

ECONOMIC FREEDOM IN AMERICA'S 50 STATES

A 1999 ANALYSIS

**John Byars
Robert McCormick
Bruce Yandle**

March 1, 1999

ECONOMIC FREEDOM IN AMERICA'S 50 STATES

A 1999 Analysis

SOME CLOSING THOUGHTS

We close this opening edition of our project with a few random thoughts and suggestions for additional work on economic freedom. First we note that there is a great deal of regional variation in economic freedom. Even more interesting is the observation that regions are not themselves homogeneous. The example of New Hampshire and Vermont jumps to mind.

This interesting puzzle becomes more complex when we observe that states within themselves are not homogeneous in their approaches to economic freedom. Table 5.1 reports the states and the *standard deviation* of the five main indexes. Michigan, South Dakota, Arizona, and Vermont are the most homogeneous when measured this way. At the other extreme, the states with the most variation across these five measures of freedom are Idaho, Virginia, New Hampshire, and Nevada.

The question is, of course, why do Nevadans care so much about one type of freedom and so little about other types? And Virginians and the others? Is there a sort of compromise system in place that attempts to accommodate the wishes of somewhat divergent groups? Or does this suggest that tastes or attitudes toward freedom are not the main or driving force behind these laws and restrictions? Clearly this is an area ripe for additional study and inquiry.

Table 5.1
The Heterogeneity of Economic Freedom Within the States

	Mean Adjusted Standard Deviation Across Indexes	Rank
Alabama	0.120	12
Alaska	0.195	30
Arizona	0.055	4
Arkansas	0.179	27
California	0.076	6
Colorado	0.163	23
Connecticut	0.227	41
Delaware	0.200	34
Florida	0.207	37
Georgia	0.164	25
Hawaii	0.142	18
Idaho	0.249	46
Illinois	0.174	26
Indiana	0.140	17
Iowa	0.204	35
Kansas	0.211	39
Kentucky	0.110	11
Louisiana	0.122	13

<i>Maine</i>	0.086	8
<i>Maryland</i>	0.179	28
<i>Massachusetts</i>	0.207	38
<i>Michigan</i>	0.037	1
<i>Minnesota</i>	0.142	19
<i>Mississippi</i>	0.110	10
<i>Missouri</i>	0.216	40
<i>Montana</i>	0.199	33
<i>Nebraska</i>	0.234	44
<i>Nevada</i>	0.293	50
<i>New Hampshire</i>	0.291	49
<i>New Jersey</i>	0.198	32
<i>New Mexico</i>	0.091	9
<i>New York</i>	0.205	36
<i>North Carolina</i>	0.196	31
<i>North Dakota</i>	0.242	45
<i>Ohio</i>	0.179	29
<i>Oklahoma</i>	0.154	22
<i>Oregon</i>	0.233	43
<i>Pennsylvania</i>	0.131	15
<i>Rhode Island</i>	0.128	14
<i>South Carolina</i>	0.163	24
<i>South Dakota</i>	0.042	2
<i>Tennessee</i>	0.143	21
<i>Texas</i>	0.142	20
<i>Utah</i>	0.290	48
<i>Vermont</i>	0.051	3
<i>Virginia</i>	0.252	47
<i>Washington</i>	0.062	5
<i>West Virginia</i>	0.082	7
<i>Wisconsin</i>	0.136	16
<i>Wyoming</i>	0.232	42

The standard deviations are adjusted for the mean of the indexes for each individual state. That is, we took the standard deviation of the five indexes, Fiscal, Regulatory, Judicial, Government Size, and Welfare Spending, for each state and divided it by the average of these indexes for that state. The standard deviations are thus adjusted for their own individual means.