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New Year's resolutions for Minnesota's economy

Louis D. Johnston
College of Saint Benedict/Saint John's University, ljohnston@csbsju.edu

Susan E. Riley
College of Saint Benedict/Saint John's University, SRILEY@CSBSJU.EDU

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Once again, it's the time of year for resolutions. Many of us resolve to watch less television, exercise regularly, eat right, etc.

What does the Minnesota economy need for a better, brighter future? Here are our New Year's resolutions to promote the state's economic health.

Resolution 1: Have a sensible discussion of the role of government in Minnesota's economy.

To quote the Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed." Thus, one of our founding documents asserts that government has an essential role to play in protecting our basic rights and creating a better life.

While the Founders rightly feared the corrupting possibilities of concentrated power, they also understood the necessity of coordinated collective action to secure vital public goods. The Framers declared: "We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence [sic], promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America." We the People decide what our government will and will not do.

State and local governments have roles to play in Minnesota's economy and we should vigorously debate and discuss them. Where can government help? In terms of economic performance, is Minnesota's government too big? Too small? Just right?

To answer these questions, we must utilize metrics such as income growth, unemployment rates and income distributions across time. Organizations such as Minnesota Compass are already providing these data, so let's put them to work. We must take advantage of the deep well of social science research to examine the relationships between these factors and government policies, and have a conversation amongst citizens, within city councils and the state Legislature, and on the op-ed pages of state and local media throughout Minnesota.
Resolution 2: Recognize that we need both competition and community.

John Brandl put it well in his book "Money and Good Intentions Are Not Enough": "Competition and community do not substitute for government. They are instruments through which government facilitates the working out of public purposes by a free people. To simplify, conservatives today generally advocate competitive (market-based, solutions to our problems) while liberals often favor more communitarian (public-sector, strategies). Clearly we need both. The question is, what balance will we strike?

A good place to start is "An Agenda for Reform: Competition, Community, Concentration," prepared by Brandl and Vin Weber in 1995. The problem they identified then remains with us today: "For many years to come, state and local governments will face huge and growing imbalances between spending demands and available revenues." We can't deal with this by privatizing everything government does, or by simply spending more. We have to think about both competitive and communitarian solutions to our problems.

Resolution 3: Balance the state budget in the long-term.

Government actions need to be stable and predictable in order to promote long-term growth. A key foundation for this is long-term budget balance. Rather than simply saying that taxes need to be higher or spending needs to be lower, we have to think broadly and deeply about how to fund government.

To do this, we don't need to appoint committees to study the problem. Gov. Tim Pawlenty appointed a tax-reform commission and ignored its findings, in particular the call to broaden the sales tax, simplify the income tax and equalize the property tax. Let's use the report as a starting point to get the job done.

Two proposed solutions to our problems are to cut services or to become more efficient in their provision. To address the first, as we've tried to make clear, the general welfare requires that government provide certain services. As to the second, there are not enough inefficiencies in the system to balance the budget.

Furthermore, many of the things government does are inherently, inescapably, inefficient. Sometimes, the labor-intensive, one-on-one teaching moment is the only way for a child to learn. That costs money. Is this where we want to invest our public dollars? How do we balance this with other important public services such as health care and transportation? We need to decide.

Resolution 4: Improve our state's infrastructure.
One of the most important drivers of Minnesota's long-term growth is the quality of our infrastructure. Our guess is that once we have a deep, respectful conversation about the role of government there will be at least three areas of agreement: transportation, water resources and education.

A well-maintained transportation system is essential to keeping goods and people flowing throughout the state. In addition to roads and bridge repair, we would encourage development and improvements to mass transit (especially in areas outside the Twin Cities) and railroad corridors that connect underserved areas of the state with national railroad networks.

Water and sewer systems play an important role in both residential and commercial development. Companies that do not have access to adequate fresh water and treatment facilities will not remain in these areas; this is already a pressing concern in greater Minnesota. (The West Central Initiative Foundation has an excellent overview of this problem.)

Our citizens want and need to improve their human capital through education. In particular, the achievement gap between white students and students of color must be closed so that all of our children are ready for the challenges they will face.

**Minnesota's economic strengths**
Historically, Minnesota's economic strength is based on a diversified economy built on a foundation of high-quality human capital and publicly provided infrastructure. Let's resolve to work through the problems facing us by taking a hard, clear-eyed look at the situation, having spirited debates about how to proceed, and then working together to make it happen.

*Susan E. Riley is assistant professor of First-year Seminar at the College of Saint Benedict and St. John's University. She has a Ph.D in Political Science from the University of California, Berkeley.*

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