



“Celebrating Friedman: Why Freedom Matters”

Economic Insights: Conversations with the Dallas Fed Webcast

**Federal Reserve Bank of Dallas
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“Celebrating Friedman: Why Freedom Matters”

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The views expressed are those of the speaker and should not necessarily be attributed to the Federal Reserve Bank of Dallas or the Federal Reserve System.



The Legacy of MILTON AND ROSE FRIEDMAN'S
Free to Choose
ECONOMIC LIBERALISM AT THE TURN OF THE 21ST CENTURY

A collage of images related to economics and finance. It includes a yellow diamond-shaped road sign with a black 'Y' symbol, several Euro banknotes (10 and 20), a green-tinted image of the Statue of Liberty's head, a hand holding a CD-ROM, a stock market ticker board with various percentages and numbers, a rainbow, a close-up of a tree trunk, and a construction site with a red train car.

FEDERAL RESERVE BANK OF DALLAS OCTOBER 23-24, 2003

Economic Freedom: In honor of Milton Friedman's 100th birthday.

Robert Lawson

*Jerome M. Fullinwider Chair in Economic Freedom
O'Neil Center for Global Markets and Freedom*





Milton Friedman is the godfather of the Economic Freedom of the World index

“Freedom is a big word, and economic freedom not much smaller. To talk about economic freedom is easy; to measure it, to make fine distinctions, assign numbers to its attributes, and combine them into one overall magnitude – that is a very different and much more difficult task, as we found out when we started on this quest some thirteen years ago.”

- Milton Friedman in the forward to
Economic Freedom of the World: 1970-1995





Methodology

- We collect data on 141 countries using 42 different components, grouped into five broad areas.
- 0-10 ratings are constructed to measure the degree to which the country conforms to the free-market ideal.
- Third-party data from World Bank, IMF, Global Competitiveness Report, IMD, etc.
 - Objective data
 - Survey data
- Transparency is a highly valued part of the project.



5 Areas of Economic Freedom of the World (EFW) Index



Size of government: expenditures, taxes & enterprises



Legal structure and security of property rights



Access to sound money



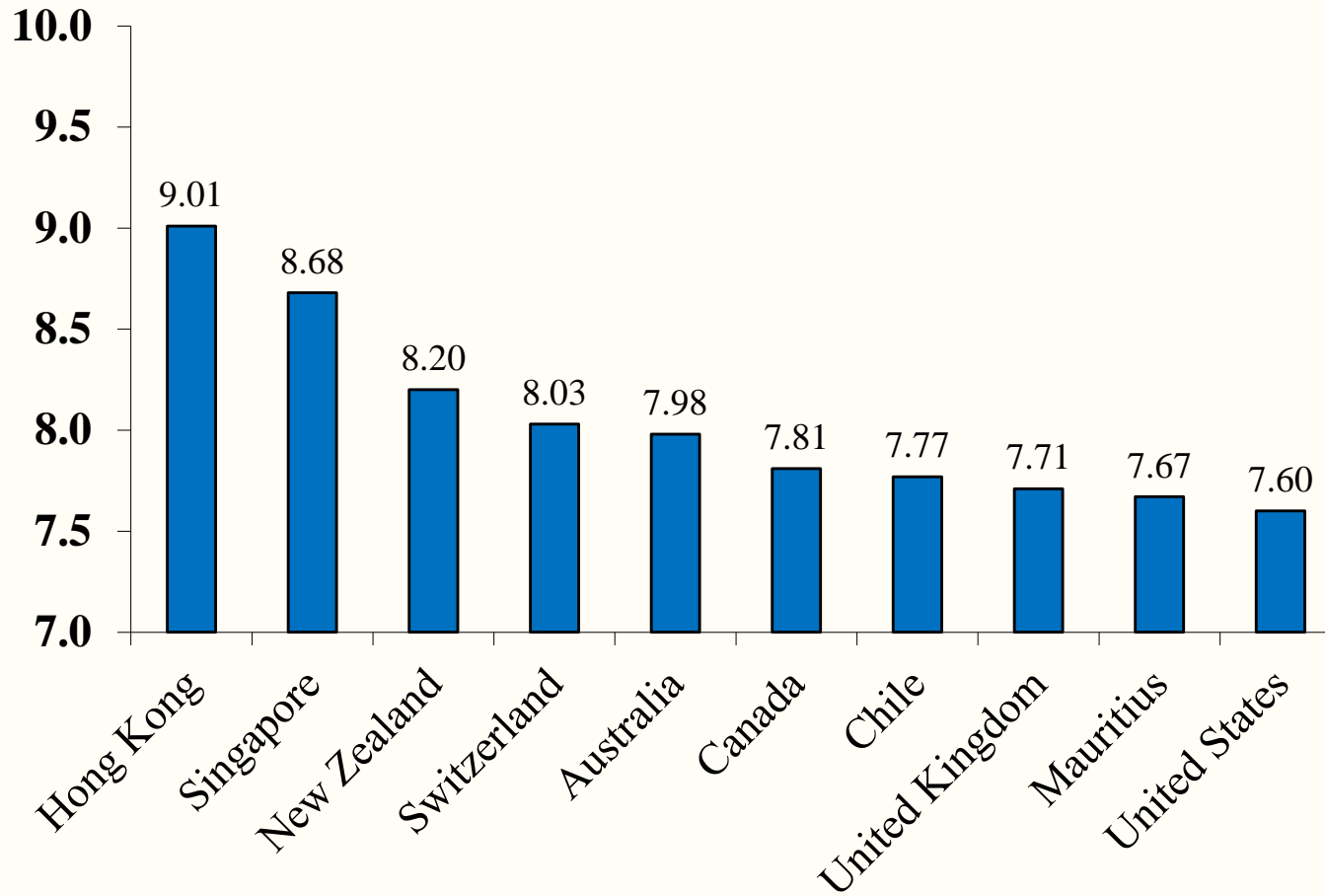
Freedom to trade internationally



Regulation of credit, labor, and business



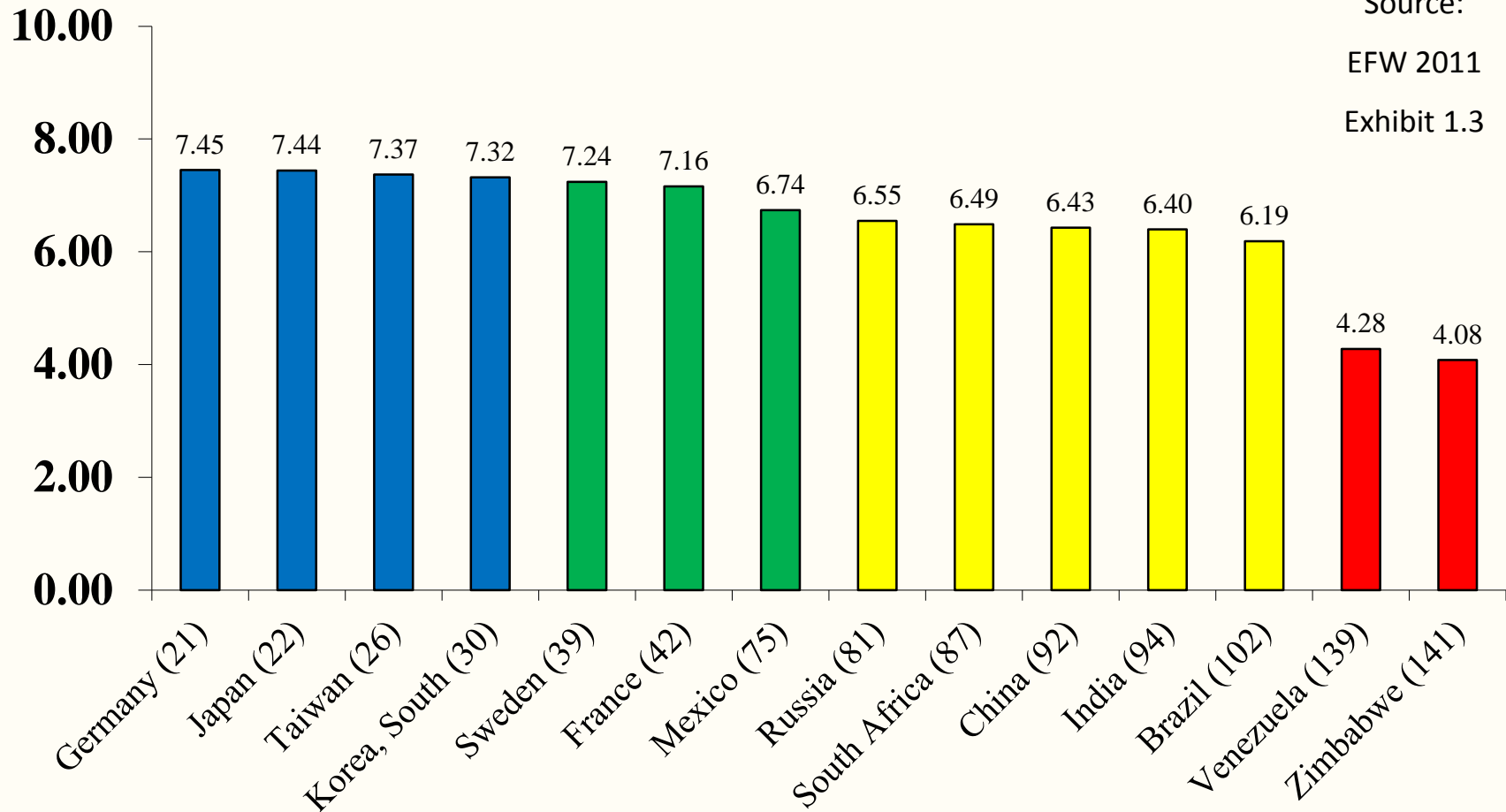
Highest Economic Freedom Ratings 2009



Source:
EFW 2011
Exhibit 1.3

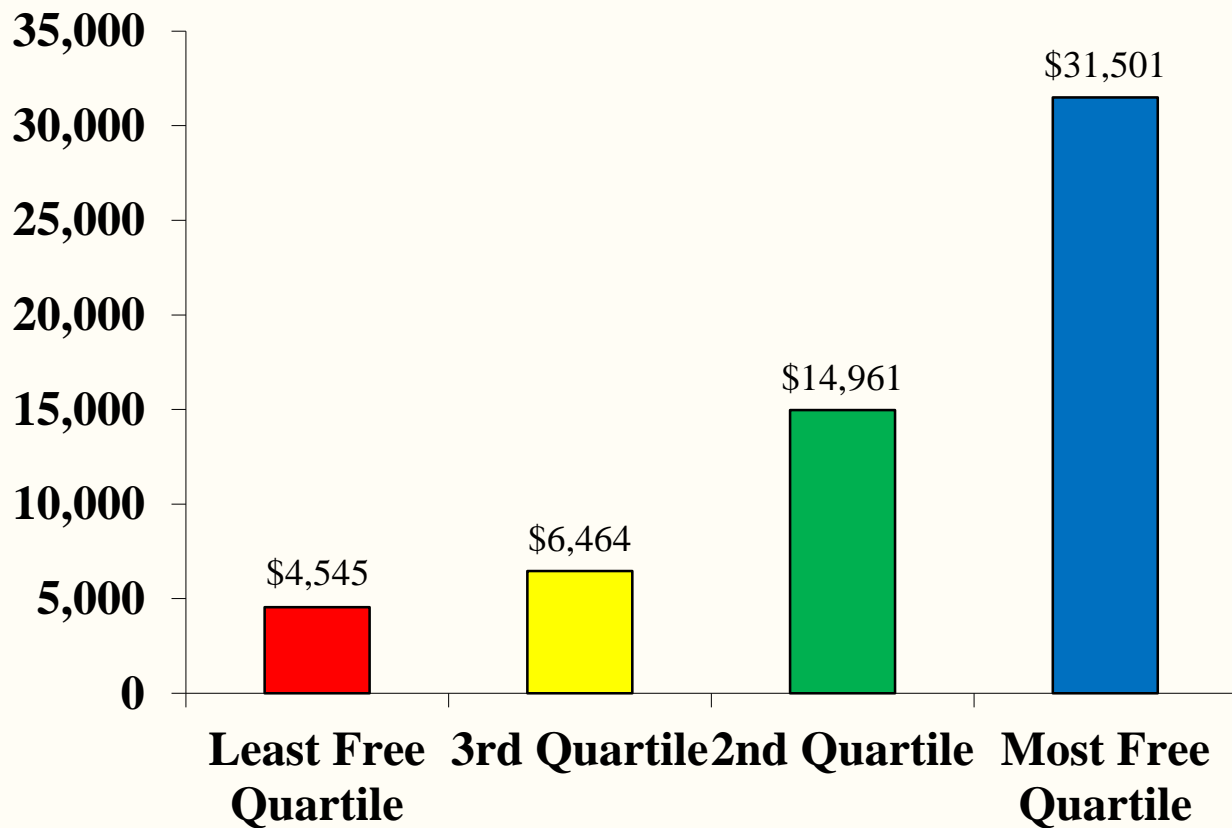


Economic Freedom Ratings of Selected Countries 2009





Economic Freedom and Income



“No qualitative verbal description can match the power of that graph.”

—Milton Friedman

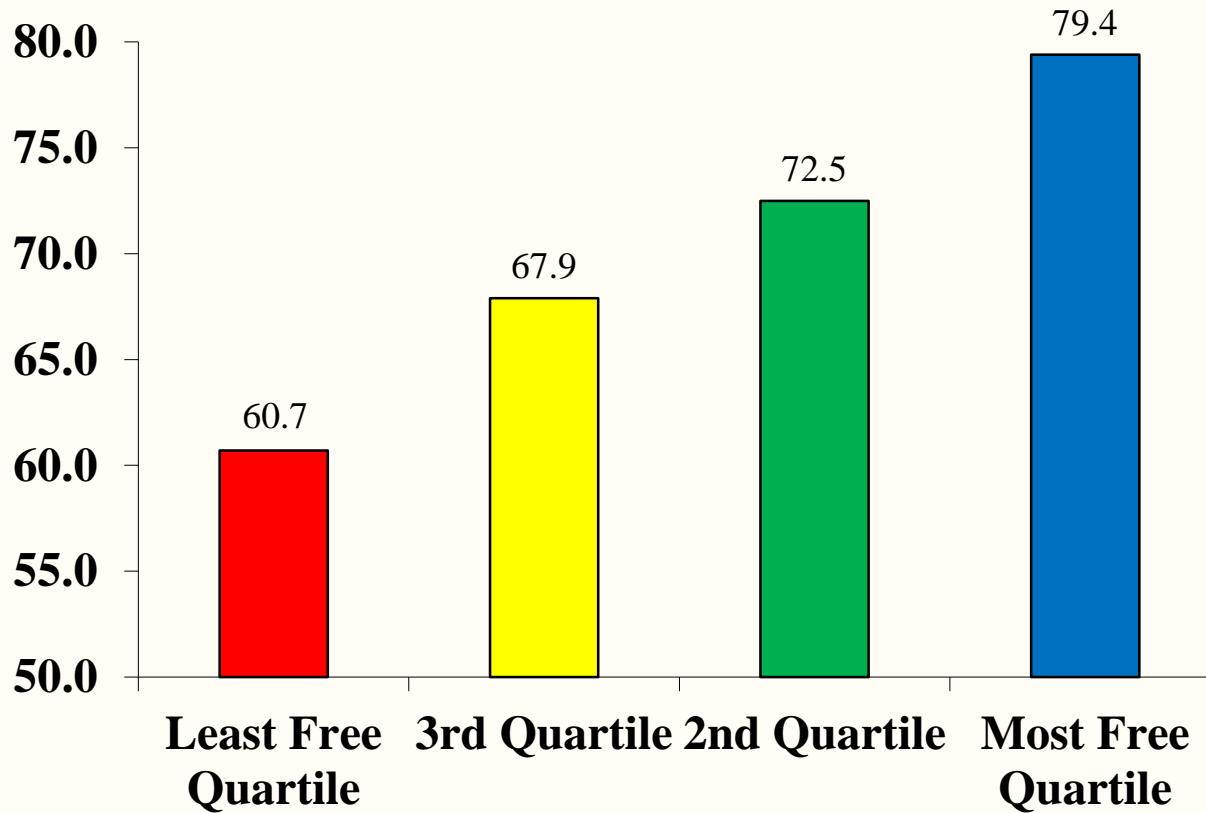
Source:

EFW 2011

Exhibit 1.9



Economic Freedom and Life Expectancy



Source:
EFW 2011
Exhibit 1.13



What about the U.S.?

EXHIBIT 9

Heading the Wrong Way

The United States began the 21st Century as a paragon of economic freedom. Since then, its score on the annual *Economic Freedom of the World* report has declined sharply. The United States fell to 10th in the world in 2009—behind such culturally similar countries as New Zealand, Canada, Australia and Great Britain.



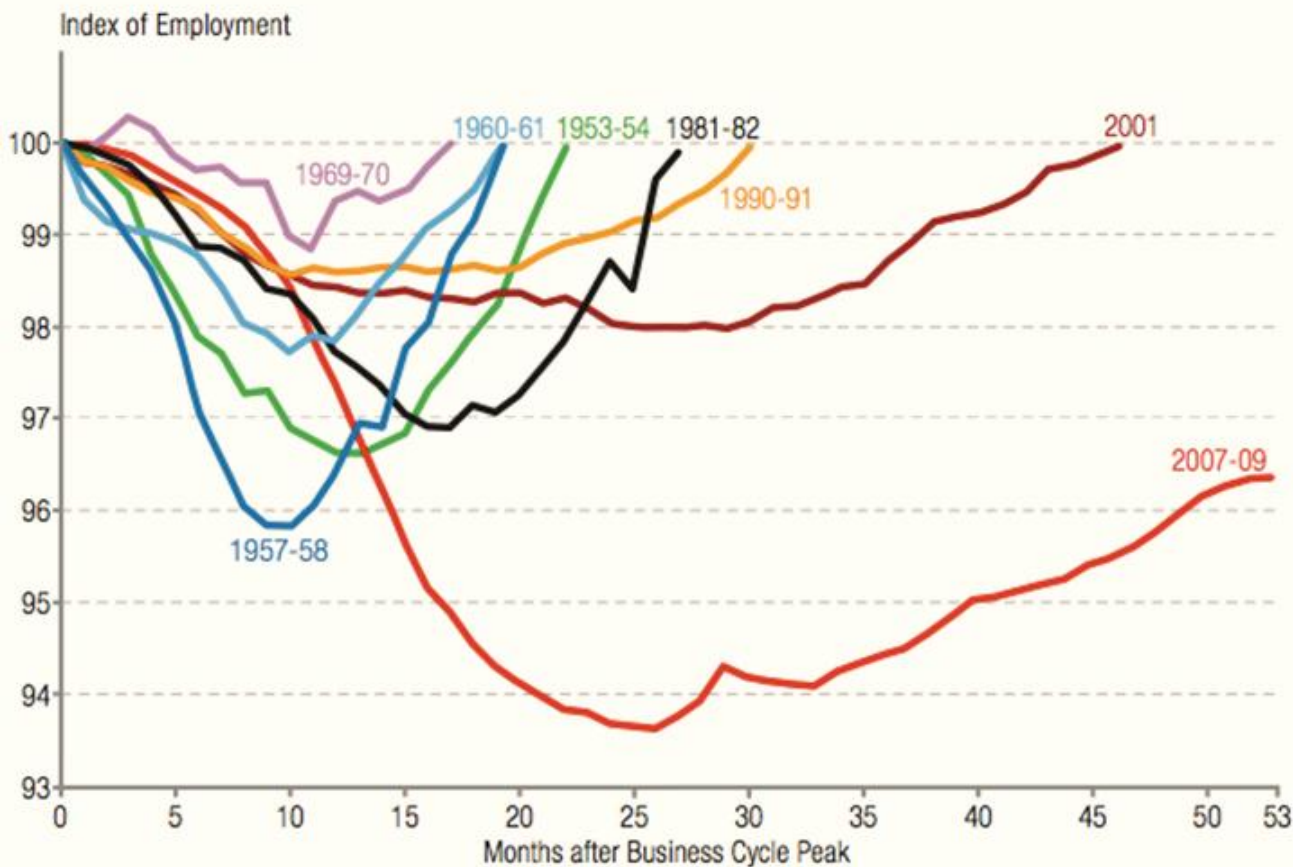
Source:
O'Neil Center
Annual Report
2012



EXHIBIT 10

An Economy Adrift

The recent recession's job losses far exceeded the employment declines of previous post-World War II recessions. The recovery has been slow—at a pace that won't restore employment to its 2007 peak until 2015.



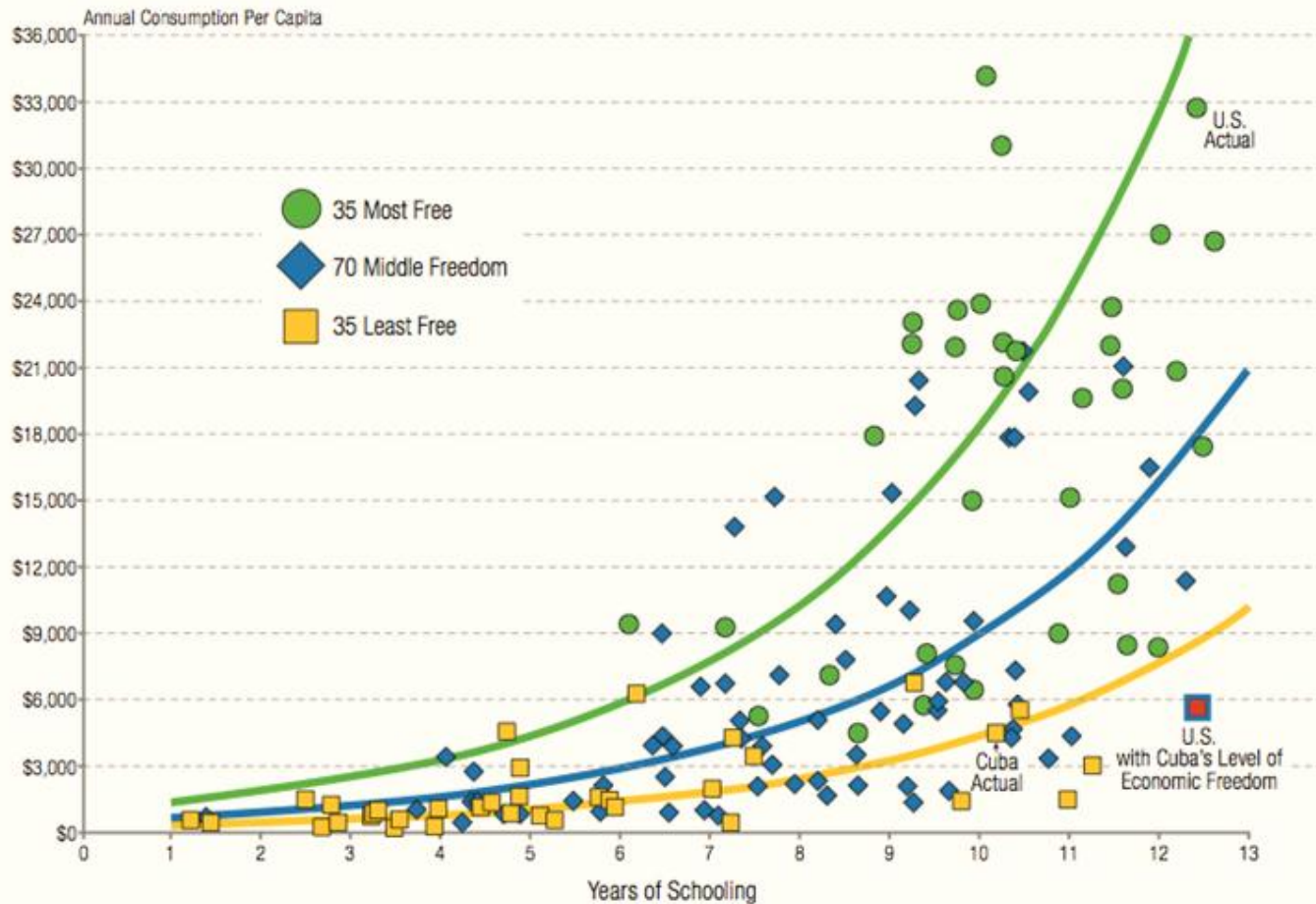
Source:
O'Neil Center
Annual Report
2012



EXHIBIT 11

It's the Economic System

Suppose we keep America's level of schooling the same at 12.45 years and reduce our *Economic Freedom of the World* score from its actual 7.96 to Cuba's 2.77. What happens to per capita consumption? It falls from \$32,721 to \$5,605—that's a rough estimate of the difference between capitalist and socialist systems. Averaging 10.2 years of education, Cuba is actually poorer at \$4,440.



Source:
O'Neil Center
Annual Report
2012

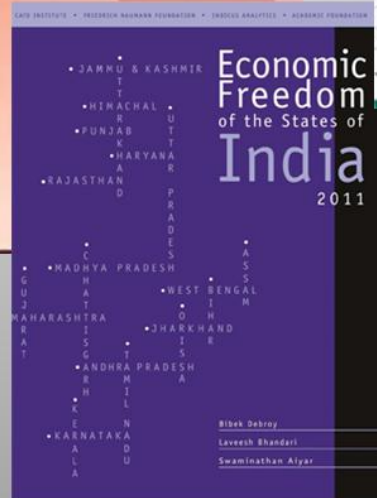
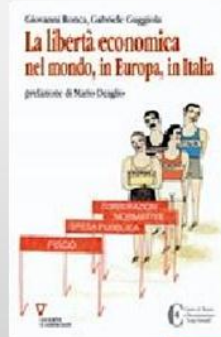




Figure 1.3: Economic Freedom at the All-Government Level and GDP per Capita, 2009



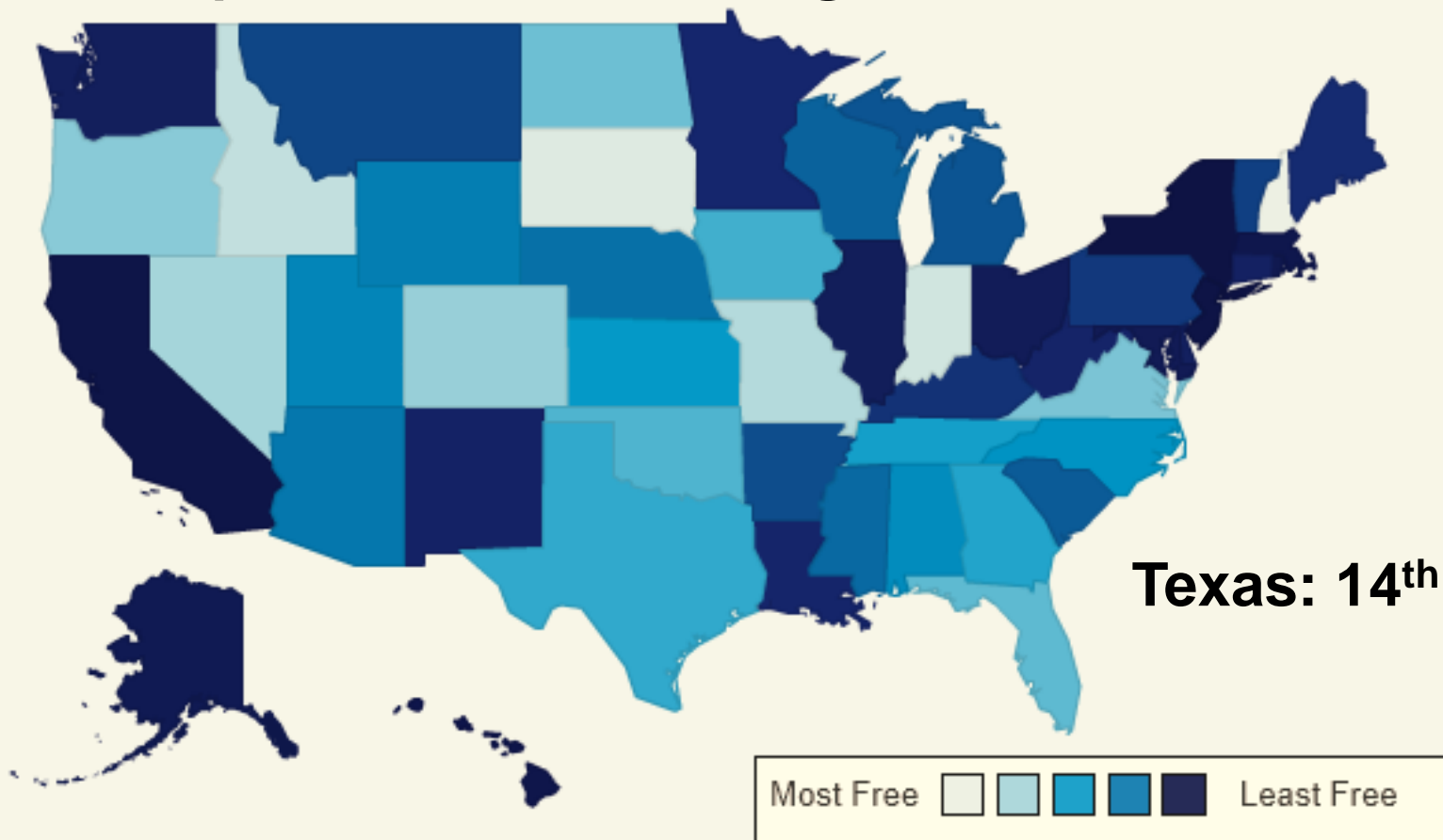


VISIT THE WEBSITE:
FREE THE WORLD

<http://www.freetheworld.com>



Map of Freedom Rankings for all 50 States





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