

Welcome to COWS > About COWS > Newsroom > News

High Taxes Are Really Not the Problem

By: Joel Rogers, Guest Editorial

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Last week I said that the common claim - often made in today's debates about the next biennial budget - that high taxes are the signal source of Wisconsin's problems, and so lower ones should be our biggest priority, was stupid and dangerous. Harsh words, to be sure. What's behind them?

Well, the claim is "stupid" because all evidence is against it. And it's "dangerous" because taking it seriously would lead us to do things that would hurt our quality of life, and diminish our future as a state.

I recognize of course that almost nobody actually likes to pay taxes, any more than we like forking over money for a house we want to live in, or a car we want to drive. It would be nice to have both for free. But that's just not the way the world works. Outside such small things as love, friendship, laughter, thought, courage and kindness, very few things in life are free. As economists tirelessly remind us, that includes lunch (!?). And it includes government, some measure of which all but the insane recognize is needed to make an economy work and to realize common social goals - like taking care of the sick or infirm, or providing some equal opportunity, or getting snow off streets. So some government is needed, and some taxes are needed to get that. As Oliver Wendell Holmes once summarized, taxes really aren't so complicated. They're just "the price we pay for civilization."

Most people, not being insane, would admit the truth of all this, but then reserve the theoretical possibility that government and its taxes could get too big for our collective good. And no doubt, in theory, they could. But this is where we should look at the facts, since as Sherlock Holmes used to remind Watson, "It's a capital mistake to theorize without the data."

So here are some facts:

Compared to other countries, the United States has among the lowest tax rates, and thus lowest government spending as a share of the economy, in the developed world. This tells us that it's possible to run a capitalist democracy - many of them outperforming us on critical dimensions of economic performance, and virtually all of them outperforming us on the equal opportunity and anti-poverty end of things - with much higher levels of taxation.

What is true across nations is also true across states. Wisconsin is right in the center of the national distribution of per person income, and above that in the distribution of tax burdens. This makes us, comparatively, a "high tax" state, though there are certainly many, including others in the Midwest, well above us. Wisconsin also ranks very high, nationally, on the quality of its education system and - something to be especially proud of given our only-average income levels - on its success in eliminating poverty. We've obviously chosen to spend money on these things, and it appears to be buying something.

But is this "welfare state" insupportable since it hurts our economic performance? It certainly doesn't seem to be. Across states, higher tax burdens are strongly associated with higher per person incomes, not lower ones. High tax states, including Wisconsin, also do better on a number of more nuanced development indices measuring things like innovation, dynamism, growth in high-value-added industries, etc.

None of this is to say that we should just mindlessly increase taxes in Wisconsin. It's just to say that we shouldn't mindlessly decrease them either.

What's important to be clear on is that we're hardly weirdos in Wisconsin. Millions of apparently sensible people in the world, some even in the United States, pay a lot more in taxes than we do. More important still is being clear that it's not the amount or level of taxes per se ("high," "low," "big," "small," "jumbo," "deluxe," "colossal") that's important, but what the taxes are used for - what sort of "civilization" we choose to buy with the money. If we really want to send our kids to schools as good as those in Mississippi, or swim in lakes as polluted as those in Texas, or grow up surrounded by as much poverty as in Arkansas, it's easy enough to accomplish. More difficult is imagining why we'd want to.

So next time you hear some politician or businessperson start telling you that Wisconsin's biggest problem is high taxes, do all of us a favor and just start laughing out loud.

Start with a mildly explosive, attention-grabbing "ha!" Then, after visibly struggling for a few moments to keep a straight face, surrender to nonstop chuckling, followed by a galloping guffaw. If you really want to be a good citizen, do something Richard Nixon never did to "make (yourself) perfectly clear." Fall off your chair and roll around on the floor for a while, as peals of screeching laughter send tears down your cheeks and you say things like, "Oh, gracious me, that is funny!" and gasp for composure.

Along with immediately elevating the level of political discussion in Wisconsin, doing this would leave a mark, brighten the day, and help the poor and oppressed. And that's the point of living, right? It sure beats death and taxes.

Joel Rogers teaches at the University of Wisconsin-Madison and is founder and director of the Center on Wisconsin Strategy (COWS), which

administers the Sustaining Wisconsin campaign. This is another in a weekly series of Capital Times columns he's writing on issues in the campaign. For more information, see www.cows.org and www.sustainingwisconsin.org.

On Jan. 29, COWS debuted "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin. The themes expressed in this view of the state of the state will carry through the next 18 months as COWS uses Sustaining Wisconsin to put the Wisconsin Idea into action.

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