

severe cuts in public services and bringing federal dollars into the state, the revenue measures save jobs, pure and simple.

SAVE FOR THE ECONOMIC WINTERS

Beyond the context of the current recession, how should Oregon address the structural factors that affect its unemployment rate?

Instead of wishing for a different economic structure, we should acknowledge our strengths and weaknesses and plan accordingly. Or as economist Cortright puts it, "We have to play the hand we're dealt."

And to play the hand we're dealt smartly, Oregon must live up to its nickname and act like a beaver.

Beavers work their flat tails off during the bountiful summers, building their lodges and storing branches and twigs. Those reserves see them through the scarce winters. That forethought is what Oregon needs to mimic.

Oregon tends to do quite well during

the upturns in the business cycle — our economic beaver-summers. During the economic expansion that preceded the current recession, Oregon's economy grew at an annual rate of 5.3 percent, outpacing the nation's 2.8 percent growth rate.

But Oregon's Legislature cannot repeal the business cycle, so bountiful times will always be followed by lean times. Oregon's economic structure — which makes the good times very good for the economy as a whole — has also made the current recession particularly deep here.

We would have been in a better position to limit the damage from the recession had we acted beaver-like and stocked up adequate reserves during the bountiful times, but we didn't. The legislature took a step in that direction in 2007 when it set up the Oregon Rainy Day Fund to complement the previously established Education Stability Fund. Unfortunately, we simply didn't save enough in our reserve funds to help see us through the winter of our discontent. And the reason is painfully

obvious.

Oregon's insane "kicker" policy is the main impediment to saving during good times for the inevitable downturns. The state's most recent experience shows the sheer folly of the kicker law. Taxpayers received kicker checks totaling some \$1.1 billion of unanticipated revenue in December 2007 — the same month that the recession descended upon our state and nation.

Adding insult to injury, most of the kicker dollars went to people best able to weather the recession. The wealthiest 1 percent of taxpayers, those with incomes over about \$360,000 and averaging about \$862,000, received slightly more than 22 percent of the total. Their average kicker was about 45 times the amount that the typical taxpayer received. The top fifth of taxpayers garnered nearly two-thirds of the kicker, averaging about six times what the typical taxpayer got.

That money certainly would come in handy now, sparing ordinary Oregonians

and our economy some of the pain of deep budget cuts and lost federal dollars. Surely no self-respecting beaver would be so foolish as to toss into the river's waters some of its branches and twigs just as winter arrived.

Instead of lamenting the nature of our economy that causes unemployment to spike during recessions, Oregon needs to implement level-headed, fiscally responsible policies. We need to back the Legislature's revenue measures that ensure we have financial resources to maintain and create jobs while avoiding severe cuts to public services. And we need to start saving unanticipated revenues so that we have adequate reserves to help us through the inevitable lean times.

With all due respect for Duck fans, only then will we truly deserve to be called the Beaver State. **EW**

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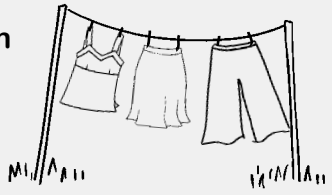
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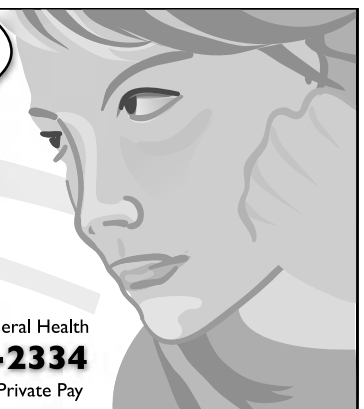
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