

The Illinois Downgrade: Liberalism Fails Again

There is no reason to take the Left seriously about the joy of tax increases.

by John Hayward

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It didn't get a lot of media attention, but a couple of weeks ago, Moody's downgraded the credit rating of Illinois to A2, giving it the worst credit rating among all of the United States. This was terribly disappointing to the [Chicago Tribune](#):

Though Illinois took steps in the last year to address its fiscal crisis, including a temporary hike in the corporate and personal income tax rates, the steps did not lift the ratings on its debt.

As the state prepares to take \$800 million in general obligation bonds to market next week, two of the three major credit rating agencies kept their ratings the same and one downgraded its rating a notch, which means Illinois continues to lag most other states. The bond issue will help finance school, transportation and other capital projects.

(Emphasis mine.) Gosh, they did everything right in the Land of Lincoln, and still ended up with a downgrade. There might be more downgrades to come, as Fitch Ratings doesn't sound very confident:

"Challenges remain, including addressing increasing spending demands in the general fund from Medicaid and rising pension costs, enacting a plan to reduce the outstanding accounts payable balance, and maintaining budgetary balance in light of the temporary nature of the tax increases," Fitch wrote in its report, issued Thursday.

So what measures failed in Illinois? What philosophy of government was a total bust? Why, it was a perfect expression of the governing philosophy of Chicago's favorite son, President Barack Obama. They did literally *everything* the national Democrat Party wants the entire country to do: out-of-control spending and huge soak-the-rich, sock-it-to-corporations tax increases. It was an unmitigated disaster, and they're still \$7 billion in the hole. The *Wall Street Journal* was moved to call them "The Greece Next Door" (article behind a paywall, but [Daniel Mitchell of the Cato Institute](#) has some excerpts.)

Incidentally, this Midwestern "Greece Next Door" is next door to Wisconsin, which actually *did* balance a horrific Democrat budget under a Republican governor... who is now the target of a frenzied recall effort from deranged leftists carrying stacks of fraudulent recall petitions. Don't worry, Wisconsin voters! If you lose the War On Taxpayers, you'll get to be Greece, too.

Mitchell sums up the painfully obvious lessons from the Illinois downgrade, which are being taught with even more vigor in Europe. To paraphrase:

1. If you raise taxes to reduce the deficit, politicians will simply spend the extra money. They always think the existing deficit is sustainable, concern about deficits is overblown, and the day of reckoning will never come.
2. Raising taxes never pulls in anywhere near as much money as politicians promise, because people and corporations take action to avoid the taxes. These actions are generally detrimental to the overall economy. At higher levels, taxes begin cannibalizing the economic machinery that fuels growth, meaning there is less productive activity to tax, and government revenue "mysteriously" collapses.

3. The targets of tax increases *always* have the option to escape the system entirely. This is true at the national level as well, as you can see from “outsourcing” and capital flight, which Democrats only pretend to care about when they are out of power.

History provides very few examples of a tax increase that raised anything close to the promised revenue, or tax increases that actually were used for significant debt reduction. In fact, it’s hard to find a case where tax increases were coupled with spending cuts, and the spending cuts actually happened at all. Have you noticed these deals *never* involve immediate, real, verifiable spending cuts (not just slight reductions in the rate of spending growth), to be followed with a tax increase somewhere down the line, once all the spending cut goals have been met?

Why doesn’t a deal like that ever appear on the table, not even once? If we supposedly can’t trust the American people to submit to the tax increases after Big Government completes its spending cuts, why are we expected to place absolute faith in the reverse proposition... no matter how many times politicians have betrayed that faith?

And yet, the American voter continues to take liberals seriously when they claim ignorance of this history, and promise that *this* time, everything will work as planned. There is no more absurd pronouncement in American politics, and those who make it should be greeted with nothing but derisive laughter.