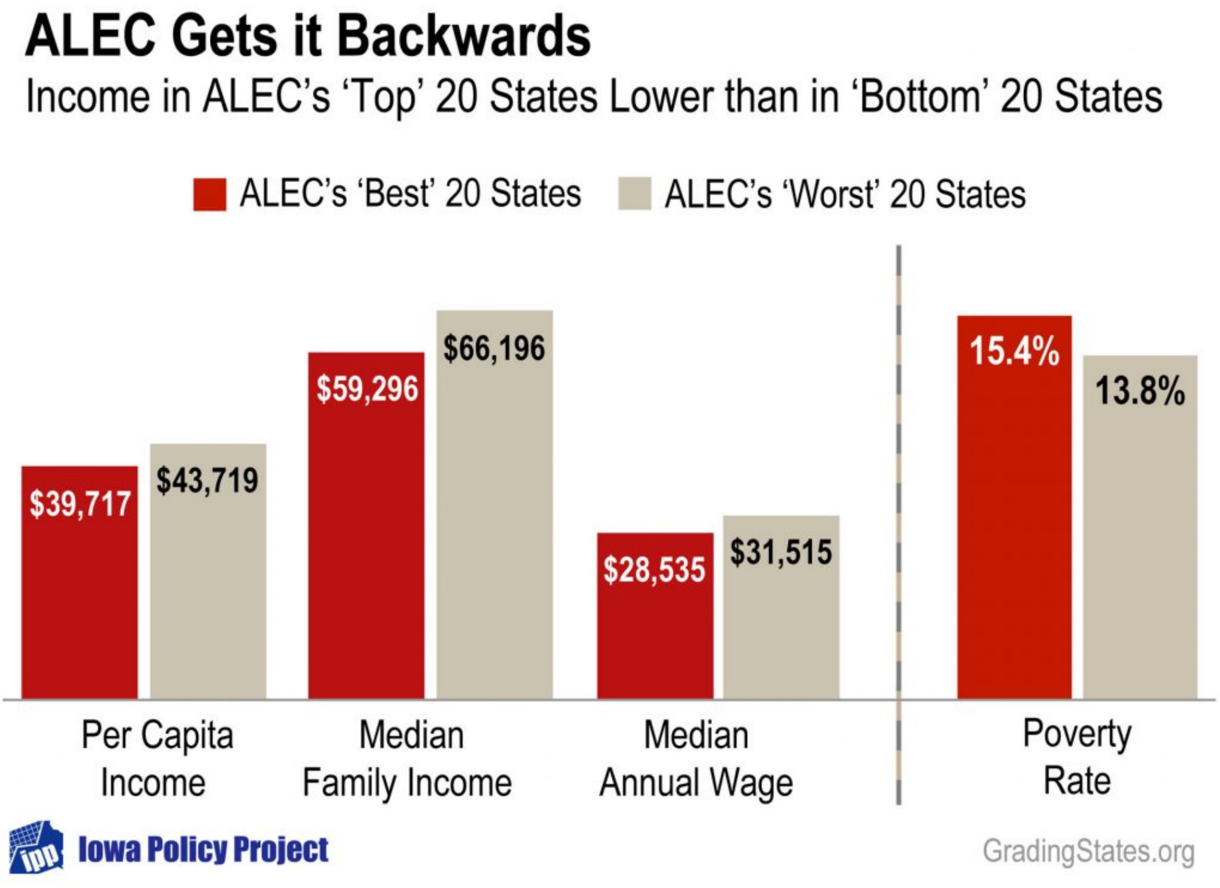
ALEC Gets it Backwards in *Rich States, Poor States*

The centerpiece of *Rich States, Poor States* is the "Economic Outlook Ranking," which ranks states on their conformance to ALEC's preferred policies, with the best state ranked number one. But when we can compare states ranked the best by ALEC with states ranked the worst, it turns out that **ALEC's 20 "best" states have lower per capita income, lower median family income, and a lower median annual wage than the 20 "worst" states.** ALEC's "best" states also have higher poverty rates: 15.4 percent on average from 2007 through 2015, versus 13.8 percent in the "worst" states. The states favored by ALEC include the likes of Utah, North Dakota, and North Carolina, whereas ALEC's "worst" states include New York, California, and Vermont.



**Best and worst states according to the average Economic Outlook Ranking in Rich States, Poor States, 2007-2016. Income measures are an average over the period 2007 to 2015 or 2016.*

Looking at it another way, **the 20 states that performed best on the four measures of income (the actual rich states) actually score much worse on ALEC's ranking than the 20 states with the lowest income (the actual poor states).**[1]

While *Rich States, Poor States* purports to provide a recipe for economic growth and "policies that lead to prosperity," it actually advocates measures to lower wages and reduce opportunity for most Americans. To attain the highest Economic Outlook Ranking would require a state to have no individual or corporate income tax, no estate or inheritance tax, no state minimum wage, severe tax and expenditure limits, limited public services, and weak labor unions.

The evidence and arguments cited to support these policies range from deeply flawed to nonexistent. For detailed critiques of these arguments, see the following:

- Taxes Have Little to Do with People's Decisions to Move
- Personal Income Tax Cuts will Not Boost Small Business and Entrepreneurialism
- State and Local Business Taxes Are Not Significant Determinants of Growth
- The Estate Tax Has Nothing to Do with Growth
- Tax Cuts Undermine State Investments in Productivity

Laffer et al would have us believe that government has no useful role to play in the economy, so that reductions in state revenue, no matter how drastic, have no consequences. The fervent anti-government bias in this report is evident throughout, in statements such as this: "The bottom line is governments don't create resources; they redistribute resources…Every resource given to someone by the government represents a resource being taken away from someone else by the government." Apparently the interstate highway system is not a resource; public school buildings are not resources; an educated workforce is not a resource; state employment offices, public hospitals, fire trucks, water and sewer systems, libraries, national parks, the court system — none of these things are resources. Or perhaps Laffer is just arguing that the taxes and other revenues used to create these resources should be abolished and people should buy their own schools, parks, libraries, fire departments, district courts, and water treatment plants on the private market. The absurdity of either position is self-evident.

We conclude that the actual purpose of *Rich States, Poor States* is to sell the ALEC-Laffer package of policies — fiscal austerity, taxing lower income people more than the wealthy and wage suppression — in the sheep's clothing of economic growth. In actuality, the book provides a recipe for economic inequality and declining incomes for most citizens and for depriving state and local governments of the revenue needed to maintain public infrastructure and education systems that are the underpinnings of long-term economic growth.

1. Average ALEC ranking of the 20 states that performed best on four measures of income — per capita income, median family income, median annual wage, and poverty rate — vs. average ALEC ranking of the 20 poorest states. An ALEC ranking of 1 is best. ALEC ranking is the average of the state's rank in the first through tenth editions of the Economic Outlook Ranking; rich and poor states are defined on the basis of their average ranking on the four income variables from 2007 through 2014 or 2015. The 20 highest income states had an average rank of 32.4 by ALEC, while the 20 lowest income states had an average ALEC rank of 19.4 (the lower the rank the better according to ALEC).