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Progressives and Their Taxes Kill Cities

By Chuck Rogér

High taxes are bad for cities. Low taxes encourage growth. In fact, between 1980 and 2007, compared to the ten most-taxed metropolitan areas, America's ten least-taxed metropolitan areas experienced three times faster population growth, 2.7 times faster employment growth, and twice as great an increase in personal income. In the latest Cato Journal, economist Dean Stansel observes:

> If high-tax, low-growth metro areas like Detroit, Milwaukee, Buffalo, and Syracuse want to be more like high-growth areas such as Dallas, Tampa, San Antonio, and Austin, they should lower their onerous burden of taxation and bring spending under control.

Yet does any objective observer of today's ruling-class elitists think that the progressive mayors of humdrum cities would even consider embracing the fiscally conservative strategies of America's hands-down winners? Past or present tax-and-spend governors of Michigan, Wisconsin, and New York are not likely to abandon a failed ideology and acknowledge the successes of Texas and Florida.

This is because ideology paralyzes -- and so does taxation.

The paralyzing effects of taxation come into focus when comparing highly and poorly performing metro areas. For instance, at a combined 8-percent state and local tax rate, the Bradenton-Sarasota-Venice, Florida area grew its population, employment, and personal income at rates 466, 6.4, and 4.9 times faster than 12.6-percent-taxed Syracuse, New York. Admittedly, taking into account a host of contributing factors would yield a more comprehensive assessment of the ways in which cities develop their respective economic conditions. But dragging in multiple other considerations would also distract from a fundamental truth: libertarian taxation and regulatory structures attract businesses, grow jobs, increase population, and boost individual incomes.

The effects of taxes and regulations can be illustrated by expanding on two of Stansel's statistics: six of the ten fastest-growing metropolitan areas exist in states which levy no personal income taxes, while *all ten* of the slowest-growing areas languish in the highly taxed Northeast and Midwest. The stark distinction is nothing new. A year ago, I discussed the findings of the Cato Institute's Dan Mitchell, who analyzed a database that includes government assistance recipients who could not, by any stretch, be classified as "poor." I summarized Mitchell's "Moocher Index" findings:

1. 6 of the top 10 (in fact, 4 of the top 5) states with the most moochers are in the Northeast.
2. 11 of the top 30 mooching states are on the East Coast.
3. Fully half of the top 20 mooching states are on either the East of West Coasts.
4. Half of the ten states with the lowest percentage of moochers are in the West, but not the West Coast.

In essence, America's self-reliant spirit has fled its birthplace. To catch up with this spirit, one must head west, but certainly not to the Midwest or West Coast. A Tax Foundation analysis of business climates indicates that four of the five most business-friendly states are located in the mountain-state West. The East Coast, West Coast, and Midwest contain *all ten* of the most hostile states. Furthermore, the Tax Foundation's 2010 analysis of combined local and state tax burdens showed:

- seven of the ten worst states are on the East and West Coasts, with
- eight of the ten best in the South and West.

And on property taxes:

- eight of the ten highest-taxing states are on the East Coast and Midwest, with
- seven of the ten lowest-taxing states in the South and West.

In summary, regions scoring poorly both on the Moocher Index and on taxation are heavily "progressive" (Democrat) areas, while regions that fare best lean more libertarian (Republican). And Stansel's findings reinforce the probable cause-and-effect relationship between sociopolitical ideology and economic health. Indeed, high-tax, low-growth, and decidedly liberal Detroit, Milwaukee, Buffalo, and Syracuse lie in the economically lagging East Coast and Midwest areas. On the other hand, low-tax, high-growth Dallas, Tampa, San Antonio, and Austin are in top-performing southern and western areas.

Yet let's be crystal clear. The inverse relationship between prosperity and taxation is not a straightforward geographic phenomenon. Stansel finds wide variations even within generally low-tax, high-growth states. Tampa, Florida's level of employment has grown two times faster than that of 14-percent-higher-taxed Miami. It's no surprise that Tampa's population and personal income have ramped up 50 percent faster than Miami's.

The Texas towns of Killeen and Beaumont tell a similar story. Though each city's population reached about 375,000 in 2007, Killeen attained this level by growing 63 percent from a much smaller 1980 baseline. Beaumont has been static -- a meager growth of 1-percent. Moreover, employment and personal income grew three and five times faster in Killeen than in Beaumont. No clear thinker would be shocked at the disparate nature of the two cities' taxation regimes. Beaumont's residents and businesses have been smothering under taxes set 37 percent higher than the levels enjoyed by citizens of Killeen.

High taxation suffocates prosperity. Progressives' religious zeal stifles economic growth. The progressive worldview darkens the human story.

From the unlikeliest place comes a most fitting condemnation of the progressive worldview. In *Emile*, his treatise on education, eighteenth-century Genevan philosopher Jean-Jacques Rousseau -- a father of progressivism -- declared, "Whatever you do, your actual authority can never extend beyond your own powers"[1]. But today's ideologically fixated progressives refuse to give up the pursuit of superhuman dominance. Progressive politicians seek control over others using government force. These hopelessly misguided creatures will always need more and more of other people's money to fund a quest for relevance in their own lives.

A writer, physicist, former high tech executive, and Cajun, Chuck Rogér invites you to sign up to receive his "Clear Thinking" blog posts by e-mail at http://www.chuckroger.com. Contact Chuck at swampcactus@chuckroger.com.