Economic Freedom in the Land of Enchantment

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ECONOMIC FREEDOM

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New Mexico is one of the poorest states in the union. Its citizens are also some of the least-economically free. This is probably not a coincidence. In this brief we explore economic freedom in the Land of Enchantment. Drawing on decades of research we argue that this beautiful state which has so much going for it would have much more going for it if its policymakers permitted New Mexicans to make more of their own economic choices.

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1. Unrealized Potential

Rich in history, culture, sunshine, and vistas, New Mexico's nickname, "The Land of Enchantment," is apt. Summers in Albuquerque are about 20 degrees cooler than in Phoenix, while winters are 10 degrees warmer than in Denver. On a good spring day, New Mexicans can ski in the morning and golf in the afternoon. And while the Permian Basin has made New Mexico the nation's second-largest producer of oil, its Hatch green chili is second-to-none.

Despite its many assets, however, New Mexico consistently lags its neighbors and the rest of the country. In the decade ending in 2022, the state ranked 47th in employment growth and 36th in real GDP growth. It has the third-highest poverty rate in the union, a larger share of children on federal food assistance than any other state, and a larger share of citizens on Medicaid than any other state.[1]

> In the decade ending in 2022, New Mexico ranked 47th in employment growth and 36th in real GDP growth. It has the third-highest poverty rate in the union and a larger share of children on federal food assistance than any other state.

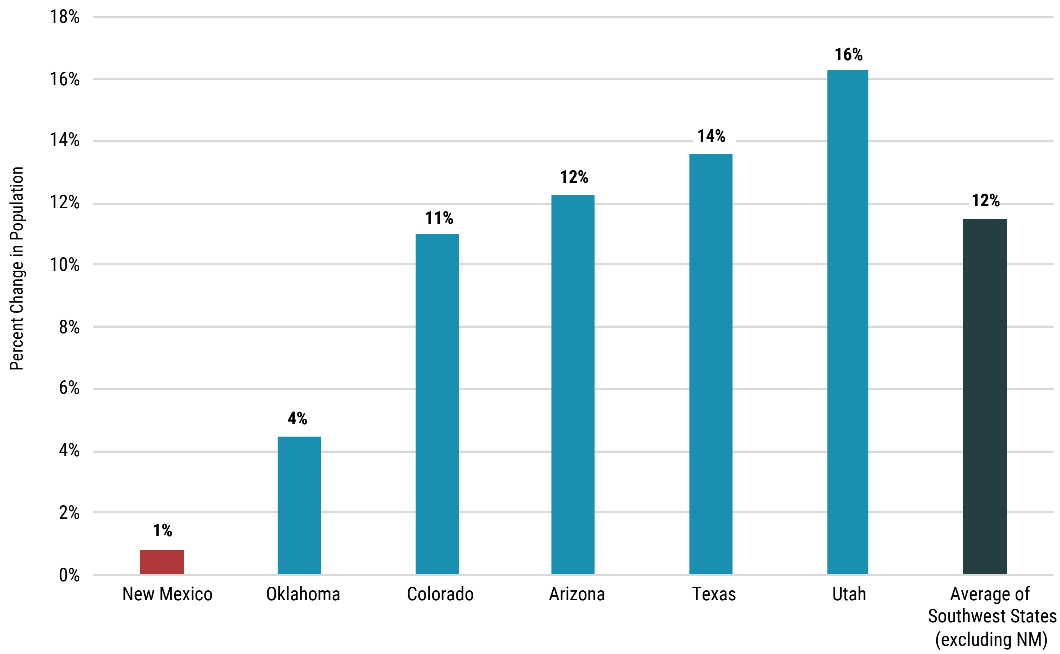
New Mexico's poor economic performance comes into stark relief when compared with its prosperous neighbors. As a region, the American Southwest is booming. On average, the population of the surrounding states rose 12 percent over the previous decade (see figure 1). New Mexico's population rose just one percent. Over the same period, employment in the surrounding states rose 19 percent, while again in New Mexico, it rose just one percent (see figure 2). Total inflation-adjusted income grew 34 percent in the surrounding states over this period, while it grew just 21 percent in New Mexico (figure 3). On average, the economies of the surrounding states grew 31 percent over this decade, while New Mexico's economy grew just 13 percent (figure 4).

As is so often the case, that state's economic problems have disproportionately harmed its most vulnerable populations. The state's poverty rate is 50 percent higher than that of its neighbors (figure 5) while two-thirds of households have a child on federal food assistance (figure 6).

1 For poverty rates and children on federal food assistance, see U.S. Census Bureau Household Pulse Survey (2024). For the share of the population on Medicaid, see KFF (2023).

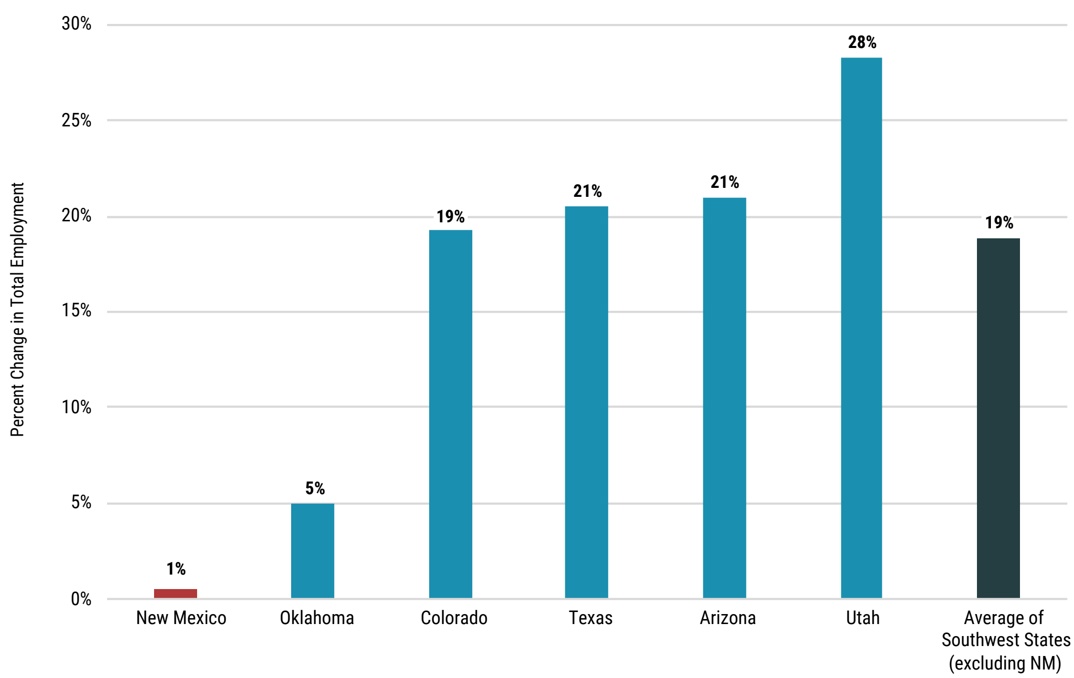
What is holding New Mexicans back?

Figure 1: Population Growth in the Southwest (2013–2022)



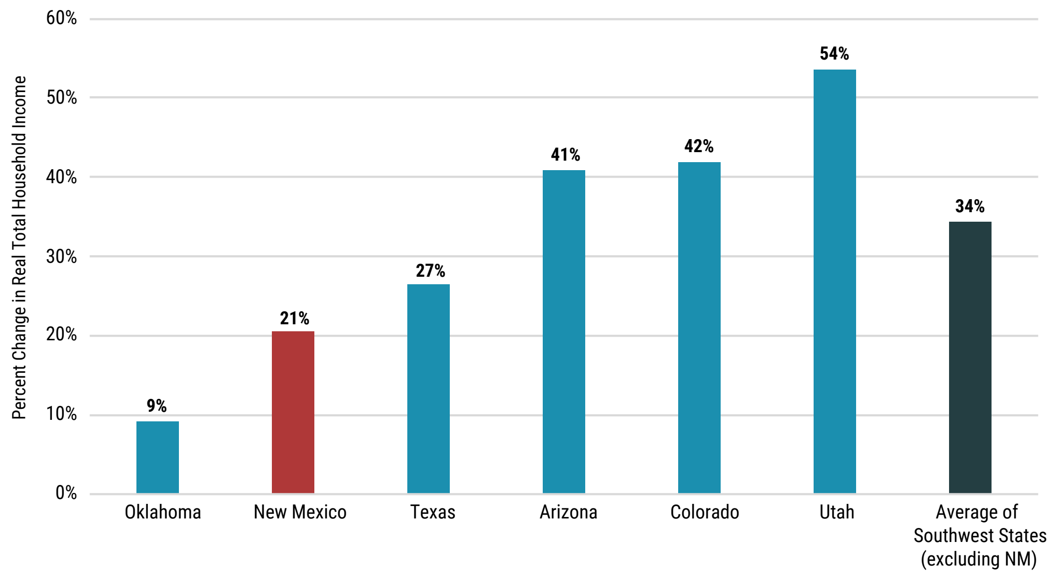
Source: Bureau of Economic Analysis (BEA), Regional Economic Accounts, (2024a).

Figure 2: Employment Growth In the Southwest (2013–2022)



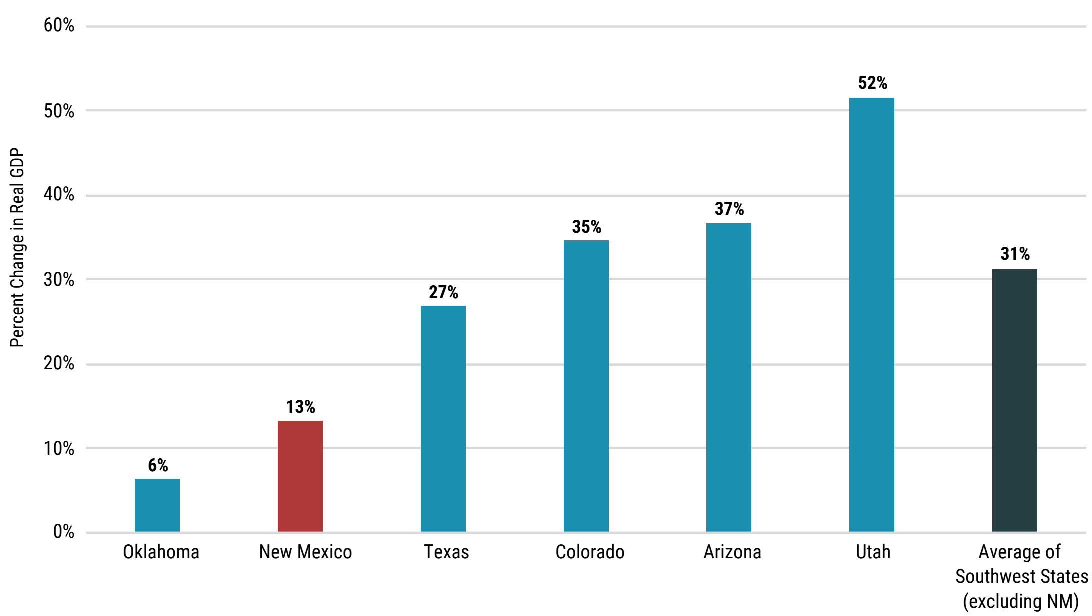
Source: BEA, Employment by State, (2024b).

Figure 3: Income Growth in the Southwest (2013–2022)



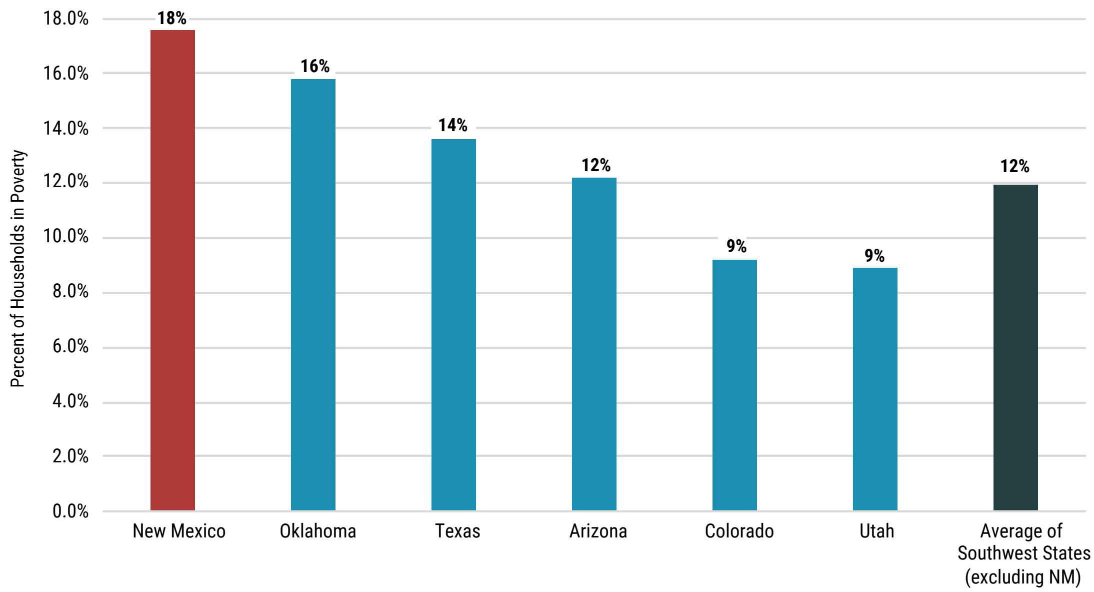
Source: BEA, Personal Income by State, (2024c).

Figure 4: Real GDP Growth in the Southwest (2013–2022)



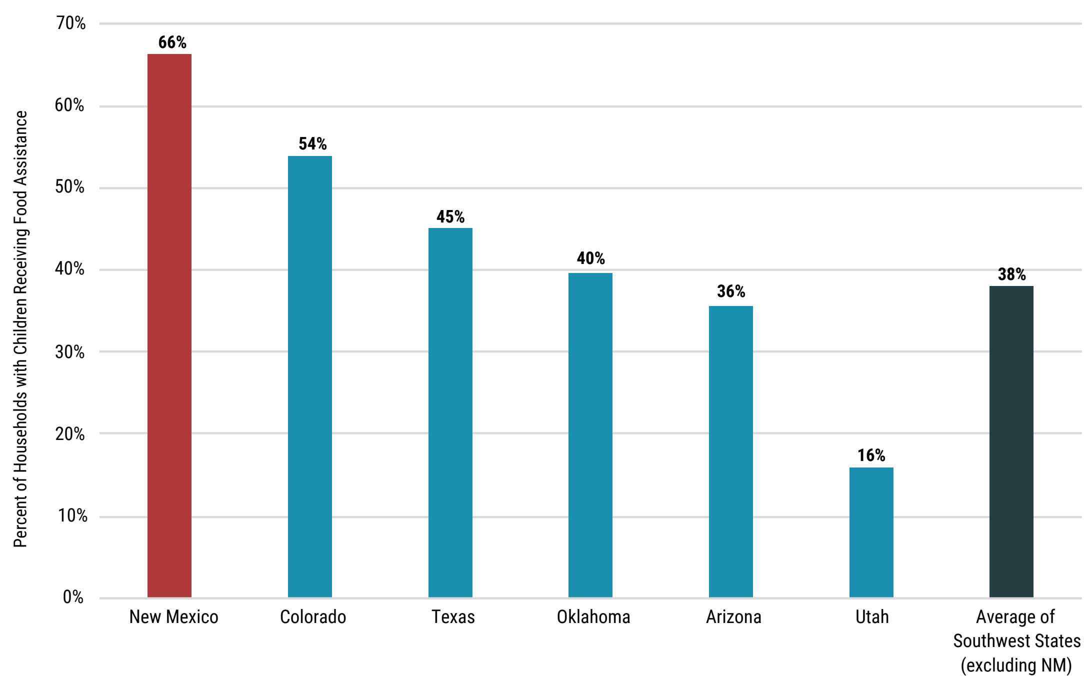
Source: BEA, GDP by State, (2024d).

Figure 5: Poverty in the Southwest (2023)



Source: U.S. Census Bureau Household Pulse Survey (2024).

Figure 6: Children Receiving Food Assistance in the Southwest (2024)



Source: U.S. Census Bureau Household Pulse Survey (2024).

2. Economic Freedom

Economists have studied the nature and causes of economic prosperity for centuries and there are no simple answers. Geography, culture, demography, institutions, past performance, and luck all play a role in economic prosperity. And these factors are often interrelated in complex ways.[2] Many of these things, however, are beyond the control of the policy maker. A legislator cannot move mountains or change the past or create good luck. Nor in most cases can he or she affect culture. But policy-makers can and do influence what economists call "institutions." These are the "rules" of society—what is allowed and what is not allowed—that shape our behavior.[3] And ample evidence suggests that one of the most important institutional prerequisites for prosperity is economic freedom.

Individuals are more economically free when they are allowed to make more of their own economic choices. For everyone to be free, however, each of our choices must respect the rights of others.

Economic freedoms are a subset of human freedoms and concern economic activities such as working, transacting, contracting with others, and owning and using productive property. Individuals are more economically free when they are allowed to make more of their own economic choices. For everyone to be free, however, each of our choices must respect the rights of others.[4]

Several centuries of thought give us reason to think that economically free people will tend to prosper.[5] When allowed to make more of their own economic choices, the argument goes, people will tend to be informed by the knowledge generated through market signals of prices, profits, and loss. These same signals also motivate people to

2 See Koyama and Rubin (2022) for a thorough and state-of-the-art review of the literature.
3 Douglass North (1990).
4 For an overview of the concept, see Mitchell (2024).
5 See, for example, Thomas Aquinas of the 13th century; the Late Scholastics at the University of Salamanca in Spain in the 15th- and 16th-centuries; the Scottish Enlightenment thinkers—especially David Hume, Adam Smith, and Adam Ferguson—in the 18th-century; the French liberals Jean-Baptiste Say and Frédéric Bastiat of the 19th-century; and Ludwig von Mises, F. A. Hayek, and Milton Friedman in the 20th century.

create value for others, rewarding them for improving the lives of those with whom they exchange.

These arguments haven't convinced everyone. Many still contend that by curtailing some economic freedoms, policymakers can make the economy more efficient, the distribution of income more just, the environment more clean, the business cycle more smooth, and working conditions more humane.[6]

The arguments on both sides are plausible. But it has only been in the last three decades that we have been able to test these competing hypotheses by measuring the degree of economic freedom in different places and then comparing outcomes in economically free and unfree places. Economists measure economic freedom with indices such as the *Economic Freedom of the World* (EFW) and the *Economic Freedom of North America* (EFNA), both published by the Fraser Institute in Canada. These indices are constructed using measures of government policy—factors like tax rates, spending, inflation, barriers to trade, regulations, and protection of persons and their property—to assess the degree to which governments permit their citizens to make their own economic choices.[7]

The EFW index was first published in 1996. In its latest iteration, the EFW uses 45 indicators of government policy and offers us an objective measure of economic freedom in 165 countries around the world. It tells us, for example, that Austria is more economically free than neighboring Hungary, that Uruguay is more economically free than Brazil, and that Taiwan is more economically free than China.

According to Google Scholar, researchers have cited various versions of EFW about 14,000 times. More importantly, they have put the index to work, using it in nearly 1,000 peer-reviewed studies to assess the effect of economic freedom on human wellbeing. The evidence from this research overwhelmingly suggests that economic freedom tends to improve the human condition. Researchers find, for example, that people in economically freer countries earn higher incomes, live longer and more satisfying lives, are more tolerant of others, take better care of their environments, are less corrupt, less violent, and less likely to be impoverished.[8] And to the surprise of many, the higher standard of living that economic freedom seems to make possible *does not* come at the expense of greater income inequality.[9]

6 See, for example, Karl Marx and Friedrich Engels on worker exploitation; Marx, Engels and Oskar Lange on the efficiencies of central planning; A.C. Pigou on environmental externalities; Paul Samuelson on market under-provision of public goods; Herbert Marcuse and Michael Sandel on the poverty of market culture; Thomas Piketty and John Rawls on inequality; and John Maynard Keynes and his followers on market volatility.

7 Gwartney, Lawson, and Murphy (2024).

8 Mitchell (2024).

9 Lawson, Miozzi, and Tuszynski (2024).

3. Economic Freedom in the U.S. States

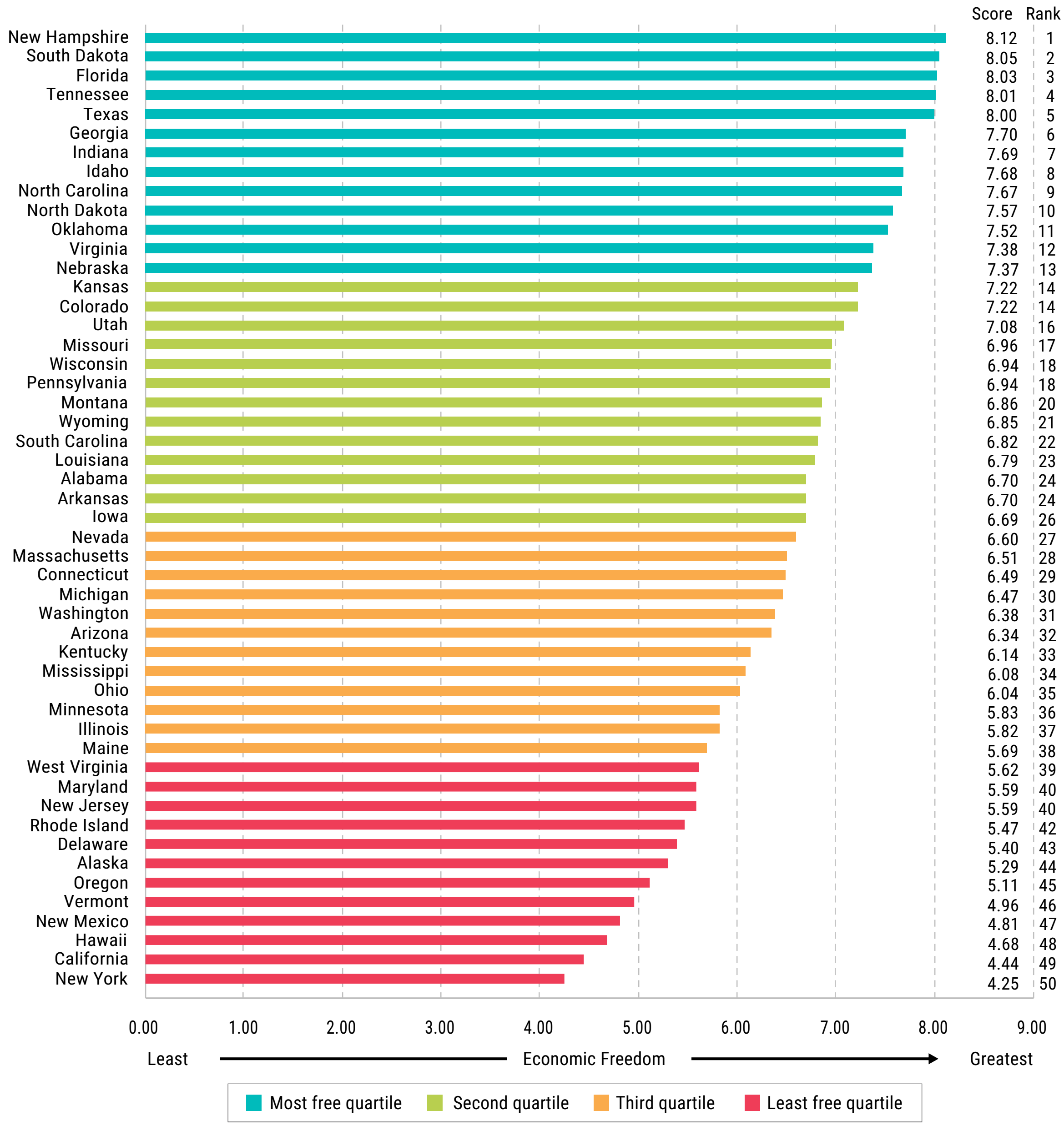
As evidence mounted that cross-country differences in economic freedom could explain cross-country differences in living standards, economists began to wonder if economic freedom varied significantly from region to region *within* countries. If so, perhaps that variation could explain some of the differences in prosperity that we see within countries. This led to the development of the first subnational measure of economic freedom, the *Economic Freedom of North America* (EFNA), first published in 2002. This index employs 10 variables in three areas—government spending, taxes, and labor market freedom—to measure the degree of economic freedom in the 10 Canadian provinces, 50 U.S. states, 32 Mexican states, and the U.S. territory of Puerto Rico.[10]

The EFNA index employs 10 variables in three areas—government spending, taxes, and labor market freedom—to measure the degree of economic freedom in the 10 Canadian provinces, 50 U.S. states, 32 Mexican states, and the U.S. territory of Puerto Rico.

Figure 7 shows economic freedom, as measured by EFNA, across U.S. states in 2022 (the latest year for which we have complete data). According to this measure, New Hampshire is the most economically free state in the union, with a score of 8.12 on the 0 to 10 scale. New Mexico, at 4.81, ranks 47th, well behind all its closest neighbors. But New Mexico is not just one of the least economically free states in the union. As shown in Figure 8, it is the *only* state to have reduced the economic freedom of its citizens over the four decades for which we have data.

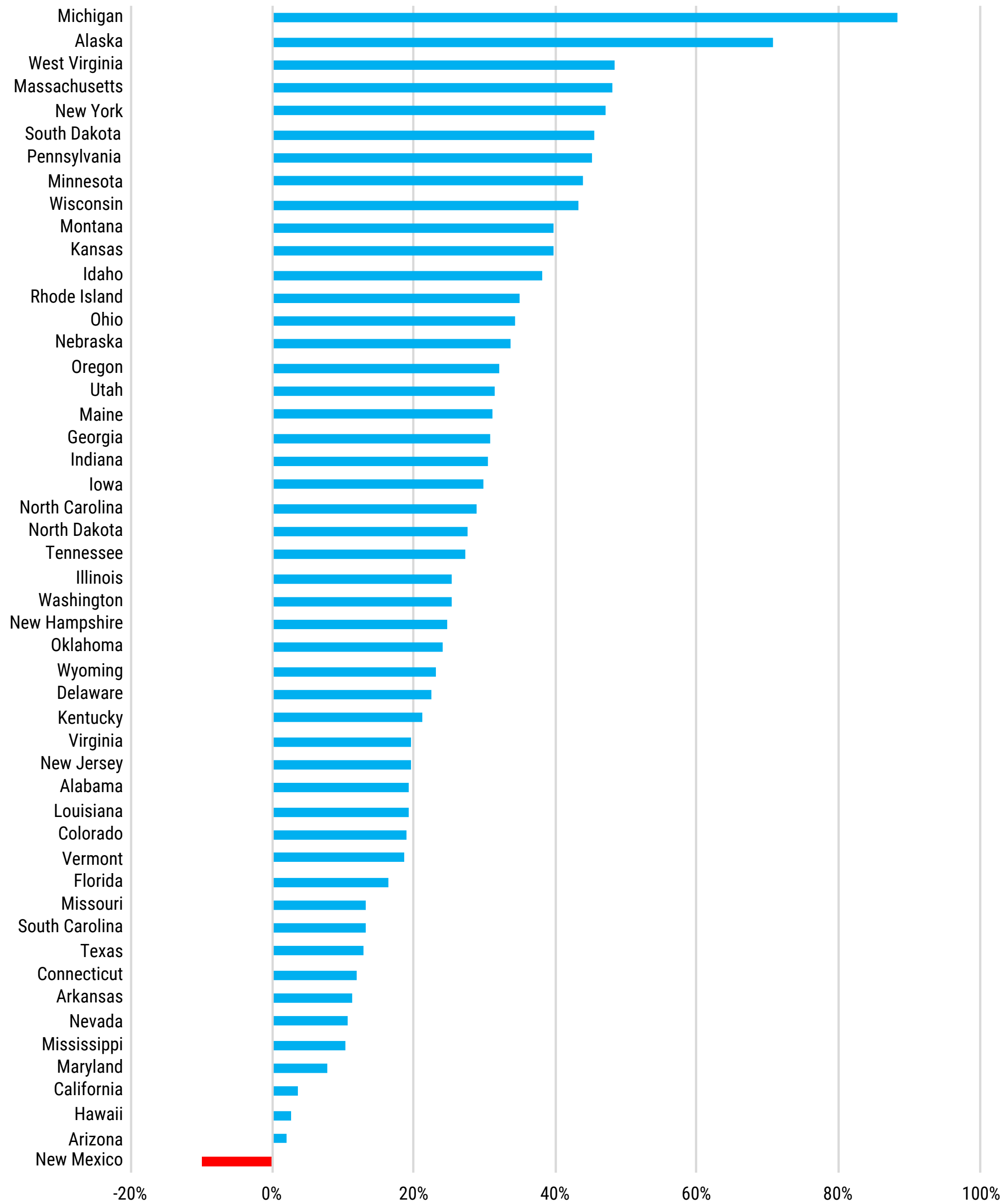
10 There are four versions of the EFNA index. One for each of the three countries, and a fourth index which takes account of federal policy and can be used to compare jurisdictions across the three countries. In the remainder of this report, we will focus on the U.S. index, which is what should be used to compare New Mexico with other U.S. states.

Figure 7: Economic Freedom in the U.S. States (2022)



Source: Stansel et al. (2024).

Figure 8: Percent Change in Economic Freedom (1981–2022)



Source: Stansel et al. (2024).

4. Economic Freedom and Prosperity

Does New Mexico's low and declining economic freedom have anything to do with its consistently poor economic performance? Almost certainly yes. As with national economic freedom, there is a large and growing body of evidence to suggest that subnational economic freedom has a significant relationship with economic prosperity. To date, the EFNA index has been cited in nearly 400 journal articles, policy papers, and books. A review of the literature published in 2017 identified 155 studies that use the EFNA index to assess the effect of economic freedom on wellbeing. The authors report that:

> Two-thirds of these found economic freedom to be associated with "good" outcomes (such as faster economic growth), and only one found economic freedom to be associated with a "bad" outcome. About one-third of the papers found mixed, uncertain, or insignificant relationships between economic freedom and the dependent variable under examination.[11]

Among other things, researchers find that in states and provinces where citizens have high or increasing levels of economic freedom, real GDP per capita is greater,[12] wages are higher,[13] there is more entrepreneurial activity,[14] and more net in-migration.[15] The effects are not only statistically significant but quantitatively large: a 10 percent increase in economic freedom is associated with a five percent increase in real GDP per person.[16] To put this in perspective, a 10 percent increase

By one estimate, a 10 percent increase in New Mexico's economic freedom would permit New Mexicans about the same level of economic freedom as residents of Maine, a relatively un-free state. Such an increase is associated with about five percent higher real GDP per person, or $10,000 more for a family of four.

11 Stansel and Tuszynski (2018).
12 Hall, Lacombe, and Shaughnessy (2019).
13 Yankow (2014).
14 Hall and Sobel (2008), Powell and Weber (2013), Cebula et al. (2020), and Cebula and Saunoris (2021).
15 Ashby (2007), Shumway and Davis (2016), and Cebula (2024).
16 Hall, Lacombe, and Shaughnessy (2019).

in New Mexico's economic freedom would give New Mexicans about the same level of economic freedom as residents of Maine, a relatively un-free state that is just on the edge of the 3rd and 4th quartiles. And a five percent increase in per capita GDP would result in about $2,446 more dollars per New Mexican per year, or nearly $10,000 for a family of four.

The benefits of subnational economic freedom do not just accrue to the most fortunate. Regions with high or growing levels of economic freedom also experience greater income mobility,[17] faster income growth at the top and the bottom of the income distribution,[18] less income inequality,[19] less poverty,[20] less food insecurity,[21] and lower rates of homelessness.[22]

But the advantages of economic freedom go far beyond dollars and cents. In economically free states, people seem to be more philanthropic,[23] more satisfied with their lives,[24] and more tolerant (of atheists, communists, and homosexuals).[25] And, in economically free states, those with criminal convictions are less likely to return to prison after they have completed their sentence.[26]

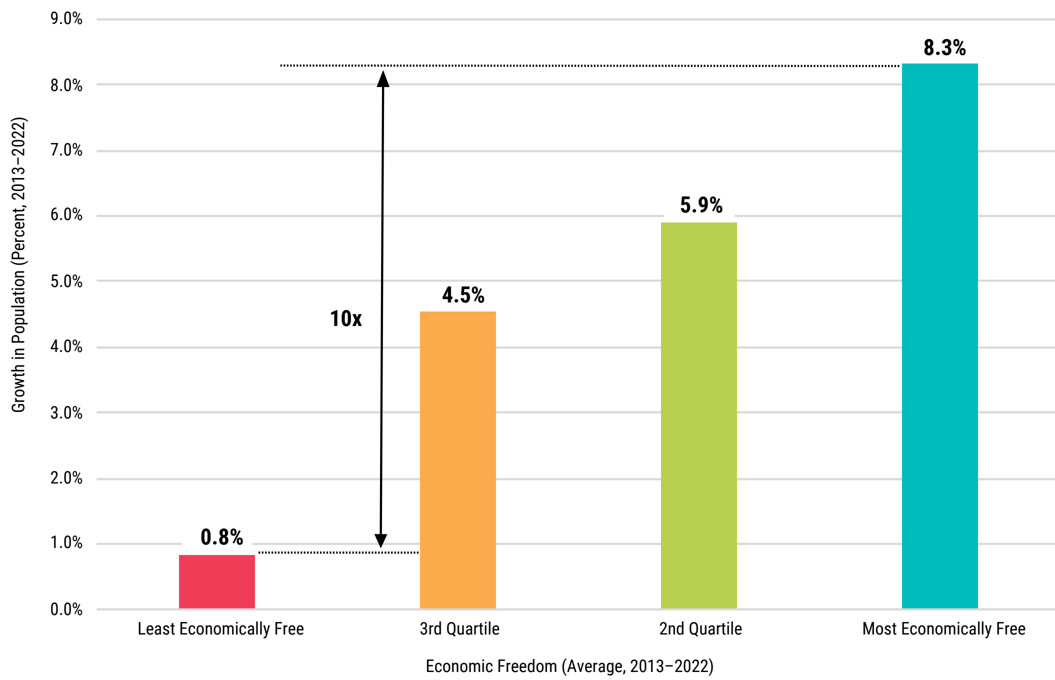
The peer-reviewed studies of economic freedom typically include years if not decades' worth of data, control for possibly confounding factors such as geography and demography, and often employ sophisticated statistical techniques to allow researchers to infer causality. But in some cases, the link between economic freedom and prosperity is strong enough to be apparent in simple graphs.

In figures 9 through 12, the U.S. states are grouped into four quartiles according to their average level of economic freedom over the last decade for which we have data (2013–2022). In these figures, the average of the most economically free states is blue, the second-most free is green, the third-most free is yellow, and the average of the least economically free is red.

Figure 9 shows that people have flocked to the economically free states. In the freest 25 percent of states, the population grew 8.3 percent from 2013 to 2022, about 10 times the growth rate of the least free states. At least according to the millions who move every year, there appears to be something appealing about living in economically

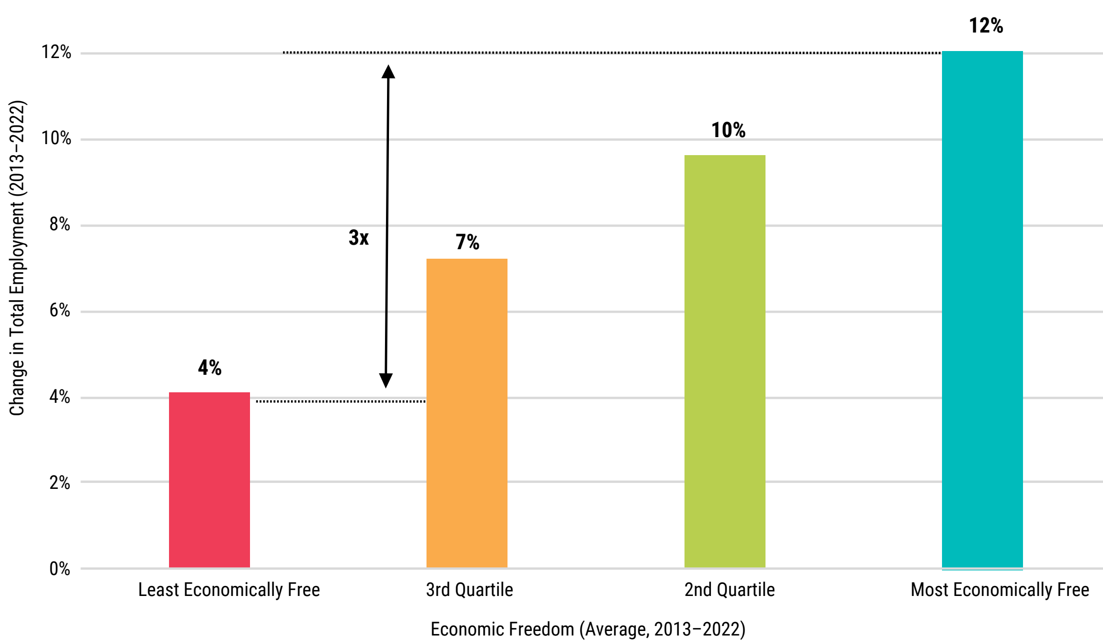
17 Dean and Geloso (2022).
18 Wiseman (2017).
19 Wiseman (2017).
20 Dean and Geloso (2024).
21 Stansel and Wu (2024).
22 Cebula and Saunoris (2021).
23 Jackson and Beaulier (2023).
24 Belasen and Hafer (2012) and Jackson (2017).
25 Berggren and Nilsson (2016).
26 Hall, Harger, and Stansel (2015).

Figure 9: Economic Freedom and Change in Population (2013–2022)



Sources: Stansel et al. (2024); BEA (2024a).

Figure 10: Economic Freedom and Change in Total Employment (2013–2022)



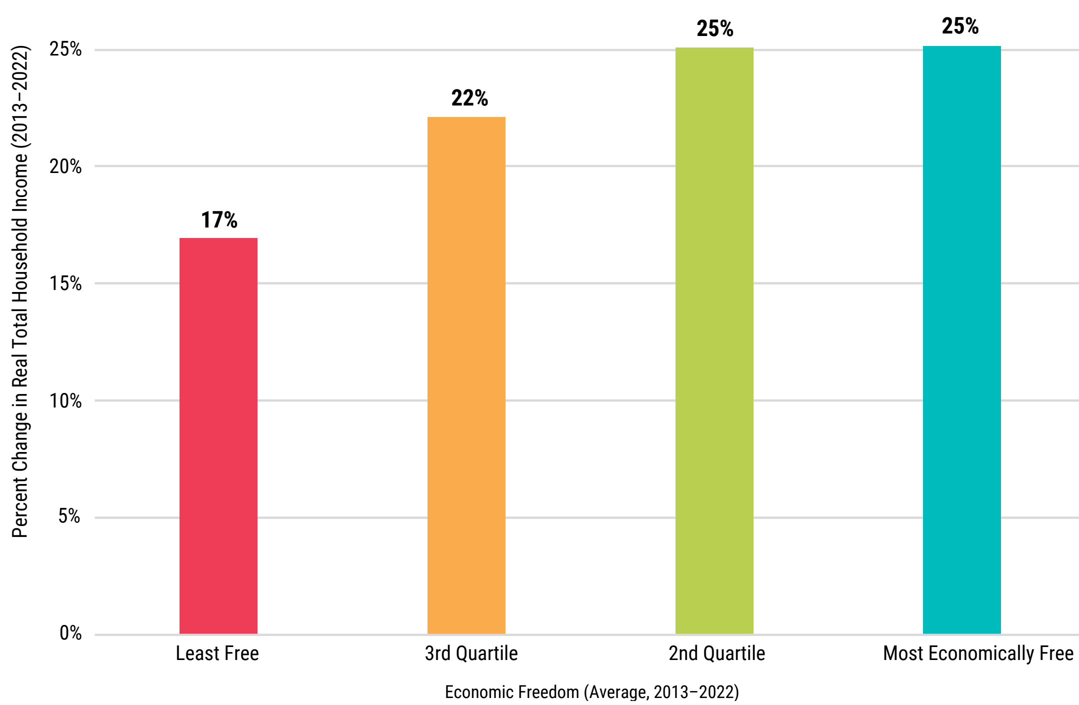
Sources: Stansel et al. (2024); BEA (2024b).

free states. This helps explain New Mexico's anemic population growth rate of one percent (shown in figure 1 above).

One major reason for moving is economic opportunity. And there are more job opportunities in economically free states than in un-free states. Figure 10 shows that in the most economically free states, total employment grew 12 percent over the decade ending in 2022, while in the least-free states it grew just four percent. Here again, New Mexico's one percent employment growth (figure 2) over this period is not so surprising given the state's dismal record on economic freedom.

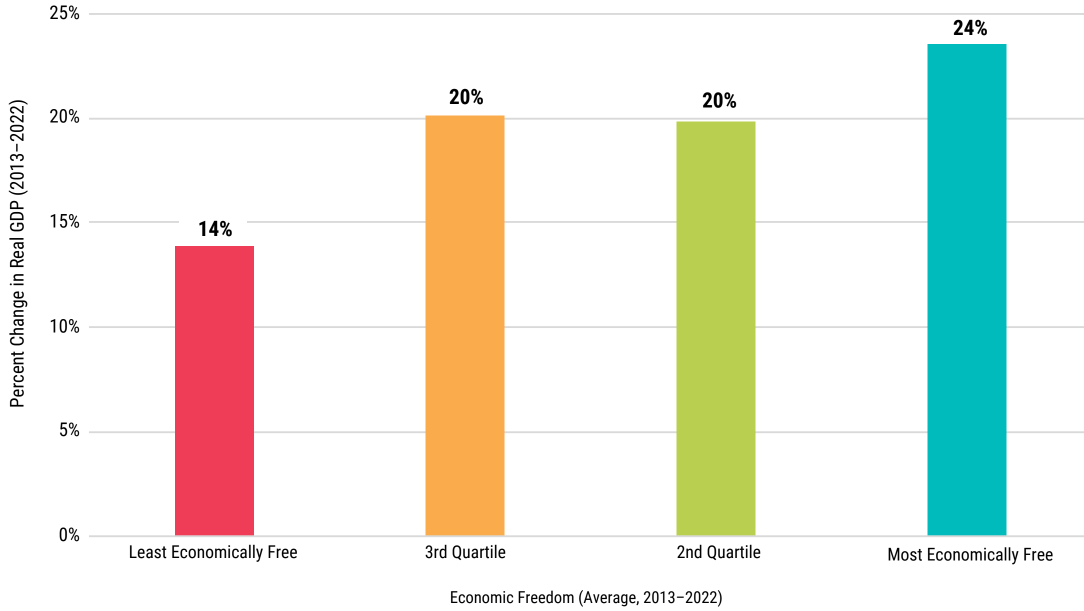
With more people and more jobs, comes more income. Figure 11 shows the change in total, inflation-adjusted income over 2013 through 2022. In the most economically free states, real growth in total income averaged about 25 percent whereas in the least-free states it averaged about 17 percent. Inflation-adjusted GDP provides a similar picture. Figure 12 shows real GDP growth from 2013 through 2022 by economic freedom quartile. Adjusting for inflation, the economies of the freest states grew about 24 percent over this period while in the least free states, they grew just 14 percent.

Figure 11: Economic Freedom and Change in Total Income (2013–2022)



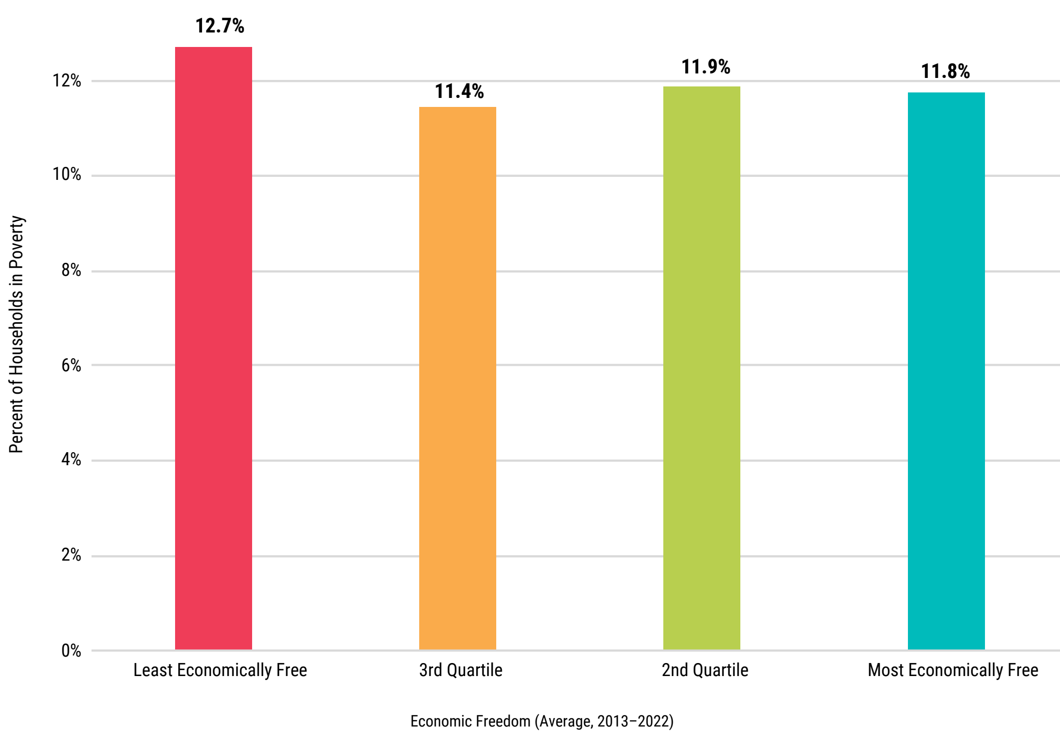
Sources: Stansel et al. (2024); BEA (2024c).

Figure 12: Economic Freedom and Change in Real GDP (2013–2022)



Sources: Stansel et al. (2024) and BEA (2024d).

Figure 13: Economic Freedom and Poverty (2023)

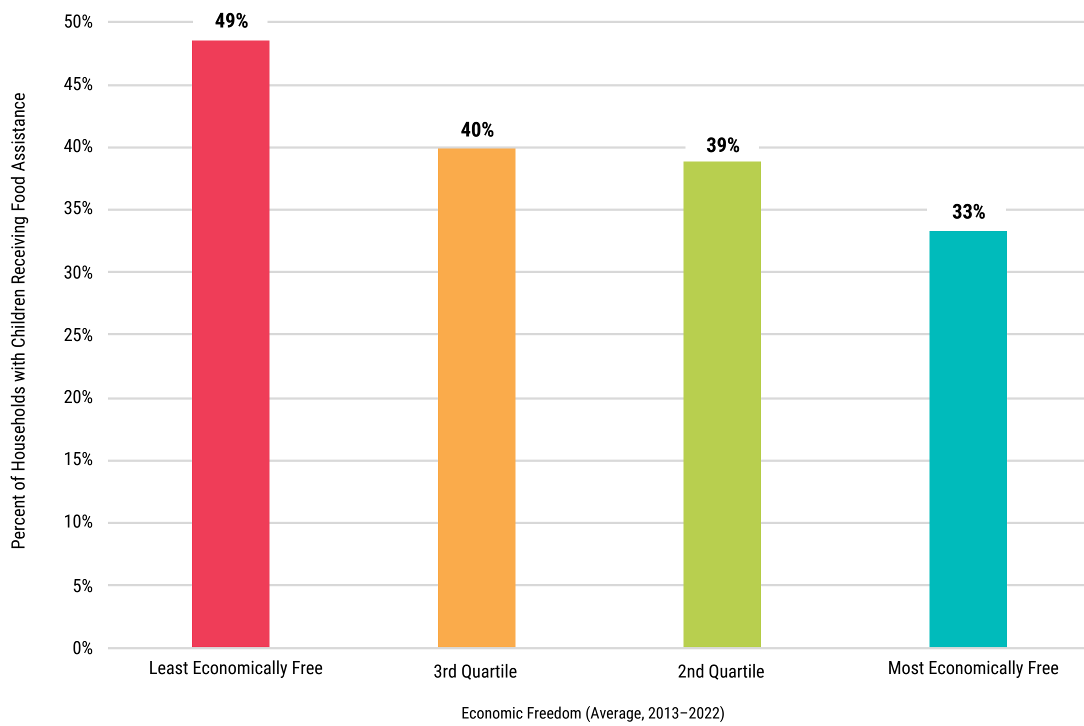


Sources: Stansel et al. (2024); U.S. Census Bureau (2024).

Recall that New Mexico grew just 13 percent over this period while its neighbors grew 31 percent on average.

With greater prosperity, there is less poverty and less hunger. Figure 13 shows that among the most economically free states, the poverty rate is about one percentage point lower than it is in the least-free states. Figure 14 shows that there are far fewer households with children on federal food assistance in the freest states as compared with the least free.

Figure 14: Economic Freedom and Children Receiving Food Assistance (2024)



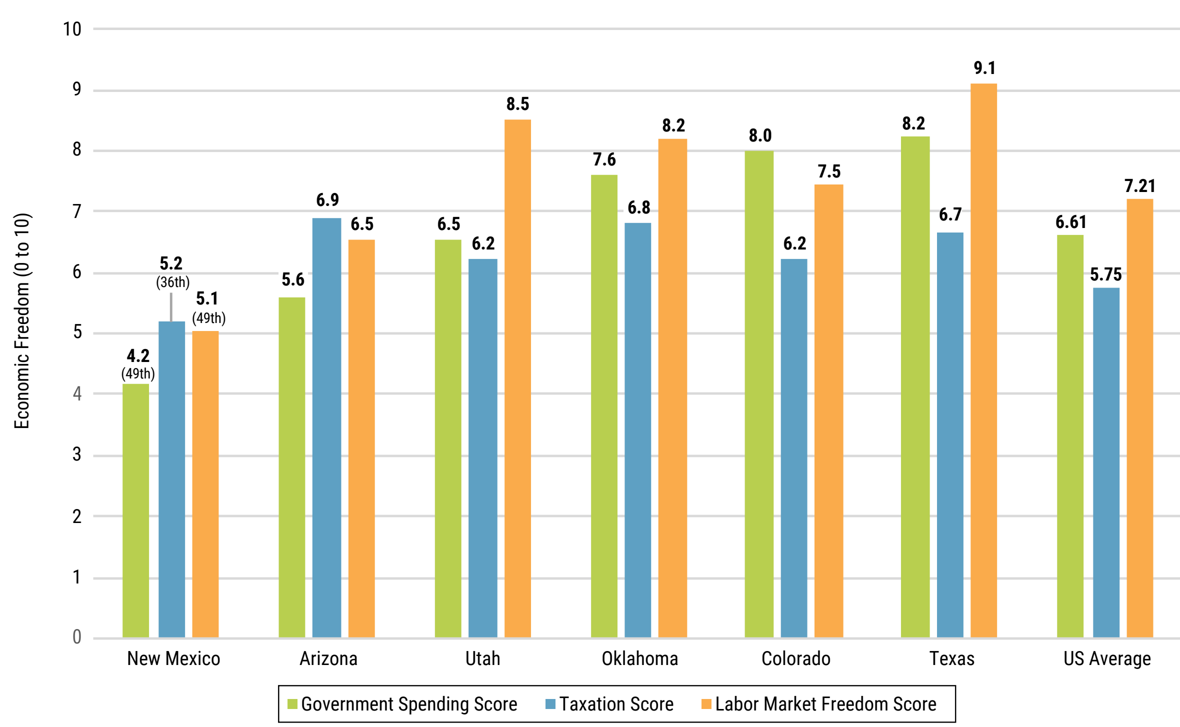
Sources: Stansel et al. (2024) and U.S. Census Bureau (2024).

5. A Closer Look at New Mexico's Economic Freedom

How, exactly, are New Mexicans prevented from making their own economic choices? The EFNA index measures subnational economic freedom using 10 variables, grouped into three broad categories: government spending, taxation, and labor regulation. The more that a government spends, taxes, and regulates, the more it restricts individual economic choice, earning it a lower score on EFNA's 0 to 10-point scale. Figure 15 shows economic freedom in the Southwest states and in the average U.S. state, broken down by area. New Mexico lags its neighbors in every area, but especially in government spending and labor regulation. We will consider each area in turn.

New Mexico is the *only* state to have reduced the economic freedom of its citizens over the four decades for which we have data.

Figure 15: Areas of Economic Freedom in the Southwest (2022)



Source: Stansel et al. (2024).

5.1 Government Spending

New Mexico spends a larger share of its residents' income than almost any other state in the union. As a result, it scores poorly in the government spending area of economic freedom. Scoring 4.2 out of 10, it ranks 49th out of 50 states in this area. Table 1 shows the three components of government spending that make up this area of the index: general government consumption expenditures as a share of income; transfers and subsidies as a share of income; and insurance and retirement payments as a share of income.

New Mexico's general consumption expenditures are 21.7 percent of state income. This is the second-highest percentage in the U.S.[27] For comparison, the U.S. average is 15.1 percent while the Southwest average (excluding New Mexico) is just 13.1 percent. Compared with most other states, New Mexico also spends a larger share of state income on insurance and retirement payments (the seventh-highest percentage in the country). New Mexico's spending on transfers and subsidies as a share of income, however, is slightly below average.

Table 1: Government Spending (2022)

	General Consumption Expenditures by Government as a Percentage of Income	Transfers and Subsidies as a Percentage of Income	Insurance and Retirement Payments as a Percentage of Income
New Mexico	21.7%	0.3%	2.8%
Southwest Average (excluding NM)	13.1%	0.5%	1.5%
U.S. Average	15.1%	0.4%	1.9%

Source: Stansel et al. (2024).

5.2 Taxes

New Mexico's high spending has led to a relatively high tax burden compared with other states. But due to significant revenue from oil and natural gas taxes—which are not included in EFNA's computations—and significant transfers from the federal government, the state's measured tax burden is not as high as one might expect given

27 At 23.4 percent, only Alaska spends more in this category.

its high spending patterns.[28] As a result, New Mexico's taxation EFNA score is not as low as its spending EFNA score.

EFNA's tax area score is computed from five components, summarized in Table 2. These are income and payroll tax revenue as a share of income (which includes all personal and corporate income tax revenue); the top marginal income tax rate; the income threshold at which the top rate applies;[29] property and other tax revenue as a share of income; and sales tax revenue as a share of income.

New Mexico's lower-than-average score in the taxation area of EFNA is driven by its relatively high top marginal income tax rate and high sales tax collections. New Mexico's top marginal income tax rate is the highest in the region. It is a full percentage point above the national average and almost twice the average of its neighbors.[30] As a share of income, New Mexico sales tax collections are the fourth highest in the union and are the highest in the region.

To be precise, however, the state relies on a variation of the traditional sales tax known as a modified gross receipts tax (GRT). Though it functions much like a sales tax, the state's GRT applies to all receipts from sales, services, and tangible personal property. The rates vary by location and can be as high as 9.4375% (in Taos Ski Valley).[31] The tax is quite broad, even applying to transactions in which the consumer is a government or a nonprofit entity.[32] Because the state allows few deductions for sales to businesses, the tax is notoriously susceptible to the problem of "tax pyramiding." This occurs when the same good is taxed multiple times as it is sold from firm to firm throughout the production process, resulting in an effective tax rate that is higher than the statutory rate.[33]

As a share of income, New Mexico's income and payroll tax revenues are slightly above the regional average but below the national average. Similarly, the state's property and other tax revenue are above the average of its neighbors but below the national average.

Thanks largely to booming oil and gas production in New Mexico's section of the Permian Basin, the state has enjoyed a string of massive $3.5 billion annual budget

28 Revenue from natural resource taxes are not included in EFNA because most states do not have these taxes, their burden is largely exported to taxpayers in other areas, and they tend to fluctuate widely as the prices of natural resources fluctuate (Stansel et al. 2024, 18).
29 A lower threshold means more people pay the top rate, so states obtain lower EFNA scores if their top threshold is lower.
30 The impact of this factor on the state's Area 2 score is somewhat attenuated by the relatively high threshold at which the rate applies.
31 New Mexico Taxation and Revenue Department (2024).
32 Cole (2023).
33 Clifford (2010).

Table 2: Taxes (2022)

	Income and Payroll Tax Revenue as a Percentage of Income	Top Marginal Income Tax Rate	Income Threshold at Which Top Income Tax Rate Applies	Property Tax and Other Taxes as a Percentage of Income	Sales Tax Revenue as a Percentage of Income
New Mexico	2.5%	5.9%	$210,000.00	3.9%	5.5%
Southwest Average (excluding NM)	2.3%	3.4%	$7,170.60	3.2%	3.8%
U.S. Average	3.3%	4.9%	$6,035.91	3.9%	3.5%

Source: Stansel et al. (2024).

surpluses in recent years.[34] In the 2023 fiscal year, the New Mexico government received the extraordinary sum of $15.2 billion from oil and gas alone.[35] To put this in perspective, the General Fund budget that year was $8.7 billion.[36]

The ongoing oil and gas boom has helped New Mexico become the nation's second-largest oil-producing state. Taxes paid on the state's oil production will generate "more money than we know what to do with," according to Democratic state senator and Legislative Finance Committee vice chair George Muñoz.[37] Instead of reducing the tax burden, however, policy makers have instead used the gusher of revenue to build up enormous permanent funds, totaling more than $58 billion—or about $27,000 per person—as of 2024.[38] Revenue estimators now project that by 2039 the State's largest source of annual revenue (currently oil and gas) will be replaced by distributions from the permanent funds. In other words, the state will soon make more revenue from government investments made with oil and gas tax revenue than from oil and gas tax revenue itself.[39]

Not only does New Mexico benefit from an outsized oil and gas industry, but it is among the most dependent in the nation on federal spending. According to the Census Bureau, about 41 percent of the state's general revenue came from the federal government in 2021. This was the second-highest percentage in the country.[40]

New Mexico's outsized federal dependency is driven partially by federal programs like Medicaid and food stamps which are meant to reduce poverty. But New Mexico

34 Lee (2023).
35 IPANM (2024).
36 National Association of State Budget Officers (2024).
37 Boyd (2021).
38 Gleason (2025).
39 Maxwell (2024); New Mexico Department of Finance and Administration (2024).
40 U.S. Census Bureau (2023).

also has two national nuclear laboratories at Los Alamos and Albuquerque and because the state's gross receipts tax applies to transactions involving federal contractors, the state government can extract revenue from federal taxpayers.[41]

The State also hosts three Air Force bases as well as White Sands Missile Range. In fact, major military investments in New Mexico have been a defining aspect of New Mexico's overall economy since the days of the Manhattan Project. Whether these bases create value for the federal taxpayer or not, they seem to have done little to reduce the state's endemic poverty.

5.3 Labor Regulations

The EFNA index measures labor regulation with three indicators and New Mexico scores poorly in two of the three. The first indicator is annual minimum wage income as a share of per capita income. A minimum wage that is above the market equilibrium restricts the economic freedom of both workers and employers who might otherwise agree to work together.[42] New Mexico's annual minimum wage income is 45 percent of per capita income, the second-highest percentage in the country. The second indicator measures government employment as a share of total employment. New Mexico's 14.2 percent is again the second highest in the country. Lastly, EFNA includes a measure of union density as a proxy for labor market laws and regulations that force workers to join unions. New Mexico's union density rate of 10.6 percent is higher than that of its neighbors, but slightly lower than the national average.

Beyond the regulatory policies included in EFNA, we can look at other measures of regulation to get a sense of the state's regulatory burden. Researchers at the Mercatus

Table 3: Labor Regulation (2022)

	Annual Min Wage Income as a Percentage of Per-Capita Income	Government Employment as a Percentage of Total State/Provincial Employment	Union Density
New Mexico	45.1%	14.2%	10.6%
Southwest Average (excluding NM)	30.8%	10.4%	6.9%
U.S. Average	31.9%	10.6%	10.7%

Source: Stansel et al. (2024).

41 See United States v. New Mexico (455 U.S. 720, 102 S. Ct. 1373 1982).

42 A minimum wage above the equilibrium also tends to be associated with greater unemployment, especially among the young and less-educated (Neumark and Shirley 2022).

Center at George Mason University have developed a tool that reads regulatory text and quantifies the number of "regulatory restrictions." These are words like *shall*, *must*, *may not*, *prohibited*, and *required* that compel citizens to take or not take certain actions. As of 2022, New Mexico's regulatory code contained 135,110 such restrictions—about twice as many as Arizona and more than Utah, but less than Colorado, Oklahoma, and Texas (McLaughlin 2025).

Historically, New Mexico has had relatively high occupational licensure burdens. One recent assessment found that New Mexico requires workers to be licensed in 137 occupations, ranking 22nd (with "1" being the most-burdensome) out of 50 states, Puerto Rico, and Washington, D.C.[43] The state imposes particularly heavy burdens on low-income occupations. According to the *Institute for Justice*, the state has the 10th-highest low-income occupational licensure burden in the country. This is driven in large part by hefty experience and training requirements that make it difficult to enter some fields. The state's HVAC contractors and sheet metal workers, for example, must spend four years studying their professions before they may obtain a license while drywall installers must spend three years in training before they obtain their licenses.[44] These barriers make it harder for low-income workers to earn a living and research suggests they fail to protect consumers or improve services.[45] There is some evidence, however, that the state's barriers to work are easing. New Mexico has recently improved its universal recognition of out-of-state licenses, making it easier for workers licensed in other states to begin work in New Mexico.[46]

The state's land use regulations are slightly above the national average.[47] When considered in light of other statewide restrictions on land-use development, in 2023, the state ranked 35 out of 50 in freedom from land use regulations and behind all of its neighbors according to the Cato Institute.[48] Mostly due to long processing times, the state's barriers to starting a business have historically been steeper than most states (ranking 31st out of 50 in 2011; where a low rank indicates low barriers to entry).[49]

When the COVID-19 pandemic hit, governments around the world moved to restrict personal and economic freedoms to slow the spread of the disease. According to recently published results, no U.S. state government was more restrictive than New Mexico. Economists Vincent Miozzi and Benjamin Powell adjusted the EFNA index

43 Trudeau and Timmons (2024: 46).
44 Knepper et al. (2022).
45 Mitchell (2021; 2022).
46 Trudeau and Timmons (2024: 46).
47 Gyourko, Saiz, and Summers (2006) and Ganong and Shoag (2017).
48 Ruger and Sorens (2023).
49 Teague (2016).

to account for lockdown stringency, finding that New Mexico was "the bottom state in lock-down regulatory freedom," causing the state to fall another five spots in the EFNA ranking.[50]

50 Miozzi and Powell (2023).

6. Conclusion

For decades, New Mexico's policymakers have consistently restricted the economic freedoms of their fellow citizens. In fact, New Mexico is the *only* state to have reduced the economic freedom of its citizens over the four decades for which we have data. While federal dollars and tax revenue from the state's oil and gas industry have allowed the state to outspend its neighbors and most of the country, the results have been poor. In the decade ending in 2022, the state ranked 47th in employment growth and 36th in real GDP growth. It has the third-highest poverty rate in the union, a larger share of children on federal food assistance than any other state, and more people on Medicaid than any other state.

It doesn't have to be this way. For decades, scholars from the Rio Grande Foundation and elsewhere have offered proven, realistic policy proposals including tax reform and reduction,[51] regulatory reform,[52] and school choice.[53] Meanwhile, a large and growing body of evidence suggests that the state's residents would prosper if they were permitted more economic freedom in general. By one estimate, even a modest 10 percent increase in New Mexico's economic freedom would likely permit a family of four to earn about $10,000 more per year. Rich in history and culture, New Mexicans need not be materially poor.

51 Muska and Gessing (2017).
52 Timmons (2019).
53 Gessing (2013).

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