Why Some Cities Are Growing and Others Shrinking

Dean Stansel

Over the last three decades, large cities like Pittsburgh, Detroit, Cleveland, Buffalo, and Toledo have seen their populations shrink, while areas like Houston, Atlanta, Dallas, Tampa, and Phoenix have seen their populations grow rapidly. Examining the policy differences between high-growth and low-growth areas can provide evidence that may help declining cities reverse their fortunes.

In 1980, Austin, Texas, and Syracuse, New York, were roughly the same size. The Austin metro area had a population of about 590,000, and the Syracuse metro area had about 643,000 residents. By 2007, Austin's population had increased by more than 1 million while Syracuse's population had been stagnant. That same disparity exists when one examines the growth of employment and real personal income. Another disparity between the two areas is the tax burden. State and local taxes accounted for nearly 13 percent of personal income in Syracuse but only about 9 percent in Austin. Although there are numerous factors that can influence the growth of individual economies, one finds a consistent relationship between low taxes and high economic growth in metropolitan areas, in states, and in nations.

This article details that relationship between taxes and growth for the 100 largest U.S. metropolitan areas. In the 10 highest-tax metro areas, the state and local tax burden accounted for about 12.4 percent of personal income. In those same areas, population grew by

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21.3 percent from 1980 to 2007, employment grew by 40.1 percent, and real personal income grew by 75.5 percent. In contrast, taxes were only 8.3 percent of personal income in the 10 lowest-tax areas. The economic growth in those areas was much faster. Population grew by 64.4 percent, employment by 107.6 percent, and real personal income by 157.3 percent.

The contrasting experiences of Austin and Syracuse occurred in countless other areas as well. This article provides 14 additional examples of pairs of metro areas that had similar tax and growth patterns.[1] The experiences of all 15 pairs of metropolitan areas provide valuable lessons for distressed areas everywhere. Keeping tax burdens low appears to be an important ingredient in the recipe for economic prosperity. If high-tax, low-growth metro areas like Detroit, Milwaukee, Buffalo, and Syracuse want to be more like high-growth areas such as Dallas, Tampa, San Antonio, and Austin, they should lower their onerous burden of taxation and bring spending under control.

Taxes, Economic Growth, and Prosperity

In 1776, Adam Smith wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*. Economists have been busily examining the issue ever since. It is one of the most widely studied topics in the field of economics. One of the most common findings relates to how economic activity is organized. For example, capitalist countries (those in which economic activity occurs on the basis of voluntary exchange within private markets) tend to grow faster than socialist countries (those in which economic activity is organized by government). The existence of private property rights in capitalist countries helps create stronger incentives for individuals to be productive. As a result, factors of production (including labor and capital) tend to flow out of socialist countries and into capitalist countries. The economic collapse of the Soviet Union and other bastions of socialism provide ample evidence of that.

[1]These correlations do not prove that low taxes have *caused* the economic growth. There are many other factors that have an important influence on economic growth. For example, Walters (2010) provided evidence of the negative relationship between unionization of the local labor market and city growth. Incorporating those factors is beyond the scope of this article. See Stansel and Swaleheen (2010) and the additional articles by myself and others cited in footnotes 3 and 4 for articles that do take account of other factors.

Starting in the 1980s, Nobel economist Milton Friedman played an important role, along with many other economists and public policy experts, in the development of an index of economic freedom that would allow researchers to be able to measure the degree to which a country had a free market economy. Those efforts culminated in the Fraser Institute's publication in 1996 of the first edition of *Economic Freedom of the World*. There have been 14 more editions published since then in what is now an annual series. Large volumes of research have illustrated a positive relationship between economic freedom at the national level and economic growth. One of the problems for economists examining that relationship is that there are many other factors that can influence growth, and those factors can vary widely across a broad selection of nations. For example, there are large differences in religion, cultural, and other institutional factors. Those types of factors are very difficult to quantify, thus our ability to account for their influence on the process is quite limited.

One way to avoid that problem is to look at sub-national jurisdictions. For example, the 50 U.S. states have much less variation in religion and culture than do two nations such as the United States and China. In 2002, the Fraser Institute produced its first edition of the *Economic Freedom of North America*, which provided an index of economic freedom in U.S. states and Canadian provinces (see Karabegoviç and McMahon 2008).[2] Because smaller jurisdictions share a more common set of cultural institutions, it is easier for researchers to accurately examine the relationship between economic freedom and economic growth. There is growing evidence that states with higher economic freedom and lower taxes are more prosperous, even when the effects of many other growth-related factors are incorporated.[3]

Examining states addresses some of the challenges inherent in using national data, but not all of them. The boundaries of states and provinces are relatively arbitrary and some local economies cross them. For example, the Washington, D.C., metropolitan

[2]In addition, the Pacific Research Institute has produced a state-level index, *U. S. Economic Freedom Index* (McQuillan, Huang, and McCormick 2004), and in 2009 the Mercatus Institute produced a broader state index, *Freedom in the 50 States: An Index of Personal and Economic Freedom* (Sorens and Roger 2009).

[3]See, for example, Vedder (1990), Bartik (1991), Becsi (1996), Wasylenko (1997), Crain and Lee (1999), Kreft and Sobel (2005), Ashby (2007), Campbell and Rogers (2007), Ashby and Sobel (2008), Hall and Sobel (2008), Reed (2008).

area includes counties in Maryland, Virginia, and West Virginia. There are more than 30 other metro areas that cross state boundaries and a few cross national boundaries. San Diego's metro area is on the U.S.-Mexican border, while Buffalo's is on the U.S.-Canadian border. Furthermore, economic conditions can vary widely within those boundaries. Conditions in Dallas's metro area are quite different from those in the Lubbock and Amarillo metro areas a few hours to the west. Using the local economy as the unit of analysis helps to address the problems related to using nations or states. In the United States, the metropolitan area is a county-based concept designed to reflect the boundaries of local labor markets or local economies.

Although there is no economic freedom index for metropolitan areas, there are data available on taxes and spending. One of the most important components of the various economic freedom indices is the tax burden. Taxes remove resources from private decision-makers and put them in the hands of elected officials and bureaucrats. The latter face much weaker incentives to use those resources efficiently and lack the information to be able to do so. As a result, jurisdictions with higher tax burdens will tend to have less prosperous economies. Furthermore, high-tax areas will tend to be less attractive to residents and businesses. Because people and employers are mobile, high taxes will discourage in-migration and encourage out-migration. The literature examining local jurisdictions is limited. However, there is growing evidence that localities with higher taxes—and larger government in general—have less prosperous economies, even when the effects of many other growth-related factors are incorporated.[4]

Taxes and Economic Growth in the 100 Largest U.S. Metropolitan Areas

To test the hypothesis that high-tax areas have less prosperous economies, one can observe data on taxes and economic growth for the 100 largest metro areas in the United States—that is, those with 2007 populations over 575,000—during the last three decades. The

[4]See, for example, Bradbury, Downs, and Small (1982); Dalenberg and Partridge (1995); Crihfield and Panggabean (1995); Holcombe and Lacombe (2004); Higgins, Levy, and Young (2006); Stansel, Gohmann, and Hobbs (2008); Stansel (2009); and Stansel and Swaleheen (2010).

tax data measure total state and local taxes as a percentage of personal income. The local tax data are collected by the U.S. Census Bureau's *Census of Governments* every five years. The state average is then added to the local figure to provide for more valid comparisons across states.[5] To track changes in the tax burden over time, we can take the average of the tax burden for 1977, 1982, 1987, 1992, 1997, and 2002. Economic growth is measured by the change from 1980 to 2007 in population, employment, and real personal income. For consistency each metro area is defined as it was for 2009 (see U.S. Office of Management and Budget 2008).

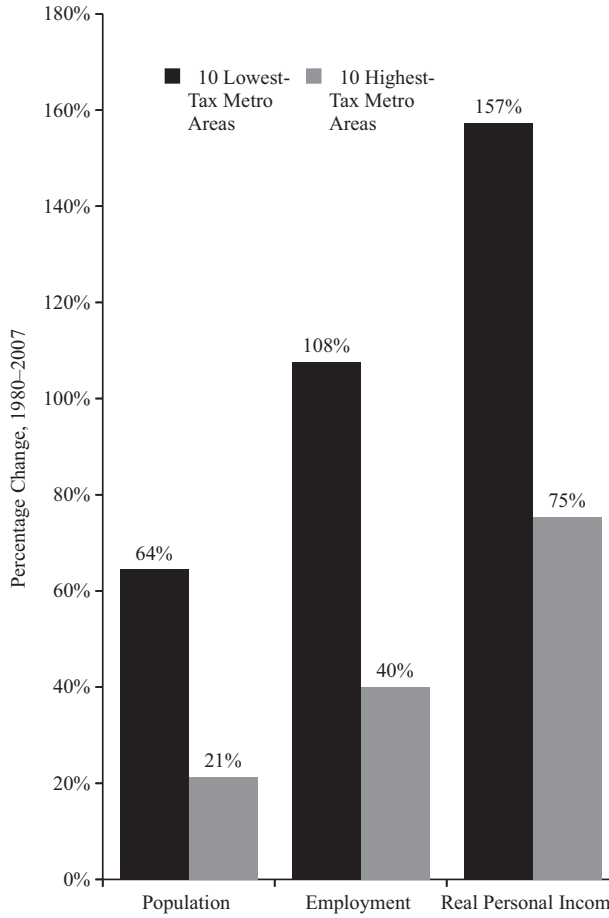
The data for the largest 100 metro areas show that areas with low taxes do indeed tend to grow faster than those with high taxes. As Figure 1 shows, this is true no matter how growth is measured. Population growth from 1980 to 2007 was three times higher in the 10 lowest-tax metro areas than in the 10 highest-tax areas. In those same areas, employment growth was more than two and a half times higher and real personal income growth was twice as high. Table 1 provides the data for each of those 20 metro areas. Five of the 10 lowest-tax areas are in Florida or Texas, states that do not tax personal income. Three others are in Tennessee, which only taxes dividend and interest income. The seven highest-tax areas are all in New York, which has one of the highest state income taxes in the nation. New York City, the highest tax area, has its own local income tax in addition to the state tax.

Figure 2 shows that there is a negative correlation between state and local taxes and employment growth in the 100 largest metro areas. The correlation coefficient is −0.405. Similarly, for real personal income growth the correlation with taxes is −0.374 and for population growth it is −0.346. While correlation does not prove causation, if taxes were not a drag on economic growth we would expect to see positive correlations. Furthermore, it should be noted that the tax data slightly lag the growth data. Using average tax burden for 1977–2002 and growth over 1980–2007 helps strengthen our results.

Another way to examine the issue is to sort the metro areas by growth rather than by tax burden and then look at tax burdens in high-growth and low-growth areas. The data for the largest 100

[5]In the case of metro areas that cross state boundaries, the state tax burden for the state with the largest central city in that area was the one used.

FIGURE 1
Low-Tax Metro Areas Had Higher Economic Growth



metro areas show that areas with high growth tend to have lower taxes than those with low growth. Figure 3 illustrates that this relation holds true for all three measures of growth. The 10 metro areas with the lowest population growth from 1980 to 2007 had about a 13 percent higher state and local tax burden than the highest population growth areas. Tax burdens were 19 percent higher in the areas with the lowest employment growth and about 15 percent higher in those with the lowest growth of real personal income. Table 2 details the tax and growth data for the highest and lowest population growth

TABLE 1
LOW-TAX METRO AREAS GREW FASTER THAN HIGH-TAX METRO AREAS

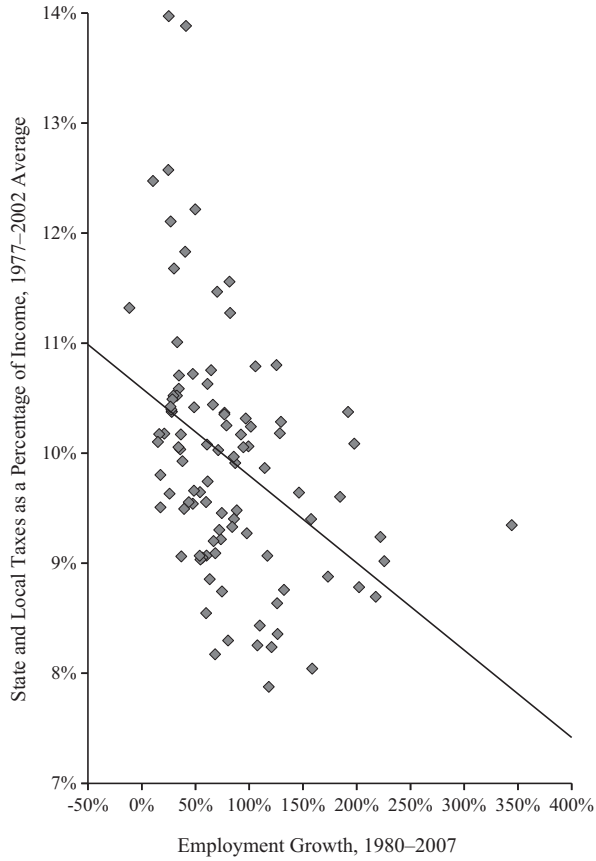
	State and Local Taxes as a Percentage of Personal Income, 1977–2002 Average	1980–2007 Growth in:		
		Population	Employment	Real Personal Income
Ten Lowest-Tax Large Metro Areas				
Jacksonville, FL MSA	7.9%	75.1%	118.2%	192.7%
Bradenton-Sarasota-Venice, FL MSA	8.0	93.1	158.6	221.1
St. Louis, MO-IL MSA	8.2	19.3	68.2	81.0
Colorado Springs, CO MSA	8.2	89.8	120.8	187.8
San Antonio, TX MSA	8.3	70.8	107.7	166.7
Knoxville, TN MSA	8.3	34.3	80.3	102.2
Tampa-St. Petersburg-Clearwater, FL MSA	8.4	66.9	126.3	152.2
Nashville-Davidson—Murfreesboro—Franklin, TN MSA	8.4	66.1	109.8	180.6
Memphis, TN-MS-AR MSA	8.5	28.2	59.9	107.9
Fort Worth-Arlington, TX MD	8.6	100.8	125.9	180.8
Low-Tax Area Average	8.3%	64.4%	107.6%	157.3%

continued

TABLE 1 *(cont.)*
Low-Tax Metro Areas Grew Faster Than High-Tax Metro Areas

	State and Local Taxes as a Percentage of Personal Income, 1977–2002 Average	1980–2007 Growth in: Population	Employment	Real Personal Income
Ten Highest-Tax Large Metro Areas				
New York-White Plains-Wayne, NY-NJ MD	14.0%	14.7%	25.2%	102.3%
Nassau-Suffolk, NY MD	13.9	9.9	41.2	86.9
Syracuse, NY MSA	12.6	0.2	24.7	45.3
Buffalo-Niagara Falls, NY MSA	12.5	−9.2	10.5	27.2
Poughkeepsie-Newburgh-Middletown, NY MSA	12.2	32.2	49.8	94.8
Rochester, NY MSA	12.1	6.1	26.9	44.6
Albany-Schenectady-Troy, NY MSA	11.8	10.3	40.4	74.6
Milwaukee-Waukesha-West Allis, WI MSA	11.7	10.5	30.1	59.7
Bakersfield, CA MSA	11.6	93.7	81.7	90.4
Minneapolis-St. Paul-Bloomington, MN-WI MSA	11.5	44.9	70.2	128.8
High-Tax Area Average	12.4%	21.3%	40.1%	75.5%
100 Largest Metro Area Average	10.0	51.0	80.0	129.4

FIGURE 2
State and Local Taxes Are Negatively Correlated with Employment Growth

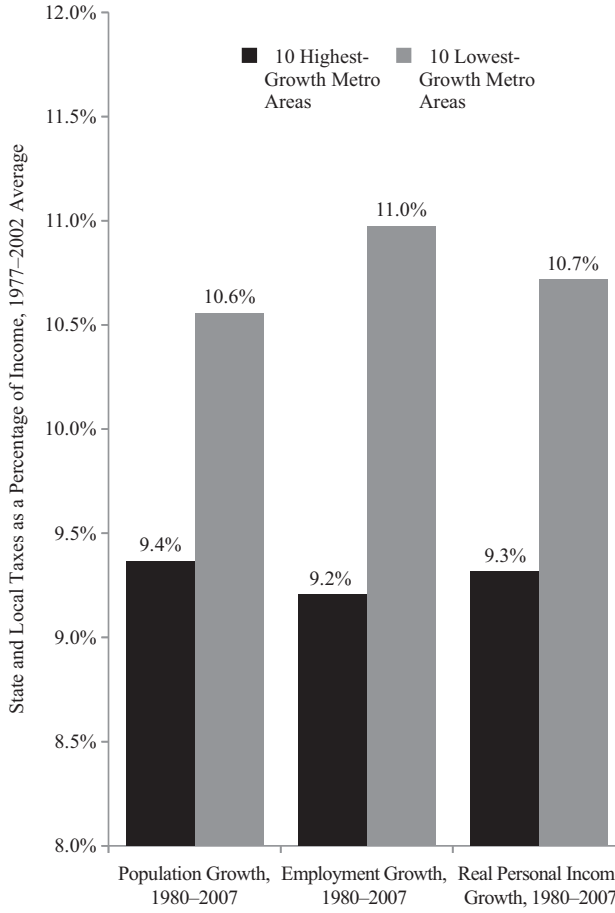


areas. Six of the 10 highest-growth areas are in three states with no personal income tax (Florida, Nevada, and Texas). All 10 of the lowest-growth metro areas are in the higher-tax Northeast or Midwest regions of the country.

Taxes and Economic Growth in Selected Pairs of U.S. Metropolitan Areas

Since residents and businesses are mobile, they have the ability to vote with their feet (Tiebout 1956) by locating in their most

FIGURE 3
High-Growth Metro Areas Had Lower Taxes



desired jurisdiction. Metro areas with tax burdens that are much higher than others with whom they compete will tend to have less prosperous economies. To more closely examine this issue, we focus on 15 selected pairs of metro areas. Each pair contains one area with relatively low taxes and high growth and one with relatively high taxes and low growth. The metro areas within each pair have roughly similar population size either in 1980 or 2007. The first set was chosen from among the 100 largest metro areas (those with 2007 population greater than 575,000) regardless of geographic

TABLE 2
HIGH-GROWTH METRO AREAS HAD LOWER TAXES THAN LOW-GROWTH METRO AREAS

	State and Local Taxes as a Percentage of Personal Income, 1977–2002 Average	1980–2007 Growth in:		
		Population	Employment	Real Personal Income
Ten Highest-Population-Growth Large Metro Areas				
Las Vegas-Paradise, NV MSA	9.3%	289.5%	344.2%	442.7%
Cape Coral-Fort Myers, FL MSA	9.0	182.7	225.7	364.5
Austin-Round Rock, TX MSA	9.2	170.1	222.1	329.6
Riverside-San Bernardino-Ontario, CA MSA	10.4	158.6	191.9	191.0
Phoenix-Mesa-Scottsdale, AZ MSA	10.1	158.4	197.7	247.5
Raleigh-Cary, NC MSA	9.6	158.2	184.5	323.2
Orlando-Kissimmee, FL MSA	8.7	149.5	217.7	262.6
McAllen-Edinburg-Mission, TX MSA	8.8	146.2	202.1	238.3
Atlanta-Sandy Springs-Marietta, GA MSA	9.6	124.8	146.2	235.3
West Palm Beach-Boca Raton-Boynton Beach, FL MD	8.9	115.2	173.2	290.7
High-Growth Area Average	9.4%	165.3%	210.5%	292.6%

continued

TABLE 2 *(cont.)*
HIGH-GROWTH METRO AREAS HAD LOWER TAXES THAN LOW-GROWTH METRO AREAS

	State and Local Taxes as a Percentage of Personal Income, 1977–2002 Average	1980–2007 Growth in: Population	Employment	Real Personal Income
Ten Lowest-Population-Growth Large Metro Areas				
Detroit-Livonia-Dearborn, MI MD	11.3%	−14.8%	−11.5%	1.5%
Pittsburgh, PA MSA	9.8	−11.0	17.3	38.0
Buffalo-Niagara Falls, NY MSA	12.5	−9.2	10.5	27.2
Cleveland-Elyria-Mentor, OH MSA	10.2	−3.6	16.2	31.0
Toledo, OH MSA	9.6	−1.0	25.9	26.6
Syracuse, NY MSA	12.6	0.2	24.7	45.3
Dayton, OH MSA	9.5	1.0	17.4	32.4
Gary, IN MD	10.1	2.2	15.1	33.8
Philadelphia, PA MD	10.5	5.4	28.5	81.7
Akron, OH MSA	9.5	5.9	39.4	51.4
Low-Growth Area Average	10.6%	−2.5%	18.4%	36.9%
100 Largest Metro Area Average	10.0	51.0	80.0	129.4

location. The second set consists of pairs of metro areas within the same state or in nearby states.

Table 3 provides the tax and economic growth data for seven pairs of large metro areas. The Dallas metro area had about 300,000 fewer residents than Detroit in 1980, but now it is twice as large. The Detroit metro area has seen its population decline by 15 percent, employment fall by 12 percent, and real incomes grow by less than 2 percent, while its tax burden has increased by 25 percent. Furthermore, while Texas does not levy a tax on personal income, residents of Detroit pay both a state personal income tax and a local personal income tax.

Residents of Tampa, San Antonio, Jacksonville, Austin, and Orlando also do not pay a personal income tax. In Nashville, the state taxes interest and dividend income only. In contrast, residents of Milwaukee, Buffalo, Gary, Syracuse, Santa Ana, and Rochester do pay state income taxes. The combined state and local tax burdens in those areas were as much as 50 percent higher than similarly sized low-tax areas, and economic growth in those high-tax areas was substantially lower.

In Milwaukee, the tax burden is about 40 percent higher than in Tampa. While the two areas were about the same size in 1980, Tampa is now about 75 percent larger. Population in Tampa has grown six times faster, employment has grown four times faster, and real personal income has grown more than twice as fast.

Buffalo and San Antonio were close to the same size in 1980, but taxes have been more than 50 percent higher in Buffalo than in San Antonio. While Buffalo has actually lost population since 1980, San Antonio has grown by 71 percent. Employment has grown 10 times faster in San Antonio and real personal income has grown six times faster.

In 1980, Rochester, New York, was larger than Nashville, Tennessee. Now, after seeing its population grow about 11 times faster, Nashville is nearly 50 percent larger. Employment and real personal income have each grown about four times faster in Nashville. Residents in slower-growth Rochester have faced a tax burden about 44 percent larger.

In 1980, the Austin and Syracuse metro areas were roughly the same size. Austin had a population of about 590,000, compared to about 643,000 in Syracuse. By 2007, Austin's population had grown by more than 1 million while Syracuse's population had grown by

TABLE 3
Selected Pairs of Similarly-Sized Metro Areas

Metro Area	2007 Population	1980 Population	Population Growth, 1980–2007	Employment Growth, 1980–2007	Real Personal Income Growth, 1980–2007	State & Local Taxes as a % of Income, 1977–2002 Average
Dallas-Plano-Irving, TX MD	4,128,967	2,032,153	103.2%	116.8%	199.5%	9.1%
Detroit-Livonia-Dearborn, MI MD	1,981,654	2,326,366	−14.8%	−11.5%	1.5%	11.3%
Tampa-St. Petersburg-Clearwater, FL MSA	2,715,273	1,626,975	66.9%	126.3%	152.2%	8.4%
Milwaukee-Waukesha-West Allis, WI MSA	1,543,378	1,396,659	10.5%	30.1%	59.7%	11.7%
San Antonio, TX MSA	1,984,921	1,161,968	70.8%	107.7%	166.7%	8.3%
Buffalo-Niagara Falls, NY MSA	1,126,513	1,241,275	−9.2%	10.5%	27.2%	12.5%
Nashville-Davidson-Murfreesboro-Franklin, TN MSA	1,520,160	915,182	66.1%	109.8%	180.6%	8.4%
Rochester, NY MSA	1,032,488	972,728	6.1%	26.9%	44.6%	12.1%
Austin-Round Rock, TX MSA	1,592,590	589,582	170.1%	222.1%	329.6%	9.2%
Syracuse, NY MSA	643,974	642,764	0.2%	24.7%	45.3%	12.6%
Jacksonville, FL MSA	1,297,813	741,394	75.1%	118.2%	192.7%	7.9%
Gary, IN MD	697,731	682,734	2.2%	15.1%	33.8%	10.1%
Orlando-Kissimmee, FL MSA	2,028,669	813,225	149.5%	217.7%	262.6%	8.7%
Santa Ana-Anaheim-Irvine, CA MD	2,976,742	1,948,067	52.8%	92.3%	129.1%	10.2%

only 1,000. That same disparity exists when one examines the growth of employment and real personal income. State and local taxes accounted for 12.6 percent of personal income in Syracuse but only 9.2 percent in Austin over the 1980–2007 period.

Orlando, Florida, and Santa Ana, California, share at least one thing in common: they both have Disney theme parks. However, the tax burden in Santa Ana has been 17 percent higher than in Orlando, and Orlando's growth has been twice as fast.

Table 4 focuses on pairs of metro areas that are in relatively close geographic proximity. As Tables 1 and 2 illustrated, some of the lowest-tax and highest-growth areas in the United States are in Florida and Texas. However, as the first two pairs indicate, even within those two low-tax states, conditions can vary quite widely. The tax burden in Miami is about 14 percent higher than in Tampa. Employment in Tampa has grown twice as fast, while population and real personal income have grown 50 percent faster.

Killeen and Beaumont are medium-sized metro areas in Texas, each with about 375,000 residents in 2007. The state and local tax burden in Beaumont has been about 37 percent higher and its population has grown by less than 1 percent since 1980. In contrast, lower-tax Killeen has seen 63 percent population growth. Employment has grown about three times faster in Killeen than in Beaumont, and real personal income has grown almost five times faster.

Clarksville, Tennessee, and Huntington, West Virginia, are also medium-sized metro areas. In 2007, each had about 275,000 residents. However, residents in Huntington have faced a 44 percent higher tax burden. That area has seen population decline by 9 percent since 1980. In lower-tax Clarksville, population has grown by 55 percent. Employment has grown more than four times faster in Clarksville and real personal income has grown nearly six times faster.

Another high-tax area in West Virginia is Charleston, the state capital. Compared to Columbia, the state capital of nearby South Carolina, taxes are about 17 percent higher in Charleston. While lower-tax Columbia has seen its population grow by 43 percent since 1980, Charleston has actually seen its population decline by 9 percent. Employment and real personal income have both grown about four times faster in Columbia.

McAllen, Texas, and El Centro, California, are both on the U.S.-Mexican border. However, taxes in El Centro have been about

TABLE 4
Selected Pairs of Metro Areas in the Same or Nearby States

Metro Area	2007 Population	1980 Population	Population Growth, 1980–2007	Employment Growth, 1980–2007	Real Personal Income Growth, 1980–2007	State & Local Taxes as a % of Income, 1977–2002 Average
Tampa-St. Petersburg-Clearwater, FL MSA	2,715,273	1,626,975	66.9%	126.3%	152.2%	8.4%
Miami-Miami Beach-Kendall, FL MD	2,382,961	1,643,132	45.0%	59.9%	99.2%	9.6%
Killeen-Temple-Fort Hood, TX MSA	370,755	227,951	62.6%	82.9%	162.1%	7.1%
Beaumont-Port Arthur, TX MSA	376,448	374,797	0.4%	20.7%	27.6%	9.8%
Clarksville, TN-KY MSA	261,849	168,672	55.2%	75.6%	150.0%	7.2%
Huntington-Ashland, WV-KY-OH MSA	283,943	311,271	−8.8%	14.0%	21.8%	10.3%
Springfield, MO MSA	419,607	259,555	61.7%	105.7%	131.7%	7.6%
Wichita, KS MSA	595,321	469,410	26.8%	36.8%	75.1%	9.1%
Columbia, SC MSA	715,678	499,796	43.2%	73.6%	129.0%	9.2%
Charleston, WV MSA	303,656	335,152	−9.4%	18.4%	35.3%	10.8%
McAllen-Edinburg-Mission, TX MSA	705,478	286,540	146.2%	202.1%	238.3%	8.8%
El Centro, CA MSA	160,830	92,584	73.7%	54.5%	73.6%	10.3%
Indianapolis-Carmel, IN MSA	1,692,737	1,209,920	39.9%	72.1%	105.6%	9.3%
Louisville-Jefferson County, KY-IN MSA	1,232,304	1,054,368	16.9%	48.7%	84.3%	10.4%
Cape Coral-Fort Myers, FL MSA	588,129	208,050	182.7%	225.7%	364.5%	9.0%
Savannah, GA MSA	329,307	231,691	42.1%	93.2%	129.4%	9.9%

17 percent higher. Lower-tax McAllen has seen population grow twice as fast, while employment and real personal income have both grown more than three times faster.

Fort Myers, Florida, and Savannah, Georgia, are both coastal areas. In 1980, Savannah was slightly larger, but now Fort Myers has nearly 80 percent higher population. Employment has grown more than twice as fast in Fort Myers, and real personal income has grown nearly three times faster. Residents of Savannah have faced a tax burden nearly 10 percent higher.

Conclusion

Over the last three decades, many of our nation's largest metropolitan areas have seen their populations stagnant or declining. Others have seen rapid growth. The question of why some areas are growing and others are shrinking is of major importance to public policy debates. What the evidence of the last three decades has shown is that metro areas with higher taxes have tended to have slower growth of population, employment, and income. There are clearly numerous other important factors that influence economic growth, and the correlation between taxes and growth found herein do not prove that lower taxes cause higher growth. Nevertheless, my findings are consistent with previous findings for states and nations in studies that do account for other determinants of growth.

These findings have clear policy implications for local politicians (and for those at all levels of government). Economic prosperity is more likely to occur if tax burdens are kept low, especially relative to neighboring areas. To do so requires a strong emphasis on spending the taxpayers' resources wisely. However, that is no different than what private businesses must do. Just as businesses must keep costs low in order to successfully compete with other businesses for customers, governments must keep spending and taxes low in order to successfully compete with other governments for mobile residents and businesses.

This conclusion is especially true in periods of economic downturn when taxpayers are especially sensitive to the various costs of living. If high-tax, low-growth metro areas like Detroit, Milwaukee, Buffalo, and Syracuse want to be more like high-growth areas such as Dallas, Tampa, San Antonio, and Austin, they should lower their onerous burden of taxation and bring spending under control.

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