Insight

Fiscal Cliff Already Impacting New Mexico Economy

PAUL GESSING | DECEMBER 18, 2012

Much has been said about the “fiscal cliff” in Washington. Not nearly as much has been said about the impact slowing federal spending will have on New Mexico. Less still has been put forth in terms of economic policies that can make our state less dependant on Washington.

For starters, it is worth a bit of history. The Rio Grande Foundation has recently produced a chart showing New Mexico’s per-capita personal income as compared to the national average dating back to 1940. Since about 1960, New Mexicans’ personal incomes have been between 75 and 85 percent of the national average, thus making us, by most any measure, among the poorest states in the nation. That’s the bad news.

The really scary news is that back in 1940, prior to WWII and the rise of the military-industrial complex, New Mexico was truly “dirt poor” with personal income levels barely above 60 percent of the national average.

The question is, if we see spending cuts of the scope needed to close trillion dollar plus deficits, will New Mexico wind up dirt poor again? It will unless our elected leaders make needed reforms.

We at the Rio Grande Foundation have promoted a variety of tax, budget, labor, and education policy reforms with limited success in the Democratic-controlled Legislature. And, while these reforms are unabashedly free market, they are nonpartisan.

One area that has, at least in the past, had strong support from Democrats is the issue of deregulation. President Jimmy Carter (and a Democratically controlled Congress) deregulated the airlines, trucking, and railroads, not to mention home-brewing which eventually spawned the multi-billion dollar craft brewing industry. Arguably, this spate of deregulation set the table for the Reagan-era economic boom.

Democrats supported deregulation because economic regulations tend to cost consumers (the little guy) in terms of money, quality, and variety. They tend to protect the incumbents who are often well-connected, big-dollar, special interests. New Mexico needs a coherent system for reviewing new regulations and rules. Before legislators or the PRC adopt a particular regulation, there needs to be a thorough, non-partisan review of the likely costs and benefits. Of course there are a number of specific regulations that should be re-considered if policymakers are serious about boosting New Mexico's economy.

• New Mexico law currently requires all public buildings over 15,000 feet to be LEED (Leadership in Energy and Environmental Design) Silver certified. Both the building technique and the certification process drive up costs;

• According to the Institute for Justice, there exist 52 low-income occupations that require licensing in New Mexico, including everything from funeral attendants to animal trainers. These licenses tend to provide barriers to entry for current professionals in the field, thus limiting job creation and raising costs;

• The PRC enforces "common carrier" regulations that fix the rates and limit the amount of individuals who can legally provide services such as tow trucks, taxis, moving vans, buses, shuttles, ambulances and railroads. Prospective companies seeking to enter the market must file a "certificate of public convenience and necessity" that can be challenged by incumbent providers. Imagine Wendy's needing approval from McDonald's to build a restaurant!

• Certify teachers based on student outputs, not inputs. The Legislative Finance Committee recently found that New Mexico's three-tiered-licensure system to be an utter failure in improving student performance. Let's open up the teaching profession and pay teachers for improving student performance, not the number of degrees they get.

• New Mexico could make health insurance more accessible for the cost-conscious and young by eliminating some of the 59 mandates now placed on all health insurance policies sold in the state.

• Not only are utilities required to generate 20 percent of their electricity from "renewables" by 2020, they must generate or purchase specified amounts of wind, solar, "other," and from so-called "distributed" sources. It is one thing to force utilities to buy a certain amount of "renewables" and allow them to creatively and cost-effectively attain that standard. It is another to micromanage the process by mandating very specific sources.

These are just a few of the dozens of rules and regulations that elected officials should consider revising or repealing to stave off further economic decline in our state. New

Mexico can reap the benefits of deregulation if only its leaders will embrace the legacy of Jimmy Carter.