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## Leadership Matters When It Comes to State Economies

By: Dana Ross - October 17<sup>th</sup>, 2012

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Chris Edwards of the Cato Institute highlights four Republican governors in his Oct. 9 op-ed "The Best and Worst Governors on Growth" for their success in delivering stable, pro-growth tax policies. It comes as no surprise that most governors who receive A or B grades in Cato's "Fiscal Report on America's Governors" are Republicans who are committed to tax reform and a slowdown in state spending. Nineteen of the 21 pro-growth governors are Republicans and several in blue states (e.g., Maine, Michigan, New Jersey, Pennsylvania and Wisconsin) inherited accumulated debt that already had taken a toll on their state's credit ratings.

Sixteen governors receiving D or F in the Cato report included three Republicans, one independent and a dozen Democrats. (All five failing grades were earned by Democrats running solidly blue states.) States with weaker than double-A-plus credit ratings on their debt include the usual suspects—California, Illinois and New York. Democratic governors in those states and in other blue states such as Connecticut, Delaware, Maryland, Minnesota and Washington generally define fiscal conservatism as raising taxes to sustain high levels of state spending. The governors recognize that their fiscal policies are unsustainable but hope and pray that the U.S. economy gains steam and provides a tax-revenue bump. Plan B is a federal bailout of some sort (e.g., a guarantee of state debt), while Plan C is leaving office and passing along a fiscal migraine—as well as an outflow of businesses and taxpayers—to the next governor.

The fiscal policy conundrum for conservative governors is that blue-state residents are migrating to pro-growth states (mostly, though not exclusively, red), but they frequently bring along their blue-state politics turning, say, North Carolina purple. Even worse, fiscal conservatives running blue or purple states such as Pennsylvania, Ohio and Virginia may give residents a sense that things are getting better and that might help President Obama's re-election bid. This is an example, yet again, that no good deed goes unpunished.