

The Economic Outlook Ranking Fails to Predict Growth

ALEC's press release accompanying *Rich States, Poor States*, proclaimed: "State Economic Competitiveness Rankings Reveal Which States Are Poised for Growth." This leaves little doubt that the Economic Outlook Ranking (EOR) is intended as a guide to and predictor of economic growth. Since ALEC has been publishing the EOR since 2007, the obvious question is: How well has the ranking predicted state economic performance in the years since?

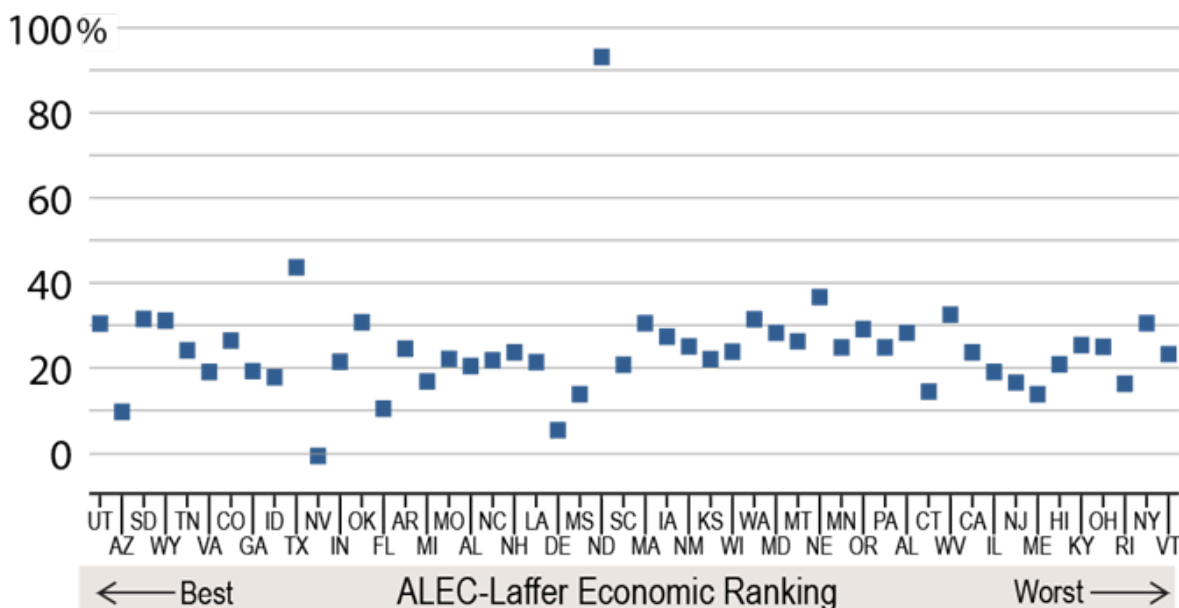
To measure performance we include growth from 2007 to 2013 or 2014 (depending on data availability) on five measures: non-farm employment, state Gross Domestic Product (GDP), per capita income, median family income, and median annual wage.

It turns out that there is no relationship between a state's Economic Outlook Ranking in 2007 and its economic growth on any of these variables in the ensuing seven years. In other words, states that adhered closely to the ALEC-Laffer policy prescriptions did no better in terms of growth in jobs or output, and no better in terms of growth in income, than states that deviated widely.

The lack of relation is depicted in the chart below; the growth rate in state Gross Domestic Product (vertical axis) has nothing to do with a state's ranking on the EOR (the horizontal axis). The correlation is about as close to zero as one can get. As a prescription for state prosperity the EOR fails miserably.

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Percent change in state GDP, 2007 - 2014



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Our conclusions are drawn from a more sophisticated analysis than that shown in the graph above. We used statistical techniques to control for other factors that could influence state growth over this period. The conclusions, however, are the same: There is no evidence that the EOR and the policies recommended in it affected state growth over the eight years since the first EOR was created. (For a detailed discussion of our method and results, [click here](#).)

ALEC-Laffer have asserted that ALEC policies such as no income taxes spur people to move from higher-tax states both directly (people moving to pay less taxes) and indirectly (low taxes boosting job growth, and people then moving to where the jobs are). Research on why people move across state lines confirms that jobs are of course a prime reason people move, but location of family, climate, and housing costs are also important factors, and taxes have little or nothing to do with it.¹ (See [Taxes Have Little to do with People's Decisions to Move](#)). Furthermore, the EOR, as we have seen, has nothing to do with state economic growth, so even if ALEC's favored states have greater population growth it is not because of ALEC policies creating jobs. In other words, low taxes and other policies embodied in the EOR do little or nothing, directly or indirectly, to spur population growth by encouraging people to move.