UNLEASH PROSPERITY

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Does Political Affiliation Impact Economic Growth?

Evidence from the 50 U.S. States, 2000-2025

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Prologue

We asked ourselves, does the political orientation of an electorate really make any difference when it comes to economic growth in the United States? Do states with a strong Republican (Red State) orientation have greater or lesser rates of economic growth than ones with a Democratic (Blue State) political leadership? More broadly, do public policies implemented at the state and local level really have much impact on the level of economic vitality and public prosperity?

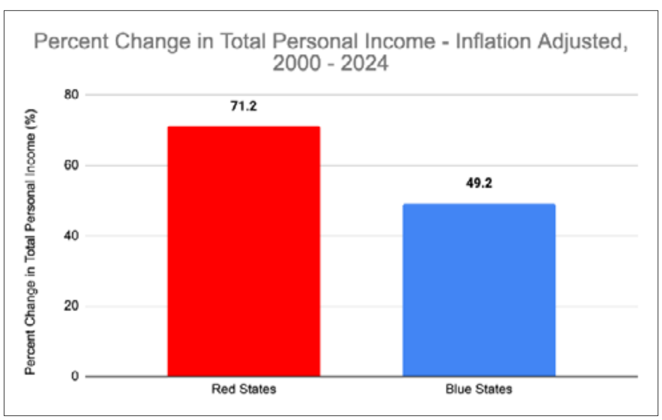
To do a quick preliminary analysis of the issue, we looked at the growth in personal income in the United States in roughly the first quarter of this century, 2000-2024, classifying the states as "Red" or "Blue." The results are shown in Figure 1 below.

The results were strong: Red States averaged far higher rates of economic growth than Blue ones. That led us to a tentative initial conclusion: the generally more conservative/libertarian policies of Republicans are more attractive to the public and conducive to increases in income than the more liberal/progressive policies that prevail in blue states.

But is that really true? Could it be, for example, that the largest Red State, Texas, had robust income growth because of the fracking revolution and enhanced oil and gas production that had little to do with politics? Or that the second largest Red State, Florida, benefited from the much more pleasant winter temperatures than found in stalwart Blue States like New York, Massachusetts or Illinois? Or that such Blue States as New Jersey or Pennsylvania are in Rust Belt areas that have suffered from a decline in manufacturing that reflects more the emerging economies of Asia, South America and other locations than domestic American political decisions?

Therefore we needed to use more sophisticated statistical analysis to account for these other, non-political factors. We want to be able to say with a high degree of certainty that "*Other things else equal* Red States have higher rates of economic growth." Specifically, in order to more confidently examine the issue we needed to use modern multivariate techniques such as regression analysis to isolate from other explanatory factors. After better controlling for such non-political factors as temperature or the presence of oil or gas deposits, does being a Red State still mean that the welfare-enhancing growth in incomes exist? Do politics really matter? The answer is a resounding "yes," as the report below indicates. Enjoy.

Figure 1:



SOURCE: U.S. Bureau of Economic Analysis, Authors' calculations

The Virtues of America's Federal System of Government

The federal system of government that evolved out of the new "United States of America" proclaimed in that annus *mirabilis* 1776 that we are joyously commemorating this year had many marvelous features contributing to the nation's extraordinary economic success. Of foundational importance is, to use the words of Supreme Court Justice Louis Brandeis, that it "created a laboratory of democracy" where "a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country."[1]

Because of a lack of serious legal barriers to moving over vast distances within our 50 states, Americans early on became a nation of movers, first moving mainly westward but ultimately in all directions, facilitated by falling transportation costs, increased information, and rising incomes.[2] While there is thus abundant statistical evidence that movement was motivated by economic concerns such as job opportunities (including land availability) and income enhancements, a University of Washington economist Charles Tiebout also noted some seven decades ago that people often vote with their feet to seek residence in areas where others hold similar values and philosophies.[3] Other things equal, people generally like neighbors that view the world in similar ways to themselves. The Tiebout Effect has apparently grown markedly over time, partially aided by interstate migration of people to areas with a large number of individuals with a compatible political orientation. Tennessee's Lamar Alexander, quoting his former U.S. Senate colleague Roy Blunt, noted that "In 1979, 27 states had a Republican U.S. Senator and a Democrat U.S. Senator. Today, it is three."[4]

Therefore, it is not surprising that there are many states today where there are fairly stable and pronounced leanings among the electorate towards specific ideological orientations. In the American political system, an overwhelming majority of the electorate generally support the candidate of either the Republican Party (the "Red" party), or the Democratic Party (the "Blue" party). Looking at three 21st century presidential elections, 2000, 2012, and 2024, in 40 of the 50 states, the candidate of a single party won *all* the elections—these states can be rather confidently classified as either Red (24) or Blue (16) states.

In the analysis below, we accordingly looked at the American economy and political landscape over the first 25 years of the 21st century, encompassing seven presidential elections. While we used various ways of determining whether states were "Red" or "Blue," we settled on a simple, easy to understand approach, evaluating each state on its overall political orientation based on the three presidential elections held at the beginning (2000), middle (2012), and end (2024) of the period. A state consistently voting for the Republican presidential nominee would get three points, one for each of the three elections studied. States consistently supporting the Democratic nominee would get zero points.

As previously indicated, most (40) of the 50 states in these three elections *always* gave their electoral votes to the candidate of one party. Ten states were less solidly dominated by one party: Colorado, Florida, Iowa, Michigan, Nevada, New Hampshire, Ohio, Pennsylvania, Virginia, and Wisconsin. Most of these are usually considered "swing" states. 24 Red states supported the GOP candidate in all three presidential elections: Alabama, Alaska, Arizona, Arkansas, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, West Virginia and Wyoming. The remaining 16 states were solidly Democratic states based on these three elections: California, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, and Washington.

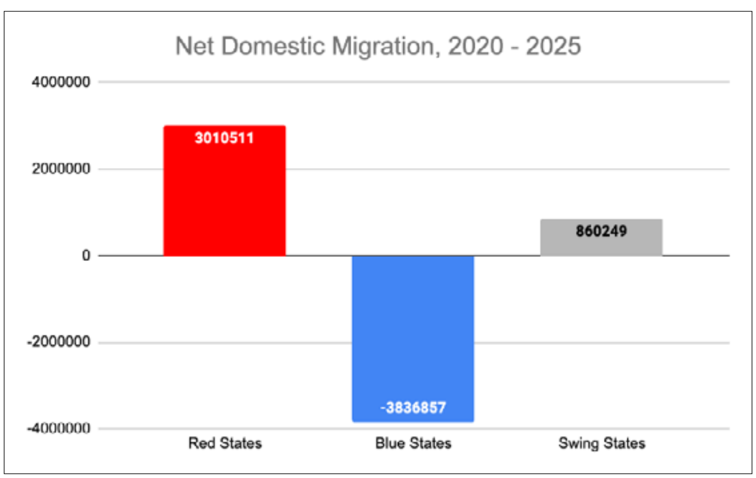
Political Orientation and Economic Growth

It is a well established proposition that people prefer having more to less. Consequentially, over nearly four centuries the most massive migration in human history occurred as people migrated to the United States with its massive and growing economic opportunities from poorer nations with fewer perceived possibilities for economic advancement.[5] Additionally, as previously indicated, the federal system of the United States eases the burden of humans migrating within the nation—there are no passport, visa, or border crossing fees or restrictions, for example, nor are their interstate tariffs. Of similar importance, the federal system facilitates the movement of *capital* resources—machines, tools, new factory buildings—as well as financial resources (which permit the acquisition of capital).

We see a dramatic movement towards the Red states with respect to both human and capital migration. For example, the Census Bureau tells us that there was massive net domestic human out-migration from fervently Blue California (1,691,867!!) from 2020 to 2025, as well as from other big Blue states like New York (1,106,013) and Illinois (456,378). More than 800,000 net moved *into* each Texas and Florida, generally considered today as Red enclaves (see Figure 2). Some of these individuals were giant innovators and investors in the American economy, people like leading financial investment guru Ken Griffin (who left Chicago for Florida), and the world's richest man, Elon Musk (who left Southern California for Texas). The possibility of California adopting a wealth tax this year on successful entrepreneurs has been reported as accelerating the exodus from the Golden State.

Not only were people moving. Corporate headquarters moved as well. For example, in recent years Texas replaced California as having the most Fortune 500 headquarters, with giant companies like Exxon Mobil (moving from Blue New Jersey), Tesla (coming from Blue California), and Caterpillar (fleeing Blue Illinois) moving to the Lone Star State.

Figure 2:



SOURCE: U.S. Bureau of the Census, authors' calculations

THE ROLE OF TAXES

Progressives tend to be far less convinced than others, especially conservative and libertarian Republicans, about the benefits of a competitive market-based free enterprise system as the optimal way to organize the economy and its production, consumption and distribution of goods and services. They tend to favor more governmental activity to perform or regulate those functions, necessitating higher rates of taxation to finance that activity. Additionally, leftish Democratic politicians see income and, increasingly, wealth taxes as another way to redistribute income and accumulated assets away from the wealthy entrepreneurial classes by having highly progressive rates. This explains why the maximum marginal combined state and local income tax rate in strongly Blue New York City exceeds 14 percent, compared with zero in Red Miami or Dallas.

There is a substantial literature that has evolved on the role of taxes in economic growth, including some on state taxation in the U.S., most of it suggesting that higher taxes are associated with lower economic growth.[6] If high taxes tend to lead to lower growth, and if Democratic states tend to have higher taxes, one would expect that Red states would tend to have higher economic growth as suggested by Figure 1.

The higher tax nature of Blue states is easily demonstrated. Only eight states have NO state personal income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, and Wyoming) and all are either clearly Red states or swing states—*none* are Blue states. Additionally, the Tax Foundation has devised a State Tax Competitive Index. We looked at the 10 states with the best (most conducive to economic expansion) rankings on that index and then compared them with the 10 states with the lowest (worst) ranking. Nine of the 10 states with the best rankings were Red states—Wyoming, South Dakota, Alaska, Florida, Montana, Texas, Tennessee, Idaho and Indiana, while the tenth state, New Hampshire, is a swing state, electing both high level Republican and Democratic politicians.

What about the 10 states with the *lowest* rankings on the State Tax Competitive Index? *All ten* were Blue states: California, Connecticut, Hawaii, Maryland, Massachusetts, Minnesota, New Jersey, New York, Vermont and Washington. It is probably not surprising that Census Bureau estimates show that there was net domestic out-migration of an extraordinary 3,472,106 individuals from these Blue states—*nearly two thousand persons a day* every day for five years. This is greater than the migration of Communist bloc East Germans to West Germany in the decade before the building of the Berlin Wall! By contrast, two of the Red states ranking high on the State Tax Competitive Index, Florida and Texas, each had net in-migration exceeding 800,000, while two others, Tennessee and Idaho, likewise had numbers in the six digits.

These findings are reinforced by some recent polling. An Elon University/YouGovAmerica 250 survey showed that 55 percent of Democrats would prefer to live in another country than the United States, compared with only 10 percent of Republicans (38 percent of independents).[7] The generally highly capitalist U.S. with a lesser emphasis on governmental income redistribution and regulation and, by international standards, rather low rates of taxation, is far less appealing to Democrats than Republicans.

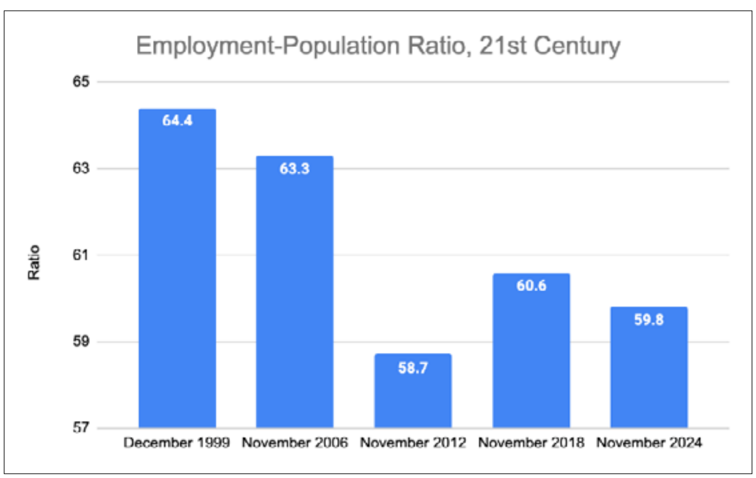
OTHER GROWTH-IMPEDING FACTORS

Governments can impede the creation of income and wealth in ways other than taxation, especially through their spending policies and regulations. On the spending side, government public assistance payments to lower income individuals can impede work effort—why work when the government will provide me food, housing and medical assistance? A much smaller proportion of working age Americans work today than a generation or so ago, and some positive efforts to reduce public assistance payments in the 1990s were reversed in a big spending surge, most notably during the Covid Pandemic in the first years of this decade. Figure 3 shows that the proportion of working age Americans actually employed fell considerably in the first quarter of this century. The big drop around 2010 mostly occurs in the Obama administration during a period of large increases in income transfer payments by the federal government.

Progressive state and local governments also implemented a considerable amount of income-destroying public policy initiatives. To cite one well publicized example, California spent billions to develop a high-speed rail corridor connecting major cities such as San Francisco and Los Angeles, but as of this writing none of it has been completed and apparently efforts to do so have largely been abandoned. What would have happened if funds devoted to this dubious rail project had instead provided income tax relief to residents of the Golden State?

Environmental regulation and zoning rules also impeded economic development. Again, California stands out: once a leader in petroleum production, in response to pressure from progressive environmental extremists it essentially ended offshore exploration (in marked contrast to, say, Louisiana). Extremely onerous building codes and other restrictions also led to limited housing construction and skyrocketing home prices and rents. Generally, there was also a marked increase in the number of public school employees per student in the period—despite growing evidence of *falling* test scores indicating reduced literacy and mathematical aptitude. Democratic Party aligned public employee labor unions promoted and financed spending to adopt highly progressive policies enriching government workers. Doing less for more.

Figure 3:



Political Affiliation and Growth In Income: Empirical Results

Enough with the preliminaries: controlling for other factors, what is the relationship between political affiliation and economic growth? We actually ran a large number of regressions, including a large number of potential explanatory variables, several mentioned above. The regression below adds five independent variables to the critical political affiliation variable (RED). Because labor is the most important factor of production in determining output (and thus incomes), we added four variables relating to characteristics of the labor force. We looked at the percentage of workers in each state engaged in manufacturing (% MANUFACTURING), the percentage of workers represented by a labor union (% UNION), the extent of influx or exodus from the state over the five years period (2020-2025) by native born Americans (NET MIGRATION), important in determining changes in the size of the labor force, and the proportion of the population that are immigrants (FOREIGN BORN). Additionally, we also introduced a weather variable that has a higher value the greater the average temperature in the state (TEMPERATURE).

The model explains a large majority (over two-thirds) of the total variation in personal income growth rates (GROWTH) between the states. It suggests that the more Red that a state is, controlling for the other five factors, the higher the rate of economic growth. Moreover, this factor is huge in its magnitude. Other things equal, a solid Red State (receiving a value of 3 on our political affiliation variable) is predicted to have over a *36.8 percent higher rate of personal income growth* than a solidly Blue state (receiving a value of 0 on the political affiliation measure). The mean value on income growth for the nation as a whole was 191.5 percent, so a 36.8 percent increase in that variable is quite consequential (about 20 percent more growth).

Figure 3: Initial Regression Results
Observations: 50
R^2 = .670

Variable	Coefficient	Standard Error	T Statistic
Intercept	314.948	41.695	7.554
Red State	12.258	4.276	2.867
% Manufacturing	-3.826	1.290	-2.967
% Foreign Born	3.957	1.041	3.780
% Union Workers	-3.473	1.289	-2.693
Ave. Annual Temperature	-1.966	0.629	-3.128
Net Domestic Migration	619.383	167.187	3.705

The other variables are also statistically significant, acknowledging that political affiliation, while powerfully important, is not the sole factor in explaining differential rates of income growth between the states. For example, growth was lower in historically high manufacturing areas—"rust belt" states, as hypothesized above, and lower also in highly unionized labor environments. Unions, generally politically aligned with the Democratic Party, claim to improve working conditions and income for their workers, but do not seem to have that effect, indeed quite the opposite. The high presence of immigrants was associated with higher rates of economic growth, as was an influx of American born newcomers. However, the notion that high growth states like Florida benefited from balmy weather (and generally higher temperatures) is NOT confirmed—indeed the opposite (warmer states, other things equal, actually had lower growth).[8]

We estimated a number of alternative regression models incorporating additional variables, but they did virtually nothing to increase the model's overall explanatory power, and consistently the critical Red State variable maintained a positive sign—the more Republican the state was, the higher the rate of growth in personal income. Let's briefly mention three alternative variables that we included in other regressions not shown here. First, we introduced an oil production per capita variable into the analysis that was not statistically significant. Second, we incorporated a variable measuring the level of religious devotion since there is a rich literature saying the Industrial Revolution was tied to the Reformation and other religious events.[9] (a positive relationship was observed, but it was not statistically significant) Third, we explored whether new international in-migration played a significant role, and found that it did not.

Additional Empirical Analysis

While the regression results above are strong and incorporate a number of important potential explanatory variables, we were concerned that we might be excluding some relevant factors. There are other potential independent variables that may be influential; in our regression reported above, nearly one-third of the variation income growth is still unexplained. We decided to include one potentially important factor previously not considered. We introduced a population density variable—number of residents per square mile of land, reasoning that states with high population densities tend to be highly urbanized—more city dwellers, fewer living in the country or smaller towns or villages. Do people living in very close proximity to other people have different values and preferences with respect to public services than those living in more rural areas? And do those different values impact the growth in income?

It turns out that states with high population densities have statistically significant lower rates of economic growth (at a 99 percent level of confidence), and the addition of that variable reduces the unexplained variation in growth markedly. The Red State variable, however, remains strong with a 95 percent level of confidence (other things equal, Red States have higher growth). Other things equal, *a solidly Red state is predicted to have about a 25.9 percent higher rate of growth in personal income than a Blue State.* The other variables remain statistically significant as before.

Figure 4: Final Regression Results
Observations: 50
R^2 = .740

Variable	Coefficient	Standard Error	T Statistic
Intercept	306.503	37.562	8.160
Red State	8.628	3.993	2.161
% Manufacturing	-3.285	1.171	-2.805
% Foreign Born	4.883	0.976	5.004
% Union Workers	-3.259	1.161	-2.807
Ave. Annual Temperature	-1.774	0.568	-3.123
Net Domestic Migration	619.126	150.261	4.120
Population Density	- 0.059	0.018	-3.351

The results confirm that areas where what Adam Smith so aptly referred to as the “invisible hand” of markets have a commanding role in the production and distribution of resources tend to show higher rates of economic growth and vitality. Republicans tend to favor lower rates of taxation and are less obsessed with using government to forcibly redistribute income or wealth to lower income individuals. They tend to favor less stringent environmental constraints on private sector behavior. They tend to believe in Smith’s “invisible hand” (published first in that *annus mirabilis* 1776—250 years ago this year—in the *Wealth of Nations*) far more than Democrats. In doing so, they promote a more vibrant economy that attracts people from areas with greater constraints on human economic behavior. In America’s federal system of government, people vigorously vote with their feet to improve their lives.

Endnotes

1. *New State Ice Co. v. Liebmann*, 285 U.S. 262 (1932).

2. One of us and a colleague confirmed this many decades ago. See, for example, Lowell Gallaway and Richard Vedder, "Mobility of Native Americans," *Journal of Economic History*, 31(September 1971), 613-649. There have been scores of other studies confirming the primacy of economic factors in determining migration decisions, both for domestic (within the U.S.) and international migration (immigration). The geographic center of population was 23 miles *east* of Baltimore, Maryland in 1790, compared with Wright County, Missouri in 2020, a Westward Movement of over 900 miles over 230 years or about four miles per year. In recent decades, however, there has been an increasing southward drift in the population center.

3. Charles Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64 (5),1956, 416-424. The senior author here has long discussed the Tiebout Effect as it relates to taxes. See, for example, Richard Vedder, "Tiebout, Taxes, and Economic Growth," *Cato Journal*, Spring/Summer 1990.

4. Lamar Alexander, *The Education of a Senator: From JFK to Trump* (New York: Post Hill Press, 2026).

5. For several studies by the senior author and also by Unleash Prosperity co-founder Steve Moore see L.E. Gallaway and R.K.Vedder, "Emigration from the United Kingdom to the United States, 1860-1913," *Journal of Economic History*, December 1971, 885-897, L.E. Gallaway and R.K. Vedder, "Settlement Patterns of American Immigrants, 1850-1968," in H. Van der Wee, V.A. Winoradov and G.G. Kotavsky, *Papers of the Fifth International Congress of Economic History*, Moscow, 1977, and Richard Vedder, Lowell Gallaway and Stephen Moore, "The Immigration Problem: Then and Now," *Independent Review*, Winter 2000, 347-364.

6. For a pioneering study see Richard K. Vedder, "State and Local Economic Development Strategy: A Supply Side Perspective," Study, Joint Economic Committee of Congress (Washington, D.C.: Government Printing Office, 1981).

7. As reported in Big League Politics, June 9, 2026.

8. Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (London: Unwin Hyman, 1930).

9. The French writer Charles Montesquieu, writing 278 years ago in his *L'Esprit des Lois*, attributed the lower level of economic success in tropical climates like Africa to the adverse effects of high temperatures on work effort.