

Growth Not Good For (Most) Oregonians

by Andy Kerr

If all this economic development is so good for us, how come we don't feel so good? While the quantitative measures of economic success may be up for many (but not most) of us, why do most Oregonians feel so insecure? Growth—Oregon's main economic development engine—is a pyramid scheme in which a relative few make a killing, some others make a living, but most Oregonians pay for it.

Those who are getting rich off of growth want the rest of us to believe that growth is good for us, too. But growth isn't good for Oregon, environmentally or economically. It also need not be inevitable. There's a proper role for government in economic development, but in the words of Tom McCall, it's not being a "cheap hussy throwing herself at every smoke-stack."



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Most people easily comprehend the environmental harm that growth causes. It is obvious that more people cause more pollution, congestion, and noise, and less open space, scenery, and wildlife habitat. If another million people move to Oregon, we'll build more freeways and still lose the race (Los Angeles is still building them). We'll have more frequent and severe floods, and hillsides that hold more houses than rainfall. We'll endanger more species. Metro residents will have to drink Willamette River water, toxic enough to deform fish. The air will be dirtier. Yes, new technology, more recycling, and improved mass transit will help mitigate these effects, but if things improve 50% and population increases 100%, our environment still will not be healthy or sustainable.

"We must grow or die!" True, if "we" means the developers and their chorus; if "we" means most Oregonians, false. This "philosophy of a cancer cell," as Edward Abbey called it, is killing the body and

employment and city growth rates, compared the 25 fastest and 25 slowest growing US cities. No statistical correlation was found between rate of growth and the unemployment rate. Although fast-growing cities create new jobs, they also attract new residents. Even though a city grows, the rate of unemployment remains about the same.

Yes, Fodor found that growth increases the tax base, but spending goes up faster. The larger the city, the higher the per capita tax rate. Consider Springfield. From 1971 to 1981, a period of very rapid growth, Fodor found that "total municipal spending quadrupled (in constant dollars)" and "(t)otal indebtedness also quadrupled". Most telling, "per capita spending tripled". "The lesson is that growth creates costs", says Fodor. "New development requires public infrastructure in the forms of roads, sewers, water, electricity, schools, parks, police, fire protection and other services." Surely, lowering taxes, subsidizing businesses, and

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soul of Oregon. Chambers of commerce from Burns to Portland (and Los Angeles to Mexico City) all have the same mantra: "Growth is good." Say it enough, it will be believed. But is it true? Does growth reduce unemployment? Does growth build up the tax base, providing needed revenues? Does a good business climate help? These questions were asked by Eben Fodor as a University of Oregon graduate student. He looked at the data and found that the answer to all three was "no". Although growth creates jobs, it doesn't necessarily decrease unemployment. Fodor cites University of California research that examined 20 years of data on

reducing government regulation promotes growth. Fodor cites University of Wisconsin research that compared several popular business climate ratings to the performance of each state five and ten years after the rating. "States with 'good' business climate ratings actually had worse economic outcomes than states with 'bad' business climates", said Fodor. "People in the states with the worst business climate ratings experienced \$585 to \$1100 more growth in per capita income after five years than did top-ranked states. The disparity was even greater after ten years."

Fodor went on to analyze the costs of growth to Oregon government and to indi-



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If inflation and growth are costly for the public at large, who are the beneficiaries, and why do they exercise such power over the economy and our taxes? Developers and their chorus of speculators, builders, bankers, and suppliers of auxiliary goods and services. The chorus includes publishers and broadcasters whose revenues grow as the population grows, and elected officials who are rewarded with campaign contributions when their policies foster growth. "When is a bribe not a bribe?", asked the late Oregon U.S. Senator Richard Neuberger. "When it's a campaign contribution."

In this country we're going through another cycle where government benefits business more than individuals. In

Washington, D.C., the Republican majority in Congress opposes assistance to the needy and increases assistance to the greedy. Some Democrats join in, including President Clinton, who's afraid to be left behind in the pursuit of a balanced budget. Here in Oregon, a business-sponsored initiative replaced welfare with workfare, which is a subsidy for businesses to fill low-wage jobs. In the Legislature, the Republican majority has resolutely opposed expansion of employer funding of the Oregon Health Plan, which provides health insurance for the working poor. Meanwhile, state and local officials give millions in tax breaks, and direct subsidies from the lottery, to business owners.

A recent Metro poll showed that the vast majority of people didn't want to expand the urban growth boundary or increase density within it. They want things to stay the way they are. Metro Executive Mike Burton concluded that the people were confused, since with all these people moving to Oregon, one or the other must occur. It's Burton and most other politicians who are confused. Citizens don't want the increased population and planned sprawl. They're also tired of their property taxes going up, so they've voted for Measures 5 and 47, despite the fact that business property taxes were cut far more than those of individual home owners. Property taxes on the First Interstate Tower have decreased to

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vidual taxpayers. He figured the cost of an average new single-family dwelling, including schools, sewage, transportation, water, parks and recreation, storm water drainage, and fire/emergency medical services. He didn't include libraries, essential social services, or solid waste disposal. Nor did he factor in private sector costs such as electric power and natural gas distribution, which translate into higher rates for consumers. Of the costs he did consider, Fodor estimated that a new single-family house costs the government (read: us taxpayers) \$24,502. This is money that the new homeowner never pays back in property taxes or system development charges. It's a subsidy from all taxpayers to an individual homeowner. Fodor calculated statewide public costs of residential development to be \$300-600 million (\$400/average Oregonian) annually. He didn't calculate additional commercial and industrial development subsidies. "If new development does not pay the full cost of its impact on the community, then the public ends up subsidizing growth," notes Fodor. "Public funds are depleted and taxes go up."



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Make that "Hell, no!"

50% of what they were in 1990. Not one Oregon homeowner can boast that. People see their taxes rising and government services falling. Businesses are paying less of the tax burden, and receiving more of the government's money.

"I've been criticized for giving local money to out-of-state companies; now I'm criticized for giving out-of-state money to

down" economics. Second, let's pursue economic development without population growth. Third, the single best way to help Oregonians get—and keep—jobs is education. State government should invest in education to make its citizens so educated and flexible as to be in high demand, and able to move easily to new jobs as the economy changes. The fourth

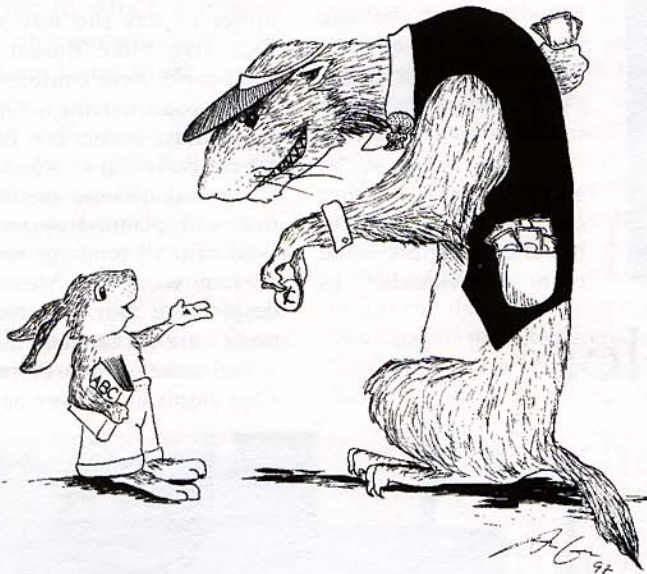
our families and our communities). c) Protect the public's health through the regulation of pollution and working conditions. d) Protect the public's environment to ensure sustainable use of the Earth.

Is growth inevitable? The answer is "no". Make that "Hell, no!" "You can't stop 'em at the border, and we've got to put 'em somewhere", say the developers and their chorus. True, we can't close the gate, but we can stop paying people to come here. We taxpayers don't need to spend \$25,402 for each new single-family dwelling. At six houses per acre, the public subsidies are \$152,412 for every acre of residential sprawl. Fodor notes that the typical cost for undeveloped land inside the urban growth boundaries is \$15-35,000 per lot. It would be cheaper for the taxpayers to buy the land themselves and keep it as open space for parks, watershed protection, and wildlife. We can get off this deadly treadmill if we want. We're a rich society, and a society with choices. We are presently choosing to subsidize growth. We could choose to do something else. We could turn wasteful tax subsidies to corporations into efficient investments in people. It's our choice. 80% of democracy is showing up. If the majority of us make our wishes known, we can keep Oregon Oregon.

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local companies. What am I supposed to do?", complained Portland's Mayor, Vera

principle is, don't substitute political "judgment" for the judgment of the mar-



Katz after she was caught in a successful cross-fire for promising a HUD subsidy to Wieden and Kennedy, a Portland advertising firm with Coca Cola and Nike as clients. Earth/Voters/Taxpayers to Vera: "Don't spend our tax dollars subsidizing the rich. Even though the money may look to you as coming from different pots for different purposes, it's all our money. We'd rather keep it than have politicians complete the cycle of corporate campaign contributions. If you must spend our tax money, then spend it to keep libraries open, hire more cops, and educate kids."

What is the proper role of government in economic development? Here are five principles that most Oregonians would probably support. First and foremost, help people, not corporations. No more "trickle

ket. The market, even with its imperfections, is more economically efficient than government. It's the role of government to correct or mitigate market inefficiencies and inequities; it should not compound them. That brings me to the fifth principle: government should ensure economic and social justice and protect the public health and the environment. To do that government should: a) Establish a minimum—and for that matter a maximum—wage. The net worth of the Earth's 358 known billionaires is \$760 billion, equal to the net worth of the Earth's 2.5 billion poorest residents. b) Prescribe working conditions (including reducing the work week, so the good jobs are spread around and we all have more time for ourselves,

The author is deeply indebted to the pioneering work of Eben V. Fodor, especially "The Three Myths of Growth", Planning Commissioners Journal, Winter 1996 and "The Real Cost of Growth in Oregon", Oregon Planners Journal, October 1996. His report "The Real Cost of Growth in Oregon" is available for \$25 from Energy and Environmental Planning Associates, 394 East 32nd Ave., Eugene, OR 97405, (541) 345-8246, fodor@efn.org.

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