

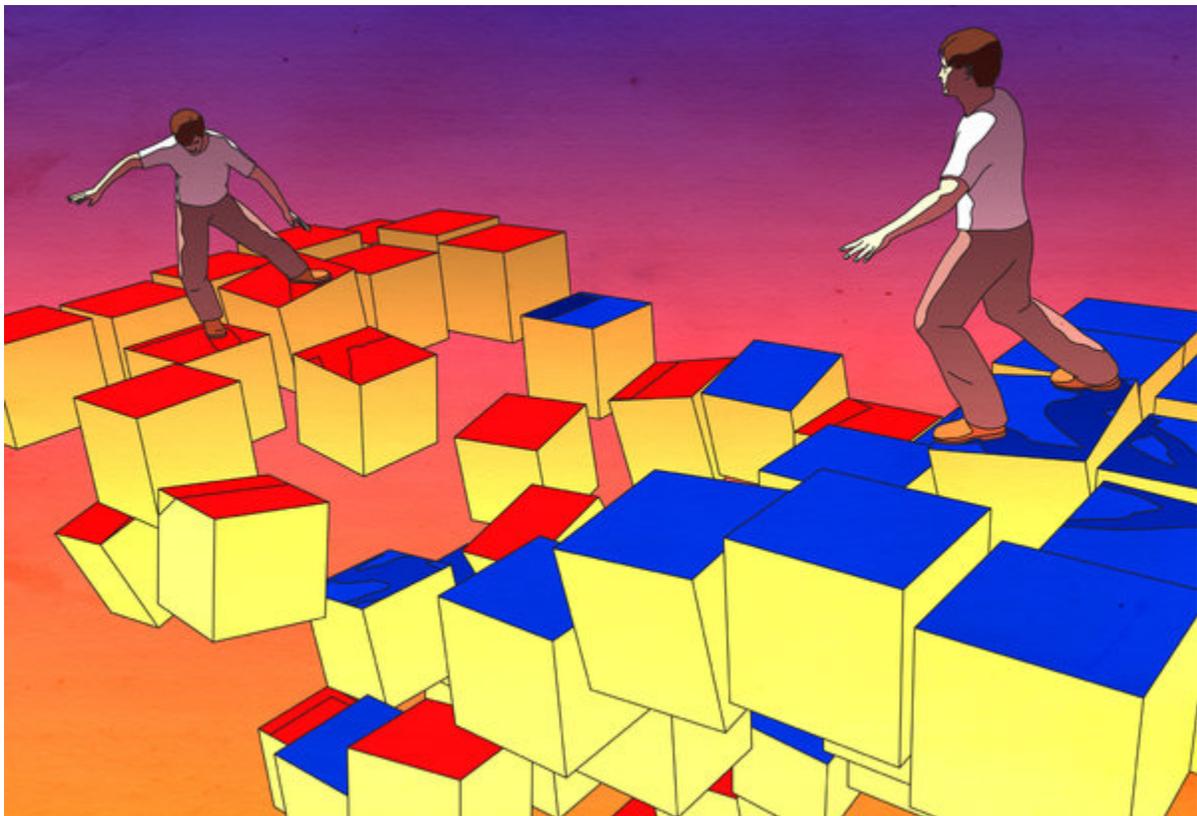
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Is Life Better in America's Red States?

By RICHARD FLORIDA

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THE new Congress that starts work this week is the latest reminder of America's stark political divisions: The parties in Washington are more polarized than they have been in decades, the partisanship gap between rural Republicans and urban Democrats has grown, and the battle for suburban voters keeps intensifying. Much less is said, however, about the equally significant economic division between conservative "red states" and liberal "blue states."

Blue states, like California, New York and Illinois, whose economies turn on finance, trade and knowledge, are generally richer than red states. But red states, like Texas, Georgia and Utah, have done a better job over all of offering a higher standard of living relative to housing costs. That basic economic fact not only helps explain why the nation's electoral map got so much redder in the November midterm elections, but also why America's prosperity is in jeopardy.

Red state economies based on energy extraction, agriculture and suburban sprawl may have lower wages, higher poverty rates and lower levels of education on average than those of blue states — but their residents also benefit from much lower costs of living. For a middle-class person, the American dream of a big house with a backyard and a couple of cars is much more achievable in low-tax Arizona than in deep-blue Massachusetts. As Jed Kolko, chief economist of Trulia, recently noted, housing costs almost twice as much in deep-blue markets (\$227 per square foot) than in red markets (\$119).

Inequality Is Turning Blue

In 1979, 15 of the 21 most unequal states were in today's red-state bloc. By 2012, there were more blue and purple states in that ranking than red ones.

	MOST UNEQUAL IN 1979		MOST UNEQUAL IN 2012
	1 Mississippi	1	New York
	2 Louisiana	2	Connecticut
	3 Arkansas	3	Mississippi
	4 Alabama	4	Louisiana
	5 Georgia	5	Florida
TIE	5 Florida	6	California
	7 Kentucky	7	Massachusetts
	New York	8	Georgia
TIE	8 Oklahoma	9	Texas
	10 Tennessee	10	Tennessee
	New Mexico	11	Alabama
TIE	11 Texas	12	New Jersey
	13 South Dakota	13	Illinois
	California	14	New Mexico
TIE	14 Missouri	15	North Carolina
TIE	16 South Carolina	16	South Carolina
	West Virginia	17	Kentucky
	18 North Carolina	18	Virginia
	Arizona	19	Rhode Island
TIE	19 Kansas	20	Oklahoma
	Virginia	21	Pennsylvania

Inequality rankings are based on the Gini coefficient, a widely used standard. Red, purple and blue designations are based on results of the most recent national elections and do not reflect the political landscape of 1979.

Driven by oil, the fracking boom and exurban sprawl, many of the red state economies are experiencing a vigorous (if ultimately unsustainable) spurt of growth. Thanks to loose land-use regulations and low labor costs, detached, single-family homes can be churned out quite cheaply, generating more middle-wage, low-skill jobs. And since red states spend less per capita on education, infrastructure and social welfare than their blue state counterparts (and many of them receive more federal dollars than they contribute), their tax burdens are lower, too.

To the surprise of many, voters in four red states — Alaska, Nebraska, South Dakota and Arkansas — supported referendums in November to raise their state minimum wage. And not just by a little. Controlling for the cost of living, they will have wage floors that are higher than those of many blue states. Once Obamacare is factored in, voters in these states ironically benefit from a somewhat strengthened social safety net, even though it is one that their elected politicians mainly oppose and that is heavily subsidized by blue state tax dollars.

For blue state urbanites who toil in low-paying retail, food preparation and service jobs, for the journeyman tradespeople who once formed the heart of the middle class, for teachers, civil servants, students and young families, the American dream of homeownership — or even an affordable rental apartment — is increasingly out of reach. Adding insult to injury, rapid gentrification in these larger knowledge hubs brings the constant threat of displacement of creative workers. For even the much better paid techies, engineers, financiers and managers who are displacing them, the metropolitan version of the American dream is a cramped condo or a small house and a long commute. Many are opting to move to cheaper red states instead, further driving their growth.

Inequality has grown fastest over the past three decades in larger states with more vibrant knowledge economies, like Massachusetts, New York, New Jersey and Connecticut. In 1979, the most unequal states were poor conservative states — Mississippi, Louisiana, Arkansas, Alabama and Georgia. By 2012, New York, Connecticut, California and Massachusetts joined Mississippi, Louisiana, Florida, Georgia, Texas and Tennessee among the 10 most unequal states.

Blue state knowledge economies are also extremely expensive to operate. Their innovative edge turns on a high-cost infrastructure of research universities and knowledge institutions — a portion of which demand public subsidy. Their size and density require expensive subway and transit systems to move people around. Blue state cities like New York and San Francisco are booming, but they are hampered by potholes and crumbling infrastructure, troubled public school systems, growing inequality and housing unaffordability, and entrenched poor populations, all of which mean higher public costs and higher tax burdens.

And yet for all that, they are pioneering the new economic order that will determine our future — one that turns on innovation and knowledge rather than the raw production of goods.

Despite their longstanding divisions, red state and blue state economies depend crucially on one another. Just as Alexander Hamilton's merchant cities ate and exported the harvests of Thomas Jefferson's yeomen farmers, and New England textile mills wove slave-harvested cotton, blue state knowledge economies run on red state energy. Red state energy economies in their turn depend on dense coastal cities and metro areas, not just as markets and sources of migrants, but for the technology and talent they supply.

Of course, while Massachusetts and Mississippi represent the extremes of America's politico-economic divide, there are many red states like Utah, Arizona and Texas that are growing their tech and knowledge economies, and a number of historically blue states like Pennsylvania that have benefited from the fracking boom. But in our increasingly competitive global economy, long-term prosperity turns on knowledge, education and innovation. The idea that the red states can enjoy the benefits provided by the blue states without helping to pay for them (and while poaching their industries with the promise of low taxes and regulations) is as irresponsible and destructive of our national future as it is hypocritical.

But that is exactly the mantra of the growing ranks of red state politicians. Gov. Rick Perry of Texas, a likely 2016 G.O.P. presidential candidate, has taken to bragging that his state's low-frills development strategy provides a model for the nation as a whole. But fracking and sprawling your way to growth aren't a sustainable national economic strategy.

The allure of cheap growth has handed the red states a distinct political advantage. Their economic system may be outmoded and obsolete, but it is strong enough to blight the future. The Democrats may be able to draw on the country's growing demographic diversity and the liberal leanings of younger voters to win the presidency from time to time, but the real power dynamic is red.

As long as the highly gerrymandered red states can keep on delivering the economic goods to their voters, concerted federal action on transportation, infrastructure, sustainability, education, a rational immigration policy and a strengthened social safety net will remain out of reach. These are investments that the future prosperity of the nation, in red states and blue states alike, requires.

Heightened partisan rancor is the least of our problems. The red state-blue state divide threatens to kill the real American dream.

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