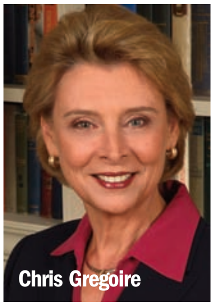
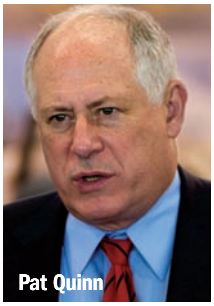
Grading the Governors from A to F

The 11th biennial fiscal report card on the governors comes at a time when those leaders have struggled with a sluggish recovery, resulting budget deficits, unemployment, and other economic problems in their states. Many reform-minded governors elected in 2010 have championed tax reforms and spending restraint to get their states back on track. Other governors have expanded government with old-fashioned tax-and-spend policies. In **"Fiscal Policy Report Card on America's Governors: 2012"** (White Paper), Chris Edwards, director of tax policy studies at the Cato Institute, graded all of the states' governors and awarded four of them A's—Sam Brownback of Kansas, Rick Scott of Florida, Paul LePage of Maine, and Tom Corbett of Pennsylvania. Five governors were awarded F's—Pat Quinn of Illinois, Dan Malloy of Connecticut, Mark Dayton of Minnesota, Neil Abercrombie of Hawaii, and Chris Gregoire of Washington. Edwards offers short analyses of each governor's performance in addition to a letter grade.


Chris Gregoire


Pat Quinn

Many states are facing major fiscal problems in coming years. Rising debt and growing health and pension costs threaten tax increases down the road. At the same time, intense global economic competition makes it imperative that states improve their investment climates. To that end, some governors are pursuing broad-based tax reforms, such as cutting income tax rates and reducing property taxes on businesses. This report discusses those trends and examines the fiscal policy actions of each governor in an attempt to make their records more transparent.

Amtrak's Insatiable Appetite for Federal Funds

When Congress created Amtrak in 1970, passenger-rail advocates hoped that it would become an efficient and attractive mode of travel. But, in **"Stopping the Runaway Train: The Case for Privatizing Amtrak"** (Policy Analysis no. 712), Cato senior fellow Randal O'Toole shows that more than 40 years of operations have disappointed. Amtrak has become the highest-cost mode of intercity travel and remains an insignificant player in the nation's transportation system. Nationally, average Amtrak fares are more than twice as much, per passenger mile, as airfares. Despite these high fares, per-passenger-mile subsidies to Amtrak are nearly 9 times as much as subsidies to airlines, and more than 20 times as much as those to driving. When fares and subsidies are combined, its costs per passenger mile are nearly

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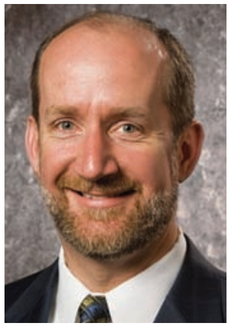
four times as great as airline costs. "A close look at the data reveal that Amtrak has failed for two primary reasons," O'Toole notes. First, passenger trains simply aren't competitive in most markets. Second, government control of Amtrak has saddled it with numerous inefficiencies, including unsustainably expensive labor contracts. "No amount of reform will overcome the fundamental problem that, so long as Amtrak is politically funded, it will extend service to politically powerful states even if those states provide few riders," O'Toole continues. The only real solution, he writes, is privatization. "Simple justice to Amtrak's competitors as well as to taxpayers demands an end to those subsidies," he concludes.

The Transparency Problem

"President Obama has committed to making his administration the most open and transparent in history," the Whitehouse.gov website declared just minutes after the new president took office on January 20, 2009. Yet, it is now clear that government transparency has not improved materially since the beginning of President Obama's administration. According to Jim Harper, Cato's director of information policy studies, in **"Grading the Government's Data Publication Practices"** (Policy Analysis no. 711), this is not due to lack of interest or effort. "Along with meeting political forces greater than his promises," Harper writes, "the Obama transparency tailspin was a product of failure to apprehend what transparency is and how it is produced." Starting from a low transparency baseline, this administration made extravagant promises and put significant effort into the project of government transparency. It has not been a success. House Republicans, who manage a far smaller segment of the government, started from a higher transparency baseline, made modest promises, and have taken limited steps to execute on those promises. President Obama lags behind House Republicans, but both have a long way to go. The solution, Harper argues, is to tackle the low-hanging fruit first. Establishing an authoritative list of programs and projects within the basic units of government, for instance, "is like creating a language, a simple but important language computers can use to assist Americans in their oversight of the federal government." Harper goes on to lay out a variety of good data publication practices, which he insists can help to produce a more accountable, efficient, and responsive government.



The Race for Protection

The world is awash in trade-distorting subsidies. According to Scott Lincicome, a former employee of Cato's Center for Trade Policy Studies and now an international trade attorney at White & Case, governments have adopted massive "stimulus" packages since the financial crisis of 2008—handouts that have included taxpayer subsidies for various industries including agriculture, alternative energy, and automobiles. In **"Countervailing Calamity: How to Stop the Global Subsidies Race"** (Policy Analysis no. 710), Lincicome argues that these subsidies have, in turn, "distorted global markets, bred cronyism, and undermined free trade." They have also encouraged copycat subsidization, which spawned an increase in litigation at the World Trade Organization and led to the frequent imposition of protectionist duties. Trade reform is badly needed. "Unfortunately," Lincicome writes, "the U.S. government has little credibility on this issue: it is one of the world's largest subsidizers, funneling billions of dollars annually to chosen industries, causing economic uncertainty, and creating breeding grounds for corruption." Yet, ironically, with 59 currently active or pending national countervailing duty (CVD) measures affecting over $11 billion of imports, the U.S. government is also one of the most frequent users of antisubsidy disciplines. The only answer here, according to Lincicome, is true reform. By curtailing federal subsidies to favored industries and by changing CVD procedures to ensure that they serve the rule of international trade law—rather than protectionist objectives—"the U.S. government can reduce market distortions, restore some faith in free markets, and lead national and international subsidy reform initiatives," he concludes. ■