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Subsidy-happy pols have created a Maine monster

By J Dwight , Populist Economics

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Does the use of subsidies obscure the ugliness of reality in Maine?

Most Maine's politicians are like parents who refuse to see that the choices they make to subsidize their children only make their child worse. They are addicted to soft options.

They have been told for years to stop giving their children subsidized sugary and salty snacks, but can't seem to realize that now they have a diabetic on their hands.

They have gone so far as to mortgage their, and our, futures in order to be liked and get votes.

But now, some of their neighbors have had enough; the mortgage to support these bad habits is threatening the health of the community.

Just like an area where bankruptcies can pull down the value of everyone's home, these neighbors are angry at these parents' bad behavior and habits.

"The spending must stop," they say. "And cuts must be made." They are fed up and angry at not being listened to. This November indications are that they are going to take matters into their own hands.

The party in power, both in Maine and nationally, believes that deficit spending and "smart" subsidies will encourage work in the private sector.

Maine is running a deficit of almost \$500 million (\$1 billion biennially) to "support" this idea. That money is going almost entirely to government workers, not the private employers or employees, from whom that money is being taken.

The federal government, the rest of the nation, has been paying for this experiment in economic engineering. Even though we know better.

Businesses report company balance sheets are flush with cash, but they are not using the capital to hire. Employers are afraid of further government intrusion, taxes and uncertainty, which Maine politicians seem to take pleasure in.

Gov. John Baldacci, and now Libby Mitchell, suggest and predict that this deficit spending will prove to be economically sound, and a boost for families of Maine.

Maine voters have gone along with this illusion for almost 40 years.

Thirty percent of the people of Maine get some sort of government handout, according to economic reports.

If government subsidies equal work, than why do we have over 8 percent (8.1%) unemployment in the state of Maine, and over 9 percent nationally?

And that, after spending hundreds of billions in subsidies?

So, is the proof that subsidies do not encourage work already in? Yes.

Our neighbors in New Hampshire enjoy a much lower unemployment rate of 5.8%, with fewer subsidies, and taxes, and regulations.

According to studies done by J. Scott Moody, chief economist at the Maine Heritage Policy Center, the results are in. His blog, Wealthalchemy, (<http://wealthalchemyblog.com/>) details the superior growth of New Hampshire over the last 35 years.

Since the early seventies when Maine began taxing and subsidizing, while New Hampshire did not, New Hampshire's economy grew faster than Maine's. After passing Maine in 1984 in size, New Hampshire has an economy 20 percent larger today. Its population recently passed Maine's as well.

How are those subsidies working during the recession?

Maine's political choices to increase subsidies and taxes caused this problem to worsen.

Maine's people fare worse during recessions than New Hampshire's because of our Democrat leaders' misguided choices.

For example, employment in Maine dropped by 20,700 jobs in the recession, but job losses were only 12,900 in the Granite State in 2009, according to the Federal Reserve Bank of Boston report "An Overview of New England's Economic Performance in 2009" published July 30, 2010.

Every time, the Democrats answer is to increase subsidies and taxes. Though they complain that Mainers aren't doing enough, every time they try to pass new taxes the Maine voters come out to vote them down.

But stop? No. They just increase fees and taxes already on the books. In 2009 they just doubled fees on boats, RVs and snowmobiles taking in \$7.5 million more, taxes on milk took \$6 million more, taxes on insurance premiums \$5.5 million more, taxes on hospitals took \$9 million more.

Overall, Maine's politicians increased income by \$63.5 million in 2009 to subsidize more government.

Unlike Oliver Twist, they didn't ask plaintively, "May I have more please sir?" They just took more.

Nevertheless, they overspent their Maine income by over \$300 million.

At least our Republican Senators Collins and Snowe get the idea. They know that increasing taxes will only worsen the problems. I must applaud their recent support for not allowing the Bush tax cuts to expire. Many Mainers depend on the dividends they get. Increasing the tax on dividends will hurt fixed-income retirees.

Despite the ugliness of this reality in Maine, the future can be brighter.

Maine's innate sense of community, its native hardiness, and its entrepreneurial spirit can be tapped, if it is let loose, and not subsidized.

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