

# **Bond Case Briefs**

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## **Why Utah Has Become America's Economic Star.**

**From taxes to education to the business climate, the Beehive State has its house in order.**

Which of the 50 states has the best economic outlook? For each of the past 12 years, Arthur Laffer, Jonathan Williams and I have answered that question in "Rich States, Poor States," an index of economic competitiveness published by the American Legislative Exchange Council. Every year the top performer has been Utah.

In our 2019 report, Idaho, Arizona and Florida nearly took the top spot, but fell short again. For the other 49 states, outcompeting Utah is starting to look about as futile as beating Rafael Nadal on the red clay at the French Open.

How does Utah manage to remain so economically competitive? As a destination spot, the Beehive State has natural advantages, including gorgeous red mountains and national parks that make it a scenic and recreational wonderland. But the real secret to Utah's success is disarmingly simple: The state's politicians tend to do everything right to encourage business development and job creation.

Utah has a low, flat-rate income and corporate tax of below 5%. There's no death tax, so wealthy people don't have to flee to Florida after they retire. It's a right-to-work state, meaning workers can't be compelled to join unions. Even though the regulatory touch is light, Utah has some of the best health outcomes in the nation.

The minimum wage in Salt Lake City and Provo is \$7.25 an hour, not the \$10 to \$15 mandated in many blue states and cities. This has allowed employers to respond to labor-market forces. Because jobs are so plentiful, wages are rising briskly. Job growth has ranked second in the nation for the past decade, and the state's population growth ranks in the top three. The Salt Lake metro area has become one of America's fastest-growing tech sectors and is now nicknamed the Silicon Slopes.

Utah's K-12 schools serve families well despite per pupil state spending that is the lowest in the nation and \$4,000 below the national average. Fourth-graders in the state ranked in the top 10 in both math and reading on the 2019 National Assessment of Educational Progress. So much for money buying better school results.

The state government in Salt Lake also has Utah's fiscal house in order. Utah was among the first states in the nation to start erasing public pension liabilities by gradually shifting to a defined-contribution pension system for government workers. Property taxes fund actual municipal services—schools, police protection, hospitals and roads. In other states—most notably, California, Illinois and West Virginia—hundreds of billions of dollars in pension liabilities are draining tax revenues.

"We are unapologetically pro-business and pro-jobs in Utah," Gov. Gary Herbert told me. "And we have a long tradition of being frugal on how we spend tax dollars." Utah spends a third less per capita on state and local government services like housing and education than do New York, Connecticut and Rhode Island. But while their elected representatives are frugal, Utah residents

don't feel deprived. According to WalletHub.com Utah is the second-happiest state in the country. Only Hawaiians are happier.

Part of the reason for Utah's consistently strong economic growth is a still-predominant Mormon culture that encourages out-of-fashion virtues such as thrift, delayed gratification and stable families. The state has the nation's lowest median age. There is no dreary Malthusian concern about "overpopulation" in young and vital Utah. Stand outside a church on a Sunday morning, as I did recently, and you will see families with large numbers of kids spilling out of minivans. In the graying Northeast, that's a rare sight.

Many analysts have attributed Utah's prosperity to favorable demographics. But good economic policy leads to favorable demographics. Roughly half of Utah's population explosion has been due to net migration of almost 80,000 newcomers (mostly young) over the past decade from other states. If Utah had New York's or California's tax rates and antibusiness attitudes, the flow of people would likely run the other way.

Progressives dismiss red states like Utah as places that reward the superrich with low taxes at the expense of everyone else. But perhaps the most confounding thing about Utah is that despite (or because of) its antiprogressive policies, it has the least income inequality in the nation, according to the latest U.S. Census Bureau data.

If the progressive soak-the-rich policies of presidential candidates Elizabeth Warren and Bernie Sanders are really the path to prosperity, why does conservative Utah—which spurns all their ideas—keep coming out No. 1?

## **Wall Street Journal Opinion**

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