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Howard J. Wall  
Director, Hammond Institute for Free Enterprise  
Plaster School of Business & Entrepreneurship

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[MAdams@lindenwood.edu](mailto:MAdams@lindenwood.edu)

**CONTACT:**

Matt Adams  
636-949-4835 - office

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*Hammond Institute for Free Enterprise -- <http://www.Hammond.Institute>*  
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**FOR IMMEDIATE RELEASE**

[Rik W. Hafer](#)

**Economic Freedom in Missouri Improves**

How about some good economic news. According to the just released 2020 edition of [Economic Freedom of North America](#), Missouri ranks as the 12<sup>th</sup> most economically free state in the country. It is an improvement over last year's ranking, which was 16<sup>th</sup>. That's good news because more economic freedom is associated with better economic outcomes.

The report is published by [Fraser Institute](#), an independent, non-partisan Canadian public policy think tank, in cooperation with state-based research organizations around the U.S. like Missouri's own Hammond Institute at Lindenwood University. The Fraser Institute's economic freedom measure is a barometer of restrictions on individual economic decision-making imposed by state and local governments. More restrictions on the workings of the market interfere with decisions such as what or how much to produce. The calculations are based on data available through 2018, the most recent year of available comparable numbers.

This year's ranking is better, sometimes substantially so, compared to our neighboring states. Kansas ranked a close 14<sup>th</sup>, but Iowa comes in at 28<sup>th</sup>, Arkansas at 29<sup>th</sup>, and Illinois at 34<sup>th</sup>. Such differences bode well for Missouri's [ability to attract businesses and population](#).

To arrive at this overall ranking, the authors of the report use ten variables in three areas. One is based on government spending as a percentage of income. Another assesses the burden of state and local taxes, such as income, payroll, property, and sales taxes. The third component measures how free a state's labor market is. States with a higher minimum wage (relative to per capita income), a higher ratio of government to total employment in the state, and higher union density, are states in which workers and employers are less free to make their own employment decisions.

In the 2020 report, Missouri actually fares quite well in the first two areas. In terms of government spending, Missouri is among the most free, coming in at 15<sup>th</sup>. It does even better when the focus is on taxation, ranking 11<sup>th</sup>. Both are much higher rankings than most of our neighbors. When it comes to labor market freedom, however, Missouri slips quite a few notches, dropping to 28<sup>th</sup>.

John W. Hammond Institute for Free Enterprise  
209 S. Kingshighway, St. Charles, MO 63301

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[A significant body of research](#) finds that states with higher levels of economic freedom on average experience faster economic growth, greater entrepreneurial activity, and more prosperity. How is it, then, that Missouri's economy historically is one of the slowest growing economies in the nation?

The state's labor market is an area of concern. An analysis of Missouri's labor market led one of us [to conclude](#) that Missouri's labor market is beset by too many burdensome restrictions on free choice. The state's minimum wage, occupational licensing, and state tax laws all negatively affect incentives to work, putting Missouri workers at a comparative disadvantage. They also slow job creation and hinder economic growth.

Another area of concern is the state's educational system. In efforts to trim the state's budget, politicians in Jefferson City too often see funding to community colleges and other institutions of higher education as ripe for cutting. While there's room for trimming spending everywhere, if these cuts led to a reduction in educational attainment in Missouri that could further imperil the state's economic future.

This is not to suggest that throwing more money at the state's educational system will magically lead to improved economic outcomes. It does not, as Stanford University professor Eric Hanushek's [study](#) of Missouri's educational system shows. Missouri is graduating high school students at the national average, but the average graduate has a lower level of competency compared with graduates in many other states. Because Missouri's work force is comprised largely of homegrown graduates, the state is at a competitive disadvantage when it comes to attracting potential employers.

Maintaining and increasing Missouri's economic freedom is an important element to a better future. Combined with improvements to the educational system, this can only cause the economic well-being of Missouri residents to get better.

Rik W. Hafer  
Professor of Economics and Director,  
Center for Economics and the Environment  
Lindenwood University

Dean Stansel  
Research Associate Professor  
Bridwell Institute for Economic Freedom  
Southern Methodist University

*The Hammond Institute is a research center at Lindenwood University. Its mission is to foster free enterprise and civil and religious liberty through the examination of market-oriented approaches to economic and social issues. This mission is based on the view that a limited government, such as that laid out in the Constitutional foundation of the United States, is a necessary component of a just and prosperous society.*