



April 28, 2009

An Open Letter to the Missouri Legislature: Taxpayers Support Direct Relief over New “Stimulus” Spending

Dear Legislator:

On behalf of the nearly 7,300 Missouri members of the National Taxpayers Union, I urge you to embrace the House Republicans’ plan to deliver \$1 billion in income tax relief and a new rainy day set-aside from federal “stimulus” funds. With the majority of President Obama’s \$787 billion stimulus package going to the states, Legislatures across the country have shown a predilection for new spending programs based on a one-time cash infusion. Missouri has an opportunity to take a more sensible course.

The plan would use tax rebates to temporarily cut the personal income tax rate from 6 percent to 5.5 percent. Such a provision is not ideal – a permanent rate cut is by far the best option for fostering economic growth. Nonetheless, this prescription is superior to questionable new spending projects. Even if the rebates turn out to have a less-than-spectacular effect on economic growth, one thing is undeniable: Struggling families will have more money in their pockets to pay their bills in these tough times.

Those who believe that spending the stimulus money on growing government is a better choice should carefully read available research on the subject. About 10 years ago the Congressional Budget Office undertook one of the most comprehensive examinations of government infrastructure spending, in which it examined a wide range of highly-respected studies. Its main findings were:

The available information suggests three conclusions: some investments in public infrastructure can be justified by their benefits to the economy, but their supply is limited; some (perhaps substantial) portion of federal spending on infrastructure displaces state and local spending; and on balance, available studies do not support the claim that increases in federal infrastructure spending would increase economic growth.

Govs. Mark Sanford (SC) and Rick Perry (TX) made headlines when they rejected portions of the stimulus package earmarked for their respective states. Lawmakers in Columbia and Austin promptly began plotting to circumvent their governors’ principled decisions. Politicians were swayed by the fallacious argument that states can spend their way out of the recession. In reality, state budget problems were largely precipitated by overspending and anti-growth tax climates. New projects carry enduring costs that will outlive short-term federal financing – an important warning for Missouri policymakers.

The plan also includes a provision to set aside \$500 million in a rainy day fund. This vital provision bolsters Missouri’s ability to weather future economic downturns without raising taxes.

The stimulus package should never have passed, but that is not the reality we face today. Accordingly, please stand up against wasteful spending and stand in favor of this reasonable alternative.

Sincerely,

Joshua Culling
State Government Affairs Manager