

One legislative session neither builds, nor derails our economy

By David C. Olson

Minnesota's economy has been receiving high marks lately. Unemployment is dropping, and tax collections were up in FY 2012-13. We moved to No. 8 on Forbes' annual list of Best States for Business, up markedly from last year.

If you missed these reports, no worries. The Dayton Administration and the majority party leadership are quick to reiterate the state's current economic successes – and take credit by holding high the 2013 Legislature's actions.

Witness a recent newspaper commentary by State Revenue Commissioner Myron Frans, who wrote, "This year, we worked with the DFL majority in the Legislature to pass a fair and balanced budget. ... The results have been good for Minnesota."

The Minnesota Chamber of Commerce and our local partners remain cautiously optimistic as we work to keep Minnesota's economy moving forward. But we all must ask the question: "What's driving today's economic results – actions by the 2013 Legislature or previous Legislatures?"

Of course, it's the latter. You don't need to sit on the Federal Reserve Board to understand the dynamics of an economy. Current successes – or failures, for that matter – are a product of decisions made years ago. We won't know the actual impact of 2013 legislative decisions for at least five years.

However, we can report – and policy-makers should pay attention – to the immediate reactions of job-creators to actions taken in 2013. The annual Minnesota Business Barometer Survey, taken in July and August and sponsored by the Minnesota Chamber and Himle Rapp and Company, provided valuable insight.

Minnesota employers are more optimistic about the economy than they have been in recent years, but they are sending serious red flags about the state's business climate. Seventy-one percent of the respondents said the 2013 tax bill will have a somewhat or very significant impact on their operations. In addition, 37 percent believe Minnesota has a better business climate compared with other states, but 26 percent say it's worse – the lowest level of confidence in the 10 years of the survey.

Even more worrisome is that business owners have little confidence that current policy-makers will do the right thing to keep Minnesota competitive. Two-thirds say the Governor and Legislature do not understand the challenges of running a business. Of those, 78 percent say politicians may understand the basics of running a business, but they don't understand how government can get in the way of a business being successful.

The recent report from Minnesota Management and Budget also shows that Minnesota's tax collections are now negative and underperforming expectations for the first quarter of FY 2014, which is the budget passed by the 2013 Legislature. This is another troubling sign that all is not well for Minnesota's economic growth and fiscal stability.

Understanding and facilitating economic change is a long-term and never-ending process. Our approach must be balanced and focus on improving the overall business climate for the benefit of all sizes and types of businesses. Economic progress also requires a new mind-set among Democrats and Republicans alike. We must get beyond the outmoded strategy that raising taxes to spend more will result in better outcomes. And simply cutting spending won't produce the public service outcomes and infrastructure that are necessary to develop and grow our economy.

Redesigning services to deliver better value is the best strategy with promise for both short-term and long-term success. We've poked at the edges, but we've not stayed the course with a serious effort. It's hard work and requires creativity as well as political backbone. Minnesotans can do their collective part by giving policy-makers the license to promote change that capitalizes on today's evolving economy. Follow that course of action, and everyone can point with pride to a vibrant economy.

David Olson is president of the Minnesota Chamber of Commerce- www.mnchamber.com