

LEGISLATIVE
PRINCIPLES
SERIES

NUMBER 2

One in a series of brief guides to the most important public policy issues of the day, written especially for elected officials and other opinion leaders.

Ten Principles *of* State Fiscal Policy

BY JOSEPH L. BAST
STEVE STANEK
AND RICHARD VEDDER, Ph.D.



Series Preface

The purpose of this series of booklets called *Legislative Principles* is two-fold: To compile and express concisely legislative principles based upon research evidence too voluminous for most legislators, policy analysts, and interested citizens to read; and to complement the news reporting in The Heartland Institute's four monthly public policy newspapers, *School Reform News*, *Budget & Tax News*, *Health Care News*, and *Environment & Climate News*.

Each booklet in this series presents a set of fundamental principles central to the debates about a major public policy issue. Each principle, in turn, is carefully documented to enable readers to find the original sources, many of which are on The Heartland Institute's Web site (www.heartland.org). An electronic version of this booklet, also posted on Heartland's Web site, has links to the URLs of many of the sources cited.

By design, Heartland's public policy newspapers focus on news and contain factual accounts about current events, policies, and legislation. The booklets in the *Legislative Principles* series, on the other hand, set forth enduring principles that are likely to remain valid and relevant to legislative policy in the next decade. They can help busy legislators rapidly prepare themselves to discuss and even propose new legislation in areas they may not ordinarily follow closely.

We hope the series forms a mini-library for elected officials, their staff, and concerned citizens. Kept on a desk or in a drawer, the booklets can form a ready reference on major legislative issues and policies. We also hope you will distribute copies to friends and colleagues who share your interest.

This booklet can be downloaded for free from The Heartland Institute's Web site at www.heartland.org. Permission is granted to make additional copies. Additional copies also may be ordered from Heartland by following the instructions on page 18.

We thank Chris Atkins, John Berthoud, Robert Genetski, Jason Mercier, and John Skorburg, who provided encouragement and substantive suggestions on drafts of this work, and we are grateful to Diane Bast, who proofread the final product and made many valuable editorial suggestions.

Herbert J. Walberg
Series Editor and
Chairman, The Heartland Institute

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About The Heartland Institute

The Heartland Institute is a genuinely independent source of research and commentary. Founded in Chicago, Illinois in 1984, Heartland's mission is to discover and promote free-market solutions to social and economic problems. Such solutions include parental choice in education, choice and personal responsibility in health care, and market-based approaches to environmental protection. Its activities are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

The Heartland Institute
19 South LaSalle Street #903
Chicago, Illinois 60603
phone 312/377-4000, fax 312/377-5000
www.heartland.org

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Why Do We Need Principles of State Fiscal Policy?

Sound fiscal principles promote economic growth, protect citizens from uncertainty and excessive taxation, and help lawmakers deal with tough economic times.

Legislators must balance the conflicting demands of taxpayers, beneficiaries of public services, and interest groups inside and outside government. The work of state elected officials, always difficult and important, has been made even more so by the rapid growth of state government in recent years. Consider, for example, the following measures of state government growth:

- From 1991 through 2001, total state spending grew by about \$556 billion, an 88 percent increase over 1991 spending. The average annual spending growth rate for the period was 6.57 percent, more than double the combined average annual increase of 2.2 percent in prices for government purchases and 1 percent in population.
- State revenues, including taxes and fees and federal grants, grew from 4.63 percent of Gross Domestic Product (GDP) in 1961 to 8.58 percent in 2001.
- Per-capita state spending in current dollars climbed 25-fold, from \$131 in 1961 to \$3,282 in 2001 (Snell, Eckl, and Williams 2003).

With the spread of term limits, more elected officials are new to the job than at any time in recent memory. But they have many sources of advice, starting with the professional staff of every legislature and including such membership organizations as the American Legislative Exchange Council (ALEC), National Conference of State Legislatures (NCSL), and the Council of State Governments (CSG). “Think tanks” such as the Tax Foundation, Reason Foundation, and The Heartland Institute also publish research and analysis, much of it available on their Web sites.

Faced with a steady stream of reports and studies from government agencies and nongovernment advocacy groups, elected

officials can easily lose sight of the principles and lessons that should form the foundation of what they were sent to the state capital to accomplish or protect. These principles are rooted in the American experience and attract broad bipartisan support among thoughtful elected officials.

This booklet presents ten such fundamental principles addressing the tax and budget aspects of state government. These principles do not address matters of social policy, such as abortion and pornography, or regulatory matters such as environmental protection, smoking bans, or telecommunications regulation. Nor do they amount to a political philosophy or ideology.

The ten principles in this booklet *do* provide the reader with an authoritative guide to the following fiscal policy issues facing policymakers in every state:

- *Taxes*: How high or low should they be, what should be taxed, and what are the consequences of changing tax policy?
- *Budgets*: When should states outsource the production of services to private providers? How does the budget process affect spending levels and how can it be improved?
- *Economic Development*: What policies should states pursue to encourage maximum economic growth?
- *Schools, Health Care, and Public Employees*: What policies have other states pursued to control spending and achieve high performance in education, health care, and public-sector employee policy?

Sound principles of fiscal policy can promote economic growth, protect citizens from uncertainty and excessive taxation, and help lawmakers deal with conflicting demands. These principles also can help legislators stay focused on the core responsibilities of state government, rather than straying into less necessary areas whenever extra funds are available.

Suggested readings: Snell, R.K., Eckl, C., and Williams, G., 2003, “State Spending in the 1990s,” www.ncsl.org/programs/fiscal/stspend90s.htm; Evergreen Freedom Foundation, 2005, “State Expenditure and Tax Limit Model Language,” www.effwa.org/pdfs/tel.pdf.

1. Above all else: Keep taxes low

The evidence is clear and has been for many years: High taxes hinder economic growth and prosperity.

Low Taxes Are an American Tradition

“An unlimited power to tax involves, necessarily, a power to destroy.” So said Daniel Webster in a case heard by the U.S. Supreme Court in 1819. This view goes to the heart of why the nation’s Founders believed keeping taxes low is a key fiscal principle for all levels of government.

The Founders waged the War of Independence largely in response to Britain’s excessive taxes on the colonies without their representation in Parliament. They were themselves immigrants from European countries where high and discriminatory taxes had prevented economic growth and were used to penalize politically unpopular groups and raise funds to reward popular groups.

Adam Smith, the great English philosopher and economist whose works the Founders studied, taught that “taxes should be levied only to support a limited government and should satisfy four maxims: equity, transparency, convenience, and efficiency. According to Smith, nations that maintain free markets and limited taxes will maximize their wealth” (Walton 2003).

Except in times of war, the effective tax rate imposed by all levels of government in the U.S. seldom rose above 5 percent prior to 1916 (Rabushka 2002). During the past century, unfortunately, the U.S. has moved far away from the low-tax views of the Founders. Today, total tax burden stands at 31.6 percent of personal income, with the national government imposing a tax burden of 21.0 percent and state and local governments imposing an additional 10.6 percent. (Dubay and Hodge 2006). The typical taxpayer must work 116 days a year just to pay his taxes (*Ibid.*).

High Taxes Cause Slower Economic Growth

High taxes (relative to other countries and states) have a profoundly negative effect on economic growth (Vedder 2001). Nations with lower effective tax rates tend to grow faster than states with higher taxes, accounting for much of the dramatic differences in prosperity between the U.S. and Europe and among European countries (Miles et al. 2006).

Similarly, states with high taxes grow more slowly than states with lower taxes, after controlling for other factors. (Bast and Beck 1990). A ranking of the 50 states by their overall tax burden from 1980 to 2000 shows real personal income grew an average of 96

percent in the 10 states with the lowest state and local taxes as a percent of income. New Hampshire had the lowest state tax burden and a 117 percent real income growth. Real personal income grew just 52 percent in the 10 states with the highest tax burdens (Edwards, Moore, and Kerpen 2003). Moreover, low-tax states that raise their taxes relative to other states experience slower economic growth, even if their total tax burden remains lower than their neighbors (Genetski and Skorburg 1991).

Cutting Taxes Spurs Economic Growth

The history of tax changes at the federal level shows how cutting taxes can spur economic growth. The Economic Recovery Tax Act of 1981, which included a 25 percent across-the-board tax cut, helped real annual economic growth to average 3.2 percent during the 1980s. It had been 2.8 percent during the mid- and late 1970s, and fell to 2.1 percent during the 1990s, a decade that saw tax hikes from Republican and Democratic presidents alike (Mitchell 1996). Similarly, federal marginal tax rate cuts in 2002 and 2003 caused investment in equipment and software to increase almost at once, causing investment, employment, and wage growth to be strong throughout 2004 (Entin 2006, pp. 10-11).

Tax cuts at the state level have also led to more rapid economic growth. From 1964 to 1999, Tennessee's rate of economic growth was approximately 20 percent higher than its northern neighbor, Kentucky. Tennessee maintained low taxes and was one of nine states that had a falling tax burden relative to other states over that period. Kentucky's tax burden, on the other hand, rose sharply (Vedder 1995).

Colorado, with a falling tax burden, outgrew neighboring Nebraska, Wyoming, and New Mexico, all with rising taxes. New York's tax burden increased more than in neighboring Pennsylvania, New Jersey, and Massachusetts, and it grew more slowly than any of them (*Ibid.*).

America's low-tax heritage and the negative economic effects of high taxes show that the first principle of fiscal policy ought to be to keep taxes as low as possible.

Suggested readings: Mitchell, D.J., 1996, "The Historical Lessons of Lower Tax Rates," *Heritage Foundation Background* #1086, www.heritage.org/Research/Taxes/BG1086.cfm; Vedder, R.K., 2001, "Taxes and Economic Growth," Taxpayers Network, Inc., www.heartland.org/Article.cfm?artId=8714.

2. Don't penalize earnings and investment

Taxes on earnings and investment income are particularly harmful to economic growth.

Income taxes have a large negative effect on economic growth. Between 1957 and 1997, real personal income growth was more than twice as high in the states that did not raise their income taxes (or increased them only minimally), compared to states with the biggest increases in income taxes (Vedder 2001).

In the 1990s, nearly three million native-born Americans left the 41 states with general income taxes for the nine states without income taxes. People were voting with their feet to avoid income taxes (Vedder 2005).

Despite much “soak the rich” rhetoric, progressive income taxes have just the opposite effect. Between 1957 and 1997, the tax share paid by those in the top 10 percent of reported income was inversely related to the after-tax income share of the other 90 percent. “In other words, when tax share of the top 10 percent goes up, the after-tax income share of the other 90 percent goes down” (Hartman 2002).

Similarly, taxes on investment earnings slow economic growth by discouraging the business investments that make job creation and economic growth possible. Taxes on investment also discourage saving for future consumption, and they shift current consumption from nondurable to durable goods, such as houses, cars, and boats (Cai and Gokhale 1997; Kotlikoff 1993).

“When a tax is imposed on capital, the quantity of capital employed falls until the rate of return rises to cover the tax, leaving the after-tax return about where it was before the tax. The tax is largely shifted to users of capital and those who work with it” (Entin 2006, p. 14). Reducing taxes on capital by one percentage point increases private-sector GDP by about 1.5 percent, with about two-thirds going to labor income and about one-third going to capital income (*Ibid.*).

States that want more economic growth should lower or eliminate their taxes on earnings and investment.

Suggested readings: Vedder, R.K., and Gallaway, L.E., April 1999, “Tax Reduction and Economic Welfare,” Joint Economic Committee of Congress, www.house.gov/jec/fiscal/tax/reduce.htm.

3. Avoid “sin” taxes

Taxes on specific goods and services are often unfair, unreliable, and regressive.

Excise taxes often are attractive to elected officials because they are not paid by a majority of their constituents and are less visible than broad-based taxes. But they are a poor source of state revenue.

Excise taxes often are imposed unfairly on unpopular products without regard to the costs their users impose on the rest of society. For example, federal excise taxes on beer were raised in 1990 along with taxes on “luxury” items including expensive cars, fur coats, jewelry, yachts, and private airplanes. Yet, when the taxes on the “luxury” goods were rolled back fifteen years later, the higher tax on beer remained (Stanek 2005).

High excise taxes often lead to evasion—such as purchasing cigarettes and even telephone service over the Internet—and if the tax rate is sufficiently high, to underground markets and counterfeiting. Black markets create opportunities for organized crime and can threaten people’s health by leading to the circulation of products that have not been approved nor inspected for safety.

Excise taxes are an unreliable revenue source. They require regular rate increases to keep pace with inflation, whereas income, sales, and property taxes all rise with inflation or economic growth. Because of their narrow bases, excise taxes require relatively high rates to raise funds. High rates, in turn, cause changes in economic behavior that create social costs but no social benefits.

Excise taxes are regressive. For example, people with low incomes not only pay a higher percentage of their incomes on cigarette taxes than do wealthier people, they even pay more in absolute terms. Persons earning less than \$10,000 paid an average of \$81 a year in tobacco taxes, versus \$49 for those who make \$50,000 or more (Bartlett 1998).

Excise taxes originated centuries ago when government’s revenue needs were smaller, interstate commerce was rare, and enforcement was often easier. A strong case can be made that excise taxes are obsolete (Wagner 2005).

Suggested readings: Wagner, R., 2005, “State Excise Taxation: Horse-and-Buggy Taxes in an Electronic Age,” *Background Paper* No. 48, Tax Foundation, www.taxfoundation.org; Sirico, R.A., 2004, “Sin Taxes: Inferior Revenue Sources,” *Budget & Tax News*, July, www.heartland.org/Article.cfm?artId=15293.

4. Create a transparent and accountable budget

Focus attention and resources on providing those services that are the core functions of state government.

The sole purpose of collecting taxes is to finance the core functions of state government. But few states have budget processes in place that enable legislators to identify those functions and measure the performance of state agencies.

Key elements of a transparent and accountable budget process include the following (Evergreen Freedom Foundation 2005):

- Adopt a meaningful tax and spending limit to frame the budget debate;
- Enact a non-partisan revenue forecast process to project budget revenue;
- Utilize performance-based budgeting to make “build or buy” decisions; and
- Utilize independent and comprehensive performance audits with results reported directly to the public.

States can create commissions to determine what their core functions should be. In 1996 the Arkansas Murphy Commission decided the core functions of Arkansas government were to ensure safety, facilitate the “rule of law” and a system of justice, assure proper help is provided to individuals who legitimately cannot meet their own basic human needs, assure educational opportunity exists for all citizens, and act as a responsible steward of public property and the environment (Murphy Report 1999).

Similarly, California’s Governor’s Council on Information Technology said in its 1995 report, “Just as California’s families focus on essentials when their budgets are tight, we want our government doing only what it should do, not what it might do. We do not want government to make a function more efficient if it should not be performing that function at all” (p. 11).

Suggested readings: Williams, B. and Harsh, L., 2003, “The Stewardship Project,” Evergreen Freedom Foundation, www.effwa.org/pdfs/CoreFunctions.pdf; Murphy Report, 1999, “Summary of Key Recommendations,” www.reformarkansas.org.

5. Privatize public services

Privatization is a proven way to reduce government spending while preserving or improving the quality of core public services.

Once a state's core functions are identified, elected officials must decide whether to rely on government to produce goods and services or to rely on the private sector to do so. Privatization is the practice of moving the production and delivery of public goods and services from the public sector to the private sector. Common methods include contracting out, vouchers, public-private partnerships, and load-shedding (Savas 2005).

Costs are often unnecessarily high in the public sector because the discipline of the market is missing. Whereas greater productivity in the private sector is usually rewarded with higher sales, profits, salaries, and stock prices, in the public sector it often means a smaller budget in future years, along with less income and authority for government officials. Rules and regulations designed to hold government employees accountable are no substitute for the feedback private-sector companies get from competition and profit-and-loss statements (Wilson 1989).

Privatization is a bona fide "megatrend" in the U.S. and worldwide (Wolf 1990). Private companies build highways, prisons, water treatment plants, hospitals, airports, and nearly every other facility governments own. They haul garbage, manage public employee pension funds, clean parks, provide security services, and perform other public services. Extensive research shows how private vendors save taxpayers money while improving the quality of services (Hilke 1993).

In 2005, Florida became the first state to fully privatize its child welfare programs. That same year, Indiana contracted out food service at state prisons, expecting to save \$12 million a year, and Chicago took in \$1.8 billion by leasing the Chicago Skyway, an eight-mile stretch of toll road, to a consortium of investors.

How-to manuals and expert advice on privatization are available from the Reason Foundation (www.reason.org), Deloitte Research (www.deloitte.com), and other organizations and consulting firms.

Suggested readings: Segal, G., 2005, *Annual Privatization Report*, Reason Foundation, www.reason.org/apr2005; Moore, A., 2002, "Making Privatization Work for State Government," *ALEC Policy Forum*, American Legislative Exchange Council, September, www.alec.org/meSWFiles/pdf/0222.pdf.

6. Avoid corporate subsidies

Subsidies to corporations and selective tax abatement are questionable politics and bad economics.

Subsidies, tax abatements, low-interest loans, and special worker training are often offered to corporations. Such assistance is unnecessary if general taxes are kept low and uniform. If taxes are high and unequal, a legislator's time is better spent working to change the system. As the John Locke Foundation notes,

Unlike the maintenance of low across-the-board tax rates or the provision of core public services such as education, highways, and public safety, corporate welfare doesn't benefit everyone. It requires public officials to intervene in private markets to decide which businesses or regions are worthy of support. This sets the stage for increased special-interest lobbying, strings-attached campaign contributions, and unethical behavior in public office (John Locke Foundation 2004, p. xx).

Corporate subsidies are also bad economics. Even the wisest public officials cannot allocate resources as fairly or effectively as capital markets, which efficiently set the prices of debt or equity securities issued by companies. Public officials try to pick winners and avoid losers but experience shows they seldom succeed.

A 1999 review of state economic performance found "the states that spent the most on economic development programs were more likely to experience slow job and/or income growth than states with the lowest economic development expenditures" (Gulibon 1999, p. 9).

It is better to leave money in taxpayers' hands than to give it to a few politically chosen individuals and businesses in hopes that they will make the best investment decisions. Lower tax rates benefit the economy as a whole.

Suggested readings: John Locke Foundation, 2004, *Agenda 2004*, www.johnlocke.org/agenda2004/economicdev.html; Gulibon, G., 1999, "Growing Pennsylvania's Economy: Tax Cuts vs. Economic Development Programs," March, The Commonwealth Foundation, www.heartland.org/Article.cfm?artId=3071.

7. Cap taxes and expenditures

A tax and expenditure limitation (TEL) protects elected officials from public pressure to spend surplus tax revenues during good economic times.

Politics causes government spending to rise beyond the level that most people, even most elected officials, believe is ideal. During good economic times, elected officials come under enormous pressure to spend every available tax dollar. During bad economic times, the beneficiaries of new programs oppose any spending cuts. It is a recipe for inefficient government growth, fiscal crises, and tax increases.

Incentives to spend too much exist even without the surplus–deficit cycle. Government’s powers to tax and regulate can be used to concentrate benefits on a small number of beneficiaries while spreading the cost across large numbers of taxpayers, none of whom pays so much as to justify spending time or money opposing the transfer (Olson 1971). “Logrolling”—the practice of trading votes for favorite projects—also results in more spending being approved than any individual elected official might otherwise support (Buchanan and Tullock 1962).

Counteracting these incentives requires constitutional limits on the power to tax and spend. Elected officials cannot be forced to spend money they cannot constitutionally collect or spend.

Restoring correct incentives to government can be done in a number of ways. One approach is to require super-majority votes for tax increases. A better way is to adopt a tax and expenditure limitation (TEL) limiting growth of taxes or spending to the sum of inflation and population growth, so that government grows no faster than the private sector. Any revenue collected above this limit is either saved in a rainy day fund or returned to taxpayers. Colorado’s Taxpayer’s Bill of Rights (TABOR) offers one model for such limitation.

The best TELs are constitutional because statutory limitations are often evaded. TELs can allow voters to override the limit in a special election. TELs also should apply to local governments to avoid cost shifting from the states to local governments.

Suggested readings: Poulson, B., 2004, “Tax and Spending Limits: Theory, Analysis, and Policy,” Independence Institute, www.i2i.org/article.aspx?ID=975; Uhler, L.K. and Poulson, B., 2003, “How to Limit Taxes and Spending,” Oklahoma Council of Public Affairs, www.ocpathink.org/ViewPerspectiveStory.asp?ID=48.

8. Fund students, not schools

States and cities that have experimented with school choice have seen gains in academic achievement.

Free and universal K-12 education is generally agreed to be one of the core functions of state government. But by international and historical standards, public schools in the U.S. are costly and yield poor achievement results (Walberg 2001). According to education economist Caroline Hoxby, the productivity of public schools in the U.S. (measured by dividing a measure of student achievement by per-pupil spending in inflation-adjusted dollars) has fallen more than 50 percent in the past 30 years (Hoxby 2001).

Many of the school districts with the highest per-capita spending—in Chicago, New York, Washington, D.C., and other major cities—report the worst academic performance. Clearly, more money is not the answer (Hanushek 1995).

However, a small number of cities (Milwaukee and Cleveland) and states (Florida, Arizona, Pennsylvania) are experimenting with school choice, and they have seen achievement gains (Holland 2005; Bast and Walberg 2004b).

School choice means parents are free to choose which schools their children attend and public funding follows the student. Some types of choice are severely limited—public school choice programs, for example, give parents a choice only of nearby public schools. Charter schools are free from some of the regulations imposed on regular public schools but still are public schools.

Voucher programs, which pay for tuition even if parents choose private schools for their children, create the most choice and competition and consequently hold the most promise for improving public education. School choice allows parents to play a much bigger role in their children's education—something experts agree leads to higher academic achievement—and gives schools a powerful incentive to set and reach higher standards.

States that are serious about improving the quality of K-12 education and getting more value for taxpayers must expand parental choice in education.

Suggested readings: Walberg, H.J., and Bast, J.L., 2003, *Education and Capitalism*, Stanford, CA: Hoover Institution Press, www.hoover.stanford.edu/publications/books/fulltext/edcap/253.pdf; Bast, J.L. and Walberg, H.J., 2004, *Let's Put Parents Back in Charge!* Chicago: The Heartland Institute.

9. Reform Medicaid programs

Spending on Medicaid can be brought under control without lowering the quality of care received by Medicaid patients.

Next to education, Medicaid is the largest single expense in most state budgets. Costs are rising at double-digit rates in many states, while fraud and abuse take an alarming share of every dollar spent (Herrick September 2005).

States have many tools they can use to rein in spending on Medicaid while improving the quality of medical services provided to its beneficiaries (Arnett 1999). Reforms include:

- Enroll people with preexisting medical conditions in high-risk pools offering subsidized private health insurance (Meier 1999);
- Reduce the price of private insurance by removing unnecessary price controls and coverage mandates, which increase health care costs by forcing consumers to buy insurance coverage for services they don't need (Matthews 2005);
- Limit Medicaid eligibility to the truly poor and limit coverage to those services mandated under federal law;
- Implement disease management programs, which reduce unnecessary drug expenditures while protecting patients with multiple prescriptions from potentially deadly drug interactions (Konig January 2005); and
- Empower state employees and Medicaid recipients with Health Savings Accounts, already popular in the private sector (Guppy 2005).

Florida is a pioneer in redesigning Medicaid to be more patient-friendly and less costly. The state allows private-sector health care provider networks to create benefit packages customized to meet the needs of Medicaid patients, who are permitted by the law to opt out of Medicaid plans and use their state-paid premiums to purchase private insurance (Konig August 2005).

Suggested readings: McClaughry, J., Blankenship, G., and Van Winkle, M., 2004, "A Health Care Reform Agenda for Illinois," Springfield, IL: Illinois Policy Institute; McClaughry, J., 2001, "A Health Care Reform Agenda," State Policy Network.

10. Protect state employees from politics

State and local governments should be prohibited from deducting funds used for political purposes from the paychecks of public workers.

Members of public-sector labor unions are forced to pay dues, with much of the money going for political activity not supported by the rank and file. Although the Supreme Court in the *Beck* decision outlawed this practice, it continues (Almasi 1998; Denholm 2005).

State and local governments condone this practice when they collect union dues from public workers, including the portion used for political activities. Legally there is no reason why state and local governments should do this for unions, and ethically there is reason enough to believe they should be prohibited from doing so without the explicit written consent of individual employees.

As Thomas Jefferson wrote, “To compel a man to furnish contributions of money for the propagation of opinions which he disbelieves and abhors, is sinful and tyrannical.”

A 2004 Zogby poll showed 63 percent of respondents support giving union members the right to object to their dues being used for political purposes. Nearly 61 percent of union members agreed (Zogby 2004).

David Denholm notes, “labor leaders face stiff opposition on key questions of union reform—not only from the general public but also from their own members. These questions include whether workers should be free to choose or decline union membership (‘right to work’), who should control whether union dues are used for political purposes (‘paycheck protection’), and whether there should be extensive financial disclosure of union expenditures” (Denholm 2004).

In each of these areas, elected officials can enact legislation protecting government workers from politics, thereby reducing pressure for bigger and more expensive government.

Suggested readings: Denholm, D.Y., 2004, “Do Americans Support Labor Unions?” *Labor Watch*, Capital Research Center, June, www.capitalresearch.org/pubs/pdf/06_04_LW.pdf; Summers, A., 2005, “California’s Proposition 75: Paycheck Protection,” *Commentary*, Reason Foundation, November 3, www.reason.org/commentaries/summers_20051103.shtml.

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Additional Resources

1. *Crisis in State Spending: A Guide for State Legislators*, by Richard Vedder et al., published in 2002 by the American Legislative Exchange Council. It is available online at www.alec.org/meSWFiles/pdf/TaxCrisis.pdf.
2. *Tax and Spending Limits: Theory, Analysis, and Policy*, by Barry Poulson (Golden, CO: The Independence Institute, 2004.) Full article is available online at www.i2i.org/article.aspx?ID=975.
3. *PolicyBot™*, The Heartland Institute's free online clearinghouse for the work of other free-market think tanks, contains thousands of documents on taxes, budgets, privatization, and other fiscal issues. It is on Heartland's Web site at www.heartland.org.
4. *Budget & Tax News*, a free monthly publication from The Heartland Institute. To subscribe, visit www.heartland.org or send name and address to The Heartland Institute, 19 South LaSalle Street #903, Chicago, IL 60603.
5. *Ten Principles of School Choice*, the first in Heartland's *Legislative Principles Series* (2005), www.heartland.org/Article.cfm?artId=16856.

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Directory

The following national organizations support sound state fiscal policies. For a list of state organizations, go to www.heartland.org and click on “links.”

American Legislative Exchange Council, www.alec.org

Americans for Fair Taxation, www.fairtax.org

Americans for Limited Government, www.getliberty.org

Americans for Prosperity, www.americansforprosperity.org

Americans for Tax Reform, www.atr.org

Cato Institute, www.cato.org

FreedomWorks, www.freedomworks.org

Heartland Institute, www.heartland.org

Heritage Foundation, www.heritage.org

Hoover Institution, www.hoover.stanford.edu

Manhattan Institute, www.manhattan-institute.org

National Center for Policy Analysis, www.ncpa.org

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Authors and Editor

Joseph L. Bast is president of The Heartland Institute.

Steve Stanek is managing editor of *Budget & Tax News*.

Richard Vedder, Ph.D. is distinguished professor of economics at Ohio University and a policy advisor to The Heartland Institute.

Series Editor **Herbert J. Walberg** is chairman of the board of directors of The Heartland Institute.

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The Heartland Institute
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