Making the Number$ Count

BY CAROL CUMMINGS

A MORGAN STANLEY DEAN WITTER INTEREST RATE CLOCK HANGS ON HIS OFFICE WALL. THIS TELLING SYMBOL REVEALS MUCH ABOUT DR. STEVE LILE, WHO HAS SPENT HIS CAREER CALCULATING FIGURES THAT HELP FAMILIES, BUSINESSES, AND NON-PROFIT INSTITUTIONS ACROSS KENTUCKY. AS HE TALKS ABOUT HIS RESEARCH PROJECTS, AND THE IMPLICATIONS THEREOF, HE MAKES THE NUMBERS COME ALIVE, EVEN THOUGH THE BATTERY IN HIS CLOCK DIED SOME TIME AGO.

Taxation Research

“My first research was on comparative major taxes that families pay,” he said. “I took a detailed look at what families of a given size, income level, and source of income would pay in taxes based on where they lived.”

Dr. Lile’s research estimated the major state and local taxes — sales tax, income tax, property tax, cigarette and gasoline excise taxes — that hypothetical families pay in different states assuming a number of different family sizes and income levels. “My research showed that some states that are viewed as high tax states are actually low tax states whereas other states conventionally thought to be low tax states are in fact relatively high tax states,” he explained.

Dr. Lile’s research showed that conventional measures of tax burden — total state and local taxes, expressed either on a per capita basis or as a percent of state personal income — are misleading because they implicitly assume that all business tax collections are a burden on residents of the state where the taxes are collected. “For example, Nevada collects a lot of taxes from people who visit but do not live there.” States vary in ability to export taxes, and this unequal ability to export taxes to nonresidents leads to erroneous conclusions as to which states place the highest tax burden on their residents.” Dr. Lile’s early work was even quoted in a 1970 issue of the Wall Street Journal.

“For the past thirty years, I have been able to use my research to make the classroom a little more interesting to students, and to supplement what the textbook says,” he said. “Familiarity with the Kentucky tax system enhances students’ classroom experiences, particularly in the public finance course that I teach each spring.”

Having served on many committees and advisory groups related to taxation and policy-making, Dr. Lile’s research has allowed Western to help serve the state. Lile has been called as a witness by the Appropriations and Revenue Committee of the General Assembly in Frankfort. He served in 1988 as a member of the Governor’s Economic Roundtable, an advisory group, and WKU President Gary Ransdell recently appointed Lile to serve on a special committee of the Council on Postsecondary Education that will look into revenue enhancements and expenditures.

Tobacco War Research

In a unique research interest, Dr. Lile partnered with WKU colleague Dr. Brian Goff in 1996 to write an article titled “The Tobacco Wars: Evidence of Monopsony Power or Rent Seeking” for the Kentucky Journal of Economics and Business. “A monopsony exists when there is only one buyer for a product, whereas a monopoly exists when there is only one supplier,” Dr. Lile explained. “Tobacco growers felt that the Duke Tobacco Trust, which owned the American Tobacco Company, was mistreating them. However, our research showed that most of the decline in tobacco leaf prices received by farmers was not due to monopsony power wielded by the American Tobacco Company, but to the general economic deflation that was occurring during that time and to federal taxation of tobacco products.”
Albert Einstein once wrote, “Not everything that can be counted counts, and not everything that counts can be counted.”
Churches and Clergy Salaries

For the past three years, Dr. Lile’s research interests have led him to study an important segment of the non-profit sector: churches. He has looked at attendance and membership of major denominations in both Texas and Kentucky and learned that some denominations that were dominant in the religious marketplace in years past are no longer dominant. More recently, he has collaborated with WKU colleague Dr. Michelle Trawick using economic analysis to explain variations in Southern Baptist clergy salaries throughout the South. They are presently preparing to submit their paper to a refereed journal.

“We have looked at a variety of factors that economic theory suggests would influence clergy salary, including church age, congregational demographics, population and population growth of the county, income of the county, congregational receipts, missions spending, and competition,” he said. “We have computed a Herfindahl Index to measure the degree of competition that exists in the religious market for each county in the seven-state area of the South that we are studying.” Lile said that their model explains about fifty-five percent of the variation in Southern Baptist Convention (SBC) clergy salaries.

“As an economist, I am naturally interested in looking at economic explanations for the way things are,” Dr. Lile said. “I first became interested in studying the fiscal dimension of churches when my wife and I were married in 1973 by her great uncle, Dr. Homer Grise, a staff member of the Baptist Sunday School Board in Nashville, who actually helped found the Vacation Bible School effort. I met with him a few times and said I would be interested in getting data from the Baptist Sunday School Board.”

Dr. Grise put him in touch with the Sunday School Board (which has since been renamed Lifeway), and Dr. Lile obtained data from the Annual Church Profile, an annual survey of individual SBC congregations. The database that Lile and Trawick are using contains observations for approximately 40,000 SBC churches.

“There is probably no other denomination that collects as rich a database from its congregations,” he said. “I was able to obtain a treasure of information, including staff salaries, church budgets, baptisms, and members lost through death and transfers.”

Dr. Lile added, “The religious economy, like its secular counterpart, is dynamic. History shows that a denomination that was dominant during one period of time is often replaced by others. This is also true about individual churches within a given denomination.”

For Dr. Lile, thinking of churches as firms competing in the marketplace is logical. In his line of work, it is all about the numbers.

Albert Einstein once wrote, “Not everything that can be counted counts, and not everything that counts can be counted.” But Dr. Lile has made a career of both counting and of making his findings count.

Dr. Lile received his Ph.D. in economics in 1969 from the University of Kentucky, where he completed his dissertation on interstate comparisons of family tax burdens. He taught at the University of Richmond in Virginia from 1969 to 1973 and has been at Western since 1973. Dr. Lile is a past president of the Kentucky Economic Association, a former editor of the Kentucky Journal of Economics and Business, and a frequent textbook reviewer. Dr. Lile has in excess of forty-five publications (with several appearing in refereed journals such as National Tax Journal and Public Finance Review) and attributes his success in research, in part to his choice of timely and interesting topics, and to his good fortune in collaborating with colleagues in Western’s Department of Economics.