Jonathan Schechter – "Corpus Callosum" Column
***Jackson Hole News&Guide* – December 1, 2010**

By any historical measure, Teton County's economy is struggling.

Taxable sales are the most timely measure of our economy. As Graph 1 shows, after nearly two decades of steady – and sometimes spectacular – growth, Teton County's taxable sales peaked two years ago, went into an 18 month free-fall, and have stagnated since last spring.

What's of interest here is that the single best predictor of Teton County's total taxable sales in any given year is residents' income. Not tourism numbers. Not real estate sales or second homes or any of the things which conventional wisdom holds as keys to our economy. Instead, how much local merchants take in is almost perfectly correlated to how much local residents earn (Graph 2).

Why does that matter? Because if our local economy is going to start growing again, our collective personal income is going to have to grow. How can this happen? There are three basic ways:

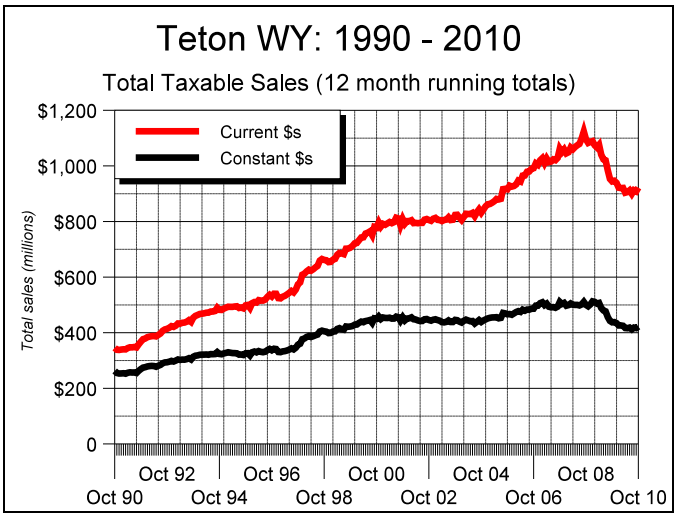
- Add more people;
- Experience inflation; or
- Earn more.

As Graph 3 shows, during the last 40 years, all three have been taking place. As a result, our total personal income has skyrocketed, increasing roughly 88 times from where it was in 1970 (the blue line). However, after taking out inflation and population growth (the orange and purple lines respectively), you get constant dollar per capita income (the black line). Looking at that metric, the increase between 1970 and 2008 was only around four-fold. While not as spectacular as the growth in total income, the growth in our constant dollar per capita income has been far better than the national average, and has driven our taxable sales and most other economic indicators through the roof.

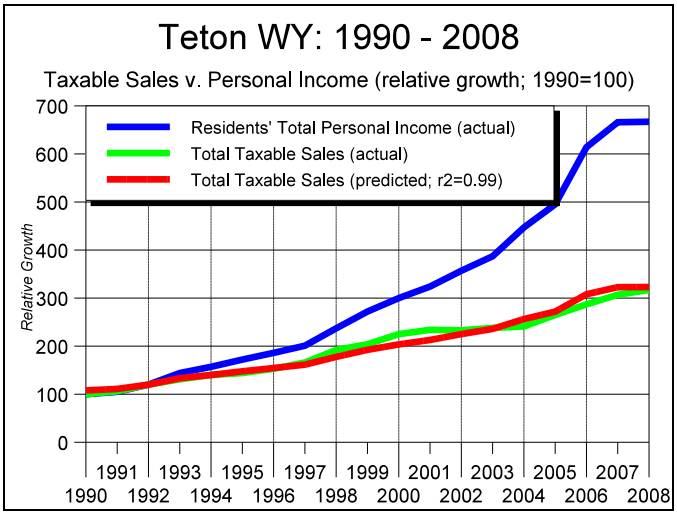
The problem lies with what's caused that growth.

As Graph 4 suggests, since 1970 there have been three eras of income growth in Teton County.

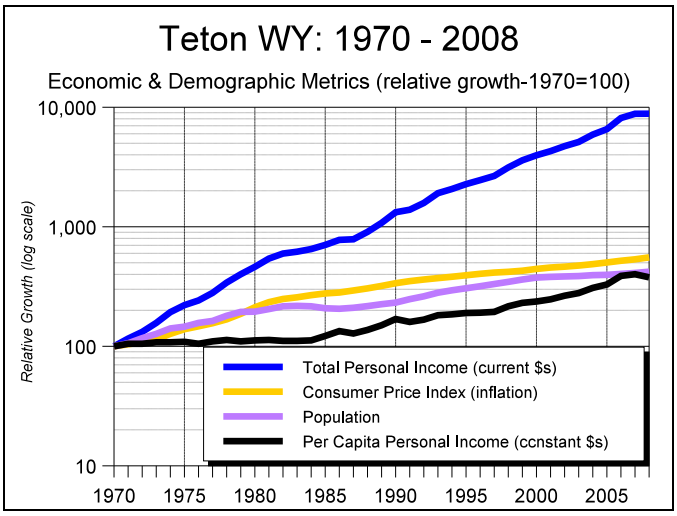
Era 1 – the "Equity Era" – lasted from 1970-1980. During this time, income earned from wages and



Graph 1



Graph 2



Graph 3

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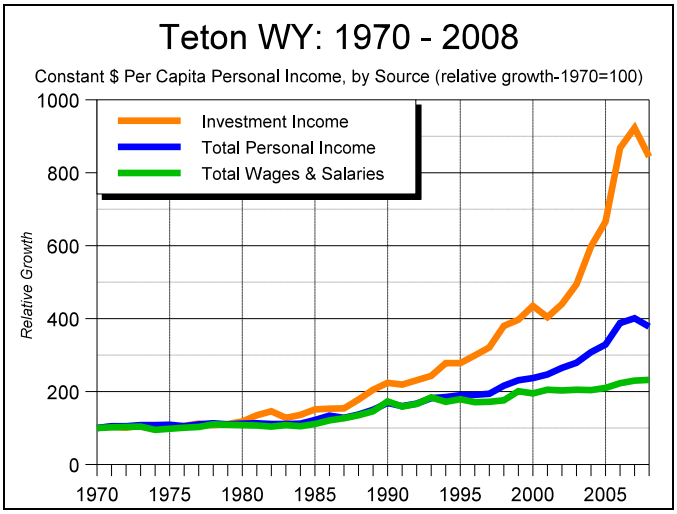
that earned from investments grew at an equal rate.

Era 2 – the "Mild Disparity Era" – lasted from around 1980 to around 1995. During that period, residents' investment earnings started growing faster than wages and salaries. However, because investment income was a relatively small percentage of residents' overall income, this disparity didn't matter too much.

Since 1995, however, we've been in the "Great Disparity Era," as investment-related income has come to dominate residents' earnings. As Table 1 shows, in 1995, wages and salaries accounted for 46 percent of residents' total income, while investments accounted for 40 percent. 13 years later, wages and salaries had fallen to just 30 percent of the total, while investments accounted for twice as much.



Graph 4

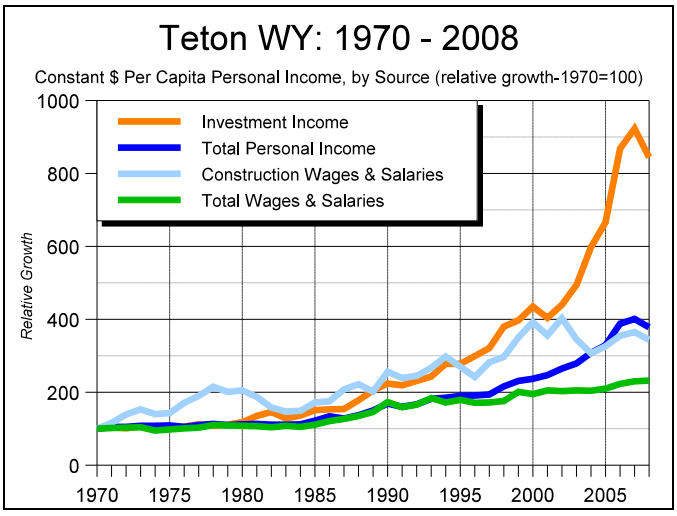
Table 1
Teton County, WY
Wages & Salary Income and Investment Income
as Percentage of Residents' Total Personal Income
(Source: US Bureau of Economic Analysis)

	Wage and Salary Income	Investment Income
1970	49%	27%
1980	47%	29%
1995	46%	40%
2008	30%	60%

The net result? Over the past 15 years or so, Teton County residents who've relied on wages and salaries for their income have found themselves falling further and further behind the community's overall economic success.

The truly profound consequence of the "Great Disparity Era" is revealed in Graph 5, for until recently, there has been one way for a Teton County wage earner to keep up with those who make their living by investing: Bang nails. Between 1970 and the early 2000s, growth in construction wages and salaries matched the growth in investment income. As a result, someone working in the construction-related trades during that time saw his or her economic success keep pace with the community's overall economy boom.

This, of course, is the American dream. Regardless of their background or education level, the construction economy in Teton County has allowed



Graph 5

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people to prosper by dint of desire and hard work. And this has occurred even though the nation's laws, tax codes, and overall economy have, since the Reagan Revolution, become increasingly stacked against the middle class, stacked against the very American dream whose symbolism was so artfully hijacked by Reagan and his successors.

No mas. After taking inflation and population growth into account, since 2002 not only have Teton County's construction-based incomes stopped growing as fast as our investment-based incomes, they've stopped growing at all. all. And it only gets worse: Because the data I'm using only go through 2008, they don't capture the construction downturn we've seen in the past year or so.

All this leads to four conclusions.

First, construction-related jobs – these good, classic American jobs – are gone, and they're not coming back for a long, long time.

Second, for Jackson Hole's working class, there is no obvious replacement for construction-related jobs. Therefore, what's been roiling the nation for quite some time is finally going to hit here: The income gap between our working class and our well-to-do is going to expand very rapidly.

Third, economically, the community's big challenge is to figure out how to fill that gap. In particular, we need to figure out if we want to take steps to plug that divide and, if so, what kind of jobs those will be. Of course, as we've done throughout our history, we can simply wait for the economy to do whatever it will. But just because we've done that in the past doesn't mean we have to keep doing it in the future. It may be our default strategy, but it doesn't have to be our destiny.

Finally, if you consider that wages are falling, construction is cratering, and there's a clear link between the community's income and our overall economy, it seems likely that the local economy will stay stagnant until such time as capital markets start surging again. That's the quickest way our per capita personal income will start to rise again, and when that starts to happen, we should see our local economy start growing once more. Until then, things will likely stay very slow indeed.

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