

Title: **Policy reforms could make Missouri more prosperous**  
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## TO THE EDITOR

# Policy reforms could make Missouri more prosperous

Missouri's slow economic growth over the past 20 years is no secret. What may surprise you is that the length of this dismal track record actually is much longer.

In a recently published study, William Rogers and I studied the economic performance of Missouri since a man landed on the moon. The story is rather bleak.

If only the state had just kept pace with the national average: There would be about 1.2 million more residents in Missouri, annual earnings per job would be about \$3,400 higher than it currently is and incomes today also would be higher. Over these 50 years, the average person in Missouri watched income grow at half the national average.

Reams of research have shown cities to be the great engines of productivity and innovation. Cities give people greater access to opportunity and actually demand less from the environment on a per person basis. Typically, cities lead the way in population and economic success. Not in Missouri.

Growth in earnings per job in Kansas City and St. Louis – and here we considered only the Missouri parts of the metro areas – fared worse than the national average. Only the Great Lakes region, which includes Detroit and other “Rust Belt” cities, did worse. When we looked at the growth in income per person, St. Louis actually beat the national average. Kansas City, however, fell far short.

If St. Louis and Kansas City are doing poorly, are there any bright spots in the state? It turns out that Missouri's fastest-growing cities are located in the center and in the south.

When looking at jobs, earnings per job and income, Springfield and Columbia experienced higher growth rates relative to the state average. Far southwest Missouri, enjoying the economic spillover coming from northwest Arkansas, also has prospered. But these comparisons are with the rest of the state. Relative to national averages, they are not doing quite so well.

Can't anything be done to reverse what appears to be the inadequate economic momentum of the state and its cities? Let me note a couple of areas for reform.

Those with higher levels of education are leaving or not migrating to Missouri. A persistent net migration out of Missouri by those with a bachelor's degree or more is the norm. Better educated workers are more productive. If individuals with more education are leaving the state and not moving here, improving future economic prosperity will be much more difficult.

Too many counties in Missouri have a large percentage of adults with a high school education or less. Insufficient education handicaps workers for many present-day jobs. This helps explain why companies requiring a more-educated workforce do not relocate here. Promot-

ing educational achievement – even a few years beyond high school can have dramatic positive effects – should be a priority.

Missouri's lagging economy also stems from its mix of industries. Historic reliance on manufacturing makes pivoting to a more technology-based economy difficult. One avenue to encourage such a change is to revise the state's tax structure.

Companies in Missouri face different types of taxes. Even more problematic, within a specific category of taxes, such as corporate income taxes, different types of firms – retail, research and development, manufacturing – face different tax rates. Revising the tax structure to satisfy the economist's paradigm – taxes should be broad based, as low as possible, and not be complicated – would do more to improve future economic growth than maintaining the current jumble of tax breaks and incentives.

Improving the trajectory of the state and its local economies is a daunting task. Sacred cows must be sacrificed. Political turf wars must be resolved. But the sooner policymakers at all levels recognize that the current state of the Missouri economy stems from years of poor policy design, (the sooner) will the citizens of the state see any improvement in their economic prosperity.

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