Doubling down on Idaho's losing gamble

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If Idaho's economic development strategy of cutting taxes and shrinking government spelled success, ordinary Idahoans would be steadily prospering.

Just the reverse is happening.

The Great Recession stung Idaho workers harshly. Even with fortunes falling everywhere, wages in the Gem State fell to 38th among the states last year, compared to 37th in 2008.

But the decline didn't start there. The last time an average Idaho employee earned anywhere close to the national norm was 1977, when the hourly wage came within 12.4 percent.

Three decades later, the average wage was 24.3 percent behind.

It's not the economy, stupid.

It's your stupid politics.

Comparing the states from 1947 to 1997, Georgia State University Economist James Alm and Nevada Chief State Economist Janet Rogers linked a state's politics to its economy. During that time, Idaho's economic growth rate averaged about 2.23 percent, ranking it 37th. Other states in the basement included Washington (38th), California (40th), Nevada (41st), Utah (43rd), Wyoming (44th) and Montana (47th).

No simple rule of thumb explains it. For instance, the combination of air conditioning and the demise of Jim Crow laws unleashed the Old South's phenomenal economic growth during those years.

But Alm and Rogers did hit on one constant: States helped themselves most by investing in their workers and infrastructure. Cutting taxes might have a "significant" effect, but only during a limited period.

"Perhaps, surprisingly, a more 'conservative' political orientation is associated with lower rates of economic growth," they wrote.

Think of all those years wasted holding the line on public school funding, strangling higher education, undercutting research, making only half-hearted infrastructure improvements in the name of tax cuts and resisting an evolution beyond Idaho's natural resource base.

For years, economists have stressed the key to attracting business to Idaho remained a skilled workforce, proximity to markets and good schools. Tax policies tended to fall much lower down the list.

Earlier this year, retired University of Idaho agricultural economist Stephen C. Cooke asked why the average Idaho worker made about $11,000 less than his national counterparts. What he unraveled was a culture that failed to make the kinds of investments needed to attract and retain high-wage workers and managers - good schools, transportation systems, higher education - and instead funneled its energies into creating low-wage, low-skilled jobs.

If Alm and Rogers are right, the picture may be even darker. As their study concluded, Idaho was just beginning its 16-year infatuation with one-party rule. Since Republicans took control of the governor's office and tightened their grip on every facet of government, the state cut income taxes. It shifted school support off property taxes paid by corporations and wealthier families and onto sales taxes, which weigh heaviest upon lower-income families. It has dabbled with tax credits and breaks for large corporations.

Once the tax cuts kicked in, recessions tended to follow, leaving the state scrambling. Higher education has been cut by a quarter. Idaho has less money for teachers and more for online instruction. Efforts to replenish the highway accounts have stagnated. Across the spectrum of government services, the mantra is cut to the bone and then break some bones.

Skinflints got Idaho into such a deep ditch, it can't escape without raising taxes on the very same workers these policies have since impoverished - with no real promise they'll share in the investment's long-range return.

At least dispense with the myth that cutting taxes for corporations and the wealthy benefits ordinary Idaho workers.

Idaho's been making a losing bet. No need to double down. - M.T.