

January 22, 2009

Study suggest diminishing returns from public spending

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With a \$5 billion budget deficit looming, Minnesotans should ask “Are we getting our money’s worth from state and local government spending?”

The answer to the question is in part philosophical. The preference for high or low taxes and an active or restrained government is based in part on competing notions of justice, equity and constitutional interpretation.

Is there any way to use an empirical, objective measurement of government performance?

The John Locke Foundation, a Raleigh, North Carolina-based research group, recently attempted such a measurement in its report “Taxpayers’ Return on Investment.” (You can find the report on the foundation’s web site, www.johnlocke.org).

Joseph Coletti, a fiscal policy analyst with the group, ranked the states. For each state he found indicators for several quality of life issues that are affected by government, and compared them against each state’s tax burden.

The five highest-performing states were Florida, Alaska, Texas, Wyoming, and Montana. The bottom five states were Wisconsin, Maine, Rhode Island, and ... Minnesota, which tied with Ohio at 45.

The chief measure of taxpayer investment is the state and local government’s tax burden as a share of income in 2001. Those numbers were then compared with “measures of states’ improvements in the performance of school, health, crime, and roads over the next six years, as well as their growth in population and per capita income.” Minnesota had the 10th-highest tax burden, with 10.2 percent of income going to state and local government.

The best measure we may have for making cross-state comparisons of school systems is the NAEP, or National Assessment of Educational Progress. In 2000, 2002 and 2007, Minnesota outperformed the national average. Between 2002 and 2007, it ranked in the middle of the states—25—on improvements in mathematics and reading.

Minnesota ranked very well on health, at least if we consider changes in the death rate of people aged 65 to 74 years old. According to the Centers for Disease Control, Minnesota did second best on that measure, bested by Vermont. (Only in Hawaii did the death rate actually increase.)

According to the FBI Uniform Crime Reports, Minnesota did not do very well in reducing its crime rate. That went down a mere 2 percent between 2001 and 2007, putting Minnesota behind

39 other states. On the bright side, we're already a law-abiding state relatively speaking, with a rate below the national average, as well as that of 31 other states.

Coletti drew information on the quality of roads from a report written by David T. Hartgen, a University of North Carolina professor. (I wrote about that report two weeks ago). Minnesota didn't do so well on this policy area—35 states did better in improving their state highway systems.

Population growth is another way of measuring the success of a state: Is it an attractive place to live?

In Minnesota, we can't do much about the weather. No matter how hot the prospects for educational quality, income growth or other factors, some people will be deterred from moving here simply by the weather. (To be fair, the weather will deter other people from moving to hot-and-humid states such as Florida or South Carolina.)

Even so, changes in population reflect in part the citizenry's evaluation of a state and a verdict on the effects of its policies. Between 2001 and 2006, Minnesota's population increased some 214,000, or 4 percent. The state was just below the national average in population growth, coming in with a rank of 27.

Finally, consider growth in income. It's true that "man shall not eat by bread alone." Still, whether the people of a state make more money now than they did four or five years ago is one indicator of how well the state is performing.

Between 2001 and 2007, Minnesota's per-capita personal income grew 26 percent. That was more than Wisconsin's 23 percent, but less than the rate of 31 other states. (When per-capita income itself, rather than its growth, is considered, the state ranks 11, higher than any non-coastal state except Colorado and Wyoming.)

Put all these policy areas together and Minnesota comes out a dismal 45. This isn't to say that Minnesota is a policy hellhole, by any means. It does suggest, though, that the state is doing relatively poorly in using its tax dollars to improve the lives of its citizens.

The reason for that fact is another point for debate, but perhaps we've bought as much government as we can profitably use. Some government is better than no government, as casual observation of any war-torn or lawless area confirms. But increased spending on government—as with increased spending on food, housing, clothing, large-screen TV sets and indeed everything else—brings diminishing marginal returns at some point.

Relatively speaking, Minnesotans may have reached that point a long time ago.