

You have probably read or heard about a proposal being promoted by the Speaker of the House Glenn Richardson (R-Paulding County) which would repeal all ad valorem taxes, replacing them with an increase in the state sales tax. Speaker Richardson reports he was advised by Arthur Laffer in devising his plan. Laffer was an economic advisor to President Ronald Reagan.

PAGE has numerous problems and concerns about the Richardson plan and what it would do to K-12 education funding. We are aware that a number of tax reform proposals may come before the General Assembly this year, and we are joining with those who believe that a careful study, done by professional, non-ideological persons or groups ought to precede any major changes in how the state collects its revenues.

In considering the Richardson plan, we came across the following letter to the editor written by an educator which struck us as a thoughtful and important critique. We encourage you to read it and to be informed on these issues. We will assist you in that effort in the coming weeks as legislation is drafted and pre-filed for the 2008 session.

Roswell Beacon, Community Comments Section.

[Unless otherwise requested, all correspondence to the Beacon Media will be considered for publication. Letters may be edited for content, clarity, and/or brevity.]

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I just finished reading your article in the 10/11/2007 edition of the *Roswell Beacon* concerning Glenn Richardson's sales tax proposal. You likened this proposal, at least to an extent, to the Reagan tax cuts based on the Laffer Curve, but I think you have missed the key point of "Reaganomics," and quite likely misled readers in the process.

We *did* come out of a recession under President Reagan, but for reasons completely unrelated to the Laffer Curve. The Reagan tax cuts based on the Laffer Curve did *not* result in higher tax revenues, and even David Stockman, Reagan's budget director, has since disavowed the validity of the Laffer Curve for the U.S. The Reagan years saw then-record deficit spending due to *lower* tax revenues and greatly increased government spending, and that deficit spending spurred economic recovery. Deficits from higher spending combined with tax cuts during a recession is pure mainstream Keynesian economics, and nothing at all revolutionary since Keynes first postulated it in the 1930's. It is quite another thing, however, to claim that the Reagan tax cuts led to higher tax revenues; they did not.

I would recommend to you "Principles of Economics" written by Dr. Gregory Mankiw of Harvard, who was George W. Bush's chairman of the Council of Economic Advisors for his first term as president (and into his second term, I believe), and currently advising Mitt Romney in his presidential campaign. Dr. Mankiw is eminent in the field and a conservative economist by any reckoning, and he comments extensively on the Laffer Curve and its failure to generate higher government revenues, or even to be revenue-neutral. He attributes that to the already-low-marginal tax rates in the U.S., and adds that the Laffer Curve might be expected to work in countries with much higher initial marginal rates, such as the socialist democracies of Europe. In fact, I know of *no* mainstream economists who take the Laffer Curve seriously as valid for the United States, then or now.

Whatever the merits of Glenn Richardson's tax plan, if his plan works as well as the Laffer Curve did, it will be a disaster for Georgia. The simple fact is that the federal government can run deficits (and should during recessions!), but the state government cannot. Richardson's hope (and it is nothing more than that) that his plan will be "revenue-neutral" is a slender thread for Georgia to hand onto.

This is, of course, aside from the obvious immorality of basing state funding on a regressive tax, a point that you gloss over and essentially dismiss. The poor spend most, if not all, of their income on non-discretionary purchases; as incomes rise, the percentage of spending declines. That is why there are *no* supporters of this tax “reform” among the poor and their advocates. I realize that your readership resides in the 5th most affluent Congressional district in the United States, but that is certainly *not* typical of our entire state. What Mr. Richardson is advocating, yet again, is a tax cut for the people that need it the least and an additional burden for those who can afford it the least. This isn’t surprising anymore, but it is always disappointing.

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