

A Smart Investment Agenda for Minnesota's Next Decade

Vision,
Measurable Goals,
and Strategies
for a Decade
of Renewal



We Minnesotans have built a good life in this blessed land of abundant lakes and rivers, deep woods, and fertile prairies. We have created both a more prosperous and a more fair society than exists in most other states and nations. And we have accomplished this through a distinctive combination of innovative free enterprise and a communitarian willingness to invest public money for the public good. Call it “the Minnesota Advantage,” and consider it threatened.

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We built better schools and got better test scores than most other states. We established plentiful public parks, and recognized early the value of conservation and environmental protection. We ensured affordable higher education opportunities and produced one of the nation’s best workforces. We provided good highways and first-class public works infrastructure and the nation’s first metropolitan government. We greatly valued public health and invested generously to produce some of the best outcomes in the nation. All of this public investing worked hand-in-glove with a generous business and non-profit leadership to produce a diverse economy and a state with a reputation for valuing both economic growth and social justice, a more evenly shared prosperity and a stronger middle class.

This advantage was built intentionally throughout our state’s history by generations of governors from all major political parties and by visionary community and business leaders. But the last decade has been marked by unprecedented disinvestment and unsustainable tax and budget cuts. Signs abound that Minnesota is losing ground, with declining rankings on economic measures and quality-of-life statistics, and increasing economic inequality.

We believe we will lose further ground if we don’t take maximum advantage of our governments’ classic role as strategic investors, with smart and ample investments in human potential and our physical infrastructure.

To that end, Growth & Justice offers this summary of a simple and straightforward investment agenda for Minnesota’s next governor and all candidates for political leadership in the

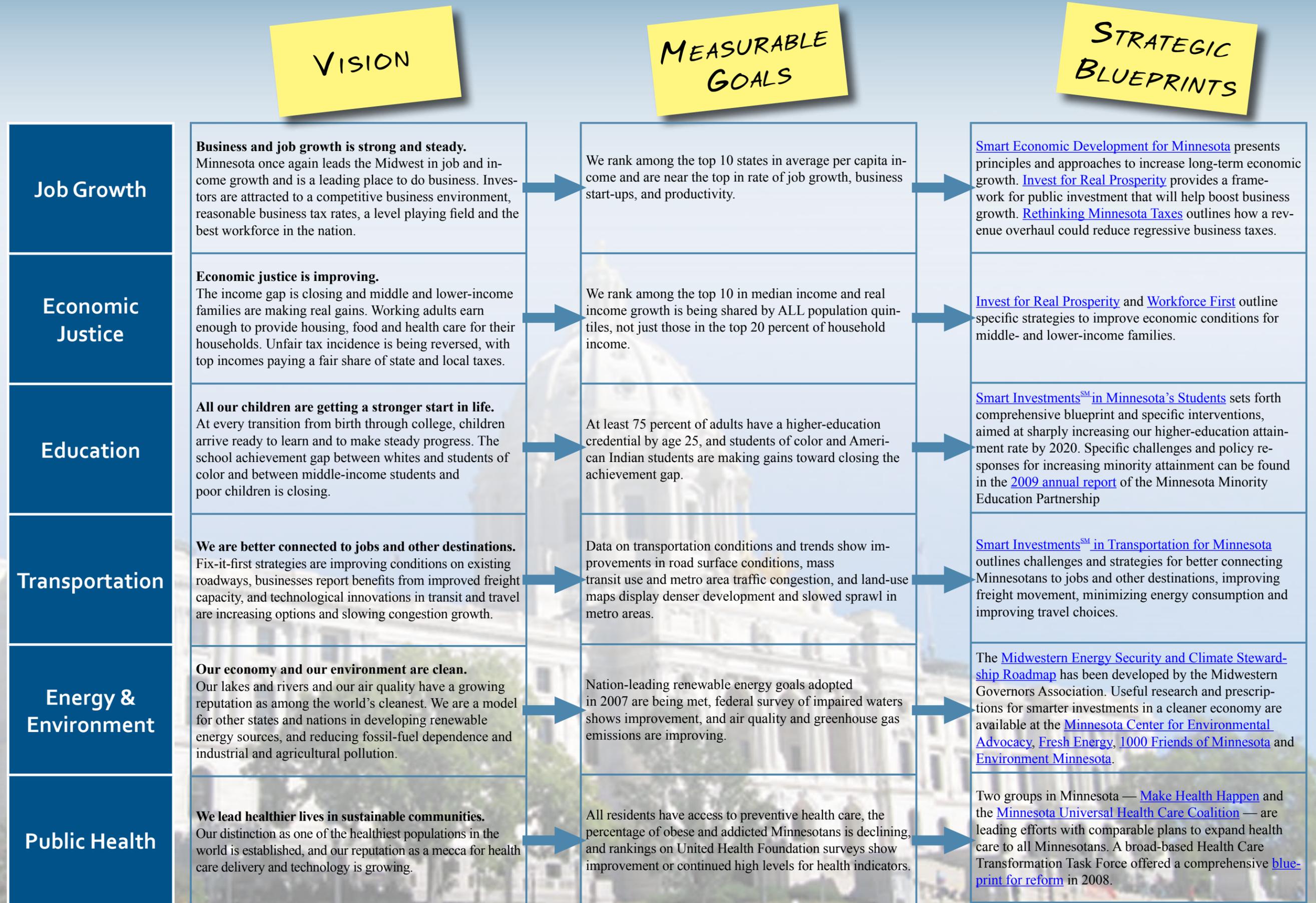
decade of “the teens.” This plan has grown out of several years of Growth & Justice work, and has roots in our Invest for Real Prosperity project. It reflects the wisdom and advice of hundreds of citizens and experts.

This agenda begins with a vision that can be embraced by almost all Minnesotans. We offer measurable demographic goals for end-of-decade progress. And we provide examples of specific strategies that offer the best prospects for achieving that vision and those goals. And finally, we suggest ways that candidates and policymakers can talk about public investment to make the case with voters and citizens.

While this non-partisan proposal is offered in the context of a gubernatorial campaign and crucial election year, governors and governments can’t do it all, and we intend to communicate this investment agenda far and wide. Private-sector and non-profit leaders need to step up, interest groups need to compromise, citizens and voters need to have patience and do their part to advance the cause of sustainable and just economic growth for our beloved North Star State.



RENEW MINNESOTA THROUGH SMART INVESTMENTSSM



FRAMING THE ISSUES:

How to talk about smart public investment and tax fairness

Investing, where it matters most, pays off

Simple math: high-school dropouts, bad roads and people without health care are costing us all billions. Research shows states doing better long-term if they invest tax dollars in education, transportation infrastructure and healthy communities. These public assets support sustained growth, self-sufficiency and prosperity for businesses and all citizens, but the private sector typically does not invest enough in them. If government does not make the investments, workers and employers pay the price.

These principles are important to stress when talking about how to invest where it matters most:

- **Large effects.** We need to target harmful disparities and problems with the most serious future consequences; aim for widespread impact and sustainable, long-term improvement.
- **Capacity-building.** Favor investments that build the wealth-creating capacity and self-reliance of individuals, businesses and communities; e.g. teaching to fish rather than giving away fish.

Investing in what works

Especially in times of scarcity, government must make tough choices about where to spend. Failing programs are easy to cut, but if new approaches are required, how should policymakers choose where to redirect funds?

Emphasize that these investment principles should be applied in a smart public investment strategy:

- **Evidence-based.** Base solutions upon inquiry and evidence about what really works, not simply upon who benefits or whether a policy meets certain political tests.
- **Defined outcomes.** Define clear outcomes and select measures of success at the start, so citizens can hold officials and agencies accountable.

Investing cost-effectively for results

Taxpayers resist the idea of investing if they perceive it means simply paying more for the status quo. But voters want governments to work and a reasonable case that their money will improve things is persuasive. Articulating costs and benefits can overcome empty rhetoric about wasteful and ineffective government.

Growth & Justice encourages consideration of policy options through an economic lens that focuses on getting the best returns for the public dollar:

- **Cost-effectiveness.** Consider the benefit from both future costs savings and increased value; recognize the impact may not occur immediately and benefits may accrue beyond the people and agencies directly involved.
- **Sufficiency.** Fund solutions adequately; adopting half-measures or using unsustainable funding may be worse than doing nothing.

Raising tax money fairly and sufficiently

People disagree about whether tax fairness means progressive (larger percentage for higher incomes) or proportionate (same percentage for all). But Minnesota's overall state-local tax system now is neither. It is regressive; with those on the top paying a significantly smaller percentage than everyone else. In fact, the top earners have a larger share of income and wealth than they have had since the Great Depression.

- **Fairness.** The state's own 2009 Tax Incidence Study shows that the wealthiest households pay an effective tax rate nearly 3 percentage points lower than an average household. Explaining this key statistic appeals to a sense of fairness and leads to support for a fairer tax system.
- **Sufficiency.** Minnesota's Price of Government (all state and local revenues as a percentage of income) is two percentage points lower than 15 years ago, which translates to \$4.6 billion less in public investments. We now rank only average in public investments, after decades of ranking in the top 10, and taxes and budgets have been cut in Minnesota more than in any other state.

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