Vol 1.5 **Fall 1997**

NASA Wetlands Research has Many Goals

Upgrading Competitive Ability of Academics is Coupled with Ecosystem Health and Quality of Life Improvement

By Jeffery Allen

Research Coordinator, Strom Thurmond Institute

Starting in the early summer of 1997, researchers at the Strom Thurmond Institute began a collaborative project with scientists from the University of South Carolina, University of Charleston and the National Oceanic and Atmospheric Administration's (NOAA) Coastal Services Center. The project, officially titled "Monitoring Coastal Wetland Change and Modeling Ecosystem Health in South Carolina Using Advances in Remote Sensing Digital Image Processing" is part of a NASA/EPSCoR initiative and is one of two South Carolina projects currently being funded.

EPSCoR stands for Experimental Program to Stimulate Competitive Research and is a federally funded program originally implemented by the National Science Foundation. The underlying theme of EPSCoR is that academic research activity underpins a state's overall research and development competitiveness. Its goal, therefore, is to bring participant states' science and engineering research endeavors at academic institutions to nationally competitive levels. This improvement is

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designed to increase these states' science and engineering research capability and hence their overall R&D competitiveness.

The impact of this coastal wetlands research project will be felt in many ways. First, if the methods of determining the ecosystem's health are successful, the process will have great applicability for monitoring and modeling the change in vegetation health in South Carolina coastal wetland ecosystems and other regions with similar habitat characteristics. Second, the expertise to conduct remote sensing inventories on fragile coastal ecosystems will reside in the state through a coordinated group of scientists. Third, the information from the project will be made available to K-12 educators in the state through an ongoing program. Fourth, the methods developed in the project should be of significant value to NASA's Mission to Planet Earth goals. Finally, the availability of project information will help improve the quality of life for South Carolinians as well as the tourists who use these coastal natural resources.

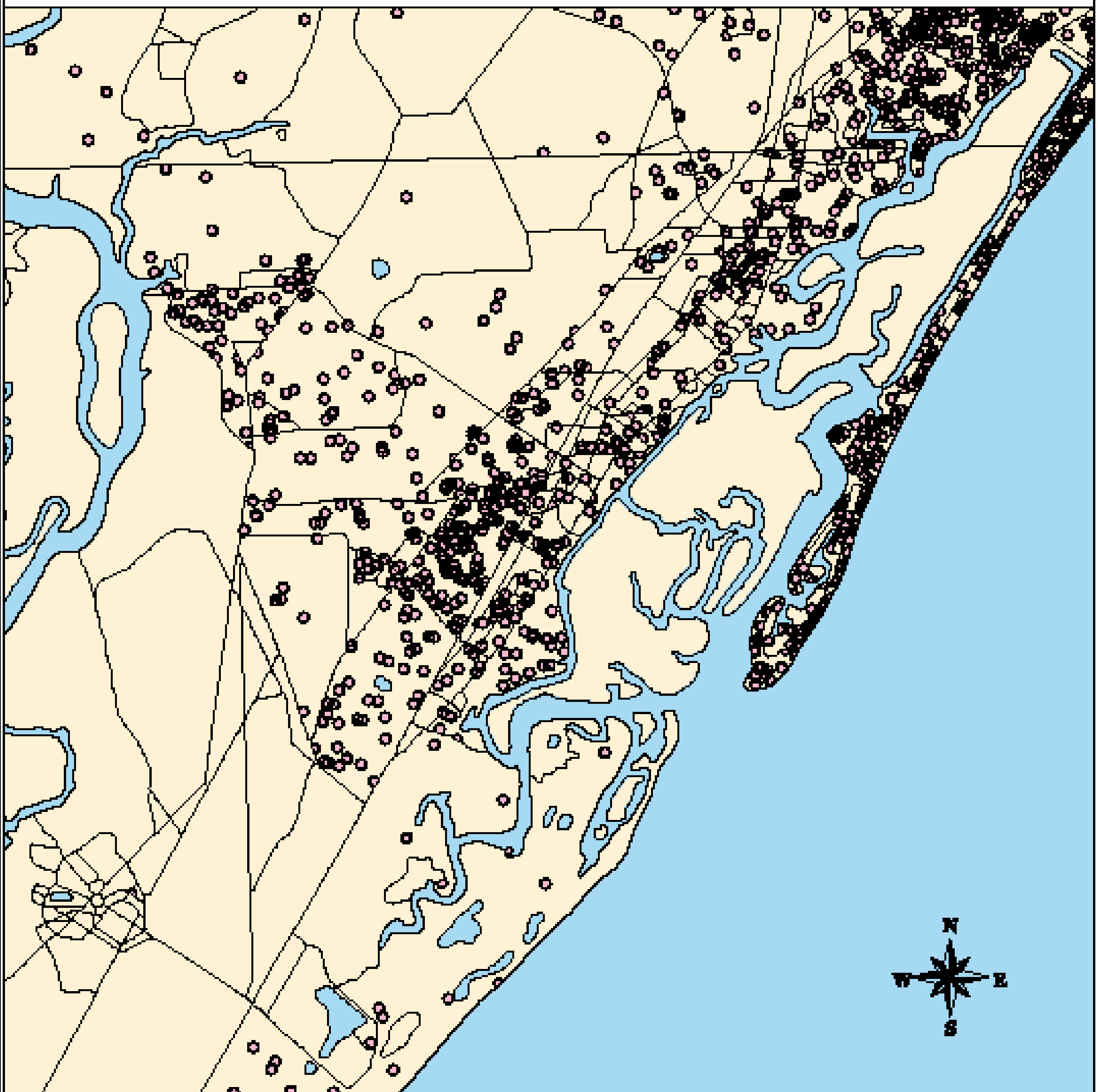
EPSCoR is restricted to those states that are traditionally less competitive in receiving federal R&D funding. The program is currently operating in 18 states: Alabama, Arkansas, Idaho, Kansas, Kentucky, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, North Dakota, Oklahoma, South Carolina, South Dakota, Vermont, West Virginia, and Wyoming, as well as the Commonwealth of Puerto Rico. In addition, EPSCoR seeks to encourage collaboration among academic institutions in research initiatives. This coastal wetlands research project involves Dr. John Jensen from the University of South Carolina's Department of Geography, Dr. Dwayne Porter from the University of South Carolina's Baruch Institute for Marine Biology and Coastal Research, Dr. Cassandra Coombs from the University of Charleston's Department of Geology, Dorsey Worthy from the NOAA Coastal Services Center and Jeffery Allen from the Strom Thurmond Institute.

The study will take place over three years with one different study site for each year. The first site is the Murrells Inlet area between the Atlantic Ocean and the Waccamaw River. The second study site will be near Mt. Pleasant, an area between Sullivans Island, the Isle of Palms and the Wando River. The third-year site will be a wetlands area associated with Fripp, Pritchards and Hunting Islands near Beaufort.

The project will be divided into three separate but related studies which will be undertaken at each study site. The first study will involve collecting field samples of biomass (vegetation) to assess the productivity of the wetlands area and to assemble spatial data for biomass mapping. (See mapping examples on pages three and four.) The second study will entail comparing satellite imagery (remote sensing) from 1982 to imagery from 1997. This comparison is called a change detection and will involve the assessment of a measurement called the leaf area index (LAI). The LAI tells us how much "greenness" or vegetation is in the environment and therefore gives us an estimation of ecosystem health. The goal of this component is to understand how the ecosystem health has changed over a 15-year period. The third study will attempt to establish relationships between tourism, population growth and ecosystem health.

The Strom Thurmond Institute's Spatial Analysis Laboratory will be responsible for conducting the tourism and population growth component of the coastal wetlands research project. STI researchers will look at several demographic as well as natural resource data layers to reach an understanding of how much growth has occurred from the early 1980s until now, how much of that growth is related to the tourism industry of the region, and where future growth is likely to occur. Census data, visitor counts, vehicle counts, boat counts, resident surveys, soils data, water quality data and land use/land cover data will all be used in order to accomplish the tourism analysis. The final step of the analysis will be to take the tourism information generated from the study and correlate it to the ecosystem health information. The goal will be to discern the relationships between ecosystem health and tourism growth in order to gain scientific insight into the impacts of urbanization on South Carolina coastal estuaries and the implications to the concept of sustainable development.

Murrells Inlet: Density of Housing Units



1 Dot = 4 House units

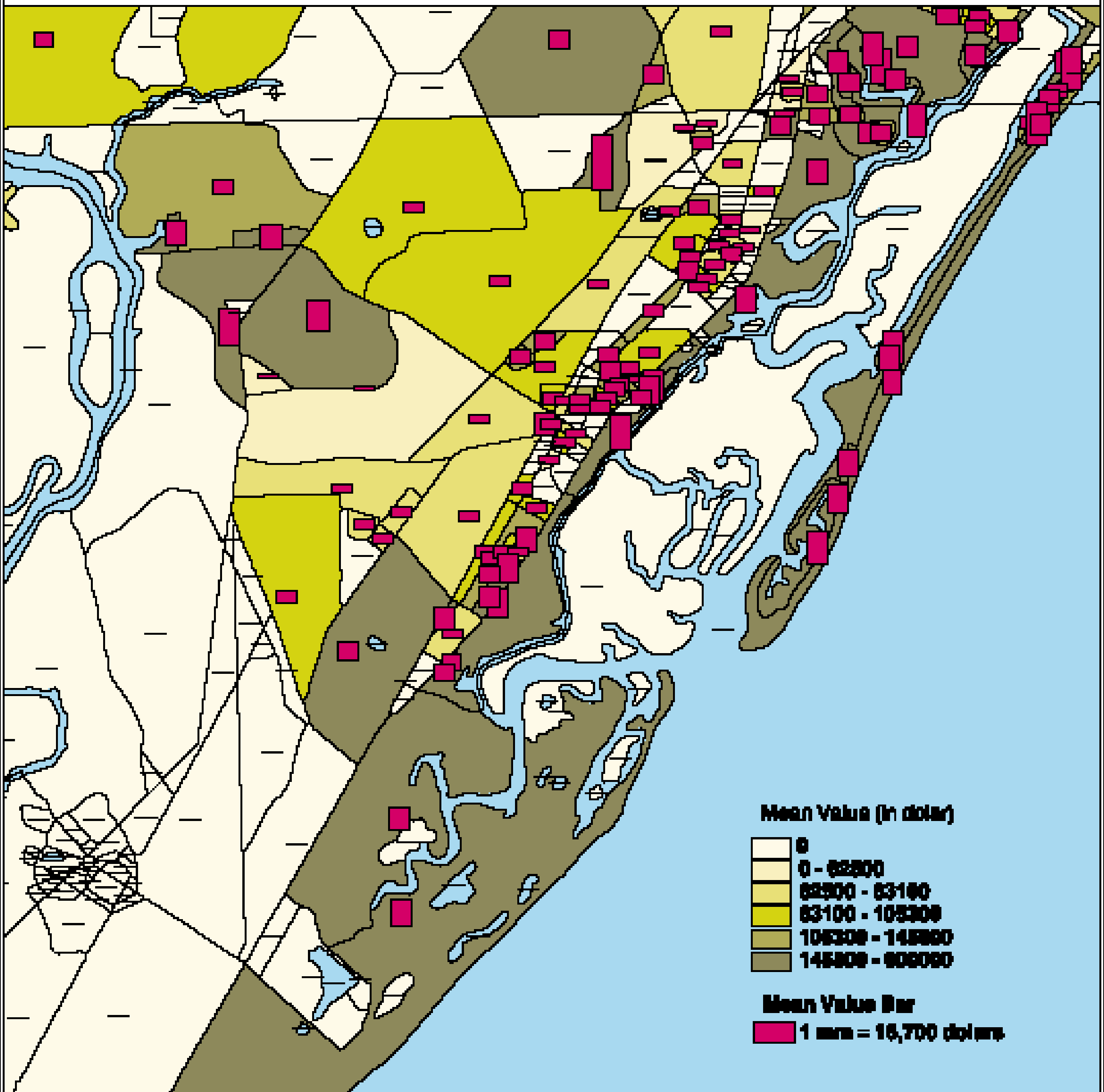
Scale 1 : 48,000

0.5 0 0.5 1 1.5 2

Kilometers

NASA/EPSCoR Wetland Research Project
Spatial Analysis Lab
Strom Thurmond Institute
Clemson University
September 22, 1997

Murrells Inlet: Mean Value of Housing Units



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Institute Wins Approval to Evaluate Greenville School Technology Project

The Strom Thurmond Institute's Retirement and Intergenerational Studies Lab has received approval to evaluate a $4.8 million Technology Innovation Challenge Grant awarded to the Greenville County School District by the U.S. Department of Education.

The district received the grant on behalf of a consortium of organizations that is trying to put computers in every classroom and provide access to the Internet. The grant will finance a five-year demonstration of new ways to improve education through technology.

The "Village Green" project will make available computers to low-income students and will work with their families to assure that they benefit from the technology.

"Village Green" is a five-year project that will emphasize professional development of the district's teachers and assist them in implementing technology in their classrooms.

The project begins after a three-day meeting in Washington, D.C. in early October.

"I am looking forward to working with the School District of Greenville County and know that this project will enable us to establish ourselves even more firmly as expert project evaluators," said Melissa Hawkins, the lab's team leader.

Hawkins said the Retirement and Intergenerational Studies Lab has been invited to serve as external evaluator in several projects recently.

"It seems we've carved a new niche for our lab," said Hawkins. "Groups and organizations are seeking us out to tell them what they're doing wrong, what they're doing right, and how they can improve."

Hawkins said the lab established itself as a credible evaluating entity through work on the intergenerational project's Howe-To Industries and Linking Intergenerational Networks in Communities (LINC). Funding for Howe-To Industries from the AARP Andrus Foundation ended in 1995, but the project continues to thrive.

"The on-going success of Howe-To Industries has come as a result of outstanding leadership and volunteer involvement in McCormick County," said Jefferey Allen, Research Coordinator at the Thurmond Institute. "However, I don't think we should overlook the impacts of the on-going evaluation techniques employed by STI."

LINC also undergoes an on-going evaluation, Hawkins said, and data on LINC activities are being collected monthly and semiannually by the project's coordinator, Kevin Rice.

Focus group interviews are also a component in the on-going or formative evaluation. An external evaluator, Generations Together of the University of Pittsburgh, visits LINC project sites several times a year and makes mid-year and year-end reports.

Chris Benson from the Thurmond Institute's Literacy and Community Service Networks team is the co-investigator for Greenville's "Village Green" evaluation.

These two teams -- The Literacy and Community Service Network and Retirement and Intergenerational Studies -- work closely in many projects, including the more recent project evaluation initiatives.

Other joint evaluation proposals from the teams include a state "Technology Innovation Challenge" grant submitted by the School District of Greenville County to the South Carolina Department of Education and an Annenberg Rural Challenge grant submitted by "Tenn-Ga'lina," a consortium of rural schools in Tennessee, Georgia, and North Carolina.

The Annenberg Rural Challenge offers funds to perpetuate the work of "genuinely good, genuinely rural schools."

Dealing with Rural School Issues in the Shadow of Bread Loaf Mountain

By Chris Benson
Research Associate
Strom Thurmond Institute

It's a cool Saturday night in the Green Mountains near Ripton, Vermont. Except for the wild singing of crickets, the night is quiet. You're sitting in a wooden rocker on the porch of the Inn, the oldest of a dozen or so Victorian buildings situated in the remote mountain campus of the Bread Loaf School of English. The campus, once an old-timey resort under the shadow of Bread Loaf Mountain, is where Middlebury College has run its graduate school of English for the last 77 years. You're watching the last, scarlet rays of sun fade from a tenderloin sky. You feel as though you're in a small town because as pedestrians walk by, they look up at you and smile or nod hello. Couples and assorted groups of people are headed for tonight's square dance in the tall barn that stands in a field behind the Inn. After a few more minutes you hear the quick strumming of guitar chords and the thump of a doghouse bass improvising a country beat, and you decide it's time for you to head to the barn.

This doesn't sound much like the setting of a professional conference focused on the teaching of English in rural schools, but then that's not surprising because much of the work done at the Bread Loaf School of English is extraordinary and remarkable. Last June, after school let out, more than 100 English teachers and principals from rural schools from Alaska to South Carolina journeyed to Bread Loaf's mountain campus where they were joined by foundation officers, policy makers, technology specialists, and members of the media to participate in the Second Conference on the Teaching of English in Rural Schools. Staff from the Strom Thurmond Institute — Chris Benson, Dixie Goswami, and Melissa Hawkins — facilitated break-out discussions on a variety of issues important to rural teachers, students and residents. In collaboration with Middlebury College, the Institute sponsors the work of the Bread Loaf Rural Teacher Network, a group of more than 150 reform-minded teachers. The DeWitt Wallace-Reader's Digest Fund supports the Network in eight states, including South Carolina, Georgia, Vermont, Mississippi, Arizona, New Mexico, Colorado, and Alaska.

In the last decade, the Bread Loaf School of English has become a national leader on rural education. Each summer, talented teachers are recruited from rural communities to come to Bread Loaf for graduate study. During the school year, these teachers return to their schools and coordinate projects linking students and teachers in diverse rural communities in collaborative projects.

While the demographic diversity of America's urban populations is a given, the diversity of rural America often goes unrecognized. Because of extensive immigration and in-migration across our own state lines, rural America is nearly as diverse as urban America, and this fact was evident in the discussions at the Second Conference on the Teaching of English in Rural Schools. Three key issues of conversation emerged:

1. Participants at the conference attempted to define the characteristics of a good rural school. While acknowledging the diversity of rural cul-

tures in the United States, the participants generally agreed that good rural schools use their community residents as a primary resource in the schools, value the natural environment, instill in students an appreciation for local economies and prepare students to be successful in their community as well as in the world at large.

2. Telecommunications technology, though slow to arrive in rural schools, was seen as an important ingredient in a rural education because it provides schools in remote places with information and services that enable students to participate and compete in postmodern society. Many of the participants at the conference were experienced in using technology to link students from different places in cross-cultural collaboration. Many teachers at the conference felt that appropriate training in the use of educational technology was lacking in their school districts.

3. Finally, the emergence of small-scale teacher networks as an alternative means for teachers to pursue professional development was discussed at length. Most teachers disdain the traditional methods of providing teachers with professional development: mandatory attendance for inservice lectures or workshops presented by "outside experts." Most rural teachers at the conference recognized there are many experts right in their own communities: other teachers, community residents, and quite often students themselves. The use of telecommunications technology also helps to create and sustain small-scale networks of teachers — such as the Bread Loaf Rural Teacher Network — that creates school reform at the grassroots level, improving individual schools first, and aiming to effect change at district and state levels in the long run.

The DeWitt Wallace-Reader's Digest Fund has renewed its support of the Bread Loaf Rural Teacher Network, enabling the continued collaboration between Middlebury College and the Strom Thurmond Institute through 2001.

Institute Joins Effort to Establish Statewide Environmental Education Plan

By Greg Hawkins
Graduate Assistant
Strom Thurmond Institute

The Strom Thurmond Institute has joined a multidisciplinary team in an effort to develop a much-needed statewide environmental education plan, which is expected to nurture productivity, profitability, and sustainability in the state's agribusiness industry. I am working alongside other natural resource managers and public policy analysts, environmental sociologists, and formal and non-formal educators within the state to develop an environmental education plan which will enable residents to make wise, informed decisions about the use of our natural resources.

The President's Council for Sustainable Development declares that academic and research institutions, including our most basic education systems, need to recognize where people are in their understanding of environmental concepts if we are to achieve sustainable development. It is simply not enough to rest our future well-being on the fact that most people report a "philosophical commitment" to sustainability, when there is ample data to suggest that few people have been exposed to information or have the knowledge needed for sound environmental decision making. As for the state's resource-based industries, productivity, profitability, sustainability, and environmental justice require both industry leaders and citizens to wisely choose the manner in which we exploit our resources.

Dr. George Kessler, professor of Forest

Resources at Clemson University, has provided the energy, experience and leadership necessary to transform a good idea into a viable project. Dr. Kessler's experience in environmental education is best exemplified by another of his projects, "Teaching KATE" (Kids About The Environment). KATE has been very successful, having reached more than 30,000 youth since its beginning in 1992. However, KATE and all other such programs combined reach only a small percentage of the youth in the state, and adult participation and exposure to environmental education programs is even more scant.

A basic problem is that South Carolina has several diverse efforts being undertaken to provide exposure to environmental issues, but no overall direction and no plan to educate our youth or adult citizens about sustainable development. South Carolina can hope to successfully compete regionally, nationally, and internationally for industry only if its residents understand and commit to sustainable use of resources.

At this time, the team is refining their proposal and expects to pursue funding for the project in the near future.

Institute Associate Takes 'Developing Naturally' to Slovakia

Dr. Tom Potts and his interpreter Ms. Anna Mikov in a scene in the Slovakian countryside.

In a response to a request from Volunteers in Overseas Cooperative Assistance, Clemson University's Dr. Tom Potts spent the month of July aiding regional organizations in Slovakia.

His efforts focused on creating local expertise in the area of community development and public involvement. One such project assisted the NGO People and Water in their effort to develop the Amber Trail from Hungary through Poland.

Potts is a professor of Parks, Recreation and Tourism Management and an associate of the Strom Thurmond Institute.

As a follow-up to theses initial meetings Potts's manual, "Developing Naturally," is being translated and published in Slovakia. The manual provides a citizen-based method for enhancing local community assets and planning for nature-based development. Additional workshops for leaders have been scheduled during February. "We are enabling people to actively participate in the development of their communities," Potts said. "Public participation is a key element in the development of democracy."

Tinkering with Taxes in the 1990s

Principles, Pragmatism and Politics

By Holley Hewitt Ulbrich

Senior Scholar, Strom Thurmond Institute

The 1990s have seen wholesale changes in state and local taxes in order to provide property tax relief, attract industry and retirees, and find creative ways to fund infrastructure needs and K-12 education. Many of these changes, unfortunately, have failed to consider some basic tax principles relating to efficiency, equity, and administrative feasibility. I would like to weave together some of the good things that have been done or are being done, and some of the not so good things, to see if we can find some kind of pattern or big picture that might allow us to draw some useful insights. As all of us know, the most useful talent for policy analysts and practitioners is to be able to learn from other people's mistakes as well as their successes.

The links that connect property tax relief in Michigan and Oklahoma with eliminating the sales tax on food in Georgia and Louisiana, raising gasoline taxes around the country, and turning budget surpluses back to taxpayers in Oregon and Ohio lie in three elements of making public policy. One of these elements we learn in graduate school. Some of my better students manage to figure it out in undergraduate school. It's called principles, and it's been called that ever since Member of Parliament David Ricardo wrote his *Principles of Political Economy and Taxation* in 1817 to try to explain to his fellow members why free trade was in the best interests of Britain. When economists talk about principles, they aren't talking about high-minded stuff like not laundering campaign contributions and fixing roads where they need to be fixed instead of those in the district of the county council chair. Or ideological stuff like government bad, private sector good. They are talking about some rules of good policy that have been derived from economic theory and tested by practice. The second and third linkages we will meet a little later, but they are probably familiar , especially to tax practitioners. The second is pragmatism, or whatever gets the job done. And the third is politics. We'll look at each of these three tax policy drivers in turn and see what each has to offer.

Principles

Some of these principles sound pretty self-evident, until we look at cases of states that ignored them.

1. The law of unintended consequences, or every silver lining has a cloud, or there ain't no free lunch. In an interconnected set of markets, changing just one thing, like a sales tax rate, or an exemption, sets off a chain reaction.

- Acquisition value in California was intended to resolve the problems of determining market value for parcels that weren't sold; but it now has a far stronger lock-in effect than anybody could ever have claimed for income taxes on capital gains. In trying to get real prices, California violated both efficiency and equity rules of taxation. But in a rare turn of events, this policy rewarded the poor, the elderly, and the immobile.
- Some states will avoid the high cost of auditing for compliance, and resort to spot checking. Eventually taxpayers figure out the odds, so there are more noncompliers out there, raising the cost of auditing and reducing the tax receipts. It can quickly become a vicious cycle. What do you suppose is the likelihood that the tuition tax credit will drive up tuition, when 20 percent of tuition is now paid by the IRS?

2. Elasticity matters. I'm sure most of you are familiar with the concept of elasticity. It gets stretched to cover a lot of related ideas, but for tax issues, the most important elasticity question is, "How does the rate affect the base?" If we cut the tax rate, does it stimulate some economic activity

that increases the base? How much? If we raise the rate, what happens? In the short run? In the long run? These are central issues not just for supply-siders but for revenue forecasters and all kinds of policy wonks, like me.

- Elasticity is the reason why the sales tax couldn't replace the property tax in Michigan and South Carolina--the rate would be so high that it would drive all the shoppers to catalogs, other states, or direct tax evasion.
- The risk of raising sin taxes (alcohol and cigarettes) is another consequence of elasticity. Higher taxes translate into higher prices, which will erode the base over time, so no one can count on the extra revenue for long term purposes. That's one of the risks of setting up an entitlement for children's health care that is funded with taxes on tobacco.

3. A good tax has a broad base and a low rate. That word good doesn't sound like an economist word, but in this case it means that golden dream of all economists, efficiency. An efficient tax generates a lot of revenue at relatively low cost (and doesn't unduly distort people's decisions as they try to squirm out of it).

- Governor Bush's proposals for funding education in Texas by eliminating some exemptions and loopholes in the sales tax illustrates this principle. He was trying to get more revenue out of the sales tax without raising the rate by broadening the base.
- This principle also explains the importance of a low rate because of the border problem: Every state except Alaska and Hawaii has some kind of a border problem that puts more severe limits on their tax rates than the Feds have to worry about. Examples include the sales tax in Washington with none in Oregon; sales tax on food in Virginia with none in Maryland and the District of Columbia; income tax problems with state retirees moving from California to Nevada.
- A broad base is also important because you raise the cost of compliance and audit when you take items out of the base (food and clothing in the case of the sales tax). However, there is an optimal breadth, because states have found that they raise the cost of collection and compliance when they expand the base to services, which involves a lot of small producers.

4. Don't put all your eggs in one basket. Again, that sounds more like Aunt Martha than economics, but it's just our old friend portfolio theory in another guise. Remember that financial planner that tried to tell you that 15 stocks would be enough to balance risk and return in your portfolio? If you haven't been told that yet, get a raise so you qualify for the services of a financial planner. What's true of stocks is also true of taxes. Each tax has strengths and weaknesses -- some are more stable, others more progressive, others more sensitive to inflation. A good portfolio, which means the big three (income, sales, property) with a judicious mix of excises, fees, and charges, is the foundation of a good revenue system.

- Politicians should be more aware of the risk of heavy dependence on the sales tax in a rapidly changing commercial arena, particularly the growth of mail order and Internet sales. In the last decade, states have been shifting the tax burden heavily toward the workhorse of the last 60 years even as it starts to show some signs of aging!
- Utah, Michigan, and South Carolina have tried to eliminate one important basket, the property tax, but it really can't and shouldn't be done. The property tax is here to stay for two good reasons: in a mobile world, it's a tax on the only thing that can't move; and it's fairly close to a benefit tax, and it's capitalized in the value of property, especially for homeowners, i.e., a house is worth more in a district that offers a good mix of taxes and tax-financed services. These two desirable features are pretty unique to property taxes, and eliminating the property tax loses one of the important anchors in the system.

5. The business cycle cannot be repealed. Now I really sound like an economist, casting the shadow of the dismal science on what has been a very rosy economy. The time to watch out for a recession is when you start reading articles in *Business Week, The Wall Street Journal* and the *New York Times* proclaiming that the business cycle is

dead. I just read a passing reference to that idea in *Newsweek* two weeks ago -- "Alan Greenspan has tamed the business cycle...." That's an important forewarning. If it's true, great--but the business cycle has been around for a long time for a lot of good reasons. So forecasts, tax cuts, or financial decisions that are based on income rising at a steady rate from here into the sunset are probably wrong.

- In a world where recessions can and do happen, cutting taxes by the use of tax triggers makes more sense than permanent tax cuts (entitlements). Oregon, Michigan, and Ohio send money back to taxpayers if revenue exceeds budgeted forecasts. Today's rosy revenue picture is not permanent, and making permanent changes on the basis of the revenue performance of the last five years is risky.

Pragmatism (Holley's Rules)

Pragmatism is where the rubber meets the road, where principles encounter reality. Not political reality-that's the third leg-but people reality, institutional reality that limits your ability to make a tax system perfect because they aren't smart enough to figure out the rules or because they are smart enough to find a way around them. I've been dealing with these kinds of problems so long that I started collecting the pragmatic rules of thumb that we unconsciously depend on when turning good principles into tolerable practice. So here are a few of my favorites and how they apply to current tax policy:

1. Never attribute to malevolence what can be explained by incompetence.

- Property tax relief for homeowners in South Carolina for the tax on the first $100,000 of market value resulted in a raid on the state treasury, because the millage is controlled by the local school board, not the state. The next year the state froze the eligible millage, but the cost of the relief is still growing with reassessments and new construction at a rate that politicians didn't anticipate.
- Even if supply-side tax cuts work (cutting the tax stimulates the growth of its base), this strategy can only succeed if you leave a little bit of tax in place. Legislators need to figure out that cutting rates is a more promising mechanism than exemptions, deductions, or eliminating items from the tax base. That little bit of tax rate is the recapture mechanism whereby the growth of the base gets translated into more revenue.

2. Today's solutions create tomorrow's headaches.

- Property tax relief has created more dependence on state aid to local governments, especially for education; problems in maintaining infrastructure; growth in local fees and charges everywhere; and greater fragility and instability of the revenue system.
- It's easier to cut taxes than to restore them. Many states learned this lesson in the 1990-91 recession, but since then we have a new generation of governors and legislators who didn't experience that recession and who seem to be into hands-on learning rather than learning from the experience of others.

3. Nothing is ever as good as its proponents promise or as bad as its critics threaten.

- Hype is the name of the political game. At the national level, Congress threw a sop to children, the $500 allowance. It won't stimulate population growth, as critics claim; and not quite $10 a week is not really awesome help for working families, as its proponents argued.

4. When the only tool you have is a hammer, every problem looks like a nail.

- We used to say that Democrats threw money at problems. We can now say, with equal truth, that Republicans throw tax breaks at problems. Both are very clumsy, imprecise tools for most of what they try to accomplish. Take the current fad for eliminating the sales tax on food, most recently in Louisiana and Georgia. Two-thirds of states with sales tax now exempt food. What are the consequences? It saves more tax for the rich than the poor, because the rich spend more on food; it makes the tax more complex to administer and comply with, it costs about 25 percent of sales tax revenue, and it makes the sales tax base less stable. I have to question the logic of giving tax breaks to the 85 percent of us who aren't poor and don't need all that food in order to do a little for the other 15 percent; it just doesn't make good economic sense.

- A tax expenditure [creating an exemption or deduction or exclusion that removes part of the base from the tax] is a pretty inefficient way of getting at most objectives, because most of the money goes to people who were doing it anyway, like going to college, buying a house, or having children. So those tax expenditures that are justified solely as incentives rather than on some equity grounds ought to get a second, third, and fourth look.

5. Just because it's a little bit broke doesn't mean it's worth the bother of fixing it. This rule is actually an economic principle about weighing marginal costs and marginal benefits that have been disguised pretty successfully as a pragmatic rule. There is value to stability and certainty in terms of planning by individuals and business firms, even if the stable tax rules aren't the best ones possible.

- At the federal level, the in-and-out IRAs and Investment Tax Credits have made financial planning difficult.
- At the state level, I know in my home state and I am sure elsewhere, the rules for business tax incentives have changed every year, creating a lot of uncertainty and a lot of wait-and-see-what-they-offer-next mentality.

Politics

And finally, the greatest reality of all. Politics. The seamless blend of the self-interest of politicians, the watchful eyes of small groups of citizens, and the power of well-organized, well-financed lobbies that determines the rules under which the rest of us operate. I say this knowing that there are good, dedicated public servants. But we operate in a system that tends to reward those who play by the political rules, who follow rather than lead, duck rather than fight, and rationalize that they are needed to stay to fight another day. These rules are far from exhaustive, but I chose the ones that seem to be most relevant to tax policy and that constitute the biggest obstacles to getting a tax system that is fair, efficient, and inexpensive to operate.

1. One good break deserves another. A tax break is more likely to start a chain reaction than any loose atoms ever could.

- In my state, property tax relief for homeowners begat demands for relief for property taxes on cars. Each favor to one group upsets a tenuous balance that we have achieved through the political process and shifts the relative, if not the absolute burden, to some less-favored group. If they are organized, they will be next in line. The least vocal, least organized are last at the table.

2. Rich old people vote, children and poor people don't. Only the squeaky wheels get greased.

- There has been a slowdown in tax breaks for the elderly, but there are still a lot of them on the books, and pressures for more. We know that old people aren't necessarily poor--increasingly, they are less likely to be poor than younger families. But we also know that they are keen comparison shoppers, and that comparison often includes finding a place to live that minimizes their taxes because they demand less of certain expensive public services, like education (Sun City, Arizona seceding from its school district is a case in point). Somehow, the voice of those not at the table needs to be heard.

3. In the long run we are all out of office. At one time the government was supposed to have a longer term perspective than the private sector. Now the private sector has a three-month planning horizon, and the government manages at most a year before they're back to plotting election strategy.

- This time horizon certainly explains why raiding and underfunding state employee pensions can be so politically attractive, although there has been some improvement during the five fat years from 1992 to 1997.
- The latest flash out of Washington: now that balancing the budget in 1998 looks feasible, let's put it off until 2002.

4. Low visibility makes for good political cover. Hide the taxes and make the benefits and programs highly visible.

- Low visibility is the reason why we love the sales tax most of all, but it can't carry the whole burden. Politicians have developed lots of effective strategies for reducing visibility. Imagine income taxes without withholding! Property taxes on homeowners are made less visible by escrow accounts. Most people are totally unaware of excise taxes on alcohol and gasoline.

- Automated tax increases are much easier politically than those that have to be enacted, which explains a lot of the political resistance to tax indexing. If you can devise an overall tax system with an income elasticity greater than 1, then state revenue will grow faster than personal income, and legislators and the governor can take credit for a specious tax cut when they get the revenue growth back on the same track as personal income. The opposite problem plagues specific excises, which are expressed in terms of physical quantities (so many cents per gallon of gasoline or liter of wine). These taxes lag behind personal income because they don't grow with inflation at all.

5. Tax reform is slow, costly and unglamorous compared to relief, restraint, or repeal. When I talk about relief, restraint, repeal, reform, I usually focus on the property tax, although it can apply to other taxes as well.

Tax relief means responding to the squeakiest wheel, which is what politics is all about. Squeaky wheels are generally old folks, homeowners, new businesses, or developers. The cost falls on others either in reduced services or higher taxes.

Tax restraint is a clumsy way of tying your own hands, or those of local officials, or those of future officials, to keep them from taxing and spending. Most restraints enacted in the last 20 years, thankfully, have been fairly weak and ineffective, but some have not. The Prince George's County, Maryland, experience shows the power of a strong restraint. A dollar limit placed on property tax collections in 1979 in this DC suburb so drastically curtailed local public services that citizens voted for repeal in 1984. It was encouraging to note that two states have recently rejected property tax restraints (Idaho and Nebraska) although it passed in Oklahoma.

Tax repeal is a simplistic notion that it is possible to do away with a whole category of tax, most often the property tax (or in Connecticut, the income tax, which was instituted not long ago by one-term Governor Lowell Weicker and which the current governor is trying to eliminate). A lot of politicians look on certain taxes like kudzu, that annoying Japanese weed that was imported to the South and is slowly but surely suffocating large parts of Dixie. Cutting back doesn't work with kudzu. You have to eradicate it. If you look at taxes as theft, or as a noxious weed, then repeal is the only logical solution. If, like Justice Oliver Wendell Holmes, you look on taxes as the price we pay for a civilized society, then the task facing politicians is very different.

Tax reform is a process of statesmanship. It calls for a bipartisan commission and good technical support. It means looking at what other states do, and adopting the good ideas and chucking the ones that have turned out badly. I don't know about the other 49, but I do know that in my home state of SC, many legislators are not well-informed about how taxes are imposed and collected outside of South Carolina. Real reform involves a systems approach, looking at the total revenue structure and how much it yields and whether it yields too much, not enough, or just the right amount to provide the public services we need. It means balancing equity, efficiency, and administrative considerations to create a tax system that is fair, simple, responsive to growth and inflation, and that can stand the test of time without a lot of annual tinkering to patch it up. We want a dependable Volvo station wagon, not a flashy Alpha Romero or a sporty MG that spends most of its time in the shop being repaired.

Where Do We Go From Here?

Tinkering with taxes has become a major preoccupation of state legislatures. Some of what they do is harmless, but much of it is costly. Costly in terms of the effect on long-run decisions. Costly in terms of the ability to fund our two principal investments in the future at the state level, infrastructure and education. Costly in terms of wasting a lot of resources in tax administration and tax compliance that could be used better elsewhere.

So I think the main task ahead of us, those who work in the state revenue system and those who offer advice and technical assistance, as I do, is to:

1) underscore the principles at every turn, the principles of efficiency, equity, and administrative simplicity that are the foundation of any good tax system

2) acknowledge the pragmatism that sometimes the best is the enemy of the good, and be willing to settle for a pretty good tax system that will work for a long time without the need for a lot of legislative or administrative tinkering, and

3) address the politics in ways that are constructive, that bring in the unheard voices of consumers, children, established industry, and other parties that will bear more of the burden of taxes and/or suffer more of the decline in services if they aren't partners in the making of tax policy.

When I was in Bulgaria a few years ago, during the transition from communism, I was working with local public officials. Their questions always were "how do you do this in the United States?" on topics as diverse as beach access, day care, and parking management. Sometimes we had good answers. Sometimes, being Americans, we had multiple answers --well, this is what they do in California, in Tennessee, in Wisconsin. Sometimes we admitted that we didn't do it well. We suggested that they look at Danish health care and Italian day care. I wish you every success in making Arizona's revenue system a model for the nation, an example of efficiency, equity, and administrative simplicity, so that the next time I am called on to speak, I can say, "take a look at Arizona. They're doing some good things there."

(Dr. Ulbrich's article is drawn from an address she made to the Arizona Tax Conference on Sept. 4, 1997.)