

# Time for TABOR in Texas!

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Texas' existing fiscal restraints are too weak. The current spending cap based on expected personal income growth may be overridden by a simple majority vote in both chambers. That cap will be tested by the temptations inherent in a multi-billion dollar surplus. Small tax cuts are likely just because politicians like to have it both ways; say yes to as many spending pleas as possible, and still be able to claim that they cut taxes. But much larger tax cuts may be needed in this time of plenty to: 1.) keep the government confined, as much as possible, to the few limited tasks which it can perform with reasonable efficiency, and should perform because the private sector cannot; and 2.) keep us out of the fiscal stress and pressure to increase taxes that results when politicians spend too much of the bounty of good times, and then face an ocean of red ink when economic activity slackens.

Texas needs a constitutional amendment creating a Taxpayer Bill of Rights (TABOR) that is slightly better than already exists elsewhere, most famously of late in Colorado. For example, the Colorado version limits state spending growth rate to inflation plus population change, and requires taxpayer approval of new taxes and spending above the growth caps. Leftover revenue above permitted spending growth becomes refunds to taxpayers.

I'm going to deal with the issues raised by fiscal restraints in future pieces in this space. I want to conclude this piece with an explanation why every state needs a carefully crafted TABOR. It is NOT because politicians are evil people out to tax us to death on behalf of cronies beseeching the legislature for more money; never enough. Insofar as the character of public officials is concerned, quite the opposite is the truth. The vast majority are highly intelligent, high-class people mostly seeking to represent their constituents and pursue the public interest as they understand it. The problem is the political process. We define accountability through elections. Careful kow-towing to special interests can win votes. You see, spending programs and rules benefiting special interests can change the votes of the people that directly benefit. Per program, the increased spending per taxpayer is so small that very few voters would notice, much less change their vote as a result of a new government program supported by existing revenues. Likewise, cutting a government program angers its beneficiaries enough to change some votes, but the spending reduction benefits are spread so widely that it isn't enough per person to notice, much less cause someone to vote differently.

States need a well-crafted TABOR because the political process is strongly biased in favor of increased spending when additional revenues are suddenly available, and against cutting when revenues are down. TABOR avoids a ratchet effect of ever larger government as booming activity increases spending, and then reduced economic

activity begets a mix of spending cuts and tax hikes that leaves the government bigger with every repetition of the business cycle. For those interested in a detailed analysis of tax and expenditure limits see: <http://www.i2i.org/articles/2-2004.pdf>