

Grading the Legislature

At midnight this past Saturday, the 2008 Regular Session of the 78th West Virginia Legislature came to a conclusion. Faced with an array of issues to tackle—most which can be drawn to the fact that businesses have great difficulty operating here—your representatives chose instead to give themselves a pay raise, support special interests and largely ignore the sprawling economic issues that hinder the state.

Sadly, this comes as no large surprise. States like West Virginia with ill-minded policies do not end up that way overnight; instead, it takes decades of general economic incompetence to achieve a situation like ours. West Virginia has been grazing the pastures of economic futility for the better part of the last 70 years. Likewise, the solutions needed to our problems will not come immediately. Achieving a more free and robust economy can happen at different speeds, for certain, and faster is better than slower—but significant steps in the right direction are needed regardless, and this is where your legislature has failed you. Of the 243 completed pieces of legislation, only a scant few even hint at improving the current policy miasma, and a number cut directly against the ends of achieving economic prosperity.

One bill that helps the business climate is SB 680, which reduces the net corporate income tax at half-percent increments to six and one-half percent by 2012 and gradually phases out the business franchise tax by 2015. HB 4476, the Public-Private Transportation Facilities Act, incorporates the advantages of market competition in order to create a more efficient allocation of roads and road maintenance. But these two measures, while beneficial, are heavily outweighed by both the current state of our economic climate—these changes are small in comparison to what is needed—but also by the passage of other bills that dig our hole even deeper.

To take a sampling: HB 4684 places in the hands of the state government the responsibility of promoting the film industry in West Virginia; HB 4421 repeals the corporate license tax, yet replaces it with a fee structure that imposes a greater burden upon businesses; HB 4364 regulates automobile dealerships; HB 4337 increases licensure fees for beauticians; HB 4304 perpetuates organ shortages within the state; HB 4076 increases the salary of legislators; HB 2517 severely regulates and prevents the development of West Virginia's financial industry.

The laundry list of poor regulation should not imply that there was a shortage of bills that could have furthered our economy. A number of bills looking to reduce the exorbitant cost of doing business or to simplify the tax code—in other words, making West Virginia a more economically-free state—were submitted in both the House and the Senate. Insofar as it is the role of the Legislature to increase the well-being of the citizens of West Virginia, these bills should have been enacted into law. They were not.

This is not to imply that our state's legislators mean bad things for West Virginia and its people. Instead, there exists a disconnect of outcomes inherent in the political process. In the capitalist marketplace, acting in your own best interests yields an outcome in

which everyone in society is made better off. Voluntary action—the hallmark of capitalism—generates positive results for all involved. In the political process, however, the same cannot be said. Politicians, like most individuals interacting in society, are generally self-interested and seek for themselves and their constituencies the best outcomes possible. Instead of achieving these ends through the voluntary, wealth-enhancing activity of the private market, legislators have the ability to force citizens to engage in economic activity they otherwise would not like to partake in. For example, legislators may increase taxes, and you have no choice but to pay the determined amount. Conversely, Taco Bell can not force you to purchase burritos; you do have the choice of participation in the marketplace. As a result, legislators can use their power of coercion to extract resources and use them for their own gain—usually executing political favors for those groups that support them.

Further, I do not mean to imply that every legislator be vigilantly self-motivated. I do believe that there are members of our legislature that are convinced that the measures they support generate good outcomes for all of the citizens of our state. However, good intentions by themselves do not generate good deeds. Oftentimes, the most well-intentioned policy generates an outcome exactly opposite of the original aim. The minimum wage is a perfect example of this phenomenon of unintended consequences; whereby, at face value, raising the minimum wage appears to make low-wage individuals better off, further analysis shows a decrease in the amount of work they are hired to do.

Nonetheless, there is a lengthy record of policies within this state that have helped and harmed, as well as many other regimes around the world that have incorporated a broad spectrum of possible economic systems. Legislators have in front of them a menu of policy options that will vastly improve the short- and long-run vitality of the West Virginia economy. Let's hope that the chance at prosperity not be overshadowed by the status quo certainty of mediocrity.

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