

# NEWS RELEASE

## Residents of Delaware and Texas enjoy highest levels of economic freedom, West Virginians face the lowest

July 9, 2008  
For Immediate Release

**TORONTO, ONTARIO**--Delaware and Texas are the most economically free states in the U.S., while West Virginia has the dubious distinction of being the least economically free, according to a new study from the Fraser Institute.

“Economic freedom is one of the main drivers of prosperity and growth. States with low levels of economic freedom reduce the ability of their citizens to prosper economically, leaving people poorer than they need be,” said Fred McMahon, co-author of the report and director of globalization studies at the Fraser Institute, an economic think tank with offices throughout North America.

States with the next highest levels of economic freedom are Colorado, Georgia, and North Carolina. Maine and Mississippi join West Virginia near the bottom of the rankings.

The Institute’s peer-reviewed study, *Economic Freedom of North America: 2008 Annual Report*, measures the impact of economic freedom on the level of economic activity and the growth of economic activity in 50 U.S. states and 10 Canadian provinces by creating an index utilizing 10 components based on size of government, taxation, and labor market freedom. The complete study is available as a free PDF download at <http://am.eri.ca/>

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

This year’s Economic Freedom of North America report includes a new overview of economic freedom in different regions of the United States.

“This snapshot of economic freedom in the Northeast, the Southeast, the Midwest, the Southwest, and the West allows for comparisons between neighboring states in a number of categories,” said Alan Dowd, Fraser Institute senior fellow and contributor to the report.

“For instance, it’s interesting to note that the states with the best record of economic freedom are predominately in the western half of the country.”

Between 2000 and 2005, North Dakota had the fastest growth in economic freedom with Wyoming and Montana tied for second. South Dakota, Nevada, Nebraska, Iowa, and Florida tied for fourth.

New Mexico stands out as the only state with negative growth in economic freedom between 2000 and 2005. Arizona had the second lowest growth rate, with Connecticut, Michigan, South Carolina, New York, and Ohio all tied for third lowest.

Over this same time period, per-capita GDP in the United States grew by nine percent, compared to five percent in the states with the worst growth record and 18 percent in the states with the best.

Reinforcing the notion that economic freedom leads to greater prosperity, the 2008 report shows that Colorado, Georgia, Delaware, North Carolina, New Hampshire, Tennessee, and Texas – states with consistently strong records of economic freedom – had a GDP per capita that was more than \$4,300 above the American average in 2005. Plus, their growth from 1981 to 2005 is nearly 20 percentage points higher.

(more)

## **Economic Freedom of the USA– page 2**

By comparison, West Virginia, Hawaii, Maine, Montana, New Mexico, North Dakota, and Rhode Island are states with low levels of economic freedom. Their average per-capita GDP was more than \$4,300 below the American average in 2005, and their total growth from 1981 to 2005 was 10 percentage points below the US average of 45 percent total growth in real terms.

“States with high levels of economic freedom are those that tend to have lower taxes, smaller government, and flexible labor markets. These conditions create jobs and opportunities leading to economic growth,” McMahon said.

Delaware, the most economically free state, has the best score for both low levels of government and low taxes. Nevada and Texas are second and third for low levels of government with Alaska and South Dakota ranked second and third for low tax levels.

States in the South and Southwest tend to have the best scores for labor market freedom, with North Carolina and Texas leading the way, followed closely by Georgia and Virginia.

The states with low scores on these measures have corresponding low levels of economic freedom. Of the lowest ranked states – West Virginia, Hawaii, Maine, Montana, New Mexico, North Dakota, and Rhode Island – none ranks above 35th on size of government (at the all-government level). None ranks higher than 33rd on overall taxation. And all of these rank in the bottom 25 on labor market freedom at the state and local level.

“Overall, many U.S. states are well positioned to take advantage of economic growth opportunities and continue to provide an environment of prosperity and opportunity for their residents,” McMahon said.

“But for states with low levels of economic freedom, the future is less rosy. These states would be well advised to reconsider the policies they have in place that restrict economic freedom.”

–30–

### **MEDIA CONTACTS:**

Fred McMahon  
Director of Globalization Studies, The Fraser Institute  
Tel: (416) 363-6575, ext. 226  
Email: [fred.mcmahon@fraserinstitute.org](mailto:fred.mcmahon@fraserinstitute.org)

Alan Dowd  
Senior Fellow, The Fraser Institute  
Tel: (317) 578-0061  
Email: [alan.dowd@fraserinstitute.org](mailto:alan.dowd@fraserinstitute.org)



The Fraser Institute is an independent research and educational organization with locations across North America and partnerships in more than 70 countries. Its mission is to measure, study, and communicate the impact of competitive markets and government intervention on the welfare of individuals. To protect the Institute's independence, it does not accept grants from governments or contracts for research. Visit [www.fraserinstitute.org](http://www.fraserinstitute.org)

For further information, contact:  
Dean Pelkey, Director of Communications, The Fraser Institute,  
Tel: (604) 714-4582, Email [dean.pelkey@fraserinstitute.org](mailto:dean.pelkey@fraserinstitute.org)