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# NetNet { Sometimes the Shark Jumps You }

with John Carney

## 'Voting With Your Feet' and Can It Have Any Impact on The 2012 Election?

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We have all heard the phrase Americans "voting with their wallets."

But what about Americans voting with "their feet?"

Some Americans tired of high taxes and lack luster local economies are moving to states where the opportunity for higher income growth and less taxes are available. A recent study from the Mercatus Center at George Mason University took at look at how a state's public policies can impact a person's economic, social and personal well being.

I decided to ask Jason Soren, Assistant Professor of Political Science at the University of Buffalo and one of the co-authors of the study if this trend could have national or local political implications in the 2012 election and beyond.

**LL: Your latest study shows people are voting with their "feet" moving out of states that infringe on their personal freedom and economic well-being. Will this trend have any impact on the 2012 election?**

JS: It's had a small impact on apportionment of U.S. House seats, with conservative states like Texas and Arizona generally gaining seats and liberal states like New York and New Jersey tending more often to lose seats. Accordingly, the electoral college's makeup has shifted slightly to the benefit of Republicans.

**LL: Are enough people moving where Blue States can turn to Red States or vice versa?**

JS: Yes. California lost 4 percent of its 2000 population, on net, to other states, while Idaho gained 8 percent of its 2000 population, for example.

People moving from less free states to freer states might make the latter less likely to remain free, if the movers are representative of the states they left.

However, there is good reason to expect that they are \*not\* representative of the states they left. For instance, Andy Smith at the University of New

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Hampshire reports that surveys show that 56 percent of former Massachusetts residents who now live in New Hampshire say that high taxes were a primary reason for moving. So the usual trend is probably that red states will get redder, and blue states will get bluer, since red states tend to be freer on average than blue states.

However, there are some exceptions, and some blue states actually do well on freedom, especially personal freedom, and are also attracting migrants. Oregon is an example. In these cases it's not immediately clear who's moving in and what their electoral impact will be.

**LL: From a political party point of view. Which states are considered more attractive to move to- Red or Blue?**

JS: We don't find a relationship between partisanship and migration per se. Instead, it's freedom that attracts people. Moderate and conservative states are on average freer than liberal states, especially very liberal states. However, there are exceptions. The Great Plains and Mountain West states are generally freer than the Deep South states. The Midwest and Pacific are generally freer than the Northeast and Mid-Atlantic.

**LL: Bottom line, its the government's policies that influence the economy. Based on the trends that you are seeing where people are moving and the dissatisfaction they are feeling, can you see which way Americans are leaning right now as we head into the Presidential election cycle? Are more people learning right or left?**

JS: That phenomenon is really beyond the scope of our study. We just look at how past voting patterns explain existing policies.

**LL: Given the economic situation we are in and the fiscal challenges facing states. Are you seeing more people move to states like North Dakota who have been booming?**

JS: Yes. The Dakotas and Wyoming never had a recession. Texas and Virginia had tiny ones and are now growing strongly. People are apparently moving to these states. Texas had 143,423 more people enter the state from another state than leave for another state in 2009, the latest year for which data are available. The Dakotas, Wyoming, and Virginia all also had net in-migration in 2009.

**LL: Where did taxes rank in your study?**

JS: They're a major part of economic freedom. Together, taxes and government spending and debt made up one-quarter of our overall freedom index. New York had the highest state and local taxes in 2008 (the latest year for which data are available), at 14.5% of personal income. South Dakota had the lowest taxes, at 7.6% of personal income.

**LL: How will these rankings impact the constitutionality of Obama's Affordable Care Act?**

JS: Not directly perhaps, but the main message of our study - that the laboratory of federalism is working, allowing states to experiment with policies and thereby attract people and grow their economies - implies that the PPACA is bad policy. It wipes out all state experiments in health insurance for a one-size-fits-all policy. In fact, once the PPACA comes fully into effect in 2014, we will have to drop that entire category from our index.

**LL: Citizens for Tax Justice was critical of your report calling it "shallow and misleading" in terms of your taxation analysis. What is your response?**



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JS: Their specific complaint was that our study ignores tax exemptions for corporations that work like subsidies and distort the marketplace.

If data on such exemptions were available for all 50 states, we would like to use them, but they aren't. But it's a very small piece of the puzzle anyway, since the vast majority of state tax revenue comes from taxes other than corporate income taxes. Even adding in property taxes paid by businesses isn't enough to alter the broad relationships we find.

**LL: Speaking of taxes, if people are moving with their feet as your report indicates, how much of an inflow will these states that are more free see and how much in loss of capital will these less free states suffer?**

JS: Our best estimate is that New York, for instance, would be seeing over 100,000 more people move into the state than leave the state each year if it had New Hampshire's level of freedom. Instead, it's been losing almost 200,000 people per year to other states. That gives a sense of the magnitudes of the effects that we find.

We also find that economic freedom increases personal income growth.

Our best estimate is that New York would be seeing over 1% more real personal income growth per year if it had New Hampshire's level of freedom.

That's a significant effect, since from 2000 to 2009 New York actually grew at a 0.7 percent annual rate.

**LL: Less tax capital coming in will impact municipalities. Won't that further exacerbate the problem (meaning municipalities will have to tax more and drive more people out)**

JS: Exactly! In states like California and New York, governments will have chronic trouble paying their bills as their tax base continues to flee.

The only way to staunch the flow will be significant spending cuts.

**LL: How much did housing impact people's mental outlook on their state?**

JS: Some relatively free states like Nevada, Arizona, and Florida had big housing crashes, just as some relatively unfree states like California did.

We expect the freer states to recover more quickly. In part, the problem in the former three states was that so many people were moving in that a bubble in house prices emerge. It was precisely these states' attractiveness that caused their recent, probably temporary housing troubles.

*A Senior Talent Producer at CNBC, and author of "Thriving in the New Economy: Lessons from Today's Top Business Minds."*

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