Commonwealth Foundation
for PUBLIC POLICY ALTERNATIVES
limited government. unlimited opportunity

Tuesday, June 09, 2009

Why Corporate Welfare Fails

Tad Dehaven has a worthwhile read on the Cato Institute's blog about why state corporate welfare subsidies make good politics, but bad economics:

> Instead of competing with other states to attract industry by lowering taxes and reducing regulations, it seems most state governors prefer a politically opportunistic method I call "press release economics." Here's how it works:
>
> A state "economic development" agency offers an out-of-state company (or even an out-of-country company) tax breaks and/or direct subsidies to locate some or all of its business operations in that state. Most likely, the business would have located there anyhow due to myriad factors including demographics, transportation logistics, and workforce capabilities. ... The company and the governor's press staff then typically arrange a photo-op at an orchestrated ground-breaking ceremony for the new facilities. ...
>
> My suggestion that the governor eliminate or reduce the state's high corporate income tax rate, and "pay for it" — at least in part — by getting rid of the state's corporate welfare apparatus, was routinely ignored for the reasons I cited above. That one would be hard-pressed to find support among the economics profession for the state corporate welfare give-away game means little to the majority of policymakers and their minions who naturally favor short-term political gain over long-term economic gain. That other companies already located within the state are stuck paying the regular tax rate, and are thus put at a competitive disadvantage, is a secondary or non-concern as well.

For readers in the Rendell adminstration who may have just stumbled across this blog just today and are thinking, "Wait!? Corporate welfare doesn't work?," I recommend reading this post on Harley Davidson, or my commentary on why government can't cure our economic woes, or Matt Brouillette's testimony on the failure of Pennsylvania's corporate welfare schemes under both Republicans and Democrats.

Posted by Nathan Benefield at 8:40 AM

Labels: Corporate Welfare

0 comments:

8 PA

About PolicyBlog

PolicyBlog is the official blog of the Commonwealth Foundation for Public Policy Alternatives, an independent, non-profit public policy research and educational institute based in Harrisburg, PA.

Subscribe to PolicyBlog

Subscribe in a reader
Subscribe to comments
Get Daily Email Updates

Commonwealth Foundation

Home Page
Research Library
Contact Us
Support Us

Connect with Us

Find us On Facebook
Liberty4PA on Twitter
CFTV on YouTube
Connect on LinkedIn

Join Our Email List

Email:

Go

Twitter Updates

PolicyBlog: Fact Check: PA Cannot Spend Its Way to Educational Success http://tinyurl.com/lr5gdg about an hour ago

PolicyBlog: Cap and Trade:

225 State Street, Suite 302 | Harrisburg, PA 17101 | Phone: 717.671.1901 | Fax: 717.671.1905 | info@commonwealthfoundation.org |
www.CommonwealthFoundation.org