

FUNDING SCHOOLS IN THE 21ST CENTURY

Economic Development

What is the purpose of a “Good Economy?”

- ◆ To advance a good life, good society & actualize values
- ◆ What values? (American Dream)

Good Economic Policy Goals:

- ◆ Provides for public good as well as private consumption
- ◆ Grow jobs & incomes (living wage, economic security)
- ◆ Reduce income disparities (equal treatment, reduce poverty)
- ◆ Sustainability

How does a “Good Economy” measure success?

- ◆ Monetary growth & expansion, commercial competitiveness
- ◆ Human well-being, resilience, security, environmental stability

What Grows the Economy?

- ◆ *Innovation* – (i.e. steam engine, electricity, the internet) resulting in consumer spending.
- ◆ *Level playing field for all business* – Good government establishes and enforces rules of fair play that give a fair shot at success to all business, big and small without picking favorites.
- ◆ *Public investment* – Economies of developed nations with higher tax levels grow faster than economies of nations with lower tax levels; the higher the public investment the higher the rate of economic growth. (Peter Lindert, *Growing Public*) The same was found in the analysis of the 50 states.
 - Invest adequate resources in public education (human capital) to build capacity to deliver excellence. In the new “knowledge” economy, quality of human capital is the most important driver of productivity and growth.
 - For taxpayers, the annual return on investment in education is 13.3% which is due to higher wages earned by a better educated workforce and the resulting tax revenue.
- ◆ *NOT tax cuts* – tax cuts undermine the ability to invest in public education and infrastructure. For example, the standard regional economic model shows that \$100 million in income tax cuts in a state create 2,100 new jobs, but would cause the loss of 4,400 public sector jobs due to program cuts. That is a net loss of 2,300 jobs as a result of a tax cut.
- ◆ *NOT business subsidies* – no economic growth is caused by business subsidies because there is little regulation to assure added jobs or if jobs are added, they are of such low wages that employees must go on public assistance to live. Taxpayers first subsidize business infrastructure then subsidize business operation costs.

Investing in public education (dollar for dollar) grows the economy more than tax cuts and corporate subsidies.

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