How to Use the Fiscal Surplus

What is the Optimal Size of Government?

Edited by Herbert Grubel

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About the Authors

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JEAN J. CHAREST holds a Law degree from the University of Sherbrooke and was called to the Quebec Bar in 1981. First elected to the Parliament in 1984, he was appointed Assistant Deputy Speaker of the House of Commons shortly thereafter. In June 1986, Mr. Charest was appointed Minister of State for Youth and two years later he also assumed the portfolio of Minister of State for Fitness and Amateur Sport. In 1988, he was re-elected and in 1989 the role of Deputy Leader of the Government in the House of Commons was added to his other responsibilities. In 1990, Jean Charest was appointed Chairman of the Special House of Commons Committee on Priorities and Planning and the new Committee on Canadian Unity and Constitutional Negotiations. In June 1993, Jean Charest finished second at the PC Leadership Convention and shortly after was appointed Deputy Prime Minister of Canada and Minister of Industry and Science. He was re-elected for a third consecutive term on October 25, 1993. On December 14, 1993, Jean Charest was appointed Leader of the Progressive Conservative Party of Canada and on April 29, 1995, delegates to the 1995 National Meeting of the Progressive Conservative Party confirmed his leadership. Later in 1995, Jean Charest was named vice-President of the NO Committee for the Quebec referendum campaign. On April 30, Jean Charest became leader of the Liberal Party of Quebec.

STOCKWELL B. DAY is the Provincial Treasurer and Acting Premier of the Government of Alberta. Stockwell Day attended the University of Victoria in Victoria, British Columbia, received training in auctioneering and business in British Columbia and Alberta and also took counselling and ministerial training in Alberta. In business, he has been active in Day's Auction Sales and as a contractor supplying commercial interiors. His community work includes serving as Administrator and Assistant

Pastor at the Bentley Christian School from 1978 to 1985, working on Teen Challenge Ministries, and serving as an education consultant. Stockwell Day has been involved in a number of community activities including fund-raising for local boards and associations and serving as a member of the Red Deer Rotary Club and the Red Deer Branch of the Royal Canadian Legion. Mr. Day was first elected to serve as the Member of the Legislative assembly for Red Deer-North in May 1986. He was re-elected in subsequent elections in March 1989, June 1993 and March 1997. Mr. Day was appointed Provincial Treasurer on March 26, 1997.

ERNIE EVES is Deputy Premier and Minister of Finance for the province of Ontario. He was appointed to these positions on June 26, 1995. As Minister of Finance, Mr. Eves is responsible for Ontario's fiscal and economic policies, the management of provincial finances, and the allocation of a budget of approximately $50 billion. He is also responsible for the development and administration of major tax statutes, and the regulation of Ontario's financial institutions. Mr. Eves is a member of the Policy and Priorities Board of Cabinet and the Vice-Chair of the Management Board of Cabinet, which is responsible for reviewing all government spending.

Mr. Eves was first elected to the Ontario Legislature in 1981 as the member for the riding of Parry Sound and has represented that constituency continuously since that time. He has extensive legislative experience, having served in the Cabinet of former Premier Frank Miller as Minister of Community and Social Services and Minister of Skills Development. He has also been Provincial Secretary for Resources Development, and Parliamentary Assistant to the Minister of Education, Colleges and Universities. Mr. Eves has served as Chairman of the Public Accounts Committee; he was appointed to the Select Committee on Ontario in Confederation, and served as a member on a number of other legislative committees.

Ernie Eves was born in Windsor in 1946 and attended the University of Toronto and Osgoode Hall Law School. He was called to the Bar in 1972 and was made a Queen's Counsel in January, 1983. Before his election, Mr. Eves was an active member of the business community in Parry Sound and a partner in the local law firm of Green and Eves.

DAVID E.A. GILES has been a professor with the department of Economics, University of Victoria, British Columbia since 1994. He completed his Ph.D. at the University of Canterbury, New Zealand in 1975. Previous positions include professor of Econometrics, University of Canterbury; professor and chair, Department of Econometrics, Monash University, Australia; and head of Research Section, Reserve Bank of

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HERBERT GRUBEL has been professor of economics at Simon Fraser University since 1971 and has a B.A. from Rutgers University and a Ph.D. in economics from Yale University. He is also the David Somerville Fellow in Taxation and Finance at The Fraser Institute. He has taught full-time at Stanford University, the University of Chicago, and the University of Pennsylvania; he has had temporary appointments at universities in Berlin, Singapore, Cape Town, Nairobi, Oxford, and Canberra. Herbert Grubel was the Reform Party Member of Parliament for Capliano-Howe Sound from 1993 to 1997, serving as the Finance Critic from 1995 to 1997. He has published 16 books and 180 professional articles in economics dealing with international trade and finance and a wide range of economic policy issues.

JOHN MCCALLUM is chief economist with the Royal Bank of Canada, Toronto. He obtained his B.A. from Cambridge University in 1971, a Diplome d'Etudes Superieures from Université de Paris 1 in 1973, and a Ph.D. in Economics from McGill University in 1977. Dr. McCallum is responsible for providing economic analysis and commentary for the Royal Bank and for outside clients and the public. He is the author or co-author of 8 books or monographs as well as many articles. He has written on fiscal and monetary issues, comparative macroeconomic performance of OECD countries, the economic integration of Canada and the United States, and other economic topics.

JANICE MACKINNON is Minister of Economic and Co-operative Development in the Government of Saskatchewan. She received a B.A. from the University of Western Ontario and an M.A. and Ph.D. from Queen's University in Kingston. She taught Canadian-American Relations and Women's History at the University of Saskatchewan and has written two books (one on political culture, the other on women refugees) as well as many articles on the Free Trade Agreement and privatization. Ms. MacKinnon was first elected in October 1991 to represent the Saskatoon Westmount constituency for the Saskatchewan New Democratic Party. On November 1, 1991 she was appointed to Cabinet as Minister of Social Services. She next served as Associate Minister of Finance and Minister Responsible for the Crown Investments Corporation. In January 1993, she was appointed Minister of Finance. During her tenure as Minister of Finance, Saskatchewan was the first senior government in Canada to balance its budget. In June 1995, Ms. MacKinnon was re-elected as the representative for Saskatoon Idylwyld. She was appointed to her current position of Minister of Economic and Cooperative Development and Government House Leader in June 1997.

PRESTON MANNING is Member of Parliament for Calgary Southwest, Leader of the Official Opposition and Leader of the Reform Party of Canada. He received a B.A. in Economics from the University of Alberta. He was first elected to Parliament in 1993 and re-elected in 1997. He was a founder of the Reform Party of Canada, 1987 and its Leader from the same year. He is the official Opposition critic for the President of the Queen's Privy Council for Canada and Intergovernmental Affairs.

TIM REID is the past-President (1989–1998) of the 170,000 member Canadian Chamber of Commerce, Canada's largest and most representative national business association. A Rhodes Scholar, he holds degrees in economics and political science from the Universities of Toronto, Yale, and Oxford, and has also completed the Advanced Management Program at Harvard. He has served as a Commissioner of the Ontario Securities Commission, a deputy secretary of the federal Government's Treasury Board, a Principal Administrator at the OECD in Paris, a Member of Parliament (Ontario Legislature), the Business Co-chair of the Canadian Labour Market and Productivity Centre, and as Dean of the Faculty of Business at Ryerson Polytechnic University, Toronto.

NELSON A. RIIS is the Member of Parliament for Kamloops (New Democratic Party). He has a B.Ed. and an M.A. in geography from the University of British Columbia. Mr. Riis has taught in the public school system and in colleges and universities. He served as an alderman on the Council of the City of Kamloops from 1973 to 1978, was a director of the Thompson-Nicola Regional District, and also an elected trustee for Kamloops School District between from 1978 until his election to Parliament in 1980. Since his election to Parliament, Riis has been the New Democratic Party's spokesperson for Small Business, Regional Expansion, and Finance; he is also Parliamentary House Leader for the Federal Caucus. He currently serves as the spokesperson for Business, Finance and International Financial Institutions and is Chair of the Federal NDP Caucus.

JEFFREY G. RUBIN is Chief Economist and Managing Director of CIBC Wood Gundy, Toronto. Mr. Rubin received a B.A. from the University of Toronto and an M.A. from McGill University. He was senior policy advisor for the Ministry of Finance, Government of Ontario from August 1982 to July 1988.

LUDGER SCHUKNECHT is an economist in the Research and Analysis Division of the World Trade Organization in Geneva. He studied economics in Munich, at George Mason University in Virginia, and in Konstanz, Germany. Specializing in international economics and political economy, he received his Ph.D. from the University of Konstanz with the thesis, *Trade Protection in the European Community* (Harwood Academic Publishers, 1992). He joined the International Monetary Fund (IMF) in 1992 and worked in the African and Fiscal Affairs Departments. His most prominent tasks there included helping to build the fiscal administration in the West Bank and Gaza Strip and the joint work on government reform with Vito Tanzi. He has published articles on a range of issues, including expenditure, policies, political business cycles, EU trade policy, financial services, trade, and electronic commerce. Since January 1997, he has been on leave from the IMF to work at the World Trade Organization.

GERALD SCULLY has been with the School of Management, University of Texas, Richardson, Texas since 1985. In the past 10 years, his focus has been on measuring inefficiency, examining the roles of institutional technology and policy on growth and equity, and other issues in public choice and constitutional political economy. The work on inefficiency is related mainly to the effects of different property rights regimes and issues of vertical integration and multinationality. He has shown that the extent of economic freedom and the rule of law are preconditions for a high rate of economic progress in the Third World. In public choice and constitutional political economy, his main contributions have been on the theory of rent-seeking, the political market for income redistribution, the measurement of the trade-off between equality and efficiency, estimates of the effect of the distribution of rights on economic efficiency and equity, further work on the theory of the rule space and economic growth, and on estimates of growth-maximizing tax rate for the advanced industrial countries.

VITO TANZI is the Director, Fiscal Affairs Department, International Monetary Fund, Washington, DC. Vito Tanzi received his Ph.D. in economics from Harvard University and, before joining the International Monetary Fund in 1974, he was Professor and Chairman, Department of Economics at the American University. He has also been on the faculty of the George Washington University and a consultant for the World

Bank, the United Nations, the Organization of American States, and the Stanford Research Institute. He has published many books including *The Individual Income Tax and Economic Growth* (Johns Hopkins University Press, 1969); *Inflation and the Personal Income Tax* (Cambridge University Press, 1980); *The Underground Economy in the United States and Abroad* (Lexington Press, 1982); *Taxation, Inflation and Interest Rates* (IMF, 1984); *Public Finance in Developing Countries* (Edward Elgar, 1991); and *Taxation in an Integrating World* (Brookings, 1995). He has edited several books, the most recent of which is *Income Distribution and High Quality Growth* (MIT Press, 1998). Dr. Tanzi has written a large number of articles in leading professional journals like the *American Economic Review, The Journal of Political Economy, The Review of Economics and Statistics, The Economic Journal, The Journal of Public Economics*. His major interests are public finance, monetary theory, and macroeconomics. In the period from 1990 to 1994, he was President of the International Institute of Public Finance.

MICHAEL A. WALKER is the Executive Director of The Fraser Institute and has directed its activities since 1974. He is an economist, journalist, broadcaster, consultant, university lecturer, and public speaker. As an economist, he has written or edited 40 books on economic topics. His articles on technical economic subjects have appeared in professional journals. As a journalist, he has written some 600 articles, which have appeared in some 60 newspapers. As a broadcaster, he has written and delivered some 2,000 radio broadcasts on economic topics and appeared on radio and television programs in Canada, the United States, and Latin America. As a consultant, he has provided advice to private groups and governments on five continents. He taught at the University of Western Ontario and Carleton University and was employed at the Bank of Canada and the Federal Department of Finance. He received his Ph.D. at the University of Western Ontario and his B.A. at St. Francis Xavier University.

CONRAD WINN (Ph.D. Wharton) is Chief Executive Officer and founding chairman of Carleton Opinion Marketing and Public Affairs Surveys, Inc. (COMPAS). He is widely known to Canadians as a result of his frequent appearances on television programs like Mike Duffy's *Sunday Edition* and his analysis of trends in *The Financial Post*, the Southam newspaper chain, and elsewhere. Author of five books and many professional articles, he has taught public affairs and communications for almost three decades at undergraduate and doctoral levels in Canada and abroad. Mr. Winn's experience in public affairs, communications, and marketing includes projects with dozens of *Financial Post* 500 corporations, professional bodies, industry groups, non-profit organizations, media, and government departments.

Preface

MICHAEL WALKER

As Canada heads into the next century, the central issue of fiscal policy is what we should do with the surplus. There are three possibilities: increase spending, reduce taxes, or pay off the debt. The purpose of this book is to examine the options and to provide an economic analysis of alternative outcomes. The focus of the book is that the choice that government makes will have direct implications for the comparative size of the government and private sectors. In turn, this outcome has an implication for growth, employment, and future economic stability.

For some, the question of the size of government is purely political and is not amenable to economic analysis. This view is reflected in this volume. For others, the optimal size of government or the optimal tax rate (which is the same thing in a balanced-budget world) is a technical question that can be decided apart from political considerations. The logic of the latter view seems unassailable when considered along the following lines.

On the one hand, every Canadian would agree that a tax rate of 0 percent would be too low. Such a tax rate would provide no revenue to government and, therefore, no government services would be possible. On the other hand, all would agree that a 100 per cent tax rate is too high. Such a rate would imply that there was no private sector at all, since all purchasing decisions would be made by government. Somewhere between the 0 and 100 lies the optimal rate of tax.

In a similar logical fashion, one could eliminate tax rates as low as 10 or 15 percent or as high as 80 or 90 percent. The tax rate between these boundaries that would be best for Canada can be subjected to analysis. The higher the tax rate, the more government services can be provided—though each additional dollar spent on programs beyond a certain level would be expected to produce less and less benefit. Moreover, the higher the tax rate, the greater the disincentives to economic growth and increased employment.

So, while there are many political answers to the question, what should be the size of government, there is an analytical approach that will yield the optimal size of government from an economic point of view. The essays published in this study approach the issue of the optimal size of government from a number of points of departure. In the process, they provide a powerful framework for considering what should be done with the fiscal surplus.

The Fraser Institute was pleased to host the conference that produced this collection of papers and hopes that they will stimulate more cogent discussion of a very important topic. However, it must be noted that the authors have worked independently and the views they express may not conform with those of the members or of the trustees of The Fraser Institute.

How to Use the Fiscal Surplus

What is the Optimal Size of Government?

Introduction and Summary

HERBERT GRUBEL

When the conference *How to Spend the Fiscal Dividend: What is the Optimal Size of Government?* was planned in the summer of 1997, the Government of Canada was expected to present a balanced budget in the upcoming fiscal year 1998/99 and, if tax rates and spending programs remained unchanged, large annual surpluses in the following years. These expected surpluses have become known as the "fiscal dividend" because they are the return on the "investment" of fiscal restraint practised since 1993.

The government has only three ways in which it can use the fiscal dividend: increased spending, tax cuts, and debt reduction. The papers from the conference (Ottawa, December 3, 1997) published in this book consider the allocation of the expected fiscal dividend among these three competing uses. The well-being of future generations of Canadians depends greatly on the choices the government will make.

History of imbalances and public opinion

Part One provides facts on which the economic and political analysis in the rest of the book should rest.

Canada's fiscal imbalances: history and options for the future

Herbert Grubel shows the changes in spending and revenue that have taken place between 1993 and 1996. He demonstrates that the government eliminated the deficit mainly by means of revenue increases

(75 percent) rather than spending cuts (25 percent). Well over half of the revenue gains came from higher revenues from personal income tax. About $21 billion was cut from program spending but $8 billion of this was off-set by the cost of servicing the growing debt. Further, $8.3 billion of the $21 billion was achieved through a reduction in transfers to other levels of government—a reduction that provincial governments blame for the cuts in spending on health, higher education, and welfare that they have had to make since 1993.

Professor Grubel also projects recent developments into the future and shows likely annual surpluses of $47 billion by 2003/04. Some simulations of the development of the ratio between debt and GDP and cuts to personal income taxes show that the expected surpluses present rich opportunities for lowering the burden of debt and shrinking the size of government.

What do Canadians think should be done with the fiscal surplus?

Conrad Winn summarizes the results of a public opinion survey that asked Canadians how they thought that the fiscal dividend should be used. The most important result is that debt reduction is preferred by 41 percent, tax cuts by 27 percent, and increased program spending by 32 percent of Canadians.

These basic findings are analyzed in greater depth by considering the demographic characteristics and regional residence of respondents. For example, Albertans by a large margin prefer debt reduction while a clear majority of Canadians in the Atlantic provinces want the government to use the fiscal dividend to increase spending. Forty-three percent of all Canadian men prefer debt reduction while only 37 percent of women do.

The optimal size of government and public well-being

Part Two presents long-term and international perspectives on the optimal size of government. The findings presented provide powerful arguments for using the fiscal dividend for tax cuts and a smaller government. Paying down the debt would produce the same results but at a much slower pace. A smaller government would increase economic efficiency and economic growth without significant sacrifices in indicators of social well-being.

Optimal levels of spending and taxation in Canada

In his paper at the conference, Professor Gerald Scully summarized the main findings of his widely discussed studies of the relationship between government spending and economic growth in the United States and New Zealand, drawing parallels to Canada. His theory and econometric methodology were used by Johnny Chao and Herbert Grubel in a formal analysis of Canada's historic experience. They show that between 1928 and the early 1960s increases in government spending and taxation were associated with rising economic growth. However, after 1963, as the size of government exceeded 35 percent of GDP, further increases in government spending were associated with a consistent reduction in economic growth. Their analysis concludes that economic growth in Canada would be increased if spending were lowered from its recent 48 percent of GDP to its historic optimum of 35 percent. Such a reduction in spending and taxation would raise the economic growth rate by 22 percent.

Can small governments secure economic and social well-being?

Ludger Schuknecht reports on work he had undertaken jointly with Vito Tanzi at the IMF. The authors analyzed the relationship between the government spending and economic growth of a number of countries over most of this century. They found that spending at up to about 30 percent of GDP fosters economic growth; thereafter it has a negative effect.

Most importantly, Schuknecht and Tanzi found that, once countries exceed this optimum level of spending, they not only reduced economic growth but also produced no or very minimal gains in social benefits. Countries with high and "moderate" spending levels produce just about the same life expectancy, infant mortality, educational attainment, and environmental qualities. Only for income distribution do the countries with high spending levels have a better record than those with low spending. However, the gains are very modest. In high-spending countries, the poorest 40 percent of households receive 20.1 percent of all income; in countries with moderate and small governments, these shares are 18.7 and 17.3 percent, respectively. According to this evidence, the choice faced by Canada is whether these very modest gains in income equality are worth the reduction in economic growth accompanying the higher government spending needed to bring it about.

The underground economy: minimizing the size of government

Professor David Giles reports on his study of the hidden economy of New Zealand using new data and methodologies. His estimates for Canada suggest that the hidden economy is equal to 15 percent of GDP and implies a loss of $35.5 billion in tax revenue.

Provincial politicians describe recent fiscal history

These chapters describe the recent history of fiscal restraint in Alberta, Saskatchewan, and Ontario.

Lessons from Alberta on fiscal dividends and taxation

Stockwell Day, the Treasurer of Alberta, relates his government's path from very high deficits to large surpluses. He describes the pressures he faced for increased spending once surpluses had developed and how his government's legislated restrictions on spending helped him fend off these demands. Mr. Day also discusses his government's measures to protect against the development of future deficits through prudent, transparent, and binding budgeting procedures.

Balance: fiscal responsibility in Saskatchewan

Janice MacKinnon, Saskatchewan's Minister of Economic and Co-operative Development, reports her government's efforts to restore fiscal balance while it protected social spending and encouraged economic activity through subsidies and tax concessions. Her government's success with these policies suggests that fiscal balance can be restored even while the most important goals of spending are maintained.

Restructuring the government in Ontario

Ernie Eves, the Finance Minister of the Government of Ontario, reports how massive fiscal restraint and tax reductions have been rewarded by substantial growth in economic activity and government revenues, much as historic and broader studies of the economists suggest in the first part of this book.

Discussion of lessons from provincial politicians

This chapter is an edited transcription of a discussion among Mr. Day, Ms. MacKinnon, and Mr. Eves that followed the presentation of their papers at the conference; it includes answers to questions from the audience.

Views of business economists

Three professional economists from the private sector give their views on how the government should spend the fiscal dividend.

Options on the fiscal dividend

John McCallum urges that current spending levels be considered in an historical context. He notes that program spending relative to GDP in 1996 was at its lowest level since 1948. Because of economic growth and a constant nominal debt, by 2006 the ratio of debt to GDP will be lower than it has been since the mid-1960s. He argues that tax cuts should focus on personal income tax rates, which are the highest among the G7 countries, and not on payroll taxes, which are among the lowest—lower even than those in the United States. Tax cuts should be designed to lower the very high marginal tax rates faced by people with low incomes. These high marginal tax rates are the result of increased incomes that lead both to a loss of government benefits and the payment of higher personal taxes. To discourage emigration from Canada of people at the upper end of the income distribution, he also suggests reductions in the high marginal tax rates that they face.

View of the Canadian Chamber of Commerce

Tim Reid, past-President of Canadian Chamber of Commerce presents the views of the Chamber's many members—views determined by an extensive process of consultation before the conference. The Chamber wants the government to "anchor" its gains by paying down the debt and thus reduce the risk that high interest payments will once more result in deficits during future recessions. Mr. Reid urges the government to set targets for debt reduction so it can be held accountable. He also suggests lowering taxes, especially employment insurance premiums. He asks that increased government spending be undertaken only after careful analysis of the costs and benefits for each project—a process that would lead to lower spending relative to GDP in the future.

View of CIBC Wood Gundy

Jeffrey Rubin of CIBC Wood Gundy opposes adamantly the government's practice of playing down its success in fiscal restraint and understating the large surpluses that he sees already in existence or about to appear in the near future. He is pessimistic about the political acceptability of using large surpluses to pay down the debt and urges, instead, that the fiscal dividend be used to reduce personal income taxes, making Canada more competitive with other G7 countries. Mr. Rubin estimates that all of the spending restraints of the last three budgets will quickly be wiped out if the government adheres to its promise to use 50 percent of future surpluses for increased spending.

Discussion of views of business economists

John McCallum of the Royal Bank of Canada believes that the optimal size of government is a political question to be decided at the ballot box and that economic analysis cannot provide the answer. This provoked an extended exchange with Mike Walker during the discussion period, who insisted that economists have important information about the costs and benefits of government spending that voters need to consider before they cast their ballots. This is so even in the case of spending for income redistribution and the inevitable ethical judgements, which should be made rationally in the light of information about the reductions in economic growth that accompany policies of income redistribution.

Views of the federal political parties

Preston Manning, Nelson Riis and Jean Charest explain the positions of three major political parties. The Liberals had been invited but failed to send a speaker.

View of the Reform Party

Preston Manning expresses interest in the economic analysis of optimal spending levels but offers, instead, a pragmatic formula for the use of the fiscal dividend: spending should increase at the rate of 6 percent annually to keep up with inflation, income, and population growth; remaining surpluses should be divided equally between tax relief and debt reduction.

View of the New Democratic Party

Nelson Riis finds the Liberal formula for distribution of the fiscal dividend acceptable: 50 percent of the surplus is to be used for increases in spending, 25 percent for debt reduction and 25 percent for tax relief. He identifies students with large debts, Medicare, impoverished children, and the unemployed as the most important recipients of increased spending.

Views of the Progressive Conservative Party

Jean Charest disputes the existence of a fiscal dividend on the grounds that any surpluses are the result of excessively high unemployment-insurance premiums, which have resulted in an unnecessarily large surplus in the EI account administered by the government. M. Charest suggests that income taxes be cut immediately to increase productivity and government revenues, and to reduce incentives for the brain drain.

Conclusion

In my view, one of the most important conclusions which emerged from the conference is as follows. Canada's fiscal performance has been and in the future will strongly be influenced by automatic revenue growth due to the broadening of the tax base and higher taxes paid on a constant real income base. This latter phenomenon is very important. It is due to the "bracket creep," which results in higher income-tax payments as inflation erodes the real value of personal exemptions and forces the payment of higher marginal income-tax rates.

Revenue growth due to bracket creep sends the wrong signals to politicians. Without having to face the wrath of the electorate over explicit tax hikes, they discover fiscal surpluses available for increased spending. If they use future surpluses for this purpose, the size of government in the economy will continue to grow. The recent period of fiscal restraint will have eliminated the deficit and lowered the ratio of debt to GDP. But the inefficiencies and reduced economic growth due to a larger government will end up being greater than they were before the fiscal crisis of the last decade.

These developments can be avoided only by lowering tax rates and paying down the debt. In addition, the indexing of personal exemptions and brackets in the personal income tax should be fully restored. If politicians in future governments want to court the favour of voters through higher spending, they should be forced to face these same voters with explicit tax increases to pay for the increases.