NEWS RELEASE

New policies will erode American economic freedom; Delaware, Texas home to nation's highest levels of economic freedom; West Virginia maintains lowest

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EL PASO, TEXAS—A new study of the levels of economic freedom across American states finds that three federal policy initiatives—cap-and-trade, the union card-check bill, and the health care bill—will seriously damage the economic freedom of Americans and result in significantly reduced prosperity.

The peer-reviewed study, ***Economic Freedom of North America***, is produced by the Fraser Institute, one of the world's leading free-market think tanks.

Economic freedom, the ability of individuals and families to make their own economic decisions, is a key building block for prosperity. Research shows that people living in states with high levels of economic freedom enjoy higher standards of living, greater individual freedoms, and longer life spans.

"Although health care legislation is the only bill passed so far, the combined impact of proposed cap-and-trade and card check legislation would reduce average economic freedom in the United States to 6.0 from its current level of 6.8," said Nathan Ashby, report co-author and professor at the University of Texas at El Paso.

"A reduction of this magnitude will, over time, reduce U.S. per capita GDP by approximately $4,000, or $16,000 for a family of four, below what it would have been without this legislation."

On a state-by-state basis, the report, which examines 10 key indicators of economic freedom based on size of government, taxation, and labor market freedom, found that residents of Delaware and Texas continue to benefit from the highest levels of economic freedom in North America while West Virginians possess the least economic freedom nationwide.

Colorado, Georgia, and North Carolina follow Delaware and Texas as states with the highest levels of economic freedom. Maine and Mississippi join West Virginia as the lowest ranked states.

"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.

Reinforcing the notion that economic freedom leads to greater prosperity, this year's report shows that Delaware, Texas, Colorado, Georgia, North Carolina, Utah, Louisiana, Nevada, New Hampshire, and Tennessee—the top 10 most economically free states—had an average per-capita GDP of $40,183 in 2007, compared to $37,397 for the 40 lowest-ranked states.

Among states with the lowest levels of economic freedom, Michigan, Hawaii, Rhode Island, South Carolina, Vermont, New Mexico, Montana, Maine, Mississippi, and West Virginia had an average per-capita GDP of $32,170 in 2007, compared to $39,791 for the rest of the US.

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"A common theme among states 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 report co-author.

Delaware, the most economically free state, leads the nation in offering the smallest size of government and lowest tax burden, followed by Nevada and Texas on both measures.

States in the South and Southwest maintain the best scores for labor market freedom, with Texas and Virginia leading the pack, followed closely by Georgia, Louisiana, and North Carolina.

The states with low scores on these measures have corresponding low levels of economic freedom. Of the lowest ranked states—West Virginia, Mississippi, Maine, Montana, and New Mexico—none rank above 45th on size of government (at the all-government level on the U.S.-specific rankings), none rank higher than 29th on overall taxation, and all rank in the bottom 20 on labor market freedom at the all-government level.

"By embracing economic freedom, many states have fostered strong economic growth to the benefit of all residents, paving the way for continued prosperity," McMahon said.

"States with low levels of economic freedom would be well advised to rethink policies that hamper economic growth. In doing so, these states can help alleviate the economic disadvantages their residents face."

The study also examines in depth three pairs of states to isolate the effect of economic freedom on income, unemployment, entrepreneurship, business climate, population density, skilled migration, and income equality. The states are:

- Virginia (7.00; 13th) with West Virginia (5.35; 50th)
- Georgia (7.40; 4th) with Mississippi (5.90; 47th)
- Indiana (7:05; 9th) with Michigan (6.52; 32nd)

Consistent with results from other studies, in the first two comparisons, Virginia with West Virginia, and Georgia with Mississippi, those states with considerably higher levels of economic freedom had higher measures in every category analyzed by this study. Indiana and Michigan have a smaller gap in freedom and, thus, a smaller difference in economic performance.

The Economic Freedom of North America index is an outgrowth 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. The complete report is available for download as a PDF, free of charge, from www.fraseramerica.org.

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