How Does Economic Freedom Shape State Migration?

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Introduction

Do states that are more economically free attract more people to move? And if they do, why? To answer this question, we should first understand what more economically free means. More economic freedom means the ability to make choices with fewer government constraints. Higher taxes, larger government and more restrictive labor-market policies limit the economic decisions people can make, and it is believed that they may compel people to leave for freer states. This is an important question as states consider economic policies and their potential impacts on their population. A new working paper by Tiange (Sheryl) Du examines the effects of economic freedom on migration in the U.S. It examines whether it works directly or indirectly by shaping income growth, job creation and population dynamics that ultimately influence where people choose to live.

Three Big Takeaways from the Research:

- **Economic freedom directly attracts people, but a lack of economic freedom does not directly push them out.**
  Freer states attract residents through greater economic freedom and its positive impact on opportunity. In contrast, less-free states do not lose residents solely because they are less economically free. They lose residents because of dwindling opportunities.

- **People move for opportunity, not for policy signals.**
  People migrate primarily due to income, employment and community growth—conditions that economic freedom helps create.

- **Policies matter most through improving economic fundamentals.**
  States seeking to attract residents should focus on sustained economic performance rather than short-term incentives or symbolic reforms.

States with higher levels of economic freedom tend to attract more people from other states, even after controlling for economic freedom's effects on income and employment growth.

However, states with lower levels of economic freedom do not see people leaving simply because they are less free. In other words, economic freedom alone operates more like a pull than a push. People are drawn toward freer states, but they are not directly driven away from less-free ones. This pattern becomes clearer once fundamental economic conditions are taken into account. States with higher economic freedom tend to experience faster income growth, stronger job growth and more robust population growth. These factors—rather than economic freedom itself—are the primary drivers of migration. People are willing to move to places where incomes are rising, jobs are expanding and communities are growing. Similarly, they are willing to move away from areas with slow income, job and community growth.

When these economic fundamentals are considered together, the direct role of economic freedom becomes smaller. This suggests that economic freedom matters mainly because it improves the underlying economic environment. Likewise, this pattern holds when income is measured excluding government transfers. Migration responds more strongly to market-driven income growth than to redistribution, reinforcing the idea that people move toward productive opportunity.

In this sense, migration reflects a two-step process. First, economic freedom shapes the economic fundamentals of a state. Second, people move in response to those fundamentals. When economic freedom improves income and employment growth, migration follows. Moreover, freer states tend to have more efficient government spending, lower overall tax burdens and more flexible labor markets. These features can create an environment that encourages private investment, business expansion and job creation. As firms grow and wages rise, residents will experience better economic outcomes.

These findings have important implications for state policymakers. First, states hoping to attract residents should focus more on building a sustained environment for economic growth. One-time tax incentives or relocation subsidies are unlikely to have lasting effects. Policies that tend to improve the long-run economic fundamentals should be implemented. Second, policymakers often worry that higher taxes or regulations will immediately drive residents away. The evidence suggests otherwise. Out-migration is driven more by sustained weak economic performance. Since less economic freedom leads to slower growth, policymakers are right to worry about the impacts of higher taxes or regulations; the results won't be immediate. Third, while transfer programs play important social roles, they do not appear to attract or retain residents as effectively as strong labor markets and income growth do. Policies that strengthen productive economic activity are therefore more likely to influence population flows than those focused solely on transfers.

Finally, migration patterns are also highly regional. States do not compete in isolation: economic gains or losses in one state tend to spill across neighboring states, affecting migration flows throughout a region. Policies that improve regional economic prosperity—such as infrastructure, labor-market flexibility, and business activity—are more likely to attract residents than strategies pursued in isolation.

Do freer states attract more people to move? Yes— but not because people chase policy goals. Economic freedom matters because it improves the economic conditions that make states attractive places to live and work. People move toward opportunity, not away from regulation. States that consistently attract residents are those that generate higher incomes, expand employment and grow over time. For policymakers, the message is clear: migration follows opportunity, and opportunity follows policies. Focusing more on building durable economic fundamentals is the most reliable way for states to attract and retain residents. ■

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