



Vermont should learn from other states

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Vermonters are understandably proud when the state appears at the top of a list ranking states according to their success in improving access to education or health care or decreasing violent crime. Positive high rankings are seized upon by government agencies, politicians and newspapers to prove to them and us that, yes, everything is working great.

But there are a number of ranking polls where Vermont does not fare well. These usually have to do with economic issues and general prosperity. A look at these studies and their conclusions about the general fiscal picture is worth noting.

For instance, the "Ten worst states to retire to" list recently compiled by TopRetirements.com, placed Vermont near the top with a ranking of four. States were judged on five criteria: fiscal health, property taxes, income taxes, cost of living, and climate. Climate, of course, is a personal preference and helps explain why the top 10 was dominated by northern states (the only New England state outside the top 10 was New Hampshire) but there is no disputing the high taxation numbers that pushed Vermont near the top.

Vermont's top marginal income tax rate is 8.95 percent and state sales tax is 6 percent. Property taxes are high in comparison to other states; there is an estate tax and Vermont is one of the few states that taxes Social Security benefits, as well as most pensions. Overall the tax burden in Vermont came in at 8th highest in the nation at 10.3 percent.

Add that to a relatively high cost of living (partially caused by taxation as well as burdensome land use regulations that push real estate prices upward) and it is understandable why retirees might look elsewhere to enjoy amenities similar to those of Vermont without the higher price tag.

Number four is significant, but how about a list where we're number one? That would be the Moocher index, a list compiled in 2010 by Dan Mitchell of the Cato Institute. Mitchell wondered if the residents of some states are more willing than those of others to sign up for government entitlement programs. Using an earlier study of welfare dependency rates, Mitchell subtracted each state's poverty rate and came up with the number of non-poor residents receiving government assistance. Vermont blew the competition away, coming in first by a wide margin over second-place Mississippi, which barely beat Maine.

With a ranking of 31 New Hampshire was once again the only New England state ranked outside the top ten. This measurement of government dependence was dominated by northeastern states with large tax burdens. It would be interesting to see if residents of the moocher states felt less justified in using government programs if they were allowed to keep more of what they earn in the first place. It's not unfathomable that many see these programs as a rebate on their own hefty tax payments.

Finally, Vermont did rank near the bottom of another recent study but not in a good way. This was the American Legislative Exchange Council's fifth annual Rich States, Poor States report, which ranks states according to a variety of tax, spending, and regulatory policies. Vermont was not at the actual bottom -- our neighbor to the west, New York, earned that distinction -- but at 49 it was

as close as it could get. Once again Vermont was joined in the bottom 10 by all of her New England sisters except New Hampshire.

An interesting conclusion of the study is that high-ranking states are attracting people while low-ranking states are losing population.

States are much more than outlines on a map -- they consist of living, breathing, working individuals who are looking to make the best lives for themselves and their families. Though Vermonters often seem to regard the state as above the money fray, or is at least worth paying extra for, the truth is the same laws of economics are at work here as elsewhere. Money represents the time, effort, skill and education poured into a job or profession. Those who make that kind of investment are looking for a good return.

When opportunities arise elsewhere people take advantage of them. More and more opportunities appear to be in places outside Vermont. Our standard policy of raising taxes and growing government will backfire as more people vote with their feet and move to more friendly economic climates. As this happens state revenues will fall and the tax burden will land more heavily on remaining Vermonters. At some point, they, too, will leave -- or rebel.

The lesson Montpelier should learn from the many comparative economic studies available is that low taxes and less government interference produce living environments where people thrive. This is especially important if we hope to keep our young people, who increasingly seek opportunities outside our state and can easily find them just a few miles to the east. Vermont can reverse that trend by improving its own economic climate and giving them a reason to stay home.

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