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Enough debt, already

By J Dwight , *Populist Economics*
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Maine's government is ignoring the problems of working families when it puts more debt on their backs. Mainers are struggling to find jobs, decrease their debt and increase savings.

So why is the state floating proposals to massively increase the public debt now?

Various legislators and the governor want to add $300 million in general state obligation debt, which would bring that total to $775 million, up from its current $475 million.

That is a 63 percent hike in one year! Increasing public debt is in a recession, some would argue a depression, with unemployment approaching nine percent is irresponsible.

Already, the total public liability for state, local governments and state agencies - not just the Legislature runs a tab for the taxpayers to pay - is near $13 billion, or a $22,000 obligation for every working family in Maine to pay back.

If taken as a 15-year mortgage at 4.5 percent, the payment would be $160 per-family, per-month. (On top of mortgages, car payments, student loans, credit cards, etc.)

This means further borrowing on the state level (especially given the spending and debt financing emanating from Washington) should only be done for exceptionally good reasons.

I'm still waiting for some.

For example, should Mainers borrow $27 million to make downtowns and historic buildings look and feel better? Local Maine-based banks are ready to loan to viable private projects "to improve depressed downtowns and fix up historic buildings" in our communities.

Affordable housing vacancies are rampant across the state - adding $200 million worth, as proposed by Senate President Libby Mitchell will glut the market. Should we borrow to build cheaper housing, so to further depress the prices of our homes and businesses?

What about adding more buildings to the University of Maine?

New buildings look pretty and make professors and students feel good, but they rarely cause better educational outcomes. Adding buildings to the campus of the University of

Maine will not improve the state's ability to keep graduates here, or bring needed private sector jobs.

Moreover, less than 60 percent of the graduates leave the University of Maine system with private sector jobs, and even fewer with jobs in-state. (This is even after a 50 percent drop out rate.) More buildings for this result not a good investment. Improve the outcomes first.

Let us take up the $80 million "Land for Maine's Future" proposal. Should Mainers borrow so the environmentalists and tourists can have a better view? Or should those who want it, pay for it? Gov. Perceivably Baxter built the entire 200,000-acre park that now bears his name with private money. What is wrong with that model now?

Almost four million acres of Maine's twenty-two million acres are already preserved, almost 20 percent. This investment costs Maine a significant amount of tax revenues - an estimated $220 million in revenues annually, if these lands were held by private hands.

Further diminishing the state's ability to collect revenue by taking more land out of tax circulation is not a good idea. Adding to the state's debt burden to do so is frivolous.

Buying more land will not save Maine's future. Less public debt, however, will.

Public bonding is like credit card debt, backed only by the state's economic ability to repay it. If the state defaults, bondholders cannot request the State House, the Blaine House or Baxter State Park as collateral.

So let's ask: What is the current ability of the economy and people to repay this debt? With over 90,000 families now receiving food stamps and near 9 percent unemployment, Maine's ability to pay its debts is increasingly in doubt.

In total, there is almost $4 billion of future liabilities owed by the people of Maine just to the state, including the unfunded portion of the state employees' pension system stemming from past borrowing to balance budgets.

Add the estimated $6 billion now borrowed by county, municipal and local authorities brings the total liability to $10 billion. All of the state agency borrowings add another $3 billion. This brings the total to $13 billion, or that $22,000 per working household.

Hey Augusta - isn't this enough?

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