

Preface

The measurement of economic freedom as a serious endeavor began with Milton Friedman. Friedman's interest in better understanding the relationship between economics and political freedom eventually led to several conferences concerning the measurement of economic freedom as well as the publication of the Economic Freedom of the World (EFW) index in 1996. A measure of the consistency of a nation's policies and institutions with respect to economic freedom, the EFW provides data going back to 1970 for a large number of countries. With annual data for over 100 countries since 2000, this index has become an important tool for researchers interested in studying economic and social outcomes across countries. A recent accounting of the literature found that the EFW has been cited hundreds of times across a wide variety of academic disciplines.

The measurement of economic freedom that started with Milton Friedman's interest therein has spawned a number of additional measures of economic freedom. At the national level, the Heritage Foundation produces the *Index of Economic Freedom*. The Mercatus Center at George Mason University produces a measure of economic (and personal) freedom for the 50 states. In addition, the Fraser Institute produces a measure of economic freedom across US and Mexican states and Canadian provinces in the *Economic Freedom of North America*. Similar regional and sub-national indexes have been produced for Argentina, China, Germany, India, Italy, and US metropolitan areas. The proliferation of these measurements shows not only the great variation in the institutions of economic freedom across space, but also the great demand by researchers for measures of economic freedom to better explain economic behavior.

A glance at the empirical scholarship that uses economic freedom indexes shows a wide range of topics, such as income levels, growth rates, poverty levels, political rights, human rights and migration. The single most studied topic is economic growth, with dozens of papers written on the relationship between economic growth and economic freedom, nearly all of which find a positive impact. This finding has led scholars to ask how exactly economic freedom affects economic behavior

in a manner that leads to economic growth. Many scholars have argued that the way economic freedom leads to growth is through entrepreneurship. As Adam Smith so famously argued, individuals have an innate propensity to ‘truck, barter, and exchange’. When placed in an environment conducive to serving one another through the marketplace, citizens have a strong incentive to develop goods, services, and inventions that make others better off. Not only are both parties better off from the exchange, but the resulting competition and innovation also leads to rising living standards over time.

With the goal of summarizing and extending the literature, this volume assembles the work of leading scholars on different aspects of economic behavior, economic freedom, and entrepreneurship. Some chapters focus entirely on explaining the contents and construction of the major economic freedom indexes. Others focus on the economic freedom–entrepreneurship nexus, both from theoretical and empirical perspectives. The remainder of the volume is devoted to new evidence regarding the relationship between economic freedom and a variety of important economic and social phenomena. Scholars, young and seasoned alike, as well as graduate students interested in economic behavior, economic freedom, and entrepreneurship, will find this volume to be an indispensable addition to their library and syllabi.

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