Editorial: Is There a Supply Sider in the House?

July, 2002

Words that may live in infamy: “It’s time to raise taxes.”

Those simple five words led Oregonian assistant editor Dave Reinhard’s June 6 column, the “throw in the towel column” that helped set the tone for Oregon’s “head-in-the-sand,” “tax-raising,” “mind-numbing,” “death-defying,” special session.

Not since Chicago children yelled out “say it ain’t so Joe,” to Shoeless Joe Jackson in 1919 about eight baseball players fixing the 1919 World Series, has there been such distress about one pundit’s change of heart—to bleeding heart. Okay, we exaggerate, a little, but still, Dave Reinhard’s about face, in your face, article that “everybody needs to give to get a little,” kinda kicked conservatives when they were down, kinda kicked them in the gut.

Some conservatives even wondered if someone had snatched Reinhard and replaced him with a middle-of-the-road, let’s-all-build-consensus “podperson.”

Why the kick? Giving a little to get a little…that may be the story of love…but it’s not the story of how a state in a recession deals with a budget crisis.

News Bulletin: You don’t raise taxes during a recession!

The popular conservative columnist Reinhard knows that; every one knows that, silly. Monetarists know that. Supply siders know that. Gold Standard purists know that. The Chicago School economists know that. Even endangered species like Keynesian economists sometimes know that.

Thirty-nine states in America know that.

Thirty-nine states faced with budget deficits cumulatively approaching $50 billion dollars knew that. Wrote James Mayer of The Oregonian two days before Reinhard did his official towel throwing exercise: “A recent survey by the National Association of State Budget Offices found that 39 states have been forced to cut previously approved budgets so far this year by a total of $15 billion. Governors in 16 states have proposed spending less in 2003 than they will this year. Twenty-six states have used across-the-board spending cuts, 11 states have laid off workers, and three states have encouraged early retirements.” Even the liberal Minnesota legislature voted to balance the budget solely through spending cuts, despite libertarian Gov. Ventura’s preference for tax increases.

Oregon, on the other hand, has not…not done any of these things. While thousands of Oregon businesses have had to look at sobering bottom lines and cut budgets in ’02, state government has grown by over 92 percent in the last ten years, averaging nine percent a year, yet inflation is less than two percent.

Folks, this is simple stuff. Any mathematician, statistician, number cruncher, person with a stubby golf pencil will tell you that expenses can't grow at nine percent a year when revenues are growing at zilch, or retracting.

So why in Oregon is common sense not even given a chance? Why have our legislators decided to keep themselves, their policies, and the public immune from business realities? Or as tax activist Don McIntire explained to Dave Reinhard when he was trying to talk him out of writing a "pro-tax" column, "If private citizens have to experience the vicissitudes of of everyday life, so should the government."

Besides raising taxes there were many ways to fix the revenue shortfall that wouldn't have harmed an already weak economy that the weak legislature couldn't grasp:

- Eliminate the Oregon Economic & Community Development Department and their 140 employees. (They've already spent 2.4 billion dollars, and what they've accomplished is creating the highest unemployment in the nation)
- Privatizing OLCC
- Across the board two percent cuts for all departments (it is what businesses do during times of recession)
- A hiring freeze
- Eliminate non-essential new programs such as the increases to the Oregon Children's Plan (the intrusive program which asks government workers to make "at risk" assessments of every newborn Oregon baby: savings $67 million.)
- Restructure Oregon's PERS system.
- Eliminate excess bureaucracy at Oregon's Department of Education (the state has more than 100 employees hired to implement an exam, CIM-CAM, that students, parents and teachers don't want.

If all this common sense sounds like it will take leadership…it will. But leadership we must have. Why?

Because, (one more time the refrain) Oregon has the highest unemployment figure in the nation, yet it's also the last state to consider doing what any business would do when their books don't balance…that is…cut spending. If you've got the worst economy in the country, then you have to know that raising taxes will only make that economy worse, much worse.

Already Oregonians are starting to feel that this decade is eerily reminiscent of the early 1980s when unemployment reached 12.5 percent. Already Oregonians know fellow Oregonians who are thinking of relocating their families, their companies out of state. Already it looks as if opportunity may be someone else's dream…and something that may not happen here again for sometime.

When the state legislature arrives at an emergency special session in a rough economy and has only one answer—raise taxes, and when other states, states that didn't gut their resource economies, or didn’t discourage innovation, are reacting so much more “on the mark” than Oregon—then it’s hard not to want to vote with your feet.

Recessions are man made. We in Oregon seem to be pretty good at making them. Too good. If we’re smart, we’ll get that towel out of the ring.