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### Rendell's "Press-Release Economics"

BY MICHAEL J. NEROZZI

MONDAY, MAY 03, 2010

It is a scene familiar in America. A mayor, joined by legislators, holds a ribbon-cutting ceremony for a new facility or attraction in the community. Smiling ear to ear, he eagerly shakes the hands of his constituents as the owner of the new facility lavishes praise on the mayor for his leadership in bringing jobs to the community. While this pomp and circumstance may seem relatively harmless, lawmakers have become increasingly reliant on a technique known as "press-release economics" to bolster their image while spending taxpayers' dollars.

Press-release economics has long been part of a political charade in which lawmakers use other people's money to fund their political gain. In Pennsylvania, agencies such as the Department of Community and Economic Development (DCED) offer a plethora of subsidies to entice businesses to move to or stay in the Commonwealth. State lawmakers also have the ability to dole out funds, commonly known as WAMs (walking around money), to businesses, non-profits or other entities of their choice. DCED or lawmakers then issue a statement taking credit for thousands of new jobs, yet never mentioning these jobs were funded by taxpayers who now have less to invest themselves. Businesses realize the political game, which rewards them for lobbying for subsidies.

Tad DeHaven, a former budget official for Indiana Governor Mitch Daniels, recently shared his experience with press-release economics. In an op-ed, Mr. DeHaven explains that while an agency or governor won't readily admit it, most companies already plan to move to the state before receiving subsidies due to the sheer amount of consideration needed to make such a decision. After the subsidy is doled out, the administration can claim all the glory. As Mr. DeHaven recalls, "For the high-profile deals, [the agency giving the subsidy] arranges a choreographed ribbon-cutting ceremony at the company's facilities. The company helps fulfill its end of the bargain by telling the press that the administration's support sealed the deal." Much like Indiana, the Keystone state has had its fair share of PR tactics. In fact, at over \$750 million, Pennsylvania spends more on economic incentives than all but one other state.

Gov. Rendell relies heavily on press-release economics. Consider the case of Harley-Davidson. The motorcycle manufacturer has received over \$4 million in state grants from the DCED since 2000. Last year, Harley threatened to close its York plant, citing Pennsylvania's high cost of doing business. Gov. Rendell promptly responded with a series of press conferences and news releases, finally coming up with a deal to give the company \$15 million in taxpayer money. It's the perfect deal for everyone but the taxpayer; Harley-Davidson gets more money from the taxpayers while Gov. Rendell is the hero for saving jobs.

Another example of Mr. Rendell's technique is in the case of Unilife Medical Solutions, a producer of health-care safety supplies. Unilife was considering building an additional plant in Pennsylvania and lobbied the Governor's Action Team for over \$5 million in subsidies. Mr. Rendell then released a statement claiming his action "will create 241 new jobs by the end of 2012 and it will retain 87 existing employees." Again, this sweetheart deal represents a win-win for both Unilife and Gov. Rendell - but not the taxpayers.

Perhaps the quintessence of press-release economics involves using taxpayer dollars to build sports stadiums. In 2008, Gov. Rendell and several Republican lawmakers jointly announced plans to build a Major League Soccer stadium in Chester. The Governor proposed giving \$47 million in state taxpayer funds and putting Delaware county taxpayers on the hook for an additional \$30 million to finance the venture. With Chester plagued by crime and violence, Mr. Rendell claimed the construction of the stadium would "make Chester a first-class city" by dramatically increasing employment in the region. Numerous studies show no correlation between stadiums and employment, but ground-breaking ceremonies for exotic taxpayer-funded stadiums do seem to benefit politicians wanting to keep their jobs.

Press-release economics has been a tactic used for decades to benefit lawmakers at the expense of the taxpayer. If we are to get Pennsylvania back on the path to prosperity, we need to end this practice and reduce the tax burden on our families and small businesses. That will give us an economy worth writing a press release about.

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