

## **Disaster Looms For Rhode Island's Businesses**

By Edward Achorn

Why did Governor Chafee break his campaign promise to attack spending and remove unfunded mandates before turning to massive tax hikes?

“It takes more than 70 days to develop a thoughtful, prudent approach to reform,” explained his spokesman, Christian Vareika.

Whereas, apparently, it does not take more than 70 days to develop a thoughtless, imprudent approach to hiking taxes.

Sorry, Governor Chafee could have been ready on Day One with legislation eliminating unfunded mandates on local cities and towns, and he could have begun his term — like most other new governors across the country — insisting on meaningful cuts. But that might have irritated his special-interest supporters.

If only our governor were as tender and solicitous toward Main Street as he is toward the government class.

Governor Chafee, who once claimed to be an independent thinker, is acting these days like a puppet of the special interests that got him elected, doing what they tell to him to do, without an apparent thought in his head about how that hurts anyone else. It's a sad thing to see, and must be doing great harm to the Chafee family brand.

He recently admitted to me, quite reluctantly, that no one in his administration had assessed how many jobs his tax hikes would cost. He did check with his barber, Ernie, though, who assured him the taxes were no big deal.

Maybe somebody who is slightly more pragmatic — are there any grownups in this administration? — could pull the governor aside and gently spell out some facts of economic life, such as the danger Rhode Island will confront if it kills off large numbers of private-sector jobs in a dismal economy.

If they need an argument that might resonate with this governor, they might try this one: If jobs disappear, so do tax revenues. And that means less money for the public employees — or, as he puts it, his “team.”

Don't worry, says Ernie the barber. “We all want services, right? The notion that no one's going to pay taxes — what are we going to do, fend for ourselves like it's the 1700s?”

No one is going to pay taxes? Linc and Ernie may not have grasped this, but the middle class in Rhode Island already pays some of the steepest overall taxes in America. We are already “sharing” in the “sacrifice” to provide some of the most generous benefits for public employees this side of paradise.

That is one of the reasons, surely, that thousands of people have uprooted and left Rhode Island over the past decade — or simply avoided it like the plague. We had the second slowest population growth of any state (behind only basket-case Michigan, which lost people). States with lower taxes and greater economic opportunity boomed during that period.

Families here are understandably frightened about the prospect of being forced to give more of their money to the governor. Their jobs are shaky, and they are already confronting rising property taxes, rising education costs, rising food bills, rising prices to heat the home and fill up the car’s gas tank.

But Governor Chafee’s taxes would cost more than money. They would destroy small businesses, and the essential jobs they provide.

Imposing new taxes on a wide range of purchases and services that are not taxed in neighboring Connecticut and Massachusetts would, by definition, make Rhode Island less competitive. Customers, already pinching pennies, would do without, or cross the border to spend their money. Downtowns and strip malls already pockmarked with empty stores would become more ghostly, less vibrant.

The governor’s sales tax on business investment purchases would force some businesses to opt out of modernizing or expanding their operations in Rhode Island. New taxes on manufacturing machinery and equipment would halt gains in productivity and innovation — which are crucial if the state’s businesses are to be competitive in the near future.

Anyone with a working knowledge of capitalism would grasp all this.

Small businesses are the jobs engine in our economy. Kill them off, and you make life harder for all residents, while starving the government of the tax revenues it needs to function.

Is that so hard to understand?

The only way to halt this impending disaster, at this point, is to awaken the General Assembly. Call your state representative and senator. You can reach House Speaker Gordon Fox at (401) 222-2466 and Senate President Teresa Paiva Weed at (401) 222-6655. You can reach Governor Chafee at (401) 222-2080.

Tell them they need to refocus on that four-letter word that was part of their campaigns but seems to have been forgotten since: J-O-B-S.

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