

Getting foothold in a 21st century economy vital

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Competition surrounds almost any aspect of our lives — sports, education, the economy. Indeed, most find virtues in competition. Those who have the best strategies and practices see the better outcomes, financial and otherwise. But, for some reason, governments historically have shied from this theory.

State governments (and government, in general) don't seem to understand that if goods or a service doesn't serve a useful purpose, you don't buy it. Families get it. Businesses get it. Governments largely seem to ignore it; but this is starting to change, thankfully.

And there are plenty lessons to be learned in this year's State Business Tax Climate Index, a paper from The Tax Foundation, a nonpartisan tax research group based in Washington, D.C.

The review was built off five weighted components — corporate, individual income, sales, property and unemployment insurance taxes — that were used to rank all 50 states. At 32, Louisiana is neither in the best 10 nor the worst 10 states when it comes to evaluating its system of taxation. In essence, our state government isn't horrible but has room to be more competitive nationally (and globally) via taxation.

Consider the words of Dick Armey, a former majority leader for the U.S. House of Representatives, during a 2009 keynote for the Tax Competition Conference in Washington, D.C., sponsored by the CATO Institute: "The real level of taxation is the level of spending. Whatever they are spending is, in fact, the real level of taxation."

When one examines tax competition between states, untainted hard data are revealed. What does the data say? State economies should be more lively than

they are. Same goes for the federal economy. The problem is governments generally lack self-restraint in use of their "tools of deception," as Armev calls central banks, and the ability to incur massive debt at will. And there's something to be said for use of restraint. According to Armev, where you have governments that practice rigorous self-restraint, you see those being the locations where businesses are locating.

Another Tax Foundation survey says our state may be heading toward the right direction in this respect. In the report "Location Matters: A Comparative Analysis of State Tax Costs on Business," Louisiana ranks 10th overall for tax rates that benefit mature operations and second overall for newly established operations. The state ranks first in four of the 14 model categories used to test tax competitiveness. Two of the first-place ranks are for new capital-intensive manufacturing and new labor-intensive manufacturing. Louisiana also ranks first in both new and mature research and development operations. That's mostly due to having the third-most generous research and development tax credit in the nation. Obviously, we stand to benefit from how we structure our taxation (the more competitive, the better).

We encourage our representatives in Baton Rouge and locally to continue to push for more competitive and less deceptive taxation. It will help us win jobs from the national and global market, which is a necessary part of any economy operating in the next 50 to 100 years. That means taking a harder look at how we are spending what's already coming into state coffers and asking, "Are we getting the best for our money?" If that answer is anything but "yes," we need to look at what's not working.