



# Institutions Matter: Reasons People Move From Blue to Red States

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Institutions matter for the structure and change of societies and economies throughout human history.\* These institutions are not just economic institutions such as capitalism and socialism that can determine the allocation of resources, but also social institutions such as families, charities, and churches that can support the needy, and political institutions such as democracies and authoritarianism that determine property rights and enforce contracts.

Given that the system of federalism in the U.S. provides an opportunity for each state to devise different policies within a federal institutional framework of laws, fiscal policy, monetary policy, regulations, foreign trade policy, and other rules, this system provides a laboratory of competition among states to set their own institutional framework where all other factors are closer to remaining constant. This allows for an examination of each state's economic results to determine which policies may support more prosperity than others. Demographics also play a part in states' economic institutions and results; therefore, it is important to compare states that are as similar as possible to provide less biased comparisons, *ceteris paribus*.

The four largest states in terms of [population](#) and real ([inflation-adjusted in chained 2012 dollars](#)) private gross state product (GSP) in 2021 are California with 39.6 million residents and \$2.5 trillion, Texas with 29.7 million residents and \$1.6 trillion, Florida with 21.9 million residents and \$872.2 billion, and New York with 19.3 million residents and \$1.3 trillion. The economic success of the Texas Model's limited government framework demonstrates that institutions matter for prosperity. But Texas must improve to remain competitive and support greater flourishing.

## How Has the Texas Model Performed Relative to Comparable States?

MEASURE	U.S.	TEXAS	FLORIDA	CALIFORNIA	NEW YORK
Economic Freedom of North America ( <a href="#">2021</a> )	6th ( <a href="#">World</a> )	4th	3rd	49th	50th
State Migration Trends, Most Inbound ( <a href="#">2021</a> )	--	19th	9th	44th	47th
State Business Tax Climate Index ( <a href="#">2021</a> )	--	14th	4th	48th	49th
State Economic Outlook Rankings ( <a href="#">2021</a> )	--	9th	2nd	45th	50th
State & Local Spending Per Capita ( <a href="#">2021</a> )	--	13th	6th	48th	50th
S&L Tax Burden Per Capita ( <a href="#">2021</a> )	--	4th	8th	43rd	50th
S&L Property Tax Revenue Per Capita ( <a href="#">2021</a> )	--	38th	22nd	33rd	47th
Composite Cost of Living Index ( <a href="#">Q3:2021</a> )	--	15th	32nd	49th	48th
Avg. U-3 Unemployment Rate ( <a href="#">2000-19</a> )	6.1%	5.6%	6.0%	7.2%	6.0%
Avg. Labor Force Participation Rate ( <a href="#">2000-19</a> )	64.6%	65.7%	61.2%	64.2%	61.9%
Avg. Emp-Pop 25-54-year-old Ratio ( <a href="#">2000-19</a> )	77.8%	77.4%	77.7%	75.5%	76.3%
Avg. Top 10% Income Shares ( <a href="#">2000-18</a> )	48.2%	47.3%	56.1%	50.5%	57.2%
Supplemental Poverty Measure ( <a href="#">2018-20</a> )	11.2%	12.5%	14.0%	15.4%	13.3%

*Note.* Dates are for publication year or for the period's average. Data shaded in red indicate "best" and in blue indicate "worst" per category by state.

## Are Migrants Turning Texas Blue?

In a [2018 exit poll](#) in the hard-fought U.S. Senate race between Senator Ted Cruz (who had moved to Texas) and then-Representative Beto O'Rourke (a Texas native), natives preferred O'Rourke by plus-3 points, whereas movers favored Cruz by plus-15 points. Cruz won the race by 2.6 percentage points, meaning that if it were up to people who were Texans by birth, Cruz would have lost reelection.

\* See *Do Institutions Matter for Prosperity in Texas and Beyond?* V. Ginn, Texas Public Policy Foundation, 2018 (<https://www.texaspolicy.com/do-institutions-matter-for-prosperity-in-texas-and-beyond/>).

The Texas Public Policy Foundation (TPPF) has [conducted polls of registered voters](#) to test attitudes between natives and non-natives. Its January 2020 poll of 800 registered voters found native Texans supported President Trump over Hillary Clinton by a 7-point margin compared to transplants, who supported Trump by a 12-point margin. TPPF's polling found there was no statistical difference in voter preferences for either former President Trump or President Joe Biden in the 2020 election among natives versus non-natives. In both samples, support for the two candidates was balanced, with neither seeing an advantage. In the 2020 election, Trump received 52% of the vote while Biden received 46%, so TPPF's polling sample slightly overrepresented Biden supporters while underrepresenting Trump supporters.

## Conclusion

These data provide overwhelming evidence that the Texas Model of inclusive institutions with a relatively low tax-and-spend burden, no individual income tax, and sensible regulation provides an institutional framework supporting more job growth, higher wages, lower income inequality, and less poverty than in comparable states and the U.S., in most cases. Other states and D.C. would be wise to consider adopting Texas's inclusive economic and political institutions that champion individual liberty, free enterprise, and personal responsibility. This is a path to providing an economic environment that allows entrepreneurs the greatest opportunity to thrive and for prosperity to be generated for the greatest number of people, especially the neediest among us.

Despite this success, improvements are needed to keep the Texas Model competitive and create even more opportunities for all to flourish. These improvements to Texas's institutional framework include limiting the growth in government spending at all levels, eliminating the state's onerous burdens of property and franchise taxes, reducing barriers to international trade, relieving people from burdensome occupational licenses, and reforming safety nets.

Even with these needed improvements, the historical data overwhelmingly show it has not been a miracle in Texas, but rather abundant prosperity generated by Texans from a proven institutional framework called the Texas Model.

## ABOUT THE AUTHOR

*Vance Ginn, Ph.D., is chief economist at the Texas Public Policy Foundation. He earned his doctorate in economics at Texas Tech University and has an accomplished career as a policy director and university lecturer with experience in public policy, academia, and government. From 2019 to 2020, Dr. Ginn served as the Associate Director for Economic Policy of the Office of Management and Budget (OMB) at the Executive Office of the President during the Trump administration.*

