



More proof corporate welfare doesn't work

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Are you OK with the government spending hundreds of thousands of taxpayer dollars to bribe companies to create a single job?

That's how the now-famous and failed Foxconn corporate welfare scheme played out in Wisconsin under former Gov. Scott Walker. He threw billions in government handouts and tax incentives at the electronics manufacturer to encourage them to relocate to his state. When all was said and done, the initiative only created a few thousand jobs at a rate of roughly \$350,000 in total state expenditure per actual job created.

A new paper reveals that the failure of corporate welfare schemes isn't limited to Wisconsin. Such state-level scams have largely failed across the board. Researchers from Columbia University and Princeton University looked into the various states and localities that have offered crony handouts to big companies and concluded that there's no "strong evidence that firm-specific tax incentives increase broader economic growth at the state and local level."

When local politicians try to spin and promote subsidies for massive corporations, they paint them as necessary tools for economic development that will eventually benefit the entire community. It isn't so. This new research shows that the promised economic progress rarely materializes. The paper also found that most of the handouts go to big industry incumbents, disadvantaging small businesses and discouraging competition.

So, too, it reveals that "the average discretionary subsidy is \$178M for 1,500 promised jobs." This is roughly \$120,000 spent per job created. At that point, the government might as well just pay people's entire salaries. It's hard to see how a community is actually helped by throwing away this much of their money in exchange for a relative handful of jobs.

Taxpayers should revolt against such flagrant waste. And, sadly, it's quite prevalent in red and blue states alike. According to 2012 figures from the libertarian-leaning Cato Institute, the government wastes at least \$100 billion a year on corporate welfare. One prominent recent example is the bizarre subsidization of the film industry in Florida.

As Alex Muresianu put it for the *Tallahassee Democrat*, "It's hard to think of a more wasteful use of taxpayer money. For every dollar the state gave to film production companies, the state economy only grew by 18 cents. Even worse, an analysis from the University of Southern California found that film tax incentives nationwide have had a minimal — even negative — impact on economic growth."

Another mind-boggling example of government putting the interests of corporations over taxpayers is the sad display of public corruption put on by local officials competing to entice Amazon's new headquarters.

"Pick me, pick me!" they cried, falling all over themselves to suck up to Jeff Bezos. Amazon eventually snubbed New York City, despite it all but throwing a blank check at them. It is Virginia taxpayers who will suffer now; their tax money is handed out to line Bezos's pockets and their local rents set to skyrocket when Amazon moves in. The Heritage Foundation's Rachel Grezler wrote that the saga showed why corporate welfare "may procure short-term wins for a select few politicians and for businesses that can afford to pay to play, but it's not a strategy for long-term success."

There's a political opportunity in all this waste, though, for principled free-market conservatives. Voters are increasingly turning toward populist ideas, with disdain for pro-business policies and other conservative economic orthodoxies. If Republicans want to appeal to this new populist constituency without abandoning their free-market principles, then the abolition of corporate welfare would be a great place to start.