

NEWS RELEASE

Decreasing levels of economic freedom in many U.S. states hindering recovery from the recession and reducing standards of living

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For Immediate Release

EL PASO, TEXAS—Levels of economic freedom among American states have declined significantly compared to Canadian provinces, an indication of decreasing prosperity in the future, according to a new report released today by the Fraser Institute, one of the world's leading public policy think-tanks.

The report, *Economic Freedom of North America 2011*, measures the impact of economic freedom on the level and growth of economic activity in all 50 U.S. states and 10 Canadian provinces by examining key indicators of economic freedom based on size of government, taxation, and labor market freedom using data from 2009 (most recent year available). A separate chapter also examines economic freedom in Mexico.

“Since 2000, we have seen substantially increased spending by all levels of government in the United States along with myriad new regulations implemented by governments in response to stock market scandals and the housing bubble,” said Nathan Ashby, professor at the University of Texas at El Paso and co-author of *Economic Freedom of North America 2011*.

“In comparison, Canada followed a very different course, reining in government spending and reducing debt and deficits until the onset of the recession. The result is lower scores for American states in size of government. As the size of government increases, there is less room for free economic activity—people buying and selling what they want, rather than paying taxes to take whatever government gives.”

The 10 states with the highest levels of economic freedom are: Delaware (2nd overall), Texas (3rd overall), Nevada (4th overall), Colorado (5th overall), Georgia (6th overall), South Dakota (7th overall), Wyoming (8th overall), Utah (9th overall), North Carolina (10th overall), and Nebraska (11th overall). The Canadian province of Alberta ranked first overall.

The lowest levels of economic freedom among U.S. states were found in West Virginia (55th overall), New Mexico (54th overall), Mississippi (53rd overall), Hawaii (52nd overall), Alaska (51st overall), Montana (50th overall), Maine (48th overall), Vermont (47th overall), Rhode Island (46th overall), and Kentucky (45th overall).

Canadian provinces Manitoba, New Brunswick, Quebec, Nova Scotia and Prince Edward Island occupied the bottom five spots in the rankings.

“High levels of economic freedom are a key ingredient in creating prosperity. States with high levels of economic freedom provide families with higher standards of living,” Ashby said.

“Conversely, states and provinces with low levels of economic freedom will see families experience lower standards of living and reduced opportunities.”

The connection between economic freedom and prosperity is clearly seen in the report's finding that the average per-capita GDP in 2009 for the top 10 states was \$49,818 compared to \$43,812 for the lowest 40 states—a difference of \$6,006.

(more)

The gap is more significant if only the bottom 10 states are examined, where average per-capita GDP in 2009 was \$41,459, compared to the \$49,818 among the top 10 states—a difference of \$8,359.

“There is a clearly defined link between economic freedom and prosperity: high levels of economic freedom lead to increased economic growth. When denied a reasonable level of economic freedom, people are left poorer than they need be, which is exactly what’s happening in some states,” Ashby said.

Lower levels of economic freedom in the U.S. are also hindering recovery from the recession.

“A common theme among the states and provinces with high levels of economic freedom is a commitment to low taxes, small government, and flexible labor markets. These conditions foster job creation and greater opportunities for economic growth,” said Fred McMahon, Fraser Institute vice-president of international research and the report’s co-author.

Delaware, the most economically free state, leads the nation in offering the smallest size of government and lowest tax burden. Nevada ranks second on the size of government and is tied for second with Georgia on lowest tax burden. Texas is alone in third place on the size of government and tied for third place with South Dakota and Oklahoma on lowest tax burden.

Virginia leads the pack on labor market freedom, followed closely by Texas, and Delaware, then Colorado, North Carolina, and South Dakota.

The states with low scores on these measures have corresponding low levels of economic freedom. West Virginia, New Mexico, and Mississippi score the worst for size of government; Rhode Island, New Jersey, and Vermont score worst for taxation; while West Virginia, Montana and Hawaii score the worst for labor market freedom at the all-government level.

The *Economic Freedom of North America* index is an offshoot of the Fraser Institute’s *Economic Freedom of the World* index, the result of a quarter century of work by more than 60 scholars, including three Nobel laureates.

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