PUBLIC POLICY AND ECONOMIC OUTLOOK
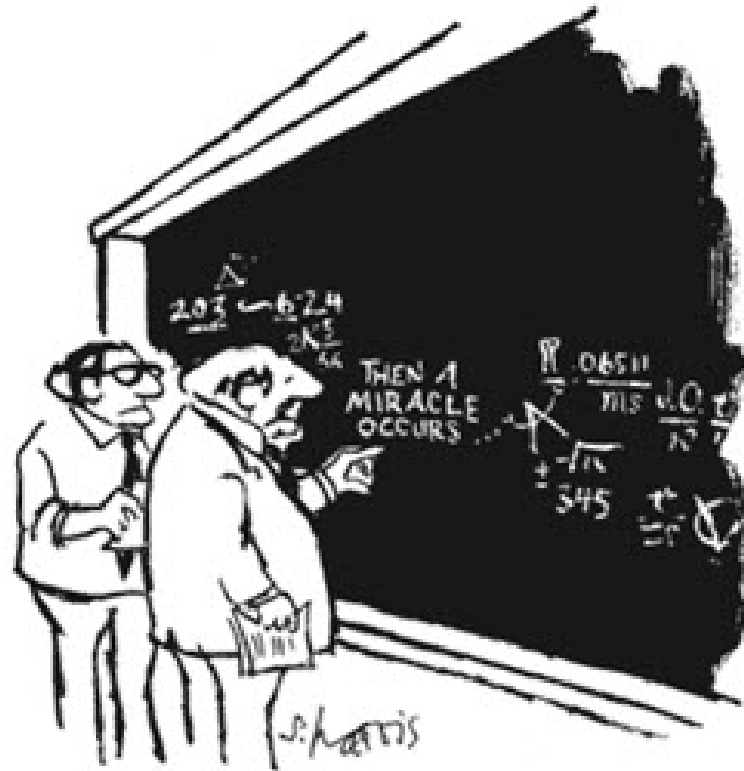
PRINCIPLES AND PRACTICALITY

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A SHORT LESSON IN PUBLIC POLICY

POLICY ANALYSIS—TRADITIONAL VIEW
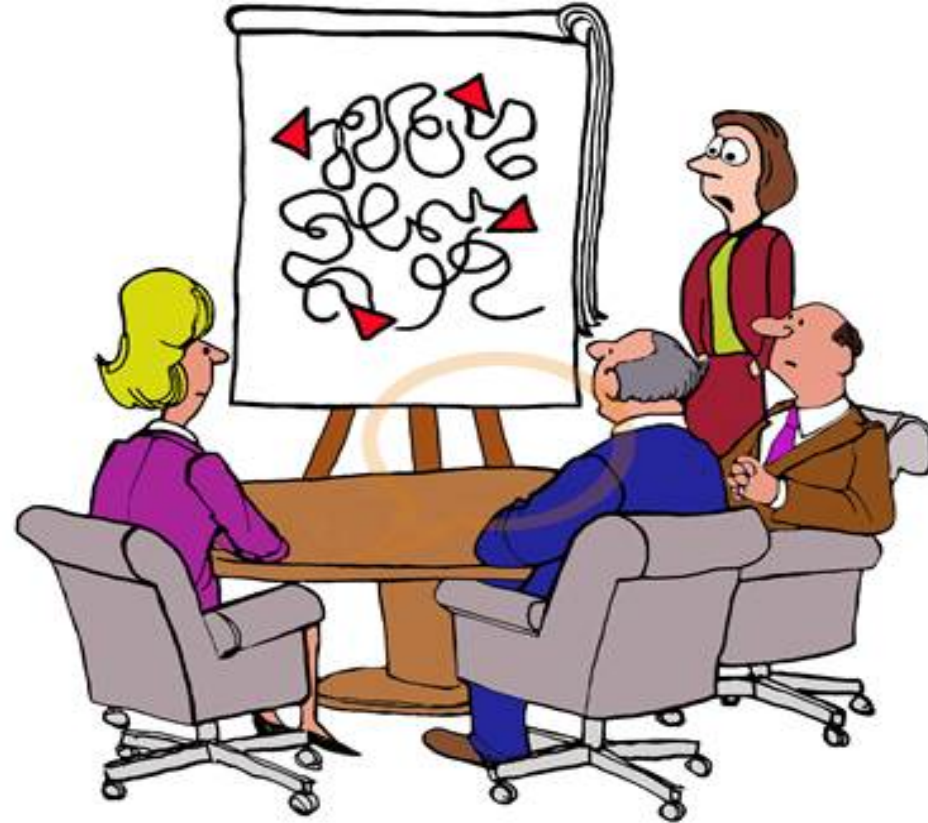
Efficiency

Efficacy

ANALYZING POLICY– THE FIVE E'S

- **E**ffectiveness: How effective ?

- **E**fficiency: How efficient ?

- **E**thical considerations: Ethically sound ?

- **E**valuations of alternatives: How good ?

- **E**stablishment of recommendations for positive change: What can be established ?

WHAT ABOUT MAKING POLICY?

"The way forward is clear."

BUT THIS IS A PRESENTATION ABOUT THE ECONOMY......

Three Projects that Illustrate the Importance of both Policy Analysis and Policy Principles on Economic Performance

1) A single policy responding to Covid?

Evidence from Rural Vs. Urban Spread and Death Rates.

2) The North Dakota Legacy Fund's Earnings

Reinvest? Rainy Day? Spending Program?

3) Developing Together?

Agriculture, Energy and Amenities.

COVID 19
PUBLIC POLICY AND ECONOMIC OUTCOMES

Ferdi Rizkiyanto

TWO STATEMENTS AT THE OUTSET

Covid 19 Is both real and potentially dangerous…

&

I don't know what the right policy is…

NORTH DAKOTA POLICY

- Generally not been a single policy for all parts of the state.

- Deference to Local Conditions

SUGGESTIONS FOR A SINGLE POLICY ABOUND

- Flattening the Curve

- Business Capacity Restrictions

- Curfews and Closures

WHICH APPROACH MAKES MOST SENSE?

TESTING FOR DIFFERENCES

- Urban Vs Rural

- Case Incidence and Death Rate

RURAL VS URBAN SPREAD

- We test whether the case incidence and death rate is consistent across rural and urban geographies.

- We begin on the neutral ground that there is no difference between Rural and Urban geographies, an assertion that would indicate a single policy across jurisdictions would be warranted

- We then test the hypothesis that significant and substantial differences exist across urban and rural by attempting to reject the null hypothesis of no difference

WHAT WE FIND

Lower Case Incidence in Counties that are Non Metro and not adjacent to a metro area

Lower Death Rate in Counties Non Metro and not adjacent to a metro area

FURTHER

Case Incidence gets lower as you get more rural

Death Rate gets lower as you get more rural

SO WHAT DOES IT MEAN?

- A single policy likely doesn't make sense

- Different areas have different needs

THE NORTH DAKOTA LEGACY FUND

- Core Question is How to Spend the Earnings of the Fund.

- Multiple ideas on how they should be used

- All have potential economic impacts
  - Especially Now

Limits and Context

- Principle is hard to use and unlikely to happen

- Earnings are where the discussion has been

- Multiple Institutional Players
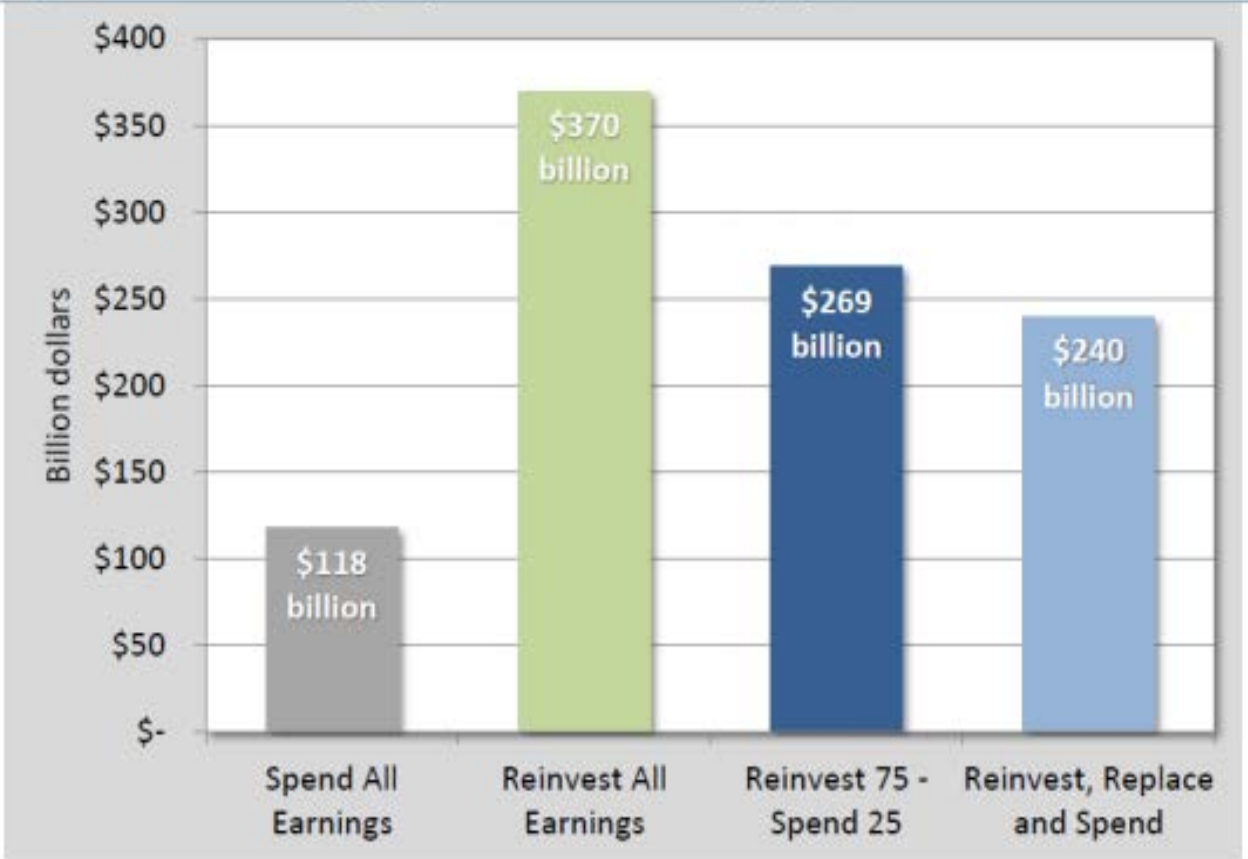
APPROACHES TO USING THE FUND

1) Transferring the Earnings, in whole or in part back to the Legacy Fund to allow them to accrue interest and gains over time, and not utilize the earnings for an additional number of years.

2) Using the Legacy Fund and the earnings as a Budget-Stabilization Fund where the Earnings would be used to primarily fill shortfalls in budgets over previous biennium.

3) Using the earnings for a number of projects or proposals, whether they relate to tax cuts, or additional spending on infrastructure or other government services.

TRANSFERRING THE EARNINGS INTO THE FUND

USING THE LEGACY FUND AS A BUDGET STABILIZATION FUND

- Attractive as Budget Shortfalls are Likely

SPENDING THE EARNINGS

- Tax Reductions

- Spending Programs

LESSONS FROM OUR REVIEW

- Resource Scarcity:

- Institutions and Individuals Matter:

- Immediate versus Delayed Use:

- Politics Matter

WHAT DOES ECONOMIC DEVELOPMENT LOOK LIKE ?

DEVELOPING TOGETHER?

- There has always been debate about how best to develop energy, agriculture and amenity resources within a county.

- Opponents of energy development often argue that the oil and gas industry cannot coexist with amenity-based industries and agriculture.

- Others argue compatibility among some sectors but not others. (Often 2 of the 3 we we are discussing)

- Further, some argue that one sector creates better economic and employment opportunities than do the others.

- This view that places amenities, agriculture, and energy extraction in conflict?

IS THIS CONFLICT INEVITABLE?

SECTORAL IMPORTANCE

Understand the importance of sectors (and how they interact with each other!)

Where is county-level economic activity coming from? Which sectors are growing? Which are shrinking? (Leave room for entrepreneurship)

AMENITIES AKA TOURISM

FARMING OR RANCHING

RESOURCE EXTRACTION

WHAT WE LEARNED

- Finding One: Counties tend to develop energy extraction, agriculture, and amenity resources when possible.

- Finding Two: In cases in which a county focuses exclusively on energy, agriculture, or amenity development, it is usually because of constraints beyond the control of that county (e.g., a lack of natural amenities or land-use policy that prohibits energy exploration) and not because the county considers exclusivity the best option.

WHAT WE LEARNED

- Finding Four: The energy, agricultural, and amenity sectors all can be cyclical, although they tend to follow different cycles.

- Finding Five: Energy extraction operations offer higher-paying jobs, while hospitality and recreation operations employ greater numbers of people, and Agricultural job counts tend to be most stable. A county's economic well-being depends on having high-paying jobs, stable jobs, and a large number of jobs

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WHAT'S MISSING?

Principle

But What Principles?

- Economic Development?
- Limited Government?
- Free Markets?
- Local Control?
- Others?