



## **Florida Ranks First, New York Last on Economic Freedom**

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Florida has ranked at the top of a list for its economic policies again and New York is at the bottom for the tenth year in a row.

The Fraser Institute's latest annual Economic Freedom of North America report (EFNA) was released recently. Florida led all 50 states followed closely by New Hampshire, Texas and Tennessee. The rankings were based on an index of ten variables related to government spending, taxes and labor market freedom. Using an entirely different methodology, the Cato Institute's "Freedom in the 50 States" report, released in August, also ranked Florida first and New York last.

New York was followed by Kentucky, West Virginia, California and Alaska. California has been 47th or lower for the last ten years meaning, amongst the four most populous states, there is a clear contrast. Florida and Texas provide a high level of economic freedom; New York and California do the opposite. Residents and businesses seem to recognize this distinction. In the last three years, the population has grown over three times faster in Florida and Texas. The population in New York barely budged, rising by less than one-half of one percent.

This contrast does not apply only to these four states. The EFNA report revealed when you divide the states into four groups ranked by economic freedom, in the most-free states the average per capita income was 7.3 per cent above the national average compared to roughly 10.5 per cent below the national average in the least-free states. Per capita income was also found to grow faster in states where economic freedom is growing faster.

Furthermore, more than 250 scholarly articles by independent researchers have used the EFNA data to examine economic freedom at the state level while more than 500 articles have done the same at the national level (using its companion report that ranks countries). The vast majority of that literature finds that economically free areas tend to experience more broadly positive outcomes, including more economic prosperity. One reason for that is that high taxes, spending and regulation make it harder for entrepreneurs to succeed. When businesses can't expand and hire new workers, everyone is worse off.

States that have seen the fastest economic growth like Florida and Texas tend to have a common focus in their economic policies: a low tax burden (especially low or no income taxes), slow

growth of spending and a relatively light regulatory burden that makes it easier for entrepreneurs to be successful. States that take the opposite approach, like New York and California, tend to see much less economic prosperity and many more moving trucks leaving for greener and freer pastures.

While Florida's first place ranking is to be lauded, it should be noted that the grade is on a curve, otherwise, all states would fail. There's plenty of room for improvement even in Florida. The minimum wage, the sales tax and property taxes are three particular areas where the state needs to improve. Furthermore, recent proposals to increase the corporate income tax would pull Florida down in the rankings.

Florida's top ranking is impressive, but politicians and policy makers should not rest on their laurels. They should strive to make Florida's economy even freer. Increasing economic freedom can provide greater prosperity for state residents, which politicians themselves can find very rewarding at the ballot box as well.