GUEST OPINION

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Fisher: Beware snake-oil remedies for Iowa's economy

By Peter Fisher

Educating our children, supporting families, promoting healthy communities — these are goals most Iowans would readily support. And most Iowans would agree that the public has some responsibility to further these goals, through public education, family-friendly tax policies, environmental protections and the like.

Most would also understand that the future prosperity of Iowa citizens depends in no small part on how well we prepare our children for the workforce of tomorrow and how we make it possible for all working families to attain a decent standard of living.

It might come as a surprise, then, to find that a report with the ostensible goal of advising states on how best to achieve growth and prosperity argues that the public sector has little constructive role to play. Such is the case with *Rich States, Poor States*, an annual publication of the American Legislative Exchange Council, or ALEC.

The centerpiece of the report is the Economic Outlook Ranking, a set of 15 state policies that constitute ALEC's recipe for achieving prosperity. ALEC's recipe consists entirely of recommendations to cut taxes on business and the wealthy, reduce public spending and eliminate protections for workers. If those recommendations sound familiar, it may be because many in the Iowa Legislature belong to ALEC and subscribe to its policies and propose them each session.

The ALEC recommendations have been around for five years. Just how things have been working out for those states that have been following the ALEC prescription most closely? The short answer is, "Not so well."

In a new report, "*Selling Snake Oil to the States: The American Legislative Exchange Council's Flawed Prescriptions for Prosperity*," I analyzed the performance of all 50 states over the past five years and compared it to how well they ranked on the ALEC/Laffer Economic Outlook index.

It turns out that there is no relation at all between a state's ALEC score in 2007 and the increase in the state's economic output or employment in the five years since then. ALEC policies are worse than that — the states that scored better (according to ALEC) actually had lower per capita and median income every year, and had slower growth in income. They also had higher poverty rates.

The results should not be that surprising. The evidence cited to support the ALEC policy menu ranges from deeply flawed to nonexistent. Years of academic research shows that state and local taxes are too small a share of business costs to have substantial effects on state economic growth. Taxes have little to do with migration, despite assertions to the contrary by ALEC. Lower minimum wages and so-called right-to-work laws, when evaluated properly, are shown to reduce wages and incomes but to have little if any effect on growth.

In actuality, "*Rich States, Poor States*" provides a recipe for economic decline by depriving state and local governments of the revenue needed to maintain the public infrastructure and education systems that are the true foundations of long-term economic growth and shared prosperity.

As the Iowa Legislature prepares to convene, we should be prepared to hear once again why tax cuts are the surest path to prosperity, and it should not be a surprise if the bogus "research" by ALEC is trotted out in defense of such policies. We should remember that education accounts for more than 60 percent of the state budget, and most of the rest goes for health care, infrastructure and public safety.

The ALEC approach unavoidably means underfunded early childhood education, increasing class sizes in our elementary schools, reduced access to our public universities and community colleges. That is a sure prescription for economic decline.

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