

The Economic Base of Idaho, 1993

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Introduction

The analysis presented here is a brief description of the economic base for the State of Idaho. Idaho's economy has consistently been one of the fastest growing economies in the United States over the last several years. Per capita personal income for the state, which is approximately 84 percent of the national average, has been growing at a real rate of about 2.1 percent per year for the last ten years, slightly higher than the nation as a whole (1.8 percent.) The bottom panel shows a growth in real personal income higher than that of the nation throughout the 70's, a reversal in the eighties, and what appears to be a reversal again in the nineties.

Trends in both gross state product (Figure 2) and jobs (Figure 3) suggest a diversifying economy. The growth has come primarily in the area of trade, services, and manufacturing. By far the fastest growing part of the economy are the fledgling high technology industries. From a small beginning, those sectors had grown to 1.5 % of the gross state product in 1992 and during the 5 years before 1992, they grew at an annual rate over 50% faster than the Idaho economy as a whole.

Annual growth in total jobs was 3.7 percent per year from 1983 to 1993, a rate slightly below the growth experienced in the 1970's. As a proportion of total jobs, government, agriculture, and mining has given way to growth in manufacturing, trade, and services (Figure 3).

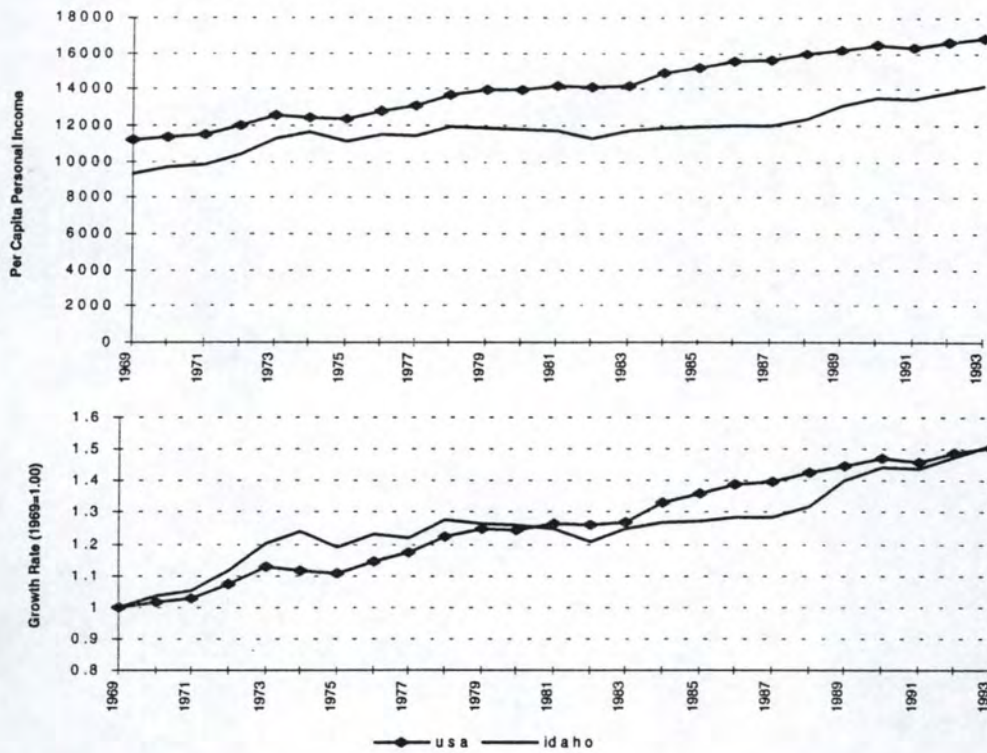


Figure 1. Real Per Capita Personal Income, 1969-93

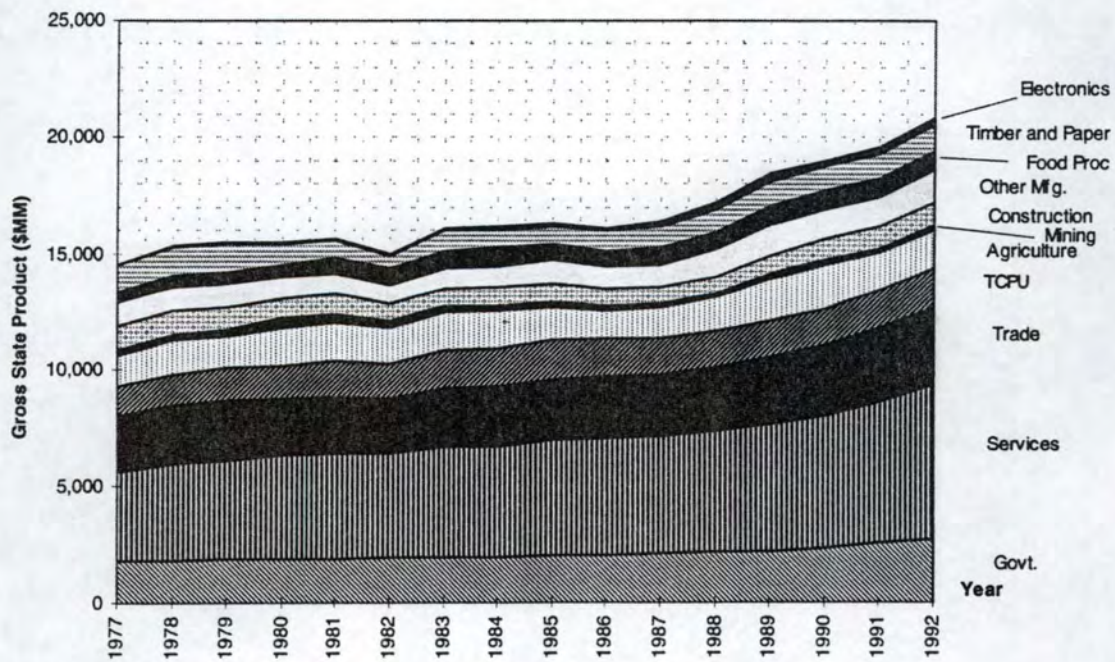


Figure 2. Trends in Real Gross State Product, 1977-92. (1992=100)

Total Jobs in Idaho: Wage and Salary and Proprietor

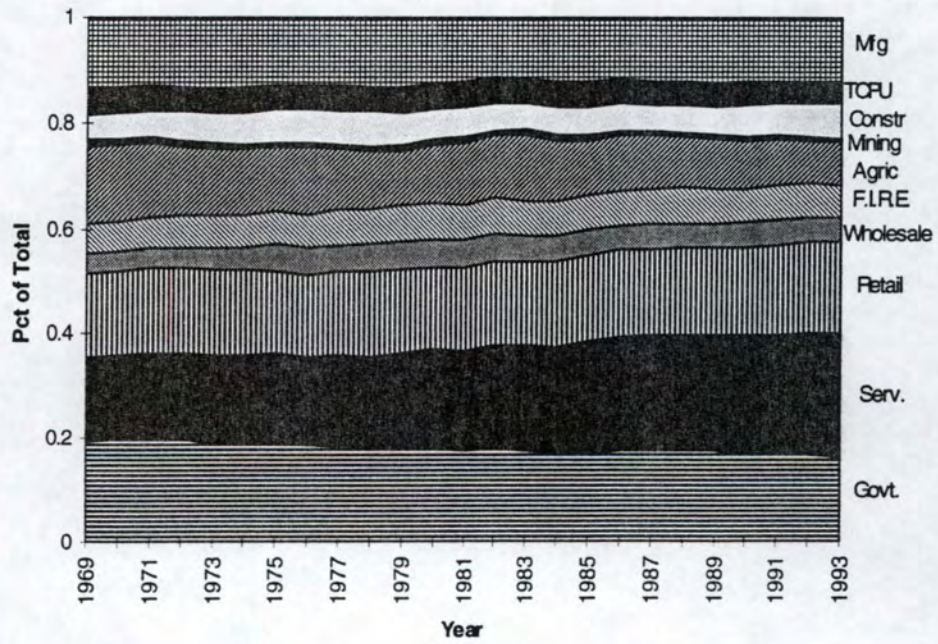
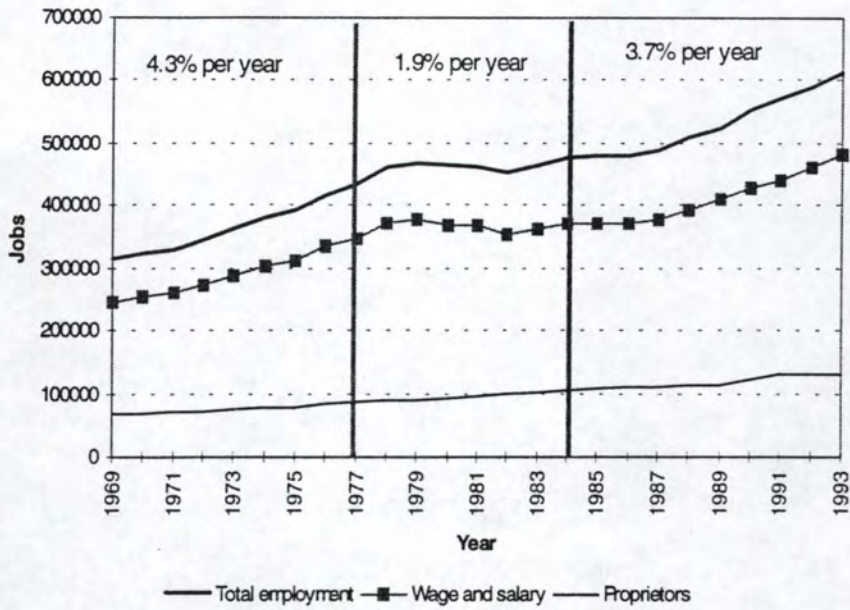


Figure 3. Job Growth in Idaho and Contribution by Sector, 1969-93

Source: REIS

A Description of the Economic Base

The brief picture presented above indicates where jobs are being secured and whether they are increasing or decreasing, but they do not address the sources of growth in the economy. Growth or decline in a sector could be the result of changes in the industry's exports or the result of re-spending effects from changes in exports in other sectors. Jobs and income in many of those sectors described above (especially trade, services, and government) are the result of indirect expenditures from basic activities.

In understanding the economic base of Idaho it is important to keep in mind some concepts about economic base. The economic base concept puts a state economy into the following framework: Economic activity is to a large extent driven by dollars flowing in from outside of the state and leaving the region in the form of payments for imports, national taxes, transfers, and returns to ownership by non-residents. These sources of inflows are from commodity exports, exports of services, tourism, non-resident shoppers, government transfers, and non-work income transfers. These dollars may be from exports of farm products, processed food, high technology, tourism, or federal government commitments, but they all provide the "base" from which re-spending on regional goods and services take place.

Raw employment or income data for a particular industry includes a part of the industry's function as an export base but also as a recipient of re-spending in the role of a non-basic or supportive industry. For example, when agriculture sells to markets outside the state it is functioning as part of the states' economic base. It brings in dollars in from the sale of products outside. But when it sells output to a food processing facility in the state, which then sells abroad, that part of agriculture is functioning as a non-basic or supportive industry to another part of the state's economic base, in this case food processing. The same is true for other industries. Trade and services sell to non-residents in their capacity as a part of the export base of this state but also sell to residents in their capacities as supportive industries. High technology, for the most part exports its products outside the state, but when it sells components to other regional firms or to state and local governments, it is playing the role of a supportive industry. The examples can be extended into most other sectors of the economy.

The incomes for households that these industries provide are re-spent regionally, which provide jobs and income for supportive industries. Goods and services that cannot be found

regionally are provided by imports. Households and firms all pay taxes which provide revenues for state and local government services, and the jobs that come with them.

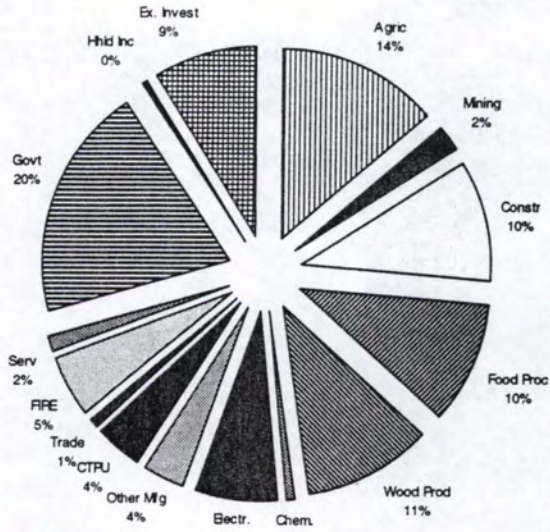
The role of government as part of our economic base is primarily from expenditures of federal government operations. The Forest Service, BLM, INEL, Mountain Home Airforce Base, all provide jobs and income in Idaho financed by taxpayers from all around the country. Through the purchases of supplies, the management and sale of natural resources, and direct employment they also generate re-spending in the state among our supportive industries.

Figure 4 provides a picture of the economic base as of 1993. It calculates the contribution, *direct and indirect*, of each major sector. Government accounts for the largest part of the Idaho economy, with 20% of the regional income and 23 percent of employment. The resource -- extractive sectors (Agriculture, mining, food processing, and timber) collectively account for over 35 percent of Idaho's gross state product and 33 percent of employment. Trade and services contribute 8 percent to the gross state product and 7 percent of all jobs. While a portion of this base is due to shopping and services in Idaho's cities, much of it is due to tourism. When one includes all resource-related industries (extractive and non-extractive), almost 66 percent of Idaho's economy is dependent upon natural resources.

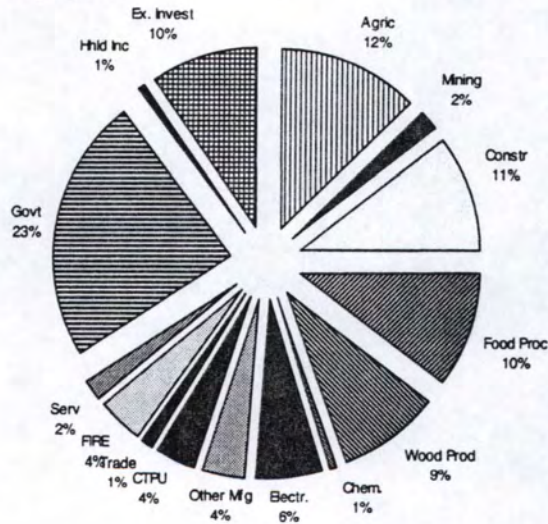
The electronics industries contribute 7 percent to gross state product, and, unlike most of the state's resource-based industries, will grow in importance. Other manufacturing and chemicals contribute another 5 percent.

Two other categories included in this description are exogenous household income and exogenous investment. Exogenous household income represents residence adjustment of households living in Idaho and commuting outside the state. They represent approximately one percent to the Idaho economy. Exogenous investment requires more explanation. Investment that occurs in a region comes from savings that are generated within the region and savings that come from outside the region. The latter can be the result of public investments from the federal government and private investments that represent future economic activities that may or may not have anything to do with the existing export base. These activities are then are not so much part of the existing structure of the industrial base as they are indications of future changes in that structure. This exogenous investment represents 9 percent of the gross state product and 10 percent of jobs in the state.

Contribution to Gross State Product,



Contribution to Total Employment



- | | | | | | |
|-----------|---|--------------|------------|---|-------------------------------------|
| Agric | - | Agriculture | CTPU | - | Communication, Transportation, Pub. |
| Mining | - | Mining | Trade | - | Wholesale and Retail |
| Constr | - | Construction | FIRE | - | Finance, Insur., and Real Estate |
| Food Proc | - | Food | Serv | - | Services |
| Wood | - | Wood | Govt | - | Government |
| Chem. | - | Chemicals | Hhld Inc | - | Exogenous Household Income |
| Electr. | - | Electronics | Ex. Invest | - | Exogenous Investment |
| Other Mfg | - | Other Mfg | | | |

Figure 4. A Description of the Economic Base of Idaho, 1993.

Conclusions

Idaho's economy remains very dependent upon natural resources. Thirty-five percent of Idaho's gross state product comes from resource extractive industries and another thirty percent from non-extractive industries. Idaho's fledgling high technology industries represent the fastest growing part of the economy and contribute about 7 percent to Idaho's GSP.

Perhaps the most important policy implication that one can draw from this brief description is that no set of industries is particularly dominant. State and local government policies must be seen as a balancing act between our old base and new base. It will be very difficult to generate compensatory growth in non-resource based sectors to offset state and federal policies that damage Idaho's resource -- based industries. Conversely, policies at the state and local level that may damage or inhibit the potential of our fastest growing parts of the economy for the benefit of our resource based industries could damage our growth potential.

Bibliography

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