



ADVANCING LIBERTY
WITH RESPONSIBILITY
BY PROMOTING
MARKET SOLUTIONS
FOR MISSOURI
PUBLIC POLICY

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TESTIMONY

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AS GOVERNMENT EXPANDS, LIBERTY CONTRACTS

by Christine Harbin

Presented Before the Missouri House of Representatives Downsizing State Government Committee considering House Joint Resolution 11

Thank you for the opportunity to address you today. My name is Christine Harbin, and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan, Missouri-based think tank that supports free-market solutions for the state's public policy challenges. My testimony today is intended to provide an explanation of House Joint Resolution 11, the Budget Stabilization Act, and the effect that it would have on the Missouri economy. As a general matter, placing limits on state expenditures will benefit Missourians.

Raising revenue through small tax increases, or through asking the voters in Missouri for large tax increases, may be easier than reforming expenditures, but higher tax rates slow economic growth. Reforming expenditures and placing limits on government results in long-term savings and efficiency gains, and makes the state more competitive. Missouri has such limits in place to a certain extent, with the Hancock Amendment, but this proposal goes further and would help our state.

H.J.R. 11 would limit the growth of government by ensuring that appropriations grow only in proportion to the growth of Missouri's population and the rise of inflation. This would have the effect of indexing current appropriations levels to inflation, except to the extent that Missouri's population grows, which would hold real government spending constant at a per person level. Missouri's government could only expand to the extent that it has more people to serve. However, H.J.R. 11 does provide two methods of overcoming this appropriations limit. Tax or fee increases, whether passed by legislators or approved by voter initiative, are not subject to the limitation. Additionally, the limit may be overridden if the governor declares an emergency and the General Assembly passes emergency appropriations bills at his or her request. Although tax or fee increases are subject to the independent limitation of voter approval, discipline by lawmakers would be needed to avoid using emergency legislation to override the appropriations limit.

Limiting government encourages economic growth. Throughout history, centralized government planning has not successfully fostered economic

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growth, and I have heard no compelling reason that it would work any differently in Missouri. As Nobel laureate economist Milton Friedman observed, “The great advances of civilization, whether in architecture or painting, in science or in literature, in industry or agriculture, have never come from centralized government.”

Limiting the growth of the state government will ensure that Missouri can assess a lower tax burden. At the Show-Me Institute, our research demonstrates that Missourians would be better off if they were allowed to keep a greater percentage of their earnings. By decreasing tax rates across the board, Missouri can create an environment that is favorable to economic growth and job creation, positioning Missouri to be competitive relative to other states. Taxes do matter. Empirical research shows that tax policy has a significant effect on how people choose where to live — voting with their feet to minimize their tax burdens. Economic growth tends to flow to areas with lower tax burdens, and although Tennessee has a higher sales tax than Missouri does, its overall tax burden is unquestionably lower. If Missourians want their state to become an economic powerhouse once again, they should encourage a sensible tax policy that’s both low and consistent, and that eliminates as much dead-weight loss as possible. That means thinking hard about placing limits on the growth of the state government’s expenditures.

In their own lives, individuals regularly make the tough choices to eat less and exercise in order to achieve better health. The state government can do the same. Policymakers in Missouri can make those same hard decisions to outsource, privatize, consolidate, or share services in order to perform key public services at as low a cost as possible. H.J.R. 11 would encourage Missouri’s state government to conduct a top-down, bottom-up review of all state agencies and regulations to eliminate waste, inefficiency, and government intrusion unrelated to essential services.

I applaud your efforts to limit the growth of government in the state. Government should resolve to live within its means, and this bill is a step in making sure that that resolve is kept.

If policymakers are serious about preserving freedom for Missourians, they will support policies that limit the growth of government. To quote Ronald Reagan from his farewell presidential address, “Man is not free unless government is limited. There’s a clear cause and effect here that is as neat and predictable as a law of physics: As government expands, liberty contracts.”

For more of the Show-Me Institute’s research about red tape issues, visit www.showmeinstitute.org.