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What benefits West Virginia?: Instead of tax cuts, let's invest in kids and health care

THE LEGISLATURE is considering corporate tax cuts with SB 465 and SB 680. If these tax cuts are adopted, West Virginia will lose about \$121 million a year when they are fully implemented, or \$524 million over the next eight years.

On top of an \$89 million a year corporate tax cut adopted last year, the proposed tax cuts will significantly undermine the ability of the state to provide good public services in the near future. Furthermore, the cuts are not an effective tool to spur long-term economic growth.

Like the corporate tax cuts last year, those being considered this year will most likely benefit out-of-state corporations and shareholders and make our tax system more regressive. Will they benefit West Virginia?

Proponents of tax cuts have an unproven belief that tax cuts "pay for themselves" and generate more money for jobs and development. In fact, no mainstream economist - liberal or conservative - has ever shown that tax cuts pay for themselves. Two recent studies conducted by Oregon and California have found that when corporate taxes are cut by \$100, states can expect to recoup on average between \$16 to \$18 as a result of increased economic activity, a net loss of \$82 to \$84.

"You can make a theoretical case that high taxes impede economic growth, but it is just not supported by the evidence in the U.S. or across countries," wrote New York University professor and former World Bank economist William Easterly.

Instead of inhibiting economic growth, state and local taxes make businesses profitable by financing good infrastructure such as roads and bridges, or services such as crime protection and education. Businesses need these elements to prosper. Many studies also show that taxes are not the primary reason that businesses choose to locate in a particular state.

Taxes are a small part of doing business, piling in comparison with costs such as energy, labor and transportation. According to the West Virginia Development Office, business costs in West Virginia are 14 percent below the U.S. average. West Virginia has the lowest industrial electricity costs in the nation. These factors are much more important in attracting business than lower taxes.

Instead of cutting corporate taxes by over \$100 million dollars each year, consider if we invest that money in West Virginia - its people and its infrastructure:

- 30 percent of our youngest children live in poverty. We know that poverty brings risk factors which can stunt a young mind and put a child on the path to lifelong failure. James Heckman, Nobel prize-winning economist, and many other distinguished economists including Art Rolnick, chief economist for the Minneapolis Federal Reserve Bank, insist that investing in early childhood education is a good economic development strategy for states. The Marshall University Center for Business and Economic Research says that West Virginia could expect a \$5.20 return on investment for every dollar invested in early childhood education.

Investing \$100 million or more a year in West Virginia's youngest children could create a world-class early childhood system, which could be a model for the country and make West Virginia the place where educated young professionals would want to raise their children. Imagine a West Virginia with the best early childhood education system in the world!

- Investing \$100 million a year could also help improve our K-12 education system by improving teacher salaries and supporting other quality improvements in the quality of K-12 education.
- \$100 million a year could help achieve high-speed Internet infrastructure everywhere in West Virginia. What a boon that would be for the state's economy.
- Imagine investing \$100 million in West Virginia Medicaid. It could improve our health-care system and provide health insurance coverage to many of the 250,000 West Virginians who now do not have access to affordable health coverage. \$100 million invested in Medicaid would generate an additional \$300 million in federal support to cover the uninsured and pay for community-based programs for the elderly and people with disabilities. Investing in health care would help not only the uninsured but businesses strapped by increasing employee health-care costs.

Increased health coverage would lower the cost of health care for business and attract more new business to West Virginia than any corporate tax cuts. Affordable health coverage would support entrepreneurs and a new "creative class" in West Virginia. It is well known that one of the major barriers for individuals to create new businesses is the lack of affordable health insurance coverage. Many bright and talented people in West Virginia and elsewhere who could form the basis of a new creative economy remain stuck in traditional jobs mostly for health security reasons. Imagine the creative economic power that could be unleashed if families had access to affordable health coverage and did not have to worry about the threat of a health care catastrophe.

Instead of giving millions in tax cuts to corporations who may or may not re-invest some or all of it in West Virginia, why not invest our resources in our people and the public structures that create the long-term economic gains that we so desperately need in order to move West Virginia toward a shared prosperity.

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