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UNIVERSITY**

**Center for Business and
Economic Research**

EDUCATION AND ECONOMIC PERFORMANCE: INDIANA'S GREAT CHALLENGE

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How to think about education and economic growth . . .

- **In the short run, many factors affects growth in a national, state or local economy (interest rates, consumer spending, etc.)**
- **Over the long run, only change in human capital affects growth in a national, state or local economy.**
- **Indiana ranks 38th to 40th in most measures of human capital, and are in relative decline.**
- **We are WAY underinvesting in education**



Figure 7. Median Wage by State and State Share of Adults with a Bachelor's Degree or Higher, 2019

Source: U.S. Census Bureau

Note: For educational attainment, we use share of adults with a BA or higher

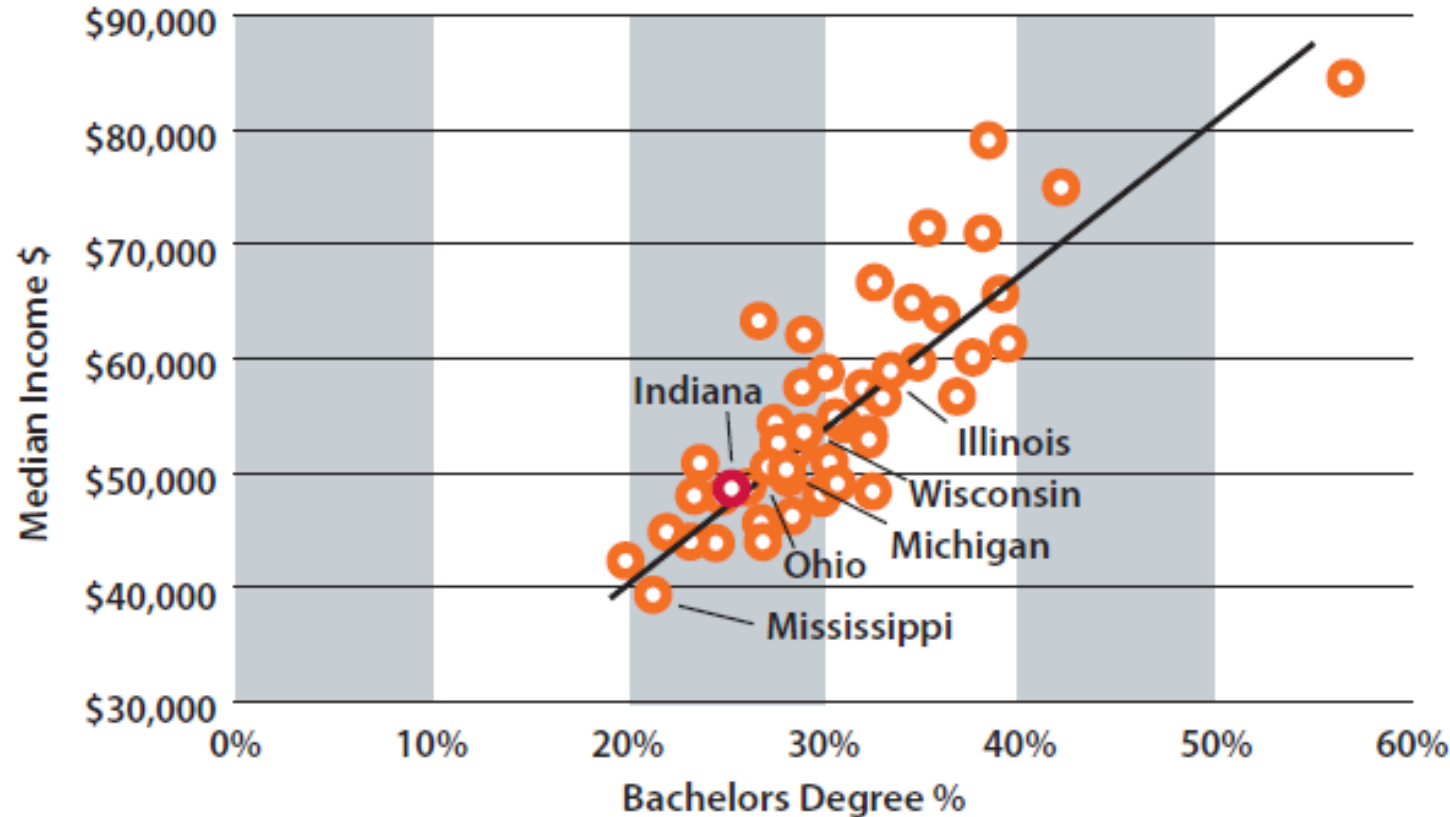




Figure 2. GDP Effect of Change in Inputs

Source: Author calculations

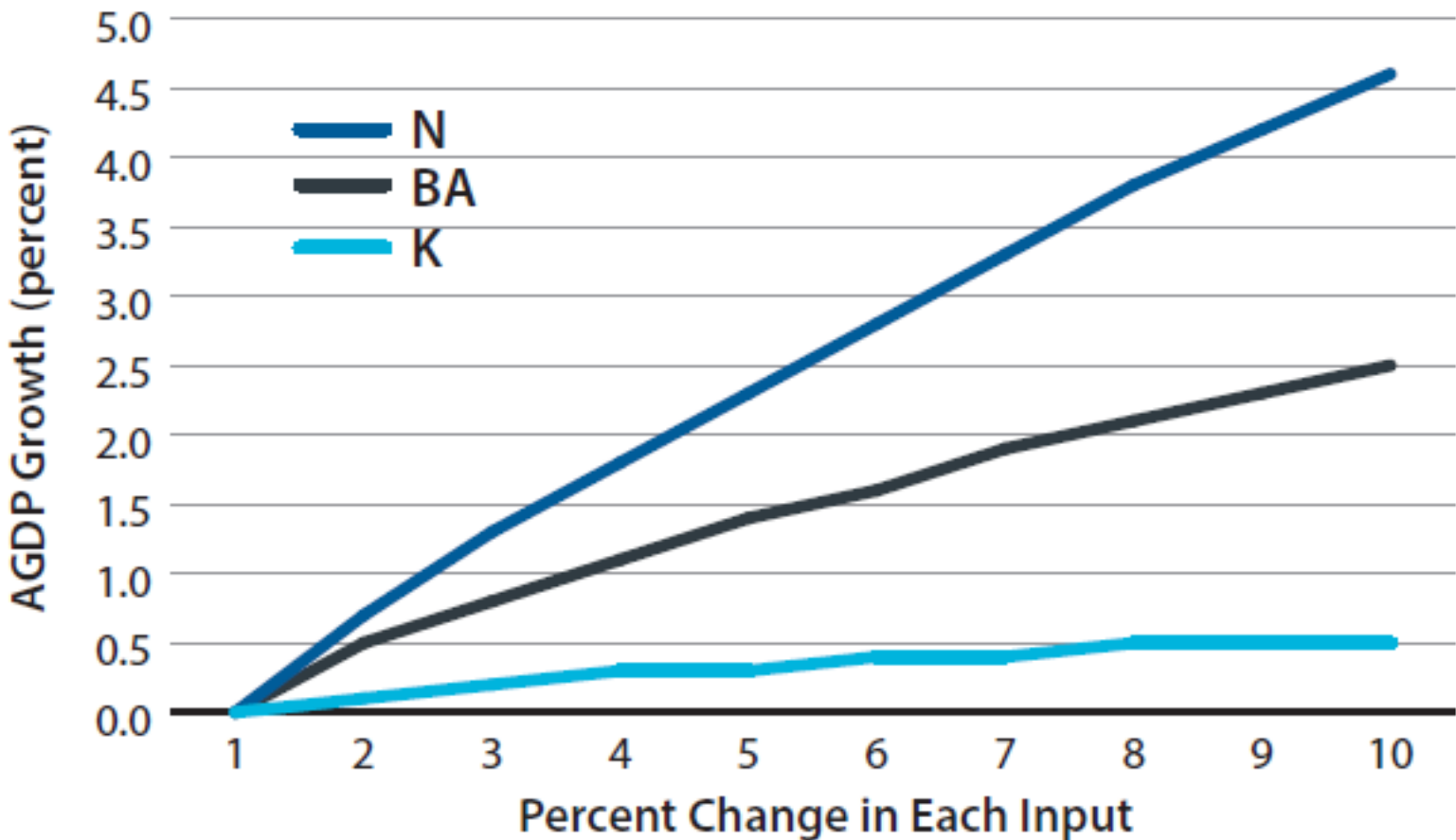




Figure 3. Fiscal Cost of Incentives (Current Tax Abatements vs. College Subsidy)

Source: Author calculations

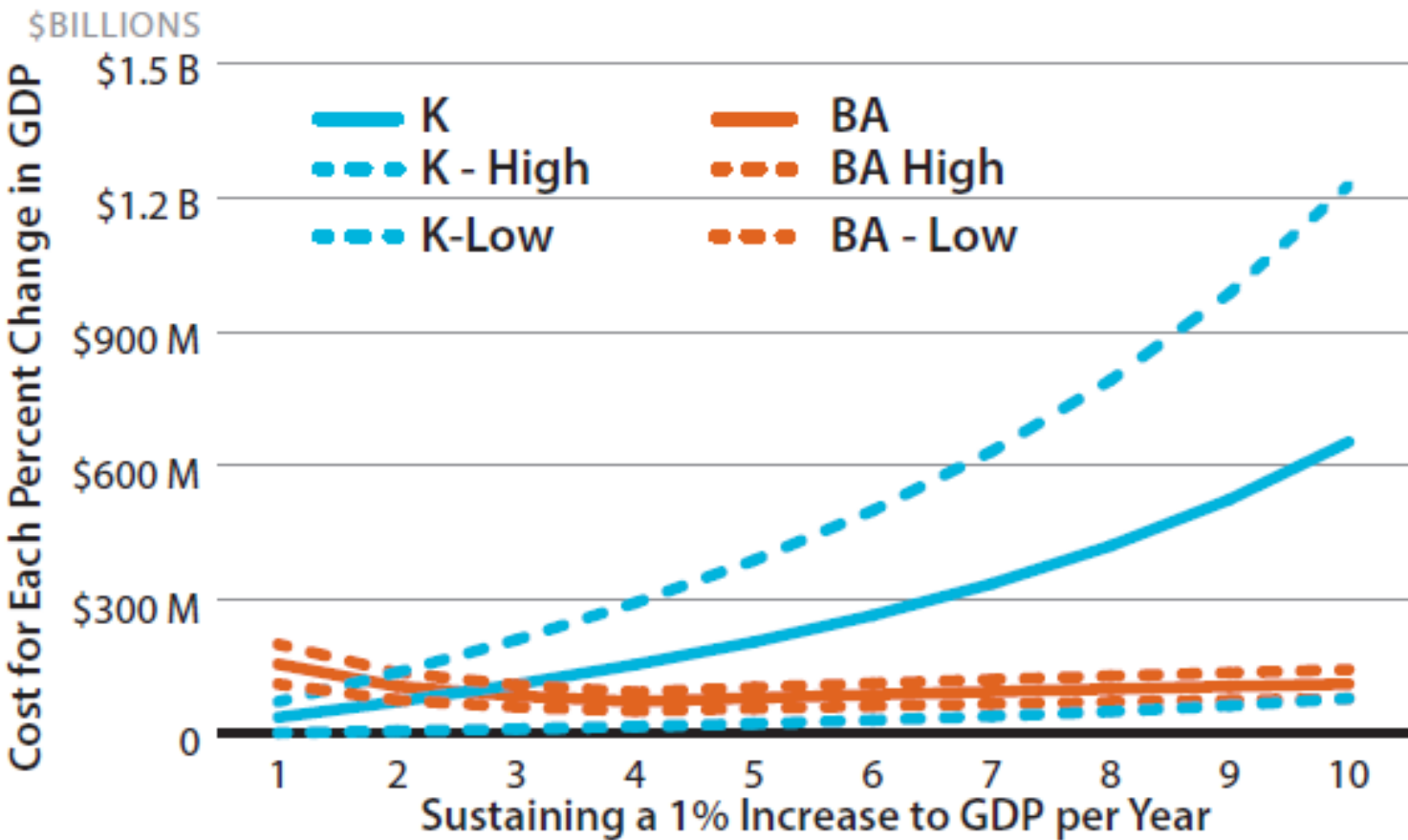
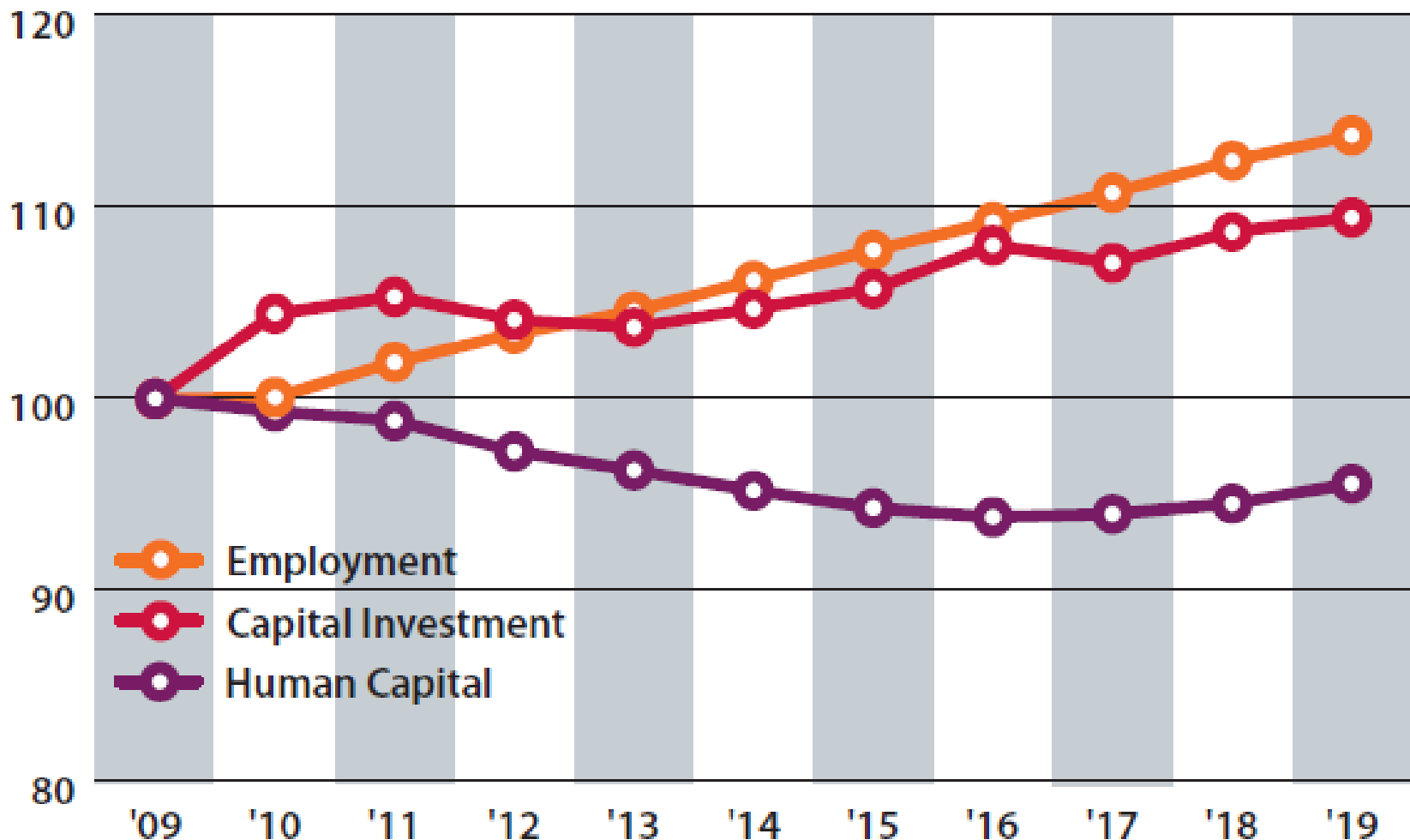




Figure 12. Indiana's Factors of Production, 2009-2019

Source: Author calculations using U.S. Bureau of Economic Analysis





TO BE VERY SPECIFIC: WE HAVE TOO FEW COLLEGE GRADS AND TOO MANY LESS WELL EDUCATED WORKERS.

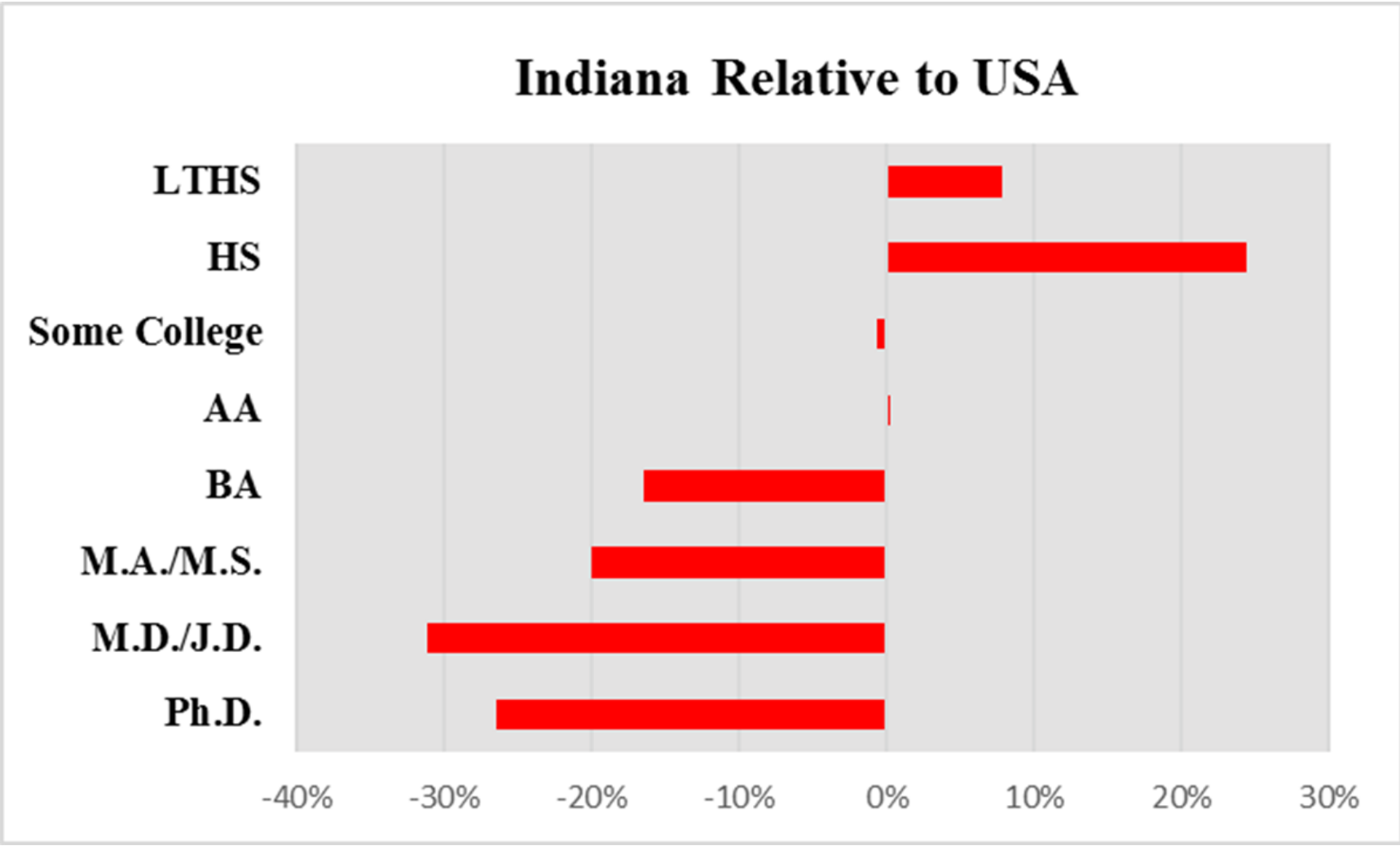




Figure 9. U.S. Cumulative Job Growth by Education Level, 2010-2019

Source: FRED St. Louis

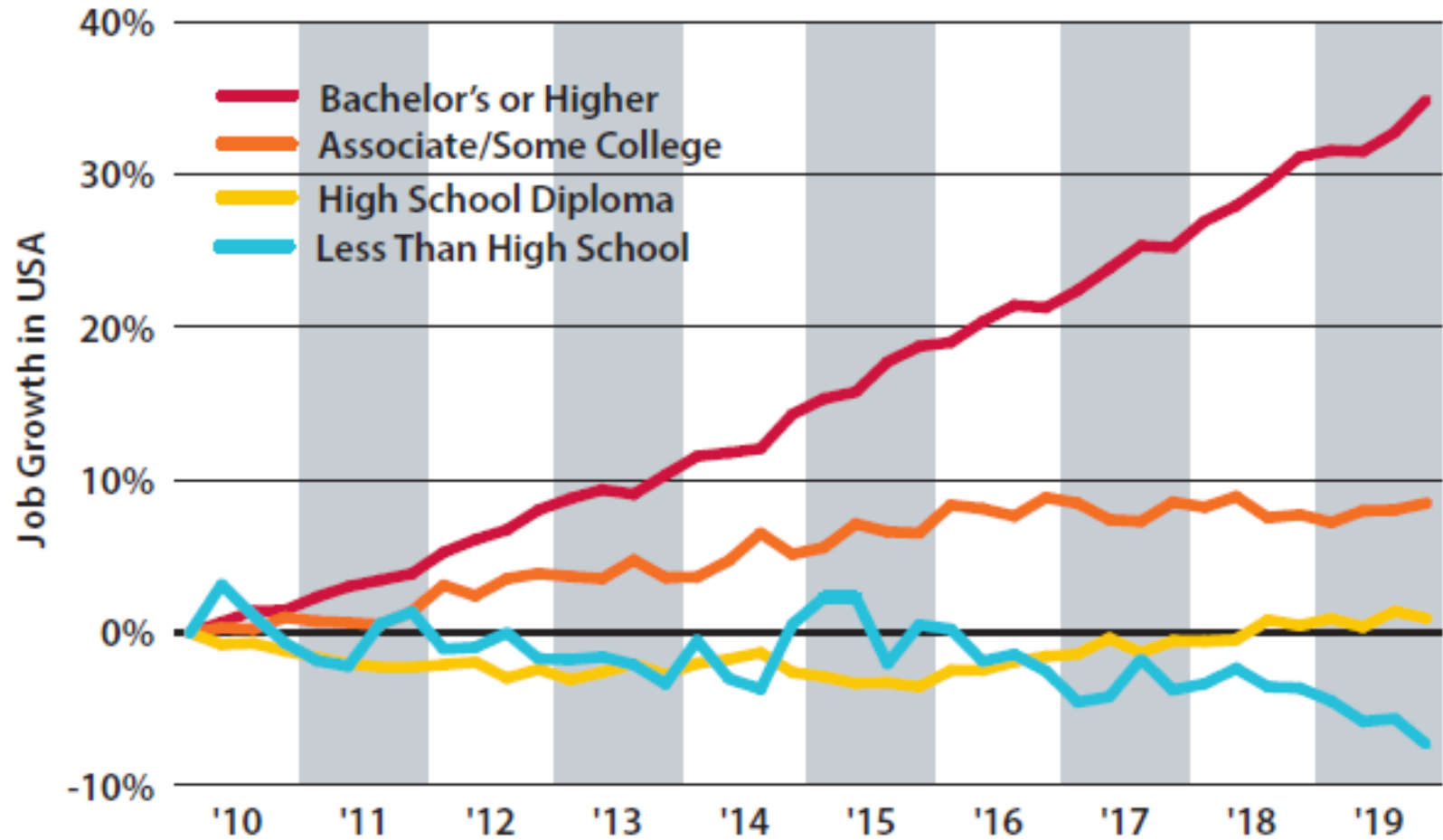


Figure 10. Indiana Cumulative Job Growth by Education Level, 2010-2019

Source: FRED St. Louis

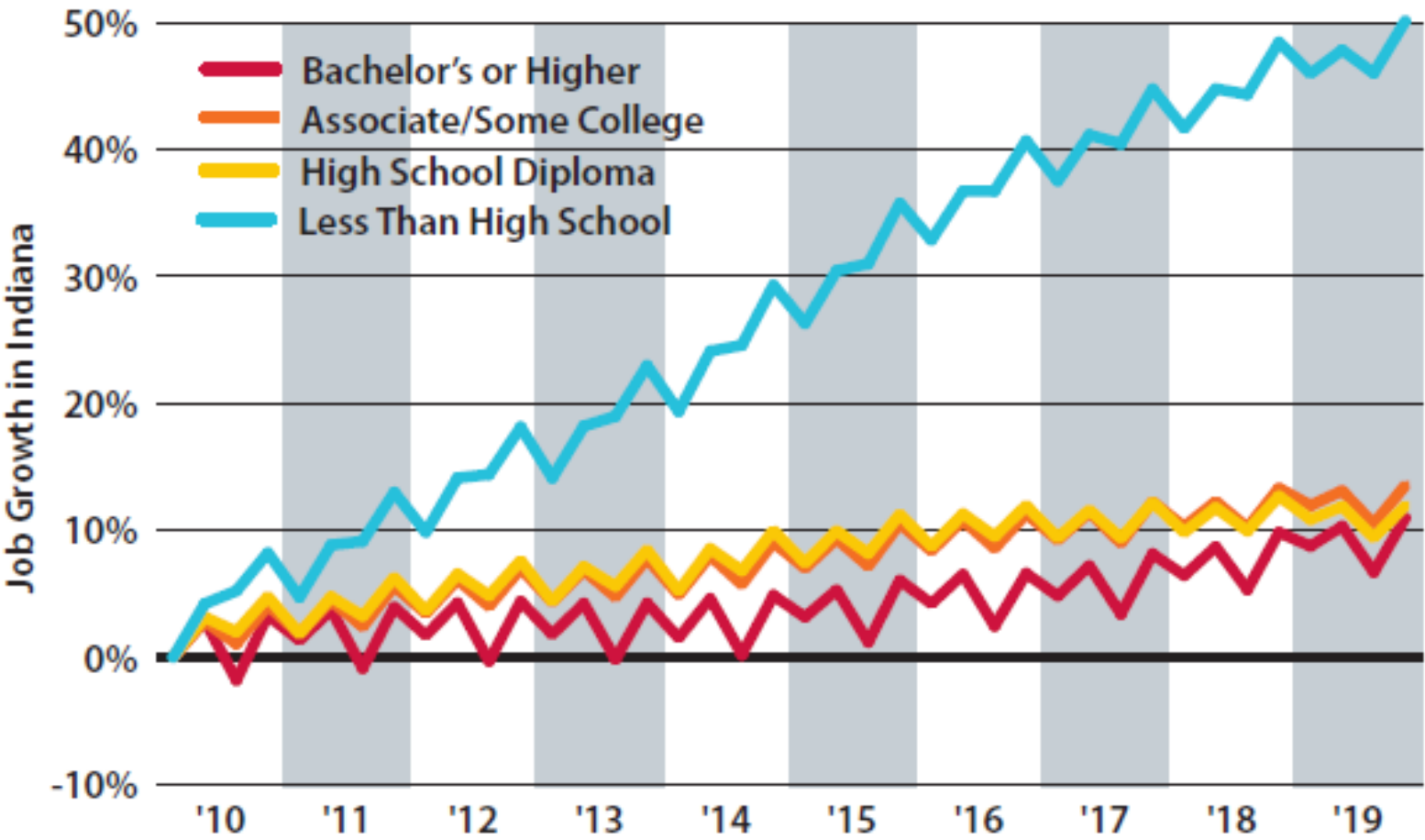




Figure 5. Relative Change in Share of Adults Age 25+ with a Bachelor's Degree or Higher, 1940-2019

Source: U.S. Census Bureau estimates

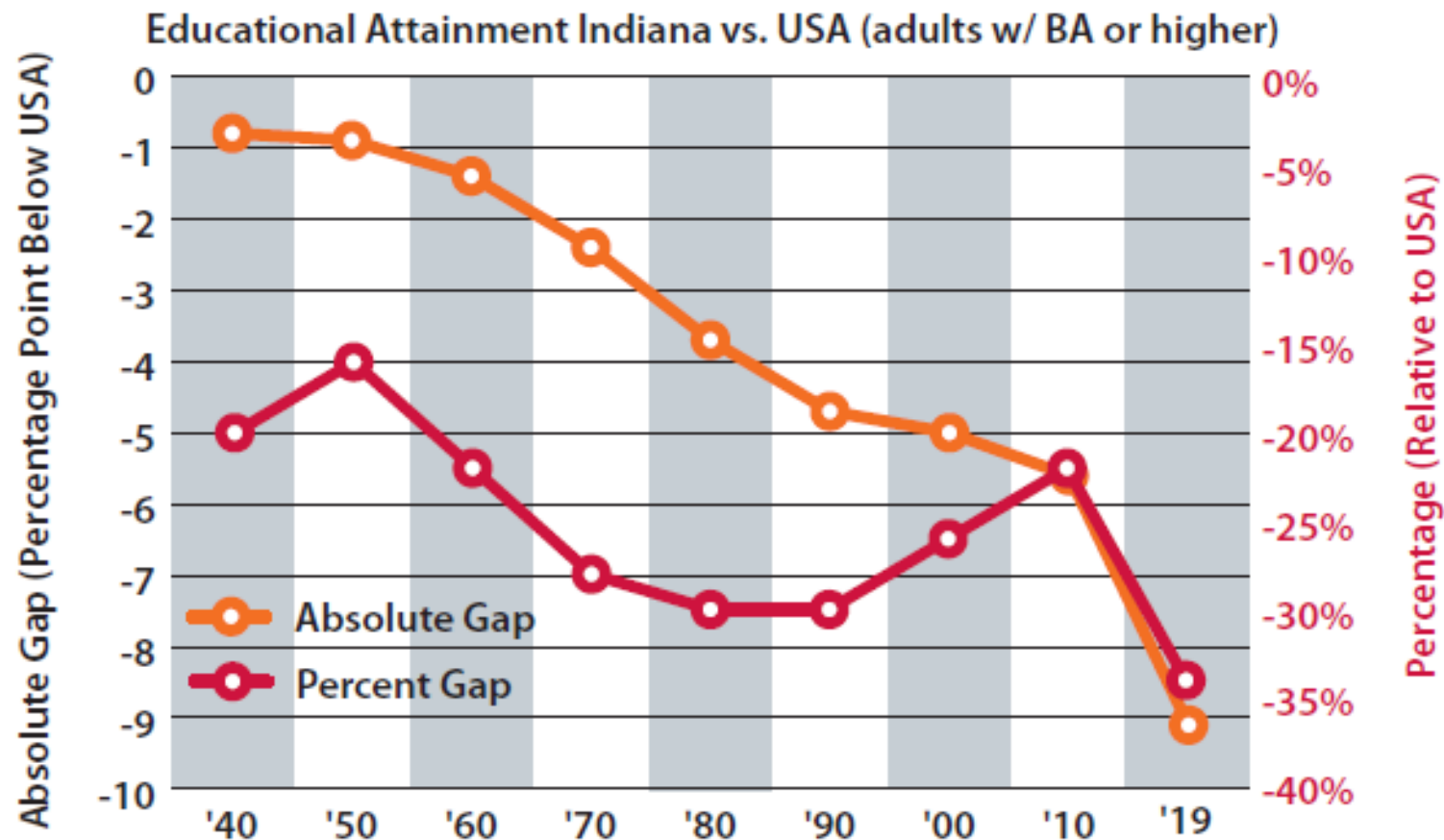
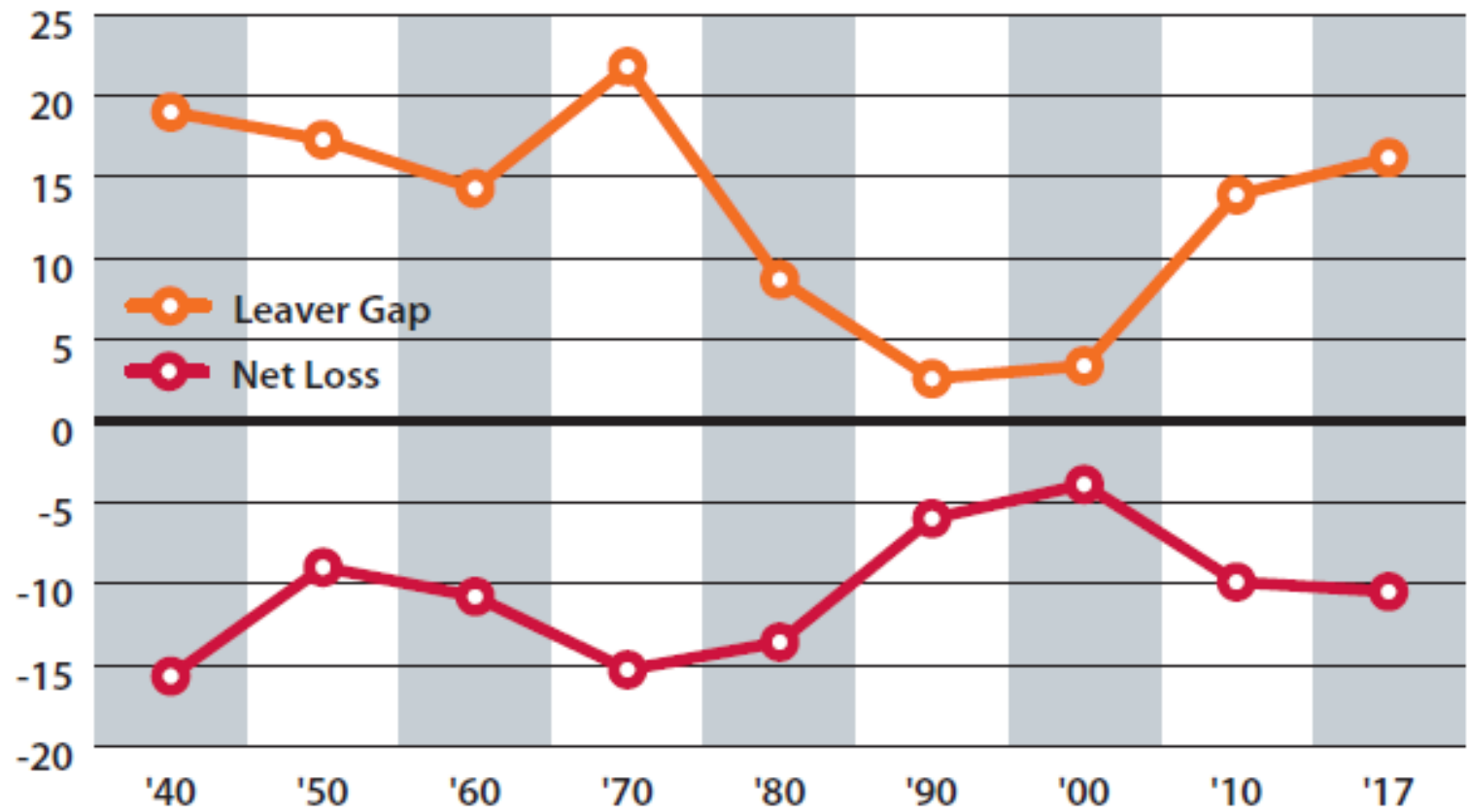




Figure 6. Educational Attainment and Indiana's Migration Patterns, 1940-2017

Source: Social Capital Project of the Republican Joint Economic Committee using the American Community Survey



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Figure 8. Real Education State Spending In Indiana, 2010-2020

Source: Indiana Handbook of Taxes, Revenues, and Appropriations, various years.

Note: Adjusted for inflation using the Education CPI, US city average, all urban consumers, Bureau of Labor Statistics.

* Total spending includes appropriations through the state's general fund, dedicated funds, federal funds, and 2011 ARRA funding.

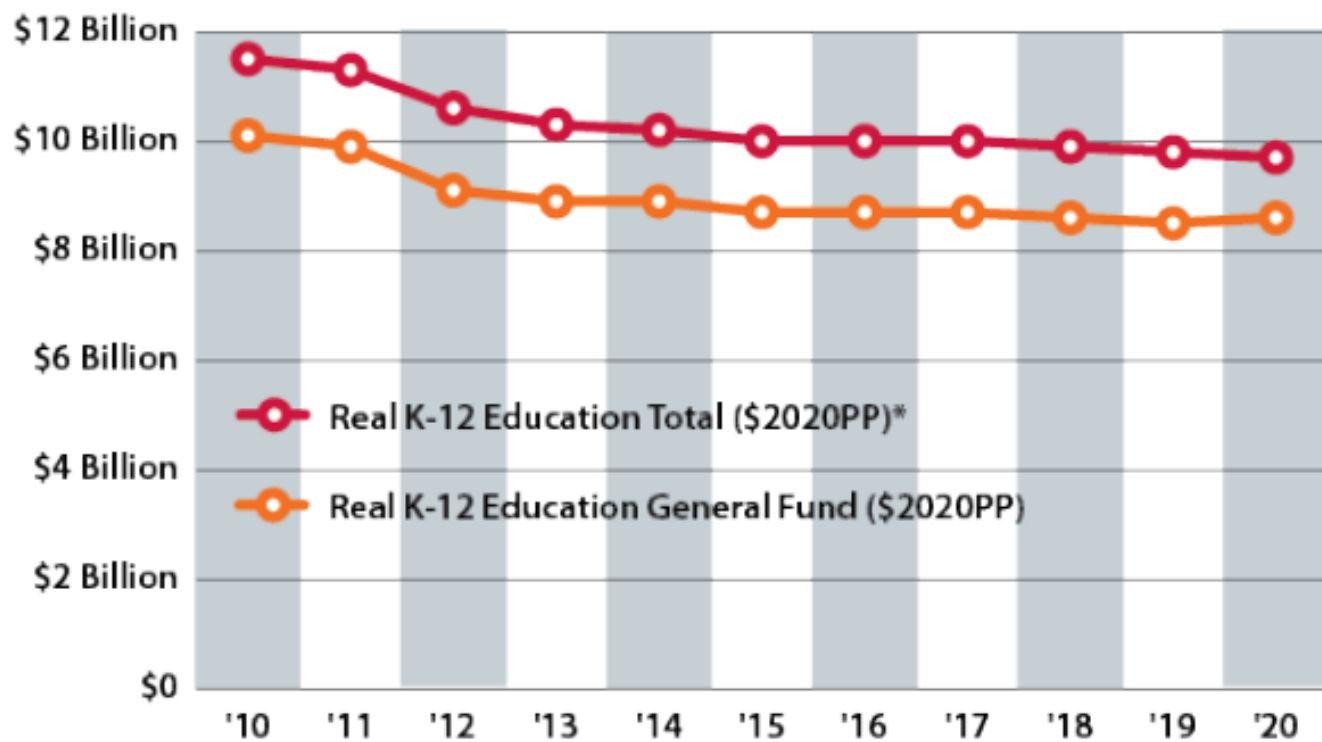
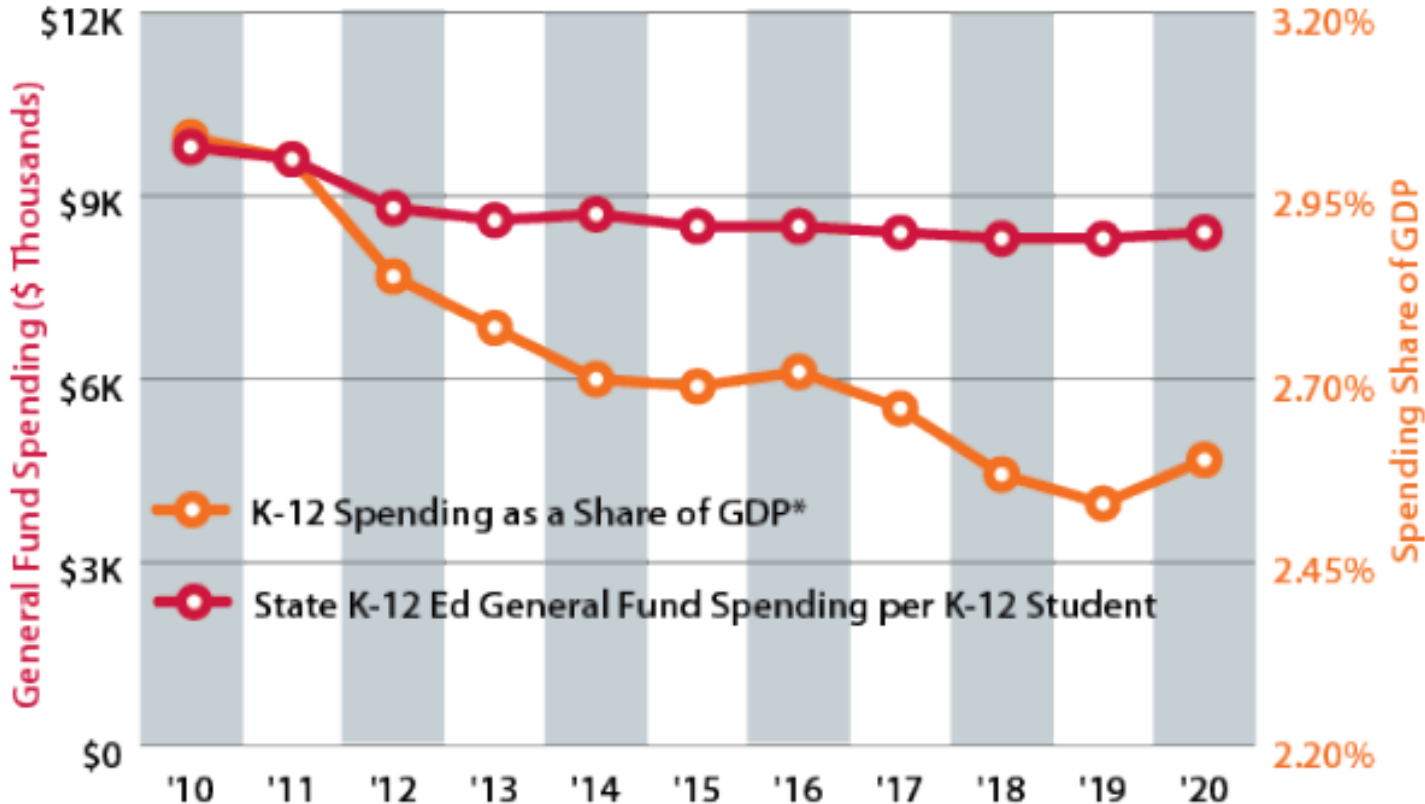




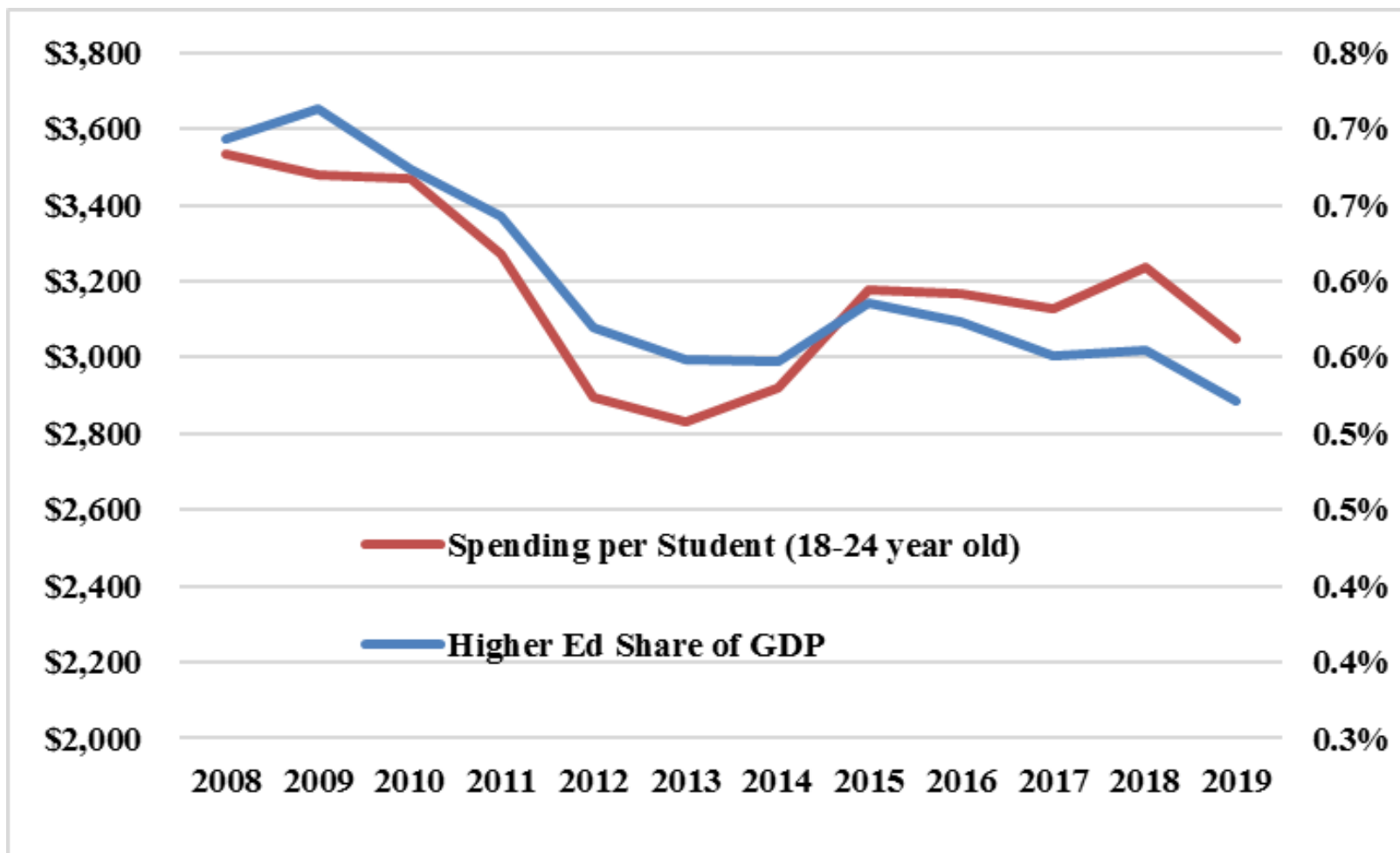
Figure 9. State Education Budget (Spending Per Student And As A Share Of State GDP)

Source: Indiana Handbook of Taxes, Revenues, and Appropriations, various years; STATS Indiana; and authors' calculations.

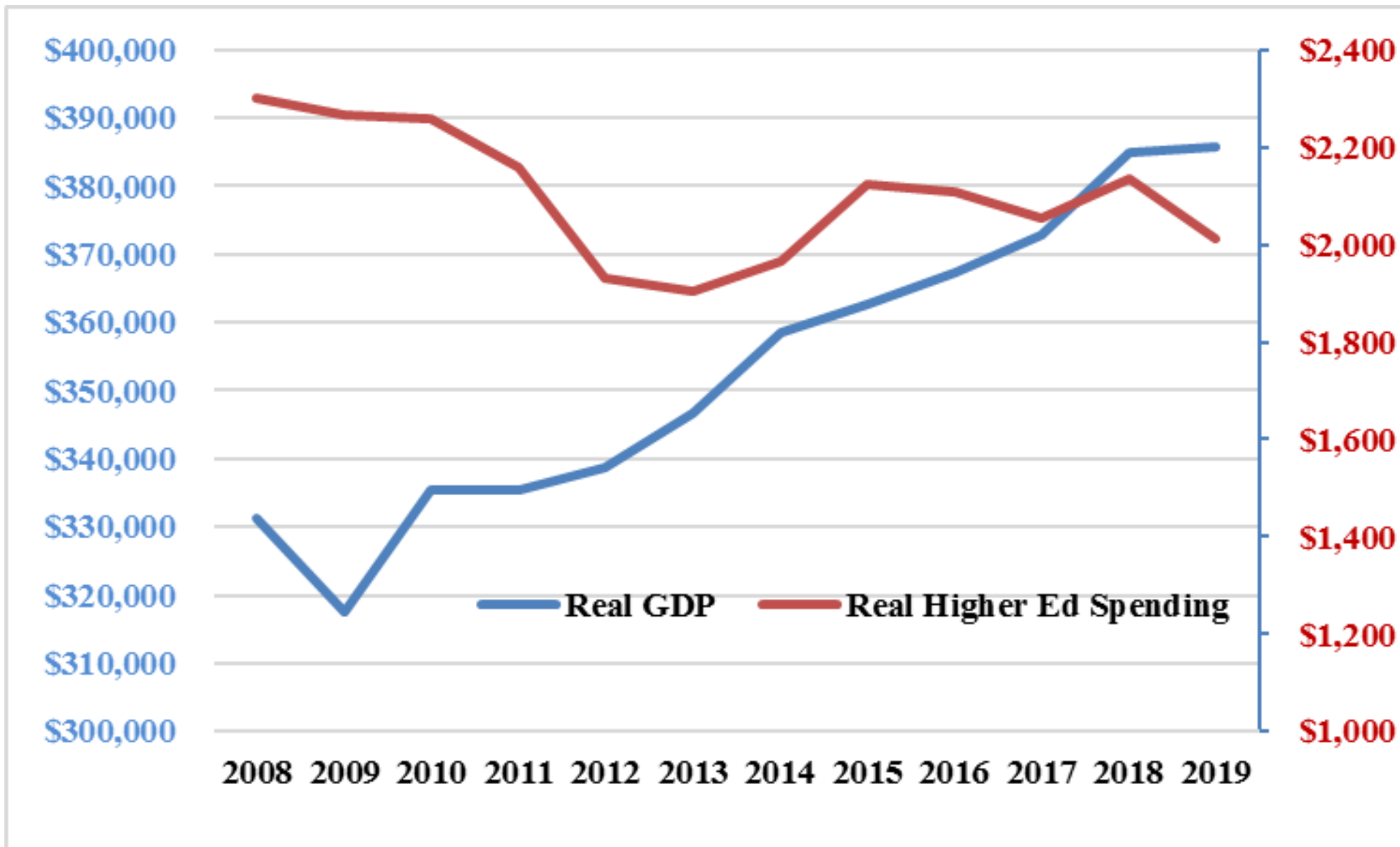
*Includes appropriations through the state's general fund, dedicated funds, federal funds, and 2011 ARRA funding.



Higher Education Spending is at 2010 levels per student And Historically low as a share of GDP



**Adjusted for inflation, we spend less on higher education than we did in the Great Recession
(a real mystery why college attendance has plummeted)**



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A Summary

- **In the long run (>2-3 year period), the only thing that causes economic growth is better human capital.**
- **Our economic growth is languishing (grew at 40% below national average during the last recovery).**
- **Our relative educational attainment (human capital) is worsening, primarily among post-secondary schooling.**
- **That's due to poor policies, and big inflation adjusted budget cuts.**
- **Our economy will worsen until we reverse those policies.**





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