

The economic freedom: One of the determinants on the economic growth

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Abstract

This paper applies the data envelopment analysis (DEA) model to investigate the effect of the economic freedom (the index from Heritage Foundation) on countries' economic efficiency levels. Specially, we apply the different setup of the two stage Simar and Wilson (2007) model to a sample of 87 countries for the period of 2010 and 2011. The regression results reveal that the economic freedom and human capital has a positive contribution to the country level efficiency when the other impacts are controlled. Our findings suggest that more economic freedom and the investment on the human capital could bring countries more quickly to full use their endorsements (such as the capital and labour).

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