

Republican Rhetoric v. Republican Performance

By Mark Brandly, Ph.D.

Summary

New studies show that the Republican reputation for fiscal responsibility is undeserved. In particular, Governor Gilmore's budgets have demonstrated that he is yet another big spending Republican.

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During the 1990s, Virginia's population grew 11% and personal income growth was 27%, but per capita general fund expenditures increased 91%.

Although Republicans are known as budget cutters, their actions show that this reputation is undeserved. For example, President George Bush proposes to increase federal expenditures faster than spending ever increased during the Clinton administration. At the state level, recent studies give the Virginia GOP an F for not controlling state spending levels.

State spending is a critical issue. High expenditures crowd out productive private sector activity. Workers flee high tax states. From 1990 to 1998, 2.8 million native born Americans migrated from the 41 states that collect an income tax to the 9 states without an income tax. Low tax states tend to have better job growth, lower unemployment rates, higher incomes, and better bond ratings. A study for the Joint Economic Committee of Congress by Richard Vedder of Ohio University shows that low tax states economically outperform high tax states.

In Virginia, the state government is on a spending binge. An American Legislative Exchange Council (ALEC) report, the "National Report Card on State Fiscal Policy" shows how tax and spending burdens have increased dramatically in recent years. Even with the booming economy, from 1990 to 2000, the growth in state spending has outpaced the growth in incomes. The ALEC report gives Virginia an F grade for increasing state expenditures as a percentage of income 28.3% from 1990 to 2000, and 14.8% from 1995 to 2000.

During the 1990s, Virginia's population grew 11% and personal income growth was 27%, but per capita general fund expenditures increased 91%. State taxes as a percentage of personal income increased from 5.4% in 1990 to 6% in 1999. Virginia ranked 41st in the nation in this category in 1999, demonstrating Virginia's heavy tax burden relative to other states.

The GOP wrested the Governor's seat from the Democrats in 1993 and captured the state legislature in 1999. However, the Republican takeover in Virginia has not reduced the government's burden on the economy or brightened the prospects for liberty in the state. In the ALEC study, state spending in Virginia ranks evenly with states controlled by Democrats.

Tax cuts were central to James Gilmore's election for governor in 1997. His No Car Tax plank propelled him to a 13 point victory. In addition to

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the car tax cut, Gilmore also supports cutting the sales tax on food and is an advocate of the moratorium on taxing the internet.

In spite of this, the Cato Institute's "Fiscal Policy Report Card on America's Governors: 2000" gives Gilmore an F due to his performance on spending matters. During a period when many states have seen spending as a percentage of income decline, Virginia's state spending since 1998 has grown 2% faster than personal income. More alarming, under Gilmore, Virginia increased general fund expenditures 10.6% in 2000, the seventh largest increase in the nation and three times the rate of inflation.

Gilmore boasts that revenue collection for fiscal year 2000 increased 10.5%. "These are good times. They are the best of times, we marked our third consecutive year of double digit revenue growth." It may be good times for elected officials who can trade state dollars for political support, but it's not the best of times for Virginia taxpayers.

This year, the Virginia legislature deadlocked on budget issues. With the impasse, the responsibility of balancing the budget fell to Gilmore. There was talk of making up to \$421 million in spending cuts. Faced with this opportunity to cut the budget, Gilmore balked. With some financial manipulation, Gilmore found the funds needed to prevent any reduction in spending. His actions prevented the state from cutting its workforce or its operating budgets.

Gilmore is particularly proud of the huge increases in the education budget. In addition to the increased spending on grades K-12, Gilmore brags that he has increased higher education operating expenses by more than \$500 million, a 54% increase, and increases in the education budget account for roughly 25% of Gilmore's \$3 billion in new spending for 2000-2002.

So while some taxes have been cut, expenditures and tax burdens as a portion of income have rapidly increased. Gilmore asserts that "the people have a greater ability than government to improve their own quality of life. It's simply a matter of protecting individual liberty." Our Governor should heed his own rhetoric.

What should be done? Spending should be cut. The strong economy, as indicated by the lowest unemployment rate in 47 years, provides an opportunity to make real spending reductions. Real tax burdens need to be cut. This would require substantial reductions in the income tax or sales taxes which together account for 88% of state revenues.

Republicans pose as budget cutters, but given their record, we can't rely on them to make these needed cuts.

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(Mark Brandly teaches economics at Patrick Henry College, and is a member of the Board of Scholars of the Virginia Institute for Public Policy, an education and research organization headquartered in Potomac Falls, Virginia. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliations are cited.)

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John Taylor
Virginia Institute for Public Policy
20461 Tappahannock Place
Potomac Falls, Virginia
20165-4791

Phone: (703) 421-8635
Fax: (703) 421-8631

www.VirginiaInstitute.org
JTaylor@VirginiaInstitute.org

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