GRINDING TO A HALT
OHIO'S TAX POLICY AND ITS IMPACT ON ECONOMIC GROWTH

EXECUTIVE SUMMARY

Ohio has rapidly increased its tax burden in the last generation, while its economic performance has been among the poorest of the American states. These two phenomena are closely related.

This study concludes that,

- Ohio's tax burden rose over 20 percent in the two decades after 1977, moving Ohio from 50th to 22nd in total burden – from last in the nation to above the national median;
- Ohio's rate in personal income growth was barely one-half the nation's average over the last several decades, and per capita income has gone from above the national average to well below it;
- Scores of scholarly studies show that when taxes are increased, the growth in income, jobs, and new business starts declines;
- Econometric evidence suggests that had Ohio's tax burden not risen after 1977, personal income per person would have been more than $1,000 higher in 1997 – or nearly $12 billion annually for all Ohioans;
- The evidence is clear that income taxes are particularly devastating in terms of destroying income;
- Ohio relies far more heavily on individual income taxes than the national average or peer industrial states;
- A growth policy for Ohio would call for phased reduction or elimination of major taxes, especially the income tax.

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Grinding to a Halt

Ohio's Tax Policy and its Impact on Economic Growth

By Richard K. Vedder, Ph.D.

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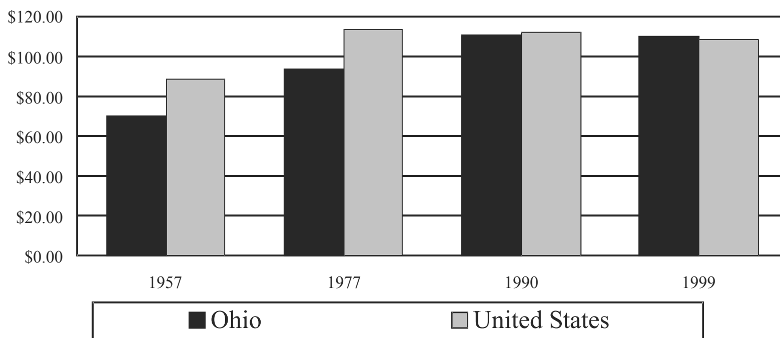
Grinding to a Halt

Ohio's Misguided Tax Policy and its Impact on Economic Growth

By Dr. Richard K. Vedder

Over the past generation, government has grown in Ohio, far more than the average nationally, and as a consequence, taxes needed to finance expenditures have risen dramatically. Figure 1 shows state and local taxes per $1000 in personal income for four years, comparing Ohio with the median of the 50 states plus the District of Columbia.

Figure 1: State and Local Taxes Per $1,000 of Personal Income, Ohio vs. U.S. Average, 1957-1999

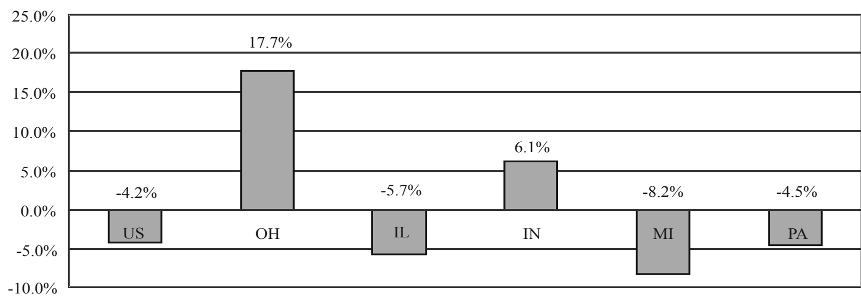


Source: U.S. Census Bureau & author calculations.

As late as 1977, Ohio's tax burden was nearly 20 percent below the median of all states (and the District of Columbia), but by 1990, that differential had almost disappeared. In the 1990s, the tax burden actually fell in the typical state, but not in Ohio; so by 1999, taxes absorbed a larger proportion of the income of the typical Ohioan than was the case nationally. In 1977, Ohio had the lowest state and local tax burden of any state, ranking 50th. By 1999, Ohio ranked 22nd – above the median or typical tax burden.

As Figure 2 shows, the aggregate tax burden in Ohio (measured by taxes as a percent of personal income) rose a sharp 17.7 percent from 1977 to 1999 – at the same time that the tax burden in the median state was

Figure 2: Percentage Change in State and Local Tax Burden, Ohio, U.S. & "Peer" States, 1977-1999



Source: U.S. Census Burea & author's calculations.

falling by 4.0 percent. Ohio's tax burden increased more than any other state except Hawaii and Maine. Relative to its important nearby competitors, Ohio went from having a tax advantage to having a tax disadvantage. For example, in 1977, Illinois had a 19 percent higher tax burden in Ohio. By 1999, it had a 5 percent *lower* burden.

While Ohio's tax burden was rising relative to its neighbors and the nation as a whole, Ohio's record of economic growth was disastrous. Ohio is one of the worst performing states in the Union, well below the average not only of the nation as a whole, but of that of peer neighboring states as well. This is demonstrated in Table 1.

Ohio is compared with the U.S. average and four nearby peer states: Illinois, Indiana, Michigan and Pennsylvania. Economic performance is looked at over three periods: the "long run" – 31 years from 1970 to 2001, the "intermediate run" – 11 years from 1990 to 2001, and the "short run" – five years from 1996 to 2001.

Table 1. Economic Growth in Ohio, U.S., & "Peer" States, Various Periods 1970-2001

Time Period	Growth Measure	US	OH	IL	IN	MI	PA
1970-2001	% Real Personal Income	125.4%	63.0%	75.8%	86.0%	73.3%	71.2%
1990- 2001	% Real Personal Income	30.2%	17.7%	27.0%	26.9%	23.0%	17.7%
1996-2001	% Real Personal Income	16.8%	9.2%	12.2%	12.2%	9.8%	11.5%
1970-2001	% Real Per Capita Income	62.0%	52.9%	56.7%	58.3%	54.3%	64.5%
1990-2001	% Real Per Capita Income	14.1%	12.4%	16.5%	15.3%	14.6%	14.1%
1996-2001	% Real Per Capita Income	10.5%	7.9%	8.8%	8.4%	7.3%	10.9%

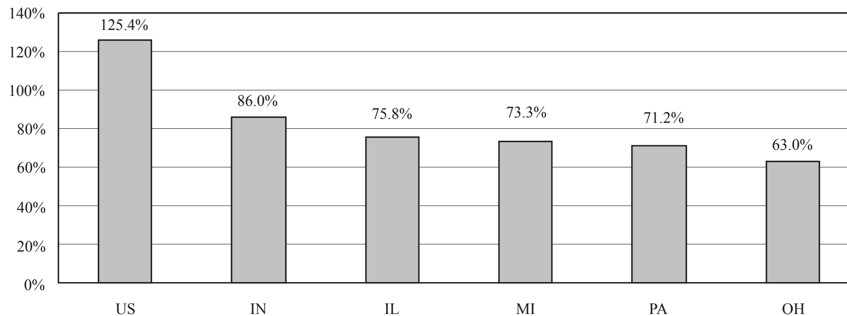
Source: U.S. Bureau of Economic Analysis & author's calculations.

Two measures of economic performance are used: percentage growth in real personal income, and the percentage growth in real per capita personal income. The Consumer Price Index for all urban consumers (CPI-U) adjusts numbers for inflation. The first measure is an indicator of the change in the absolute overall level of economic activity; the second measure indicates changes in income available per person.

There are six possible comparisons of Ohio with the U.S. and the four peer states available in Table 1, reflecting three time periods and two measures of economic growth. On five of the six comparisons, Ohio comes in dead last. In the sixth comparison (short-run growth in real per capita income), Ohio comes in fifth, slightly above Michigan. Ohio looks particularly bad in comparisons relative to the U.S. in total personal income growth, in part because it has had far less population growth than is typical in the nation as a whole.

However, even on a per person basis, Ohio has declined relative to the nation as a whole or its peer states. In 1970, per capita income in Ohio exceeded the national average; now it is more than five percent below that average. By contrast, neighboring Pennsylvania went from below to average to above it in the same period. Ohio's decline is relentless, with the recent data suggesting that the decline continues to this day. By any measure, Ohio's economic performance has been woefully sub-par compared with neighboring states or the nation as a whole.

The question arises: is there any relationship between the sharp increase in the absolute and relative tax burden of citizens of the Buckeye State and the substandard performance of the Ohio economy? Would a policy of fiscal restraint have led to higher economic growth, providing more income and higher living standards to Ohioans? The answer clearly is "yes," so we must turn now to the issue of the tax/growth relationship.



Do Taxes Matter?

In most states like Ohio having balanced budget constitutional amendments, most government spending must be financed by taxation. Some government spending is obviously beneficial to economic growth, such as spending that provides for protection of lives and property and finances our legal system. But much government spending in the contemporary era is counterproductive economically, with the gains from the spending more than offset by the crowding out of private sector activity from the taxes used to finance government.

This implies that in the era of large government, high taxes could lead to lower economic

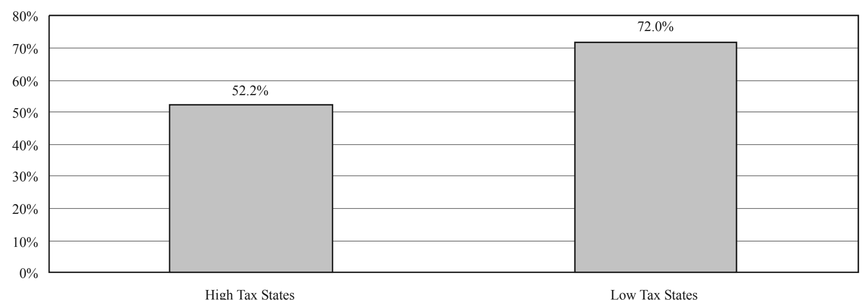
growth. When taxes go up, the growth in the income of taxpayers might decline. In fact, several decades of studies by economists confirm the proposition *that the higher the level of taxation, the lower the rate of economic growth*, holding non-tax factors constant. This reversed earlier conventional wisdom, such as that of distinguished public finance expert John F. Due, who, speaking about industrial location of firms, opined that studies suggest very strongly that the tax effects cannot be of major importance (Due 1961). By the later 1970s, however, research was reaching different conclusions, in part, because the negative effects of taxes grew as the tax burden itself grew larger. An extensive review of the literature is found later in the study.

Some Empirical Evidence for U.S. States

Extensive tax and expenditure data on U.S. states over a long time span was gathered to provide more detail about the negative effect that taxes have on economic growth. Several dozen measures of taxes and spending in the fiscal years 1957, 1977, and 1997 were recorded by state, drawing on three of the Census of Governments conducted every five years by the U.S. Bureau of the Census. Most of the evidence presented below is simple comparisons of average performance of high and low tax states. Economists sometimes argue that such comparisons are simplistic, and more sophisticated econometric evidence will be introduced below, but in reality the simple statistical comparisons show results very similar to those shown by complex econometric procedures.

The first comparison, calculates the tax burden for the 50 states for the years 1977 and 1997. The tax burden is defined as state and local taxes as a percent of personal income. An average tax burden over these two

Figure 4. Economic Growth Rates in Ten High Tax States vs. Ten Low Tax States, 1977-97



Source: U.S. Bureau of Economic Analysis & author calculations.

decades was obtained by taking the arithmetic mean of the two figures. The 10 states with the highest average burden were defined as "highest tax" states and the 10 with the lowest burden as "lowest tax" states. Figure 4 shows that real total personal income growth was dramatically higher (72 versus 52 percent) in the lowest tax states. On a per capita basis, the differential is smaller, but again growth was about 10 percent higher in the lowest tax states. The data for 1957-77, or for the longer period 1957-97 show the same trend: *higher growth in the lower tax states than the higher tax ones*.

The Tax-Growth Relationship: Regression Results

A problem with simple comparisons such as in Figure 4 is that they do not take into account other, non-tax factors that might explain economic growth. For example, it is possible that states with low taxes might have had other features that promote growth, and that it is these other factors, not taxes, that explain the results observed in Figure 4.

Ordinary least squares multiple regression analysis was used to control for some other non-tax factors that might have been important. Three different growth measures were examined: real personal income growth from 1977-97, real per capita personal income growth from 1977-97, and real per capita personal income growth from 1990-2001. A variety of variables were used for control purposes including union membership (the percent of workers belonging to labor unions); the average number of heating degree days (a measure of climatic coldness); the net migration of individuals into or out of a state;

Table 2: Regression Results on the Tax-Income Growth Relationship

Variable or Statistic	1977-97 Personal Income	1977-97 Per Capita Income	1990-2001 Per Capita Income
Constant	**156.872** (2.480)	**44.945** (2.547)	**29.964** (6.986)
Taxes as a % of Personal Income, 1990	**-8.043** (2.553)	**-3.031** (3.221)	**-1.361** (3.466)
% of Workers in Labor Unions		**-0.478** (2.004)	**-0.376** (3.046)
Number of Heating Degree Days	**-0.005** (2.432)		**0.001** (4.839)
Net Migration, 1990-99			-0.002 (1.560)
% of Population over 25 College Graduates	**4.126** (2.260)	0.736 (1.456)	
% of Population over 65, 1981	-3.35 (1.260)	1.227 (1.660)	
Avg. Pop. Per Square Mile, 1980, 1990	-0.025 (1.140)	**0.022** (3.331)	
R2	0.311	0.575	0.439
F-statistic	3.964	11.882	8.809

Numbers in parentheses are t-statistics, numbers in bold are significant at the five-percent level.

the percent of persons over 25 that were college graduates; the percent of the population in 1981 that were over the age of 65; and the density of population per square mile.

Since the regressions refer to time periods of 11 to 20 years in length, values for the various independent variables changed over time. In some cases (e.g., percent of the adult population that were college graduates), data were collected only occasionally, such as in the decennial census. Values were taken for the variables in years at the beginning or the middle of the indicated period, or in some cases (e.g., union membership, population density), averaged variables for more than one date, typically from an early and late period within the period. The results are reported in Table 2.

The tax/growth relationship is consistently negative. The higher the average aggregate state and local tax burden, the lower the rate of growth in income, however defined. All results are statistically significant at least the five percent level of confidence. Not only are the results statistically significant, but they are powerful as well. What the rate of economic growth in Ohio would have been had the tax burden in the Buckeye State remained at the 1977 level rather than rising substantially was calculated using the results of the middle regression reported in Table 2,. The estimated growth rate would have been 30.33 percent instead of 25.235 percent. A no tax increase policy would have increased the growth rate by 20 percent.

The lost income associated with the actual, lower growth rate amounted to $1,039 per person by 1997 – or $4,156 for a family of four (in 2002 dollars, it would be even more). That is a loss of nearly $12 billion annually in personal income for all Ohioans. Moreover, *87 percent of the difference between Ohio's low rate of per capita income growth and the median of all states is explainable by Ohio's high rate of tax increases*. In other words, Ohio's sluggish economic growth was largely self-inflicted, not the results of external factors (e.g., temperature) beyond control of state policymakers.

Do Taxes Matter?
A Literature Review

Economists have begun to realize that state and local governments provided an excellent laboratory to evaluate tax policy, since there were 50 different states and thus 50 different tax systems. In what may have been the first empirical analysis, done by economists at the Harris Bank in Chicago, Genetski and Chin (1978) used a simple regression model to show that economic growth was negatively correlated with changing rates of state and local taxation. This finding was replicated and expanded upon by the current author in two studies for the Joint Economic Committee of Congress (Vedder 1981; Vedder 1995).

Meanwhile, other economists were showing how high taxation had adverse impact on states or territories such as Illinois (Heins 1976), Puerto Rico (Canto and Laffer 1979) and Massachusetts (Kadlec and Laffer 1981). Articles and books written for broader audiences such as Gilder (1981), Bartlett (1980), Adams (1984), Wanniski (1978), and Brookes (1982) reinforced the scholarly studies.

This early research became increasingly accepted as new refinements and extensions of the tax-growth literature continued into the middle and late 1980s. Helms (1985), for example, said that the impact of taxes depended on how they were used, with expenditures on welfare, for example, having a negative impact. Mofidi and Stone (1990) reached similar conclusions. Benson and Johnson (1986) showed that taxes had lagged negative effects, with the adverse impact being realized often after about three years. Canto and Webb (1987) concurred, roughly, with Helms work. Other studies confirmed the tax-growth relationship using other data sets or methodologies, albeit with some variation in conclusions as to the strength of the relationship (e.g., Yu, Wallace and Nardinelli 1991). Other studies showing negative effects of government on growth stressed government spending instead of taxes (Scully 1989; Vedder 1993).

Still more studies showed that a progressive income tax rate structure caused more damaging economic effects than a flatter rate tax schedule (Vedder 1985, 1986; Hunter and Scott 1986). This work extended a pioneering observation of Romans and Subrahmanyam (1979). The early studies using U.S. data were confirmed by numerous international studies (Marsden 1983; Reynolds 1985). Scully (1988) in particular showed that governmental institutional obstacles (e.g., substantial regulation, restrictions on imports), along with taxes, hurt growth. The studies became larger and more sophisticated with time (e.g., Engen and Skinner 1999; Newell and Symons 1993; Barro 1989; Koester and Kormedi 1989; Rebello 1991). Van Sinderen (1993) reached a conclusion somewhat representative of these studies:

> Balanced budget reductions in taxes on wages and profits exert favorable effects on employment and growth. The relative impact depends on the specific government outlays and taxes which are cut back. In the long run, tax revenue decreases less than the amount of the initial tax reduction.

Cashin (1995) found that each one percent increase in taxes as a percent of total output lowers output per worker by about two percent. To be sure, he observes positive effects of spending from taxes, but typically the positive spending effects are only about one-half as large as the negative tax effect, which is about the same thing as saying that private sector spending is twice as productive as public sector outlays. A new study by Holcombe and Lacombe (2001) compares counties on both sides of state borders - and observes that high taxes impede growth.

The research has continued up to the present, generally confirming the basic proposition that taxes have adverse effects on economic growth. Much of it has been done at America's premier economic research center, the National Bureau of Economic Research (NBER). Its president, Martin Feldstein of Harvard (1997) concluded that "the deadweight burden caused by incremental taxation . . . may exceed one dollar per dollar of revenue raised, making the cost of incremental government spending more than two dollars for each dollar of government spending." A recent NBER study (Carroll et al. 2000) concluded, "this finding is consistent with the view that raising income tax rates discourages the growth of small businesses." James Hines (1996), in a paper originally written for the NBER but published also in the prestigious *American Economic Review*, found that state and local taxes impacted on the location of foreign investment in America.

Europeans are similarly observing adverse effects of taxation. A Spanish economist writing for a British research center concluded, speaking of government taxation, that "there is evidence of a sizable negative externality effect on the level of productivity" (de la Fuente 1997). Italian economists Tabellini and Daveri (1997) argued that the increase in European unemployment and the slowdown in economic growth are related because they stem from a common cause: an excessively high cost of labor. In Europe, labor costs have gone up for many reasons, but one is particularly easy to identify: higher taxes on labor.

Using a complex general equilibrium model, German economist Bernhard Heitger (1993) concluded that for the most important OECD countries, taxation turns out to be growth retarding. Roubini, Milesi and Gian (1998) concluded that,

"in general, the taxation of factor incomes...is growth-reducing." In an interesting recent study (Gittell, Kaufman and Karson 2000), the authors explore regional and state patterns in American economic change, concluding that the role of geography itself is modest in explaining differentials, but that other factors, including state personal income taxes, play a more important role. Work on Canada similarly shows adverse effects of taxes on growth, both impacting on supply and demand (Fougere 1998). Looking more broadly at OECD nations, Boyle and McCarthy (1996) criticize studies showing a modest role for taxes in explaining inter-country growth rates, showing how labor taxation very strongly negatively impacts on the full utilization of resources.

In a study of New Zealand somewhat similar to studies done by this author and Lowell Gallaway (1998) and by James Gwartney, Robert Lawson, and Randall Holcombe (1998), Gerald Scully (1996) concludes that New Zealand would have to cut it taxes roughly in half to maximize the rate of economic growth, and that "the marginal cost of taxation...is $2.64 for each extra dollar of taxes collected" showing even greater "deadweight losses" and inefficiencies than Feldstein observed for the U.S.

In a study in the highly regarded *Journal of Monetary Economics*, economists from the Federal Reserve and the University of Florida examined changing marginal income tax rates in the U.S. over time, concluding that "lowering taxes significantly raises economic growth and that changing the tax rate schedule also has significant effects on economic growth" (Hakkio, Rush and Schmidt 1996). This last conclusion reflects the view that high taxes not only lower income generation, but that the type of tax can make a difference.

The discussion to this point has examined research on the negative impact of taxes on economic growth, citing around 40 studies. However, there are a large number of studies looking at related issues, such as the impact of taxes on business location. As early as 1977, Grieson, Hamovitch and Morgenstern used econometric techniques to argue that high taxes discouraged business entrepreneurs from locating in a given area. Bernard Weinstein, alone (1977) and with Robert Firestine (1978), noted that high taxes forced up labor costs, as employers had to compensate employees for the burden of high taxes, a conclusion verified empirically in a later NBER study (Gyourko and Tracy 1986). The follow-up studies in the 1980s, using even more sophisticated econometric models, confirmed the earlier conclusion that high taxes deter businesses from investing capital (Carlton 1983; Papke and Papke 1986; Papke 1986; Bartik 1989). Research in the 1990s agreed that taxes matter in business location, albeit with some qualifications, such as Fox and Murray's (1990) conclusion that the sensitivity to taxes varies considerably with industry and firm size (see also Friedman, Gerlowski and Silberman 1992). The aforementioned Hines study showing foreign investors are deterred by high taxes actually confirmed what an earlier study had shown as well (Couglin, Terza, and Aromdee, 1990). One of the more interesting studies used a distinctly low-tech approach (questionnaires to business leaders), concluding that high tech firms were swayed considerably by tax considerations in making location decisions (Premus 1983).

Other research has demonstrated that high taxes reduce in-migration and spawn out-migration. Early work noting the debilitating effects of taxes on local population growth by Cebula (1974), Browne (1979) and Ecker and Syron (1979), have been replicated by others in the past decade or so, including Niskanen (1992), Kotlikoff and Raffelhueschen (1991), and Cadwallader (1991). Research that is more recent reinforces the general conclusion by providing added detail. A recent study in *the National Tax Journal*, for example, suggests that the elderly are influenced by low personal income and death taxes, and prefer states that exempt food from sales taxation (Conway, Smith and Houtenville 2001). This is consistent with the finding of Assadian (1995) that the elderly in Florida were less likely to migrate into counties with high taxes, even more so than the general population.

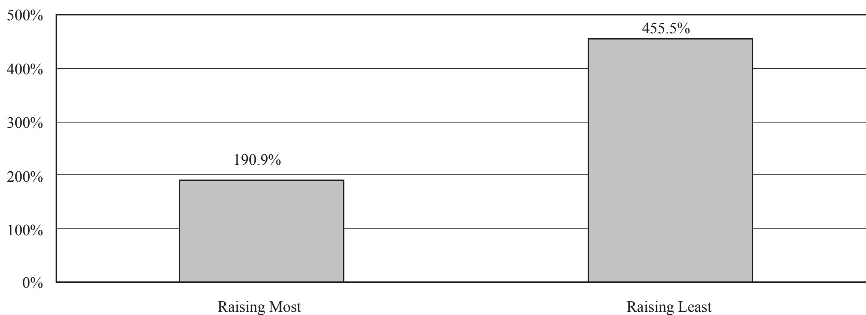
Finally, there is mounting evidence that high taxes reduce job opportunities and sometimes lead to higher unemployment. Wasylenko and McGuire (1985) noted a negative correlation between taxes and metropolitan area employment growth between 1973 and 1980. Plaut and Pluta (1983) observed even stronger findings on this point. Goss, Preston and Phillips (1994) think previous studies understate the adverse employment effects of taxes by failing to control for other factors fully. Lowell Gallaway and I have observed that high taxes are often positively associated with unemployment, both in the U.S. and internationally (Vedder and Gallaway 1996, 1999b). Other research using state and local data reach similar conclusions (Dalenberg and Partridge 1995; Mark, McGuire and Papke, 2000).

This review of the literature, although listing over 65 studies, is not comprehensive. Nor does it discuss every economic dimension of taxation. To cite one excluded example, in a well regarded study in the *National Tax Journal*, Ladd and Bradbury (1988) observed that high property taxes lower property values, causing significant loss of real wealth. In a work as yet unpublished, Stephen Moore and I have found the same effect for *all* taxes. To cite another economic impact of state and local taxes, interstate variations in tax rates lead to enormous amount of cross-border activity, and thereby to administrative problems arising from smuggling, etc. Early work suggesting high sensitivity of citizens to tax differentials in border areas (Mikesell 1970, 1971), has been replicated in later work (e.g., Vedder 1993, 1996; Walsh and Jones 1988).

Taxes and Growth: Specific Taxes

While government expansion financed by taxes typically leads to lower growth, the type of taxes used to finance government also makes some difference. The major state and local tax that has had the greatest expansion in revenue in modern times is the individual income tax. The 10 states with the greatest income tax burden from 1957 to 1997 were contrasted, and compared with the 10 states with the smallest increase in burden (in several cases, zero, as they had no income tax throughout the period).

Figure 5 shows that real person income growth was more than twice as high in the states raising their income taxes the least (or not at all), compared with the states with the biggest increases in income taxes, a group that includes Ohio. Most of that reflected larger population growth in the low or no income tax states. However, real income per person also grew faster on average in the low tax states.



The higher population growth in the low income tax states reflected massive migration into those states from the high income tax states. People "voted with their feet," preferring states where the government allowed them to keep more of their own income. The net movement of native-born Americans within the U.S from the years 1990 to 1999 was calculated, comparing the nine states that have essentially no personal income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming) with the other 41 states (including Ohio) and the District of Columbia. Some 2,849,310 persons moved into the no income tax states from the states that levied taxes on the productive activity of their citizens. Excepting Sundays*, some one thousand persons moved every day for nine years* to the no income tax states! More persons fled to the no income tax

havens than moved from East to West Germany in the decade before the building of the Berlin Wall.

Thus not all taxes are equal in terms of their deleterious effects. Similar statistical comparisons show far less negative effects of the other major taxes, namely the general sales and property taxes. Ohio suffers not only because of its high overall tax burden, but also from its excessive reliance on income taxes.

Table 3: Percentage of State and Local Tax Revenues from Major Sources, Fiscal Year 1999

State or Nation	Individual Income	Property	General Sales	Other
U.S. Average	21.2%	29.6%	23.9%	25.3%
Ohio	31.9%	30.0%	21.7%	17.4%
Illinois	19.1%	37.1%	17.9%	25.9%
Indiana	27.0%	33.1%	21.2%	18.8%
Kentucky	32.9%	17.0%	21.3%	28.7%
Michigan	24.9%	29.3%	24.1%	21.7%
New York	31.4%	29.9%	18.4%	20.3%
Pennsylvania	25.0%	27.3%	19.2%	28.6%
West Virginia	21.5%	19.0%	20.9%	38.6%

Source: U.S. Census Bureau & author calculations.

This is demonstrated in Table 3, showing the sources of tax revenues of state and local governments in Ohio, the nation, and several peer states. Ohio relies far more than the typical state on the relatively destructive income tax, but somewhat less than average on the general sales tax, possibly the least harmful of the three major taxes. Interestingly, the state also relies less on "other taxes" which includes selective sales taxes, corporate taxes, utility levies, motor fuel taxes, mineral production levies, and so forth.

What Table 3 does not show is that Ohio's income tax structure is highly progressive, more so than the average state. Several of Ohio's peer states (e.g., Illinois, Indiana, Michigan, Pennsylvania) have flat rate income taxes with a maximum marginal rate at five percent or less. In Ohio, the top marginal rate (including local and sometimes school district income taxes) can exceed 10 percent, placing it among the highest marginal rates in the nation. It is at the margin where economic behavior is impacted, so it is not surprising that the literature discussed above shows that states have less detrimental economic effects when the income tax is flat rather than highly progressive as in Ohio.

Conclusions

Ohio has low rates of economic performance by national and regional norms. It also has pursued a policy of increased taxation, relying heavily on progressive income taxes. Empirical evidence suggests that a substantial portion of Ohio's substandard economic performance can be explained by its extremely anti-growth fiscal policies. Ohio's overall rate of taxation, once well below the national average, is now above that average. The Buckeye State has moved from having the lowest tax burden in the nation to being a moderately high tax state. Moreover, it has relied heavily on the highly destructive personal income tax, levied at highly progressive rates. In fiscal year 1999, Ohioans paid state and local governments $35.09 in individual taxes for each $1000 earned, the eighth highest burden in the nation and nearly 48 percent above the average for the 50 states.

What should Ohio do to increase growth? Some factors are beyond the influence of Ohio policymakers, such as the weather, oil prices, and the availability of natural resources. But the state can control its tax burden and related non-tax forms of regulation that are the equivalent of disguised taxes, such as environmental rules, worker compensation arrangements, and so forth. On the tax side, Ohio should dedicate increases in revenue to tax reduction beyond revenue increases that are necessary to cover inflation and population growth. The evidence is striking that the most harmful major tax is the individual income tax, so efforts should be made to dramatically reduce its size and progressivity in the years to come. Other taxes that thwart productive activity, such as death duties, should also be eliminated or reduced, but income tax reduction or even elimination is "Job One" for the State of Ohio.

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