Policy Brief

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Reviving Delaware

Delaware was one of the most dynamic and rapidly growing states throughout the 1990s and into the new millennium. The state's population grew from 666,168 residents in 1990 to 783,600 in 2000 and reached a population of 873,092 in 2008.

In looking at how to jump start Delaware's economy, it is important to recognize certain demographics within the overall population. Notably, 23.8% of the population is under the age of 18, while 13.6% is over 65 (the U.S. average is 12.6%). The state's 11.4% growth rate, compared to a national rate of 8%, helps to paint a picture for the current state of the state and what should be done to revive the economy.

With nearly a quarter of the state's population under 18, the coming demand for jobs is quite significant. While not all of these individuals will stay in Delaware when they enter the workforce, many will. As such, we need to implement policies that create new jobs. Add this need to the current economic situation in which unemployment is at 7.7% and the picture becomes even clearer: we need jobs for those already in the workforce and for those soon to enter.

While the population is growing, our performance is shrinking. Delaware's GDP decreased by 1.6% from 2006 to 2007, putting the First State in the lowest quintile of Bureau of Economic Analysis data. In contrast, neighboring states such as Pennsylvania, New Jersey and Maryland all performed better. Pennsylvania and New Jersey saw their state's GDP increase 1.6% and 1.1%, respectively, during the same time period (putting them in the second quintile). Maryland's GDP increased by 2%, putting it even higher in national rankings. The conclusion is not positive: while the need for jobs is growing, Delaware's outputs are shrinking.

Further, the state's total personal income (TPI) is ranked 44th in the nation at $34,574,839 and its median household income is $55,988 ($5,000 over the national average). While a statistic such as median household income is useful, TPI is also included because it is an accurate gauge of the state's overall tax base and its ability to fund necessary government functions.

Given the data above, the measures being proposed by the state's political establishment are troubling at best. The current proposals to balance the state's budget rest heavily on tax increases. The General Assembly is currently considering increasing the state's personal income tax, corporate franchise tax, gross receipts tax (Delaware's hidden sales tax) and gasoline tax. Not to be outdone, both Kent and New Castle counties are implementing property tax increases.

Politically, the opposition to such increases has not been as vociferous as it could be. This is likely because many of the individuals who have moved to Delaware in the past decade come from higher tax states. The need to balance the budget and Delaware's relatively low tax burden aside, tax increases should be reconsidered. The state has a growing population and a shrinking economy. Increasing taxes on individuals and businesses will further inhibit output and lead to fewer jobs, not more. The problem is then compounded – there are more people looking for work and fewer jobs.