



RESULTS AMERICA

Economic Diversity

North Dakota the most diverse, Delaware the least



HIGHLIGHTS

North Dakota, Pennsylvania, and Colorado have the most economically diverse economies in the United States.

Delaware, Wyoming, and Oregon are the three least economically diverse states.

Much in the same way that personal portfolios are diversified, states that foster diverse economies are far less likely to suffer burden when one industry or market falters. This includes economic risk, which comes from an overreliance on one sector for jobs and state revenue. Many in the real estate market can easily sympathize with this level of diversity of assets, and it is true also of government.

Top 10 Most Economically Diverse States

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|-----------------|---------------|
| 1. North Dakota | 6. Texas |
| 2. Pennsylvania | 7. Nebraska |
| 3. Colorado | 8. Georgia |
| 4. Missouri | 9. Arizona |
| 5. Montana | 10. Minnesota |

Economic diversity is calculated using the Simpson Index. This formula is used often in ecology to measure interconnected species and ecosystem diversity. This research uses the North American Industrial Classification System (NAICS), and the state GDP of each sector as diversity information.

Diversity in this index is measured from 0 to 100, with 0 being the least diverse.

North Dakota, Pennsylvania, and Colorado have the most diverse economies in the United States. However, it should be noted that the average diversity throughout the country was 90.97. Based on the standard deviation of 1.79, only North Dakota is statistically significant among the top 10.

Delaware, Wyoming, and Oregon are the three least economically diverse states in the union. This is made more important because of the statistically significant difference each of these states has from the national diversity average. Among these three states, a single industrial sector produces a large proportion of the state's GDP:

- Oregon: Manufacturing 28%
- Wyoming: Mining, Quarrying, Oil & Gas Extraction 28%
- Delaware: Financing & Insurance 37%

This compared to North Dakota, in which the largest industry is Government and Public Administration with only 11% of GDP.

States with less diversity are more prone to risk from shocks to the economy. For example, in 2007, 18% of California's GDP came from real estate rental and property leasing. This was by far California's largest industry, totaling over \$300 billion. Despite its economic diversity, which would have put

it in 17th place that year, the housing bubble and subsequent recession affected California more than most states. In contrast, a state like North Dakota was measured by the Economic Security Index for 2008-2010 as one of the most economically secure.

State governments obviously cannot decide on a portfolio of industries in the same way an investor picks stocks for their retirement plan. However, diversity of an economy is important to understand when placing incentives and disincentives on industry. States that are heavily reliant on one or two sectors should either hedge their bets or save for a rainy day.

“States that foster diverse economies are far less likely to suffer burden when one industry or market falters.”

Bottom 10 Least Economically Diverse States	
41. Virginia	46. Hawaii
42. Maryland	47. Indiana
43. North Carolina	48. Oregon
44. Louisiana	49. Wyoming
45. Alaska	50. Delaware

References & Data Sources

- US Census Bureau
- Bureau of Economic Analysis
- Bureau of Labor Statistics
- Economic Insecurity Index

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