

Anatomy of the Economic Outlook Ranking

Rich States, Poor States was first published in 2007; the 2021 (14th) edition was released in May, 2021. The centerpiece of the report is the ALEC-Laffer Economic Outlook Ranking, which combines state rankings on 15 fiscal and regulatory policies into a single ranking that ALEC claims predicts the state's future economic success. According to the Economic Outlook Ranking, the number one state (Utah) should prosper, while number 50 (New York) is headed for decline.

According to Laffer, the Economic Outlook Ranking is a forecast: "...states that spend less - especially on income transfer programs, and states that tax less - particularly on productive activities such as working or investing - experience higher growth rates than states that tax and spend more." But as we showed above, the claim is simply not true.

The components of the Economic Outlook Ranking have not changed since the first edition in 2007 (except for dispensing with a measure called "educational freedom"); here are the 15 fiscal and regulatory policies the Economic Outlook Ranking is based on:

Taxes

1. Top personal income tax rate
2. Top corporate income tax rate
3. Personal income tax progressivity
4. Property taxes per \$1,000 of personal income
5. Sales taxes per \$1,000 of personal income
6. Remaining taxes per \$1,000 of personal income
7. Estate or inheritance tax (yes or no)
8. Recent tax increases

Public Spending

9. Public employees per 10,000 residents (more is worse)
10. Debt service as a share of tax revenue (more is worse)
11. Tax or expenditure limits (a good thing)

Worker Protections

12. State minimum wage (bad)
13. Workers' compensation costs (higher is worse, regardless of adequacy of workers' comp fund)
14. Right-to-work state (outlawing employee negotiation of dues deductions is a good thing)

Holding Corporations Accountable

15. U.S. Chamber of Commerce ranking of state liability system