

The Process of Reform: The West Virginia Example

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A few weeks ago I had the privilege of participating in a symposium on public finance in Charleston, West Virginia, that was sponsored by the Governor's Commission on Fair Taxation. The commission had come up with a fairly dynamic and comprehensive tax reform plan aimed at setting a fiscal structure for West Virginia as it moves into the next century. Still, a number of details remain to be hammered out, not the least of which are the tax rates that would apply to the new, smaller, set of taxes that would be imposed within the state. The symposium's purpose was to allow formal comment from state and local officials and administrators, interested citizens, outside experts from places like the Urban Institute and the National Conference of State Legislators, as well as reflections from those who have participated in other state tax commissions.

Whatever the outcome of the tax debate in West Virginia, this symposium represented one more piece of a process that so far has been a remarkable success. Elsewhere I have written about some of the tax issues at stake, such as the single business tax suggested as a replacement for a long list of inefficient and often arbitrary business taxes. (See Tax Notes, [Nov. 23, 1998](#), p. 1013.) But it is not to those issues of substance that I wish to turn in this article, but rather to the process itself. I believe that it provides lessons to be learned—or, more accurately, relearned—for other reforms at the federal, as well as state, level.

By the time the November symposium was over, it received a large amount of praise. The West Virginia reform model is likely to set a high standard that other state reform commissions will try to emulate, indicated Robert Ebel, chair of the District of Columbia Tax Commission and executive director of the National Tax Association. John Shannon, former executive director of the Advisory Commission on Intergovernmental Relations, stated that this was one of the most innovative state tax reform efforts he had seen in a long time. Most attendees appreciated not only the candor with which people were allowed to speak, but the format, which was inclusive and made use of learned research.

Several people commented to me that they felt unusually proud to play a small part in an effort devoted first and foremost to trying to find the best answer to the issues of public policy. As I reflected on their comments, I began to wonder why that type of experience is so rare. Why are citizens usually skeptical that a reform process is not set up for success: that it is structured more to oppose some point of view than to achieve something of legislative value, and that the real issues needing attention are off the table from the beginning?

Here is what I have concluded are among the crucial elements that helped the West Virginia tax reform process achieve its current level of success.

- **Principles first.** The Governor of West Virginia, Cecil H. Underwood, placed a broad charge on the commission. It was to review the present system of taxation and determine whether it embodied the principles and values of the State of West Virginia, and then to propose modifications necessary to promote those principles and values. In other words, principles came first.
- **Political constraints saved for later.** Note that the governor not only stated principles, he did not start out with a huge set of political demands as to what would or would not be acceptable. Many reform efforts are begun with more political constraints than can possibly be met—often creating what is known as an over-constrained system. Politics obviously has a major role to play, and legislation must be decided by elected representatives not by the bureaucracy or unelected officials. But there's a time and a place for different types of politics. If a set of principles leads to certain conclusions, those conclusions need to be stated first and their logic understood.

Valuable compromise involves trade-offs among competing principles. If principles aren't well articulated at the start, any compromise is more likely to represent a random anarchic process where the tradeoffs are among special interests who need come forward with only the flimsiest rationales for their positions. After all,

in the latter case the basis for decisionmaking is reduced to the power of each interest group.

- **Accountable leadership.** The West Virginia commission was set up with a chair, Robin C. Capehart (the Secretary of Tax and Revenue), and two vice-chairs, Dean Calvin A. Kent and Michael E. Caryl, who clearly felt accountable in their roles. Their focus was almost entirely on presenting the state with a much better tax system than what it has now. A similar, although not identical, story can be told about the process that led to federal tax reform in 1986. Essentially at each stage someone was accountable—including, in order, Secretary of the Treasury Don Regan, Secretary of the Treasury Jim Baker, Ways and Means Chairman Dan Rostenkowski, D-Ill., and Senate Finance Chairman Bob Packwood, R-Ore. In the last case, it's not even clear that Sen. Packwood was a believer in reform. But what converted him was the same thing that drove all the other individuals—they were held accountable either personally or publicly for presenting a package that was better than current law and that had a reasonable chance at passage.
- **Commissioners dedicated first to the public.** The commissioners in West Virginia did represent different segments of the population. But many experts were also appointed, so that the commission could work productively. As best I can tell, all accepted the assignment to dedicate themselves first and foremost to trying to come up with a good package, not to represent some special interest. Disaster can strike a commission or a study group when several of the participants feel it is their primary role to represent one or another interest group, and are impelled or instructed not to make any compromises that go against the interests of that group. Lobbyists will get their chance later, but they do not make good commissioners or study authors.

These may sound like obvious, perhaps even trivial lessons. It shouldn't be that hard to put principles first, attach political constraints only later, make sure that leadership is accountable for success and failure, and appoint commissioners devoted first to the public. I don't mean to discount later stages of the political process and the important roles to be played out then. If one looks closely at the failure of so many commissions and reform processes, however, my guess is that in the majority of cases at least one or more of these lessons was not applied to the initial stages.

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