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Study links tax rate to poverty level

Some in Texas are asking that the legislature increase taxes to close an expected budget shortfall, suggesting the state even levy a progressive income tax to help the poor. However, a new study, commissioned by the Texas Public Policy Foundation, debunks these claims, finding that higher tax burdens are actually associated with greater poverty by reducing the ability of the poor to invest and save.

"The findings are strong and startling," says Economics Professor, Richard Vedder, Ph.D. and internationally acclaimed economist formerly with the U.S. Congress' Joint Economic Committee. "Higher tax burdens are associated with greater poverty. Big government that is tax-financed is more like-

ly to add to, rather than subtract from, poverty roles. Several years of studies confirm the proposition that the higher the level of taxation, the lower the rate of economic growth. A low rate of economic growth will always disproportionately impact the poor, who are at the margins of employment and job security." In a state like Texas, many might worry that the data is skewed due to a high immigrant population. But Dr. Vedder's research finds "the relationship between immigration and poverty is not even statistically significant." In his study, Dr. Vedder found that Texas' low tax rate and relatively low spending have helped to keep poverty levels below where they might otherwise have been.