

Four Corners Economic Quarterly

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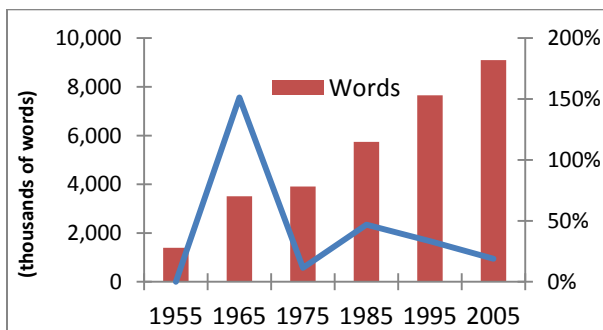
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Death in Texas

By: Dr. Robert Sonora

With taxes safely in the rearview mirror – well for most of us – it is worth taking a few minutes to ponder the “wonder” that is our tax system.

Figure 1. The Tax Code and Word Growth



(Source: The Tax Foundation)

Consider the figure above. There are approximately 9.1 million words in the 2005 the tax code and regulations, that's 9.1 with nine zeros. To put things in perspective, The Bible is a measly 773,000 words. Using sheer numbers as a metric, that means the Bible is 1,007 percent less important. At 1,300 words the Declaration of Independence is 293,448% less important.

What a mess.

Many get misty eyed over the tax simplifications of the 1986 Tax Reform. And while this did reduce the number of tax brackets from, seemingly, hundreds to three, it did little to simplify the labyrinth of arcane legalese. All it did was reshuffle the deck – between 1985 and 1995 the tax code grew another 30 percent. The ten-year period 1995-2005 saw the slowest growth in additional words since 1975, only 1.45 million were added.

At what cost? It is estimated that Americans spends 6.6 billion – billion!?! – hours doing taxes. There are only 61,320 hours in a year. No wonder time flies. Before you know it, your kids are in college and you start thinking knee-high black socks, white patent leather shoes and Bermuda shorts is a good look.

According to the Bureau of Economic Analysis the Federal Government took in \$2.54 trillion in receipts in 2008. Tax complying costs are estimated at about \$0.20 on the dollar. Are you telling me we spent \$508 billion to comply with the tax code? If Tax Compliance was a country it would be about the 17th richest in the world – right after Turkey.

Now, before we get upset at the IRS, let's remember it's just doing its job. No one really likes what they do, but they are really just tax police. And since bashing Congress is becoming an increasingly popular blood sport, let's cut to the chase.

It boils down to how taxes change behavior. We can deduct a bevy of expenditures, and while many of these have some merit, economists have several qualms with the current system.

Most egregious is that many of the taxes, while seemingly beneficial for those you receive them, really benefit those in any given industry.

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Is it any mystery that mortgage and builder industries were active in lobbying for mortgage interest deductions? These relatively small groups extract economic “rent” from government policy. This of course leads to corruption, moral hazard, and a host of other unsavory things.

Second, economists who believe in the market (this is not a right or left issue) don't like any policy which distorts prices and changes the mix of goods a households buy. Taxes do just that. Mortgage interest breaks give households an incentive to take on bigger mortgages.

So what to do? There are a host of alternative types of taxes around. All require the total destruction of the tax code. Ideas currently in circulation are the flat tax, consumption taxes, and transaction taxes. These can be progressive, don't tax necessities and tax that styling Gucci handbag at 80%.

In a sentence: To raise revenues, let's broaden the tax base and lower tax rates. Imagine filling out your 1040 on a 3x5 card and sending a check.

If we remove all deductions loopholes, etc., we disable tax lawyers chances to flex their legal muscles. Wouldn't it be better to simplify taxes and not pay the lawyers? Oh wait, about 45% of Congress and the President have JDs.

But, before I ponder this further, I have taxes to do: state income, county real estate, sales, gas, cigarette, sin, estate, capital gains, payroll ... I guess Congress is safe for another year.

First Quarter Comparisons for La Plata County

By: Dr. Deborah Walker

There are still signs that La Plata County's economy is feeling some of the negative effects of the national downturn. When looking at the local data available for the first quarter of 2009 in comparison to the first quarter of 2008, the local economic indicators give a mixed picture.

The unemployment rates for January, February and March 2008 were 3.7, 3.7 and 3.9 percent respectively. That's an average of 3.76%. The unemployment rates for January, February and March were 5.1, 5.6 and 5.8 percent respectively. That's an average of 5.5% (a quarterly increase of 1.74 percentage points). During the same time frame (the first quarter of 2008 as compared to the first quarter of 2009), the average unemployment rate for the United States went from 4.93% to 8.06% (a quarterly increase of over three percentage points).

Employment numbers for La Plata County show a slight decrease for the first quarter of 2009 (compared to the same quarter in 2008). The average number employed in the first quarter of 2008 was 29,886. The same average in 2009 was 29,727 (a decrease of 0.53%).

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Major employers in La Plata County include firms in the service and retail industries. These industries, which include tourist activity, continue to drive the local economy (along with oil and gas extraction).

Passengers using the Durango-La Plata County Airport increased in the first quarter by 18.5%, while people riding the Durango-Silverton Railroad decreased by about 4.9%. Visitors to Mesa Verde declined by about 12.5%. According to the National Park

Service, recreation visits to all national parks during the month of March decreased by 5.85%.

Agriculture still remains an important contributor to the local economy. Unadjusted average alfalfa hay prices increased from the first quarter of 2008 to the first quarter of 2009 by 1.2%. Adjusted prices increased by the same amount (the price index was about the same for the two quarters compared). Calf prices, on the other hand, fell by 10.6%. Industrial kilowatt hours used in the County during the first quarter increased by 10.8%. This is an indicator of industrial activity, including compression of natural gas through pipelines. Natural gas extraction remains an important part of the local economy.



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