

# Tuocille GOVERNOR

## TAXES

Between 1965 and 1974, New York State taxes went up 187%, from 2.8 billion dollars to 8.1 billion dollars. Why? Inflation explains only part of the rise; calculated in constant dollars the increase was still a whopping 100%. Nor can the increase be explained by an increase in the number of people in New York or their income; population rose only 5%, and per capita income, in constant dollars, only 25%.

Did taxes go up because there was more need for state services? The two largest items in the state budget are education and welfare. From 1965 to 1974 the number of school age children rose only about 10%, the college age population rose about 25%, and the number of poor (defined by their level of income) adjusted for price rises, actually fell.

Why did taxes rise, if not because of an increased need for state expenditure? The answer is that the level of taxes and spending has little to do with any "need" for government action. People in government, like the rest of us, have no difficulty spending money — if they can get it. What limits state spending is not any reluctance on the part of state governments. The limit on expenditure, the only practical limit, is the amount that the politicians of the state can persuade the voters of the state to let them take. Taxes rose, in New York as elsewhere, because once taxpayers have become accustomed to paying a certain amount, it is difficult for them to refuse to vote "just a little bit more" for some new worthy purpose. The little bit more can never come from tax money that was allocated last year to last year's worthy purpose; that money is going for the salary of state employees, busily serving last year's purposes, who will kick and scream and send delegations to Albany if anyone suggests that their budget be cut. So the only place this year's little bit more can come from is the taxpayer's pocket. And the taxpayers, already paying so much, find it hard to refuse just a little more. And more. And more. Thus a steady increase in government spending has gone on, year after year, under Democrats and under Republicans. We believe it should be stopped. Now.

Increased government spending cannot be stopped by fighting it issue by issue, bill by bill. On each specific case the interest of the individual taxpayer is too small — a few pennies here, a few pennies there. And on each specific case the interest of those who are getting the money, or hope to get it, is too great. Nor can government spending be fought successfully by arguing over each new tax, or each increase in an old one. The tax system is already so complicated that no taxpayer knows how much he or she is paying, directly, or indirectly, to Albany.

The only way to stop increased government spending is for the voters to put an absolute limit on total spending and total taxes. The lobbies, the special interests, the government employees, can then fight each other for their slices of the pie, instead of joining forces (as they do now) to milk more and more from the taxpayers.

We therefore propose a constitutional amendment to limit next year's spending and next year's taxes to the level of this year's. Since present spending is already far too high,

we further propose that the limit shall decrease by five percent of its original value each year thereafter. The reduction is to cease as soon as the voters of the state conclude that they are not being taxed enough, and so repeal or alter the amendment.

The complicated structure of the present tax system makes it difficult for the voters to know how much they pay for what they get. It benefits only tax lawyers, accountants, and demagogues trying to persuade each voter that someone else will foot the bill. So we further propose that the reduction in taxes should take the form of the successive reduction to zero of each of the various forms of state taxation, starting with whichever tax brings in the least revenue, proceeding to whichever is next, and so on up the line. We would except only those so called "use taxes" which are really not taxes at all, but charges to those who choose to use particular state services. We recognize, and applaud, the fact that the so called "luxury" or "sin" taxes will be among the first to go. We see no reason why alcohol or tobacco should be taxed any more than anything else. The term "luxury tax" suggests that these taxes hurt only the rich; in fact, lower income consumers, on average, spend a larger fraction of their income on tobacco and alcohol than higher income consumers; the so called "luxury taxes" actually hit the poor especially hard. As to the idea of a "sin tax," we do not regard the suppression of sin as the legitimate business of the state department of revenue.

As another step towards letting the taxpayers know how much they pay, we favor the abolition of the withholding of income tax. The withholding system, by collecting money before it gets to the taxpayers, keeps them from realizing how much is really being taken.

Opponents of these proposals — doubtless including both major parties — will argue that next year we will need more government spending for one or another of a thousand urgent purposes. Otherwise the streets will be filled with criminals, the schools with illiterates, the slums with starving poor. We would make three replies. First, it is a curious fact that five years ago, ten years ago, when the level of state spending was far lower, we somehow muddled by. Second, the same people who will argue next year for more spending for a new program to solve some new ill, argued five years ago and ten years ago for more spending, and got it. In most cases, that spending did not solve the ills it was supposed to solve. If a new and better program is needed, why not pay for it by abolishing some of the old failures? Lastly, the supporters of more and more spending seem to forget that the money must come from somewhere — come, in fact, from the same "people" for whom the money is supposedly being spent. It is not a choice between ten dollars spent on hospitals (or schools or whatever) or nothing. It is a choice between ten dollars spent by the taxpayer on whatever he thinks most worth spending it on, and ten dollars spent by the state government on what it thinks most worth spending it on. The whole argument that we "need" taxes reduces to the assertion that we need someone — the politicians, the bureaucrats, the apparatus of state government — to tell us how to spend our money.

It is interesting to note that in California, where a similar proposal recently failed by a narrow margin, virtually every organization working against the proposal was the representative of one group or another of state employees — people who are paid by tax money. It is clear enough why **they** wanted more money collected in taxes. And only they.