Editorial

Brattleboro Reformer

No place like dead last

Wednesday, December 19, 2007

The American Legislative Exchange Council spread a little holiday cheer Monday to all those who say that Vermont is anti-business. According to the ALEC, Vermont came in dead last in its first-ever economic ranking of all 50 states, "Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index."

In case you're wondering which state was ranked first, it's Utah.

As with all surveys, one must consider the source and the motivation of the ranking. ALEC was formed in 1973 by Paul Weyrich, one of the founding fathers of the modern conservative movement. It drafts what it calls "model legislation" for state lawmakers to adopt. It consistently favors big business and works to weaken environmental, labor and workplace safety laws that supposedly harm economic competitiveness.

The authors of the study are economist Arthur Laffer and Stephen Moore of The Wall Street Journal. If Laffer's name seems familiar, he was the originator of what became known as "The Laffer Curve" -- the theory that the more that taxes are cut, the more that revenues are generated. Laffer's thinking was first embraced by the Reagan administration, which managed to double the national debt in eight years.

Laffer and Moore looked at 16 state policy variables. Their ratings speak volumes for the priorities of ALEC.

To them, taxes are bad. So in the survey, Vermont was 48th in the top marginal personal income tax rate (9.5 percent), 37th in the corporate tax rate (8.9 percent) and 47th in property tax burden ($49.68 per $1,000 of income). Vermont was also rapped for having an estate tax.

Utah, on the other hand, has no personal income tax and no estate tax. The top corporate tax rate is 5 percent and the state is 13th in property tax ($27.30 per $1,000).

Vermont got bad marks for raising taxes in the 2005 and 2006 legislative sessions. Of course, the study does not take into account that Vermont has a balanced state budget and one of the highest bond ratings of any state in the country. That's why, under the category of debt service as a percentage of total tax revenue, Vermont was ranked 19th while Utah came in 38th.

The ALEC study doesn't seem to like state governments that provide services to its residents. With 643.4 public employees per 10,000 residents, Vermont was ranked 43rd. Utah came in 10th with 505 per 10,000 residents.

Also, the authors apparently don't like to see workers get paid a living wage or be able to form unions to collectively bargain for higher wages. Vermont's minimum wage of $7.53 per hour earned it 47th place on the list, and since it is not a "right to work" state (meaning workers are not required to join a union in a unionized shop), finished 23rd place in that category. Utah's minimum wage is the same as the laughably small federal standard of $5.85 per hour, and it is not a right to work state. Thus, Utah is first in both categories. In the area of workers' compensation costs, Vermont was ranked 43rd and Utah came in 14th.

The only categories where Vermont and Utah were more or less equal was in the "educational freedom index" (translation: do parents have free choice to pick whatever school they want and will the state give them vouchers to pay for that choice.) Utah was 24th and Vermont was 25th.

So what do these numbers mean? If you are wealthy or are a business owner, and the only things you're interested in is how much money you can make and how little money your workers can make, you want to go to Utah.

This, of course, implies that you believe the central premise of this report: taxes and state spending are bad; paying workers a living wage is bad; having fully funded public schools is bad; and having a state government providing social services is bad. Put in those terms, the privatized, free market world advocated by Laffer and Moore is great if you have and horrible if you have not.

Advocates of rock-bottom corporate taxes, liberalized investment laws and labor "flexibility" -- the so-called Celtic Tiger formula that Ireland employed in the 1990s -- say that this is the only way to achieve economic growth. The flip side of the economic transformation of Ireland is that its wage growth has been well below the rate of inflation for the last two decades and it has the lowest spending on public services in Europe.

If economic "competitiveness" means slashing taxes on the rich and corporations while slashing public services for everyone else, what you end up with is a government that has no capacity to mitigate inequality and a society that is divided between a wealthy minority at the top and everyone else at the bottom. It is the kind of place that most Americans don't want to live in.