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EDITORIAL

Misusing tax kicker

Getting "the most bang for your buck" is among the most common of clichés, yet some legislative leaders in Salem seem to be unfamiliar with the concept.

House Speaker Tina Kotek, for instance.

The Democrat from North Portland wants to appropriate half of the estimated $1.4 billion in income tax rebates that Oregonians are supposed to receive next year.

On its face, Kotek's proposal is troubling.

Oregon voters, after all, decided in 2000 to amend the state Constitution to include the tax rebates, known popularly as the "kicker," when our income tax payments to the state exceed the estimates of state economists by at least 2 percent.

Voters most assuredly did not include, in their approval of that amendment, a proviso that they would be happy to forego their rebates to satisfy the whims of legislators.

It happens, though, that politicians could make a reasonable case for using at least some of the kicker rebate money in a way that could confer legitimate benefits on taxpayers — get at least a minor bang for the buck, to return to where we started.

That reasonable use is reducing the deficit in Oregon's Public Employees Retirement System (PERS).

The PERS problem, the financial albatross that has been hovering over Oregon for more than a decade and shows no signs of veering away, affects every part of the state.

To ensure the ludicrously generous pensions that the system guarantees to state, local and public school employees hired before Jan. 1, 1996 (benefits for workers hired after that date, though still remunerative, are much less egregious), every city, county and school district is paying an increasingly large percentage of its revenue into the system.

Baker City's contribution, for instance, is projected to rise by about 30 percent for the two-year period starting July 1. The bottom line is that the city will have to pay more than $125,000 more per year — money that will not provide any service to city residents.

Ideally, every dime of kicker dollars would return to the Oregonians who earned the money.

But the Constitution does allow the Legislature to keep some of the money so long as two-thirds of lawmakers in both the House and Senate agree.

The bill Kotek introduced recently, unfortunately, wouldn't use kicker money to potentially ease the burden of the ongoing PERS debacle on taxpayers.

The House Speaker instead wants to spend $260 million to improve the I-205 bridge over the Willamette River, $245 million to help trucking companies invest in cleaner diesel engines, and $245 million for a "Zero Emission Fund" to convert the state's vehicle fleet to zero-emissions models.

That's a lot of bucks.

But when it comes to providing tangible benefits to Oregonians, in exchange for keeping money to which taxpayers are otherwise constitutionally entitled, Kotek's proposal is much closer to a whimper than to a bang.

— Jayson Jacoby, Baker City Herald editor

Letters to the editor

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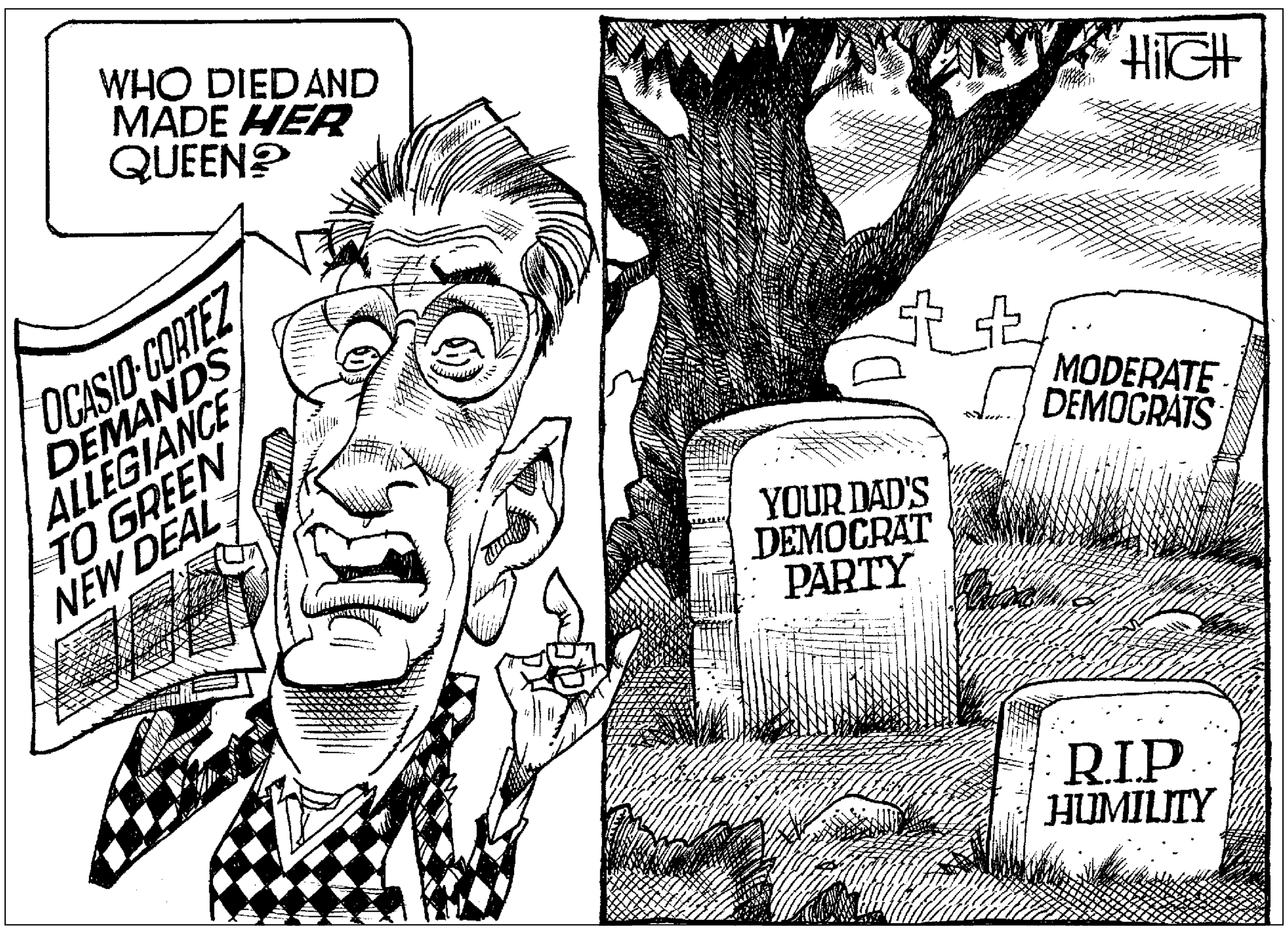

Trade war: Pride vs. economics

KARL W. SMITH

President Donald Trump has long said the goal of his trade policy is simply to get better deals for Americans. But as the trade war intensifies, it seems increasingly likely that his policies will lead to something more: a lasting break with China and a new alignment of global power.

First, consider the evidence for the break. The current impasse in trade talks was sparked by a sudden change in terms on the part of the Chinese negotiators. This change likely caught the administration off guard, but Trump's response is notable: He immediately ramped up tariffs, then announced a ban on business with Chinese telecommunications firm and national champion Huawei Technologies Co.

These actions have backed Chinese President Xi Jinping into a corner and turned the trade dispute into a matter of Chinese national pride. This limits the possibility not only of a quick resolution, but also of the chances that the Chinese people will accept any concessions to the U.S.

Trump's handling of this situation stands in sharp contrast to his negotiating strategy on other issues. Though the president railed against NAFTA throughout his campaign, he's touted its replacement as a huge success, even though it is only cosmetically different, and has been willing to suspend his tariffs on Canada and Mexico to ease its passage through Congress. Likewise, Trump has been more than willing to trumpet his successful negotiations with North Korean leader Kim Jong Un even though the evidence for such success is thin. Meanwhile, the president's tough talk against Europe and Japan for their trade practices, and against NATO allies for their defense spending, has been mostly bluster.

When it comes to China, however, the president is doubling down. He has encouraged U.S. supply chains to move out of China and established subsidy programs to cushion farmers from the effects of a protracted trade war.

Which leads to the long-term implications of this battle. A protracted trade war would almost guarantee a global realignment. Supply chains that run through both the U.S. and China would constantly be subject to disruptions, so global manufacturers would have to decide whether to pursue an America-centric or China-centric strategy.

That's already the case in the digital sphere, where Chinese restrictions on the internet divide the world into two parts: that which is served by U.S. tech giants such as Google and Facebook, and that which relies on Chinese firms such as Baidu and WeChat. China's threat to cut off U.S. access to rare-earth minerals points to a potential bifurcation in commodities markets as well.

The trend is clear: As China's economic and geopolitical power grows, countries within China's sphere of influence will feel increasing pressure to integrate their economies with Chinese supply chains and multinationals rather than American ones.

At the same time, as my Bloomberg Opinion colleague Tyler Cowen points out, the rise of China is a main driver of populist sentiment in the U.K. and Australia. This creates political pressure in those countries for further isolation from China. In the U.S., Trump has made it clear that he sees the trade war with China as politically advantageous for him, and he's probably right. It's probably also true that this anti-China sentiment will outlast him.

Add up all these factors, and the U.S.-China trade war looks like the beginning of a profound break in the global order. As China and the U.S. form two opposing economic and geopolitical coalitions, the rest of the world will be forced to choose. Maybe the European Union can form a third unaligned pole, as France and Germany's membership in the EU (and the U.K.'s absence from it) provides them with the negotiating power to avoid falling under the Chinese or American sphere of influence.

Of course, in some ways this type of multipolar alignment would be a return to the past. The dual-superpower world that existed for much of the second half of the 20th century was always an exception, and the era of American supremacy that began after the collapse of the Soviet Union was never going to last. Until recently, however, a new kind of bipolar arrangement seemed possible: a kind of competitive partnership between China and the U.S., with the EU playing a supporting role. The events of the last few weeks have left that looking increasingly unlikely.

Karl W. Smith is a former assistant professor of economics at the University of North Carolina's school of government and founder of the blog Modeled Behavior.

GUEST EDITORIAL

Oregon gets serious on food safety

Editorial from The (Bend) Bulletin:

Oregon consumers expect the food they eat to be safe, and the 2019 Legislature is poised to make that more likely.

State senators approved House Bill 2060 May 16 and sent it back to the House to gain approval for a Senate amendment to the bill. Gov. Kate Brown is likely to sign it.

The measure puts teeth into the state Department of Agriculture's food safety program by allowing the agency to shut down food providers who either fail to get the proper license or fail to renew a license that has expired. The agency already has the power to immediately shutter establishments that pose a threat to public safety.

While the Oregon Health Authority inspects restaurants and food carts, it's the agriculture department that keeps track of such things as a grocer's in-house bakery, egg handlers, dairies and licensed home kitchens.

Until the bill becomes law, the department can only encourage food producers to get licensed in the first place or renew licenses when they've expired. The number of providers who don't play by the rules is relatively small, to be sure. Of the roughly 12,000 providers licensed by the state, only about 600 of them are not properly licensed, so the problem isn't huge.

HB 2060 will give the department the power to shut down unlicensed food providers. It won't be able to do that immediately, except where safety is at issue. The bill is a sensible approach to what could be a serious problem.

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