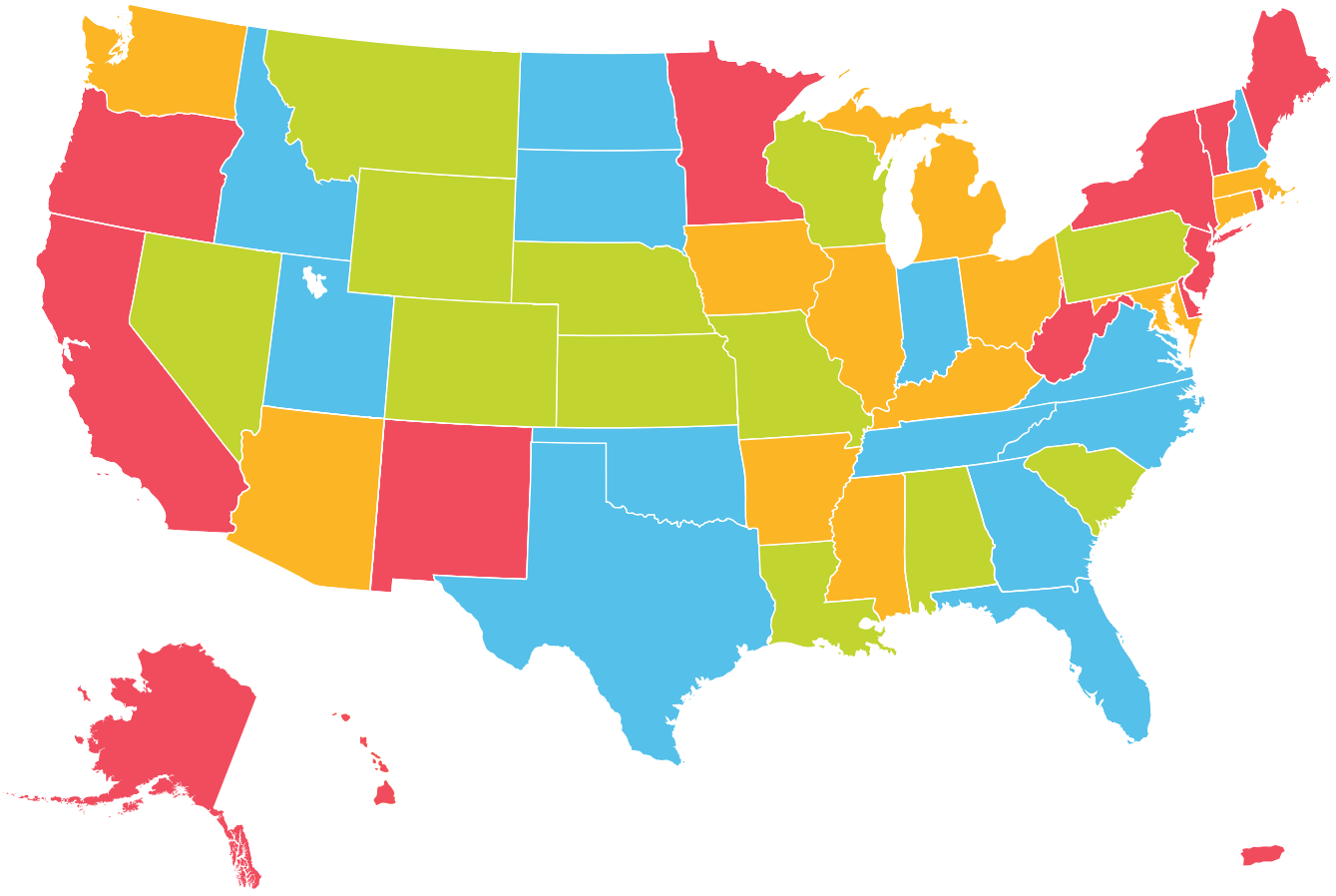
Dean Stansel,
José Torra,
Fred McMahon,
& Ángel Carrión-Tavárez

Caminos de la Libertad
INSTITUTO DE LIBERTAD ECONÓMICA
FRASER INSTITUTE

Economic Freedom of North America 2022



The map uses the subnational index.

MOST FREE 2ND QUARTILE 3RD QUARTILE LEAST FREE

Economic Freedom of North America 2022

Dean Stansel, José Torra,
Fred McMahon,
and Ángel Carrión-Tavárez

Fraser Institute
2022

Printed and bound in Canada
Date of issue: 2022

Cover design by Peng Wei.

Cite this publication

Authors: Dean Stansel, José Torra, Fred McMahon, Ángel Carrión-Tavárez
Title: *Economic Freedom of North America 2022*
Publisher: Fraser Institute
Date of publication: 2022
Digital copy available at <https://www.fraserinstitute.org/studies/economic-freedom-of-north-america-2022>.

Cataloguing Information

Stansel, Dean

Economic freedom of North America 2022 / Dean Stansel, José Torra, Fred McMahon, Ángel Carrión-Tavárez.

2002–

Issues for 2004– have subtitle: Annual report; issues for 2008– have subtitle: Annual report (Canadian edition); issues for 2010– have subtitle: 2010; issues for 2011– have subtitle: 2011; issues for 2012– have subtitle: 2012; issues for 2013– have subtitle: 2013; issues for 2014– have subtitle: 2014; issues for 2015– have subtitle: 2015; issues for 2016– have subtitle: 2016; issues for 2017– have subtitle: 2017; issues for 2018– have subtitle: 2018; issues for 2019– have subtitle: 2019; issues for 2020– have subtitle: 2020; issues for 2021– have subtitle: 2021; issues for 2022– have subtitle: 2022.

ISSN 1910-1945
North American version: 978-0-88975-714-1 (2022 edition)
US version: 978-0-88975-715-8 (2022 edition)

Contents

Executive Summary

Economic Freedom of North America in 2020

Economic Freedom of North America 2022 is the eighteenth edition of the Fraser Institute's annual report. This year it measures the extent to which—in 2020, the year with the most recent available comprehensive data—the policies of individual provinces and states were supportive of economic freedom, the ability of individuals to act in the economic sphere free of undue restrictions. There are two indices: one that examines provincial/state and municipal/local governments only and another that includes federal governments as well. The former, our subnational index, is for comparison of individual jurisdictions within the same country. The latter, our all-government index, is for comparison of jurisdictions in different countries.

For the subnational index, *Economic Freedom of North America* employs 10 variables for the 92 provincial/state governments in Canada, the United States, and Mexico in three areas: 1. Government Spending; 2. Taxes; and 3. Regulation. In the case of the all-government index, we incorporate three additional areas at the federal level from *Economic Freedom of the World* (EFW): 4. Legal Systems and Property Rights; 5. Sound Money; and 6. Freedom to Trade Internationally; and we expand Area 1 to include government investment (variable 1C in EFW), Area 2 to include top marginal income and payroll tax rates (variable 1Dii in EFW), and Area 3 to include credit market regulation and business regulations (also at the federal level). These additions help capture restrictions on economic freedom that are difficult to measure at the provincial/state and municipal/local level.

Since the most recent data available for the report are from fiscal year 2020 and fiscal years in Canada and the United Sates end earlier than calendar years, the data do not fully capture the fiscal effect on economic freedom of COVID-19 and government responses to it.

Results for Canada, the United States, and Mexico

The all-government index

The all-government index includes data from *Economic Freedom of the World* (Gwartney, Lawson, Hall, and Murphy, 2022). These data, available only on the national level, enable better comparisons among Canadian, Mexican, and US subnational jurisdictions that take into account national policies affecting all jurisdictions

within each country. Canada and the United States have similar scores in the EFW report; both have typically been among the top 10 nations, though Canada fell out of the top 10 in 2021 and remained out this year. Mexico ranks much lower, at 64th this year; this is an improvement over past years.

The top jurisdiction is New Hampshire at 8.10, followed by Florida (8.05), Utah (8.03), and then Idaho and South Carolina, tied for fourth (8.02). Alberta is the highest ranking Canadian province, tied for 47th place with a score of 7.76. The next highest Canadian province is British Columbia in 51st at 7.70. Alberta had spent seven years at the top of the index but fell out of the top spot in the 2018 report (reflecting 2016 data). It is now in the bottom half of the 92 subnational jurisdictions in the all-government index.

The highest-ranked of the 32 Mexican states is Chihuahua with 6.62, followed by Nayarit (6.57), Baja California (6.56), Yucatan (6.53) and Tlaxcala (6.52). They are about ¾ of a point behind those ranking lowest in Canada and the United States, although that gap has been shrinking. The lowest-ranked Mexican state is Ciudad de México at 5.49, followed by Colima at 5.85, and Quintana Roo at 6.04.

Eight of the Canadian provinces are ranked behind all 50 US states. Prince Edward Island is 60th with a score of 7.38, just behind Newfoundland & Labrador (7.40), New Brunswick (7.41), and Nova Scotia (7.41). The lowest ranked of the United States are Delaware (52nd, 7.85), and New York and Hawaii (tied for 49th, 7.72).

Historically, average economic freedom in all three countries peaked in 2004 at 7.75 then fell steadily to 7.27 in 2011. Canadian provinces saw the smallest decline, only 0.24, whereas the decline in the United States was 0.41 and, in Mexico, 0.59. Average economic freedom in North America had risen slowly to 7.46 by 2017 but still remained below that 2004 peak. (Canada was an outlier in that period, seeing a steady decline since 2014.) Since 2017, average economic freedom has fallen further to 7.31. The vast majority of that decline (80%) occurred in 2020, which reflects the first few months of government response to the COVID-19 pandemic.

The subnational indices

For the purpose of comparing jurisdictions within the same country, the subnational indices are the appropriate choice. There is a separate subnational index for each country. In Canada, the most economically free province in 2020 was again Alberta with 6.65, followed by Ontario with 5.55, and Manitoba at 5.31. The least free by far was Quebec at 3.05, following Prince Edward Island at 4.04, and New Brunswick at 4.24.

In the United States, the most economically free state was Florida at 7.94, followed by New Hampshire at 7.84, South Dakota at 7.75, and Texas and Tennessee at 7.66. (Note that since the indexes were calculated separately for each country, the numeric scores on the subnational indices are not directly comparable across countries.) The least-free state was again New York at 4.25, following California at 4.59, Hawaii at 4.65, Vermont at 4.70, and Oregon at 4.92. For the first time, we have made a preliminary attempt to include the US territory of Puerto Rico in the US subnational index. It came in with a score of 2.04. The next lowest score was more than twice as high.

In Mexico, the most economically free state was Michoacán de Ocampo at 5.69. Chihuahua was second at 5.56, followed by Baja California at 5.45. The least free Mexican states were Quintana Roo at 1.83, Campeche at 2.34, and México at 2.71.

In addition to the tables found in chapter 4, our new interactive website at www.freetheworld.com contains all the latest scores and rankings for each of the components of the index as well as historical data on the overall and area scores. The full dataset is also available for download at that same website.

Economic freedom and economic well-being at the subnational level

The jurisdictions in the least economically free quartile (one fourth) on the all-government index had, in 2020, an average per-capita income of just US$2,160, compared to US$54,927 for the most economically free quartile. On the subnational index, the same relationship holds, with the two least-free quartiles having a median per-capita income of $49,046 and $47,058, while the two most-free quartiles had $50,996 and $51,673.

In addition, economic freedom at the subnational level has generally been found to be positively associated with a variety of measures of the per-capita size of the economy and the growth of the economy as well as various measures of entrepreneurial activity. There are now more than 340 articles by independent researchers examining subnational economic freedom using the data from *Economic Freedom of North America*. (Appendix C lists some of the most recent ones.) Much of that literature discusses economic growth or entrepreneurship but the list also includes studies of a variety of topics such as income inequality, eminent domain, and labor markets. The vast majority of the results correlate higher levels of economic freedom with positive outcomes, such as economic growth, lower unemployment, reduced poverty, and so on. The results of these studies tend to mirror those found for these same relationships at the country level using the index published in *Economic Freedom of the World*.

Data available to researchers

The full data set, including all of the data published in this report as well as data omitted due to limited space, can be downloaded for free at <https://www.fraserinstitute.org/economic-freedom/dataset>. The data file available there contains the most up-to-date and accurate data for the index published in *Economic Freedom of North America*. All editions of the report are available in PDF and can be downloaded for free at <www.fraserinstitute.org/studies/economic-freedom>. However, users are always strongly encouraged to use the data from the most recent data file as updates and corrections, even to earlier years' data, do occur.

If you have difficulty downloading the data, please contact Fred McMahon via e-mail to <freetheworld@fraserinstitute.org>. If you have technical questions about the data itself, please contact Dean Stansel via e-mail to <dean.b.stansel@gmail.com>.

Cite the dataset

Authors Dean Stansel, José Torra, Fred McMahon, and Ángel Carrión-Tavárez

Title Economic Freedom of North America 2022 Dataset, published in *Economic Freedom of North America 2022*

Publisher Fraser Institute

Year 2022

URL <https://www.fraserinstitute.org/economic-freedom/dataset>

Chapter 1
Economic Freedom of Canada, the United States, and Mexico in 2020

Economic freedom and the index

Economic Freedom of North America is an attempt to gauge the extent of the restrictions on economic freedom imposed by governments in North America. The index published here measures economic freedom at two levels, the subnational and the all-government. At the subnational level, it measures the impact on economic freedom of provincial and municipal governments in Canada and of state and local governments in the United States and Mexico. At the all-government level, it measures the impact of all levels of government—federal, provincial/state, and municipal/local—in Canada, the United States, and Mexico. All 10 provinces, 50 US states, and 32 Mexican states (including Ciudad de México) are included (figures 1.1, 1.2a, 1.2b, and 1.2c). The most recent data available for the report are from fiscal year 2020. Since fiscal years end sooner than calendar years, they do not capture a full year of the effect on economic freedom of COVID-19 and government responses to it.

What is economic freedom and how is it measured in this index?

Writing in *Economic Freedom of the World, 1975–1995*, James Gwartney, Robert Lawson, and Walter Block defined economic freedom in the following way.

> Individuals have economic freedom when (a) property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and (b) they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. Thus, an index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions. (Gwartney, Lawson, and Block, 1996: 12)

The freest economies operate with minimal government interference, relying upon personal choice and markets to answer basic economic questions such as what is to be produced, how it is to be produced, how much is produced, and for whom production is intended. As government imposes restrictions on these choices, there is less economic freedom.

The research flowing from the data generated by the annually published report, *Economic Freedom of the World* (EFW), a project Michael Walker, who was then executive director of the Fraser Institute, initiated 30 years ago, shows that economic freedom is important to the well-being of a nation's citizens. This research has found that economic freedom is positively correlated with per-capita income, economic growth, greater life expectancy, lower child mortality, the development of democratic institutions, civil and political freedoms, and other desirable social and economic outcomes.[1] Just as *Economic Freedom of the World* seeks to measure economic freedom of countries on an international basis, *Economic Freedom of North America* has the goal of measuring differences in economic freedom at both the subnational and all-governments level among the Canadian provinces, US states, and Mexican states.

In 1999, the Fraser Institute published *Provincial Economic Freedom in Canada: 1981–1998* (Arman, Samida, and Walker, 1999), a measure of economic freedom in 10 Canadian provinces. *Economic Freedom of North America* updates and, by including the 50 US states and the 32 Mexican states, expands this initial endeavor. It looks at the 10 Canadian provinces (Northwest Territories, Nunavut, and Yukon are not included) and the 50 US states from 1981 to 2019 and the 32 Mexican states back to 2003. Each province and state is ranked on economic freedom at both the subnational (state/provincial and local/municipal) and the all-government (federal, state, and local) levels. This helps isolate the impact of different levels of government on economic freedom in Canada, the United States, and Mexico. The subnational index provides a comparison of how individual jurisdictions within a country measure up against other jurisdictions in that country. The all-governments index provides a comparison of how individual jurisdictions in different countries compare to each other.

Because of data limitations and revisions, some time periods are either not directly comparable or are not available. When necessary, we have generally used the data closest to the missing time period as an estimate for the missing data (specific exceptions to this approach are discussed individually in Appendix B). If there have been changes in this component during this period, this procedure would introduce some degree of error in the estimate of economic freedom for the particular data point. However, omitting the component in the cases when it is missing and basing the index score on the remaining components may create more bias in the estimate of overall economic freedom.

We examine state- and province-level data in three areas of economic freedom: government spending, taxes, and labor-market regulation. To account for factors that vary primarily across countries but not subnational jurisdictions, our all-government index includes additional variables found in *Economic Freedom of the World*.

Prior to the 2012 report, we had not included in the North American index data from several areas used in the index published in *Economic Freedom of the World*—in particular, data for the legal system and property rights, and for regulation of credit and business. There were two reasons for this. Firstly, data in these areas are typically

1. A list of such articles and additional information can be found at <https://www.fraserinstitute.org/economic-freedom/>. See also Easton and Walker, 1997; and De Haan and Sturm, 2000. For the latest summary of literature on economic freedom at an international level, see Doucouliagos and Ulubasoglu, 2006; Hall and Lawson, 2014, and Lawson, 2022.

not available at the state/provincial level. Secondly, these are primarily areas of national policy and would vary little from province to province or state to state. Since Canada and the United States had similar scores for these areas in the index of nations and territories covered by the broader world report, that also meant that these factors varied little from province to state and thus it was not essential to include these data in the index of economic freedom in North America.

However, most of these national-level measures do vary substantially for Mexico compared to Canada and the United States. Furthermore, Mexico's governmental system is much more centralized, with a significantly greater role for the federal government. To enable us to produce a more comparable measure across the three countries, at the all-government level we began including data from the world index for the legal system and property rights and for regulation of credit and business. We later expanded on that approach by adding ten additional components: sound money, freedom to trade internationally, government enterprises and investment, top marginal income and payroll tax rate, and the six components of the area of labor-market regulations.

Results on the all-government index

As figure 1.1 indicates, on the all-government index the highest ranked jurisdiction is again New Hampshire with a score of 8.10, followed by Florida (8.05), Utah (8.03), and then Idaho and South Carolina, tied for fourth (8.02).[2] Alberta is the highest-ranked province, tied for 47th place with a score of 7.76. British Columbia, the Canadian province next highest after Alberta, is now at 51st with 7.70. The lowest-ranked Canadian province is Prince Edward Island at 60th (7.38), just behind Newfoundland & Labrador (7.40), New Brunswick (7.41), and Nova Scotia (7.41). Seven of the ten Canadian provinces are behind the lowest-ranked US state, Delaware, at 52nd with 7.67. The next lowest-ranked states in the United States are New York (49th, 7.72), Hawaii (49th, 7.72), and Rhode Island (48th, 7.76).

The highest-rated Mexican state is Chihuahua at 61st with 6.62, behind all 50 US states and 10 Canadian provinces, and below 60th place by 0.76. That gap has been shrinking in recent years, down from over a full point for many years. Nayarit (6.57) and Baja California (6.56) are close behind. The lowest rated is Ciudad de México (92nd with 5.49), followed by Colima at 5.85 and Quintana Roo at 6.04. (For a more detailed discussion of Mexican results, see Chapter 2: Economic Freedom of the Mexican States in 2020.)

As table 1.1 indicates, on average, US states have a higher level of economic freedom on the all-government index than Canadian provinces (7.90 out of 10 compared to 7.53). That margin has been about the same for the past few years. Historically, economic freedom had generally been declining in all three countries, though less so in Canada. From 2004 to 2011, the overall average score declined from 7.75 to 7.27, and then increased steadily to 7.46 in 2017. Since 2014, the average has generally been rising in both the United States and Mexico, but has fallen slightly in Canada.

2. In the figures, ties have been indicated by the use of the same shade.

Figure 1.1: Summary of Ratings for Economic Freedom at the All-Government Level, 2020

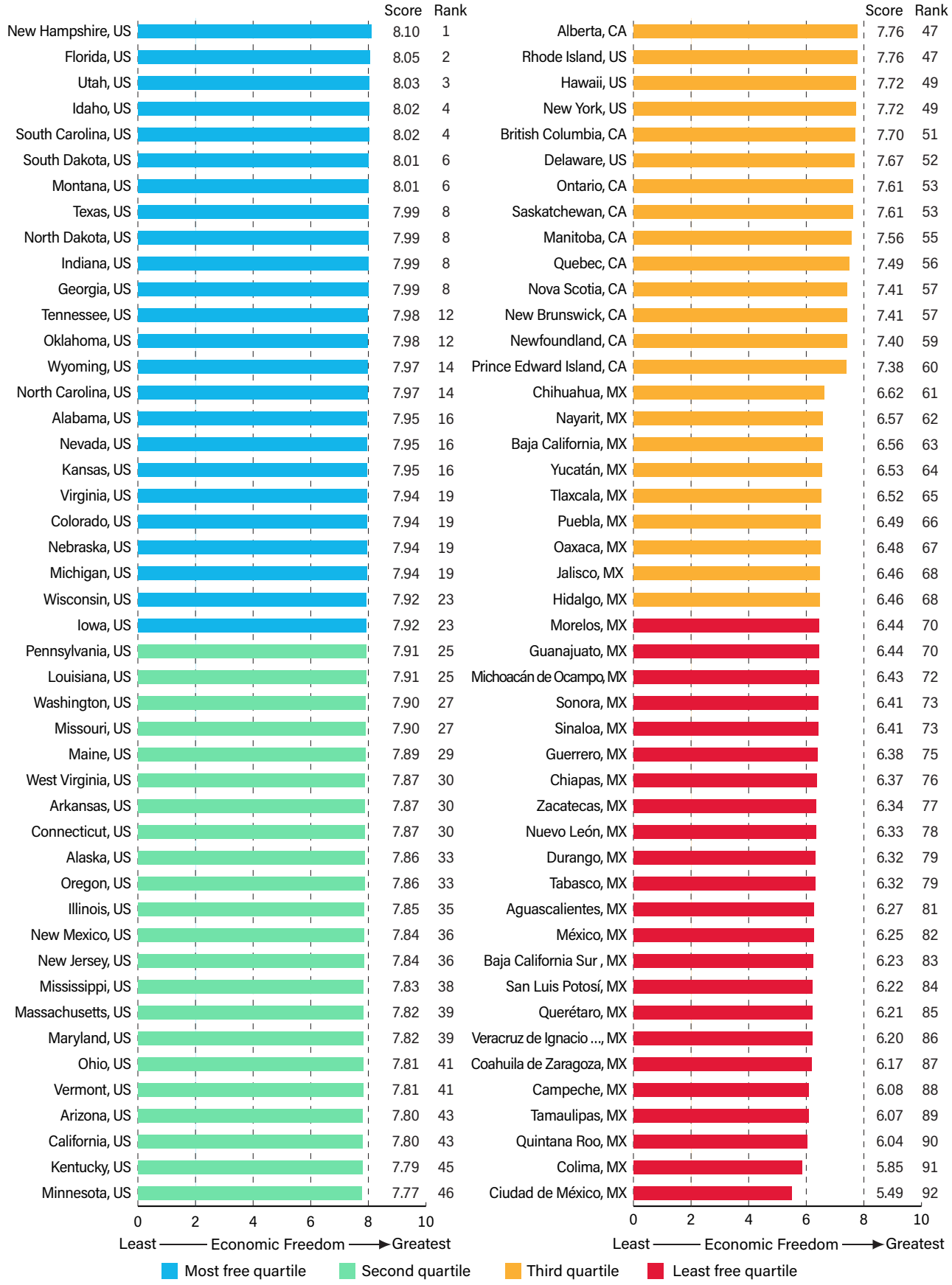


Table 1.1: Average Economic Freedom Scores at the All-Government Level, Selected Years, 2003–2020

	2003	2007	2011	2015	2016	2017	2018	2019	2020
Canada	7.87	7.88	7.66	7.93	7.91	7.85	7.75	7.74	7.53
United States	8.34	8.28	7.93	8.06	8.07	8.11	8.07	8.03	7.90
Mexico	6.59	6.52	6.11	6.31	6.24	6.32	6.39	6.39	6.31
Overall average	7.68	7.62	7.27	7.44	7.42	7.46	7.45	7.43	7.31
United States minus Canada	0.47	0.40	0.27	0.13	0.16	0.25	0.32	0.28	0.37
Canada minus Mexico	1.27	1.37	1.55	1.61	1.67	1.53	1.36	1.35	1.22

In 2020, that trend reversed as the first few months of governmental response to the COVID-19 pandemic led to a 0.12 decline in the overall average for the three countries. That is the largest since the 0.20 decline in 2009 during the Great Recession. We concur with our colleagues who wrote in *Economic Freedom of the World: 2022 Report*:

> The policy responses to the coronavirus pandemic, including massive increases in government spending, monetary expansion, travel restrictions, regulatory mandates on businesses related to masks, hours, and capacity, and outright lock-downs undoubtedly contributed to an erosion of economic freedom for most people ... We take no position on the efficacy of these various policies designed to deal with the coronavirus pandemic; they very well may have saved millions of lives, or they may have been completely ineffectual. That is a question for epidemiologists and health economists to work out. Our concern is economic freedom, and, on that margin, there is no question that government policies responding to the coronavirus pandemic have reduced economic freedom, at least as we measure it [with the all-governments index]. (Gwartney, Lawson, Hall, and Murphy, 2022: 6–7)

Table 4.1 (pp. 48–49) shows the individual scores for all six areas included in the all-government index. The calculations for the index and the data sources for the scores are found in appendices A and B. Because of a lack of available data for the Mexican states, the all-government index extends back only to 2003. The longer time series back to 1985 is available in the full dataset published on the Fraser Institute's website <www.fraserinstitute.org/studies/economic-freedom>. We cannot go all the way back to 1981 because the EFW data is currently only available at five-year intervals prior to 2000. Since these data are at the national level, they do not affect calculations of the subnational indices. The subnational indices for Canada and the United States extend back to 1981.

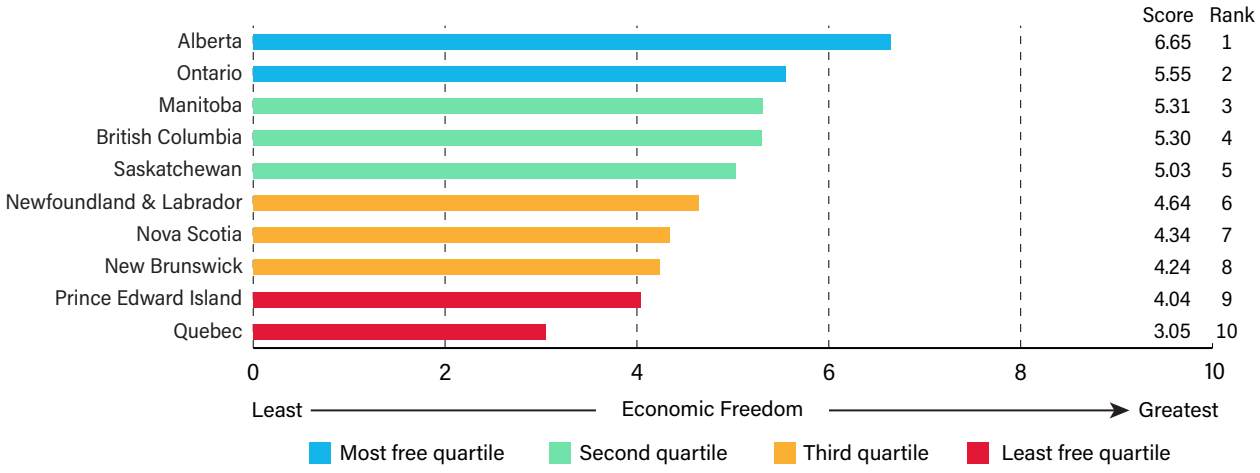
Results on the subnational indices

For comparisons of jurisdictions within the same country, the subnational indices are most appropriate. Figures 1.2a, 12b, and 1.2c show the subnational indices for Canada, the United States, and Mexico. Because much of the new government spending in response to the COVID-19 pandemic was done at the federal level, we did not see a decline in the subnational averages for Canada and the United States, although the Mexican average did go down slightly.

Canada

Alberta, with a score of 6.65, was in 2020 the most economically free province in Canada, although its lead has shrunk substantially, down from 2.30 points in 2014 to 0.85 in 2019 and 1.09 in 2020 (figure 1.2a). The next highest province was Ontario at 5.55, followed by British Columbia at 5.30. British Columbia had been in second place for many years running. Quebec was at the bottom with 3.05, well below Prince Edward Island at 4.04, New Brunswick at 4.24 and Nova Scotia at 4.34.

Figure 1.2a: Summary of the Ratings of Canadian Provinces for Economic Freedom at the Subnational Level, 2020



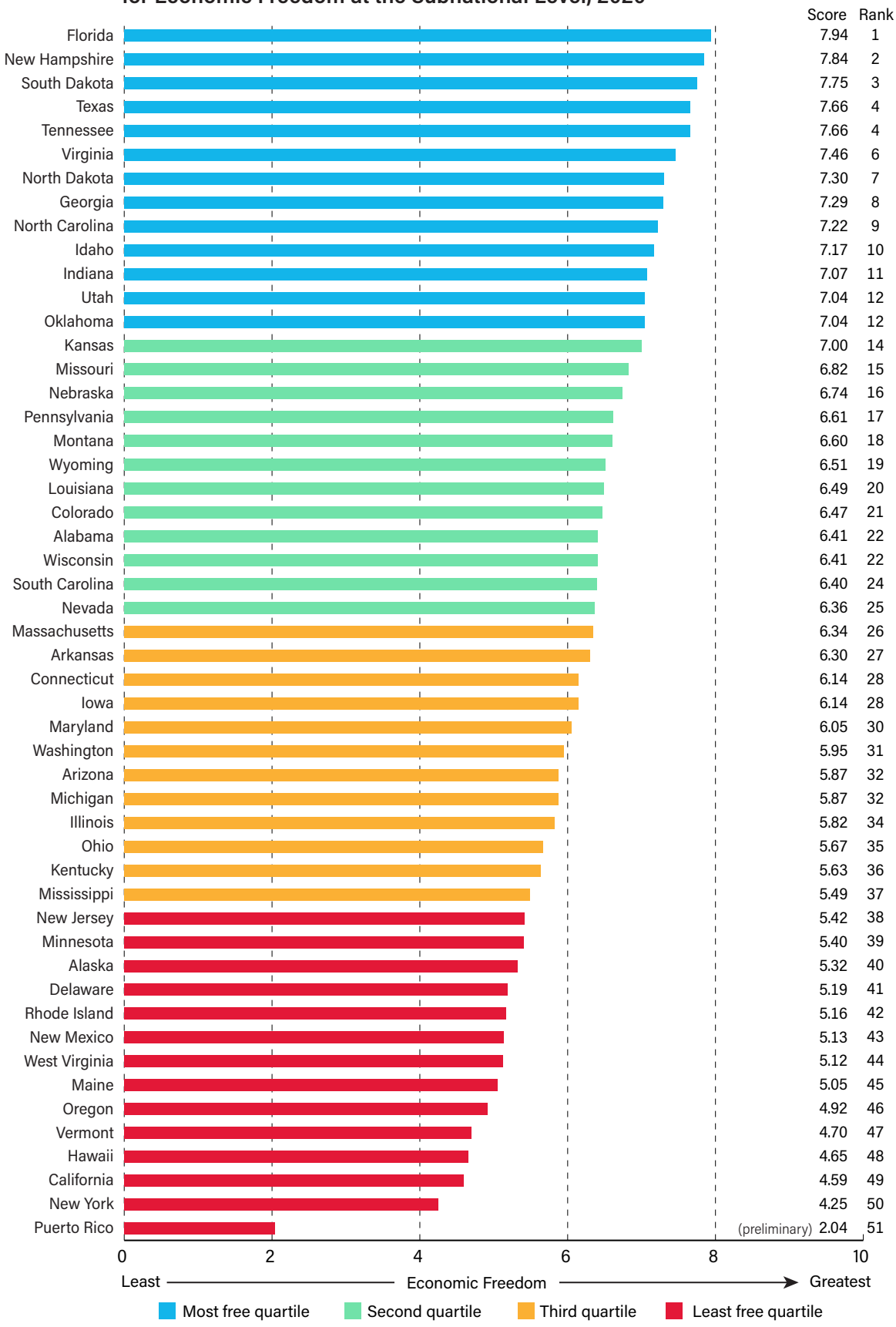
United States

Figure 1.2b shows the subnational scores for the US states. Florida (7.94) moved up from third last year to claim the top spot. New Hampshire fell to second with 7.84, followed by South Dakota (7.75), then Texas and Tennessee (both with 7.66).[3] The least-free state was again New York with 4.25, far behind California (4.59), Hawaii (4.65), Vermont (4.70), and Oregon (4.92).

Thanks to the efforts of Ángel Carrión-Tavárez of the *Instituto de Libertad Económica*, this year we have made a preliminary attempt to include the US territory of Puerto Rico in the US subnational index. Puerto Rico had by far the lowest score, 2.04.

3. Note that since the indices were calculated separately for each country the numeric scores on the subnational indices are not directly comparable across countries.

Figure 1.2b: Summary of the Ratings of US States and Puerto Rico for Economic Freedom at the Subnational Level, 2020



The next lowest score was more than twice as high. We believe that even 2.04 is too high because including it in the US subnational index implicitly assumes that property rights and the rule of law as well as regulatory policy there are substantially similar to those in the 50 states. While we do not believe that to be the case, that assumption was necessary for its inclusion. In the future, we will attempt to account for those differences. Because we do not have data in those areas, we were unable to include Puerto Rico in the all-governments index. See chapter 3 for a more detailed discussion of economic freedom in Puerto Rico.

Mexico

The subnational scores for the Mexican states can be found in figure 1.2c. (Chapter 2 contains a more detailed discussion of the Mexican index.) The most economically free state by this measure was Michoacán de Ocampo at 5.69, followed by Chihuahua at 5.56, and Baja California at 5.45.[4] This year, Quintana Roo was the least-free Mexican state at 1.83, followed by Campeche (2.34) and México (2.71).

Additional resources

In addition to the tables in Chapter 4, all the 2020 scores and rankings for each of the components of the index as well as historical data on the overall and area scores may be found on our interactive website at www.freetheworld.com, where the full dataset is also available for download.

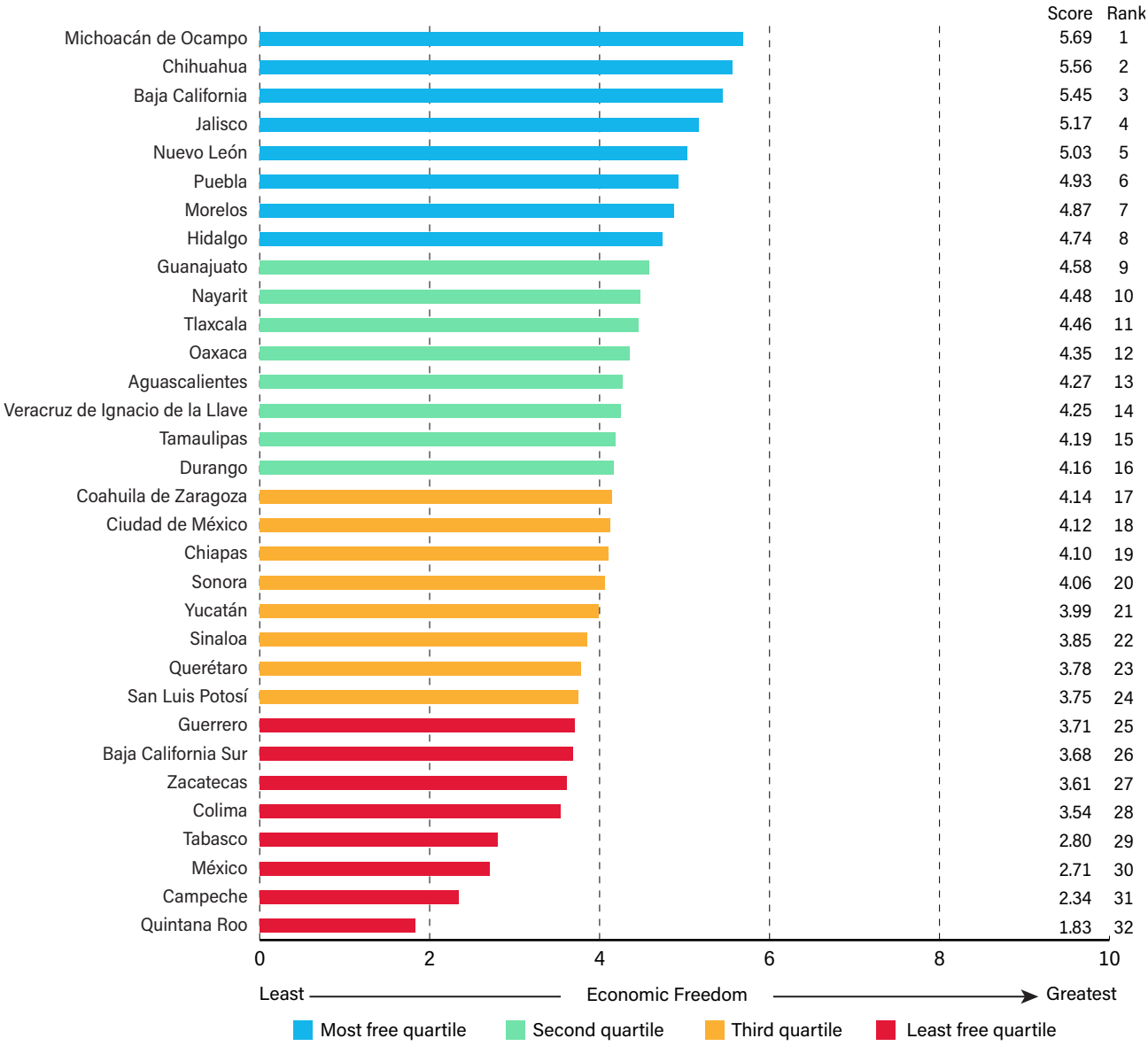
Description of components

The theory of economic freedom is no different at the subnational level than it is at the global level, although different variables consistent with the theory of economic freedom must be found that suit subnational measures. The 10 components of the subnational index fall into three areas: Government Spending, Taxes, and Labor Market Freedom. Most of the components we use are calculated as a ratio of income in each jurisdiction and thus do not require the use of exchange rates or purchasing power parities (PPP). The exception is component 2B, Top Marginal Income Tax Rate and the Income Threshold at Which It Applies, where purchasing power parity is used to calculate equivalent top thresholds in Canada and Mexico in US dollars.

Using a simple mathematical formula to reduce subjective judgments, a scale from zero to 10 for each component was constructed to represent the underlying distribution of each of the 10 components in the index. The highest possible score on each component is 10, which indicates a high degree of economic freedom and

4. Mexico has a much more centralized government structure than Canada and the United States. As a result, since the subnational index leaves out the impact of the federal government, it is a less useful measure of the relative level of economic freedom across the Mexican states.

Figure 1.2c: Summary of Ratings of the Mexican States for Economic Freedom at the Subnational Level, 2020



the lowest possible score is 0, which indicates a low degree of economic freedom.[5] Thus, this index is a relative ranking. The rating formula is consistent across time to allow an examination of the evolution of economic freedom. To construct the overall index without imposing subjective judgments about the relative importance of the components, each area was equally weighted and each component within each area was equally weighted (see Appendix A: Methodology, p. 69, for more details).

5. Because of the way scores for economic freedom are calculated, a minimum-maximum procedure discussed in Appendix A: Methodology (p. 69), a score of 10 is not indicative of perfect economic freedom, but rather the most freedom among the existing jurisdictions.

In order to produce comparable tax and spending data for jurisdictions of widely different sizes and income levels, all such variables are standardized by dividing by income (as is the minimum-wage variable). In Canada and Mexico, we use "household income"; in the United States, the comparable concept is called "personal income". We use income instead of GDP because there are some jurisdictions where there are large levels of economic activity (included in GDP) that do not directly benefit residents and GDP thus overstates the resources that residents have available to pay the burden of government. For example, because of peculiarities in its tax law, the US state of Delaware has an abnormally high number of corporate bank headquarters. Much of the revenue generated by those operations goes to shareholders outside Delaware. Those dollars are included in GDP, making taxes and spending seem less burdensome as a percentage of the economy than they actually are. Those dollars are not included in personal income, so using income provides a more accurate measure of the level of economic freedom.

Area 1 Government Spending

1A General Consumption Expenditures by Government as a Percentage of Income

As the size of government expands, less room is available for private choice. While government can fulfill useful roles in society, there is a tendency for government to undertake superfluous activities as it expands: "there are two broad functions of government that are consistent with economic freedom: (1) protection of individuals against invasions by intruders, both domestic and foreign, and (2) provision of a few selected goods—what economists call public goods" (Gwartney, Lawson, and Block, 1996: 22). These two broad functions of government are often called the "protective" and "productive" functions of government. Once government moves beyond these two functions into the provision of private goods, goods that can be produced by private firms and individuals, it restricts consumer choice and, thus, economic freedom (Gwartney, Lawson, and Block, 1996). In other words, government spending, independent of taxation, by itself reduces economic freedom once this spending exceeds what is necessary to provide a minimal level of protective and productive functions. Thus, as the size of government consumption expenditure grows, a jurisdiction receives a lower score in this component.

1B Transfers and Subsidies as a Percentage of Income

When the government taxes one person in order to give money to another, it separates individuals from the full benefits of their labor and reduces the real returns of such activity (Gwartney, Lawson, and Block, 1996). These transfers represent the removal of property without providing a compensating benefit and are, thus, an infringement on economic freedom. Put another way, when governments take from one group in order to give to another, they are violating the same property rights they are supposed to protect. The greater the level of transfers and subsidies, the lower the score a jurisdiction receives.

1C Insurance and Retirement Payments as a Percentage of Income

When private, voluntary arrangements for retirement, disability insurance, and so on are replaced by mandatory government programs, economic freedom is diminished. As the amount of such spending increases, the score on this component declines.

1D Government Investment *(all-government index only)*

When government engages in more of what would otherwise be private investment, economic freedom is reduced. This variable, used only in the all-government index, is the country score for variable 1C in *Economic Freedom of the World: 2022 Annual Report*. A detailed description and data sources can be found in that report, available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Area 2 Taxes

As the tax burden grows, the restrictions on private choice increase and thus economic freedom declines. We examine the major forms of taxation separately.

2A Income and Payroll Tax Revenue as a Percentage of Income

This variable includes all personal and corporate income taxes as well as payroll taxes used to fund social insurance schemes (i.e., employment insurance, Workers Compensation, and various pension plans).

2Bi Top Marginal Income Tax Rate[6] *and the Income Threshold at Which It Applies*

Because marginal income tax rates represent the direct penalty on economic activity, in addition to the revenue variable, we include a variable that incorporates the top tax rate as well as the income level at which that rate applies. Top personal income-tax rates are rated by the income thresholds at which they apply. Higher thresholds result in a better score. More details can be found in Appendices A and B.

2Bii Top Marginal Income and Payroll Tax Rates (all-government index only)

This variable, used only in the all-government index, is the country score for variable 1Dii in *Economic Freedom of the World: 2022 Annual Report*. A detailed description and data sources can be found in that report, available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

2C Property Tax and Other Taxes as a Percentage of Income

This variable includes all forms of taxation other than income, payroll, and sales taxes (which are already captured in variables 2A and 2D), with one exception. Revenue from taxes on natural resources are excluded for three reasons: 1. most areas do not have them; 2. their burden is largely exported to taxpayers in other areas; 3. they can fluctuate widely along with the prices of natural resources (for example, oil), thereby creating outliers that distort the relative rankings.

6. See Appendix A: Methodology (p. 69) for further discussion of how the rating for the top marginal tax rate and its threshold was derived.

2D Sales Tax Revenue as a Percentage of Income

This variable includes all sales and gross receipts taxes (including excise taxes). Such taxes are a major source of revenue for subnational governments.

Note about intergovernmental transfers and double counting

In examining the two areas above, it may seem that Areas 1 and 2 create a double counting, in that they capture the two sides of the government ledger sheet, revenues and expenditures, which presumably should balance over time. However, in examining subnational jurisdictions, this situation does not hold. A number of intergovernmental transfers break the link between taxation and spending at the subnational level.[7] The break between revenues and spending is even more pronounced at the all-government level, which includes the federal government. Obviously, what the federal government spends in a state or a province does not necessarily bear a strong relationship to the amount of money it raises in that jurisdiction. Thus, to take examples from both Canada and the United States, the respective federal governments spend more in the province of Newfoundland & Labrador and the state of West Virginia than they raise through taxation in these jurisdictions while the opposite pattern holds for Alberta and Connecticut. As discussed above, both taxation and spending can suppress economic freedom. Since the link between the two is broken when examining subnational jurisdictions, it is necessary to examine both sides of the government's balance sheet.

Area 3 Regulation

3A Labor Market Regulation

3Ai Minimum Wage

High minimum wages restrict the ability of employees and employers to negotiate contracts to their liking. In particular, minimum wage legislation restricts the ability of low-skilled workers and new entrants to the workforce to negotiate for employment they might otherwise accept and, thus, restricts the economic freedom of these workers and the employers who might have hired them.

This component measures the annual income earned by someone working full time at the minimum wage as a percentage of per-capita income. Since per-capita income is a proxy for the average productivity in a jurisdiction, this ratio takes into account differences in the ability to pay wages across jurisdictions. As the minimum wage grows relative to productivity, thus narrowing the range of employment contracts that can be freely negotiated, there are further reductions in economic freedom, resulting in a lower score for the jurisdiction. For example, minimum wage legislation

7. Most governments have revenue sources other than taxation and national governments also have international financial obligations so that the relation between taxation and spending will not be exactly one to one, even at the national level. Nevertheless, over time, the relationship will be close for most national governments, except those receiving large amounts of foreign aid.

set at 0.1% of average productivity is likely to have little impact on economic freedom; set at 50% of average productivity, the legislation would limit the freedom of workers and firms to negotiate employment to a much greater extent. For instance, a minimum wage requirement of $2 an hour for New York will have little impact but, for a developing nation, it might remove most potential workers from the effective workforce. The same idea holds, though in a narrower range, for jurisdictions within Canada, the United States, and Mexico.

3Aii Government Employment as a Percentage of Total State/Provincial Employment

Economic freedom decreases for several reasons as government employment increases beyond what is necessary for government's productive and protective functions. Government, in effect, is using expropriated money to take an amount of labor out of the labor market. This restricts the ability of individuals and organizations to contract freely for labor services since employers looking to hire have to bid against their own tax dollars to obtain labor. High levels of government employment may also indicate that government is attempting to supply goods and services that individuals contracting freely with each other could provide on their own; that the government is attempting to provide goods and services that individuals would not care to obtain if able to contract freely; or that government is engaging in regulatory and other activities that restrict the freedom of citizens. Finally, high levels of government employment suggest government is directly undertaking work that could be contracted privately. When government, instead of funding private providers, decides to provide a good or service directly, it reduces economic freedom by limiting choice and by typically creating a governmental quasi-monopoly in provision of services. For instance, the creation of school vouchers may not decrease government expenditures but it will reduce government employment, eroding government's monopoly on the provision of publicly funded education services while creating more choice for parents and students and, thus, enhancing economic freedom.

3Aiii Union Density

Workers should have the right to form and join unions, or not to do so, as they choose. However, laws and regulations governing the labor market often force workers to join unions when they would rather not, permit unionization drives where coercion can be employed (particularly when there are undemocratic provisions such as union certification without a vote by secret ballot), and may make decertification difficult even when a majority of workers would favor it. On the other hand, with rare exceptions, a majority of workers can always unionize a workplace and workers are free to join an existing or newly formed union.

To this point in time, there is no reliable compilation of historical data about labor-market laws and regulations that would permit comparisons across jurisdictions for the United States, Canada, and Mexico. In this report, therefore, we attempt to provide a proxy for this component. We begin with union density, that is, the percentage of unionized workers in a state or province. However, a number of factors affect union density: laws and regulations, the level of government employment, and

manufacturing density. In measuring economic freedom, our goal is to capture the impact of policy factors, laws and regulations, and so on, not other factors. We also wish to exclude government employment—although it is a policy factor that is highly correlated with levels of unionization—since government employment is captured in component 3Aii above.

Thus, we ran statistical tests to determine how significant an effect government employment had on unionization—a highly significant effect—and held this factor constant in calculating the component. We also ran tests to determine if the size of the manufacturing sector was significant. It was not and, therefore, we did not correct for this factor in calculating the component. It may also be that the size of the rural population has an impact on unionization. Unfortunately, consistent data from Canada, the United States, and Mexico are not available. Despite this limitation, the authors believe this proxy component is the best available at this time. Its results are consistent with the published information that is available (see, for example, Godin, Palacios, Clemens, Veldhius, and Karabegović, 2006).[8]

Most of the components of the three areas described above exist for both the subnational and the all-government levels. Income and payroll tax revenue, for example, is calculated first for local/municipal and provincial/state governments, and then again counting all levels of government that capture such revenue from individuals living in a given province or state.

Components added for the all-government index

To incorporate more accurately the differences in economic freedom in the Mexican states relative to the rest of North America, we include a number of variables from the world index in our all-government index of North American states and provinces. The index expands the regulatory area to include data on these areas. Labour regulation becomes one of three components of Area 3: Regulation, which comprises 3A: Labour market regulation; 3B: Credit market regulation (Area 5A from *Economic Freedom of the World*); and 3C: Business regulations (Area 5C from EFW). (See Appendix A for a description of how Area 3 is now calculated.)

Why the regulation of credit and business affects economic freedom is easily understood. When government limits who can lend to and borrow from whom and puts other restrictions on credit markets, economic freedom is reduced; when government limits business people's ability to make their own decisions, freedom is reduced.

8. The National Right to Work Legal Defense Foundation (2011) provides a reasonable measure of right-to-work laws and when they were established for US states (see <www.nrtw.org/b/rtw_faq.htm>. We considered using this to replace or complement the measure of unionization rates used in the past. However, the benefit of using a measure of unionization rates is that it picks up some of the differences in enforcement and informal freedoms not picked up by the legislation. For instance, some states may have right-to-work laws with weak enforcement while other states that do not have such laws may actually protect labor freedom more in practice. Although we decided not to include a measure for right-to-work legislation, the analysis was fruitful in that it strongly validates the proxy as an appropriate measure of workers' freedom.

3A Labor Market Regulation
3Aiv Hiring Regulations and Minimum Wage
3Av Hiring and Firing Regulations
3Avi Centralized Collective Bargaining
3Avii Hours Regulations
3Aviii Mandated Cost of Worker Dismissal
3Aix Conscription

3B Credit Market Regulation
3Bi Ownership of Banks
3Bii Private Sector Credit
3Biii Interest Rate Controls/Negative Real Interest Rates

3C Business Regulations
3Ci Administrative Requirements
3Cii Bureaucracy Costs
3Ciii Starting a Business
3Civ Impartial Public Administration
3Cv Licensing Restrictions
3Cvi Cost of Tax Compliance

We also include three other areas: Area 4: Legal System and Property Rights (Area 2 from *Economic Freedom of the World*), Area 5: Sound Money (Area 3 from *Economic Freedom of the World*), and Area 6: Freedom to Trade Internationally (Area 4 from *Economic Freedom of the World*).

Area 4 Legal System and Property Rights

Protection of property rights and a sound legal system are vital for economic freedom, otherwise the government and other powerful economic actors for their own benefit can limit the economic freedom of the less powerful. The variables for Legal System and Property Rights from the world index are the following.

4A Judicial Independence

4B Impartial Courts

4C Protection of Property Rights

4D Military Interference in Rule of Law and Politics

4E Integrity of the Legal System

4F Legal Enforcement of Contracts

4G Regulatory Restrictions on the Sale of Real Property

4H Reliability of Police

Area 5 Sound Money

Provision of sound money is important for economic freedom because without it the resulting high rate of inflation serves as a hidden tax on consumers. The variables for Sound Money from the world index are the following.

5A Money Growth

5B Standard Deviation of Inflation

5C Inflation: Most Recent Year

5D Freedom to Own Foreign Currency Bank Accounts

Area 6 Freedom to Trade Internationally

Freedom to trade internationally is crucial to economic freedom because it increases the ability of individuals to engage in voluntary exchange, which creates wealth for both buyer and seller. The variables for Area 6 from the index in *Economic Freedom of the World* are the following.

6A Tariffs
6Ai Revenue from Trade Taxes (% of trade sector)
6Aii Mean Tariff Rate
6Aiii Standard Deviation of Tariff Rates

6B Regulatory trade barriers
6Bi Non-tariff Trade Barriers
6Bii Compliance Costs of Importing and Exporting

6C Black-market exchange rates

6D Controls of the movement of capital and people
6Di Financial Openness
6Dii Capital Controls
6Diii Freedom of Foreigners to Visit

More information on the variables and the calculations can be found in Appendices A and B. For detailed descriptions of the country-level variables, readers can refer to Appendix: Explanatory Notes and Data Sources in *Economic Freedom of the World: 2022 Annual Report* (Gwartney, Lawson, Hall, and Murphy, 2022). The inclusion of these data from the world index raises the scores for both the Canadian provinces and US states since both Canada and the United States do well in these areas when compared to other nations, as is done in the world index. The effect on the Mexican states tends to be the opposite.

Overview of the results

Following are some graphs that demonstrate dramatically the important links between prosperity and economic freedom. Figure 1.3 breaks the states and provinces into quartiles (or fourths) by economic freedom at the all-government level. For example, the category on the far left of the chart, "Least Free", represents the jurisdictions that score in the lowest fourth of the economic freedom ratings, the 23 lowest of the 92 Canadian, Mexican, and American jurisdictions. The jurisdictions in this least-free quartile have an average per-capita income of just US$2,160. This compares to an average per-capita income of US$54,927 for the 23 top-ranked jurisdictions.

Figure 1.4 is similar to figure 1.3 but it shows economic freedom at the subnational level and measures it as deviations from the national average, since the three subnational indices are not directly comparable.[9] Jurisdictions in the two most-free quartiles had median per-capita incomes of $50,996 and $51,673, while those in the least-free quartile were $49,046 and $47,058. In each index, per-capita income in the most-free jurisdictions is substantially higher than in those that are the least free.

Finally, in this illustrative section, we look at the relationship between the growth of economic freedom and the growth of a jurisdiction's economy. In figures 1.5a, 1.5b, and 1.6, growth in economic freedom is plotted along the horizontal axis while growth in income per capita is plotted along the vertical axis. (Note that the observations for the Mexican states and those for the Canadian provinces and US states were in two distinctly separated groups. Since plotting them together on the same graph distorts the overall relationship, we separated them into two graphs.) Again, the expected relationships are found, with economic growth positively correlated with growth in economic freedom whether the latter is measured at the all-government level or the subnational level.

Comparing the all-government level and the subnational level

The distribution of government responsibilities between the federal government and subnational governments varies widely across the three nations in North America. For example, in 2019, provinces and local governments accounted for about 63% of total government revenue in Canada. In the United States, state and local governments were responsible for 37%, and in Mexico, for only 1.5%. Thus, government spending and taxation patterns cannot be directly compared. Rather than scoring US states, Canadian provinces, and Mexican states together, we produce separate subnational indices for each country. This provides a more useful comparison of how individual jurisdictions within each country measure up against other jurisdictions in that same country. For those who wish to compare jurisdictions in different countries, the all-government index is the more appropriate measure.

9. Since the subnational index scores are calculated separately for each country, we cannot average the scores of jurisdictions in different countries. Instead, for each jurisdiction we have calculated the deviation of its economic-freedom score from the national average, and used that to determine the quartiles.

Figure 1.3: Economic Freedom at the All-Government Level and Income per Capita in Canada, the United States, and Mexico, 2020

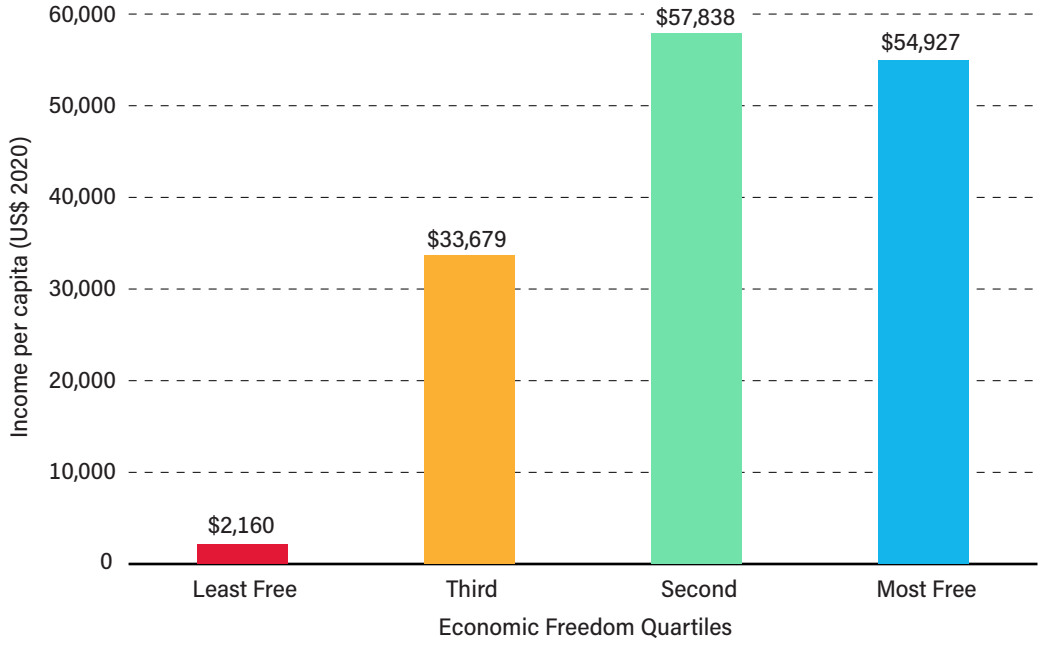


Figure 1.4: Economic Freedom at the Subnational Level and Income per Capita, 2020

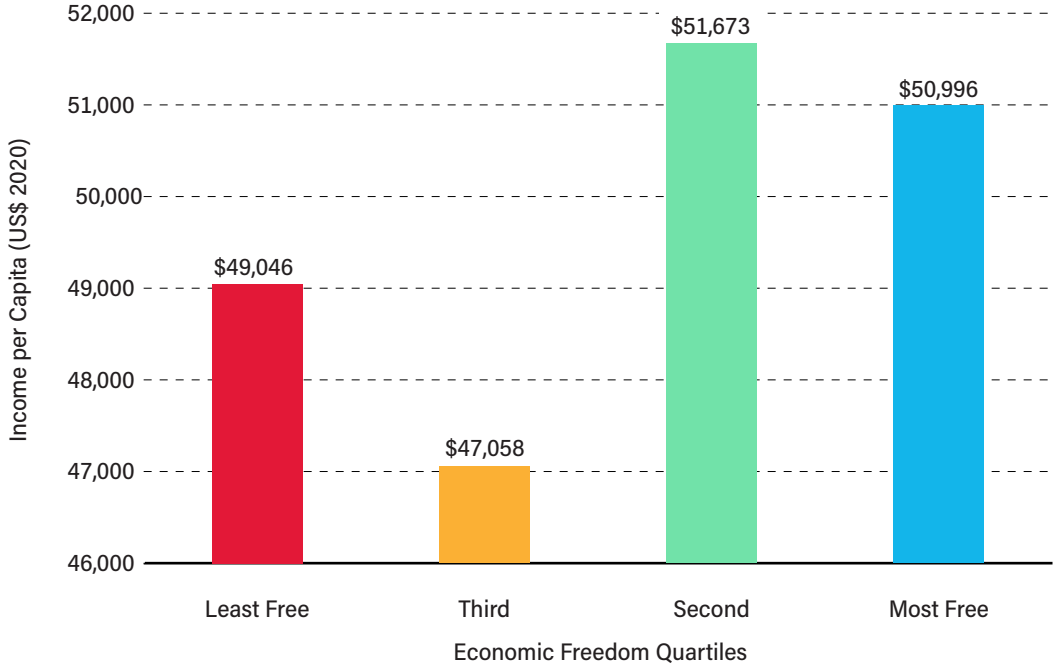


Figure 1.5a: Average Growth (%) in Income per Capita and Economic Freedom at the All-Government Level in Canada and the United States, 2011–2020

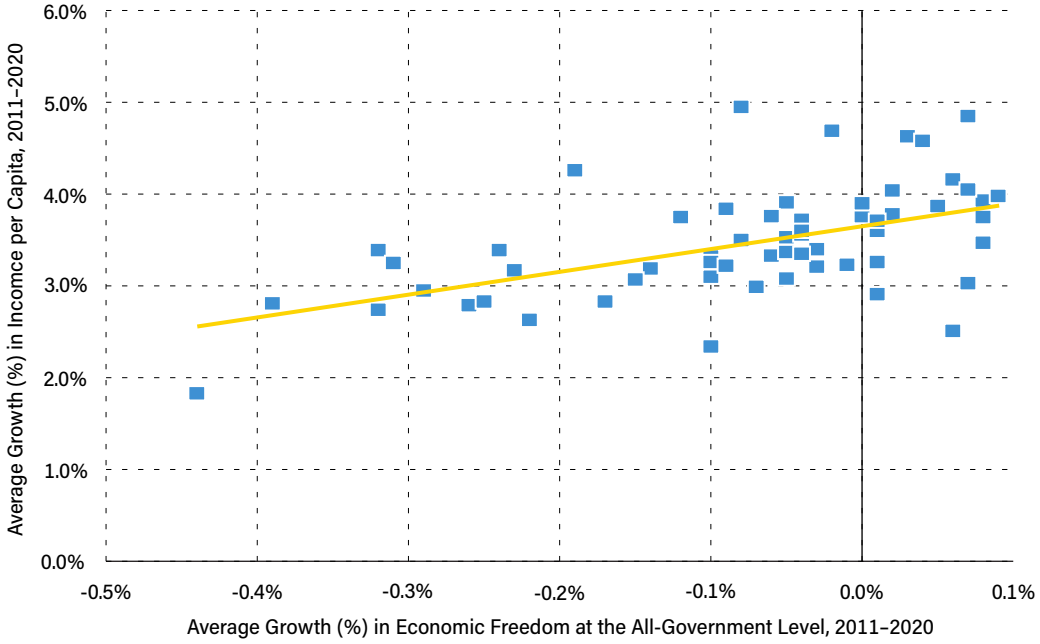


Figure 1.5b: Average Growth (%) in Income per Capita and in Economic Freedom at the All-Government Level in Mexico, 2011–2020

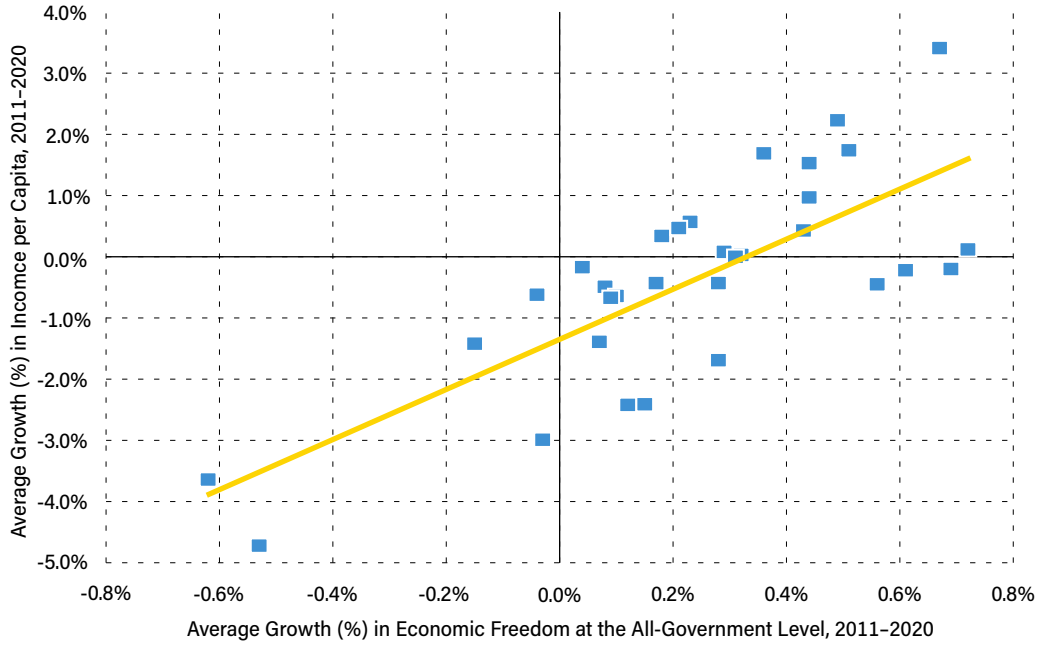
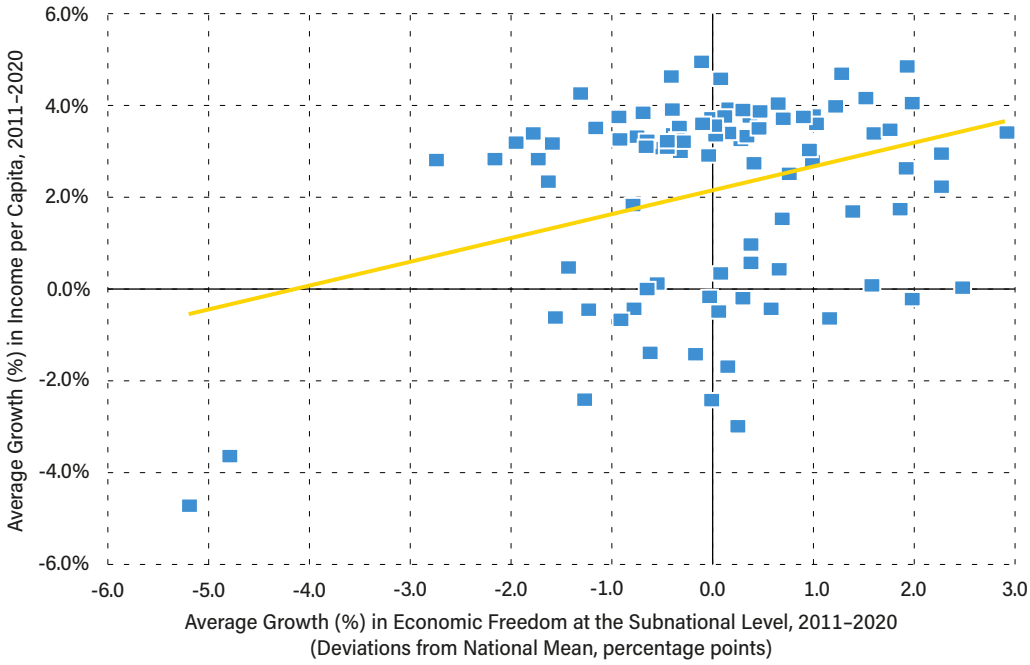


Figure 1.6: Average Growth (%) in Income per Capita and in Economic Freedom at the Subnational Level, 2011–2020



Economic freedom and economic well-being

Many independent studies have linked levels of economic freedom, as measured by the index published annually in *Economic Freedom of the World*, with higher levels of economic growth and income. For example, Easton and Walker (1997) found that changes in economic freedom have a significant impact on the steady-state level of income even after the level of technology, the level of education of the workforce, and the level of investment are taken into account. The results of this study imply that economic freedom is a separate determinant of the level of income. The Fraser Institute's series, *Economic Freedom of the World*, also shows a positive relationship between economic freedom and both the level of per-capita GDP and its growth rate.

Similarly, De Haan and Sturm (2000) show that positive and negative changes in economic freedom lead to positive and negative changes in rates of economic growth. Using the index of economic freedom from Gwartney, Lawson, and Block, 1996 and per-capita GDP data for 80 countries, their results indicate that, after accounting for education level, investment, and population growth, changes in economic freedom have a significant impact on economic growth.[10]

10. For a sample of empirical papers investigating the impact of economic freedom, as measured by the index published annually in *Economic Freedom of the World*, and economic prosperity, see <https://www.fraserinstitute.org/economic-freedom/citations>. For a summary of literature on the impact of economic freedom at an international level, see Doucouliagos and Ulubasoglu, 2006; Hall and Lawson, 2014, and Lawson, 2022.

The calculation of the index of the economic freedom of Canadian provinces and Mexican and US states allows for the investigation, via econometric testing, of the relationship between economic freedom and prosperity within North America. Since the publication of the first edition of *Economic Freedom of North America* in 2002, more than 340 academic and policy articles exploring the relationship between our measure of economic freedom and other indicators such as economic growth and entrepreneurial activity have appeared.[11] Findings have been similar to those using the national index. In one recent example, a 10% increase in economic freedom was found to be associated with a 5% increase in real per-capita gross state product (Hall, Lacombe, and Shaughnessy, 2019).

The importance of economic freedom

In this publication, we have focused on the measurement of economic freedom. In Chapter 3 of the 2013 report, we discussed some of the empirical testing of the impact of economic freedom that has been done by other independent researchers.[12] However, the reader may wonder why economic freedom is so clearly related to growth and prosperity—as much of that literature has found. Throughout the twentieth century there was vigorous debate about whether planned or free economies produce the best outcomes. In many ways, this debate goes back to the beginnings of modern economics when Adam Smith famously argued that each of us, freely pursuing our own ends, create the wealth of nations and of the individual citizens.

The results of the experiments of the twentieth century should now be clear: free economies produce the greatest prosperity in human history for their citizens. Even poverty in these economically free nations would have been considered luxury in unfree economies. This lesson was reinforced by the collapse of centrally planned states in the Soviet sphere. Among developing nations, those that adopted the centrally planned model have only produced lives of misery for their citizens. Those that adopted the economics of competitive markets have begun to share with their citizens the prosperity of advanced market economies.

While these comparisons are extreme examples from opposite ends of the spectrum of economic freedom, a considerable body of research shows that the relationship between prosperity and economic freedom holds in narrower ranges. Sophisticated econometric testing backs up this relationship but examples are also interesting. In the United States, the relatively free Virginia does much better than the relatively unfree West Virginia. While this is hardly the place to review several centuries of economic debate, the mechanics of economic freedom are easy to understand. Any transaction freely entered into must benefit both parties; any transaction that does not benefit both parties would be rejected by the party that would come up short. This has consequences throughout the economy. Consumers who are free

11. For a selected list of the most recent works, see Appendix C (p. 85).
12. More recent surveys can be found in Stansel and Tuszynski, 2018 and Hall, Stansel, and Tarabar, 2015.

to choose will only be attracted by superior quality and price. Producers must constantly improve the price and quality of their products to meet customers' demands or customers will not freely enter into transactions with them. Many billions of mutually beneficial transactions occur every day, powering the dynamic that spurs increased productivity and wealth throughout the economy.

Restrictions on freedom prevent people from making mutually beneficial transactions. Such free transactions are replaced by government action. This is marked by coercion in collecting taxes and lack of choice in accepting services: instead of gains for both parties arising from each transaction, citizens must pay whatever bill is demanded in taxes and accept whatever service is offered in return. Moreover, while the incentives of producers in a competitive market revolve around providing superior goods and services in order to attract consumers, the public sector faces no such incentives. Instead, as public-choice theory reveals, incentives in the public sector often focus on rewarding interest groups, seeking political advantage, or even penalizing unpopular groups. This is far different from mutually beneficial exchange although, as noted earlier, government does have essential protective and productive functions.

In some ways, it is surprising the debate still rages because the evidence and theory favoring economic freedom match intuition: it makes sense that the drive and ingenuity of individuals will produce better outcomes through the mechanism of mutually beneficial exchange than the designs of a small coterie of government planners, who can hardly have knowledge of everyone's values and who, being human, are likely to consider first their own well-being and that of the constituencies they must please when making decisions for all of us.

References

Arman, F., D. Samida, and M. Walker (1999). *Provincial Economic Freedom in Canada, 1981–1998*. Critical Issues Bulletin (January). Fraser Institute.

Clemens, Jason, Matthew Lau, Milagros Palacios, and Niels Veldhuis (2017). *End of the Chrétien Consensus?* Fraser Institute. <https://www.fraserinstitute.org/studies/end-of-the-chretien-consensus>.

De Haan, Jakob, and Jan Egbert Sturm (2000). On the Relationship between Economic Freedom and Economic Growth. *European Journal of Political Economy* 16: 215–241.

Doucouliagos, Chris, and Mehmet Ali Ulubasoglu (2006). Economic Freedom and Economic Growth: Does Specification Make a Difference? *European Journal of Political Economy* 22, 1: 60–81.

Easton, Stephen, and Michael Walker (1997). Income, Growth, and Economic Freedom. *American Economic Review* 87, 2: 328–332.

Godin, Keith, Milagros Palacios, Jason Clemens, Niels Veldhius, and Amela Karabegović (2006). *An Empirical Comparison of Labour Relations Laws in Canada and the United States*. Studies in Labour Markets 2 (May). Fraser Institute.

Gwartney, James, Robert Lawson, and Walter Block (1996). *Economic Freedom of the World, 1975–1995*. Fraser Institute.

Gwartney, James, Robert Lawson, Joshua Hall, and Ryan Murphy (2022). *Economic Freedom of the World: 2022 Annual Report*. Fraser Institute. <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Hall, Joshua C., Donald J. Lacombe, and Timothy M. Shaughnessy (2019). Economic Freedom and Income Levels across US States: A Spatial Panel Data Analysis. *Contemporary Economic Policy* 37, 1: 40–49.

Hall, Joshua C., and Robert Lawson (2014). Economic Freedom of the World: An Accounting of the Literature. *Contemporary Economic Policy* 32, 1: 1–20.

Hall, Joshua C., Dean Stansel, and Danko Tarabar (2015). Economic Freedom Studies: A Survey. In Richard J. Cebula, Joshua C. Hall, Franklin G. Mixon, Jr., and James E. Payne, eds., *Economic Behavior, Economic Freedom, and Entrepreneurship* (Edward Elgar): 38–50.

Lawson, Robert (2022). Economic Freedom in the Literature: What Is It Good (Bad) For? In James Gwartney, Robert Lawson, Joshua Hall, and Ryan Murphy, *Economic Freedom of the World: 2022 Annual Report* (Fraser Institute, 2022): 187–199. <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>; <https://www.fraserinstitute.org/studies/economic-freedom-in-the-literature-what-is-it-good-bad-for>.

National Right to Work Legal Defense Foundation (2011). *Right to Work States*. <http://www.nrtw.org/rtws.htm>, as of July 8, 2011.

Stansel, Dean, and Meg Tuszynski (2018). Sub-National Economic Freedom: A Review and Analysis of the Literature. *Journal of Regional Analysis and Policy* 48, 1: 61–71.

Chapter 2
Economic Freedom of the Mexican States in 2020

José Torra

Introduction

Measuring economic freedom in Mexico has always been difficult. Previous efforts to include Mexico in the index published in *Economic Freedom of North America* were successful in measuring the relative positions for economic freedom that Mexican states hold against each other, but the results were not fully comparable with those of the Canadian provinces or the US states. The advancement of those efforts and the adjustments introduced to the methodology in the 2012 and 2013 reports laid the groundwork that made it possible to build an integrated index for North America for the first time in the 2014 report. Since 2014, we have continued to make incremental improvements to the report each year.

Before proceeding to the analysis of the data we need to address the problems faced earlier while constructing the index of economic freedom for the Mexican States. There were two main reasons that the data collected for the Mexican economy was not comparable with that of the US states and Canadian provinces. First, most of the data for Mexico is incomplete and does not date as far back as the US and Canadian data do. The length of the Mexican time series should not cause too much trouble when the three countries are compared as most data are available for Mexico in a standardized way from 2003. Data from previous years is unreliable since the methods used for measuring aggregates were different than those currently used. These changes made it very difficult to work with long series because the data tend to vary widely from one methodology to another. The only feasible solution was to include only the standardized and trustworthy data for Mexico from 2003 to 2020 As for the incompleteness of the data, while most of the figures required for the components are available publicly to researchers from the National Institute of Statistics and Geography (INEGI), there is a portion that is scattered around in websites and yearbooks published by different departments of state, and states and municipal governments. Access to these data, while it is not restricted, requires that researchers have previous knowledge of its existence and of how and where to locate it. There are also some data, such as the social security payments required for component 1C, that was not available to the public and

in order to get access to it the researcher had to go through a series of bureaucratic procedures that may take months to be cleared and that require the researcher to visit government offices personally, making access impossible for most institutions outside the country.[1] We have been able to acquire all the data that had been missing from the previous reports and, while some of the variables used are not identical to those used for the Canadian provinces and US states because of the differences in the methodologies, the differences among them is not significant and allow for comparison.

The second reason that the comparison among the three countries was not possible was that "the index of *Economic Freedom of North America* did not contain components on the rule of law or property rights" (Karabegović and McMahon, 2008: 69). This was because there had been little difference between Canada and the United States on scores for Legal System and Property Rights. However, after 2010 Canadian and US scores had begun to drift apart, making it necessary to modify the methodology in order to measure these changes properly. This issue was solved in 2012 by including variables for the rule of law from *Economic Freedom of the World* in the North American index.

The absence of variables measuring the legal system had been a huge concern in previous efforts to integrate Mexico into the North American index since Mexico does not enjoy the same degree of protection of property rights and rule of law. In previous measurements, additional components taken from publications and polls by other institutions were used to reflect the issues with the legal system in Mexico. Because these components were not available for the US states and Canadian provinces, the Mexican data, while more accurate in itself, could not be compared to the data from the other two countries. The inclusion of the rule-of-law components from *Economic Freedom of the World* opened the door to including Mexico fully in the North American report by reflecting the large gap between the rule of law in Mexico and that in its two northern neighbors.

Another factor that made it difficult to make a comparison among the three countries was the differences that exist in labor regulations. Mexican law, for example, makes the hiring and firing of workers by the private enterprise a very difficult task. The number of regulations applied to the labor market and its lack of flexibility are a huge impediment for free enterprise. Canada and the United States have much more flexible labor markets but these differences could not be reflected using the earlier methodology. Past reports included components that measured Credit Market Regulations and Business Regulations, both from Area 5 of *Economic Freedom of the World*; but, since the results for the labor market were similar for the United States and Canada, the components measuring labor market regulation were left out. Starting with the *Economic Freedom of North America 2015*, however, given the difference in policies on labor regulation between these two countries and Mexico, it was resolved to add as well the components of area 5B from *Economic Freedom of the World* to help reflect the effect of the differences in labor policies on the index and help make a better comparison.

1. This has since changed, in part thanks to studies such as ours that pushed for this information to be made public and readily available.

The data

As previously stated, this year's report includes the complete data for the 10 components of *Economic Freedom of North America* from 2003 to 2020; the data covers the 32 Mexican states. Several adjustments have to be made in how the data were measured for Mexico.

Personal income was estimated from the *Encuesta nacional de ingresos y gastos de los hogares* (National household income and spending poll, ENIGH), using the same formula that the US Bureau of Economic Analysis uses for their calculations. It is important to mention that because of the nature of this poll, household income tends to be underestimated since the respondents usually choose not to disclose their real income levels out of fear that they could get in trouble for any income they are not declaring to the *Servicio de Administración Tributaria* (Taxation administration service). For 2016, changes were made to the way the ENIGH measured income for the households. These new series were not compatible with the previous one. The National Council for the Evaluation of Social Development Policy (CONEVAL) put out an alternative measurement using a statistical adjustment for the new series in order to make them more comparable. For years 2015 and 2016, we estimated the Personal Income using this adjusted new series. Since 2018, the ENIGH measurement was reworked and it is now again compatible with both the old series and CONEVAL's own adjusted methodology.

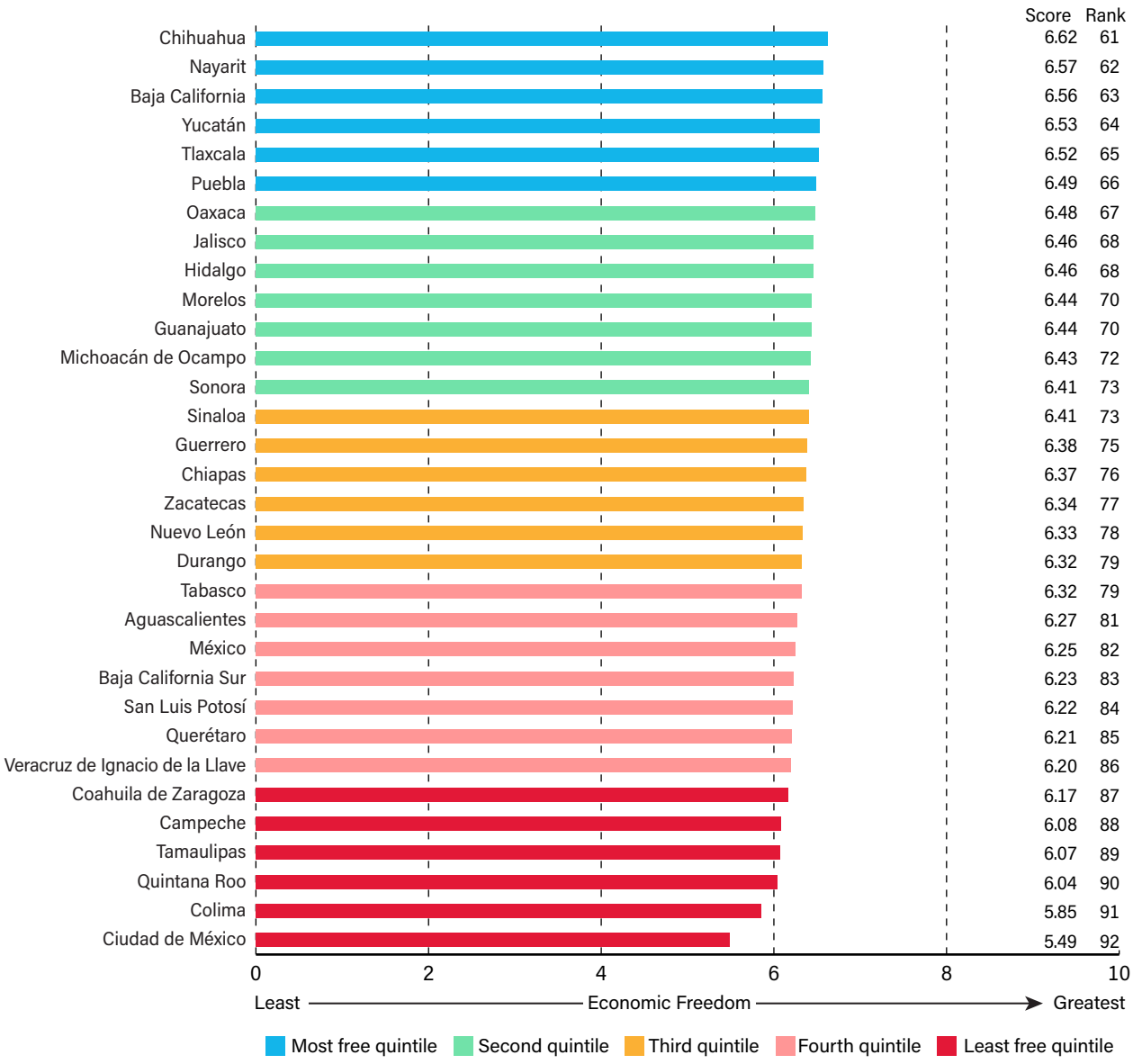
Results

The economic freedom ranking for the 32 Mexican states in the all-government index for 2020 (figure 2.1) has *Chihuahua* in the first place and *Nayarit*, *Baja California*, *Yucatán*, and *Tlaxcala* following in the next four places among Mexican states; they place 61st to 65th among all the states and provinces of North America. The lowest ranking was that of *Ciudad de México*; *Colima*, *Quintana Roo*, *Tamaulipas*, *Campeche*, and *Coahuila de Zaragoza* placed in the next five lowest rankings. *Colima* and *Ciudad de México* have placed in the bottom two positions since the inclusion of Mexico in the index.

Coahuila de Zaragoza was ranked in the top five among Mexican states on reports from 2013 to 2017 as a result of the forced austerity policies that had been applied by its government since the beginning of 2012 after the state's bankruptcy. With these policies, government expenditures were significantly reduced. This factor and the state's already relatively low level of taxation are what caused *Coahuila* to be ranked as high as it was in recent reports. This changed for 2016 when the austerity policies were relaxed and the government had the ability to increase spending and taxation. Since then, *Coahuila* has dropped 24 places from its 2017 ranking, and it now sits in the bottom 5 out of the 92 states and provinces of North America.

Colima and *Campeche*, two of the lowest ranked states, score poorly on both the Government Spending and Taxes areas. Their high tax revenue and high

Figure 2.1: Summary of Economic Freedom Ratings for Mexican States at the All-Government Level, 2020



government spending makes them two of the four least economically free states of North America. The reasons for the low ranking of the *Ciudad de México* are mainly its government consumption and tax revenue, which are the largest in the country; these could be explained in part because of *Ciudad de México*'s size and its importance in the economy and by the fact that all the federal government departments have their headquarters there. Nonetheless, the high level of government spending crowds out the space for free exchange and thus reduces economic freedom.

It is important to note that, for all the components of Area 2, there were difficulties when dealing with revenue: certain states such as *Oaxaca* and *Chiapas* reported very low tax revenue because of the large size of their informal sectors. However, most of this income is reported on the income and spending surveys conducted by INEGI, which is reflected in the personal income numbers, and thereby drives up the

scores of these states but does not necessarily reflect the status of economic freedom there. This same problem would apply to the states like *Guerrero*, *Sinaloa*, *Michoacán*, *Guanajuato*, *Tamaulipas*, and *Nayarit*, where drug cartels and fuel-theft mafias are very active. This problem was, however, partially solved by our recent changes in the variables regarding sales and excise taxes and income taxes at the all-government level.[2] (See appendices A and B for a full description of the variables.) These issues also show the need of improvement in the measurement of the rule of law for the Mexican states.

For the latest year, economic freedom in México dropped 0.08 from 6.39 to 6.39 in the national average on the all-government index. This is the first year with a loss in economic freedom after almost a decade of constant improvement. While the economic policies of the current administration were responsible for a part of this decrease, the effects of the COVID-19 pandemic were evident.

This was specially seen in the cases of the two states whose economies are mostly tied to foreign tourism, *Baja California Sur* and *Quintana Roo*, who recorded two of the three most dramatic decreases in their scores, losing 0.16 and 0.29 on their all-government scores, driven by a collapse in their Area 1 scores as a result of increased dependence on government spending because of the total absence of international tourism. This was specifically harsh for *Quintana Roo*, where income from tourism diminished by 58.6% for 2020 (Vásquez, 2021), taking it to the level of the Great Recession. The economic policy response to the pandemic in Mexico was not as large as the those seen in their North American neighbors but, since the Mexican economy is not as large or resilient as theirs, however mild the restrictions were they had a negative impact on economic freedom that was captured in our measurement for this year.

Economic freedom and well-being in the Mexican States

In past reports, there has been exhaustive analysis of the correlation between well-being and economic freedom. The relationship between these variables has always been positive and it has been concluded that economic freedom has a direct relationship to the well-being of a state's population. That conclusion has been supported by a large and growing literature produced by independent scholars, now over 340 published articles. (See Appendix C for a list of some of the most recent articles.) The positive relationship between economic freedom and personal income holds true for the Mexican states' data.

2. For the Mexican states, we take the national total of federal sales and excise tax revenue and divide it by the national total for personal income. That resulting ratio is used as the number for all 32 states on variable 2D in the all-government index. A similar approach is taken for the federal corporate income tax in all three countries. We take the national total of federal corporate income-tax revenue and divide it by the national total for personal income. That resulting ratio is used for all 32 states and added to the actual state numbers for individual income and payroll tax revenue as a percentage of personal income in each state to get the total figure for variable 2A in each state.

As can be seen in figure 2.2, there is indeed a positive relationship between the scores for economic freedom and the average personal income per capita: the states in the highest quintile of economic freedom have higher average personal income than those in the lowest quintile. The states belonging to the freest quintile have an average income of US$2,361 per capita, about 11% higher than the average income of the second least free quintile, US$2,124, and 1% higher than the least free quintile, which includes Mexico City, the largest economy in the country. This statistical relationship, while by itself not conclusive of the connection between well-being and economic freedom, seems consistent with past years' econometric analysis on this relationship.

Results at the subnational level

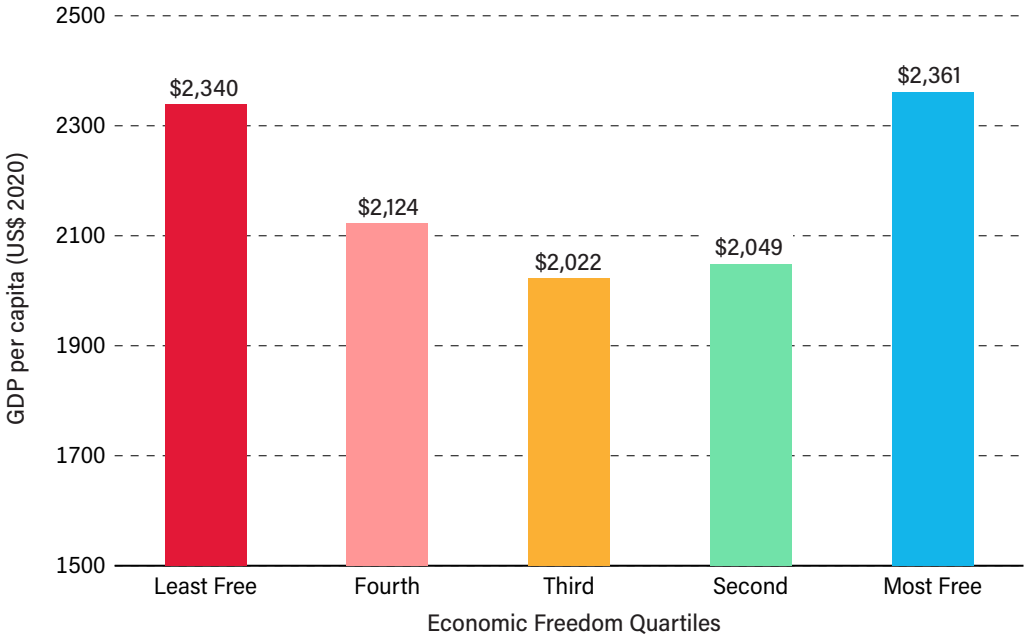
Mexico is a highly centralized country where the federal government is in charge of most of the spending and the taxation. For example, as figure 2.3 shows, federal revenue for 2019 exceeded 98% of the total revenue at all levels, compared to 63% in the United States and about 37% in Canada. This degree of centralization has an impact on the components we can use for measuring an accurate ranking at the subnational level; there are a number of components that can only be measured at the federal level. Since there are no state or local income taxes in Mexico, in the subnational index component 2A (income and payroll taxes) contains only payroll taxes and there is no component 2B (the top marginal income-tax rate).

Component 1C poses a similar conflict. Social security in Mexico is almost totally centralized. Only one of the 32 states has its own Social Security institution, which serves only a minority of their population because the rest are already covered by either of the federal social security institutions (*Instituto Mexicano del Seguro Social* for the private sector and *Instituto de Seguridad Social y Servicio de los Trabajadores del Estado* for the public sector); the armed forces and the PEMEX workers also have their own social security institution. The inclusion of component 1C would worsen the ranks of the states that have their own social security institutes and raise the average ranks of the state that do not, making them appear to be much better off than those that do. We decided then not to include component 1C on the grounds that, while its inclusion would make a more accurate measurement of the states with local social security, it would give an unfair advantage to the rest since the amount paid to the local social security agencies is not really significant given the centralization of the social security.

At the subnational level, for 2020 *Michoacán*, *Chihuahua*, and *Baja California* were the three states with the highest rankings (figure 1.2c). *Baja California* and *Chihuahua* were also in the top 5 on the all-government level so their ranking comes as no surprise as these states have high scores for Areas 1 and 3. *Michoacán* has the second highest score among Mexican states for Area 2 and above-average scores for Areas 1 and 3, which accounts for its high ranking at the subnational level. In the all-government index, however, it drops to 12th place out of 32.

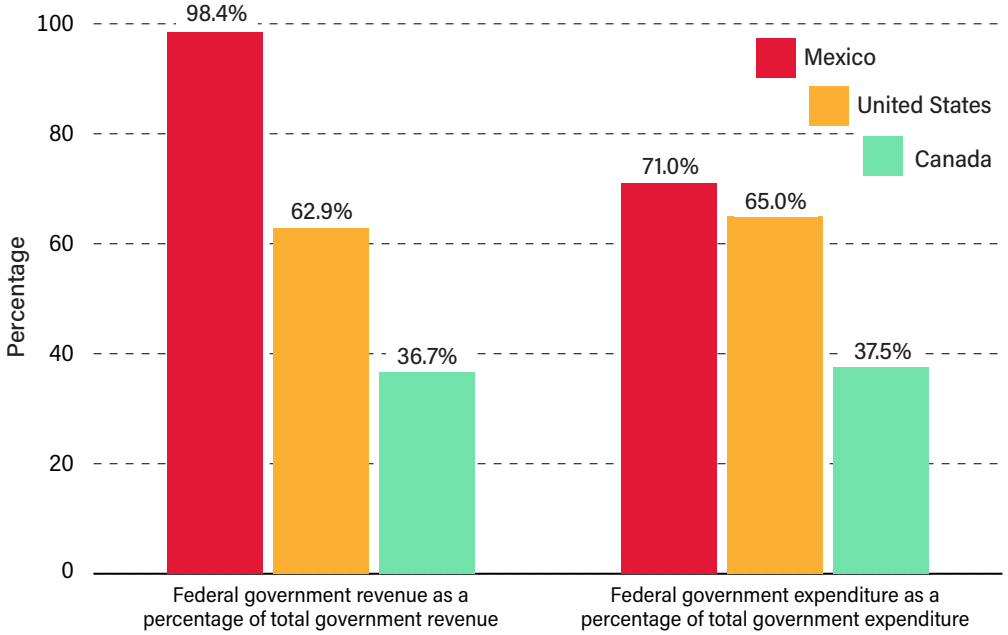
For Area 1 at the subnational level, *Ciudad de México* ranked 6th among the Mexican states. *Ciudad de México* has a significant advantage on this particular area

Figure 2.2: Economic Freedom at the Subnational Level and Income per Capita (US$ 2020) in Mexico, 2020



Note: The least-free quintile includes Mexico City, the largest economy in the country.
Source: Instituto Nacional de Estadística y Geografía, 2020.

Figure 2.3: Centralization of the First Three Areas of Economic Freedom of North America in Mexico, the United States, and Canada, 2020



Sources: Cuenta de la Hacienda Pública Federal, Secretaría de Hacienda y Crédito Público (various years); Instituto Nacional de Estadística y Geografía (INEGI), Estadísticas de Finanzas Municipales y Estatales (various years); Statistics Canada (2020); US Office of Management and Budget (2021): table 14.1—Total Government Receipts in Absolute Amounts and as Percentages of GDP: 1948–2020, table 14.2—Total Government Expenditures: 1948–2020.

over the states because it has only one level of subnational government. The poorest scores for this area belonged to *Chiapas*, *Quintana Roo*, *Tabasco, Campeche, Oaxaca, and Guerrero*. These states are among the least developed in the country, which makes them receivers of large subsidies and transfers; these in turn account for a high level of government spending. The economy of *Quintana Roo*'s is particularly tourism-driven, which meant lower flows of money through the private sector and a higher dependence on government spending during the year of the pandemic.

Oaxaca, *Chiapas*, and *Michoacán de Ocampo* held the top three ranks for Area 2. The high rankings of these three states are mostly because a large part of their populations work in the informal sector because of poverty or the prominence of drug cartels in the area and, thus, are not registered in the *Registro Federal de Contribuyentes* (Federal Registry of Taxpayers) and do not pay any direct taxes. *Queretaro*, *Quintana Roo*, and *Ciudad de Mexico* are the three states with the lowest scores.

Baja California, *Chihuahua*, and *Jalisco* ranked at the top for Area 3. *Ciudad de México*, while having the largest ratio of government employment to total employment, also has the lowest income-weighted minimum wage and ranks at the top in component 3Aiii. The degree to which the minimum wage is binding on labor markets depends on the level of income. In higher income areas, the now unified Mexican minimum wage is by definition less binding on the labor market in that area. *Ciudad de Mexico* has the highest income amongst the 32 states. *Tabasco*, *Tamaulipas*, and *San Luis Potosí* had the lowest scores for this area.

Conclusion

This is the ninth year that Mexico has been included in the index published in *Economic Freedom of North America*. Since the conception of the index, many changes in the methodology were needed to make it possible to reflect not only the circumstantial but the structural differences between legislation and policies in Canada, the United States, and Mexico. Mexico's highly centralized government, excessive regulation, and lack of an effective legal system that protects property rights is still a drag on economic freedom and it is certainly what causes the country's states to rank so low when compared to the Canadian provinces and US states.

Chihuahua, *Nayarit*, *Baja California*, *Yucatán*, and *Tlaxcala* were the highest-ranked Mexican states at the all-government level, ranking 61st to 65th among their North American peers. The lowest rankings were held by *Ciudad de México* (92nd), *Colima* (91st), and *Quintana Roo* (90th). In the subnational rankings, *Michoacán de Ocampo*, *Chihuaua*, and *Baja California* were the top-ranked states. *Quintana Roo, Campeche*, and the State of Mexico were the lowest ranked.

References

Karabegović, Amela, and Fred McMahon (2008). *Economic Freedom of North America 2008*. Fraser Institute. <https://www.fraserinstitute.org/studies/economic-freedom-of-north-america-2008-annual-report-canadian-edition>; <https://www.fraserinstitute.org/studies/economic-freedom-of-north-america-2008-annual-report-us-edition>, as of October 28, 2022.

Cuenta de la Hacienda Pública Federal, Secretaría de Hacienda y Crédito Público (various years). *Anexo estadístico del 1er informe de Gobierno de Andres M. López Obrador.*

Instituto Nacional de Estadística y Geografía (INEGI) (2020). *Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH). 2020 Nueva serie*. <https://www.inegi.org.mx/programas/enigh/nc/2020/>, as of October 28, 2022.

Instituto Nacional de Estadística y Geografía (INEGI) (various years). *Estadísticas de Finanzas Municipales y Estatales*. <www.inegi.org.mx/est/contenidos/proyectos/registros/economicas/finanzas/default.aspx> (June 2021), as of October 28, 2022..

Statistics Canada (2020). Table 36-10-0450-01. Revenue, expenditure and budgetary balance - General governments, provincial and territorial economic accounts (x 1,000,000). <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610045001> , as of October 28, 2022.

Vásquez, Jesús (2021). Turismo de Quintana Roo, en niveles de hace una década. *El Economista* (January 19). <https://www.eleconomista.com.mx/estados/Turismo-de-Q.-Roo-en-niveles-de-hace-una-decada-20210119-0143.html>, as of October 28, 2022.

US Office of Management and Budget (2021). *Historical Tables of the U.S. Budget*, FY2022. <https://www.whitehouse.gov/omb/historical-tables>, as of October 28, 2022.

Chapter 3
A First Look at Economic Freedom in Puerto Rico

Ángel Carrión-Tavárez

Ideas about economic freedom have existed in Puerto Rico for centuries. They appear in numerous primary sources such as the *Revista de Agricultura, Industria y Comercio* [Journal of Agriculture, Industry and Commerce], published in the late 19th century, and the *Memorial de la Cámara de Comercio de Ponce* [Brief of the Ponce Chamber of Commerce], from the early 20th century.[1] An understanding of the principles of economic freedom, however, and the situation of economic freedom on the Island are under-explored areas of research.

This chapter provides some brief historiographical notes as a backdrop to the status of economic freedom in Puerto Rico at the present time. It also offers information on the process of incorporating the Island into the *Economic Freedom of North America 2022*—including a description of the data and the results obtained. Finally, we explain the limitations of the work carried out and advance possible courses of action and methods to overcome them and increase the accuracy of Puerto Rico's scores and ranks in the future.

Historiographical notes on Puerto Rico as a territory of the United States

After 390 years of Spanish colonialism and on the threshold of the 20th century, Puerto Rico was ceded by Spain to the United States, as a result of the Spanish-American War and the Treaty of Paris of 1898.[2] Since then, the Island has been a possession of the

1. In the *Revista*, for example, there is praise for the "inhibition of the government of everything that is not of the particular domain, offering the guarantees for business to take place and avoiding unnecessary interventions" (Álvarez Curbelo, 2001: 207–208). The *Memorial*, for its part, states that "as a general principle, therefore, we are openly opposed to government intervention in matters of public enterprises, such as the docks. In these, even less, we believe in government effectiveness or action, and we see it rather as a delay in the face of the increasingly pressing needs of business life" (Armstrong, 1906: Día 6).
2. The text of this *Treaty of Peace between the United States and Spain* is available at <https://avalon.law.yale.edu/19th_century/sp1898.asp> (Avalon Project, 2008).

United States and its economic circumstances and those of its inhabitants depend, to a large extent, on the decisions of the United States Congress in which Puerto Rico does not have full representation. The Island's situation at present is partially the result of these historical facts and their consequences.

Since the beginning of the 20th century, the economic and political relationship between Puerto Rico and the United States has been defined by a series of actions, decisions, initiatives, and organic charters. The first of the latter was the *Organic Act of 1900* (1900)—known as the *Foraker Act*. After approximately 20 months of military rule, the *Foraker Act* established a civilian government on the Island. Executive power was exercised by a governor and his cabinet appointed by the president of the United States.

This Act provided for the election of a non-voting resident commissioner of Puerto Rico to Congress, a figure who currently remains the only representative of the Island in the federal legislative branch. It also named the inhabitants of the Island citizens of Puerto Rico; substituted the provincial currency for the dollar; regulated Puerto Rico's commercial relations with the United States; made the laws of the United States applicable to Puerto Rico, except for internal revenue laws; and established a federal district court on the Island.

From 1901 to 1905, a series of decisions by the Supreme Court of the United States[3] began to define Puerto Rico's legal status as an unincorporated territory under the plenary powers of Congress.[4] In *Downes v. Bidwell* (1901) the Court established that Puerto Rico belongs to, but is not a part of, the United States. On March 2, 1917, Congress approved a new organic charter, known as the *Jones-Shafroth Act* (1917) for Puerto Rico and the adjacent islands owned by the United States. This Act provided a Bill of Rights and conferred United States citizenship on the citizens of Puerto Rico.

Congress granted Puerto Rico the right to draft its own constitution—subject to that of the United States—through the *Puerto Rico Federal Relations Act* of 1950 (1950). This law did not alter the sovereign powers acquired by the United States over Puerto Rico under the Treaty of Paris of 1898, nor did it change the economic and political relations between the two. A constituent assembly on the Island drafted the Constitution of the *Estado Libre Asociado* [Associated Free State] of Puerto Rico,[5] which was approved by the people on March 3, 1952.

The *Estado Libre Asociado* is a problematic name because Puerto Rico is neither a federal nor national "state", since it is an unincorporated territory of the United States; it is not "free", as it lacks the sovereignty to act according to its interests; and it is not "asssociated" because, not being free, it does not have the power to associate with any nation state.

3. These decisions of the Supreme Court of the United States are known as the Insular Cases. Torruella (2013) offers a perspective on these decisions and their scope.
4. Later, in cases such as *Califano v. Torres* (1978), *Harris v. Rosario* (1980), and *Puerto Rico v. Sánchez Valle* (2016), the Supreme Court of the United States also reaffirmed the plenary powers of Congress over Puerto Rico, in accordance with the territorial clause of the Constitution of the United States; and confirmed that the entry into force of the Constitution of the *Estado Libre Asociado de Puerto Rico* did not alter the economic and political relationship.
5. The *Estado Libre Asociado de Puerto Rico* is called the Commonwealth of Puerto Rico in English; however, the accurate translation is Associated Free State of Puerto Rico, as indicated.

It is, therefore, an euphemism that disguises the reality that the Island continued to be a colony, with a delegated government subordinated to the plenary powers of Congress.

As a matter of fact, Congress exercised its faculties over Puerto Rico by introducing amendments to the constitution approved by the vote of the people, in various sections;[6] one of these amendments was to Article VII, to ensure that no future amendment to the Island's constitution could alter the fundamental structures that defined the relationship between Puerto Rico and the United States. The amended constitution was approved by Congress, through *Public Law 447* (1952) signed by President Harry S. Truman on July 3, 1952.

Puerto Rico in *Economic Freedom of North America 2022*

There are significant variations among the US states[7] in *Economic Freedom of North America* but the difference between them and the Island was unknown. The incorporation of Puerto Rico, as a territory of the United States, into the report was a pending matter. This depended on the determination and possibility of collecting the necessary data, and on the willingness of the coauthors of the report to include the Island. Both things happened in the course of the last year and, thus, the 2022 edition features Puerto Rico, for the first time.

The *Economic Freedom of North America* contains subnational (state and local) level variables on government spending, taxes, and labor market regulation. Data on the rule of law, sound money, freedom to trade, and most regulatory areas are either not available or not relevant to subnational jurisdictions. The report assumes that these are roughly equivalent within nations and subnational scores and ranks are solely based on the variables for spending, taxes, and labour market regulation; however, they are clearly not equivalent across nations, so the all-government index adds variables from *Economic Freedom of the World*, giving each province or state the score in their nation's world data for these areas. For example, all Canadian provinces receive the Canadian national score on the index published in *Economic Freedom of the World*, again on the assumption of equivalence across Canada. Since this similarity between Puerto Rico and the 50 US states could not be assumed, we could not include it on the all-government index.

Incorporating Puerto Rico into *Economic Freedom of North America 2022* was important in order to have a benchmark to assess the situation of economic freedom on the Island. From the outset, the initiative faced two limitations that posed a challenge of measurement: first, a lack of data since *Economic Freedom of the World* does not include Puerto Rico; and second, the Island's weakness compared to the United States' averages in core areas such as rule of law and regulation. This laid out the problem of whether or not to give Puerto Rico the international scores of the United States.

6. Congress has continued to exercise its authority over Puerto Rico, such as when it decided not to return to the *Departamento de Hacienda* [Puerto Rico Treasury] the surplus taxes on rum produced on the Island, in 1984, in contravention of Section 9 of the *Federal Relations Act* of 1950.
7. That is, the 50 federated states of the United States.

The question did not have a clear and simple solution since the limitations mentioned affect both the all-government index and subnational index. As noted, the all-government index gives the 50 US states the score of the United States as a country in the *Economic Freedom of the World* index and the subnational index assumes equality among the states—that the 50 US states have relatively similar scores for the areas covered only in the world report;[8] the available data suggest this is not true for Puerto Rico (F. McMahon, personal communication, December 14, 2021). As a result, with the data currently available, we are only able to include Puerto Rico in the subnational index.

Bearing this in mind, the decision was made to collect comparable data from Puerto Rico for the 10 subnational variables, for the five most recent years of the index (2016–2020). This was a starting point to get a general idea of how Puerto Rico compared to the 50 US states. Although it would not be a perfect exercise, regardless of how the score would be adjusted, the data of these 10 variables were necessary as a first step; furthermore, after seeing how Puerto Rico fit in the subnational index, we would be able to determine the next step (D. Stansel and F. McMahon, personal communications, December 17, 2021).

Data

Puerto Rico is not efficient in producing and disseminating statistics; and requesting data from relevant agencies and institutions can be a complex and time-consuming process; for this reason, the available published economic and fiscal data were used. Data collection was based on the definitions and descriptions of the areas and components, as well as the methodological notes for each component for Canada, Mexico, and the United States included in the *Economic Freedom of North America 2020* and *2021*.[9]

Data for "Personal Income" and the components "General Consumption Expenditures by Government" (1A), "Transfers and Subsidies" (1B), "Insurance and Retirement Payments" (1C), and "Government Employment" (3Aii) were obtained from the Economic and Social Planning Area of the Planning Board (similar to the US Bureau of Economic Analysis). The data source for the "Income and Payroll Tax Revenue" (2A), "Top Marginal Income Tax Rate" (2B), and "Sales Taxes" (2D) components was the *Departamento de Hacienda* (similar to the US Treasury).[10]

Other sources used were the US Census Bureau, for "Population"; the *Centro de Recaudación de Ingresos Municipales*, for the "Property Tax and Other Taxes" (2C) component; *LexJuris de Puerto Rico*, for the "Full-time Minimum Wage Income"

8. McMahon also pointed out that, while most of the missing data are in the federal policy area, state or territorial governments also play a role in trade, rule of law, and regulation that can be just as important, if not more. Similarly, national scores for Canada and Mexico are assumed to apply across subnational jurisdictions in these nations.
9. The data of some variables were acquired directly from the sources used while others required elaboration based on the information in this annual report.
10. The Economic and Social Planning Area of the Planning Board and the *Departamento de Hacienda* are the main sources of economic information in Puerto Rico.

(3Ai) component; and the Department of Labor and Human Resources (similar to the US Department of Labor), for "Employment" and the "Union Density" component (3Aiii); incidentally, data on 3Aiii were collected and published sporadically until 2015; since then, no institutional data have been published in Puerto Rico.

The creation of the dataset did not face different or greater challenges than those of a quantitative data-collection research project. A minor issue encountered was that some of the documents used as sources were in Spanish; in those cases, additional documents in English were identified, which helped the co-authors to contextualize and understand the component information provided.

The dataset included a Comments section with the following information about Puerto Rico and the data.

- The Government of Puerto Rico is considered a state government subject to the jurisdiction of the United States; it has fiscal autonomy to impose taxes, manage its budget, and issue debt; and receives funds from the federal government.
- In Puerto Rico, economic and fiscal data are presented mostly in fiscal years (July 1 to June 30).
- The variations in the economic and fiscal data from 2016 to 2020 represent the net effect of a set of economic events.
- In 2016, the Government of Puerto Rico declared itself unable to pay its debt. As a result, the US Congress enacted the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA),[11] which established a fiscal oversight board[12] to manage the Puerto Rico government's fiscal crisis, while the latter restructures its debt.
- Under PROMESA, the Government of Puerto Rico filed for bankruptcy in 2017 and did not have to pay debt-servicing costs from 2017 to 2020 as it was in bankruptcy proceedings.
- In September 2017, the Island was struck by two hurricanes—Irma and María—that caused catastrophic damages.[13] This interrupted production and billions of dollars were received from the federal government to mitigate damages and rebuild infrastructure.
- A series of earthquakes affected Puerto Rico in January 2020.
- Since March 2020, the Island has been affected by the COVID-19 pandemic.

11. The acronym PROMESA means promise in Spanish.
12. For Bevir (2010), the rule of law is usually defined in opposition to the arbitrariness typical of various forms of despotism, absolutism, authoritarianism, and totalitarianism, which are widely thought to be evils that the rule of law is supposed to curb. According to Bevir, these include even highly institutionalized forms of rule where atop the apex of a power structure sits some sovereign entity such as a *junta*. It is interesting, therefore, that this body is commonly called the "*Junta de Control Fiscal*" [Fiscal Control Junta] or simply the "*Junta*" by the people in general on the Island.
13. Puerto Rico experienced a historic migration loss a year after these hurricanes. About 133,500 people moved from the territory to the US states in 2018—up 36.9% from 97,500 movers the year before. The US states that received the largest number of Puerto Ricans were Florida, Pennsylvania, Massachusetts, New York, and Texas (Glassman, 2019).

Results

As discussed above, Puerto Rico is only included in the subnational index for the United States. The standardized scores on each variable are determined in part by the minimum and maximum values in a fixed base year (2005).[14] Since we do not have data for Puerto Rico for that year, including this data in the index does not affect the scores of the 50 US states. The preliminary results rank Puerto Rico at 51st overall in this year's index, with a score of 2.04, based on data for fiscal year 2020. For comparison, the next lowest are New York at 50th with 4.25 and California at 49th with 4.59 (figure 3.1). Florida was the highest with 7.94.

Puerto Rico also ranks 51st in all three Areas of the index. As table 3.1 shows, the Island is 51st on four of the ten variables, tied for last on three others, and 36th, 46th, and 1st on the other three.[15] Looking further back, Puerto Rico is 51st in all five years. The Island's overall score declined steadily from 1.98 in 2016 to 1.14 in 2019, though its score of 2.04 for 2020 represents a substantial increase from that of 2019. The Island was 51st on all three Area scores for all but the first year of our data (2016), when it was 50th in Area 1, followed by Alaska.

Given Puerto Rico almost certainly scores well behind the United States on rule of law and related variables that we do not include in the subnational index, the preliminary scores understate the gap between Puerto Rico and the other US states in economic freedom.[16] The subnational indexes do not contain explicit data on the rule of law and other key measures, which are assumed to be roughly the same within each nation, though that assumption does not hold for Puerto Rico. For that reason, Puerto Rico is not included in the all-government index, which has national level variables for Canada, Mexico, and the United States.

Going forward

In the process of incorporating the Island in the report this year, ideas to increase the accuracy and adjust Puerto Rico's presence in the report began to emerge. Among the possible courses of action are, in general: (a) expand data collection to complement the absence of information on Puerto Rico in world indexes and reports; and (b), as F. McMahon suggested (personal communication, December 14, 2021),

14. See Appendix A (pp. 69–74) for further explanation of the methodology.
15. Regarding the "Union Density" variable (3Aiii) our data for Puerto Rico are for year 2014 (published on April 17, 2015), since more recent data were unavailable.
16. For example, consider the indirect measure of the rule of law and efficient regulation in the *Doing Business* index (World Bank, 2020), now canceled. In the last edition of this report in 2020, Puerto Rico ranked 65th while the United States was 6th and Canada 23rd; thus, the assumption made for the other states and provinces, that they have roughly comparable scores to their national average, does not hold for Puerto Rico. Puerto Rico might be roughly comparable to Mexico, 60th in the *Doing Business* index.

Figure 3.1: Summary of the Ratings of Puerto Rico and the Bottom 10 US States for Economic Freedom at the Subnational Level, 2020

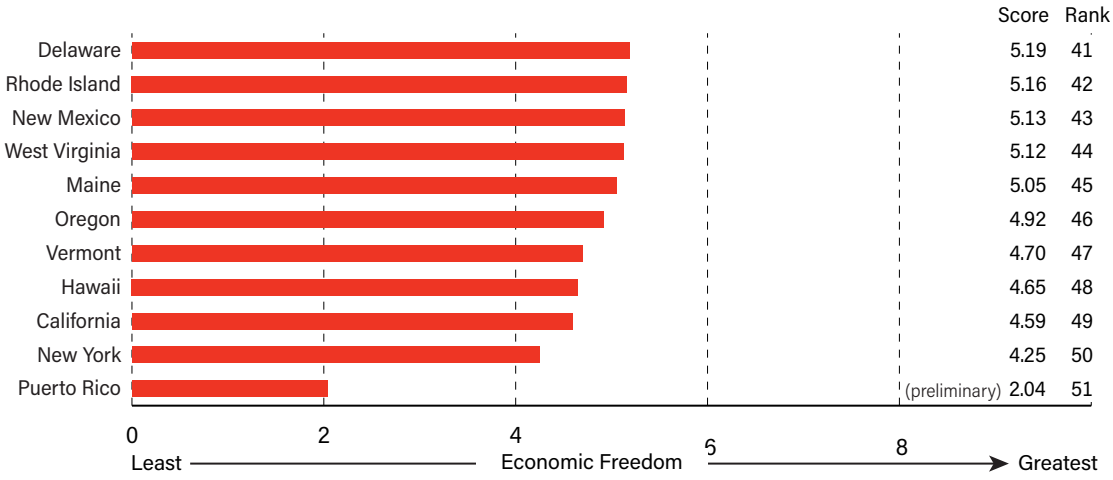


Table 3.1: Economic Freedom in Puerto Rico, 2020

Areas and components	Data	Score	Rank
Area 1: Government Spending		2.34	51
1A: Consumption spending, % of personal income	16.2%	7.03	36
1B: Transfers & subsidies, % of personal income	10.0%	0.00	50*
1C: Insurance & retirement payments, % of personal income	6.8%	0.00	49*
Area 2: Taxes		0.46	51
2A: Income & payroll tax revenue, % of personal income	9.4%	0.00	51
2B: Top income tax rate	31.4%	0.00	51
Top income tax threshold	$61,500		
2C: Property tax & other tax revenue, % of personal income	5.1%	1.82	46
2D: Sales tax revenue, % of personal income	7.0%	0.00	50*
Area 3: Regulation		3.33	51
3Ai: Minimum wage income, % of per capita personal income	69.7%	0.00	51
3Aii: Government employees, % of total employees	18.2%	0.00	51
3Aiii: Union density, % of total employees	6.2%	10.00	1

Note: * tied for last; no US state had a lower score.

construct a scalar for Puerto Rico from the international data that includes the Island. On this, McMahon specifically proposed the following:

- Calculate Puerto Rico's scores for Area 2: Legal System and Property Rights in *Economic Freedom of the World* and other scores related to the rule of law in Area 4: Freedom to Trade (for example, non-tariff trade barriers, which may be a screen for corruption) and Area 5: Regulation (for example, extra payments), if enough data are available.
- Develop a ratio between the available relevant US and Puerto Rican scores and apply this ratio to relevant variables; this has several difficulties and two approaches:
    - Develop an overall ratio to be applied to the overall score leaving the individual variables blank.
    - Apply the ratio directly to the variables with data (if enough exist) and the others could be left blank or an overall ratio could be applied to them;[17] *ergo*, if the Puerto Rico score on the based variable is 2/3 of the United States score, then the relevant variables from *Economic Freedom of the World* would be multiplied by 2/3 to get an estimate for the federal government part of Puerto Rico's score for *Economic Freedom of North America*. (Personal communication, August 30, 2022).

Additional data could show if the situation of economic freedom in Puerto Rico is even more precarious than what is reflected in this year's report and, thus, if the Island received a higher score than it should (J. Torra, personal communication, August 29, 2022). If this were the case, Puerto Rico's score and rank in the future would show the true size of the gap between the Island and the US states. These and other possible courses of action will be analyzed and determined in due course for *Economic Freedom of North America 2023*.

Effects of the lack of economic freedom in Puerto Rico

As hundreds of independent research papers have found, economic freedom tends to be positively associated with a variety of positive economic outcomes, including the level and growth of income. The lack of economic freedom in Puerto Rico stands at the center of the main socioeconomic issues facing its residents. For the last 70 years, Puerto Rico has had poor economic growth relative to the United States; and the gap between the Island and the US states has become increasingly wider. The expectation of converging with the richest jurisdictions in the United States did not materialize; on the contrary, instead of a convergence there has been a divergence—a distancing of the economy of the Island from that of the US states.

17. In this case it would be reported that Puerto Rico's scores for rule of law are more a "guesstimate" than an estimate and the procedure used would be explained.

Puerto Rico has not been able to close the gap even with the poorest US states. The US Census Bureau (2021a) reports that 43.4% of the people in Puerto Rico live in poverty while the official United States poverty rate was 11.4% in 2020 (Shrider, Kollar, Chen, and Semega, 2021). Mississippi, the poorest state, has a poverty rate of 18.7%, less than half of Puerto Rico's (US Census Bureau, 2021b). Puerto Rico's per-capita income of $13,318 in 2020 is barely half of Mississippi's $25,444 (US Census Bureau, 2021a, 2021b). Additionally, with a Gini Index of 0.5448, the Island's income inequality is higher than that of any state, and of the District of Columbia, which is second with 0.5212 (US Census Bureau, 2020b).

Puerto Rico has had a considerably low labor-force participation rate for decades. From 1990 to 2021, it averaged 44.52%, reaching an all-time high of 49.80% in February 2007 and a record low of 38.50% in October 2017 (International Labour Organization, 2022a). In the States and the District of Columbia, the average was 65.3% from 1990 to 2020 (International Labour Organization, 2022b). Unemployment on the Island has been historically higher than in United States as well, with an average unemployment rate of 14.4% from 1976 to 2020.

The situation of Puerto Rico can be seen in the outbound net migration that the Island experienced from 2011 through 2020; in these years, it is estimated that 550,421 individuals migrated to the US states (Universidad de Puerto Rico, 2021). This is a significant figure taking into account that the population of Puerto Rico in 2020 was 3,285,874 (US Census Bureau, 2020a). For Duany (2022), Puerto Ricans will probably continue to emigrate in large numbers as a result of the persistent economic hardships and the wage gaps between the Island and the US states. This pattern is consistent with the findings of previous research that population in-migration is positively associated with economic freedom.

Conclusion

The incorporation of Puerto Rico in *Economic Freedom of North America 2022* is a first attempt at assessing economic freedom on the Island. It was to be expected that Puerto Rico would compare poorly with any US state. Notwithstanding, this year's results confirm that; and—what is more important from a research point of view—the questions raised and the dialogue initiated during this process suggest that the Island's situation could be worse than what the scores and ranks indicate this year.

The precise state of economic freedom in Puerto Rico will only be known through the collection of additional data on the rule of law and related areas on the Island. The work carried out this year represents, therefore, a beginning and leaves a task pending for the next cycle. For now, it is important to disclose this year's results to raise awareness about the dire situation of the territory both in Puerto Rico and in the US states—where more Puerto Ricans currently reside than on the Island.

References

Álvarez Curbelo, S. (2001). *Un país del porvenir: el afán de modernidad en Puerto Rico (siglo XIX)*. Ediciones Callejón.

Armstrong, C. (1906, 4 de julio). Memorial de la Cámara de Comercio de Ponce. *Tercera Asamblea Legislativa, Sesión Extraordinaria, Actas de la Cámara de Delegados de Puerto Rico 1905-1906*. <https://www.academiajurisprudenciapr.org/actas-de-la-camara-de-delegados-de-puerto-rico-1905-1906/tercera-asamblea-legislativa-sesion-extraordinaria/>, as of October 24, 2022.

Avalon Project (2008). *Treaty of Peace between the United States and Spain; December 10, 1898*. Lillian Goldman Law Library, Yale Law School. <https://avalon.law.yale.edu/19th_century/sp1898.asp>, as of October 28, 2022.

Bevir, M. (2010). Rule of Law. In *Encyclopedia of Political Theory*, vol. 1 (SAGE Publications): 1227–1229. <https://dx.doi.org/10.4135/9781412958660.n397>, as of October 24, 2022.

Downes v. Bidwell, 182 U.S. 244 (1901). <https://supreme.justia.com/cases/federal/us/182/244/>, as of October 24, 2022.

Duany, J. (2022, October 9). Refugiados climáticos. *El Nuevo Día*. <https://www.elnuevodia.com/opinion/desde-la-diaspora/refugiados-climaticos/>, as of October 24, 2022.

Glassman, B. (2019). *A Third of Movers from Puerto Rico to the Mainland United States Relocated to Florida in 2018*. US Census Bureau, US Department of Commerce. <https://www.census.gov/library/stories/2019/09/puerto-rico-outmigration-increases-poverty-declines.html#:~:text=More%20people%20moved%20from%20Puerto,than%20in%20the%20prior%20year>, as of October 24, 2022.

International Labour Organization (ILO) (2022a, June). *Labor Force Participation Rate, Total (% of total population ages 15+) (modeled ILO estimate) - Puerto Rico*. <https://data.worldbank.org/indicator/SL.TLF.CACT.ZS?locations=PR>, as of October 24, 2022.

International Labour Organization (ILO) (2022b, June). *Labor Force Participation Rate, Total (% of total population ages 15+) (national estimate) - United States*. <https://data.worldbank.org/indicator/SL.TLF.CACT.NE.ZS?locations=US>, as of October 24, 2022

Jones-Shafroth Act, Pub. L. 64–368, 39 Stat. 951 (1917). <https://govtrackus.s3.amazonaws.com/legislink/pdf/stat/39/STATUTE-39-Pg951.pdf>, as of October 24, 2022.

Organic Act of 1900, Pub. L. 56-191, 31 Stat. 77 (1900). <https://govtrackus.s3.amazonaws.com/legislink/pdf/stat/31/STATUTE-31-Pg77.pdf>, as of October 24, 2022.

Public Law 447, 66 Stat. 327 (1952). <https://www.govinfo.gov/content/pkg/STATUTE-66/pdf/STATUTE-66-Pg327.pdf> as of October 24, 2022.

Puerto Rico Federal Relations Act of 1950, Pub. L. 81–600, 64 Stat. 319 (1950). <https://govtrackus.s3.amazonaws.com/legislink/pdf/stat/64/STATUTE-64-Pg319.pdf>, as of October 24, 2022.

Shrider, E. A., M. Kollar, F. Chen, and J. Semega (2021). *Income and Poverty in the United States: 2020*. U.S. Census Bureau, U.S. Department of Commerce. <https://www.census.gov/content/dam/Census/library/publications/2021/demo/p60-273.pdf>, as of October 24, 2022

Torruella, J.R. (2013). Ruling America's Colonies: The Insular Cases. *Yale Law & Policy Review*, *32*: 57–95. <https://openyls.law.yale.edu/bitstream/handle/20.500.13051/17212/04_32YaleL_PolyRev57_2013_2014_.pdf?sequence=2>, as of October 24, 2022.

Universidad de Puerto Rico (2021). *Centro de Información Censal (CIC) de la UPR Cayey publica análisis de estimados de emigración neta entre Puerto Rico y Estados Unidos del 2011 a 2020* (June). <https://www.upr.edu/centro-de-informacion-censal-cic-de-la-upr-cayey-publica-analisis-de-estimados-de-emigracion-neta-entre-puerto-rico-y-estados-unidos-del-2011-a-2020/>, as of October 24. 2022.

US Bureau of Labor Statistics (2022a). *Unemployment Rate in Puerto Rico* (August). US Department of Labor. <https://fred.stlouisfed.org/series/LAUST720000000000003A>, as of October 24, 2022.

US Bureau of Labor Statistics (2022b). *State Employment and Unemployment — June 2022* (June). US Department of Labor. <https://estadisticas.pr/files/inventario/state_employment_unemployment/2022-07-22/BLS-LAUS-2022-06.pdf>, as of October 24, 2022.

US Census Bureau (2021a). Income and Poverty. *Quickfacts Puerto Rico* (July). US Department of Commerce. <https://www.census.gov/quickfacts/PR>, as of October 24, 2022.

US Census Bureau (2021b). Income and Poverty. *Quickfacts Mississippi* (July). US Department of Commerce. <https://www.census.gov/quickfacts/fact/table/MS/INC110220>, as of October 24, 2022.

US Census Bureau (2020a). *Quickfacts Puerto Rico* (April). US Department of Commerce. <https://www.census.gov/quickfacts/fact/table/PR/POP010220>, as of October 24, 2022.

US Census Bureau (2020b). *Gini Index of Income Inequality* (August). US Department of Commerce. <https://data.census.gov/cedsci/table?q=B19083%3A%20GINI%20INDEX%20OF%20INCOME%20INEQUALITY&g=0100000US%240400000&tid=ACSDT5Y2020.B19083>, as of October 24, 2022.

World Bank (2020). *Doing Business 2020* (October). <https://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>, as of October 24, 2022.

Chapter 4
Detailed Tables of Economic Freedom in Canada, the United States, and Mexico

The following tables provide more information on economic freedom in the provinces and states as measured by the index of economic freedom in North America at the all-government and the subnational levels. At the all-government level, the index measures the impact of all levels of government—federal, provincial/state, and municipal/local—in Canada, the United States, and Mexico. At the subnational level, it measures the impact of provincial and municipal governments on economic freedom in Canada and state and local governments in the United States and Mexico.

In addition to the tables found in chapter 3, our interactive website at <https://www.fraserinstitute.org/economic-freedom> contains all the latest scores and rankings for each of the components of the index as well as historical data on the overall and area scores. The full dataset is also available for download at that same website.

Economic Freedom in Canada, the United States, and Mexico

Tables 4.1 (a, b, c) and 4.2 (a, b, c) provide a detailed summary of the scores for 2020. Tables 4.3 (a, b, c) to 4.10 (a, b, c) provide historical information both for the overall index and for each of Area 1: Government Spending; Area 2: Taxes; and Area 3: Labor Market Regulation. Economic freedom is measured on a scale from zero to 10, where a higher value indicates a higher level of economic freedom.

Detailed data for the world-adjusted scores, taken from the *Economic Freedom of the World: 2022 Annual Report* (Gwartney, Lawson, Hall, and Murphy, 2022), are not included; they can be found in that publication. Tables 4.3 (a, b, c) to 4.10 (a, b, c) show data for a selection of years. The full set of data from 1981 to 2020 and all other data included in this report are available at <www.fraserinstitute.org/studies/economic-freedom>.

Table 4.1a: Canada—Economic Freedom at the All-Government Level, 2020

	Area 1	Area 2	Area 3	Area 4	Area 5	Area 6	Overall Index	Rank*
Average	*6.70*	*5.84*	*7.37*	*8.02*	*9.52*	*7.75*	*7.53*	
Alberta	7.58	6.25	7.46	8.02	9.52	7.75	7.76	47
British Columbia	7.45	6.06	7.38	8.02	9.52	7.75	7.70	51
Manitoba	6.91	5.84	7.32	8.02	9.52	7.75	7.56	55
New Brunswick	5.94	5.83	7.41	8.02	9.52	7.75	7.41	57
Newfoundland & Labrador	5.98	5.75	7.37	8.02	9.52	7.75	7.40	59
Nova Scotia	6.05	5.73	7.41	8.02	9.52	7.75	7.41	57
Ontario	7.32	5.62	7.44	8.02	9.52	7.75	7.61	53
Prince Edward Island	5.78	5.93	7.28	8.02	9.52	7.75	7.38	60
Quebec	6.98	5.45	7.25	8.02	9.52	7.75	7.49	56
Saskatchewan	7.03	5.93	7.41	8.02	9.52	7.75	7.61	53

* Rank out of 92, 2020

Table 4.1b: Mexico—Economic Freedom at the All-Government Level, 2020

	Area 1	Area 2	Area 3	Area 4	Area 5	Area 6	Overall Index	Rank*
Average	*5.08*	*5.31*	*6.95*	*4.72*	*8.16*	*7.65*	*6.31*	
Aguascalientes	4.74	5.39	6.97	4.72	8.16	7.65	6.27	81
Baja California	6.56	5.12	7.16	4.72	8.16	7.65	6.56	63
Baja California Sur	4.40	5.44	7.01	4.72	8.16	7.65	6.23	83
Campeche	3.63	5.44	6.90	4.72	8.16	7.65	6.08	88
Coahuila de Zaragoza	4.49	5.16	6.86	4.72	8.16	7.65	6.17	87
Colima	4.08	3.49	6.99	4.72	8.16	7.65	5.85	91
Chiapas	5.05	5.67	6.96	4.72	8.16	7.65	6.37	76
Chihuahua	6.44	5.56	7.18	4.72	8.16	7.65	6.62	61
Ciudad de México	3.20	2.15	7.06	4.72	8.16	7.65	5.49	92
Durango	4.66	5.80	6.95	4.72	8.16	7.65	6.32	79
Guanajuato	5.58	5.57	6.93	4.72	8.16	7.65	6.44	70
Guerrero	4.87	5.99	6.89	4.72	8.16	7.65	6.38	75
Hidalgo	5.30	5.99	6.93	4.72	8.16	7.65	6.46	68
Jalisco	6.11	5.09	7.03	4.72	8.16	7.65	6.46	68
México	4.97	5.06	6.91	4.72	8.16	7.65	6.25	82
Michoacán de Ocampo	6.22	4.87	6.94	4.72	8.16	7.65	6.43	72
Morelos	5.36	5.83	6.92	4.72	8.16	7.65	6.44	70
Nayarit	5.99	5.96	6.90	4.72	8.16	7.65	6.57	62
Nuevo León	6.09	4.33	7.04	4.72	8.16	7.65	6.33	78
Oaxaca	5.19	6.23	6.91	4.72	8.16	7.65	6.48	67
Puebla	5.84	5.64	6.94	4.72	8.16	7.65	6.49	66
Querétaro	5.00	4.69	7.04	4.72	8.16	7.65	6.21	85
Quintana Roo	3.64	5.12	6.91	4.72	8.16	7.65	6.04	90
San Luis Potosí	4.45	5.48	6.83	4.72	8.16	7.65	6.22	84
Sinaloa	5.35	5.57	7.00	4.72	8.16	7.65	6.41	73
Sonora	5.34	5.61	7.00	4.72	8.16	7.65	6.41	73
Tabasco	4.76	5.75	6.86	4.72	8.16	7.65	6.32	79
Tamaulipas	4.29	4.82	6.79	4.72	8.16	7.65	6.07	89
Tlaxcala	5.62	6.07	6.86	4.72	8.16	7.65	6.52	65
Veracruz de Ignacio de la Llave	4.38	5.34	6.94	4.72	8.16	7.65	6.20	86
Yucatán	5.97	5.72	6.92	4.72	8.16	7.65	6.53	64
Zacatecas	4.83	5.84	6.86	4.72	8.16	7.65	6.34	77

* Rank out of 92, 2020

Table 4.1c: United States—Economic Freedom at the All-Government Level, 2020

	Area 1	Area 2	Area 3	Area 4	Area 5	Area 6	Overall Index	Rank*
Average	*7.21*	*7.35*	*7.89*	*7.56*	*9.63*	*7.77*	*7.90*	
Alabama	6.93	7.91	7.94	7.56	9.63	7.77	7.95	16
Alaska	6.37	8.10	7.77	7.56	9.63	7.77	7.86	33
Arizona	6.29	7.75	7.84	7.56	9.63	7.77	7.80	43
Arkansas	7.29	7.08	7.89	7.56	9.63	7.77	7.87	30
California	7.09	6.99	7.78	7.56	9.63	7.77	7.80	43
Colorado	7.29	7.49	7.90	7.56	9.63	7.77	7.94	19
Connecticut	7.40	7.05	7.80	7.56	9.63	7.77	7.87	30
Delaware	7.08	6.06	7.90	7.56	9.63	7.77	7.67	52
Florida	7.79	7.61	7.97	7.56	9.63	7.77	8.05	2
Georgia	7.45	7.51	8.01	7.56	9.63	7.77	7.99	8
Hawaii	6.75	6.95	7.65	7.56	9.63	7.77	7.72	49
Idaho	7.55	7.63	7.99	7.56	9.63	7.77	8.02	4
Illinois	7.28	7.05	7.84	7.56	9.63	7.77	7.85	35
Indiana	7.58	7.44	7.96	7.56	9.63	7.77	7.99	8
Iowa	7.33	7.28	7.97	7.56	9.63	7.77	7.92	23
Kansas	7.54	7.28	7.95	7.56	9.63	7.77	7.95	16
Kentucky	6.55	7.31	7.94	7.56	9.63	7.77	7.79	45
Louisiana	6.94	7.56	8.00	7.56	9.63	7.77	7.91	25
Maine	7.40	7.27	7.71	7.56	9.63	7.77	7.89	29
Maryland	7.10	7.05	7.84	7.56	9.63	7.77	7.82	39
Massachusetts	7.18	6.96	7.87	7.56	9.63	7.77	7.82	39
Michigan	7.23	7.65	7.78	7.56	9.63	7.77	7.94	19
Minnesota	7.50	6.37	7.81	7.56	9.63	7.77	7.77	46
Mississippi	6.36	7.73	7.92	7.56	9.63	7.77	7.83	38
Missouri	7.17	7.38	7.88	7.56	9.63	7.77	7.90	27
Montana	7.35	7.87	7.87	7.56	9.63	7.77	8.01	6
Nebraska	7.67	7.09	7.91	7.56	9.63	7.77	7.94	19
Nevada	7.35	7.59	7.83	7.56	9.63	7.77	7.95	16
New Hampshire	7.96	7.74	7.98	7.56	9.63	7.77	8.10	1
New Jersey	7.57	6.72	7.81	7.56	9.63	7.77	7.84	36
New Mexico	6.45	7.79	7.87	7.56	9.63	7.77	7.84	36
New York	7.14	6.50	7.70	7.56	9.63	7.77	7.72	49
North Carolina	7.34	7.47	8.04	7.56	9.63	7.77	7.97	14
North Dakota	7.40	7.56	8.03	7.56	9.63	7.77	7.99	8
Ohio	7.12	6.96	7.85	7.56	9.63	7.77	7.81	41
Oklahoma	7.38	7.56	7.98	7.56	9.63	7.77	7.98	12
Oregon	7.06	7.43	7.72	7.56	9.63	7.77	7.86	33
Pennsylvania	7.22	7.37	7.92	7.56	9.63	7.77	7.91	25
Rhode Island	6.90	7.00	7.72	7.56	9.63	7.77	7.76	47
South Carolina	7.38	7.75	8.03	7.56	9.63	7.77	8.02	4
South Dakota	7.46	7.67	7.99	7.56	9.63	7.77	8.01	6
Tennessee	7.40	7.53	8.02	7.56	9.63	7.77	7.98	12
Texas	7.56	7.40	8.03	7.56	9.63	7.77	7.99	8
Utah	7.61	7.63	8.02	7.56	9.63	7.77	8.03	3
Vermont	7.00	7.10	7.81	7.56	9.63	7.77	7.81	41
Virginia	7.21	7.44	8.06	7.56	9.63	7.77	7.94	19
Washington	7.56	7.19	7.71	7.56	9.63	7.77	7.90	27
West Virginia	6.59	7.84	7.83	7.56	9.63	7.77	7.87	30
Wisconsin	7.29	7.34	7.97	7.56	9.63	7.77	7.92	23
Wyoming	7.20	7.70	8.00	7.56	9.63	7.77	7.97	14

* Rank out of 92, 2020

Table 4.2a: Canada—Economic Freedom at the Subnational Level, 2020

	1A	1B	1C	2A	2B	2C	2D	3Ai	3Aii	3Aiii	Area 1	Area 2	Area 3	Overall Index	Rank*
Average	*2.22*	*4.97*	*5.93*	*6.06*	*5.05*	*6.99*	*4.26*	*3.42*	*3.43*	*6.59*	*4.37*	*5.59*	*4.48*	*4.81*	
Alberta	4.17	7.47	7.92	9.32	6.00	5.93	10.00	2.88	6.70	7.26	6.52	7.81	5.61	6.65	1
British Columbia	5.22	5.38	2.74	9.62	6.00	7.13	5.00	3.18	6.98	3.39	4.44	6.94	4.51	5.30	4
Manitoba	0.01	9.48	10.00	6.64	5.00	5.47	5.03	3.60	1.71	6.36	6.50	5.54	3.89	5.31	3
New Brunswick	0.00	6.37	0.00	6.81	5.00	8.03	2.13	3.45	2.26	9.62	2.12	5.49	5.11	4.24	8
Newfoundland & Lab.	0.00	8.60	4.37	4.59	5.00	9.76	1.41	4.81	0.00	8.38	4.32	5.19	4.40	4.64	6
Nova Scotia	0.05	6.98	3.74	3.91	3.50	8.67	2.81	2.99	1.59	9.51	3.59	4.72	4.69	4.34	7
Ontario	5.81	3.53	9.71	4.47	5.00	5.23	5.40	2.94	7.82	5.10	6.35	5.03	5.29	5.55	2
Prince Edward Island	1.76	0.75	8.06	5.61	4.00	9.17	2.49	1.51	4.78	3.58	3.52	5.32	3.29	4.04	9
Quebec	4.86	0.00	3.58	0.00	4.50	5.08	4.36	3.29	2.47	2.75	2.81	3.49	2.84	3.05	10
Saskatchewan	0.33	1.19	9.18	9.64	6.50	5.41	3.92	5.52	0.00	10.00	3.57	6.37	5.17	5.03	5

* Rank out of 10, 2020

Table 4.2b: Mexico—Economic Freedom at the Subnational Level, 2020

	1A	1B	1C	2A	2B	2C	2D	3Ai	3Aii	3Aiii	Area 1	Area 2	Area 3	Overall Index	Rank*
Average	*5.85*	*2.62*		*2.03*		*4.05*		*1.26*	*6.72*	*7.38*	*4.24*	*3.04*	*5.12*	*4.13*	
Aguascalientes	8.50	1.64		0.00		5.77		1.54	5.83	7.16	5.07	2.88	4.84	4.27	13
Baja California	8.65	5.74		0.66		1.94		5.21	9.41	8.95	7.20	1.30	7.85	5.45	3
Baja California Sur	8.33	1.88		1.93		0.00		4.54	6.27	4.08	5.10	0.96	4.96	3.68	26
Campeche	1.06	1.55		0.00		3.64		0.00	3.32	8.35	1.31	1.82	3.89	2.34	31
Coahuila de Zaragoza	6.93	5.76		0.14		4.39		1.14	7.81	2.48	6.34	2.26	3.81	4.14	17
Colima	7.25	0.00		4.36		0.00		2.82	5.64	5.94	3.63	2.18	4.80	3.54	28
Chiapas	2.12	0.00		3.70		8.03		0.00	6.10	10.00	1.06	5.86	5.37	4.10	19
Chihuahua	8.92	3.99		0.34		3.85		5.77	9.68	8.99	6.45	2.09	8.14	5.56	2
Ciudad de México	5.18	6.90		0.00		0.00		3.54	7.73	7.69	6.04	0.00	6.32	4.12	18
Durango	5.01	4.24		6.04		0.00		0.00	5.74	8.76	4.62	3.02	4.83	4.16	16
Guanajuato	6.60	4.55		0.00		4.42		0.00	8.46	9.39	5.57	2.21	5.95	4.58	9
Guerrero	3.12	0.00		7.00		3.88		0.00	4.33	8.03	1.56	5.44	4.12	3.71	25
Hidalgo	7.44	0.00		3.41		7.04		0.00	6.42	9.45	3.72	5.22	5.29	4.74	8
Jalisco	6.84	6.25		2.88		2.27		1.35	8.09	9.76	6.55	2.58	6.40	5.17	4
México	4.51	0.00		0.00		0.00		0.00	9.17	8.44	2.26	0.00	5.87	2.71	30
Michoacán de Ocampo	5.22	6.41		4.17		7.76		0.00	6.39	9.50	5.82	5.96	5.30	5.69	1
Morelos	8.53	0.00		5.18		4.17		0.00	8.05	8.99	4.26	4.68	5.68	4.87	7
Nayarit	7.94	0.33		6.54		3.64		1.30	7.12	4.25	4.14	5.09	4.22	4.48	10
Nuevo León	8.78	5.23		0.00		3.91		5.24	9.24	3.94	7.00	1.96	6.14	5.03	5
Oaxaca	3.03	0.00		4.69		8.58		0.00	5.96	8.72	1.51	6.64	4.90	4.35	12
Puebla	5.83	5.09		1.20		4.68		0.00	9.43	9.75	5.46	2.94	6.39	4.93	6
Querétaro	8.70	1.69		0.00		0.00		2.46	7.69	8.29	5.19	0.00	6.15	3.78	23
Quintana Roo	1.11	1.10		0.00		0.00		0.00	6.06	7.12	1.10	0.00	4.39	1.83	32
San Luis Potosí	7.33	0.00		0.56		7.14		0.00	6.13	5.03	3.66	3.85	3.72	3.75	24
Sinaloa	8.74	0.00		1.88		2.08		1.37	5.75	8.50	4.37	1.98	5.21	3.85	22
Sonora	8.07	0.79		2.57		2.50		3.48	7.19	4.93	4.43	2.54	5.20	4.06	20
Tabasco	1.11	2.22		0.00		8.67		0.00	0.00	7.18	1.67	4.33	2.39	2.80	29
Tamaulipas	5.54	6.06		0.00		7.62		0.56	7.82	0.50	5.80	3.81	2.96	4.19	15
Tlaxcala	6.36	0.00		2.36		9.14		0.00	6.86	6.47	3.18	5.75	4.44	4.46	11
Veracruz de Ignacio ...	1.21	4.83		1.16		6.65		0.00	7.47	9.98	3.02	3.90	5.82	4.25	14
Yucatán	5.46	4.24		1.02		3.88		0.00	5.20	8.85	4.85	2.45	4.68	3.99	21
Zacatecas	3.85	3.29		3.15		3.89		0.00	4.70	6.55	3.57	3.52	3.75	3.61	27

No state or local spending in this category.

No state or local income taxes.

No state or local sales taxes.

* Rank out of 32, 2020

Table 4.2c: United States—Economic Freedom at the Subnational Level, 2020

	1A	1B	1C	2A	2B	2C	2D	3Ai	3Aii	3Aiii	Area 1	Area 2	Area 3	Overall Index	Rank*
*Average***	*7.59*	*6.41*	*4.21*	*6.41*	*7.39*	*6.15*	*5.32*	*6.69*	*6.87*	*5.34*	*6.07*	*6.32*	*6.30*	*6.23*	
Alabama	6.91	4.51	5.31	6.71	8.00	10.00	4.00	6.87	5.03	7.51	5.58	7.18	6.47	6.41	22
Alaska	2.79	6.00	0.00	9.67	10.00	4.91	8.81	6.76	3.08	4.19	2.93	8.35	4.68	5.32	40
Arizona	9.32	0.00	6.11	8.22	8.00	8.43	3.97	1.17	8.59	6.19	5.14	7.16	5.31	5.87	32
Arkansas	7.72	6.14	6.65	6.49	6.50	9.86	2.78	2.95	5.91	8.07	6.84	6.41	5.65	6.30	27
California	6.58	3.56	0.75	3.90	3.00	6.35	5.83	5.93	7.75	2.45	3.63	4.77	5.38	4.59	49
Colorado	9.29	7.16	4.07	6.41	7.00	6.85	5.57	4.69	7.09	6.58	6.84	6.46	6.12	6.47	21
Connecticut	10.00	8.98	3.09	3.98	7.00	3.51	6.55	7.23	8.29	1.88	7.36	5.26	5.80	6.14	28
Delaware	6.14	0.40	5.51	4.25	6.00	0.88	9.51	6.37	7.27	5.54	4.02	5.16	6.39	5.19	41
Florida	9.68	7.94	7.78	10.00	10.00	6.82	4.84	7.38	10.00	4.91	8.46	7.91	7.43	7.94	1
Georgia	9.82	7.52	3.95	6.63	7.00	8.10	6.37	8.33	8.46	6.49	7.10	7.02	7.76	7.29	8
Hawaii	6.90	9.19	1.45	5.32	4.00	6.54	0.00	5.46	6.95	0.00	5.85	3.97	4.14	4.65	48
Idaho	8.76	8.25	6.40	5.95	6.00	8.02	5.67	7.55	7.02	7.30	7.80	6.41	7.29	7.17	10
Illinois	8.89	8.92	0.04	5.73	7.00	4.06	5.07	6.71	8.26	3.15	5.95	5.47	6.04	5.82	34
Indiana	8.00	5.22	8.47	5.39	8.00	8.83	4.74	8.32	7.73	5.64	7.23	6.74	7.23	7.07	11
Iowa	6.42	5.61	4.80	5.53	7.50	4.71	5.29	8.60	5.55	6.99	5.61	5.76	7.05	6.14	28
Kansas	7.67	9.64	6.73	6.45	7.00	6.47	4.88	9.09	4.60	6.67	8.02	6.20	6.79	7.00	14
Kentucky	6.85	2.28	1.83	4.39	7.00	9.40	5.06	7.27	6.89	6.17	3.65	6.46	6.77	5.63	36
Louisiana	6.76	6.53	2.04	7.34	8.00	9.72	2.95	8.14	6.34	7.56	5.11	7.00	7.35	6.49	20
Maine	7.32	7.38	4.84	5.59	6.00	0.97	5.38	1.96	7.41	3.04	6.52	4.49	4.14	5.05	45
Maryland	8.30	4.61	5.27	2.66	8.00	6.81	6.74	6.21	8.47	3.42	6.06	6.05	6.03	6.05	30
Massachusetts	8.72	8.57	2.41	3.63	7.00	5.28	8.11	6.39	9.58	3.37	6.57	6.01	6.44	6.34	26
Michigan	7.46	6.52	2.03	7.00	8.00	6.29	6.74	5.05	7.93	2.79	5.33	7.01	5.26	5.87	32
Minnesota	7.49	4.67	3.98	4.19	5.00	6.22	5.16	6.61	7.70	2.76	5.38	5.14	5.69	5.40	39
Mississippi	4.84	6.11	2.06	7.48	7.00	6.97	3.47	5.93	3.19	8.59	4.34	6.23	5.90	5.49	37
Missouri	8.61	8.13	4.49	6.85	8.00	8.26	6.01	5.06	7.76	5.48	7.08	7.28	6.10	6.82	15
Montana	7.68	9.08	4.06	5.45	8.00	4.63	9.30	6.59	6.51	4.97	6.94	6.84	6.02	6.60	18
Nebraska	8.72	8.28	7.53	6.25	6.00	4.16	5.97	6.95	6.44	5.99	8.18	5.60	6.46	6.74	16
Nevada	9.97	5.69	2.14	10.00	10.00	6.95	1.12	6.33	10.00	2.05	5.93	7.02	6.13	6.36	25
New Hampshire	10.00	7.26	8.09	8.98	10.00	0.69	9.56	10.00	8.70	4.57	8.45	7.31	7.76	7.84	2
New Jersey	9.54	6.63	2.45	4.97	4.00	1.39	6.84	7.08	7.87	2.35	6.21	4.30	5.77	5.42	38
New Mexico	3.51	7.64	0.82	8.19	7.00	9.05	1.01	4.11	2.26	8.92	3.99	6.31	5.10	5.13	43
New York	5.75	6.68	1.64	0.69	6.00	2.20	5.20	6.42	6.40	0.77	4.69	3.53	4.53	4.25	50
North Carolina	8.09	5.99	6.96	6.34	7.00	8.40	5.69	8.18	6.61	8.55	7.01	6.86	7.78	7.22	9
North Dakota	7.39	7.48	5.83	7.89	10.00	7.34	4.06	9.88	5.43	7.73	6.90	7.32	7.68	7.30	7
Ohio	7.17	6.22	0.00	6.11	8.00	7.18	4.75	6.54	7.78	3.81	4.47	6.51	6.04	5.67	35
Oklahoma	9.01	6.35	6.10	7.39	7.00	9.26	4.68	7.99	4.50	8.16	7.15	7.08	6.88	7.04	12
Oregon	4.91	7.92	0.64	2.80	6.50	4.81	9.49	2.75	7.76	2.61	4.49	5.90	4.37	4.92	46
Pennsylvania	7.36	8.01	2.66	5.50	8.00	6.09	6.09	9.92	9.57	2.69	6.01	6.42	7.39	6.61	17
Rhode Island	7.07	7.46	0.31	5.69	8.00	3.50	5.99	4.05	8.89	1.28	4.95	5.80	4.74	5.16	42
South Carolina	7.19	2.84	5.89	6.71	6.00	6.66	6.45	7.70	5.54	9.10	5.31	6.45	7.45	6.40	24
South Dakota	10.00	7.69	7.46	10.00	10.00	6.46	4.06	7.13	6.73	7.85	8.39	7.63	7.23	7.75	3
Tennessee	9.55	4.07	7.66	9.88	10.00	9.05	3.03	8.14	8.48	7.05	7.10	7.99	7.89	7.66	4
Texas	9.46	7.86	6.35	10.00	10.00	4.42	4.02	9.04	7.92	7.01	7.89	7.11	7.99	7.66	4
Utah	7.85	4.06	7.81	6.42	7.00	8.65	4.92	8.32	7.70	7.38	6.57	6.75	7.80	7.04	12
Vermont	4.12	3.55	4.87	6.04	6.00	1.24	5.50	4.45	6.59	4.61	4.18	4.70	5.22	4.70	47
Virginia	9.04	7.24	6.86	5.34	7.00	6.29	6.98	10.00	7.25	7.57	7.71	6.40	8.27	7.46	6
Washington	8.52	7.56	4.55	9.58	10.00	6.46	0.93	3.62	6.26	2.82	6.88	6.74	4.23	5.95	31
West Virginia	5.14	4.98	3.16	5.85	6.00	7.84	4.62	4.13	3.00	7.46	4.43	6.08	4.86	5.12	44
Wisconsin	7.96	6.22	4.13	5.14	6.00	6.05	6.17	8.97	7.07	5.79	6.11	5.84	7.28	6.41	22
Wyoming	3.32	10.00	2.35	9.48	10.00	4.48	6.02	10.00	1.32	9.15	5.22	7.49	6.82	6.51	19
Puerto Rico***	7.03	0.00	0.00	0.00	0.00	1.82	0.00	0.00	0.00	10.00	2.34	0.46	3.33	2.04	51

* Rank out of 51, 2020; ** Average does not include the territory of Puerto Rico.; *** Preliminary results

Table 4.3a: Canada—Economic Freedom at the All-Government Level, 2003–2020

	2003	2005	2007	2009	2011	2013	2016	2017	2018	2019	2020	Rank*
Average	*7.87*	*7.90*	*7.88*	*7.86*	*7.66*	*7.80*	*7.91*	*7.85*	*7.75*	*7.74*	*7.53*	
Alberta	8.23	8.31	8.25	8.20	8.03	8.17	8.18	8.14	8.03	8.03	7.76	47
British Columbia	8.05	8.10	8.08	8.04	7.84	7.96	8.10	8.05	7.92	7.91	7.70	51
Manitoba	7.84	7.87	7.86	7.84	7.63	7.76	7.91	7.87	7.76	7.75	7.56	55
New Brunswick	7.81	7.83	7.81	7.78	7.59	7.70	7.80	7.72	7.62	7.62	7.41	57
Newfoundland & Labrador	7.64	7.68	7.70	7.72	7.54	7.74	7.81	7.69	7.60	7.59	7.40	59
Nova Scotia	7.87	7.87	7.80	7.75	7.52	7.64	7.76	7.71	7.62	7.61	7.41	57
Ontario	8.00	8.01	7.99	7.94	7.73	7.86	7.99	7.92	7.83	7.83	7.61	53
Prince Edward Island	7.67	7.68	7.68	7.64	7.47	7.61	7.75	7.68	7.57	7.58	7.38	60
Quebec	7.80	7.82	7.80	7.78	7.56	7.69	7.84	7.79	7.70	7.71	7.49	56
Saskatchewan	7.75	7.79	7.86	7.87	7.70	7.87	8.01	7.95	7.83	7.80	7.61	53

* Rank out of 92, 2020

Table 4.3b: Mexico—Economic Freedom at the All-Government Level, 2003–2020

	2003	2005	2007	2009	2011	2013	2016	2017	2018	2019	2020	Rank*
Average	*6.59*	*6.64*	*6.52*	*6.21*	*6.11*	*6.11*	*6.24*	*6.32*	*6.39*	*6.39*	*6.31*	
Aguascalientes	6.65	6.67	6.58	6.35	5.96	6.13	6.12	6.28	6.36	6.40	6.27	81
Baja California	6.88	6.88	6.75	6.54	6.52	6.50	6.54	6.57	6.58	6.65	6.56	63
Baja California Sur	6.62	6.67	6.36	6.06	6.09	6.08	6.19	6.40	6.52	6.40	6.23	83
Campeche	5.97	5.97	6.22	5.99	5.95	5.71	5.93	6.14	6.23	6.22	6.08	88
Coahuila de Zaragoza	6.66	6.66	6.51	6.32	5.85	6.14	6.09	6.19	6.27	6.25	6.17	87
Colima	5.88	6.04	6.05	5.75	5.68	5.69	5.78	5.86	5.94	5.93	5.85	91
Chiapas	6.49	6.57	6.51	6.16	6.15	6.15	6.28	6.33	6.42	6.50	6.37	76
Chihuahua	6.58	6.64	6.66	6.43	6.08	6.00	6.30	6.44	6.52	6.60	6.62	61
Ciudad de México	5.97	5.94	5.77	5.47	5.48	5.41	5.59	5.64	5.76	5.64	5.49	92
Durango	6.62	6.63	6.40	6.08	6.00	5.99	6.16	6.18	6.28	6.33	6.32	79
Guanajuato	6.83	6.86	6.75	6.09	5.96	6.28	6.67	6.58	6.49	6.50	6.44	70
Guerrero	6.47	6.56	6.43	5.98	5.84	6.20	6.28	6.31	6.35	6.39	6.38	75
Hidalgo	6.48	6.53	6.36	6.12	6.04	6.12	6.27	6.37	6.48	6.48	6.46	68
Jalisco	6.85	6.88	6.73	6.52	6.48	6.44	6.49	6.57	6.69	6.61	6.46	68
México	6.98	7.02	6.86	6.62	6.63	6.49	6.36	6.53	6.61	6.48	6.25	82
Michoacán de Ocampo	6.77	6.86	6.71	6.32	6.10	5.89	5.97	6.21	6.42	6.44	6.43	72
Morelos	6.78	6.79	6.67	6.40	6.27	6.17	6.32	6.40	6.51	6.51	6.44	70
Nayarit	6.75	6.92	6.66	6.23	6.12	6.29	6.40	6.52	6.56	6.62	6.57	62
Nuevo León	6.63	6.66	6.51	6.33	6.26	5.82	6.69	6.50	6.34	6.40	6.33	78
Oaxaca	6.63	6.65	6.53	6.25	6.18	6.17	6.25	6.39	6.44	6.54	6.48	67
Puebla	6.67	6.90	6.69	6.34	6.28	6.23	6.24	6.37	6.49	6.53	6.49	66
Querétaro	6.47	6.59	6.57	6.27	6.30	6.19	6.08	6.20	6.27	6.27	6.21	85
Quintana Roo	6.73	6.71	6.50	6.35	6.25	6.17	6.46	6.37	6.53	6.33	6.04	90
San Luis Potosí	6.60	6.75	6.67	6.27	6.16	6.17	6.17	6.22	6.35	6.33	6.22	84
Sinaloa	6.80	6.78	6.67	6.29	6.20	6.25	6.33	6.40	6.45	6.50	6.41	73
Sonora	6.79	6.79	6.73	6.30	6.13	6.23	6.44	6.52	6.49	6.53	6.41	73
Tabasco	6.26	6.42	6.32	6.08	6.08	6.06	6.20	6.32	6.37	6.37	6.32	79
Tamaulipas	6.34	6.37	6.18	5.94	5.93	6.06	6.13	6.23	6.18	6.16	6.07	89
Tlaxcala	7.08	6.95	6.60	6.38	6.29	6.32	6.43	6.56	6.65	6.61	6.52	65
Veracruz de Ignacio ...	6.48	6.56	6.47	6.20	6.07	6.06	6.12	6.18	6.29	6.28	6.20	86
Yucatán	6.63	6.66	6.56	6.18	6.08	6.05	6.23	6.29	6.35	6.42	6.53	64
Zacatecas	6.66	6.65	6.59	6.15	5.97	6.04	6.16	6.16	6.28	6.35	6.34	77

* Rank out of 92, 2020

Table 4.3c: United States—Economic Freedom at the All-Government Level, 2003–2020

	2003	2005	2007	2009	2011	2013	2016	2017	2018	2019	2020	Rank*
Average	*8.34*	*8.26*	*8.28*	*7.82*	*7.93*	*7.97*	*8.07*	*8.11*	*8.07*	*8.03*	*7.90*	
Alabama	8.42	8.36	8.35	7.91	8.01	8.03	8.14	8.16	8.11	8.09	7.95	16
Alaska	8.14	8.09	8.15	7.66	7.83	7.88	8.02	8.07	8.01	8.02	7.86	33
Arizona	8.41	8.34	8.33	7.87	7.96	8.03	8.14	8.02	7.98	7.92	7.80	43
Arkansas	8.28	8.20	8.21	7.77	7.80	7.89	8.01	8.05	8.01	7.99	7.87	30
California	8.30	8.19	8.20	7.74	7.84	7.86	7.99	8.03	7.97	7.91	7.80	43
Colorado	8.37	8.31	8.32	7.85	7.94	8.03	8.14	8.15	8.12	8.08	7.94	19
Connecticut	8.34	8.25	8.31	7.88	7.91	7.88	8.00	8.07	8.05	8.00	7.87	30
Delaware	8.38	8.24	8.16	7.73	7.74	7.73	7.86	7.95	7.87	7.77	7.67	52
Florida	8.48	8.36	8.37	7.93	8.06	8.09	8.23	8.27	8.22	8.17	8.05	2
Georgia	8.40	8.34	8.33	7.90	7.99	8.01	8.16	8.21	8.16	8.12	7.99	8
Hawaii	8.29	8.20	8.21	7.69	7.84	7.85	7.98	8.02	7.90	7.85	7.72	49
Idaho	8.34	8.28	8.32	7.86	7.98	8.06	8.19	8.22	8.19	8.15	8.02	4
Illinois	8.33	8.23	8.27	7.78	7.87	7.90	8.03	8.04	8.02	7.99	7.85	35
Indiana	8.44	8.31	8.35	7.86	8.00	8.02	8.15	8.19	8.17	8.11	7.99	8
Iowa	8.37	8.32	8.35	7.86	7.99	7.99	8.10	8.13	8.09	8.05	7.92	23
Kansas	8.34	8.25	8.30	7.84	8.01	8.08	8.13	8.17	8.11	8.08	7.95	16
Kentucky	8.36	8.28	8.29	7.79	7.86	7.88	7.94	7.98	7.96	7.93	7.79	45
Louisiana	8.36	8.23	8.23	7.78	7.92	7.96	8.01	8.07	8.04	8.03	7.91	25
Maine	8.31	8.21	8.25	7.81	7.90	7.99	8.09	8.13	8.10	8.01	7.89	29
Maryland	8.40	8.30	8.31	7.88	7.97	7.95	8.04	8.08	8.03	7.97	7.82	39
Massachusetts	8.33	8.25	8.28	7.80	7.89	7.92	8.02	8.07	8.01	7.97	7.82	39
Michigan	8.30	8.24	8.22	7.77	7.91	7.98	8.11	8.14	8.09	8.06	7.94	19
Minnesota	8.21	8.14	8.14	7.69	7.83	7.88	7.92	7.98	7.93	7.89	7.77	46
Mississippi	8.32	8.25	8.23	7.83	7.94	7.97	8.01	8.05	7.99	7.94	7.83	38
Missouri	8.34	8.29	8.28	7.85	7.95	7.98	8.06	8.06	8.05	8.02	7.90	27
Montana	8.28	8.29	8.30	7.84	7.98	8.02	8.18	8.20	8.16	8.13	8.01	6
Nebraska	8.39	8.29	8.33	7.91	8.07	8.04	8.11	8.14	8.10	8.05	7.94	19
Nevada	8.49	8.40	8.39	7.93	8.02	8.04	8.16	8.19	8.14	8.11	7.95	16
New Hampshire	8.55	8.48	8.49	8.04	8.15	8.18	8.27	8.29	8.25	8.23	8.10	1
New Jersey	8.28	8.17	8.19	7.74	7.83	7.85	8.00	8.05	8.00	7.95	7.84	36
New Mexico	8.26	8.22	8.22	7.77	7.86	7.91	8.03	8.04	8.03	7.94	7.84	36
New York	8.15	8.03	8.09	7.63	7.73	7.74	7.85	7.92	7.86	7.83	7.72	49
North Carolina	8.39	8.33	8.36	7.90	7.96	8.00	8.11	8.15	8.13	8.08	7.97	14
North Dakota	8.30	8.23	8.31	7.83	8.01	8.04	8.04	8.15	8.15	8.12	7.99	8
Ohio	8.19	8.10	8.12	7.67	7.78	7.83	7.97	8.01	7.99	7.95	7.81	41
Oklahoma	8.27	8.26	8.34	7.89	8.05	8.09	8.14	8.20	8.15	8.10	7.98	12
Oregon	8.28	8.24	8.27	7.76	7.84	7.91	8.03	8.08	8.04	7.99	7.86	33
Pennsylvania	8.35	8.26	8.26	7.82	7.90	7.95	8.06	8.08	8.06	8.02	7.91	25
Rhode Island	8.21	8.10	8.14	7.66	7.79	7.79	7.90	7.94	7.90	7.83	7.76	47
South Carolina	8.37	8.30	8.32	7.87	7.98	8.05	8.19	8.22	8.16	8.15	8.02	4
South Dakota	8.43	8.37	8.41	7.96	8.13	8.12	8.17	8.15	8.12	8.10	8.01	6
Tennessee	8.42	8.33	8.35	7.90	8.01	8.04	8.16	8.19	8.17	8.13	7.98	12
Texas	8.38	8.34	8.33	7.89	8.05	8.07	8.15	8.20	8.17	8.12	7.99	8
Utah	8.40	8.31	8.37	7.89	7.99	8.04	8.19	8.21	8.17	8.12	8.03	3
Vermont	8.35	8.24	8.23	7.80	7.93	7.93	8.03	8.04	7.99	7.95	7.81	41
Virginia	8.44	8.34	8.36	7.88	8.04	8.03	8.14	8.17	8.13	8.08	7.94	19
Washington	8.31	8.27	8.30	7.85	7.93	7.99	8.11	8.13	8.07	8.05	7.90	27
West Virginia	8.26	8.24	8.30	7.88	7.92	7.96	8.01	7.93	7.91	7.96	7.87	30
Wisconsin	8.32	8.24	8.27	7.74	7.88	7.91	8.08	8.13	8.11	8.05	7.92	23
Wyoming	8.33	8.29	8.27	7.78	7.98	8.01	8.10	8.19	8.17	8.12	7.97	14

* Rank out of 92, 2020

Table 4.4a: Canada—Overall Scores at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*4.91*	*4.62*	*4.84*	*4.98*	*5.42*	*5.48*	*4.92*	4.90	4.87	4.71	4.65	4.81	
Alberta	5.49	4.72	5.86	7.28	7.41	8.53	7.25	7.09	7.05	6.67	6.44	6.65	1
British Columbia	5.45	5.78	6.12	5.00	4.87	6.19	6.39	6.09	6.18	5.72	5.59	5.30	4
Manitoba	5.69	4.99	4.70	5.00	4.97	4.89	4.82	4.76	4.95	4.91	4.88	5.31	3
New Brunswick	5.03	4.69	5.22	5.94	5.99	5.79	5.69	4.31	4.16	3.99	4.04	4.24	8
Newfoundland & Lab.	3.47	2.87	2.88	3.46	4.68	4.47	4.55	4.88	4.43	4.57	4.42	4.64	6
Nova Scotia	5.03	5.13	6.12	6.38	6.93	6.18	4.16	3.86	3.90	4.17	4.17	4.34	7
Ontario	6.39	6.10	5.21	4.50	5.92	5.80	4.51	5.67	5.53	5.12	5.35	5.55	2
Prince Edward Island	5.35	5.90	5.47	6.35	6.18	6.27	5.04	4.66	4.56	4.29	3.87	4.04	9
Quebec	3.44	2.70	3.52	2.46	3.39	2.88	2.61	2.88	2.88	2.83	2.86	3.05	10
Saskatchewan	3.79	3.32	3.32	3.43	3.87	3.80	4.17	4.80	5.02	4.86	4.87	5.03	5

* Rank out of 10, 2020

Table 4.4b: Mexico—Overall Scores at the Subnational Level, 2003–2020

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average for Mexico	*7.01*	*6.78*	*5.78*	*4.68*	*4.48*	*4.62*	*4.32*	*4.13*	
Aguascalientes	7.38	7.21	5.80	4.70	4.67	4.80	4.53	4.27	13
Baja California	8.32	7.93	7.41	6.55	6.10	6.04	6.03	5.45	3
Baja California Sur	5.86	5.11	4.14	3.67	4.61	4.91	4.43	3.68	26
Campeche	4.52	4.38	3.95	2.41	2.61	2.78	2.51	2.34	31
Coahuila de Zaragoza	7.02	6.75	5.78	3.94	4.40	4.90	4.31	4.14	17
Colima	6.86	6.46	5.31	3.69	4.02	4.16	3.74	3.54	28
Chiapas	6.48	6.66	4.85	4.23	3.80	3.93	4.32	4.10	19
Chihuahua	6.57	6.48	5.86	4.95	5.07	5.01	5.00	5.56	2
Ciudad de México	5.84	5.73	5.57	4.98	5.14	5.33	4.83	4.12	18
Durango	6.86	6.83	5.34	4.14	3.69	3.88	3.95	4.16	16
Guanajuato	8.78	8.09	6.88	6.97	6.03	5.26	4.73	4.58	9
Guerrero	5.75	5.59	5.19	4.22	3.48	3.96	3.61	3.71	25
Hidalgo	7.25	6.84	5.41	4.68	4.68	4.79	4.52	4.74	8
Jalisco	7.97	7.63	7.25	6.03	6.12	6.57	5.75	5.17	4
México	8.08	7.72	6.47	4.05	4.06	4.29	3.13	2.71	30
Michoacán de Ocampo	8.15	8.35	6.80	5.84	6.04	6.39	5.88	5.69	1
Morelos	8.31	7.88	6.86	4.63	4.51	4.94	4.74	4.87	7
Nayarit	6.64	6.85	5.17	4.28	4.75	4.69	4.53	4.48	10
Nuevo León	6.54	6.57	6.46	6.17	5.53	5.04	5.05	5.03	5
Oaxaca	7.49	7.19	6.45	4.69	4.20	4.27	4.49	4.35	12
Puebla	8.37	8.76	7.55	4.88	4.26	4.75	4.89	4.93	6
Querétaro	6.82	6.17	5.28	4.17	4.18	4.36	4.02	3.78	23
Quintana Roo	5.60	5.30	5.20	4.17	3.47	4.15	3.30	1.83	32
San Luis Potosí	7.28	7.07	6.13	4.15	4.01	4.40	3.82	3.75	24
Sinaloa	7.82	7.46	6.17	4.80	4.53	4.94	4.39	3.85	22
Sonora	7.28	7.02	5.48	4.99	5.29	4.69	4.57	4.06	20
Tabasco	4.87	4.57	3.67	2.89	2.99	3.44	2.92	2.80	29
Tamaulipas	5.89	6.01	5.45	5.34	5.04	4.67	4.46	4.19	15
Tlaxcala	7.84	7.35	6.00	5.54	5.01	4.93	4.64	4.46	11
Veracruz de Ignacio ...	7.52	7.47	6.41	5.32	4.01	4.34	4.00	4.25	14
Yucatán	7.72	7.43	6.24	4.47	4.29	4.60	4.11	3.99	21
Zacatecas	6.69	6.06	4.41	4.32	2.87	2.77	2.89	3.61	27

Data for Mexico are not available for years 1981–2002.

* Rank out of 32, 2020

Table 4.4c: United States—Overall Scores at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
*Average***	*5.06*	*5.32*	*5.62*	*5.45*	*6.18*	*6.17*	*5.50*	*6.17*	*6.20*	*6.25*	*6.13*	*6.23*	
Alabama	5.48	5.85	6.28	6.14	5.78	6.84	5.80	6.30	6.33	6.26	6.32	6.41	22
Alaska	2.97	3.61	3.73	3.12	3.66	3.66	4.35	4.97	5.13	5.01	5.26	5.32	40
Arizona	6.09	6.21	5.88	5.90	6.71	7.09	5.95	6.83	5.84	5.84	5.62	5.87	32
Arkansas	5.89	6.04	6.12	6.12	6.40	6.50	5.46	6.11	6.13	6.29	6.13	6.30	27
California	4.14	4.61	4.58	4.40	5.30	4.74	4.13	4.65	4.78	4.58	4.35	4.59	49
Colorado	5.93	6.08	6.25	6.42	7.64	7.25	5.94	6.86	6.66	6.60	6.42	6.47	21
Connecticut	5.64	6.35	6.23	5.33	6.54	6.47	6.34	6.31	6.34	6.39	6.34	6.14	28
Delaware	4.27	5.46	6.25	5.77	6.68	6.50	5.38	5.36	5.57	5.61	5.11	5.19	41
Florida	6.75	7.06	7.05	6.96	7.67	7.14	6.72	7.86	8.01	7.91	7.80	7.94	1
Georgia	5.75	6.18	6.42	6.44	7.06	7.09	6.02	7.18	7.33	7.33	7.44	7.29	8
Hawaii	4.42	4.35	5.67	4.00	5.00	5.42	4.98	5.36	5.23	4.85	4.73	4.65	48
Idaho	5.42	5.58	5.96	5.52	6.16	6.33	5.43	6.85	6.92	7.03	7.08	7.17	10
Illinois	4.51	5.17	5.83	5.61	6.52	6.03	5.34	6.08	5.83	6.05	5.97	5.82	34
Indiana	5.75	5.84	6.31	6.38	6.91	6.35	5.64	6.77	6.97	7.10	6.88	7.07	11
Iowa	5.01	4.72	5.15	5.14	6.06	6.31	5.22	6.04	6.11	6.18	6.13	6.14	28
Kansas	5.03	5.62	5.96	5.80	6.71	6.53	6.06	6.91	6.93	6.91	6.91	7.00	14
Kentucky	4.93	5.60	5.77	5.39	6.04	5.83	4.73	5.12	5.21	5.32	5.58	5.63	36
Louisiana	5.57	5.06	5.35	5.78	5.78	6.02	5.72	6.25	6.42	6.50	6.49	6.49	20
Maine	4.20	4.20	4.56	4.31	4.99	4.90	5.01	5.75	5.64	5.53	5.02	5.05	45
Maryland	5.05	5.90	6.50	6.35	7.05	7.36	6.32	6.30	6.52	6.37	6.21	6.05	30
Massachusetts	4.25	5.51	5.50	5.62	6.91	6.56	5.97	6.53	6.58	6.59	6.48	6.34	26
Michigan	3.29	4.38	4.26	5.02	6.07	5.58	4.59	5.99	5.89	5.93	5.83	5.87	32
Minnesota	3.91	4.31	4.55	4.26	5.47	5.68	4.77	5.30	5.46	5.36	5.38	5.40	39
Mississippi	5.37	5.46	5.62	5.76	5.60	5.80	5.11	5.22	5.29	5.34	5.19	5.49	37
Missouri	6.00	6.37	6.77	6.44	6.80	6.58	6.23	6.79	6.72	6.85	6.60	6.82	15
Montana	4.77	3.98	3.92	4.18	5.24	6.17	5.54	6.41	6.34	6.35	6.36	6.60	18
Nebraska	5.39	5.56	6.25	6.36	6.89	6.85	6.40	6.66	6.64	6.70	6.57	6.74	16
Nevada	5.82	6.09	6.43	6.39	7.38	7.55	5.53	6.56	6.63	6.60	6.60	6.36	25
New Hampshire	6.36	7.17	7.28	7.01	7.94	7.89	7.11	7.78	7.79	7.83	7.71	7.84	2
New Jersey	4.54	5.66	6.12	4.97	6.52	5.79	4.97	5.78	5.88	5.93	5.27	5.42	38
New Mexico	5.22	5.39	5.27	4.62	4.82	5.58	4.76	5.17	5.10	5.36	4.51	5.13	43
New York	2.71	3.14	3.80	3.23	4.59	3.70	3.63	4.03	4.29	4.14	4.19	4.25	50
North Carolina	5.82	6.20	6.46	6.23	6.56	6.87	5.76	6.73	6.85	7.02	6.98	7.22	9
North Dakota	5.79	5.14	4.92	5.51	6.18	6.60	6.47	6.29	6.85	7.18	7.12	7.30	7
Ohio	4.36	4.27	4.64	4.25	5.24	4.87	4.58	5.46	5.55	5.69	5.71	5.67	35
Oklahoma	5.92	5.95	5.70	5.58	6.59	7.06	6.48	6.79	7.00	7.08	6.89	7.04	12
Oregon	3.72	4.04	4.56	4.85	4.82	4.95	4.29	5.06	5.16	5.05	4.96	4.92	46
Pennsylvania	4.63	4.96	5.65	5.26	6.44	6.23	5.42	6.35	6.22	6.45	6.50	6.61	17
Rhode Island	3.91	4.53	4.85	3.81	4.81	4.56	4.87	5.12	5.24	5.18	4.82	5.16	42
South Carolina	5.88	6.11	6.17	5.93	6.31	5.58	4.65	6.18	6.14	6.16	6.40	6.40	24
South Dakota	5.40	6.21	6.72	6.75	7.48	7.75	7.47	7.50	7.23	7.35	7.39	7.75	3
Tennessee	6.15	6.49	6.88	7.03	7.48	7.04	6.71	7.52	7.62	7.78	7.76	7.66	4
Texas	6.94	6.92	6.75	6.55	7.30	7.41	6.80	7.55	7.64	7.80	7.73	7.66	4
Utah	5.25	5.47	5.47	5.96	5.80	6.23	5.15	6.49	6.40	6.70	6.38	7.04	12
Vermont	4.04	4.35	4.98	4.82	5.48	5.12	4.54	5.09	4.89	4.83	4.73	4.70	47
Virginia	6.03	6.66	7.07	6.92	7.41	7.53	7.00	7.30	7.56	7.58	7.46	7.46	6
Washington	4.96	4.78	4.87	4.38	5.29	5.56	4.63	6.10	6.02	5.88	5.94	5.95	31
West Virginia	3.66	3.23	3.97	3.89	4.69	5.13	4.80	4.51	4.29	4.57	4.60	5.12	44
Wisconsin	4.66	3.81	4.65	4.82	5.49	5.63	4.78	6.24	6.39	6.55	6.34	6.41	22
Wyoming	5.43	4.30	4.84	5.24	6.53	6.36	5.27	5.95	6.41	6.78	6.53	6.51	19
Puerto Rico***								1.98	1.90	1.59	1.14	2.04	51

* Rank out of 51, 2020; ** Average does not include the territory of Puerto Rico.; *** Preliminary results

Table 4.5a: Canada—Scores for Area 1 (Government Spending) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*7.55*	*7.75*	*7.55*	*8.07*	*7.87*	*7.32*	*7.72*	*7.65*	*7.54*	*7.60*	*6.70*	
Alberta	8.30	8.76	8.67	9.21	9.28	8.64	8.78	8.76	8.69	8.72	7.58	5
British Columbia	8.37	8.67	8.43	8.75	8.71	8.06	8.47	8.46	8.35	8.44	7.45	14
Manitoba	8.19	8.14	7.83	8.20	7.93	7.61	7.91	7.87	7.74	7.78	6.91	48
New Brunswick	6.86	7.10	6.98	7.59	7.27	6.72	6.93	6.80	6.73	6.78	5.94	66
Newfoundland & Labrador	5.84	6.02	6.21	6.84	6.58	6.36	7.05	6.83	6.68	6.76	5.98	64
Nova Scotia	7.23	7.52	7.11	7.74	7.51	6.72	6.94	6.88	6.79	6.85	6.05	62
Ontario	8.93	8.84	8.45	9.07	8.79	7.91	8.42	8.36	8.27	8.34	7.32	26
Prince Edward Island	6.27	6.63	6.43	6.96	6.78	6.07	6.68	6.55	6.42	6.51	5.78	68
Quebec	7.87	8.08	7.75	8.39	8.13	7.52	7.92	7.90	7.86	7.95	6.98	45
Saskatchewan	7.67	7.78	7.63	7.97	7.75	7.64	8.12	8.06	7.92	7.89	7.03	43

* Rank out of 92, 2020

Table 4.5b: Mexico—Scores for Area 1 (Government Spending) at the All-Government Level, 2003–2019

Data for Mexico are not available for years 1985–2002.

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.15*	*6.14*	*4.46*	*4.97*	*5.18*	*5.28*	*5.23*	*5.08*	
Aguascalientes	6.31	6.05	4.27	4.03	4.72	4.90	5.10	4.74	82
Baja California	7.73	7.46	6.22	6.53	6.58	6.42	6.71	6.56	52
Baja California Sur	6.11	6.26	3.55	4.55	5.42	5.68	5.01	4.40	86
Campeche	2.25	2.02	3.23	3.45	4.01	4.15	4.06	3.63	91
Coahuila de Zaragoza	6.55	6.31	3.88	4.39	4.70	4.77	4.59	4.49	84
Colima	3.83	4.44	3.48	4.02	4.20	4.28	4.17	4.08	89
Chiapas	5.15	5.32	3.97	4.63	4.74	4.85	5.14	5.05	76
Chihuahua	6.14	6.20	4.49	5.27	5.82	5.87	6.21	6.44	55
Ciudad de México	5.21	5.08	4.00	3.48	3.39	3.96	3.25	3.20	92
Durango	5.90	5.58	3.34	4.17	4.13	4.28	4.48	4.66	83
Guanajuato	7.20	7.11	5.38	6.85	6.33	5.60	5.63	5.58	70
Guerrero	5.25	5.37	4.45	4.72	4.65	4.76	4.71	4.87	79
Hidalgo	5.17	5.14	3.67	4.75	4.93	5.13	5.13	5.30	74
Jalisco	7.46	7.41	6.15	6.36	6.66	7.05	6.62	6.11	60
México	8.19	8.09	6.54	5.62	6.25	6.31	5.80	4.97	78
Michoacán de Ocampo	6.85	7.23	4.67	4.60	5.36	6.10	6.16	6.22	59
Morelos	6.91	6.75	5.14	5.12	5.19	5.53	5.47	5.36	71
Nayarit	6.67	7.23	3.90	5.41	5.85	5.75	6.02	5.99	63
Nuevo León	6.98	7.02	5.93	7.82	6.99	6.10	6.11	6.09	61
Oaxaca	5.92	5.75	4.25	4.46	4.93	4.99	5.30	5.19	75
Puebla	6.46	7.28	5.48	5.05	5.46	5.71	5.84	5.84	67
Querétaro	5.73	6.13	4.93	4.71	5.18	5.21	5.20	5.00	77
Quintana Roo	7.05	6.68	5.59	6.29	5.60	6.28	5.27	3.64	90
San Luis Potosí	5.92	6.39	4.42	4.40	4.67	4.83	4.68	4.45	85
Sinaloa	7.00	6.70	4.65	5.25	5.43	5.55	5.53	5.35	72
Sonora	7.04	6.77	4.04	5.70	5.91	5.48	5.71	5.34	73
Tabasco	4.00	4.49	3.64	4.49	4.77	4.86	4.81	4.76	81
Tamaulipas	5.73	5.40	3.46	4.70	5.06	4.87	4.63	4.29	88
Tlaxcala	8.37	7.35	4.63	5.49	5.98	6.15	5.88	5.62	69
Veracruz de Ignacio ...	5.68	5.69	3.95	4.23	4.31	4.66	4.49	4.38	87
Yucatán	6.10	5.88	3.95	4.52	4.63	4.65	5.06	5.97	65
Zacatecas	6.09	5.93	3.37	4.07	3.98	4.31	4.66	4.83	80

* Rank out of 92, 2020

Table 4.5c: United States—Scores for Area 1 (Government Spending) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*7.72*	*7.68*	*7.71*	*8.17*	*7.87*	*6.66*	*7.27*	*7.35*	*7.46*	*7.35*	*7.21*	
Alabama	7.72	7.65	7.74	7.99	7.76	6.59	7.01	7.06	7.14	7.02	6.93	47
Alaska	6.77	6.47	6.38	6.62	6.29	5.52	6.28	6.44	6.35	6.52	6.37	56
Arizona	7.98	7.71	7.93	8.37	8.04	6.69	7.29	6.48	6.62	6.41	6.29	58
Arkansas	7.81	7.82	7.86	8.20	7.94	6.66	7.14	7.32	7.44	7.28	7.29	27
California	7.61	7.64	7.56	8.25	7.84	6.69	7.24	7.32	7.36	7.21	7.09	40
Colorado	7.89	7.66	7.92	8.54	8.12	6.74	7.51	7.51	7.63	7.51	7.29	27
Connecticut	7.90	7.89	7.91	8.52	8.20	6.89	7.30	7.59	7.70	7.57	7.40	16
Delaware	8.02	8.02	7.94	8.54	8.23	6.93	7.14	7.26	7.40	7.18	7.08	41
Florida	8.17	8.09	8.13	8.62	8.19	7.07	7.88	8.02	8.05	7.88	7.79	2
Georgia	7.93	7.96	8.00	8.51	8.18	6.80	7.62	7.75	7.81	7.68	7.45	14
Hawaii	7.16	7.74	7.47	7.89	7.73	6.30	6.94	7.09	7.14	7.01	6.75	50
Idaho	7.70	7.69	7.77	8.22	7.98	6.69	7.61	7.69	7.79	7.65	7.55	10
Illinois	7.97	7.98	7.97	8.44	8.05	6.71	7.45	7.39	7.51	7.44	7.28	30
Indiana	8.05	8.11	8.19	8.59	8.16	6.95	7.59	7.70	7.83	7.69	7.58	5
Iowa	7.88	7.82	7.89	8.34	8.03	6.87	7.43	7.52	7.61	7.46	7.33	25
Kansas	7.84	7.85	7.93	8.42	8.05	6.95	7.57	7.69	7.80	7.66	7.54	11
Kentucky	7.84	7.72	7.68	8.08	7.65	6.06	6.53	6.63	6.73	6.68	6.55	53
Louisiana	7.46	7.50	7.43	7.87	7.46	6.40	6.84	7.17	7.26	7.09	6.94	46
Maine	7.56	7.64	7.51	8.03	7.75	6.67	7.45	7.61	7.73	7.56	7.40	16
Maryland	7.68	7.68	7.69	8.23	7.95	6.71	7.18	7.33	7.46	7.29	7.10	39
Massachusetts	7.73	7.55	7.73	8.41	8.00	6.66	7.24	7.47	7.58	7.44	7.18	35
Michigan	7.89	7.59	7.84	8.38	7.95	6.44	7.44	7.52	7.61	7.44	7.23	31
Minnesota	7.78	7.74	7.83	8.28	8.07	6.87	7.59	7.73	7.78	7.66	7.50	12
Mississippi	7.47	7.42	7.52	7.75	7.33	6.31	6.46	6.49	6.60	6.45	6.36	57
Missouri	7.65	7.78	7.87	8.29	7.91	6.65	7.32	7.32	7.44	7.28	7.17	36
Montana	7.05	7.01	7.14	7.65	7.61	6.50	7.42	7.41	7.55	7.44	7.35	22
Nebraska	8.00	7.97	8.15	8.45	8.22	7.28	7.78	7.83	7.90	7.75	7.67	3
Nevada	7.68	7.74	7.96	8.63	8.51	6.95	7.63	7.73	7.79	7.65	7.35	22
New Hampshire	8.23	8.14	8.26	8.73	8.55	7.47	8.03	8.13	8.22	8.07	7.96	1
New Jersey	8.02	7.92	7.85	8.51	8.11	6.82	7.60	7.73	7.83	7.62	7.57	7
New Mexico	7.18	7.06	7.13	7.40	7.10	5.84	6.43	6.42	6.62	6.56	6.45	54
New York	7.56	7.57	7.39	7.97	7.56	6.41	7.08	7.24	7.30	7.18	7.14	37
North Carolina	8.08	8.03	8.06	8.36	8.10	6.76	7.28	7.39	7.54	7.42	7.34	24
North Dakota	7.09	7.08	7.31	7.35	7.31	6.79	6.79	7.36	7.59	7.48	7.40	16
Ohio	7.67	7.56	7.59	8.04	7.62	6.27	7.17	7.29	7.42	7.28	7.12	38
Oklahoma	7.93	7.71	7.62	8.14	7.99	6.93	7.34	7.52	7.66	7.53	7.38	20
Oregon	7.60	7.74	7.71	7.94	7.65	6.26	7.11	7.25	7.33	7.20	7.06	42
Pennsylvania	7.82	7.84	7.69	8.24	7.89	6.54	7.20	7.19	7.40	7.28	7.22	32
Rhode Island	7.70	7.53	7.28	7.91	7.60	6.27	6.95	7.03	7.14	7.06	6.90	49
South Carolina	7.79	7.68	7.74	8.20	7.72	6.54	7.38	7.45	7.51	7.49	7.38	20
South Dakota	7.66	7.72	7.81	8.10	7.83	7.04	7.52	7.37	7.51	7.44	7.46	13
Tennessee	7.90	7.88	7.97	8.38	8.01	6.91	7.51	7.64	7.73	7.57	7.40	16
Texas	8.08	7.92	7.94	8.44	8.17	7.09	7.65	7.74	7.88	7.73	7.56	8
Utah	7.65	7.56	7.88	8.33	8.04	6.81	7.57	7.62	7.76	7.67	7.61	4
Vermont	7.83	7.85	7.84	8.31	7.99	6.61	7.32	7.30	7.36	7.23	7.00	44
Virginia	7.79	7.73	7.77	8.28	7.97	6.80	7.29	7.40	7.49	7.34	7.21	33
Washington	7.44	7.58	7.51	8.20	8.00	6.65	7.58	7.75	7.82	7.79	7.56	8
West Virginia	7.43	7.36	7.18	7.57	7.54	6.43	6.53	5.90	6.07	6.72	6.59	51
Wisconsin	7.86	7.85	7.92	8.30	7.97	6.60	7.37	7.52	7.64	7.37	7.29	27
Wyoming	7.30	7.22	7.34	7.89	7.53	6.45	6.97	7.23	7.50	7.35	7.20	34

* Rank out of 92, 2020

Table 4.6a: Canada—Scores for Area 1 (Government Spending) at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.30*	*5.17*	*5.25*	*5.73*	*6.17*	*5.93*	*4.21*	*4.57*	*4.66*	*4.52*	*4.33*	*4.37*	
Alberta	5.43	2.41	5.43	8.44	8.15	9.39	6.69	6.95	7.07	6.66	6.26	6.52	1
British Columbia	6.95	6.69	7.00	5.86	5.17	6.90	6.75	6.48	6.91	6.11	5.87	4.44	4
Manitoba	9.29	7.70	6.24	6.73	6.42	5.79	5.77	5.77	6.04	6.12	6.15	6.50	2
New Brunswick	6.71	5.91	5.83	7.38	6.60	5.48	4.83	2.04	2.08	2.04	2.04	2.12	10
Newfoundland & Lab.	3.72	2.19	1.56	2.83	5.32	4.56	3.78	5.02	4.57	4.72	4.20	4.32	5
Nova Scotia	6.38	6.89	7.53	7.50	8.68	6.58	2.35	2.35	2.38	2.89	3.26	3.59	6
Ontario	8.11	7.13	6.11	4.89	6.90	6.63	2.83	6.71	6.57	6.15	6.43	6.35	3
Prince Edward Island	6.95	7.49	5.32	6.80	5.93	7.25	4.04	4.57	4.43	3.94	2.56	3.52	8
Quebec	5.14	3.05	4.65	2.98	4.19	2.79	1.77	2.41	2.45	2.54	2.71	2.81	9
Saskatchewan	4.32	2.24	2.84	3.85	4.33	3.93	3.33	3.36	4.07	4.02	3.84	3.57	7

* Rank out of 10, 2020

Table 4.6b: Mexico—Scores for Area 1 (Government Spending) at the Subnational Level, 2003–2019

Data for Mexico are not available for years 1981–2002.

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.91*	*6.86*	*4.34*	*3.90*	*4.08*	*4.32*	*4.38*	*4.24*	
Aguascalientes	7.52	7.23	5.05	3.19	4.00	4.37	5.16	5.07	13
Baja California	9.20	9.13	7.90	7.38	7.30	7.42	7.71	7.20	1
Baja California Sur	7.43	7.29	4.44	3.82	5.28	5.99	5.37	5.10	12
Campeche	2.88	3.14	2.25	0.91	1.46	1.24	1.64	1.31	30
Coahuila de Zaragoza	8.82	8.27	4.19	6.14	6.12	6.72	6.60	6.34	5
Colima	5.36	6.03	4.76	3.16	3.51	3.51	3.66	3.63	22
Chiapas	3.08	3.73	0.81	0.00	0.00	0.83	1.38	1.06	32
Chihuahua	7.51	7.57	5.29	5.37	6.15	5.75	5.75	6.45	4
Ciudad de México	9.50	9.45	7.91	6.31	6.58	6.86	6.39	6.04	6
Durango	6.36	6.35	2.80	2.78	2.30	3.12	4.00	4.62	15
Guanajuato	8.26	8.43	6.15	6.80	6.03	5.18	5.44	5.57	9
Guerrero	3.19	3.67	2.67	1.35	1.66	2.18	1.85	1.56	28
Hidalgo	5.58	4.92	3.34	3.07	3.25	3.48	3.49	3.72	20
Jalisco	9.04	8.60	7.25	6.79	7.08	7.61	7.22	6.55	3
México	8.97	8.26	5.61	3.35	4.16	4.39	3.18	2.26	26
Michoacán de Ocampo	7.39	8.01	4.79	3.38	4.78	5.51	5.75	5.82	7
Morelos	7.35	6.97	5.17	3.24	3.30	3.85	4.08	4.26	18
Nayarit	6.41	7.31	3.28	3.03	4.02	3.40	3.77	4.14	19
Nuevo León	8.93	8.66	7.33	8.64	7.31	6.57	6.93	7.00	2
Oaxaca	4.77	4.40	1.93	0.72	1.30	1.23	1.78	1.51	29
Puebla	7.02	8.17	5.95	3.28	4.41	5.09	5.29	5.46	10
Querétaro	7.03	7.39	5.79	4.80	5.03	5.22	5.17	5.19	11
Quintana Roo	7.65	7.08	4.88	5.56	3.34	5.38	4.18	1.10	31
San Luis Potosí	6.05	6.60	4.38	2.97	3.25	3.78	3.60	3.66	21
Sinaloa	8.03	7.85	4.41	3.92	4.39	4.40	4.48	4.37	17
Sonora	8.44	8.14	4.17	4.77	4.88	3.43	4.54	4.43	16
Tabasco	1.83	2.01	0.34	1.30	1.77	2.71	1.64	1.67	27
Tamaulipas	7.65	7.52	5.00	6.31	6.39	5.42	5.82	5.80	8
Tlaxcala	8.60	7.49	2.28	2.37	3.20	3.47	3.30	3.18	24
Veracruz de Ignacio ...	7.42	7.50	3.62	4.58	2.84	3.64	2.96	3.02	25
Yucatán	8.01	7.50	5.20	4.23	4.48	5.19	5.43	4.85	14
Zacatecas	5.73	4.70	0.00	1.40	1.09	1.18	2.48	3.57	23

* Rank out of 32, 2020

Table 4.6c: United States—Scores for Area 1 (Government Spending) at the Subnational Level, 1981–2019

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
*Average***	*7.08*	*7.37*	*7.30*	*6.38*	*7.37*	*6.82*	*5.22*	*6.26*	*6.29*	*6.39*	*6.48*	*6.07*	
Alabama	7.63	8.40	8.44	7.40	5.41	7.66	5.60	5.83	5.72	5.69	5.79	5.58	32
Alaska	2.91	2.88	2.40	0.19	0.55	0.00	1.33	2.30	2.55	2.24	3.09	2.93	50
Arizona	9.39	9.38	8.08	7.34	7.95	8.17	6.15	7.24	5.14	5.29	5.33	5.14	37
Arkansas	8.33	8.91	8.63	7.94	8.07	7.66	5.49	6.19	6.51	6.66	6.59	6.84	19
California	5.40	5.42	5.19	4.04	5.94	4.56	3.29	4.24	4.25	4.05	4.03	3.63	49
Colorado	8.19	8.09	7.99	7.40	9.53	8.27	5.86	7.60	7.33	7.50	7.59	6.84	19
Connecticut	7.10	7.85	7.40	5.62	8.19	8.25	7.07	7.40	7.75	7.80	7.83	7.36	9
Delaware	6.61	8.31	8.30	7.11	8.51	7.46	5.02	4.22	4.37	4.61	4.25	4.02	46
Florida	9.55	9.79	9.06	8.69	9.69	7.80	6.89	8.81	9.05	8.80	8.67	8.46	1
Georgia	8.75	9.11	8.73	7.85	8.77	8.03	5.97	7.88	8.02	7.93	7.97	7.10	12
Hawaii	6.19	4.75	7.64	4.27	5.90	7.16	5.69	6.87	7.01	6.88	6.89	5.85	30
Idaho	8.29	8.62	9.03	7.13	8.17	7.56	5.68	7.95	7.94	8.03	8.01	7.80	7
Illinois	5.33	6.07	7.08	6.51	8.02	7.18	5.42	6.64	6.08	6.25	6.47	5.95	28
Indiana	8.11	8.79	8.89	8.58	9.35	7.74	5.90	7.15	7.27	7.47	7.51	7.23	10
Iowa	7.22	7.14	7.62	6.95	7.72	7.43	5.08	6.04	6.04	6.08	6.05	5.61	31
Kansas	7.77	8.91	8.37	7.76	9.02	8.19	7.00	8.15	8.22	8.34	8.35	8.02	5
Kentucky	6.17	8.08	7.89	6.76	7.56	5.65	3.16	3.71	3.75	3.79	4.10	3.65	48
Louisiana	7.31	6.61	6.94	6.39	6.17	5.84	4.56	4.93	5.70	5.75	5.65	5.11	38
Maine	5.81	5.86	6.06	4.78	5.93	5.61	4.98	6.72	6.98	7.17	7.05	6.52	23
Maryland	7.28	7.74	7.81	7.44	8.21	8.34	5.72	6.15	6.67	6.85	6.86	6.06	26
Massachusetts	5.39	6.69	5.80	5.91	8.60	7.72	5.79	7.14	7.49	7.62	7.59	6.57	21
Michigan	4.30	5.76	4.45	5.56	7.88	6.36	3.84	6.28	6.23	6.26	6.15	5.33	34
Minnesota	6.00	5.76	5.79	4.63	6.31	5.77	3.91	5.76	6.07	5.80	5.94	5.38	33
Mississippi	7.07	7.76	7.90	7.68	7.15	6.50	4.90	4.54	4.45	4.51	4.53	4.34	44
Missouri	8.06	8.98	9.03	8.33	8.44	7.11	6.42	7.55	7.27	7.38	7.32	7.08	14
Montana	7.19	5.78	5.28	4.71	6.50	6.64	5.22	7.10	6.71	6.94	7.13	6.94	16
Nebraska	8.90	8.80	9.08	9.03	9.38	8.83	7.99	8.48	8.39	8.36	8.32	8.18	4
Nevada	8.32	8.49	8.39	8.27	9.70	9.51	5.67	7.22	7.24	7.13	7.13	5.93	29
New Hampshire	8.75	9.44	9.44	8.56	9.53	9.41	7.93	8.79	8.82	8.81	8.75	8.45	2
New Jersey	6.08	7.55	8.15	6.32	8.47	7.18	4.62	6.33	6.60	6.60	6.11	6.21	24
New Mexico	7.66	7.78	7.32	4.83	4.98	5.45	3.27	4.04	3.70	4.03	4.33	3.99	47
New York	4.62	4.62	4.49	2.93	5.15	3.84	3.35	4.35	4.66	4.57	4.66	4.69	40
North Carolina	8.12	8.96	8.42	7.14	7.40	7.76	5.76	6.82	6.87	7.13	7.22	7.01	15
North Dakota	8.00	7.52	6.78	6.98	7.19	7.28	6.04	4.50	6.35	6.97	7.11	6.90	17
Ohio	4.80	5.23	4.93	4.04	5.55	4.14	3.18	4.60	4.72	4.98	4.94	4.47	42
Oklahoma	8.01	8.46	7.56	6.75	8.46	8.13	6.70	6.94	7.32	7.54	7.63	7.15	11
Oregon	5.55	6.49	7.40	5.79	5.33	4.94	3.82	4.65	4.87	4.87	4.96	4.49	41
Pennsylvania	5.18	5.58	6.33	5.44	7.45	6.34	4.53	5.88	5.46	5.99	6.12	6.01	27
Rhode Island	5.25	5.63	5.41	3.23	5.11	4.24	4.61	5.23	5.17	5.33	5.55	4.95	39
South Carolina	8.23	8.85	8.51	7.13	7.56	4.53	2.86	5.28	5.12	5.03	5.61	5.31	35
South Dakota	7.12	9.19	9.16	8.80	9.17	8.93	8.26	8.55	8.01	8.20	8.40	8.39	3
Tennessee	8.74	9.29	9.14	8.33	8.93	6.78	6.61	7.56	7.69	7.71	7.67	7.10	12
Texas	9.60	9.53	8.83	7.89	8.73	8.47	7.38	8.17	8.21	8.45	8.42	7.89	6
Utah	7.44	8.29	7.60	7.79	6.38	6.29	4.00	6.14	5.83	6.25	6.62	6.57	21
Vermont	5.68	6.16	5.92	5.30	6.42	6.20	3.94	5.62	5.07	5.01	5.09	4.18	45
Virginia	8.41	8.99	9.13	8.06	8.55	8.18	6.91	7.53	8.27	8.24	8.18	7.71	8
Washington	6.22	5.73	5.80	4.24	5.63	6.60	3.79	6.65	7.21	7.07	7.73	6.88	18
West Virginia	5.78	5.32	5.22	3.99	5.75	6.32	4.94	4.14	2.89	3.28	4.80	4.43	43
Wisconsin	7.50	5.51	6.23	6.19	6.78	6.38	4.55	6.41	6.64	6.80	6.25	6.11	25
Wyoming	8.51	5.84	5.76	5.19	7.20	6.44	4.15	4.63	5.06	5.65	5.73	5.22	36
Puerto Rico***								2.61	2.37	1.22	0.00	2.34	51

* Rank out of 51, 2020; ** Average does not include the territory of Puerto Rico.; *** Preliminary results

Table 4.7a: Canada—Scores for Area 2 (Taxes) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*5.32*	*5.80*	*5.36*	*5.14*	*5.62*	*6.05*	*5.64*	*5.60*	*5.54*	*5.48*	*5.84*	
Alberta	5.88	6.22	5.88	5.73	6.43	6.61	6.05	6.08	5.97	5.97	6.25	50
British Columbia	5.46	6.07	5.32	5.17	6.04	6.30	5.93	5.92	5.69	5.63	6.06	53
Manitoba	4.95	5.60	5.26	4.94	5.52	5.83	5.52	5.54	5.47	5.42	5.84	60
New Brunswick	5.25	5.81	5.49	5.35	5.79	6.26	5.71	5.63	5.60	5.53	5.83	62
Newfoundland & Labrador	5.34	5.95	5.37	5.42	5.67	6.31	5.77	5.53	5.54	5.45	5.75	65
Nova Scotia	5.34	6.05	5.83	5.47	5.78	5.94	5.50	5.51	5.51	5.39	5.73	67
Ontario	5.18	5.14	5.03	4.98	5.33	5.82	5.31	5.23	5.26	5.22	5.62	71
Prince Edward Island	6.07	6.36	5.66	5.15	5.43	6.14	5.73	5.70	5.64	5.61	5.93	58
Quebec	4.48	5.12	4.85	4.55	5.07	5.43	5.10	5.10	5.07	5.04	5.45	77
Saskatchewan	5.25	5.66	4.89	4.67	5.15	5.83	5.81	5.80	5.64	5.53	5.93	58

* Rank out of 92, 2020

Table 4.7b: Mexico—Scores for Area 2 (Taxes) at the All-Government Level, 2003–2020

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.82*	*6.12*	*5.41*	*5.41*	*5.39*	*5.37*	*5.36*	*5.31*	
Aguascalientes	6.94	6.31	5.57	5.62	5.55	5.52	5.51	5.39	80
Baja California	6.75	6.04	5.52	5.46	5.31	5.18	5.24	5.12	83
Baja California Sur	6.97	6.06	5.47	5.43	5.54	5.65	5.47	5.44	78
Campeche	7.01	6.23	5.59	5.08	5.48	5.55	5.49	5.44	78
Coahuila de Zaragoza	6.89	6.14	5.28	5.12	5.21	5.26	5.23	5.16	82
Colima	4.84	4.14	3.79	3.56	3.57	3.63	3.59	3.49	91
Chiapas	7.32	6.70	6.11	6.10	6.00	6.10	6.13	5.67	69
Chihuahua	6.68	5.98	5.39	5.38	5.38	5.43	5.47	5.56	75
Ciudad de México	3.89	2.86	1.75	2.88	2.96	2.73	2.63	2.15	92
Durango	7.22	6.64	5.89	5.74	5.63	5.75	5.78	5.80	64
Guanajuato	7.17	6.43	3.52	5.97	5.72	5.62	5.61	5.57	73
Guerrero	7.19	6.58	4.38	6.02	6.03	5.85	6.00	5.99	55
Hidalgo	7.22	6.57	6.14	5.91	5.97	6.09	6.05	5.99	55
Jalisco	6.92	6.18	5.91	5.43	5.29	5.27	5.15	5.09	85
México	7.08	6.41	6.17	5.50	5.56	5.61	5.39	5.06	86
Michoacán de Ocampo	7.23	6.32	5.48	4.27	4.62	4.68	4.72	4.87	87
Morelos	7.14	6.39	5.87	5.78	5.86	5.87	5.87	5.83	62
Nayarit	7.18	6.63	6.01	5.92	5.92	5.94	5.90	5.96	57
Nuevo León	6.16	5.31	4.66	5.11	4.52	4.14	4.36	4.33	90
Oaxaca	7.39	6.75	6.36	6.13	6.22	6.11	6.27	6.23	51
Puebla	7.05	6.55	6.00	5.42	5.49	5.61	5.68	5.64	70
Querétaro	6.50	5.78	4.98	4.60	4.55	4.58	4.55	4.69	89
Quintana Roo	6.70	5.89	5.39	5.32	5.20	5.15	4.93	5.12	83
San Luis Potosí	7.19	6.54	5.94	5.65	5.40	5.67	5.61	5.48	76
Sinaloa	7.13	6.36	5.80	5.59	5.57	5.36	5.61	5.57	73
Sonora	7.05	6.32	5.61	5.80	5.76	5.71	5.62	5.61	72
Tabasco	7.17	6.53	5.61	5.69	5.85	5.77	5.69	5.75	65
Tamaulipas	5.81	5.32	4.92	5.11	5.03	4.66	4.70	4.82	88
Tlaxcala	7.39	6.75	6.29	6.18	6.19	6.18	6.16	6.07	52
Veracruz de Ignacio ...	6.75	6.18	5.91	5.59	5.58	5.55	5.54	5.34	81
Yucatán	7.07	6.45	5.89	5.75	5.71	5.71	5.64	5.72	68
Zacatecas	7.32	6.45	5.90	5.92	5.76	5.81	5.83	5.84	60

Data for Mexico are not available for years 1985–2002.

* Rank out of 92, 2020

Table 4.7c: United States—Scores for Area 2 (Taxes) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.05*	*7.56*	*6.97*	*6.95*	*7.29*	*7.52*	*6.97*	*7.01*	*7.17*	*7.13*	*7.35*	
Alabama	6.70	8.19	7.59	7.49	7.96	8.13	7.61	7.61	7.78	7.82	7.91	2
Alaska	6.59	7.91	7.44	7.57	8.07	8.13	7.80	7.86	8.06	8.01	8.10	1
Arizona	6.24	7.68	7.19	7.13	7.52	7.63	7.33	7.38	7.53	7.51	7.75	6
Arkansas	6.37	7.93	7.01	6.70	6.77	6.76	6.69	6.66	6.85	6.94	7.08	38
California	5.71	7.36	6.85	6.72	7.00	7.21	6.61	6.65	6.77	6.69	6.99	43
Colorado	5.62	7.29	7.01	6.95	7.20	7.27	7.12	7.12	7.33	7.30	7.49	22
Connecticut	5.90	7.20	6.66	6.67	6.89	7.37	6.55	6.62	6.86	6.80	7.05	39
Delaware	5.02	7.01	6.37	6.56	6.76	6.75	5.81	6.13	6.05	5.77	6.06	53
Florida	6.77	7.96	7.28	7.12	7.48	7.78	7.21	7.26	7.39	7.41	7.61	15
Georgia	6.09	7.59	6.85	6.83	7.30	7.58	7.03	7.09	7.28	7.26	7.51	21
Hawaii	6.14	7.49	7.03	6.89	7.31	7.42	6.92	6.95	6.74	6.64	6.95	46
Idaho	6.16	7.58	6.98	6.90	7.20	7.77	7.25	7.28	7.47	7.50	7.63	13
Illinois	5.82	7.28	6.62	6.61	7.00	7.32	6.55	6.61	6.83	6.87	7.05	39
Indiana	6.17	7.61	7.30	7.17	7.27	7.51	7.10	7.14	7.37	7.20	7.44	24
Iowa	6.26	7.71	7.02	7.08	7.45	7.57	6.93	6.92	7.11	7.09	7.28	32
Kansas	5.97	7.49	6.79	6.65	6.98	7.45	6.97	7.03	7.04	7.04	7.28	32
Kentucky	6.10	7.88	7.04	7.23	7.62	7.70	6.96	7.02	7.25	7.19	7.31	31
Louisiana	6.41	7.81	7.45	7.47	7.43	7.51	6.93	6.88	7.14	7.28	7.56	17
Maine	5.99	7.53	6.89	6.80	7.18	7.55	6.94	7.00	7.20	6.99	7.27	34
Maryland	5.97	7.58	6.98	7.08	7.39	7.61	6.87	6.85	6.99	6.91	7.05	39
Massachusetts	5.91	7.45	6.86	6.71	7.10	7.31	6.67	6.72	6.72	6.75	6.96	44
Michigan	5.40	7.24	6.85	6.79	7.17	7.47	7.13	7.14	7.30	7.34	7.65	12
Minnesota	5.27	6.70	5.81	5.98	6.36	6.59	5.80	5.92	6.15	6.03	6.37	49
Mississippi	6.52	7.97	7.40	7.30	7.77	7.95	7.41	7.50	7.56	7.51	7.73	9
Missouri	6.03	7.46	6.89	6.90	7.40	7.60	6.85	6.76	7.07	7.20	7.38	28
Montana	6.12	7.49	7.10	6.98	7.72	7.97	7.54	7.58	7.71	7.67	7.87	3
Nebraska	5.86	7.35	6.61	6.80	7.04	7.42	6.67	6.71	6.88	6.84	7.09	37
Nevada	6.43	7.74	7.16	7.26	7.48	7.80	7.21	7.20	7.38	7.40	7.59	16
New Hampshire	6.89	7.97	7.32	7.47	7.81	7.92	7.30	7.27	7.46	7.52	7.74	8
New Jersey	5.78	7.18	6.35	6.43	6.56	6.79	6.25	6.29	6.44	6.50	6.72	47
New Mexico	6.40	7.83	7.24	7.26	7.82	8.02	7.55	7.54	7.79	7.43	7.79	5
New York	4.88	6.83	6.32	6.33	6.40	6.65	6.03	6.20	6.27	6.33	6.50	48
North Carolina	5.82	7.86	7.31	7.19	7.34	7.52	7.06	7.13	7.32	7.25	7.47	23
North Dakota	6.27	6.46	7.06	7.09	7.62	7.85	7.11	7.14	7.41	7.41	7.56	17
Ohio	5.58	7.32	6.57	6.46	6.63	6.90	6.48	6.53	6.80	6.80	6.96	44
Oklahoma	5.69	7.49	6.44	6.57	7.07	7.70	7.24	7.35	7.40	7.30	7.56	17
Oregon	5.77	7.36	7.14	6.99	7.53	7.46	6.99	7.08	7.26	7.23	7.43	26
Pennsylvania	6.05	7.55	6.89	6.91	7.26	7.50	6.93	6.95	7.15	7.14	7.37	29
Rhode Island	5.71	7.47	6.73	6.61	6.69	7.02	6.35	6.45	6.64	6.40	7.00	42
South Carolina	6.34	7.87	7.25	7.30	7.52	7.81	7.43	7.47	7.57	7.61	7.75	6
South Dakota	6.88	8.19	7.44	7.29	7.89	8.13	7.24	7.21	7.38	7.44	7.67	11
Tennessee	6.61	7.92	7.35	7.21	7.47	7.74	7.15	7.14	7.42	7.39	7.53	20
Texas	6.18	7.47	6.82	6.83	7.32	7.55	6.95	7.05	7.21	7.17	7.40	27
Utah	6.17	7.69	7.17	7.10	7.35	7.70	7.29	7.25	7.37	7.27	7.63	13
Vermont	5.52	7.60	6.88	6.86	7.08	7.36	6.70	6.75	6.90	6.86	7.10	36
Virginia	6.31	7.78	7.25	7.07	7.52	7.81	7.21	7.21	7.38	7.31	7.44	24
Washington	6.47	7.53	6.88	6.72	7.37	7.61	6.99	6.93	7.02	7.05	7.19	35
West Virginia	5.97	7.88	7.28	7.29	7.60	7.97	7.45	7.50	7.72	7.42	7.84	4
Wisconsin	5.58	7.36	6.70	6.70	7.12	7.21	6.86	6.93	7.15	7.17	7.34	30
Wyoming	6.01	7.76	7.22	7.43	7.67	7.57	7.32	7.49	7.63	7.60	7.70	10

* Rank out of 92, 2020

Table 4.8a: Canada—Scores for Area 2 (Taxes) at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.44*	*6.28*	*5.88*	*5.19*	*5.06*	*5.14*	*5.55*	4.97	4.91	4.86	5.00	5.59	
Alberta	7.73	7.78	7.24	7.13	6.67	8.03	7.79	7.21	7.35	7.10	7.23	7.81	1
British Columbia	6.09	6.47	6.84	5.41	5.52	7.00	6.84	6.01	6.05	5.79	5.92	6.94	2
Manitoba	6.32	5.69	5.54	4.99	4.36	4.79	5.03	4.34	4.54	4.43	4.67	5.54	4
New Brunswick	6.87	6.34	6.34	5.59	5.78	5.62	6.43	5.27	5.05	4.89	5.00	5.49	5
Newfoundland & Lab.	5.75	6.10	5.90	5.36	5.27	4.58	6.17	5.20	4.70	4.88	4.81	5.19	7
Nova Scotia	7.49	6.74	6.63	6.45	5.91	5.44	4.75	4.19	4.06	4.32	4.26	4.72	9
Ontario	7.01	6.65	4.74	4.15	4.84	4.49	5.08	4.19	4.00	4.09	4.43	5.03	8
Prince Edward Island	6.91	7.14	6.95	6.46	6.01	5.44	5.46	4.79	4.77	4.84	5.01	5.32	6
Quebec	3.92	3.24	3.42	2.66	2.77	2.78	3.14	2.71	2.70	2.79	2.93	3.49	10
Saskatchewan	6.36	6.66	5.20	3.69	3.46	3.27	4.85	5.83	5.85	5.48	5.73	6.37	3

* Rank out of 10, 2020

Table 4.8b: Mexico—Scores for Area 2 (Taxes) at the Subnational Level, 2003–2020

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*7.22*	*6.74*	*4.99*	*3.10*	*3.11*	*3.29*	*2.89*	*3.04*	
Aguascalientes	9.02	8.83	5.24	4.40	3.56	3.65	2.98	2.88	16
Baja California	6.51	5.83	4.80	2.98	1.98	1.78	1.92	1.30	27
Baja California Sur	6.33	3.42	1.91	1.66	1.84	1.90	1.31	0.96	28
Campeche	4.58	4.26	3.04	1.11	1.53	2.00	1.50	1.82	26
Coahuila de Zaragoza	7.79	7.44	5.90	0.32	2.11	2.92	2.06	2.26	20
Colima	8.76	7.47	3.57	1.83	2.19	2.50	1.85	2.18	22
Chiapas	7.95	7.89	5.02	4.90	6.13	5.62	6.12	5.86	3
Chihuahua	4.19	3.97	3.12	0.78	0.83	1.20	1.27	2.09	23
Ciudad de México	0.39	0.19	0.00	0.00	0.00	0.00	0.00	0.00	29
Durango	8.21	8.14	5.70	3.30	3.35	3.24	3.19	3.02	14
Guanajuato	9.10	6.88	4.94	5.31	4.30	3.49	2.45	2.21	21
Guerrero	7.04	6.87	4.73	4.73	4.57	5.76	5.02	5.44	5
Hidalgo	8.12	7.81	4.46	3.92	5.15	5.04	4.90	5.22	6
Jalisco	6.46	6.18	5.39	3.26	3.65	4.06	2.95	2.58	17
México	6.81	6.90	4.42	0.13	0.63	0.88	0.00	0.00	29
Michoacán de Ocampo	8.50	8.42	6.95	6.18	7.15	7.11	6.02	5.96	2
Morelos	8.41	7.81	5.59	3.12	3.92	4.28	4.17	4.68	8
Nayarit	8.03	7.79	5.37	3.89	4.41	4.80	4.42	5.09	7
Nuevo León	4.69	4.62	4.06	2.58	0.84	0.62	0.76	1.96	25
Oaxaca	9.42	9.21	8.93	5.54	6.08	6.41	6.36	6.64	1
Puebla	8.23	8.68	6.82	1.61	1.64	2.43	2.87	2.94	15
Querétaro	6.85	4.16	1.60	0.00	0.00	0.00	0.00	0.00	29
Quintana Roo	4.32	2.91	2.73	0.27	0.00	0.00	0.00	0.00	29
San Luis Potosí	8.96	8.47	6.79	3.04	3.75	4.32	3.51	3.85	11
Sinaloa	7.71	7.45	5.46	3.07	2.48	3.51	2.66	1.98	24
Sonora	6.99	6.74	4.97	4.09	3.78	3.59	2.59	2.54	18
Tabasco	8.25	8.53	5.26	3.69	3.75	4.26	4.03	4.33	9
Tamaulipas	6.18	6.67	5.58	4.92	3.62	3.83	3.54	3.81	12
Tlaxcala	9.19	8.89	8.53	6.68	6.42	6.26	5.85	5.75	4
Veracruz de Ignacio ...	7.59	7.40	6.54	3.67	3.79	3.99	3.75	3.90	10
Yucatán	7.82	7.80	5.51	1.90	2.27	2.34	1.53	2.45	19
Zacatecas	8.49	8.02	6.72	6.43	3.73	3.52	2.95	3.52	13

Data for Mexico are not available for years 1981–2002.

* Rank out of 32, 2020

Table 4.8c: United States—Scores for Area 2 (Taxes) at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
*Average***	*5.91*	*5.64*	*5.61*	*5.32*	*5.75*	*5.59*	*5.88*	*6.04*	*6.07*	*6.06*	*5.77*	*6.32*	
Alabama	7.10	6.99	7.06	6.98	6.92	7.02	7.06	7.23	7.18	7.15	7.09	7.18	9
Alaska	4.90	5.89	6.06	5.85	6.49	7.09	7.28	8.18	8.26	8.23	8.02	8.35	1
Arizona	6.45	5.91	4.98	5.36	6.12	6.16	6.26	6.71	6.76	6.77	6.63	7.16	10
Arkansas	6.64	6.23	6.36	5.86	5.85	5.49	5.73	5.92	6.01	6.05	6.02	6.41	27
California	4.83	4.59	4.72	4.41	4.73	4.49	4.41	4.33	4.48	4.20	3.88	4.77	45
Colorado	7.02	6.02	5.56	5.84	6.32	6.06	5.55	6.32	6.27	6.27	6.02	6.46	23
Connecticut	6.88	6.43	6.20	4.72	5.33	5.11	5.75	5.34	5.13	4.91	4.90	5.26	42
Delaware	4.51	4.83	5.46	4.71	5.75	5.70	5.42	5.80	5.84	5.53	4.73	5.16	43
Florida	7.84	7.30	6.80	6.32	6.75	6.45	6.76	7.62	7.60	7.54	7.50	7.91	3
Georgia	6.15	6.08	5.54	5.59	5.78	5.93	6.07	6.35	6.48	6.49	6.60	7.02	13
Hawaii	4.64	4.79	4.71	4.20	4.72	4.59	4.37	4.22	4.22	3.69	3.15	3.97	49
Idaho	5.79	5.55	5.09	4.69	4.98	4.93	5.78	6.14	6.06	6.10	6.21	6.41	27
Illinois	5.98	6.21	6.02	5.53	5.95	5.56	5.67	5.41	5.22	5.38	5.29	5.47	41
Indiana	6.97	6.37	6.54	6.02	6.23	5.26	5.96	6.73	6.85	6.87	6.14	6.74	20
Iowa	6.10	5.38	5.03	4.58	5.65	5.62	5.61	5.54	5.51	5.58	5.38	5.76	39
Kansas	5.49	5.13	5.65	5.02	5.62	5.13	5.52	6.03	6.05	5.75	5.69	6.20	32
Kentucky	6.34	6.27	5.96	5.20	5.68	5.86	6.14	6.07	6.10	6.17	6.19	6.46	23
Louisiana	7.72	6.30	5.93	6.79	6.51	6.24	6.73	6.74	6.46	6.59	6.62	7.00	16
Maine	4.77	4.48	4.47	3.93	3.93	3.81	4.76	4.48	4.62	4.59	3.94	4.49	47
Maryland	6.16	6.02	5.83	5.53	6.01	5.91	5.87	5.93	5.90	5.86	5.79	6.05	34
Massachusetts	4.92	5.63	5.59	5.13	5.87	5.47	5.76	5.67	5.76	5.66	5.70	6.01	35
Michigan	4.17	4.95	4.96	5.53	5.67	5.35	5.69	6.39	6.41	6.34	6.22	7.01	15
Minnesota	3.67	4.23	4.20	3.89	4.66	4.90	4.92	4.56	4.71	4.72	4.45	5.14	44
Mississippi	6.77	6.07	5.99	5.61	5.63	5.91	6.08	5.84	5.90	5.89	5.49	6.23	31
Missouri	7.38	7.13	6.81	6.10	6.47	6.32	6.77	6.49	6.42	6.71	7.03	7.28	8
Montana	5.67	5.00	4.35	4.49	5.13	5.92	6.47	6.66	6.67	6.45	6.12	6.84	18
Nebraska	5.31	5.51	5.74	5.06	5.45	4.96	5.51	5.29	5.35	5.31	5.08	5.60	40
Nevada	6.47	6.04	5.96	5.74	6.57	6.11	6.19	6.61	6.60	6.67	6.57	7.02	13
New Hampshire	7.56	7.50	7.14	6.75	7.34	6.89	6.90	6.98	7.13	7.00	6.72	7.31	7
New Jersey	5.82	5.64	5.52	4.44	5.31	4.31	4.42	4.54	4.55	4.56	4.09	4.30	48
New Mexico	6.50	6.37	5.59	5.30	5.34	6.16	6.73	6.18	6.21	6.51	4.51	6.31	30
New York	2.01	1.95	3.14	2.85	4.10	3.04	3.13	2.89	3.36	3.11	3.44	3.53	50
North Carolina	6.26	5.99	5.94	5.62	5.79	5.72	5.74	6.25	6.40	6.49	6.10	6.86	17
North Dakota	6.99	5.41	4.79	5.30	5.67	6.11	7.01	6.97	6.80	6.99	6.74	7.32	6
Ohio	6.10	5.01	5.34	4.42	5.21	4.80	5.63	6.04	6.02	6.23	6.29	6.51	22
Oklahoma	7.04	6.43	5.93	5.63	5.90	6.31	7.06	6.91	7.09	6.99	6.34	7.08	12
Oregon	4.04	3.84	3.95	5.31	5.33	5.58	5.48	5.84	5.72	5.50	5.40	5.90	36
Pennsylvania	6.06	6.10	6.18	5.54	6.18	5.64	5.95	6.00	6.00	6.03	5.99	6.42	26
Rhode Island	4.13	4.62	5.29	3.71	4.38	4.00	4.37	4.92	5.18	5.17	4.04	5.80	38
South Carolina	6.21	5.79	5.57	5.60	5.73	5.57	6.05	6.23	6.29	6.24	6.18	6.45	25
South Dakota	6.78	6.83	6.92	6.50	7.02	7.32	7.53	7.31	7.00	7.14	7.10	7.63	4
Tennessee	7.35	7.26	7.34	7.36	7.49	7.27	7.45	7.79	7.82	8.15	7.92	7.99	2
Texas	7.87	7.19	6.58	6.42	6.87	6.67	6.77	6.94	7.04	7.03	6.76	7.11	11
Utah	6.20	5.34	5.29	5.49	5.55	5.62	6.20	6.40	6.23	6.51	5.08	6.75	19
Vermont	3.86	4.08	4.91	4.15	4.67	4.01	4.45	4.26	4.21	4.18	3.98	4.70	46
Virginia	6.74	6.43	6.06	6.02	6.19	6.08	6.52	6.53	6.45	6.43	6.10	6.40	29
Washington	6.86	6.02	5.81	5.47	6.12	6.01	6.38	6.56	6.50	6.32	6.43	6.74	20
West Virginia	4.28	3.69	5.34	4.91	4.66	4.34	5.80	5.63	5.77	5.84	4.39	6.08	33
Wisconsin	4.53	3.80	4.41	3.93	4.72	4.77	4.76	5.39	5.48	5.60	5.55	5.84	37
Wyoming	5.50	5.58	6.03	6.55	7.04	6.08	5.66	6.63	7.30	7.57	6.92	7.49	5
Puerto Rico***								0.00	0.00	0.23	0.09	0.46	51

* Rank out of 51, 2020; ** Average does not include the territory of Puerto Rico.; *** Preliminary results

Table 4.9a: Canada—Scores for Area 3 (Labor Market Freedom) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*7.21*	*7.53*	*7.71*	*8.04*	*8.17*	*8.14*	*8.10*	*8.28*	*8.16*	*8.05*	*7.37*	
Alberta	7.60	7.80	7.91	8.25	8.43	8.36	8.26	8.41	8.28	8.14	7.46	51
British Columbia	7.46	7.61	7.66	7.96	8.15	8.24	8.16	8.34	8.21	8.09	7.38	56
Manitoba	7.03	7.38	7.66	7.99	8.06	8.03	8.01	8.21	8.11	7.98	7.32	58
New Brunswick	7.14	7.54	7.76	8.08	8.23	8.18	8.12	8.29	8.17	8.07	7.41	53
Newfoundland & Labrador	6.83	7.24	7.59	7.94	8.09	8.03	8.03	8.19	8.12	8.02	7.37	57
Nova Scotia	7.14	7.60	7.77	8.11	8.23	8.16	8.09	8.30	8.20	8.07	7.41	53
Ontario	7.52	7.74	7.75	8.13	8.25	8.20	8.18	8.36	8.19	8.10	7.44	52
Prince Edward Island	7.25	7.59	7.79	8.10	8.14	8.11	8.06	8.23	8.11	8.00	7.28	59
Quebec	7.10	7.37	7.54	7.89	8.03	8.02	7.98	8.16	8.04	7.93	7.25	60
Saskatchewan	7.08	7.42	7.65	7.99	8.11	8.10	8.11	8.28	8.16	8.08	7.41	53

* Rank out of 92, 2020

Table 4.9b: Mexico—Scores for Area 3 (Labor Market Freedom) at the All-Government Level, 2003–2020

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.83*	*6.82*	*7.03*	*6.99*	*7.07*	*7.19*	*7.13*	*6.95*	
Aguascalientes	6.90	6.89	7.06	7.02	7.13	7.26	7.18	6.97	71
Baja California	7.04	7.00	7.20	7.19	7.26	7.37	7.33	7.16	62
Baja California Sur	6.91	6.93	7.09	7.08	7.18	7.30	7.25	7.01	67
Campeche	6.77	6.79	7.05	7.00	7.06	7.19	7.11	6.90	84
Coahuila de Zaragoza	6.77	6.76	7.05	6.94	6.98	7.11	7.03	6.86	87
Colima	6.84	6.87	7.10	7.03	7.12	7.25	7.18	6.99	70
Chiapas	6.69	6.65	6.90	6.86	6.95	7.08	7.07	6.96	72
Chihuahua	6.89	6.88	7.12	7.09	7.19	7.30	7.30	7.18	61
Ciudad de México	6.95	6.94	7.20	7.14	7.22	7.39	7.30	7.06	63
Durango	6.83	6.79	6.94	6.95	7.03	7.14	7.09	6.95	73
Guanajuato	6.84	6.83	7.05	7.12	7.15	7.20	7.12	6.93	77
Guerrero	6.63	6.64	6.85	6.85	6.90	7.01	7.02	6.89	86
Hidalgo	6.74	6.73	6.89	6.88	7.02	7.16	7.06	6.93	77
Jalisco	6.95	6.92	7.15	7.08	7.17	7.33	7.23	7.03	66
México	6.85	6.83	7.08	6.99	7.10	7.23	7.08	6.91	81
Michoacán de Ocampo	6.79	6.84	6.98	6.89	7.04	7.21	7.14	6.94	74
Morelos	6.89	6.86	7.08	6.97	7.06	7.18	7.11	6.92	79
Nayarit	6.87	6.90	7.03	6.98	7.08	7.20	7.16	6.90	84
Nuevo León	6.88	6.88	7.15	7.17	7.24	7.31	7.27	7.04	64
Oaxaca	6.71	6.65	6.94	6.85	6.92	7.04	7.05	6.91	81
Puebla	6.76	6.82	7.02	6.89	6.99	7.12	7.05	6.94	74
Querétaro	6.81	6.84	7.11	7.10	7.18	7.32	7.23	7.04	64
Quintana Roo	6.88	6.89	7.17	7.08	7.15	7.28	7.15	6.91	81
San Luis Potosí	6.74	6.79	6.98	6.90	6.99	7.13	7.05	6.83	91
Sinaloa	6.91	6.86	7.09	7.05	7.13	7.27	7.19	7.00	68
Sonora	6.91	6.90	7.05	7.06	7.16	7.26	7.21	7.00	68
Tabasco	6.64	6.73	6.94	6.92	7.00	7.11	7.06	6.86	87
Tamaulipas	6.72	6.71	6.93	6.92	6.99	7.07	6.99	6.79	92
Tlaxcala	6.94	6.81	6.96	6.83	6.93	7.07	6.99	6.86	87
Veracruz de Ignacio ...	6.72	6.74	6.97	6.84	6.91	7.03	7.02	6.94	74
Yucatán	6.87	6.86	7.07	7.05	7.11	7.25	7.16	6.92	79
Zacatecas	6.80	6.76	6.85	6.88	6.93	7.05	7.00	6.86	87

Data for Mexico are not available for years 1985–2002.

* Rank out of 92, 2020

Table 4.9c: United States—Scores for Area 3 (Labor Market Freedom) at the All-Government Level, 1985–2020

	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*7.84*	*8.24*	*8.37*	*8.52*	*8.49*	*8.05*	*8.70*	*8.78*	*8.57*	*8.45*	*7.89*	
Alabama	7.68	8.21	8.35	8.52	8.48	8.02	8.71	8.81	8.57	8.47	7.94	20
Alaska	7.66	8.03	8.24	8.38	8.27	7.91	8.56	8.65	8.43	8.34	7.77	44
Arizona	8.05	8.41	8.44	8.60	8.57	8.07	8.75	8.77	8.52	8.37	7.84	33
Arkansas	7.81	8.23	8.40	8.55	8.55	8.09	8.76	8.80	8.58	8.47	7.89	27
California	7.84	8.16	8.34	8.48	8.39	7.96	8.60	8.70	8.47	8.34	7.78	42
Colorado	8.10	8.43	8.47	8.63	8.58	8.13	8.73	8.79	8.54	8.43	7.90	25
Connecticut	7.99	8.31	8.40	8.53	8.46	8.07	8.65	8.72	8.53	8.42	7.80	41
Delaware	7.96	8.36	8.43	8.53	8.50	8.07	8.68	8.79	8.59	8.47	7.90	25
Florida	8.13	8.47	8.48	8.61	8.57	8.14	8.77	8.87	8.65	8.53	7.97	15
Georgia	8.02	8.45	8.50	8.62	8.60	8.12	8.80	8.89	8.67	8.59	8.01	8
Hawaii	7.66	8.03	8.20	8.35	8.25	7.90	8.55	8.58	8.32	8.20	7.65	50
Idaho	7.85	8.32	8.43	8.56	8.56	8.04	8.75	8.86	8.65	8.55	7.99	11
Illinois	7.78	8.19	8.34	8.48	8.40	7.98	8.66	8.74	8.55	8.42	7.84	33
Indiana	7.67	8.13	8.34	8.47	8.48	8.03	8.71	8.82	8.62	8.51	7.96	18
Iowa	7.78	8.12	8.34	8.47	8.48	8.02	8.74	8.85	8.63	8.55	7.97	15
Kansas	7.97	8.31	8.42	8.56	8.54	8.11	8.75	8.83	8.62	8.52	7.95	19
Kentucky	7.68	8.19	8.35	8.48	8.49	8.03	8.65	8.74	8.55	8.49	7.94	20
Louisiana	7.92	8.32	8.44	8.54	8.55	8.15	8.80	8.88	8.66	8.56	8.00	9
Maine	7.71	8.09	8.33	8.47	8.42	8.02	8.67	8.70	8.44	8.29	7.71	47
Maryland	7.89	8.36	8.40	8.55	8.53	8.11	8.72	8.81	8.55	8.41	7.84	33
Massachusetts	7.97	8.33	8.41	8.53	8.47	8.07	8.71	8.76	8.53	8.41	7.87	29
Michigan	7.71	8.02	8.26	8.42	8.36	7.94	8.61	8.65	8.45	8.35	7.78	42
Minnesota	7.76	8.16	8.32	8.48	8.48	8.03	8.63	8.70	8.48	8.40	7.81	38
Mississippi	7.72	8.20	8.42	8.50	8.48	8.06	8.70	8.79	8.58	8.47	7.92	22
Missouri	7.80	8.28	8.36	8.51	8.49	8.06	8.71	8.80	8.57	8.39	7.88	28
Montana	7.54	8.03	8.29	8.42	8.48	8.00	8.64	8.73	8.51	8.43	7.87	29
Nebraska	7.92	8.30	8.43	8.56	8.56	8.08	8.72	8.80	8.60	8.48	7.91	24
Nevada	7.83	8.30	8.30	8.47	8.50	7.95	8.63	8.72	8.50	8.40	7.83	36
New Hampshire	8.19	8.42	8.44	8.61	8.57	8.12	8.78	8.84	8.64	8.54	7.98	13
New Jersey	7.86	8.17	8.29	8.49	8.42	8.05	8.68	8.75	8.55	8.37	7.81	38
New Mexico	7.85	8.29	8.38	8.47	8.49	8.02	8.70	8.78	8.58	8.41	7.87	29
New York	7.77	8.07	8.23	8.40	8.29	7.91	8.52	8.59	8.38	8.27	7.70	49
North Carolina	8.10	8.50	8.53	8.65	8.63	8.14	8.82	8.90	8.69	8.61	8.04	2
North Dakota	7.90	8.20	8.39	8.59	8.54	8.14	8.82	8.90	8.70	8.58	8.03	3
Ohio	7.70	8.11	8.31	8.45	8.43	8.00	8.65	8.74	8.51	8.42	7.85	32
Oklahoma	7.98	8.27	8.40	8.56	8.58	8.12	8.77	8.85	8.64	8.53	7.98	13
Oregon	7.60	7.99	8.25	8.39	8.34	7.89	8.56	8.66	8.43	8.31	7.72	45
Pennsylvania	7.73	8.14	8.32	8.48	8.49	8.03	8.73	8.81	8.60	8.50	7.92	22
Rhode Island	7.79	8.17	8.31	8.43	8.39	8.00	8.58	8.66	8.41	8.30	7.72	45
South Carolina	8.07	8.45	8.49	8.60	8.60	8.08	8.83	8.89	8.69	8.60	8.03	3
South Dakota	7.85	8.33	8.44	8.62	8.57	8.16	8.76	8.85	8.62	8.52	7.99	11
Tennessee	7.82	8.27	8.43	8.56	8.58	8.12	8.79	8.87	8.66	8.58	8.02	6
Texas	8.16	8.44	8.48	8.62	8.60	8.14	8.82	8.91	8.70	8.61	8.03	3
Utah	7.75	8.21	8.39	8.54	8.56	8.05	8.78	8.87	8.67	8.57	8.02	6
Vermont	7.91	8.28	8.42	8.51	8.41	8.02	8.64	8.72	8.50	8.38	7.81	38
Virginia	8.10	8.47	8.52	8.67	8.65	8.20	8.84	8.93	8.72	8.62	8.06	1
Washington	7.66	7.99	8.26	8.40	8.31	7.89	8.59	8.60	8.38	8.24	7.71	47
West Virginia	7.38	7.95	8.27	8.42	8.39	7.92	8.56	8.67	8.49	8.38	7.83	36
Wisconsin	7.70	8.13	8.34	8.46	8.44	8.01	8.77	8.85	8.65	8.54	7.97	15
Wyoming	7.84	8.22	8.41	8.58	8.59	8.16	8.82	8.92	8.70	8.58	8.00	9

* Rank out of 92, 2020

Table 4.10a: Canada—Scores for Area 3 (Labor Market Freedom) at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*1.99*	*2.41*	*3.39*	*4.03*	*5.04*	*5.37*	*4.99*	*5.16*	*5.04*	*4.76*	*4.61*	*4.48*	
Alberta	3.31	3.98	4.90	6.28	7.42	8.17	7.27	7.12	6.74	6.25	5.83	5.61	1
British Columbia	3.30	4.17	4.51	3.73	3.91	4.69	5.57	5.77	5.60	5.27	4.97	4.51	6
Manitoba	1.47	1.58	2.30	3.29	4.14	4.10	3.68	4.16	4.27	4.19	3.83	3.89	8
New Brunswick	1.50	1.81	3.49	4.86	5.59	6.27	5.81	5.61	5.35	5.04	5.08	5.11	4
Newfoundland & Lab.	0.94	0.31	1.18	2.19	3.46	4.28	3.70	4.40	4.03	4.12	4.25	4.40	7
Nova Scotia	1.22	1.74	4.21	5.20	6.19	6.52	5.37	5.05	5.26	5.29	4.97	4.69	5
Ontario	4.04	4.51	4.77	4.47	6.02	6.28	5.61	6.10	6.04	5.13	5.18	5.29	2
Prince Edward Island	2.18	3.09	4.15	5.80	6.60	6.11	5.61	4.63	4.48	4.07	4.04	3.29	9
Quebec	1.25	1.79	2.50	1.74	3.21	3.07	2.94	3.52	3.48	3.17	2.94	2.84	10
Saskatchewan	0.70	1.07	1.93	2.75	3.82	4.19	4.32	5.20	5.14	5.06	5.04	5.17	3

* Rank out of 10, 2020

Table4.10b: Mexico—Scores for Area 3 (Labor Market Freedom) at the Subnational Level, 2003–2020

	2003	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*6.91*	*6.74*	*8.01*	*7.04*	*6.26*	*6.27*	*5.68*	*5.12*	
Aguascalientes	5.61	5.56	7.11	6.52	6.44	6.38	5.45	4.84	19
Baja California	9.25	8.84	9.53	9.28	9.03	8.91	8.45	7.85	2
Baja California Sur	3.82	4.62	6.06	5.53	6.72	6.85	6.61	4.96	17
Campeche	6.11	5.74	6.56	5.21	4.83	5.10	4.39	3.89	27
Coahuila de Zaragoza	4.44	4.53	7.24	5.35	4.97	5.07	4.26	3.81	28
Colima	6.46	5.90	7.59	6.09	6.36	6.48	5.72	4.80	21
Chiapas	8.41	8.37	8.73	7.80	5.27	5.33	5.46	5.37	12
Chihuahua	8.01	7.90	9.17	8.69	8.24	8.07	7.98	8.14	1
Ciudad de México	7.62	7.57	8.78	8.62	8.84	9.15	8.11	6.32	5
Durango	6.02	6.00	7.51	6.35	5.42	5.27	4.66	4.83	20
Guanajuato	8.98	8.97	9.57	8.80	7.76	7.11	6.28	5.95	8
Guerrero	7.01	6.22	8.17	6.57	4.21	3.93	3.97	4.12	26
Hidalgo	8.04	7.78	8.44	7.06	5.64	5.86	5.17	5.29	14
Jalisco	8.42	8.11	9.10	8.03	7.64	8.05	7.09	6.40	3
México	8.46	8.01	9.38	8.67	7.38	7.61	6.20	5.87	9
Michoacán de Ocampo	8.55	8.61	8.66	7.95	6.19	6.56	5.86	5.30	13
Morelos	9.17	8.87	9.83	7.53	6.32	6.67	5.96	5.68	11
Nayarit	5.48	5.46	6.86	5.94	5.82	5.85	5.39	4.22	25
Nuevo León	6.00	6.41	7.98	7.30	8.45	7.92	7.47	6.14	7
Oaxaca	8.28	7.96	8.49	7.81	5.22	5.16	5.34	4.90	18
Puebla	9.85	9.43	9.88	9.74	6.73	6.72	6.52	6.39	4
Querétaro	6.59	6.95	8.45	7.72	7.52	7.86	6.88	6.15	6
Quintana Roo	4.84	5.92	8.00	6.67	7.09	7.06	5.73	4.39	24
San Luis Potosí	6.83	6.15	7.22	6.43	5.03	5.12	4.35	3.72	30
Sinaloa	7.73	7.09	8.65	7.39	6.73	6.92	6.03	5.21	15
Sonora	6.39	6.18	7.29	6.11	7.21	7.04	6.60	5.20	16
Tabasco	4.55	3.16	5.40	3.66	3.45	3.34	3.09	2.39	32
Tamaulipas	3.84	3.85	5.76	4.78	5.12	4.76	4.02	2.96	31
Tlaxcala	5.72	5.68	7.19	7.55	5.39	5.07	4.78	4.44	23
Veracruz de Ignacio ...	7.54	7.52	9.06	7.71	5.41	5.38	5.28	5.82	10
Yucatán	7.33	6.99	8.01	7.29	6.13	6.27	5.36	4.68	22
Zacatecas	5.85	5.45	6.52	5.13	3.79	3.60	3.23	3.75	29

Data for Mexico are not available for years 1981–2002.

* Rank out of 32, 2020

Table 4.10c: United States—Scores for Area 3 (Labor Market Freedom) at the Subnational Level, 1981–2020

	1981	1985	1990	1995	2000	2005	2010	2016	2017	2018	2019	2020	Rank*
Average	*2.19*	*2.94*	*3.94*	*4.65*	*5.41*	*6.10*	*5.39*	*6.20*	*6.24*	*6.28*	*6.15*	*6.30*	
Alabama	1.72	2.18	3.34	4.06	5.01	5.82	4.74	5.85	6.09	5.93	6.07	6.47	22
Alaska	1.09	2.05	2.72	3.32	3.93	3.90	4.45	4.44	4.57	4.56	4.67	4.68	45
Arizona	2.42	3.35	4.57	5.00	6.06	6.95	5.44	6.54	5.64	5.46	4.89	5.31	39
Arkansas	2.69	2.99	3.39	4.56	5.27	6.35	5.16	6.22	5.87	6.16	5.79	5.65	37
California	2.19	3.82	3.85	4.74	5.24	5.17	4.69	5.38	5.62	5.48	5.13	5.38	38
Colorado	2.60	4.12	5.20	6.02	7.07	7.41	6.41	6.66	6.37	6.03	5.65	6.12	27
Connecticut	2.94	4.77	5.09	5.66	6.09	6.04	6.21	6.18	6.13	6.46	6.29	5.80	34
Delaware	1.68	3.22	4.98	5.48	5.77	6.35	5.69	6.06	6.50	6.69	6.34	6.39	25
Florida	2.88	4.08	5.31	5.86	6.58	7.17	6.51	7.15	7.38	7.40	7.22	7.43	10
Georgia	2.35	3.34	4.98	5.88	6.64	7.31	6.02	7.30	7.49	7.57	7.76	7.76	6
Hawaii	2.43	3.52	4.65	3.53	4.39	4.52	4.87	4.98	4.46	3.99	4.15	4.14	49
Idaho	2.16	2.56	3.77	4.74	5.32	6.49	4.84	6.46	6.75	6.95	7.02	7.29	13
Illinois	2.21	3.23	4.38	4.79	5.59	5.35	4.92	6.18	6.20	6.53	6.15	6.04	29
Indiana	2.19	2.36	3.51	4.53	5.16	6.06	5.06	6.42	6.78	6.96	6.98	7.23	15
Iowa	1.71	1.62	2.79	3.90	4.82	5.88	4.95	6.53	6.77	6.88	6.97	7.05	17
Kansas	1.84	2.83	3.86	4.63	5.48	6.27	5.66	6.53	6.52	6.65	6.70	6.79	20
Kentucky	2.27	2.45	3.46	4.21	4.86	5.98	4.90	5.58	5.78	6.02	6.46	6.77	21
Louisiana	1.67	2.29	3.19	4.16	4.64	6.00	5.89	7.08	7.12	7.17	7.20	7.35	12
Maine	2.02	2.28	3.17	4.23	5.11	5.27	5.27	6.04	5.32	4.82	4.07	4.14	49
Maryland	1.72	3.95	5.87	6.09	6.93	7.84	7.36	6.82	6.98	6.39	5.97	6.03	31
Massachusetts	2.42	4.20	5.12	5.82	6.27	6.49	6.34	6.78	6.49	6.47	6.14	6.44	24
Michigan	1.41	2.44	3.38	3.96	4.67	5.02	4.24	5.31	5.03	5.18	5.11	5.26	40
Minnesota	2.04	2.93	3.66	4.26	5.42	6.38	5.47	5.57	5.58	5.55	5.75	5.69	36
Mississippi	2.27	2.54	2.95	3.98	4.01	4.99	4.35	5.28	5.53	5.63	5.55	5.90	33
Missouri	2.55	3.02	4.46	4.90	5.50	6.32	5.51	6.34	6.46	6.45	5.47	6.10	28
Montana	1.44	1.17	2.13	3.34	4.10	5.96	4.93	5.46	5.64	5.66	5.83	6.02	32
Nebraska	1.95	2.36	3.93	4.99	5.84	6.75	5.69	6.22	6.19	6.44	6.30	6.46	23
Nevada	2.67	3.74	4.95	5.16	5.88	7.03	4.72	5.85	6.06	6.01	6.09	6.13	26
New Hampshire	2.77	4.58	5.24	5.72	6.94	7.38	6.49	7.56	7.41	7.69	7.65	7.76	6
New Jersey	1.72	3.78	4.71	4.14	5.76	5.87	5.86	6.46	6.47	6.63	5.61	5.77	35
New Mexico	1.50	2.04	2.91	3.73	4.14	5.13	4.29	5.30	5.38	5.53	4.70	5.10	42
New York	1.51	2.86	3.76	3.92	4.51	4.22	4.41	4.86	4.85	4.73	4.47	4.53	46
North Carolina	3.08	3.64	5.01	5.93	6.48	7.13	5.79	7.13	7.27	7.43	7.63	7.78	5
North Dakota	2.38	2.49	3.19	4.26	5.67	6.43	6.37	7.40	7.40	7.58	7.53	7.68	8
Ohio	2.17	2.57	3.65	4.29	4.97	5.67	4.92	5.75	5.92	5.87	5.91	6.04	29
Oklahoma	2.71	2.95	3.60	4.37	5.42	6.73	5.68	6.51	6.59	6.72	6.69	6.88	18
Oregon	1.57	1.77	2.33	3.43	3.80	4.32	3.59	4.68	4.90	4.77	4.52	4.37	47
Pennsylvania	2.66	3.19	4.45	4.79	5.69	6.71	5.79	7.16	7.20	7.32	7.40	7.39	11
Rhode Island	2.33	3.34	3.84	4.50	4.94	5.43	5.64	5.22	5.38	5.04	4.88	4.74	44
South Carolina	3.20	3.68	4.42	5.05	5.64	6.64	5.05	7.02	7.01	7.22	7.41	7.45	9
South Dakota	2.31	2.61	4.07	4.95	6.24	7.01	6.62	6.65	6.69	6.71	6.68	7.23	15
Tennessee	2.37	2.92	4.17	5.39	6.01	7.08	6.06	7.22	7.34	7.49	7.69	7.89	3
Texas	3.36	4.03	4.84	5.35	6.29	7.10	6.24	7.53	7.68	7.91	8.01	7.99	2
Utah	2.12	2.78	3.51	4.59	5.46	6.79	5.26	6.94	7.14	7.33	7.44	7.80	4
Vermont	2.58	2.82	4.12	5.00	5.36	5.14	5.22	5.41	5.39	5.30	5.13	5.22	41
Virginia	2.95	4.57	6.00	6.69	7.48	8.33	7.57	7.84	7.96	8.06	8.12	8.27	1
Washington	1.81	2.58	3.02	3.44	4.13	4.06	3.73	5.09	4.34	4.27	3.65	4.23	48
West Virginia	0.90	0.68	1.35	2.76	3.67	4.74	3.66	3.75	4.21	4.60	4.61	4.86	43
Wisconsin	1.95	2.13	3.32	4.33	4.98	5.73	5.04	6.93	7.06	7.23	7.22	7.28	14
Wyoming	2.27	1.47	2.74	3.96	5.34	6.55	5.99	6.58	6.87	7.11	6.96	6.82	19
Puerto Rico***								3.33	3.33	3.33	3.33	3.33	51

* Rank out of 51, 2020; ** Average does not include the territory of Puerto Rico.; *** Preliminary results

Appendix A Methodology

Calculating the scores

To avoid subjective judgments, objective methods were used to calculate and weight the components. For all components, each observation was transformed into a number from zero to 10 using the following formula: $(V_{max} - V_i)/(V_{max} - V_{min}) \times 10$, where (unless otherwise stated) V_{max} is the largest value found within a component, V_{min} is the smallest, and V_i is the observation to be transformed. The 2005 data were used to derive the maximum and minimum values for each variable. In some cases, there were severe outliers that skewed the scores substantially, so we chose a lower maximum or higher minimum, typically the mean plus or minus between one and four standard deviations (see Appendix B and *Economic Freedom of the World*, which uses a similar approach). When an observation equals or exceeds the 2005 maximum, it is given a score of 0; when it equals or falls below the 2005 minimum, it is given a score 10. For each component, the calculation was performed for all data for all years to allow comparisons over time.

To transform the individual components into specific areas and the overall summary index, multiple categories were created. In the subnational index, Areas 1, 2, and 3 were equally weighted, and each of the components within each area was equally weighted. For example, the weight for Area 1 was 33.3%. Area 1 has three components, each of which received equal weight in calculating Area 1, or 11.1% in calculating the overall index. The all-government index adds the following:

- one additional component to Area 1—1D: Government Investment (the country score for variable 1C in *Economic Freedom of the World: 2022 Annual Report* [EFW]);

- one additional component to Area 2B—2Bii: Top marginal income and payroll tax rate (the country score for variable 1Dii in EFW);

- eight additional components to Area 3—
  - 3Aiv–ix: the six components of Labor market regulation (variable 5B in EFW),
  - 3B: Credit Market Regulations (variable 5A in EFW), and
  - 3C: Business Regulations (variable 5C in EFW);

- Area 4: Legal System and Property Rights (Area 2 in the EFW);
- Area 5: Sound Money (Area 3 in the EFW); and
- Area 6: Freedom to Trade Internationally (Area 4 in the EFW).

Thus, it has six areas. Each area was equally weighted and each of the components within each area was equally weighted. More details on the calculations and data sources for the adjusted index can be found in Appendix B.

Fiscal variables

In order to produce tax and spending data that are comparable for jurisdictions that are of widely different sizes and income levels, all such variables are measured as a percentage of income, as is the minimum wage variable. In Canada and Mexico, we use "household income". In the United States, the comparable concept is called "personal income".

Income tax

Calculating the income-tax component was more complicated. The component examining the top marginal income-tax rate and the income threshold at which it applies was transformed into a score from zero to 10 using **Matrix 1**, **Matrix 2a**, and **Matrix 2b**. Canadian nominal thresholds were first converted into constant 2020 Canadian dollars by using the Consumer Price Index and then converted into US dollars using the Purchasing Power Parity between Canada and the United States for each year. US nominal thresholds were converted into real 2020 US dollars using the Consumer Price Index. Mexican nominal thresholds were first converted into constant 2020 Mexican Pesos by using the *Indice Nacional de Precios al Consumidor* (National Consumer Price Index) and then converted into US dollars using the Purchasing Power Parity between Mexico and the United States for each year. This procedure is based on the transformation system found in *Economic Freedom of the World: 1975–1995* (Gwartney, Lawson, and Block, 1996), modified for this study to take into account a different range of top marginal tax rates and income thresholds. Matrix 1 was used in calculating the score for Component 2Bi, Top Marginal Income Tax Rate and the Income Threshold at Which It Applies, at the all-government level; Matrix 2a was used to calculate the score for Component 2B at the subnational level for Canada, and Matrix 2b was used for the United States. Since there are no subnational income taxes in Mexico, this variable was not included in the Mexican subnational index.

In setting the threshold levels for income taxes at the subnational level, we faced an interesting quandary. In the United States, most state thresholds were below US federal thresholds in the 1980s and 1990s. In Canada, provincial thresholds were frequently higher than federal thresholds. Whenever the provincial or state threshold was higher than the federal threshold, the federal threshold was used at the sub-national level since, when a provincial threshold is above the national level, the cause is typically the imposition of a relatively small surcharge on those earning high incomes. Because of the structure of these matrixes, this can produce perverse scoring results. For example, in Matrix 2b a jurisdiction gets a score of 2.5 if it has a

Matrix 1: Income Tax Matrix for Component 2B at the All-Government Level

Top Marginal Tax Rate	Income Threshold Level (US$2020)		
	Less than $66.260	$65,260 to $132,520	more than $132,520
27% or less	10.0	10.0	10.0
27% to 30%	9.0	9.5	10.0
30% to 33%	8.0	8.5	9.0
33% to 36%	7.0	7.5	8.0
36% to 39%	6.0	6.5	7.0
39% to 42%	5.0	5.5	6.0
42% to 45%	4.0	4.5	5.0
45% to 48%	3.0	3.5	4.0
48% to 51%	2.0	2.5	3.0
51% to 54%	1.0	1.5	2.0
54% to 57%	0.0	0.5	1.0
57% to 60%	0.0	0.0	0.5
60% or more	0.0	0.0	0.0

Matrix 2a: Income Tax Matrix for Component 2B at the Subnational Level in Canada

Top Marginal Tax Rate	Income Threshold Level (US$2020)		
	Less than $66,260	$66,260 to $132,520	More than $132,520
3.0% or less	10.0	10.0	10.0
3.0% to 6.0%	9.0	9.5	10.0
6.0% to 9.0%	8.0	8.5	9.0
9.0% to 12.0%	7.0	7.5	8.0
12.0% to 15.0%	6.0	6.5	7.0
15.0% to 18.0%	5.0	5.5	6.0
18.0% to 21.0%	4.0	4.5	5.0
21.0% to 24.0%	3.0	3.5	4.0
24.0% to 27.0%	2.0	2.5	3.0
27.0% to 30.0%	1.0	1.5	2.0
30.0% to 33.0%	0.0	0.5	1.0
33.0% to 36.0%	0.0	0.0	0.5
36.0% or more	0.0	0.0	0.0

Matrix 2b: Income Tax Matrix for Component 2B at the Subnational Level in the United States

Top Marginal Tax Rate	Income Threshold Level (US$2020)		
	Less than $66,260	$66,260 to $132,520	More than $132,520
1.5% or less	10.0	10.0	10.0
1.5% to 3.0%	9.0	9.5	10.0
3.0% to 4.5%	8.0	8.5	9.0
4.5% to 6.0%	7.0	7.5	8.0
6.0% to 7.5%	6.0	6.5	7.0
7.5% to 9.0%	5.0	5.5	6.0
9.0% to 10.5%	4.0	4.5	5.0
10.5% to 12.0%	3.0	3.5	4.0
12.0% to 13.5%	2.0	2.5	3.0
13.5% to 15.0%	1.0	1.5	2.0
15.0% to 16.5%	0.0	0.5	1.0
16.5% to 18.0%	0.0	0.0	0.5
18.0% or more	0.0	0.0	0.0

top marginal income-tax rate of, say, 12.5% for incomes over $66,260. Let us say the jurisdiction imposes a surcharge for income earners above $132,520, increasing the top marginal income-tax rate to 13%. In Matrix 2b, even though additional taxes in the form of a surcharge have been imposed, the state's score perversely increases to 3.0 because of the increase in the threshold level.

Our decision to use the federal threshold as the default threshold when the provincial threshold was higher is, frankly, a matter of judgment. Thus, it was important to understand whether this would affect the results significantly. To see whether this was so, we calculated the overall index both ways and found that changes were small and that the overall results were not significantly affected.

Adjustment factors

We faced a common problem in comparing statistics across time, changes in the structure of some series over time. Similarly, some Canadian spending categories were not strictly comparable to those in the United States. This required the use of judgment in some cases. Spending on medical care, for example, is structured as government consumption in Canada and as a set of transfer programs in the United States. Given that the index captures the impact of both government consumption and of transfer programs, we decided the most accurate method of accounting was to reflect the actual nature of the spending, a transfer program in the United States and government consumption in Canada, rather than artificially include one or other in an inappropriate component. The same phenomenon occurs on the revenue side where the entire US Social Security program is funded by a dedicated payroll tax, whereas in Canada part of the similar program, Old Age Security, is funded by general tax revenues. Those revenues are included in variable 2A for US states and in variable 2C for Canadian provinces.

Other adjustments

Our earlier source of government finance data in Canada was discontinued in 2010, with the last year of data being 2009. As a result, in recent years we had used the change in overall aggregates in spending and revenue to produce estimates for the government finance variables in Area 1 and Area 2. The new data series became available in 2015, after the 2015 edition had gone to print. That new data was first incorporated into the 2016 edition. It goes back to 2007. To smooth the transition between the two series, for 2006 we used the average of that new 2007 data and the 2005 data from the previous data series. The two data series are not identical. There were changes in the way that spending and revenue categories were defined. However, this did not create any major changes in the relative rankings of the provinces.

The fiscal data for the US states comes from the US Census Bureau.

The Tax Foundation calculated the federal tax burden by US state up to the year 2005 using sophisticated techniques but has not issued updates in recent years. As several years of data are missing, we use data on federal tax collections within each state directly from the US Internal Revenue Service.

The historical data for federal spending in the US states comes from the Consolidated Federal Funds Report, which has been discontinued. The last year available is 2010. We used the annual percentage increases in the subnational amounts for the years since 2010 to calculate annual estimates for the federal amounts for both 1A and 1B for those years.

Variable 1C measures insurance and retirement payments as a percentage of income. Because there are several US states where retirees form an abnormally large percentage of the population, using federal spending in each state skews the scores on this variable in a way that does not reflect differences in economic freedom (but rather reflects differences in demographics). In the US states, the US total for this variable, as a percentage of total US income, was used as the federal component for this variable (and simply added to the subnational spending for each state as a percentage of their state income). Since that phenomenon does not exist in Canada and Mexico, this adjustment was not made for the Canadian provinces and Mexican states.

There is a similar issue in the all-government index with regard to Variable 2A, which measures income and payroll taxes. Because states with low corporate income-tax (CIT) burdens tend to attract corporate relocations, those states may tend to have inordinately large revenue from corporate income tax. At the state level, when a corporation has operations in multiple states, taxable corporate income is apportioned based on activity within each state. At the federal level, there are wide disparities in federal CIT revenue collected in the various states (measured as a percentage of personal income) that cannot be driven by differences in state policy. For that reason, we have used the national average in each country for the federal CIT portion of 2A in each state or province.

Variable 2D measures sales and gross receipts taxes. Several Mexican states with large ports have abnormally high values for this variable, in some cases exceeding 100% of personal income. Because that revenue goes to the federal government, we have instead used the same national total for this variable, as a percentage of personal income, for the federal component of this variable for each Mexican state. This adjustment was not necessary for Canada or the United States.

Appendix B
Explanation of Components and Data Sources

Area 1 Government Spending

Component 1A General Consumption Expenditures by Government as a Percentage of Income

General consumption expenditure is defined as total expenditures minus transfers to persons, transfers to businesses, transfers to other governments, and interest on public debt. Spending on fixed capital is also excluded. Data for Quebec is adjusted for Quebec abatement at the subnational level. On the all-government index, there were several Mexican states that were far outliers for this variable and therefore skewed the standardized scores. To account for this, in calculating those scores, we used a lower maximum value of the mean plus 2 standard deviations. (A similar approach is used in the annual reports of *Economic Freedom of the World*.)

Sources

Canada Special request from Finance Canada, Federal-Provincial Relations and Social Policy Branch, Federal-Provincial Relations Division (September, 2021) • Statistics Canada, *Provincial and Territorial Economic Accounts, 1981–2008* <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, Public Institutions Division, Financial Management System, 2005, 2007, 2008 • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States Special request from US Census Bureau, Governments Division, Federal Programs Branch (February 2, 2005) • Special request from US Census Bureau, Governments Division (December 14, 2007) • US Census Bureau (2022). *Annual Survey of State and Local Government Finances and Census of Governments (1981–2020)*. <www.census.gov/programs-surveys/gov-finances.html> • US Census Bureau, *Consolidated Federal Funds Report* (various editions) • US Census Bureau, *Statistical Abstract of the United States* (various editions) • US Department of Commerce, Bureau of Economic Analysis. <www.bea.gov/>.

Mexico Instituto Nacional de Estadística y Geografía (INEGI), *Estadísticas de Finanzas Municipales y Estatales* (various years). <www.inegi.org.mx/est/contenidos/proyectos/registros/economicas/finanzas/default.aspx> (June, 2021) • *Anexo estadístico del 1er Informe de Gobierno de Enrique Peña Nieto 2012-2013* (Statistical Appendix from Enrique Peña Nieto 1st "State of the Union Address" 2012–2013) <www.presidencia.gob.mx/>. • *Anexo estadístico del 2do Informe de Gobierno de Enrique Peña Nieto 2013–2014*; *Anexo estadístico del 3er informe de Gobierno de Enrique Peña Nieto 2014–2015; Anexo estadístico del 4to informe de Gobierno de Enrique Peña Nieto 2015–2016; Anexo estadístico del 5to informe de Gobierno de Enrique Peña Nieto 2016–2017*; *Anexo estadístico del 6to informe de Gobierno de Enrique Peña Nieto 2017–2018*; *Anexo estadístico del 1er informe de Gobierno de Andrés M. López Obrador 2018–2019* [Statistical Appendices from Enrique Peña Nieto's and Andrés M. López Obrador's "State of the Union Address"]; *Segúndo informe de Gobierno de Andrés M. López Obrador 2019–2020* [Andrés M. López Obrador's "Second State of the Union Address"].

Component 1B Transfers and Subsidies as a Percentage of Income

Transfers and subsidies include transfers to persons and businesses like welfare payments, grants, agricultural assistance, food-stamp payments (US), housing assistance. Foreign aid is excluded. Data for Quebec is adjusted for the Quebec abatement at the subnational level. On the all-government index, there were several Mexican states that were far outliers for this variable and therefore skewed the standardized scores. To account for this, in calculating those scores, we used a lower maximum value of the mean plus 2 standard deviations. (A similar approach is used in *Economic Freedom of the World*.)

Sources

Canada Special request from Finance Canada, Federal-Provincial Relations and Social Policy Branch, Federal-Provincial Relations Division (September, 2021) • Statistics Canada, Provincial and Territorial Economic Accounts, 1981–2008 <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, Public Institutions Division, Financial Management System, 2005, 2007, 2008 • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States Special request from US Census Bureau, Governments Division, Federal Programs Branch (February 2, 2005) • Special request from US Census Bureau, Governments Division (December 14, 2007) • US Census Bureau (2022). Annual Survey of State and Local Government Finances and Census of Governments (1981–2020). <www.census.gov/programs-surveys/gov-finances.html> • US Census Bureau, *Consolidated Federal Funds Report* (various editions) • US Census Bureau, *Statistical Abstract of the United States* (various editions) • US Department of Commerce, *Bureau of Economic Analysis*, <www.bea.gov/>.

Mexico Instituto Nacional de Estadística y Geografía (INEGI), *Estadísticas de Finanzas Municipales y Estatales* (various years). <www.inegi.org.mx/est/contenidos/proyectos/

registros/economicas/finanzas/default.aspx> (June, 2022) • Cuenta de la Hacienda Pública Federal, Secretaría de Hacienda y Crédito Público, <https://www.cuentapublica.hacienda.gob.mx/es/CP/2020>.

Component 1C Insurance and Retirement Payments as a Percentage of Income

Payments by Employment Insurance, Workers Compensation, and various pension plans are included in this component. As explained in Appendix A, for the US states, the federal component of insurance and retirement payment spending (as a percentage of US income) that we use is the same for every state.

Sources

Canada Statistics Canada, *Provincial and Territorial Economic Accounts, 1981–2008* <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States Special request from US Census Bureau, Governments Division (December 14, 2007) • US Census Bureau (2022). *Annual Survey of State and Local Government Finances and Census of Governments (1981–2020)*. <www.census.gov/programs-surveys/gov-finances.html> • US Department of Commerce, Bureau of Economic Analysis, <www.bea.gov/>.

Mexico Instituto Nacional de Estadística y Geografía (INEGI), *Estadísticas de Finanzas Municipales y Estatales* (various years). <www.inegi.org.mx/est/contenidos/proyectos/registros/economicas/finanzas/default.aspx> (March, 2022) • Private Sector—special request from Instituto Mexicano del Seguro Social: Total de Cuotas de Trabajadores Seguridad Social por estado (March, 2022) • Public Sector—special request from Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (March, 2022).

Component 1D Government Investment *(all-government index only)*

When government engages in more of what would otherwise be private investment, economic freedom is reduced. This variable, used only in the all-government index, is the country score for variable 1C in *Economic Freedom of the World: 2022 Annual Report*. A detailed description and the data sources can be found in that report, available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Area 2 Taxes

Component 2A Income and Payroll Tax Revenue as a Percentage of Income

Income and Payroll Tax Revenue is defined as the sum of personal income taxes, corporate income taxes, and payroll taxes used to fund social-insurance schemes (i.e., employment insurance, Workers Compensation, and various pension plans). As explained in Appendix A, the federal component of corporate income tax revenue that we use is the same for every state within the same country. Data for Quebec is adjusted for the Quebec abatement at the subnational level.

Sources

Canada Special request from Finance Canada, Federal-Provincial Relations and Social Policy Branch, Federal-Provincial Relations Division (September, 2020) • Statistics Canada, *Provincial and Territorial Economic Accounts, 1981–2008*. <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, Public Institutions Division, Financial Management System, 2005, 2007, 2008 • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States US Census Bureau (2022). *Annual Survey of State and Local Government Finances and Census of Governments (1981–2020)*. <www.census.gov/programs-surveys/gov-finances.html> • US Department of Commerce, Bureau of Economic Analysis, <www.bea.gov/> • Internal Revenue Service, Table 5: Total Internal Revenue collections, *Internal Revenue Service Data Book, 2020* (and previous editions). <https://www.irs.gov/statistics/soi-tax-stats-gross-collections-by-type-of-tax-and-state-irs-data-book-table-5>.

Mexico Instituto Nacional de Estadística y Geografía (INEGI), *Estadísticas de Finanzas Municipales y Estatales* (various years). <www.inegi.org.mx/est/contenidos/proyectos/registros/economicas/finanzas/default.aspx> (March, 2022) • Special request from Servicio de Administración Tributaria: Recaudación bruta federal por entidad federativa (various years) (March, 2022).

Component 2Bi Top Marginal Income Tax Rate and the Income Threshold at Which It Applies

See Matrix 1, Matrix 2a, and Matrix 2b in Appendix A (pp. 55–60) for information on how the final scores were calculated. Data for Quebec is adjusted for Quebec abatement at the subnational level.

Sources

Canada Baldwin, John, and Ryan Macdonald (2010). *PPPs: Purchasing Power or Producing Power Parities?* Economic Analysis Research Paper Series. Cat. 11F0027M. No. 058. Statistics Canada • Canadian Tax Foundation, *Canadian Tax Journal*, Provincial Budget Roundup (2003, 2002, 2001, 2000), by Deborah L. Ort and David B. Perry • Canadian Tax Foundation, *Finances of the Nation* (various issues) • Palacios, Milagros (2008). *Purchasing Power Parity, United States and Canada, 1981–2005*. Fiscal Studies, Fraser Institute • Statistics Canada, CANSIM, 2012 • Statistics Canada, *National Economic Accounts, 2012* • Statistics Canada, *Provincial Economic Accounts, 2012*. • Canada Revenue Agency, *Tax Packages for All Years*, <https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years.html>.

United States Tax Foundation (Washington, DC). *U.S. Federal Individual Income Tax Rates History, 1862–2013*. <taxfoundation.org/article/us-federal-individual-income-tax-rates-history-1913-2013-nominal-and-inflation-adjusted-brackets> • Tax Foundation (Washington, DC). *2020 Tax Brackets* (and previous editions). <https://taxfoundation.org/2020-tax-brackets> • Tax Foundation (Washington, DC). *State Individual Income Tax Rates and Brackets for 2020* (and previous editions). <https://taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/> • US Department of Labor, Bureau of Labor Statistics, <www.bls.gov/cpi/>.

Mexico Servicio de Administración Tributaria. *Tarifa para el cálculo del impuesto sobre la renta anual*. • Secretaría de Gobernación, *Diario Oficial de la Federación*, <www.dof.gob.mx/nota_detalle.php?codigo=702618&fecha=03/02/2003>; <www.dof.gob.mx/nota_detalle.php?codigo=789412&fecha=07/03/2005>; <https://www.sat.gob.mx/articulo/36785/articulo-152>.

Component 2Bii *Top Marginal Income and Payroll Tax Rates* (all-government index only)

This variable, used only in the all-government index, is the country score for variable 1Dii in *Economic Freedom of the World: 2022 Annual Report*. A detailed description and data sources can be found in that report, available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Component 2C Property Tax and Other Taxes as a Percentage of Income

Property and Other Tax revenue consists of total tax revenue minus income and sales tax revenues (which are already included in 2A and 2D). Natural resource royalties and severance taxes are not included in this component. Data for Quebec is adjusted for the Quebec abatement at the subnational level. On the all-government index, there were several Mexican states that were far outliers for this variable that skewed the standardized scores. To account for this, in calculating those scores, we used a lower maximum value of the mean plus 3 standard deviations. (A similar approach is used in *Economic Freedom of the World*.)

Sources

Canada Special request from Finance Canada, Federal-Provincial Relations and Social Policy Branch, Federal-Provincial Relations Division (September, 2020) • Statistics Canada, *Provincial and Territorial Economic Accounts, 1981–2008*. <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, Public Institutions Division, Financial Management System, 2005, 2007, 2008 • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States US Census Bureau (2022). *Annual Survey of State and Local Government Finances and Census of Governments (1981–2020)*. <www.census.gov/programs-surveys/gov-finances.html> • US Census Bureau (2020). *2018 Annual Survey of State Government Finances*. <www.census.gov/programs-surveys/state.html> • Internal Revenue Service. Table 5: Total Internal Revenue collections, *Internal Revenue Service Data Book, 2020* (and previous editions). <https://www.irs.gov/statistics/soi-tax-stats-gross-collections-by-type-of-tax-and-state-irs-data-book-table-5>.

Mexico Instituto Nacional de Estadística y Geografía (INEGI), *Estadísticas de Finanzas Municipales y Estatales* (various years). <www.inegi.org.mx/est/contenidos/proyectos/registros/economicas/finanzas/default.aspx> (March, 2020) • Instituto Nacional de Estadística y Geografía, *El ingreso y el gasto público en México*, <http://www.beta.inegi.org.mx/app/biblioteca/ficha.html?upc=702825003876> • Special request from Servicio de Administración Tributaria: Recaudación bruta federal por entidad federativa (various years) (March, 2022).

Component 2D Sales Tax Revenue as a Percentage of Income

Sales tax revenue includes revenue from all sales and gross receipts taxes (including excise taxes and value-added taxes). As explained in Appendix A, we use the same national average percentage for every state in Mexico. Data for Quebec is adjusted for the Quebec abatement at the subnational level. On the all-government index, several Mexican states were far outliers for this variable and skewed the standardized scores. To account for this, in calculating those scores, we used a lower maximum value of the mean plus 1.5 standard deviations. A similar approach is used in *Economic Freedom of the World*.

Sources

Canada Special request from Finance Canada, Federal-Provincial Relations and Social Policy Branch, Federal-Provincial Relations Division (September, 2021) • Statistics Canada, *Provincial and Territorial Economic Accounts, 1981–2008*. <www.statcan.gc.ca/pub/13-018-x/13-018-x2011001-eng.htm> • Statistics Canada, Public Institutions Division, Financial Management System, 2005, 2007, 2008 • Statistics Canada, *Provincial and Territorial Economic Accounts, 2007–2020*. <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3840047>.

United States US Census Bureau (2022). *Annual Survey of State and Local Government Finances and Census of Governments (1981–2020)*. <www.census.gov/programs-surveys/gov-finances.html> • Internal Revenue Service. Table 5: Total Internal Revenue collections, *Internal Revenue Service Data Book, 2020* (and previous editions). <https://www.irs.gov/statistics/soi-tax-stats-gross-collections-by-type-of-tax-and-state-irs-data-book-table-5>.

Mexico Special request from Servicio de Administración Tributaria: Recaudación bruta federal por entidad federativa (various years) (February, 2022).

Area 3 Regulation

Component 3A Labor Market Regulation

3Ai Minimum Wage

This component was calculated as minimum wage multiplied by 2,080, which is the full-time equivalent measure of work hours per year (52 weeks multiplied by 40 hours per week) as a percentage of per-capita income. For the Canadian provinces, provincial minimum wage was used to compute both of the indices (subnational and all-government). For the United States, the federal minimum wage supersedes state minimum wages when it is higher so, for those states, the higher federal wage is used instead. On all three subnational indexes, there were several states that were far outliers for this variable and therefore skewed the standardized scores. To account for this, in calculating those scores, we used a lower maximum value of the mean plus 3 standard deviations for Canada, the mean plus 4 standard deviations for the United States, and the mean plus 2 standard deviations for Mexico. (A similar approach is used in *Economic Freedom of the World*.)

Sources

Canada Human Resources Development Canada, <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?lang=eng&dec=5> (August 24, 2022).

United States Division of External Affairs, Wage and Hour Division, Employment Standards Administration, US Department of Labor, <www.dol.gov/whd/state/state.htm> (May 24, 2011) • Division of External Affairs, Wage and Hour Division, US Department of Labor, *Changes in Basic Minimum Wages in Non-Farm Employment under State Law: Selected Years 1968 to 2020*, <www.dol.gov/whd/state/stateMinWageHis.htm> (July, 2022) • Wage and Hour Division, US Department of Labor, *State Minimum Wage Laws in the States - July 1, 2020*, <www.dol.gov/agencies/whd/minimum-wage/state>.

Mexico Comisión Nacional de los Salarios Mínimos, *Tabla de salarios mínimos generales y profesionales por áreas geográficas*, <https://www.gob.mx/conasami/documentos/tabla-de-salarios-minimos-generales-y-profesionales-por-areas-geograficas> (July, 2021).

3Aii Government Employment as a Percentage of Total State/Provincial Employment

Government employment includes public servants as well as those employed by government business enterprises. Military employment is excluded.

Sources

Canada Statistics Canada, *Provincial and Territorial Economic Accounts, 2012* • Statistics Canada, Public Institutions Division, Financial Management System (various years) • Statistics Canada, table 183-0002: Public Sector Employment, <www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&searchTypeByValue=1&id=1830002> • Statistics Canada, Table 14-10-0070-01, *Labour Force Survey Estimates (LFS), Employees by Union Coverage, North American Industry Classification System (NAICS), Sex and Age Group, Annual (Persons x 1,000)*, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410007001> (July, 2022).

United States Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce, <www.bea.gov/regional/index.htm> (July, 2022).

Mexico Instituto Nacional de Geografía y Estadística, Banco de información económica, *Indicadores macroeconómicos del sector público* • ISSSTE (Instituto de undad y Servicios Sociales de los Trabajadores del Estado) *Statistical Yearbooks* (various years) • Instituto Mexicaum Seguridad Social, *Memoria Estadística 2014* and *2015* • Special request to Comisión Federal de Eleunricidad: "Number of employees by state" (July, 2015; March, 2022).

3Aiii Union Density

For this component, our goal was to determine the relationship between unionization and public policy, other than the level of government employment, which is captured in 3Aii. We regressed union density on the size of the government sector. Data were not available to allow a regression on rural compared to urban populations. The government sector proved highly significant. Thus, the scores were determined holding public-sector employment constant: we calculated the union score by regressing the

unionization rate on government employment for each given year using the following equation: $Unionization_i = \alpha + \beta\ Government_i + residual_i$. Then, we took the estimated intercept, α, and we added it to the residual. We found that this accounts for the decline in unionization rates through time and that the average union scores increase through time to reflect that decline.

Sources

Canada Statistics Canada, *CANSIM, 2011* • Statistics Canada, *Labour Force Historical Review 2010* (CD-ROM) • Statistics Canada, *Provincial and Territorial Economic Accounts, 2011* • Statistics Canada, Public Institutions Division, Financial Management System (various years) • Statistics Canada, Table 14-10-0070-01, *Labour Force Survey Estimates (LFS), Employees by Union Coverage, North American Industry Classification System (NAICS), Sex and Age Group, Annual (Persons x 1,000)*, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410007001>.

United States Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database from the Current Population Survey*, <www.unionstats.com/> • Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce, <www.bea.gov/>.

Mexico Instituto Nacional de Estadística y Geografía, *Encuesta Nacional de Ocupación y Empleo*, <http://www.beta.inegi.org.mx/proyectos/enchogares/regulares/enoe/> • Instituto Nacional de Estadística y Geografía, *Encuesta Nacional de Ingresos y Gastos de los Hogares*, <https://www.inegi.org.mx/programas/enigh/nc/2020/>.

Note Data in Area 3 added for the all-government index

The additional data used for the all-government index is from *Economic Freedom of the World: 2022 Annual Report* (Gwartney, Lawson, Hall, and Murphy, 2022), which is also published by the Fraser Institute. Minimum-maximum calculations are based on the 165 nations and territories covered by the world report. This is not ideal, since the minimum-maximum calculations for other components are based on data from the states and provinces. However, since the data were not typically available at the subnational level, this does provide an appropriate measure of the difference in economic freedom among Canada, the United States, and Mexico. The world data are available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Area 3 Regulation *(components used in all-government index only)*

Since, as discussed above, Canada and the United States have been diverging on scores for business and credit regulation, the all-government index expands the regulatory area to include data on these areas. Labour regulation becomes one of three equally weighted components of Area 3: Regulation, which comprises 3A: Labour market regulation; 3B: Regulation of credit markets; and 3C: Business regulations. (See Appendix A for how Area 3 is now calculated.)

The descriptions and sources for these components and subcomponents can be found in *Economic Freedom of the World: 2022 Annual Report*, which is available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

Component 3A Labor Market Regulation (component 5B in *Economic Freedom of the World*)

- *3Aiv Hiring Regulations and Minimum Wage*
- *3Av Hiring and Firing Regulations*
- *3Avi Centralized Collective Bargaining*
- *3Avii Hours Regulations*
- *3Aviii Mandated Cost of Worker Dismissal*
- *3Aix Conscription*

Component 3B Regulation of credit markets (component 5A in *Economic Freedom of the World*)

- *3Bi Ownership of Banks*
- *3Bii Private Sector Credit*
- *3Biii Interest Rate Controls / Negative Real Interest Rates*

Component 3C Business regulations (component 5C in *Economic Freedom of the World*)

- *3Ci Administrative Requirements*
- *3Cii Bureaucracy Costs*
- *3Ciii Starting a Business*
- *3Civ Impartial public administration*
- *3Cv Licensing restrictions*
- *3Cvi Cost of tax compliance*

Area 4 Legal System and Property Rights

(Area 2 in *Economic Freedom of the World*)

The descriptions and sources for these components and subcomponents can be found in *Economic Freedom of the World: 2022 Annual Report*, which is available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

- 4A Judicial independence
- 4B Impartial courts
- 4C Protection of property rights
- 4D Military interference in rule of law and politics
- 4E Integrity of the legal system
- 4F Legal enforcement of contracts
- 4G Regulatory restrictions on the sale of real property
- 4H Reliability of police

Area 5 Sound Money

(Area 3 in *Economic Freedom of the World*)

The descriptions and sources for these components and subcomponents can be found in *Economic Freedom of the World: 2022 Annual Report*, which is available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

5A Money Growth
5B Standard Deviation of Inflation
5C Inflation: Most Recent Year
5D Freedom to Own Foreign Currency Bank Accounts

Area 6 Freedom to Trade Internationally

(Area 4 in *Economic Freedom of the World*)

The descriptions and sources for these components and subcomponents can be found in *Economic Freedom of the World: 2022 Annual Report*, which is available at <https://www.fraserinstitute.org/studies/economic-freedom-of-the-world-2022-annual-report>.

6A Tariffs
6Ai Revenue from Trade Taxes (% of trade sector)
6Aii Mean Tariff Rate
6Aiii Standard Deviation of Tariff Rates

6B Regulatory Trade Barriers
6Bi Non-tariff Trade Barriers
6Bii Compliance Costs of Importing and Exporting

6C Black-market exchange rates

6D Controls of the Movement of Capital and People
6Di Financial Openness
6Dii Capital Controls
6Diii Freedom of Foreigners to Visit

Appendix C
Selected Recent* Publications Using *Economic Freedom of North America*

Altin, Mehmet, Jorge Ridderstaat, Gabriela Lelo de Larrea, and Mehmet Ali Köseoglu (2020). Influence of Institutional Economics on Firm Birth and Death: A Comparative Analysis of Hospitality and Other Industries. *International Journal of Hospitality Management 86*, 10: 24–42.

Arif, Imran, Adam Hoffer, Dean Stansel, and Donald Lacombe (2020). Economic Freedom and Migration: A Metro Area-Level Analysis. *Southern Economic Journal* 87: 170–190.

Bagiatis, Christos, Anna Saiti, and Michael Chletsos (2020). Entrepreneurship, Economic Crisis, and the Role of Higher Education: Evidence from Greece. *Industry and Higher Education* 34, 3: 177–189.

Balliew, Sean, Timothy Mathews, and Joshua C. Hall (2020). Measuring Economic Freedom: An Alternative Functional Specification and Subsequent Ranking. *Applied Economics* 52, 14: 1582–1591.

Bashir, Muhammad F., M.A. Benjiang, Luqman Shahzad, Biao Liu, and Qiangjia Ruan (2021). China's Quest for Economic Dominance and Energy Consumption: Can Asian Economies Provide Natural Resources for the Success of One Belt One Road? *Managerial and Decision Economics* 42, 3: 570–587.

Bennett, Daniel L. (2021). Local Economic Freedom and Creative Destruction in America. *Small Business Economics* 56: 333–353.

* There have been over 340 academic journal articles, public policy studies, and books that have cited *Economic Freedom of North America*. The list given in Appendix C comprises publications from 2020, 2021, and the first half of 2022. For a more comprehensive list that includes older publications, see Appendix C in *Economic Freedom of North America 2017* or see Citations in Professional Literature of the Fraser Institute's Economic Freedom Research at <https://www.fraserinstitute.org/economic-freedom/citations>.

Berggren, Niclas, and Christian Bjørnskov (2020). Institutions and Life Satisfaction. In Klaus Zimmermann, ed., *Handbook of Labor, Human Resources and Population Economics* (Springer): 1–48.

Boers, Jasper (2021). *Making Education Investment Grade: The Hidden Returns to the Mobility of Economic Freedom*. Eaton Vance Management.

Bordelon, Rod (2020). *Eliminating Unnecessary and Harmful Regulations*. Texas Public Policy Foundation.

Bykova, Anna, and Dennis Coates (2020). Firm Performance and Regional Economic Freedom: The Case of Russia. *Post-Soviet Affairs* 36, 5-6: 395–415.

Callais, Justin T. (2021). Laissez les Bons Temps Rouler? The Persistent Effect French Civil Law Has on Corruption, Institutions, and Incomes in Louisiana. *Journal of Institutional Economics* 17, 4: 663–680.

Cebula, Richard J., and Gigi M. Alexander (2020). Economic and Noneconomic Factors Influencing Geographic Differentials in Homelessness: An Exploratory State-Level Analysis. *American Journal of Economics and Sociology* 79, 2: 511–540.

Cebula, Richard J., John E. Connaughton, and Caroline Swartz (2020). Right-to-Work Laws as Economic Freedom: Their Role in Influencing the Geographic Pattern of Manufacturing Jobs, Incomes, and Finances. *American Business Review* 23, 2: 12.

Cebula, Richard J., Malissa L. Davis, James V. Koch, and James William Saunoris (2020). The Relationship between Entrepreneurial Activity and Domestic Gross State In-Migration Patterns in the US. *Applied Economics* 52, 41: 4542–4556.

Cebula, Richard J., and James W. Saunoris (2021). Determinants of Homelessness in the US: New Hypotheses and Evidence. *Applied Economics* 53, 5: 1-15.

Chambers, Dustin, and Colin O'Reilly (2020). Regulation and Income Inequality in the United States. *European Journal of Political Economy*, forthcoming.

Dean, James, and Vincent Geloso (2021). Economic Freedom Improves Income Mobility: Evidence from Canadian Provinces, 1982–2018. *Journal of Institutional Economics*: 1–20.

Dean, James, and Vincent Geloso (2021). *Economic Freedom Leads to Greater Income Mobility*. Montreal Economic Institute.

Deerfield, Amanda, and Niklas Elert (2022). *Entrepreneurship and Regulatory Voids: The Case of Ridesharing*. IFN Working Paper No. 1426.

De la Torre, Rodolfo (2022). 7. Organising Common Good Dynamics: Justice. *A Common Good Approach to Development*: 219-250. Open Book Publishers.

Dove, John A. (2020). Opportunity Entrepreneurship and Regulation: A State-Level Analysis. *Applied Economics Letters* 27, 12: 987–991.

Dove, John A., and Laura R. Dove (2020). US State Tort Liability Reform and Entrepreneurship. *Review of Law & Economics* 16, 3: 1–45.

Felzensztein, Christian, George Saridakis, Bochra Idris, and Gabriel P. Elizondo (2022). Do Economic Freedom, Business Experience, and Firm Size Affect Internationalization Speed? Evidence From Small Firms in Chile, Colombia, and Peru. *Journal of International Entrepreneurship* 20, 1: 115–156.

Fuentes, Cordoba Gabriel, and Uliczka Niklas (2021). *The Impact of Hurricane Katrina on Income Inequality: A Synthetic Control Analysis*. Tohoku University Policy Design Lab Discussion Paper No. 6.

Graafland, Johan (2020). When Does Economic Freedom Promote Well Being? On the Moderating Role of Long-Term Orientation. *Social Indicators Research* 149, 1: 127–153.

Graafland, Johan (2020). Contingencies in the Relationship between Economic Freedom and Human Development: The Role of Generalized Trust. *Journal of Institutional Economics* 16, 1: 271–286.

Hadsell, Lester, and Adam T. Jones (2020). The Company You Keep: Satisfaction with Life, Economic Freedom, and Preference-Policy Mismatch. *Journal of Comparative Economics* 48, 3: 642–657.

Hall, Joshua, Amanda Ross, and Jamie Bologna Pavlik (2020). Laissez-Faire Economic Policy in a World Where Gender Income Gaps Exist: Helping or Hurting? *Journal of Economics, Race, and Policy* 3, 2: 144–158.

Ihlenfeld, Sarah, Joshua C. Hall, and Yang Zhou (2022). Economic Freedom, Capital, and Growth: Evidence from the States. *American Business Review* 25, 1: 3.

Isaac, Sánchez Juárez, and Rosa García-Almada (2020). Empleo Formal y Libertad Económica Regional en México. *Economía y Sociedad* 25, 57: 126–158.

Jahan, Israt, Jamie B. Pavlik, and Ryan B. Williams (2020). Is the Devil in the Shadow? The Effect of Institutional Quality on Income. *Review of Development Economics* 24, 4: 1463–1483.

Jauregui, Andres, Kirk C. Heriot, and David T. Mitchell (2021). Corruption and Formal-Sector Entrepreneurship in a Middle-Income Country: Spatial Analysis of Firm Births in the Mexican States. *Small Business Economics*, 57, 4: 1,957–1,972.

Juárez, Isaac Sánchez, and Rosa M.García-Almada (2020). Empleo formal y libertad económica regional en México. *Economía y Sociedad* 25, 57: 1–36.

Khurana, Indu, Dmitriy Krichevskiy, Gregory Dempster, and Sean Stimpson (2020). Institutions, Entrepreneurial Adaption, and the Legal Form of the Organization. *Journal of Entrepreneurship and Public Policy* 10, 2: 261–283.

Kotkin, Joel, and Marshall Toplansky (2020). *Beyond Feudalism: A Strategy to Restore California's Middle Class*. Center for Demographics and Policy Research Brief. Chapman University.

Lawson, Robert A., Ryan Murphy, and Benjamin Powell (2020). The Determinants of Economic Freedom: A Survey. *Contemporary Economic Policy* 38, 4: 622–642.

Mahadea, Darma, and Martin Kabange (2022). Examining the Relationship between Economic Freedom, Income and Entrepreneurship in South Africa: A VECM Approach. *Journal of Developmental Entrepreneurship* 27, 01. <https://www.worldscientific.com/doi/10.1142/S1084946722500042>.

McCannon, Bryan C. (2021). Do Governors Lead or Follow? Timing of Stay-at-Home Orders. *Eastern Economic Journal* 47, 4: 506–518.

McCannon, Bryan C., and Joshua C. Hall (2021). Stay At Home Orders Were Issued Earlier in Economically Unfree States. *Southern Economic Journal* 87, 4: 1138–1151.

Melton, Amye, Dennis Pearson, and James Vernon (2021). Site Selection Strategy: Economic Freedom and State Growth. *Global Journal of Management and Marketing* 5, 1: 71.

Murphy, Ryan (2020). The Quality of Legal Systems and Property Rights by State: A Ranking and Their Implications for Economic Freedom. *Journal of Regional Analysis & Policy* 50, 1: 29-45.

Murphy, Ryan H., Meg Tuszynski, and Jeremy Jackson (2020). Some Dynamics of Socioeconomic Relationships: Well-Being, Social Capital, Economic Freedom, Economic Growth, and Entrepreneurship. *American Journal of Entrepreneurship* 13, 1: 4–44.

Nowrasteh, Alex, and Benjamin Powell (2020). *Wretched Refuse? The Political Economy of Immigration and Institutions*. Cambridge University Press.

Padilla, Alexandre, and Nicolas Cachanosky (2020). Immigration, Economic Freedom, and Ideology. *The International Trade Journal* 34, 1: 5–17.

Raj, Manav (forthcoming). A House Divided: Legislative Competition and Young Firm Survival in the United States. *Strategic Management Journal*.

Sarkhosh-Sara, Ali, Khadije Nasrollahi, Karim Azarbayjani, and Rasul Bakhusi Dastjerdi (2020). Comparative Analysis of the Effects of Institutional Factors and Piketty's Hypothesis on Inequality: Evidence from a Panel of Countries. *Journal of Economic Structures* 9, 1: 1–28.

Scheck, Macy, Ron Shultis, Daniel J. Smith, and Protik Nandy (2022). *The Costs of Occupational Licensing in Tennessee & Avenues for Reform*. Beacon Center and the Political Economy Research Institute.

Shakya, Shishir, and Alicia Plemmons (2021). The Impact of Economic Freedom on Startups. *Journal of Regional Analysis & Policy* 51, 1: 29–42.

Sobel, Russell S. (2021). *The Determinants of Subnational Economic Freedom: An Analysis of Data for Seven Countries with Implications for Optimal Jurisdiction Size*. Fraser Institute.

Staples, Aaron J., Dustin Chambers, and Trey Malone (2021). How Many Regulations Does It Take to Get a Beer? The Geography of Beer Regulations. *Regulation & Governance*, forthcoming.

Tuszynski, Meg, and Dean Stansel (2020). Immigration and State Institutions: Does Region of Origin Matter? *Cato Journal* 40, 3: 625–664.

Vranich, Joseph, and Lee E. Ohanian (2021). *Why Company Headquarters Are Leaving California in Unprecedented Numbers*. Economics Working Paper No. 21117. Hoover Institution, Stanford University.

Wagner, Gary A., and Jamie Bologna Pavlik (2020). Patent Intensity and Concentration: The Effect of Institutional Quality on MSA Patent Activity. *Papers in Regional Science* 99, 4: 857–898.

Walsh, Philip R., and Mauricio Ferro (2020). Developing a Framework for Sustainable Development in Extractive Industries: A Latin America Perspective. *International Journal of Innovation and Sustainable Development* 14, 1: 67–85.

Yao, Lili, J. Brandon Bolen, and Claudia R. Williamson (2021). The Effect of Mass Legalization on US State-Level Institutions: Evidence from the Immigration Reform and Control Act. *Public Choice*, forthcoming.

Yin, Jiangbin, Xiaoyan Huang, Yunyun Dong, Min Zhao, and Weibao Tan (2021). Dual-Level Impact of Regional Context and Individual Attributes on Entrepreneurship among Return Migrants in China. *Growth and Change* 52: 1099–1116.

About the Authors

Dean Stansel

Dean Stansel is a Research Associate Professor at the Bridwell Institute for Economic Freedom in the Cox School of Business at Southern Methodist University. He earned his B.A. in economics (with honors) and politics from Wake Forest University and his M.A. and Ph.D. in economics from George Mason University. Before entering academia, Prof. Stansel worked for seven years at the Cato Institute, a public-policy research organization in Washington, D.C., where he produced over 60 publications on fiscal policy issues. In addition to his work on *Economic Freedom of North America*, he is sole author of the Reason Foundation's *U.S. Metropolitan Area Economic Freedom Index*, as well as the author of numerous academic journal articles on a variety of issues in public finance and urban economics. Prof. Stansel's research has been discussed in many publications including the *Wall Street Journal*, *New York Times*, *San Francisco Chronicle*, and *Atlanta Journal-Constitution*; and his commentaries have appeared in the *Wall Street Journal*, *Washington Post*, *Investor's Business Daily*, and *Chicago Tribune*, and *Dallas Morning News*, among others.

José Torra

José Torra is the head of research at *Caminos de la Libertad*, a member of the Economic Freedom Network; its mission is to promote discussion about, and reflection upon, the different aspects of freedom. He holds a degree in economics from the *Universidad Nacional Autónoma de México*, Mexico City. He is also the author of the book, *Jonestown: Religión y Sociwalismo*, published by the Friedrich Naumann Foundation.

Fred McMahon

Fred McMahon is the Dr. Michael A. Walker Chair of Economic Freedom Research at the Fraser Institute. He manages the Economic Freedom of the World Project and examines global issues, such as development, trade, governance, and economic structure; and coordinates the Economic Freedom Network, an international alliance of independent think tanks in nearly 90 nations and territories. He holds an M.A. in Economics from McGill University, Montreal. Mr McMahon is the author of numerous research articles and several books, including *Looking the Gift Horse in the Mouth: The Impact of Federal Transfers on Atlantic Canada*, which won the Sir Antony Fisher International Memorial Award for advancing public-policy debate, *Road to Growth: How Lagging Economies Become Prosperous*, and *Retreat from Growth: Atlantic Canada and the Negative Sum Economy*. He has written for numerous publications, including the *European Journal of Political Economy*, the *SAIS Journal* (School of Advanced International Studies, Johns Hopkins University), the *Wall Street Journal*, *Policy Options*, *National Post*, *Time* (Canada), *Globe & Mail*, *Ottawa Citizen*, and most other major Canadian newspapers.

Ángel Carrión-Tavárez

Ángel Carrión-Tavárez is Director of Research and Policy at the *Instituto de Libertad Económica* in Puerto Rico. He is an editor, educator, and multidisciplinary researcher. He has a B.A. in Social Sciences from the University of Puerto Rico, an M.A. in Humanities from California State University, and a Ph.D. in Integration and Economic and Territorial Development from Universidad de León (Spain). He was founder and editor of the economic and public-policy magazine, *Panorama 21* (published in English, Spanish, and Portuguese); managing editor of the business weekly, *Caribbean Business*; and editor-in-chief and president of the Board of the peer-reviewed journal, *Fórum Empresarial*. He is the author of numerous publications in academic journals and the media, and received the "Teodoro Moscoso Special Award for Business Journalism" from the Overseas Press Club in 2006 and the "Unesco Medal of Excellence in Journalism" in 2005. He has been the academic co-ordinator of the Certificate in Editing and Publishing Arts; a professor of Regional and Business Geography; and the director of the Center for Business Research at the University of Puerto Rico.

Acknowledgments

We, the authors of previous reports, are honoured and pleased to welcome a new member and co-author to the *Economic Freedom of North America* team, Dr. Ángel Carrión-Tavárez, Director of Research and Policy at the Puerto Rico Institute for Economic Liberty (*Instituto de Libertad Económica*). He undertook this year the challenging task of adding Puerto Rico to the index. He has worked tirelessly to improve economic policy in Puerto Rico and thus the lives of Puerto Ricans. His brief biography in this report shows his great efforts across many fields. Given his incredible workload, we are particularly grateful that he undertook this difficult task. Adding Puerto Rico to the index will help provide policy benchmarks for the island moving forward.

The authors would like to thank the Charles Koch Foundation, the Sarah Scaife Foundation, and the Searle Freedom Trust for their support of this project. We are also grateful to Robert Lawson and the Bridwell Institute for Economic Freedom at the Southern Methodist University (SMU) Cox School of Business for hosting and co-sponsoring the annual meeting of the Economic Freedom of North America Network.

As well, we are highly appreciative of the work of Fraser Institute Senior Fellow Alan Dowd, who continues to expand our network of US-based policy research organizations (see pp. 95–105). Starting with 10 partners in nine states in 2014, our EFNA

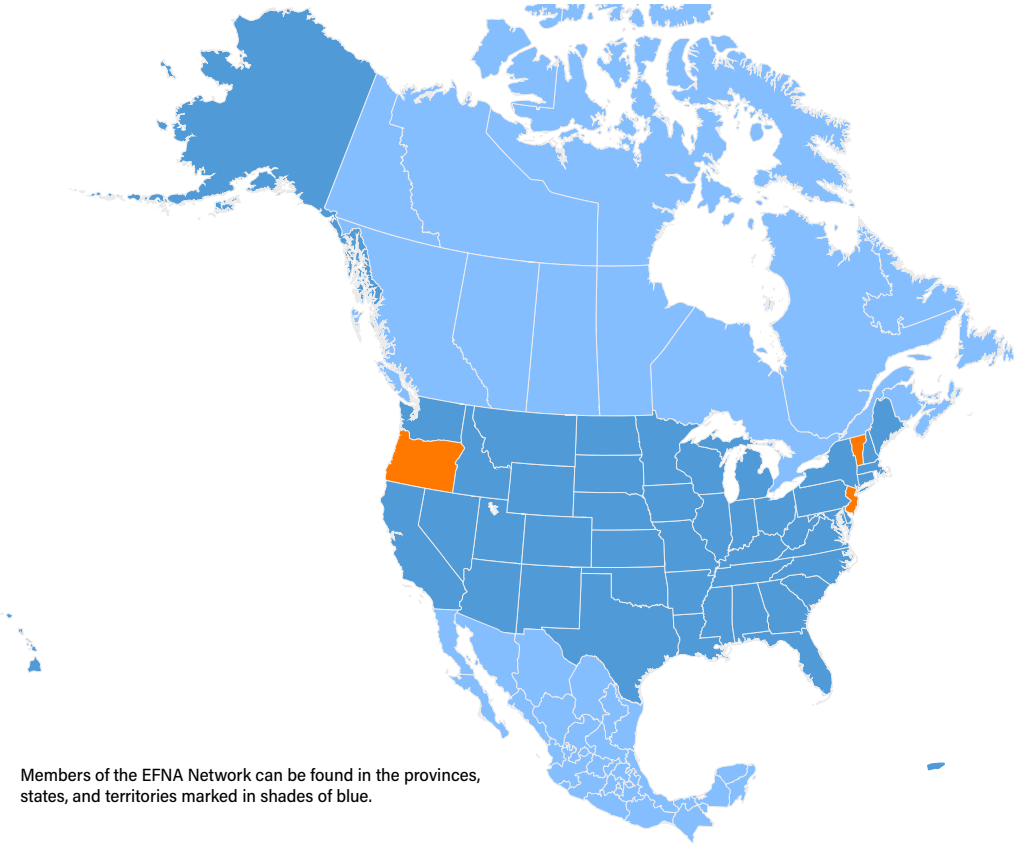
Network now comprises 58 full partners in 47 states and territories, Canada, and Mexico. We are grateful to the members of our EFNA Network for their efforts in promoting the index in their states, using the index in their research, hosting EFNA authors for presentations, and participating in planning conferences.

The authors thank Michael Walker, Steven Easton, Robert Lawson, James Gwartney, and Dexter Samida for their help in developing the methodology for this report. We thank Amela Karabegović for her involvement in this project as principal author of earlier additions.

We also thank Mirna Ponce, Research Fellow at *Caminos de la Libertad*, for her overall assistance with the Mexican index, Edwin Ríos, collaborator of the *Instituto de Libertad Económica*, for his contribution to Puerto Rico's dataset, and Ellen Taylor, intern at the Bridwell Institute, for help with compiling the list of research papers using *Economic Freedom of North America*.

Our EFNA Network

The Fraser Institute is proud to partner with a network of organizations across North America in promoting the *Economic Freedom of North America* (EFNA) report in the United States, Canada, and Mexico. Our EFNA Network partners co-publish the report, host EFNA-related events, use the report in their own research and publications, and disseminate the report to engaged citizens, policy makers and media outlets in their states, territories, and regions.



Members of the EFNA Network can be found in the provinces, states, and territories marked in shades of blue.

Canada

Fraser Institute

Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring, and broadly communicating the effects of government policies, entrepreneurship, and choice on their well-being. Founded in 1974, we are an independent research and educational organization with locations throughout North America and international partners in over 90 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.

Vancouver, Canada • fraserinstitute.org

Mexico

Caminos de la Libertad

Caminos de la Libertad seeks to promote discussion and reflection about the different aspects of freedom. We strive to generate critical thinking and policies as well as creating awareness among those who have not yet realized the value of their own freedom. Caminos de la Libertad has become an international effort that includes competitions, symposiums, conferences, and round-table discussions emphasizing the importance of freedom. With our different activities, we try to introduce academics, politicians, youth, and the general society to the liberal perspective.

Mexico City, Mexico • caminosdelalibertad.com

United States

Alabama

Manuel Johnson Center for Political Economy at Troy University

The Manuel H. Johnson Center for Political Economy at Troy University provides a dynamic and rigorous education program focused on the moral imperatives of free markets and individual liberty, as well as relevant policy research on current and local issues.

Troy, Alabama • troy.edu/academics/colleges-schools/business/johnson-center/index.html

Alaska

Alaska Policy Forum

The Alaska Policy Forum conducts timely, relevant, and accurate research and provides free-market, Alaskan solutions in the most effective means possible to policy makers at the state and local level. We believe that individual freedom and private property are inextricably linked. We believe that government should be limited, transparent, and accountable. We believe in responsible, sustainable development. We believe that free markets offer better solutions than government planning.

Anchorage, Alaska • www.alaskapolicyforum.org

Arizona

Center for the Philosophy of Freedom at the University of Arizona

The Center's mission is to promote the understanding and appreciation of the ideals of freedom and responsibility along four dimensions: published research, undergraduate education, graduate education, and community outreach.

Tucson, Arizona • freedomcenter.arizona.edu

Center for the Study of Economic Liberty at Arizona State University

Committed to the study of the role economic liberty and the free-enterprise system play in increasing opportunity and improving well-being, the Center for the Study of Economic Liberty seeks to advance our understanding through independent thinking, scholarly debate, factual argument, and clear, honest communication of research and policy findings. The Center is a non-partisan academic unit within the W. P. Carey School of Business at Arizona State University; our scholars enjoy academic freedom

and share with each other a basic commitment to a freer, more prosperous world. Founded in 2014, the Center for the Study of Economic Liberty is dedicated to serving students and the public through research, education, and community outreach on the most pressing national and international economic policy issues.

Tempe, Arizona • csel.asu.edu/

Arkansas

Arkansas Center for Research in Economics at the University of Central Arkansas

The vision and hope of faculty, staff, and supporters of the Arkansas Center for Research in Economics (ACRE) is greater human well-being—a society in which everyone lives the best, most rewarding life possible, as defined by each individual. ACRE's four primary areas of economic research are regulations that inhibit earning a living, transparency and efficient governance, unleashing entrepreneurship, and public education.

Conway, Arkansas • uca.edu/acre

California

Independent Institute

The Independent Institute is a non-profit, non-partisan, public-policy research and educational organization that shapes ideas into profound and lasting impact. The mission of Independent is to boldly advance peaceful, prosperous, and free societies grounded in a commitment to human worth and dignity. Applying independent thinking to issues that matter, we create transformational ideas for today's most pressing social and economic challenges. The results of this work are published as books and other publications and form the basis for numerous conference and media programs. By connecting these ideas with organizations and networks, we seek to inspire action to unleash an era of unparalleled human flourishing at home and around the globe.

Oakland, California • www.independent.org

Colorado

Independence Institute

The mission of the Independence Institute is to empower individuals and to educate citizens, legislators, and opinion makers about public policies that enhance personal and economic freedom.

Denver, Colorado • www.i2i.org

Woodford Foundation for Limited Government

We are a private foundation located in Colorado Springs. Our primary interest is to be persuasive in restoring the "Opportunity Society" by (a) promoting a gradual and significant reduction in the size and scope of both federal and state governments, (b) working as part of the Bastiat Society to influence business owners to be "Principled Wealth Creators", and (c) encouraging business and the general electorate to endorse both our Profit Sharing and Vouchers for Delivery of Social Services and Free Enterprise and True Responsible Capitalism statements.

Colorado Springs, Colorado • woodfordfoundation.org

Connecticut

Yankee Institute for Public Policy

The Yankee Institute develops and advances free-market, limited-government solutions in Connecticut. As one of America's oldest state-based think tanks, Yankee is a leading advocate for smart, limited government; fairness for taxpayers; and an open road to opportunity.

Hartford, Connecticut • yankeeinstitute.org

Delaware

Caesar Rodney Institute

The Caesar Rodney Institute is an independent, non-profit, non-partisan public policy research institute committed to protecting individual liberty.

Newark, Delaware • caesarrodney.org

Florida

James Madison Institute

The James Madison Institute is a Florida-based research and educational organization engaged in the battle of ideas. The Institute's ideas are rooted in a belief in the US Constitution and such timeless ideals as limited government, economic freedom, federalism, and individual liberty coupled with individual responsibility. The Institute's mission is to keep the citizens of Florida informed about their government and to shape our state's future through the advancement of practical free-market ideas on public-policy issues.

Tallahassee, Florida • www.jamesmadison.org

Georgia

Georgia Public Policy Foundation

The Georgia Public Policy Foundation is a 501(c)(3) non-profit, non-partisan research institute. Our mission is to improve the lives of Georgians through public policies that enhance economic opportunity and freedom. We believe good public policy is based upon fact, an understanding of sound economic principles, and the core principles of our free-enterprise system—economic freedom, limited government, personal responsibility, individual initiative, respect for private property and the rule of law.

Atlanta, Georgia • georgiapolicy.org

Georgia Center for Opportunity

The mission of the Georgia Center for Opportunity is removing barriers to ensure that every person—no matter their race, past mistakes, or the circumstances of their birth—has access to a quality education, fulfilling work, and a healthy family life.

Peachtree Corner, Georgia • foropportunity.org

Hawaii

Grassroot Institute of Hawaii

The Grassroot Institute of Hawaii is an independent, non-profit, research and educational institution devoted to promoting the principles of individual liberty, free markets, and limited and accountable government throughout the state of Hawaii and the Pacific Rim.

Honolulu, Hawaii • grassrootinstitute.org

Idaho *Idaho Freedom Foundation*

Our goal is to hold public servants and government programs accountable, expose government waste and cronyism, reduce Idaho's dependency on the federal government, and inject fairness and predictability into the state's tax system.

Boise, Idaho • idahofreedom.org

Illinois *Illinois Policy Institute*

Illinois Policy Institute is an independent organization generating public-policy solutions aimed at promoting personal freedom and prosperity in Illinois. We believe Illinois should be a place where people of all talents, interests, and cultural backgrounds can succeed with hard work and ingenuity. We want families to feel confident in planting their roots in Illinois soil. And, we want to live in a state where communities flourish and good opportunities abound.

Springfield/Chicago, Illinois • illinoispolicy.org

Indiana *Sagamore Institute*

The Sagamore Institute is an Indianapolis-based non-profit, non-partisan, public-policy research organization—or think tank. It is our mission to research, analyze, and respond to difficult issues, to serve as a meeting place for disparate groups, and to offer wise counsel for a world in progress.

Indianapolis, Indiana • www.sagamoreinstitute.org

Iowa *Iowans for Tax Relief Foundation*

The ITR Foundation is not your traditional public-policy think tank. Our goal is to ensure every Iowan can achieve the American dream by fostering a pro-growth tax code, a friendly business climate, and an education system that prepares responsible leaders and citizens for the workforce.

West Des Moines, Iowa • itrfoundation.org

Kansas *Kansas Policy Institute*

Kansas Policy Institute is an independent think tank guided by the constitutional principles of limited government and personal freedom. We specialize in student-focused education and tax and fiscal policy at the state and local level, empowering citizens, legislators, and other government officials with objective research and creative ideas to promote a low-tax, pro-growth environment that preserves the ability of governments to provide high-quality services.

Wichita, Kansas • kansaspolicy.org

Kentucky *Pegasus Institute*

Our mission is to provide public-policy research and solutions that help improve the lives of all Kentuckians. Pegasus Institute operates as an independent, non-partisan, privately funded research organization focused on state and local policies. We believe that Kentucky has the potential to emerge as a national leader and a beacon of the

New South. That potential can be unlocked with data-driven public-policy solutions based in free-market principles, individual liberty and responsibility, and effective, limited, and accountable government.

Louisville, Kentucky • pegasuskentucky.org

Center for Free Enterprise at the University of Louisville

The mission of the Center for Free Enterprise is to engage in research and teaching that explores the role of enterprise and entrepreneurship in advancing the well-being of society.

Louisville, Kentucky • http://business.louisville.edu/freeenterprise/

Louisiana

Pelican Institute

The Pelican Institute is a non-partisan research and educational organization—a think tank—and the leading voice for free markets in Louisiana. The Institute's mission is to conduct scholarly research and analysis that advances sound policies based on free enterprise, individual liberty, and constitutionally limited government.

New Orleans, Louisiana • www.pelicaninstitute.org

Maine

Maine Policy Institute

Maine Policy Institute is a 501(c)(3) nonprofit, nonpartisan organization that conducts detailed and timely research to educate the public, the media, and lawmakers about public-policy solutions that advance economic freedom and individual liberty in Maine.

Portland, Maine • mainepolicy.org

Maryland

Free State Foundation

The Free State Foundation is a non-profit, nonpartisan think tank. Its purpose is to promote, through research and educational activities, understanding of free-market, limited government, and rule of law principles at the federal level and in Maryland.

Potomac, Maryland • freestatefoundation.org

Massachusetts

Pioneer Institute

Pioneer Institute is an independent, non-partisan, privately funded research organization that seeks to improve the quality of life in Massachusetts through civic discourse and intellectually rigorous, data-driven public-policy solutions based on free-market principles, individual liberty and responsibility, and the ideal of effective, limited, and accountable government.

Boston, Massachusetts • pioneerinstitute.org

Michigan

Mackinac Center for Public Policy

The Mackinac Center for Public Policy is a non-partisan research and educational institute dedicated to improving the quality of life for all Michigan residents by promoting sound solutions to state and local policy questions.

Midland, Michigan • www.mackinac.org

Minnesota

Center of the American Experiment

The Center of the American Experiment is Minnesota's leading public-policy organization. The Center researches and produces papers on Minnesota's economy, education, health care, the family, employee freedom, and state and local governance. It also crafts and proposes creative solutions that emphasize free enterprise, limited government, personal responsibility, and government accountability.

Golden Valley, Minnesota • www.americanexperiment.org

Mississippi

Institute for Market Studies at Mississippi State University

The Institute for Market Studies supports the study of markets and provides a deeper understanding regarding the role of markets in creating widely shared prosperity. The Institute brings together leading scholars in economics, finance, and international business. Research interests include analysis of the market process, corporate control, bureaucracy and regulation theory, shadow economies, and informal institutions. Research questions are motivated by current economic and financial issues.

Mississippi State, Mississippi • http://www.ims.msstate.edu

Mississippi Center for Public Policy

The Mississippi Center for Public Policy (MCPP) is an independent, non-profit, public-policy organization based in Jackson, Mississippi. The Mississippi Center for Public Policy works to promote and protect the concepts of free markets, limited government, and strong traditional families.

Jackson, Mississippi • mspolicy.org

Missouri

Hammond Institute for Free Enterprise at Lindenwood University

The John W. Hammond Institute for Free Enterprise is a research and education center in the Plaster School of Business and Entrepreneurship at Lindenwood University. Its mission is to foster free enterprise and civil and religious liberty through the examination of market-oriented approaches to economic and social issues. This mission is based on the view that a limited government, such as that laid out in the Constitutional foundation of the United States, is a necessary component of a just and prosperous society.

St. Charles, Missouri • hammondinstitute.org

Montana

Frontier Institute

Montana's Frontier Institute elevates powerful stories and sound policy solutions to break down government barriers so all Montanans can thrive.

Helena, Montana • frontierinstitute.org

Nebraska

Menard Family Institute for Economic Inquiry at Creighton University

The Institute for Economic Inquiry supports research and education programs analyzing, and initiating conversations about, the institutions that promote human well-being. Through the Institute, social scientists and practitioners work together to define the characteristics of a free society, and then critically examine the impact

of policy on human flourishing. The Institute supports research that compares and contrasts economic and social outcomes from the perspectives of economics, ethics, and entrepreneurship and their diverse methodologies.

Omaha, Nebraska • www.creighton.edu/instituteforeconomicinquiry

Platte Institute for Economic Research

The Platte Institute's mission is to advance policies that remove barriers to growth and opportunity in Nebraska.

Omaha, Nebraska • platteinstitute.org

Nevada

Nevada Policy Research Institute

The Nevada Policy Research Institute is a non-partisan, non-profit think tank that promotes policy ideas consistent with the principles of limited government, individual liberty and free markets. NPRI is an independent source of objective research and liberty-minded commentary focused on helping the citizens of Nevada understand the fundamental value of a free society, the inseparability of personal economic freedom and the comprehensive benefits of free market policy solutions.

Las Vegas, Nevada • npri.org

New Hampshire

Josiah Bartlett Center for Public Policy

The Josiah Bartlett Center for Public Policy is New Hampshire's free-market think tank. The Bartlett Center's mission is to develop and advance practical, free-market policies that promote prosperity and opportunity for all. The center is a 501(c)(3) non-profit educational organization.

Concord, New Hampshire • jbartlett.org

New Mexico

Rio Grande Foundation

The Rio Grande Foundation is a research institute dedicated to increasing liberty and prosperity for all of New Mexico's citizens. We do this by informing New Mexicans of the importance of individual freedom, limited government, and economic opportunity.

Albuquerque, New Mexico • www.riograndefoundation.org

New York

Economic Freedom Institute at Manhattanville College

The Economic Freedom Institute (EFI) provides a forum for the study, analysis, and discussion of the nature of economic freedom and its implications. It fosters the exchange and development of ideas concerning policies and programs of importance in regional, national, and international arenas. Open to a variety of viewpoints and philosophies, participants in EFI include scholars, corporate executives, and officials from labor unions, non-profit institutions, and various levels of government.

Purchase, New York • mville.edu/programs/economics/economic-freedom-institute

North Carolina

Center for the Study of Free Enterprise at Western Carolina University

Our mission is to provide economics research and thought leadership on issues pertaining to economic development in North Carolina, the region, and beyond, by

conducting scholarly inquiry, policy analysis, educational activities, and community outreach on the role of free enterprise in a flourishing society

Cullowhee, North Carolina • affiliate.wcu.edu/csfe

John Locke Foundation

The John Locke Foundation was created in 1990 as an independent, non-profit think tank that would work "for truth, for freedom, and for the future of North Carolina". The Foundation is named for John Locke, an English philosopher whose writings inspired Thomas Jefferson and the other Founders. The John Locke Foundation is a 501(c)(3) research institute and is funded solely from voluntary contributions from individuals, corporations, and charitable foundations. The John Locke Foundation envisions a North Carolina of responsible citizens, strong families, and successful communities committed to individual liberty and limited, constitutional government.

Raleigh, North Carolina • www.johnlocke.org

North Dakota

Center for the Study of Public Choice and Private Enterprise at North Dakota State University

The Center for the Study of Public Choice and Private Enterprise (PCPE) engages in research and educational programs to uncover the institutions and policies that encourage and enhance human well-being. The Center seeks to advance knowledge of the sources and causes of human well-being and the distinctive roles of entrepreneurship, free markets, philanthropy, private enterprise and public policy in achieving it.

Fargo, North Dakota • ndsu.edu/centers/pcpe

Ohio

Buckeye Institute

The Buckeye Institute was founded in 1989 as an independent research and educational institution—a think tank—to formulate and promote free-market solutions for Ohio's most pressing public-policy problems.

Columbus, Ohio • www.buckeyeinstitute.org

Oklahoma

Institute for the Study of Free Enterprise at Oklahoma State University

The mission of the Institute for the Study of Free Enterprise is to promote economic freedom, competitive markets, private ownership, and individual choice. We work to facilitate campus-wide discussions on those issues as they relate to value creation in society, personal liberty, and human flourishing. In addition, we coordinate OSU courses related to free enterprise, sponsor the Free Enterprise Society, provide scholarships and fellowships for students from all disciplines who are interested in free enterprise principles, and support faculty and student research.

Stillwater, Oklahoma • fe.okstate.edu

Pennsylvania

Commonwealth Foundation

The Commonwealth Foundation transforms free-market ideas into public policies so all Pennsylvanians can flourish.

Harrisburg, Pennsylvania • www.commonwealthfoundation.org

Puerto Rico

Institute for Economic Liberty

The Instituto de Libertad Económica (ILE) is a 501(c)(3) education and research think tank devoted to improving the lives of all residents of Puerto Rico through initiatives that increase freedom and economic opportunity. We advocate public policies based upon data, facts, and the pillars of the free-market system—individual liberty, rule of law, property rights, and limited government. The ILE seeks to influence and enrich the public and academic discussion by producing publications and sponsoring conferences on the principles of economic freedom. We work to remove barriers to individual initiative and ensure that everyone has equal opportunities to prosper.

San Juan, Puerto Rico • ilepr.org

South Carolina

Palmetto Promise Institute

Founded in 2013 by a visionary group of entrepreneurs, scholars, philanthropists, and public servants, Palmetto Promise Institute promotes a flourishing South Carolina where every citizen has the opportunity to reach their full potential. We strive to be a beacon of aspiration in a sea of negativity, inspired by South Carolina's state motto: "While I breathe, I hope". With a core focus on education, health care, tax, and energy policy research, PPI is the Palmetto State's trusted champion of free enterprise and human flourishing.

Columbia, South Carolina • palmettopromise.org

South Dakota

Great Plains Public Policy Institute

The mission of the Great Plains Public Policy Institute is to formulate and promote free enterprise solutions to public-policy problems based on the principles of individual responsibility, limited government, privatization, and traditional American values.

Sioux Falls, South Dakota • www.greatplainsppi.org

Tennessee

Beacon Center of Tennessee

The Beacon Center of Tennessee empowers Tennesseans to reclaim control of their lives, so that they can freely pursue their version of the American dream.

Nashville, Tennessee • www.beacontn.org

Center for Economic Education at the University of Tennessee at Chattanooga

The Center for Economic Education offers programs for teachers and students to provide a better understanding of the theory and practice of capitalism, and the positive relationship between private enterprise and economic prosperity.

Chattanooga, Tennessee • https://www.utc.edu/probasco-chair-free-enterprise/index.php

Texas

Bridwell Institute for Economic Freedom at SMU

The mission of the Bridwell Institute is to foster the scholarly study and intellectual discussion of the nature, consequences, and causes of economic freedom in our local, state, national, and international communities. In support of this mission, the Bridwell Institute seeks to: influence the academic debate by generating and sponsoring high-quality, peer-reviewed scholarship related to the nature, consequences,

and causes of economic freedom; become a leader on the SMU campus by engaging students about the ideas of economic freedom through reading groups and related programs; elevate and enliven the discussion and debate about economic freedom in the wider Dallas-Fort Worth community; and encourage teaching about free enterprise and its benefits in schools in Texas and beyond through our economic education programs.

Dallas, Texas • www.smu.edu/cox/Centers-and-Institutes/Bridwell-Institute

Texas Public Policy Foundation

The Texas Public Policy Foundation is a non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policy makers and the Texas public-policy debate with academically sound research and outreach.

Austin, Texas • www.texaspolicy.com

Utah *Libertas Institute*

Libertas Institute envisions a legal system that protects each person's pursuit of happiness not just in word, but in deed. A society governed by such a system will embrace personal responsibility, use persuasion rather than force to achieve important goals, and understand the importance of free markets, property rights, personal freedom, and equal justice.

Lehi, Utah • libertas.org

Virginia *Virginia Institute for Public Policy*

The Virginia Institute for Public Policy is an independent, non-partisan, education and research organization committed to the goals of individual opportunity and economic growth. Through research, policy recommendations, and symposia, the Institute works ahead of the political process to lay the intellectual foundation for a society dedicated to individual liberty, free enterprise, private property, the rule of law, and constitutionally limited government.

Abingdon, Virginia • virginiainstitute.org

Washington *Washington Policy Center*

The Washington Policy Center is an independent, non-profit think tank that promotes sound public policy based on free-market solutions.

Seattle, Washington • www.washingtonpolicy.org

West Virginia *Cardinal Institute*

The Cardinal Institute for West Virginia Policy is a 501(c)(3) non-profit founded in 2014 dedicated to research, develop, and communicate effective conservative economic public policies for West Virginia.

Charleston, West Virginia • www.cardinalinstitute.com

Wisconsin *MacIver Institute*

The John K. MacIver Institute for Public Policy is a Wisconsin-based think tank that fights for free markets, individual freedom, personal responsibility, and limited government. Our namesake believed that ideas are the most powerful force in politics and our democracy. In John's honor, the MacIver Institute works every day to produce the next generation of ideas that will move Wisconsin and our country forward.

Madison, Wisconsin • www.maciverinstitute.com

Wyoming *Wyoming Liberty Group*

Founded in 2008 with the purpose of inviting citizens to prepare for informed, active and confident involvement in local and state government, Wyoming Liberty Group provides a venue for understanding public issues in light of constitutional principles and governmental accountability. We believe in the values of individual dignity and personal liberty, and we encourage appreciation of our state constitution and the historical/cultural values that are the very source of our liberty.

Cheyenne, Wyoming • wyliberty.org

About This Publication

Distribution

Our publications are available from <www.fraserinstitute.org> in Portable Document Format (PDF) and can be read with Adobe Acrobat® or Adobe Reader®, versions 7 or later. Adobe Reader® XI, the most recent version, is available free of charge <get.adobe.com/reader/>. Anyone unable to view or print our PDF files using applications from other manufacturers (e.g., Apple's Preview), should use Reader® or Acrobat®.

Ordering publications

To order printed publications from the Fraser Institute, please contact us via e-mail: sales@fraserinstitute.org • telephone: 604.688.0221, ext. 580 or, toll free, 1.800.665.3558, ext. 580 • or fax: 604.688.8539.

Media

For media enquiries, please contact our communications department via telephone: 604.714.4582; or e-mail: communications@fraserinstitute.org.

Copyright

Cover design

Peng Wei

ISSN

1910-1945

ISBN

North American version: 978-0-88975-714-1 (2022 edition)
US version: 978-0-88975-715-8 (2022 edition)

Citation

Dean Stansel, José Torra, Fred McMahon, and Ángel Carrión-Tavárez (2022). *Economic Freedom of North America 2022*. Fraser Institute.

Supporting the Fraser Institute

To learn how to support the Fraser Institute, please contact us via post: Development Department, Fraser Institute, Fourth Floor, 1770 Burrard Street, Vancouver, British Columbia, V6J 3G7, Canada • telephone: toll-free to 1.800.665.3558, ext. 548 • e-mail: development@fraserinstitute.org • or visit our web page: <www.fraserinstitute.org/support-us/overview.aspx>.

Purpose, Funding, and Independence

The Fraser Institute provides a useful public service. We report objective information about the economic and social effects of current public policies, and we offer evidence-based research and education about policy options that can improve the quality of life.

The Institute is a non-profit organization. Our activities are funded by charitable donations, unrestricted grants, ticket sales, and sponsorships from events, the licensing of products for public distribution, and the sale of publications.

All research is subject to rigorous review by external experts, and is conducted and published separately from the Institute's Board of Trustees and its donors.

The opinions expressed by the authors are those of the individuals themselves, and do not necessarily reflect those of the Fraser Institute, its Board of Directors, its donors and supporters, or its staff. This publication in no way implies that the Fraser Institute, its directors, or staff are in favour of, or oppose the passage of, any bill; or that they support or oppose any particular political party or candidate.

As a healthy part of public discussion among fellow citizens who desire to improve the lives of people through better public policy, the Institute welcomes evidence-focused scrutiny of the research we publish, including verification of data sources, replication of analytical methods, and intelligent debate about the practical effects of policy recommendations.

Peer Review

Validating the accuracy of our research

The Fraser Institute maintains a rigorous peer review process for its research. New research, major research projects, and substantively modified research conducted by the Fraser Institute are reviewed by a minimum of one internal expert and two external experts. Reviewers are expected to have a recognized expertise in the topic area being addressed. Whenever possible, external review is a blind process.

Commentaries and conference papers are reviewed by internal experts. Updates to previously reviewed research or new editions of previously reviewed research are not reviewed unless the update includes substantive or material changes in the methodology. The review process is overseen by the directors of the Institute's research departments who are responsible for ensuring all research published by the Institute passes through the appropriate peer review. If a dispute about the recommendations of the reviewers should arise during the Institute's peer review process, the Institute has an Editorial Advisory Board, a panel of scholars from Canada, the United States, and Europe to whom it can turn for help in resolving the dispute.

Editorial Advisory Board