VIEWPOINT

Triad Business Journal welcomes letters to the editor

Send letters to Triad Business Journal
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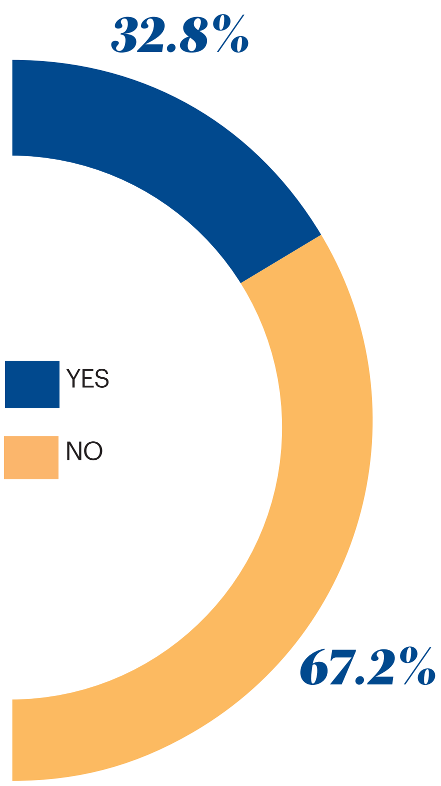
▶ BUSINESS PULSE SURVEY

WE ASKED

DO YOU AGREE WITH N.C. LEGISLATURE'S DECISION TO ALLOW MAGISTRATES TO "OPT-OUT" OF PERFORMING GAY MARRIAGE CEREMONIES?



THIS WEEK'S QUESTION

SHOULD SPORTS TEAMS BE LIABLE FOR SPECTATOR INJURIES RESULTING FROM GAME PLAY (BATTED BALL, DEFLECTED PUCK, ETC.)?

POINT OF VIEW

Was there really a tax cut payoff in North Carolina?

A recent Wall Street Journal column by the Heritage Foundation's Stephen Moore claimed that North Carolina's cuts in income-tax rates have invigorated the state economy and created a budget surplus. The column was titled, "The Tax-Cut Payoff in North Carolina."

Was there really a payoff?

At first blush, it looks like it. North Carolina cut individual and corporate tax rates effective last year. Then this spring we learned that the state would see a $400 million budget surplus in the current fiscal year. Though revenue is still lower than in years past, the surplus is obviously good news and a sign of an improving economy.

But Moore once predicted great success for even deeper cuts in Kansas, and events proved him very wrong. Is his interest in North Carolina just a result of cherry-picking the data?

After all, many factors drive a state economy. Tax rates matter but are rarely the major factor. And North Carolina's tax cuts didn't occur in a policy vacuum. Similar cuts were enacted elsewhere, allowing us to assess them across a sample of states.

A report by the Center on Budget and Policy Priorities identified the five states with the biggest cuts in income-tax rates since 2010: Kansas, Maine, Ohio, Wisconsin and North Carolina. CBPP finds that in four of those five states, job growth since the tax cuts has been

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slower than the national average. Kansas had the deepest cuts and is now facing a huge budget shortfall.

The only state with better job creation than the country as a whole was North Carolina, just barely. That's nice, but it's dubious at best to attribute that to our tax cuts.

Imagine testing a new fertilizer on five experimental fields. Will the fertilizer improve crop yields? Suppose that when the results are in, yields not only failed to rise in Fields 1-4, they actually fell. But Field 5 showed mild improvement.

What would we conclude? We might be happy about Field 5, but no reasonable analyst would announce that the new fertilizer works. And yet logically, that's what Moore is doing.

CBPP also measured growth in personal incomes since the five states' tax cuts, and again, all but one fell short of national growth during the same period. This time North Carolina wasn't the one.

Overall, much of what we're seeing in North Carolina is a belated catch-up to the national economy. National employment is 2.4 percent higher than at the start of the Great Recession. In North Carolina, after slow but steady growth since early 2010, it's up only 1.5 percent. At least that's better than the other four big tax-cutting states, where in the aggregate, payrolls are still below their pre-recession levels.

So the current surplus is not a tax-cut payoff. In an interview, even former budget director Art Pope agreed. And North Carolina is hardly the only state with surprisingly good budget news. In percentage terms, surpluses in non-tax-cutting states like Minnesota and California are even bigger.

Finally, the North Carolina tax story isn't all about cuts. The Earned Income Tax Credit and various deductions were eliminated, raising taxes for some people. To some degree, the surplus resulted from higher taxes, which is definitely not the kind of payoff Moore has in mind.

Why is this important? Because policy matters. With bills in Raleigh that would cut individual and corporate income taxes even more, someone has to point out that we're about to reapply the wrong fertilizer.

▶ GAINERS & LOSERS

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▲ WAL-MART EMPLOYEES

Wal-Mart agrees to change music playing over store speakers so employees won't have to listen to the same Justin Bieber and Celine Dion songs over and over. That settles it. If you haven't been working for Wal-Mart, you can never complain about your working conditions again.

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▼ BARBECUE I.Q.

Southern Living magazine ranks top 50 barbecue places in the South and The Barbecue Center in Lexington is only No. 15? Lexington Barbecue is No. 37? Stamey's is No. 49? We can only assume there will be a lengthy correction published in next issue.

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▲ BANK HOPPING

Evangelist Franklin Graham pulls his organization's money out of Wells Fargo in reaction to an ad featuring a lesbian couple and puts it in BB&T. Problem is: Winston-Salem-based BB&T has also shown past support for LGBT community, including sponsoring various events.

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▼ CARRY-ON LUGGAGE

International Air Transport Association wants U.S. airlines to require carry-on bags to be slimmer, something already happening on many foreign-owned carriers. For those keeping score, that would be: Luggage Makers 1, Airline Passengers 0.