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Editorial

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Another business voice

The interesting news of last week was the forming of the Wisconsin Business Council, which is being described as the counterpoint to Wisconsin Manufacturers & Commerce.

This is particularly interesting given Tuesday's discussion of how Wisconsin's economy has been doing with Gov. James Doyle getting his mail in the Executive Residence.

According to its Web site, WBC "will work with citizens, elected officials, and policy-makers to identify, craft and implement a pro-business agenda that advances the economic, educational and social policies required to energize and secure Wisconsin's economic future and protect its quality of life."

WMC's Web site identifies its organization as "a business association dedicated to making Wisconsin the most competitive state in the nation." WMC's "Moving Wisconsin Forward" agenda has as its goal "to position Wisconsin to lead the way out of the current recession, creating a prosperous future for our families and our communities."

If you take their statements at their word, there is nothing to complain about with either's self-definition. For that matter, there's little stated difference between the two organizations.

But in Wisconsin, where politics has become a blood sport, a lot of reading between the lines is taking place. State Rep. Robin Vos (R-Caledonia) called WBC "a money laundering, influence peddling operation for Democrats," apparently because of the presence of Marc Marotta, formerly Gov. James Doyle's secretary of administration.

On the other side, there is former Madison mayor Paul Soglin (a former sparring partner of mine on the former Wisconsin Public Television show "WeekEnd"), has been conducting an anti-WMC campaign for quite some time. Soglin claims that WMC's approach "is not in the best interest of the business community" or "the state of Wisconsin," "will continue to shrink the Republican party," and only furthers drives moderate Republican business leaders into the Democratic party."

The Eau Claire Leader-Telegram's Tom Giffey finds it "refreshing to see a new business group that intends to focus on policy, not partisanship," in "a state where the largest business group, Wisconsin Manufacturers and Commerce, is best known for spending millions to elect Republicans and conservatives."

That is one view of WMC. Another is that WMC supports candidates who support WMC's goals, which include, but are not limited to, "reducing Wisconsin's overall state and local tax burden," "deliver fundamentals [government services] at a reasonable cost," and "a competitive regulatory environment."

That is not substantially different from WBC's agenda. The difference apparently is that WBC is pledging to not get involved in political campaigns, something that has generated a lot of criticism of WMC, particularly given its success in getting their preferred Supreme Court candidates elected. That makes one

wonder how WBC expects to get its agenda, much of which requires legislative action, to be realized, but that's their problem.

For this debate the term "pro-business" needs more qualification. Soglin's apparently preferred definition of pro-business is when government collects a relatively high level (however you define "relatively high") of taxes and then redistributes it to business through some sort of subsidy. That could be considered to be the general policy of the current administration in Madison, and for that matter in Washington.

That is the kind of approach of the failed efforts to get General Motors to build a new small car at GM's now-closed Janesville plant. Some call such efforts "buying jobs," but the multiplier effect — both in terms of spending and in terms of time — of good-paying jobs should outweigh the "cost" of the subsidy.

Here is the problem with this approach: It's not working in Wisconsin. As noted Tuesday, organizations all over the political spectrum find Wisconsin's economic climate wanting. We have had high levels of taxation, government spending and regulation basically in the memory of anyone reading this blog (yes, with Republicans controlling the Executive Residence and the state Capitol too), and our state's economy continues to underperform.

The other problem is that such an approach can be said to favor existing businesses over their future competitors — businesses that don't exist today.

"Too many legislators confuse targeted business incentives with policies that truly create a better business climate," said Scott Hodge of the Tax Foundation, who wrote about a \$46 million tax incentive package to get Apple Inc. to build data farms in North Carolina. "They are not. They only provide an excuse for lawmakers to avoid real tax reform. Targeted incentives are to a state's economy what steroids are to the human body — short-term results that eventually weaken the bones, cause heart failure, or worse, impotency. Tax systems should not be used to pick winners and losers or micromanage the economy. Data farms in North Carolina might be a good thing, but it is much better for the marketplace to decide that, not government. The key to a prosperous economy is a tax system that provides a level playing field for all businesses and all industries."

As WBC board member Neal Verfuert of Orion Energy Systems puts it, "Real economic growth in Wisconsin occurs when breakthrough discoveries, invention and innovation drive business start ups and expansions as opposed to costly recruitment or relocation of existing out-of-state corporations. We understand the importance of encouraging entrepreneurial endeavor in our private sector and we must encourage the same sort of innovative, solution-oriented thinking and dynamic action in our public sector."

I wish Verfuert and WBC luck on that point. "Innovative, solution-oriented thinking and dynamic action" are pretty much absent in "our public sector," both from elected officials and from appointed public employees. Exhibit A is the 3,120 levels of government in this state. Those who know Wisconsin's political history can explain why we have that many governments better than they can justify having that many governments in the 21st century.

Moreover, government has a lousy record at picking business winners and losers, independent of the fact that that is not a proper role for government. My favorite quote on that subject comes from James Pinkerton of the New America Foundation, the author of *What Comes Next: The End of Big Government and the New Paradigm Ahead* in 1995, in which he pointed out that had the creation of Silicon Valley been the responsibility of the government, Silicon Valley wouldn't exist; instead, our country would have a "Vacuum Tube Valley," located in West Virginia thanks to U.S. Sen. Robert Byrd (D–West Virginia), a massive federally funded facility dedicated to the state of two arts ago.

On taxes, WBC's Joe Fazio, a bank CEO, says, "While public revenues are necessary to support important governmental services and regulations, we must ensure the taxes and regulations adopted are fair and do not adversely affect the health of our economy or the taxpayers. The discussion we need to have now in Wisconsin is whether or not our existing tax and regulatory framework is appropriate in light of the new challenges and opportunities generated by changing demographics, global economics and significant structural public deficits."

This is a chicken-and-egg argument. Taxable activities — earning income, purchasing goods and services, etc. — generate tax revenue. Budget deficits are created by a mismatch of government spending and tax revenue. We have too much government spending, and we have not enough taxable activity going on now to match said government revenue. The answer the Legislature devised, to increase taxes \$1.9 billion and to increase spending 6.2 percent over the budget cycle, will not improve our economic climate.

The WBC's stated intent to avoid politics in improving the state's business climate is laudable. For one thing, a better business climate is a nonpartisan issue, and the state's business climate is too important an issue to leave in the hands of one political party.

However, most of the economic problems of this state have their roots in Madison. The Wisconsin Taxpayers Alliance predicts we'll be back in the top 10 in state and local taxes after the \$1.9 billion in tax increases we're now experiencing. The repeated state business climate comparisons where Wisconsin fares poorly are not, in the snotty words of Doyle's press secretary, the work of "a right-wing group that's putting together an attack," they are reality in the eyes of those who decide where business goes, stays and grows.

Increasing personal income requires businesses that make more profits and employ more people. (In the words of Maine Democratic Gov. John Baldacci, "You can't have employees without employers.") That requires a better business climate than Wisconsin presently has. If you were using a military analogy, one might prefer the WBC's strategy, but the WMC's goals and tactics. Wisconsin's business climate cannot be improved until Wisconsin's taxes and regulations are improved.

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