

**Jonathan Schechter – “Corpus Callosum” Column
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I’ve come to believe that the best way to understand Jackson Hole is to see it as a place of extremes: in wealth, elevation, climate, beauty, and so many other qualities.

As it turns out, the same perspective works for the west side of the Tetons. In particular, in today’s column I’d like to share some pretty interesting data suggesting that, during the last decade, no county in America has enjoyed such rapid economic growth, followed by such rapid economic collapse, as our neighbors to the west: Teton County, Idaho.

There are 3,113 counties in the US, and detailed “apples-to-apples” socio-economic data for each are available from 2001-2009. 2001-2007 were the boom years, during which time Teton ID ranked in the top 2 percent of all US counties in its rates of population growth, per capita income growth, and per capita wage growth. More remarkable still, it ranked 9th among all counties in total income growth, and a phenomenal 5th in job growth. Pretty big boom.

In each case, Teton ID’s growth rate was many times that of the nation as a whole.

What goes up must come down, though, and with one exception, after 2007 things in Teton ID started busting very, very quickly.

The exception was population. Between 2007 and 2009, Teton ID’s population not only continued to grow, but grew so fast that it ranked 9th in the nation in population growth rate.

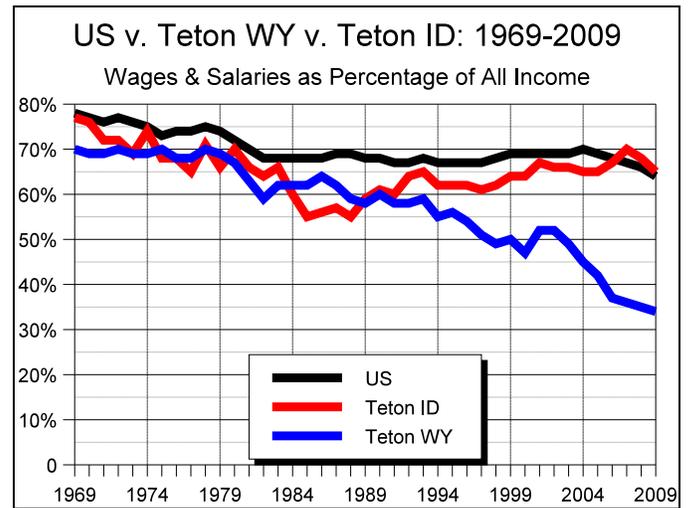
Unfortunately, that population growth occurred while Teton ID’s economy was busting, creating the nightmare scenario of ever-larger numbers of people depending on diminishing jobs and income.

Diminishing how fast? Between 2007-2009, the number of jobs in Teton ID fell 14 percent, ranking it 27th from the bottom of all 3,113 American counties. In comparison, the nation’s drop was 3 percent; Teton WY’s drop was 1 percent.

At the same time, Teton ID’s total income fell 2 percent (the nation’s increased 2 percent; Teton WY’s increased 4 percent). This poor performance ranked Teton ID in the bottom 5 percent of all American counties in terms of total income growth.

It gets worse. Because the county’s population was growing as its income was declining, between 2007-2009 Teton ID’s per capita income fell an astonishing 11 percent (it stayed flat in both the US and Teton WY). This ranked Teton ID 16th from the bottom of all US counties in per capita income change. Even more interesting is that, of the 15 counties which experienced a bigger drop in per capita income, 3 were among those devastated by Hurricane Katrina, and another 6 were sparsely-populated counties in Texas whose incomes plummeted with the recession-induced drop in energy prices.

Things become grimmer still when looking at Teton ID's wage-based income. Like the nation as a whole, wages and salaries are Teton ID's primary source of income, and therefore crucial to understanding Teton ID's economic vitality. (Graph 1)



Graph 1

Or lack thereof. In particular, between 2007-2009 Teton ID's per capita wage income dropped 17 percent. This means that, in just two years, the typical household lost 1/6 of its wages. This is awful on many fronts, ranging from how it affects families to its implications for how Teton ID funds its residents' increasing needs for governmental services.

Where the data become really interesting, though, is when combined into a crude "Economic Performance Index." Multiplying every county's percentage change in per capita wage income by its percentage change in jobs, the data show that, between 2001-2007, Teton County ranked 4th in the nation in terms of positive growth. Between 2007-2009, it ranked 15th in the nation in terms of negative growth.

That's a terminal velocity kind of drop, a fall of 3,094 counties in just two years. Considering that the maximum possible decline is 3,112 counties, a drop of that magnitude is almost unimaginable. Yet it occurred. Right next door.

Put another way, between 2001-2007, Teton County trailed only 3 counties in the nation in its economic performance; between 2007-2009, it trailed 3,098 of them, by far the greatest change experienced by any county in America. Interestingly, ranking second in terms of change of fortunes was Valley County, Idaho, where the Tamarack Ski Area abruptly and spectacularly closed its doors in 2009.

So what comes next? For starters, it's important to set our expectations correctly, for as Schechter's Law holds, Satisfaction equals Reality minus Expectations (S=R-E).

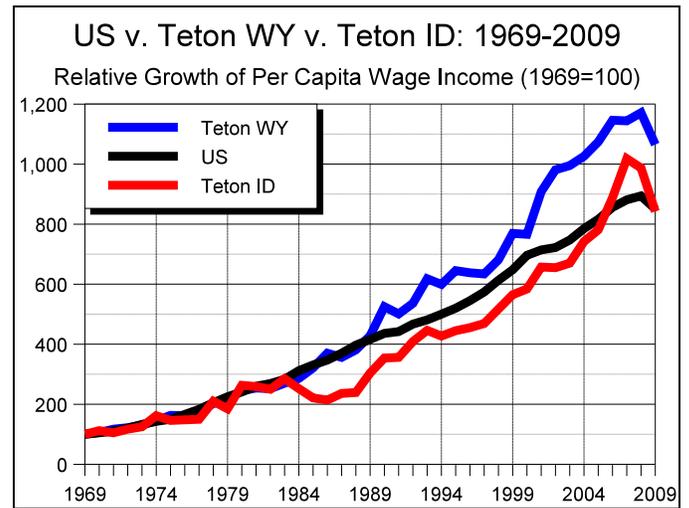
The point underlying Schechter's Law is that if expectations are high, reality has to be even higher for someone to be satisfied with an outcome. Minimize your expectations though, and you're much more likely to be satisfied. In that spirit, regarding economic performance in the foreseeable future, both the nation as a whole and our friends in Idaho would be prudent to embrace very low expectations.

Economically, it's not unreasonable to think of Teton ID as a microcosm of the nation as a whole: During the 2000s, easy money allowed both to boom; during the 2010s, both need to address the consequences of the previous decade's unnaturally-fast growth.

There are differences between the nation and Teton ID, of course, not least of which is the foundation of their current problems: the nation is coping with both too much public debt and too much private debt, while Teton ID must deal with the arguably even more challenging problem of thousands upon thousands of platted, undeveloped lots.

What's of interest here, though, is hinted at in Graph 2, which shows the relative growth of wage income over the last 40 years. The take-away is that, although Teton ID's wage-based income fluctuates a great deal, over the long term its wages basically track those of the nation. As a result, although Teton ID likely has a few more years of under-performance ahead of it, over time it should revert to the national mean, and do about as well as America as a whole.

Given the nation's economic woes, this may not be the most upbeat conclusion. For a county which has led the nation in economic despair, though, some hope is better than none at all.



Graph 2