

BACON'S REBELLION

The Op/Ed Page for Virginia's New Economy

Why June 14 Matters

The politicians are poised to raise your taxes again. By voting for anti-tax candidates in the GOP primary, you can send a message: We insist that state government can do better..

By James A. Bacon

In all likelihood, you're not going to bother voting June 14 in either the Republican or Democratic Party primaries. Like most of your fellow citizens, you probably figure the top spots -- Jerry Kilgore for the GOP and Tim Kaine for the Demos -- are a lock. And you haven't been paying very close attention to the other races, so you really don't care who gets nominated.

That would be a shame. If history is any indication, voter turnout will be so dismally low that your single vote will carry as much weight as four or five votes in, say, a presidential election. What's more, there's actually a lot to get fired up about.

One way or another, the outcome of this primary season will be seen as a validation of, or rejection of, the decision by Gov. Mark R. Warner and the 2004 General Assembly to raise taxes by an estimated \$1.5 billion per biennial budget. State senators aren't up for re-election this year, but anti-tax partisans swore vengeance against 17 Republicans who broke ranks with the GOP majority in the House of Delegates to back the tax hike.

I fear that 2005 will go down as a watershed year when the Virginia political class learned that it can jack up taxes with impu-

nity. Think about it: Legislators enacted a record tax increase in 2004 that turned out to be largely unneeded. This year, they treated citizens to the spectacle of carving up a billion-dollar budget surplus without returning one dime of it to the taxpayers. Now, emboldened, the state senate is laying the groundwork to raise taxes by at



least another \$1 billion per year (\$2 billion per biennium) to fund transportation. Meanwhile, against this backdrop of state spending, local governments have used soaring real estate assessments to pocket ever higher tax revenues themselves.

Never in modern Virginia history--probably not since the old Confederacy tried to sustain four years of total war--has the Old Dominion witnessed such a splurge of spending and taxes. Yet the populace remains supine. The anti-taxers mustered only seven candidates to run against the pro-tax incumbents. Although it's conceivable that the challengers' youthful enthusiasm may make up for their lack of experience, connections and cash, they are all fighting uphill battles. At the same time, the most forceful fiscal conservative running for statewide office, George Fitch, can barely get his name in print. His campaign against Jerry Kilgore has

never caught fire.

Unless something extraordinary and unexpected happens at the polls, the insurgents will be quelled, and a new Conventional Wisdom will arise: Virginians are willing to pay higher taxes. And, as surely as the earth circles around the sun, legislators will oblige them. The list of "unmet needs" and of petitioners to articulate them stretches to the moon and beyond.

Those who favor higher taxes characterize anti-tax partisans as unsophisticated rubes -- peasants with pitchforks -- whose passions, though perhaps understandable, are volatile and misdirected. In the cleverest formulation of this sentiment, fellow *Bacon's Rebellion* columnist Bernie Day refers to them as "cold fusion" Republicans, who would conjure money from nothing to pay for all the state's pressing needs, or "flat earth" Republicans who are so obtuse they will believe anything.

If politics were no more than battling bumper stickers, I might characterize the pro-tax forces as the "Tax First, Ask Questions Later" crowd. But that wouldn't be quite accurate, for it implies that pro-tax politicians occasionally do question their basic suppositions, which, in my experience, they do not. From what I could glean, the billion-dollar budget surplus didn't prompt the slightest soul searching over the question of whether the previous year's tax increase in any way overdone. Far from revising their fiscal assumptions, Virginia's lawmakers conducted themselves much the same as my seven-year-old son's birthday companions last week

when, after battering it repeatedly, they finally ruptured the Sponge Bob pinata: Swarming like mice from all corners of the pavilion, children threw themselves greedily upon the candy on the floor.

In truth, the pro-tax advocates are the rubes, for they share the children's view of the world as a zero-sum game. Politicians scramble for the finite supply of Sponge Bob candy on the floor, impervious to the thought that all might benefit if they could only grow the size of the pinata-or, more imaginatively, pack it with a tastier assortment of goodies.

The anti-tax movement espouses a more sophisticated view of governance. Contrary to widespread aspersions, tax cutters advance ideas for limiting government spending that *don't* entail taking chainsaws to Kindergarten teachers or boiling Medicaid patients in oil. These ideas include:

Precept One: Low taxes promote economic growth. Most people grasp the concept that businesses and talented individuals migrate to locales where state and local governments take a smaller share of their income. Some may reply snidely that if low taxes create economies like Mississippi's, let's have high taxes. But they obviously haven't compared the long-term growth rates of Mississippi's to, say, upstate New York's over the past 50 years. World-class urban centers like New York City and Washington, D.C., might be able to defy the downward gravitational tug of high taxes, but smaller cities and rural areas cannot.

Precept Two: In the long run, a strong, vibrant economy taxed at low rates generates more revenue than a stag-

nant economy taxed at high rates. A low-tax, pro-business environment has vaulted Virginia from a middling-income state in the 1960s to a top-quintile state today. It took two generations to accomplish, but the Commonwealth is undeniably better off now as the result of our forefathers' forbearance. The populace is more prosperous, and governments have more money to spend.

Of course, low taxes are not the *only* thing that explains economic growth. In theory, government spending that increases the productivity of the private sector can bolster economic growth and expansion of the tax base, too. That, at least, is the justification for spending more money on schools and roads.

That's true, I suppose. But here's my response: Why not start with increasing the productivity of *government*? That way we can avoid raising taxes and still find the resources needed to improve the quality of our schools and other pressing needs. Which brings us to...

Precept Three: State and local governments can achieve enormous savings by improving their business processes, just as the private sector has done. The Wilder Commission identified more than \$750 million in annual savings, and the Warner administration claims to have implemented many of them. But where are the savings? Where do the reduced expenditures appear in the budget? Yes, there are pockets of real improvement--The Virginia Department of Transportation has cut staff by 1,100, saving \$67.5 million in payroll, while *improving* performance. But that feat hasn't been replicated anywhere else. No one has convinced me that Virginia has come close to reaping the

full potential savings.

Precept Four: Reforming inefficient land use patterns can reduce the cost of government. Scattered, disconnected, low-density development drives up the cost of delivering local government services and the cost of extending the transportation system. Our political leaders studiously avoid dealing with this problem, however, finding it easier to bilk the public into accepting another tax increase than to engage in the dogged, unremitting toil required to change the laws and regulations that create the underlying problem.

So, when June 14 rolls around and you wonder whether it's worth the effort to leave home 15 minutes early to go to the polls, just ask yourself one question. Who would you rather have running Virginia? The guys who reflexively spend your money and raise your taxes? Or the guys who set a higher standard of high-performance, low-cost, pro-income growth government?

Vote for an anti-tax candidate near you. Send a message: Raising taxes is the refuge of the lazy and the witless. Demand a 21st-century government for a 21st-century world. Fan the flames. Join the Rebellion.

-- May 23, 2005

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