



## **N.C. improves ranking in Cato freedom index**

*Tar Heel State ranks 19<sup>th</sup> nationally, up from 24<sup>th</sup> in 2013, based in part on improvements in fiscal and education policies*

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August 15, 2016

North Carolina ranks No. 19 overall and is rising among all states when combining economic and personal freedoms, according to a major national report released today that used more than 230 variables to set the rankings.

“It definitely sticks out as one of the biggest improvers since 2011,” said Jason Sorens, an assistant professor of political science at the State University of New York, Buffalo, who co-authored the [report “Freedom in the 50 States”](#) with William Ruger, a research fellow in foreign policy studies at the Cato Institute, a libertarian think tank that published the report.

But North Carolina’s overall average was dragged down with a ranking of No. 26 in regulatory burdens, the report found. The state fared better in fiscal policy at No. 17. Those two categories comprise the economic ranking, in which North Carolina was No. 24. The state was No. 13 in personal freedom, which was added to the economic freedom score to get the overall state rankings.

The state’s ranking improved from No. 24 in the [2013 edition](#) of the report, the most recent edition published. (The three previous editions of the report were published by the Mercatus Center at George Mason University.)

North Carolina ranked dead last in miscellaneous regulatory freedom, including such factors as certificate-of-need-requirements before new medical facilities can be built and health care equipment purchased, and auto and homeowners rate-filing requirements.

One indicator of a state’s freedom for its citizens is net migration.

“We do find strong evidence that Americans are moving from less free to freer states. We find especially strong evidence that good regulatory policies are important for economic growth,” Sorens said. North Carolina has “one of the highest figures in the country,” Sorens said, adding the equivalent of 10 percent of its 2000 population by 2014.

“And its economic growth has been pretty strong, too,” Sorens said. “We show over the 2013 period [an] annual growth rate of real personal income [of] about 1.9 percent, which is a little above average. That includes the period of the Great Recession.”

North Carolina ranked No. 6 nationally in educational freedom, which incorporates measures such as school choice, tax credits and deductions for private scholarship funds or educational expenses, publicly funded voucher laws, and mandatory state licensure of private school teachers.

But the state is below average in a number of regulatory policy areas.

The freedom to set auto and homeowners insurance rates is an area where North Carolina “is definitely a little below average” compared to more free-market states, Sorens said.

Those are the types of things “pretty much any economist would say there’s no rationale for that,” he said. “Let the market control prices. Don’t let legislators control it.”

The index on freedom from cronyism is new to this year’s report. It includes subsidies, and price and entry regulations including occupational licensing. North Carolina ranks No. 34, and “is definitely below average on that,” Sorens said.

States with policies encouraging cronyism “tend to have more corruption, and they also tend to have more lobbyists per legislator,” he said. Those states have “greater political control over the market, and presumably more interest group influence.”

The goal of the freedom index study is to determine how a policy “affects the welfare of people whose freedoms are either given to them or taken away from them by that policy,” Sorens said. Each of the more than 230 variables correlate to a dollar value used in assessing scores.

### **Fiscal policy**

North Carolina’s 2014 state tax burden improved three spots to No. 25 compared to 2012, largely resulting from a reduction in the individual income tax rate. The state was No. 15 in local tax burden.

In government employment, North Carolina ranked among the worst states at No. 40. Government employment can crowd out private sector jobs, and government-run enterprises are less efficient than private ones, so “government employment costs the local economy,” the report said.

“Taxes paid for subsidies to business are a loss of freedom for all taxpayers, because virtually no taxpayers would want to transfer their own wealth to managers and owners of large corporations,” the report said. Subsidies “generally reduce the incomes of local taxpayers.” North Carolina ranked No. 26 in that category.

North Carolina’s relatively low government debt led to a ranking of No. 7.

### **Regulatory policy**

States that rank highest in regulatory policy “are mostly conservative, but they tilt toward Midwestern more than Southern,” the report said.

North Carolina ranked No. 21 in land use freedom and environmental policy, which includes eminent domain policies and renewable energy portfolios that force utilities to purchase higher cost renewable energy, and No. 34 on health insurance freedom.

The state was No. 5 in labor market freedom, which captures right-to-work laws, but No. 37 in occupational freedom, which includes occupational licensing the regulations on medical scope of practice for groups such as nurse practitioners.

North Carolina was No. 39 in lawsuit freedom, in which civil liability and tort claims cost businesses in liability insurance premium expenses, and hurts consumers in pass-through costs.

North Carolina tied at No. 1 with 22 other states for cable and telecom freedom.

### **Personal freedom**

In personal freedom categories, North Carolina ranked No. 18 in incarceration and arrest for victimless crimes, tied at No. 1 with 14 other states for marriage freedom, was No. 33 in gun rights, No. 35 in alcohol freedom from state monopoly control, No. 25 in marijuana freedoms, and No. 32 in gambling freedom involving things such as Internet gambling.

The state ranked No. 12 in civil asset forfeiture, largely because it has no such laws, but the report said North Carolina does an end-run on that by participating in the U.S. Department of Justice’s equitable sharing program.

North Carolina ranks No. 26 in campaign finance, and No. 13 in tobacco freedom, but No. 49 in travel freedom, which includes denying driver’s licenses to undocumented immigrants, and the establishment of random sobriety checkpoints.

North Carolina was No. 42 in “mala prohibita,” a grab bag of policies on such things as prohibiting the sale of raw milk, banning prostitution, taking DNA samples from criminal suspects without a probable cause hearing, disallowing physician-assisted suicide, and implementing religious freedom restoration acts.