MENARD FAMILY INITIATIVE

Economic Policy and Outcomes: Balancing Regulation for Entrepreneurship

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MENARD FAMILY INITIATIVE

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PREFACE
ECONOMIC POLICY AND OUTCOMES: BALANCING REGULATION FOR ENTREPRENEURSHIP

DR. ISRAT JAHAN, FACULTY FELLOW

Introduction

Economic policies, regulations, entrepreneurship, and economic growth are deeply intertwined, each influencing the other in significant ways. Economic policies that reduce regulatory burdens and protect property rights can significantly enhance the entrepreneurial landscape, encouraging innovation and sustained economic development. Excessive or poorly designed regulations can restrain entrepreneurial spirit, limiting innovation and business creation. Entrepreneurship thrives in environments where regulatory frameworks strike a balance between oversight and freedom, and constraints of crony capitalism enabling innovators to experiment and grow. This entrepreneurial activity, in turn, drives economic growth by introducing new products, services, and technologies that enhance productivity and create jobs. As entrepreneurs navigate regulatory landscapes, they often catalyze economic development by identifying and capitalizing on market opportunities, fostering a cycle of growth that benefits society as a whole.

In this volume, we present a collection of essays authored by student and research fellows, as well as discussion group participants, from the Menard Family Initiative (MFI) at the University of Wisconsin in La Crosse. This volume brings together diverse perspectives on several critical topics. It explores the impact of regulations on entrepreneurship, highlighting the balance needed for innovation and growth. The role of social capital in driving economic development is examined, showcasing how strong community networks can enhance prosperity. The dynamics of Wisconsin's housing market are analyzed, particularly in terms of affordability and development policies. The future of precision agriculture in the Midwest is discussed, focusing on technological advancements and their potential to mitigate climate change effects. Additionally, the challenges and opportunities of minority entrepreneurship are addressed, alongside a nuanced discussion on the dual nature of regulations in economic growth. The volume also delves into the entrepreneurial journeys of immigrants and the pressing need for efficient intellectual property protection in Vietnam. As we navigate the challenges and opportunities of the modern economic landscape, this volume serves as a guide for understanding the critical role of regulations in shaping the entrepreneurial future at the local and international level.

Freedom and Entrepreneurship: Fostering Growth and Innovation

In this compilation, we begin with Lindsey Scheurer's investigation on the intricate relationship between personal freedom, economic freedom, and entrepreneurship, and how these factors influence policies that drive economic growth and innovation. Economic freedom is particularly important as it relates to regulatory and fiscal policies that can stimulate entrepreneurship by reducing barriers and fostering a more favorable business environment. Meanwhile, personal freedom supports entrepreneurial success by enhancing traits such as self-confidence and problem-solving skills, which are essential for innovators.

By analyzing the US state-level data with a focus on the Midwest, this essay reveals that economic freedom has a strong positive correlation with entrepreneurial activity, indicating that less restrictive economic policies can boost the rate of new business ventures. Personal freedom also plays a role, although its impact may vary depending on regional characteristics and other factors. The findings emphasize the need for balanced policies that integrate both personal and economic freedoms to create an environment where entrepreneurship can thrive, ultimately driving innovation and economic prosperity.

Social Capital: A Catalyst for Economic Growth

By examining the relationship between social capital and economic outcomes, Scott Rosendahl highlights the economic significance of social capital on societal development and productivity across different regions in the United States. Social capital, the intricate web of relationships and trust within communities, plays a critical role in economic development. Social capital encompasses the various ways individuals and groups connect and interact. It includes elements like trust, reciprocity, and networks that facilitate cooperation and collective action. By fostering trust and cooperation, social capital enhances community engagement and support, leading to more resilient and productive societies.

This essay indicates that higher levels of social capital are associated with improved economic outcomes, such as higher median incomes and lower income inequality. For instance, regions with strong family cohesion and institutional trust tend to exhibit better economic performance. Conversely, areas with low social capital often struggle with economic disparities and lower overall prosperity. The study also highlights the role of social capital in youth development, where strong community ties contribute to reduced juvenile delinquency and better educational outcomes. Policy implications from this research suggest that initiatives to enhance institutional transparency, civic engagement, and family support can significantly boost social capital. Additionally, addressing regional disparities in social capital through targeted interventions can help bridge economic gaps and foster more inclusive growth.

Precision Agriculture and the Future of Midwest Farms

Mitchell Kocialkowski's essay addresses the challenges faced by the Midwest agricultural industry due to changing precipitation rates, increased temperatures, and extreme weather events and highlights the potential of precision agriculture to mitigate these effects. The essay discusses how precision agriculture technologies, such as Variable Rate Technology (VRT) and artificial intelligence, can optimize inputs like fertilizer, reduce environmental impact, and increase crop yields.

Kocialkowski also examines the varying adoption rates of precision agriculture across the Midwest, noting that states with larger corporate farming structures tend to adopt these technologies more readily than those with predominantly family farms. He argues that investment in precision agriculture can lower entry barriers for entrepreneurial farmers and support corporate expansion, thereby enhancing the region's overall agricultural productivity. The essay highlights the importance of venture capital investment in agtech to drive innovation and efficiency in farming practices tailored to regional needs. He also emphasizes the role of federal and state legislative support in facilitating the adoption of precision agriculture. Legislation such as the Precision Agricultural Loan Act of 2023 and the Precision Agriculture Connectivity Act of 2018 promotes data privacy, connectivity, and the use of advanced technologies in farming.

Development by Right: Addressing Wisconsin's Housing Shortage

Nicholas McFaden's essay examines the pressing issue of housing supply and affordability in Wisconsin. McFaden highlights how the state's housing market has failed to keep up with rising demand, leading to increased home prices and financial burdens on residents. McFaden addresses the significant delays and costs associated with the housing development process in Wisconsin. He identifies the community feedback mechanism and zoning ordinances as key constraints that slow down development.

McFaden also explores the impact of the 2023 Wisconsin Act 16, which reforms the housing development process by establishing a policy of "development by-right." This policy mandates that local governments must approve any development proposal that complies with established zoning and development regulations, thereby reducing the discretionary power of community members to block new housing projects. McFaden argues that these legislative changes are essential for creating a more predictable and efficient development environment. Furthermore, McFaden advocates for the use of comprehensive plans, as mandated by Wisconsin's Comprehensive Planning and Smart Growth Law, to establish clear guidelines and goals for land use.

Minority Entrepreneurship and Economic Growth

Brooke Hartley's essay highlights the impact of government regulations on minority entrepreneurship and their subsequent economic outcomes. Hartley reflects on Dr. Hechavarria's MFI presentation in April 2024, which showcased how fair and nondiscriminatory bank lending practices, particularly through opportunity zones, have encouraged minority entrepreneurship. These zones have been instrumental in providing accessible loans in economically depressed areas, leading to job creation and local economic growth.

However, Hartley also addresses the complexities of government regulations. The increased paperwork and responsibilities can hinder business creation and growth. Additionally, unintended consequences, such as predatory lending and business corruption, have emerged, highlighting the need for careful implementation and monitoring of such regulations. Balancing government intervention with entrepreneurial freedom is crucial for fostering a thriving and inclusive economic environment.

Regulation: A Necessary Evil

Joshua Schulze-Reimpell's essay explores the dual-edged nature of regulations and their impact on economic growth. Schulze-Reimpell emphasizes that while regulations can hinder economic prosperity by increasing the cost and complexity of business operations, they are also essential for maintaining fair competition and preventing harmful practices. Through historical and contemporary examples, he argues that the effect of regulations depends heavily on their context and implementation. Overregulation can restrain innovation and economic growth, but underregulation can lead to monopolies, corruption, and a lack of competitive markets.

Schulze-Reimpell illustrates how regulations can be manipulated by the wealthy and powerful to maintain their status and suppress competition. He brings in Richard Reeves' concept of "opportunity hoarding," where the top 20% of the population use their influence to enforce exclusionary practices, such as restrictive zoning laws, to protect their advantages. Additionally, he highlights how corporations maintain their monopolies once they gain power. To achieve sustainable economic growth, Schulze-Reimpell advocates for a balanced approach to regulation that avoids crony capitalism. This balance ensures the protection of property rights, fair competition, and innovation while preventing the negative impacts of corruption and rent-seeking behavior.

Two Journeys, One Dream

The essay "Two Journeys, One Dream" by Nainil Jariwala (NJ) presents a compelling narrative of immigrant entrepreneurship, highlighting the resilience and adaptability required to navigate the shifting regulatory and economic landscapes of New York City. “Nainil” embarked on his entrepreneurial journey in the 1990s, a time when New York thrived under a deregulated environment conducive to business formation. Policies such as NAFTA and the deregulation of telecommunications created fertile ground for new ventures, allowing Nainil to establish and grow his business with relative ease. His success story mirrors the economic boom of the 1990s, marked by significant GDP growth and job creation.

In contrast, “NJ”'s entrepreneurial efforts in the late 2020s paint a different picture. The E-2 Treaty Investor Visa and Section 1304 of the Business Corporation Law, with their complex requirements, created significant barriers for non-resident aliens like NJ. The extended process of registering a new business and the increased compliance costs exemplify the challenges faced by modern entrepreneurs. Despite these obstacles, NJ's story is one of determination and strategic adaptation, demonstrating the enduring spirit of entrepreneurship even in the face of stringent regulations. Their stories illustrate that while the entrepreneurial spirit can thrive under various conditions, the nature and extent of regulatory hurdles play a crucial role in shaping the landscape of business opportunities.

The Continuous Demand for Efficient Intellectual Property Protection in Vietnam

Khang Duong addresses the crucial role of intellectual property (IP) rights in fostering economic growth and innovation. The essay highlights the importance of property rights, noting that secure IP rights are essential for ensuring returns on investment and promoting industrial expansion, as seen historically in Britain during the Industrial Revolution. However, Vietnam faces significant challenges in enforcing its IP laws. The country's judicial system lacks specialized IP courts, resulting in slow and ineffective enforcement of IP rights. This weak enforcement has led to widespread IP infringement, including the proliferation of pirated products. Additionally, Vietnam's educational system does not adequately address IP rights, leading to a high incidence of plagiarism and a general lack of awareness about the importance of protecting intellectual property.

To address these issues, Duong calls for comprehensive reforms in Vietnam's IP policy, focusing on strengthening law enforcement and improving IP education. By enhancing awareness and understanding of IP rights among businesses, students, and the judicial system, Vietnam can create a more robust environment for innovation and economic growth.

FREEDOM AND ENTREPRENEURSHIP: FOSTERING GROWTH AND INNOVATION

LINDSEY SCHEURER, MFI STUDENT FELLOW

In the United States, freedom and entrepreneurship are frequently discussed pillars of the American dream, representing the ability to make independent decisions, take calculative risks, and construct new opportunities. This essay examines the dynamic interplay between personal freedom, economic freedom, and entrepreneurship, exploring how these elements can shape policies that accelerate economic growth and innovation across the nation.

Personal Freedom is related to an individual's right to make choices in the sphere of their personal lives based on their own beliefs and values. This encompasses freedoms in education and marital choices—both critical to fostering entrepreneurship. Education, for instance, equip individuals with essential skills and knowledge for entrepreneurial ventures, while marriage can offer vital emotional and financial support. In addition to this, family entrepreneurship is a growing field (Bettinelli et al., 2014).

Economic Freedom, on the other hand, pertains to liberties in business operations and economic activities. This includes regulatory freedoms, such as land-use and occupational freedoms, and fiscal freedoms like taxation policies. It is widely recognized that economic freedom can stimulate entrepreneurial activities, with excessive regulations often restrictive for innovation.

Both personal and economic freedoms are significantly influenced by government policies and interventions. However, economic growth extends beyond simple financial metrics, deeply connected with social networks, community support, quality education, and other non-material resources. Integrating personal and economic freedoms allows for a comprehensive understanding of the broader concept of freedom.

Entrepreneurship is often viewed as a key driver for economic growth. Economic freedom has the potential to impact entrepreneurship through government control of business functions. Entrepreneurial decision making can be influenced by taxation and occupational freedom among other factors of economic freedom. Simultaneously, personal freedom indirectly influences entrepreneurial success; for instance, autonomy in life can enhance self-confidence and problem-solving abilities, which are essential traits for successful entrepreneurs (Maczulskij and Viinikainen, 2023).

By examining these interconnected dimensions, we can gain insights into effective policies that support economic growth and foster a thriving environment for innovation and entrepreneurial activities in the United States.

Methods

This analysis aims to investigate the interaction between freedom and entrepreneurship within the United States, focusing on identifying the strengths and weaknesses of various policies including laws, taxes, and regulations.

The study Initially centers on Wisconsin because it offers a unique blend of policies impacting personal and economic freedoms, making it an intriguing case for examining the effects on entrepreneurship. Wisconsin's legislative changes and diverse economic conditions provide a robust framework for analysis. The availability of detailed state-level data enhances the feasibility and depth of the study. Additionally, comparing Wisconsin with neighboring states like Michigan, Minnesota, and Illinois allows for a broader regional analysis, potentially uncovering patterns that could inform economic policies and contribute to a better understanding of how different freedoms influence entrepreneurial activity across the Midwest.

Data from the "Freedom in the 50 States" report by the Cato Institute (2022) is used to measure freedom. This report calculates freedom using a variety of weighted factors determined by the estimated costs to individuals when government actions restrict personal liberties. To measure personal freedom, twelve weighted factors are taken into account. The three most impactful factors for personal freedom include incarceration and arrests, gambling freedom, and gun rights. Economic freedom is assessed through fiscal and regulatory aspects, with state and local taxation and government spending being key fiscal factors, and land-use, health insurance, and labor market regulations being primary regulatory factors. In the overall freedom calculation, personal freedom accounts for 33.8%, fiscal freedom for 30.5%, and regulatory freedom for 34.7%.

Data from the Kauffman Indicators of Entrepreneurship was used to measure entrepreneurship (Ewing Marion Kauffman Foundation, 2024). This study focuses on two main indicators: the rate of new entrepreneurs, which reflects the percentage of the population starting new businesses, and the opportunity share of new entrepreneurs, indicating the percentage of entrepreneurs who started businesses by choice rather than necessity.

Results

Using the aforementioned data, the analysis begins by comparing the rate of new entrepreneurs to overall freedom, revealing a visually positive correlation.
Upon disaggregating overall freedom into personal and economic components, it became evident that the primary driver of this relationship was economic freedom, which showed a strong positive correlation with the rate of new entrepreneurs.

Figure 1: Freedom and Entrepreneurship

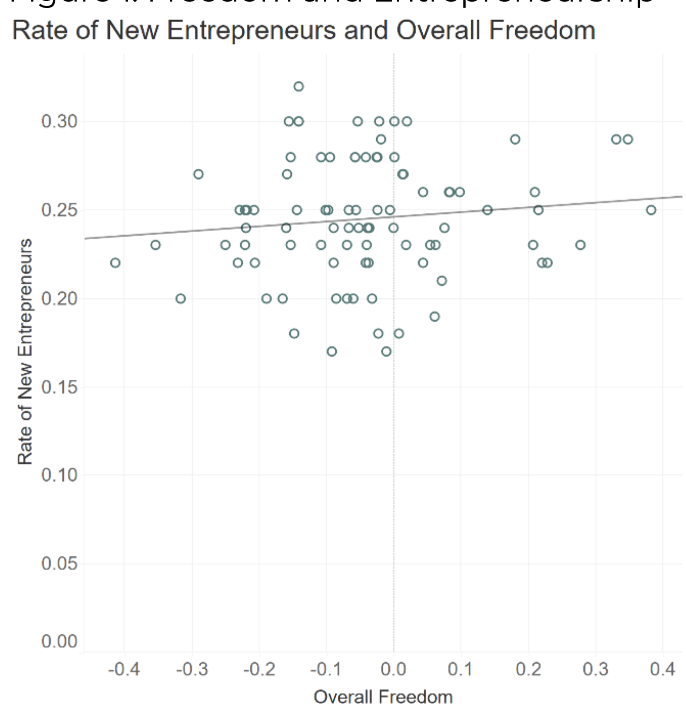
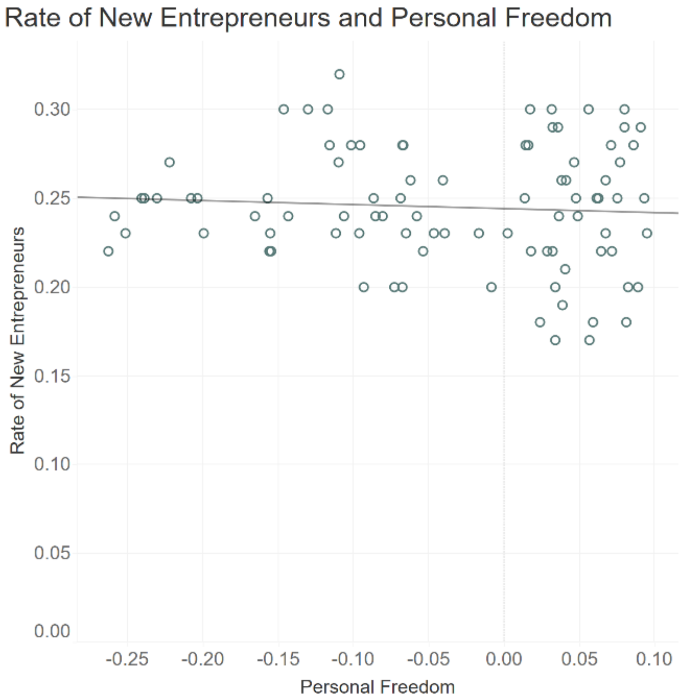
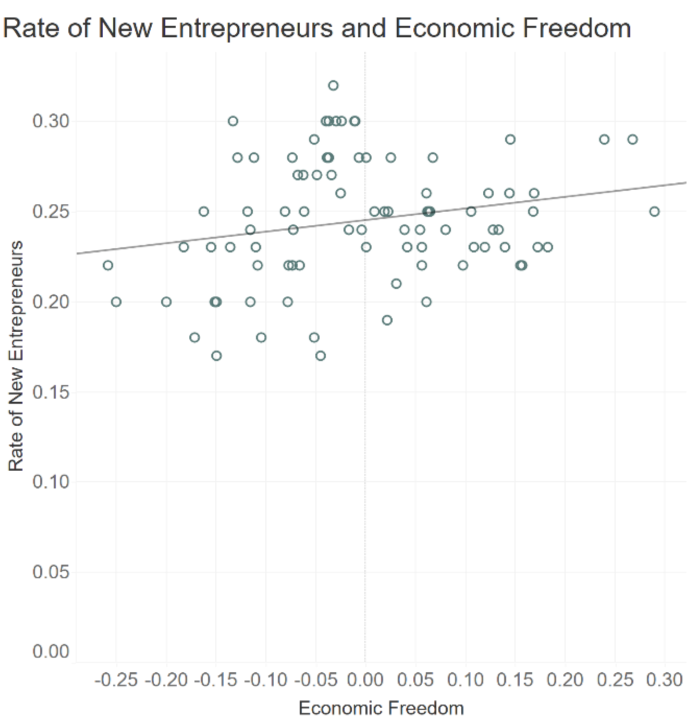


Figure 2A: Personal Freedom and Rate of New Entrepreneurship



Conversely, personal freedom exhibited a weaker and negative relationship with the rate of new entrepreneurs, a finding consistent even after regression analysis.

Figure 2B: Economic Freedom and Rate of New Entrepreneurship



Preliminary simple regression analyses were conducted to examine these relationships further, noting that these analyses do not yet incorporate control variables. Therefore, while no causal relationships are claimed, these regressions help explain the observed patterns.

Table 1: Regression Analysis

VARIABLES	(1) Rate of new entrepreneurs	(2) Rate of new entrepreneurs	(3) Rate of new entrepreneurs
Overall freedom	0.027		
	(0.041)		
Economic freedom		0.064***	
		(0.025)	
Personal freedom			-0.023
			(0.069)
Constant	0.246***	0.245***	0.244***
	(0.002)	(0.001)	(0.003)
Observations	88	88	88
Number of statec	4	4	4
r2_a	.	.	.

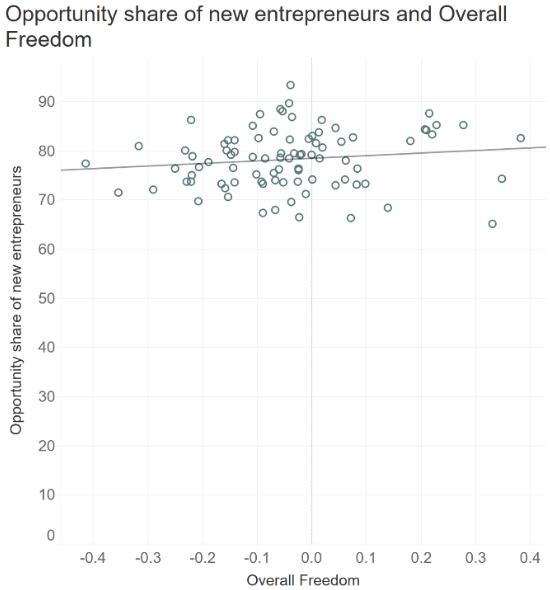
Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The regression analysis confirms a statistically significant positive relationship between economic freedom and the rate of new entrepreneurs, but no significant correlations involving overall, or personal freedom alone were found.

Similar analytical steps are then applied using the opportunity share of new entrepreneurs as the entrepreneurship measure.

Figure 3: Freedom and Opportunity Share of New Entrepreneurship



Similar to earlier findings, a positive relationship was noted with overall freedom. Further breakdown showed both overall and economic freedoms positively correlated with the opportunity share of new entrepreneurs, with subsequent regression analyses confirming statistical significance.

Figure 4A: Economic Freedom and Opportunity Share of New Entrepreneurship

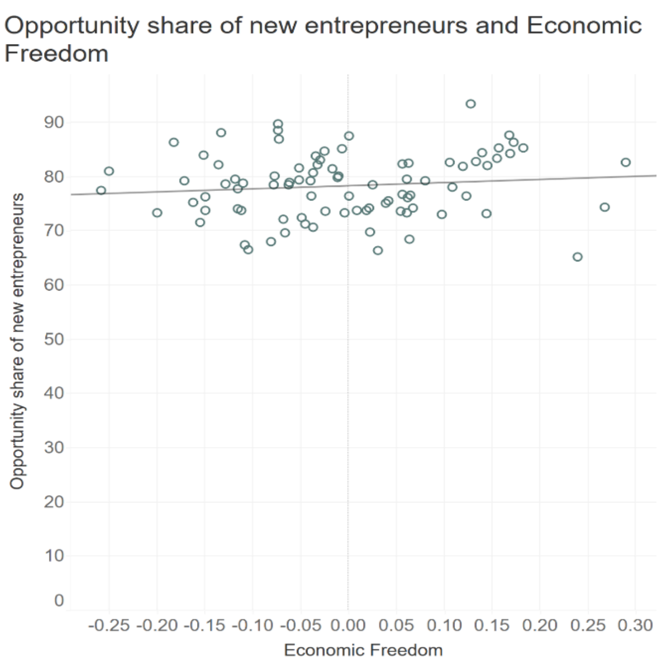
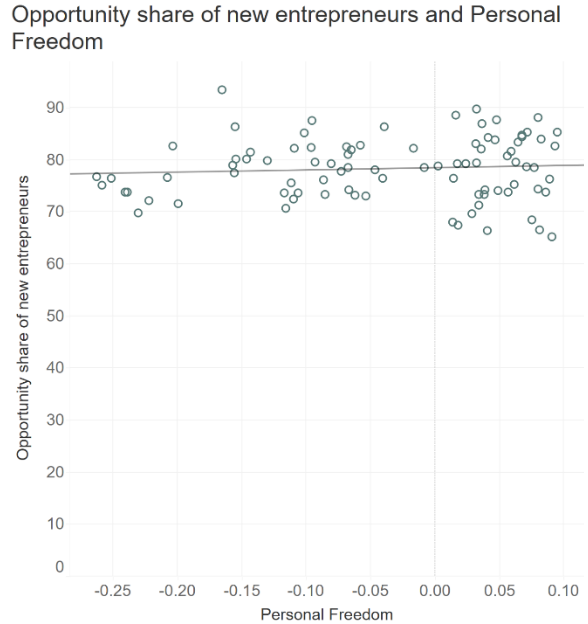


Figure 4B: Personal Freedom and Opportunity Share of New Entrepreneurship



To assess the impact of personal freedom levels, regressions included data points with above-average personal freedom. We estimate the impact of Economic freedom on entrepreneurship in high and low level of personal freedom separately.

Table 2: Regression Analysis

VARIABLES	(1) Opportunity share of new entrepreneurs	(2) Opportunity share of new entrepreneurs	(3) Opportunity share of new entrepreneurs
Overall freedom	5.279*		
	(2.860)		
Economic freedom		5.736**	
		(2.472)	
Personal freedom			4.264
			(3.933)
Constant	78.513***	78.316***	78.456***
	(0.443)	(0.366)	(0.366)
Observations	88	88	88
Number of statec	4	4	4

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3A: Economic Freedom and Entrepreneurship (States with High Personal Freedom)

VARIABLES	(1) Opportunity share of new entrepreneurs	(2) Opportunity share of new entrepreneurs	(3) Rate of new entrepreneurs	(4) Rate of ne entreprene
Overall freedom	6.145**		0.133**	
	(2.614)		(0.053)	
Economic freedom		6.711***		0.172**
		(1.974)		(0.077)
Constant	78.051***	78.380***	0.235***	0.242***
	(0.910)	(0.850)	(0.012)	(0.014)
Observations	43	43	43	43
Number of statec	4	4	4	4
r2_a	.	.	.	.

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Results indicate statistically significant relationships between both (overall and economic) types of freedom and both entrepreneurship measures, with

Conversely, when personal freedom was below average, the significance of these relationships diminished or disappeared, except for the persistent yet weaker positive correlation between economic freedom and the rate of new entrepreneurs.

Therefore, the key statistically significant findings include a consistent positive relationship between economic freedom and the rate of new entrepreneurs, regardless of the level of personal freedom.

Possible Explanations

The observed correlation between lower economic freedom and reduced entrepreneurial activity can be explained through several factors. High taxation, for example, might diminish financial incentives for starting a business, as entrepreneurs could find the potential returns less appealing compared to more traditional career paths (Bruce et al., 2020).

enhanced significance, suggesting that higher personal freedom might strengthen the impact of overall or economic freedom on entrepreneurship measures.

Table 3B: Economic Freedom and Entrepreneurship (States with Low Personal Freedom)

VARIABLES	(1) Opportunity share of new entrepreneurs	(2) Opportunity share of new entrepreneurs	(3) Rate of new entrepreneurs	(4) Rate of new entrepreneurs
Overall freedom	8.661		0.040***	
	(9.457)		(0.014)	
Economic freedom		4.228		0.082*
		(4.019)		(0.044)
Constant	79.320***	78.278***	0.252***	0.247***
	(1.888)	(0.403)	(0.010)	(0.009)
Observations	45	45	45	45
Number of statec	3	3	3	3
r2_a	.	.	.	.

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Additionally, strict occupational regulations might impede entry into certain markets, creating substantial barriers for new entrants and restraining entrepreneurial initiatives (Carpenter et al., 2017).

Furthermore, the effect of low personal freedom on the benefits of greater economic and overall freedom deserves attention. Individuals with limited personal freedom may lack essential skills and motivation. Skills such as problem-solving, the ability to express oneself freely, and the self-confidence necessary to launch and sustain a business venture are crucial (Maczulskij and Viinikainen, 2023). This deficiency can particularly affect the opportunity share of new entrepreneurs, as they might be less likely to start businesses by choice and more out of necessity.

Conclusion

The analysis conducted in this study provides valuable insights into the relationship between economic freedom, personal freedom, and entrepreneurial activity across four key states: Wisconsin, Michigan, Minnesota, and Illinois. The findings highlight the significant positive impact of economic freedom on the rate of new entrepreneurs, suggesting that less restrictive economic policies can enhance entrepreneurial endeavors. Conversely, the influence of personal freedom on entrepreneurship appears more complex and context-dependent, indicating varying effects based on regional characteristics and personal freedom levels.

While this preliminary research sheds light on some critical aspects of how freedom influences entrepreneurship, it is essential to approach these results with caution due to the limited scope of data and the absence of causal relationship. The next phase of this research will involve gathering data from all fifty states, which will provide a broader and more diverse dataset for analysis. Additionally, incorporating other relevant variables such as per capita income, gender indicators, and infrastructure will allow for a more nuanced exploration of the factors influencing entrepreneurial activity. Further investigations will also focus on exploring how freedom interacts with other significant entrepreneurial indicators such as job creation, business survival rates, and market stability.

In conclusion, by enhancing our understanding of these relationships through more comprehensive research, policymakers can be better equipped to create environments that foster entrepreneurial growth and economic innovation, aligning with the broader goals of promoting freedom and prosperity.

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SOCIAL CAPITAL: A CATALYST FOR ECONOMIC GROWTH

SCOTT ROSENDAHL, MFI STUDENT FELLOW

Social capital refers to the intangible web of relationships and trust within communities, allowing individuals to gain some sort of benefit from their community (Claridge, 2004). The notion of social capital defies easy measurement, given its diverse components and intangible nature (Dasgupta, 2001). Unlike conventional forms of capital, such as buildings or machines, social capital encompasses varied relationships and engagements, presenting a complex terrain for analysis.

Since L.J. Hanifan first coined the term in 1916 while exploring social reform, the concept has been pivotal in economic, sociological, anthropological, and political studies. Today, understanding the economic significance of social capital is crucial, particularly as it influences societal development and productivity. While conventional economic models struggle to capture the complexities of social capital, recent studies suggest that elements like trustworthiness play a crucial role in shaping economic outcomes (Glaeser, et al, 2002).

Historical analyses reveal significant variations in how individuals invest in social capital, such as forging new relationships or joining new organizations, depending on their anticipated needs for such capital (Glaeser, et al, 2002). These variations are not only personal but manifest distinctly across different communities, contributing to the diverse social landscapes observed across regions.

Further research underscores the role of social capital at the community level, demonstrating that factors like ethnic homogeneity, income inequality, attachment to the locality, educational attainment, age demographics, and female labor force participation are intimately tied to social capital levels across U.S. counties (Rupasingha, et al, 2006). Moreover, the influence of social capital extends significantly into youth development, where it plays a critical role in reducing juvenile delinquency and enhancing educational outcomes (Kawachi, 1999).

Given its pervasive impact, it is evident that social capital profoundly affects various community aspects across the U.S. This paper seeks to delve deeper into how social capital influences economic variables, particularly median income and income inequality, to better understand its broader economic implications.

In navigating this intricate landscape, this essay embarks on a detailed exploration of social capital and its economic ramifications, drawing insights from contemporary scholarship and empirical evidence. By interrogating the complexities of social capital, this study aims to uncover its potential to inform and improve economic policy and overall societal well-being.

Social Capital across the U.S. States

The Joint Economic Committee Social Capital Project focuses on enhancing U.S. social capital by fostering employment connections, improving investments in youth, making family life more affordable, enhancing family stability, and rebuilding civil society. The project's reports not only track the status of social capital across the nation but also offer actionable insights for policymakers.

The Joint Economic Committee Social Capital Project employs a comprehensive index to measure social capital across diverse dimensions, integrating metrics that reflect various facets of community and individual life. This index includes subindices such as Family Unity, Family Interaction, Social Support, Community Health, Institutional Health, Collective Efficacy, and Philanthropic Health, each focusing on specific aspects of social relationships and community engagement.

For instance, the Family Unity subindex examines the structures and stability of families, while Family Interaction assesses the quality of family time and its impact on child development. Social Support measures the emotional and community support available to individuals, capturing how well individuals feel integrated and supported in their social environments.

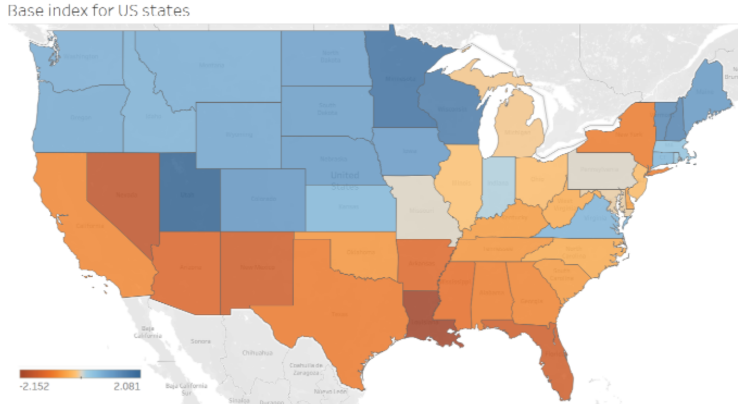
Community Health focuses on civic engagement and collective involvement, reflecting the active participation of community members in civic and communal activities. Institutional Health evaluates public trust and engagement with institutions, essential for assessing the underlying trust that supports societal functioning and governance.

Collective Efficacy offers insights into the community's effectiveness in maintaining safety and order. Lastly, Philanthropic Health gauges the community's willingness to support charitable causes, indicating financial generosity towards broader societal benefits. Together, these subindices provide a nuanced understanding of the health and strength of social bonds, crucial for evaluating social capital.

To analyze how social capital impacts economic outcomes, the study begins by examining social capital metrics across all 50 states. The variation in social capital from state to state provides a unique lens through which to view and understand regional economic disparities.

Figure 1: Social Capital in the United States (2017)

Base index for US states



This figure illustrates the distribution of social capital scores across the U.S., highlighting significant geographical trends. States in the Midwest and the Rockies, such as Wisconsin and Minnesota, generally report higher levels of social capital. This is represented and further detailed in Table 1.

Conversely, the states with the lowest social capital scores are primarily located in the South and Southwest. These states, such as Louisiana and Nevada, present unique challenges and opportunities for policymakers aiming to leverage social capital for economic improvement.

Table 1A: Rank of States by Social Capital (2017)

States	Rank	Social Capital
Utah	1	2.0812
Minnesota	2	1.8115
Wisconsin	3	1.6092
New Hampshire	4	1.4529
Vermont	5	1.3729

Table 1B: Rank of States by Social Capital (2017)

States	Rank	Social Capital
Arizona	46	-1.3263
Florida	47	-1.4955
New Mexico	48	-1.4978
Nevada	49	-1.7323
Louisiana	50	-2.1521

This paper investigates why regions like the Midwest and Rockies maintain higher levels of social capital and how these levels correlate with economic indicators such as net income and income inequality.

Social Capital and Development

This paper delves into how social capital impacts critical economic indicators like median income and income inequality across the United States, essential for understanding its broader economic outcomes.

Figure 2A: Social Capital and Income (2017)

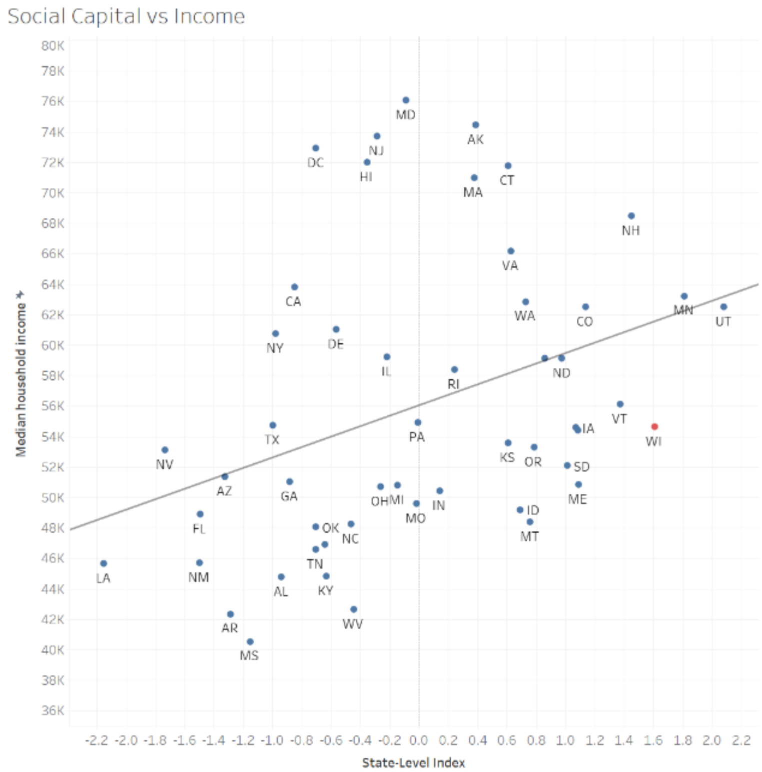
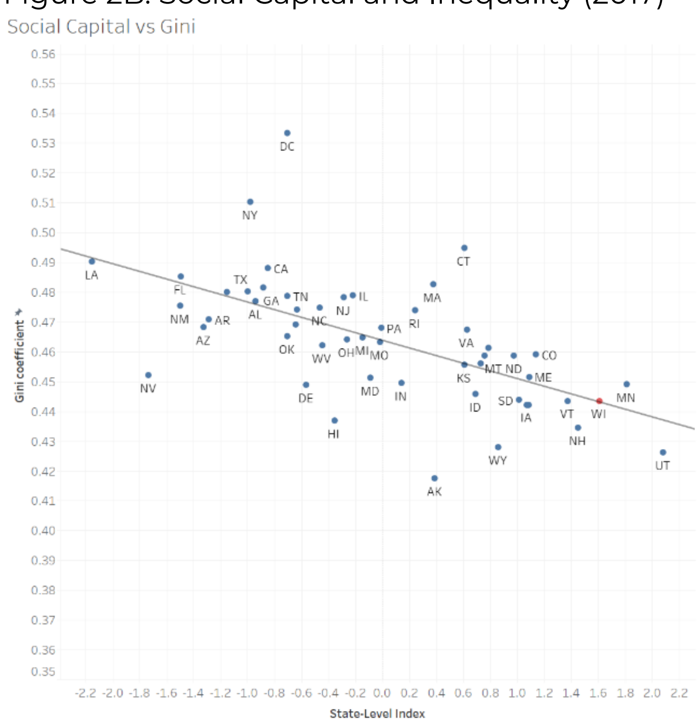


Figure 2B: Social Capital and Inequality (2017)



Social capital, while a complex concept, plays a significant role in economic dynamics. The relationship between social capital and several economic indicators was examined, revealing strong correlations particularly with net income and the Gini coefficient, a measure of income inequality. These correlations, with p-values below 0.01, suggest that increases in social capital correlate with rises in median household income and reductions in income inequality.

Tables 3 and 4 illustrate the outcomes of regression analysis, focusing on the relationship between social capital and key economic metrics. The results indicate a positive association between the social capital index and median household income, with specific subindices like Family Unity and Institutional Health also showing positive correlations. This suggests that regions with higher levels of family cohesion and trust in institutions tend to have higher median incomes.

Conversely, the Community Health subindex demonstrates a negative correlation with median household income. This could imply that in areas where community engagement and civic participation are more pronounced, there may be factors that reduce median income levels, such as time spent in non-economic activities or community work that does not directly contribute to household income.

When examining the relationship between social capital and income inequality, the overall findings indicate no significant coefficients, suggesting that social capital, in general, does not directly influence income distribution across the U.S.

Table 3: Regression Analysis: Social Capital and Income

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Social Capital	5,990.70*					
	(3,104.45)					
Family Unity		4,878.87**				3,929.73***
		(2,297.32)				(1,380.10)
Community Health			-11,213.41***			-8,330.25***
			(2,550.03)			(1,679.14)
Collective Efficacy				-36.13		557.17
				(3,118.13)		(1,842.36)
Institutional Health					15,087.40***	12,074.34***
					(1,794.76)	(1,513.08)
Constant	47,939.83***	52,461.24***	61,624.61***	55,677.75***	30,609.68***	37,114.16***
	(4,165.094)	(1,898.857)	(1,699.311)	(2,353.867)	(3,076.495)	(2,931.598)
Observations	49	49	49	49	49	49
R-squared	0.073	0.088	0.291	0.000	0.601	0.768
r2_a	0.0537	0.0681	0.276	-0.0213	0.592	0.747

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

However, an exception is found in the Collective Efficacy subindex. An increase in collective efficacy, which reflects the community's ability to work together for common objectives, is associated with a reduction in income inequality. This could indicate that communities with higher collective action are better able to address disparities and support lower-income members, leading to a more equitable distribution of income.

However, these results raise important questions about causality. Does higher social capital directly enhance economic outcomes in those communities, or do economically prosperous communities inherently possess higher levels of social capital? The relationship explained in this study does not claim any causal interpretation. However, it is worth discussing what strategies policymakers should adopt to foster social capital and improved economic outcomes.

Table 4: Regression Analysis: Social Capital and Inequality

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Social Capital	-0.006					
	(0.007)					
Family Unity		0.002				0.009
		(0.005)				(0.006)
Community Health			-0.005			-0.002
			(0.006)			(0.007)
Collective Efficacy				-0.012*		-0.016**
				(0.006)		(0.007)
Institutional Health					-0.001	-0.004
					(0.006)	(0.006)
Constant	0.429***	0.420***	0.424***	0.429***	0.423***	0.433***
	(0.009)	(0.004)	(0.004)	(0.005)	(0.010)	(0.012)
Observations	49	49	49	49	49	49
R-squared	0.015	0.003	0.013	0.069	0.001	0.118
r2_a	-0.00602	-0.0179	-0.00839	0.0492	-0.0205	0.0375

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Investigating the influence of state policy on social capital presents challenges due to the wide variation of social capital within states and the differential impacts policies might have across various regions. A potential solution could be to examine a homogeneous region that extends across multiple states. Such a setting could allow for an analysis of how differing state policies affect regions with similar initial conditions.

Social Capital within the Driftless Region

The Driftless region, spanning parts of Minnesota, Iowa, Wisconsin, and Illinois, was chosen for this study due to its distinct geographic and cultural characteristics shaped during the Wisconsonian glaciation. Unlike its surrounding areas, the Driftless region features unique topographical elements such as steep bluffs and river valleys. These geographic traits have contributed to a certain homogeneity in the region, from predominant industries like mining and agriculture to a cohesive cultural heritage predominantly of Ho-Chunk, German, and Norwegian descent.

For the purpose of this research, the Driftless Area Magazine was consulted to define the region's boundaries, resulting in the selection of 23 counties in Wisconsin, 14 in Iowa, and 12 in Minnesota. In Illinois, 6 counties are considered part of the Driftless region, but two—Whiteside and Winnebago—were excluded from certain analyses due to their data significantly skewing results.

The study aims to determine whether the state a county is located in influences social capital or any of its components. Averages of each measure were calculated for each state to identify any significant differences.

Figure 3A: Social Capital in the Driftless Region (All Counties in 2017)

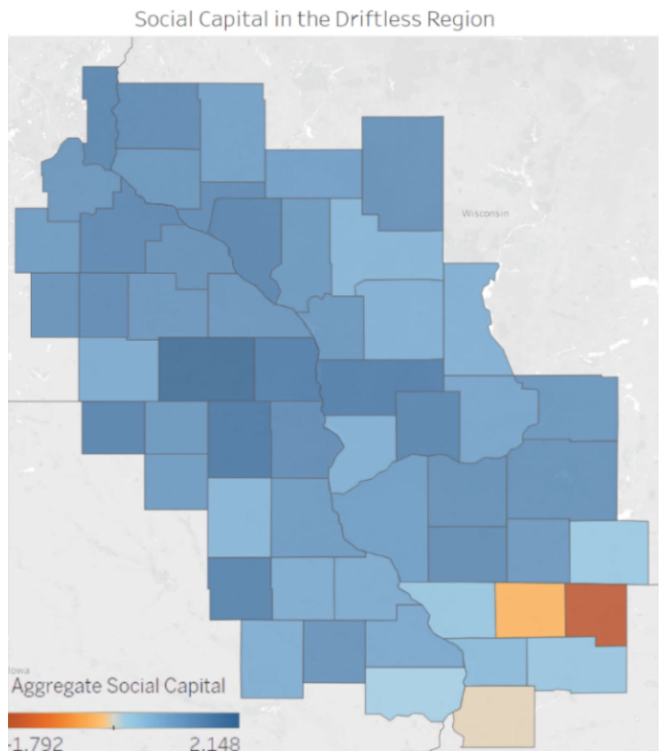
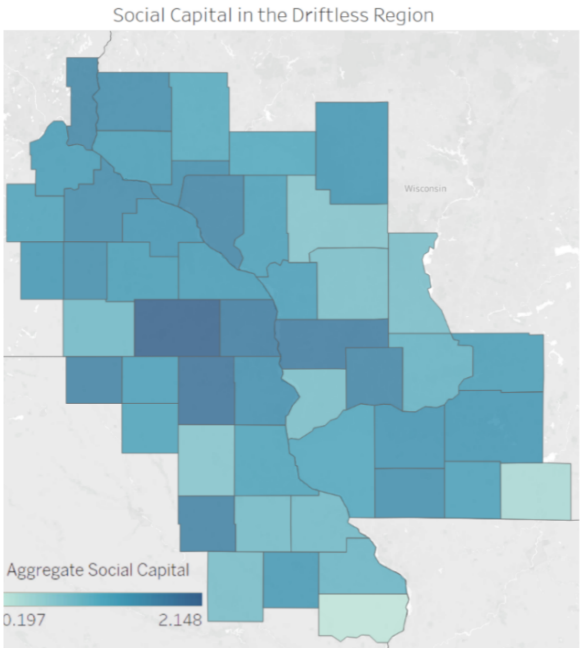


Figure 3B: Social Capital in the Driftless Region (Excluding Illinois Counties in 2017)



A one-sided ANOVA test was also conducted for each variable among Wisconsin, Minnesota, and Iowa, given the exclusion of the Illinois counties due to their outlier status and smaller sample size. The p-values from these tests are presented in the accompanying tables.

Table 4: Components of Social Capital in the Driftless Region (2017)

Measure	Wis.	Minn.	Iowa	P-value
OVERALL	1.25	1.48	1.19	0.108
Gini	0.42	0.42	0.43	0.300
Median income (in thousands)	54	63	53	0.001
Collective efficacy	0.65	0.65	0.63	0.989
Community Health	0.56	0.48	0.53	0.850
Family unity	0.58	0.75	0.69	0.613
Institutional health	1.59	2.15	1.35	0.000

The findings suggest that state-level factors, such as policies, might influence social capital at the county level. Notably, differences in Institutional Health and median income between Iowa, Minnesota, and Wisconsin were statistically significant, indicating potential impacts on overall social capital. Understanding the reasons behind these disparities in Institutional Health could provide insights into the underlying drivers of social capital variations across the states.

Policy Recommendations

Based on the analysis of the Driftless Region and the states in general, several targeted policy recommendations can enhance social capital and economic outcomes. Firstly, it is crucial to strengthen institutional health to foster trust and cooperation. Enforcing greater transparency and ethical standards can mitigate the trust deficit. Promoting civic engagement through community meetings, local councils, and volunteer opportunities can also enhance collective efficacy and community cohesion. Furthermore, supporting family structures through programs like parenting workshops and family-friendly events can bolster family unity and interaction, which are critical components of social capital.

Economic initiatives should leverage the unique attributes of each region. Additionally, enhancing access to education and vocational training can increase individual capabilities and foster community through shared experiences. To ensure these measures are effective, establishing a dedicated task force to continuously monitor social capital metrics and evaluate policy impacts is essential. This approach allows for the dynamic adjustment of strategies to better serve the community's needs. Furthermore, fostering cross-state collaboration among Minnesota, Iowa, Wisconsin, and Illinois can address regional challenges more comprehensively, benefiting the Driftless Region as a whole.

Conclusion

By examining various social capital metrics and their correlations with economic indicators, valuable insights have been gleaned into the complex interplay between social cohesion and economic prosperity. The findings from research gained from the Joint Economic Committee reveal that states with higher levels of social capital tend to experience greater economic outcomes, as evidenced by higher median incomes and lower income inequality. Moreover, analysis of social capital components within the Driftless region highlights the influence of state-level policies and sentiment on social capital at the county level, particularly concerning institutional health and public trust in key institutions.

From a policy perspective, there are many ways that social capital can be improved, leading to greater economic outcomes within communities. This includes fostering transparency and ethical standards within institutions, reforming law enforcement practices to improve public trust, and addressing legislative barriers that hinder accountability. By understanding and promoting high levels of social capital, policymakers can pave the way for a brighter future, characterized by shared prosperity and social cohesion.

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PRECISION AGRICULTURE AND THE FUTURE OF MIDWEST FARMS

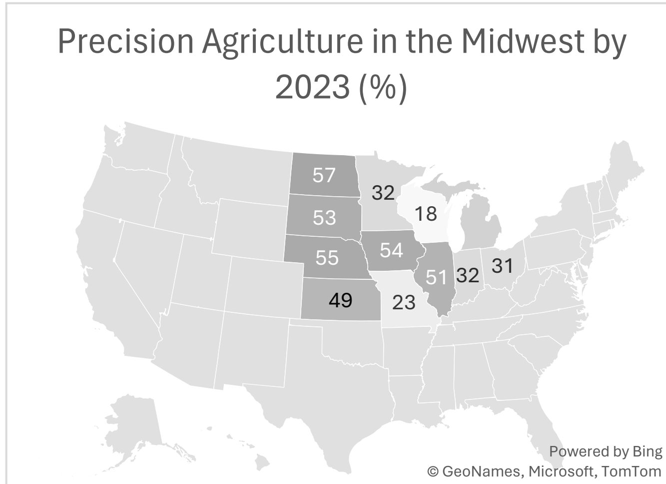
MITCHELL KOCIALKOWSKI, MFI STUDENT FELLOW

Climate change poses a serious threat to the Midwest's agricultural industry. However, a greater focus on adopting precision agriculture can combat the negative effects and boost productivity. The challenges climate change brings include changes in precipitation rates, increased temperatures, and extreme weather events such as blizzards and tornadoes. Technological advancements, particularly in precision agriculture, can usher in a new era of farming, helping farmers to mitigate these effects, increase crop yields, and address site-specific problems.

Precision agriculture involves site-specific analog technologies and digital agriculture. Site-specific refers to technology physically located at the farming location, specifically where the crops are grown. One example is Variable Rate Technology (VRT), which combines site-specific measurements with digital agriculture to optimize inputs like fertilizer, reducing runoff and application time. Extension agriculture services, which provide knowledge and training to farmers, can also benefit from precision agriculture technologies with AI providing on-the-spot education and problem-solving. AI's potential to create a comprehensive database of farming practices and solutions can further support efficiency and cost reduction by providing a complement to the extension (USDA/NASS) services already provided.

Figure 1 shows the total percentage of farms with precision agriculture equipment being used. Further discussion on types of farms, impacts from increases in agtech industry investment, and an indicator of entrepreneurship within states will provide insight into why these states have the levels of precision agriculture adoption indicated in the figure.

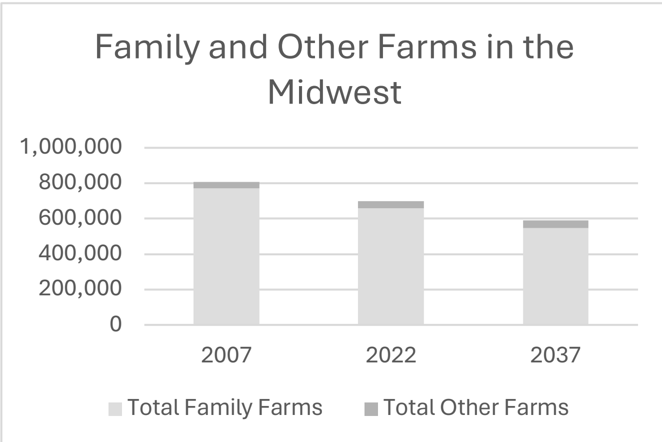
Figure 1.



Current Yield Numbers and Climate Change Effects

Precision agriculture's primary purpose is to increase crop yields, but climate change poses a significant threat to this goal. The Midwest uses about 75 percent of its land for the production of corn and soybeans (USDA). By 2036, corn and soybean yields are expected to decrease by 25.4 percent and 43.4 percent, respectively, in Kansas, Nebraska, and the Dakotas. On the other hand, Illinois, Missouri, Iowa, and Wisconsin may see slight increases yields for these crops (Nava & Beckman, 2024). However, decreases in yields threaten states that are heavily reliant on agriculture, highlighting the need for widespread adoption of precision agriculture to remain competitive.

Figure 2.



Current Trends and Predictions

Precision agriculture adoption rates vary across the Midwest, with higher adoption inland. Factors influencing adoption include farm size, operator age, and education level. A chi-squared test shows that states with higher proportions of family farms have lower adoption rates (see Wisconsin's 18 percent), while those with fewer family farms have higher adoption rates (see North Dakota's 57 percent).

Family Farm Trends
From 2007 to 2022, the number of family farms in the Midwest has declined by 113,019. The number of family farms is predicted to further decrease by nearly 15 percent by 2037. (USDA/NASS)

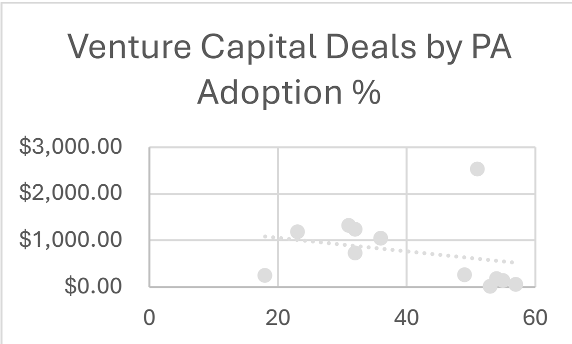
Despite the stigma against the number of declining family farms, states with more corporations have higher precision agriculture adoption rates, suggesting corporate farming structures better enable the implementation of these new technologies. The number of corporate farms is expected to increase by 16 percent by 2037, with their growth rate mirroring the decline in family farms. Benefits of corporate structures include enhanced efficiency and competitive pricing, suggesting that investment in technology and corporate farming structures could be advantageous, particularly in states with higher entrepreneurship rates.

Venture Capital and Precision Agriculture

Investment in precision agriculture can lower entry barriers for entrepreneurial farmers and support corporate expansion. Despite potential benefits, there is a negative linear relationship (Figure 3) between venture capital deals and precision agriculture. This could be due to the misclassification of agtech companies in venture capital measures, noted by Ewens in his comment listing the drawbacks of current measures of agtech investment. Increased investment in agtech within the Midwest can boost productivity, reduce equipment costs, and enhance innovation. Another reason why this could be helpful is the greater emphasis on regionally focused equipment that serves the purpose of mitigating the challenges faced in that specific area, effectively replacing the "one size fits all" investment strategy. Overall, greater venture capital activity in agtech can support entrepreneurial farmers, family farms, and corporate growth, while increasing precision agriculture adoption and mitigating climate change impacts.

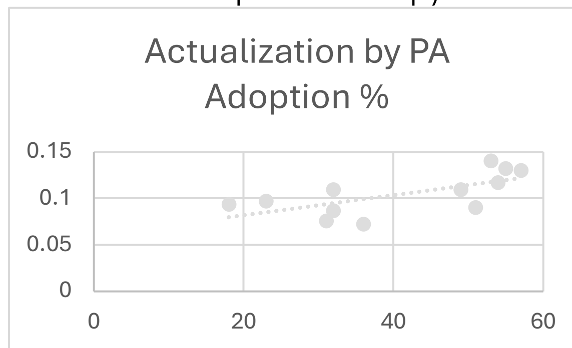
Figure 3. (PitchBook Data)

Business Growth and Precision Agriculture



Actualization rates, which measure entrepreneurial support, show a positive linear relationship with precision agriculture adoption. The Kauffman Indicators of Entrepreneurship define rate of new employer business actualization as the "percent of all new businesses that make a first payroll within eight quarters of business application." Another Kauffman indicator measures the "number of new employer businesses per 100 people" and follows the same trend as the actualization rate. States with higher adoption rates also exhibit greater business growth rates. This means entrepreneurial farming businesses have greater growth rates, leading to more farms, especially those that take up a corporate style structure, to adopt precision agriculture. The entrepreneurial mindset might also lead those pursuing a startup farm to greater open mindedness to these newer technologies. Another important factor is the business environment in the state. Deeper business networks, greater infrastructure designed for the industry, and advanced agricultural business services could foster a more competitive landscape geared towards local entrepreneurial activity. Another key piece might be the legislative landscape in the state, having a focus on the agricultural industry, thus providing support for farming businesses.

Figure 4. (Kauffman Indicators of Entrepreneurship).



Federal Legislative Support

The Precision Agricultural Loan Act of 2023 supports the adoption and development of precision agriculture technologies, promoting entrepreneurial spirit in the Midwest. Legislative measures addressing data privacy and connectivity, such as the Farm Bill and the Precision Agriculture Connectivity Act of 2018, facilitate the adoption of precision agriculture, particularly in rural areas reliant on broadband internet. Bills like these help drive the adoption of precision agriculture within these states not only by making it easier for businesses to adopt the technology but also by providing reassurance to farmers that their data will be protected. There should be a continued effort from states and the federal government to aid the shift from traditional, fossil fuel burning technologies to those that enable greater crop yields, smaller impacts on the climate, and an improved competitive landscape for farmers.

Conclusion

The adoption of precision agriculture is essential for the sustainability and productivity of the Midwest agricultural industry amid climate change challenges. Advanced technologies like Variable Rate

Technology (VRT) and AI integration in extension services can enhance efficiency, reduce environmental impact, and increase crop yields. The decline in family farms and the rise in corporate farms underscore the need for continued investment in precision agriculture and supportive legislation. Supporting new farming businesses is also crucial to increasing precision agriculture adoption and maintaining the Midwest's agricultural dominance. This approach promotes agricultural innovation and ensures long-term farming viability, fostering a resilient and prosperous agricultural sector for states that could see declines in future crop yields.

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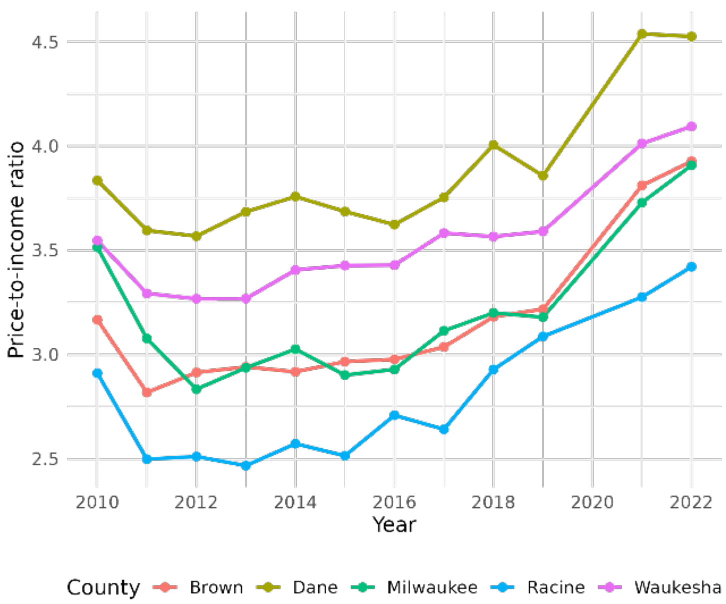
DEVELOPMENT BY RIGHT: ADDRESSING WISCONSIN'S HOUSING SHORTAGE

NICHOLAS MCFADEN, MFI RESEARCHER

The ability of a community to develop new housing and restore or replace its aging housing stock is an essential factor in determining its capacity for economic growth. In many communities throughout Wisconsin, housing supply has failed to meet rising demand. To illustrate this housing shortage, Figure 1 displays the "price-to-income ratio" – median home value as a share of median income – for Wisconsin's five most populous counties from 2010 to 2022 (U.S. Census Bureau, 2024). As the figure indicates, home value increases have outpaced income increases, particularly in recent years.

Figure 1: Home Price-to-Income Ratio by County (2010 - 2022)



In other words, the number of years a typical Wisconsinite must work to pay for their home is rising. This insufficient supply of housing perpetuates homelessness and places major burdens on new homeowners and renters alike.

In this essay, I will shed light on recent Wisconsin legislation intended to address housing affordability, explain how it relates to land use and the community feedback mechanism, and discuss how comprehensive planning can serve as an effective alternative to excessive community discretion.

2023 Affordable Housing Package

On June 22, 2023, Wisconsin Governor Tony Evers signed into law several new policies intended to address the state's housing market shortage. Most of these policies established financing tools intended to increase the development of new housing units or the rehabilitation of existing units. However, this financing is restricted to senior housing and "workforce" housing (Wisconsin Legislative Council, 2023a). The former entails residences occupied by at least one person aged 55 years or older. For rental units, workforce housing entails residences priced at no more than 30 percent of the area median income and is for occupancy by a household whose income does not exceed the area median income. For non-rental units, the income limit is 140 percent of the area median income, and price is limited to 30 percent of this amount. It is sensible for housing development projects that receive government loans to be limited to workforce housing. In doing so, these loans incentivize the construction of low-to-middle-income housing that otherwise may not be developed. These laws also stipulate that no loan may exceed 20 percent of a housing project's total cost.

Yet, to ensure that Wisconsin's housing supply meets rising demand, additional housing units are needed for more than just the lower half of the income distribution. Skeptics of supply-side solutions to housing affordability often argue that the development of market-rate housing crowds out the market for affordable housing. While market-rate residences may be unattainable for many, their development increases the housing supply and places downward pressure on home and rental prices overall. Thus, not only does new development free up existing housing units for others, but it also makes them more affordable. This process is commonly referred to as "filtering down." In a report reviewing the empirical evidence on the impact of housing supply on affordability, Been, Ellen, and O'Regan (2018) find that this downward filtering effect tends to occur, at least in the long run. In the short run, however, this process may be limited, particularly in markets where the housing supply is relatively inelastic. Therefore, the concern about market-rate housing crowding out affordable housing is fundamentally tied to the scarcity of land for residential use. The elasticity of housing supply is dependent on the availability of land and how intensively that land can be used for housing purposes. In other words, one way to increase the supply of housing is to increase the availability of land that can be used for housing development. The other way is to increase how many housing units can be developed on any given plot of land.

Two of these workforce housing loan programs are intended to address both constraints on the elasticity of housing supply. 2023 Wisconsin Act 15, known as the "Main Street Rehab" bill, provides loans for the repair and rehabilitation of vacant or underutilized residential units that sit above a main floor intended for commercial use (Wisconsin Legislative Council, 2023a). Since such units tend to be in town and city centers, their reintroduction to the housing market will enable greater density without relying on conditional use permitting. 2023 Wisconsin Act 18, sometimes referred to as the "Shopko Bill," provides loans to developers seeking to convert a vacant commercial building to residential housing (Wisconsin Legislative Council, 2023b). Such conversions are an effective means of increasing the supply of land available for housing, particularly in city and town centers where commercial buildings are often located. Such conversions will enable especially intensive use of land for residential purposes as most commercial buildings are better suited for conversion to dense, multi-family housing developments, rather than single-family homes. Additionally, these commercial buildings tend to be neighbored by multi-family housing developments and other commercial buildings, not single-family homes. As a result, conversions may incite less negative feedback – relative to more typical multi-family housing developments – from neighboring residents, an issue to be discussed in the following section.

Delays and the Development Process

While the loan programs should lead to a meaningful increase in the number of new housing units developed, they do not address a key constraint on the development of new housing units in Wisconsin: the development process itself, which creates significant and costly delays for developers. In a report by the Wisconsin Institute for Law & Liberty, Diekemper et al (2022) discuss a survey they conducted of Wisconsin builders. They found that "the average development takes 14 months to even begin construction" with much of this holdup due to "a tangled web of regulations where development can be stopped at every turn" (p. 3). Further, they estimate that these regulations add "approximately $88,500 to the average cost of each new-built home in the

Midwest" (p. 3). Many of these regulations – like requiring that plans meet safety, environmental, and zoning standards – are important, but could be relaxed and simplified to reduce costly delays. However, another source of the delays in housing development is the public approval process, during which municipal planners, city council members, and community members partake in meetings to determine the fate of a project. While this may sound like a necessary and harmless part of the development process, it can create a great deal of uncertainty due to its discretionary nature; developers can never be sure which aspects of a plan may incite negative feedback from members of the community.

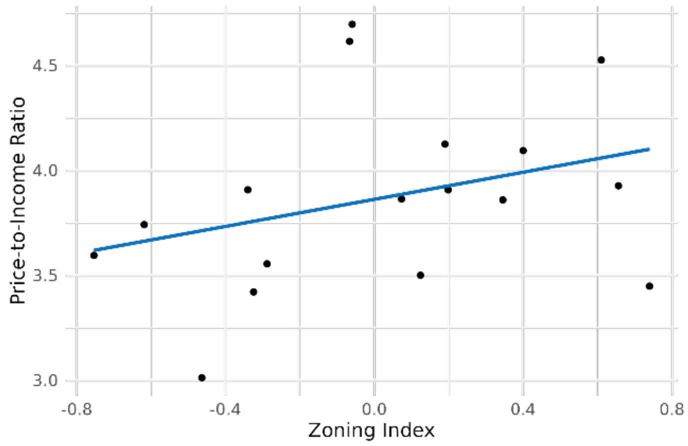
It is key to note that members of a community who participate in development approval meetings are often unrepresentative of their community as whole and tend to express "Not in My Backyard" (NIMBY) attitudes. Empirical research by Einstein et al (2018a) finds that participation at community meetings on housing development is disproportionately high among older residents, white residents, male residents, and homeowners. Individuals who have lived at the same address for longer are also more likely to participate. In another paper by Einstein et al (2018b), they find that a strong majority – 63 percent – of meeting participants opposed new housing developments, with just 14.6 percent expressing support (p. 16).

The major issue at hand is that those who already own homes in a community have the most to gain from preventing the development of additional housing units. As mentioned before, basic economics suggests that an increase in the supply of housing leads to a decrease in the equilibrium price, in this case, a decrease in the value of a homeowner's assets. Providing evidence for this, Einstein et al also surveyed 115 mayors of cities with populations greater than 75,000, asking "whether they believed housing development was more influenced by 'majority public opinion' or a 'small group with strong views'; 60% of mayors selected 'small group with strong views'" (pp. 29-30).

In other words, the benefits of community feedback are concentrated amongst local homeowners, while the costs – in the form of higher rents, more expensive mortgages, and reduced economic growth – are dispersed amongst the greater community. The community feedback mechanism is particularly harmful in that it enables severe "incumbent protection" as it benefits those already living in the community at the expense of those who wish to live there in the future yet presently have no voice. While community feedback primarily benefits incumbents, it does so at the cost of making the community a more costly and undesirable place to live, diminishing its capacity for economic growth and dynamism.

To provide support for this claim, Figure 2 shows a positive relationship between zoning restrictions – as measured by the Wharton Residential Land Use Regulatory Index (WRULURI) – and the home price-to-income ratio amongst the 17 Wisconsin counties for which data is available. Higher values on the index are associated with greater restrictions on land use within a county.

Figure 2: County-level Home Price-to-Income Ratio by Land Use Regulatory Index



According to Gyourko, et al (2019), the WRULURI was created by collecting survey responses from government officials on various measures relating to local housing supply restrictions in their communities. Measures contributing to the index include local political pressure, density restrictions, court involvement, and more. Thus, the index is not only a measure of the direct regulatory limitations on housing supply but also the impact of community discretion.

Development By-Right

Fortunately, the problem of discretionary community feedback is directly addressed by what is perhaps the most significant of the housing laws enacted by Governor Evers, 2023 Wisconsin Act 16, which reforms important aspects of the housing development process (Wisconsin Legislative Council, 2023c). A key feature of this law is the establishment of a policy of "development by-right," meaning that a local government must approve any development proposal that complies with its established local zoning and development regulations. Furthermore, the law establishes that if a local government rejects a development proposal, a developer will be allowed to appeal directly to a circuit court for review. If the court finds that the proposal indeed complies with all local requirements, it must order the locality to approve the project.

By requiring that localities follow their own established laws rather than deciding the fate of development projects by unpredictable and discretionary means, Wisconsin will provide developers with a more consistent and reliable development process. This will alleviate the costs and delays associated with community feedback on development projects. However, this aspect of the law does not change the fact that a locality's zoning ordinances will determine much of what gets built. Community feedback is not the issue when the zoning laws themselves prevent the development of anything other than single-family homes.

Fortunately, Act 16 will also reform the procedure for approving amendments to zoning ordinances that allow for additional uses or greater development density. Previously, if at least 50 percent of affected landowners objected to a change to a zoning ordinance, a supermajority – three-fourths – vote of the relevant governing entity in favor of the change was required. Act 16 reduces this supermajority requirement to just a simple majority. As a result, local governing bodies may be less likely to yield to pressure from community members opposing important changes to zoning ordinances.

Since Act 16 takes the discretionary feedback mechanism away from community members, one concern may be that communities will seek to amend their local zoning ordinances to be more exclusionary. One might argue that community discretion over the approval of multifamily housing developments is better than an outright ban. Fortunately, Act 16 does not alter the existing twothirds majority vote requirement for "down-zoning" amendments, which reduce development density or allow uses for a zoning district. Thus, while "up-zoning" amendments previously required a greater share of the relevant governing body's support to be passed than did down-zoning amendments, Act 16 reverses this dynamic. As a result, it will be harder for communities to make their zoning ordinances more exclusionary than it will be to make them more inclusionary. However, since Act 16 is not set to take effect until January 1, 2025, its impacts are yet to be seen.

Comprehensive Planning

By effectively seizing the feedback mechanism from local community members, Act 16 may appear to some like an undemocratic overreach by Wisconsin's state legislators. Fortunately, there exists a law that provides communities with a means of explicitly expressing and codifying their land-use preferences and goals, aesthetic and otherwise: In 1999, Wisconsin enacted the Comprehensive Planning and Smart Growth Law, which requires that any local governmental unit that engages in any program or action relating to land use must develop its own comprehensive plan (Wis. Stat. § 66.1001, 1999). These comprehensive plans are intended to establish clear guidelines and goals for a community's development. Required elements of a comprehensive plan include housing, land-use, transportation, economic development, and more. While comprehensive plans do not directly regulate land use as zoning ordinances do, they can serve as a foundation for legal decisions relating to zoning issues. The law requires that a locality's zoning ordinances be "consistent" with its comprehensive plan. In cases where a zoning decision or land use action is challenged in court, the court must consider whether a locality's actions are indeed consistent with its comprehensive plan and rule against the locality if they are not.

A key aspect of the comprehensive planning law is its requirement of public participation at every stage of the planning process. These requirements include open discussions, communications programs, information services, and public meetings with advance notice of at least 30 days. For example, the city of La Crosse engaged in a wide array of public engagement approaches in the creation of its 2023 Comprehensive Plan. This included a website with access to surveys and newsletters as well as stakeholder meetings, one-on-one interviews, and consultations with neighborhood associations (City of La Crosse, 2023, pp. 19-21). Due to its broad scope, a comprehensive plan must incorporate the viewpoints of a wide range of stakeholders throughout the locality in question. According to the surveys conducted by the city of La Crosse as it created its 2023 plan, most respondents identified as renters and as having lived in La Crosse for at least ten years (p. 22). This contrasts with the typical demographics at community feedback meetings for housing-related issues mentioned previously.

Additionally, comprehensive plans are typically updated only once every 10 years. As a result, they may encourage more forward-looking land-use and zoning choices relative to those made in narrower, case-by-case circumstances, particularly regarding issues such as economic development, transportation, and homelessness. Due to this long-term nature, comprehensive plans may also incorporate guidelines that allow for greater flexibility in response to individual land-use and zoning circumstances that may arise. For example, the city of La Crosse Comprehensive Plan provides preferred land-use guidelines for each neighborhood, district, and corridor based on three categories: desirable, allowable, and undesirable (pp. 27-28). In this case, even the most discouraged land use may still be allowed according to the city's comprehensive plan.

By establishing a planning vision that has broad community support while also addressing long-term, community-wide goals like homelessness and housing affordability, comprehensive plans can serve as an effective alternative to the hyper-localized and discretionary status quo of land-use and zoning decisions once Act 16 takes effect.

Conclusion

Addressing Wisconsin's housing shortage should be a principal concern for the state. While the loan programs enacted in the 2023 affordable housing package may help to alleviate this problem, they fail to address the root causes of Wisconsin's inelastic housing supply. These causes, including the delays created by the community feedback mechanism and overly restrictive zoning ordinances, are more effectively addressed by 2023 Wisconsin Act 16. This law, to take effect in 2025, will restrain the ability of local communities to arbitrarily prevent the development of residential projects that are compliant with local zoning ordinances. The law will also make it easier for localities to amend zoning ordinances to allow for more residential development and greater density. Despite Act 16's weakening of the community feedback mechanism, Wisconsin's Comprehensive Planning and Smart Growth Law ensures that communities can make their voices heard, while also enabling localities to better address long-term concerns, such as economic growth and homelessness.

While Wisconsin's 2023 affordable housing package was a major success, much more needs to be done to sufficiently address Wisconsin's housing shortage and alleviate burdens on homeowners and renters. In addition to upzoning ordinances, additional measures can be taken at the local level. An example of such a local reform is the city of La Crosse's passing of a law to allow an accessory dwelling unit (ADU) to be built on the same lot as a single-family home, with the requirement that the owner occupy either the single-family home or ADU (Perry, 2024). ADU laws such as these can enable the development of additional housing supply in districts zoned exclusively for single-family homes.

Although Act 16 does make upzoning easier, it does not solve the issue of the typically unrepresentative and NIMBY-oriented nature of those who participate in local government. Therefore, it is unlikely that adequate housing reform will be achieved at the local level. State-level policies, however, can be implemented to rein in excessive local regulation statewide. A recent policy brief by the Mercatus Center provides a list of housing reforms that should be considered by state legislatures (Furth, 2021). Such reforms can set statewide minimum standards oriented toward the development of greater housing supply. Examples of reforms include legalizing ADUs, reducing minimum lot size and parking requirements, and more. Furthermore, if localities wish to go beyond these standards to make housing regulation even less restrictive, they would be free to do so. In 2023, several state legislatures passed major housing reform packages (Furth and Kahn, 2023). Montana, for example, passed a number of reforms such as opening commercial zones to residential development, allowing duplexes on any single-family zoned lot in cities with more than 5,000 residents, and legalizing ADUs without any owner occupancy requirement.

Therefore, by building upon Act 16 and other recent legislation, Wisconsin should continue to implement reforms that will enable the state's housing supply to meet growing demand. Doing so is key to ensuring that Wisconsin remains an affordable place to live.

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MINORITY ENTREPRENEURSHIP AND ECONOMIC GROWTH

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An event that will have a lasting impact on how I perceive entrepreneurship and innovation is Dr. Hechavarria's presentation on minorities in entrepreneurship. The event perfectly encompassed the MFI's purpose and goals surrounding entrepreneurship, innovation, and regulations. The event also displayed a great example of the relationship between government regulation, business formation, and economic outcomes. Dr. Hechavarria proved that minority entrepreneurship is "flourishing, fueling job opportunities, local economies, and the promotion of co-ethnic products," contrary to prior estimates and expectations of economists. She argued the surge resulted from an increase in government regulation of fair and nondiscriminatory bank lending practices, specifically opportunity zones. The creation of opportunity zones helped to spur economic growth and job creation by making loans more accessible in low-income communities while providing tax benefits to investors. The zones focused on "economically depressed communities characterized by high poverty and subpar employment opportunities." These loan opportunities made loans more easily accessible for minority groups to gain the funds to start a business. These regulations gave minority groups the financial freedom and motivation to dream and helped foster the growth of ideas and innovation. Dr. Hechavarria's research showed that these opportunity zones yielded a growth in the number of minority entrepreneurs entering the 'idea stage' of business development. There was an increase in minority business owners, and even though the minority-owned businesses did not have the highest long-term succession rates, there was still a surge of creativity and idea generation.

Although discrimination was still common, and these new regulations did not take active steps to follow up with these new businesses after the idea generation phase, it was a step in the right direction for minority entrepreneurship. The increase in small businesses in these low-income opportunity zones provided new jobs and increased overall economic growth within these communities leading to positive economic outcomes. By creating new job opportunities and stimulating local economies, minority-owned businesses now contributed significantly to community development, and wealth creation, thus fostering economic equity and social mobility.

The new businesses created due to the changing bank loan regulations not only increased market competition in their local areas but statewide and nationally. The new market competition forced businesses to be creative and innovative when it came to marketing, product design, and idea creation. Competition in the marketplace encourages innovation and facilitates lower costs to consumers while giving them more market power. An increase in market competition proves to be beneficial to the growth of economies. So, not only were these opportunity zones beneficial to minority business owners, but also local consumers and economies as well.

Government or even social regulation, although they have a place in the economy, do not always foster the growth. For minority groups, there has been an increase in new business in recent years since the creation of these bank regulations, but that is not always the case. It is important to encourage individual research around before deciding if government regulation is necessary or helpful for its success. Following the implementation of new banking regulations and the establishment of opportunity zones, corruption rates increased. Because minority borrowers were granted greater loan accessibility, big businesses used this to their advantage. They would hire minority borrowers to go to the loan office and acquire large loan amounts and use the capital to fund business projects for non-minority owned businesses. Despite their good intentions, these regulations that are aimed at increasing capital availability to minorities could unintentionally facilitate predatory lending or financial exploitation through business corruption. Although on the surface, these practices seem to hinder the economic outlook of the market, we know from previous MFI readings and research that corruption can lead to positive economic growth overall. Nonetheless, government regulation is not always beneficial and should not become the overarching solution to any economic dilemma in the marketplace.

There are other harmful aspects of government regulation in minority entrepreneurship, including compliance burdens for business owners. Minority entrepreneurs now have additional paperwork and compliance hoops to jump through to obtain these loans. With already limited resources, time, and expertise, these minority entrepreneurs have increased responsibilities, which could hinder their business creation momentum and the long-term growth of their businesses.

Maintaining a balance between necessary government regulations and entrepreneurial freedom is essential to an inclusive and competitive economic market. It is also important to continue fostering the growth of these minority-owned businesses beyond their inception. There could be continued support throughout the business development process, past the idea creation and loan process. By maintaining a balance between regulation and economic freedom, economies can rely on an innovative business market that encourages business owners of all ethnicities to thrive.

REGULATION – A NECESSARY EVIL

JOSHUA SCHULZE-REIMPELL, DISCUSSION GROUP STUDENT

It is a central political objective to increase labor productivity and grow the economy. This makes us richer, gives us more time to spend as we choose, and leads to the development and widespread distribution of goods and services that were previously entirely unimaginable. In short, a good political system generally must promote economic growth, while a bad one hinders it. Regulations have often been cited as a cause of the latter, a hindrance to growth. This, however, seems shortsighted to me. Overregulation can certainly reduce economic prosperity but so can under regulation. Regulations are not per se good or bad, the effect they will have relies on context.

This is not to say that regulations can't be harmful. They can slow down and hinder innovation by making entrepreneurs waste too many labor hours on complying with them or by outright banning profitable industries. Our guest speaker Dr. Lewis Davis, for example, pointed out in his talk that there is a negative correlation between the number of days it takes to legally found a business and a country's GDP per capita. Regulations that slow the founding process increase the opportunity cost for the business owners, thereby disincentivizing entrepreneurship and reducing innovation (the primary driver of economic growth). In Dr. Steve Gohmann's talk, we learned that the production of alcoholic beverages exploded in variety after microbreweries were legalized in many states. The ban prevented the emergence of new markets in the alcohol industry. Our final guest speaker Dr. Diana Hechavarria made us aware that regulations requiring a high degree of English language proficiency may keep immigrant populations from founding successful businesses. It is clear regulations always come at a cost and aren't always worth it.

It should come as no surprise that regulations have often been weaponized to keep competitors at bay in a process known as "rent seeking." In his book *Dream Hoarders*, Richard Reeves describes how the wealthiest 20 percent of the US population engage in rent-seeking behavior, which he refers to as "*opportunity hoarding*". In doing so, they are (ab)using their influence to ensure that they and their children don't just remain wealthy but increase their wealth by using unfair means. This includes behaviors such as political lobbying for exclusionary zoning codes that keep poor individuals away from good public schools. This push for zoning regulations is precisely intended to be harmful. The top 20% are reducing social mobility to grant their children an advantage over the other 80%. If there are fewer well-educated individuals, there is less competition and the path to economic success is easier for those with college degrees. In doing so, all they are sacrificing is some potential economic growth along the way. Yet, rent-seeking behavior is not exclusive to individuals, companies engage in it too. Once corporations become leading in their sector, they will try to become monopolies. Increasing profitability is their goal after all. Many companies will do anything to attain this position, including using their resources to influence policy decisions. For example, they may support regulations that no company – except their own – will be able to comply with, creating barriers to entry and limiting competition. While malicious intent is unclear, the major airplane manufacturers Airbus and Boeing will, for example, not have to fear an increase in the competition any time soon. It is nearly impossible for a newcomer to comply with all the regulations that have been imposed upon the aviation industry by now and still be profitable.

This form of rent seeking behavior notably occurs most easily in an underregulated system. At this point, economists often make the artificial distinction between regulations and the *rule of law*, although both in essence are the same thing: restrictions on the freedom of persons that serve a purpose great enough to justify them – at least if they are sensible and good. Indeed, as Mark Koyama and his co-author Jared Rubin illustrate in their book *How the World Became Rich*, the evolution of a rule of law was likely a necessary stepping stone in achieving long-term sustained economic growth. Without legal equality of all individuals, property rights, the insurance of competition, and several other factors, corrupt behavior, nepotism, and rent seeking would always slow the growth of and finally freeze the aggregate output of a society. These regulations ensure that corporations don't go to war with each other (as drug cartels are known to do), don't undercut their competitors at a deficit to make them go bankrupt, and don't buy out all the competition. They also ensure that politicians aren't bribed to introduce problematic regulations that newcomers would be unable to comply with. These aren't just some hypothetical scenarios; According to Mark Koyama and Jared Rubin, the economic stagnation of the many medieval Italian city-states such as Venice or Florence can in part be attributed to the leading merchant class actively disabling their competitors, unaware of the damage they were doing to their entire society and, inevitably, themselves.

Perhaps one can imagine this as a bell curve. Very few regulations and very many regulations both result in economic stagnation, while the sweet spot in the middle leads to the myth-enshrouded wonder of economic growth. In a good political system, regulations promote economic growth either directly (rule of law) or indirectly. The regulations in the aviation industry, for example, ensure safe travel and reduce mortalities which most certainly would negatively affect aggregate output. Such indirect effects of regulation are valuable as well, but they are also more dangerous. When overdone, we risk decreasing innovation and economic growth but without many of such indirect regulations our hospitals, child-care centers, and the food we buy in grocery stores would not be safe. The role of politics – the endeavor of happiness and quality of life – is inherently complex. In our political debates, we should not be arguing about the need for regulation or deregulation in such black and white terms, but instead should be seeking to attain the optimal balance of regulation. We need to analyze each regulation individually and try to understand whether its overall effects are positive or negative. Is the purpose it serves great enough to justify its restriction of our freedom? This is always both an economic and a philosophical inquiry.

TWO JOURNEYS, ONE DREAM: NAINIL AND NJ

NAINIL JARIWALA, DISCUSSION GROUP STUDENT

Two expeditioners, Nainil and NJ were seeking entrepreneurial opportunities, charting a journey across the American dream. This expeditionary essay exemplifies the resilience and adaptability of immigrant entrepreneurs, as seen in the contrasting experiences of Nainil and NJ, revealing how shifts in regulatory and economic climates influence the pursuit of business success. A twist in their tale lies in the decades that separate them. Nainil ventured in the 1990s, while NJ's journey began in the late 2020s. Despite, the time gap they share a common thread: both are immigrants from India with entrepreneurial aspirations on the iconic streets of Wall Street – the sacred soil of the American dream.

In 1994, under President Bill Clinton's administration, New York City demonstrated an atmosphere of boundless possibilities, becoming an enterprise zone radiating with capitalist energy. Then, one expeditioner Nainil thrived in that freer-market air in New York City. Legal barriers to entry? Minimum. Policies such as the North American Free Trade Agreement (NAFTA) and telecommunications industry deregulation created a fertile ground for new ventures. Nainil planted a business, nurtured it, and helped the life of his entrepreneurial tree with relative ease – like the current-day stories of Hong Kong and Dubai. This streamlined environment encouraged risk-taking, contributing to job creation and innovation on a macroeconomic scale. Nainil's success wasn't just personal; businesses like his contributed to the job growth and climbing GDP figures characteristic of the 1990s economic boom. For instance, the U.S. GDP grew from $7.3 trillion in 1990 to $9.8 trillion in 2000, with New York City's economy growing significantly during this period. Employment rates surged, with 22.7 million jobs created during the Clinton administration, and unemployment dropping from 6.1% in 1994 to 4.0% in 2000.

Fast forward to 2026, and NJ walks the same streets as Nainil once did, but the entrepreneurial environment feels markedly different. Regulatory constraints hinder modern-day New York's heartbeat: the E-2 Treaty Investor Visa limits his investment options, and Section 1304 of the Business Corporation Law complicates business setup for non-resident aliens (NRAs). The E-2 Treaty Investor Visa, which requires substantial investment from treaty countries, becomes a significant roadblock for aspiring entrepreneurs like NJ who might not have access to large capital upfront. For instance, in 1995, the process of registering a new business took about 20 days on average, whereas by 2025, this process extended to 45 days due to additional regulatory compliance requirements. Furthermore, Section 1304 of the Business Corporation Law, with its stringent requirements for NRAs, adds another layer of complexity. It necessitates that NRAs secure a U.S. resident to act as a registered agent or establish a legal presence in the state, often requiring additional legal assistance and costs, which can be prohibitive for new entrepreneurs. According to the New York Department of State, new business filings dropped by 15% in 2023 compared to the average annual filings in the 1990s. Specifically, 1995 saw approximately 50,000 new business filings, whereas 2023 saw only about 42,500. Every step forward for NJ is fraught with regulatory hurdles – securing a visa, generating the mandated gross revenue even as a young business, and navigating complex legalities – it's a corporate fight. On the other hand, Nainil's path was a highway to success; NJ's journey is akin to navigating a concrete jungle, with each regulation acting as a barrier. Entrepreneurs like NJ, who face constant challenges, represent missed opportunities for innovation. In the 1990s, small businesses contributed to over 50% of job creation in New York City, while by the mid-2020s, this figure had dropped to around 35%, reflecting the broader impact of a more challenging regulatory environment on economic dynamism.

The 1990s favored Nainil with a streamlined process – follow the steps, and success would follow you. The penthouse and the luxury cars came his way, an example of the immigrant and entrepreneurial-friendly system under Clinton's administration. NJ? However, has no time for envy. Each setback signifies broader missed opportunities. Legal restrictions fuel his doubts about whether New York City is the right place for his ambitions. His entrepreneurial spirit felt suffocated by pervasive regulations. The evils of 'law' were all around him. He didn't want to self-destruct, so, he went running for answers. Seeking solutions, NJ recalls a concept from his college days: "Culture and the regulation of entry" discussed during a Menard Family Initiative roundtable. These discussions, involving students from diverse majors, equipped NJ with a multi-dimensional problem-solving approach. He began to view challenges through the lenses of various disciplines—psychology, economics, biology, and politics—considering the emotional impact, the economic ripple effects, the environmental implications, and even the political angles of the restrictions, respectively. These gifts of diverse perspectives allowed him to see opportunities where others saw only roadblocks. That's when he understood the importance of free speech within diversity.

America's foundation is built on folks like NJ – Immigrants. Yet, regulations like the EAR (Export Administration Regulations) limit technology transfer by NRA. In 2025, the average cost for a business to comply with EAR regulations was estimated at $100,000 annually, compared to about $40,000 in the early 2000s. These costs include legal fees, compliance systems, and training programs. Additionally, the average time to secure necessary export licenses increased from 30 days in 2000 to 60 days in 2025, significantly slowing down the time to market for new products. The fear of violating these regulations can deter NRAs from engaging in cutting-edge research and development, stifling innovation. According to a 2024 survey by the National Venture Capital Association, 45% of foreign-born entrepreneurs cited regulatory complexity as a major barrier to innovation, up from 25% in 2005.

Similarly, the INA presents challenges through its intricate visa categories and quotas. Visas like the H-1B, designed for skilled workers, are capped annually at 65,000, with an additional 20,000 for those with advanced degrees from U.S. institutions. However, demand far exceeds supply, with over 300,000 applications received in 2023. This makes it difficult for startups to hire and retain top international talent. The process is rigorous and uncertain, often resulting in talented individuals facing prolonged periods of uncertainty about their legal status. This instability discourages many from pursuing entrepreneurial ventures in the U.S., as they fear the repercussions of visa issues on their business continuity. In 2024, the average wait time for H-1B visa processing was over 8 months, compared to just 3 months in 2000.

Several years into their respective expeditions, both expeditioners arrived at their destination – Nainil emerged from a clearer path. While NJ, battered by challenges, emerges with an empowering story. Nainil's success is epitomized by his gleaming skyscraper – a textbook example of success. NJ's victory, however, lies in the bodega he helped keep open, defying stringent regulations with a 'never quit' attitude like the heroes mentioned in Tyler Cowen's 'Big Business: A Love Letter to an American Anti-hero". He sought blessings in disguise and sheer stubbornness. A success story written in the sweat and ink stains of every battled regulation.

The lesson isn't about the destination, but the journey. Nainil's journey was swift, a product of Clinton's time and the regulatory landscape. NJ's journey was a crucible, shaped by both his grit and the obstacles he overcame. Both narratives are integral to the American Dream – one showcasing potential unleashed in a special economic zone, and the other proving that entrepreneurial spirit can thrive even against substantial odds. Regulations significantly influence which version of the Dream is realized and how it impacts our collective economic destiny. In America, these are the stories that shape history.

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THE CONTINUOUS DEMAND FOR EFFICIENT INTELLECTUAL PROPERTY PROTECTION IN VIETNAM

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In his famous novel - A Connecticut Yankee in King Arthur's Court, Mark Twain stated that “Intellectual 'work' is misnamed; it is a pleasure, a dissipation, and is its own highest reward”. This “highest reward” does not only secure one’s competitive advantages (World Intellectual Property Organization, n.d.) but also played a significant prerequisite for industrial expansion in Britain (Koyama & Rubin, 2022). With the unprecedented advancement of Artificial Intelligence, the stakes of protecting such intellectual property (IP) have never been higher. However, contrary to the world’s transitional attempt to mitigate IP issues, Vietnam’s efforts to protect it remains unsubstantial. This essay will examine the importance of property rights, explain major concerns regarding Vietnam’s IP law among international platforms, and analyze two main challenges to Vietnamese IP regarding its enforcement and education that have consequently hindered the country’s productivity.

First, it is crucial to establish the significant role of property rights in determining economic outcomes. In their book How the World Became Rich, Koyama & Rubin (2022) describe institutions that promote economic growth as “those that protect property rights”. They argue that “secure property rights ensure that individuals earn a return on their investments” (Koyama & Rubin, 2022). Property rights play a very crucial part in determining an institution’s economic outcomes, which are closely intertwined with both its legal systems and political institutions. For instance, a legal system that enables “impersonal rather than personal exchange” such as the impersonal rule of property protection rather than identity rules, is “more likely to promote investment and economic growth” (Koyama & Rubin, 2022). Accordingly, Beck et al. and Djankov et al. (as cited in Davis and Williamson, 2016) compare the English common law that protects private property owners against the crown with the 19th century French and German civil codes that strengthen state power. They found that “the greater degree of social disorder amidst the French Revolution warranted a larger role of dictatorial governance compared to the English experience. As a result, the centralized bureaucratic feature inherent in civil law suppresses competition and lacks comparable feedback processes for leveraging dispersed knowledge and local norms”. Koyama and Mark (2022) further explain that “the English common law tradition is associated with better protection of property rights, less onerous regulations, and a more favorable environment for markets than systems based on Roman Law”. Not only does this protection extend to intellectual property protection in Britain, paving the way for their Industrial Revolution with the implementation of the patent system to protect innovations (Koyama and Mark, 2022), but it also explains the decline of political institutions with poor property rights such as Spain which was caused by the Habsburg monarchs’ inefficient economic policies such as “monopoly rights to guilds, failing to tax the nobility, defaulting on debts, and confiscating property” (North, as cited in Koyama & Rubin 2022).

Despite the importance of property protection as stated above, Vietnam's IP rights have long raised concern among international organizations. The Special 301 Report developed by the US Trade Representatives identifies a wide range of concerns that impede innovation, such as the deterioration in the effectiveness of IP protection. According to the International Trade Administration, Vietnam has been placed on the Watch List in the Report for over a decade (Office of the United States Trade Representative, n.d., & International Trade Administration, 2024). Additionally, Vietnam has faced an even higher standard since it ratified the European Union - Vietnam Free Trade Agreement (EVFTA) in 2020. As noted by Huu (2021), as the world's leading exporter of IP products, the EU requires Vietnam to strengthen its protection of IP rights. Huu argues that Vietnam "desperately needs space to allow businesses, organizations, and individuals to access IP products for economic, scientific and social development at the lowest possible cost". Although Vietnam already started adopting intellectual property law in 2005, its application of the law does not live up to WTO's standards as "the administrative action route is also criticized for being slow and not sufficiently up to date with current technology" (Akej, 2013).

One of the main reasons for Vietnam's futile policy on intellectual property protection lies in its weak law enforcement. According to Maciejewski and Zysk (as cited in Huu, 2021), Vietnam's "effectiveness of enforcement activities is still low, not meeting practical requirements, especially the enforcement of IP rights by judicial means". Further, Huu points out that "there is no specialized intellectual property court in Vietnam" and therefore, "civil lawsuits and criminal prosecutions are handled by the general courts". As Akej (2013) put it: "The Vietnamese Government does not seem to care too much. As intellectual property rights are private rights, the Vietnamese Government believes that it is primarily up to the rights-owner to protect his or her rights". Consequently, IP Infringement in Vietnam occurs at an alarming scale (Vinh, 2023). For instance, one of the most detrimental IP violations underlined by the International Chamber of Commerce is the abundance of pirated products in Vietnam. According to this organization, "Vietnam has increasingly become both a target destination and significant transit route for counterfeit and pirated products", especially with the flourishing business of illegal reproduction of CDs and DVDs (ICC BASCAP, 2019). Their research also shows that pirated websites receive twenty-ninefold more visitors than legitimate websites hosted by film distributors, making it impossible for legitimate online platforms to compete with pirated ones.

Another crucial factor that contributes to Vietnam's ineffective IP policy is its inadequate educational system. As explained by Nguyen (2017), there are only a few technical institutes in Vietnam that teach IP as an elective, which primarily concentrates on patents and technology transfer. However, those courses are considered general introductory courses that lack specialization. Further, there is insufficient time and human resources to develop proper IP lectures. A direct result of such inadequacy in IP training can be seen from the shocking 84 percent of Vietnamese students admitting to plagiarism (Saigoneer, 2015). More staggeringly, people have also questioned Vietnam's academic integrity as plagiarism in higher education has become widespread and is dubbed “a social evil” (CG, n.d.). For instance, in his paper, Vuong (2018) points out three cases of research ethics violations that involved major educational institutions in Vietnam: an economics professor completely plagiarized a book written by Jeff Madura; a teacher plagiarized almost all of her advisor’s doctoral dissertation; and a case in which a high-ranking official of Vietnam’s Ministry of Education self-plagiarized and fabricated citation in his publications in the journal Asian Social Science, which was dismissed because “there is no such concept as self plagiarism in the Vietnamese language”. These prominent cases highlight Vietnam’s high tolerance for IP violation and its failure to punish perpetrators, including academics, and especially the general public.

To conclude, as Vietnam continues to participate in the international market, there is an urgent need for the country to reform its policy on IP protection, especially its law enforcement and education system. Property rights, especially IP protection, are essential for a thriving economy. However, the lack of proper education on IP reflected through a staggering rate of plagiarism and insufficient court systems directly hurt businesses that mainly rely on intellectual property because of infringement. Given the scarcity of IP resources, raising awareness and educating about the concept of copyright is key to changing the behavior of the Vietnamese (Akej, 2013). Finally, not only must businesses and students be well educated on IP rights, the judicial system must also implement stricter regulations and punishments for IP violators.

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