

THE DOWNSIDES OF ECONOMIC DECLINE

The alternative to economic growth is decline. Like the dynamic, living organisms they are, communities are either getting better or they are in decline. There is no such thing as long-term stasis for communities.³ So-called ‘steady state economies’ are a theoretical myth.

Communities in decline are caught in a downward cycle that is hard to break and often difficult to detect until the latter stages. Significant research has been done on the factors that lead to community decline. One of them is loss of economic base due to competition from other communities.⁴

When the private sector loses faith in a community’s future, it does not bode well for the community. High crime, public corruption, underperforming schools, high taxes and fees, anti-business actions and rhetoric by government officials, lack of reasonable planning, expensive and unreliable utilities and poorly maintained public infrastructure are among the reasons businesses decide to decamp from a community.

The loss of businesses has negative consequences, including a loss of jobs and disposable income, which in turn means a declining tax base and diminished public services. Those public services can include under-funded schools and parks, poorly maintained public infrastructure like streets and under-staffed police and fire departments. Bad schools and crumbling infrastructure induce more companies to leave and hamper those that remain from attracting the talent they need to be successful over the long run.

In response, local government tries to compensate for the shrinking tax base by increasing taxes and fees, which makes the community even less attractive to base employers and the top talent those companies need. Eventually, because they have developed a bad reputation as a place to live and do business, declining communities are compelled to take extraordinary steps to attract companies in an attempt to arrest the downward cycle.

Occasionally, a community will undergo rapid decline, but often decline is more subtle; it’s an accumulation of decisions that becomes evident over years, even decades. The aggregate impact of public policy decisions, how a community markets itself and industry changes usually takes time to manifest itself in the local economy.

Fortunately, at present, Fort Collins is not in evident economic decline. However, its status as the major viable location for primary employers has shifted. Other communities in Northern Colorado are viable alternatives as places to invest as Fort Collins policies have driven up land costs, placed high financial barriers to enter (or remain) in the market in the form of high taxes and fees and created a glacial, politically-oriented development approval process that takes far too long to navigate.

In short, projecting today’s good circumstances into the future is an unwise strategy for any community because history is replete with examples of once-thriving places that experienced a reversal of fortunes.

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³ Some will disagree with this, claiming that the goal should be to achieve a ‘steady state economy.’ It’s an interesting theory. However, we are unaware of actual examples of vibrant, well-functioning communities that have remained unchanged over a long period of time. Rather, local economies are like trees: they are either growing or dying, but they can’t remain in an unnatural ‘steady state.’

⁴ “Retooling for Growth,” Rick McGahey, 2008