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In the four years I've been SMU Cox dean, engaged alumni and supporters, generous with both time and money, have been indispensable allies, making a tremendous impact on this school and

A handwritten signature in black ink, appearing to read "Bridwell", is located in the lower right quadrant of the page. The signature is written in a cursive style and is somewhat faint and blurry.

faster income gains come at the expense of equality. The key to balancing equality and progress lies in whether the available work and other productive activities in an economy give most people a reasonable shot at higher incomes and living standards.

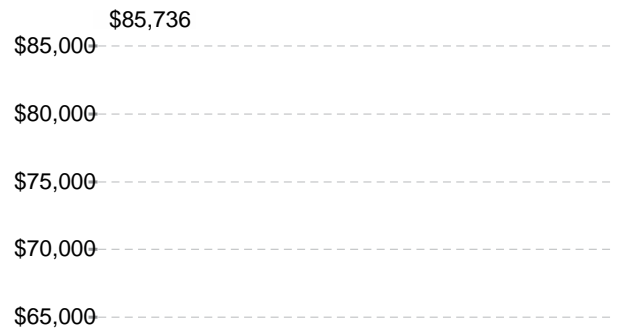
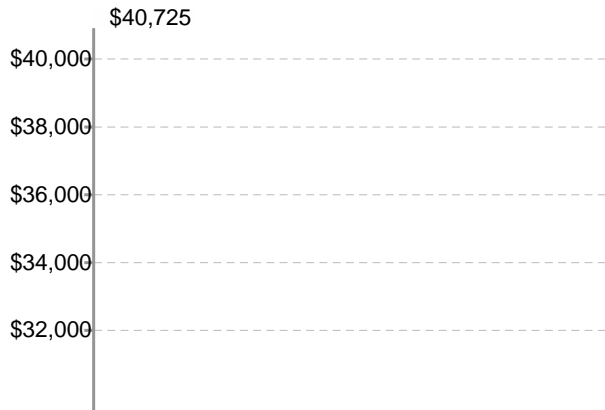


including age, sex, years of education, college field of study and occupation. We examined the state-level earnings for men and women at five tiers of educational attainment – high school diplomas, bachelor’s degrees, master’s degrees, doctorates and professional degrees.

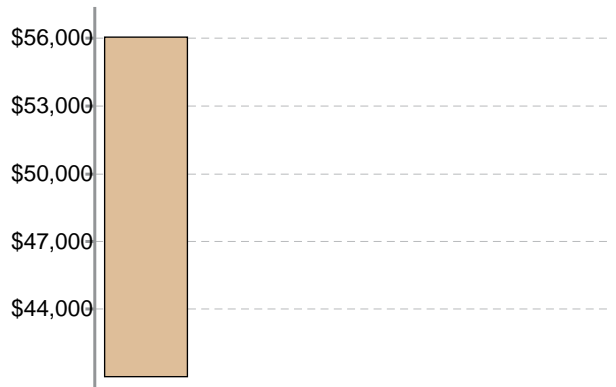
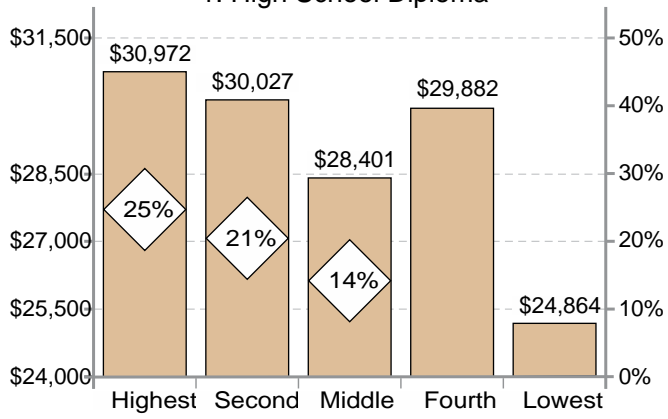
At each tier of schooling, racial and



the least-free jurisdictions (, ,). The economic freedom premium for all White workers was \$18,323, or 34 percent.



1. High School Diploma



– an economic freedom premium of more than \$12,003, or 31 percent (1999, 10).

Blacks’ earnings by education. For Black workers with high school educations, real after-tax average earnings were \$32,939 a year in the 10 states with the greatest economic freedom, compared with \$23,319 in the 10 least-free states (1999, 3, 1). The two data points yield an economic freedom premium of \$9,620, or 41 percent.

The freest states’ earnings were also highest for bachelor’s degrees at \$59,332, with a premium of 36 percent (1999, 2), and master’s degrees at \$84,443, with a premium of 44 percent (1999, 3).

The pattern changes at the two highest educational levels, with the 10 freest states slipping into second place, behind the states in the middle group. An average Black worker with a doctorate earned \$107,333 in the middle-freedom states – \$6,218 more than in the freest states (1999, 4). For professional degrees, the gap was even larger – \$11,490 (1999, 3).

Blacks’ earnings were lowest in the least-free 10 states, and economic freedom premiums for the 10 freest states were large, including 34 percent for doctorates

The earnings gap between highest and lowest tiers of economic freedom rose to with a premium of 325 and \$, 44 percent, \$17,819, or 34 percent, ngs by

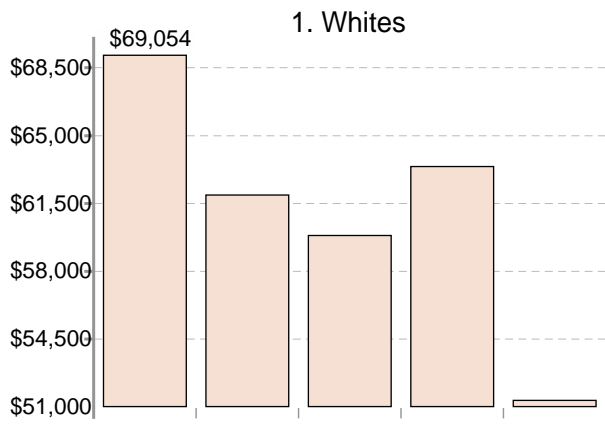
and 33 percent for professionals. When educational levels are combined, Blacks had weighted-average earnings of \$53,401 in the most-free states and \$38,514 in the least-free group – an economic freedom premium of more than \$15,181, or 39 percent (1999, 3).

Asian-Americans’ earnings by education. In the 10 states with the greatest economic freedom, Asian-Americans’ real after-tax average earnings were \$31,854 a year, an economic freedom premium of \$10,693, or 51 percent, over the earnings of \$21,161 in the 10 least-free states (1999, 4, 10, 1).



\$31,854
\$31,000 -----
\$29,000 -----
\$27,000 -----
\$25,000 -----
\$23,000 -----

\$69,772
\$68,500 -----
\$65,000 -----
\$61,500 -----
\$58,000 -----
\$54,500 -----



For Walter Williams, economics wasn't an Ivory Tower occupation. Like Milton Friedman before him, Williams brought his discipline into the public dialog, using common language to present his arguments and evidence in books, columns and speeches.

Williams touched on a range of issues facing contemporary society, but as a black economist he couldn't ignore the interplay between economics and race. He published two books on the subject – *The Way of the World* in 1982 and the broader *The Way of the World* in 2011.

Both volumes make the case that government interventions often make economic life worse for everyone.

Williams' books are essential reading for anyone who wants to understand the economic and social issues of our time.

Williams' books are essential reading for anyone who wants to understand the economic and social issues of our time.

The Texas Attraction – Higher Real Earnings

Like the nation, Texas has been becoming more racially and ethnically diverse for decades – but the state has begun moving at a faster pace.

That’s a key takeaway from the Census Bureau’s latest national headcount. People of color accounted for a staggering 90 percent of the state’s nation-leading population growth over a decade – from 25.1 million in 2010 to 29.1 million in 2020.

The latest census data put non-Hispanic whites at 40.6 percent of the state’s population, well below the nation’s 57.8 percent. Hispanics, the state’s fastest-growing ethnic group, made up 40.1 percent, exceeding the nation’s 18.7 percent by a hefty margin. Blacks were at 12.1 percent (12.4 percent, nationally) and Asian-Americans at 4.9 percent (6.1 percent).

EFNA consistently ranks Texas high on economic freedom, putting it among the 10 states in our study’s most economically free group, the one with the highest after-tax real earnings. Our results suggest Texas workers in all four racial and ethnic groups

still receive some sort of economic freedom premium – it’s just a matter of how large. The only ones left out live in the 10 states with the lowest economic freedom.

Why Economic Freedom Works

In his academic work and writings, Walter Williams took a keen interest in how racial and ethnic groups fared in market systems. The economist argued that many government interventions hurt Blacks and other minorities (Williams, 2013). Williams believed that Blacks and other

non-White groups could succeed without special favors or programs – even in the face of racial prejudice.

Many other economists joined Williams in contributing to the research on the causes and consequences of economic freedom. Much of their work focuses on taxes and regulation. To oversimplify – but not all that much – the U.S. economic freedom spectrum ranges from states with low taxes and minimal regulation to states with high taxes and heavy regulation.

Taxes. Five of the top six states with the greatest economic freedom don’t levy any

income taxes at all. The nation’s highest state income tax rates are 13.3 percent in California, 10.9 percent in New York and 9.9 percent in Oregon – all of them among the bottom six in economic freedom.

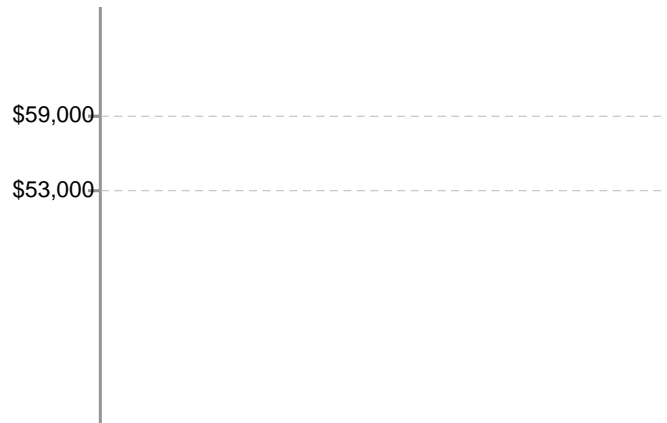
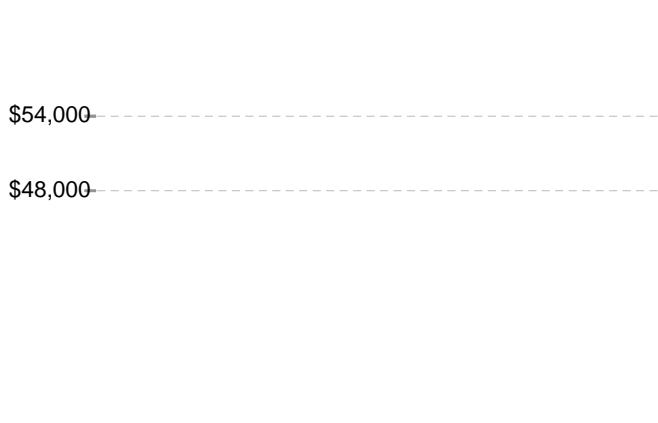
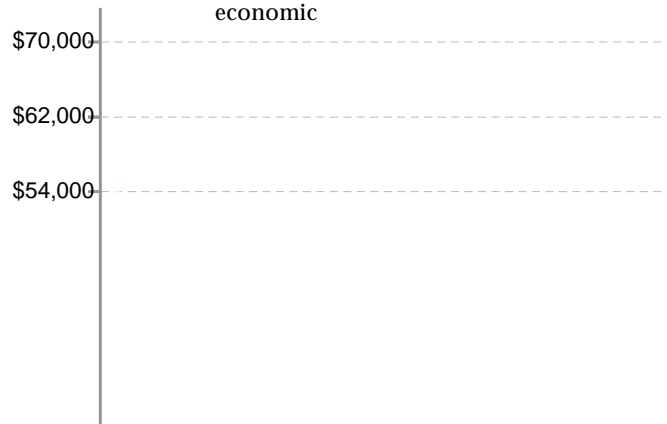
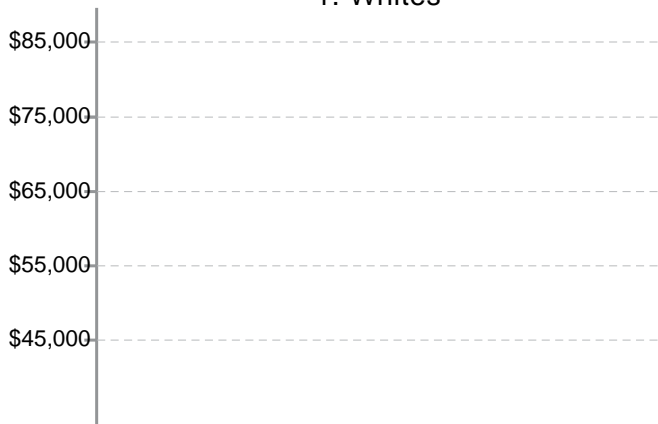
More broadly, the data show that states with high economic freedom tend to impose lower tax burdens than states with lower economic freedom. In addition to directly increasing households’ spending power, lower taxes boost incentives for work, investment and other productive activities.

In doing so, they increase employment and demand for labor, putting upward

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1. Whites



pressures on earnings.

Voters want state and local governments to provide roads, police, parks and other public goods – so some taxation is necessary. Yet, states with low economic freedom tax more heavily, primarily because they seek alternatives to market outcomes through a more expansive government role in the economy.

Inevitably, some taxpayer dollars go to benefit special interests and redistribute income. The spending can distort market incentives and foster inefficiency by financing a crony capitalism – a catchall term for subsidies benefiting private businesses.

Regulation. Housing accounts for the biggest share of cost-of-living differences among states. Freer states tend to impose relatively few land-use and building restrictions – so new supply blunts the upward pressures on housing prices. The opposite holds in states with lower economic freedom – their burdensome regulations pinch housing supply and raise prices.

Labor laws and unions push up production costs and prices. Only three of the 10 freest states mandate minimum wages above the federal standard of \$7.50 an hour; eight of the 10 least-free states do, with California at \$15 an hour. Right-to-work laws forbid requiring union membership as a condition of employment, leading to lower unionization rates. Nine of the 10 freest states have these laws; only three of the 10 freest states do.

Some health and safety regulations serve legitimate public interests. Many others, however, are thinly disguised ways to shield entrenched interests from price competition. Occupational licensing, for example, creates barriers to entry that raise pay for some jobs while keeping otherwise qualified people out of the business. Today, 30 percent of jobs

require government permission, up from 5 percent in the 1950s.

Government-imposed rules and standards raise the cost of doing business, and companies pass it on to consumers. What's worse, heavy regulation unleashes unintended consequences that inevitably bog down economies by undermining the market competition that pushes producers to lower costs, increase efficiency, expand output, improve quality and innovate. Regulations can make it difficult to start and grow new businesses, stifling entrepreneurship. Labor demand and real earnings take a hit.

Our data show healthy economic freedom premiums – gaps in real after-tax earnings between states with the most and least economic freedom. The results align with differences in taxes and regulations that shape trends in prices, economic growth and demand for labor. Each hour of work contributes more to well-being in states with greater economic freedom – a finding of other research we now extend across racial and ethnic groups.

Where states sit on the economic freedom spectrum reflects historical, political and cultural differences that shape

deep-seated beliefs on how much to trust markets or government. All the economic treatises on the advantages of economic freedom aren't likely to make New York or California voters want to emulate Texas and Florida.

But people do move – in effect, voting with their feet. In general, researchers find migrants tend to seek out places with lower living costs, better income prospects, lower taxes and warmer weather. In “Economic Freedom and Migration Flows Between U.S. States” (2007), University of Texas at El Paso economist Nathan Ashby explicitly found migration positively associated with EFNA-measured economic freedom in a study of 2000 census data.

Over the past decade or so, Texas has emerged rR (imic[Over the past decur)-9.9 (e4 (ne[stl



2020-21: Year in Review

Meet Tucker Bridwell

Question: How did the donation come about?

Bridwell: I started going to the Koch Foundation seminars eight or nine years ago, and you're encouraged to give. One of the places you could give was the O'Neil Center. I just took a small bite – \$100,000 a year for five years for reading groups. That's how I first became introduced to the center, but I never really got involved much.

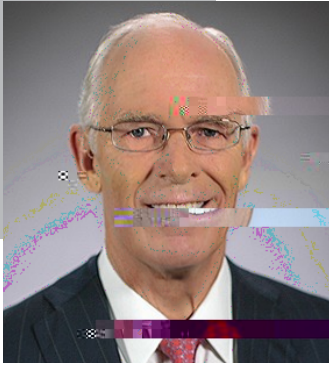
In March 2020, I was on a Zoom call with Koch Foundation people, and one of them said, "Tucker, did you know that the O'Neils are looking for somebody else to pass the baton to on the

O'Neil Center." I confirmed it. I talked with Gerald Turner, and he told me the difference between a center and an institute: It's basically twice as much money. Gerald put on his selling shoes and talked me up to an institute over a center.

It wasn't long before I was on a Zoom call with Scott O'Neil, who needed to vet me, I guess. At the end, he said to me, "I'd like you to be the guy who succeeds us."

Question: What about the Bridwell Institute struck a chord with you?

Bridwell: I've been concerned for years about political and



Richard Weekley



Sarah Perot



Harlan Crow

a higher toll in 2020-21 as campuswide precautions continued throughout the

economic forces that seemed to me to be choking economic freedom and free enterprise. You can call it whatever you want to call it, but in my opinion it's veiled socialism. My wife is in the same camp. It's a fight worth fighting. We were going to make a gift to SMU Cox anyway as part of the Cox Campaign, so we decided this is where we wanted to be.

Question: How active do you want to be in the mission and operations of the Bridwell Center?

Bridwell: I'm still learning about the mission. I'm familiar with some of the research, especially the global economic index and the ranking of the states. Both are very valuable. Why would I tinker with that? Why would I want to tinker with anything where the people I'd be tinkering with know 20 times more about any of these subjects than I do?

You guys know what you're doing. As I get my feet on the ground, I may sit down with you guys and have a discussion and say, "Hey, why don't we think about this?" I'm pretty hands off. I didn't start this thing – like I say, I'm just taking the baton, trying to run the race without getting in anybody's way.

Question: What will the Bridwell Institute's new advisory board bring to the table?

Bridwell: Dick Weekley, Sarah Perot and Harlan Crow –

they've all got fertile minds, they're all extremely well-connected in the business world. What the board can do is use their talents and resources to help the Institute with resources to help Bob Lawson and the team accomplish what they want to accomplish. But again, not get in the way.

Question: You've lived 67 years in Texas – how does that play into your support for the Bridwell Institute?

Bridwell: Texas is one of the most prosperous and productive states in the country. It's not an accident. It's less taxation and less regulation and all the components that mean more economic freedom for the people and the businesses that work here and produce here. I'm not a scholar, but I understand that. Blue collar, white collar – I think a lot of people do. It's imperative for us to retain that here in Texas.

Question: Does having the Bridwell Institute at SMU help in that regard?

Bridwell: I certainly hope so. That is chief among the reasons that I wanted to fund it. Everything just lined up. We're in one of the freest states. We're in one of the two key business hubs, and one of the top five or 10 nationally. SMU has a great business school. So the Institute is housed in the perfect place to advance free enterprise.

Both fall and spring Texas Economic
Forums were on-line; so was the fall

• Former SMU Cox Dean Al Niemi, who holds the William J. O’Neil Chair in Global Markets and Freedom, continued his teaching and research.

The O’Neil Center relies primarily on donors to fund its operations. With an annual budget of over \$2 million, the Center is grateful for the generous support from the Bridwells and Weekley as well as the William E. Armentrout Foundation, McLane Company, Inc., the Charles G. Koch Charitable Foundation, the William J. O’Neil Foundation, the Deason Foundation and numerous individual donors.

Empirical measures of economic freedom – data-driven assessments of the balance

The O’Neil Center’s research agenda at

freedom scores

freedom scores

freedom scores

Global Economic Freedom

The O’Neil Center’s research agenda at

Ranking Economies from Most to Least Free

The centerpiece of the Global Economic Freedom research agenda is the Economic Freedom of the World (EFW) report, which provides an empirical measure of the balance between private-sector and government spheres. Index scores are based on the size of government, legal system and property rights, sound money, freedom to trade internationally and regulatory burdens.

Lawson has been a key researcher and co-author on the EFW report for decades. A network of economic researchers around the world supplies the raw EFW data. Lawson and Murphy, an EFW co-author, compile the numbers and calculate economic freedom scores for 162 countries – from Albania to Zimbabwe.

The EFW report for 2020, published by Canada’s Fraser Institute in September, showed that the most economically free places, based on 2018 data, were Hong Kong, Singapore, New Zealand, Switzerland and Australia.

The United States came next, slipping one spot from the previous year. Among the five broad areas, the United States ranked highly in regulation, sound money, and legal system and property rights; its lowest rankings were in freedom to trade internationally and size of government.

The EFW index gives researchers a powerful tool to test ideas about free enterprise and its consequences. Numerous studies have found that high EFW scores correlate with higher incomes, faster economic growth, lower poverty rates, higher life expectancy and many other positive outcomes.

Tuszynski had a chapter on “Entanglement and Perverse Spontaneous Orders” in a book titled *Spontaneous Order: The Emergence of Self-Organization in Nature, Society, and the Economy*, edited by Diana Thomas and David Hebert. The chapter took a new look at spontaneous order, including a public sector intertwined with the private sector. The framework expands the possibilities for perverse incentives that create spontaneous orders that might not have socially beneficial characteristics.

Journal of Economic Surveys published “Who Gains from Economic Freedom? A Panel Analysis of Decile Income Levels,” written by Lawson and a co-author. They found that countries with greater economic freedom have higher incomes at all levels of the income distribution, even though income shares are lower for those at the bottom.

In “The Determinants of Economic Freedom: A Survey,” published in *Journal of Economic Surveys*, Lawson, Murphy and a co-author review EFW research on the origins of economic freedom. The review finds the strongest, most consistent results link democracy and political freedom to greater economic freedom. The studies suggest increasing inequality has eroded economic freedom.

Murphy examined the origins of economic freedom in “Plausibly Exogenous Causes of Economic

Economic Freedom of North America

Which States Have the Freest Economies?

Since 2013, Stansel has been the primary author of the Economic Freedom of North America (EFNA) report. In addition, he created the first index that measures economic freedom for the nation's metropolitan statistical areas (MSAs) in 2015.

The annual EFNA report, published by the Fraser Institute in November, ranked U.S. states by economic freedom in 2018. The most economically free states were New Hampshire, Florida, Virginia, Texas and Tennessee – the same Top Five as the previous year but in a slightly different order.

The quintet at the bottom exhibited the least economic freedom: New York, West Virginia, Alaska, California and Vermont.

For Texas, the EFNA data show consistently high economic freedom – in the Top 5, with the exception of one or two years – since the first index in 1981. In the latest report, the state ranked second in labor-market freedom and third in government spending. Knocking Texas down a bit was a 12th-place finish on tax burden – despite being one of six states with no income taxes.

Like the EFW index, the EFNA and MSA indexes show positive relationships between economic freedom and higher incomes, faster growth and other favorable outcomes.



EFNA Meeting Confers on Economic Freedom

The Bridwell Institute once again hosted the annual EFNA meeting in August. More than two dozen researchers from the United States, Mexico and Canada came together for two days of discussions related to measuring economic freedom for states and provinces.

The group discussed data issues, updated each other on current events and brainstormed on EFNA-related research projects.

Lawson gave an update on the EFW report on global economic freedom. Stansel did the same for the latest EFNA report.

Key contributions also came from Stansel's co-authors – Fred McMahon of the Fraser Institute, EFNA's publisher, and Jose Torra of Caminos de la Libertad, the lead researcher in Mexico.



Stansel (front, second from left) and Lawson (front, far right) with colleagues from three nations at SMU Cox.

Texas Economic Freedom

EFNA ranks Texas among the most economically free states, and the state's big urban areas are at or near the top in MSA economic freedom. The causes and consequences of Texas' economic freedom have been a key part of the Bridwell Institute's research on the economies of Texas and its major cities.

The research has proven very popular. No surprise there: Texans like nothing better than to read and talk about themselves.

For five years, the Texas Economic Forum, an open-to-the-public discussion of economic issues related to Texas and DFW, has been a cornerstone of the Institute's efforts on Texas

2020 “DFW: The Improbable Economic Superstar”

The titular presentation, made by Cox, explained why one of the world’s greatest urban economies grew up on nondescript north Texas prairielands. The key has been economic freedom, an embrace of free enterprise and entrepreneurship.

The research, presented in an article by Cox and Alm in the IEDC *Journal*, uses Stansel’s metropolitan area economic freedom index to locate DFW among the top MSAs in growth, job creation, net in-migration and other favorable outcomes.

The event included three other presentations on DFW-related topics. Cullum Clark of the George W. Bush Institute, our SMU campus neighbor, contributed his research on the importance of DFW’s anchor institutions in education and health care.

Dallas College leader Joe May discussed the role of junior colleges in upgrading North Texas’ labor skills. Real estate professionals Susan Arledge and Susan Gwin Burks assessed DFW’s advantages in site selection.

2021 “What’s Next: Issues and Opportunities for the State’s Economy”

With vaccinations making a return to normalcy seem possible, Cox joined Pia Orrenius of the Federal Reserve Bank of Dallas and Vance Ginn of the Austin-based Texas Public Policy Foundation to discuss the Texas economy’s immediate and longer-term prospects.

The panelists agreed the Texas economy should recover faster than most of the rest of the country – even with the low oil prices that prevailed in 2020.

They saw several potential obstacles to maintaining longer-term

growth, including climate-related hostility to fossil fuels, shortages of skilled and unskilled labor and educational systems that too often fail to teach basic skills. National immigration policies are contributing to the labor shortages.

Texas remade its economy after the Oil Bust of the 1980s. The state’s best hope for meeting these looming challenges is the same today as it was then. It’s not bigger government; it’s economic freedom, which unleashes ingenuity of the private sector.

Publications and Presentations

For a decade, Cox and Alm have written columns for *Fort Worth Business Journal*, the leading Dallas business magazine. In “Dance with the One Who Brung Ya” (August/September 2020), they discussed the relevance of the Texas model of low taxes and limited regulation during and after the pandemic. “Unshackling Texas’ Economy” (December 2020) discussed Texas’ surprisingly high level of government intervention, and “Looming Trade Troubles in Texas” pointed to emerging headwinds for the country’s No. 1 exporting state (April 2021).

Cox and Alm wrote a chapter on the “Trade and Investment in the Texas-Mexico Relationship” for a forthcoming volume of research on how Texas and California

manage their political and economic ties with their neighbor to the south.

Cox and Alm used both EFW and EFNA in “Texas-Mexico Economic Integration and its Uncertain Future,” a chapter in *Trade and Investment in the Texas-Mexico Relationship*, published in 2020 by Arte Publico Press. Alm made a presentation of the work at an online event held by SMU’s Mission Foods Texas-Mexico Center.

Stansel and Tuszynski combined election polls with their research on immigration and state-level economic policy to show that fears of a California-cation of Texas seem overblown. They presented their findings

in a November *Journal* op-ed titled “California Migrants are not Trying to Un-Texas Texas.”

At a February on-line forum sponsored by Dallas’ *Journal*, Stansel joined a panel of lawyers for an assessment of “The Impact of the Biden Administration on Texas Business.”

The free-market Bastiat Society’s Texas chapters tapped Bridwell scholars for several presentations – Lawson with “Socialism Sucks” in both Dallas and Fort Worth, Tuszynski with “The Failures of Central Planning and the Magic of Markets in the

Student Enrichment

Discussing the Key Ideas of Economics

Although limited to Zoom sessions due to the Covid-19 pandemic, the Bridwell Institute's reading groups continued to receive a record number of applications and attract a diverse mix of SMU undergraduate students.

Led by Stansel and Tuszynski, the McLane Teammates Scholars, Armentrout Scholars and Bridwell Scholars met in four clusters of 12 students each in both the spring and fall semesters. Murphy expanded from one to three advanced reading groups, a program for students who had participated in a previous reading group.

"The pandemic had a major impact on our activities," Stansel said. "The reading groups were unable to meet in person and the meetings were shortened by an hour due to the elimination of the hour of informal conversation over a meal. This reduced their ability to get to know each other and reduced the quality of the experience overall."



For the McLane, Armentrout and Bridwell groups, the fall theme was the topical "Exploring Inequality." Participants read and discussed work by such scholars as Milton Friedman, Joseph Stiglitz, Tyler Cowen and Paul Krugman.

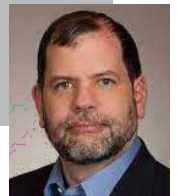
Forty-eight students explored such questions as: What do people mean by the term "inequality"? How do you measure it? Is it changing substantially over time? What can (and should) public policy do to address it? What other solutions are there?

The McLane, Armentrout and Bridwell spring groups tackled "Economics, Evolution and the Environment," with participants

reading and discussing works by such writers



Matt Ridley



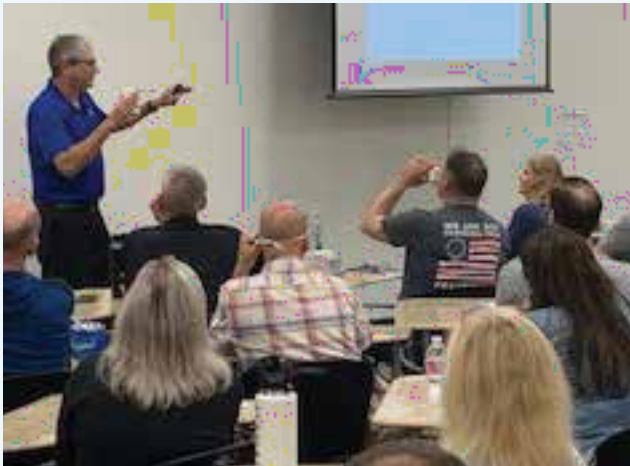
Tyler Cowen

Hard Hit by Pandemic's High Stress

The pandemic made 2020-21 a challenging year for Teaching Free Enterprise (TFE), the Bridwell Institute program created to improve economic instruction in high schools.

A dozen events for teachers were cancelled in June and July. In a departure from established practices, TFE shifted to virtual delivery in mid-June. It involved a steep learning curve for presenters and an additional burden for teachers, who were facing their own pandemic stresses.

On-line sessions meant serving teachers in small, isolated groups. TFE had 42 sessions in 2020-21, a third more than the previous year. However, teacher attendance plunged from 1,500 to 381. The educational community served



Bob Lawson lecturing on EFW at a TFE event.

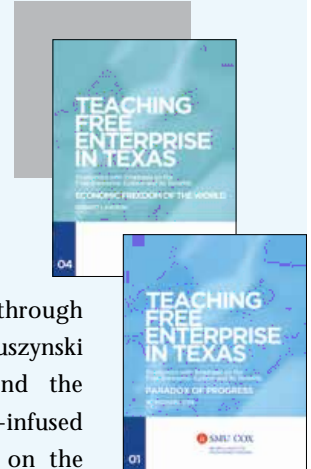
by TFE suffered from a clear lack of motivation for professional development requirements and Zoom fatigue.



Even during the pandemic, TFE continued to add new

instructional units, all introduced through on-line sessions. Stansel and Tuszynski joined forces on “COVID-19 and the Economy,” an economic freedom-infused analysis of the pandemic’s impact on the economy and policy. Tuszynski added a unit on Environmental Economics, with an emphasis on private sector solutions. Danielle Zanzalari, a Seton Hall professor, added much-needed units on Financial Literacy – the first focused on handling money and second on investing.

As the academic year closed at the end of May, TFE had more than 15 events booked for the upcoming academic year, a sign that teachers anticipate resuming professional development activities with a return to normalcy. While in-person events are preferred, TFE won’t entirely abandon the on-line techniques honed by necessity during the pandemic. An ambitious virtual summer program for 2021, for example, will offer 50 separate sessions in July and August.



Teaching SMU Cox Students

SMU Cox relied on Bridwell Institute professors to teach economic classes at the undergraduate, MBA and graduate levels. All classes were remote because of SMU’s pandemic safety guidelines.

As usual, Davis shouldered a heavy teaching load, teaching macroeconomics for MBA students and several courses for the new SMU Cox on-line MBA. Niemi continued to teach his popular Evolution of American Capitalism.

Lawson taught managerial economics – a core course on micro foundations – to MBA and MS Management students.

Cox and Tuszynski increased their teaching loads. In addition to summer classes, Cox took on MBA-level macroeconomics; Tuszynski taught Markets and Freedom and, in the spring, joined the faculty for the on-line MBA program.

All told, Bridwell Institute faculty taught

more than 800 SMU students in 2020-21, with most of the classes held on-line.

In addition to the Reading Groups, Bridwell Institute faculty led other student-focused activities. For example, Tuszynski took on two 15-student discussion groups, conducted via Zoom. The fall semester topic was Economic Freedom of the World-related research, and the focus shifted to entrepreneurship in the spring.

Public Outreach



Media Expert of the Year Awards



PO Box 750333
Dallas, TX 75275-0333
smu.edu/bridwell-institute
214.768.4210