# Three Studies of States Show That Freedom Works Best

Each year *24/7 Wall St*. publishes the results of its survey of all 50 states and then ranks them from top to bottom — from "best run" to "worst run." CNBC does the same, only with a more concentrated focus on the business environment in each state, and then ranks the states on their overall "measure of competitiveness." The Mercatus Center at George Mason University looks at all 50 states from the perspective of individual freedom and then ranks the states based on its Index of Personal and Economic Freedom.


The parallels and correlations between economic and business performance and personal freedom are clear and persuasive: When state governments stay within their limits of protecting lives and enforcing contracts, the states thrive. And vice versa. North Dakota and California are examples sufficient to prove the point.

Admittedly, says *24/7 Wall St.*,

> the successful management of a state is difficult to measure. Factors that affect its finances and population may be the result of decisions made years ago. A state's difficulties can be caused by poor governance or by external factors, such as extreme weather.

That's a nice way of saying that each state is different in its natural resources and may suffer, or thrive, depending on how they are allowed to be developed and utilized. It also means that a state may suffer, or thrive, on the basis of past errors or simple stupidity imposed on its citizens by politicians long passed into history.

Nevertheless, the effort is worth the candle:

> It is the responsibility of each state to deal with the resources at its disposal.…
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> A state should be able to raise enough revenue to ensure the safety of its citizens and minimize hardship without spending more than it can prudently afford. Some states have historically done this much better than others.…
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> The best-run states have certain characteristics in common, as do the worst-run. The high-ranking states all have well-managed budgets. Each of the top ten has a perfect, or near-perfect, credit rating from Standard & Poor's, Moody's, or both. Of the ten worst-ranked, only three received top scores from one agency, and none from both.

North Dakota, for the first time, ranks at the top of *24/7 Wall St.'s* study, mostly due to the state government's hands-off approach to the development of its Bakken shale formation by private interests:

> North Dakota's oil boom has transformed its economy. Last year, crude oil production rose 35%. As of August, 2012, it was the second largest oil producer in the country (behind Alaska).
>
> The oil and gas boom brought jobs to North Dakota, which had the nation's lowest unemployment

> rate in 2011 at 3.5%, and economic growth.
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> Between 2010 and 2011, North Dakota's GDP jumped 7.6%, by far the largest increase in the nation. This growth has also increased home values, which rose a nation-leading 29% between 2006 and 2011. North Dakota and Montana are the only two states that have not reported a budget shortfall since fiscal 2009.

On the other hand, California is at the bottom of their list for the second year in a row:

> Due to high levels of debt, the state's S&P credit rating is the worst of all states, while its Moody's credit rating is the second-worst….
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> While median income is the 10th-highest in the country, the state also has one of the highest tax burdens on income. According to the Tax Foundation, the state also has the third-worst business tax climate in the country.

CNBC's results are strikingly similar: North Dakota is ranked #5 overall, while California is #40. Said the authors: "We looked at basic indicators of economic activity, including growth, unemployment and the health of the real estate market. We measured each state's fiscal health by looking at their credit ratings and outlook, as well as projected budget gaps (or surpluses) for the coming fiscal year … we graded the states on the 'friendliness' of their legal and regulatory frameworks to business." They also looked at the cost of living in each state.

On the economy, North Dakota ranked #2, California ranked #43. On "business friendliness," North Dakota ranked #4, California ranked #43. And on cost of living, North Dakota ranked #28 while California ranked #46.

Something is going on in North Dakota that isn't in California. It may be something as simple as letting the private market develop its natural resources while providing the essential infrastructure, both physical and legal, to assure entrepreneurs that if their efforts are rewarded, they will be free to keep the fruits of their labor.

Two scholars from the Mercatus Center at George Mason University, William Ruger, and Jason Sorens, have collaborated to create its Index of Personal and Economic Freedom which ranks the states "on their public policies that affect individual freedoms." They unabashedly state their bias: "We explicitly ground our conception of freedom on an individual-rights framework. In our view, individuals should be allowed to dispose of their lives, liberties, and properties as they see fit, as long as they do not infringe on the rights of others."

In its ranking of the 50 states, North Dakota is #10 while California is #48. Note the authors regarding North Dakota:

> North Dakota is a stereotypical conservative state that performs quite well on economic freedom (#3) …
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> Like its neighbor to the south, North Dakota is exceptional on fiscal policy: it has very low government spending, debt, and taxes….
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> Health-insurance coverage mandates are much lower than average….
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> The state's liability system is among the best in the nation….
>
> Gun laws are fairly relaxed. Alcohol regulations are light while tax rates on beer and wine are average and spirits taxes are fairly low….

But when it comes to California, the authors are nearly livid:

> California not only taxes and regulates its economy more than most other states, it also aggressively interferes in the personal lives of its citizens.
>
> California simply needs to cut government spending. The budgetary categories most out of line with the rest of the country are administration, social services, environment and housing.…
>
> Health-insurance coverage mandates add about 49 percent to the cost of premiums in the state.…
>
> It also has the most restrictive gun laws in the country, a highly restrictive policy regime for motorists, and smoking bans.

But their study goes much further by illustrating visually the relationship between liberal ideology as measured by the percentage of state voters voting in the 2008 presidential election for Democratic and Green candidates, and personal freedom. Wrote the authors:

> Democratic/ Green presidential vote share is a rough measure of citizen-opinion liberalism, and these charts allow us to examine the relationship between left–right ideology at the voter level and state policy orientation toward individual freedom.

As their charts show, the more liberal the constituency of a state, the less free they are. And that has to do with the "cultural values" of liberals and conservatives:

> The cultural values of liberal governments seem on balance to *require more regulation of individual behavior* than do the cultural values of conservative governments. [Emphasis added.]

Not to beg the question, but just where do those "cultural values" come from? They are transferred from generation to generation, deliberately. As Diane Rufino wrote at the *Tenth Amendment Center:*

> In an ideal situation, as our early freedom-loving Americans and Founding Fathers envisioned, under a proper government, a private citizen is legally free to do as he pleases (as long as he doesn't violate the rights of others), while government is bound by laws and government officials are bound both by law and their oaths.
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> In other words, a private citizen may do anything "except that which is legally forbidden and a government official may do nothing except that which is legally permitted."…
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> The Constitution, written on behalf of a sovereign people, laid out a government of limited and clearly-defined responsibilities. All other responsibilities were left to the States and to the people themselves to manage their own lives and affairs.

And it is the "working out" of those responsibilities, state by state, where the cultural influence of freedom can be seen. The essence of freedom is the limitation of government, and where government is limited, freedom reigns. These studies prove the point conclusively.

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