



# St. Louis Is Failing, and It Has Only Its Government to Blame

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*By: Patrick Ishmael*

Last month the U.S. Census Bureau found that St. Louis had, once again, shrunk in population over the last year. The Bureau reported that St. Louis's population in 2017 had dropped to fewer than 309,000 people—over 10,000 fewer St. Louisans than there were in 2010, and far fewer than half the city's now-distant peak of over 850,000 citizens in 1950. The many reasons for the city's precipitous decline in population are mutually reinforcing.

One reason is the City's deserved reputation as a crime center. As recently as 2016, the city was ranked the most violent city in America by the Federal Bureau of Investigation, and property crime remains a major issue for residents and visitors alike. What drives the crime is subject to interpretation and analysis; poverty and the region's long-simmering racial tensions are factors. But whatever its source, crime affects whether people stay in the city—or for that matter, whether they come to the city in the first place.

Taxes are also an enormously important piece of the puzzle. The negative impact of income and earnings taxes on economic growth appears in the academic literature again and again, and yet St. Louis policymakers and others have refused to change course. In a paper written for the Show-Me Institute in 2014, economist Howard Wall found that half of the population loss that took place in the city between 2000 and 2010 could be attributed to the earnings tax. Even if the effect were only half as big, it would still be a massive problem.

Additional research, including a host of Show-Me Institute papers, have demonstrated similar growth issues related to the City's earnings tax. Still, establishment political interests continue to rally around it. Whether that's out of stubbornness or fear, the negative impact the tax has on the City and its future remains the same.

Capital and labor are mobile, and because they are, leaving the city is very easy. Factor in that the city gives away millions in tax dollars to a cavalcade of long-entrenched special interests, and it becomes clear that an economic system that robs Peter Taxpayer to pay Paul only works if Peter sticks around. And Peter hasn't.

The city hasn't just beggared taxpayers through the earnings tax and its tax subsidies; it has also beggared some of the very public services that lure young families to a city. I will leave the heavy lifting on education policy to my colleagues at the Show-Me Institute, but I will observe that a city steering \$30 million per year from basic city services like education does so at its own peril. Yet, that's exactly what the St. Louis does.

There is a charm to the urban environment that attracts many. That charm can be enough to compensate for the negative effect of somewhat higher taxes, or somewhat greater risk, or somewhat poorer services.

But there is a limit. If you were 30, married, and had children or were planning to, would you put down roots in a place bedeviled by St. Louis's problems? Or would you go someplace where safety, educational opportunity, and tax stewardship were high priorities? When fundamental public needs are left unmet, it isn't fleeing residents who are at fault; it's the city that is.

Regional power is moving to the north and west of the city, through St. Louis County and toward St. Charles County. Lest we forget, St. Charles County is now larger than St. Louis City—and it's positioned to widen that population gap for the foreseeable future.

The City's greatest issue isn't whether it will be the economic center of the region. Its greatest issue, the one that will determine its long-term viability, is whether it will be a competent steward of public money and the public's trust—whether the City will address the policy questions that ultimately underpin and promote long-term development and population growth. Doing so will require a meticulous commitment to getting the fundamentals of governance right and eschewing the rest.

It's said that the best time to plant a tree was twenty years ago, and the next best time is to plant a tree is today. For the sake of its future, now is the right time for St. Louis to address its fundamental and widely recognized issues of governance in a serious and research-driven manner. Until the city gets serious about regaining public trust by getting back to the basics of governance—above all, a full commitment to security, education, and the stewardship of the public checkbook—no one should be surprised when more St. Louisans follow their predecessors out the door.

## **About the Author**



*Patrick Ishmael  
Director of Government Accountability*

*Patrick Ishmael is the director of government accountability at the Show-Me Institute.*

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## **Show-Me Institute**

5297 Washington Place      3645 Troost Avenue  
Saint Louis, MO 63108      Kansas City, MO 64109  
Phone: (314) 454-0647      Phone: (816) 287-0370  
Fax: (314) 454-0667

Email: [info@showmeinstitute.org](mailto:info@showmeinstitute.org)

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