



## High Gas Prices: Which State Wins?

*In the United States there are some states that profit when gas prices rise, and suffer when they fall, notes Michael Ettlinger. The list is worth reviewing.*

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While high gasoline prices provide a useful wake up call for the need for a new approach to energy in this country, most of us don't like the financial squeeze they put on us. But if you're in Saudi Arabia you might have a different point of view. There, and in other oil producing nations, high oil prices mean greater economic growth and more wealth.

But within the United States there are also some who benefit from higher gas prices. If you're the governor of an oil-producing state gas prices may mean a strong economy, more easy tax revenue and popularity. For some states, higher gas prices are, in fact, the ticket to economic success.

An examination of the economic growth of states in years where gas prices went up relative to when they went down gives us a good idea of which states win with higher gas prices. Table 1 below lists the states that have done best economically when the price at the pump has gone up for the nation. In the last 30 years, gas prices have gone up in 18 of them. Table 1 shows the states that had the greatest combined economic growth for those 18 years. The table shows average economic growth for each state and where they ranked in growth for those years. These are the states:

STATE	RANK	GROWTH
Alaska	1	6.0%
Nevada	2	5.4%
Wyoming	3	4.1%
Louisiana	4	4.0%
Texas	5	3.8%
Arizona	6	3.3%
Utah	7	3.1%
Florida	8	2.9%
New Mexico	9	2.8%
Colorado	10	2.7%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

Alaska, which has the highest oil production per-capita in the country, leads with an average growth in its state gross domestic product in years when gas prices have gone up of 6.0 percent (in real terms). Other energy powerhouses such as Wyoming, Louisiana and Texas also make the list. But, of course, some states appear on this list simply because they have been fast growing states generally over the past 30 years—not because their economic success or failure is tied to high energy prices.

To narrow the list to states that truly benefit from higher gas prices, in Table 2 below we look at the states that have the slowest economic growth in the 11 years when gas prices have declined during the last 30 years.

**TABLE 2. Average Economic Growth in Years When Gas Prices Declined**

STATE	RANK	GROWTH
Alaska	50	-4.8%
Wyoming	49	-3.1%
Louisiana	48	-3.0%
North Dakota	47	-1.1%
Oklahoma	46	-0.8%
Iowa	45	-0.3%
West Virginia	44	0.1%
Montana	43	0.2%
Texas	42	0.8%
Nebraska	41	1.0%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

Alaska again “leads” with the slowest economic growth during years when gas prices were falling. Alaska may frolic when gas prices go up when most of us suffer, but it must suffer while the rest of us catch a break on gas prices. Alaska is clearly the starkest case, but it is all the states that appear on both of these lists that are the ones that most clearly are better off when gas prices are rising than when they are falling. Alaska, Texas, Wyoming and Louisiana are the states where economic success is most closely linked to rising gas prices and economic failure when gas prices decline.

look at only years when gas prices increased by more than 5 percent (there were 13 such years in the period) or decreased by over 5 percent (there were 4 such years).

Thus far, we haven’t differentiated between large and small gas price increases or decreases. In Tables 3 and 4 we repeat the exercise but

The story remains much the same. Alaska leads the way. Alaska, Texas, Wyoming and Louisiana still make both lists—with the differences between growth when gas prices increase and decline when gas prices fall even more stark. But several other energy intensive states join the list when the years examined are limited to significant gas price increases or decreases. These are Oklahoma, New Mexico and North Dakota.

**TABLE 3. Average Economic Growth in Years When Gas Prices increased by more than 5%**

STATE	RANK	GROWTH
Alaska	1	7.7%
Wyoming	2	6.3%
Nevada	3	4.6%
Louisiana	4	4.5%
Texas	5	4.0%
Oklahoma	6	3.4%
New Mexico	7	3.0%
Utah	8	2.8%
North Dakota	9	2.8%
Arizona	10	2.5%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

**TABLE 4. Average Economic Growth in Years When Gas Prices declined by more than 5%**

STATE	RANK	GROWTH
Alaska	50	-8.6%
Wyoming	49	-6.9%
Louisiana	48	-5.3%
New Mexico	47	-4.3%
North Dakota	46	-3.5%
Oklahoma	45	-2.9%
Iowa	44	-2.3%
Idaho	43	-2.1%
Texas	42	-1.9%
Montana	41	-1.8%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

Table 5 summarizes the growth experienced by the states that most consistently benefit from higher gas prices. Alaska averages economic growth of 6 percent in years when gas prices rise but actually sees its economy decline when gas prices fall—by an average of 4.8 percent. The affect is amplified when the gas prices rise or fall by greater amounts. When gas prices go up by over 5 percent, Alaska’s state GDP increases by an average of 7.8 percent. When gas prices fall by over 5 percent, the Alaska economy falls by 8.6 percent. All four of these states see similar patterns with the greater the change in gas prices the larger the impact on the economy.

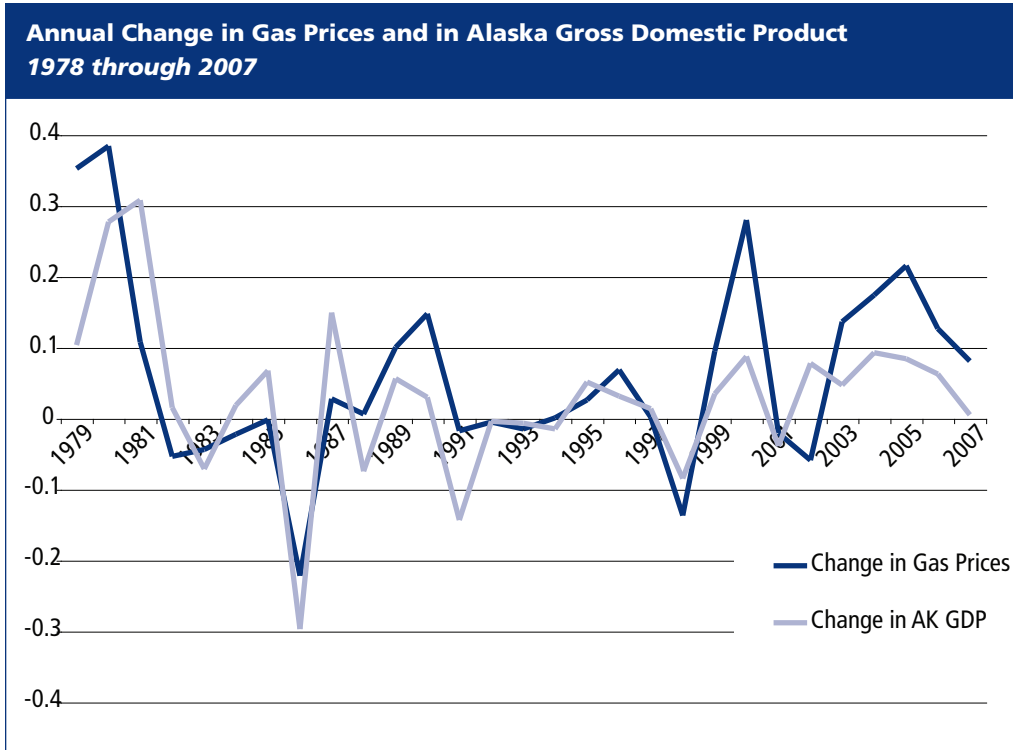
<b>TABLE 5. Gas Happy States</b>				
<b>Average Economic Growth in Years Where Gas Prices...</b>				
	<b>Go Up</b>	<b>Go Down</b>	<b>Go Up &gt; 5%</b>	<b>Go Down &gt; 5%</b>
Alaska	6.0%	-4.8%	7.7%	-8.6%
Wyoming	4.1%	-3.1%	6.3%	-6.9%
Louisiana	4.0%	-3.0%	4.5%	-5.3%
Texas	3.8%	0.8%	4.0%	-1.9%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

## Conclusion

Of course, not everyone in these states benefit from higher gas prices. In fact, in a state such as Texas with a large and diverse economy there are many who almost certainly are hurt. Those in the oil industry, on the other hand, do well. Even in Alaska, gas prices in rural areas are quite high so not everyone wins. But for Alaska where the oil dominates economic activity it’s certainly a winner for the state overall.

In fact, Alaska, unique among the states (though some oil-exporting nations follow similar practices) actually taxes the oil it sends to out-of-state consumers and pays a “dividend” to its own residents. The tax revenues have been coming in so strong this year with high oil prices that the dividend was increased at the instigation of the current Governor, Sarah Palin (before she became the vice presidential nominee of the Republican Party) by \$1,200—bringing it to \$3,269 for every Alaskan. Truly, while most of the country mourns rising gas prices, Alaska must cheer.



Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency

## Appendix

Note that in the early years of the analysis period Alaska was still ramping up its oil production as gas prices were increasing. This initial ramp-up contributes to its GDP growth. It is impossible to disaggregate the impact of expanding capacity from rising oil and gas prices. However, even if the analysis is started in 1982, unequivocally clear of the initial ramp-up, the results hold for the highlighted states—if somewhat less pronounced:

TABLE 6. Gas Happy States — Starting with 1982				
Average Economic Growth in Years Where Gas Prices...				
	Go Up	Go Down	Go Up > 5%	Go Down > 5%
Alaska	2.6%	-4.8%	3.1%	-8.6%
Wyoming	2.0%	-3.1%	3.8%	-6.9%
Louisiana	2.8%	-3.0%	2.9%	-5.3%
Texas	2.9%	0.8%	2.7%	-1.9%

Source: State Gross Domestic Product Growth calculated from US Bureau of Economic Analysis Data. Gas prices from Energy Information Agency