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Investing in education best way for states to boost economic productivity, report finds

Analysis shows no relationship between tax rates and strong state economy

States that invest in a well-educated workforce will see returns in higher-wage jobs and a more productive economy, according to a paper released today by the Economic Analysis and Research Network.

The report, “Education Investment is Key to State Prosperity,” found a strong link between educational attainment in a state and both productivity and median wages. Expanding access to high-quality education will create more economic opportunity for residents and do more to strengthen a state’s economy than anything else a state can do, study authors found.

“States have fewer tools to build a strong economy than the federal government does, but states do play a major role in education – one area that turns out to be crucial for building a high-wage economy,” said Noah Berger, report co-author and president of the Massachusetts Budget and Policy Center.

At the same time, the paper found no clear relationship between a state’s tax rates and its wages. Ohio has cut taxes repeatedly over the past dozen years with little positive effect on the economy, but continues to underfund education.

“This study provides more evidence that Ohio should invest in education,” said Amy Hanauer, executive director of Policy Matters Ohio, EARN’s Ohio partner. “Over the last 30 years, median wages have fallen here as growth in our education levels has not kept up with other states.”

Key findings

- Overwhelmingly, high-wage states have a well-educated workforce.
- Cutting taxes undermines states’ ability to invest in education.
- Education has suffered as state economic development wars have escalated.
- Median wages in Ohio have fallen over the last 30 years, while the state lags most others in growth in educational attainment.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus. The Economic Analysis and Research Network (EARN), coordinated by the Economic Policy Institute, is a network of state and regional multi-issue research, policy, and advocacy organizations.