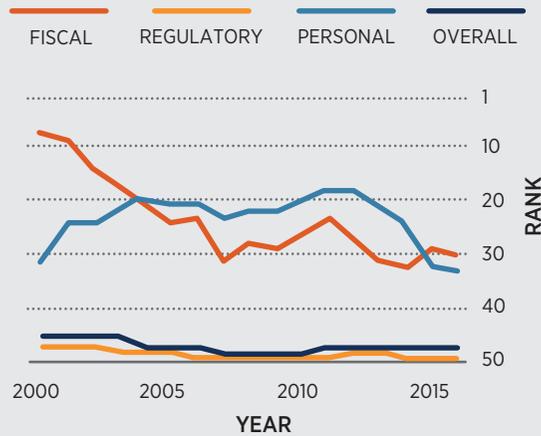


# NEW JERSEY

2016 RANK  
**47th**



## POLICY RECOMMENDATIONS

- **Fiscal:** Cut spending on the “miscellaneous” category, employee retirement, and unemployment compensation, all areas in which New Jersey spends a lot more than average. Income, utilities, and property taxes are abnormally high and could be cut.
- **Regulatory:** End rent control. This move would have raised New Jersey four places on economic freedom in 2016.
- **Personal:** Decriminalize low-level cannabis possession, and make high-level possession a misdemeanor. These reforms would have raised New Jersey three places on personal freedom, even ignoring the benefits for incarceration and arrest rates.



Population, 2017  
**9,005,644**

Net Migration Rate  
**-10.0%**



State Taxes, Percent of Personal Income, FY 2017  
**5.73%**

Local Taxes, Percent of Personal Income, FY 2015  
**5.53%**

Partisan Lean, 2016  
**D +6.9**



Real Per Capita Personal Income, 2016, in 2009 \$  
**\$48,984**

Real Personal Income Growth, CAGR, 2000-15  
**1.4%**

## ANALYSIS

About 60 years ago, New Jersey was considered a tax haven. It grew wealthy under that regime, but over the last decade it has dwelt in the bottom five for economic freedom. As long as it is better than New York, it will probably continue to get tax refugees from that state, but more New Yorkers now move to Florida than to New Jersey.

New Jersey’s state-level taxes are basically average (5.7 percent of adjusted income), while local taxes are much higher than average (5.5 percent). New Jerseyans have more choice of local government than residents of any other state, with 5.6 effective competing jurisdictions per 100 square miles, which may imply that many residents are content with high local taxes and services. Government debt has now fallen to an average level (19.7 percent of income), but cash and security assets are well below average (11.2 percent of income). Government employment ratio and government GDP share have both improved significantly since the Great Recession and are better than average. As a result, in 2016 New Jersey was a clearly above-average state for fiscal policy for the first time since 2003.

Land-use freedom is quite limited in New Jersey. The state lets cities adopt rent control, and local zoning rules are often highly exclusionary, even though the state has been losing population for years. Renewable portfolio standards are among the highest in the country, raising electric rates. In 2013, the state adopted a minimum wage. Labor-market freedom was already bad because of strict workers’ compensation rules, mandated short-term disability insurance, mandated

paid family leave, no right-to-work law, and a stricter-than-federal anti-discrimination law. Health insurance mandates are extensive. New Jersey has had no telecommunications deregulation, but there is statewide video franchising. Occupational licensing is more extensive than average. In 2013, nurse practitioner freedom of independent practice was abolished. Insurance rate regulation is strict, and the state has a price-gouging law, which Governor Christie deployed after Hurricane Sandy to devastating effect.<sup>124</sup> The Tesla sales model was recently legalized. The civil liability system is somewhat better than average.

New Jersey has improved over time on personal freedom, but so have other states, leaving it still worse than average. Incarceration and victimless crime arrests, drug and nondrug, have all fallen since 2000, but drug arrests are currently spiking. Individuals can lose their driver’s licenses for non-driving-related drug offenses. The state did slash prison collect phone call rates in 2015. Asset forfeiture, however, has not been reformed very much. New Jersey is a bad state for tobacco freedom, travel freedom, and gun rights, but it is a good state for gambling. The picture on educational freedom is mixed. Homeschools and private schools are barely regulated, but there are no public or private school choice programs. Cannabis freedom is similarly mixed. The state has a limited medical cannabis law, but otherwise it has done nothing to reduce penalties. Alcohol freedom is a bit above average, but the state interferes here too. Direct wine shipment is tightly regulated, and the rules on when a grocery store may sell wine are complicated—perhaps to create a “tollbooth” where state politicians can extract rents.

124. Matthew Yglesias, “Miles-Long Gasoline Lines in New Jersey Show the Case for ‘Price Gouging,’” Slate, November 1, 2012, [http://www.slate.com/blogs/moneybox/2012/11/01/gas\\_lines\\_in\\_new\\_jersey\\_the\\_state\\_needs\\_more\\_price\\_gouging.html](http://www.slate.com/blogs/moneybox/2012/11/01/gas_lines_in_new_jersey_the_state_needs_more_price_gouging.html).