

## **U.S. Economic Freedom Index: 2008 Report**

*PRI Publication*

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### **New Report Reveals Which States Have Most Economic Freedom**

#### **South Dakota is most free, New York most economically oppressed**

**San Francisco** – The Pacific Research Institute (PRI), a free-market think tank based in California, today released the *U.S. Economic Freedom Index: 2008 Report*, a ranking of economic freedom in the 50 states. Published in association with *Forbes*, the *Index* scores states based on 143 variables, including regulatory and fiscal obstacles imposed on businesses and residents.

South Dakota, which ranked 15 in 2004 (the last time the Index was published), has assumed the notable spot as the nation's most economically free state, while New York consistently remains the most economically oppressed state, ranking 50 in all three editions of the Index.

The net migration rate for the 20 freest states was 27.36 people per 1,000, while it was a low 1.17 people per 1,000 for the 20 most economically oppressed states. "People are moving to the freest states and fleeing the least free states as our market-based migration metric of economic freedom predicts," said Lawrence J. McQuillan, Ph.D., director of Business and Economic Studies at PRI and director of the project. "By measuring economic freedom and studying its effects, people will gain a fuller appreciation of the important imprint it makes on the economic and political fabric of America and will encourage new state legislation that advances economic liberty."

The *U.S. Economic Freedom Index: 2008 Report*, by Lawrence J. McQuillan, Ph.D., Michael T. Maloney, Ph.D., Eric Daniels, Ph.D., and Brent M. Eastwood, Ph.D., updates the 2004 and 1999 editions using recent data that reflect changes in state policies. The *Index* score ranges from 1 (most free) to 50 (least free), and state rankings were derived from the index scores. The *Index* collected and ranked 143 indicators comprised of 209 underlying variables from five sectors (fiscal, regulatory, judicial, size of government, and welfare spending) for each state to measure how friendly, or unfriendly, each state's government policies are toward free enterprise and consumer choice.

### **The Results**

#### **South Dakota is # 1**

As the most economically free state, South Dakota has no corporate income tax, no personal income tax, no personal property tax, no business inventory tax, and no inheritance tax. South Dakota's business climate is thriving and companies are relocating and opening plants in the state. In 2007, the Small Business Survival Foundation ranked South Dakota as the best business climate for entrepreneurs. In 2008, *Forbes* magazine ranked Sioux Falls as the best smaller metro area for business and careers. Moreover, the state has fared well in other indexes measuring items such as inbound migration (United Van Lines) and the cost of doing business in the state (Milken Institute).

#### **Great Plains and Rocky Mountain States Most Free**

South Dakota, Idaho, Colorado, Utah, Wyoming, Nevada, and Oklahoma rank among the top 10 most economically free states in the nation.

**Northeast States Most Economically Oppressed**

The states that are the least economically free are clustered in the densely populated states of the Northeast including Pennsylvania, New Jersey, Rhode Island, and New York.

**Most Improved States in the Upper Midwest**

An economic-freedom renaissance has been undergoing in the Upper Midwest. South Dakota made a big leap in relative economic freedom from 2004 to 2008 advancing 14 places, even bigger were Minnesota, Illinois, and Wisconsin, jumping 18, 19, and 20 places, respectively. Lawrence J. McQuillan, Ph.D., explains that "when one state reforms it puts pressure on its neighbors to improve or be at a competitive disadvantage for attracting people and capital."

**States with Biggest Drops**

States heading in the wrong direction include Texas which fell 14 spots; Alaska, Delaware, and North Carolina each dropping 12 spots; and Arizona falling by 10 places.

A full list of all 50 states and their rankings and the data underlying the rankings can be found below. "Measurement is the first step to understanding, and understanding is required for reasoned discussion and sound reform. We hope that the Index will ultimately contribute to sound policy reforms that preserve and advance economic freedom for all Americans," Dr. McQuillan said.