

Using Tax Policy to Build Our Economy and Clean Our Environment

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As powerful economic incentives and disincentives, taxes are among the strongest means the government has to *motivate behavior*. Is New Mexico taxing behaviors it wants to discourage, and rewarding those it wants to encourage? Or is our tax system actually creating powerful *reverse incentives*?

The Governor's Task Force on Our Communities, Our Future believes it is possible that a *revised tax system* could accomplish the following:

- Increase job creation
- Reduce poverty
- Increase capital investment in business
- Jumpstart innovation
- Clean up our air, soil and water and reduce global warming
- Avoid passing costs on to future generations
- Encourage prudent, efficient economic behavior, while strongly discouraging wasteful behavior
- Make New Mexico more competitive nationally and internationally

The Task Force recommends that the State Legislature fund an analysis of our tax system and strategies for improving its effectiveness. This analysis could bring together the best economic minds in our state, nation and the world, to discuss and analyze the topics raised, and to write a report on their findings with recommendations for change.

Right now, to raise revenues, New Mexico and its municipalities and counties are taxing work, income, property ownership, and purchase of products and services. Paradoxically, these are all activities we want to encourage yet we burden them with taxes.

Meanwhile, pollution in many forms, waste, and the depletion of non-renewable or slowly-renewable



Jobs for the Future. *In 1908, these Albuquerque Public Service linemen were in the forefront of the fossil fuel society. Today, with fossil fuels harder to develop and their known contribution to climate change, is it time to think about the economy of the future? (International Brotherhood of Electrical Workers Local 611, Albuquerque)*

resources, are not taxed directly. Moreover, they are placing real burdens on our health and planetary life-support systems – creating economic costs that are not being paid today, but rather passed on or “externalized” to future generations.

Our grandchildren will face global warming, desertification, loss of fertile topsoil, loss of bee populations critical to crop fertilization, diminishing water tables, declining fisheries, and increasing asthma, obesity and other environmentally-related health problems.

If these “externalized costs” were fairly accounted for, food products grown 1,000 miles from New Mexico, with heavy inputs of fossil fuels, packaging, polluting fertilizers and health-compromising pesticides would not be less expensive than organic produce from family farms in the Rio Grande Valley.

In our current system, economic decisions that save individual consumers money in the short term actually cost everyone more in the long run, by harming the environment and human health. Is this sound economics, or good common sense? How can we turn this around?

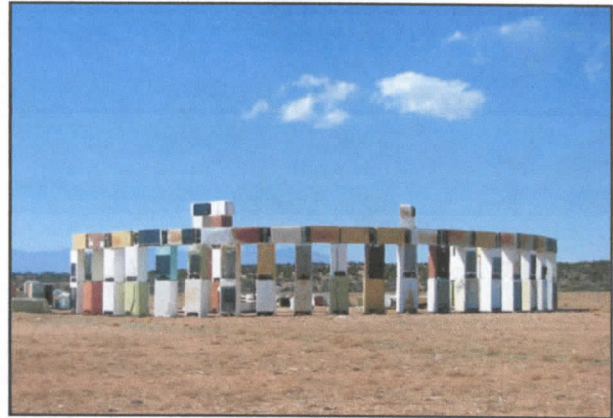
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Many economists believe that reducing or eliminating payroll and income taxes, and replacing them with taxes on waste, pollution, and resource depletion, would foster innovation, create far more and better paying jobs, fight poverty, and increase overall prosperity and quality of life, while reducing pollution and global warming.

These tax structures could generate the public funding we need today, *while gradually reducing the need for future public funding.* For example, cigarette taxes could be set so that they cover the true cost of smoking-related health costs, which would in turn financially discourage cigarette use and reduce future health costs.

The Task Force recommends we consider a future of higher employment, higher personal incomes, more jobs from innovation and invention, cleaner air, soil, and water, and healthier citizens. The current tax system is likely working against this brighter future.



What a Waste. *Are the true costs of solid waste taken into account when companies decide what to charge for their products? Probably not, if you include the cost of landfills, toxic cleanup, pesticide and herbicide use and excessive water use. A study of New Mexico's tax system, recommended by the Task Force, may suggest ways to impose taxes on undesirable activities, while relieving it on desirable activities, such as job creation.*

"Humans are the only primates that live everywhere. Gorillas, for example, live in a very small, well-defined areas ... and we can't stop telling ourselves about where we live. We use a variety of strategies to mark our spot."

"Choices shaping our cities profoundly affect us, often millennia later. Cave art made 30,000 years ago still speaks to us."



"The first need humans manifest is our psychological marking, as manifested here in petroglyphs."

– From a talk by architect
Tony Atkin,
author of "Structure and Meaning
in Human Settlements"