

The ‘Incentives’ Game: *After “investing” billions in economic development, what do we have to show for it?*

WHAT IS THE ‘INCENTIVES’ GAME?

Government-driven economic development is a secretive process in which politicians give away tax exemptions, subsidies, and other taxpayer-funded incentives to private companies. Politicians “invest” tax dollars without disclosing any meaningful analysis or information on the company, without providing an estimated return-on-investment, and with no public input.

HOW MUCH HAS IT COST?

From 1995 to 2008, South Carolina gave away roughly **\$2 billion** in incentives.

- In 1995 lawmakers spent **\$32 million** on incentives. By 2008 that number jumped to **\$525 million**. That’s a 1,541 percent increase.
- In 2009 South Carolina gave **half a billion dollars** to Boeing in exchange for 3,800 promised jobs. That comes out to about **\$131,000 per job**.
- Over the last several years, politicians have spent **\$40 million** trying to jump start the hydrogen economy in the Midlands.
- From 1995 to 2008, the state’s Department of Commerce saw its budget increase from \$12 million to **\$145 million**.
- In 2008, the state handed out **more corporate tax credits than it collected** – \$374 million in credits versus \$269 million in collections.
- Similarly, the state now **exempts more sales tax than it collects** – \$2.7 billion in exemptions versus \$2.19 billion in collections.

HAS THE INCENTIVES GAME WORKED?

Over the last 15 years, politicians have spent billions to drive the economy – and here’s where it’s gotten us:

- In the 1980s South Carolina was ranked the 15th fastest growing economy. Now we have the **12th slowest growing economy**.
- From 1994 to 2008, our unemployment rate went from 5.2 percent to **9.4 percent**.
- The state experienced its worst job **losses** after years when spending on incentives was **highest**.
- Today we have the **44th lowest** per capita income in the nation.
- From 2008 to 2010 South Carolina **lost 118,000 jobs** – more than twice the number of jobs state officials say they “recruited” during that period.

WHAT’S THE SOLUTION?

Independent businesses can’t compete when politicians use the power of the state to benefit favored companies. There’s a better approach, and indeed it’s the only approach that’s ever worked – the free market.

- *Lower the tax burden on all South Carolinians – not just the favored few.* Eliminate the nation’s highest manufacturing tax, lower the personal income tax, eliminate the corporate income tax, simplify the tax code, and lower the rate for everyone.
- *Eliminate costly and burdensome regulation.* There are over 250 licensing boards and commissions that drive up the cost of starting and expanding businesses.
- *Dismantle the government-driven economic development machine.* There are at least 35 different public agencies and government entities dedicated to “economic development.” This governmental machine keeps cash flowing to lobbyists, consultants, and industry groups, and it competes directly against South Carolina independent businesses.
- *Take away politicians’ power to negotiate secret deals.* Every deal allowing private firms to take advantage of taxpayer dollars should be made public, from beginning to end.