



NATIONAL CENTER FOR POLICY ANALYSIS

# NEWS RELEASE

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## INCREASING ECONOMIC FREEDOM INCREASES ECONOMIC GROWTH *NCPA/Fraser Study Ranks Wyoming Most Improved, New Mexico Losing Ground*

DALLAS (September 26, 2006) – States that have lower taxes, smaller government and flexible labor markets tend to have comparatively more economic growth. According to an annual report from the National Center for Policy Analysis (NCPA) and Canada’s Fraser Institute that attempts to quantify each state’s economic freedom, and then examine what this means for economic growth, there is good news for all but a few states, most notably New Mexico.

“With few exceptions, economic freedom and economic growth go hand in hand,” said Pam Villarreal, a graduate student fellow with the NCPA. “The pay off is significant.”

The degree of economic freedom is based on 10 objective variables that measure the tax burden, size and scope of federal and state governments, and the flexibility of state labor markets. According to the study, between 2001 and 2003:

- All 50 states combined improved their economic freedom score by an average of 1.05 percent, and had an average economic growth rate of 1.3 percent.
- The top ten states combined averaged about a 2 percent improvement in economic freedom, and had an average economic growth rate of 2.2 percent. Conversely, the bottom ten states combined averaged a one-quarter percent decline in economic freedom and had an average growth rate of slightly less than 0.5 percent.
- While Delaware continues to be the most economically free state (4<sup>th</sup> straight year), Wyoming showed the most improvement in both economic freedom and economic growth, increasing its freedom score by 3.2 percent and enjoying a 5.8 percent 3-year average growth rate.
- While West Virginia continues to be the least economically free state, they have actually become more free, increasing their score by 1.07 percent – the 28<sup>th</sup> best improvement.
- Five states became less economically free – New Mexico, Louisiana, Oklahoma, Michigan, and Ohio.
- Measured in dollars, Wyoming’s growth rate translates into a gain of \$1,891 per capita, while Oregon, which had the largest decline in growth, lost \$853 per capita.

While economic freedom is not the sole determinant of a state’s wealth, the correlation is strong,” said Villarreal.

## CHART ##

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## Economic Freedom of North America 2006

EFNA Index Improvement Ranking (2001- <u>2003</u> )	<u>State</u>	3-year Average GDP per Capita <u>Growth (2001- 2003)</u>	Difference between Avg. U.S. and State <u>Growth</u> <u>(in dollars)</u>	Economic Freedom Index Score (2003)
1	Wyoming	5.79	\$1,891	7.0
2	Montana	3.49	\$590	5.7
3	Florida	1.51	\$70	7.0
4	North Dakota	4.40	\$1,005	6.2
5	Rhode Island	2.24	\$337	6.2
5	Washington	0.16	-\$447	6.7
7	Virginia	1.97	\$275	7.3
8	Pennsylvania	1.93	\$222	6.9
9	Nevada	0.54	-\$297	7.6
9	New Hampshire	0.06	-\$456	7.5
11	Vermont	2.53	\$398	6.4
12	Massachusetts	0.02	\$603	7.3
12	South Dakota	3.04	-\$584	7.2
14	Maryland	2.38	\$413	6.6
15	Maine	1.67	\$115	5.9
16	California	0.18	-\$446	6.9
17	New Jersey	1.69	\$179	6.9
18	Idaho	0.84	-\$133	6.7
19	Delaware	2.53	\$742	8.6
20	Alabama	2.13	\$235	6.5
21	Wisconsin	1.25	-\$14	6.9
22	Nebraska	2.88	\$574	7.2
23	Hawaii	1.99	\$253	6.1
24	Minnesota	1.29	\$325	7.1
24	Tennessee	2.26	-\$3	7.4
26	Utah	0.44	-\$276	7.5
27	Kentucky	1.73	\$133	6.7
28	West Virginia	1.71	\$105	5.3
29	Colorado	-0.53	-\$755	7.7
30	North Carolina	1.24	-\$18	7.7
31	Kansas	1.29	-\$1	7.0
32	Indiana	0.45	-\$304	7.4
32	Texas	0.47	-\$285	7.6
34	Illinois	-0.14	-\$566	7.2
35	Iowa	1.84	\$184	6.9
36	Arizona	0.42	-\$283	7.2
37	Mississippi	1.38	\$21	5.8
38	Georgia	-0.50	-\$664	7.6
39	South Carolina	1.14	-\$46	6.8
40	Missouri	0.43	-\$291	7.0
41	Connecticut	-0.08	-\$686	7.0
42	New York	0.45	-\$366	6.4
43	Oregon	-1.26	-\$853	6.6
44	Alaska	1.60	\$144	6.4
45	Arkansas	1.33	\$10	6.4
46	Ohio	0.15	-\$394	6.7
47	Michigan	-0.31	-\$564	6.8
48	Oklahoma	1.44	\$40	6.3
49	Louisiana	0.14	-\$365	6.8
50	New Mexico	1.10	-\$57	5.7