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A Reminder to Politicians: It's Not Your Money!

by Lawrence W. Reed

Summary

As the economy slows, many lawmakers and pundits want to scale back the size of President Bush's proposed tax cuts and "moderate" the cuts already enacted by Gov. Engler and the Michigan Legislature. But politicians happily engaged in budget surplus spending binges ought to remember that those tax dollars rightfully belong back with the people who earned them.

Main text word count: 707

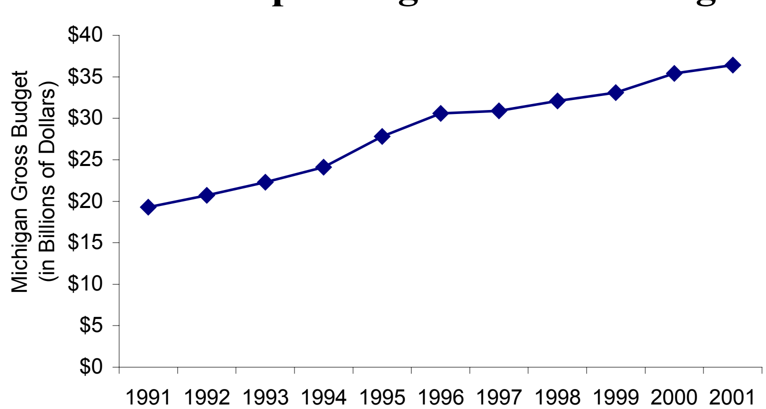
As the economy slows, many lawmakers and pundits are wondering if tax cuts are a good idea. Some in Washington want to scale back the size of President Bush's proposed reductions, while in Lansing there's talk of "moderating" the tax cuts already enacted by Gov. Engler and the Michigan Legislature. To do either would not be helpful to the economy, and the mere suggestion is painful in light of recent spending binges in which both Republicans and Democrats have happily engaged.

With government at all levels raking in record levels of revenue—both in absolute dollars and as a percentage of total personal income—it's time to insist that politicians tighten their belts just like the rest of us do when we're worried about paying our bills.

Let's recall where Michigan was barely a decade ago. The economy was mired in stagnation, with unemployment chronically above the national average. In 1991, the state budget had a deficit as big as today's rainy day fund. Not coincidentally, we were among the highest taxed states in the nation. What turned all that around was a period of spending restraint and tax reduction that grew the economy and made Michigan an attractive place in which to do business. Though spending later picked up speed, we kept making progress on the tax front with further reductions, most notably in the income tax and Single Business Tax.

Today, Michigan is better off than it was 10 years ago, but it's no tax-free Renaissance Zone. Our per capita tax burden during the last decade fell from oppressive to being just about in the middle of the pack. Indeed, Senate Fiscal Agency data show that by 1998, Michigan's total state and local tax burden had risen once again to the level we faced when Gov. Engler came to office in 1991. The main reason we're average among the states today is that so many others have practiced even less tax and spending discipline.

Government Spending Soars in Michigan



Source: State of Michigan

Michigan's annual budget, which includes monies from the federal government, has grown nearly 100 percent since 1991, thanks to ever-larger spending sprees by politicians in both Lansing and Washington.

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Have the tax cuts of recent years starved state government? Hardly. Well over a billion dollars is sitting in the Budget Stabilization Fund. Even after accounting for Proposal A's shift of funding to the state, per student K-12 spending has soared well beyond inflation and population growth, and the School Aid Fund is in surplus. The General Fund/General Purpose (GF/GP) budget is up $2 billion, or nearly 25 percent, over its level of 1991. The Gross Budget has grown by a whopping 99 percent since 1991. Many Michigan citizens who work to pay government's bills as well as their own have not seen their own budgets grow by such percentages.

"Tax cuts are the easy part for politicians," says state Rep. Robert Gosselin of Troy. "It's keeping a lid on spending that requires real political courage." Gosselin was one of only a handful of legislators who voted "no" on the hundreds of millions of dollars of pork passed by the Legislature last year and the only one who has consistently voted against every budget proposal that increased GF/GP spending faster than inflation.

It's time we as Americans started asking some fundamental questions about the appropriate size, role, and scope of government in our society.

Washington sorely needs to muster political courage as well. At about 21 percent, the federal government's claim on national income is at an all-time high. Last year, Congress ballooned the federal budget by 8 percent. President Bush wants to exercise "restraint" by keeping this year's hike to 4 percent, but committee chairmen of his own party are saying that hike is too small.

It's time we as Americans started asking some fundamental questions about the appropriate size, role, and scope of government in our society. At the start of the 1900s, government at all levels in the United States claimed only about 5 percent of personal income. One hundred years later, it consumes more than 40 percent—up by a factor of eight. Why is this not enough? How much exactly *would* be enough? To what extent are citizens entitled to keep what they have earned?

Americans deserve satisfactory answers to those questions, and few people would disagree that we need some real spending discipline in government. Meanwhile, any tax cuts already enacted into law should stay in law, while legislators continue diligently looking for opportunities to spend less money and provide even more tax relief to overburdened citizens.

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