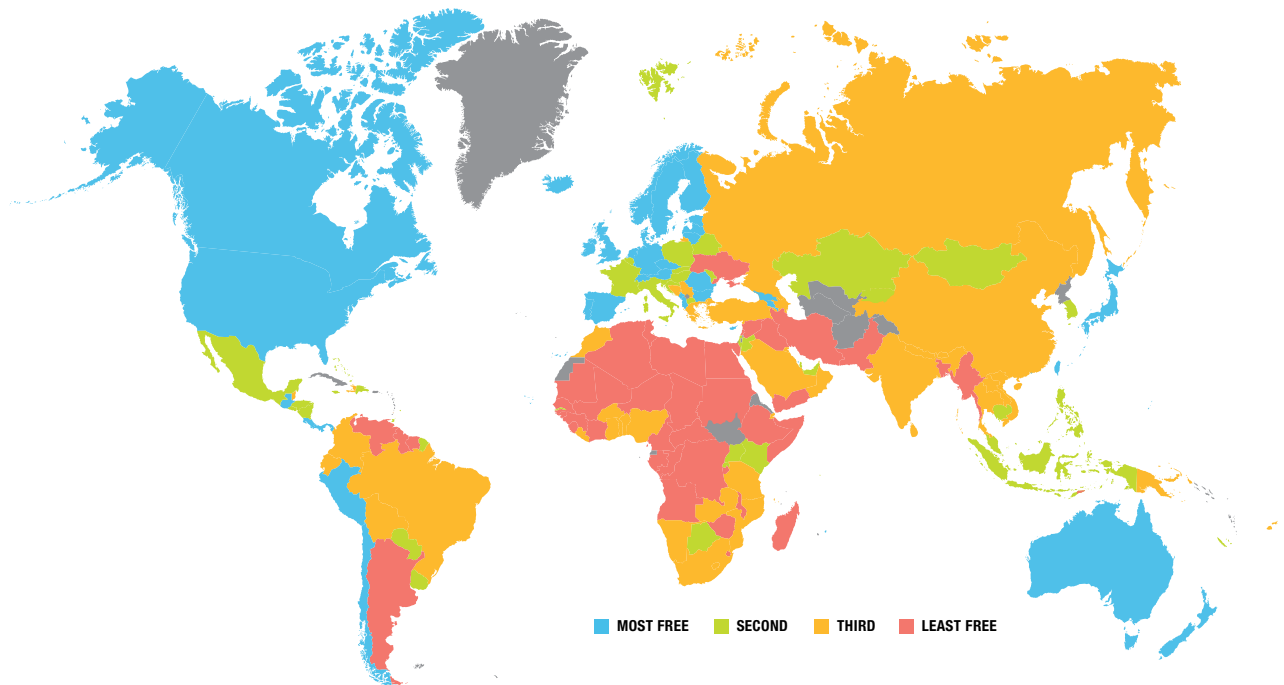
These two research agendas shape the Bridwell Institute's other initiatives:

- **Student Enrichment** seeks to cultivate economic thinking in the next generation through teaching and mentoring.

- **Public Outreach** includes events, speeches, non-academic writings aimed at the broader community and media exposure.

The 2022-23 academic year began on June 1, 2022, and ended on May 31, 2023. Details of the Bridwell Institute's activities and accomplishments are presented on the following pages, sorted by the two research agendas, plus student enrichment and public outreach.

Global Economic Freedom



EFW Report

Ranking Countries on Economic Freedom

For decades, Lawson has been a key researcher and co-author on the *Economic Freedom of the World (EFW)* report, the foundation of the Bridwell Institute’s work on global economic freedom. The report ranks nations on their commitment to the private sector and market-based institutions.

EFW is based on five broad areas fundamental to successful free enterprise economies – size of government, legal system and property rights, sound money, freedom to trade internationally and regulatory burdens.

Studies find high EFW scores correlate with higher incomes, faster economic growth, lower poverty rates, higher life expectancy and many other positive outcomes.

A network of economic researchers around the world collects the raw EFW data. Lawson and Bridwell colleague Ryan Murphy, an EFW co-author since 2018, compile it and calculate indexes of economic freedom for 165 countries.

The EFW report for 2022, published by Canada’s Fraser Institute in September, showed that the most economically free places in 2020 – a year of global economic disruptions from the COVID-19 pandemic– were Hong Kong, Singapore, Switzerland,

New Zealand and Denmark.

The least free economies were in Belarus, Nicaragua and Rwanda.

The United States ranked seventh, down one slot from the previous year. Among five broad areas, the United States scored highly in sound money and regulation. Freedom to trade internationally and the legal system and property rights are not as strong as they were in the past.

The 2022 EFW report included Lawson’s article titled “Economic Freedom in the Literature: What is it Good (Bad) For?” He adapted the research for the essay on page 10.

The EFW keeps Lawson on the move. He attended the Economic Freedom Network annual meeting in Athens, Greece. Among his speaking engagements was an EFW talk at the Atlas Network Liberty Forum in New York City. At the Association of Private Enterprise Education (APEE) meeting, he discussed “Publication Bias in the Freedom Literature.”

At the APEE meeting, Murphy gave presentations on “State Capacity, Classical Liberalism and Economic Freedom” and “Economic Freedom without Quality of Government,” based on the work that won the award for best paper (*page 22*).

Groundbreaking Research

Studies Tackle Topic of Women and Economic Freedom

Economists haven't spent much time studying how economic freedom impacts demographic groups within societies – and that applies to women, often the biggest one. This Bridwell Institute project will help fill the void by producing 15 new research papers.

Led by Tuszynski, the project received more than 40 applications from economists at dozens of universities and research institutions. The original plan called for accepting eight papers, but proposals were

so good that it grew to 16 papers. One set of authors dropped out for personal reasons.

A grant from the Braly Family Foundation covered commissioning the original research, organizing two scholarly research sessions at SMU, publishing the papers in a special edition of *Contemporary Economic Policy* and at least one public program, scheduled for March 2024 to coincide with Women's Month.

The papers use the EFW and other indexes to explore diverse topics – the impacts

of legal and cultural barriers on women's economic participation, the effectiveness of gender equity mandates, family planning, the ripples from more women at work, the increases in women's entrepreneurial activity, women's educational outcomes and India's economic development.

The papers won't be published for a while, but Tuszynski gives an overview of the project's findings in an essay that begins on page 3.

Publications

Murphy won the *Journal of Private Enterprise's* award for "Economic Freedom Without Quality of Government," published in late 2022 (*see photo*). Haiti ranks No. 9 and Norway No. 100 after removing variables affected by government competence, proving the importance of the concept.

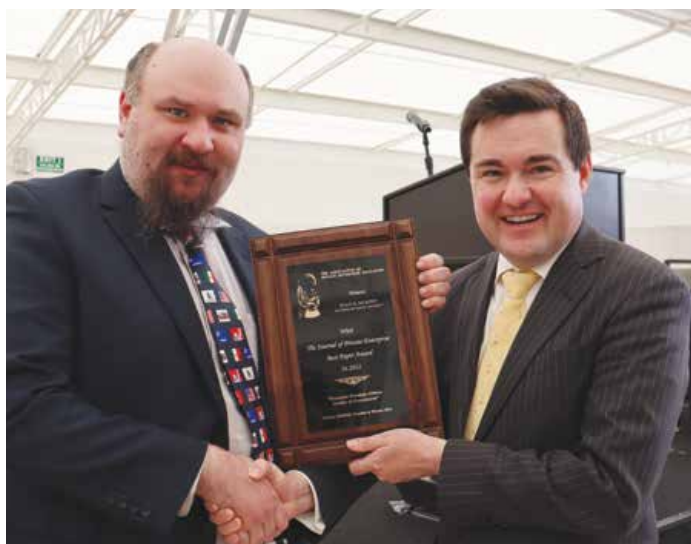
For the Bridwell Institute 2021-22 annual report, Murphy wrote "Sizing Up the Size of Government," which explored some nuances of the EFW's data on government outlays, including the fallout from the COVID-19 pandemic, the impact of wealth on government spending and the funding of welfare states in Sweden and other Scandinavian countries.



The *American Journal of Economics and Sociology* published a research paper by Lawson and co-author Alexander Cardazzi (Old Dominion University) titled "Economic Freedom and One-Way Truck Rental Prices: An Empirical Note." The data show demand pushed up prices for trips to economically freer cities.

Economica published "An Index Measuring State Capacity, 1789-2018" by Murphy and co-author Colin O'Reilly (Creighton University). Data on state capacity exists for recent decades, but the authors developed the first complete measure that goes far back in time.

Murphy contributed "Breaking Wagner's Law: Which Countries Have the Most Limited Government?" to the *Public Finance Review*. The paper asks whether it makes sense that poorer countries get high scores on the EFW's size of government metric just because of their limited capacity to spend.



Murphy (left) receives the *Journal of Private Enterprise's* Paper of the Year award from Association for Private Enterprise Education president Ed Stringham at the organization's annual meeting in Cancun, Mexico.



Constitutional Political Economy published Murphy's article titled "State Capacity, Economic Freedom and Classical Liberalism." Economies liberalize as political leaders shift from traditional means of buying political support to modern forms that are less damaging to the economy.

Murphy's "The Constitution of Ambiguity: The Effects of Constitutions on Economic Freedom" appeared in *Economic*

Affairs. This paper finds that previous research has overstated the importance of constitutional provisions to economic freedom.

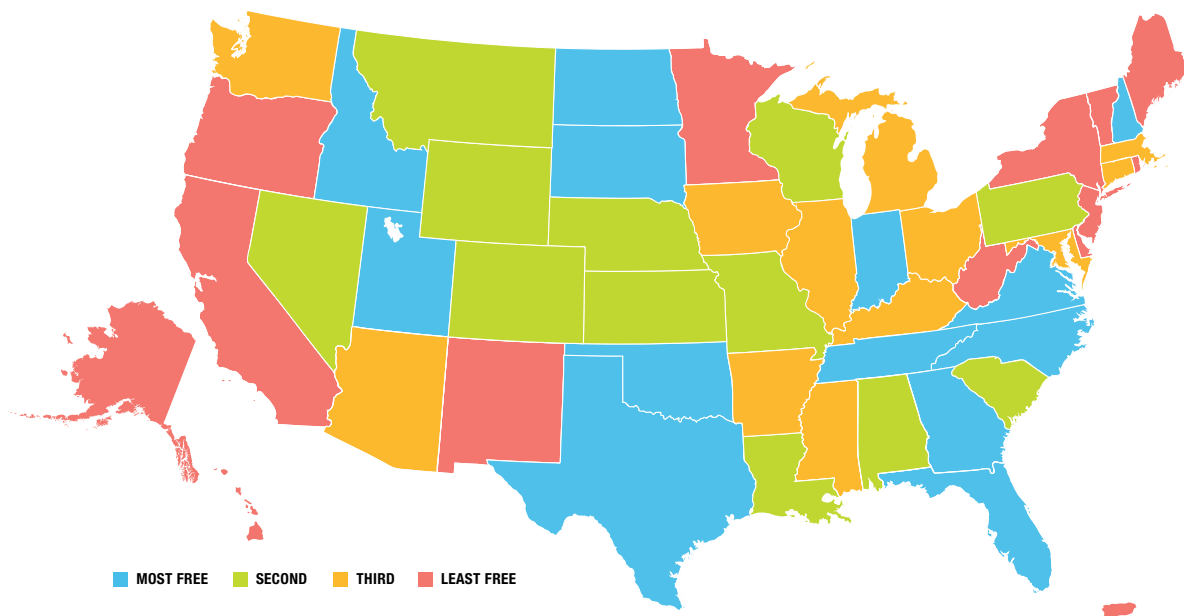
Murphy worked with co-authors Ian Vasquez, Fred McMahon and Guillermina Sutter Schneider to produce the *Human Freedom Index 2022* for the Cato Institute.

Econ Journal Watch published Murphy’s “Freedom Stands: A Rejoinder to Ott.” He countered criticism of EFW methodology by saying the proposed changes would lead to “silly conclusions.”



Lawson op-eds for newspapers included “You’re ‘Rich,’ but What Benefit is That if You Live in a Poor Country Riddled with Regulation?” in the *Dallas Business Journal*; “Blame Robots, More Than Trade with China for U.S. Manufacturing Job Losses” in the *South China Morning Post*; and “COVID’s Hidden Victim: Economic Freedom” in the *The Orange County Register*.

State and Local Economic Freedom



EFNA Report

The Geography of the Most- and Least-Free States

Since 2013, Stansel has been the primary author of the *Economic Freedom of North America* (EFNA) report, published annually by Canada’s Fraser Institute. The EFNA 2022 report, released in November, used 2020 data to rank all U.S. and Mexican states and Canadian provinces on economic freedom.

At the top of the U.S. list – the most economically free states – were Florida, New Hampshire, South Dakota, Texas and Tennessee. The quintet of states at

the bottom exhibited the least economic freedom: New York, California, Hawaii, Oregon and Maine.

As with the EFW index, researchers have consistently found positive relationships between economic freedom and favorable outcomes, such as higher incomes and faster growth in output and employment.

The Bridwell Institute hosted the EFNA team’s annual meeting in September. Co-hosted by the Fraser Institute, the session

brought together about 25 scholars from state think tanks and university research centers to discuss EFNA and best practices in using it to promote solid research and good economic policies.

At the meeting, Stansel made a presentation on “Economic Freedom of North America: An Overview.” He also talked about EFNA in public forums, including one at Troy University’s Manuel Johnson Center for Political Economy.

Metro Index

New Research on Economic Freedom and Urban Economies

Stansel and Tuszynski led a project on Metro Area Economic Freedom: Expanding the Research and Bringing it to the Public.

Like the women and economic freedom research project (*page 22*), it started with proposals for papers on an under-researched topic and will end with publication in a scholarly journal.

Funded by a Templeton World Charity Foundation grant, the project included a colloquium at SMU in August, with scholars presenting the results of 10 research papers.

Each study made use of the local economic freedom index Stansel first produced in 2013. They covered a wide range of topics – including local labor markets, entrepreneurship, housing markets, crime and political party affiliation.

Once peer reviewed, a selection of the papers will be published in a special edition of the *Journal of Regional Analysis and Policy*. In the spring semester, three authors presented their research at the spring Texas Economic Forum (*page 28*).

Publications and Presentations

In their regular *D CEO* magazine column, Cox and Alm wrote “The Texas Model Wrestles with New Challenges,” which assessed rising living costs and other headwinds, and “The Roof Overhead: DFW Housing is Still a Bargain,” which pointed to pockets of affordability amid North Texas’ rapidly rising home prices.

For the Bridwell Institute 2021-22 annual report, Stansel wrote “Measuring Economic Freedom Closer to Home,” which presented new data to update his Metropolitan Area Economic Freedom index. Greater economic freedom was associated with faster growth in income, employment and population and lower unemployment.

The International Relations of California and Texas with Mexico and the World, a book published in 2023, included a chapter by Cox and Alm on “Trade and Investment in the Texas-Mexico Relationship.” The analysis focused largely on recent decades’ increasing economic integration, but it also used the EFNA and EFW indexes to show Mexico still inhibits trade and investment.

For the Commonwealth Foundation, Tuszynski wrote a research paper titled “Tearing Down Barriers to Prosperity: How More Economic Freedom Can Reduce Poverty and Boost Prosperity

in Pennsylvania.” Economic freedom, especially lower government spending, contributes to prosperity and poverty reduction across the states.

Murphy and Stansel (joined by co-author Ellen Taylor, an SMU undergraduate) wrote “Economic Freedom at Metropolitan Statistical Area Borders” for the *American Journal of Economics and Sociology*.



The *Austin American-Statesman* published Lawson’s op-ed “The Herd Heads for Texas; Is Economic Freedom Why?” The answer: Yes, greater economic freedom pays off.

In “Welfare Spending Has Increased Over 240% in 40 Years with No Results. It’s Time to Try Something Else,” an opinion piece published in the *Daily Caller*, Tuszynski uses the results of her Commonwealth Foundation study to urge poverty fighting based on economic freedom and growth.

The *Orange County Register* published Tuszynski’s op-ed titled “To Err is Human, but to Really Foul up a Rental Market Requires Rent Control.”

The *Dallas Morning News* published “Free Nurse Practitioners: Heavy-handed Restrictions are Costing Texans Money and Better Health,” an op-ed by Stansel and co-

author David Mitchell.

The Mackinac Center for Public Policy published an analysis by Stansel and co-author Michael LaFaive (Mackinac Center) on “Economic Freedom in the City: Ranking Michigan’s Labor Markets.” They summarized their research in a *Grand Rapids Business Journal* op-ed titled “Labor Market Liberty: Where do Michigan Cities Rank?”

Stansel and LaFaive wrote “Why do Many People Prefer Florida to California? The Vital Economic Freedom,” published in *The Hill*.



Academic researchers at the Western Economic Association conference were the audience for Stansel’s presentation on “Economic Freedom and Labor Market Outcomes: An MSA-Level Analysis,” a paper he wrote with Frank Stephenson and Lauren Heller (both Berry College).

Stansel organized and served as chairman of two sessions on research related to state and local economic freedom at the Southern Economic Association conference in November.

Stansel’s EFNA presentations included “Economic Freedom: What It Is and Why It Matters” for a group of homeschool students in Frisco, Texas.

Student Enrichment



Stansel (center) leads student discussion in a fall reading group session devoted to the role of government.

Armentrout and Bridwell Scholars

Reading Groups Discuss Government's Role, Urban Economics

In their seventh year, the Bridwell Institute's Armentrout Scholars reading groups continued to attract more applicants than available slots, with many students hearing about the program from others who attended and some returning for a second or third dose of discussions about economics and liberty.

In academic year 2022-23, the Bridwell Institute had eight regular reading groups with a diverse mix of SMU undergraduate students, including majors from economics, finance, public policy, political science, philosophy, psychology, statistics, engineering, English, health and society, human rights and anthropology, film and biology.

From Adam Smith to Jane Jacobs

In the fall semester, Stansel led two reading groups, with Tuszynski and Alm each handling one group. The theme was "The Role of Government in a Free Society." Forty-eight students read and discussed works by such scholars as Adam Smith, John Locke, John Stuart Mill and Karl Marx and more contemporary works by

Milton Friedman, Friedrich Hayek, Robert Nozick and John Rawls.

Our Armentrout Scholars attended a summit at SMU with students from parallel reading groups at Baylor University and the University of Central Arkansas. About 70 students heard a lecture by the Cato Institute's David Boaz, editor of *The Libertarian Reader*. His talk focused on his latest book *The Libertarian Mind: A Manifesto for Freedom*.

The theme for the spring semester was "Cities, Local Government, and Local Governance," and Stansel, Tuszynski and Alm once again led the groups. The 48 Armentrout Scholars read and discussed works by scholars such as Nobel Laureate Elinor Ostrom, Edward Glaeser, the legendary Jane Jacobs, Gordon Tullock, Anthony Downs and Richard Florida.

The spring summit, held at SMU, included participants from parallel groups at the University of Central Arkansas and Northern Michigan University. About 65 students heard a lecture by Harvard urban guru Edward Glaeser, author of *Triumph of the City*. His talk focused on his latest book, *Survival of the City*.

Capitalism, Technological Progress and More

Murphy led the Bridwell Scholars advanced reading groups in the fall and spring semesters, with additional sessions in the summer and winter breaks. To qualify for the advanced groups, students had to excel in an Armentrout Scholars reading group and get a recommendation from their group's leader.

The summer session, with the theme "Capitalism," had seven students, all of whom read *In Defense of Global Capitalism* by Johan Norberg. Each student read and made a presentation on a second book – among them, *Free Market Environmentalism* by Terry Anderson and Donald Leal and *Markets without Limits* by Jason Brennan and Peter Jaworski.

For the fall semester theme "Topics in the History of Political Economy," Murphy named the 10 sessions Adam Smith, Ricardo, Malthus and George, Karl Marx, Illiberal Reformers, Austrian

Economics, Joseph Schumpeter, Objectivism, James Buchanan, Economic Imperialism and Prediction in Economics. The 12 students' main readings were *The Worldly Philosophers* by Robert Heilbroner and books from Fraser Institute's *The Essential Scholars* series.

To explore the theme "Regulation and Technological Progress," all six winter group students read *Where Is My Flying Car?* by J. Storrs Hall. The books for individual reading included *The Cost Disease* by William Baumol and *Restarting the Future* by Jonathan Haskel and Stian Westlake.

In the spring, 12 students took on "The Depths of Maximizing Behavior." Main readings included *Create Your Own Economy* by Tyler Cowen, *The Economic Naturalist* by Robert Frank, *Legal Systems Very Different from Ours* by David Friedman, Peter Leeson and David Skarbek and *The Elephant in the Brain* by Kevin Simler and Robin Hanson. The idea of the reading group is to push the boundaries on what economic reasoning can explain.

Teaching Free Enterprise

Educating the Educators to Fight Economic Illiteracy

The Bridwell Institute's program to improve economics teaching continued its recovery from the COVID-19 pandemic's disruptions in 2020 and 2021. In the 2022-23 academic year, 1,207 teachers attended Teaching Free Enterprise (TFE) sessions on 116 topics, up from 993 teachers and 102 topics the year before.

While improving, Hughel says, TFE metrics were still somewhat restrained by a pandemic hangover, with many school districts continuing to relax professional development requirements. He's already seeing signs of a return to pre-COVID normalcy.

"We were a lot busier this spring, with attendance at some sessions back to pre-pandemic levels," Hughel said. "We're going into the next academic year with a fuller schedule of events."

As they hit the road, Hughel and Tipps will be taking other Bridwell Institute members with them. Lawson, Cox, Stansel,

Tuszynski and Alm have all written and presented TFE units.

Two new TFE modules debuted in 2022-23: "Economics of Commercial Banking" and "Economic Issues: Inflation, Unemployment and Interest Rates."

TFE's first eight years focused on high school teachers and their students. In October, TFE launched E3STEM, its first elementary school program. It blends economics, entrepreneurship and ethics with STEM instruction, with four modules designed for grade-groups K-1, 2-3 and 4-5.

Interest continued to grow among educators outside Texas, potentially expanding into Arizona, California, Nevada and two other states. TFE spinoff programs are operating in six other states: Tennessee, Arkansas, Kansas, Georgia and New Jersey. Discussions are underway with New Mexico and other states.

Teaching and Mentoring

Lawson and Cox taught required managerial economics and macroeconomics classes to students in SMU Cox MBA and master's programs. Tuszynski taught the same classes to students enrolled in the online MBA program.

Murphy and Stansel worked with SMU undergraduate student Ellen Taylor on research that led to a published academic journal article titled "Economic Freedom at Metropolitan Statistical Area Borders,"

published in the *American Journal of Economics and Sociology*.

As part of SMU's Robert Mayer Undergraduate Research Fellows Program, Stansel was one of two faculty mentors for a pair of SMU students working on a research project for a Dedman College Interdisciplinary Institute program. Oliver Forst and Anthony Farhat spent a second academic year on "Effects of COVID-19 on the Opioid Crisis: An Economic Perspective."

Public Outreach

Flourishing & a Free Society Series

U.S. Pandemic Policy: Failures, Successes and Lessons

In the fall semester, the Bridwell Institute invited Alex Tabarrok, director of George Mason University’s Center for the Study of Public Choice, to discuss public policy responses to the deaths and economic damage of the COVID-19 pandemic in 2020 and 2021.

Looking at failures, Tabarrok faulted U.S. health agencies for being slow to react and risk averse – for example, not ramping up testing early enough to make a difference in slowing the spread of the disease.

On the success side, the economist had the highest praise for Operation Warp Speed, the crash program to develop vaccines, particularly the advance payments that induced drug companies to expand production even before vaccines were approved for use.

And the lessons? Tabarrok pointed to the importance of preparation policies, not only for future viruses but for other calamities as well. He worried that the short-term nature of our political calculus wouldn’t muster much support for these efforts.

The Unconventional Wisdom of Economics

Steve Landsburg, a professor at the University of Rochester, has a knack for injecting common sense into economics. In the fall semester, he took an SMU audience on humanity’s journey to today’s historically high living standards.

Up until 200 years ago, Landsburg said, humanity for millennia lived largely at a subsistence level. Then economic growth began to occur. It’s a powerful force: Even at 2.3 percent economic growth, household

incomes triple in two generations.

The catalyst has been the power of ideas – some obvious, some not. We can fly from Dallas to Tokyo because someone invented the airplane and because someone else figured out how to insure it. Progress reduced child labor and the burdens of housework.

“Progress comes from ideas and ideas come from people,” Landsburg said, “and the more people we have the more ideas and progress we have.”



Steve Landsburg

The Diversity-Equity-Inclusion Dilemma



Jason Brennan

Jason Brennan, director of the Georgetown University’s Institute for the Study of Markets and Ethics, undertook a reasoned and evidence-based inquiry into diversity, equity and inclusion (DEI). The issues are divisive and emotional – and important to SMU Cox and other business schools because corporate America has at least publicly made DEI a priority.

Brennan questioned the case for DEI being good for business. If it were, the profit motive would spur companies to do it on their own, without government or public

prodding.

In addition, he reviewed a range of academic studies, which found some value in DEI that leads to genuine diversity, a broadening of the company’s talents and outlooks. However, the research finds that race and ethnicity by themselves rarely produce much true diversity, reducing the chances of better business decisions.

At the speech, the Bridwell Institute distributed printed copies of its first Occasional Paper – an essay by Brennan on his DEI research.

Flourishing & a Free Society Series (cont.)

Ed Glaeser on the Future of Cities

The Bridwell Institute booked Harvard urbanist Edward Glaeser, author of *Triumph of the City* and *Survival of the City*, for the Armentrout Scholars student reading groups' spring summit. Glaeser agreed to add a public talk, and the Bush Institute, our neighbor on the SMU campus, co-sponsored the event.

Glaeser revisited the theme of his first book – cities are drivers of growth and innovation because urban density gives rise to new ideas and spreads them quickly. Taking from his second book, Glaeser argued that cities are as vital as ever, even after the COVID-19 pandemic's isolation and the rise of technology for remote meetings.

Texas Economic Forum

Can the Texas Model Survive?

Since 2019, stresses hit the external environment Texas operates in – the COVID-19 pandemic, climate change, higher housing prices, trade protectionism, fractious politics and inflation, to name a few. The Texas Economic Forum confronted a question it never would have asked five or 10 years ago: Can the Texas Model survive?

In the fall semester forum, Cox led off with a presentation on the Texas model of economic freedom and the growth and job creation attributed to it. The most recent data, he said, haven't shown any signs of a slowdown.

Vance Ginn, president of Ginn Economic Consulting, acknowledged external economic forces could challenge Texas' growth. However, he said the Texas model's resilience would be an asset rather than a liability in changing times.

Cullum Clark, director of the Bush Institute-SMU Economic Growth Initiative, joined Ginn in emphasizing the folly of abandoning the Texas model. "If Texas didn't have economic freedom," he said, "it wouldn't necessarily be California. It might be more like Nebraska."

Economic Freedom and Local Economies

The Bridwell Institute commissioned 10 research papers that explore issues of urban economics using Stansel's Metropolitan Area Economic Freedom index (*page 24*).

Stansel opened the forum with a short tutorial on his metro index. Then three of the authors presented their findings at the spring Texas Economic Forum.

Justin Callais (University of Louisiana–Lafayette) reported on his research, which found metropolitan areas with greater economic freedom had higher incomes and lower unemployment in the Great Recession of 2008-09.

Adam Hoffer (Free Enterprise Center, Concordia University) wrote a paper with Stansel and another co-author that found higher metro economic freedom associated with more housing units and construction activity and higher prices but slower housing inflation.

Danielle Zanzalari (Seton Hall University) and two co-authors looked at party affiliation and metro economic freedom. In metro areas with close elections, the combination of Republican legislators and governors promote greater economic freedom. Republican mayors provide an even larger boost.



Justin Callais, Adam Hoffer and Danielle Zanzalari

When the Media Call, the Bridwell Institute Answers

Bridwell Institute experts are dedicated to increasing the public's understanding of economics, so they're usually ready to respond to media requests.

Stansel had three DFW-area TV appearances. On FOX-4 TV, he discussed the economy and the federal debt ceiling on Good Day (morning show); the topic was the federal student loan forgiveness plan on the evening news for both NBC-5 TV and CBS-11 TV.

In print articles, Stansel was quoted in a *D CEO* magazine article on how Texas' restrictions on nurse practitioners exacerbate the shortage of providers of routine medical

care, a *Dallas Morning News* article on Ticketmaster/Taylor Swift debacle, a *Financial Times* story on economic freedom in U.S. cities and a *Dallas Morning News* account of a proposed Dallas guaranteed income program.

Stansel's radio/podcast interviews included EFNA discussions with WFEA in New Hampshire, Texas economist Vance Ginn's *Let People Prosper* podcast and the *Bob Harden Show* in Naples, Fla. He also appeared on the Road Dog Trucking channel on SiriusXM to discuss the economic implications of Caterpillar moving its global

headquarters from Illinois to Texas.

A former chief economist at the Federal Reserve Bank of Dallas, Cox appeared on several national news broadcasts on monetary policy issues, including inflation and interest rates.

Lawson discussed economic freedom on Ginn's *Let People Prosper* podcast in September. For his Substack online platform, James Pethokoukis (American Enterprise Institute) interviewed Murphy on "Anti-Growth Safetyism," which refers to dubious regulation that stifles innovation and slows economic growth.



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