A Special Issue on Economic Freedom in U.S. Metropolitan Areas: An Introduction

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The idea that government intervention in the economy can have negative consequences is centuries old, going back to Adam Smith, the founding father of economics. Smith sketched out his "natural system of liberty" summarizing the very minimal role he saw for government. His insights are important to the study of regional policy differences and their implications for economic outcomes.

About 35 years ago, when many Communist Bloc countries were claiming to be economically outperforming the freer countries in the West, Nobel Laureate Economists Milton Friedman, Gary Becker, Douglas North, and others developed the Economic Freedom of the World (EFW) index. That index, first published in 1996, could be thought of as an attempt to quantify how closely nations' governments come to Smith's vision of the natural system of liberty. It's produced annually by Canada's Fraser Institute, along with think tanks all over the globe (Gwartney et al., 2023). Over 700 independent research papers have used the index to examine the relationship between economic freedom and various measures of human well-being.

A few years after the EFW was developed, scholars at Fraser produced a similar economic freedom index for large subnational jurisdictions–Canadian provinces, and then for U.S. states. That Economic Freedom of North America annual report (EFNA) index is now in its 19th edition and now also includes the Mexican states and the U.S. Territory of Puerto Rico (Stansel et al., 2023). It has nearly 400 citations in the literature.

In 2013, using a slightly modified version of the existing EFNA methodology but drilling down to the U.S. metropolitan statistical area level (instead of states), Dean Stansel produced the first local-level economic freedom index, published here in JRAP (Stansel, 2013). Despite the fact that it contained only one year of data, researchers quickly put it to good use with 44 citations over the first five years according to Google Scholar (a few examples of which are Bologna (2014); Bologna et al. (2015); Wong and Stansel (2016); Murphy and Yeom (2018); Millsap (2018).

Stansel later updated and expanded that index (Stansel, 2019), with 9 years of data over the 1972-2012 time period. In part because it provided a much larger data set, the citations have increased substantially since then. The Metropolitan Area Economic Freedom Index (MEFI) currently includes 10 years of data across five decades (1972-2017) for the 383 U.S. metropolitan statistical areas (Stansel, 2023). The two JRAP articles providing the index have been cited a total of 99 times, with 26 of those coming in 2023 and the first half of 2024.

Similar to what happened with the EFW (for countries) and the EFNA (for states), most of the initial literature using the MEFI focused on the relationship between economic freedom and the size or growth of the economy. Eventually, scholars branched out and started exploring a wide range of dependent variables, including public health and crime.

Extensions of the economic freedom literature to the sub-state level are an important step in helping us understand individual economic decision-making. The introduction of the Economic Freedom of North America index in 2002 helped us better understand the role policies related to taxation, government spending,

and labor market regulation play in creating the conditions for mass flourishing. The real value of the MEFI index is that it allows us to better understand these forces. People who are leaving one state for another, for example, generally don't just decide to move to a new state. Rather, they decide to move to a particular city within that state. As the Tiebout-Tullock hypothesis suggests, in addition to considering various quality of life measures, they also evaluate the tax policies and public goods provision within those localities (see Arif et al. (2020) and Cebula (2024) for recent examples). The availability of the MEFI data allows us to test this hypothesis, and many others like it. Theory is good, but theory becomes particularly strong when it's backed up by empirical evidence.

Further, the availability of the MEFI data allows researchers to stress test the robustness of results that have been found in the cross-country or cross-state economic freedom literature. We know, for example, that countries that are more economically free tend to see more robust entrepreneurial environments (Bjørnskov and Foss, 2008; Nyström, 2008). This relationship holds true if we look across states as well (Sobel, 2015; Tuszynski and Stansel, 2018). We might wonder, however, whether it's state policies or local policies that are the drivers of this entrepreneurship, or maybe some combination of both. Thanks to the availability of the MEFI dataset, we are able to gain insight into this question, and many other questions like it. In fact, Bennett (2021) found that local economic freedom is positively associated with both firm and job creation, but has no relationship with firm and job destruction. And, Shakya and Plemmons (2021) found a positive relationship between the labor market freedom component of the index and start-up density.

Thanks to the generosity of the Templeton World Charity Foundation, the Bridwell Institute for Economic Freedom at Southern Methodist University commissioned ten new papers using the MEFI that address a wide variety of topics. We held a colloquium in August 2022, bringing together the authors of the ten papers for presentations and detailed feedback from each other and from four Bridwell scholars who frequently work with economic freedom indexes. This special issue of JRAP brings together five of those papers.

Jacob Bundrick's "Economic Freedom and Incentive Regimes: Evidence from United States MSAs" explores the relationship between economic freedom and targeted economic development incentives (TEDIs) at the MSA level (Bundrick, 2025). His findings support the notion that TEDI regimes serve as a compensating differential for a lack of economic freedom, primarily driven by an MSA's tax burden.

In "Economic Freedom, Industry Diversity, and Economic Outcomes: Evidence from Metropolitan Statistical Areas," Justin Callais finds that economic freedom is positively associated with good labor market outcomes (high real net income, low unemployment rate, and high employment per person) (Callais, 2025). That relationship is stronger in areas with higher industrial diversity.

Lauren Heller, Dean Stansel, and Frank Stephenson examine a similar topic in "Metropolitan Area Economic Freedom and Labor Market Conditions" (Heller et al., 2025). They find that higher economic freedom is associated with lower unemployment rates, higher employment-population ratios, and higher employment growth.

"Economic Freedom and Happiness in U.S. Metropolitan Areas," by Jeremy Jackson, Dean Stansel, and Mona Ahmadiani, provides the first local-level examination of the relationship between economic freedom and subjective well-being (Jackson et al., 2024). Their results confirm what others have found for countries and states: a generally positive association between economic freedom and subjective well-being.

Finally, Mavuto Kalulu's "Economic Freedom and Crime: What Does the Data at the Metropolitan Statistical Area Level Reveal?" finds a negative relationship between overall economic freedom and violent crime (Kalulu, 2024). He also finds some evidence of a negative association between the labor market freedom component of the index and property crime.

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Conflict of Interest

Dean Stansel and Meg Tuszynski declare that they have no conflict of interest.

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