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Joe Biden's War Against the South

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Introduction

Joe Biden says he wants to "be president for ALL the United States" and he will not divide the country between red and blue states. But his economic policies do exactly that. The Democratic blue states bear almost none of the costs of his policies, while red states of the South bear almost all. We estimate that $1.84 trillion of wealth and income would be transferred over the next decade from red Southern and Sunbelt states to blue Northeastern and Coastal states under the Biden economic plan. For the purposes of this study, we define the "South/Sunbelt states" as the Southern states plus Arizona and less Maryland and Delaware.

To explain how Biden's policies could result in such a lopsided wealth transfer, we need to start with a simple truth: Blue state America is in a prolonged and accelerating economic meltdown.

"Progressive" policies – from high tax rates, to green energy mandates, to forced union rules, to $12 – $15-an-hour minimum wages – are now standard fare in the ultra-liberal Northeastern states and other Democratic strongholds like California, Illinois and Michigan. These policies have flat-lined their economies as Americans flee progressivism in record numbers. Jobs, factories, corporate headquarters, and investment dollars are leaving too.

The outmigration has accelerated during the pandemic, as U-Haul trailers are moving record numbers of people away from blue cities and states.

Most of the migration is to the red states – particularly in the South – that have eschewed progressivism in favor of more economic freedom through less red tape and regulation, lighter tax burdens and pro-drilling energy policies. More than 1,000 people are relocating to Florida every day. Texas and Tennessee – also with no state income tax – are not far behind.[1]

Over the last decade, according to the latest Census Bureau data, Florida, Texas, Tennessee and Arizona have gained more than a net three million people from mostly liberal states. The big blue states of New York, New Jersey, California and Illinois have lost more than 3 million residents. They are taking their money and purchasing power with them. IRS data find that since 2000, blue state America has lost a cumulative net $1.7 trillion of purchasing power to the red states.[2] Illinois alone has lost $410 billion.

The low-tax states of the South have been creating jobs at roughly double the pace of the high-tax blue states of the Northeast (New Hampshire, with no income tax, is a prominent exception). The just-released September jobs numbers show that unemployment rates are on average 2.1 percentage points higher in blue states than red states.[3]

Liberals have no explanation for this north-to-south population trend – after all, we were assured that economically moribund states like New York, New Jersey and Illinois would be progressive worker paradises – but the stampede to red states, particularly the Southern states, rolls on day after day.

The wisest remedy for this blue state disease would be for these states to abandon failed progressive policies and emulate the economic development policies that have worked in the pro-growth South.

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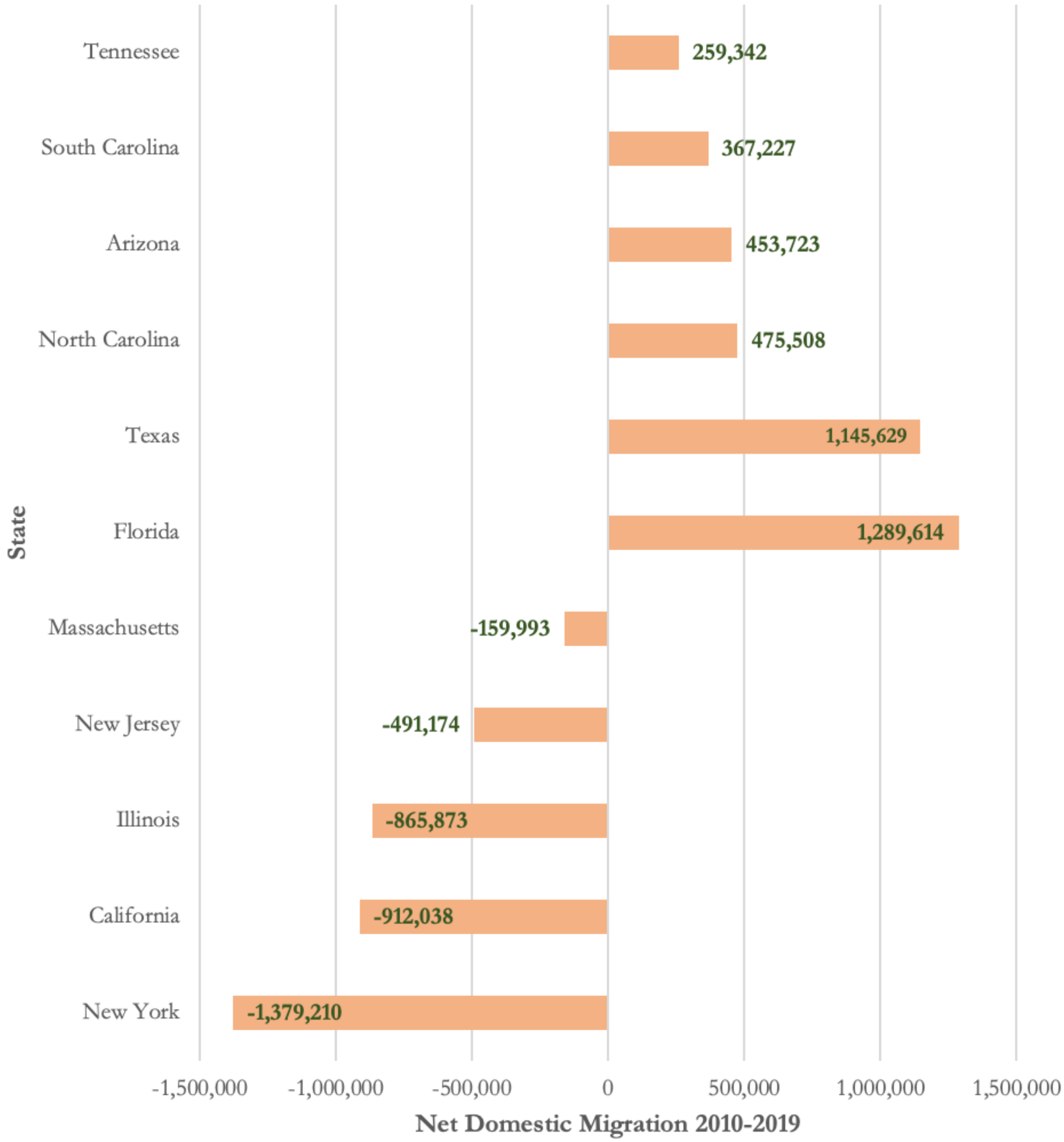
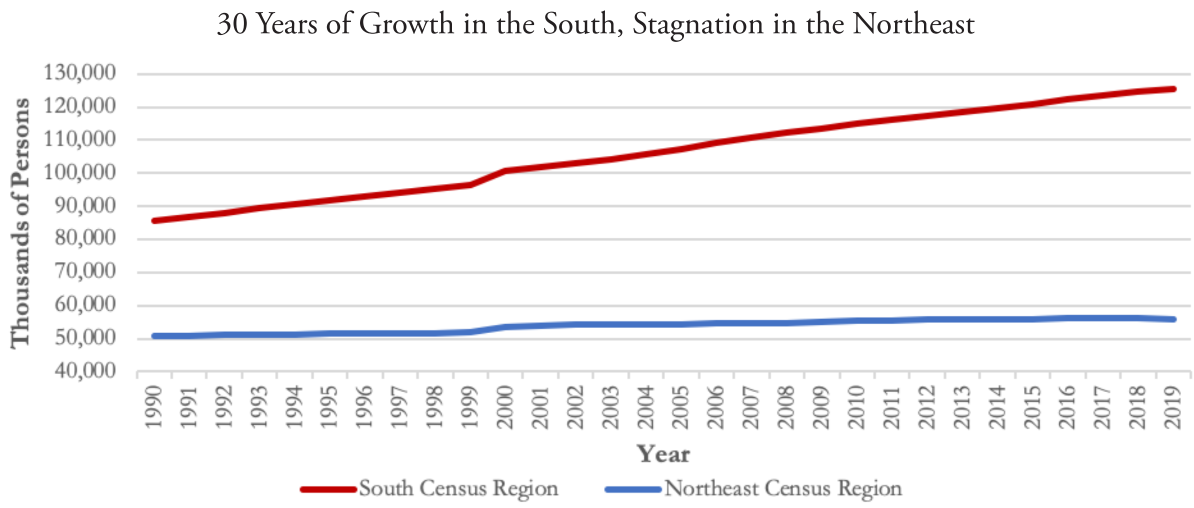
1 https://www.foxbusiness.com/real-estate/moving-to-florida-high-tax-residents-seek-shelter-report

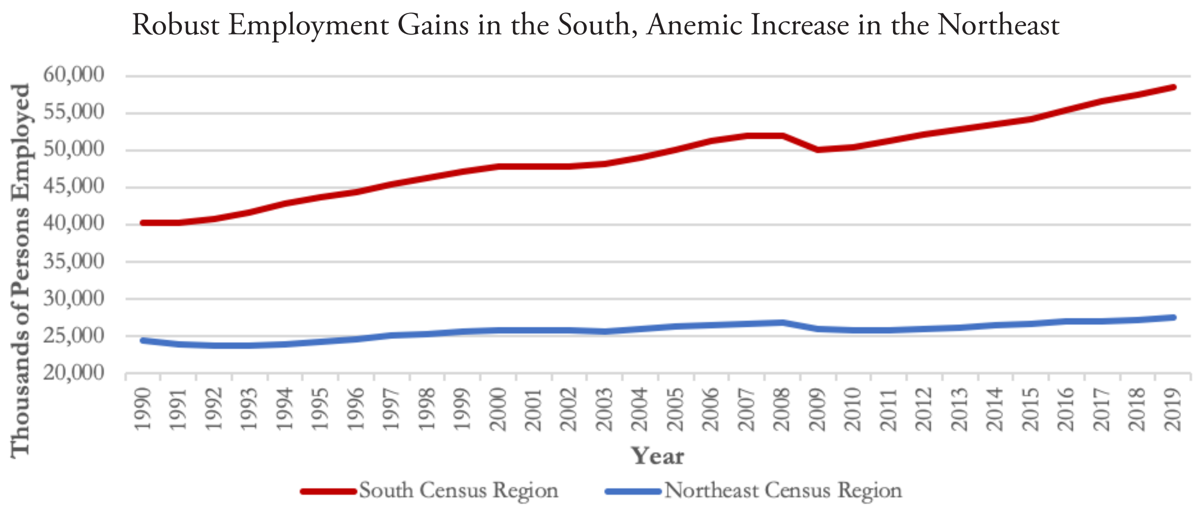
2 https://www.irs.gov/statistics/soi-tax-stats-migration-data

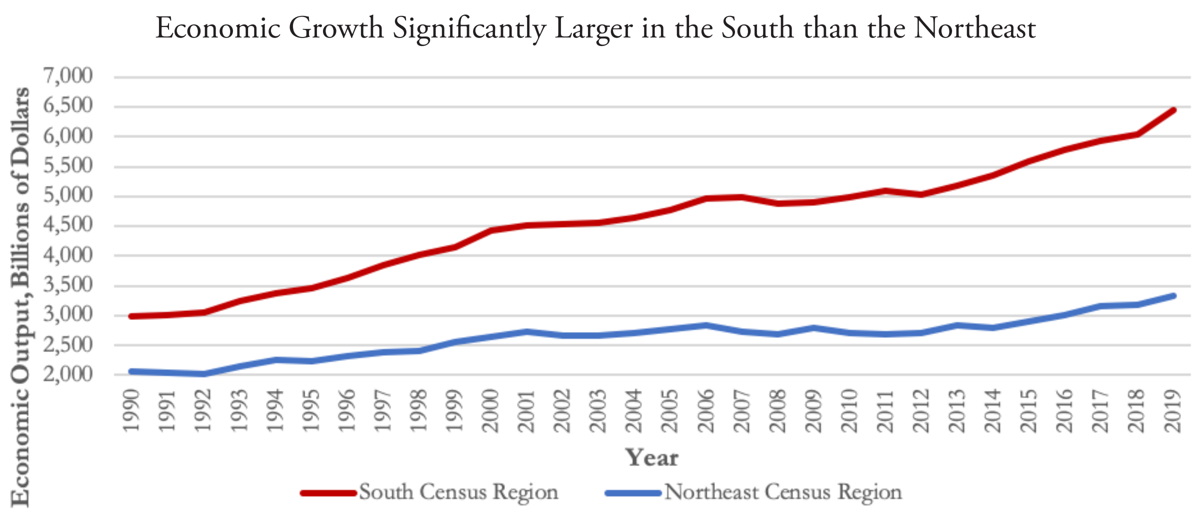
3 https://www.bls.gov/web/laus/laumstrk.htm

People Fleeing High-Tax States for the South




30 Years of Growth in the South, Stagnation in the Northeast
Thousands of Persons
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Year
South Census Region
Northeast Census Region


Robust Employment Gains in the South, Anemic Increase in the Northeast
Thousands of Persons Employed
60,000
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Year
South Census Region
Northeast Census Region


Economic Growth Significantly Larger in the South than the Northeast
Economic Output, Billions of Dollars
7,000
6,500
6,000
5,500
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Year
South Census Region
Northeast Census Region

Instead, progressives want to “level the playing field” by forcing economically free-market states in the South and other regions to add the very same weights on the backs of their economies that have disabled the Northern states. This is the very essence of Joe Biden’s economic strategy.

In short, Biden’s game plan is a de facto economic war against the South. The idea behind the Biden plan is to take away the South’s competitive economic advantage by *mandating* national policies on red states that have already devastated the blue states in America.

Instead of leveling the playing field by blue states getting smart and cutting taxes and red tape, the idea here is to force every state to have high taxes, forced union rules, high minimum wages, expensive green energy policies, and bloated budgets. States cannot compete against each other and serve as “laboratories of democracy” if every state must adopt the same nationwide policies.

Six Biden policies in particular will have no or minimal impact on the Northeastern and other progressive blue states, but will disadvantage or even severely damage the economies of the South:

1) $15-an-hour federal minimum wage

2) Abolition of state right-to-work laws

3) Anti-fossil fuel policies

4) $500 billion federal bailout of blue states

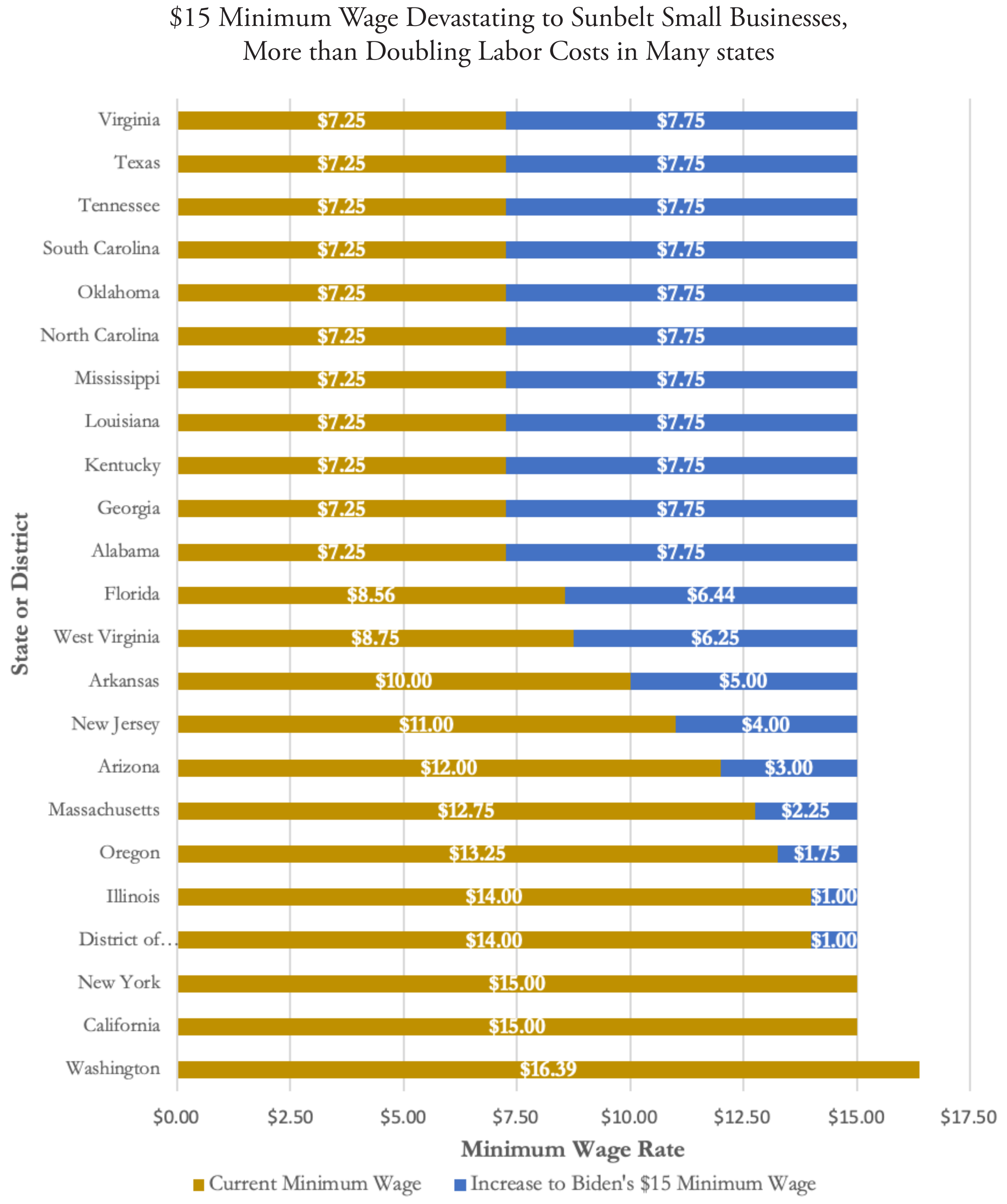
5) Eliminate the cap on state and local tax (SALT) deductions on federal tax returns

6) Nationally mandated economic lockdown policies

These policies would cost the Southern states over $1.5 trillion of lost wealth and income over the next decade. Some of this would be a direct transfer of income from the South to the Northeast and some of it would be a deadweight loss of production in the U.S. from the South region. Over time, these anti-growth policies will make the entire nation poorer.

$15-an-Hour Minimum Wage

The Biden economic plan calls for a nationwide minimum wage of $15 an hour. The table below shows that most of the progressive Northern and West Coast states already have minimum wages of more than $10 an hour. Many of these states have already scheduled in a $15 wage requirement over the next several years. So this national policy will have almost no impact whatsoever on blue states.



Note: Exceptionally large cities with a relatively high percentage of state's residents serve as proxies for that state's minimum wage rate.

But it will have a profoundly negative impact on employment and job creation in the Southern states, which have been traditionally poorer (though they are rapidly catching up), but also have lower costs of living. For this reason, a $15 minimum wage is much more onerous for Little Rock, Arkansas than Boston, Massachusetts.

Most Southern states are at the current federal minimum wage or have local supplements that are still below $10 an hour. (Only one state in our Southern group is over $10/hr.) For these states, the $15-an-hour wage requirement will put millions of low-wage starter jobs at risk.

The North's strategy has been to keep wages high and price out lower wage jobs. Red states have opted for the strategy that a low-wage starter job is better for economic development than no job at all. This creates a tremendous job creation advantage in the South – especially for teens and other lower-skilled workers. Under Biden, the wage and lower cost advantage in the South starts to disappear.

One study has found that a national minimum wage requirement would cost the U.S. economy 2 million jobs.[4] We would anticipate a very large share of those job losses will be in states like Alabama, Mississippi, Florida, and Arkansas. States with a current minimum wage of $7.25 would likely see their unemployment rate rise 3.4%.

Abolish State Right-To-Work Laws

Today, blue states have unemployment rates more than two percentage points higher than Republican red states. One big reason is that 26 states, including nearly all of the Southern states, have right-to-work laws. According to a study by ALEC, over the past three decades, right-to-work states have created roughly twice the number of jobs as forced union states.[5] Eliminating right-to-work laws would increase unemployment in right-to-work states by about 1.1% and decrease investment in those states by 1.0%.

Auto, steel, and light manufacturing plants have left the Northeast and Midwest and relocated to the right-to-work states in the South. One prominent example was the decision by Boeing to move its manufacturing center for jumbo jets from forced union Seattle to right-to-work Charleston, South Carolina.

The logical solution would be for the Northeastern and Midwestern states to enact right-to-work laws; some, like Michigan and Indiana, have. Instead, Biden forces every state to adopt forced union rules at their business establishments. This crushes the competitive advantage of the South. Instead of auto assembly plants moving to Texas and Alabama, they would move to Mexico and China.

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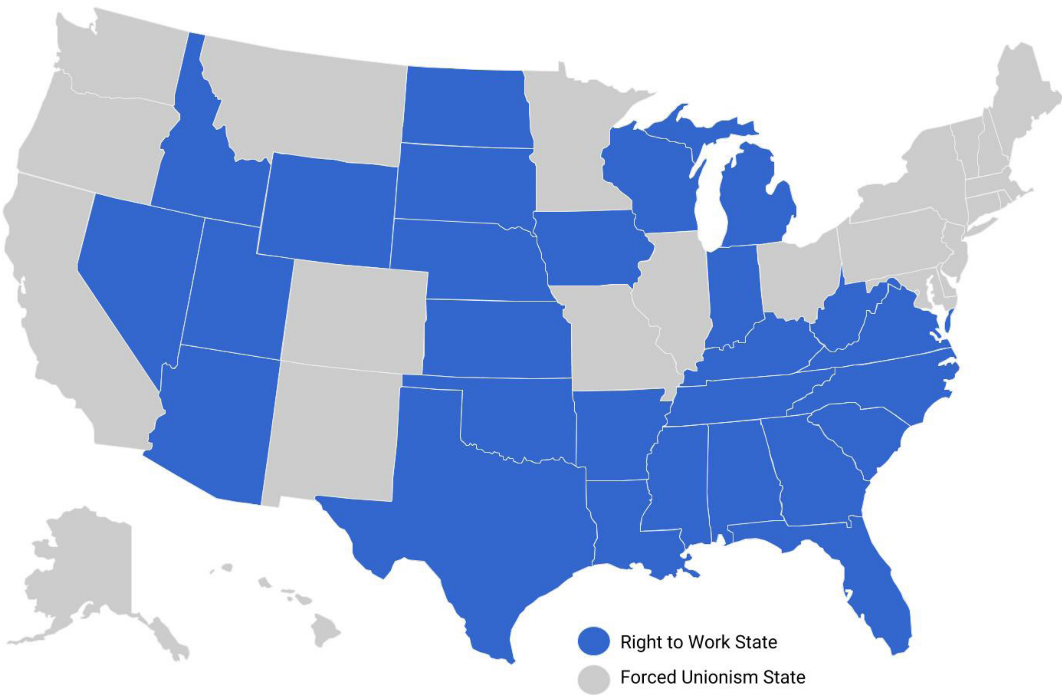
4 https://epionline.org/wp-content/uploads/2020/10/EPI_StateEmployment15MinimumWage.pdf

5 http://www.richstatespoorstates.org/app/uploads/2017/04/RSPS-2017-WEB.pdf



Source: National Right to Work Legal Defense Foundation

Abolish Fossil Fuels/Carbon Emissions

America's comeback from the 2008-09 financial collapse was driven by the birth of the modern age of shale oil and gas production with fracking and horizontal drilling technologies. From 2008 - 12 the oil and gas industry accounted for more than half the new jobs created and added hundreds of billions of dollars to U.S. GDP over the period.

Biden's position on fracking has been notoriously hard to pin down (he said in the primaries he was against fracking and would shut it down). But what is clear is that he intends to end fracking over time and reduce fossil fuel production and consumption here in the U.S. This could put 5 to 8 million jobs in jeopardy, according to a study by the American Petroleum Institute. Merely a moratorium on only new exploration, drilling, and production would cost 305,000 jobs.[6]

Oil, gas and coal jobs are not in the New England states. Some of the biggest oil and gas producing states are Texas, Florida, Oklahoma, Louisiana, and West Virginia. These states are highly dependent on jobs from drilling and mining. Nearly one million Texans are employed in energy. A ban on drilling would kill the economies of these states. This would be like telling New York City it could not do financial transactions or Nebraska that it could not grow corn.

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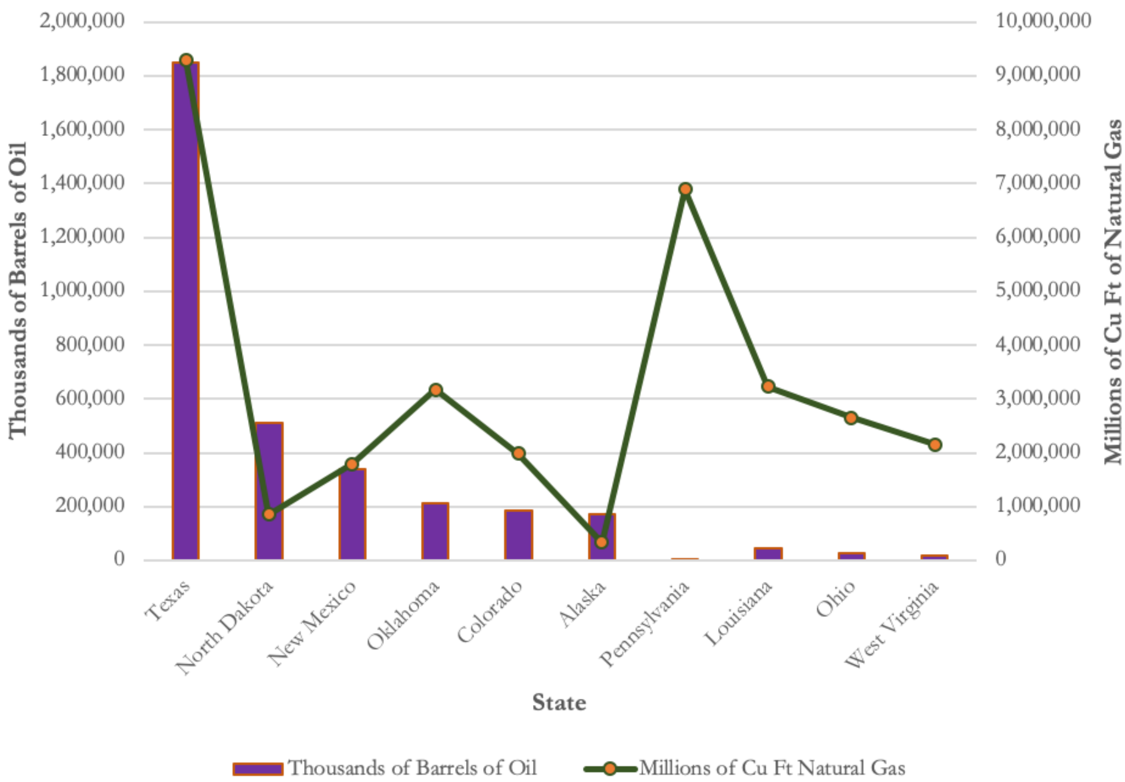
6 https://www.api.org/news-policy-and-issues/blog/2019/11/14/heres-how-to-devastate-us-energy-and-the-world-economy-ban-fracking

States with the Most Oil and Gas Production in 2019



Southern Economies More than Twice as Dependent on Oil and Natural Gas

State	% of Value Added	% of Jobs	Total Value Added ($ Billions)	State	% of Value Added	% of Jobs	Total Value Added ($ Billions)
South Energy States				Blue States			
Oklahoma	27%	17%	$52	California	5%	3%	$120
Louisiana	21%	11%	$51	Delaware	4%	3%	$2
Texas	20%	12%	$326	Illinois	4%	3%	$33
West Virginia	11%	8%	$8	Massachusetts	3%	2%	$13
Mississippi	7%	5%	$8	Michigan	3%	3%	$15
Arkansas	7%	5%	$8	Maine	3%	3%	$2
Alabama	3%	4%	$9	New Jersey	4%	3%	$21
Florida	2%	3%	$22	New York	3%	2%	$36
				Rhode Island	3%	3%	$2
				Vermont	3%	3%	$1

$500 Billion Blue State Bailout

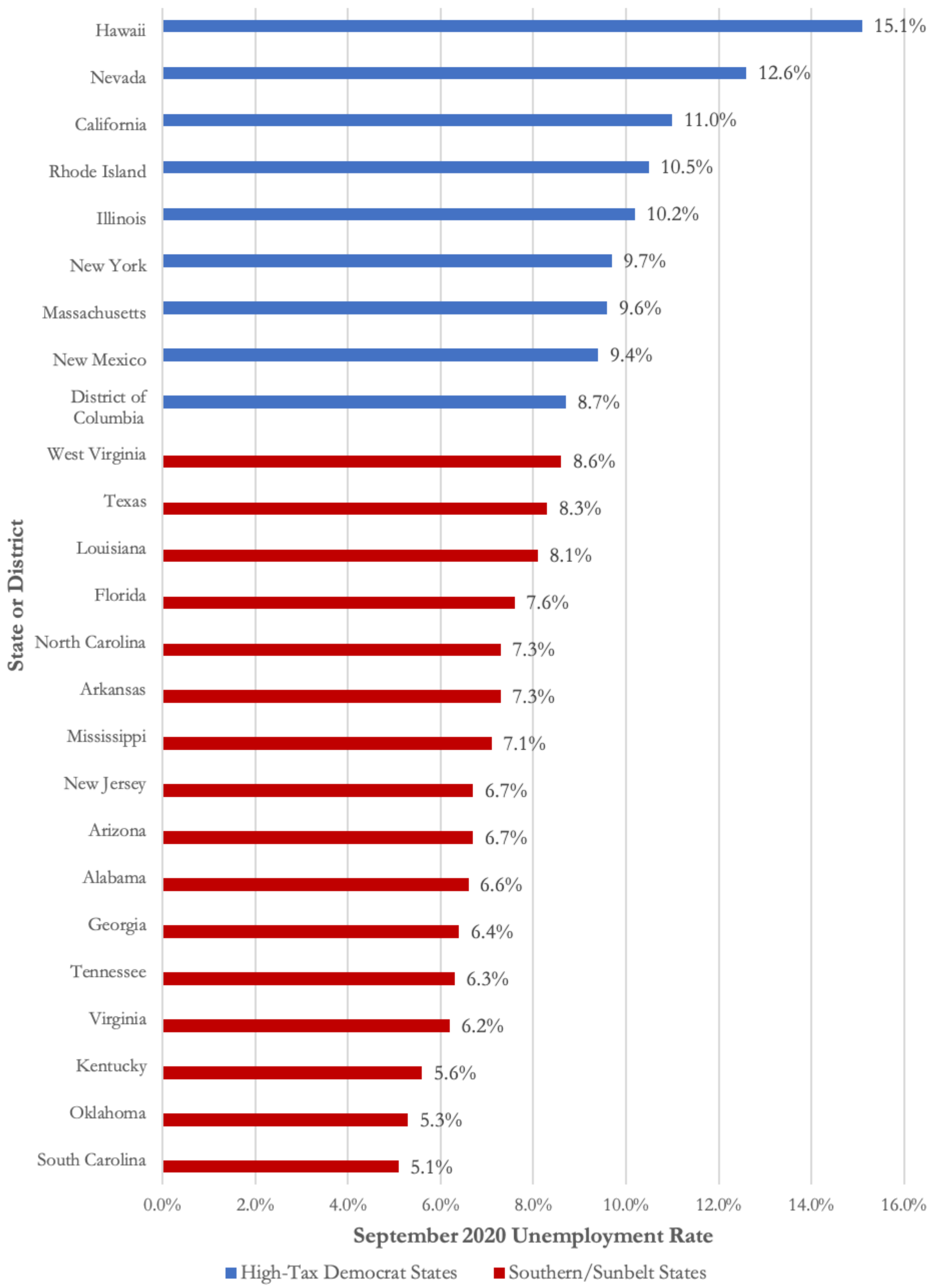
Biden has strongly supported the Pelosi "stimulus" bill that would provide a $500 billion bailout to bankrupt states and cities due to COVID. The problem is that most of the red states, especially in the South, smartly avoided the draconian lockdowns that happened in the Northeast and Midwest, and which did not work to reduce deaths.

One of the formulas for the distribution of aid is the state unemployment rate. The higher the rate, the more money a state would receive. The Democrats also want to tie aid to the size of the state budget deficit. This is a heavily biased formula against the red states of the South because most of them have *low* unemployment rates and small or no budget deficits (because they did not shut down their economies).

Look at the unemployment rates during the COVID pandemic. The nine worst unemployment rates are Democrat-run states and D.C. Twelve of the thirteen best unemployment rates are found in states run by Republicans. Nearly all of the Southern and Mountain states are below the national average unemployment rate, while the Democrat-run areas in the Northeast, Midwest, and Pacific Coast are almost all above the national average unemployment rate.

The four states in the most need of bailout dollars are California, New York, Illinois and New Jersey. We estimate that roughly two-thirds of the bailout money would go to blue states and one-third to red states. This is about a $150 billion net tax on red states – because the only way the feds can give money to one state is by taking it from the productive assets or wealth of other states.

Democrat-Run States Have Higher Unemployment



State and Local Tax Deduction

Biden, on behalf of the high-tax blue states, wants to create a tax deduction for residents of high-tax states that would eliminate the federal cap on state and local tax deductions. This would not only benefit the top 1% of taxpayers, who would get almost all of the benefits, but it would disproportionately benefit taxpayers in the blue states.

The tax deduction would cost the country roughly $100 billion every year[7] and three-quarters of the benefit would go to blue states.[8] Red state taxpayers would have to make up the difference. We estimate the cost of this policy to the South to be $590 billion over ten years.

Value of SALT Deduction as Percent of State's AGI

	State	Deduction as Percent of AGI
States that Benefit the Most	New York	9.4%
	New Jersey	8.8%
	Connecticut	8.5%
	California	8.1%
	Maryland	7.9%
	Oregon	7.2%
	D. C.	7.1%
	Massachusetts	6.4%
	Minnesota	6.3%
	Rhode Island	6.1%
States that Benefit the Least	Mississippi	2.9%
	Texas	2.8%
	Louisiana	2.8%
	Alabama	2.7%
	Florida	2.6%
	Nevada	2.2%
	Tennessee	1.9%
	South Dakota	1.8%
	Wyoming	1.8%
	North Dakota	1.8%

Source: Internal Revenue Service, "Statistics of Income Tax Stats, Tax Year 2016: Historic Table 2, 'Total File, All States,'" https://www.irs.gov/statistics/soi-tax-stats-historic-table-2, and author's calculations/.

Examining the benefits of SALT deductions across the country shows that more than a fifth of these nationwide benefits go to a single high-tax state: California. The top four states – California, New York, New Jersey, and Illinois – account for 43.4% of the benefits from the SALT deduction. Of the

7 https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/spec.pdf

8 https://taxfoundation.org/salt-deduction-benefit/

ten states that benefit the most from the SALT deduction and have more than 25% of their residents taking the deduction, every one of them is a high-tax state run by Democrats, and most are in the Northeast corner of the country. These eight states account for 57.2% of the SALT deduction. In fact, the Northeast, plus California and Illinois, are 61.7% of the SALT deduction. That means the other 72% of states are less than 39% of the SALT deduction.

High-Tax States Benefit the Most from SALT Deduction

State	State Share	Percent of Itemizers	AGI per Filer
California	20.70%	35.20%	$79,332
New York	13.10%	34.90%	$80,260
New Jersey	5.90%	41.80%	$84,472
Illinois	4.20%	31.60%	$71,626
Texas	4.00%	24.20%	$64,335
Pennsylvania	3.70%	29.10%	$65,408
Massachusetts	3.50%	37.40%	$88,393
Maryland	3.20%	46.40%	$76,069
Virginia	2.90%	37.80%	$74,693
Florida	2.80%	23.90%	$61,988

The table below lists the cost to the South from each of these policies.

Measuring the Income Transfer from South to North

Biden's Policies	Cost to Southern States Over a Decade
$15/hr. Minimum Wage Rate	$150 billion
No Right-to-Work Laws	$140 billion
Anti-Fossil Fuels Regulations	$480 billion
$500 Billion Bailout	$150 billion
Limitless SALT Deductions	$590 billion
1-Year National Lockdown	$330 billion
Total	**$1,840 billion**

We also estimate the costs of these policies for each Southern State. Texas and Florida would be by far the biggest losers, but every state in the South would be a major loser from these policies. We would emphasize that some of the Biden policies, such as a phaseout of fossil fuels, would hit even non-oil and gas states. Oil, gas, and coal are dramatically cheaper for industrial energy production; states that depend on manufacturing, technology, construction, and other blue-collar industries would be negatively affected. The Southern states whose economies would suffer from the Biden economic policies generally have lower median incomes than the northern states, so the impact of these policies would be regionally regressive.

How Much Each State Stands to Lose

State	Cost to the State Over a Decade
Alabama	**$72 billion**
Arizona	**$107 billion**
Arkansas	**$44 billion**
Florida	**$316 billion**
Georgia	**$156 billion**
Kentucky	**$66 billion**
Louisiana	**$68 billion**
Mississippi	**$44 billion**

State	Cost to the State Over a Decade
North Carolina	**$154 billion**
Oklahoma	**$58 billion**
South Carolina	**$76 billion**
Tennessee	**$100 billion**
Texas	**$426 billion**
Virginia	**$126 billion**
West Virginia	**$26 billion**

Conclusion

There is an old saying: “if you can’t beat ‘em, join ‘em.” Joe Biden’s economic plan does the opposite. The liberal northern states have been competitively crushed by the more economically laissez-faire states of the South. The theme of the Biden plan: We can’t beat ‘em, so we’ll cripple ‘em.

The Biden plan shifts $1.84 trillion over 10 years from Southern to Northern states by imposing economically harmful policies on the South that have already failed in the North. Liberal Democrats have no explanation for this exodus of jobs and people. For years “progressive” politicians and academics assured us that economically moribund states like New York, New Jersey and Illinois would be worker paradises – but the stampede to red states, particularly the southern states, rolls on day after day.

Now blue state America is ready to exact its revenge. The Joe Biden economic agenda is an unstated war against red states in the South. The idea behind the Biden plan is to impose national policies on red states that have already crippled the economies of blue states in America. Instead of leveling the playing field by nationalizing the pro-growth policies that have caused prosperity in the South, the Biden plan would force or incentivize every state to adopt higher taxes, forced union rules, high minimum wages, and bloated budgets.

There are other examples of how Biden policies would cripple red states. The Left’s war on fossil fuels is a killer for oil and gas states like Texas, Florida, Oklahoma, and West Virginia. Renewable energy mandates have already led to soaring electric power costs in the Northeast – about double the costs in Southern and Mountain states. The Biden energy plan forces the entire country to comply with these same mandates – which will raise Southerners’ utility costs to the same level of the blue states.

Finally, and most conspicuously, there is the blue state bailout. Biden has supported the bill to give bankrupt states like New York, California, Illinois, Massachusetts and New Jersey the lion’s share of a coronavirus state and local aid package. Since one of the main formulas for the aid is a state’s unemployment rate, the locked-down blue states in the Northeast get a big slice of the pie. Because the federal government can only give state “A” money by taking money from state “B,” this is one of the largest income redistribution schemes in American history. Now people in Southern states like Mississippi and Arkansas will have to pay for the mess in New York City, Chicago, and Los Angeles.

American states really are policy laboratories, and the economically free red states are clobbering the progressive states of the Northeast. Yet, the Biden game plan will sock it to the economic gazelle states in the South by requiring them to adopt every debilitating policy of the rusting and jobless blue states. The goal in America should be to encourage the losers like Illinois and New Jersey to emulate the prosperous states like Florida and Texas. The Democrats define progressivism as making Texas and Florida look more like Illinois and New Jersey. This makes as much sense as trying to make Hong Kong look more like Venezuela. We just hope that voters in Florida, Georgia, North Carolina and Texas fully understand what Biden has in store for them.

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