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Live free or die off

In the 2008 election. key swing states included Colorado. Nevada. and Virginia. all growing rapidly and on track for even more political clout after the 2010 census. A big reason for the demographic growth in all three states has been their expansion of economic freedom.

Colorado. Nevada. and Virginia are top-10 states in terms of their friendliness toward free enterprise and consumer choice. according to the recently released 2008 U.S. Economic Freedom Index from the Pacific Research Institute and Forbes magazine. By contrast. heavy-handed regulations and onerous taxes have led to a mass exodus from low-ranking swing states such as Michigan, Ohio. and Pennsylvania.

For every 1.000 people in the 20 states with the most economic freedom, there has been a net gain of 27 new workers. entrepreneurs. customers. and investors since 2004. In the same period. the 20 least-free states gained only one person per 1.000. States in the Great Plains and Rocky Mountains tend to be the most economically free. Northeastern states tend to be most economically oppressed.

A state's level of economic freedom has implications that range far beyond the 2008 election. Though not a perfect predictor of population patterns. economic freedom is causing economic and demographic shifts that are quietly reshaping the electoral map.

Per-capita income grew 31 percent faster in the 15 most economically free states in 2005 than it did in the 15 least free. Employment growth was a staggering 216 percent higher in the freest states. Any politician who wants to remain in office would be wise to recognize these trends and what's driving them.

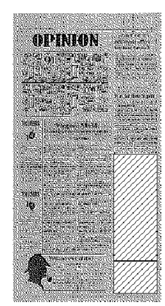
Thanks to redistricting rules and a finite number of U.S. House seats. the presence or absence of living. breathing human beings can make or break even the most powerful legislator. The 2010 census could eliminate a House seat. no matter how secure. The census could also create seats that did not previously exist.

If Michigan. which ranks a miserable 43 in economic freedom. could manage to drag itself up just one spot to 42. it would translate into about 10.000 new residents--much-needed consumers. workers. investors. and entrepreneurs. Right now. however. Detroit is losing more people than any other metro area in the nation.

California. too. is hemorrhaging people--sunny weather notwithstanding. The state clocks in at 47 in economic freedom. beating only New Jersey. Rhode Island. and New York. That is hardly reason to celebrate. and Golden State residents continue to labor under heavy regulatory and tax burdens. Current projections have California losing a congressional seat following the 2010 census.

To avoid such a fate. states should take action. Lowering taxes. limiting government spending. dropping silly occupational licensing requirements. stopping discriminatory takings. scaling back union power. repealing minimum-wage laws. adopting common-sense legal reform. and ending welfare for people fully capable of working would be good places to start.

Some states look open to change. Wyoming shows promising signs of following states like Nevada to greater economic freedom.



Others continue on a destructive path. Since 1999, New York has languished in last place, with high tax burdens and a burgeoning population of lawyers. By contrast, first-place finisher South Dakota has extremely low taxes and light regulation, which makes a difference for workers and government alike.

Despite significantly lower tax rates overall, the 15 freest states saw general fund tax revenues grow 6 percent more in the year after our last report than did the 15 least-free states. That should make even the biggest-spending politician question any penchant for higher taxes. Are you listening Governor Schwarzenegger?

The lesson of 2008 is that the relationship between economic freedom and population change carries huge political implications. Those angling for public office in 2010 and beyond would be wise to take notice.

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