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Bad Economic Policies Are One Reason People Are Leaving Blue States

Adam A. Millsap Contributor

I write about state and local policy and urban economics.

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Oct 26, 2019 Mountain View / CA / USA - Semi truck towing an U-Haul cargo trailer, on a freeway in ... [+] GETTY

One way to tell if a place is doing well is population growth. A city or state that is growing must be doing something right since people are choosing to move there. Similarly, a place that is shrinking must have some problems since people feel they need to uproot their lives to achieve their goals. The latest U.S. migration data show that many people are leaving blue states such as California and New York, and economic policies that deter work and stifle entrepreneurship are partly to blame.

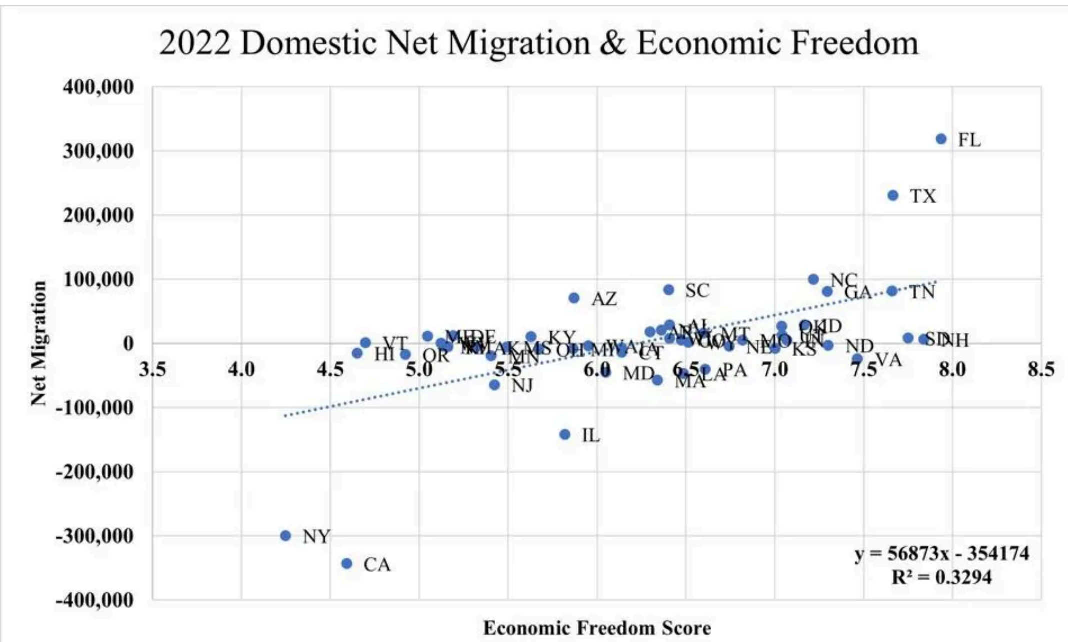
A recent blog post from the National Association of Realtors breaks down the newest migration data from the U.S. Census Bureau. Florida, Texas, and the Carolinas—all red states that lean Republican—experienced the biggest influx of new domestic residents (people moving in from other places within the United States), while New Jersey, Illinois, New York, and California—longtime blue states that lean Democrat—lost the most people. Florida was also the fastest growing state in 2022 (+1.9%), while New York shrank the most (-0.9%).

There are several reasons why some states grow faster than others. One is climate. Studies find that people have been moving to places with milder winters and more sunshine for several decades now. Colder Midwestern and Northeastern states with harsh winters have an inherent disadvantage, which helps explain population loss in New York, Illinois, and similar places.

But climate is not the only factor. After all, California is known for sunshine and mild winters, yet it lost 343,000 people last year. Meanwhile, Idaho, Utah, and Montana all gained people.

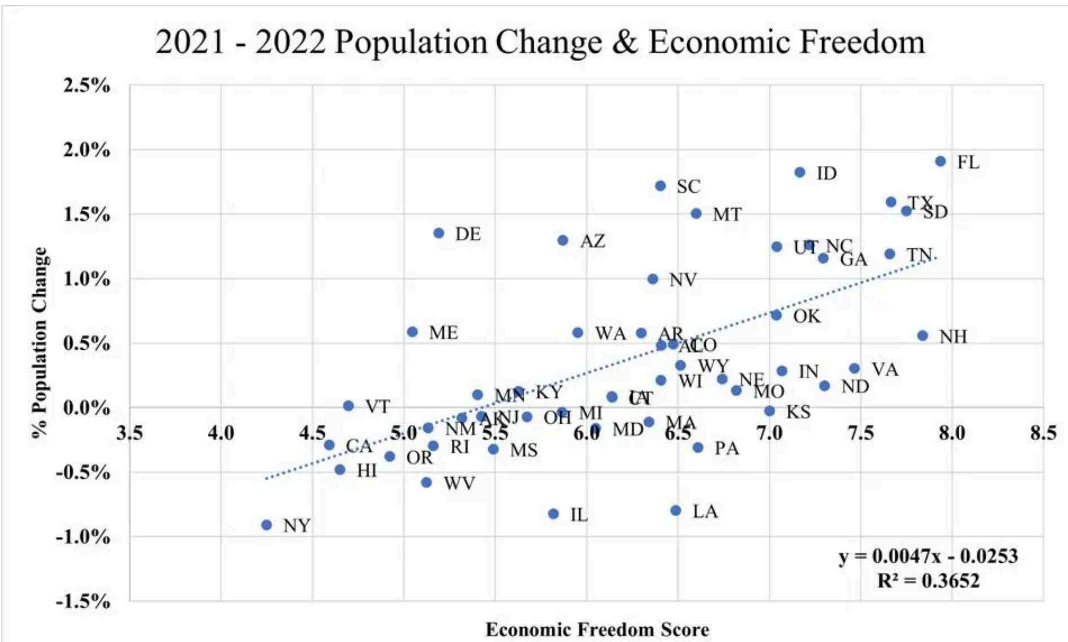
Like weather and geographic features, economic policy can attract or repel people. Research shows that places with more economic freedom—where public policies support the ability of individuals to act in the economic sphere free of undue restrictions—generally have higher incomes and faster population growth.

The positive relationship between economic freedom and population growth at the state level is clear, as shown below. The first figure shows the relationship between state economic freedom as measured by the Fraser Institute in its Economic Freedom of North America [report](#) (horizontal axis) and domestic net migration (vertical axis).



Relationship between domestic net migration and economic freedom at state level. AUTHOR'S FIGURE. DATA FROM HTTPS://WWW.NAR.REALTOR/BLOGS/ECONOMISTS-OUTLOOK/WHERE-PEOPLE-MOVED-IN-2022 AND HTTPS://WWW.FRASERINSTITUTE.ORG/STUDIES/ECONOMIC-FREEDOM-OF-NORTH-AMERICA-2022

Places with more economic freedom gained more new residents on average, and state economic freedom scores explain one third of the variation in domestic net migration across states. The same relationship is apparent when looking at economic freedom and population growth, as shown below. On average, states with higher economic freedom scores experienced faster population growth from 2021 to 2022 than states with lower scores.



Relationship between population change and economic freedom at the state level. AUTHOR'S FIGURE. DATA FROM HTTPS://WWW.NAR.REALTOR/BLOGS/ECONOMISTS-OUTLOOK/WHERE-PEOPLE-MOVED-IN-2022 AND HTTPS://WWW.FRASERINSTITUTE.ORG/STUDIES/ECONOMIC-FREEDOM-OF-NORTH-AMERICA-2022

The positive relationship between economic freedom and population growth is good news for states. States cannot really change their weather or geographic amenities. New York cannot make its winters warmer, and Pennsylvania cannot create sandy beaches and ocean breezes out of thin air. However, New York and Pennsylvania can implement policies that make it easier for people to work or start a business. Improving their economic freedom score can help New York, Pennsylvania, and similar states make up for their lack of geographic and climate amenities.

California's recent decline demonstrates the importance of good economic policies. As Isabel Fattal recently noted in The Atlantic, blue states like California were once thought to be the future of America. Now, they are falling behind. Despite abundant natural advantages—plenty of sunshine, mild winters, top-rated beaches, majestic mountains—California is losing people in droves. Economic policies such as high taxes that punish success, stacks of regulations that discourage entrepreneurship, and zoning rules that restrict the supply of housing make it difficult for middle-income Americans to succeed in California and other states with similar policies.

Climate and geography are not destiny. Better economic policies that encourage work and entrepreneurship can attract new residents, even when policies have gotten so bad that they have eroded any geographic advantages (e.g., California). The decline of blue states is not inevitable, but if they want to get back on track, they should adopt some of the economic policies of their redder neighbors.

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Adam A. Millsap

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