

PROSPERITY INDEX



The United States
Prosperity Index
2019

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About the Helmsley Charitable Trust



The Leona M. and Harry B. Helmsley Charitable Trust aspires to improve lives by supporting exceptional efforts in the U.S. and around the world in health and select place-based initiatives. Since beginning active grantmaking in 2008, Helmsley has committed more than \$2 billion for a wide range of charitable purposes. This publication was made possible in part by a grant from Helmsley. The opinions expressed in this publication are those of the Legatum Institute and do not necessarily reflect the views of Helmsley or any individual employee. Learn more about Helmsley at helmsleytrust.org.

The Legatum Institute would like to thank the Legatum Foundation for their sponsorship and for making this report possible. Learn more about the Legatum Foundation at www.legatum.org



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Foreword



Prosperity entails much more than wealth, it reaches beyond the financial into the political, the judicial, the wellbeing and character of a nation – it is about creating an environment where people are able to reach their full potential. A nation is prosperous when it has an open economy, an inclusive society with strong institutions, and empowered people who are healthy, educated and safe.

Our mission at the Legatum Institute is to create the pathways from poverty to prosperity, by focusing on understanding how prosperity is created and perpetuated. By identifying success, we can enable national and local governments, businesses, civil society and leaders to identify what works and adopt best practices, and also enable others to hold them to account.

The United States' overall economy is world-leading. Its productive capacity is challenged only by Norway and Switzerland, excluding those countries with smaller populations. It is open, with well-developed infrastructure, competitive markets and plentiful access to finance; its institutions are robust, with strong social capital, supported by strong education. However, it underperforms in health, living conditions and safety, and as a result is ranked 17th (out of 149 countries) in the Legatum Prosperity Index™, nestled between Belgium and Slovenia. Furthermore, it has not advanced in the rankings over the last 10 years.

We wanted to understand why the undeniable long-term economic success of the U.S. was not translated fully into social wellbeing. With the generous support of The Leona M. and Harry B. Helmsley Charitable Trust, we have created this United States Prosperity Index, defining and measuring the prosperity of each of the 50 states of the Union as well as Washington, D.C. For the very first time, this Index enables us to construct a thoroughly comprehensive picture of prosperity, across its economic, institutional and social dimensions, for the different regions and states of the U.S.

We have analyzed the performance of each state on the key characteristics of open economies, inclusive societies, and empowered people. We have used 11 pillars, comprising 48 different elements, measured by over 200 discrete state-level indicators, using a wide array of publicly available data sources, as well as newly-calculated indicators, such as bank branch accessibility for access to finance, and the use of ethnic slurs as one of our measures of social tolerance.

This comprehensive set of indicators provides an incredibly rich and holistic policy-focused dataset, allowing the potential of each state to be identified and understood. This in turn enables much more targeted policy responses that can drive tangible improvements in prosperity. We have been able to show where the improvements have been so far, such as in the development of communications infrastructure and the strengthening of labor force engagement, together with subsequent improvements in living conditions. Contrasting these improvements, we have also been able to identify where there have been deteriorations in mental health and weakening of social capital across the country.

Beneath the overall good performance of the U.S. on many dimensions, there are wide variations in outcomes at regional and state levels. The level of prosperity enjoyed by the Northeast is higher than in the Midwest and West, which is greater than that of the South, where 9 of the 10 least prosperous states can be found. This pattern is differentiated further at a state level. For example, while the overall U.S. homicide rate was 5.3 per 100,000 people, this rate varied massively between 1.0 in New Hampshire and 12.4 Louisiana – the latter comparable to the homicide levels seen in countries such as Panama and Uganda. Poverty rates also vary significantly. For example, Maryland's rate of 9% is half that of New Mexico's nearly 20%.

At first glance, the pattern of prosperity across the U.S. suggests that there is a broad North-South divide. However, this pattern is exhibited most strongly across the domain of Inclusive Societies that captures the institutional aspects of prosperity: Safety and Security, Personal Freedom, Governance and Social Capital. These pillars act as the conduit through which policy impacts people's lived experience, ensuring that opportunities exist for all. These institutions, when strong, ensure that wealth-generation is translated into better health, education and living conditions. But, the effectiveness of this

transmission mechanism varies significantly between states, resulting in some delivering lower social wellbeing than their wealth would imply.

So how could the U.S. enjoy even greater levels of prosperity? Through the analysis of this report, we believe the key to unlocking greater prosperity lies in the potential for improvement in each of the 50 states and the District of Columbia.

This potential exists not only because there is significant variation across the states, but because every state has distinct local opportunities to improve. Justice Brandeis' description of the states as laboratories of experimentation can be seen on the ground. Unlike in a global context, where the top-ranking countries are generally strong performers across all dimensions of prosperity, in the U.S. no state is universally strong – in fact every state, except Massachusetts, has at least one pillar in which it is ranked below 20th, meaning each state has the potential for increased prosperity. Even top-performing states overall have important areas of focus; for Connecticut, this is economic quality, whereas for Maine, it is infrastructure.

Many states have already demonstrated that improvements are possible. For example, in one year, D.C. has reduced by 19% the incidence of homelessness for families with children, and Colorado has increased access to rural broadband from 47% to 72%. These examples illustrate that although the priority and approach will necessarily vary, creating pathways from poverty to prosperity is possible in every state. Overall, state-level political will has much to contribute to the development of prosperity.

While most policy makers focus on the big fiscal and macroeconomic policy tools at their disposal, or separately consider the social factors, they rarely consider all together. By combining in one report the full range of disparate personal, business and policy choices that impact and drive prosperity in the different states, we are looking to shift the focus of policy makers and influencers towards the broader welfare implications of social, economic and institutional policies. This Index can support governors, other state legislators, business leaders and civil society to identify areas of local strength, and where to look for best practice to improve other areas. Some states, like Maine, are already adopting such an approach, deliberately considering a broader definition of prosperity as the basis for setting their state agenda.

At the national level, there is much to be optimistic about prosperity in the U.S. We can, and should, celebrate the high overall ranking of the U.S. globally, and also its continued improvement over time. The historic strength of the U.S. is owed to the fact that the country's institutions were designed so that the success of the individual would feed into the success of society, and vice-versa. This report shows that their effectiveness at a state level is varied, which has a material impact on how well economic opportunity is translated into social wellbeing.

Our ambition for this Index is that it becomes a valued tool for leaders and others at a state and federal level, to track progress, help set their agendas and implement strategies for social and economic development. While the Index covers the 50 states of the Union and Washington, D.C., we are most ambitious about engaging with selected states. Over the next two years we will be progressing our analysis by undertaking deep dives looking at the prosperity of selected states in more detail, by researching county-level patterns and drivers of prosperity, recognising that the drivers of urban and rural prosperity will also vary between and within states.

Please do contact us at info@li.com if you are interested in the findings of the Index and our work more broadly.

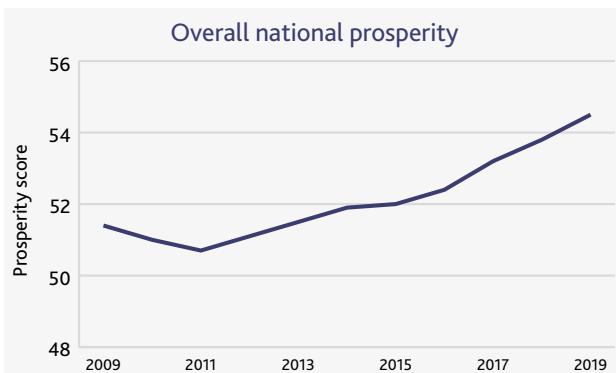


Dr. Stephen Brien
Director of Policy, Legatum Institute

Executive Summary

INTRODUCING THE UNITED STATES PROSPERITY INDEX

This report marks the inaugural publication of the Legatum Institute's United States Prosperity Index. It assesses, for the first time, the development, growth and extent of prosperity across the 50 states of the United States and the District of Columbia, and how that prosperity has evolved over the past decade. It comprehensively measures state and regional performance across 11 pillars of prosperity, using a collection of over 200 state-level indicators. The Index highlights the strengths and weaknesses of each state and the action they can take to further build open economies, inclusive societies and empowered people, delivering higher levels of prosperity for all Americans.



The following key findings emerge:

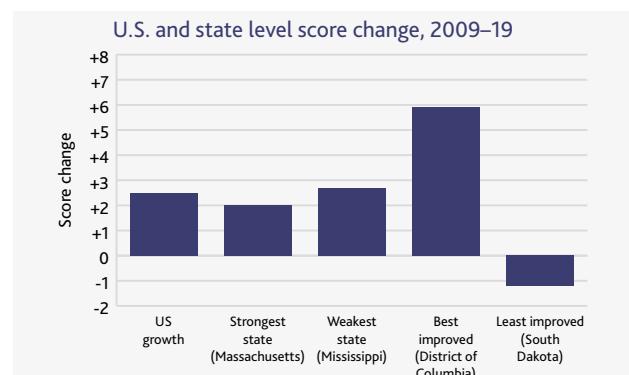
- Prosperity in the U.S. has improved over the past decade across all regions, with a narrowing of the gap between the most prosperous state (Massachusetts) and the least prosperous state (Mississippi);
- Prosperity is not universally shared; there is a strong divide between the high prosperity seen in the Northeast, and the weaker performance of states in the Southwest and Southeast; with 9 of the 10 weakest performing states being located in the South;
- While some states clearly outperform others on prosperity, no single state has yet succeeded in fully securing both economic and social wellbeing for its population; opportunities exist for states to learn from each other;
- Improvement in U.S. prosperity has been driven by the growth in the Economic Quality pillar which, following the financial crisis, has seen the greatest improvement of all pillars over the last 10 years, with labor force engagement spearheading the resurgent growth.
- Labor force engagement has exceeded pre-financial crisis levels in all but four states, but the increase in households

below the poverty line as a result of the financial crisis is taking much longer to reverse, despite an overall improvement in living conditions;

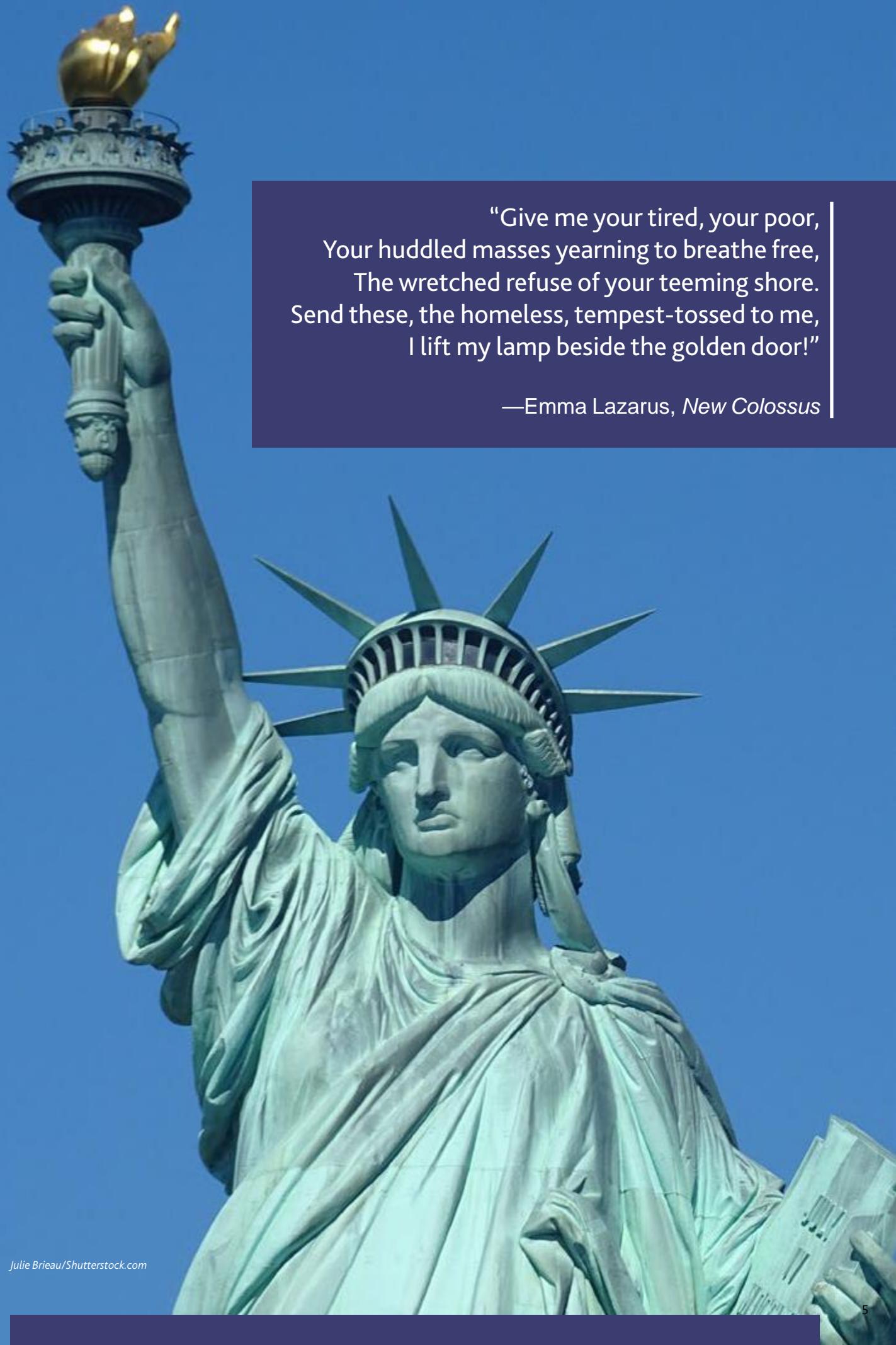
- U.S. health has improved, but the country is facing a mental health crisis, evidenced by growing self-reported mental ill-health, increasing deaths due to drug overdoses and a rise in cases of serious mental illness;
- Levels of trust are in decline across the U.S., with less trust in the media and decreasing interaction with neighbors being the main contributing factors to the decline in social capital;
- States with the lowest levels of social tolerance are mainly located in the South, seen both in the greater measured use of ethnic slurs in web searches, and also in lower support for same-sex marriage.

RISING PROSPERITY ACROSS THE U.S.

Every region in the U.S. has become more prosperous over the past decade, with the West seeing the most improvement. However, improvements in prosperity at the state level, are much more nuanced. Overall, 46 states and the District of Columbia improved their prosperity, with D.C. seeing the greatest increase, followed by California and South Carolina. Louisiana, Alaska, and North and South Dakota all experienced a decline in their prosperity over the past decade.



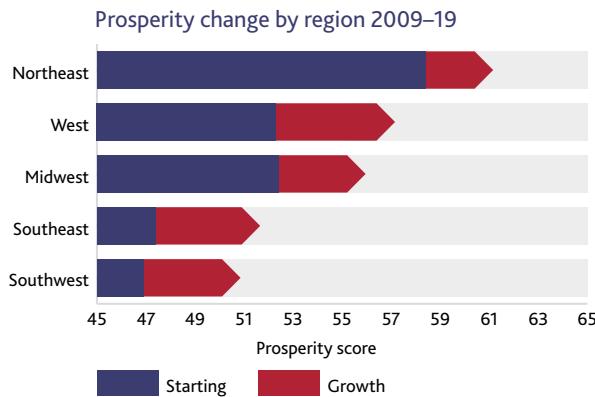
A major concern arising from the findings in the 2018 global Prosperity Index is that the gap between the most prosperous and least prosperous countries is widening. The reverse is true when we look at the prosperity of the U.S. states, where we see a narrowing of the gap between the most prosperous state (Massachusetts) and the least prosperous state (Mississippi). While these two states are routinely at the top and the bottom of the rankings over the past 10 years, Mississippi's prosperity has improved more than that of Massachusetts.



“Give me your tired, your poor,
Your huddled masses yearning to breathe free,
The wretched refuse of your teeming shore.
Send these, the homeless, tempest-tossed to me,
I lift my lamp beside the golden door!”

—Emma Lazarus, *New Colossus*

Massachusetts performs very well on Education, being the strongest performer on primary education and second strongest on secondary and tertiary education. It attracts large amounts of venture capital, and consequently is the second strongest on Business Environment. Massachusetts also appears in the top three states for governance, personal freedom, and the natural environment. the percentage of the population that have access to high-speed internet has fallen in the state over the past 10 years, while for the rest of the U.S. it has remained fairly stable, most of the opportunity for improving prosperity is in market access and infrastructure, for which it ranks 14th.



Despite showing a greater increase in prosperity than Massachusetts over the past decade, Mississippi's performance is still weak on most aspects of prosperity. As a result of the state introducing new laws in 2017, giving greater freedom to businesses and officials in providing goods and services to others, and improvements to education, the state experienced improvement above the U.S. average over the last 10 years. However, stagnating youth unemployment (at 14.6% compared to 8.7% nationally) and declining state reserves are contributing to Mississippi being persistently at the bottom of the rankings.

PROSPERITY IS NOT UNIVERSALLY SHARED

In addition to highlighting that nearly all states have increased their prosperity over the past decade, our analysis also reveals that prosperity is not universally shared across the nation. The well-told story, that the North out-performs the South, is also clearly apparent in our findings. Of those 10 states that have the lowest levels of prosperity, 9 are located in the South.

Rather than simply contrasting the northern and southern parts of the U.S., the geographical disparities of prosperity are more apparent when looking at the regions of the U.S., and even more so when looking at the states. The Northeast is demonstrably the most prosperous region and the Southwest is the least, with the Southeast performing marginally better.

The Northeast outperforms the Southwest on all but two pillars of prosperity. A notable exception is Economic Quality, where the Southwest outperforms the Northeast; its state governments are more fiscally sustainable and are able to operate for longer periods using just their financial reserves.

The most prosperous state in the Southwest is Arizona, ranked 37th, with the other Southwest states ranked 38th, 43rd and 46th. Texas performs very well on Economic Quality (3rd), with a high rate of new entrepreneurs and startups and the highest value of

non-manufactured exports. It is also 21st in the Business Environment pillar, but across all other pillars it sits below over half of the other states in terms of its performance. By way of contrast, the weakest performing state in the Northeast is Pennsylvania (25th) and the strongest performing is Massachusetts (1st). Although the Southeast has a broader spread of prosperity across its states than the Northeast, it contains the five least prosperous states. In terms of most-improved states in the two regions, Arizona improved its positioning the most; although it was the fifth-most improved state nationally (largely across the Health and Governance pillars), it only moved up three places to 37th.

The District of Columbia is the most-improved and has climbed 10 places to 11th in the rankings, due to strong improvements across Health, Governance, Safety and Security and Market Access and Infrastructure.

OPPORTUNITIES FOR EVERY STATE TO LEARN FROM EACH OTHER

While some states are more prosperous than others, no single state has yet succeeded in fostering a high degree of both economic and social wellbeing for its population. To illustrate, no state (other than Massachusetts) ranks above 20th in all pillars. Furthermore, apart from Massachusetts, Connecticut, Minnesota and Washington, all states are ranked below 30th in at least one pillar of prosperity.

This is in stark contrast to the global Prosperity Index, where countries at the very top of the rankings generally perform well on all pillars of prosperity, and countries at the very bottom perform poorly. This picture is not so evident in the U.S. state prosperity rankings, which means that all 50 states have the potential to increase their prosperity, albeit in different ways. (See the rankings table on Page 16.)

To illustrate how states can capitalize on opportunities, consider the District of Columbia, which saw the greatest increase in prosperity over the past 10 years. Its infrastructure has been upgraded with road and bridge improvements, and safety has

No single state has yet succeeded in fostering a high degree of both economic and social wellbeing for its population – there are opportunities for states to learn from each other

been improved with reductions in burglary and motor vehicle thefts. Residents of D.C. are also healthier than a decade ago, with falling rates of obesity and smoking, and a decreasing prevalence of high blood pressure, diabetes, and heart attacks. This probably explains the increase in the proportion of residents self-reporting their health as 'good', which now stands at nearly 93%, an increase of three percentage points from a decade ago, and above the national average of 88%. While these improvements have led to increased prosperity, there are still other areas that can

be addressed to help drive even greater prosperity growth. For example, the rates of alcohol use and illicit drug disorders are the highest of any state. In addition, although it has the best tertiary education and has the most educated population in the country, its secondary education system is the poorest of all states.

For other states, improvements can come from reversing years of decline. For example, in Louisiana, the extent to which the workforce is not being fully employed or not fully utilising their skills and training for their role (and are therefore underemployed) has risen since 2009, whereas in the region and in the U.S. as a whole the underemployment rate has decreased. In addition, although Louisiana has reduced unemployment since 2009, it has been slower at getting people back into work than the wider region and the U.S. as a whole, which has resulted in it having a higher unemployment rate than the Southeast and the U.S., whereas a decade ago it was lower. Youth unemployment is also a challenge for the state. It currently stands at 12%, three percentage points higher than the wider region. These continual challenges affecting the workforce, indicate that Louisiana has struggled to recover following the financial crisis.

South Dakota's prosperity has deteriorated over the past decade, predominantly because its broader institutional strength has declined. Violent crime has risen across the state, with the rate of aggravated assaults and robberies increasing, as well as the rates of vehicle theft, larceny, and identity theft. Perceptions of corruption have also increased across the state. There has been a rise in the number of hate groups across the state and there is less support for laws that protect the LGBT community. Costs associated with employment have also risen over the past 10 years.

LABOR MARKET RECOVERY HAS NOT FULLY FILTERED THROUGH TO LIVING CONDITIONS

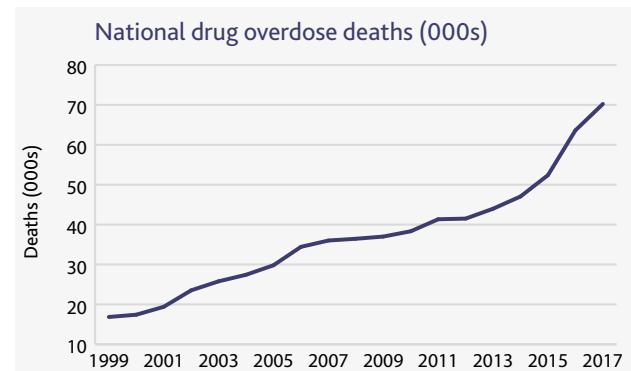
As a result of the financial crisis, every state saw a decline in their labor force engagement from 2009, and it took until 2015 before states began to return to 2009 levels. Year-on-year improvements since 2015 have resulted in 46 states and D.C. exceeding their 2009 levels for labor force engagement. Following the financial crisis, every state except Louisiana also saw an increase in the number of households that were living below the poverty line or couldn't access resources in an emergency. These material resources have been slower to recover, and it took until 2018 for states to begin to show signs of returning back to 2009 levels. Even by 2018, only 11 states had recovered their material resources to 2009 levels, and by 2019 this had only increased to 14 states, indicating that there is a lag between improvement in labor force engagement and material resources.

HEALTH COVERAGE EXPANDED, BUT DECLINING MENTAL HEALTH IS A PARTICULAR CHALLENGE

The U.S. ranks 35th globally for health, and U.S. health overall has been improving over the first eight years of the past decade. Medicaid expansion, made possible through The Affordable Care Act in 2010, extended health coverage across the nation, and the percentage of the population with health coverage has increased from 82% to 89% over the past decade. The United States' low global health ranking is partly explained by the high levels of obesity, with more than one in three Americans (36%) classified as such. Only Kuwait has higher levels of obesity. State obesity

rates are positively correlated with state smoking rates, both of which are associated with high blood pressure and chronic diseases. For example, North Carolina ranks 36th for obesity prevalence and 39th for the proportion of adults with high blood pressure.

The U.S. is facing a growing mental health crisis, evidenced by increased suicide rates across all regions, increasing prevalence of serious mental illness and much larger increases in drug overdose deaths. Nationally, there was a four-fold increase between 1999 and 2017 in reported drug overdose related deaths, culminating in over 70,000 deaths in 2017. This means that the United States is seeing more deaths per year due to drug overdoses than it saw throughout the whole of the Vietnam War (58,220).

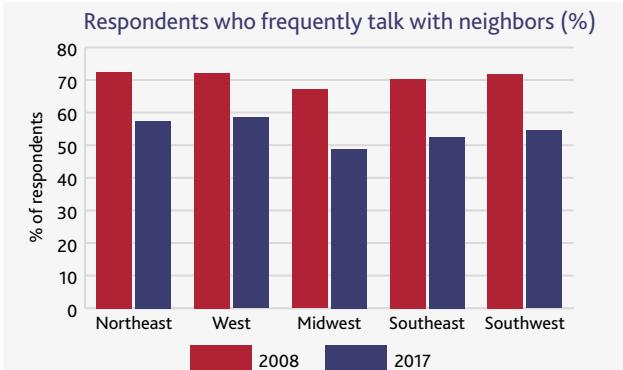


These increases explain the deterioration of health in the U.S. over the past two years. The West and the Midwest contain the highest rates of serious mental illness, with West Virginia and Utah having the highest and second-highest rates respectively. Although the Northeast has the lowest rate of suicides, it saw the largest regional increase (30%) over the past decade. Of particular concern is the large increase in the region's mortality rate from drug overdoses, which increased by 150% over the same period. West Virginia has the highest rate of drug overdose deaths in the country at 52 per 100,000 people, equating to 936 deaths per year.

DECLINING SOCIAL CAPITAL

Social capital is strong in the U.S., ranking 6th globally, although it has experienced a deterioration since 2009 and has consequently fallen four places in the rankings. Our state-level analysis shows that as well as social capital declining across the U.S., social capital has also become more polarized. Though five of the top 10 ranked states have improved since 2009, 21 of the bottom 22 states have seen a decline in the same period. There is also a regional divide, with six of the 10 top performing states located in the Midwest, and five of the bottom 10 in the Southeast.

Vermont (3rd) is one of only four states in the top 10 for social capital that is not in the Midwest, and it has moved up five rankings since 2009. Whereas doing favors for neighbours has seen a decline across the U.S. from 39% in 2009 to 31% in 2019, Vermont has seen a modest increase, rising from 38% to 40%. Furthermore, although the frequency with which neighbors talk with each other has seen a decline in Vermont over the past decade, the decline is much less severe than across the U.S. as a whole. Consequently, Vermont now ranks 2nd on social networks, up from 10th.



In contrast to Vermont's performance, social networks appear to be fragmenting, with neighborly relations declining over the last decade. In 2009, over 70% of residents reported frequently

Government, falling from 77% in 1964. Trust in institutions has declined the most in New Mexico, Idaho, and Iowa, and increased the most in Colorado and Wisconsin.

SOCIAL TOLERANCE IS IMPROVING BUT CERTAIN GROUPS ARE EXPERIENCING INCREASING DISCRIMINATION

The United States ranks 23rd globally for personal freedom, which has strengthened across all regions of the country over the last decade, with people of 40 states and D.C. experiencing an improvement. The Southeast region has seen the greatest improvement since 2009, with four of the five largest risers, Mississippi (43rd), South Carolina (31st), Arkansas (41st) and Kentucky (32nd) located in the region. Connecticut (1st) is the most free followed by Massachusetts (2nd).

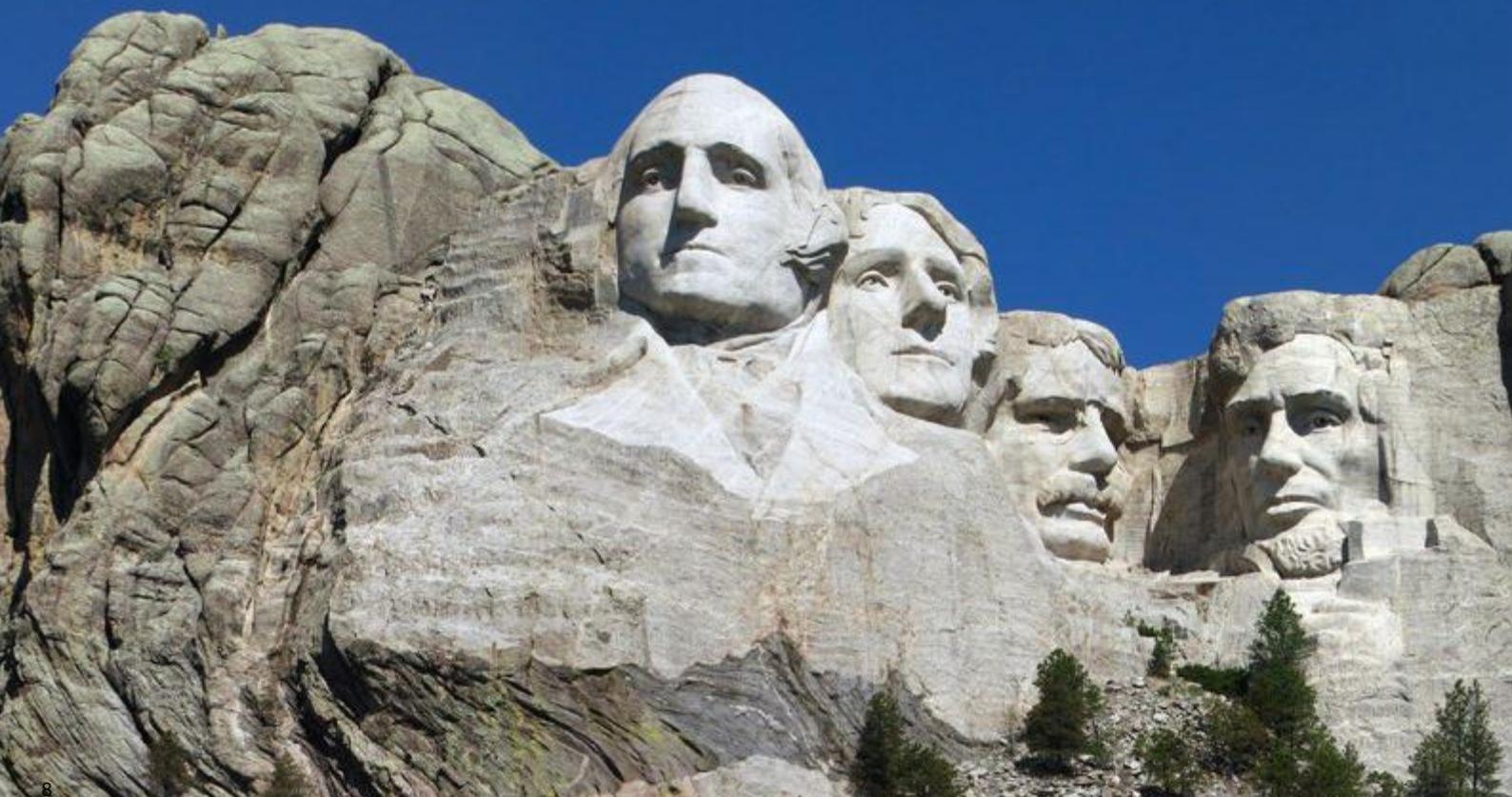
Trust is in decline in the U.S., with less trust in the media and decreasing interaction with neighbors being the main contributing factors to the decline in Social Capital

talking with neighbors, which has fallen to 55%; and the percentage of people doing favors for neighbors has fallen from 40% to around 30%. This downward trend, however, is being bucked by some states. Rhode Island has improved the most, with 31% of residents saying they frequently did favors for their neighbors in 2016, rising to 37% this year, and the percentage of people trusting others in their neighborhood rose from 61% to 68% over the same period.

There is also a growing distrust in institutions across the U.S. Public confidence in the media has fallen from 62% in 2009 to 55%, and only 19% of Americans currently trust the Federal

Over the last decade, social tolerance has increased in the Southeast, Southwest and West regions, closing the gap with the top region, the Northeast. Nationally, support for same-sex marriage has increased from 54% in 2016, to 61% this year, with 48 states recording an increase, though support for LGBT non-discrimination laws has decreased in 30 states. There has also been a rise in hate group concentration across the U.S., particularly in the Midwest, Northeast and the West; while in 2008, 926 hate groups were tracked nationally, this increased to 1,020 in 2018.

Identifying ethnic discrimination is important for understanding tolerance of other groups in U.S. society. There is, however,



a lack of data on this issue. We developed our own indicator by carrying out an analysis of Google search traffic for typical derogatory terms used against main ethnic groups across the states, expressed as a rate of all web-traffic in each state. This revealed West Virginia, ranked 46th for social tolerance, has the highest rate, over four-and-a-half times that of D.C., which had the lowest rate. Regionally, the Southeast had the highest rate of ethnic slurs used in web search terms, 40% higher than the Northeast, which had the lowest rate. A 2015 study demonstrated the link between search traffic for specific ethnic slurs and black mortality rates and racial disparities in health.¹ We have found that the states that have the highest rates of searched-for derogatory ethnic terms are located in the South. These states also had the lowest support for same-sex marriage.

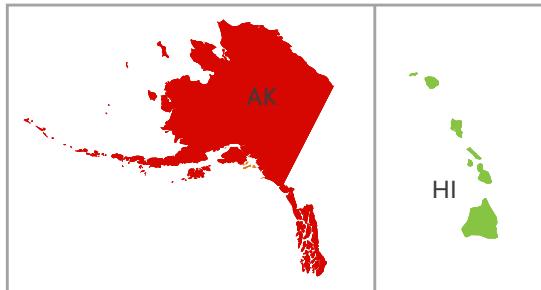
CONCLUSION

Prosperity in the U.S. is at its highest ever recorded level, and the rise in prosperity has been experienced in all but a handful of states. Prosperity is not shared equally across the nation, however, with there being a clear North/South divide. Despite the more prosperous states being in the Northeast, no single state has succeeded in fostering both economic and social well-being for its population. Apart from four states, all states have at

least one pillar ranked below 30th. All states have the potential to increase their prosperity. There are also some country-wide issues that affect nearly all states and require attention. The rise in mental health problems is alarming. Similarly, there are concerns with certain social networks showing signs of deterioration, for example, the weakening of interactions with neighbours. The declining trust in the federal government and in other institutions is also a concern. The overall picture of strongest and weakest state performers, as presented in this report, masks a myriad of further insights and opportunities at the regional and state level. These can be further explored through the state profiles available via the United States Prosperity Index website, which also makes available the underlying data for further analysis. Our ambition for this report, and the underlying data and analysis, is that it will elicit further insights into where opportunities lie that will help build upon the many strengths that currently exist in state level prosperity. We also hope it will address the emerging opportunities, by identifying the particular policy challenges being faced by each state, which will enable a more targeted policy response and equip individuals, communities, businesses and institutions to work together to build greater prosperity; economic, institutional and social for all their people.



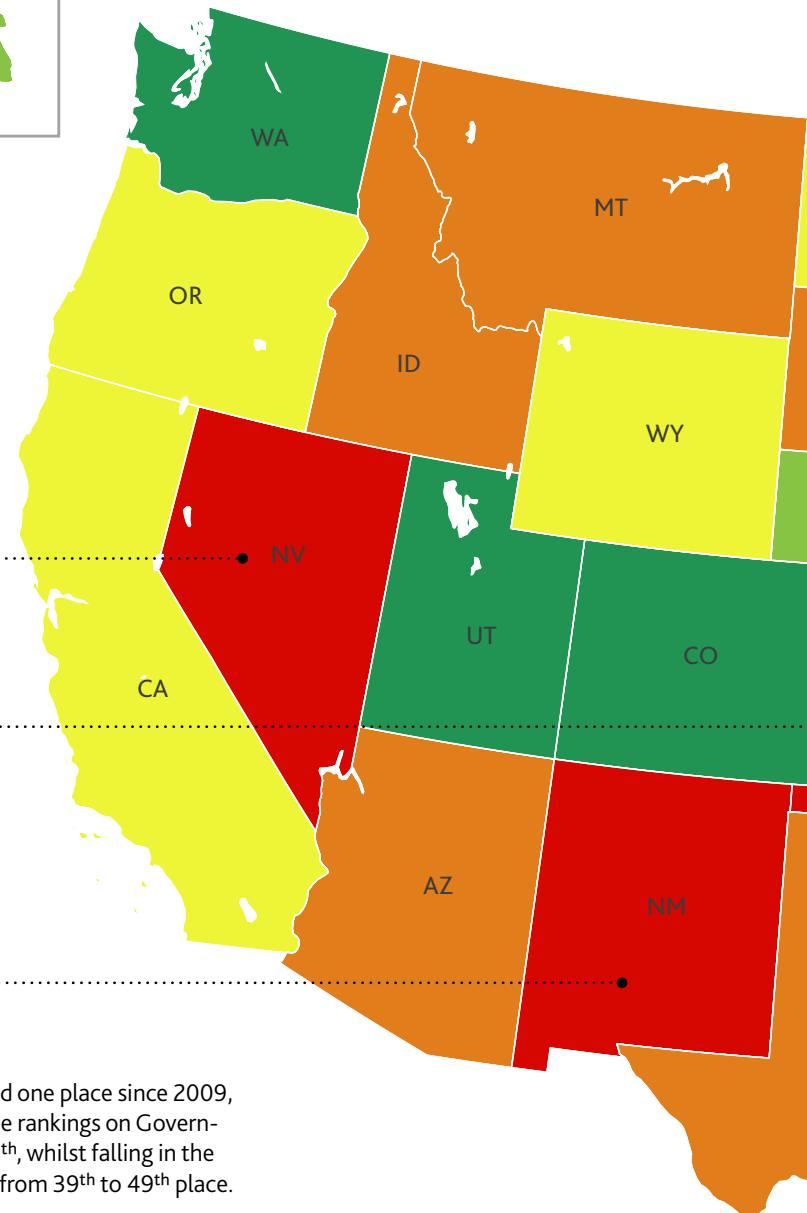
Mapping prosperity across the United States



Nevada (34th), despite being the 13th most improved state, has maintained its overall ranking. It has seen the biggest improvement in Economic Quality, moving from 32nd to 22nd place, but has slipped seven places to last place on Safety and Security.

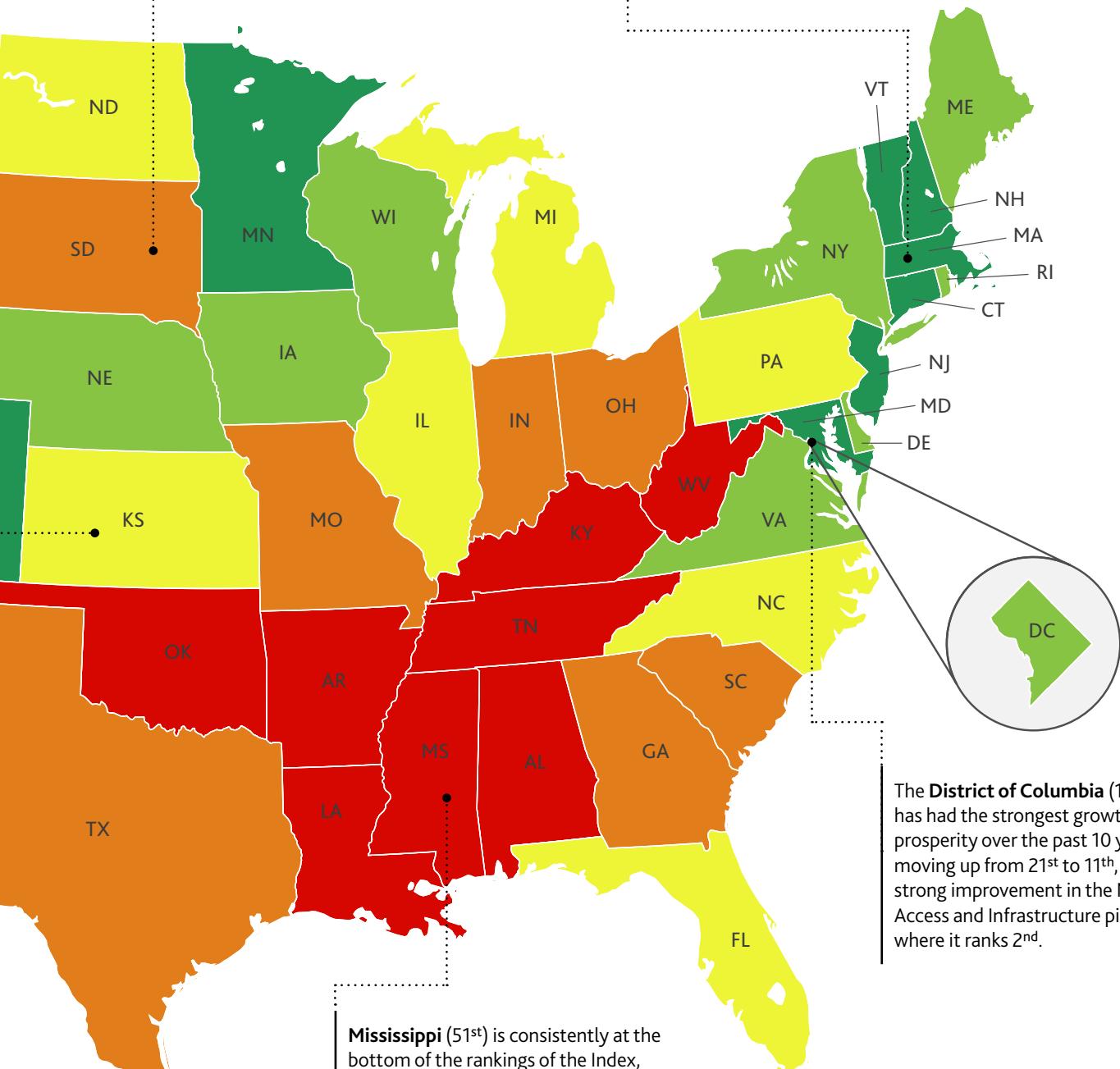
Kansas (27th) has fallen two places since 2009, due to the largest state level decline in Education, where it slipped from 13th place to 25th.

New Mexico (43rd) slipped one place since 2009, masking its climbing up the rankings on Governance from 36th place to 15th, whilst falling in the rankings on Social Capital from 39th to 49th place.

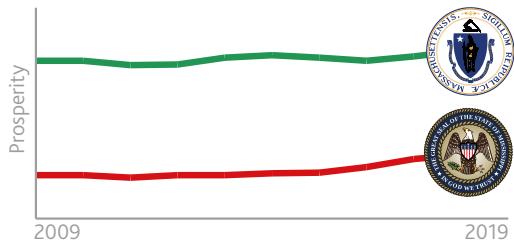


United States Prosperity Index Rank 2019:

1–10 11–20 21–30 31–40 41–51

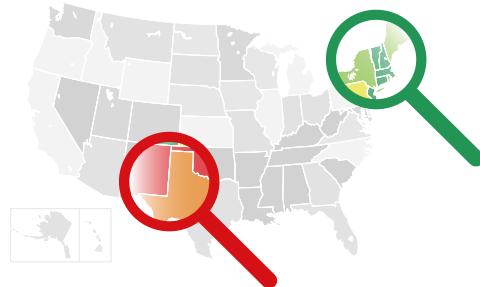


Key findings



U.S. prosperity is rising

Prosperity in the U.S. has been steadily rising for the past decade, with 47 of 50 states and the District of Columbia increasing their prosperity over the past 10 years. The gap is narrowing between the most prosperous state (Massachusetts) and the least prosperous state (Mississippi).



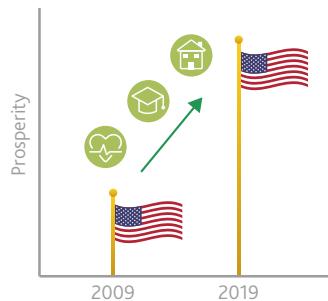
Prosperity is unevenly spread

Prosperity is unevenly spread across the U.S., particularly between north and south. The Northeast is the most prosperous region and the Southwest is the least prosperous. Over the past 10 years, the West has seen the greatest improvement in prosperity, nearly twice that of the Northeast, which saw the least improvement.



Economic Quality drives U.S. prosperity growth

Improvement in U.S. prosperity has been driven by the growth in the Economic Quality pillar. Labour force engagement has spearheaded the resurgent growth in this pillar, which has now exceeded pre-financial crisis levels in all but four states. The resulting increase in households below the poverty line, however, is taking much longer to reverse across the states.



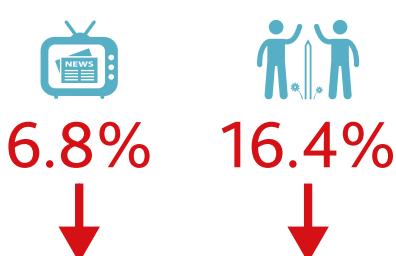
Health, education and living conditions are also improving

Growth in prosperity is also driven by improvements in health, education and living conditions. Increased medical visits arising from greater healthcare access, decreased death rates for 0-15 year olds, improvements in primary and secondary educational outcomes, a more degree-educated population, improved internet connectedness, particularly across rural areas, have all helped drive prosperity growth over the past 10 years.



Mental health is deteriorating

Despite improvements across certain aspects of health, further growth in prosperity is being held back by the declining mental health of Americans, evidenced by large increases in drug overdoses deaths, rates of suicide and serious mental illness across all regions.



Social capital is weakening

Declining trust in the media and less interaction with neighbors are the main contributing factors to the deterioration in social capital over the past years, which is also hampering greater growth in prosperity. Overall, only 11 states saw an increase in social capital over the past decade.

State highlights



New York (12th)

New York ranks 12th in the U.S. Prosperity Index and 6th out of nine states in the Northeast. It has risen from 10th to 5th over the past decade in Economic Quality, and it is 5th for Business Environment, the same as in 2009. New York is 1st for Financing Ecosystems, having the highest per capita rate of venture capital deals, and is behind only California and Massachusetts for venture capital fundraising, but is last in labor market flexibility.



Illinois (23rd)

Illinois has risen five places since 2009 to 23rd in the U.S. Prosperity Index and ranks 6th out of 12 states in the Midwest. The state is strongest in Market Access and Infrastructure, ranking 10th and has risen eight ranks over the past 10 years, driven by improvements to accessing high-speed internet, which now stands at 88%, up from 32% 10 years ago. Access to ultra-fast internet has also increased to 7%, up from just over 1% in 2009.



California (24th)

California has improved eight ranks since 2009. Its best performing pillars are Health (4th) and Economic Quality (6th). The state's economy is the most dynamic in the nation, with the second-highest rate of new entrepreneurs starting businesses and a high startup survival rate of 82% after one year of operation. However, the state performs poorly in Living Conditions, ranking 38th, with 33 homeless people per 100,000, 69% of whom are unsheltered, the highest rate in the U.S.



Florida (30th)

Florida has moved up five places since 2009 to 30th in the U.S. prosperity rankings. It has improved most in Governance, Education, and Market Access and Infrastructure, which is its strongest pillar with a ranking of 3rd. Florida ranks in the top 10 for communications, with a network coverage of 97% across the state, and it has improved the condition of its roads and now ranks in the top three states in the United States.



Texas (38th)

Texas is the second-ranked state in the Southwest. The state has a strong open economy, ranking 3rd for Economic Quality and 21st for Business Environment, with the 11th highest labor productivity at \$71 per hour. The state has, however, a middling to poor performance across the other eight pillars. Its weakest pillar is Personal Freedom (46th), due to a high prison population (a third higher than the national average) and levels of trafficking almost three times the national average.



Kentucky (45th)

Kentucky is ranked 45th nationally, and 10th of 15 states in the Southeast. Safety & Security is Kentucky's strongest pillar, ranking 22nd. Kentucky performs well across almost all measures of Safety & Security, with a particularly low rate of aggravated assault, at 116 assaults per 100,000 people, compared to the national average of 249. The state's weakest pillar is Economic Quality (51st), with the third lowest credit rating in the nation, and third lowest level of reserve funds.

Using the United States Prosperity Index

USING THE UNITED STATES PROSPERITY INDEX

The United States Prosperity Index has been developed as a practical tool in order to help a wide variety of actors contribute to strengthening the pathways from poverty to prosperity across the United States.

The Index will benefit a wide range of users, including policymakers, business leaders, investors, philanthropists, and researchers.

- Political leaders can use it to help shape priorities for a policy agenda to create pathways from poverty to prosperity;
- Policymakers can use it to set specific agendas within their area of control to create prosperity growth;
- Investors can use it to inform capital allocation, and also to engage with country leaders on what is needed for them to allocate further;
- Business leaders can use it to identify and communicate the changes they need to improve the business climate and the productive capacity of nations;
- Philanthropists can use it to identify the areas where they can have the greatest impact – beyond the well-trodden paths;
- Researchers can use it to complement other datasets to analyze the underlying patterns behind development, and inform the policy community.

INTERPRETING THE INDEX

For every U.S. state and region, the Index uses the same indicators, and combines them in the same way to create elements and pillars. It is therefore possible to use the Index to compare the relative performance of each state and region for overall prosperity and each of the 11 pillars of prosperity, such as health, education, and social capital, as well as the 48 elements within the pillars, mental health, primary education, and social tolerance. Making these comparisons will enable the user to explore which aspects of prosperity are more or less prominent within a state or region and how states compare against each other. The higher the ranking, the stronger the performance of that state or region on the pillar or element when compared with a state or region lower down in the rankings. Through the Index, it is also possible to see whether prosperity is strengthening or weakening over time, and what specifically is driving the change.

USING THE INDEX

The data in the Index and analysis contained in the report can be used for a variety of purposes. For example:

- Benchmarking performance against peers;
- In-depth analysis of prosperity at the state level;
- Understanding whether prosperity is improving or weakening over time, and why;
- Identifying the binding constraints to increased prosperity;
- Inform setting priorities for state and local agendas.

Where a state is showing a strong or weak performance on prosperity in a pillar or element, it is possible to drill down and identify what particular indicators are driving that trend. This will help identify the policy action needed to strengthen performance. For example, it may be discovered that a state's poor prosperity rankings are driven by a weak performance in education. Upon further investigation, the Index reveals that this is due to primary education and, in particular, due to markedly low test scores for math. This information can help to target specific areas that need improvement and provide a starting point for what can be done to improve education, and therefore prosperity, in the state.

In addition to being able to compare states and regions in a specific year, the Index also provides data over a 10-year period, so it is possible to assess whether a state has improved or weakened over time. Using the example above, the Index may actually show that primary education test scores for math have declined rapidly in the state over the past 3 years. Discussion with local education officials on the test score decline reveals it coincides with the introduction of a new syllabus that was implemented state wide, thus pointing to the particular area where action would need to be targeted.

While the Prosperity Index provides a holistic picture across many dimensions, as with all such data sources it provides only a partial picture. It needs to be complemented by real-life experience and state-specific information to inform substantive decision-making, but it provides crucial data-driven information into discussions for those that wish to create pathways from poverty to prosperity.

RESOURCES AVAILABLE

There are several tools available to aid analysis and interpretation of, and illicit insight from, the United States Prosperity Index. Alongside this report, which provides a high level analysis of the findings from the Index, the following products can be found via our website (www.usprosperity.net):

Overview map of prosperity. By hovering over a state on the map on the website landing page, summary information is displayed on the current ranking of the state and a chart showing how this has changed over the past 10 years. A drop-down menu on the top right of the map allows the user to select the state rankings of overall prosperity or a particular pillar to be displayed on the map.

Summary state profiles. This 2-page summary for each state gives pillar and element information, including rankings and scores and how these have changed over time. These profiles are available for download.

Detailed state profiles. This 12-page profile for each state provides more detailed pillar, element and indicator information, including rankings and scores, and how these have changed over time. These profiles are available for download.

Indicators scores. An Excel spreadsheet, which can be downloaded, contains the scores for each indicator. Using these scores, the user can carry out more in-depth analysis. Further information on how the scores for each indicator are calculated can be found in the Methodology section.



The United States Prosperity Index



Rank	State	Business Environment	Market Access & Infrastructure	Economic Quality	Safety & Security	Personal Freedom	Governance	Social Capital	Living Conditions	Education	Health	Natural Environment
1	Massachusetts	2	14	12	15	2	3	18	4	1	5	2
2	Connecticut	4	7	29	8	1	1	27	5	5	3	3
3	Minnesota	9	23	11	12	25	13	2	2	6	2	19
4	New Hampshire	3	29	34	2	17	31	8	1	4	13	5
5	Washington	15	24	4	27	10	2	16	10	13	9	7
6	Vermont	11	37	35	3	9	28	3	11	3	16	1
7	Utah	10	40	10	16	6	24	1	16	17	17	23
8	Colorado	8	44	17	30	15	4	15	12	12	7	11
9	Maryland	17	4	27	34	14	5	32	3	8	21	18
10	New Jersey	18	1	33	6	7	42	31	6	2	10	13
11	District of Columbia	1	2	14	50	3	9	26	29	15	14	22
12	New York	5	13	5	10	13	40	39	19	23	6	6
13	Wisconsin	16	31	28	13	26	6	4	13	14	15	24
14	Rhode Island	31	22	46	7	8	19	29	8	18	12	4
15	Maine	20	50	42	1	11	10	9	23	16	25	8
16	Nebraska	29	25	9	20	23	8	7	22	9	8	41
17	Hawaii	46	45	36	11	4	7	20	20	34	1	9
18	Delaware	6	5	7	25	36	18	24	9	26	35	28
19	Virginia	12	15	30	14	30	27	23	7	7	22	26
20	Iowa	40	33	13	17	12	11	10	17	10	11	42
21	North Dakota	36	9	1	9	38	30	6	14	28	20	35
22	Oregon	33	27	20	24	18	16	21	35	29	23	15
23	Illinois	13	10	49	35	16	20	35	15	24	19	39
24	California	22	43	6	33	21	22	44	38	38	4	12
25	Pennsylvania	7	6	47	18	24	48	25	18	11	30	32
26	Michigan	28	38	39	32	22	14	30	21	21	36	30
27	Kansas	19	11	25	41	19	44	14	26	25	27	40
28	North Carolina	24	18	21	26	40	17	38	25	30	32	34
29	Wyoming	47	41	2	5	27	47	19	27	20	29	21
30	Florida	32	3	19	36	20	38	48	28	32	31	16
31	Idaho	27	49	18	4	39	32	12	36	35	26	25
32	Indiana	25	12	31	29	29	33	17	31	19	43	51
33	South Dakota	37	42	15	21	49	45	5	30	33	18	27
34	Ohio	23	21	40	28	42	25	34	24	22	40	44
35	Montana	44	48	37	23	37	26	11	33	31	28	29
36	Missouri	14	17	23	45	50	34	22	32	27	41	38
37	Arizona	38	34	32	40	28	12	50	43	43	24	17
38	Texas	21	28	3	39	46	37	41	41	41	33	33
39	Georgia	26	8	16	31	47	43	45	37	36	38	31
40	South Carolina	35	20	41	44	31	39	28	39	40	42	37
41	Alaska	51	51	8	47	35	23	13	42	46	34	14
42	Tennessee	30	16	26	46	51	21	43	40	37	44	36
43	New Mexico	39	46	44	49	5	15	49	51	50	39	20
44	Nevada	42	35	22	51	34	36	51	34	51	37	10
45	Kentucky	43	26	51	22	32	35	40	44	39	48	46
46	Oklahoma	34	30	24	37	45	46	42	47	42	46	48
47	Alabama	41	19	43	42	48	49	36	45	47	47	45
48	West Virginia	49	47	45	19	44	29	33	46	45	51	50
49	Arkansas	45	32	48	43	41	41	46	48	44	50	49
50	Louisiana	50	36	38	48	33	50	47	49	49	45	47
51	Mississippi	48	39	50	38	43	51	37	50	48	49	43



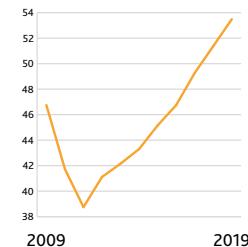
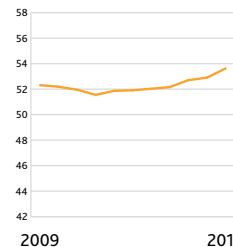
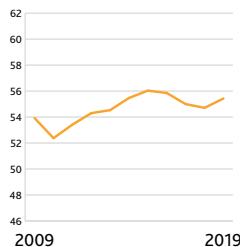
The **Business Environment** pillar measures the entrepreneurial environment, business infrastructure, access to credit, investor protections and labor market flexibility in a state.



The **Market Access and Infrastructure** pillar measures the quality of the infrastructure that enables trade (communications, transport, and resources), and distortions in the market for goods and services.



The **Economic Quality** pillar measures how well a state's economy is equipped to generate wealth sustainably and with the full engagement of its workforce.



The **Safety & Security** pillar measures the degree to which violence and property crime have destabilised the security of individuals both through their current prevalence, and long last effects.



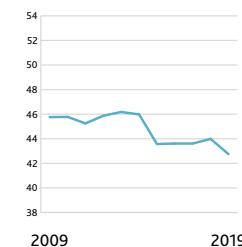
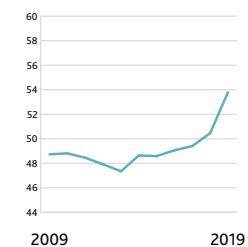
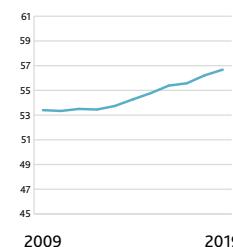
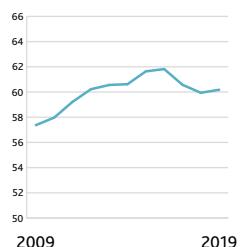
The **Personal Freedom** pillar measures state wide progress towards basic legal rights, individual liberties and social tolerance.



The **Governance** pillar measures the extent to which there are checks and restraints on power and whether governments operate effectively and without corruption.



The **Social Capital** pillar measures the strength of personal and social relationships, social norms and civic participation in a state.



The **Living Conditions** pillar measures the set of conditions or circumstances that are necessary for all individuals to attain well-being.



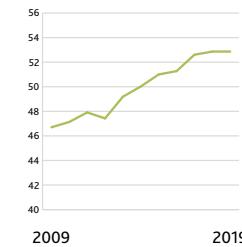
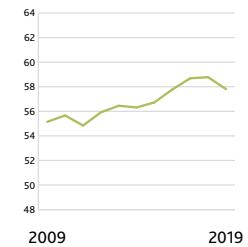
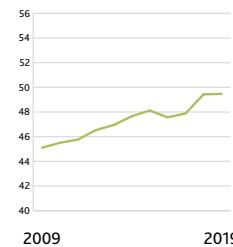
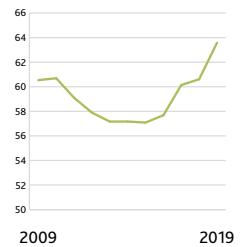
The **Education** pillar measures the access to education, quality of education and human capital.



The **Health** pillar measures three areas: health outcomes (in physical and mental health), health systems, and illness and risk factors.



The **Natural Environment** pillar measures a state's performance in three areas: the quality of the natural environment, environmental pressures and preservation efforts.

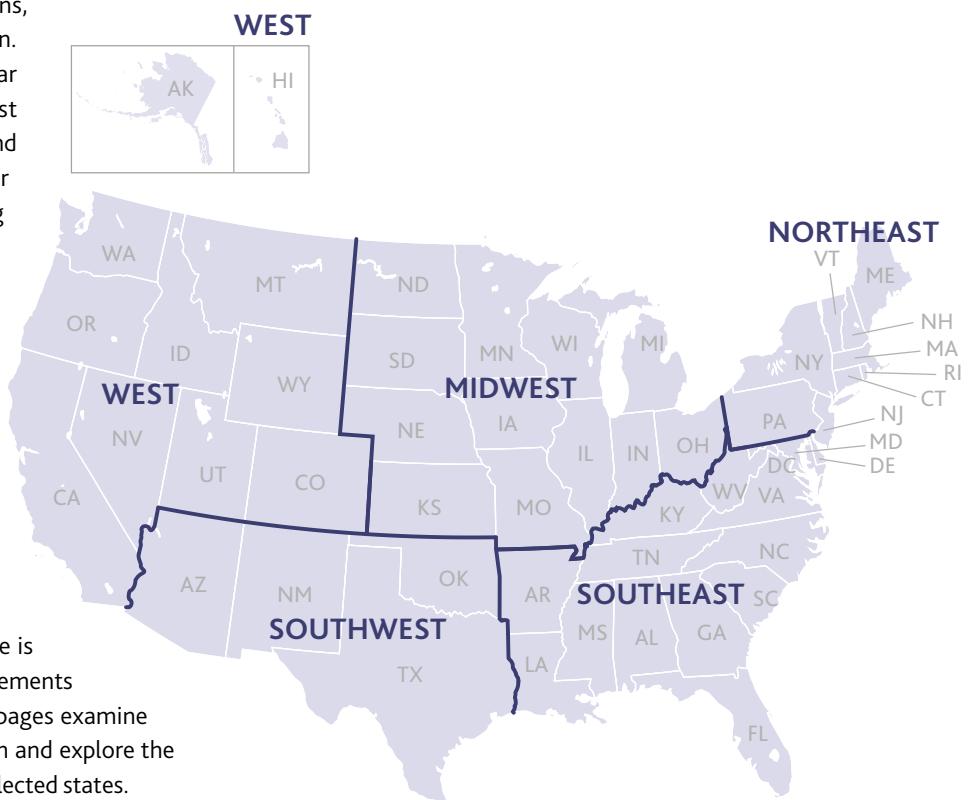


Focus on regions

We divide the United States into five regions, following the National Geographic definition.

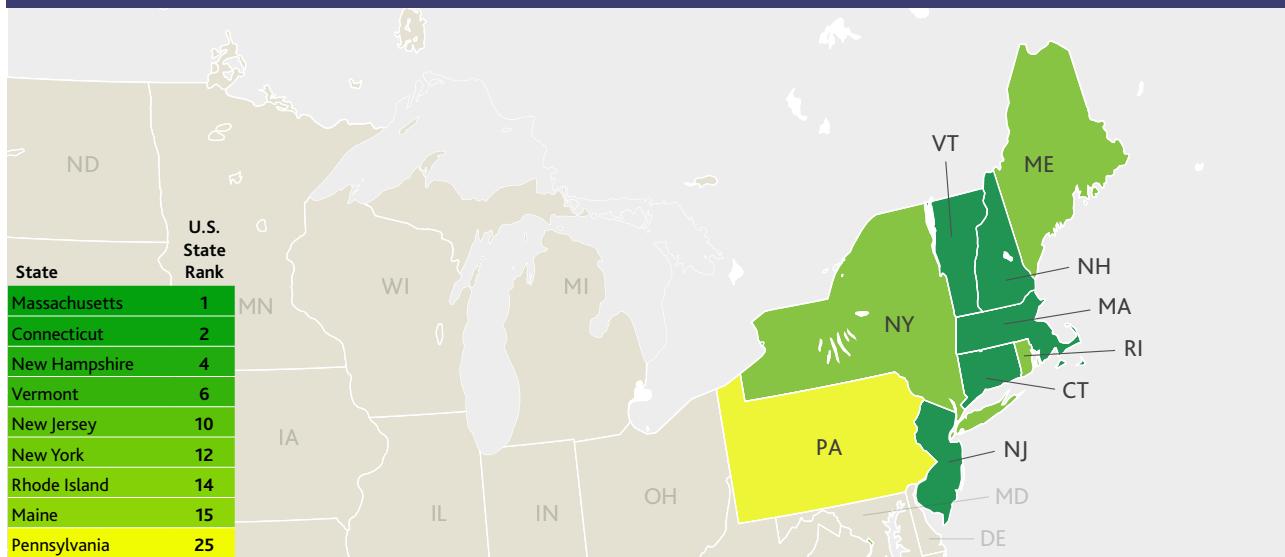
The Northeast, in prosperity terms, sits far ahead of the rest of the U.S., the Southeast and Southwest closely grouped far below, and the West and Midwest close to one another sitting somewhere between the weaker scoring southern states, and the prosperous north. The geographical grouping highlights that the picture is slightly more nuanced than a simple North-South divide in the U.S., with the Southwest and Southeast sitting far below the Midwest and West regions, who in turn are clearly behind the Northeast.

While prosperity in all regions of the U.S. has been improving over the last decade, and the gap between the most and least prosperous states has been narrowing, the same is not true for the regions. The relative improvements have failed to close the gap. The following pages examine the strengths and weaknesses of each region and explore the strengths, challenges and opportunities of selected states.





The Northeast (1st)



The nine states in the Northeast account for 17.4% of the national population and 20.7% of national GDP. The region has the highest prosperity of all regions of the United States, containing five of the top ten ranking states. It is the top performing region in the Business Environment, Market Access and Infrastructure, Education, Living Conditions, Personal Freedom and Safety & Security pillars.

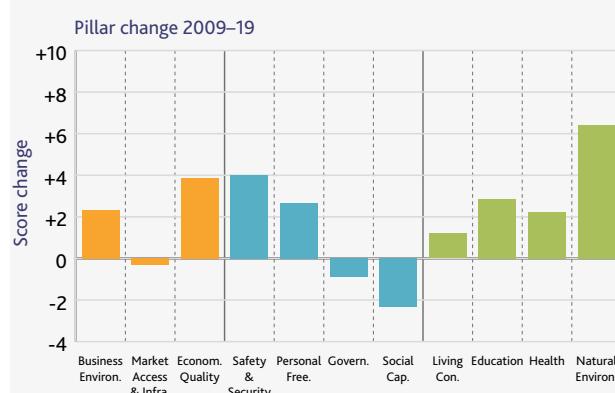
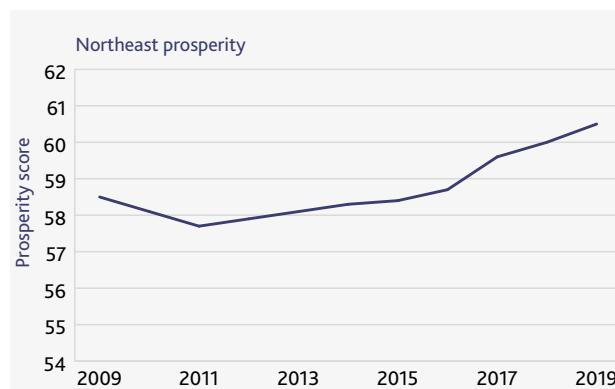
The tertiary education sector is particularly strong in the Northeast, with 48% of the region's 18-24 year-olds enrolled in universities, compared to the U.S. average of 42%. This means the region performs the strongest of all regions on Education, containing the top five ranking states for this pillar.

The region is the safest in the country, with the lowest levels of violent crime and property crime. It is also the highest-ranking region for personal freedom, with the lowest incarceration rates in the nation and the greatest levels of social tolerance – including a low concentration of hate groups and the highest level of support for same-sex marriage and LGBT non-discrimination laws.

Despite its strong performance in many aspects of prosperity, the quality of governance is weak, particularly with respect to government integrity and transparency. The level of transparency of state government spending and online access to such records have deteriorated, as has the compliance rate for public record requests. On a more positive note, the Northeast is becoming more politically accountable, with the gender balance in the states' legislatures tending towards 50:50, and state campaign disclosure requirements becoming more explicit.

STATES IN THE SPOTLIGHT

Massachusetts (1st) is the most prosperous state in the country, and has been every year since 2009. Its educational system is excellent, and its economic quality has improved over the last decade. The overall safety and security of the state's population has improved, with rates of burglary and motor vehicle theft halving since 2009. However, the Boston marathon bombing in 2013 led to the state falling from 12th to 38th for its Terror-related



crime ranking.

Connecticut (2nd) now has the best governance in the country, having gained two ranks since 2009. The perception of corruption in the state has improved, as has its score in the Elections Performance Index.

Rhode Island (14th) has seen its overall prosperity improve, rising two ranks since 2009. People from the state are increasingly likely to trust others in their neighborhood. Furthermore, while the proportion of people doing favors for their neighbors has fallen by over 6 percentage points across the region, it has remained at the same level in Rhode Island. These changes have contributed to its rising seven ranks on Social Capital. However,



iStock.com/wynnter

**By 2017, lobster catches constituted
75% of Maine's commercial
fishery value**

bucking the regional trend, the concentration of hate groups in the state, as well as incidences of press suppression, have increased, causing the state to fall four ranks to 8th over the past decade in the Personal Freedom pillar.

A study of Maine (15th)

INTRODUCTION

Maine, which ranks 15th nationally, shares many of the region's strengths, such as strong safety and security, high educational attainment, personal freedom, and a healthy natural environment. However, there are a number of areas that could be improved, most notably in terms of its economic openness. For example, slow mean download speeds and insufficient physical infrastructure results in Maine ranking 50th in the country for its market access and infrastructure, bucking the regional pattern.

OPEN ECONOMIES

Maine has, over the last decade, gone through an economic transformation. In 2010, the state was still embroiled in the recession, with declining income and employment. Since then, Maine's GDP has increased by \$1 billion, there are 30,000 new jobs, per capita incomes are 20% higher. However, this improvement, while significant in recent years, especially in competitiveness and fiscal sustainability, has not been enough to prevent a decline in the U.S. rankings for Economic Quality.

The state has increased the value of its non-manufactured exports by 150%, almost compensating for the decline in manufactured exports.² While this latter point is in part due to the increase in the value of lobster exports to China, Maine has been able to capitalize on the opportunity by increasing its lobster landings by 219% since 1994. By 2017, lobster catches constituted 75% of the state's commercial fishery value.^{3,4,5}

Maine also has among the lowest unfunded pension liabilities in the country; at \$13,100 per capita, only 12 states have less.

However, this trend may not continue, as the state has a particularly large cohort of baby boomers – the largest proportion in the country – and projections suggest that the over-65 age group will increase by 37% between 2016 and 2026.⁶

Despite the poor accessibility of bank branches in Maine, a result of it being one of the most rural states in the Union, the financing ecosystem is also improving – both the number of venture capital deals and the amount invested per capita are on the rise. In 2017, for example, Vets First Choice raised \$223 million in the state's biggest venture capital deal for 20 years.⁷ Thanks in part to organizations like the Maine Center for Entrepreneurs, startups also enjoy the highest one-year survival rate in the country, at 88%.

Its major challenges lie in the upkeep and modernization of infrastructure; 58% of the 3,714 bridges in the state are more than 50 years old and the state's roads receive the lowest funding per mile out of the six New England states. There is a projected \$75 to \$80 million budget shortfall each year for the Maine Department of Transportation, according to a department spokesman.⁸ The state's airports have also suffered from a lack of investment over the past few years, with the 2016 report card from the American Society of Civil Engineers grading the state's airports at 'C'.⁹ These factors contribute to Maine ranking 50th in Market Access and Infrastructure.

EMPOWERED PEOPLE

Maine has slightly lower university enrollment rates than the rest of the region (44% compared to 48%) and graduation rates (58% compared to 66%), and has no university in the top 1,000 global rankings. However, Maine still performs better than the national averages of 42% enrollment rate and 55% graduation rate. This trend is replicated in the other stages of the education system; the state falls slightly below the regional average, but still ranks in the top 15 states nationwide for pre-primary, primary and secondary education.

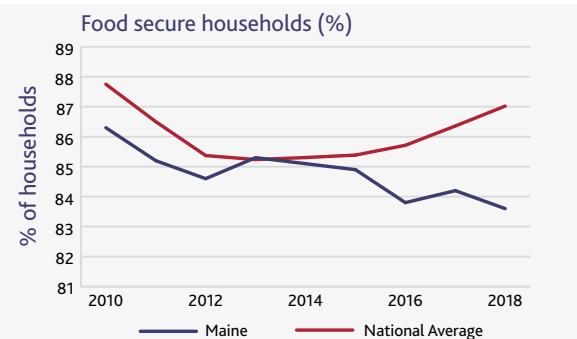
Maine has the highest proportion of tree cover in the United States at almost 90%, and over 90% of its rivers and its lakes

have been classified by the Environmental Protection Agency as 'good'. Maine performs well in the Natural Environment pillar, ranking 8th nationally, with high emissions being the only below-average element. It has been able to capitalize on this good quality natural environment in a sustainable way and, as a result, has almost three times the national average number of employees in the recreation sector. Recreational water sports in Maine employed 76,000 people in 2017, and contributed \$548 million in state and local tax revenue.¹⁰

Maine benefits from a strong health system, with a report from the Agency for Healthcare Research and Quality placing the quality of Maine's healthcare first in the nation and the state's hospitals tenth-best in the country.^{11,12} Youth access and care is especially good, with the state having the highest percent across the nation of children having a preventative medical visit in the past year (91%) and low rates of problems with accessing child mental health services. This leads to the state ranking 8th nationally on Preventative Interventions and 10th on Care Systems. Although, as found in a 2018 survey, almost 50% of business and education leaders think that the cost of healthcare insurance is the biggest issue for the new governor to address.¹³

The state performs poorly on the health outcomes of its residents, and these outcomes are declining at a faster rate than any other state in the region, particularly the rising death rate among those aged 15-64. Case and Deaton make the argument that this increase is unique among wealthy countries, and is due to the rise of 'deaths of despair', such as drug poisoning, suicide and chronic liver diseases.¹⁴ In Maine, drug overdose deaths more than doubled over the past ten years, from 13 deaths per 100,000 to 29 deaths per 100,000. This reflects worsening levels of self-reported poor mental and poor physical health than ten years ago. Nationally, Maine ranks 29th for Physical Health and is the weakest state in the Northeast for Mental Health, ranking 30th nationally.

Households in Maine have low, and decreasing, levels of food security, with 16% of households now uncertain of being able to acquire enough food to meet the needs of all household members due to insufficient resources. This is up from 14% in 2009, equivalent to 14,000 more households, and places the state at 45th nationally. Consequently, there has been a rise in the number of food banks and other initiatives, such as the Good Shepherd Food Bank, which works with 400 partner organizations, and the Preble Street Hunger Initiative, which was created



in 2008 to help address this growing food insecurity experienced by more households. In contrast to some of these challenges, over the past decade, there has also been a big increase in affordable housing in Maine, with a 25% increase in the number of units per 100 tenants.

INCLUSIVE SOCIETIES

Maine is the safest state in the U.S., and has the lowest overall levels of violent crime, including the lowest rate of aggravated assault and the third-lowest rate of murder in the country. Maine also has one of the lowest rates of property crime in the U.S., a theme that is shared with its Northeastern neighbors. Although the rates of identity theft have increased over the last decade, this increase has been at a slower rate than the national average; as a result, Maine has improved its ranking from 6th to 5th for this indicator.

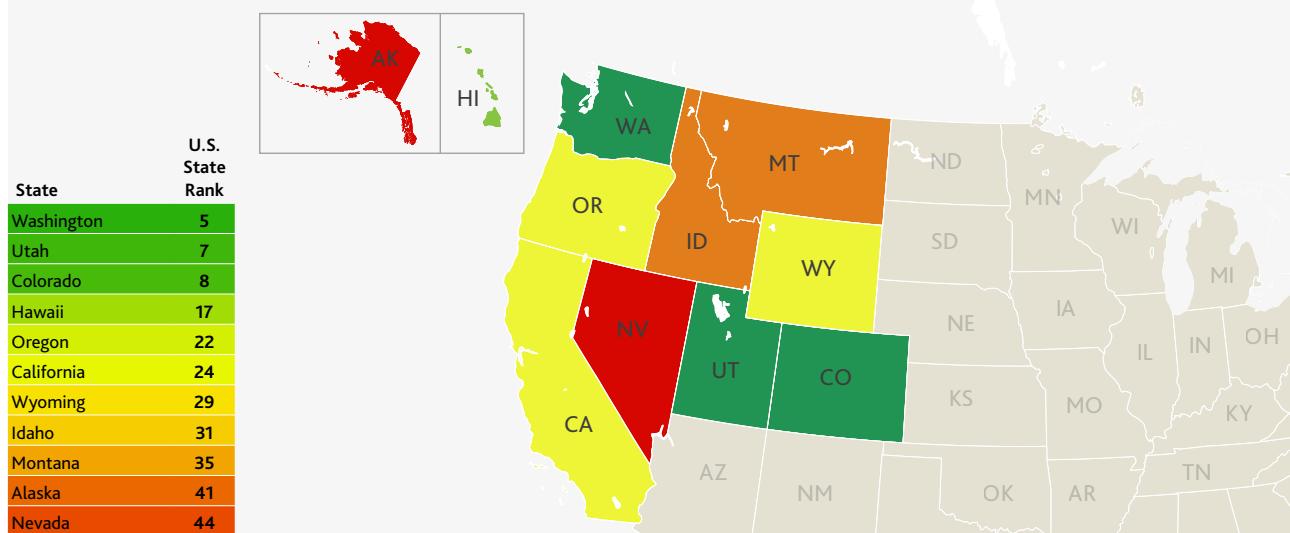
Maine has particularly strong personal and family relationships, as well as tight-knit social networks. Neighborhood trust in particular helps, acting as a buffer against crime. Maine ranks 10th for Personal and Family Relationships, with the highest rate of parents attending their child's events and the second highest rate of seeing and hearing from family and friends. Neighborhood support is strong in Maine, with residents more likely than any state other than Utah to help out their neighbors.

CONCLUSION

Although Maine shows a mixed performance across the pillars of prosperity, it is one of the best-performing states in the country, and has been improving steadily over the decade. As the Index shows, economic policies that increase infrastructure investment and stimulate improvements in productivity and competitiveness are key to bringing further prosperity to Maine.



The West (2nd)



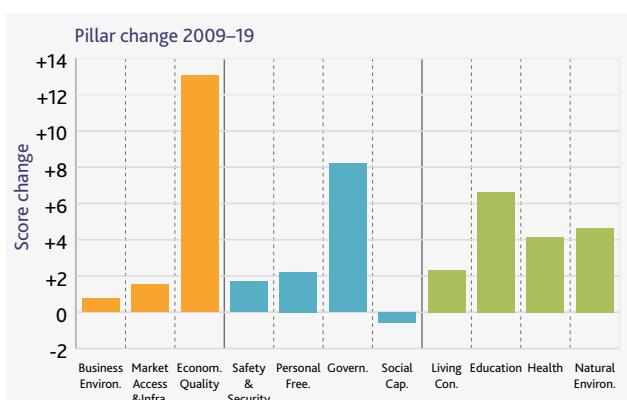
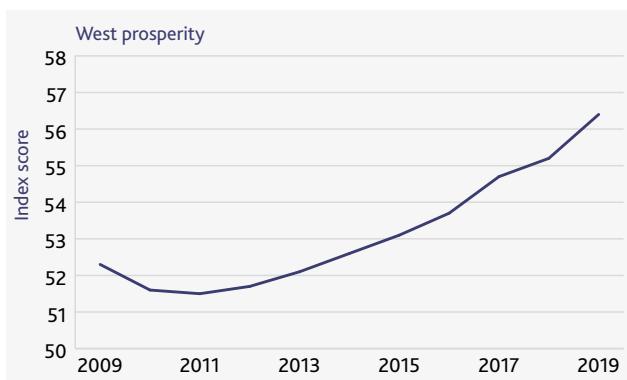
The West is the second most prosperous region in the U.S., with particular strengths in its governance, health, and natural environment. **Washington** (5th) is the region's best-performing state, with particular strengths across all domains of prosperity; the state ranks fourth for economic quality, second for governance, and seventh for the natural environment. Aggregated to domain level, Washington is one of the top-10 performing states in each of open economies, inclusive societies, and empowered people.

The West's strong health performance is underpinned by the best longevity in the country, with the lowest death rate for 15–64 year olds, at 236 per 100,000 people, whereas the national average is 291. Its population has low rates of heart attacks, infectious diseases, and high blood pressure (29% of people have high blood pressure, compared to the national average of 32%).

The West's preservation efforts have maintained a beautiful natural environment, and helped to minimize exposure to air pollution. The number of 'healthy life years' lost from air pollution across the West is 30% lower than the national average. These strengths lead the West to be the top-ranking region for the Natural Environment pillar.

The West has also experienced the greatest rise in prosperity of any region over the last decade, with improvements in education and governance, where improved transparency and anti-corruption have made it the best performing region in the country. The most significant improvements have been within the Economic Quality pillar, the region having improved from fourth-best in 2012 to second-best today. If the current trajectory continues into the future, the West will be the best-performing region for economic quality in a few years.

This improvement has been driven primarily by increasing levels of labor force engagement and improved productivity, with the unemployment rate halving since 2009 and labor productivity increasing by \$10 per hour. According to Bureau of Labor Statistics data, the average improvement across the United States in labor productivity has been 2% (real) since 2012; California has



driven the fast growth in the West, increasing its labor productivity by over 6%. However, unit labor costs have increased by almost 8% in the same period, which may impact the competitiveness of the state.

STATES IN THE SPOTLIGHT

Washington (5th) has been one of only 11 states across the U.S. to see an improvement in the Social Capital pillar over the last decade, and now ranks 16th for the pillar, eight places higher than in 2009. This has been a result of improved community engagement, with the percentage of people active in their neighborhood rising from 10% to 12% over the decade, and the number saying they help in the community increasing from 2.3 to 3.2 people per 1,000 over the same period.



Workers in silicon valley in front of Apple's headquarters

California is one of the best states in the U.S. for both the rate of new entrepreneurs and startup survival rates

iofoto/Shutterstock.com

Utah (7th) is one of the most prosperous states in the country, and has been improving for the last 10 years. While its main strengths lie in its institutions, ranking 4th for the inclusivity of its society and first for social capital, one of the main drivers of the increase in prosperity has been through improvements in education. Average test scores at both primary and secondary levels have improved, and 8th graders in Utah now have the highest average science scores in the country.

Oregon (22nd) has improved its health performance over the course of the last decade, primarily by strengthening its care systems. Not only has the proportion of adults with health care coverage increased from 81% to 90%, but hospitals are of better quality, and the rate of preventable hospitalizations of Medicare enrollees has decreased from 4.5% to 3.4% – the sixth-lowest rate in the country.

A study of California (24th)

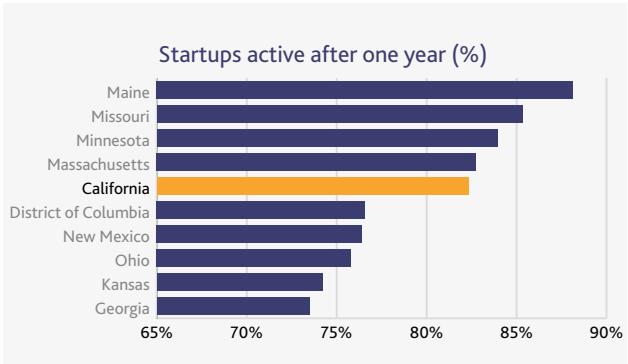
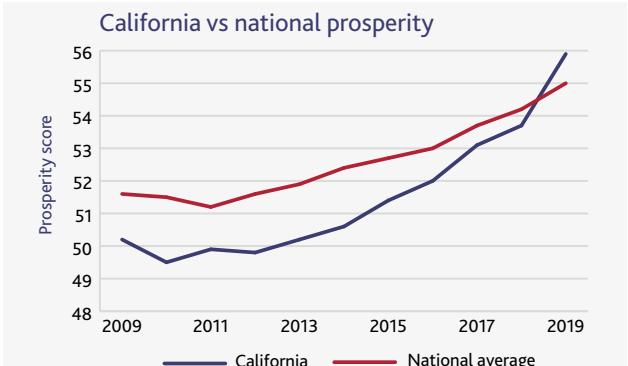
INTRODUCTION

California is well renowned as one of the economic powerhouses of the United States, with the Los Angeles and San Francisco metropolitan areas ranked in the top 10 nationwide for GDP.¹⁵ Thanks in large part to improvements in labor productivity and fiscal sustainability, California's prosperity is, for the first time in the last decade, above the national average. While these clusters exemplify the openness of California's economy, there is a well-explored imbalance between the state's economic prowess and poor social outcomes for large proportions of the population.^{16,17}

OPEN ECONOMIES

California accounts for 1/7th of the nation's GDP, and received 56% of American venture capital investment in 2018. The Bay Area accounts for nearly 45% of that, and is a paragon of American dynamism, entrepreneurship, and productivity.¹⁸

California is one of the best states in which to be an entrepreneur, and roughly 175,000 Californians start a business every year,

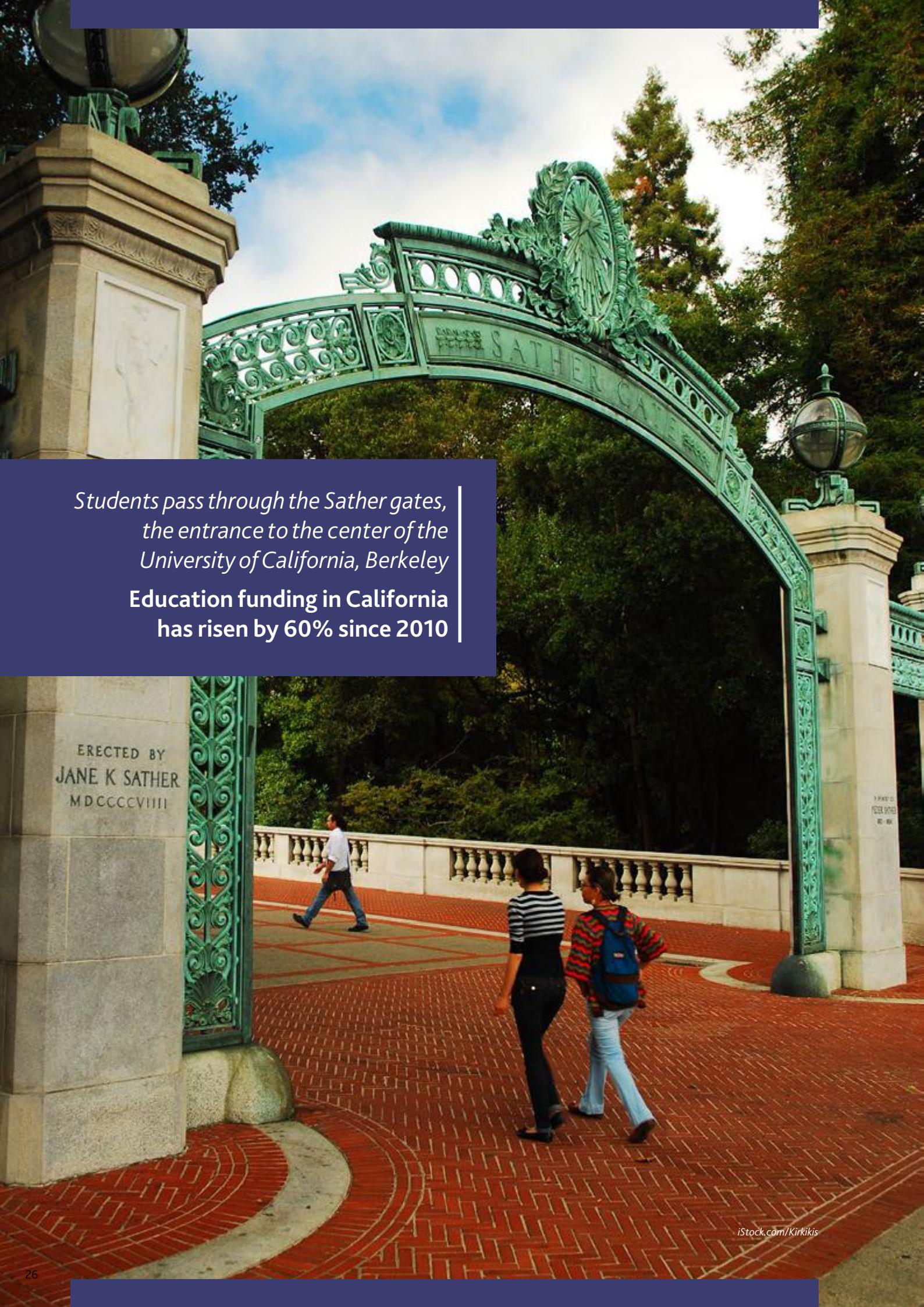


the second-highest rate in the country. The rate of job creation from each new business is also the third-highest in the country, with an average of 6.6 jobs created per new business, and the one-year survival rate for new firms is 82%, the fifth-highest in the country. The labor force participation rate, however, is decreasing, and 3.7% of the labor force is underemployed (the third-worst rate in the country).

INCLUSIVE SOCIETIES

The largest advances in California's prosperity have been due to improvements in governance, notably to the justice system, with some observers praising the leadership of former Governor Jerry Brown for reforming the youth justice system.¹⁹

California is proactive in protecting its citizens from legal discrimination. The state has anti-discrimination laws beyond the



*Students pass through the Sather gates,
the entrance to the center of the
University of California, Berkeley*

**Education funding in California
has risen by 60% since 2010**

ERECTED BY
JANE K SATHER
MDCCCCVIII

federal level, and has the second-strongest laws regarding LGBT relationships and parenthood recognition. These freedoms are culturally reinforced by high levels of social tolerance; two-thirds of Californians support same-sex marriage.

In addition to this, there are 83 hate groups in the state – while this is the most of any state in absolute terms, it is the tenth-lowest concentration per capita.

Social ties and support appear to be a challenge in California. Low levels of trust in both individuals and institutions are reported in California, with only 50% of respondents reporting that they trust people in their neighborhood (compared to a national average of 57%), and 60% of respondents reporting confidence in corporations to do what's right (compared to a national average of 65%). A 2019 special report on trust in California by Edelman described the San Francisco Bay Area as "*a region in flux, buffeted by the ever-rising costs of living, growing employee activism and a breadth of pressing social and economic issues, yet buoyed by the continued dominance of the technology sector.*"²⁰ As a result, Social Capital is one of California's weakest performing pillars at 44th, going against the broad pattern seen within the region. Except for Nevada (51st for this pillar) and California, all states in the West are ranked above 22nd for this pillar.

EMPOWERED PEOPLE

Though performing well in terms of the health of its residents (ranking 4th overall, and top for mental health and longevity), persistently poor living conditions in California remain a major issue.

With one of the highest levels of income inequality in the U.S., many areas are being underserved, and the poverty rate in California (when adjusted for the cost of living) is the highest in the country at 19%. Though the rate of homelessness is decreasing, one person in every 300 is homeless – the fifth-highest rate in the country. Worse still, 69% of the homeless population is unsheltered, higher than in any other state.

At the tertiary level of education, California excels, with two universities (Stanford and the California Institute of Technology) ranked in the top five globally.²¹ However, some observers have found California's education system to be "underfunded and overcrowded", providing insufficient academic and psychological support for children.²² With a higher-than-average proportion of students who speak English as a second language, and funding per student at 4% less than the national average, this is not surprising.^{23,24} Education funding has risen by 60% since 2010, though some have noted that mandated costs (employee healthcare and pensions) have also risen in recent years, eating up much of the annual budget increases.²⁵

The Learning Policy Institute, a Palo Alto-based nonprofit, cautions that education reform in California "is a story of meaningful progress and significant need", but is broadly positive about policy changes set down by former Governor Jerry Brown.²⁶ With such an extensive education code that affords school districts little flexibility, it is likely that localized control will take a long time to become established properly.

The effects of weak educational provision on Californian students' performance, particularly across the early stages of education, are hard-felt, with test score averages lower than the vast majority of other states. Though still far below the national average, test score results in Grade 8 have been increasing over the last 10 years.

CONCLUSION

California has long been highlighted for the sharp contrast between its high levels of wealth and poverty. By considering the "expansive approach to housebuilding" which has helped to halve Texas' rate of homelessness over the past decade, California could become a more inclusive society, better able to serve its residents and bring more people into prosperity.²⁷

A study of Montana (35th)

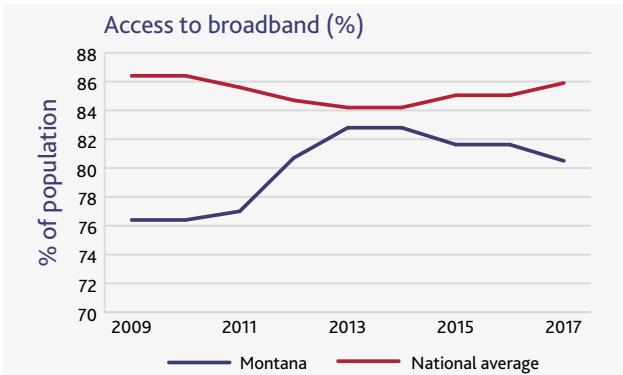
Montana is the third-least densely populated state in the U.S., with the seventh largest share of rural population at 56%. The state's economy is primarily agriculture-based, but also has significant resources in oil, gas, coal, and lumber, amongst others. Montana ranks 35th for overall prosperity and broadly underperforms relative to the rest of the U.S., sitting in the bottom half of the rankings for all pillars except Social Capital and Safety & Security. The state has experienced a weakening of its prosperity from 30th in 2017, with falling levels of Safety & Security and Education.

OPEN ECONOMIES

Montana has one of the least open economies in the country, and improvement has been slow and sporadic; its business environment and market access and infrastructure have been improving, albeit from a weak starting position. However, though its Economic Quality pillar was ranked 16th in 2009, it has weakened considerably to 37th.

As in other mountain states, Montana faces significant challenges in its transport and communications infrastructure. Only 81% of the population has high-speed broadband in their homes, and the mean download speed is 11 MB/s, the lowest in the country. Access to reliable, high-speed internet is increasingly necessary for businesses to grow and compete. Although there have been some initiatives to address this problem, such as the grant to a telecommunications company in Eureka which will provide internet roughly 17 times faster than what is currently available, many of the state's inhabitants are being left out.²⁸ Only 59% of the rural population of the state has access to broadband, a far lower proportion than the national average.

In November 2018, it was announced that Native Network and Microsoft had agreed to provide broadband access to approximately 73,500 unserved people in rural communities in both Washington and Montana.²⁹ This partnership is part of the wider Microsoft Airband Initiative, aiming to extend broadband access to 2 million people in currently unserved parts of rural America by 2022.



INCLUSIVE SOCIETIES

Institutions in Montana have consistently been strong, though there has been a decline in its governance, safety and security, and social capital, though this is still the eleventh-strongest in the country. Personal freedom has improved, though more slowly than other states; it has, for this reason, dropped seven ranks to 37th since 2009.

Montana has fallen 13 places since 2009 in the Safety & Security pillar to 23rd. This decline has been seen across many areas, including an increase in terror-related incidents. There were three separate shootings in the state over the course of three years; in June 2015, three people were killed in Deer Lodge, in August 2017, three people were killed in Lodge Grass, and in December 2018, two people died as a result of a shooting at Helena.^{30,31,32}

People in Montana face low levels of legal discrimination, and strong freedoms of association and speech; for example, there were no reported incidences of either press suppression or invasive cell phone surveillance. However, tolerance and legal protections for certain groups of citizens in Montana appears to be low.

In 2018, there were seven hate groups in Montana, five of which were white nationalist parties, and two of which were anti-Muslim, putting Montana at 45th for the concentration of hate groups, while analysis of Google trends shows that ethnic slurs are more searched for in only seven other states.

The levels of legal protections for LGBT individuals in Montana are limited; LGBT parents don't have adoption or foster care non-discrimination protections, and for non-discrimination laws around LGBT individuals, there are only non-discrimination policies in place for state employees.³³

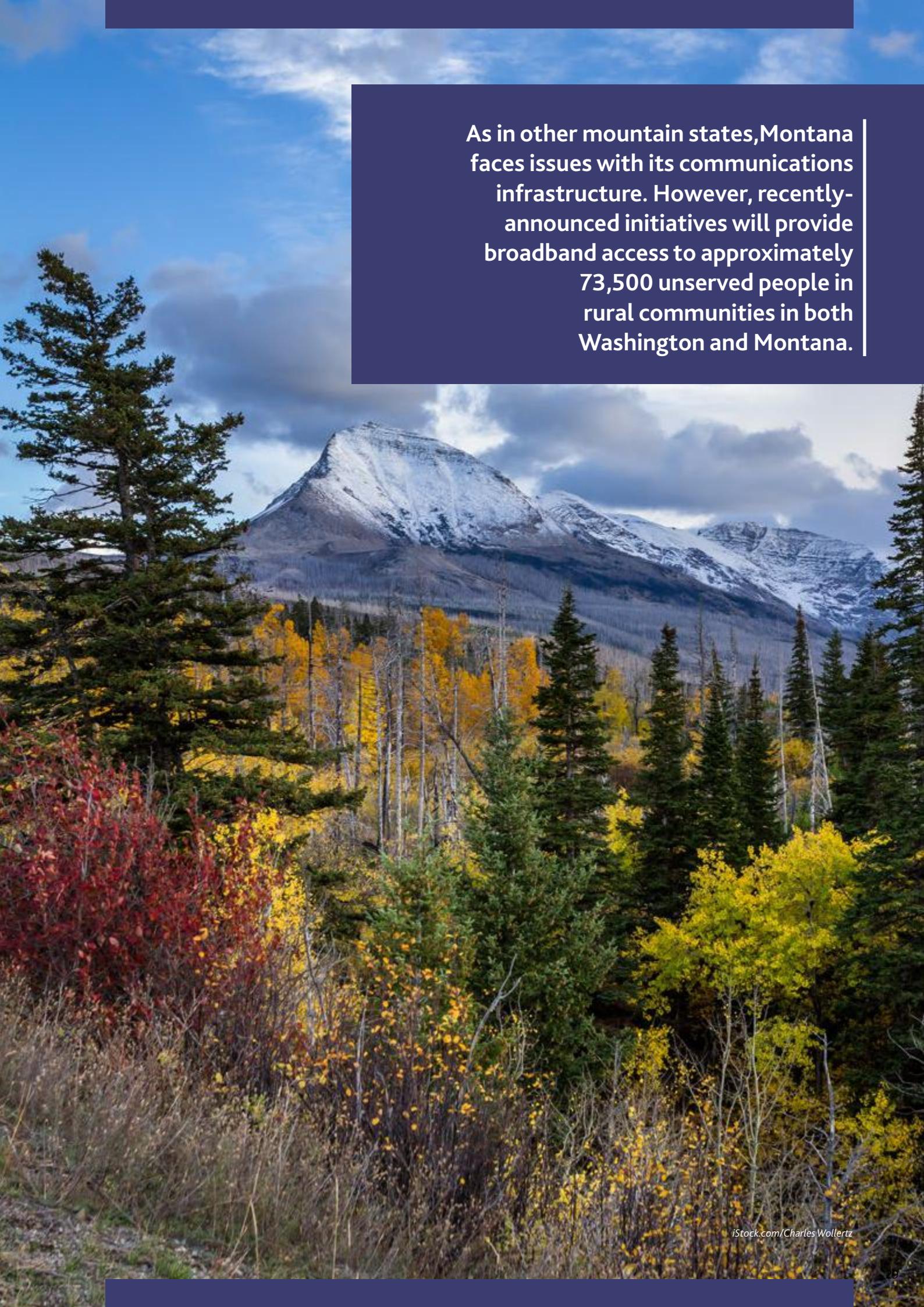
EMPOWERED PEOPLE

Social wellbeing in Montana has been on an upward trajectory, despite a deterioration in the quality of education. There have been improvements in health, the natural environment, and, most significantly, living conditions.

Though Montana's health performance has improved overall, the state faces challenges around a deteriorating quality of mental health; the suicide rate is the highest in the country, at 25.6 suicides per 100,000 people (up from 19.8 per 100,000 in 2009), and 5.2% of citizens have a serious mental illness, far above the national average of 4.4%. These high suicide rates have been a persistent and growing issue in Montana, with this year's figure almost double the national average. Some have pointed to a "perfect storm" of conditions in the state contributing to the high suicide rate: a high rate of heavy alcohol consumption, harsh conditions in the winter, and a high rate of gun ownership.³⁴ In spite of the good physical health of its citizens and effective care systems, these concerning trends in mental health mean Montana's rank in this pillar is 28th.

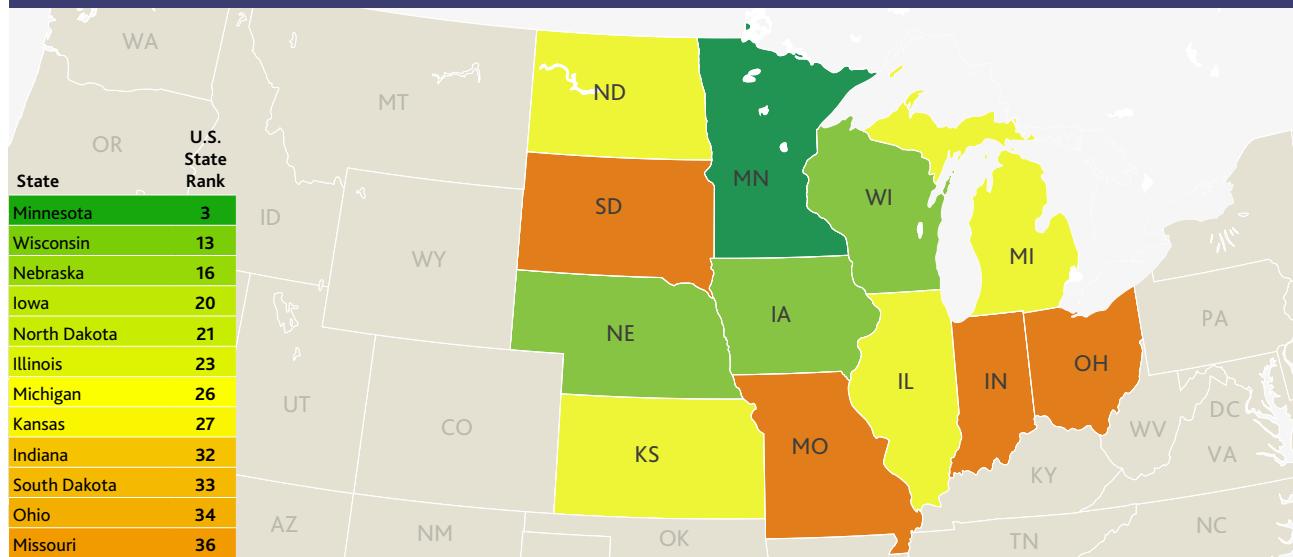
CONCLUSION

Many of the issues facing Montana, particularly around the expansion and upgrade of infrastructure, are shared by many of its neighboring states. The lack of telecommunications infrastructure has historically acted as a brake on prosperity for the state, preventing both proper market access and full openness of Montana's economy. It is also preventing the connectedness of individuals in rural areas, hindering the empowerment of people. The welcome trends in the expansion of Montana's telecommunications infrastructure provides an opportunity to increase multiple areas of prosperity.

A wide-angle landscape photograph of a mountain range. In the foreground, there's a mix of evergreen trees and some deciduous trees showing bright yellow autumn foliage. The middle ground is filled with more forest, and in the background, majestic mountains rise, their peaks heavily covered in white snow. The sky is a clear blue with a few wispy white clouds.

As in other mountain states, Montana faces issues with its communications infrastructure. However, recently-announced initiatives will provide broadband access to approximately 73,500 unserved people in rural communities in both Washington and Montana.

The Midwest (3rd)



The Midwest is the third-ranked region for overall prosperity in the U.S., and contains a broad spread of prosperity, with four states placed in the top 20, and four in the bottom 20. The Midwest is the strongest performing region for Social Capital, and second for Business Environment, Education, Governance, Living Conditions, and Safety & Security.

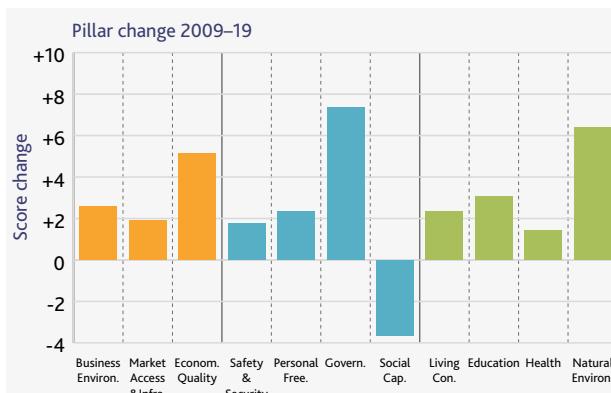
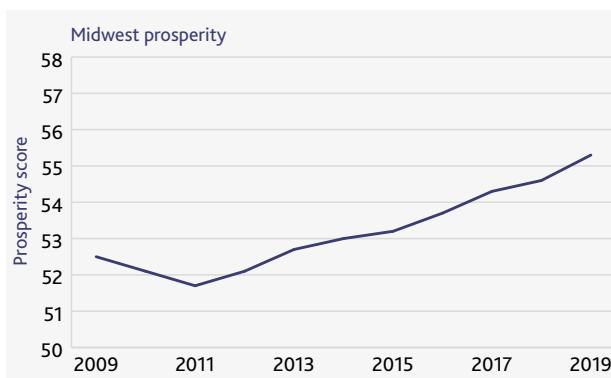
Though social capital has weakened in the Midwest, it still posts a strong performance due to the strength of personal and family ties, as well as the resilience of social networks. The divorce rate in the region is just 2.5 per 1,000 people, compared to the national average of 2.9, and 65% of people in the region report trusting those in their neighborhood, whereas the national average is just below 57%. With a large rural population, at 22% compared to the U.S. average of 19%, the relative strength in family and community relationships across the Midwest is somewhat unsurprising; family and community ties in rural areas have been found to be stronger than in urban areas.³⁵

The Midwest has the highest levels of emissions and also the highest levels of exposure to air pollution of any region. It has seen an improvement in these areas over the past 10 years, with the total number of life years lost from exposure to air pollution falling.

STATES IN THE SPOTLIGHT

Minnesota (3rd) is the most prosperous state in the region, and has been for the past decade. One particular area of strength in Minnesota is Social Capital, where the state ranks 2nd. This relative strength is driven by strong levels of social capital in a number of areas: Minnesotans report having the second highest number of close friends on average, at 7.2, and 74% report having confidence in corporations to do the right thing, compared to the national average of 65%.

Illinois' (23rd) middling prosperity is weighed down by the state's finances, which are notoriously weak, and the high levels of violence found in Chicago. The state government's struggle to raise revenues stems from the low levels of dynamism and competition in the local economy, which also affect employ-



ment. There are also pressing problems with systemic violence, with Illinois having some of the highest rates in the country for murder, mass shooting deaths, and robbery.

South Dakota's (33rd) prosperity has deteriorated predominantly because its broader institutional strength has declined over the past decade. Violent crime has risen across the state, with rates of aggravated assaults rising from 169 to 335 incidents per 100,000 people over the last 10 years, and robbery has risen from 15 to 27 incidents per 100,000 people over the same time period. Other types of crime are also increasing; vehicle theft, larceny and identity theft rates have all risen. There are some glimmers of hope, however, as rates of other crimes have fallen. Murder, rape and burglary rates have all declined slightly over the past decade.



Confidence of news reporters in the different levels of government has deteriorated, with perceptions of corruption increasing across the state over the past decade. Although, paradoxically, residents in South Dakota also have less trust in the media than they did decade ago. This drop in confidence extends to corporations.

Social tolerance has also declined over the past 10 years. There has been a rise in the number of hate groups across the state, and public support for laws that would protect the LGBT community against discrimination in jobs has fallen from 67% to 62%. South Dakota is, however, 1st for Freedom of Association and Speech, with there being no press suppression, or use of mobile phone surveillance.

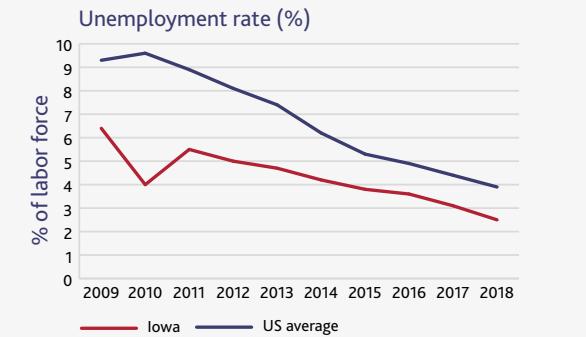
In the economic sphere, there has also been an increasing burden placed on businesses in South Dakota. State regulation has increased and there are higher costs of employment, with costs of employee health insurance increasing by 12% and the minimum wage increasing by over 50% over the past 10 years.

A study of Iowa (20th)

Iowa has a mixed performance across the pillars of prosperity. Iowa's institutions are a point of strength, as is the state's ability to maintain high levels of employment. Famously, the state has high levels of farm and non-farm subsidies, which distort Iowa's business environment. Generally speaking, options for financing a new business in Iowa are weak, contributing to low levels of entrepreneurship. A dearth of income resulting from this weak economic climate contribute to poor living conditions for Iowans, which are further dented by poor protection of the natural environment.

OPEN ECONOMIES

The relative strength in the openness of Iowa's economy is driven primarily by high levels of Labor Force Engagement (Iowa ranks 1st nationally for this element). Iowa has the lowest level of unemployment nationally, at just 2.4%, and youth unemployment



is also low at 5.4%. This is thanks in large part to expansions in both the manufacturing and construction sectors.³⁶ The level of labor force participation has fluctuated over the past 10 years, but remains very high at 83.8%. Despite managing to preserve high levels of labor force participation, there are some concerns that the benefits of high employment seem to be limited to Iowa's major population centers, such as Cedar Rapids and Des Moines.³⁷ These strengths contribute to Iowa's rank of 13th nationally for the Economic Quality pillar.

Iowa has a strong export sector, and has the ninth-highest state value of non-manufactured exports per capita, leading to a strong performance in productivity and competitiveness (ranked 22nd for this measure). While the Iowan economy has diversified over several decades, agriculture in Iowa remains strong today. The state is also the second largest exporter of agricultural products in the U.S., shipping \$10.3 billion of agricultural exports in 2017.³⁸ Despite this, Iowa State University research in 2017 identified that mid-sized farms (of 800 to 1000 acres) were at risk of being unable to survive economic downturns.³⁹

Weaknesses in Iowa's economy are particularly noticeable in its financing ecosystems; venture capital fundraising, at \$0.6 per capita per year in Iowa, is the fourth lowest in the nation, and citizens of the state face the seventh worst level of bank branch access. These specific weaknesses are typical of Iowa's areas of struggle, and contribute to the state's ranking of 40th for the Business Environment pillar.

INCLUSIVE SOCIETIES

Iowa is an exemplar of the Midwest's strength in social capital, ranking 10th for the pillar. Iowans have strong personal and family relationships, and strong social networks. In particular, levels of trust and community engagement are high, with 69% of people saying that they trust most or all people in their neighborhood, compared to the national average of 61%. Divorce rates are the lowest in the nation, at just 2 per 1,000 people. These strengths lead Iowa to rank 2nd nationally for Personal & Family Relationships, and 10th for Social Networks.

Despite strong ties at the family, personal, and social level, Iowa underperforms in Institutional Trust, ranking 25th, following a decline of 22 places over the decade from 3rd in 2009. In particular, confidence in corporations is relatively high at 68%, ranking 19th in the country.

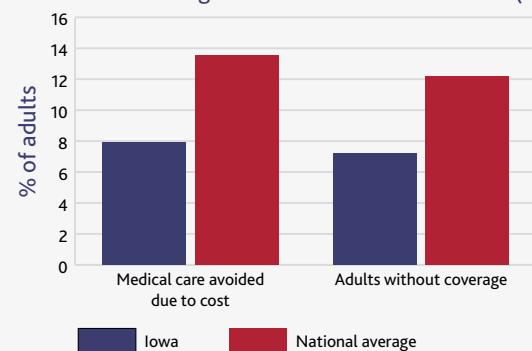
In terms of personal freedom, Iowa performs well. Infringements on the agency of residents are rare in Iowa. There have been no fatal shootings of unarmed civilians in the state, and no recorded instances of trafficking in the last year. Iowa is a 'right-to-work' state, protecting workers from coercion into unionization, and has employment anti-discrimination laws beyond the federal level. These strengths result in Iowa ranking 12th nationally in the Personal Freedom pillar.

EMPOWERED PEOPLE

Iowa has numerous areas of strength regarding the health of its population, and as a result ranks 11th nationally for health. Iowa has among the best health care coverage across the U.S., with only 7% of adults lacking coverage and only 8% avoiding medical care due to cost (the lowest rate in the U.S.). It also has strong health outcomes. It is one of only twelve states nationwide to see levels of serious mental illness fall over the past five years, which gives it a ranking of 14th for mental health. Despite this, a recent survey of Iowans found that health care is the most commonly-cited issue for the governor to address (with education quality and funding as the second-most), though there has been controversy surrounding the privatization of Medicaid for low-income and disabled people and new health coverage not being technically defined as 'health insurance' and therefore not regulated by Iowa's insurance commissioner.^{40,41}

Though it was the second most-cited issue in the aforementioned survey, Iowa performs well in education, ranking 10th in the country. Iowa has the highest primary enrollment rate in the U.S., as well as the highest high school graduation rate (97% and 91% respectively). Iowan students typically score in the top quintile for math, reading, and science scores at both grade 8 and grade 4, and the college graduation rate is the fourth-highest in the country, though only two of the state's universities are ranked in the global top 1,000 rankings; both are outside the top 400, placing Iowa 27th on our measure of state university quality.

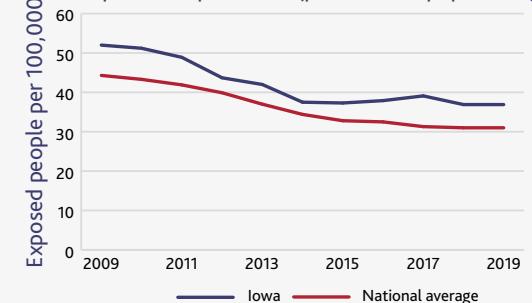
Health care coverage and care avoided due to cost (%)



Iowa's relative weakness in the empowered people domain comes from its protection of the natural environment, due to a plethora of issues. Over 1,000 Iowans are exposed to pesticides each year, and the state has the highest rates of ammonia emissions in the country due to the magnitude of its agriculture industry.

Concentrated Animal Feeding Operations use vast amounts of fertilizer and feed to raise animal stock, emitting ammonia and other chemicals into the atmosphere and local water sources, and in the state, and they receive various exemptions from EPA disclosure and treatment requirements.^{42,43} As a result, Iowa ranks 42nd nationally for the Natural Environment pillar, and below 30th for all elements. A particularly poor performance is in the Emissions element, where Iowa ranks 40th.

Exposure to pesticides (per 100,000 population)



CONCLUSION

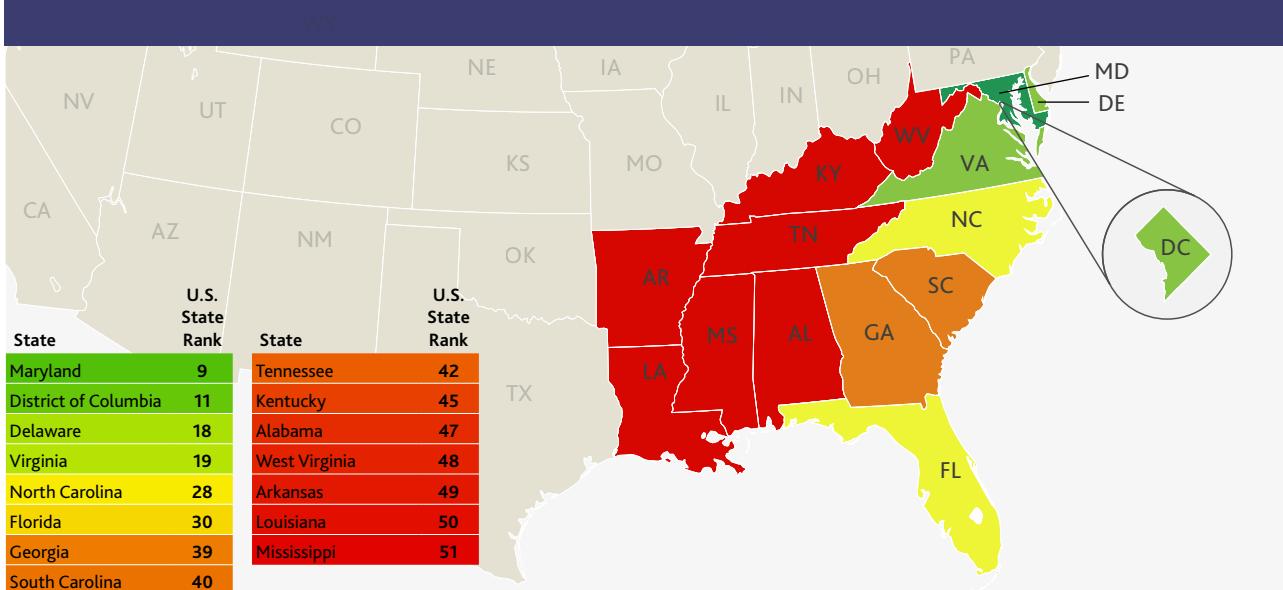
Iowa is a relatively prosperous state, and has done well to foster inclusive societies and empowered people (apart from its performance in the Natural Environment pillar due to heavy agricultural production). Furthermore, it is laudable that Iowa has kept these high levels of prosperity relatively stable for the last decade. Nevertheless, it would appear that the transition from an agricultural economy to a diversified economy, while broadly being successful, has not yet resulted in a fully open economy for the state. The high level of distortions due to subsidies, combined with a weak financing ecosystem, including limited accessibility of capital, is a key obstacle to greater future prosperity.

The background image shows a wide-angle aerial view of a suburban neighborhood. It features numerous single-family homes with varying roof colors and styles, all surrounded by well-maintained green lawns. A large, calm body of water, possibly a lake or a large pond, is visible in the lower-left foreground. The streets are paved and show some traffic. In the distance, more residential areas and a few tall utility towers are visible under a blue sky with scattered white clouds.

Bettendorf, Iowa

**69% of respondents in Iowa reported
that they trust most or all of the
people in their neighborhood,
compared to the national
average of 61%.**

The Southeast (4th)



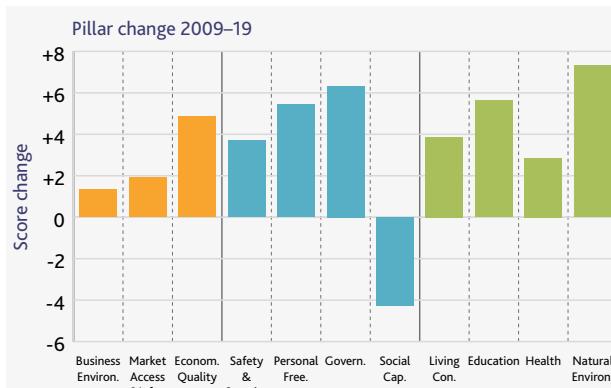
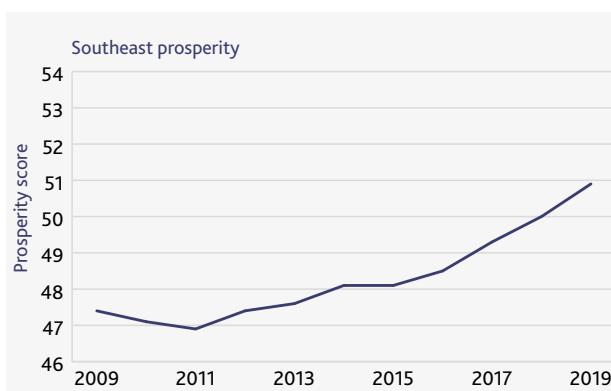
The Southeast is the second least prosperous region in the country, containing the five weakest performing states and two other states ranking in the bottom ten. There is an apparent gradient across the Southeast, from **Maryland** (which tops the rankings in this region) bordering the prosperous Northeast, towards the Southern Mississippi river basin, home to some of the least prosperous states in the country, such as **Arkansas** (49th), **Louisiana** (50th), and **Mississippi** (51st). Overall, the Southeast has a set of relatively open economies, but weak institutions and poorly performing social wellbeing.

The Southeast's best performance is in Market Access and Infrastructure, and the region has been improving in this pillar over the last decade. Its transport infrastructure is particularly good, with roads and bridges broadly in good condition, and it has a high density of roads, railroads and bus transit routes.

Health is an issue in some states, although behavioral risk factors, preventative interventions, and care systems have improved in quality, mental and physical health outcomes have declined, particularly in the last few years. Eight of the bottom ten ranking states nationally for the mortality rate of those aged 15 to 64, and life expectancy at 65 are from the Southeast.

The strength of social networks and institutional trust across the Southeast has deteriorated over the past decade, with all states experiencing a decline in social capital, except for Delaware. People are talking less frequently with their neighbors and doing fewer favors for them. Whereas 71% of people talked frequently with their neighbor 10 years ago, this has fallen to 57%. Similarly, 41% of people reported doing favors for neighbors in 2009, though this has since fallen to 32%. Maryland and Kentucky have seen the greatest falls in Social Capital across the region.

More so than in any other region of the country, the Southeast's improvement in prosperity has been holistic, incorporating almost all aspects of prosperity. Though no state in the country experienced improvement in every single pillar of the index, **Maryland** (9th), **Virginia** (19th), **Florida** (30th), and **Georgia** (39th) have improved in 10 of the 11 pillars over the course of the last decade, a feat replicated by only six states outside the Southeast.



STATES IN THE SPOTLIGHT

The **District of Columbia** (11th) has experienced the greatest improvement in prosperity in the country. It has the most open economy in the country, and has risen 17 ranks in the Market Access and Infrastructure pillar since 2009. This is the result of concerted efforts to improve the condition of bridges in the District, as well as a large increase in the proportion of the population now having access to high-speed internet.⁴⁴

Virginia (19th), though performing well in each of the three domains of prosperity, is strongest in the empowerment of people. Living conditions in the state are the seventh-best in the country, improving consistently since 2009. Exemplifying this is the drop in the rate of homelessness, which has decreased



iStock.com/Art Wager

from 11 people per 100,000 in 2009 to 7.1 today; this is the 5th lowest rate of homelessness in the country. Additionally, Virginia has made significant progress in resolving one of the issues faced by large swaths of the country – rural access to broadband. Up from 36% in 2009, 71% of the state's rural inhabitants are now connected to broadband, which translates to a ten-rank increase. This is likely to improve further, with \$14 million of new grants to improve rural broadband access announced in March of 2019.⁴⁵

Though **Arkansas** (49th) is one of the least prosperous states in the Southeast, it has seen the third-greatest improvement in the region. This has been driven primarily by improvements in its business environment. It has the twelfth-most flexible labor market in the country, and its financing ecosystems have greatly improved. Between 2009 and 2019, the value of assets under management increased more than ten-fold, and the state now has the thirteenth-highest level of venture capital fundraising per capita in the United States.

A study of Louisiana (50th)

The disparity in prosperity across the Southeast is perhaps most evident in the performance of Louisiana. It ranks 50th, just ahead of Mississippi, and although prosperity has increased overall in the region, Louisiana is one of only a handful of states across the country where it has decreased, with deteriorating living conditions and more people finding themselves in poverty.

While overall a weak performer, Louisiana has relative strengths in the openness of its economy, with mid-ranking but deteriorating communications, resources and economic quality. The overall quality of its institutions are its weak point, although personal freedom has been strengthening, and is no longer in the bottom quintile of states.

OPEN ECONOMIES

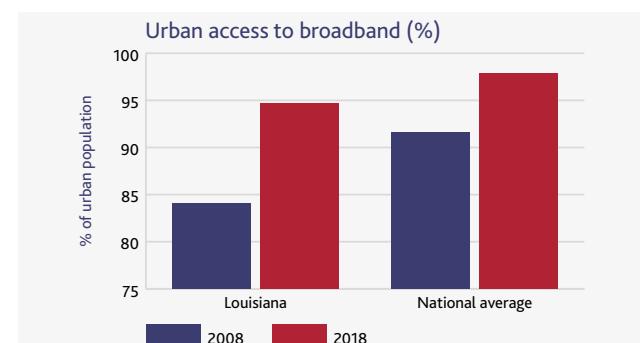
The economy of Louisiana benefits from some geographic advantages. As part of the energy belt, it ranks 16th in the Union for labor productivity. With an extensive port network that carries

25% of U.S. waterborne commerce, it exports among the highest value of both manufactured and non-manufactured goods per capita. The quality of Louisiana's economy is one of the state's strengths, though its trajectory is less promising; a decade ago, Louisiana ranked sixth for Economic Quality, but has dropped 32 ranks in the intervening time. Similarly, in 2009, Louisiana had the eighteenth-most dynamic economy in the country, though it is now only the thirty-sixth-most dynamic, and there has been a concomitant decline in the labor force participation rate.

Though it still falls short when it comes to venture capital investments and deals, the state is starting to attract significant mobile capital investment.⁴⁶ A number of startup incubators, accelerators, and angel networks exist in Louisiana, largely concentrated in New Orleans and Shreveport. These may go some way to redressing the decline in dynamism by fostering entrepreneurship; already, the one-year startup survival rate has improved to the twelfth-highest rate in the country, up from forty-second-highest in 2009.⁴⁷

Louisiana has a reputation for onerous business regulation and is the only U.S. state to require an occupational license for florists.⁴⁸ Louisiana currently licenses 77 of 102 lower-income occupations, which is reflected in its low Business Environment pillar ranking of 50th.⁴⁹

Louisiana has comprehensive mobile network coverage and, though wired high-speed internet use has decreased since 2009, the trend of the last few years has been positive, increasing from 68% in 2015 to 78% in 2017, according to data from the National

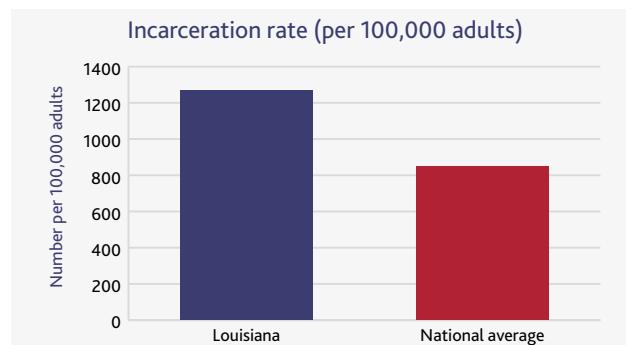


Telecommunications and Information Administration. However, transport infrastructure, including the condition of roads and bridges, is poor and decreasing in quality, with U.S.-based civil engineers calling for urgent action.⁵⁰

INCLUSIVE SOCIETIES

One of Louisiana's weakest pillars is Safety and Security. Incidents such as the attack on police officers in Baton Rouge in 2016 are indicative of broader increases in the number of mass shootings and deaths from terrorism.⁵¹ While only five people were killed in mass shootings across the state in 2014, by 2018 this had increased to 30.

Louisiana is a state with relatively high levels of personal freedom, largely due to strong protections of free speech. However, it has historically been the U.S. state with the highest incarceration rate, with 1,270 people per 100,000 incarcerated this



year, compared to the national average of 850. This has been due to the adoption of mandatory sentencing laws and restrictive parole policies that have resulted in people being locked up for nonviolent offenses at rates far greater than the national average. The recent trend, however, is positive, as 10 criminal justice reform laws were enacted in 2017. These included steering people convicted of less serious crimes away from prison and strengthening incarceration alternatives, moving Louisiana up the rankings.⁵²

Social tolerance has been improving in the state. The number of hate groups has been steadily decreasing over the last decade, and the use of ethnic slurs (as measured by Google searches) is lower in only 20 other states. It performs better than the regional average for the protection of religious rights, for which it ranks 6th.

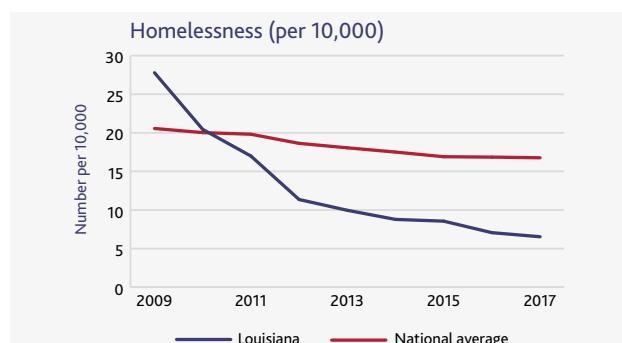
Certain aspects of governance have weakened over the past decade, such as the perception of legal and illegal corruption. The interpretation of the state's ethics laws led to Louisiana's poor score in the 2015 State Integrity Investigation, a national assessment of state government transparency and accountability by the Center for Public Integrity and Global Integrity.⁵³ However, the Louisiana state legislature has become significantly more accountable, thanks to improvements in state campaign-disclosure requirements and its successful efforts to reduce voting waiting times and the number of rejected voter applications between the 2012 and 2016 elections.⁵⁴

Social capital in Louisiana, as in the rest of the country, is deteriorating. Some of the factors in this decline are exogenous; New Orleans, for example, experienced exceptionally high levels of

neighborhood abandonment in the wake of numerous hurricanes, including Katrina.⁵⁵ Other elements of Social Capital have also declined, such as the level of public confidence in both the media and corporations. Positively, the divorce rate has decreased significantly, such that Louisiana now has the lowest rate in the country.

EMPOWERED PEOPLE

Apart from a welcome drop in homelessness, which fell four-fold between 2009 and 2017, and is now the second-lowest rate in the country, living conditions are comparatively poor across Louisiana, with an overall ranking of 49th. U.S. Census Bureau data shows that about one in five people in Louisiana live below the federal poverty level, 50% higher than the national poverty rate of 13.4%.⁵⁶ The quality of nutrition has decreased significantly since 2009, and Louisiana now ranks 51st. The state has among the lowest consumption rates of fruits and vegetables, as well as high rates of food insecurity; 50% of adults report a non-existent daily fruit intake, and 31% of adults report a non-existent daily vegetable intake.



Louisiana is the fourth-weakest state in the U.S. in terms of longevity, and sixth-weakest for physical health. It also suffers very high rates of obesity and high blood pressure. The proportion of adults without health insurance coverage has halved since 2009 to 11%, now lower than the national average of 12%. The opioid epidemic has hit Louisiana particularly hard, with the number of opioid-related deaths seeing an 85% increase from 217 in 2014 to 401 in 2017.⁵⁷

CONCLUSION

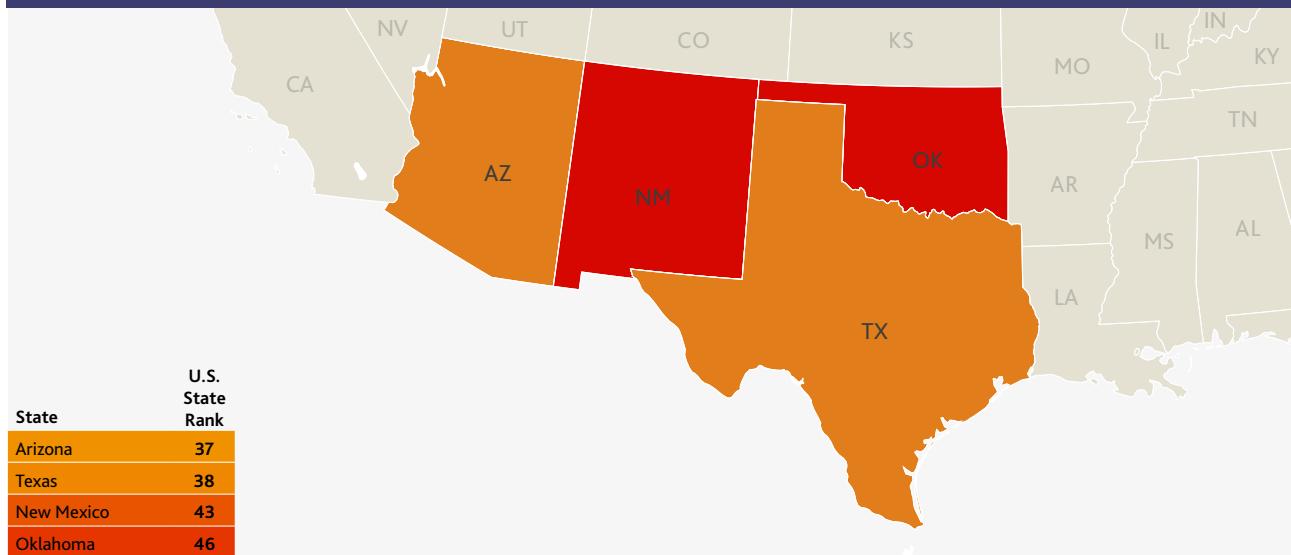
Louisiana has historically faced numerous obstacles to prosperity, and still does today. The state is underperforming in ensuring and enabling prosperity for its citizens, but the improvements in certain areas over the last decade should not be overlooked. Despite many obstacles, Louisiana has reason to be optimistic, and there are many opportunities for change. Continuing to provide an environment so that more start-ups can be established, and supporting them through their early growth, will create more jobs that will help reverse the decline in the labor market. Reviewing, and where appropriate removing, the need for occupational licensing also seems important to remove potential barriers to even greater job creation. Addressing the deterioration in the transport infrastructure in the state, however, will be necessary to help ensure the free movement of the workforce.



*Children playing in North Boulevard
Town Square, Baton Rouge*

**In Louisiana, 59% of adults report
that they live in a supportive
neighborhood for a child**

The Southwest (5th)



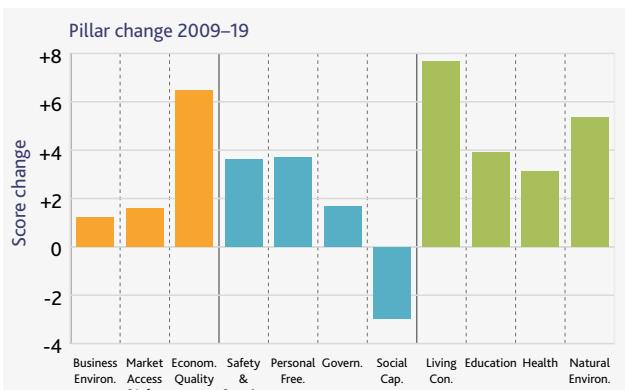
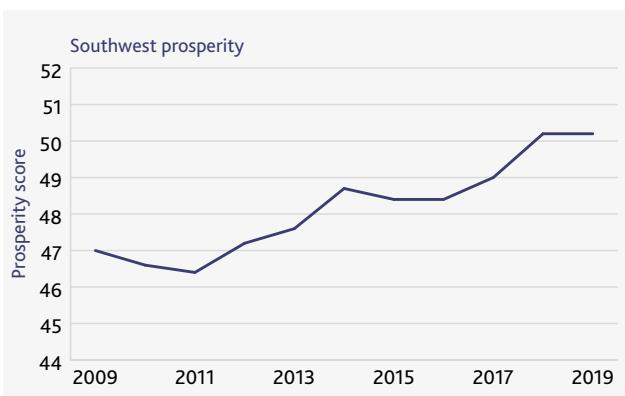
The Southwest is the weakest-performing region of the United States, ranking bottom in five of the Index's eleven pillars: Education, Living Conditions, Personal Freedom, Safety & Security and Social Capital. These shortfalls in institutional strength and social wellbeing are contrasted with some of the most open economies in the country, particularly in terms of labor market flexibility and dynamism.

However, there are causes for optimism, as the Southwest is not universally weak on all aspects of prosperity. The region excels for its rate of new entrepreneurs and employee engagement, as well as performing strongly across almost all measures of fiscal sustainability. San Antonio is one of several major Texan cities to establish innovation zones, designed to attract the region's best talent to establish and grow a new generation of businesses. As a result, it outperforms all other regions on the Economic Quality pillar.

Over the past decade, the region has seen its overall prosperity increase, driven by improvements across almost every pillar of the Index. Most notably, the Southwest has experienced a remarkable transformation in levels of alcohol misuse, improving from worst to best-placed region in the U.S. in the space of ten years. The Southwest's economic strength continues to grow, with the region cementing its strong reputation for innovation and receiving more new foreign direct investment than any other.

STATES IN THE SPOTLIGHT

Arizona (37th) faces issues in each of the economic, institutional, and social wellbeing aspects of prosperity, though it does perform particularly well in the quality of its governance. The state has the third-highest level of political accountability in the country by ensuring the transparency and disclosure of financial information. The state ranks 2nd for state campaign disclosure, far better than its 2009 position of 25th, and received an "A-" for the transparency of the state government's spending last year, qualifying it as a "leading" state according to the U.S. Public Interest Research Group.⁵⁸



Though **New Mexico** (43rd) ranks in the bottom quintile for most aspects of prosperity, the state ranks fifth in the country for the Personal Freedom pillar, and has very good quality governance, the improvement of which has driven the increases in the state's prosperity. Now ranked 15th in the Governance pillar overall, up from 36th in 2009, New Mexico has significantly increased the disclosure of state campaign finances, much like Arizona. Its best performance is in the Rule of Law element (7th), the state having increased its ranking in the Justice Index from 17th to 10th between 2014 and 2016.

Oklahoma (46th) is one of the weakest states for the inclusivity of its society and social wellbeing, but is comparatively strong in terms of the openness of its economy. The distortive effects on



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the state's markets are low, as it applies the same tax rate to all levels of income. Some commenters, however, have previously warned about the volatility of Oklahoma's corporate tax revenues, which is due in large part to the volatility of oil prices.^{59,60}

A study of Texas (38th)

INTRODUCTION

Texas contains 26 of the 200 largest cities in the U.S. Five Texan cities – Houston, San Antonio, Dallas, Austin, and Fort Worth – are listed amongst the top thirteen most-populated cities in the Union. This network of cities, combined with the benefits of an oil economy have meant that the state has high levels of productivity and dynamism (as well as fiscal sustainability). However, its overall institutional weaknesses has meant that it performs far less favorably in terms of cultivating an inclusive society and empowering its people.

OPEN ECONOMIES

The Southwest owes much of its economic dynamism to the performance of Texas, which ranks as the second largest economy in the United States; at \$1.65 trillion, it is larger than Russia's.

Four major industries have historically shaped the state's economic dynamism: cattle, cotton, timber, and, most recently, oil.⁶¹ The oil boom defined Texan prosperity during the twentieth century, with the state established as the largest producer of crude oil in the United States, generating around a third of the nation's total oil extraction each year. The state also plays a leading role in downstream production, with almost 30 refineries accounting for close to a third of U.S. capacity. The state's power generation credentials are impressive, with Texas producing twice as much electricity each year than its nearest competitor, Florida.

In addition to the historic prominence of energy in the state's economic profile, Texas currently enjoys superb conditions for creating a diverse range of economic opportunity, with leading telecommunications infrastructure and access to investment. Investment activity in the Southwest is centered in Texas, which was the source of 50% more patents in 2015 than the previous decade. This investment is not just domestic; businesses in their first year of operation in the state received the seventh-highest level of FDI in the country. San Antonio is one of several major Texan cities to establish innovation zones, designed to attract the region's best talent to establish and grow a new generation of businesses.

The state has an exceptional track-record in startup entrepreneurship – both in terms of the rate of new entrepreneurs and the number of jobs created by startups, for which Texas has the third- and tenth-highest levels respectively in the nation.

Texas also has access to a flexible – and sizeable – labor market, albeit with relatively low labor force participation. Nonetheless, labor productivity has been increasing faster than the national average, and the value of non-manufactured goods exports has been steadily increasing, rising 12 ranks since 2009. This overall strong performance rewards Texas with 3rd place in the Economic Quality pillar.

INCLUSIVE SOCIETIES

Texas performs poorly in terms of the quality of its institutions, ranking 44th overall for the Inclusive Societies domain. Governance is weakening, and Personal Freedom, while strengthening, is ranked 46th in the U.S.

Texas has high levels of crime, although incidences of property crime have been decreasing steadily, with far fewer burglaries, motor vehicle thefts and larcenies, causing Texas to rise 13 places for the Property Crime element over the last decade to 33rd. The state, however, has had an increase in the number of terror-related incidents. This reflects a series of high-profile attacks over the course of the last decade, starting with the 2009 Fort Hood

shootings, which killed 13 and left more than 30 wounded.⁶² Total crime in Houston dropped by 4.4% between 2017 and 2018, with violent crime decreasing by over 10% in the same period. However, Houston – the state's biggest city – experienced 279 homicides, a 3.7% increase on the previous year, making Houston one of only a few major U.S. cities to see an increase in 2018.

Despite there being fewer inmates on death row, Texas executes the most prisoners of all states and has been the site of over a third of all executions carried out in the United States since the resumption of capital punishment in 1976.⁶³ Only three death row inmates have been granted clemency during this period.⁶⁴ In 2018, Texas was responsible for over half of all executions in the U.S., putting to death thirteen prisoners.⁶⁵ There are some encouraging signs, however, with youth incarceration rates halving and adult incarceration rate decreasing, but Texas still finds itself 46th in the Personal Freedom pillar rankings.

EMPOWERED PEOPLE

The social wellbeing of Texans, while weak, has been improving. The state reflects the Southwest's broader pattern of low incomes, poor health outcomes, and poor educational attainment.

The proportion of people living in poverty or on low income in Texas has reduced since 2009, and 2% fewer households face food insecurity than 10 years ago. Homelessness in the state has also seen a 50% reduction over the past decade. Texas has consequently seen broad improvements in Living Conditions, moving up 3 places to 41st for the pillar.

Health in Texas is a very mixed story. Texans have some of the persistent lowest levels of health care coverage in the U.S., while at the same time the state's hospitals secure consistently high

ratings. Despite care systems and preventative interventions both ranking 51st, the state has experienced a decrease in alcohol and pain reliever use disorders and falling smoking rates over the last decade, which have seen Texas move up two ranks in Health to 33rd this year.

The state scores poorly for pre-primary enrolment and has amongst the country's lowest scores for average reading at both Grade 4 and Grade 8. There are promising signs, with Texas' most recent legislative session allocating increased funding for public schools to improve the basic educational outcomes of the state.⁶⁶

Though current high school graduation rates are impressive, these are not reflected in levels of college enrollment, which rank 37th in the U.S. Given the resource-based nature of the economy, levels of Adult Skills (48th) do not correspond with other states with equivalent productivity; the proportion of Texan adults with at least a high school diploma at 83% is one of the lowest in the country.

CONCLUSION

Texas is, by any account, an economic powerhouse, and this is its main strength. However, the dividends of its dynamic economy, which is mainly confined to its largest cities, are narrow and have yet to filter through and benefit all of the state's 29 million residents. While some progress has been seen in certain pillars of prosperity, such as living conditions and business environment, this is by no means universal. Texas has an opportunity to capitalize on its enviable position as one of the country's economic centers to bring about greater improvement in the other pillars of prosperity, which will result in greater empowerment for its residents and create a more inclusive society.



Open Economies





Defining Open Economies

Prosperous societies require open economies that encourage innovation and investment, promote business and trade, and facilitate inclusive growth. This domain captures the extent to which the economies of each state embody these ideals.

Without an open, competitive economy, it is very challenging to create lasting social and economic wellbeing, where individuals, communities and businesses are empowered to reach their full potential. Trade between countries, regions, and communities is fundamental to the advance of innovation, knowledge transfer and productivity that creates economic growth and prosperity. Our research shows that open economies are more productive, with a clear correlation between increased openness over time and productivity growth. In contrast, in an uncompetitive market, or one that is not designed to maximise welfare, growth stagnates and crony capitalism thrives, with knock-on impacts elsewhere in society.

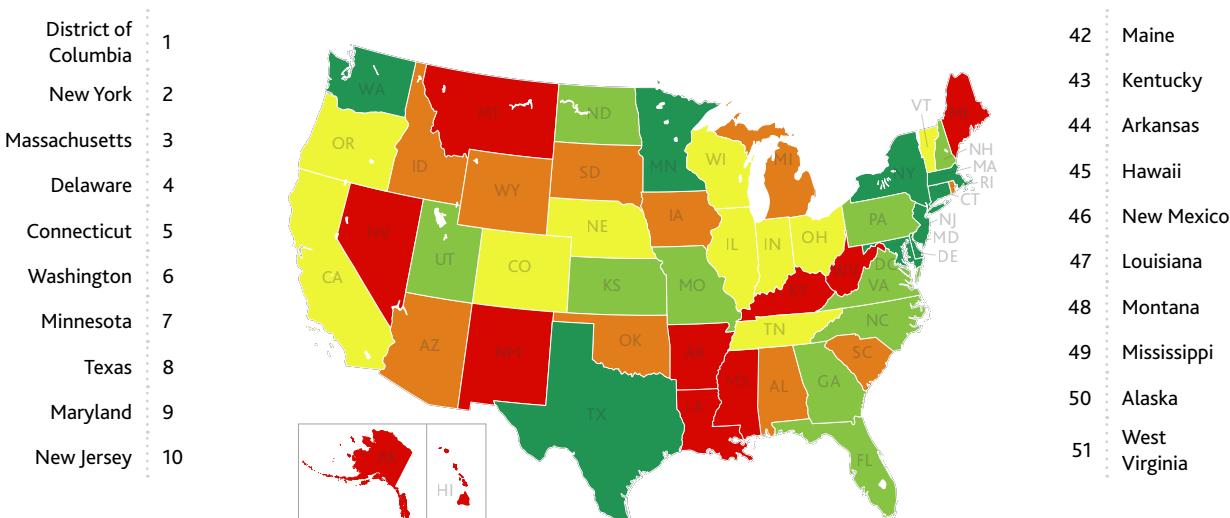
One of the biggest opportunities for policymakers is to resist protectionism and actively reinvigorate an agenda that embraces open and pro-competitive economies, both domestically and internationally, that attracts innovation, ideas, capital and talent. Though the U.S. performs admirably in this regard at the global level, there are significant differences between states. While most policymakers focus on the big fiscal and macroeconomic policy tools at their disposal, the microeconomic factors are sometimes overlooked, and their potential to drive openness and growth is underestimated. With a focus on these microeconomic factors, we examine the fundamental aspects of open economies across three pillars, each with component elements.

Business Environment measures the amount and variety of investment finance available (*Financing Ecosystems*) and how easy it is for businesses to start, compete, and expand (*Domestic Market Contestability*). Contestable markets with low barriers to entry and adequate pools of funding are important for businesses to innovate and develop new ideas. This is essential for a dynamic and enterprising economy, where the *Burden of Regulation* enables, rather than hinders, business, responds to the changing needs of society and ensures *Labor Market Flexibility*.

Market Access and Infrastructure measures the quality of the infrastructure that enables trade (*Communications, Transport, and Resources*), and the inhibitors on the flow of goods and services between businesses (*Market Distortions*). Where markets have sufficient infrastructure and few barriers to trade, they can flourish. Such trade leads to more competitive and efficient markets, allowing new products and ideas to be tested, funded, and commercialised, ultimately benefitting consumers through a greater variety of goods at more competitive prices.

Economic Quality measures how robust an economy is (*Fiscal Sustainability*) as well as how an economy is equipped to generate wealth (*Productivity and Competitiveness, Dynamism*). A strong economy is dependent on high *Labor Force Engagement* and the production of a diverse range of valuable goods and services.

Open Economies 2019





A geographical perspective of prosperity and economic openness — *Mike Troilo*

Mike Troilo is the Chapman Endowed Chair and Associate Professor of International Business and Finance at the University of Tulsa. His research interests focus on the effects of institutions like legal systems and financial markets on entrepreneurial activity across countries, particularly in transition economies such as China. He has served as a consultant to the United Nations in the Asia Pacific region for entrepreneurship and economic development, and has published over 40 academic articles, books, and book chapters. He earned his PhD at the University of Michigan.

The United States of America has been known since its inception as a "land of opportunity". Concern for the rights of the individual, limited government, and relative openness to flows of trade, investment, and people have characterized the U.S. for much of its history and have made it into a global superpower. Despite this success, recent policies and attitudes regarding America's role in the world are challenging these flows. Individual U.S. states may feel the effects of these policies unevenly, depending on a range of factors including their degree of urbanization and their location. Therefore, this article

assesses both the overall prosperity and the economic openness of a set of U.S. states relative to others on two dimensions: urbanization and location.

The starting point for the analysis is a list of U.S. states (including, for the purposes of this article, the District of Columbia), by percentage of urban population to total population according to the most recent census. The 11 most urbanized (urban) and the 11 least urbanized states (rural) have been selected as the basis for the initial analysis. Subsequent analysis divides these

Table 1: Urban and Rural U.S. States: Prosperity and Open Economies

Urban population as a % of total population	State type	Prosperity score		Open economies score		Prosperity	Open economies	10 year change
		2019	2009	2019	2009			
District of Columbia	100.0%	Urban	60.6	54.7	66.2	60.7	5.9	5.5
California	95.2%	Urban	55.3	50.0	54.1	47.2	5.4	6.9
New Jersey	94.7%	Urban	60.8	57.5	57.5	55.8	3.3	1.6
Nevada	94.2%	Urban	46.2	42.9	47.4	44.2	3.3	3.2
Massachusetts	92.0%	Urban	67.6	65.6	62.9	60.4	2.0	2.5
Hawaii	91.9%	Urban	58.4	56.6	42.7	42.8	1.8	-0.1
Florida	91.2%	Urban	53.5	49.0	55.2	51.2	4.6	4.0
Rhode Island	90.7%	Urban	59.2	56.5	48.5	45.4	2.7	3.2
Utah	90.6%	Urban	61.4	58.3	55.9	54.9	3.1	1.0
Arizona	89.8%	Urban	51.0	46.4	47.6	44.7	4.6	2.8
Illinois	88.5%	Urban	56.1	51.5	53.0	50.0	4.6	3.0
Total		Average*	56.1	51.7	54.3	49.9	4.4	4.4
New Hampshire	60.3%	Rural	63.2	60.8	57.0	54.8	2.4	2.2
North Dakota	59.9%	Rural	57.5	57.6	56.8	53.2	-0.2	3.6
Alabama	59.0%	Rural	43.4	40.5	48.0	45.0	2.9	2.9
Kentucky	58.4%	Rural	45.2	41.4	42.9	39.7	3.8	3.2
South Dakota	56.7%	Rural	51.8	53.0	47.7	46.8	-1.2	0.9
Arkansas	56.2%	Rural	42.0	37.3	42.8	36.1	4.6	6.7
Montana	55.9%	Rural	51.4	50.5	41.8	41.4	0.9	0.4
Mississippi	49.3%	Rural	39.5	36.7	38.7	40.4	2.7	-1.6
West Virginia	48.7%	Rural	43.3	40.3	38.6	38.3	3.0	0.2
Vermont	38.9%	Rural	62.6	60.2	53.6	50.7	2.4	2.8
Maine	38.7%	Rural	58.7	56.3	45.8	44.6	2.4	1.2
Total		Average*	46.8	43.8	44.9	42.5	2.9	2.4

*population weighted

Table 2: Coastal and Interior U.S. States: Prosperity and Open Economies

State type						10 year change	
		Prosperity score	Open economies score	Prosperity	Open economies		
		2019	2009	2019	2009		
District of Columbia	Coastal	60.6	54.7	66.2	60.7	5.9	5.5
California	Coastal	55.3	50.0	54.1	47.2	5.4	6.9
New Jersey	Coastal	60.8	57.5	57.5	55.8	3.3	1.6
New Hampshire	Coastal	63.2	60.8	57.0	54.8	2.4	2.2
Massachusetts	Coastal	67.6	65.6	62.9	60.4	2.0	2.5
Hawaii	Coastal	58.4	56.6	42.7	42.8	1.8	-0.1
Florida	Coastal	53.5	49.0	55.2	51.2	4.6	4.0
Rhode Island	Coastal	59.2	56.5	48.5	45.4	2.7	3.2
Maine	Coastal	58.7	56.3	45.8	44.6	2.4	1.2
Average*		56.8	52.4	54.5	49.6	4.4	4.9
North Dakota	Interior	57.5	57.6	56.8	53.2	-0.2	3.6
Alabama	Interior	43.4	40.5	48.0	45.0	2.9	2.9
Kentucky	Interior	45.2	41.4	42.9	39.7	3.8	3.2
South Dakota	Interior	51.8	53.0	47.7	46.8	-1.2	0.9
Arkansas	Interior	42.0	37.3	42.8	36.1	4.6	6.7
Montana	Interior	51.4	50.5	41.8	41.4	0.9	0.4
Mississippi	Interior	39.5	36.7	38.7	40.4	2.7	-1.6
West Virginia	Interior	43.3	40.3	38.6	38.3	3.0	0.2
Vermont	Interior	62.6	60.2	53.6	50.7	2.4	2.8
Nevada	Interior	46.2	42.9	47.4	44.2	3.3	3.2
Utah	Interior	61.4	58.3	55.9	54.9	3.1	1.0
Arizona	Interior	51.0	46.4	47.6	44.7	4.6	2.8
Illinois	Interior	56.1	51.5	53.0	50.0	4.6	3.0
Average*		50.1	46.4	48.1	45.4	3.7	2.6

*population weighted

22 states on their location (coastal or interior). Both analyses are on the overall prosperity score and the aggregate score across the open economies domain for the period 2016 to 2019 and for the last ten years (2009-2019). The former captures the effect on these two metrics since the 2016 election. The statistics in this article are descriptive in nature; no claim is made regarding statistical significance.

The following are the key findings of the analysis:

- In comparing urban with rural states, there is a sharp difference in levels of prosperity and economic openness; urban states exhibit a stronger performance. Stronger growth, both in economic openness and overall prosperity, in urban states has also caused the gap to widen with rural states over the past 10 years;
- Coastal states significantly outperform interior states in the openness of their economies and prosperity. Growth in economic openness of the coastal states has outstripped that seen in the interior states, over the past 10 years, leading to interior states falling behind.

COMPARING URBAN AND RURAL STATES

Table 1 shows the degree of urbanization of the 22 states, alongside their prosperity and openness scores, and how much the scores have changed over the past 10 years. The 11 urban states range in their proportion of urbanization from the District of Columbia at 100% to Illinois at 88.5%, and the rural states from New Hampshire at 60.3% to Maine at 38.7%. The average urban percentage for the 50 states and D.C. is 75%.

In terms of overall prosperity, the urban states are more prosperous than the rural states (with average scores of 56.1 and 46.8 respectively) and they also experience greater levels of economic openness (54.3 and 44.9 respectively). Improvements in prosperity and economic openness have been greater in the urban states over the past 10 years. While the urban states outperform the rural states overall, there are some individual exceptions. In terms of economic openness, the District of Columbia, Massachusetts, and New Jersey are the best performing, although the 4th and 5th best performing states are New Hampshire and North Dakota, both of which are rural. When looking at the weakest states, four out of five are rural.

Over the past decade, the urban states have outperformed the rural states, experiencing 80% higher growth in economic openness. California has improved the most, closely followed by Arkansas. Mississippi has seen a decline in its economic openness over the past decade.

COMPARING COASTAL AND INTERIOR STATES

Another way to consider the groupings of these 22 states is by their geography: coastal or interior. For this analysis, states designated as "interior" may not be entirely landlocked, but are generally viewed that way. As an example, Alabama touches the Gulf of Mexico, but most U.S. residents would not describe it as a "coastal" state.

Table 2 displays the 9 coastal states and the 12 interior ones. Again, we see a clear difference in the prosperity and in the economic openness of these geographically different states. The average prosperity and economic openness scores for coastal

states are 56.8 and 54.5 respectively, compared to 50.1 and 48.1 for interior states. The variation in prosperity is greater in the interior states, ranging from 39.5 to 62.6 (a range of 23.1), whereas for coastal states the variation is from 53.5 to 67.6 (a range of 14.1). This means that differences in prosperity between coastal states are much less than between interior states, which experience a greater range of prosperity. The reverse is true for economic openness, where we see interior states having a narrower range than coastal states, though the difference is less pronounced than it is for prosperity.

Regarding 10-year trends, coastal states, on average, have improved more than interior states, in terms of both prosperity and economic openness. Three of the four most improved states in economic openness are coastal states, with California leading the charge, and D.C. and Florida in 3rd and 4th position. Arkansas, an interior state, had the 2nd greatest improvement in economic openness over the past decade.

CONCLUDING REMARKS

This article assesses the overall prosperity and economic openness of 22 U.S. states split initially among the 11 most urbanized and 11 least urbanized, based upon 2010 U.S Census data. Subsequent analyses considered geographic location (coastal or interior). The long-term trend (2009-2019) was also examined.

There is a clear difference in urban and rural states analyzed, probably reflecting the global trend of the increasing disparity between urban and rural areas. This gap is also apparent when considering other geographical analyses. Between coastal and interior states, there are clear differences, with interior states lagging behind coastal states.

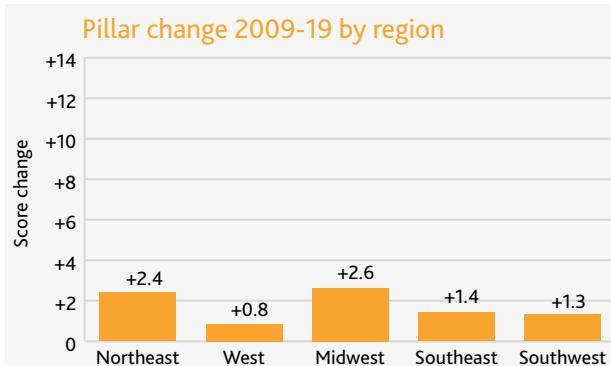
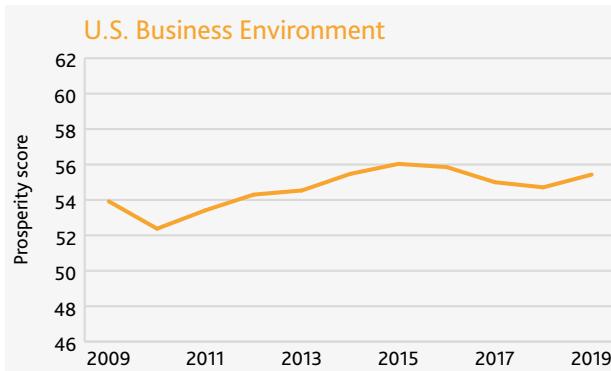




Business Environment

Business Environment measures how easy it is for businesses to start, access finance, compete, and expand. Contestable markets with low barriers to entry and adequate pools of funding are important for businesses to innovate and develop new ideas. Contestable markets are essential for a dynamic and enterprising economy, and are themselves underpinned by sound regulation that responds to the changing needs of society.

The United States enjoys a virtuous circle, where the formation of highly dynamic and innovative firms continues to attract investment capital, savings, and wealth, from both domestic and international sources. However, this is largely concentrated in the global financial centers of New York, San Francisco, and Boston. The **District of Columbia** (1st) tops this year's rankings, with **Massachusetts** and **New Hampshire** ranking 2nd and 3rd respectively. With five states ranking in the top 10, the Northeast is the best-performing region, followed by the West.



Financing Ecosystems is the availability of money for investment from sources, including banking and bank debt to corporate debt and more sophisticated financial markets.

Indicators—

- Venture capital invested (NVCA)
- Number of venture capital deals (NVCA)
- Assets under management (NVCA)
- Venture capital fundraising (NVCA)
- New foreign direct investment (BEA)
- Bank branch access (FDIC)

The United States has the best financing ecosystem in the world, and is home to some of the deepest capital markets in the world. **Massachusetts** places top of the Financing Ecosystems element, with **New York**, the **District of Columbia**, and **California** ranking second, third, and fourth respectively, while **Alaska** comes 51st. New York, Boston, San Francisco, Los Angeles, Chicago, and Washington, D.C. are all ranked as top-40 global financial centres, and venture capital is highly concentrated in these cities. Massachusetts, New York, and California received over 73% of the total venture capital, with less than 1% going to rural areas.

These figures reflect a variation in investment: while New York is home to the NYSE and NASDAQ, college towns around the country are developing technologies that startups might take to market. Of the \$140 billion of American venture capital invested in 2018, 56% went to California, home to the most universities in the United States.⁶⁷ Probably as a result of this, California far surpasses any other state in the raw number of utility patents granted by the United States Patent and Trademark Office at 40,196.⁶⁸ **Texas** had nearly 50% more patents in 2015 than it did a decade before, receiving 132 Series A financings in 2016-17, a nearly 40% increase since 2009-10.⁶⁹

Boulder, Colorado leads the way in the rate of increase of Series A financings; between 2009 and 2013, this college town had none at all, but by 2016-17, the state had 48.⁷⁰ While some areas are experiencing increases in Series A funding, others are experiencing reversals. Detroit, for example, grew from 12 in 2009-10 to 41 in 2013-14, but has since dropped to just 18 in 2016-17.⁷¹ **Arkansas** (41st) has improved the most over the last decade, increasing venture capital fundraising by two orders of magnitude; while only \$3.40 was raised per capita for venture capital in 2009, Arkansas now raises \$30.37 per capita, the thirteenth-most in the country.

Businesses outside of the main financial centers tend to rely on banks for financing, with 48% of business owners in the United States reporting that banks are their primary source of finance. The accessibility of commercial bank branches varies greatly by state, affecting the availability of loans, particularly for SMEs. For example, although **Iowa** (42nd) and **New York** (2nd) differ in land area by only 6%, the population of New York is far more heavily concentrated in urban centers, meaning the accessibility of bank branches is over 50 times that of Iowa.

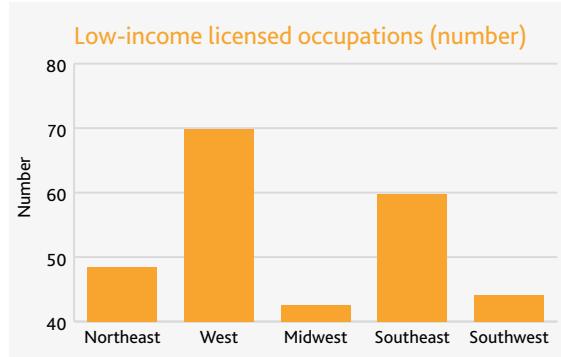
Domestic Market Contestability

Contestability examines how open the market is to new participants, versus protection of the incumbents.

Indicators—

- Low-income licensed occupations (Inst. Just.)
- Occupational licensing training cost (Inst. Just.)
- Occupational licensing training time (Inst. Just.)
- Age requirements for license (Inst. Just.)
- Regulation density index (Cato)

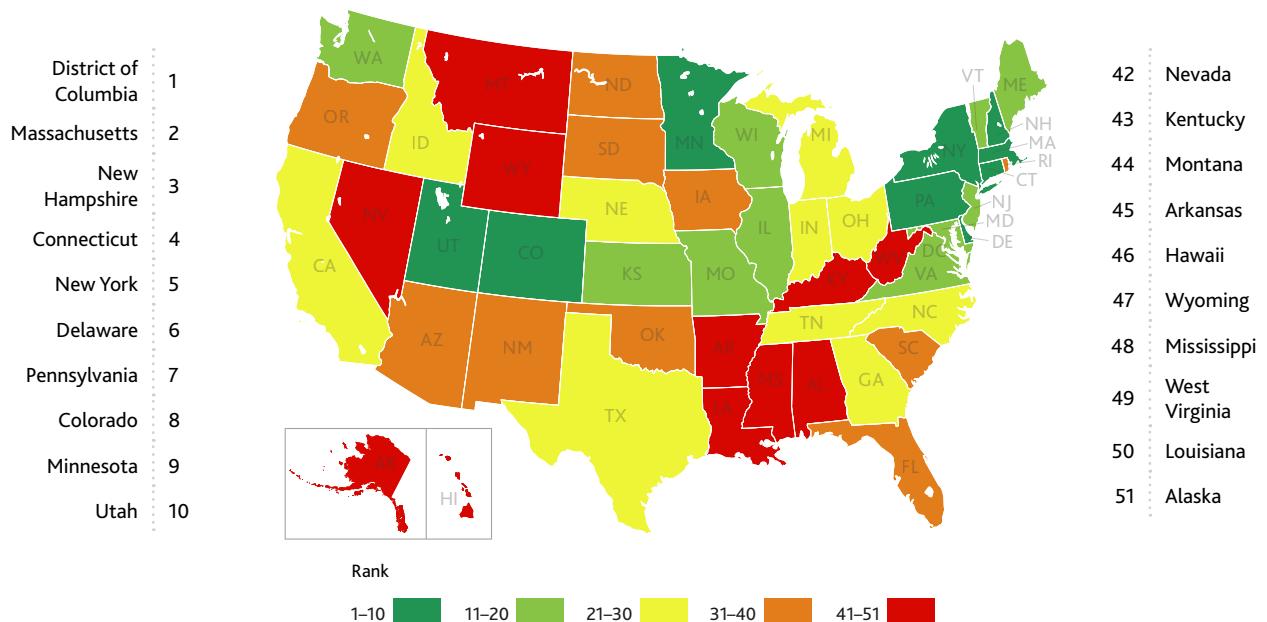
Ranking first in the world for the contestability of its domestic markets, the American market has healthy competition. While federal law covers competition issues, the main variation in contestability at the state-level comes from occupational licensing regulations. **Kansas** (1st) tops the rankings in this year's Index, as it did in 2009, with low requirements in terms of cost and training time for a range of occupations, though this constitutes a weakening performance. **North Dakota**, on the other hand, has risen 10 ranks since 2009, now with the twentieth-most contestable domestic market in the country. This is in line with the regional performance – the Midwest is typically made up of the most contestable markets, while the West lags behind. Overall, domestic market contestability has been deteriorating over the past decade, with occupational licensing playing an ever-greater role in the United States. This is a continuation of the historical trend – while only 4% of jobs required a license in 1950, that figure had reached almost 30% by 2017.⁷²



Occupational licensing requirements have been found to disproportionately burden low-income individuals and other vulnerable people, such as minorities, immigrants, and military spouses, as well as increase recidivism rates of offenders.^{73,74} The additional burdens placed on job-seekers by occupational licenses can push low-income or low-skilled workers away from higher-paying jobs, and towards more accessible, but lower-paying jobs.⁷⁵

Significant progress has, however, been made in some states which are bucking the national trend. **Arizona** (48th) has become the first state to recognize out-of-state occupational licenses, though still performs poorly for the amount of regulation that the state itself imposes; 68 of the state's 102 low-income occupations identified by the Institute for Justice require licenses.⁷⁶ **Virginia** (47th) has also set about reforming its licensing landscape, proposing an inventory system as part of its 2018 Regulatory Reduction Pilot Program, similar to the one which saw success in the Canadian province of British Columbia.⁷⁷

Business Environment 2019



Burden of Regulation
captures how much effort and time are required to comply with regulations, including tax regulations.

Indicators—

- *Federal Regulation and State Enterprise Index (QuantGov)*

The burden of regulation is one of the United States' weaker areas on the global stage – it ranks only 25th at a national level; it is deteriorating in the Midwest, Southeast and Southwest, while improving in the Northeast and West.

The Federal Regulation and State Enterprise Index measures the ability of states to effectively integrate regulations from the federal government without disproportionately burdening state enterprise. Federal regulations often target specific industries, which in turn means that the states where that industry is relatively important will be affected more by those targeted regulations. This year, **New Hampshire** (1st), **Nevada** (2nd), and **Rhode Island** (3rd) were affected least by federal regulation, while **Alaska**, **Wyoming**, and **Louisiana** were the three most affected states. These three states also have the highest amount of regulatory accumulation and, along with Montana, are the only ones with state private sectors affected more than twice as much as the national private sector. Louisiana has been less affected in recent years than a decade ago, with the three-year trailing average decreasing from 89% in 2011 to 73% in 2019 – one of the greatest decreases in the country.

Labor Market Flexibility
measures how dynamic and flexible the workplace is for both employer and employee.

Indicators—

- *Collective bargaining agreement coverage (Fraser Institute)*
- *Employee health insurance cost (Kaiser)*
- *Workers compensation premium rate (State of Oregon)*
- *Minimum wage (DOL)*

For a business to react effectively to fluctuations in the market, it must be able to make modifications to its workforce. At a global level, the U.S. performs admirably, with the second most flexible labor market in the world. There are, however, some significant disparities at the state- and regional-level. In contrast with the other elements of Business Environment, particularly Financing Ecosystems, the Northeast and the West are the weakest performing regions; the Southwest and Southeast regions have the most flexible labor markets.

The highest-ranking state for this element is **Utah**, followed by **South Carolina** and **Louisiana**. Less than 6% of the employed population in each of these states is covered by a collective bargaining agreement, the national average being 12%, and neither South Carolina nor Louisiana impose a state minimum wage. Thirty-six states' labor markets have become less flexible since 2009, **Pennsylvania** being the most-improved state and rising 14 ranks to 25th.





Market Access and Infrastructure

Market Access and Infrastructure measures the quality of the infrastructure that enables trade (communications, transport, and resources), and the inhibitors on the flow of goods and services to and from a state's trading partners. Where markets have sufficient infrastructure and few barriers to trade, they can flourish. Such trade leads to more competitive and efficient markets, allowing new products and ideas to be tested, funded, and commercialised, ultimately benefitting consumers through a greater variety of goods at more competitive prices.

The United States ranks 6th in the world for market access and infrastructure as a whole, though there are significant differences between states and regions. The Northeast region is the best performing, followed by the Southeast. These regions are home to the best-performing states in this pillar – **New Jersey** (1st), the **District of Columbia** (2nd), and **Florida** (3rd), all of which have particularly strong performances in the transport and communications elements, top the rankings. While there is some disparity between regions, significant progress has been made across the country. For example, over the past decade, an extra 50% of America's population has received access to high-speed internet, with a high-speed internet connection in over 85% of households.

There are, however, many opportunities for improvement. In the Southwest region, for example, the proportion of public roads in poor condition increased by two percentage points compared to 2009; we see a similar story in the Southeast. The American Society of Civil Engineers highlights the costs of not addressing the infrastructure funding gap, estimating that from 2016 to 2025, each household would lose \$3,400 per year due to infrastructure deficiencies.⁷⁸

Communications assesses the means of communication and how widespread access to communication is.

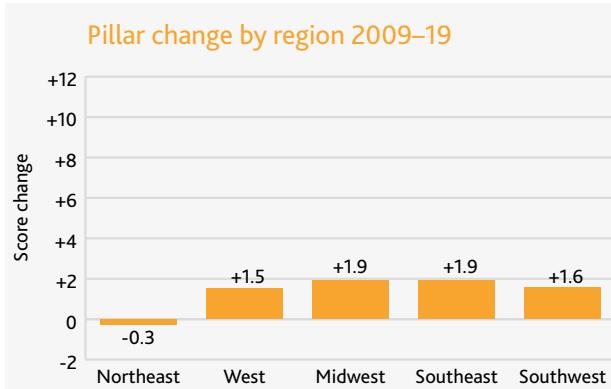
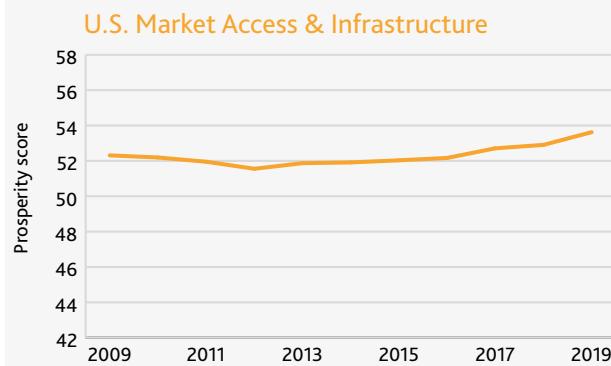
Indicators—

- Mean download speed (MLAB)
- High speed internet access (NTIA)
- Network coverage (P3 Group)
- Ultra-fast internet availability (FCC)

The central issue for communications in the United States is the lack of adequate communications infrastructure in the sparsely populated regions of the country. Internet connectivity, specifically broadband, clusters almost exclusively around metropolitan areas, with high user densities. This disparity is exemplified by the stark differences in broadband connectivity and quality between small, largely urbanised states on the East Coast, such as **New Jersey** (3rd), which has 98% broadband coverage and an average download speed of 33Mbps, and larger, more rural states such as **Montana** (51st), which has only 71% coverage and an average download speed of 11Mbps.

A significant factor in this lies in the varying geographic characteristics of the states. Laying cables is a significant investment, particularly in clay or silt soil and mountainous areas. Telecommunications companies estimate that returns on this investment would fail to break even because of the sparsity of population in these parts of the U.S., and there is a lack of effective incentives for telecommunications companies to expand their services to these rural regions.

The Rocky Mountains are a significant obstacle to the expansion of communications infrastructure in Montana and other states, and make it difficult to offer network coverage for mobile devices – a measure for which Montana ranks 45th in the U.S. One county in Appalachian **Kentucky** (36th), has attempted to minimise these hurdles by establishing a 'Dig Once' initiative, which requires road workers to lay cables when they dig for road repairs and construction, though far more ambitious initiatives would be needed to serve America's 60 million rural inhabitants.^{79,80}



Transport assesses the quality, diversity and penetration of all forms of transport, the quality of physical infrastructure including road, rail, ports and air, and logistical performance, which measures the efficiency of shipping products in and out of a country.

Indicators—

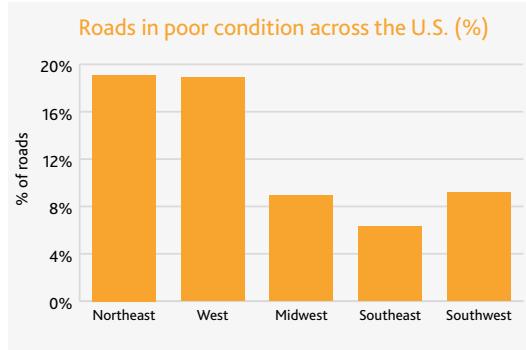
- Airport density (BTS)
- Road condition (BTS)
- Railroad density (BTS)
- Bus transit route coverage (BTS)
- Public road density (BTS)
- Bridge condition (BTS)

Transport infrastructure is often dependent on long-term investment, clearly reflected in the high rankings seen in states that enjoyed high levels of continuous post-industrial immigration. The Northeast and Midwest regions, comprising the states which have historically had the highest population density, have the most extensive road and railroad networks in the country. For example,

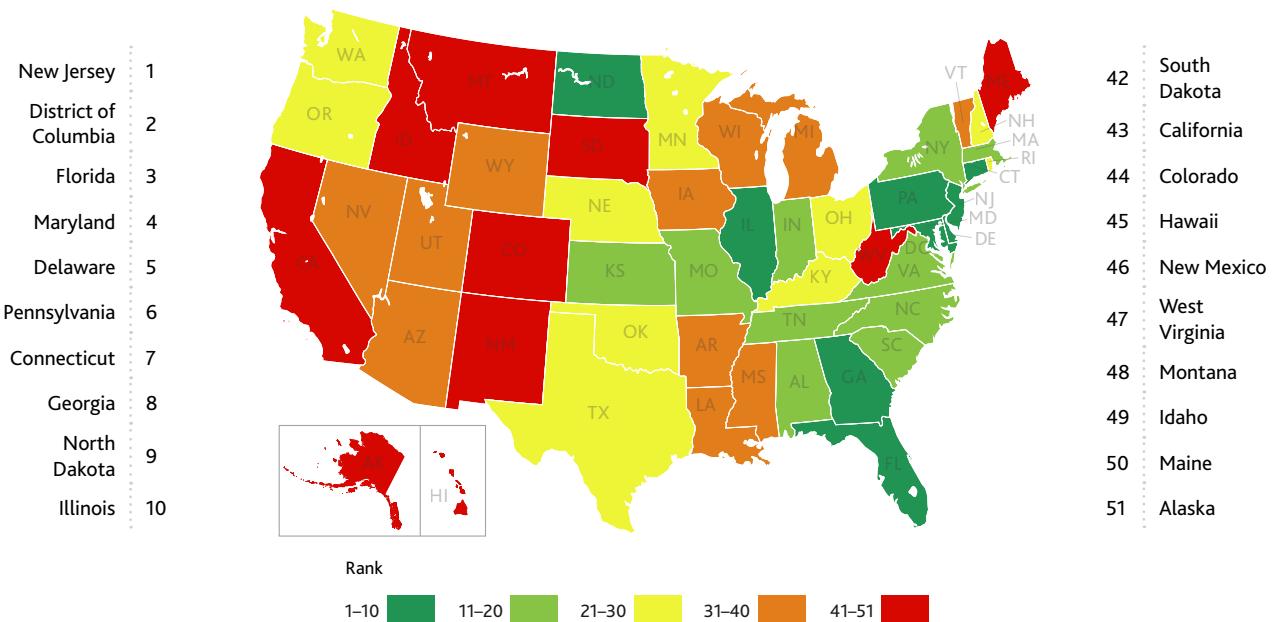
Connecticut (7th) has very high road and railroad densities (3.9 and 0.1 miles per square mile respectively). In contrast, **New Mexico** (49th) joined the Union in 1912, 134 years after Connecticut, and lacks comparable infrastructure (with road and rail densities of 0.1 and 0.015 miles per square mile respectively).

The crucial task of maintaining, updating, and enhancing such a vast transport network is extraordinarily expensive, which is why we see such a dissonance in the public road density and condition indicators. For example, **Massachusetts** (14th) has 3.4 miles of public road per square mile, the 5th highest density in the U.S., but 28% of those are in 'poor' condition, according to the International Road Roughness Index. This is only better than the **District of Columbia** (2nd) and **Rhode Island** (37th), which both have higher road densities. It should be noted that states receive most of their funding for transport infrastructure through federal grants, and control only how to spend that money. The Consolidated Appropriations Act of 2018, for example, allocated \$1.5 billion to state governments for national infrastructure investments.⁸¹

Unlike in Europe, passenger-rail has not become as mainstream in the U.S. Indeed, 85% of commuters either drive alone or carpool to work, and many of the more rural states, such as **Idaho** (38th), **Montana** (44th), and **Wyoming** (42nd), have only one passenger railroad or none at all.⁸² However, railroads dominate time-insensitive bulk commodity transport, with the U.S. having the most extensive freight-rail network in the world.



Market Access and Infrastructure 2019



Resources assesses the quality, reliability and affordability of the energy network in a country, as well as the access to and use of water resources.

Indicators—

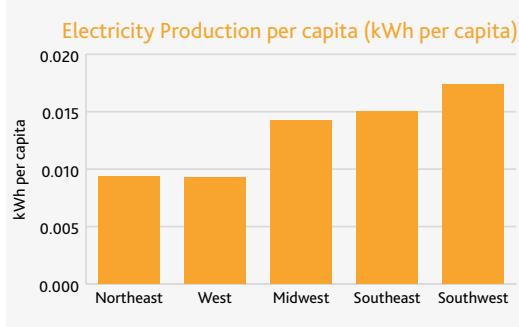
- Minutes of outage (EIA)
- Population affected by major electricity outages (Mukherjee)
- Electricity production (EIA)
- Daily water usage (USGS)

The United States has a wealth of water and energy resources by virtue of its geography and its size. Fracking now contributes over two thirds of the U.S.' total natural gas output, up from 7% in 2000, and is one of the major contributing factors to the increasing energy self-sufficiency of the country.⁸³ From 2011 to 2017, 11.5% more internally-used energy was domestically produced.^{84,85}

North Dakota is ranked first for this element, largely thanks to its high electricity production capacity.

Despite this, the U.S. ranks only 28th globally for the reliability of its electricity supply, according to the World Bank's Doing Business measure. **Ohio** (45th) is a state which has historically suffered from issues with its energy infrastructure – in 2003, it was the location of the largest ever blackout in North American history, and failure to address the damage led to an outage affecting six other states, as well as parts of Canada. While there have been attempts to ameliorate the regulation and supervision of the grid in the intervening time, the average resident suffers from 138 minutes of outage per year, better than only 12 other states.⁸⁶

Some states have implemented innovative strategies to mitigate the issue of energy excess: in 2016, Advances Rail Energy Storage received permission to build the first Sisyphus train to store energy for **California**'s (43rd) energy grid, **Alabama** (5th) uses salt domes, and large solar plants use molten salt storage to store energy.⁸⁷ These solutions, however, are only marginally useful, until the entirety of the United States power grid integrates them.



Market Distortions evaluates the extent of distortions to commerce as a result of subsidies and taxes.

Indicators—

- Non-farm subsidies (BEA)
- Corporate tax (Tax Found.)

The combination of **North Carolina**'s low corporate tax rates and minimal non-farm subsidies mean that it ranks first for this element, followed by **Georgia** (2nd) and **Wyoming** (3rd). Wyoming has, according to the Tax Foundation, created an environment in which taxes have a minimally distortive effect on competition, as it levies neither a corporate income tax nor a gross receipts tax, creating a neutral system with regards to business income. This kind of minimally distortive tax system has also been created in **South Dakota** (39th), though non-farm subsidies play a much larger role and are the reason for the state's low rank.

Quite the opposite story is seen in **Texas** (43rd); while it has no corporate income tax, it does levy a variety of gross receipts taxes. This, and the complexity of the gross receipts tax system, is the main factor contributing to Texas' poor ranking for this element. In contrast, subsidies play a minimal role in the private sector in Texas, comprising just 0.14% of private sector output – this is the second lowest proportion in the U.S.

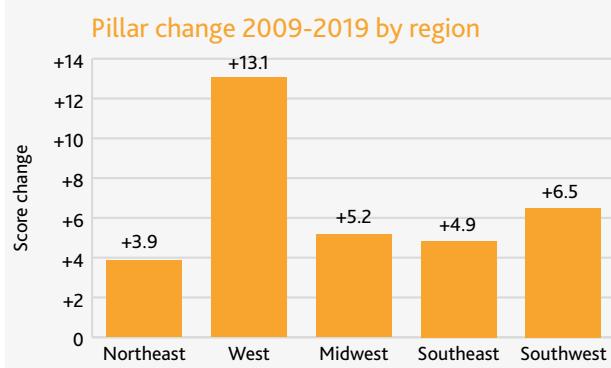
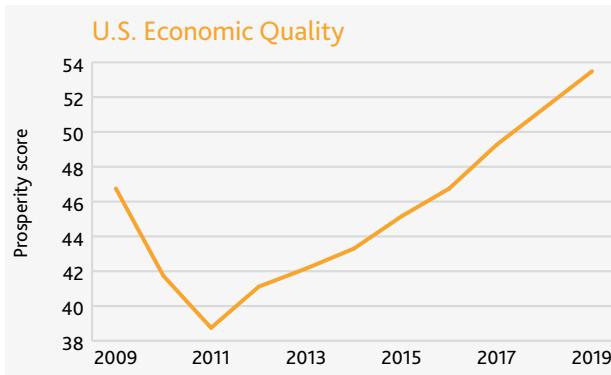
Iowa (51st) performs particularly poorly in this element due to high non-farm subsidies, which make up 0.49% of total private sector output - almost four times as much as in Texas. There are also high rates of corporate tax, with the highest tax bracket of 12% introduced at an income of \$250,000. There are plans to reduce this to 9.8% by 2021, though this is subject to revenue availability.⁸⁸



Economic Quality

Economic Quality measures how well a state's economy is equipped to generate wealth sustainably and with the full engagement of its workforce. A strong economy is dependent on the production of a diverse range of valuable goods and services and high labor force participation.

The United States economy remains one of the strongest and largest in the world. Economic Quality has been steadily improving since the deeply destructive financial crisis of 2007-2009, and the average Economic Quality across the states now stands higher than it did a decade ago, having improved in every region. The West has seen the most improvement, due to improved labor force engagement and fiscal sustainability. **North Dakota** (1st) tops this year's rankings, with **Wyoming** (2nd) and **Texas** (3rd) following behind.



Fiscal Sustainability assesses the ability of a government to sustain its current spending, tax, and other policies in the medium-to-long term.

Indicators —

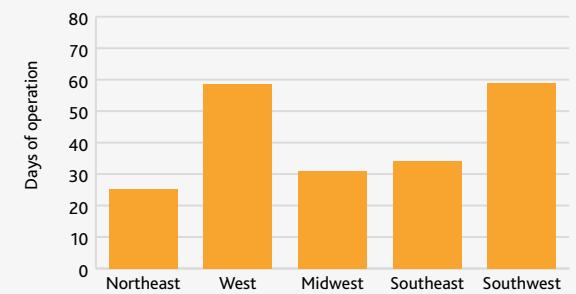
- Government credit rating (Ballotpedia)
- State reserves capacity (Pew)
- Revenue to expenditure ratio (Pew)
- State budget balance (Pew)
- State pension funding (Federal Reserve)

The **District of Columbia** (D.C.) tops this year's rankings for fiscal sustainability, though this masks some wider complexities. D.C.'s budget is controlled by Congress and, as such, it is difficult to compare its fiscal sustainability to that of the 50 states. Before the Revitalisation Act of 1997 – under which Congress had the federal government assume the city's liabilities – there was a \$5 billion unfunded pension liability, representing roughly \$9,500 per capita (\$15,100 in current dollars) – this is equivalent to the current liabilities of Vermont, the thirty-eighth-highest in the country.^{89,90}

Wyoming (2nd) and **Alaska** (3rd) both have large budget stabilization funds (\$65 billion in the case of Alaska's Permanent Fund) and are both able to operate using only their reserves for upwards of 200 days. However, pension liabilities are a significant detriment to the sustainability of their future fiscal operations; Wyoming's pension assets are currently only 50% of future liabilities, and Alaska's are just short of 40%. This amounts to a debt burden of \$25,127 and \$46,774 per capita respectively.⁹¹

Both Wyoming and Alaska are heavily reliant on extractive industries for revenue, with the latter imposing neither sales nor income taxes, which are subject to severe market fluctuations. Between 2012 and 2016, for example, the price of a barrel of oil dropped from \$98 to just \$33, resulting in Standard & Poor's downgrading Alaska's credit rating to AA in 2017 from AAA just two years prior.^{92,93} **Georgia** (22nd), on the other hand, has maintained its triple-A rating through the recession, due to its countercyclical reserve strategy and broad based tax revenue.⁹⁴ California (30th), Texas (10th), and New York (19th), the states with the three largest economies in the country, have all improved their credit ratings since 2009, to AA-, AAA, and AA+ respectively.⁹⁵

Time state governments can operate on reserves (days)



Productivity and Competitiveness assesses the efficiency with which inputs can be converted into outputs. Competition enhances productivity by forcing firms to innovate new ways to reduce cost- and time-constraints.

Indicators—

- Manufactured export value (Census Bureau)
- Non-manufactured export value (Census Bureau)
- Labor productivity (BLS)

Dynamism examines the churn of businesses—the number of new startups and failed firms entering and exiting an economy.

Indicators—

- Startup concentration (Kauffman)
- Startup early job creation (Kauffman)
- Startup early survival rate (Kauffman)
- Opportunity-driven startups (Kauffman)
- Rate of new entrepreneurs (Kauffman)

Despite a downturn in productivity and competitiveness following the recession, all regions have recovered to pre-crisis levels. **Washington** (1st), **New York** (2nd), and **Alaska** (3rd) top the rankings this year, and were all ranked in the top 10 in 2009. During the recession, labor productivity grew in almost every state, though this was largely due to the number of hours being worked falling faster than the value of production; between 2007 and 2009 output increased in only nine states and the District of Columbia, led by Alaska (9.2% increase) and North Dakota (5.3% increase). The decreases in output in some other states were quite dramatic, with 17% and 16% drops in output in Michigan (28th) and Nevada (34nd) respectively.

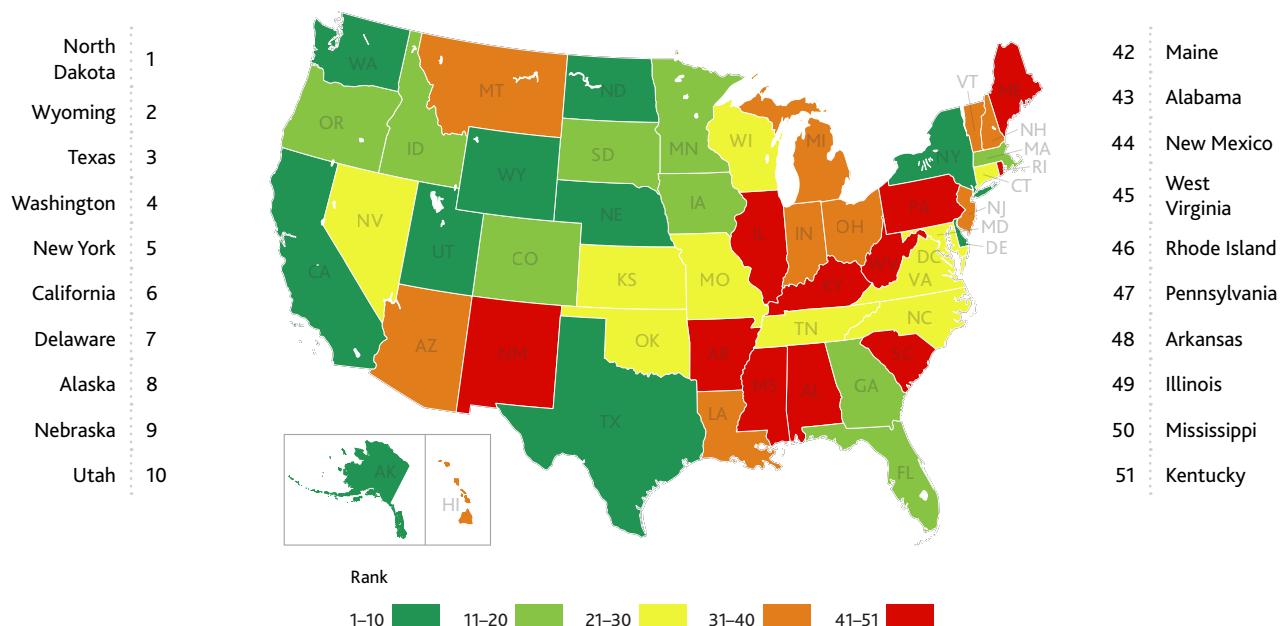
Labor productivity has increased in each region of the United States, though certain individual states have seen decreases. Although Louisiana is close to the top of the rankings, it has seen a decline in labor productivity, decreasing by an average of 0.6% per year between 2007 and 2017. In contrast, **North Dakota** (12th) was the fastest-improving state and, largely due to the shale oil boom, saw labor productivity increases of 3.2% per year over the same time period.^{96,97} To put this in context, North Dakota was ranked 42nd in 2009 for labor productivity.

One of the immediate responses to the financial crisis was an increase in the rate of new entrepreneurs, though this was accompanied by a coincident decrease in the proportion of opportunity-driven, rather than necessity-driven, startups. The Global Index of Economic Openness U.S. case study, published earlier in the year, explored this trend; elevated superior stringency and greater risk aversion by lenders discouraged investment from banks to lenders considered risky, but this funding gap was filled non-bank lenders, payment and e-commerce companies and small business lending operations like OnDeck, Kabbage, PayPal, Square and others.⁹⁸ The U.S. continued to become less dynamic until a nadir in 2015, at which point some states, largely concentrated to the West of the Mississippi, underwent a resurgence.

Washington (11th) has seen the greatest improvement over the last decade, and particularly so since an inflection point in 2015, when its manufacturing output dropped from 14.2% of state GDP to just 12.1%. The rate of new entrepreneurs in 2017 was 1.3 times that in 2013, the proportion of startups established through choice rather than necessity increased by 23% (though this was high to begin with), and the average startup created 1.5 more jobs in their first year of operation.

In the Midwest, the manufacturing industry suffered sustained losses and structural change, and the manufacturing sector was the source of 31% of all mass layoff events in 2008. **Michigan** (30th), **Illinois** (45th), and **Ohio** (50th), all states with economies heavily dependent on manufacturing, had the highest numbers of business separations due to business demand factors.⁹⁹ It is these states, mired in their reliance on legacy industry and the associated inertia, which have struggled most to diversify and recover a level of dynamism. This is reflected in the rate of new entrepreneurs, for which Michigan, Illinois, and Ohio rank 38th, 42nd, and 45th respectively.

Economic Quality 2019



Labor Force Engagement looks at the intersection of demography and the workforce, assessing the extent to which economic growth is inclusive.

Indicators—

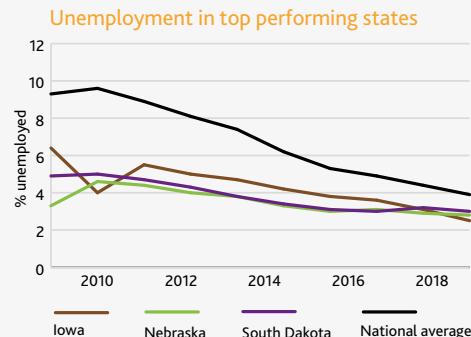
- Unemployment (BLS)
- Youth unemployment (BLS)
- Employee engagement (Gallup US Dailies)
- Underemployment (BLS)
- Labour force participation (BLS)

Many states were hit hard in terms of labor force engagement during the financial crisis, though nearly all have since made a significant recovery. Every region is doing better now than even the Southwest region was before the crisis (the best-performing region at that time).

Iowa (1st), **North Dakota** (2nd), and **Nebraska** (3rd) top this year's rankings, and represent the improvement seen across the Midwest – a region in which the unemployment rate has halved from 7.2% to 3.6% since 2009, and youth unemployment has similarly decreased.

Despite the widespread drop in unemployment rates since 2009, overall labor force participation has improved only in **Vermont** (4th), **Massachusetts** (15th), **Kentucky** (42nd), and the **District of Columbia** (45th) over the same period. This highlights the increasing proportion of the labor force that is underutilized through job-seeker discouragement.

Significant improvement has been seen in other regions. In the Southeast, for example, **South Carolina** (25th) improved its total labor force engagement the most in the country over the last decade. The total unemployment rate is now less than half of what it was in 2009. Furthermore, the underemployment rate has dropped to 2.2% from 4.3%, and youth unemployment has fallen from 16.2% to 8.8%.





A Farmer works a corn field in Iowa
Since 2009, the unemployment
rate has halved in the Midwest
from 7.2% to 3.6%



Inclusive Societies





Monkey Business Images/Shutterstock.com

Defining Inclusive Societies

Inclusive Societies are an essential requirement for prosperity, where social and legal institutions protect the fundamental freedoms of individuals, and their ability to flourish. This domain explores the relationship structures that exist within a society, and the degree to which they either enable or obstruct societal cohesion and collective development.

Areas within this domain range from the relationship of citizen and state, to the degree to which violence permeates societal norms, to the interaction of freedoms of different groups and individuals, to the way in which individuals interact with one another, their communities, institutions, and nation.

In the U.S., the relationship between citizen and state, and the functioning of public institutions to serve the populace, has evolved over centuries to the current form of modern liberal democracy, and continues to be developed today. Protections from violence are enacted both formally and informally, through the police and judicial system, and community- and society-based interventions and prevention mechanisms. A plethora of freedoms are protected by the Constitution, but despite such protections by law, a wide variety of advocacy groups and organisations exist to ensure that these translate to the lived experience. The way in which individuals relate to one another facilitates and underpins all other forms of social cohesion and enables prosperity, and is an essential underpinning of functioning democracy. This has been explored widely since de Tocqueville's *Democracy in America*.

We examine the fundamental aspects of inclusive societies across four pillars, each with component elements.

Safety and Security measures the degree to which individuals and communities are free from different types of crime: *Terror-related Crime*, *Violent Crime* and *Property Crime*. The lives

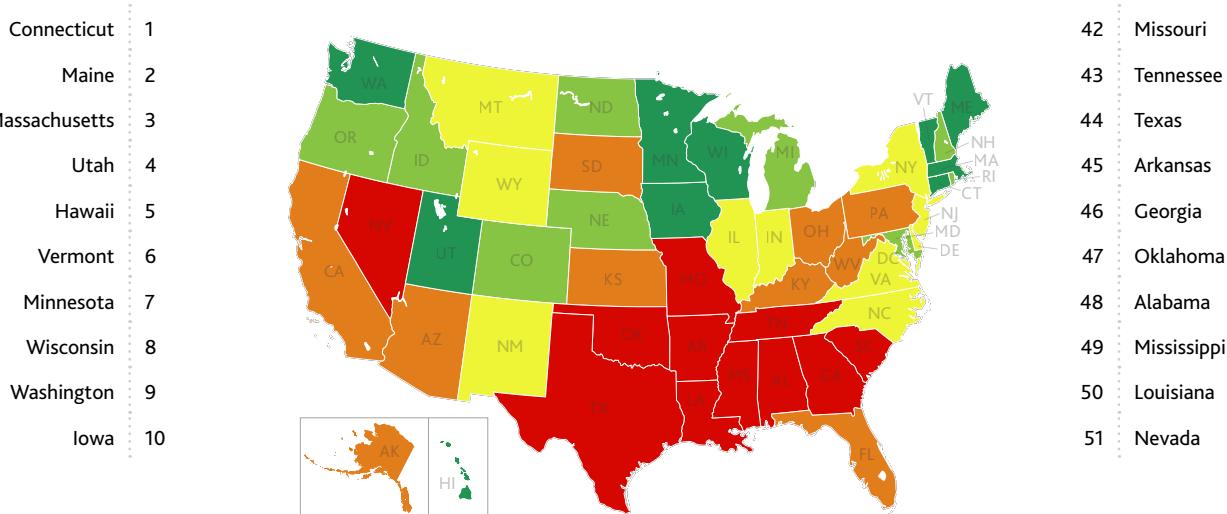
of individuals, their freedom, and the security of their property are at risk in a society where these activities are present, both through their current prevalence, and long lasting effects. In short, a nation, society, or community, can prosper only in an environment that assures security and safety for its citizens.

Personal Freedom measures basic legal rights (*Agency*), individual liberties (*Freedom of Association and Speech*), *Absence of Legal Discrimination* and *Social Tolerance*. Societies that foster strong civil rights and freedoms have been shown to enjoy increased levels of satisfaction among their citizens. Furthermore, it has been shown that by protecting human rights and freedoms, countries, societies, and communities may further foster economic development.¹⁰⁰

Governance measures the extent to which there are checks and restraints on power (*Political Accountability*, *Rule of Law*) and whether governments operate effectively and without corruption (*Government Integrity*). The nature of a state's governance has a material impact on its prosperity. The rule of law, strong institutions and regulatory quality contribute significantly to economic growth, as do competent governments that enact policy efficiently and design regulations that deliver policy objectives without being overly burdensome.

Social Capital measures the *Personal and Family Relationships*, *Social Networks* and the *Institutional Trust* and interpersonal respect and engagement (*Civic and Social Participation*) that lead to societal cohesion and prosperity. A person's wellbeing is best provided for in a society where people trust one another and have the support of their friends and family. Societies with lower levels of trust tend to experience lower levels of economic growth. Thus, the word 'capital' in 'social capital' highlights the part that social networks play in producing economic returns and improving wellbeing.

Inclusive Societies 2019





Social capital underpinning prosperity

—Carol Ann MacGregor

Carol Ann MacGregor is Associate Professor of Sociology and Senior Director of Institutional Research, Effectiveness, and Faculty Development at Loyola University New Orleans. Her research on, Catholic K-12 education, religious non-affiliation and religion and civic engagement has appeared in journals including American Catholic Studies, American Sociological Review, Journal for the Scientific Study of Religion, and Social Science Research. Her papers have been awarded best article awards by the Society for the Scientific Study of Religion and the American Sociological Association section on Altruism, Morality, and Social Solidarity. She has also been named a non-residential Associate Fellow of the Institute for Advanced Studies in Culture at the University of Virginia.

Social capital at its essence is the simple notion that the quality and quantity of relationships between individuals has measurable value and, like other forms of stratification, differences in stocks of social capital can have consequences for a variety of social and political outcomes. Sociologist James Coleman wrote in the 1980s about how differences in networks of support and connections between parents within a school can shape student outcomes.¹⁰¹ Later, Harvard Political Scientist Robert Putnam would show how the concept of social capital could also be applied beyond the individual level to regions of a country. In *Making Democracy Work*, Putnam highlights how varying levels of participation in civic and social groups informed

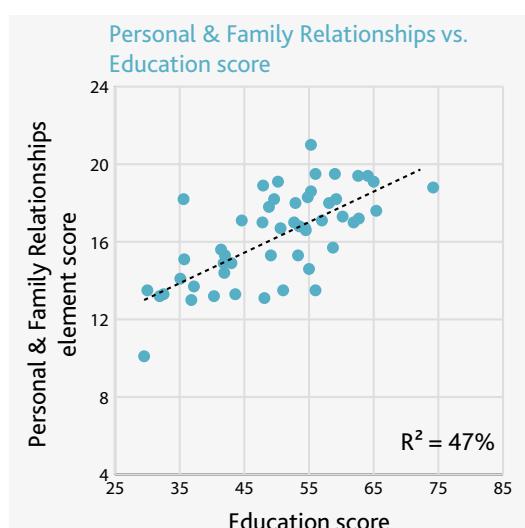
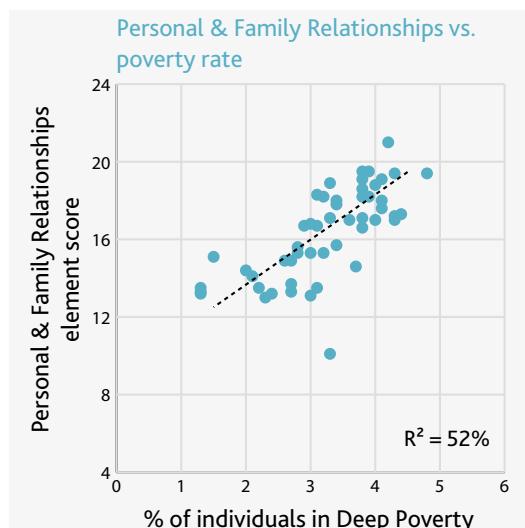
differences in the success of democracy in Northern versus Southern Italy.¹⁰² In the years since, scholars across the social sciences have examined social capital's impacts on individuals, communities, and nations, looking both cross-nationally and in-depth across case studies.

Unfortunately, for policymakers interested in clear guidance about how to develop programs and policies in support of happy citizens and healthy democracies, much of the academic literature is bogged down in discussions of competing definitions and debates about measurement. Many scholarly treatments of the issue are also written in ways that are thick with jargon. While issues of specification are tremendously important, because all policymakers want to make decisions based on the most reliable data, this report avoids some of those concerns by holistically examining a number of elements of social capital, using a variety of indicators from a host of data sources.

SOCIAL CAPITAL AND INDIVIDUAL WELLBEING

It is common sense that personal relationships are central to social support, both on a routine basis and in times of illness, job loss, or other adverse events. For example, a crisis such as an eviction or being fired for being late to work can be avoided when a person has someone in their social network from whom they could borrow \$500, or look after their children in an emergency. Moreover, it is easier for a person to weather a spell of unemployment if they are partnered with someone who is employed. This basic observation undergirds many of the concerns people have about declining marriage rates, particularly among those with lower income and education. Similarly, the notion that contact between kin and between friends is vital also informs debates about whether social media and other technologies strengthen or weaken our bonds with one another.

Family and personal relationships are stronger in states with higher levels of education, and, perhaps less recognized, in states with higher poverty levels. Utah, as the state with the strongest reported personal relationships (in addition to having good education), points to the potentially important role of family and faith in forging meaningful and valuable social bonds. Utah happens to have among the largest family sizes and highest level of religious observation in the nation among its Mormon residents.¹⁰³ The residents of Utah also report having the highest number of close friends (~8) across all the states, as well as the lowest percentage of children living in unmarried households.



That said, it is also important to note that it is not just close ties, such as friends and family, that count towards social capital. Mark Granovetter noted that it is our weak ties, the friends of friends or friends of friends of friends, who are most likely to help us get a job.¹⁰⁴ Sociologist Mario Small has recently written about the significance of even casual confidants – not necessarily friends or family – but anyone; a co-worker or barista who we see every day when we order our morning coffee, whom we turn to in conversation when we encounter a problem.¹⁰⁵ The strength of social networks in a state is less correlated with its demographic profile than is the strength of family and personal relationships. Cristobal Young and Chaeyoon Lim, both sociologists, also found that individual subjective wellbeing is impacted by whether people are able to coordinate their leisure time with others. While the unemployed might have more time, it is of little value in terms of creating happiness, because most people's networks are made up of people who work.¹⁰⁶ As more people move into contingent work and the gig economy, with less regular hours, this may have consequences for stocks of social capital.

Given the demographic realities of aging populations in advanced industrial democracies, there is also growing concern about loneliness – particularly among the elderly. Florida, a state with one of the highest proportion of seniors, has comparatively weak reported social networks and personal and family relationships. In 2018, the United Kingdom announced the appointment of a minister for loneliness, who would coordinate a national effort around creating policy to combat loneliness. As part of this initiative, the United Kingdom's Office for National Statistics will be working on establishing a method of measuring loneliness.¹⁰⁷ In the United States, past Surgeon General Vivek Murthy referred to loneliness as a public health epidemic.¹⁰⁸ Loneliness has been shown to be associated with an increased risk of mortality with effect sizes similar to smoking or obesity.¹⁰⁹ Scholarship suggests that is impacting people of all age groups. While technology is enabling us to transcend physical distance and stay in contact, studies continue to suggest that online social connections don't replace in-person connections, but compliment them.¹¹⁰

SOCIAL CAPITAL AND THRIVING COMMUNITIES

One of the key suggestions in the social capital literature is that the benefits of strong social ties and involvement in community organizations and religious groups that foster network formation often result in positive externalities. That is, social ties create positive goods for the entire community, not just the individuals involved in the primary relationship or interaction.¹¹¹ Volunteering begets more volunteering. For example, studies have shown that volunteering by religious Americans "spills over", and even non-religious Americans volunteer more in areas where they have social ties with those who are religious.¹¹² While this pattern may be seen at a community level, the number of people who are religious in a state is not correlated with the volunteering rate in the state.

While many might point to religious beliefs or moral values as the key driver here, the academic literature suggests what is most powerful about religious organizations is not the explicit civic socialization or moral messages they convey, but rather the way they bring people together and forge meaningful relation-

ships oriented around a shared focus.¹¹³ Putnam has estimated the effect of associational activities on happiness to be equivalent to a 100% increase in income or four additional years of education.¹¹⁴

The data in this report also suggest that America's Midwestern states are hubs of social capital and, yet, we also know that some of these places have been hit hard by the opioid epidemic, by depopulation, and by economic decline. There are important reasons to continue to examine the diversity within this region. Sean Stafford examines the differences between the trajectories of neighboring cities of Youngstown, Ohio and Allentown, Pennsylvania, and notes that the economic organization of cities and social organization of cities are related. According to Stafford, Allentown's economic resilience owes much to the fact that the social structure of its civic interactions connected key constituencies who needed to cooperate in the face of the region's crisis. Those networks were absent in Youngstown, and the networks that did exist were not positioned such that they could be leveraged in difficult times.¹¹⁵

Trust in strangers is another key component of the mechanism by which social capital manifests in thriving communities. Globally, the U.S. ranks 11th out of 169 countries for interpersonal trust. Scholars have noted that social trust facilitates interaction with those we do not know, which has implications for the perception of safety among other things.¹¹⁶ Neighbors who trust one another are more likely to band together to clean up a local park, lobby local government for more resources for their community, or even just more likely to sit outside on a porch in a way that deters crime.

SOCIAL CAPITAL AND STRONG DEMOCRACIES

Trust also matters in terms of how people feel about social institutions. It matters how much people trust the government, the police, the fairness and openness of elections, and the media. The nature of this trust shapes who votes, how people vote, and whether people believe the system is fair and democratic. Popular discourse suggests that this is on the wane in many sectors, and over the last 10 years, institutional trust, as measured in this Index, has declined in 33 states. For example, there is much that has been made of the fact that claims of "fake news" might be undermining confidence in a major institution with the potential to impact democratic outcomes. Reported trust in the media has decreased across nearly all states in recent years. Many political pundits might speculate that this is part-and-parcel of the larger forces of polarization between conservative and liberal Americans. On the other hand, scholars of social capital might suggest the danger lies not in divergent ideologies, but rather in the potential that Americans will not bridge their differences and continue to talk to one another and work together in the spirit of democratic deliberation.

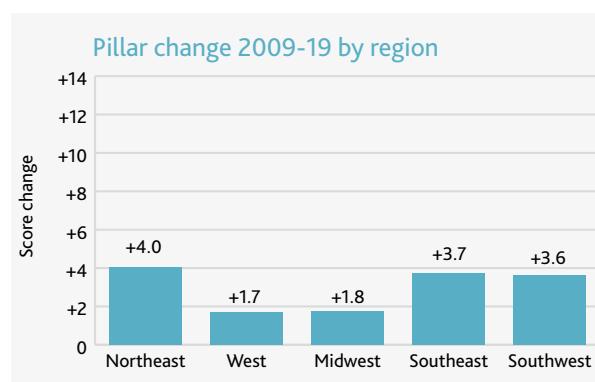
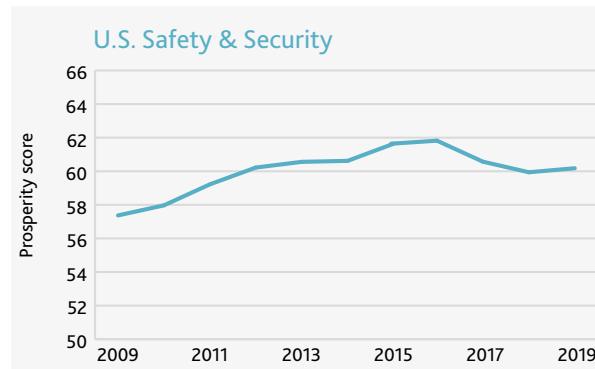
This report draws on many data sources to provide a rigorous account of where this type of trust is thriving and where challenges are present in an analysis that is truly among the first of its kind.

Safety and Security

Safety and Security are integral to securing prosperity. A secure and stable environment is necessary for attracting investment and sustaining economic growth, and people's wellbeing is dependent on having personal safety. In short, a nation can prosper only if all its citizens can live in an environment that provides relative security and safety.

The United States ranks 43rd (out of 149 countries) for Safety & Security, and it is the nation's weakest pillar when compared to other countries.¹¹⁷ In particular, terrorism is a concern in the U.S. It ranks 90th globally for the number of terror-related casualties, with 0.29 casualties per million people in the U.S. during 2017, the same rate as in Algeria, and above Mexico's rate of 0.18. While this is the U.S.'s weakest pillar, Safety & Security has improved across the U.S. over the last decade, particularly to 2016, with 39 states and D.C. improving, and all regions seeing an improvement on average. This has been primarily due to decreasing levels of both Violent Crime and Property Crime, although there has been a slight decline over the last three years, flattening out the overall improvements, with both violent crime and terror-related incidents rising between 2016 and 2019.

The Northeast ranks highest overall for Safety and Security, with **Maine** (1st), **New Hampshire** (2nd), and **Vermont** (3rd) topping the rankings. On the other hand, **New Mexico** (49th), the **District of Columbia** (50th), and **Nevada** (51st) are the weakest performers for Safety & Security. Nevada, which is the least safe and secure state this year, has been one of the handful of states bucking the overall upwards trend, falling from 44th a decade ago to 51st.



Terror-related Crime measures the effect of terror on both individuals and communities within a state. The impact of terror-related crime is much wider than the sum of the damage done to individual victims, creating long lasting effects on the wider society affected.

Indicators—

- Mass shooting deaths (GVA)
- Mass shooting injuries (GVA)
- Terrorism deaths (GTD)
- Terrorism injuries (GTD)
- Terrorism events (GTD)

Nationally, terror-related incidents have been rising in frequency and severity over the past five years, with an increase seen across 42 states. This increase has been seen both in terrorism and mass shootings. The United States contains just 5% of the globe's population, yet 31% of all mass shootings occur on American soil.¹¹⁸ The number of mass shootings in the country has been steadily increasing over the past five years. While 287 people died in mass shootings in 2013, this figure rose to 570 in just five years, nearly twice as high.

Despite deteriorating national trends for this element, fourteen states had no terror-related events in the last year, including top-ranking states like **Wyoming** (1st), **Hawaii** (3rd), and **Rhode Island** (6th).¹¹⁹ Wyoming has been the best-performing state in this element every year for the last decade. It has the advantage of being a sparsely populated state – areas with similar demography often experience low levels of crime in general.¹²⁰

In **Nevada** (51st), 58 individuals died and 851 were injured in a mass shooting in Las Vegas in 2017. The state has since enacted a law requiring background checks for private gun purchases. Studies have concluded that mass shootings were reduced during the years of the federal assault weapons ban from 1994-2004.¹²¹

Violent Crime assesses the level to which violent domestic crime affects the citizens of a state.

Indicators—

- *Murder (FBI - UCR)*
- *Rape (FBI - UCR)*
- *Aggravated assaults (FBI - UCR)*
- *Robbery (FBI - UCR)*

Nationwide, the levels of violent crime over the past 10 years have remained relatively static, with a slight decrease between 2009 and 2016, and an increase from 2016 onwards. The Northeast is generally safer from violence, and has improved in recent years. **Maine (1st)**, **Vermont (2nd)**, and **New Hampshire (3rd)** lead the way, each with low prevalence of murder, robbery, and aggravated assault. Of these three states, Vermont has the highest annual murder rate at 2.2 per 100,000 people, which is still considerably below the national average rate of 5.2.

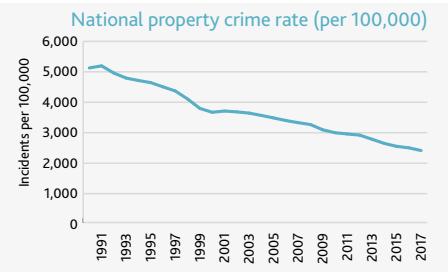
Regionally, the biggest deterioration in violent crime over the past five years has been in the Midwest and Southwest, where murder and rape have both increased. The average murder rate in the Midwest, for example, has increased from 3.9 people per 100,000 in 2014, to 4.7 this year. **District of Columbia (51st)** has the highest murder rate at 16.7 per 100,000, almost seventeen times higher than in **New Hampshire (3rd)**, where the murder rate is lowest at 1 per 100,000.

Property Crime captures the level to which property crime, such as burglary, destabilize the security of individuals and affect both individuals' wealth and wellbeing.

Indicators—

- *Burglary (FBI - UCR)*
- *Motor vehicle theft (FBI - UCR)*
- *Larceny theft (FBI - UCR)*
- *Identity theft (FTC)*

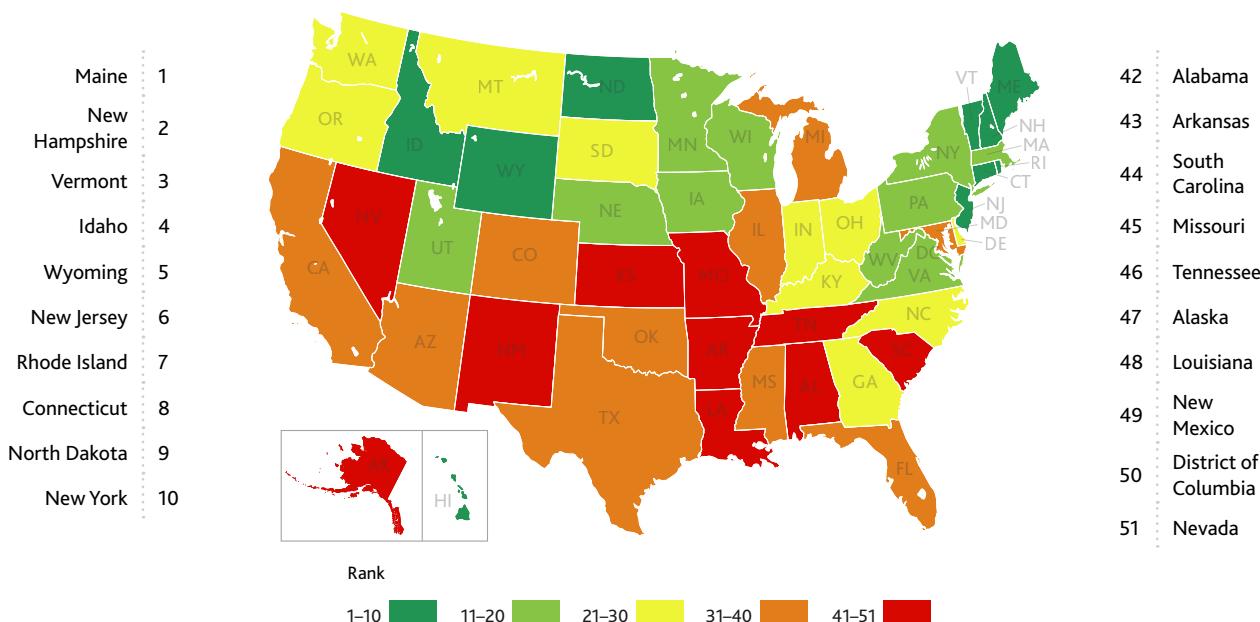
Property crime has been improving steadily in 46 states and D.C. over the last decade. Over the past 10 years, national burglary rates have fallen from a rate of 728 burglaries per 100,000 people to 431 in the most recent year. The last decade of falling rates of property crime across the U.S. continues a trend that has been seen since the 1990s. Nationally, there were 5,073 incidents of property crime, as defined by the FBI's Uniform Crime Reporting programme, per 100,000 people in the U.S. in 1990. This figure has steadily decreased to 2,362 in 2017.



Regionally, the greatest reduction in levels of property crime has been seen in the Northeast. Seven of the top 10 best-ranking states this year are situated in the northeast, up from four in 2009 after **Massachusetts (5th)**, **Pennsylvania (7th)** and **New Jersey (9th)** increased in rank. **New Jersey (9th)** moved up ten rankings from 19th over the past five years, with declining rates of burglary, motor vehicle theft, and larceny theft. Despite this, identity theft remains an issue in New Jersey, where such theft has increased over the last five years from 86 incidents per 100,000 people in 2014 to 106 per 100,000 this year. The state currently ranks 37th for identity theft, and this remains its weakest indicator across the pillar.

New Mexico (51st), **Nevada (50th)**, and **Alaska (49th)**, have the highest rates of property crime. As with violent crime, property crime is more prevalent in urban than rural areas, which makes New Mexico and Alaska's positions at the bottom of the rankings somewhat anomalous; they both have particularly high levels of both burglary and motor vehicle theft. **Texas (33rd)** also experiences high rates of all four types of property crime.

Safety and Security 2019

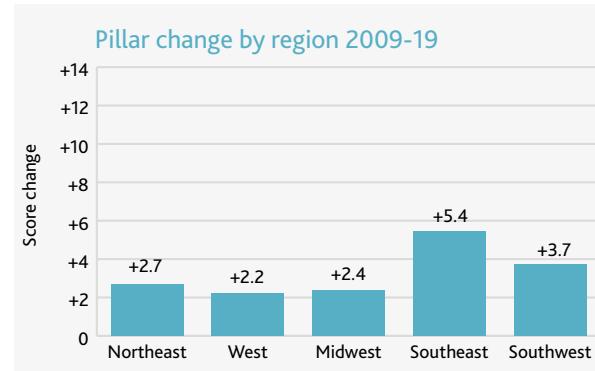
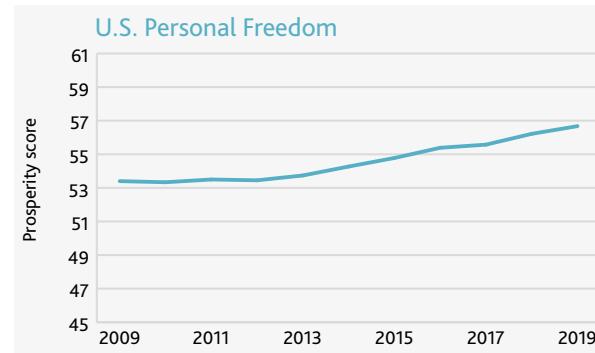


Personal Freedom

Societies that foster strong civil rights and freedoms have been shown to enjoy increased levels of satisfaction among their citizens. Furthermore, it has been shown that by protecting human rights and freedoms, countries, societies, and communities may further foster economic development.¹²²

The United States ranks 23rd globally for Personal Freedom, and personal freedoms have strengthened across all regions of the U.S. over the last decade, with citizens of 40 states and D.C. experiencing an improvement. The greatest improvements have been seen in higher levels of anti-discrimination protections being enforced beyond the federal requirements. The Northeast is the top ranking region for Personal Freedom, as it has been for the past decade. **Connecticut** (1st) is the freest state in the U.S., having overtaken **Massachusetts** (2nd) in the last year due to reductions in its incarceration rates and death row populations.

The Southeast region has seen the greatest improvement in personal freedom since 2009, with four of the five greatest risers – **Mississippi** (43rd), **South Carolina** (31st), **Arkansas** (41st) and **Kentucky** (32nd) – being situated in the region. Despite these improvements, the Southeast remains the weakest region for social tolerance in the U.S., and has particularly high measured use of ethnic slurs. Of the top ten states with the highest measured level of ethnic slur use, six are in the Southeast; **Kentucky** (32nd), **Arkansas** (41st), **Mississippi** (43rd), **West Virginia** (44th), **Alabama** (48th), and **Tennessee** (51st).



Freedom of Association & Speech measures the degree to which people have the freedom to engage themselves in the civic sphere in collective interest groups, and the degree to which they are free to share ideas in public forums.

Indicators—

- Free speech in public places (Cato)
- Right-to-work (NCSL)
- Press suppression (USPFT)
- Invasive cellphone surveillance (ACLU)

Freedoms of Association & Speech are guaranteed at the federal level by the First Amendment, but the practical outworking of these freedoms is not universal across the U.S.¹²³ For speech to be truly free, and for citizens to experience true freedom, journalism must be protected. Vibrant and diverse journalism enables conversations of public concern, and holds institutions to account.¹²⁴ Since the 2016 election, attacks on journalists and media professionals have increased. In June of 2018 in **Maryland** (46th), a man walked into the Capital Gazette in Annapolis and shot dead five employees.¹²⁵ Before 2018, the last journalist who was murdered for his work was Chauncey Bailey (**California** 40th) in 2007.¹²⁶ In **California** (40th), three journalists were physically attacked at political rallies in 2017 alone.¹²⁷

The discernible differences between states are recorded in a binary manner, hence ten states, **Arkansas, Idaho, Kansas, Mississippi, Nebraska, New Jersey, South Carolina, South Dakota, Utah, and Wyoming** are tied for first place in Freedom of Association & Speech. Except for New Jersey, all of these states are right to work states, and are not known to use invasive cell-phone surveillance through 'stingray' equipment.¹²⁸ None of the states have had any recorded attacks on the press over the last year.

Right-to-work laws make it illegal to force employees in a unionized workforce to join the union and pay union fees, and advocates argue the importance of freedom from coercion into association.¹²⁹ Five states have enacted right-to-work laws over the last decade, three in the Midwest, **Indiana** (20th), **Michigan** (20th) and **Wisconsin** (33rd), and two in the southeast, **Kentucky** (11th) and **West Virginia** (14th).



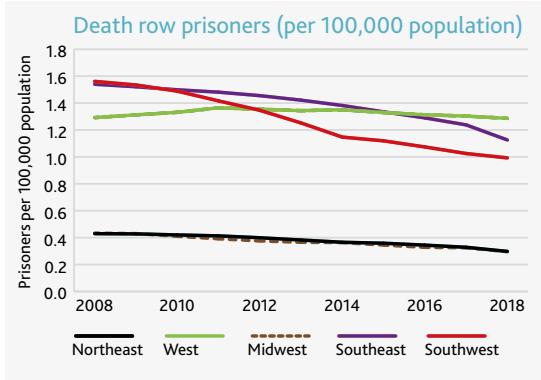
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Agency captures the degree to which individuals are free from coercion or restriction and are free to move. At the U.S. level, indicators such as incarceration rates and shootings of civilians by lawmakers, are used to proxy the degree to which citizens' agency is restricted by state or non-state actors.

Indicators—

- Fatal police shootings of unarmed civilians (Wash. Post.)
- Death row population (NAACP)
- Adult incarceration (BJS)
- Youth incarceration (CJRP)
- Trafficking (FBI - UCR)

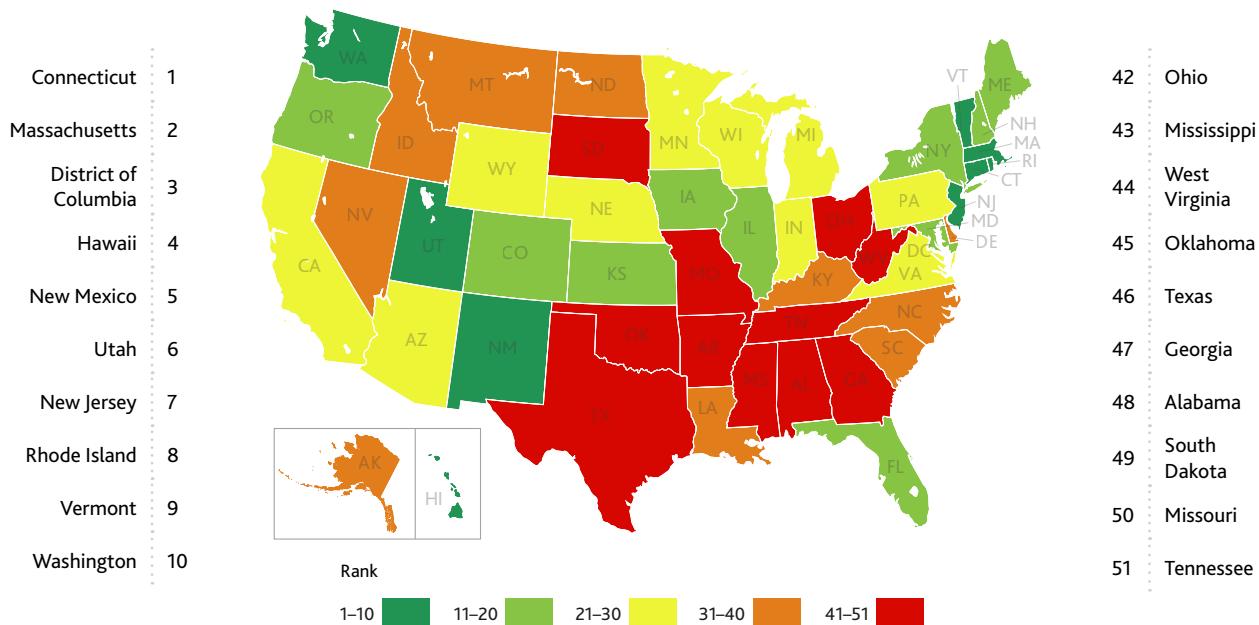
Vermont (1st), the **District of Columbia** (2nd), and **Maine** (3rd) are at the top of the rankings, with zero death row inmates between them, and no fatal police shootings of unarmed civilians in the most recent year. Low adult incarceration rates over the past decade have been experienced in all of these states, with the highest rate of 450 people per 100,000 being seen in the District of Columbia, in 2016, compared to the national average of 850.¹³⁰



All regions of the U.S. have seen improving levels of agency over the last decade, primarily driven by reductions in youth and adult incarceration, and declining death row populations. **Delaware** (25th), the **District of Columbia** (2nd) and **Alaska** (30th) have seen the greatest improvements over the last decade, rising 18, 13 and 6 places respectively. Despite Alaska's improvements in the last decade, the state still faces issues with the 3rd highest level of police shootings of unarmed civilians, at 1.4 per million people.

Louisiana (51st) and **Alabama** (50th) are at the bottom of the rankings, as they were ten years ago. These states have some of the highest incarceration rates in the country, at 1,270 people and 1,080 people per 100,000 respectively. Alabama's incarceration rate is over six times the UK's, and nearly nine times Canada's.¹³¹ Furthermore, investigations by the Justice Department in April of this year found that prisoners in Alabama's prisons experienced some of the highest rates of homicide and rape in the country, and officials showed a "flagrant disregard" for their right to be free from excessive and cruel punishment.¹³²

Personal Freedom 2019



Absence of Legal Discrimination assesses the level of discrimination in law or by government and whether the law protects individuals and groups from suffering discrimination. This dimension concerns numerous factors, including gender, sexuality, religion, ethnicity & economic background.

Indicators—

- Religious freedom restoration act enacted (Cato)
- Employment anti-discrimination law (Cato)
- Government discrimination based on sex prohibited (Cato)
- Affirmative action in public services banned (Cato)
- LGBT relationships & parenthood recognition (MAP)
- LGBT non-discrimination laws (MAP)

The **District of Columbia** (1st), **Connecticut** (2nd) and **New Mexico** (3rd) top the rankings, with each enacting religious freedom and anti-discrimination laws beyond federal levels, and prohibiting government discrimination based on sex. Despite this, top-ranking states still have areas of weakness. For example, **Washington** (6th), **Massachusetts** (9th), **Maryland** (11th) and **California** (12th) do not have religious freedom restoration acts, and in **New Mexico** (3rd), laws protecting family leave fail to cover same-sex couples. As a result, New Mexico ranks 17th for its lack of legal recognition of LGBT relationships & parenthood.

Thirty-seven states and D.C. have employment anti-discrimination laws beyond the federal level, rising from thirty-three a decade prior. **Mississippi** (29th), **Arizona** (18th), **Utah** (16th) and **Pennsylvania** (8th) have enacted employment anti-discrimination laws over the last decade. Lacking any anti-discrimination law is a strong indicator of a state's poor overall level of legal anti-discrimination. For example, the highest ranking state without any employment anti-discrimination laws beyond the federal level is **Oklahoma** (37th).



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states and D.C. have employment anti-discrimination laws beyond the federal level

Social Tolerance measures the degree to which societies are tolerant of differences within the population, and the level of tension arising over differences in identity. Societal discrimination and intolerance can engender serious issues within a society, and are a significant inhibitor of individual's de facto freedoms.

Indicators—

- Hate group concentration (SPLC)
- Use of ethnic slurs (Google Trends)
- Same sex marriage support (PRRI)
- LGBT non-discrimination law support (PRRI)

Over the last decade, social tolerance has increased in the Southeast, Southwest and West regions, closing the gap with the top region, the Northeast. Six of the top 10 states are in the Northeast, with **Massachusetts** (1st) topping the rankings after overtaking **Hawaii** (2nd) over the last year. Same-sex marriage support has increased over the last year in Massachusetts, and hate group concentration has declined.

Mississippi (51st) and **West Virginia** (46th) have the highest levels of Google search traffic for typical derogatory terms for main ethnic groups across the states. The association between Google search traffic for derogatory terms and racism has been explored in recent years, with a 2015 study exhibiting the link between search traffic for ethnic slurs and black mortality rates and racial disparities in health.¹³³ These emerging links highlight an opportunity to harness big data to proxy social opinions and trends, and overcome the typical issues of traditional survey data.

South Dakota (50th), **Alaska** (43rd), and **New Hampshire** (26th) have deteriorated the most in social tolerance over the last decade, and have seen a decline primarily due to an increase in hate group concentration. South Dakota has seven hate groups active in the state, increasing from two in 2010. Hate group concentration at a state level does not always align with the level of hate crimes reported in the FBI's Uniform Crime Reporting program, partly due to the issue of underreporting, which is well documented.¹³⁴ For example, in 2015 a transgender teenager from Alabama was murdered in Mississippi; this case was not reported to the FBI, since the state does not require local agencies to report hate crimes.

Support for same-sex marriage has increased across the U.S., with 48 states recording an increase. Nationally, support for same-sex marriage has increased from 54% in 2016, to 61% this year. While support for same-sex marriage has increased almost ubiquitously across the U.S. over the last decade, the opposite is true for LGBT non-discrimination law support, which has decreased in 30 states. Both indicators are an indication of policy attitudes, and the contrasting trends make it challenging to discern whether states are truly becoming more tolerant of LGBT individuals. Despite the increases in same-sex marriage support, there are six states in which less than 50% of the population supports same-sex marriage, with the lowest percentage at 41% in **Alabama** (47th).

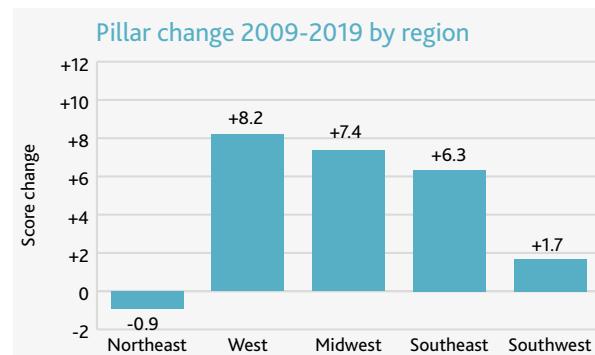
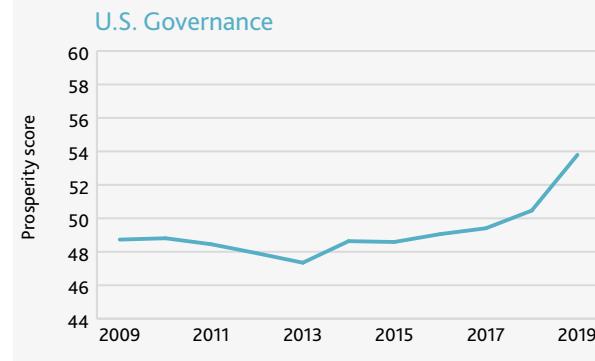


Governance

A stable and trustworthy state is one of the central and underlying components of prosperity, allowing for healthy economic exchange. The more culturally embedded the rule of law and good governance becomes, the more effective these measures are in promoting and supporting a healthy economic environment. Governance is at its most robust when it has been established over time through natural evolution and is essentially a codification of cultural expectations and behaviours.¹³⁵ Effective, fair, and accountable governments increase public confidence, and ultimately result in higher levels of life satisfaction among citizens.

The United States ranks 18th globally for governance, and has been improving nationally since 2013, following a general decline between 2009 and 2013.¹³⁶ Regionally, the biggest improvements since 2013 have been in the West and Midwest. Only the Northeast has seen a decline, and has fallen from the third-ranked region a decade ago to the bottom-ranked region. Furthermore, the decline in the Northeast drove the national decline in Governance between 2009 and 2013, and has since remained relatively stagnant whilst other regions have improved.

Illinois (20th) and **New Mexico** (15th) have seen the biggest improvement in governance over the last decade, rising 28 and 21 places respectively, both due to improvements in the rule of law. Five of the 10 most-improved states have seen the biggest increase coming from political accountability. Despite an upwards trend nationally, governance is deteriorating in some of the lowest ranking states; **Louisiana** (50th) and **Mississippi**



(51st) are in the top ten greatest fallers over the last decade. In these states, the rule of law has been weakening, as has the integrity of the state's governments, with multiple indicators registering declines.



Political Accountability

captures the degree to which the public can hold state-level public institutions accountable, and the degree to which the state facilitates and enables engagement in the political sphere.

Indicators —

- *Elections Performance Index (MIT Election Lab)*
- *Gender balance in legislatures (CAWP)*
- *State campaign disclosure (NIMP)*
- *Term limits (NCSL)*

State-level political accountability has been improving over the last decade, with all regions seeing an improvement. **Nevada** (1st), **Colorado** (2nd), and **Arizona** (3rd) are at the top of the rankings. Nevada ranks 6th on the Elections Performance Index, and is one of the only states to give voters the option to choose “none of the candidates”, and has had this option since the 1970s. Despite this, Colorado and Arizona are ranked 22nd and 35th respectively for the elections performance index. Arizona also has low voter turnout at 56.22% in 2016, putting it at 43rd, and high levels of rejected mail ballots at 0.4%, the 44th highest in the U.S. In contrast, Nevada ranks 37th for state campaign disclosure requirements. The state does not require a contributor’s employer or occupation to be disclosed, and doesn’t require special reports for late or large contributions.¹³⁷ Conversely, Colorado and Arizona rank 8th and 2nd for state campaign disclosure requirements respectively.

The improvements across the U.S. in political accountability have been driven primarily by an improvement in the performance of elections, with all but six states delivering better management of national elections in the 2016 elections than in the 2012 elections. The Elections Performance Index captures different aspects of voter facilitation and engagement, and election management, and the most significant improvements between 2012 and 2016 were seen in a reduction of voting wait times. Voting wait times can range from an average of just half a minute in **Oregon** (24th) to nearly twenty minutes in **South Carolina** (33rd).¹³⁸ Voter turnout, also captured in the EPI, varies considerably between states, from 43% in **Hawaii** (31st) to 75% in **Minnesota** (10th).

However, there are indications that the accountability of national institutions has declined over recent years. A report on the state of American democracy from U.S.-based Freedom House reported that “*While democracy in America remains robust by global standards, it has weakened significantly over the past eight years.*”¹³⁹ In the Global Index of Economic Openness, the United States has fallen from 15th in political accountability to 34th.¹⁴⁰

Rule of Law is the fairness, independence and effectiveness of the judiciary (in applying both civil and criminal law), along with the accountability of the public to the law.

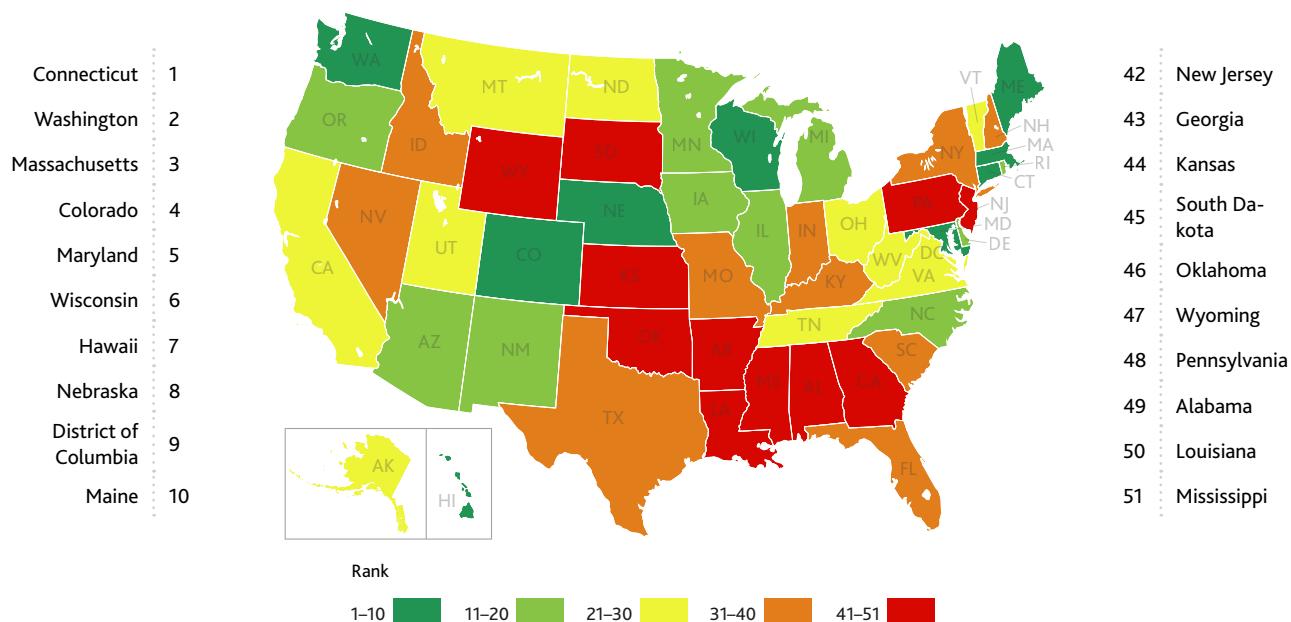
Indicators —

- *Justice Index (NCFAJ)*
- *Judicial integrity (ATRF)*

Globally, the U.S. ranks 15th for the rule of law, and this is the U.S.’ strongest element within the Governance pillar. The **District of Columbia** (1st), **Massachusetts** (2nd) and **Hawaii** (3rd) are at the top of the state rankings. A critical aspect of the rule of law is access to justice for all. In 2016, the Hawaiian Judiciary received \$600,000 for civil legal service organizations to help vulnerable people, which was increased to \$750,000 in 2017. However, this funding has been completely cut in the judicial budget for 2018, and this may cause the pacific island’s ranking to fall in future years.¹⁴¹

Over the last decade, the rule of law improved across all regions apart from the Northeast, which has fallen from the top performing region in 2009 to the weakest-performing region, although the differences are slight. Judicial integrity has declined in both **Pennsylvania** (50th) and **New York** (32nd). Both of these states have been called out by the American Tort Reform Foundation, who have “*documented [...] abuses within the civil justice system*” since 2002 for unfairly applying laws and tort procedures in certain courts in these states.¹⁴²

Governance 2019



Government Integrity assesses the integrity of a government, encompassing both the absence of corruption, and the degree to which government fosters citizen participation and engagement, through open information and transparent practices.

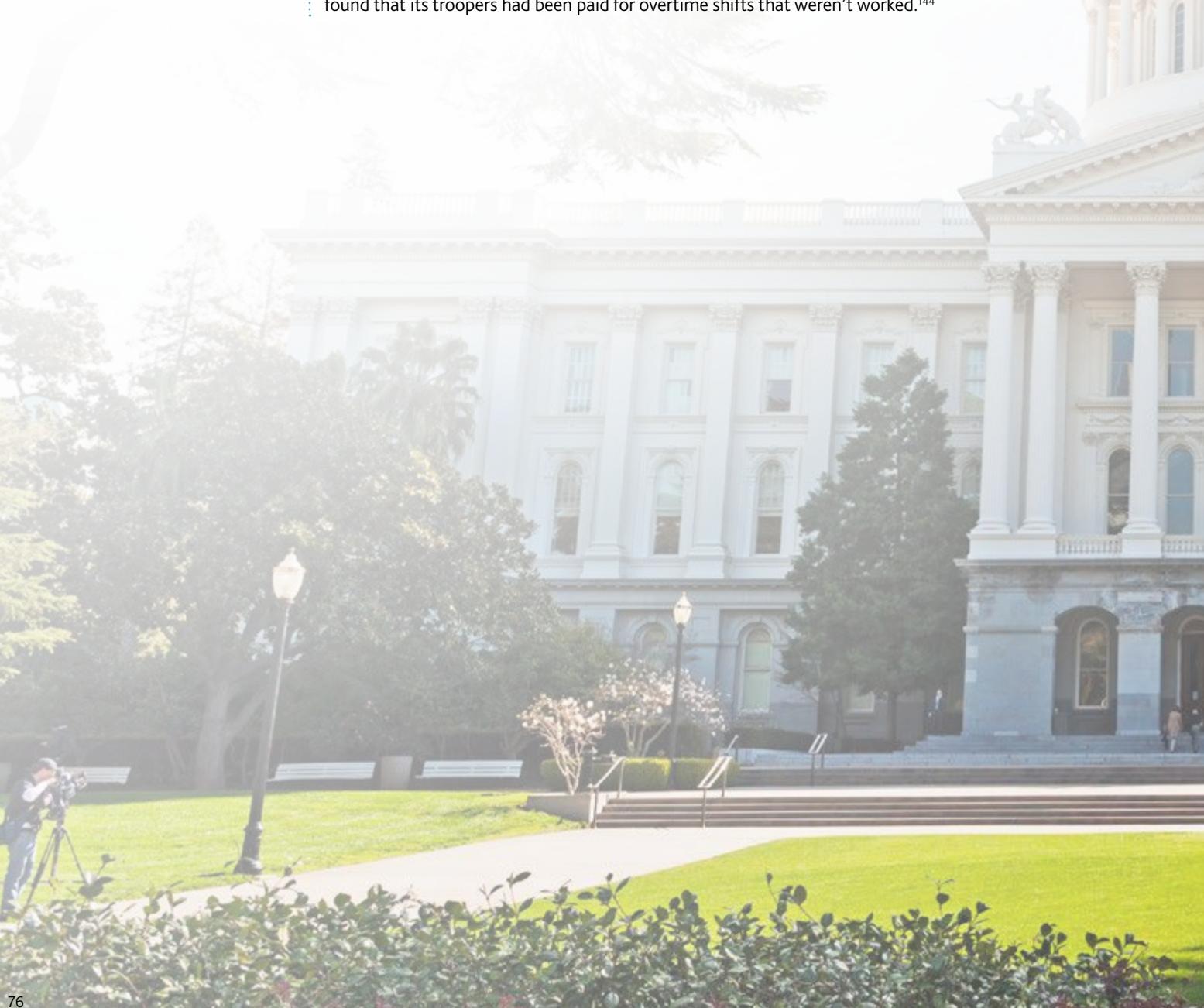
Indicators—

- Legal corruption perceptions (ICS)
- Illegal corruption perceptions (ICS)
- Corruption Reflection Index (ICS)
- State Integrity Investigation (Center Pub. Int.)
- Public record request compliance (Cuillier)
- Online Spending Transparency Index (USPIRG)

The United States ranks 19th globally for the integrity of its government, which has been increasing over the last decade, despite a small decline over the last year. These national improvements have been driven by marked improvements across the West and Midwest, where perceptions of both 'legal' and illegal corruption have been declining. Corruption can be defined as having two distinct types – 'according to rule', where corrupt practices are technically legal, and 'against the rule' where they are illegal. The two largest state risers for government integrity are **Ohio** (8th) and **California** (16th), who have risen 27 and 26 ranks respectively over the last decade. California has seen a decline in the perceptions of illegal corruption, and the state ranks second in the state integrity investigation, just behind **Alaska** (11th).

Six of the 10 states at the bottom of the rankings, **Louisiana** (51st), **Arkansas** (50th), **Mississippi** (49th), **Georgia** (47th), **Alabama** (46th), and **Kentucky** (43rd) are in the Southeast. These states typically perform poorly on almost all measures, with Alabama and Georgia ranking under 40th for all indicators except the State Integrity Investigation. High profile corruption scandals have not been a rare occurrence in Alabama in recent history, with former Alabama lawmaker Ed Henry being sentenced to two years of probation for involvement in Medicare fraud.¹⁴³

Interestingly, many states experienced points of inflection near the 2016 presidential election, regardless of political leanings. For example, **Massachusetts** (20th) fell precipitously in the ranks from 3rd in 2015 to 24th in 2016, and then fell again to 41st in 2017. Reporters perceived higher levels of both legal and illegal corruption in their government, and the state experienced higher levels of corruption reporting in the news, with local news outlets in 2018 focusing on corruption issues in the Massachusetts State Police. In 2018, the State Police broke up a unit after it was found that its troopers had been paid for overtime shifts that weren't worked.¹⁴⁴



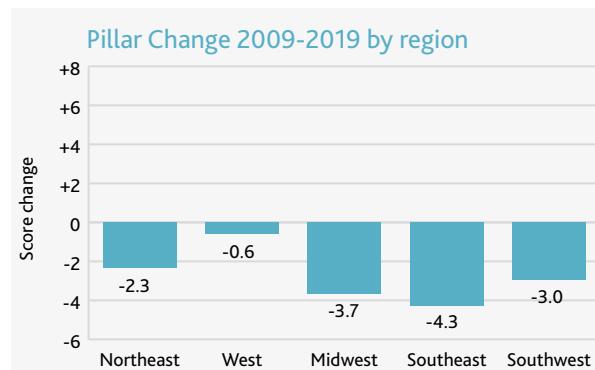


Social Capital

Social networks, and the cohesion a society experiences when people trust, respect and help one another, have a direct effect on prosperity. A person's wellbeing is best provided for in a society where people trust one another and have the support of their friends and family. Societies with lower levels of trust tend to experience lower levels of economic growth.¹⁴⁷ Thus, the word 'capital' in 'social capital' highlights the part that social networks play in producing economic returns and improving wellbeing.

Although the United States ranks sixth globally for social capital, it has been deteriorating, with the decline coming from those states at the bottom of our rankings. While five of the 10 top-ranking states have improved their social capital since 2009, 21 of the 22 bottom-ranked states have seen a decline, causing the gap between the strongest and weakest states to widen. The juxtaposition of neighbors **Utah** (1st) and **Nevada's** (51st) social capital reflects the wider pattern of social capital across the U.S., where less racially integrated states appear to have weak social capital. Some research has suggested that it is a lack of integration, rather than diversity per se, that contributes to lower levels of social capital.¹⁴⁸

Six of the top 10 states for social capital are in the Midwest; whereas five of the bottom ten are in the Southeast. **Vermont** (3rd) is one of the four states in the top ten that isn't in the Midwest, and has moved up five rankings since 2009. This rise has been driven primarily by strengthening personal and family relationships, where Vermont has risen one place to 7th, the teen birth rate having reduced in the state from 20 per 1,000 in 2009 to 10 per 1,000 in 2019.



Personal and Family Relationships captures the strength of the closest-knit personal relationships and family ties. These relationships form the crux of support that individuals can turn to, emotionally, mentally, and financially on a daily basis.

Indicators—

- Divorce (CDC)
- Children in unmarried households (Census Bureau)
- Teen births (CDC)
- Parent's attendance of children's activities (NSCH)
- Shared meals with household members (CPS)
- Frequently hear from family & friends (CPS)
- Close friends (CPS)

The United States ranks second in the world for the strength of personal and family relationships element, outranked only by New Zealand, and all states have improved in this area over the past decade. Improvements have primarily been due to more people reporting that they frequently hear from family and friends. **Utah** (1st) is the highest ranked state for personal and family relationships, although it is ranked 35th for its divorce rate, at 3.4 divorces per year per 1,000 people.

Two indicators in this element, the teen birth rate, and the proportion of children in unmarried households, act as proxies for the strength of family relationships, with research indicating that teenage pregnancies are often "the product of economic disadvantage [...] Because the children of teenage mothers have an even slimmer chance of escaping these conditions, they, too, may become adolescent parents."^{145,146} **Mississippi** (46th) has the highest rate of births to unmarried women in the nation, 49.5%, the third-highest teen birth rate, and over 40% of children in Mississippi live in unmarried households.

The percentage of people reporting that they frequently hear from family and friends decreased slightly in **Mississippi** (46th) from 85% to 82% over the past ten years. Mississippi is one of many southern states (such as **Alabama** (40th), **Louisiana** (47th) and **Georgia** (45th)) that have a weak performance in this element. Except for Georgia, all of these states are ranked in the bottom 10 for both the percentage of children in unmarried households, and teen birth rates.

States without large metropolitan areas tend to have stronger social networks than those with large metropolitan areas



Social Networks measures the strength of, and opportunities provided by, ties that an individual has with people in their wider network. These ties are a vital part of social support, and these networks can bolster bridging capital when social and community networks straddle different strata within society. Local social networks depend on building and maintaining relationships with other individuals and families, including neighbors.

Indicators—

- Favors between neighbors (CPS)
- Frequently talk with neighbors (CPS)
- Trust in people in neighborhood (CPS)
- Supportive neighborhood for a child (NSCH)
- Trust in people (ANES)

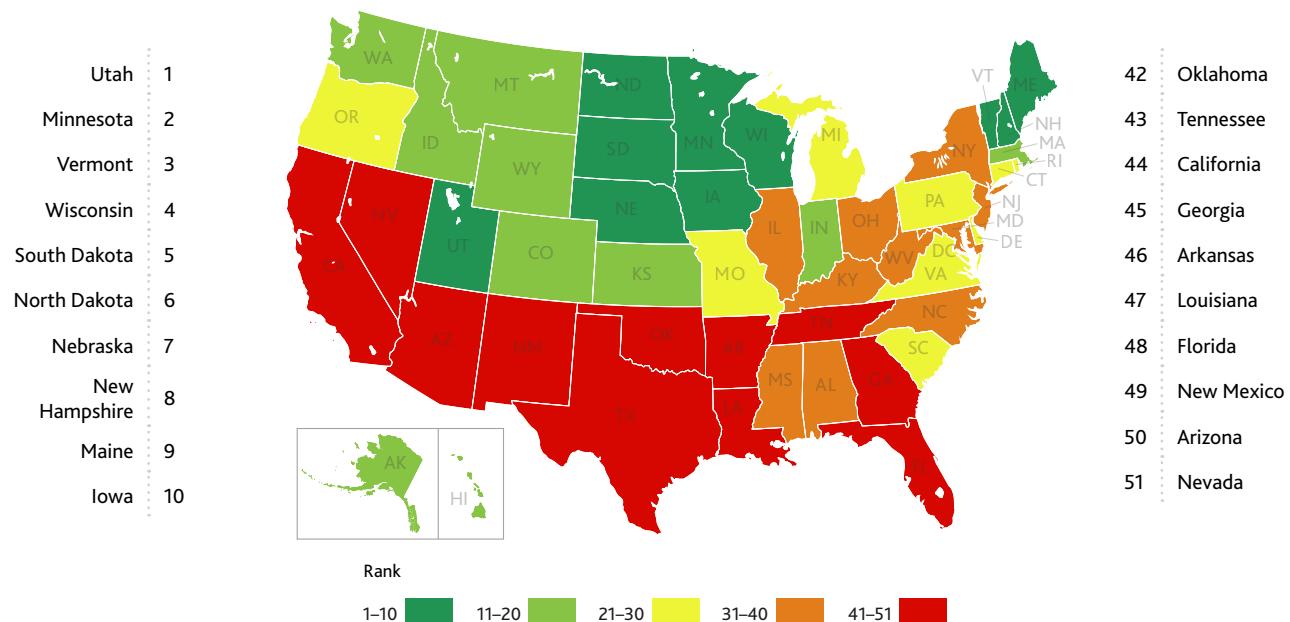
States without large metropolitan areas, such as **South Dakota** (4th) and **North Dakota** (3rd) tend to have stronger social networks than those with large metropolitan areas, such as **California** (49th), and experience less severe change. **California**, home to six of the fifty largest U.S. metropolitan areas, suffers from “poorer” families being displaced from more central neighborhoods by an influx of wealthier families.¹⁴⁹ Neighborhood displacement has been seen to weaken social networks and community bonds in numerous contexts, and in this context it is perhaps unsurprising that California’s highest rank in this element over the last decade has been 48th.^{150,151}

However, this downward trend is not universal. **Rhode Island** (21st) has risen 21 ranks from 42nd a decade ago, mostly due to bonds between neighbors strengthening. While 32% of the state’s residents said they frequently did favors for their neighbors in 2016, this had risen to 37% by this year, and trust in people in the neighborhood rose from 61% to 68% over the same period.



Respondents in Rhode Island who frequently do favours for neighbors

Social Capital 2019



Institutional Trust captures the degree to which individuals trust their institutions. Trust in institutions is an important foundation upon which the legitimacy and stability of political systems are built.

Indicators—

- Confidence in corporations (CPS)
- Confidence in the media (CPS)
- Trust in federal government (ANES)

Institutional trust has declined in the U.S. over the last decade, almost entirely driven by a decline in confidence in the media. Trust in institutions has declined the most in **New Mexico** (50th), **Idaho** (34th) and **Iowa** (25th) over the last decade, and increased the most in **Colorado** (13th) and **Wisconsin** (7th).

Of all the states, North Dakotans report the highest degree of confidence in corporations to do what's right (74%), while Hawaiians have the most confidence in the media (68%). In **Wyoming** (31st), 69% reported confidence in corporations, but only 51% of Wyomingites have confidence in the media.

Currently, just 17% of Americans report trusting the federal government, which breaks down into 21% of Republicans and 14% of Democrats. Trust has steadily declined in the U.S. across the last half century, falling from 73% in 1958.¹⁵⁴

Civic & Social Participation measures the amount to which people participate within a society, broadly split into the civic and social spheres.

Indicators—

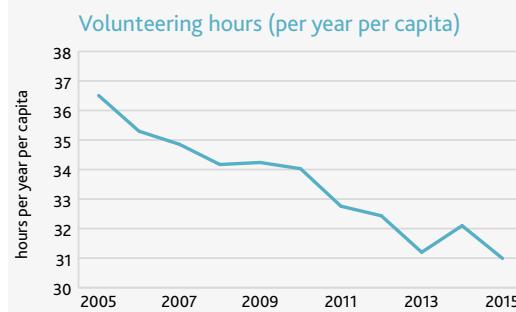
- Volunteer rate (CNCS Vol. & Civil Life)
- Volunteering intensity (CNCS Vol. & Civil Life)
- Active in neighborhood (CNCS Vol. & Civil Life)
- Helping the community (CNCS Vol. & Civil Life)
- (Non-religious) Membership organizations (Census Bureau)
- Religious organization participation (CPS)
- Sport or recreation organization participation (CPS)
- School, neighborhood or community association participation (CPS)

Five of the top 10 states for civic and social participation in the U.S. are in the West region, with **Utah** (1st) and **Montana** (2nd) leading the rankings. Utah has been ranked 1st every year for the past decade, although the percent of people participating in sports/recreation organizations has fallen from 14% to 12% over the last five years.

Robert Putnam's book, *Bowling Alone*, brought focus to the decline of civic and social participation in the U.S. by the 1990s, famously around bowling leagues, and this pattern has been seen across the last decade at a national level, albeit on a smaller scale.¹⁵² With the exception of the Northeast, all regions have seen a decline in civic and social participation over the last decade, primarily due to decreasing levels of participation in sport or recreation organizations, and school, neighborhood and community associations. Positively, however, there has been an increase in the volunteering rate across all regions.

While the volunteering rate has increased nationally over the last decade, from 26% to 30% of the population, the volunteering intensity has decreased, with the average number of hours people are volunteering over the course of a year dropping from 36.5 hours in 2009 to just 31 hours this year. **Utah** (1st) is the top-ranked state for both volunteering rate, at 51%, and volunteering intensity, at 76 hours per year per person on average, whereas **Mississippi** (26th) is one of the lowest in both measures, with 24% of people volunteering, and an average of 24 hours over the year per person.

The amount of participation in religious organization is often at a very different level from other aspects of civic and social participation. For example, the **District of Columbia** (3rd) ranks at 44th for this indicator, with 16% of people participating in a religious organization in the last year, compared to the national average of 20%. Despite this, D.C. is ranked first for participation in school, neighborhood and community associations, top for being active in the neighborhood, and fifth for participation in sport or recreation organizations. The top-performing states for religious participation are almost exclusively southern; **Alabama** (42nd), though ranking in the bottom 10 for all other indicators (excluding participation in school, neighborhood or community associations) is 16th for religious organization participation. Religious measures of social capital more widely are often of a different nature to other metrics of social capital in the U.S. The Joint Economic Committee formed six hypotheses for these different measures, ranging from religion acting as a source of support for "communities with low social capital and substantial social and economic problems", to historical and demographic reasons, to "religious adherents [...] withdrawing from the broader civil society as it becomes more secularized".¹⁵³





**Utah is the top-ranked state
for volunteering rate (51%)
and volunteering intensity
(76 hours per year per
person on average)**

Empowered People





Defining Empowered People

The Empowered People domain captures the quality of the lived experience of members of society and the features present that enable individuals to reach their full potential through autonomy and self-determination.

As a minimum, this domain starts with the necessary goods required for a basic level of wellbeing, ranging from access to material resources, to adequate nutrition, to basic health outcomes, to basic education access and quality, and to a safe and clean environment. Many of these issues are inter-related, and we find the strongest relationship between education and living conditions. Each of the pillars in this domain differentiate states' performance on these fundamental measures of social wellbeing to distinguish where greater numbers of people are disadvantaged and less likely to achieve wellbeing.

We examine the fundamental aspects of empowered people across four pillars, each with component elements.

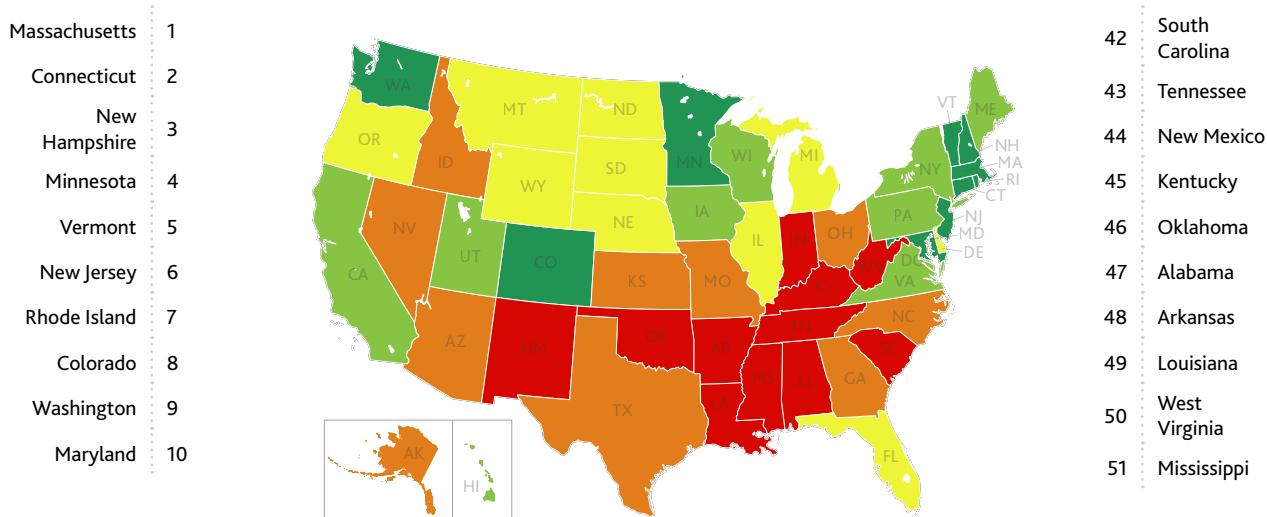
Living Conditions measures the set of conditions or circumstances that are necessary for all individuals to attain wellbeing. This set of circumstances includes a level of *Material Resources*, adequate *Nutrition* and access to *Water Services* and *Shelter*. It also measures the level of *Connectedness* of the population, and the extent to which they live in a safe living and working environment (*Protection from Harm*). These allow the individual to be a productive member of society and to pursue prosperity by ensuring they have the necessities of life central to a modern society.

Education measures the enrollment, outcomes and quality of four stages of education (*Pre-Primary*, *Primary*, *Secondary*, and *Tertiary Education*) as well as the stock of *Adult Skills* in the population. Education allows people to lead more fulfilling lives, and a better-educated population is more able to contribute to society. Over the long-term, education can help to drive economic development and growth while improving social outcomes and health outcomes, as well as leading to greater civic engagement.

Health measures the health outcomes of a population – including, the quality of both *Mental Health* and *Physical Health*, each of which affects *Longevity* – as well as the set of *Behavioral Risk Factors* that affect the quality of the population's health, and the quality of the healthcare provision through the lenses of *Care Systems* and *Preventative Interventions*. For a nation to truly prosper, its citizens must have good health. Those who enjoy good physical and mental health report high levels of wellbeing, while poor health keeps people from fulfilling their potential.

Natural Environment measures the elements of the physical environment that have a direct impact on the ability of citizens to flourish in their daily lives (*Exposure to Air Pollution*) as well as those that also impact the prosperity of future generations (*Emissions*). We also measure the extent to which the ecosystems that provide resources for extraction (*Freshwater and Forest*, *Land and Soil*) are sustainably managed. A well-managed rural environment yields crops, material for construction, wildlife and food, and sources of energy. We also measure the extent of *Preservation Efforts* as these are critical to longer-term sustainability.

Empowered People 2019





Toward a healthy U.S. population across all geographies — Keith J. Mueller

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Health policy debates and arising health policies are intended to improve the wellbeing of the population, manifested in general indicators such as improving life expectancy, sustaining self-reported good or excellent health, preventing diseases that diminish quality of life, and managing ill-health when illnesses set in. Those are end objectives, but policy action requires more specific and short-term foci, such as funding medical research, supporting a delivery system that provides access to high-quality services, and making services affordable to those who need them. Context matters in defining what is possible. As we approach the next decade, changes in what types of services are possible (personalized medicine) how they are delivered (including in-home), financed (payment system changes), and organized (spread of large systems and use of primary care teams) are creating new opportunities to meet population-based health objectives. Since health is seen as general wellbeing (not merely the absence or control of illness), measures monitoring improvement in the health arena must also be viewed in the broader context of measures of social as well as economic wellbeing.

HEALTH AND GEOGRAPHY

What is 'good health' for individuals and populations? Self-reported 'good-health' varies considerably across the U.S. The District of Columbia has the highest levels of self-reported good physical health, with under 7% of residents reporting that their physical health status was "not good", whereas in West Virginia it was almost 20%. On mental health, Minnesota had the highest self-reported levels, with nearly 10% of residents reporting that their mental health was "not good". In Arkansas, it was just over 7%.

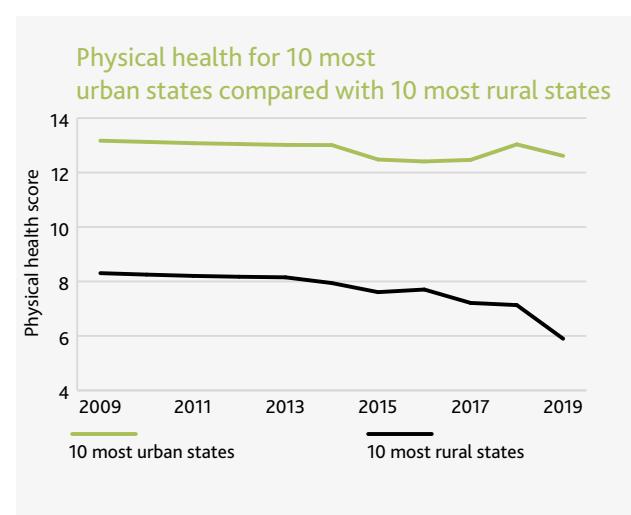
For individuals, good health or wellbeing is a status that enables them to maintain their roles in society or to redefine those roles (for example due to certain health-related limitations) to ones that still give them purpose.¹⁵⁵ When designing or improving services five principles should guide policies:

1. Health of the individual is paramount;
2. Health is an individual's capacity to pursue aspirations and happiness, unfettered by disease or disability;

3. All individuals must have comparable opportunities to obtain services to ensure good health;
4. Local resource capacities to deliver health care services must be considered; and
5. Public policy should facilitate an individual's understanding and navigation of the continuum of care.¹⁵⁶

Each of those principles can be operationalized with measures to gauge effectiveness of actions affecting delivery, organization and finance.

The health of rural populations is a special consideration, which requires an understanding of what rural means and why place matters. For the purposes of understanding critical variation consider two compelling logics – that size of the population within a service area matters in determining what is sustainable through local finance and what will require either special support to sustain or will be offered elsewhere but integrated with local services to manage health, and that distance from larger population centers matters in service integration. Rural populations are, on average, older, in poorer health, and less wealthy than urban populations.



As can be seen from the chart, the Physical Health of residents in the 10 most rural states is significantly below that in the 10 most urban states. Not only that, while the physical health of residents

in more urban states has remained fairly constant over the past 10 years, over the past 4-5 years it has seen a decline in the residents of more rural states. One example is Alabama, which has the third highest proportion of rural residents (59%) across the Union; rates of diabetes, high blood pressure, heart attacks and self-reported poor health have all increased over the past decade. In contrast, the residents of Nevada, a predominantly urban state of similar prosperity to Alabama, have maintained a similar level of physical health compared to ten years ago. This ultimately manifests itself in the prosperity of more rural states where, as we see from the geographical analysis elsewhere in this report, is lower than more urban states. Thus, while sustaining high quality services is particularly challenging, doing so is imperative.

TRANSFORMATIONAL CHANGE

Delivery of health care services now occurs in settings not considered when a major growth of inpatient hospital facilities occurred following the federal government's decision to invest in community hospitals (the Hill-Burton program of the 1950s and 1960s). Many surgical procedures are performed as outpatient care or in ambulatory care centers. Care for many episodes of illness can be managed in outpatient settings and at home, and when hospitalization is required, length-of-stay has dropped considerably for many services. Rates of preventable hospitalizations – admissions that could have been prevented through successful primary care – have decreased in the U.S. from 70.5 per 1,000 Medicare enrollees over 65 in 2008 to 49.4 in 2015, clear evidence of the shift of investment towards outpatient care. There are state variations, however, with Hawaii having the lowest rate of preventable hospitalizations, at 23.3 (and only 8% of the population classified as rural), while Kentucky has the highest rate, at 76.6 (and nearly 42% of the population classified as rural). Further changes in technology and managing chronic conditions will lead to even more dispersal of the site of service.

The organization of services is changing in tandem with advances in technology and health management. Many of the changes underway require new, substantial investments in technology related to the specific services (new surgical and diagnostic equipment, new information systems to better manage care, repurposing and constructing new facilities). Capital demands contribute to consolidation of healthcare organizations, as does a desire to provide services across the entire continuum of care within one organization and across a wide geography. The shift from inpatient to outpatient care emphasizes primary care as the point of contact between health care organizations and the population; advancing individual and population wellbeing.

Financing service delivery is also changing, quite dramatically. A shift is well underway from payment being a function of volume of services delivered (per encounter) to being a function of value to the persons served.

A new drive for change now exists that will affect the future of health care in the U.S., and specifically in rural places. Rural residents will have increased access to services delivered directly to home and remote sites staffed by personnel other than advanced clinicians (non-physician clinicians such as nurse practitioners and physician assistants, pharmacy technicians interact-

ing through telehealth with licensed pharmacists). The ability to provide post-operative care in community-based settings changes the role of local rural facilities and providers to be more engaged in the continuum of care. These changes create some balance to the economic forces that might drive consolidation into urban-based systems. Growing emphasis on primary care increases the need for locally-based care teams integrated with systems that provide specialized care elsewhere. Payment policy changes generate revenue streams that might be invested differently to promote community-based services contributing to wellbeing. For example, payment through global budgets based on historical expenditures creates opportunities to generate revenues for new purposes if healthcare organizations can lower costs related to service delivery.

Challenges in Transformation: Successful changes in financing care in large population centers may disguise a different experience in rural places. Short-term changes in payment that are still grounded in pay-for-volume, designed by payers to reduce expenditures, can work against initiatives that would improve community health. However, adapting to changes that redesign health finance could contribute to meeting healthcare goals. Further refinements are underway to payment systems for rural providers, including global budget demonstrations in some states and the use of shared savings models to encourage more attention to total expenditures and maintaining health (avoiding utilization). Those changes contribute to momentum to address community health needs directly. Hospitals do so by completing community health needs assessments and action plans.¹⁵⁷ Stakeholder attention is shifting to addressing social determinants of health (SDOH), which include issues of wealth and poverty, education and labor markets, and transportation, which are all measured within this Prosperity Index. Indeed, analysis of the Index shows a reasonable link in the performance of states on the Health pillar with the Living Conditions and Education pillars. Shifting resources from paying for avoidable medical costs to investing in community services addressing SDOH should affect personal and community outcomes.

Ultimately, stakeholders influencing changes are focused on the health of populations being served ("populations" may mean persons with chronic illnesses, the persons served by particular organizations or payers, or everyone in a community/service area). This requires a framework incorporating the breadth and scope of activities needed to 'move the needle'.

The following five foundational blocks are used by The Rural Policy Research Institute Health Panel in assessing proposed policies and policy implementation. In a high performance rural health system services are:

- affordable to persons needing care and communities supporting necessary infrastructure;
- accessible within reasonable time and distance (for specific services);
- focused on community health;
- of high quality, as measured by outcomes and patient satisfaction;
- patient-centered, and responsive to the unique needs of individuals and communities.¹⁵⁸

MEASURING ACHIEVEMENTS

Given the transformational change underway, there is now a premium on measuring not merely the results of single encounters when getting clinical care, but in how health systems are improving overall population health. A full range of measures and their use is needed. Overall health rankings are guideposts helpful in comparing across jurisdictions, such as states. Measurement elevated to more general indicators such as the overall Prosperity Index may be at least as helpful as a focus on specific health indicators, since population health requires attention to other sectors, as identified by the other 10 pillars. The Health Pillar of the Prosperity Index assesses a breadth of health measures and helps us to understand performance in patient-centered care and quality of care, assessing both affordability and accessibility, and community health outcomes. These indicators, tracked over time, will help measure progress made from transformational change. However, a better, broader indicator of overall progress can be made by using all pillars of the Prosperity Index. The dynamic nature of the measures, the pillars, and the overall Index parallels the rapid pace of development in health care delivery, finance, and organization.



Ambulatory Care Center Parking Deck



Information Station



Living Conditions

Living conditions encompass a set of conditions and circumstances that are necessary for all individuals to attain well-being. To be a productive member of society, citizens need to have a minimum level of resources, have a safe living and working environment, adequate nutrition and be free from avoidable illness. Individuals need to be connected to the basic services and activities afforded to all of society to avoid the negatives of social exclusion.

The United States has good living conditions for most of its population, but there are sections of society that do not; more so than in many other wealthy countries. There were times during last year when 13% of the population said they did not have enough money to provide adequate shelter for themselves, which places the U.S. 40th globally. The same percentage of households were uncertain or unable to acquire enough food for all household members in the past year due to insufficient resources.

Living conditions have improved across all regions over the past decade, with the Southwest improving the most. The majority of these improvements are accounted for by the greatly improved connectivity for all regions, in particular improved access to the internet. The Northeast is the region with the best Living Conditions, containing five of the ten best performing states. Poorer Living Conditions are mainly experienced by those living in the Southwest and Southeast regions, which contain 9 of the 10 weakest-performing states.

Material Resources

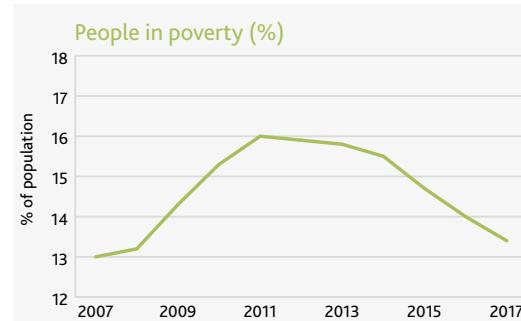
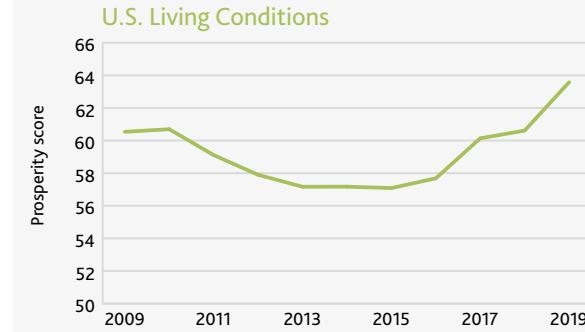
The proportion of individuals with income and wealth of below what is required to survive and attain well-being
Indicators—

- Deep poverty (Census Bureau)
- Poverty (Census Bureau)
- Low income (Census Bureau)
- Liquid asset poverty (Prosperity Now)
- High risk loans (Talk Poverty)

The United States has one of the highest poverty rates across OECD countries, based on a poverty line of half the median household income after taxes and cash transfers; only Israel has a higher rate than the United States.¹⁵⁹ When poverty before taxes and transfers is considered, the U.S. performs better, at 21st out of 36 OECD countries.¹⁶⁰

Across the nation, the proportion of individuals on low income, in poverty and in deep poverty is 21%, 13% and 6% respectively. Deep poverty are those with an income of less than half of the federal poverty line. In practice, this means a household income of \$12,875 before transfers each year. Poverty rates hit a high of 16% in 2011, and have since decreased each year. The nation's material resources have improved over the past six years, following a significant dip after the financial crisis, but are still lower than immediately before the crisis. There are 16 states with a lower poverty rate now than in 2009, with **Colorado** (11th) and **North Dakota** (13th) seeing the most improvement.

The Southwest has the highest poverty rates, at 15.1% of individuals living below the federal poverty line, whilst the Northeast has the lowest rates at 12% in the same situation. Residents of the Southwest states are most likely to take out high risk loans, with 10% of the region using high-cost loans to make ends meet. This compares to the national average of 7.7%. **New Hampshire** (1st) has the lowest poverty rates of any state with 7.7% in poverty and 3.8% living in deep poverty. **Mississippi** (51st) has the highest rates, with 19.8% living in poverty and 9.1% living in deep poverty.



The percent of households that have insufficient liquid assets to subsist at the poverty level for three months remains at just above 40% for the United States, **Minnesota** (2nd) has the lowest rate at 26% and Mississippi has the highest rate at 57%.

Nutrition

The availability, supply, and diversity of food intake required for individuals to participate in work, ensure cognitive development, and avoid ill-health

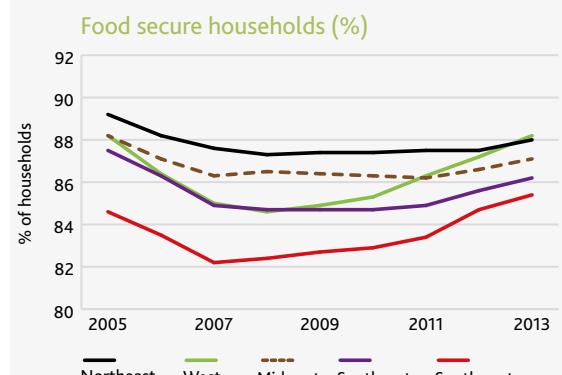
Indicators—

- Food security (USDA)
- Borderline food security (USDA)
- Fruit consumption (BRFSS)
- Vegetable consumption (BRFSS)



New Hampshire, Hawaii and North Dakota have the highest rates of food security in the nation

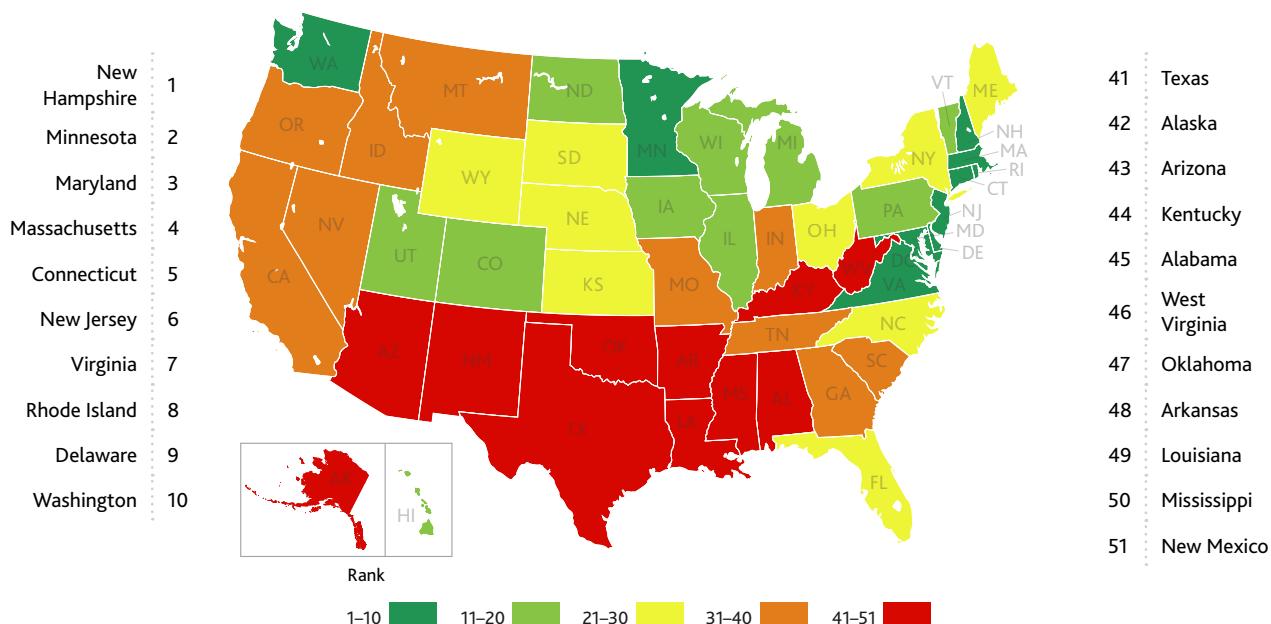
For a wealthy nation, the U.S. ranks relatively low (47th) globally for being able to provide enough food for oneself or one's family. Households in the West have the best Nutrition, and have a better quality of food intake than other regions, with the highest rates of fruit and vegetable consumption. The Southeast ranks worst for fruit consumption, but has a higher rate of household food security than the Southwest. All regions now have lower fruit consumption than a decade ago, and there are fewer food secure households in all regions, apart from the Southwest. Food security assesses the ability of a household to provide sufficient food to meet the needs of all household members; without it, the quality of food intake may be deficient which can lead to health problems.



New Hampshire (1st), Hawaii (2nd), and North Dakota (11th) have the highest rates of food security in the nation, each above 90% of their state populations. These states also have among the highest rates of at least borderline food secure households: 96–97%. **Alabama (49th), Mississippi (50th)** and **Louisiana (51st)** have the least food secure households in the nation, at 82%, 81% and 81% respectively. Given that food security is related to income, it is unsurprising that these states also all rank in the bottom five for Material Resources. These states also rank among the lowest for fruit and vegetable consumption. This follows a general trend of states that are less food secure also eating less fruit and vegetables.

States that eat less fruit and vegetables also have higher obesity rates. There is also a weaker relationship between lower food security and higher obesity. This indicates issues facing these households are not necessarily around sufficiency of intake, but rather the quality of nutritional intake.

Living Conditions 2019



Water Services

The access, availability, and quality of basic water facilities required for human well-being

Indicators—

- Clean and safe water (Gallup)
- Public drinking water violations (US EPA)
- Complete kitchen and plumbing facilities (CHAS)

The Midwest on average has the best water services in the nation, with the lowest proportion of violations in public sources, closely followed by the Southeast. **Minnesota** (1st) leads the nation in water services, ranking in the top two for each indicator. **New Mexico** (51st) ranks last in the nation, the only state to rank in the bottom ten for each of the three indicators.

Michigan's (2nd) very high performance in this element might seem surprising, given the attention the Flint lead crisis has received in recent years. However, Flint is just one of 1,418 community water systems in the state, only 1% of which had a health-based violation.¹⁶¹ The crisis was significant, affecting over 100,000 residents, leading to fertility rates decreasing by 12%.¹⁶² Federal and state government have spent more than \$400 million in the city; since 2016, Flint has replaced 8,000 lead and galvanized pipes, this has resulted in tested lead levels now well below recommended guidelines.¹⁶³

States in the Southwest, namely **Texas** (37th), **Oklahoma** (48th), and **New Mexico** (51st) have especially high rates of health-based violations; rural areas also experience more violations than urban areas.¹⁶⁴ Researchers identify high summer temperatures and high levels of total organic carbon as potential causes of high contaminant levels in water. A lack of state enforcement mechanisms and limited financial resources, particularly faced by rural water systems, also correlate with health-based violations. As a result, the Southwest is the fourth out of five regions for water services, narrowly ahead of the West.

Shelter

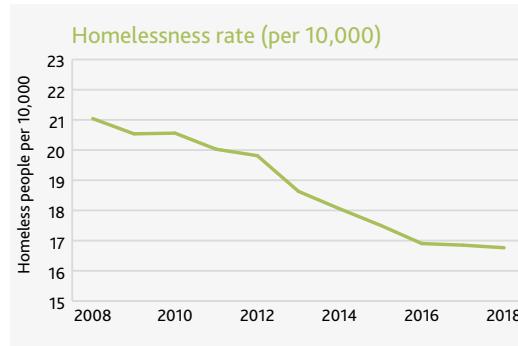
The characteristics and environment of the core living space which are necessary for safety and the prevention of ill-health.

Indicators—

- Homelessness (HUD)
- Unsheltered homeless rate (HUD)
- Availability of affordable housing (NLIHC)
- Households with overcrowding (CHAS)

The Midwest has high levels of affordable housing and low levels of overcrowding, and leads the nation for shelter, with **Iowa** ranking first. Over the past decade the Midwest's shelter has improved more than any other region.

In contrast, the West has seen its performance decline over the past 10 years, due to greater levels of overcrowding and a higher percent of unsheltered homeless people. It has the four lowest-ranking states in the country; **California** (51st), **Hawaii** (50th), **Nevada** (49th) and **Oregon** (48th). While it is the region with the highest rates of homelessness in the country (29 people per 10,000 population compared to the U.S. average rate of 17), this rate is steadily decreasing, and is 6 people per 10,000 fewer than 10 years ago.



The **District of Columbia** (39th) has the highest rates of homelessness, with a rate of 99 homeless people per 10,000 population, followed by **New York** (47th) and Hawaii with rates of 46 each, although New York has one of the lowest rates of unsheltered homelessness at 5%.

According to the standard government measure, affordability is classified as when less than 30% of household income is spent on housing, ensuring enough income to meet other basic needs.¹⁶⁵ One third of U.S. households exceed this threshold and in 2016, 11 million households spent over 50% of their incomes on housing alone.¹⁶⁶ **California** (51st), **New York** (47th), and **New Jersey** (40th) are the states where most households devote over 30% of their incomes to housing, being home to 17 of the 25 metros with the highest cost burden rates in the country.¹⁶⁷ Homelessness is also an acute issue in sections of California. While the state has 33 homeless residents per 10,000 (far above the national rate of 17 per 10,000), there are reports of this rate rising to as much as 91 per 10,000 in the San Francisco area.¹⁶⁸

Connectedness

The proportion of people who are prevented from participating in the normal activities that citizens of a society typically engage in.

Indicators—

- Urban access to broadband (FCC)
- Rural access to broadband (FCC)
- Households with a smartphone (Census Bureau)

In line with global patterns, connectedness is rapidly improving across the country. Urban access to broadband has increased from 91% in 2015 to 98%, and rural access has increased from 49% to 69%. This still means that over 23 million people in rural America still lack access to broadband connections.¹⁶⁹

The Northeast leads the nation in connectedness, with other regions closely following, except for the Midwest, which falls substantially below the national average. The most connected states are **Washington** (1st) and **New Jersey** (2nd), each with 99% of their urban populations with access to broadband and rural access of 92% or higher. The least connected state is **West Virginia** (51st), with urban access to broadband under 96%, and rural access under 70%.

The West has the poorest rural access to broadband across the U.S. (defined as at least 25 Mbps download speed), with 57% access but the highest proportion of households with a smartphone, at 86%. This region has the lowest proportion of rural dwellers, at 9.9% of the region's population.

Colorado (7th), a state with significant rural areas, has improved its rural broadband access substantially in the last year alone from 47% to 72%. This state passed a bill in 2018 to accelerate broadband construction in rural areas.¹⁷⁰ **Vermont** (43rd) has made large strides over the past few years, going from 10% to 79% for rural access. In 2010, \$174 million was granted or loaned by the federal government to internet providers in the state (more per capita than any other state) to develop broadband infrastructure.¹⁷¹

Despite bordering each other, **Texas** (9th) and **Oklahoma** (45th) have considerable differences in connectivity, with Texas having much better rural access to broadband than Oklahoma with 72% compared to 46%. The Texan Public Utility Commission has been working across state agencies to widen the scope of rural broadband, such as coordinating with state highway construction projects to lay broadband cables.¹⁷²

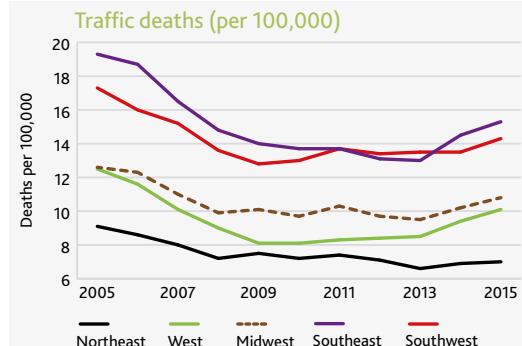
Protection from Harm

the safety of the environment that individuals live and work in; this element captures the level of accidental deaths from expected daily activities

Indicators—

- Occupational fatalities (NHTSA)
- Traffic deaths (FHWA)

Six of the 10 safest states are situated in the Northeast, with **Rhode Island** (1st), **New Jersey** (2nd), and **Connecticut** (4th) leading the way. This region has the least road traffic deaths by far, at a rate of 7 deaths per 100,000 population, in comparison to the national average of 11.7 deaths. All five regions have seen an improvement in how they protect their citizens from harm.

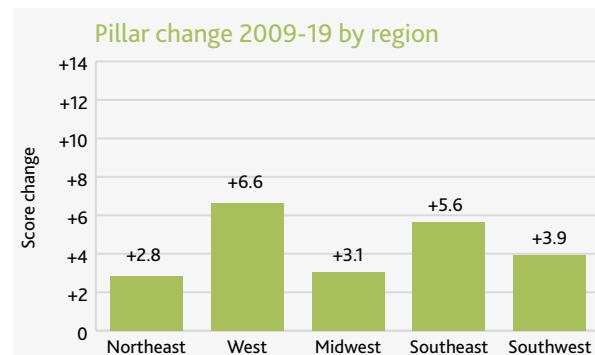
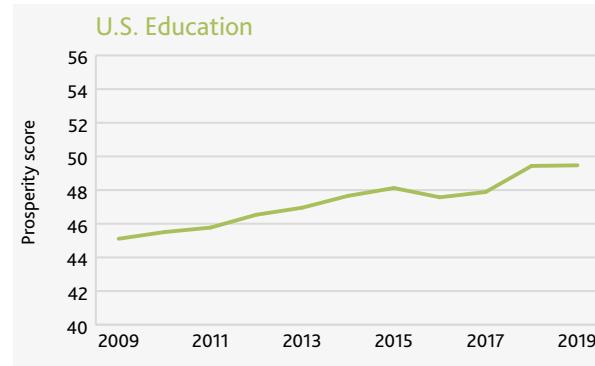


The U.S. has a high traffic death rate per person in comparison to other developed countries, with the sixty-third-lowest rate of 190 countries according to the World Health Organisation.¹⁷³ This rate has been falling over the past decade in all but 12 states, with **Wyoming** (50th) and **South Dakota** (38th) seeing the greatest improvement. The state with the highest rate of traffic deaths is **Mississippi** (51st), at 23 deaths per 100,000 people, which is almost double the national average.

The West has the lowest fatal injury rate of all regions (2.7 deaths per 100,000 workers), whilst the Southwest has the highest (4.2 deaths per 100,000 workers). The occupations with the highest fatality rates generally involve working from dangerous heights, frequent contact with dangerous machinery or driving for substantial periods.¹⁷⁴ This explains why the two states with the highest fatal injury rate are **Alaska** (39th) and **North Dakota** (46th), both states with high proportions of employees in natural resource extraction and transportation. These states both have fatal injury rates above 10 per 100,000 workers. Fatal injury rates have increased in 19 states, with rates going up the most in **Vermont** (28th), which has seen a doubling of deaths over the past five years.

Education and human capital are crucial building blocks for prosperous societies. Education allows people to lead more fulfilling lives, and a better-educated population is more able to contribute to society. Over the long term, education can help to drive economic development and growth while improving social outcomes – such as lower crime rates – as well as leading to more equal societies with greater civic engagement. Education provides the opportunity for individuals to exercise their rights and reach their potential, along with better health outcomes and higher incomes.

Globally, the United States ranks consistently high in Education (9th out of 149 nations), with a particularly strong tertiary education sector. Education is improving across the country, with all but five states improving over the past decade. The Northeast leads the nation in education at every level with the top five ranking states, while the Southwest trails behind; its four states are all in the bottom 11 rankings.



Pre-Primary Education

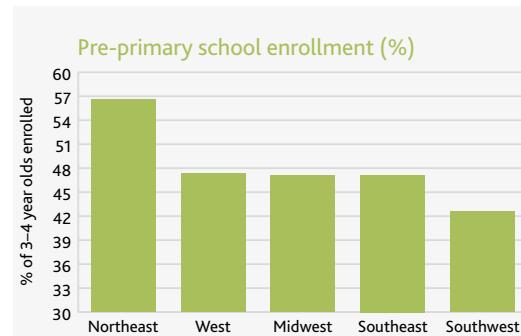
Pre-school learning and early childhood development has been shown to improve the non-cognitive skills of children, improving economic, health and social outcomes for individuals and society.

Indicators—

- Pre-primary enrolment (Census Bureau)
- State pre-K quality (NIEER)

Access to pre-primary education in the United States compares poorly to other OECD countries. Pre-primary education is not a requirement in the U.S., with only 66% of 3-5 year olds enrolled, compared to the OECD average of 86%.¹⁷⁵ **New Jersey** (1st) leads the nation, serving 64% of its 3-4 year olds with strong curricula across three publicly-funded preschool programs.¹⁷⁶ Pre-Primary Education has improved slowly, yet consistently over the past decade, with **Mississippi** (6th) and **Vermont** (8th) seeing the most improvement. In **North Dakota** (51st) and **South Dakota** (50th), less than 40% of 3-4 year olds are enrolled in pre-primary education.

There has been a drive by the federal government to improve and increase access to pre-primary education. In 2014, the federal government awarded 18 Preschool Developing Grants (PDG) totalling \$230m to augment states' pre-primary education funding. State rankings reflect these added funds; of the top 15 performers, 10 received PDG. In addition to increased funding, some states have made efforts to improve the quality of their pre-primary curricula. Alabama's 'First Class Pre K,' which began in 2008, supports classrooms with coaches who monitor the classrooms and continuously search for ways to improve learning experiences.¹⁷⁷ Alabama, along with **Rhode Island** (12th) and **Michigan** (10th) each scored 10 out of 10 in the state Pre-K quality checklist.



Primary education provides pupils the opportunity to develop their cognitive, social, emotional, cultural and physical skills to the best of their abilities, preparing them for their further school career.

Indicators—

- Math grade 4 score (NAEP)
- Science grade 4 score (NAEP)
- Reading grade 4 score (NAEP)
- Primary enrolment (Census Bureau)

Primary education in the U.S. performs strongly on the global stage, with good performances in test scores relative to other nations. The Northeast continues to top the regional rankings, despite declines in overall test scores over the past 10 years. Improvements in average test scores have occurred across all other regions of the U.S. Distinction between states occurs mostly in test scores, rather than in enrollment rates, which are broadly comparable.

The state scores for the three test subjects are highly correlated with each other, with strong or weak performance generally replicated in each of the three subjects. Within individual subjects, the greatest range of scores occurs in reading, where the cohort in the top performing state, **Massachusetts** (1st), had an average National Assessment of Educational Progress score of 236 (out of 300), while the weakest performer for reading was **Alaska** (49th) with the cohort averaging a score of 207.

Student performance is often related to poverty and inequality, as students from lower income backgrounds face disadvantages, such as poorer health which affects memory, attentiveness and motivation. The Southeast states of **Louisiana** (51st), **Mississippi** (46th), and the **District of Columbia** (42nd) all rank in the lowest quartile for test scores. These states also have some of the highest poverty rates in the U.S. In Louisiana and Mississippi, 19.8% live in poverty, well above the national average of 13.1% and in D.C. 8.9% of the population live in deep poverty, which is well above the national average of 6%.

Secondary Education

More years of higher quality education has been shown to increase life outcomes in both economic and social terms. Links have been established between individual earnings and both years of school and outcomes in test scores.

Indicators—

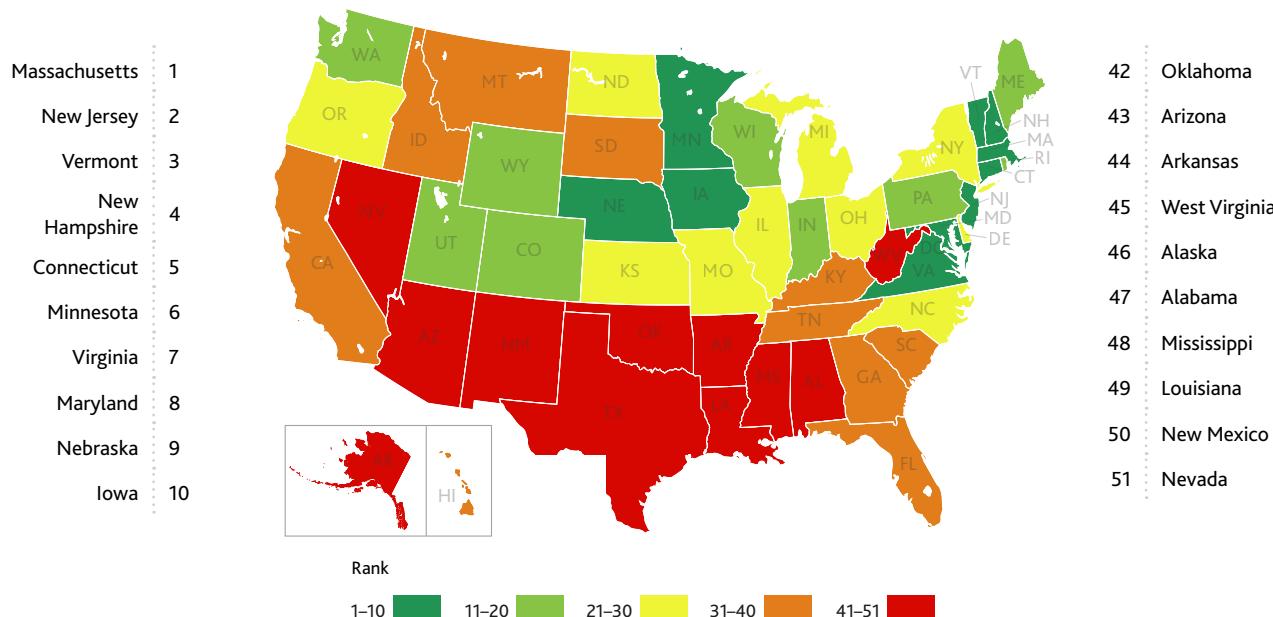
- Math grade 8 score (NAEP)
- Science grade 8 score (NAEP)
- Reading grade 8 score (NAEP)
- High school graduation rate (Dept. Ed.)
- Secondary enrolment (Census Bureau)

Secondary test scores for the United States are around the OECD average for reading and science and slightly below average scores for math. There have been greater improvements in secondary education than in pre-primary education and primary education over the past decade. Of the six most improved states over the past ten years, four are located in the West, with **Nevada** (45th) and **Hawaii** (46th) have seen the two largest improvements. The West still lags behind all other regions, but the gap has narrowed with the Southeast and Southwest.

New Hampshire (1st) is the best-performing state, ranking in the top five for all scores. High school retention presents a challenge even for the highest performers, such as **Massachusetts** (2nd), which holds a graduation rate of 87.5%. This is below **Iowa's** (11th) 91.3%, while the lowest graduation rate occurs in the **District of Columbia** (51st) at 69.2%. **New Mexico** (50th) ranks poorly across all measures, with only 71% of high school students graduating and test scores far below average for math, reading, and science.

Access to quality secondary education in rural areas is a particular issue. Students in rural areas are less likely to take Advanced Placement (AP) examinations: 47.2% of rural school districts have zero students enrolled in AP, while only 2.6% of urban districts are in the same position.¹⁷⁸ Challenges for rural students include little to no public transportation and poor internet access. For example, only 69% of the rural population has access to broadband internet, compared to 94% of the urban population.¹⁷⁹

Education 2019



Tertiary Education

Further education is key to social and economic development through the creation of human capital and building of knowledge bases.

Indicators—

- College enrolment (Census Bureau)
- College graduation rate (NCHU)
- University quality for enrolled students (QS World University Rankings)

The United States' exceptional tertiary education system includes over half of the top 20 universities worldwide, as well as consistently having amongst the highest tertiary enrollment in the world.¹⁸⁰ Aside from D.C. (1st), the top five ranking states are all from the Northeast.,

The four worst ranking states are **Montana** (48th), **Idaho** (49th), **Nevada** (50th) and **Alaska** (51st), all in the West region. Enrollment rates are below 35% in each of these states and graduation rates are especially low in Alaska, with only 26% of students completing tertiary courses within six years of enrollment.

The Northeast has the highest college enrollment rate, at 48% as well as the highest college graduation rate at 66%; national averages are 42% and 56% respectively. The region undoubtedly has the finest clustering of top quality universities, with **Massachusetts** (2nd), **Pennsylvania** (3rd) and **New York** (5th) the region's stand-out states. However, these three are the only Northeast states in the top 10 ranked states for overall quality of university provision. States like **Connecticut** (10th) have a world-class top-20 university in Yale, a top-400 global university in the University of Connecticut, but its other higher education institutions are not such strong performers. Consequently, it only ranks 26th for overall university quality. **Michigan** (8th) is ranked third for this indicator, with two universities in the top 400-global ranks, including the University of Michigan, which is the largest American university in the top 25 worldwide QS university rankings.

Adult Skills

Adults who are above a threshold level of education are far less likely to be disadvantaged in society and this will lead to better employment opportunities

Indicators—

- Adult population with bachelor's degree or higher (Census Bureau)
- Adult population with at least a high school diploma (Census Bureau)

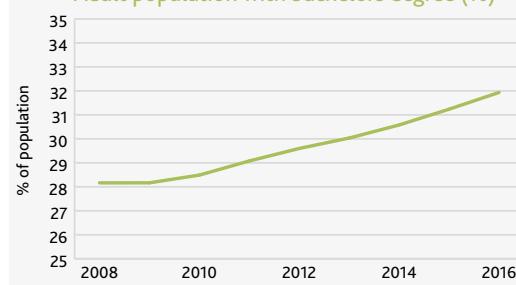
With such a strong education system, the U.S. has one of the best-educated workforces across the globe, with an average of 13 years of secondary and tertiary education per worker.¹⁸¹

The Northeast leads the United States in adult skills, with **New Hampshire** (3rd), **Massachusetts** (5th) and **Vermont** (6th) close to the top of the rankings which D.C. (1st) leads. D.C. is exceptional, with 57% of adults aged over 25 with at least a bachelor's degree, which is significantly ahead of Massachusetts' 43%. In contrast, the worst performing states **Mississippi** (51st), **Louisiana** (50th) and **West Virginia** (49th) which all have less than 24% of adults with the same level of education.

California (46th) and **Texas** (48th) have the two lowest proportions of residents with at least a high school diploma, at 82.4% and 82.9%, respectively. This is in comparison to 93.2% and 93.1% for the best performing states for this indicator: **Wyoming** (17th) and **Alaska** (13th).

Adult skills reflect where educated individuals choose to study and work. Denver, **Colorado** (2nd) boosted its millennial population by 18.7% from 2011-2016.¹⁸² Colorado also has net positive immigration for college students, attracting over 6,000 students from different states in 2014.¹⁸³ Many of these students will stay to live and work in the state, thereby raising the average skill of the adult population.

Adult population with bachelors degree (%)



57%

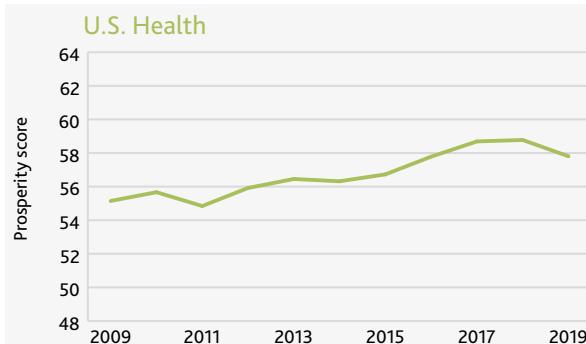
Adults over the age of 25 with at least a bachelor's degree in D.C.



Marcio Jose Bastos Silva/Shutterstock.com

For a nation to truly prosper, its citizens must have good health. Those who enjoy good physical and mental health report high levels of wellbeing. Poor health keeps people from fulfilling their potential. The provision of good health care, along with healthy behaviors, are critical inputs to ensuring the population can attain a good level of health.

Globally, the United States ranks 35th out of 149 countries for Health, which is considerably below its overall prosperity ranking of 17th. Over the past decade, health in the United States has improved, due primarily to consistent improvements in care systems. However, most of this positive change has been offset by the recent decline in mental health, which until recently had been stable, as well as a longer term trend of increasing adult death rates. The West leads the nation in Health, while the Southeast ranks lowest in Health overall, with the shortest longevity and poorest mental and physical health.



Pillar change 2009–19 by region



Behavioral Risk Factors
a set of lifestyle patterns molded by a complex set of influences that increase the likelihood of developing disease, injury or illness, or of premature death.

Indicators—

- Obesity (BRFSS)
- Smoking (USCDI)
- Alcohol use disorder (National Survey on DUH)
- Pain reliever use disorder (National Survey on DUH)
- Illicit drug use disorder (National Survey on DUH)

The United States has one of the highest rates of obesity in the world, with one in three adult Americans classified as obese. Substance abuse rates (including alcohol and drugs) are fourth-highest in the world. There have been mixed improvements over the past 10 years in behavioral risk factors across the United States. Levels of alcohol use disorders and smoking rates have decreased, while levels of obesity and illicit drug use disorders have increased.

The three top ranking states for Behavioral Risk Factors are **Hawaii** (1st), **California** (2nd) and **Utah** (3rd), all from the West. This region has the lowest obesity rate of all regions at 25.5% of adults. Every state across the Union, with the exception of **Virginia** (14th) and the **District of Columbia** (18th), has had an increase in obesity rates over the past decade.

Illicit drug use disorders are becoming slightly more common across all regions, with the West having the highest rates, at 3% and the Southwest the lowest rates, at 2.4%.¹⁸⁴ Marijuana use disorder accounts for over half of all illicit drug use disorders. Other than marijuana, the next most common reported drug abuse was a misuse of opioids.¹⁸⁵ The U.S. consumes more than 80% of global opioid analgesics, while containing only 5% of the world's total population.¹⁸⁶ **Alabama** (46th) has an opioid prescription rate of more than one per person per year, compared to the national average of 58.7 prescriptions per 100 people.¹⁸⁷

Unlike rates of drug use disorders more generally, rates of 'pain reliever use disorder' have decreased over the past 10 years. Four of the five states with the worst prevalence of 'pain reliever use disorder' are in states with a high proportion of rural population (above 40% of total population) – **Kentucky** (49th), **West Virginia** (51st), **Arkansas** (50th) and **Maine** (40th).

Preventative Interventions

the interventions of a health system to prevent diseases and illnesses from occurring in the first place.

Indicators—

- Adult dentist visits (USCDI)
- Adult doctor visits (BRFSS)
- Child Immunization (NCIRD)
- Colorectal cancer screening (BRFSS)
- Child medical visits (NSCH)
- Child dentist visits (NSCH)
- HPV immunizations (NCIRD)
- Pap smear test (BRFSS)

Preventative interventions have improved across the United States, with 43 states improving over the last 10 years. **Montana** (34th) is the most improved state, climbing eleven ranks over the past decade, with the most improvement occurring for HPV vaccinations, with nine percentage points more adolescents being immunized than a decade ago.

Of all the regions, the Northeast has the highest rates of adult and child preventative dental and medical visits. In **Maine** (8th), **Vermont** (5th) and **Connecticut** (4th), 90% of children have had medical visits in the past year. In general, there are more preventative child medical visits than for adults, with Rhode Island having the highest rate for adults at 82%.

The Southwest has the poorest Preventative Interventions. It vaccinated 68% of their 19–35 month-olds for the seven-vaccine series, compared to the national average of 71%, and vaccinated 43% of adolescents for HPV in comparison to the national average of 49%. States with the lowest vaccination rates for HPV are **Mississippi** (48th) at 29%, and **Wyoming** (50th) at 31%.

Care Systems

the extent to which health system treats and cures diseases and illnesses once they are present in the population

Indicators—

- Preventable hospitalizations (medicare) (Dartmouth AHC)
- Adults with no health care coverage (BRFSS)
- Avoided medical care due to cost (BRFSS)
- Hospital rating (HCA)
- Child mental health access (NSCH)

The United States' complex landscape of health care provision provides 89% of the nation's adult population with legal health care coverage. Health care coverage has increased from 83% a decade ago, with all states increasing the number of adults with coverage. In 2010, the Affordable Care Act extended coverage across the nation, with an additional option for states to extend their Medicaid with federal support.

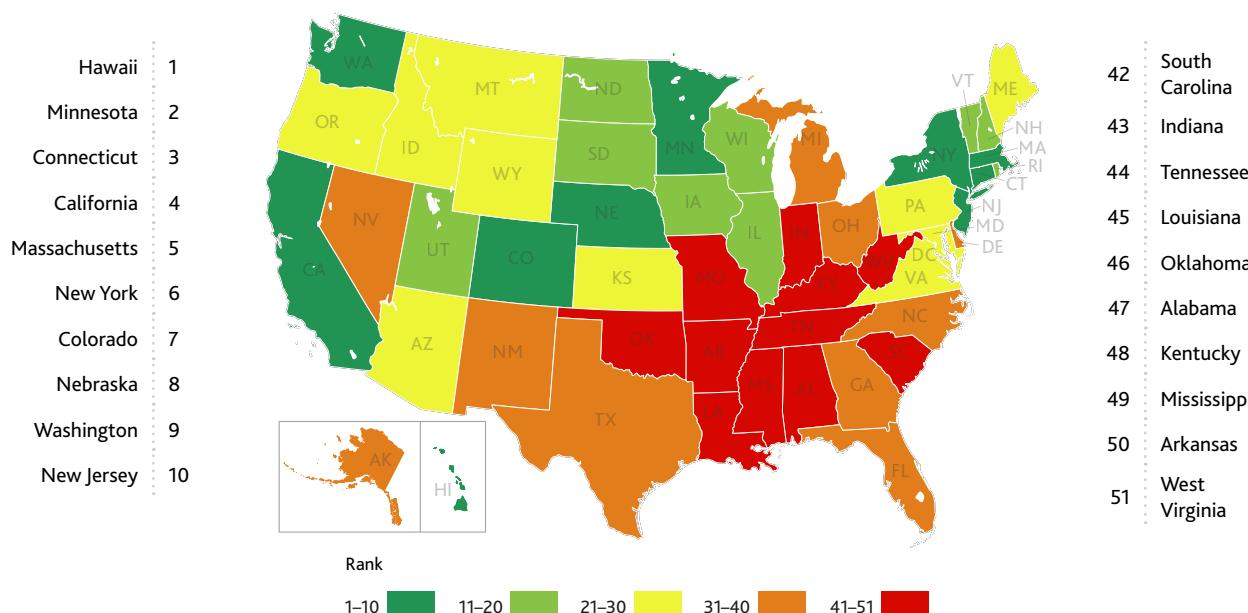
The top state for care systems is **Hawaii** (1st), which has the fourth highest health care coverage of adults at 94%, behind only **Massachusetts** (18th), the **District of Columbia** (15th), and **Vermont** (11th), which have rates of 95%, 95%, and 94% respectively. The worst ranking state for care systems is **Texas** (51st), which has the lowest health care coverage (76% of adults). Texas has among the most stringent Medicaid eligibility guidelines, and has not expanded Medicaid for its residents.

There is greater variation in access to child mental health care. In **Virginia** (43rd), 66% of adults said they had a problem accessing mental health care for their children. In **Nebraska** (3rd), only 21% said the same.

Residents in the Midwest are most likely to give their hospital the highest quality rating. **Nebraska** (3rd), **South Dakota** (6th), **Wisconsin** (16th), **Iowa** (5th) and **Kansas** (27th) all had 78% or more of respondents giving their hospitals a score of nine or higher out of a scale of 10, whereas D.C. had the lowest rate, at 62%.

The rate of preventable hospitalizations for senior Medicare enrollees is a measure of how well chronic or acute conditions are dealt with by effective community care, although this indicator doesn't appear to be closely related to hospital quality ratings; while D.C. had the lowest level of hospital ratings of nine or above, preventable hospitalizations of senior Medicare enrollees is at just over 38% in D.C., the 11th lowest in the U.S.

Health 2019



Mental Health captures the level and burden of mental illness on the living population.

Indicators—

- Suicide (CDC)
- Drug overdose deaths (CDC)
- Serious mental illness (National Survey on DUH)
- Disability weighted prevalence from mental illness (GBD)
- Self-reported mental health not good (BRFSS)



The number of methamphetamine related deaths in the U.S. in 2017

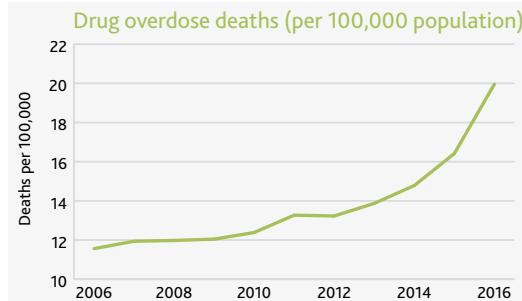
Rising levels of mental illness across both self-reported measures and assessed conditions, as well as rising levels of drug overdose deaths and suicides, are indicative of poorer mental health over the past decade for all states except **Nevada** (29th), **New York** (8th) and **California** (1st). California has the best mental health in the nation, but levels of self-reported mental ill-health have increased over the past five years in this state. **Alaska** (34th)

has the highest rate of suicide in the United States, with 26 deaths per 100,000 population each year, with the United States as a whole in the highest quartile of countries globally for suicide mortality.¹⁸⁸

The West and Midwest contain the highest rates of serious mental illness (SMI) of the five regions. **Utah** (50th) has the highest rate of SMIs in the country, at just over 6% of their population, closely followed by **Idaho** (46th) at 5.8%. **Hawaii** (3rd) and **New Jersey** (2nd) have the lowest rates, at 3.5% and 3.7% respectively.¹⁸⁹ The prevalence of SMIs is increasing across much of the nation, with over 5.6 million diagnoses (1.7% of the population). Twelve states do not follow this trend, including **Maine** (30th) and **Mississippi** (22nd).

Bipolar and depressive disorders are by far the most prevalent SMIs, encapsulating 32.4% of all SMIs in 2016.¹⁹⁰ SMIs disproportionately affect young people; individuals under 18 account for 28.5% of all SMIs.¹⁹¹ Some states have taken direct public action to support those with mental illness. For example, California passed the Mental Health Services Act in 2004, which imposes a 1% income tax on individuals earning over \$1,000,000 and devotes it directly to mental health services. This fund received nearly \$2 billion in 2018.¹⁹²

Reported drug overdose related deaths almost doubled between 2009 and 2017, with 70,237 deaths in 2017, 67.8% of which were opioid-related.¹⁹³ In 2016 alone, West Virginia experienced the most overdose fatalities in the country at 43.4 per 100,000 people, approximately 781 deaths.¹⁹⁴ Methamphetamine related deaths are also a considerable problem, quadrupling across the nation between 2011 and 2017 to 10,333 deaths.¹⁹⁵



Physical Health captures the level and burden of physical disease/illness on the living population.

Indicators—

- High blood pressure (BRFSS)
- Diabetes (USCDI)
- Heart attack (BRFSS)
- Disability weighted prevalence of infectious diseases (GBD)
- Self-reported poor physical health (BRFSS)

Compared to other countries, the United States has low rates of infectious diseases, such as HIV/AIDS and respiratory diseases, but very high rates of chronic non-communicable diseases, such as diabetes, heart disease and cancer.¹⁹⁶

Physical Health has declined across the United States over the past 10 years, although this has occurred at a slow rate, and seven states and D.C. have seen an improvement in this period. The **District of Columbia** (4th) is the most improved, with improvements occurring across all measures captured here.

The West is the best performing region overall for Physical Health, with **Colorado** (1st) the best performing state. The Southeast has the highest rate of diabetes, high blood pressure and prevalence of heart attacks. After D.C., the highest ranking state in the Southeast is **Maryland** (27th). High blood pressure in the West affects 29% of people, compared to 36% in the Southeast. High blood pressure is a strong predictor of cardiovascular disease; the seven worst states for high blood pressure also have the seven highest rates of heart attacks.

In terms of adults reporting poor health, the gap between the best performing region (11% in the Northeast) and the worst-performing region (13% in the Southeast) is quite small.



Longevity captures one of the fundamental outcomes of health: how long people live.

Indicators—

- Under 5 death rate (CDC)
- Life expectancy at 65 (CDC)
- Maternal mortality (IHME)
- 15–64 death rate (CDC)
- 5–14 death rate (CDC)

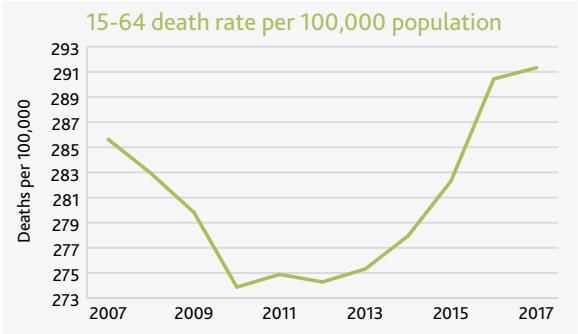
Longevity in the United States compares well to the rest of the globe (life expectancy is ranked 31st of all countries), although notably life expectancy in the United States declined for the first time in a century between 2014 and 2015, then declined again between 2016 and 2017.¹⁹⁷

The three best performing states are **California** (1st), **Minnesota** (2nd)

and **Connecticut** (3rd). Each of these states rank in the top 10 for all of the longevity measures, with the exception of California for maternal mortality (ranked 14th) and under five mortality in Minnesota (ranked 11th).

The seven poorest performing states are in the Southeast, with the three worst being **Alabama** (49th), **West Virginia** (50th), and **Mississippi** (51st). This region has some of the highest maternal mortality rates in the country, containing six of the seven poorest performing states for this indicator. **Florida** (19th) is the highest-ranked state from the Southeast, with its role as a destination state for seniors reflected in a particularly high life expectancy of 20.4 years at 65, which places it behind only **Hawaii** (5th) for this indicator.

Average life expectancy after 65 ranges from West Virginia's 17.5 years to Hawaii's 21.3 years. The range in death rates for ages 15–64 vary more substantially from 216 per 100,000 in Minnesota to 467 per 100,000 in West Virginia, reflecting greater disparities in health outcomes for this age group.





Natural Environment

The Natural Environment pillar captures those elements of the physical environment that have a direct impact on the ability of people to flourish in their daily lives as well as those that impact the prosperity of future generations. At the basic level, ecosystems provide resources for extraction. A well-managed rural environment yields crops, material for construction, wildlife and food, and sources of energy. The ramifications of a healthy climate have their impacts in many areas of society; on a more basic level, the quality of citizens' everyday lived experience is dictated by exposure to environmental health hazards such as air pollution.

Globally, the United States ranks 23rd for its Natural Environment, out of 149 nations. Improvements have occurred steadily in the natural environment across the United States, though at a slightly lower rate since 2017. The biggest improvements have come from less exposure to harmful air pollutants. The West outperforms the rest of the nation, although the Northeast is narrowly second, with improvements occurring at a faster rate than the West. For all elements of the natural environment other than freshwater these two regions rank in the top two. The other three regions' natural environment scores are significantly worse, with the Midwest ranking last.

Emissions

The level of emissions of a country. This captures the long-term and short-term pressures placed on the local and global atmosphere by a given country due to their atmospheric emissions.

Indicators—

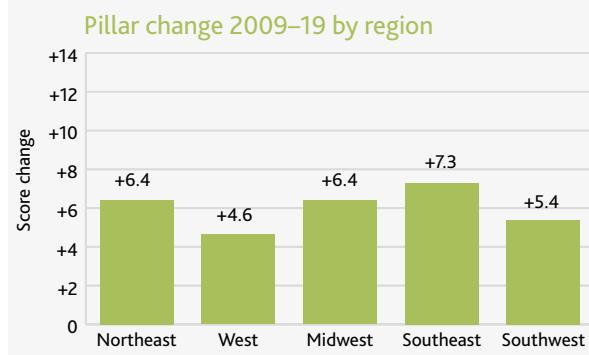
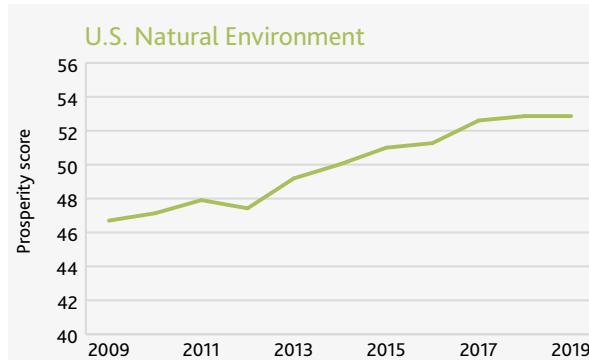
- Nitrous oxide emissions (US EPA)
- PM2.5 emissions (US EPA)
- Sulfur dioxide emissions (US EPA)
- CO2 emissions (US EPA)
- Ozone emissions (US EPA)
- Carbon monoxide emissions (US EPA)
- Lead emissions (US EPA)
- Toxic air releases (EPA - Toxic Release)

Globally, the United States is the second largest emitter of CO₂, nitrous oxide and sulfur dioxide, behind China. However, for all regions of the U.S. emissions have been decreasing over the past ten years and all but six states have seen a reduction in emissions. For each of the six Environmental Protection Agency's criteria air-pollutants (NOx, SOx, CO, Pb, PM2.5, O₃) this has occurred at a relatively steady rate, with SOx falling the most in percentage terms (total levels of SOx are now 30% of those in 2009). Total CO₂ emissions have fallen since 2009, although only by 4% and in 2009, 2012 and 2013 there were slight increases in total CO₂ emissions.

The **District of Columbia (1st)**, **New York (2nd)**, **Massachusetts (3rd)** and **Connecticut (4th)** top the rankings for emissions. The Northeast emits the least proportionally (by an aggregate of per population and per income), with the Southwest, Southeast and Midwest each emitting significantly more. **North Dakota (51st)** and **Wyoming (50th)** are the poorest performers. Fifty-seven percent of CO₂ from federal lands occur in Wyoming, where extractive industries such as oil, gas, and coal are the largest sectors, ranking Wyoming last for CO₂ emissions.¹⁹⁸ The level of emissions is in part a result of the types of industry present in a state; less heavy industry will result in lower emissions.

The most improved states for emissions are **North Carolina (18th)**, **Georgia (26th)** and **Delaware (11th)**, and **Maryland (8th)**, with improvements coming through a reduction in all emissions, but primarily through falling nitrous oxide, sulphur dioxide and carbon monoxide emissions. Eight Northeast states are signed up to the Regional Greenhouse Gas Initiative, which established a regional cap on CO₂ emissions in 2009, allowing states to purchase tradeable CO₂ allowances.¹⁹⁹

California (5th) is the top-ranking state in the West. Several emission standards have been instituted in the state, including the Global Warming Solutions Act of 2006 which committed to reduce greenhouse gas emissions to 1990 levels by 2020.²⁰⁰ Several programs were established as a result, such as a cap and trade program, which sets state-wide limits on the sources of 85% of the state's greenhouse gas emissions.²⁰¹



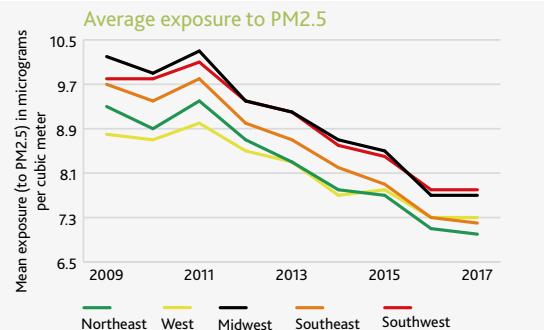
Exposure to Air Pollution *The effect of emissions and air quality on a country's population. This captures the harm and outcomes exposure to air pollution has at the present, regardless of where that pollution comes from.*

Indicators—

- Life years lost from air pollution (GBD)
 - Fine particulate matter exposure (GBD)

The graph illustrates the average exposure to PM2.5 (in micrograms per cubic meter) over time for five US regions. The Midwest consistently shows the highest exposure levels, peaking around 2011. The Northeast follows, with exposure decreasing over time. The West, Southeast, and Southwest show lower and more stable exposure levels, generally increasing slightly towards the end of the period.

Region	2009	2011	2013	2015	2017
Northeast	8.9	8.7	8.2	7.8	7.2
West	8.0	8.2	8.1	7.7	7.4
Midwest	9.8	10.4	9.2	8.5	7.8
Southeast	9.5	9.7	8.8	8.2	7.5
Southwest	9.6	9.8	9.0	8.4	7.7



There are significant differences in the impact of air pollution across the United States, with **Kentucky** (51st) performing the worst, with 1,291 healthy years of life lost per 100,000 people each year due to air pollution in comparison to a rate of only 156 in **Hawaii** (1st). These two states reflect the wider trend of the West being affected the least from air pollution and the Southeast ranking second from bottom.

All states have improved on Exposure to Air Pollution when compared with 10 years ago. The **District of Columbia** (28th), **Oklahoma** (45th), and **West Virginia** (49th) improved the most, with the Southeast improving the most out of the regions, and the West the least.

Forest, Land, and Soil

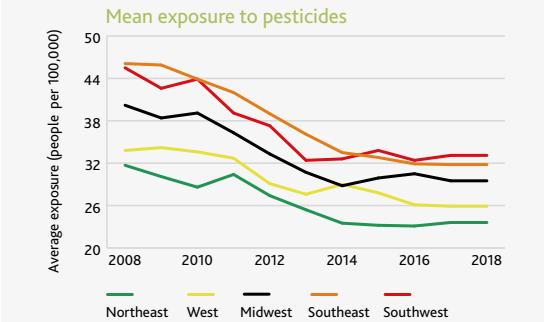
The quality of a state's land, forest, and soil resources and the impact this has on the state's prosperity

Indicators—

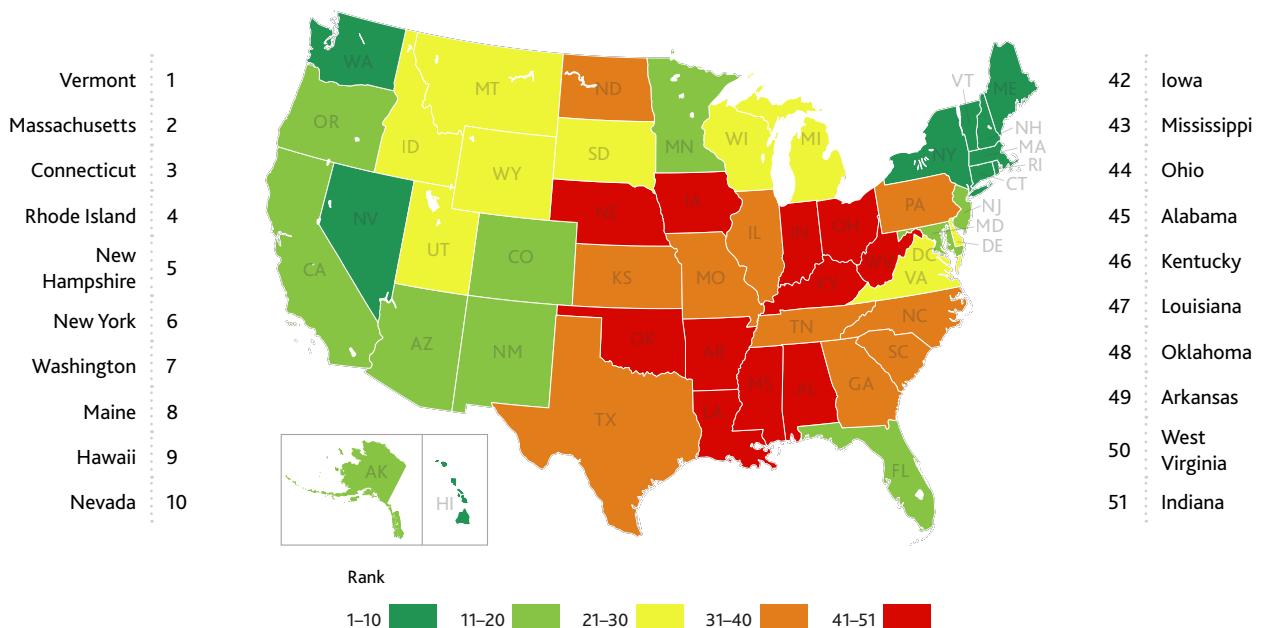
- Toxic land releases (EPA - Toxic Release)
 - Rural parks and wildlife areas (USDA)
 - Wetlands and deepwater habitats (NRI)
 - Tree cover (Nowak & Greenfield)
 - Compliant underground storage tanks facilities (US EPA)
 - Exposure to pesticides (CDC)

The United States ranks relatively poorly in this element, ranking 70th globally for forest cover and 95th for pesticide exposure. Nonetheless, the quality of the United States' forests, land, and soil is improving steadily over time. The Northeast leads the nation, followed by the West. **New Jersey** (1st), **Connecticut** (2nd), **Delaware** (3rd), and **Massachusetts** (4th) are four of seven

Northeast states in the top 10 ranks. The Midwest is the poorest performing region, with seven states in the bottom ten ranks, including **Kansas** (50th), **Iowa** (49th) and **Nebraska** (48th). The Northeastern states are characterized by very low levels of toxic releases to land, low exposure to pesticides, significant coverage of rural parks and wildlife areas (the average person lives in a state with 9.5% cover, compared to the national average of 6.9%) and high levels of tree cover (66% compared to the national average of 45%).



Natural Environment 2019



Tree cover plays an integral role in the quality of life today and for future generations. Not only is tree cover important for soil health and air quality, but also for the water cycle and bio-sequestration. The Southwest and Midwest areas lack tree cover naturally, accounting for 23% and 33% of total land area respectively, instead they are covered by prairie land and steppe. The Southwest also experiences higher exposure to pesticides than other regions (a rate of 33 per 100,000 people compared to 24 in the Northeast), as agriculture is a very important part of the economy in this region.²⁰²

The Southeast has the highest proportion of wetlands and deepwater habitats, at 20% of total land area, with **Louisiana** (2nd) having the highest proportion in this region at 42% of total land area. Wetlands help protect shores from wave action, reduce the impacts of floods, absorb pollutants and improve water quality. They provide habitats for animals and plants and many contain a wide diversity of life.

Freshwater

The quality of a state's freshwater resources and the impact this has on prosperity
Indicators—

- Good quality rivers and streams (US EPA)
- Good quality lakes, reservoirs and ponds (US EPA)
- Freshwater withdrawals (USGS)
- Toxic water releases (EPA - Toxic Release)

The United States' agricultural and industrial sectors contribute to its water-intensive activities, which place the country 85th for freshwater withdrawals globally. The Northeast has the nation's best Freshwater, whilst the Midwest performs the worst. **Connecticut** (1st) and **Rhode Island** (2nd) lead the nation, whilst **Nebraska** (51st), **Louisiana** (50th) and **Idaho** (49th) are at the bottom of the rankings.

Across the nation, Freshwater is slowly improving over time, due to less stress being placed on water resources. This is due to the volume of freshwater withdrawals decreasing over the past ten years across all states, except **Arkansas** (47th), **Hawaii** (40th), **Oklahoma** (31st) and **Nevada** (3rd). Rhode Island and **Massachusetts** (7th) maintain lower freshwater withdrawals (with rates of 0.1 million gallons per 1,000 population) than agriculturally intensive states, such as **Wyoming** (14th) and Idaho. These two states have the highest rates across the country at 13.7 and 10.7 million gallons per 1,000 population respectively, using over 95% of this water for irrigation of crops.²⁰⁴

Maine (4th) leads the nation in the quality of its surface water, with 91% of water assessed by the Environmental Protection Agency classified as 'good'. Pennsylvania and Wyoming both have over 70% of their rivers and streams classified as 'good', and Connecticut and Missouri have the over 70% of their lakes, reservoirs, and ponds classified the same. Assessments are made against a number of criteria, including fish consumption, recreation and aquatic life.

The West has the lowest amount of toxic water releases, by land area, while the Southeast has the most. **Delaware** (48th) has almost four times the amount of toxic water releases than the next-highest state, **New Jersey** (43rd). The Delaware City Refinery accounts for 87% of all toxic releases to water in the state, which are solely comprised of nitrate compounds.²⁰⁵

Preservation Efforts

captures efforts to protect land from human interference to preserve and sustain natural phenomena
Indicators—

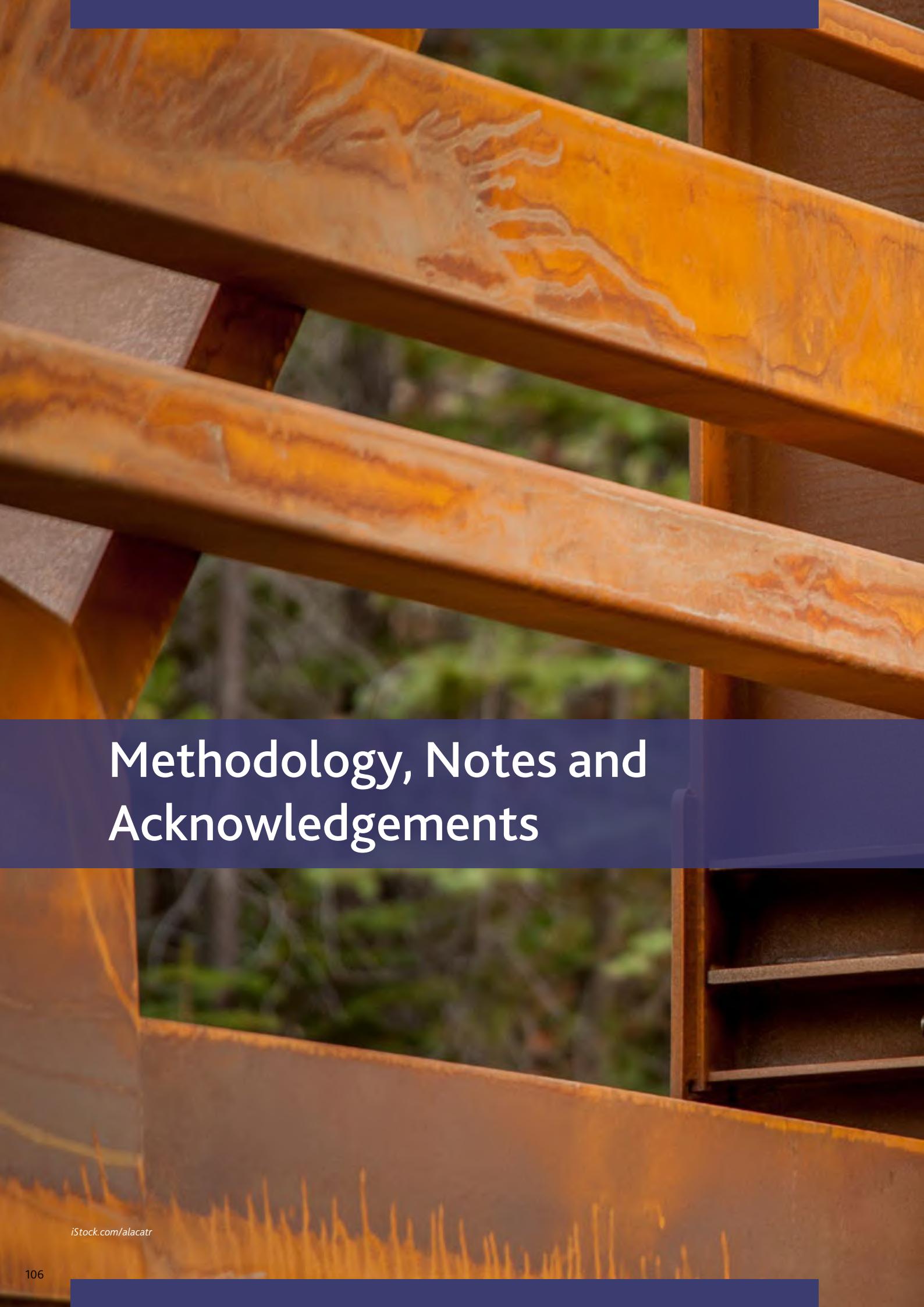
- GAP 3 Protected areas (USGS)
- GAP 2 Protected areas (USGS)
- GAP 1 Protected areas (USGS)

The United States ranks 92nd globally for the percentage of land areas land areas that are protected for the purpose of maintaining their natural state, as well as the protection of endangered species on these areas. The United States Gap Analysis Process (GAP) is a measurement system of protection with GAP 1 representing the highest level of protection; areas classified this way are entirely undisturbed, with no human interference in their natural phenomena. GAP 3 areas can be subject to some extractive uses, such as mining.

The West leads the other regions, with all nine of the region's states in the top 13 ranking states; **California** (1st), **Nevada** (2nd) and **Alaska** (3rd) lead the way with the largest proportion of protected areas. The Southwest and the Midwest have the smallest relative area of protected areas in the United States. Seven of the ten lowest ranked states are from the Southwest and Midwest, such as **Kansas** (50th) and **Ohio** (49th).

The distribution of protected areas is heavily linked to land ownership. The West, where most land is federally owned, has much greater protection than other regions, where land is mostly privately owned. Native American-owned land in **Arizona** (12th) and **New Mexico** (18th) as well as **North Dakota** (39th) and **South Dakota** (43rd) is also not under GAP protection.





Methodology, Notes and Acknowledgements



Methodology

The United States Prosperity Index assesses the 50 states of the U.S., and the District of Columbia, on the promotion of their citizens' flourishing, reflecting both wealth and wellbeing. It captures the richness of a truly prosperous life, moving beyond traditional macro-economic measurements of a nation's prosperity, which rely solely on indicators of wealth such as average income per person (GDP per capita). It seeks to redefine the way we measure success, changing the conversation from what we are getting to who we are becoming. This makes it an authoritative measure of human progress, offering a unique insight into how prosperity is forming and changing across the nation.

To cover both economic and social wellbeing, and not just one or the other, the U.S. Prosperity Index faces the challenge of finding a meaningful measure of success at state level. We endeavour to create an Index that is methodologically sound. This is something that the Legatum Institute has sought to achieve with academic and analytical rigor over the past decade in its work on The Legatum Prosperity Index™.

In developing the U.S. Prosperity Index, we have applied the framework and taxonomy structure of The Legatum Prosperity Index™, which has been undergoing improvement and refinement over the past few months. The new Global Prosperity Index will be launched at the end of November 2019. One of the improvements has been to move from a 9 pillar structure of prosperity to an 11 pillar structure for the U.S.

We worked with more than forty U.S. academics with particular expertise on the 11 pillars of prosperity to develop an appropriate taxonomy of discrete elements, and supporting indicators, which accurately capture prosperity in the U.S. Over multiple iterations, through many meetings and subsequent correspondence, we discussed these concepts and how to measure them.

Over 80 different data sources were employed to construct this Index. For more information on the data sources and the methodology, please refer to the full methodology report published at www.usprosperity.net.



Step by Step

1

Selecting the indicators

Having discussed and agreed the taxonomy with the experts for measuring prosperity across the 50 states and the District of Columbia, we identified hundreds of data variables that have an effect on prosperity in the U.S.

We identified the most relevant indicators within each element, driven by a set of selection criteria as well as advice from external experts on U.S. data and research around each pillar.

We used an extensive variety of publicly available data sources that gave comprehensive coverage of all 50 states and D.C. This list was refined based on input from academic and policy experts in each pillar area, who advised on the reliability of data sources, alternative measures, and the credibility of indicators' measurement.

These indicators were organised into elements and pillars. Each of the 11 pillars captures a fundamental theme of prosperity, and each element helps to capture discrete policy areas measured by the indicators. Each pillar has between three and six elements, and each element has between one and eight indicators.

2

Standardisation

The indicators in the Index are based on many different units of measurement, including numbers of events, years, percentages and ordinal scales. These different units need to be normalized for comparison between indicators and states to be meaningful. We employ a distance to frontier approach for this task. The distance to frontier approach compares a state's performance in an indicator with the value of the logical best case, as well as that of the logical worst case. As a result, the distance to frontier score captures a state's relative position. This approach also enables us to compare Index scores over time.

3

Indicator weights

Each indicator is assigned a weight, indicating the level of importance it has in affecting prosperity. Weights fall into four buckets: 0.5, 1, 1.5, and 2. Each indicator is weighted as 1 by default, but based on its significance to prosperity, this may be adjusted downwards or upwards accordingly. For example, an indicator with a weight of 2 means that it is twice as important in affecting the element as another indicator in that element with a weight of 1. Weights were determined by two factors, ordered by priority: (1) the relevance and significance of the indicator to prosperity, as informed by the academic literature and our experts' opinions, and, to a lesser degree, (2) the statistical significance of the indicator to the productive capacity and wellbeing of a state, as measured by Cantril's Ladder.

4

Element and Pillar scores

In each of the 11 pillars, indicators' distance to frontier scores are multiplied by their weights and then summed to generate states' element scores and subsequently pillar scores. Elements weights were determined in the same manner as the indicator weights. The states were then ranked according to their scores in each prosperity score.

The Index score is determined by assigning equal weights to all 11 pillars for each state. The mean of the 11 pillar scores yields an overall score for each state. The overall prosperity rankings are based on this score.

While the Index score provides an overall assessment of a state's prosperity, each pillar (and element) score serves as a reliable guide to how that state is performing with respect to a particular foundation of prosperity.

Note on averages

When calculating scores for regions and the U.S., we take a population-weighted average score. This is because we want to capture the effect on individuals rather than states. For example, if two states improve their score, then the more populous state has a greater effect on the national regional score than the less populous state.

List of data sources

ANES	American National Election Studies	ILR	Institute for Legal Reform
Ballotpedia	Ballotpedia	Inst Just	Institute for Justice
BEA	Bureau of Economic Analysis	Kauf Found	Kauffman Foundation
BLS	Bureau of Labor Statistics	KFF	Henry J Kaiser Family Foundation
BRFSS	Behavioral Risk Factor Surveillance System	MIT Election Lab	MIT Election and Data Science Lab coding of state policies
BTS	Bureau of Transportation Statistics	MLAB	MLab
CAWP	Center for American Women and Politics	Mukherjee	Mukherjee et al., 2018
CDC	Centers for Disease Control and Prevention	NAEP	National Assessment of Educational Progress
CDC Natl Env Pub Hlth	CDC National Environmental Public Health Tracking Network	National Survey on DUH	National Survey on Drug Use and Health
CDC Nat Ctr for Health	CDC National Center for Health Statistics	NCFAJ	National Center for Access to Justice
CDC (Wonder)	Center for Disease Control (WONDER)	NCHU Policymaking & Analysis	National Information Center for Higher Education Policymaking and Analysis
Census Bureau	United States Census Bureau	NCIRD	National Center for Immunization and Respiratory Diseases
Census Bureau (ACS)	United States Census Bureau (American Community Survey)	NCSL	National Conference of State Legislatures
Census Bureau (CBP)	United States Census Bureau, County Business Patterns	NIEER	National Institute for Early Education Research
Cent Pub Int	Center for Public Integrity	NIMP	National Institute on Money in Politics
CHAS	Comprehensive Housing Affordability Strategy	NLIHC	National Low Income Housing Coalition
CNCS Vol & Civic Life	Corporation for National and Community Service, Volunteering & Civil Life in America	Nowak & Greenfield	David Nowak and Eric Greenfield (2012)
Cuillier	Dave Cuillier	NRI	National Resources Inventory
Dartmouth AHC	Dartmouth Atlas of Health Care	NSCH	National Survey of Children's Health
EIA	U.S. Energy Information Administration	NTIA	National Telecommunications and Information Administration
EPA	U.S. Environmental Protection Agency	NVCA	National Venture Capital Association
EPA Toxic Release Inventory	Environmental Protection Agency Toxic Release Inventory National Analysis	OECD	Organisation for Economic Cooperation and Development
F50	Freedom in the 50 States	PEW	PEW Research Center
FBI UCR	FBI Uniform Crime Reporting Statistics	Prosperity Now	Prosperity Now Scorecard
FCC	Federal Communications Commission	PRRI	Public Religion Research Institute
FHWA	Federal Highway Administration	QuantGov	QuantGov
Fraser Institute	Fraser Institute	QS World University Rankings	QS World University Rankings
FTC Cons Sent Net	Federal Trade Commission, Consumer Sentinel Network	SPLC	Southern Poverty Law Center
Gallup	Gallup	Tax Found	Tax Foundation
Gallup U.S. Dailies	Gallup U.S. Dailies	USCDI	U.S. Chronic Disease Indicators
GBD	Global Burden of Disease study	U.S. DPIC	U.S. Death Penalty Information Center
CTD	Global Terrorism Database	USDA	United States Department of Agriculture
GVA	Gun Violence Archive	USDA Economic Research Service	United States Department of Agriculture Economic Research Service
HCA Healthcare Providers & Systems	Hospital Consumer Assessment of Healthcare Providers and Systems	USDE	United States Department of Education
HUD	U.S. Department of Housing and Urban Development	USGS	United States Geological Survey
IMHE	Institute for Health Metrics and Evaluation	USPFT	U.S. Press Freedom Tracker
ICS	Institute for Corruption Studies	USPIRG	U.S. Public Interest Research Group
		WaPo	Washington Post

Notes

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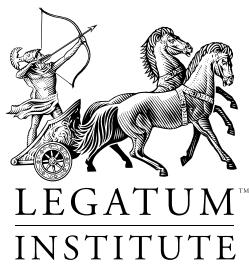
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