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Friday, July 10, 2009

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Better living through states' corporate wealthfare and tax breaks is rarely ever better -- and hardly a living for those temporarily employed. Pennsylvania provides many examples.

Which is why "Injustice of State Subsidies," by budget analyst Tad DeHaven, is must-reading for Gov. Ed Rendell's administration (cato-at-liberty.org/2009/06/05/injustice-of-state-subsidies/).

DeHaven, former deputy director of the Indiana Office of Management and Budget, calls it "press-release economics" when governors attempt to attract industry by proffering lush tax breaks and/or public subsidies. Once the deal is sealed, the governor issues a press release, touting the presumptive windfall.

It's an opportunistic short-term political gain for governors, a competitive disadvantage for existing state companies that pay their own freight and, ultimately, a loaded cigar for taxpayers when the enticed company fails to produce the promised jobs -- or leaves after using up the awarded state subsidies.

US Airways' "stake" in Pittsburgh International Airport. The now-defunct Lazarus department store. Pennsylvania's list is long and embarrassing.

"If you're a governor, why risk the headache of engaging the legislature in a fight over reducing corporate taxes, unemployment taxes, or any other tax -- including personal income taxes and sales taxes -- that affect industry when you can take the easy win?" writes DeHaven.

Never mind that lower taxes and less burdensome regulations will do more to keep a company long term than a quickie deal -- one that's good only for issuing press releases.



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