

Backgrounder: Economic Freedom of North America—

Economic Health of the Provinces and States

Canada

Alberta

For a Canadian province, Alberta had high levels of economic freedom at the opening of the 1980s. However, through the 1980s and early 1990s, Alberta's policy mix shifted and the level of economic freedom declined. The province's economy weakened and unemployment rose to a national level, sometimes exceeding national rate of unemployment. After a dozen years of decline, Alberta's economic freedom began to grow in 1994. At the same time, the gap between per-capita GDP in Alberta and the rest of Canada, which had been shrinking, once again started to grow in Alberta's favour and Alberta's unemployment fell to significantly below the national average. In Area 1: Size of Government, which examines government spending, at the all-government level, Alberta typically scores highly because it has a very low level of federal expenditures but ranks lower on the taxation variable, because of the high level of federal taxation. The opposite pattern holds in the subnational index, spending scores are lower than taxation scores.

British Columbia

In the all-government index, British Columbia maintained third spot among the provinces in economic freedom throughout the 1990s. However, its ranking dropped on the subnational index from 52nd spot in 1993 to 56th in 2000. British Columbia's relative affluence also declined sharply over the period, from 15% above the national average in 1993 to a virtual tie with the national average in 2000. Even though migration to British Columbia fell off sharply through the 1990s, the unemployment rate rose relative to the national average. In 1993, British Columbia's unemployment rate was 1.7 percentage points below the national average. By 2000, the province's unemployment rate was 0.4 percentage points above the national average.

Manitoba

Manitoba significantly reduced its economic freedom in both indexes from 1981 to the early 1990s. Economic freedom recovered somewhat from the mid-1990s onward but Manitoba's score in 2000 was significantly below its score in 1981 on both indexes. Over the period, Manitoba's per-capita GDP fell

from just above the national average to about \$1,500 below. However, Manitoba's unemployment rate remained below the national average throughout the period, though this may be partially due to significant emigration from the middle of the 1980s onward. Manitoba's downward trend in economic freedom is more or less consistently reflected across the subindexes.

New Brunswick

New Brunswick had the second strongest gains in economic freedom of all provinces over the full period. Gains were reflected in both indexes, though between 1989 and 1993 New Brunswick did suffer some declines in economic freedom. After 1993, gains were consistent and large. However, because its score was initially so low, New Brunswick's score at the end of the period remained slightly below the Canadian average in both indexes. Nonetheless, just as New Brunswick significantly closed the economic-freedom gap with other provinces over the period, it also closed the income gap, rising from less than 70% of average provincial per-capita GDP in 1981 to over 80% in 2000. This progress stalled after 1995, the highwater mark of New Brunswick's economic freedom score relative to other Canadian provinces. New Brunswick's unemployment rate, relative to the rest of Canada, fluctuated over the period. However, given first, the various perverse incentives in Canada's Employment Insurance system, which in Atlantic Canada operates under rules that are, in effect, different from those used in the rest of the nation, and, second, attempts over the period to reform the system that resulted in a number of changes and reverses, it is difficult to know what to make of posted unemployment rates in Atlantic Canada. An idea of the perverse incentives is found in the fact that the number of people officially unemployed in Atlantic Canada has been typically smaller than the number of people collecting employment insurance.

Newfoundland

Newfoundland began the period close to the bottom of the heap in both indexes and remained there until 1998. Although Newfoundland's score improved over the 1990s, it was only keeping pace with improvements in other provinces. However, between 1998 and 2000, Newfoundland made substantive improvements and its ranking rose to a middling position among the provinces. Since the mid-1980s, Newfoundland's unemployment has been roughly double the Canadian average. However, Newfoundland rapidly gained on the rest of Canada in per-capita GDP at the end of the 1990s. But, Newfoundland's economy is small and undiversified. Thus, if key sectors suffer external shocks, it becomes difficult to disentangle general economic trends from the impact of these shocks. Both the fishing and oil industries

are sensitive to exogenous shocks such as price swings and resource changes, due to exploration in the petrochemical industry and fish stocks in the fishing sector.

Nova Scotia

Scotia had the largest gains in economic freedom among Canadian provinces. Nova Scotia's scoring and ranking improved substantially in both indexes. It began the period dead last in the all-government index and rose to become the fourth highest ranked province. In the subnational index, it rose from third last to third best among the provinces. However, Nova Scotia's climb in the rankings ended in 1993. It had the same relative ranking in 2000. Nova Scotia's per-capita GDP also climbed significantly relative to the national average until 1993 and has since stagnated compared to the Canadian average. Nova Scotia's unemployment rate remained largely stable against the Canadian average. Over the full period, it was typically about 2 percentage points above the Canadian average.

Ontario

Between 1989 and 1993, Ontario's economic freedom dropped dramatically. This followed an earlier, though less dramatic decline, through the 1980s. In 1981, Ontario had higher levels of economic freedom than at least some states in both indexes. By 1993, it had fallen below all states in the all-government index and it remained behind Alberta among Canadian provinces. In the subnational index, it rated below three provinces, Alberta, British Columbia, and Nova Scotia in 1993. Through the rest of the 1990s, Ontario's score climbed in both indexes. Ontario's per-capita GDP declined significantly against the Canadian average between 1989 and 1993 but has remained largely stable since. Ontario's unemployment rate, which had been 2.4 percentage points below the Canadian average in 1989, was only 0.5 percentage points below the Canadian average by 1993. By the end of the 1990s, the unemployment gap had more than doubled in Ontario's favour, with Ontario posting an unemployment rate that was slightly more than 1.0 percentage points below the Canadian average.

Prince Edward Island

Prince Edward Island (PEI) and Quebec are the worst performing provinces. Prince Edward Island began the period with a score close to the bottom among Canadian provinces in both indexes. It ended the period dead last in the all-government index and second last in the subnational index. Prince Edward Island also had poor scores in all the sub-indexes. Since it fell into the bottom rankings in the late 1980s, its unemployment rate has ranged between 60% and 90% higher than the national rate. Since the 1980s, PEI's per-capita GDP has remained fairly constant at about 80% of the Canadian average, give or take a

couple of percentage points.

Quebec

In every year, Quebec has scored dead last in economic freedom in the subnational index. It has always been close to the bottom of the all-government index and, since 1995, has been second or third last in that index. Throughout the full period, Quebec's unemployment rate has remained remarkably consistent at about two percentage points above the Canadian average. However, in the late 1980s and early 1990s, Quebec's per-capita GDP rose slightly relative to the rest of Canada, bringing its per-capita GDP up to the national average. Since then, Quebec's per-capita GDP declined relative to the Canadian average and, in 2000, was about 2 percentage points below the Canadian average.

Saskatchewan

Saskatchewan has been consistently in the middle of the Canadian ranks through the full period under examination, though its relative ranking declined somewhat towards the middle of the 1990s. Saskatchewan, like Manitoba but unlike the eastern "have-not" provinces, has had an unemployment rate that has been consistently below the Canadian average, though the gap has begun to shrink. Until 1996, Saskatchewan's unemployment rate was consistently about 3 percentage points lower than the Canadian average. By 2000, that gap had shrunk to 2 percentage points.

The United States

Alabama

Alabama ranked 15th overall in terms of economic freedom at the all-government level, and was 11th in the subnational index. Its comparatively high overall ranking came in part because of its showing in labor market freedom—it was the highest ranked state or province in both all-government and state and local (subnational) in 2000. It placed well in takings and discriminatory taxation (10th state and local, 15th all-government). Only a handful of states had a lower effective state and local tax burden. Alabama has a relatively low general sales and use tax, 4%, and one of the lowest cigarette taxes in the country, 16.5¢ per pack. Alabama would have placed higher overall had it not been for its rating in the size of government category, where it was ranked 46th all-government and 39th state and local.

Alaska

Alaska ranked 45th overall when compared to other states and provinces in the all-government rankings, and 50th at the state and local group. While it fared comparatively well in takings and discriminatory taxation (8th all-government, 17th state and local—with no general sales and use tax, an extremely low 8¢ gasoline tax and the lowest effective state and local tax burden of the 50 states), it was pulled down by the other measurements. Alaska was 35th in labor market freedom in the all-government category and 30th in state and local. It was 55th in the broad grouping when it came to size of government, and 60th in the subnational category—dead last among all states and provinces.

Arizona

Arizona ranks 9th overall in the all-government listings and 7th in the state and local ratings, thanks to a fairly consistent performance in all three categories. Its best showing came in labor market freedom where it was 4th in all-government and 3rd in state and local comparisons. While it placed 24th in the size of government in the all-government measurement it jumped to 11th in the state and local list. Arizona improved its performance in takings and discriminatory taxation from the previous year in the all-government group where it was ranked 20th, and ranked 17th state and local in 2000. It is about in the middle of the pack in terms of effective state and local tax burden (28th) and a 5% general sales and use tax.

Arkansas

Arkansas placed 45th overall in the all-government category and slightly higher—39th—in the state and local comparisons. Far and away its best showing was in state and local size of government, where it ranked 19th, as compared to 38th in the all-government rankings. Otherwise, the state fell into the second half on the other two measurements: 37th in all-government and 36th in state and local takings and taxation; and, despite marginal improvement over the previous year, 49th in both categories for labor market freedom. Its effective state and local tax burden of 10.2% places it in about the middle of the pack

California

California ranked 20th overall in terms of economic freedom at the all-government level but ranked 36th when its state and local numbers were compared with other states and provinces. This disparity reflects all three areas of measurement. The state ranked relatively high (14th) in terms of government size at the all-government level but fared worse at the state and local level, dropping to 34th. The state and local ranking also suffered when compared with all-government numbers in takings and discriminatory taxation: 41st for the former, and 26th for the latter. Its ratings for labor market freedom showed marginal improvement

from 1999, and placed it in the middle of the pack, ranking 26th for all-government and 27th for state and local. Only seven states have a higher general sales and use tax than California's 6%. Its total state and local tax burden is just above the national average at 10.3%.

Colorado

Colorado is one of the leading states in terms of economic freedom, placing 2nd in all-government overall and 3rd in state and local. With one exception—the state and local measurement for takings and taxation, where it ranked 14th—the state was in the top five in all areas. For size of government, it ranked 5th in the all-government list and 3rd in state and local. It improved slightly in labor market freedom, finishing 2nd in both rankings. In all-government takings and taxation, Colorado ranked 4th. The state's general use and sales tax, at 2.9%, is the lowest in the country for those states that have one. Only four states have a lower effective state and local tax burden. And, Coloradoans can celebrate their good fortune cheaply: only three states have a lower tax on beer.

Connecticut

Connecticut places 9th overall in the all-government ratings and 14th in state and local. Far and away its best measure of economic freedom is in labor market freedom, where it placed 4th in the all-government area and 6th in state and local. Otherwise, the state was ranked 12th and 19th for all-government and state and local respectively in size of government, and 32nd and 23rd for takings and discriminatory taxation. Its general sales and use tax is at the high end at 6%. Its gasoline tax of 25¢ per gallon is tied for 4th highest in the country. Its effective state and local tax burden is the 11th highest but its total tax burden, 36.7%, is top in the country.

Delaware

Delaware sets the standard for economic freedom in the United States, placing 1st overall in both the all-government and state and local rankings. In terms of government size, it was rated 1st in all-government and 4th in the state and local comparison. A substantial improvement in takings and taxation in the state and local category earned it a 1st place there, matching its number-one standing in all-government. Its labor market freedom rankings were only slightly lower: 4th in all-government, 6th in state and local. Delaware has no general sales and use tax. Its effective state and local tax burden is about in the middle of state rankings at 27th.

Florida

Florida ranked considerably higher overall in the state and local comparisons than in the all-government group, 17th as opposed to 29th. That pattern repeats itself in two of the three measurements. The state's size of government ranking is 38th in all-government (showing a marginal improvement from the previous year) and 18th in state and local; for takings and taxation the relative rankings are 43th and 24th. Florida's best showing came in labor market freedom, where it placed 11th in both measurements. Its effective state and local tax burden of 9.3% ranks it 43rd among the states. Its general sales and use tax is at the high end (6%) but gasoline tax of 4¢ per gallon is the lowest in the country.

Georgia

Georgia has solid ratings on most measures of economic freedom, placing 5th overall in the all-government group and 7th in state and local. Its best ratings are for size of government: 2nd state and local, and 5th in all-government, and the all-government ranking for takings and taxation, 4th. It came in 17th in that category in subnational. Georgia showed slight improvement in labor market freedom over the previous year, ranking 20th in all-government and 19th state and local. Its general sales and use tax is at the low end of states that have it (4%) and its gasoline tax is the second lowest in the country at 7.5¢. At 10.2% its effective state and local tax burden is exactly in the middle of the pack at 25th.

Hawaii

Hawaii only managed to crack the top 30 on one measurement. Overall it ranked 39th in all-government and 36th in state and local. For size of government, it ranks 41st in all-government and 39th state and local. The takings and taxation numbers put it at 37th for all government and 47th for state and local (and its effective state and local tax burden is the 4th highest in the country at 11.6%). Only in labor market freedom, state and local, did it make it to 24th (and 32nd for all-government). Its general sales and use tax is 4%.

Idaho

Almost all of Idaho rankings fall in a relatively narrow range. Its overall rating for all-government is 35th and for state and local 42nd. Size of government ratings put it at 31st for all-government and 34th for state and local. Its labor market freedom rankings are the same for both categories at 37th. Idaho shows the widest disparity in takings and taxation, ranking 30th in all-government but 45th for state and local, after both improved a bit over the previous year. At 25¢ per gallon, its gasoline tax is higher than most other states. The effective state and local tax burden is 10.5%, placing it 17th among the states.

Illinois

Except for its ratings on labor market freedom, Illinois places solidly at the bottom of the top 3rd of the rankings. In overall all-government, it finishes 14th, and in state and local 17th. In terms of size of government, it rates 4th in the all-government index and 14th in the subnational index, and for takings and taxation it ranks 15th for all-government and 14th for state and local. Its overall ratings are pulled down somewhat—despite a small improvement over the previous year—in labor market freedom, finishing in the mid-20s in both indexes. Illinois has one of the nation’s highest general sales and use tax rates at 6.25%, and a fairly high spirits tax at \$4.50 per gallon. Its effective state and local tax burden places it 31st among the states at 10%, but its total tax burden of 32.8% ranks it 9th.

Indiana

Indiana has a high rating for economic freedom, placing 4th in the overall rankings for both all-government and state and local. Its strengths are takings and taxation (8th all-government and 4th state and local) and labor market freedom (8th and 6th). It stumbles only somewhat on size of government, dropping to 17th all-government and 8th state and local. At 9.9%, Indiana ranks 34th in effective state and local tax burdens. Its gasoline tax at 15¢ per gallon is toward the low end of the scale.

Iowa

Iowa is stuck in the middle both geographically and numerically, pulling down a 39th overall ranking for all-governments and a 34th for state and local. Its showings in two of the three categories correspond: a 24th all-government and a 28th state and local for size of government and a 37th all-government and a 27th state and local for taxation. Iowa’s low point, however, comes from labor market freedom. Despite a marginal improvement from the previous year, it only ranked 44th in all-government and 47th state and local. Indiana beat most states on its gasoline tax at 15¢ per gallon, and only came in as the 34th most burdensome state in terms of effective state and local taxes at 9.9%.

Kansas

Kansas is another state in which economic freedom is neither enshrined nor defeated. It ranked 26th in all-government overall and 21st in state and local. Its best showing was in size of government, state and local, where it rated 14th (all-government was 24th), after which there was almost no diversion between the two measurements. Takings and taxation finished 32nd in all-government and 31st in subnational, and labor market freedom 22nd by both measurements. Kansas ranks 21st in effective state and local tax

burden and 23rd in total tax burden.

Kentucky

Kentucky rates 33rd overall in the all-government list and 28th in the state and local, which more or less sums up its record since 1981: fluctuating in the 20s and 30s on both the indexes. Its size of government ratings are 34th and 21st respectively, while in the takings and discriminatory taxation measurement, it finished 15th and 24th. Kentucky's weakest performance was in labor market freedom: 35th all-government and 37th state and local. The effective state and local tax burden is the 18th highest at 10.5%. At least sin isn't heavily taxed: only Virginia beats its 3¢ tax per pack of cigarettes, and the tax on beer of 8¢ is among the country's lowest. Gasoline is also taxed gently at 15¢ per gallon.

Louisiana

Louisiana came out 15th overall in all-government and 14th state and local. Its best showings for economic freedom came in takings and taxation (12th in all-government and 16th state and local) and labor market freedom (11th all-government and 13th state and local). Louisiana's overall ranking was dragged down somewhat by its numbers on size of government: 33rd all-government and 21st state and local. The state's general sales and use tax is at the low end at 4% and—perhaps due to the weight New Orleans throws around—the state's tax on table wine is the lowest in the country at 11¢ per gallon. That's gallon.

Maine

If you're a detective looking for clues to find economic freedom, you don't need to schedule time investigating Maine. Overall the state ranks 49th all-government and 47th state and local. On takings and taxation, it is actually beaten by a couple of the woeful Canadian provinces, finishing 51st among states and provinces all-government and 55th state and local. The record is little better on size of government (46th all-government, 42nd state and local) and labor market freedom, which, despite a marginal improvement from the previous year, still ranks 46th in both measurements. It has the highest effective state and local tax burden in the United States at 12.8%.

Maryland

Maryland's record on economic freedom is lackluster on most counts. The state finished 41st overall in the all-government measurement and 25th in the state and local. Its best showing came in the state and local rankings for takings and taxation where it placed 10th; it was 23rd in all-government. Maryland's

rankings for size of government were 41st in all-government and 21st in state and local. The labor market freedom rankings were below average at 47th for all-government and 37th state and local. There are a couple of bright spots: Maryland's effective state and local tax burden is 37th out of the 50 states at 9.7%, and its tax on beer is among the nation's lowest at 9¢.

Massachusetts

Massachusetts doesn't rate spectacularly high in any single measurement but its general disposition to economic freedom places it 5th overall in all-government and 7th in state and local. In size of government, it showed marginal improvement in the all-government ratings and placed 10th; it was 11th in state and local. Again, a slight improvement in labor market freedom earned it 17th and 16th rankings, respectively. Easily its best marks came in takings and taxation, 8th in all-government and 4th state and local. Massachusetts is 39th out of the states in effective state and local tax burden at 9.5%.

Michigan

Michigan's labor market freedom numbers helped pull up its overall rankings somewhat (it placed 20th overall in all-government and 23rd in state and local). The labor ratings placed in 16th in both categories. Otherwise, the state was 32nd in takings and discriminatory taxation in the all-government index and 24th in the state and local index; and 22nd and 30th, respectively, in size of government. Its general sales and use tax was comparatively high at 6%, and at 10.7% its effective state and local tax burden is 14th highest among the states. Smokers only pay higher cigarette taxes in 7 other states (75¢).

Minnesota

Minnesota tied Michigan for 20th place in the all-government overall rankings and 31st in state and local measurements of economic freedom. A slight improvement in size of government in the all-government area landed it a 5th place spot in those rankings, which it placed 27th in state and local. Otherwise, its ratings were farther back in the pack: for all-government and state and local, Minnesota was 32nd and 41st respectively in takings and taxation and 24th and 25th in labor market freedom. Its general sales and use tax was on the high end at 6.5%, and the effective state and local tax burden is the country's 5th highest at 11.3%.

Mississippi

Mississippi's competitive scores in labor market freedom were about the only bright spot for the state that placed 41st overall in the all-government rankings and 28th in state and local. Its respective rankings for

labor were 11th and 13th. Otherwise, economic freedom takes a beating. A slight worsening from the previous year's figures made it 51st among the states and provinces in size of government in the all-government rankings and 33rd in state and local. It finished 40th and 45th respectively in takings and discriminatory taxation. Its 7% general sales and use tax ties Rhode Island for the highest in the nation; at 10.7% its effective state and local tax burden is the country's 15th highest.

Missouri

Missouri ranks 15th overall in the all-government rankings and 7th in state and local, with respectable scores in both takings and discriminatory taxation (12th and 7th, respectively) and labor market freedom (17th and 16th). It fairs worse in the all-government measurement for size of government, coming in 32nd, although in the state and local rankings it placed 11th. It has a relative low general sales and use tax, among the states that charge one, at 4.225% and tipplers enjoy the nation's second-lowest tax on beer (6¢) and one of the lowest table wine taxes (30¢). In the rankings where citizens want their state to finish far down the line, effective state and local tax burden, Missouri is 38th at 9.7%.

Montana

Montana ranked 50th overall in the all-government measurement of states and provinces and 49th on the state and local index. Its best showing, if it can be called that, came in takings and taxation, where it finished 46th in the all government rankings and 36th in state and local. From there, it's downhill: in size of government, the state was 50th at both all-government and subnational levels, and in labor market freedom 52nd (where Alberta and Nova Scotia beat it out) and 51st (Nova Scotia again), respectively. One bright spot: there is no general sales and use tax, and its effective state and local tax burden ranks 32nd among the 50 states at 10%.

Nebraska

Nebraska shows little disparity between its all-government and state and local overall rankings, coming in 20th and 21st, respectively. Size of government is the area where the state shows the most commitment to economic freedom, registering a score of 14th all-government and 4th state and local. Takings and taxation are 26th all-government and 31st state and local and labor market freedom came in at 29th and 30th, respectively. Its effective state and local tax burden is 10.8%, ranking 13th among the states.

Nevada

Nevada shows one of the wider gaps in its all-national and state and local overall ratings, 3rd in the

former and 11th in the latter. Its highest ratings are for labor market freedom, where a slight improvement in both measurements placed it 10th in all-government and 9th in state and local. The state's record on takings and taxation made it 15th in all-government and 17th state and local. Nevada also had a wide spread between its all-government ranking for size of government (where it placed 3rd) and the state and local ranking of 17th. Its effective state and local tax burden is low at 9.2%, placing it 43rd among the states. Nevada's general sales tax is among the highest in the country at 6.5% although, perhaps because of Las Vegas's influence, its beer tax, figured in dollars per gallon, is among the nation's lowest at 9¢.

New Hampshire

New Hampshire ranks 5th overall in the all-government measurement for 2000 and 6th in the state and local index. While the state ranked 38th in the all-government index in 1981, it has steadily improved since, and the 1st place finish this year and last is its highest ever. The state has risen from just over 80% of the national GDP in 1981 to 109%. New Hampshire has no general sales and use tax and its effective state and local sales tax burden is 48th among the 50 states. In the size of government rankings, New Hampshire holds the top spot in state and local and all-government rankings. For takings and discriminatory taxation, it's 2nd on both lists. Then, it slips on the economic banana peel: 29th in the all-government list for labor market freedom and 30th in state and local.

New Jersey

New Jersey came in at 20th for all government and 25th for state and local in the overall rankings, and has been consistent in its rankings in both indexes, ranging in the mid-20s for all-government and the 20s and 30s in the subnational index. Its best results were in the size of government rankings, where it was 5th in all government and 21st in state and local. For labor market freedom it held the 22nd spot in both measurements. It was least impressive when it came to takings and discriminatory taxation: 40th and 34th, respectively. Its general sales tax was at the high end at 6%, although at 10.5¢ its gasoline tax is among the country's lowest. New Jersey's effective state and local sales tax burden is the 23rd highest of the 50 states at 10.3%.

New Mexico

New Mexico's climate isn't particularly hospitable to economic freedom. It achieved its best overall ranking in the all-government index in 1981 (38th) and has fallen since. It now clocks in at 47th and 44th on the overall state and local comparison—tying an all-time low. New Mexico's highest marks come for all-government takings and taxes at 26th; for state and local it drops to 41st. From there it's downhill:

44th on both lists measuring labor market freedom; 39th in the state and local category for size of government, and 51st on the all-government index, tying Mississippi and trailing Alberta and British Columbia. Its effective state and local sales tax burden is 12th highest in the country at 10.9%. Driving and smoking is a bit less expensive than it is in most states because both those tax rates are on the low side.

New York

New York ranks 33rd overall in the all-government group, and its low-30s rankings the past three years are its best showing ever. The 39th ranking in state and local reflects its relatively lackluster performance in the three areas of measurement but still ties its best ranking there and is a far cry from the back-to-back 51st ratings in 1981 and 1985. In size of government, the state ranks 28th in the all-government index and 42nd in state and local. As for takings and taxation, the Empire State rates 32nd and 41st respectively. Its labor market freedom numbers placed it 29th in all-government and 30th state and local. The general sales and use tax is relatively low at 4% but the effective state and local tax burden is a killer—number 2 in the country at 12.3%.

North Carolina

North Carolina started slowly in the overall all-government index (25th in 1981), rallied to 6th by 1989, and has since settled into the mid-to-late teens. Labor market freedom scores pull down North Carolina's overall rating to 15th in the current all-government section and 23rd in state and local. Its highest score is a 4th in the all-government list for takings and taxation, while it came in 17th in subnational. Size of government rankings placed it 12th in all-government and 14th in state and local but its placements in labor market freedom were 33rd and 36th, respectively. North Carolina's general sales and use tax at 4% was low for the states that have it, and its effective state and local tax burden was the 29th highest at 10.1%. Not surprisingly for a leading tobacco-growing state, its cigarette tax is the lowest at 5¢.

North Dakota

North Dakota shares with neighboring Montana dismal scores in all three areas of economic freedom, for an overall ranking of 48th in the all-government group and 47th in state and local. The state's only flirtation with the 30s is a 36th ranking state and local for takings and discriminatory taxation. Otherwise, it's 46th in all-government takings. In size of government, North Dakota is 46th in all-government and 48th state and local; for labor market freedom, 49th and 47th, respectively. The state's effective state and local sales tax burden is right in the middle of the pack, 26th at 10.2%. North Dakota's fall is somewhat

perplexing; in 1981 it was 16th in the all-government index and 18th in the subnational. But the fall has been costly: the state's per-capita GDP has fallen 31 percentage points against the national average.

Ohio

Ohio registers overall at 29th on the all-government listings and slightly lower at 34th in the state and local list. That's typical: the state has wobbled through the 20s and 30s in the all-government index and the 30s and 40s in state and local since the measurements have been taken. Its overall rankings are an accurate reflection of its general position in the three major categories measuring economic freedom. The state is ranked 22nd in size of government in the all-government grouping but 37th in state and local, and 40th and 35th respectively in takings and taxation, and 26th and 27th in labor market freedom. Taxpayers will be saddened to know their effective state and local sales tax burden is the 9th highest among the 50 states at 11.2%.

Oklahoma

Oklahoma ranked 41st overall in all-government and 31st in state and local. The state has fallen considerably since 1981 when it was 5th in all-government and 10th in state and local—the worst decline among the 50 states. The size of government results found it at 44th in all-government and 21st in the state and local grouping, and 30th and 31st, respectively in the measurement for takings and taxation. The state showed a similarly close grouping in labor market freedom, 37th in both groups. Oklahoma's general sales tax was at the lower end of states that impose it at 4.5%, and only 5 states have a lower gasoline tax (Oklahoma's is 5¢). On the other hand, the state has the sixth-highest tax on spirits at \$5.56 per gallon.

Oregon

Oregon has a substantial gap between its rating in the all-government measurement, where it ranks 29th, and in the state and local index where it comes in 42nd. But that's nothing compared to the disparity of its placements in the size of government category, 17th in all-government and 46th in state and local. This disparity is mainly due to a low ranking (53rd) in Area 1B at the subnational level, which was a result of high transfers—for example, welfare payments and subsidies to business—as a percentage of GDP. Government expenditures as a percentage of GDP are 31st highest in North America at the subnational level but only 18th at the all-government level. For takings and taxation, the state registers 20th all-government and 27th state and local, but takes a dive in labor market freedom, ranking 42nd and 44th respectively. Oregon doesn't impose a general sales tax, and its 9.4% effective state and local sales tax

burden makes it only the 41st highest among the 50 states. Oregon has gradually improved its overall all-government rankings since the rating began, moving up from 44th in 1981.

Pennsylvania

Pennsylvania has been a predictable, steady state, with its overall all-government rankings in the low-to-mid 20s since 1989. This year, Pennsylvania ranks 20th in the all-government group and 14th in state and local in the overall ratings—an all-time high. Size of government isn't its strong suit, finishing 34th and 32nd, respectively. In takings and taxation, it's 26th in all-government, but comes up to 10th in the state and local rankings. The state's best results are in labor market freedom, where it is 11th in both the lists. Its general sales and use tax is at the high end at 6% but its gasoline tax of 12¢ per gallon is among the lowest in the country, as is its tax on beer of 8¢. Pennsylvanians pay an effective state and local sales tax burden of 9.9%, only the 35th highest in the country.

Rhode Island

Rhode Island ranks 44th in the all-government list overall (and has never been higher than 41st, in 1989) and 46th on the state and local slate—and that's a step up from its 51st place finish from 1994 to 1996. Its size of government rankings are 34th in the all-government index and 48th state and local; and 33rd and 34th respectively in labor market freedom. And that's the good news. When it comes to takings and taxation, Rhode Island ranks 49th in the all-government measurement and 50th the subnational. It has the sixth-highest effective state and local sales tax burden at 11.3%, and its general sales tax of 7% is tied with Mississippi as the highest in the country.

South Carolina

South Carolina ranks 15th overall in the all-government category (down from single-digit ratings in 1985 and 1989) and 17th in the state and local measurements (also a drop from single digits in 1989 and 1993). It didn't earn the relatively high marks for its size of government ratings, 38th all-government and 28th state and local. Its rankings on takings and discriminatory taxation also left it in the middle of the pack, 23rd and 27th, respectively. On labor market freedom, however, the state was 4th in the all-government rankings, and 9th state and local. Drinkers probably pass through rather than pay its \$1.08 per gallon beer and table wine taxes. The cigarette tax is the fourth-lowest in the country, and the 10% effective state and local sales tax burden ranks 30th among the states.

South Dakota

What a difference an adjective makes. Sitting due south of woeful North Dakota, South Dakota boasts a 9th place rating overall in the all-government measurements—and that represents a bit of backsliding from 4th place in 1997. It was 4th overall in the state and local index, again something of a retreat from its ranking from 1993 to 1997 when it was either 1st or 2nd. Its size of government is a middle 28th all-government but 4th state and local, and it finishes 12th and 7th, respectively in takings and taxation. South Dakota is strongest in labor market freedom, placing 8th and 3rd respectively. The state has a comparatively low general sales and use tax of 4%, and at 9.1% its effective state and local sales tax burden is only the 44th in the United States.

Tennessee

Tennessee has solid economic freedom credentials across the board and places 5th overall in the all-government category and 2nd in state and local—where it has been either 1st or 2nd since 1994. The only aberration is its ranking in the all-government list for size of government—28th. It's 4th in state and local. Otherwise, Tennessee ranks 4th in all-government and 3rd in state and local in takings and taxation, and 3rd in both groups for labor market freedom. Its general sales tax is on the high side at 6%, but the taxman has a hard fight in the state: effective state and local tax burden is the second lowest in the country at 8.4%. The tobacco tax is lower than most states at 13¢.

Texas

Texas is another state whose overall rankings are undone by a single category. It still manages to place 9th in the all-government ratings and 11th in state and local, though those rankings represent a drop in the all-government list (3rd in 1981, 1st in 1985) and subnational (1st in 1981, 2nd in 1985). The state's strong suit is takings and discriminatory taxation: 2nd all-government and 4th state and local (and Texas's effective state and local tax burden of 9% is 47th in the country —although its general sales tax is one of the country's highest at 6.25%). The state size of government ranking is 5th all-government and 8th state and local. The state stumbles when it comes to labor market freedom: 26th all-government and 27th state and local.

Utah

Utah ranks 29th in the all-government group overall—an improvement from the high 30s in the 1980s but a retreat from its 23rd ranking in 1999. It ranked 36th in the state and local index, again representing a drop off from the high 20s several years ago. Except for a 14th ranking in the all-government measurement for size of government, Utah never threatens to join the elite states (its state and local

ranking in the category is 34th). Utah placed 23rd all-government and 27th state and local in takings and taxation, and 42nd and 41st respectively for labor market freedom. Its general sales tax is lower than most states that impose it at 4.75%, but the effective state and local tax burden is the 8th highest in the country at 11.2%.

Vermont

Vermont is the opposite of some other states—a decent showing in one area helps to offset dismal ratings in the other two. The state's overall rankings were 35th in the all-government index and 39th in state and local—the latter showing considerable consistency since it operated in a narrow range of between 37th and 39th from 1993 to 2000. Its labor market freedom numbers are 17th all-government and 19th in the state and local measurement but after that it falls out of the top third in size of government: 34th all-government and 45th state and local. As for takings and taxation, it's at the bottom: 48th in both rankings. Vermont's effective state and local tax burden is the nation's tenth-highest at 11%.

Virginia

Virginia finished 35th overall in the 2000 all-government rankings, an example of a state that started badly in 1981 (48th), reached the high 20s, then fell back. It's subnational numbers have always been stronger; it ranked 18th in 1981, and was in single digits from 1985 to 1995. It now stands at 17th in the state and local index. Taxes are Virginia's strength: 8th in all-government and 7th state and local; the second-lowest general sales tax at 3.5%; and the tenth-lowest effective state and local tax burden at 9.4%. Smokers might as well not pay a tax: its cigarette tax of 2.5¢ is the lowest in the country. Other measures aren't as strong. Virginia scores 41st all-government and 10th state and local in the size of government category, and 37th and 34th respectively for labor market freedom.

Washington

Washington's overall rankings—35th all-government and 45th state and local—suggest there aren't many happy surprises, and there aren't, although its all-government ranking ties an all-time high, which suggests some improvement. The size of government ranking of 19th in the all-government measurement is respectable, but the state comes in at 47th state and local. Otherwise, Washington scores 37th in the all-government index and 41st state and local for labor market freedom and 43rd and 36th respectively for takings and discriminatory taxation. The general sales tax is on the high end at 6.5%, although its effective state and local tax burden is less onerous than some: 10.5%, making it 20th in the country.

West Virginia

West Virginia has the lowest per-capita GDP in the United States and the worst economic record through the 1990s. Its overall ranking in the all-government measurement is 50th. In state and local it's 52nd—making it the only state to finish lower than 50th in the category. Except for its labor market freedom rankings—37th all-government, 41st state and local—economic freedom is nowhere to be seen. West Virginia ranks 49th all-government and 52nd in takings and taxation, and for size of government can't even give Canada a run for its money, placing 56th and 55th respectively among the states and provinces.

Wisconsin

Wisconsin's mid-range showing in two categories is offset by a terrible record on taxation. Its overall rating is 26th all-government, up from its low of 35th in 1985, but slipping a bit from the last few years. It has moved in a relatively narrow range in the subnational index since 1989, and finished 28th. Size of government rankings are 19th for all-government and 30th state and local, and labor market freedom is also solid at 20th and 21st respectively. But, on taxation and discriminatory taxation, Wisconsinites are advised to hang onto their wallets: the state ranked 43rd for all-government and 36th state and local among the states and provinces. Its effective state and local tax burden is the third highest in the nation at 12%. At least it doesn't cost much for them to drown their sorrows: the tax on beer is among the country's lowest at 6.5¢.

Wyoming

Wyoming ranks 9th overall in the all-government measurement. Between 1981 and 1997, it never ranked lower than 4th, although the 2000 rankings was a bounce back from the 12th it received in 1999. It was 25th in the state and local index. Its strongest ratings are in labor market freedom: 11th in all-government and 13th in state and local. In takings and taxation it ranks 20th and 17th, respectively. Wyoming's one bad slip comes in the state and local list for size of government, where it rates only 42nd; its all-government ranking in the category is 19th. Wyoming is a relatively low-tax state—its effective state and local tax burden is 38th among the 50 states at 9.8%. Its general sales and use tax is low among the states that charge it at 4%. Its beer tax of 2¢ is the lowest in the country, and its cigarette and gasoline taxes are among the lowest..

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