

November 20, 2005

Dear Aunt Nina,

My letter to the editor was in response to an article about extending the state sales tax to include services as well as goods. The revenue from the sales tax is diminishing because spending on services has been increasing in relation to spending on goods, so the tax base is eroding.

We do have a bigger legislature in Michigan than we need. We certainly don't need both a House of Representatives and a Senate. And they are expensive. Good salaries and extremely generous pensions.

I've been thinking about writing another letter to the editor questioning the state Republicans insistence on tax reductions as the only way to stimulate the economy and reduce unemployment. They reduced the income tax rate from 4.4% to 3.9% in steps starting January 2000 and ending July 2004. It didn't lower the unemployment rate; it went from 3.4% in September 1999 to 6.4% in September 2005. Although Michigan is 10th highest among the 50 state in state taxes as a percentage of personal income, we are 28th in combined state and local taxes as a percentage of personal income. So it appears that the states with low state taxes do so by forcing local governments pick up more of the bill for public services. Also, high state taxes don't seem to drag down the economy. The 9 states with higher state taxes than Michigan's all have lower unemployment rates, and although Michigan's taxes are the lowest of the 28 states with highest combined state and local taxes as a percentage of personal income, Michigan's unemployment rate is higher than all but one of them - Mississippi. In fact, the unemployment rates of 14 of them are below the 4.9% national rate.

I did read The DaVinci Code and didn't like it. Do you think it is popular because the Catholic Church is the villain?

I just finished reading Freakonomics. Its most controversial finding was that the drastic drop in crime in the 90s was due to the Roe vs. Wade decision 20 years earlier. Fewer unwanted children were reaching their late teens. I am also reading Guns, Germs and Steel.

Steve