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End Pennsylvania's cycle of taxation

ANTONY DAVIES & JAMES R. HARRIGAN | Saturday, Aug. 26, 2017, 9:00 p.m.



State lawmakers Sen. John Eichelberger, R-Blair, and Rep. Stephen Bloom, R-Cumberland, have called for a state constitutional convention, which would begin a multi-year process culminating in changes to Pennsylvania's Constitution. But there is one change the commonwealth needs above all others: an iron-clad, loophole-free balanced-budget amendment.

While this is difficult, given the vagaries of tax collection, we suggest the following: "The total amount of money the state government spends in a year shall not exceed the amount of money it collected, from all sources combined, in the previous year."

Critics will argue that the state needs the ability to spend beyond its budget in order to "stimulate the economy" and "create jobs" during recessions. Politicians love this narrative, but government doesn't create jobs. Entrepreneurs do.

It is true that, when governments spend money, jobs appear. And when the people who hold those jobs spend their incomes, they provide incomes for others, who spend and provide incomes for still more people.

But money the government spends doesn't fall out of the sky. To get it, governments raise taxes. When taxes go up, jobs disappear.

Worse, the same multiplier effect that occurs with increased government spending also occurs in reverse with increased taxation. As people lose their jobs, they spend less, which reduces other people's incomes, who spend less and, in turn, reduce the incomes of still other people.

Yes, governments can fund their increased spending with debt, but that just spreads tax increases over time. Every dollar of borrowed money creates an annual interest expense until the dollar is paid back. That increased interest must be paid with — you guessed it — increased taxes.

In the end, when the government borrows to pay for its spending, all it's really doing is guaranteeing that taxes will be higher next year and every year thereafter to pay for what the government borrowed this year. And with an official debt of \$47 billion, plus another roughly \$70 billion in unfunded state pension liabilities, Pennsylvania's state government owes around \$120 billion.

Our state government already has taxed almost everything. Harrisburg burdens us with a personal income tax, an inheritance tax, a realty-transfer tax, a sales tax, a hotel-occupancy tax, a cigarette tax, other tobacco product taxes, a corporate tax, a non-corporate business tax, a motor fuel tax, a malt-beverage tax, a liquor tax and a vehicle rental tax — you get the picture. And this is by no means an exhaustive list.

Then there are taxes that go by other names, such as business licenses, motor-vehicle licenses, boat licenses, hunting licenses, liquor licenses, games of chance licenses — the list is as long as politicians are creative.

When the dust settles, all that government really does when it spends tax dollars to “create jobs” is to move jobs out of geographical areas and industries, where it taxes, and into geographical areas and industries where it spends. And every year, when budget negotiations roll around, lawmakers seem to only talk about taxing us more and borrowing more so they can spend more.

If they won't change that voluntarily, it is time to make them. And that's what a constitutional amendment would do.

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