



NEWS RELEASE

Declining levels of economic freedom now being felt at the state level

November 28, 2012
For Immediate Release

EL PASO, TEXAS—U.S. states are grappling with reduced levels of economic freedom, a decline that mirrors the sharp drop in the United States' global economic freedom ranking, according to a new report released today by the Fraser Institute, Canada's leading public policy think-tank.

"Economic freedom is a key ingredient in creating prosperity. States with high levels of economic freedom provide families with higher standards of living," said Nathan Ashby, professor at the University of Texas at El Paso and co-author of *Economic Freedom of North America 2012*.

"The heavy-handed regulation and extensive overspending by Washington in response to the domestic and European debt crises not only caused America's global economic freedom level to drop, it's now affecting economic freedom levels at the state level."

The *Economic Freedom of North America 2012* report examines key indicators of economic freedom in the U.S. states and Canadian provinces based on size of government, taxation, rule of law and property rights, and regulation using data from 2010 (most recent year available); a separate chapter compares the economic freedom levels of the Mexican states. Economic freedom represents the ability of individuals and families to make their own economic decisions, free from government interference.

Earlier this year, the United States saw its global economic freedom ranking drop to 16th out of 144 nations and territories, its lowest-ever showing and a sharp drop from the second overall position in held in 2000.

The 2012 edition of *Economic Freedom of North America* includes a "world-adjusted" index for the United States and Canada at the all-government level that incorporates data from the Fraser Institute's *Economic Freedom of the World: 2012 Annual Report* to capture the broad decline of economic freedom in the United States, particularly in areas of regulation, legal system, and property rights.

The 10 states with the highest levels of economic freedom are: Delaware (2nd overall), Texas (4th overall), Nevada (5th overall), Wyoming (6th overall), Colorado (7th overall), South Dakota (8th overall), Illinois (11th overall), Georgia (12th overall), Nebraska (13th overall), and Utah (14th overall).

The states with the least economic freedom are: New Mexico (59th overall), West Virginia (58th overall), Mississippi (57th overall), Vermont (55th), Kentucky (54th), Maine (53rd), Montana (52nd), Arkansas (51st), Rhode Island (49th), and Hawaii (48th).

While the United States' national decline in economic freedom is now being felt at the state level, Canada's 10 provinces have seen their economic freedom scores improve, the result of Canada's fifth-place ranking in the *Economic Freedom of the World Index*.

The Canadian province of Alberta had the highest level of economic freedom in North America with Saskatchewan ranked third. Overall, Canadian provinces lead U.S. states in average economic freedom with provinces averaging a score of 6.8 out of 10 compared to 6.7 out of 10 for U.S. states.

"The link between economic freedom and prosperity is clear: states that support low taxation, limited government, and flexible labor markets benefit from greater economic growth," said Fred McMahon, Dr. Michael A. Walker Research Chair in Economic Freedom (Fraser Institute) and co-author of the report.

(more)

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“In contrast, states with reduced levels of economic freedom see lower living standards for families and fewer economic opportunities.”

Reinforcing the connection between economic freedom and prosperity, the report notes that the average per-capita GDP in 2010 for the top 10 states was \$51,737 compared to \$44,889 for the remaining states.

The gap is more significant if only the bottom 10 states are examined, where average per-capita GDP in 2010 was \$38,017, compared to the \$51,737 among the top 10 states—a difference of \$13,720.

Delaware, the most economically free state, ranked first among all states for having the smallest size of government and most flexible labor market, while Alaska, Delaware, and Texas impose the lightest tax burdens overall.

The states with low scores on these measures have corresponding low levels of economic freedom. New Mexico and West Virginia score worst for size of government; New Jersey and Rhode Island score worst for taxation; while West Virginia, Alaska, and Hawaii score worst for labor market freedom at the all-government (comprising federal, state/provincial, and municipal/local) level.

The *Economic Freedom of North America* report 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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