

“Chasing Fiscal Responsibility”

Hon. Maurice McTigue

Presented June 2, 2010
Commonwealth Foundation
Harrisburg, PA

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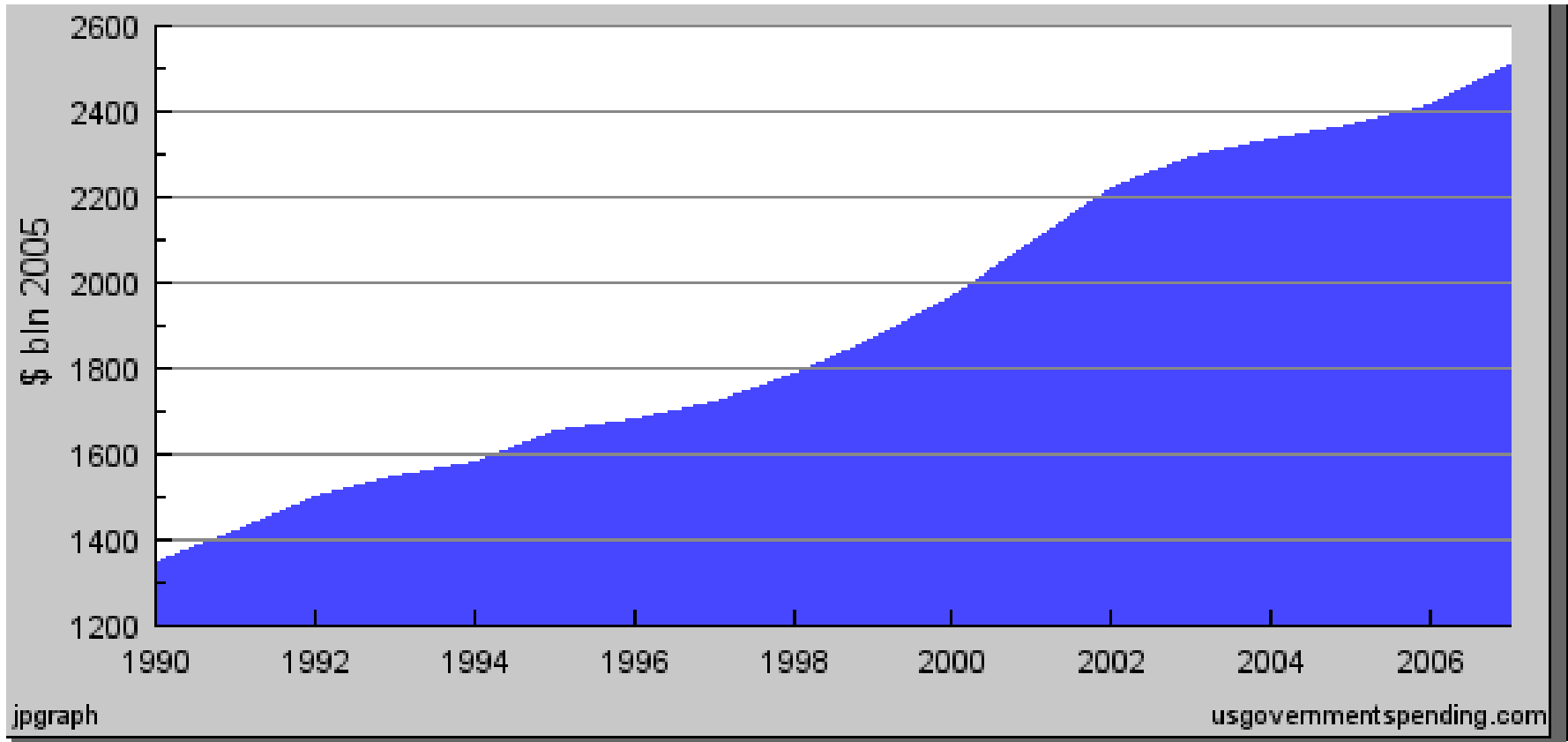
- *"We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."*

Thomas Jefferson, 1802

The Hidden Debt

- Some ideas about debt consciousness
- Require that every “bond election” be accompanied by full disclosure of debt
- Require that every budget be accompanied by a statement of debt and liabilities
- Require that prior to every election a fiscal “state of the state” statement be released
- Require that every organization that receives government money publish its spending online

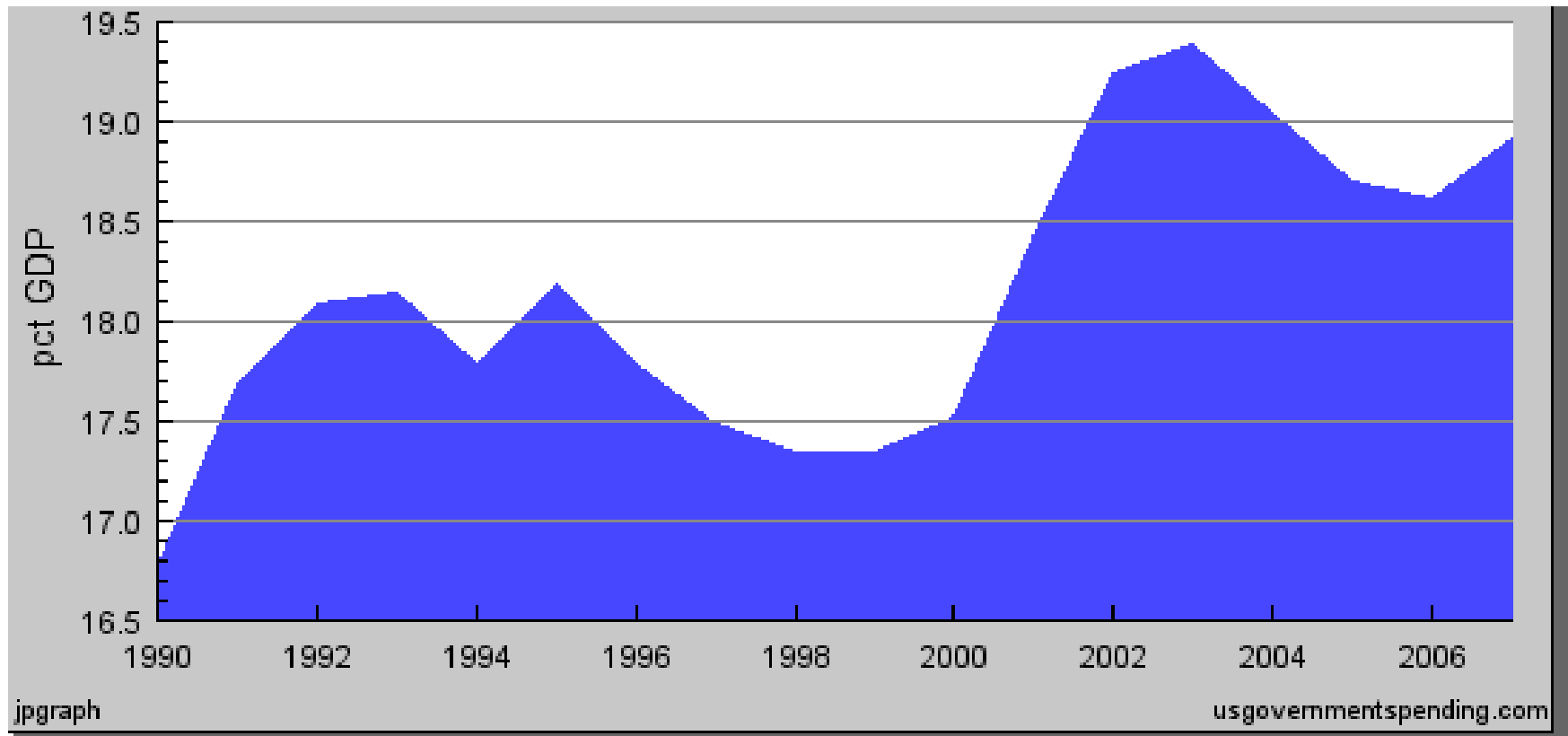
State and Local Government Spending, 1990-2007



Note: Figures are billions of 2005 dollars

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State and Local Government Spending as Percent of GDP: 1990-2007



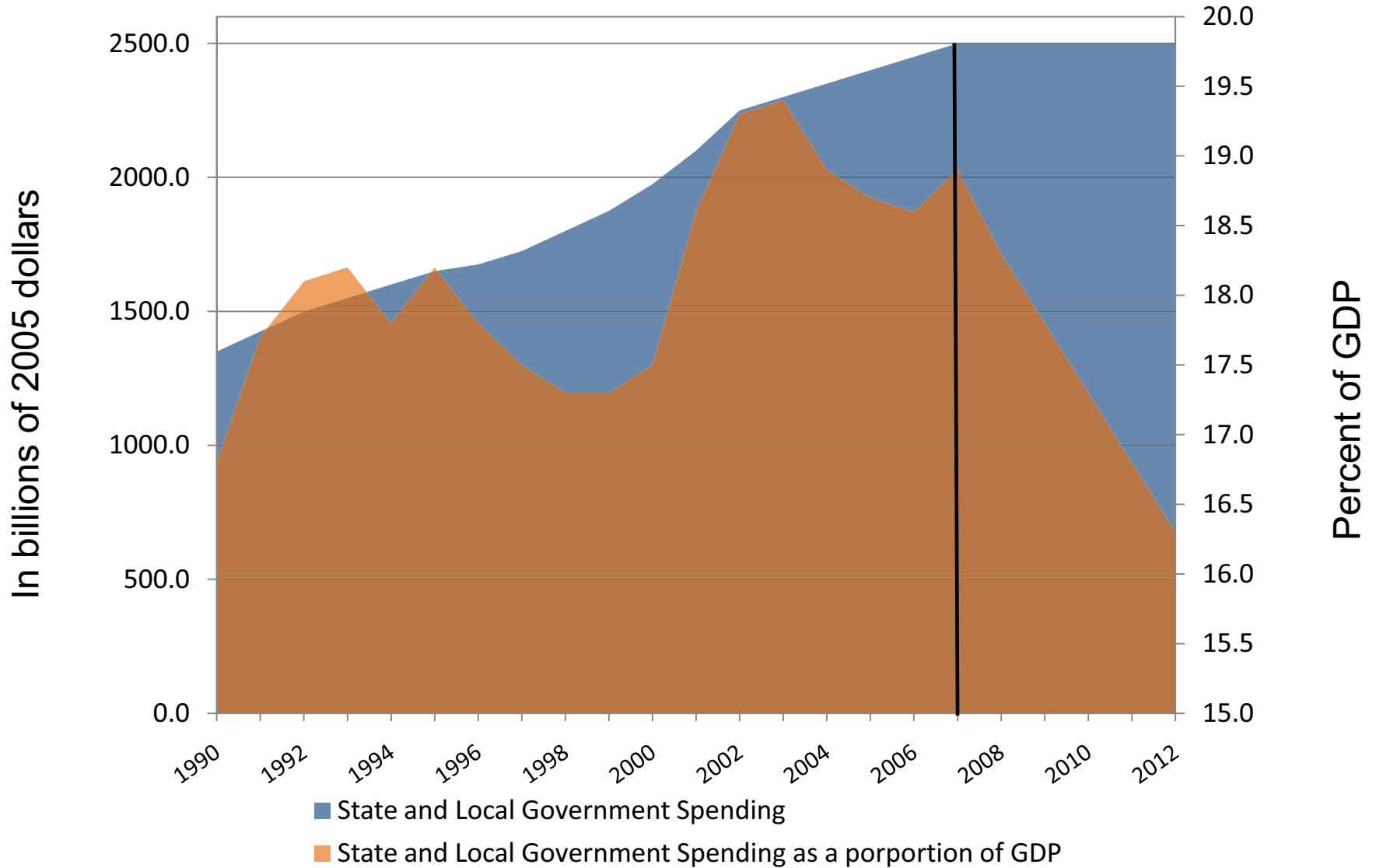
Some Ways to Save Money

- Take surplus revenue off the spending table
- Take a productivity dividend each year
- Don't spend on things that don't work
- Across government spending evaluations
- Adopt a full cost recovery policy
- Adopt an evidence based budget approach
- Government Service Centers

State and Local Spending, 1990-2012

For 2007-2012, assume GDP growth of

Projected if spending
remains at 2007 level



Spending & Prosperity

- Current budget problems – a surplus of revenue
- Spending is the problem
- Growing your way out of debt
- Creating an investment friendly environment
- The growth equation never alters
- Investment – Jobs – Prosperity

Comparative Costing & Benefits

- Army Corps of Engineers: **\$3900 per acre**
 - Will build you a new wetland
 - \$1 million buys **256** acres of wetland
- Dept. of Interior: **\$2250 per acre**
 - Will buy you a wetland
 - \$1 million buys **444** acres of wetland
- US Dept. of Agriculture: **\$1200 per acre**
 - Will negotiate partnerships
 - \$1 million buys **833** acres of wetland

Fiscal Responsibility Markers

- Tax & Expenditure Laws – Oregon, Texas
- Identifying fiscally responsible behavior
- Adopt a fiscal responsibility indicator
- Lay down a public marker - % of GSP

Our Research

- Examined 60 countries – narrowed down to 26
- Did fiscal rules work?
- Did more responsible fiscal behavior improve prosperity?
- What were common tools that produced improved results?

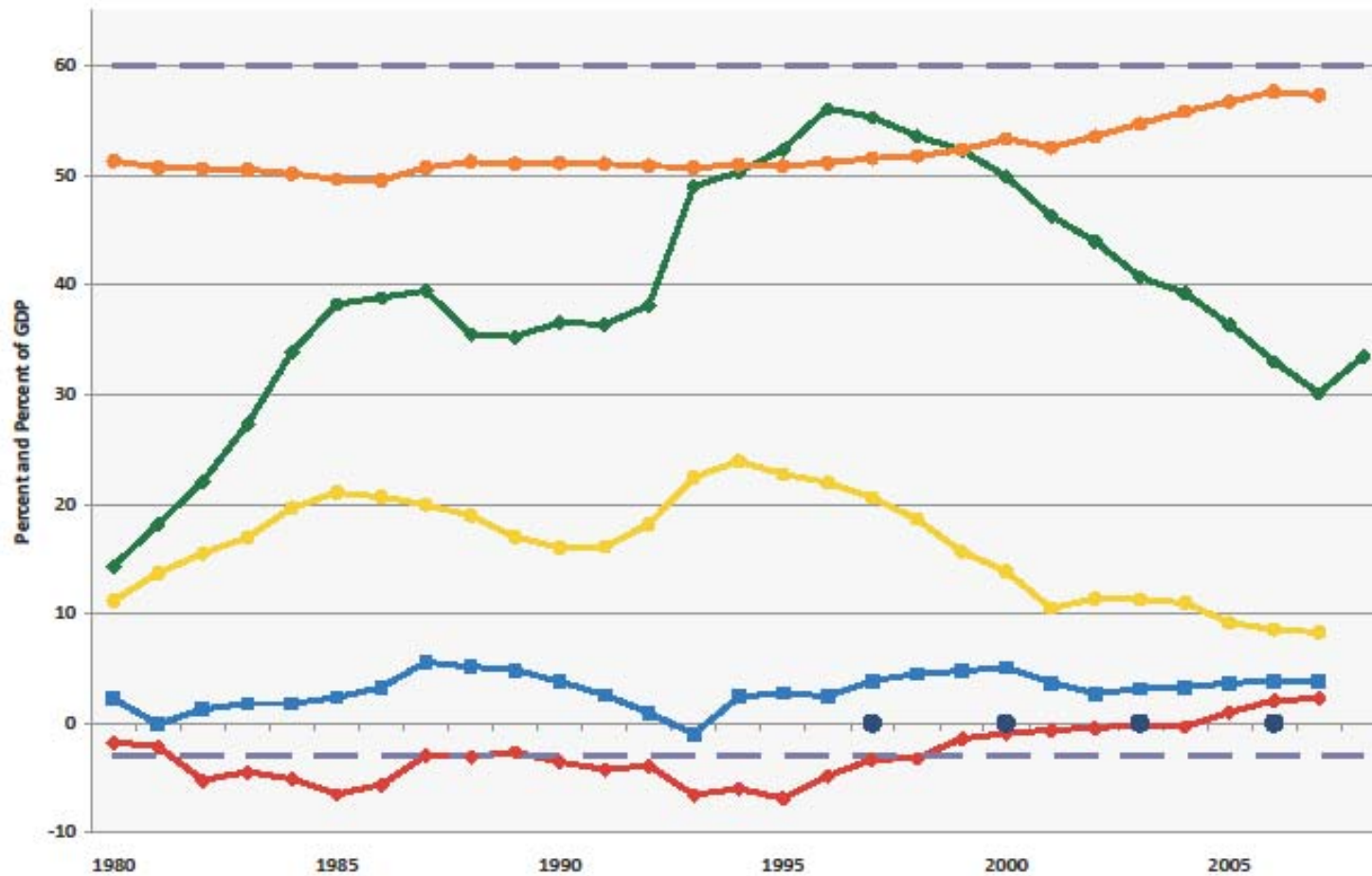
FISCAL RESPONSIBILITY INITIATIVES

- Maastricht Treaty
- New Zealand: Fiscal Responsibility Act
- Australia: Honesty in Budgeting Act
- Canada: Various Acts (4)
- United Kingdom: Code of Fiscal Stability
- States of United States – Spending Limitation as a proportion of GSP – 17% ???

Key: Fiscal Responsibility Initiatives

- Dotted lines – Max debt level 60% of GDP – Max deficit level - 3% of GDP
- **Red line** – deficit as percentage of GDP
- **Blue Line** – growth as a percentage of GDP
- **Yellow line** – Unemployment rate
- **Green line** – Total debt as a percentage of GDP
- **Orange line** – Participation rate – percentage of eligible population in the workforce

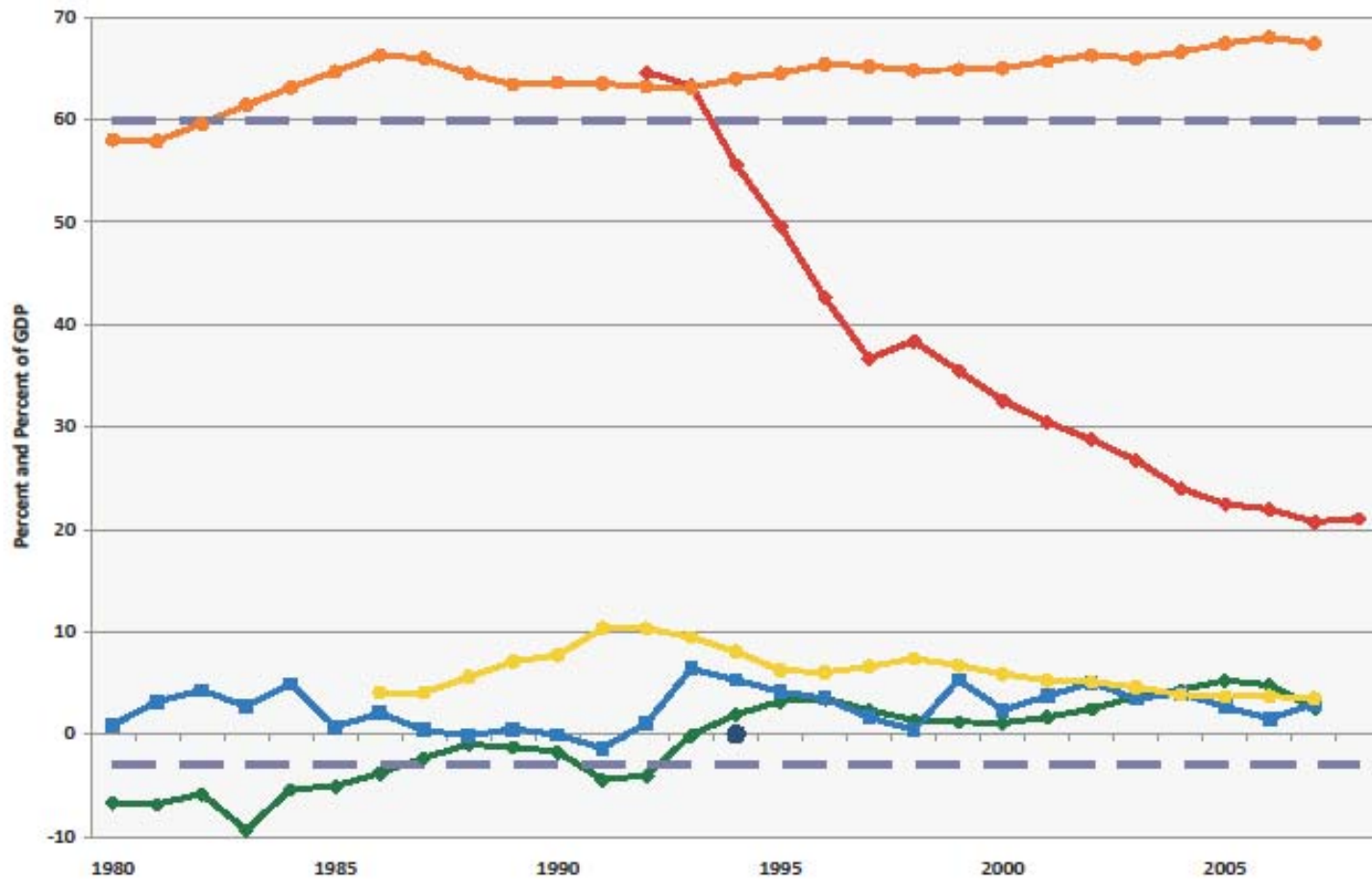
SPAIN



Fiscal Stability Legislation: The EU Stability and Growth Pact, the Organic Supplementary to the General Act on Budgetary Stability of 2001, and the General Budgetary Act of 2003 (effective as from 2005)

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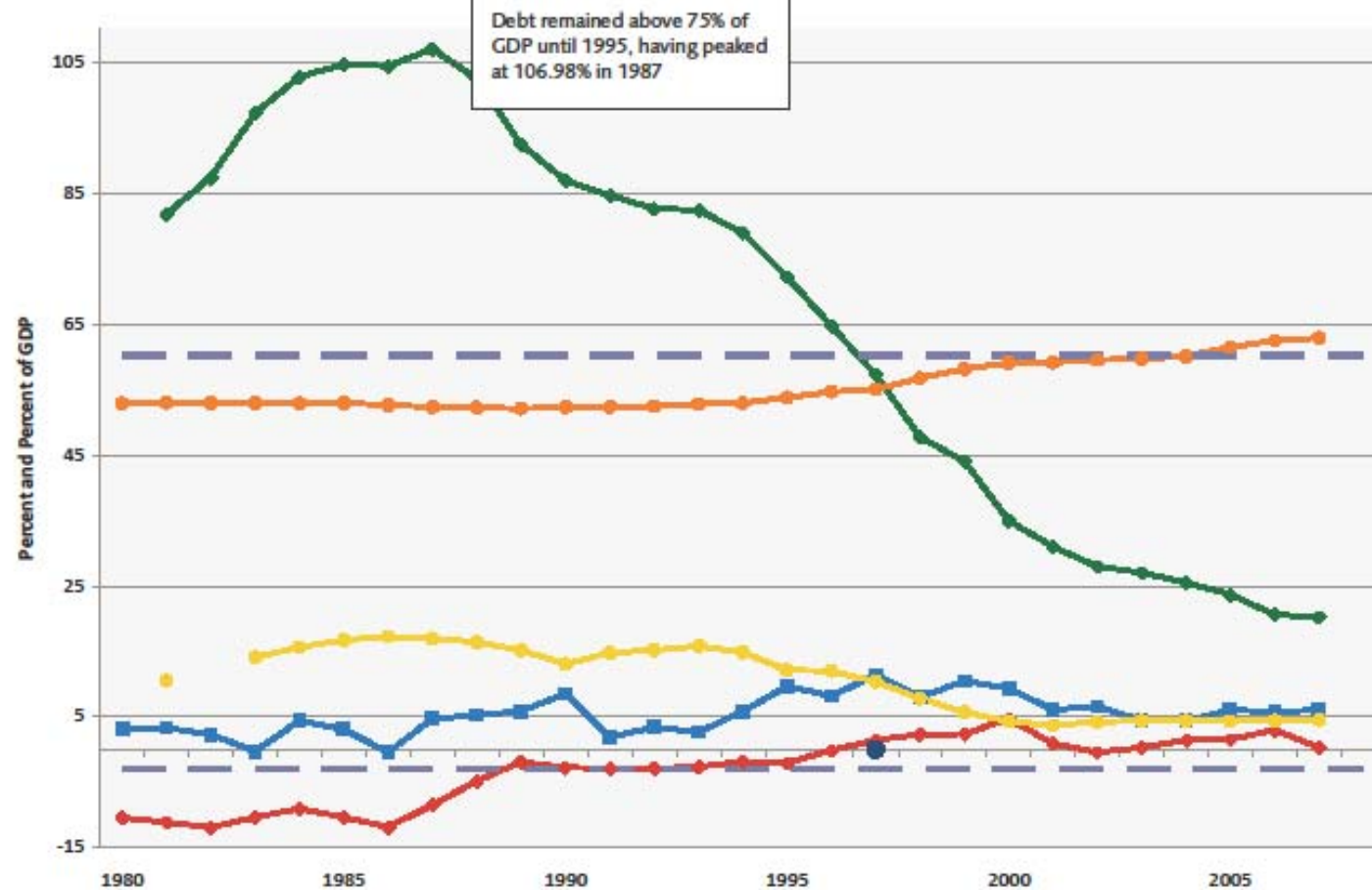
NEW ZEALAND



Fiscal Stability Legislation: The Fiscal Responsibility Act of 1994

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IRELAND



Fiscal Stability Legislation: The EU Stability and Growth Pact

DOMESTIC MIGRATION 1998 - 2007

Florida	+1,579,704	Massachusetts	-335,391
Arizona	+817,169	Louisiana	- 390,998
Texas	+763,903	Ohio	- 397,899
Georgia	+679,420	Michigan	- 419,961
N Carolina	+646,284	New Jersey	- 468,024
Nevada	+481,534	Illinois	- 735,768
S Carolina	+295,074	California	- 1,438,480
Tennessee	+278,698	New York	- 1,936,127

MARYLAND MILLIONAIRES WILL SAVE US?

Proposal: Pass millionaire tax and collect \$106 million more

- In 2007, 7,898 millionaires filed returns
- In 2008, 5,529 millionaires filed returns
A 30% decrease
- One-in-eight millionaires who filed in 2007 filed no return in 2008
Because of this, millionaire revenue was down \$257 million in 2008
A 22% decrease

Outcome: net revenue loss \$363 million

Source: Wall Street Journal

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