

# Spurring New Mexico's Economy

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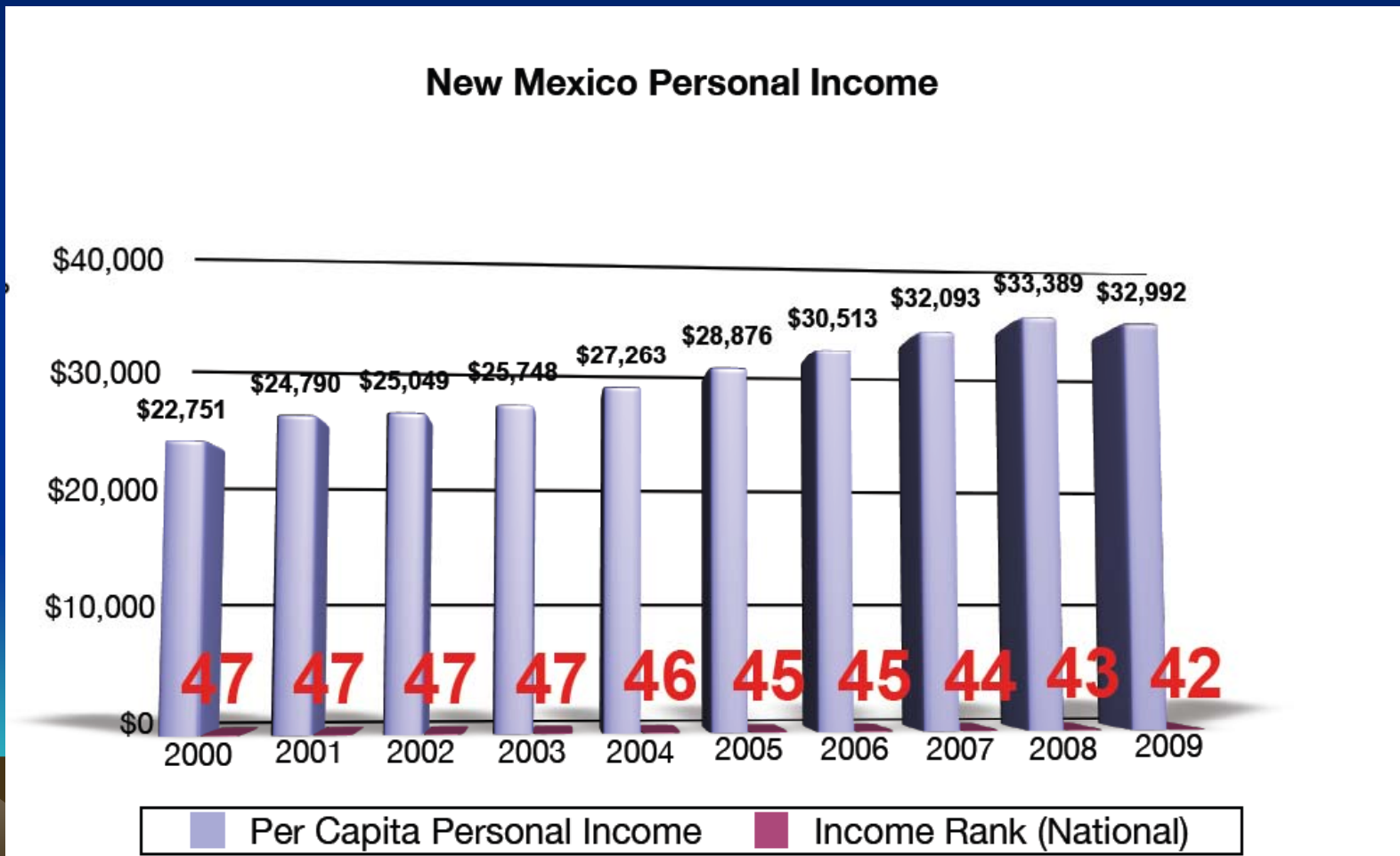


# Principles of Good Tax and Spending Policy

- Taxes and economic incentives should be:  
Simple, flat, fair, and open to all (not just the politically-connected);



# Nonetheless, conservatives should recognize success of Richardson's pro-growth tax cuts of 2003



# Personal Income Success Cont'd

Personal income per capita in New Mexico grew 33 percent, from \$25,049 in 2002 to \$33,385 in 2008;

Personal income in Georgia, a state that maintained its top rate at 6%, increased just 19 percent, from \$29,264 to \$34,849.



# GDP Per Capita Improves

From 2002 to 2008, GDP per capita grew a whopping 42 percent in New Mexico compared with just 15 percent in Georgia.

New Mexico had a lower starting point with both metrics, but has nearly surpassed Georgia with no sign of slowing down.

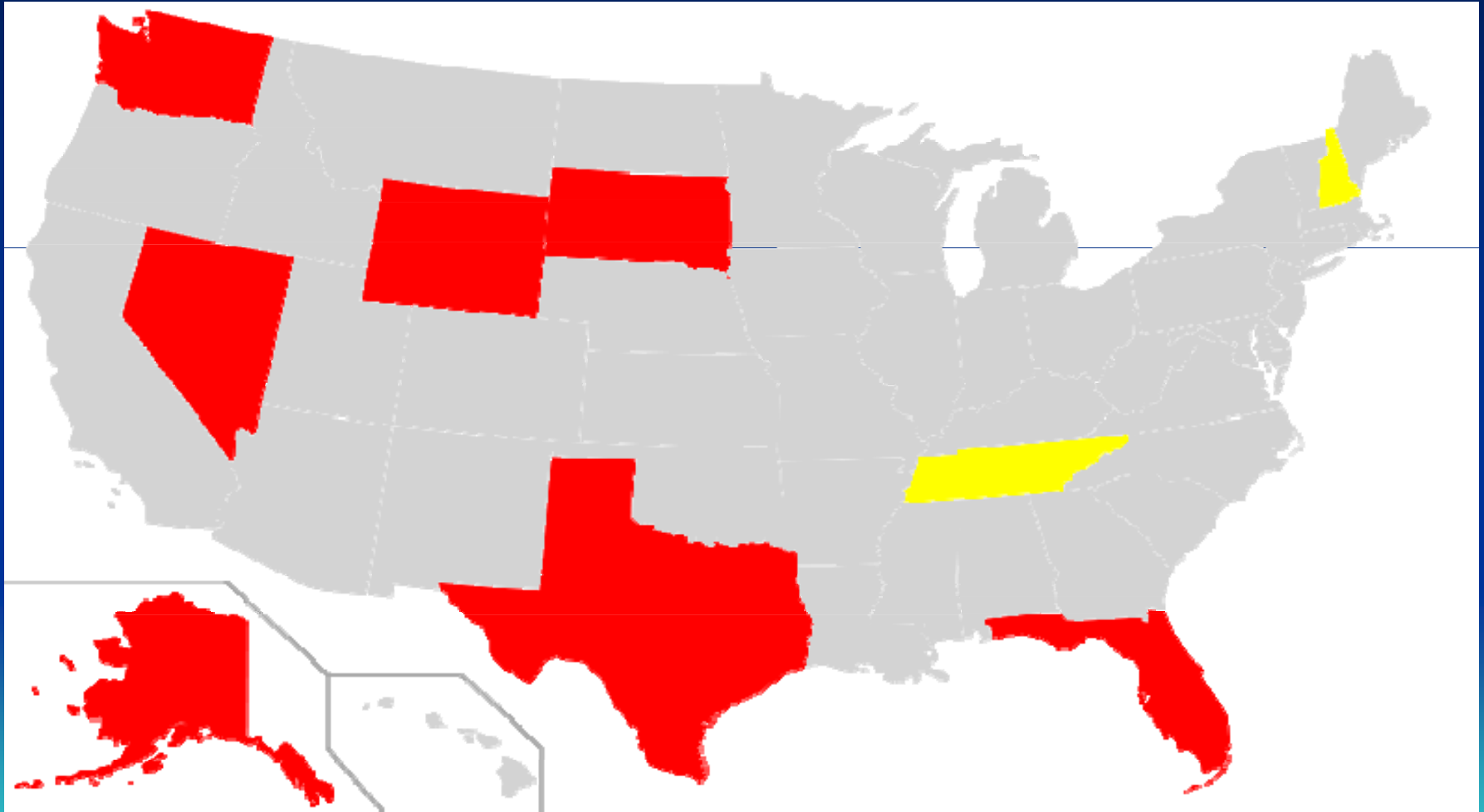


# Many of Richardson's policies have been unsound

- Film subsidies, the spaceport, the Rail Runner, giveaways to the solar industry, and Eclipse Aviation...to name a few;
- Another problem is significant gross receipts tax hikes (especially grocery tax swap) – there are many problems with the GRT, but solving those is politically-difficult.




# The Surest Path to Growth: Phase Out Personal Income Tax



Red: No state income tax

Yellow: Tax only on interest and dividend income

# Having no income tax means...

- Richard Vedder of Ohio University found that from 1998 to 2007, more than 1,100 people every day including Sundays and holidays moved from the nine highest income-tax states such as California, New Jersey, New York and Ohio and relocated mostly to the nine tax-haven states with no income tax, including Florida, Nevada, New Hampshire and Texas.
  - Over these same years the no-income tax states created 89% more jobs and had 32% faster personal income growth than their high-tax counterparts.
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# Restraining Spending and Lower Taxes Go Hand in Hand

- Reducing the size of government frees money and resources for use in the private sector.



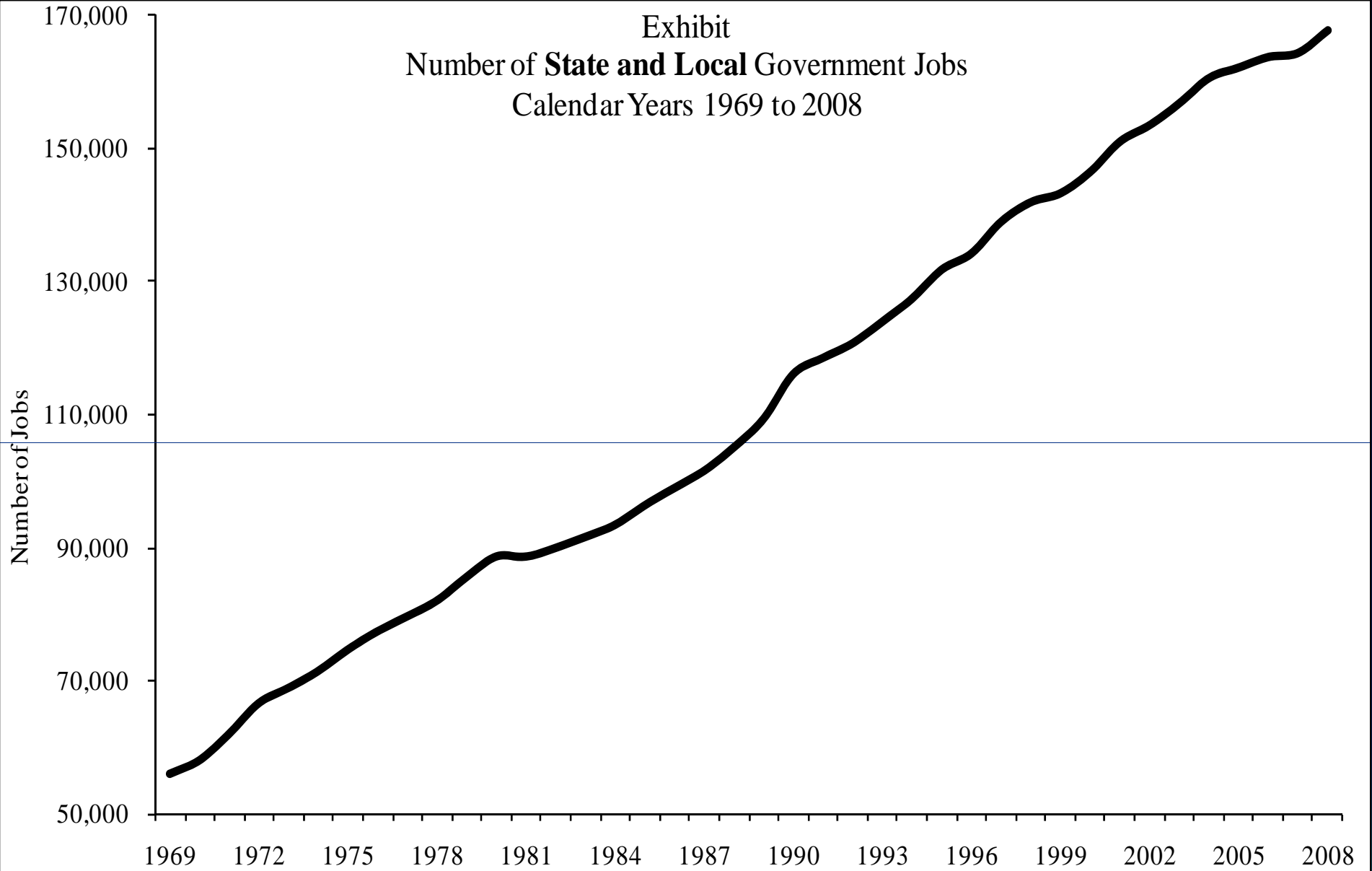
# New Mexico's Government Bureaucracy is Very Bloated

State and Local Government Employees Per Capita	Rank	State
<b>25.33</b>	<b>2</b>	<b>New Mexico</b>
<b>17.13</b>	<b>27</b>	<b>Texas</b>
<b>16.51</b>	<b>34</b>	<b>Arizona</b>
<b>16.62</b>	<b>30</b>	<b>Colorado</b>
<b>12.44</b>	<b>50</b>	<b>Nevada</b>
<b>16.72</b>		<b>National Average</b>

# And Government Workers Are Better Paid than their Private-Sector Colleagues

<b>State and Local Compensation as % Above/Below Private Sector</b>	<b>Rank</b>	<b>State</b>
<b>27.60%</b>	<b>3</b>	<b>Nevada</b>
<b>11.50%</b>	<b>10</b>	<b>New Mexico</b>
<b>7.00%</b>	<b>18</b>	<b>Arizona</b>
<b>-7.70%</b>	<b>46</b>	<b>Colorado</b>
<b>-9.80%</b>	<b>50</b>	<b>Texas</b>
<b>2.20%</b>		<b>National Average</b>

Exhibit  
Number of **State and Local** Government Jobs  
Calendar Years 1969 to 2008



Source: U.S. Department of Commerce: Bureau of Economic  
Analysis, Rio Grande Foundation.

Calendar Year

— New Mexico

# Reduce the Government Work Force

- For every position eliminated, state and local governments would immediately save an average of \$49,711 in compensation which includes wages and salaries as well as benefits;
- Overall, state and local governments could save up to \$2,596,600,137 in annual budget savings by reducing New Mexico's state and local government work forces to the national average.



# Force Government to Compete

- Stephen Goldsmith, former Indianapolis Mayor, had “Yellow Pages test”: If the phone book lists three companies that provide a certain service, the city probably should not be in that business;
- Competitive Sourcing can save taxpayer 20% or more on basic services like trash collection, transit services, and building maintenance.



# Adopt Right to Work



# Right to Work: Recipe for Economic Growth

- U.S. Census Bureau estimates indicate that, from April 1, 2000 to July 1, 2008, a net total of roughly 4.7 million Americans, “on average more than one person every single minute,” moved from a forced-unionism state to a Right to Work state;
- Right to Work also drives per-capita income growth.





# RIO GRANDE FOUNDATION

LIBERTY • OPPORTUNITY • PROSPERITY

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