

NEWS RELEASE



When provincial and state populations exceed 9.5 million, government spending and taxes tend to increase; implications for Ontario, California and New York

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For immediate release

VANCOUVER—Provinces and states such as Ontario, California and New York whose populations have grown beyond 9.5 million people tend to have higher levels of government spending, higher taxes and less flexible labour markets, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“Government spending and taxes, and labour market flexibility, or what has been referred to as economic freedom is linked high levels of prosperity, economic growth and overall well-being,” said Professor Russell Sobel, senior fellow at the Fraser Institute and author of *The Determinants of Subnational Economic Freedom*.

The study, which analyzes 158 states and provinces in seven countries, uses data from the Fraser Institute’s *Economic Freedom of North America* report (and other reports modelled after it) to determine the optimal population size for states and provinces (subnational jurisdictions) to maximize economic freedom.

The study finds that subnational economic freedom for states and provinces, including in Canada and the U.S., are negatively related with population at levels above a size of roughly 9.5 million people. Economic freedom rises with population initially, attains a maximum (roughly 9.5 million), then begins to decline as population grows larger.

“Simply put, being too large is a disadvantage in terms of achieving high levels of economic freedom,” said Sobel.

“This has implications for states and provinces whose populations already exceed 9.5 million as well as those subnational jurisdictions experiencing population growth in terms of their ability to maintain reasonable levels of government spending and taxes.”

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