

Oregon's High Road Economic Strategy

Outline

Qs- Does the Council have clear agreement on what constitutes economic prosperity? Is it focused on making life better for Oregonians?

Take the High Road: Quality Over Quantity

1. Goal: Raise per capita income for all Oregonians — not total GDP or job count

- 1.1 Per capita income is the best single measure of economic success
- 1.2 Must be paired with measures of distribution — especially wages at the bottom and middle

2. Two strategies: High Road vs. Low Road

- 2.1 High road: high skills, high wages, high productivity, high innovation
- 2.2 High road: helping businesses be more productive and grow vs. luring them in through tax breaks (support quality education and training, great quality of life, predictable and efficient regulation (without surrendering health, safety and environmental goals))
- 2.3 Low road: cut taxes, slash services, compete on cost with Alabama, India, Mexico
- 2.4 Low road is a trap — grows the economy temporarily but doesn't improve lives; undermines assets needed for long-run growth

Education: The Single Most Powerful Economic Lever

1. College attainment explains ~70% of income variation across states

- 1.1 No other factor comes close
- 1.2 Nobel economist Philippe Aghion: states that invest in higher education saw significantly faster growth

2. Oregon's unrealized 40/40/20 vision

- 2.1 Oregon Business Plan (2007): 40% bachelor's degree, 40% associate's degree, 20% high school diploma (“Low-paying jobs will not support families or the Oregon economy...All jobs that pay well increasingly require higher levels of education and work readiness.”)
- 2.2 Oregon Legislature adopted the 40/40/20 vision as official state policy in 2011 (ORS 350.014)
- 2.3 Oregon is falling short, especially for people of color
- 2.4 Incomes would be higher today had we achieved this goal

3. Continuum of education investments

- 3.1 Pre-K/Preschool for All: high returns especially for disadvantaged kids; attracts young families; provides affordability for low- and middle-income families
- 3.2 Training/Apprenticeship:
 - Expand high school and workplace “earn to learn” programs
 - Reskilling and continuous upskilling to embrace AI and other industry shocks
- 3.3 Challenges facing the American workforce require a talent strategy that focuses on education and training (Bipartisan Policy Center, “A Nation at Risk to A Nation at Work,” 2026)

Tax Incentives: Ineffective, Wasteful, and Self-Serving

1. The evidence: incentives mostly don't work

- 1.1 Upjohn Institute (Bartik): Up to 90% of incentives go to companies that would have located there anyway
- 1.2 Business Oregon's consultants never evaluated whether tax breaks actually changed firm decisions
- 1.3 Virginia study of single sales factor: "no evidence that sales factor apportionment stimulates firm job creation"

2. Incentives reward bad behavior

- 2.1 Companies that threaten to leave get rewarded; those that invest and pay taxes get nothing
- 2.2 Enterprise Zone expansion (3–5 yr → 13 yr) invites gaming: companies postpone decisions to qualify for larger breaks
- 2.3 Economic developers have no incentive not to give away maximum tax benefits

3. CEO advice on tax policy is self-serving, not sound

- 3.1 Smart CEOs pursue high-value, differentiated strategies — they don't compete on lowest cost
- 3.2 Oregon cannot out-cheap Alabama, Mississippi, India, or Mexico, and will be poorer if it tries

4. Business climate rankings are misleading

- 4.1 Negatively correlated with wages and quality of life
- 4.2 They measure how bad conditions are for workers, not how strong the economy is

Workforce Quality Attracts Business — Not the Other Way Around

1. Business location logic has reversed

- 1.1 Companies now go where talented workers are; workforce is the #1 location factor
- 1.2 Building quality of life draws workers and the innovative firms that want to hire them
- 1.3 Create Innovation Centers, encourage public-private funding – play to Oregon's strengths
- 1.4. Foster small and medium sized high-quality businesses in niche markets (Mittelstand)

2. Business migration is a small factor in state economic growth

- 2.1 BLS data: very few firms ever move between states
- 2.2 Oregon ranks 11th in net inbound business migration (2021 data)
- 2.3 New firm formation and organic growth — not relocation — drive state economies

3. Firms chasing subsidies are often weaker firms, and have negative effects

- 3.1 Companies that compete purely on cost are vulnerable to displacement by more innovative competitors
- 3.2 Example: TikTok data center tax breaks offer no spinoffs; consume land, water, and electricity; drive up energy prices

Oregon's High Road Has Worked Before

1. The 1980s catastrophe and recovery

- 1.1 1979–1982: 10% of Oregon jobs disappeared; one of the two hardest-hit states nationally
- 1.2 Lost much of the timber industry and the state's largest private employer (Tektronix)
- 1.3 Recovery built on quality of life and innovation — not subsidies

1.4 Oregon outpaced US job growth from 1982–2000; largely avoided the 1990–91 recession

2. Quality of life is a talent magnet

2.1 "Things look different here" — Wieden+Kennedy slogan of the mid-1990s

2.2 1990–2000: college-educated 25- to 34-year-olds grew five times faster in Portland than in other large metros

2.3 Tom McCall: Oregon should be "demure and lovely" — not a hungry hussy throwing itself at every "stinking smokestack"

Oregon's Wage Record: High Road Policies Deliver

1. Minimum wage leadership

1.1 Since 2005, Oregon has had among the highest minimum wages in the US

1.2 Research shows minimum wages raise earnings without reducing aggregate employment; also drive up worker productivity

2. Since 2008, Oregon wages have outpaced the US for low- and middle-income workers

2.1 10th percentile wages: Oregon +37% vs. US +29% (inflation-adjusted)

2.2 Median wages: Oregon +24% vs. US +16% (inflation-adjusted)

Recommendations: Follow Through on the High Road

1. Set the right goal: per capita income growth, not GDP or job counts;

make wages for low- and middle-income workers an explicit target

2. Fully implement the 40/40/20 vision already adopted into law

3. Invest in education at every level (Pre-K through HEd and ongoing upskilling)

4. Build quality of life to attract and retain talented workers (affordable housing, healthcare, childcare, public transportation)

5. Resist expanding tax incentive programs without rigorous evaluation that they benefit Oregon taxpayers and are worth the trade-off of other budget priorities

6. Focus on distinctive Oregon strengths (Porter's advice from 2007 Oregon Business Plan); include small- and medium-sized businesses

7. Develop an AI strategy that augments worker productivity rather than replaces workers; promotes programs that provide ongoing AI upskilling

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