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Why Little's plan to boost spending on schools may not pay off

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In his inauguration speech, new Idaho Gov. Brad Little called for a renewed commitment to education, saying we have a "moral obligation" to the children of Idaho. In his State of the State address before legislators, he announced teacher salary increases and other spending recommendations to implement the Task Force on Public Education's five-year plan, calling it an "investment."

It's an open question whether such investments pay off in economic growth.

Idaho's economy will continue to grow because we are experiencing more and more inmigration. More workers, however, does not guarantee a better standard of living. We can all do a lot more work but not really live any better.

A fundamental principle of economics is that real growth comes from higher labor productivity. Like any business, the well-being of our economy depends on our ability to produce goods and services. When we are more proficient at what we do, we can live better.

The most recent report the U.S. Bureau of Labor Statistics shows that labor productivity in the nonfarm business sector rose at an inflation-adjusted rate of 2.3 percent. This rate is higher than the previous year, but still below the economy's long-run average of nearly 3 percent per year.

A large body of economic theory and historical evidence shows that productivity gains depend on how much capital we have. Capital comes in two forms: physical capital like computers and equipment, and human capital like education and skills.

So behind the Governor's plan is an expectation that increased spending on K-12 education will improve human capital and grow the economy faster. That hasn't panned out in the past.

In his new book, *The Inclusive Economy*, Michael Tanner of the Cato Institute documents the threefold rise in educational spending since the 1970s after adjusting for inflation. Accordingly, the United States now spends more than $12,000 per student per year but has seen little to no improvement in academic test scores.

Recent economic studies have shown that improvements in education come about from more innovative teaching methods. These new methods show up where there is more competition and choice for the students.

If Governor Little wants to see real change in Idaho schools, he will free up teachers and school administrators. While many teachers will be motivated by an increase in salary, adding more funds to the budget is unlikely to create real gains. Further, this investment diverts funding from the many other state “priorities.”

More innovative schools, not more state funding, will grow Idaho’s economy.