Texas Public Policy Foundation

Growing the Economy without Growing Government

Eliminating Taxpayer-funded Corporate Subsidies






by Bill Peacock

September 2014

Texas Public Policy Foundation

Celebrating 25 Years

September 2014

Texas Public Policy Foundation
by Bill Peacock

Table of Contents

Executive Summary 3
How is Texas Doing? 4
Two Approaches to Economic Development 5
Technocratic vs. Free Market Economic Development 6
The Texas Model 8
Economic Development and Corporate Welfare 10
The Real World of Economic Development 12
Recommendations 13
Conclusion 13
References 14

Growing the Economy without Growing Government

Eliminating Taxpayer-funded Corporate Subsidies

by Bill Peacock

"The conventional approach to economic development … is based on a technocratic illusion: the belief that poverty is a purely technical problem amendable to … technical solutions." ~William Easterly, *The Tyranny of Experts*

Executive Summary

Texas is a national leader in relying on the free market to increase prosperity within its borders. It has arrived at this point because it has relied on the Texas Model of economic development—low taxes, spending, and regulation and a sound civil justice system—more than the traditional, or technocratic, approach where government planners decide what is best for the economy.

The results speak for themselves, with Texas leading the nation in just about every economic category. And Texas isn't alone. States that cut taxes and return surpluses to taxpayers have much stronger economic growth than states that use government spending to grow an economy.

The technocratic economic development approach does more harm than good. Not only does it fail to achieve its goal of increased economic growth, it often tramples the rights of citizens who don't share the vision of enlightened central planners.

Building upon the successful Texas Model, Texas should reduce or and eliminate current economic development programs, restrain growth in overall government spending and regulation, and reduce taxes. These are the types of real economic development measures that will take Texas down the path toward expanding the prosperity of all Texans.

Key Points

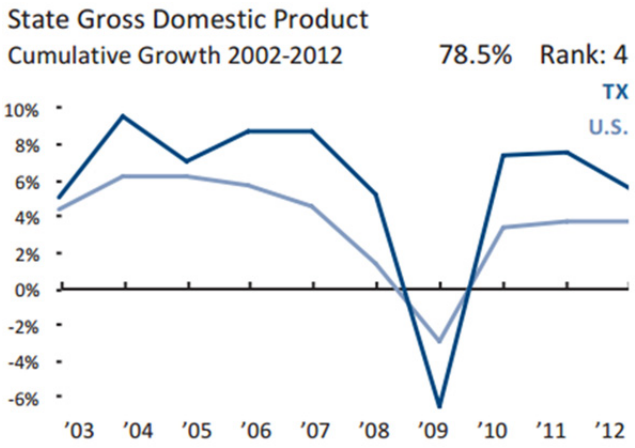
- To boost economic growth, Texas should phase out subsidy-based state and local economic development programs.
- Texas can increase job growth by limiting total spending for 2016-17 to $214.4 billion, a 6.2 percent increase over spending this biennium.
- Eliminating the Texas margin tax will give Texas the most favorable business climate in the country.
- Subsidy-based economic development programs trample the rights of citizens.

How is Texas Doing?

Texans are interested in the debate on economic development because they are all generally interested in the same thing: increasing prosperity for all Texans.

Before this paper examines the different approaches to economic development and how we might increase prosperity, it will first examine how Texas is doing today when it comes to prosperity.

Texas ranks fourth among the states in the 10 year growth of GDP:

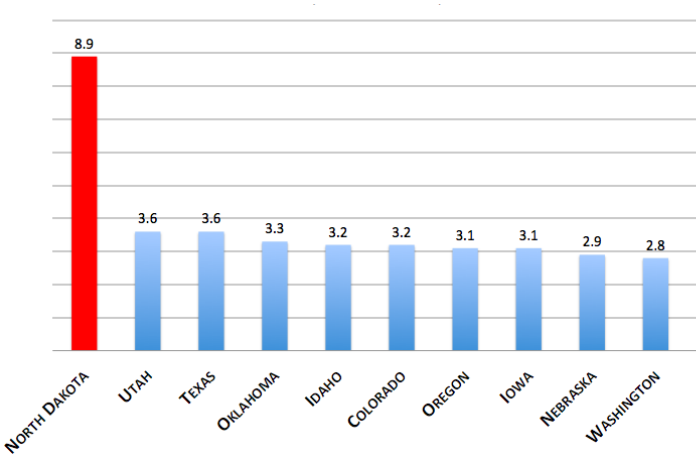


Source: Rich States, Poor States 2014, ALEC

Texas ranks third in 10 year non-farm employment growth:

Source: Rich States, Poor States 2014, ALEC

Texas is currently second in wage growth:

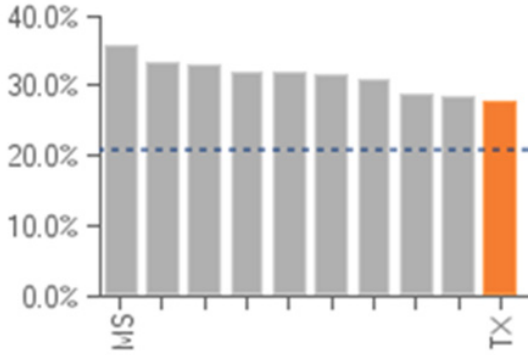


Source: The Atlantic

Texas is fourth among the states in cost-of-living adjusted wages:

Source: Corporation for Enterprise Development

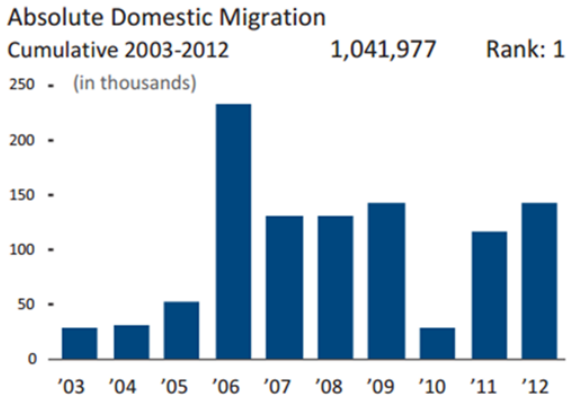
Finally, Texas is providing jobs at all income levels, ranking 10th in providing jobs for low-income workers:



Source: Corporation for Enterprise Development

Given these numbers, it is no surprise that *Rich States, Poor States* ranks Texas first among all states for economic performance and *Chief Executive* ranks Texas as the best place for business. Not just this year either. *Chief Executive* has, in fact, ranked Texas as the best overall state for businesses for 10 consecutive years.

It is not just in studies that Texas fares well. Americans have ranked Texas first in property and economic opportunity with their feet as they have moved to Texas to live and work:



Source: Rich States, Poor States 2014, ALEC

When it comes to prosperity, Texas clearly stands above most of the rest of the country.

Two Approaches to Economic Development

Given the overwhelming evidence of prosperity in Texas, we are faced with two questions. First, how has Texas achieved its prosperity? Second, how can Texas maintain and increase its prosperity?

To answer these questions, we'll start by discussing the two different approaches to economic development that Dr. Easterly describes. One is authoritarian development, a technocracy in which "well-intentioned autocrats advised by technical experts" focus on technical solutions to economic development while ignoring the "rights of real people" (Easterly 2013, p. 5).

The second approach he calls "free development" which gives free individuals with political and economic rights "the right to choose amongst a myriad of spontaneous problem-solvers, rewarding those that solve our problems" (Easterly 2013, p. 6).

In this paper, we'll refer to them as technocratic development and free-market development. Easterly describes a technocratic development project led by the World Bank in Uganda:

> The soldiers had arrived on the morning of Sunday, February 28, 2010, while the farmers were in church. Hearing gunshots, the farmers had rushed to their houses, which by then were already immersed in flames. While some soldiers kept the farmers at gunpoint from rescuing their homes, others poured gasoline over the recent grain harvest in the barns and burned that as well. One eight-year-old child was trapped and died in the fire. The dairy cows were dispatched more quickly and humanely with a burst of machine-gun fire. Then the soldiers marched the more than 20,000 farmers away at riflepoint. Never come back, they were told; the land is no longer yours.
>
> The farmers, many of whose homesteads had been in their families for generations, were unhappy to learn that a British company was taking their land with the help of the soldiers. The company was going to grow forests and then sell the timber. The farmers were even more distressed to learn that the World Bank, an official international organization combating global poverty, had financed and promoted the project by the British company. (Easterly 2013, p. 3)

We might think that something like this could never happen in America, but the same type of economic development projects take place here—although usually without the violence. If you don't believe it, take a look at Poletown.

Poletown was a neighborhood in Detroit which took the name of the Polish immigrants that had at one time lived there. However, by the 1970s, it had become a predominantly black neighborhood.

About that time technocratic development planners in Detroit came up with the idea to stem Detroit's ongoing economic decline by turning Poletown into a General Motors plant. They put the plan in motion, using eminent domain to force people out of their homes and businesses. Once the

Detroit's Poletown Neighborhood: Before and After

Michigan Supreme Court sided with the city in 1981, 4,200 residents in Poletown were displaced and 1,400 homes were destroyed. The Court's reversal of its Poletown decision 23 years later came too late to help the residents.

Texans, however, don't have to travel overseas, or even out of state to witness examples of technocratic economic development. The Dallas City Council decided in 2005 that Ross Avenue was much better suited for upscale apartments and condominiums than the numerous auto repair shops and used car lots that occupied it at that time. So the city re-zoned Ross Avenue, turning many of the existing businesses into "nonconforming uses."

Overnight, businesses like Woodard Paint and Body Shop could no longer legally operate on Ross Avenue, despite the fact that in Woodard's case it had occupied its location since 1976. The Texas courts wouldn't help owner Allen Woodard, but he put up a political fight and at a cost of close to $100,000 was able to operate on Ross Avenue longer than most of his neighbors. However, Woodard finally closed

Woodard Paint and Body: Before and After

his doors last year, eight years after the Dallas City Council started its campaign against his business.

In both of these cases, we have local politicians working with city planners using the technocratic economic development process to decide how to best increase prosperity while the rights of affected property owners, residents, and workers are ignored.

This moral problem is inherent in the technocratic economic development approach. This is true whether or not eminent domain is used because in all cases the technocratic approach can only function by taking property from citizens, whether it is in the form of real property or hard cash. Yet it is evident that its inherent moral problem hasn't stopped the technocratic approach from being adopted throughout the world, including in Texas. So next we'll turn to an evaluation of whether the technocratic approach actually works.

Technocratic vs. Free Market Economic Development

We'll examine now the benefits gained from the two different approaches to economic development, starting with Detroit's destruction of the Poletown neighborhood. The 1,600 workers employed at the GM plant today is little more than a third of the 4,500 new workers promised by the de-

velopment experts. This type of under-performance is typical of technocratic development.

Of course, there will always be experts who claim that individual economic development projects are good for the economy. For instance, Ray Perryman claims that Texas' $7 billion subsidy for the wind industry through the building of the Competitive Renewable Energy Zone (CREZ) electricity transmission lines will provide "an additional $3.8 billion in gross product per year and generate more than 40,000 jobs" (Perryman 2010). These claims are deeply flawed because, in addition to the use of questionable assumptions and economic multipliers, they mostly ignore the benefits that Texas would have gained if Texans had invested that $7 billion themselves through the free market. Studies like this always assume that the technocratic development experts can make better decisions than Texans about where to invest their money.

This paper will not delve into the endless claims of the benefits from individual development projects. Instead, it will focus on the macroeconomic level to examine the success of the two different economic development models across different states.

Detroit's Abandoned Packard Plant

On this macro level, Detroit's technocratic approach to economic development has failed on a catastrophic scale. Despite more than 40 years of pursing the technocratic path, Detroit's population has declined by more than half since 1970, from 1.5 million to 688,701. Last year, Detroit's 16.9 percent unemployment rate was the worst among the United States' 50 largest cities.

Michigan's economic climate hasn't fared any better as it too has adopted a technocracy-heavy approach to economic development. From 2007-14, Michigan's $217 per capita technocratic economic development spending at the state level from 2007 through 2014 ranked it 28th nationally, and 8th among the 20 largest states (Council for Community and Economic Research 2014). Yet its job growth during the same period ranks dead last among the 50 states (Dick 2014).

Table 1 (below) shows that the connection between heavy technocratic economic development spending and poor job growth holds true in a look at the 20 most populous states.

Table 1: 20 Most Populous States

Economic Development Spending & Job Growth 2007-14

STATE	PER CAPITA SPENDING	JOB GROWTH
Ohio	$402	-3.60%
Pennsylvania	$400	2.56%
Arizona	$364	7.06%
New Jersey	$326	-1.00%
Wisconsin	$314	2.15%
Maryland	$224	4.31%
Michigan	$217	-6.95%
Tennessee	$212	2.73%
Massachusetts	$186	4.98%
Virginia	$170	6.53%
TOP 10 AVG	**$281**	**1.88%**
BOTTOM 10 AVG	**$132**	**5.55%**
North Carolina	$169	7.72%
Washington	$157	10.22%
Georgia	$148	4.13%
Florida	$145	3.02%
Missouri	$142	1.32%
Illinois	$138	0.52%
New York	$118	5.38%
California	$117	1.69%
Texas	$92	19.30%
Indiana	$89	2.17%

Sources: Council for Community and Economic Research & Commonwealth Foundation

From 2007 through 2014, Ohio averaged $402 per capita in economic development spending while jobs declined by 3.6 percent. The biggest spending states averaged $281 in per

Table 2: Economic Prosperity in Low Tax States
(growth rates from 2001-2011 unless noted)

State	Top Marginal Personal Income Tax Rate	Gross State Product	Nonfarm Payroll Employment	Population	State and Local Tax Revenue***
Alaska	0.00%	85.2%	13.2%	14.0%	166.8%
Florida	0.00%	48.9%	12.5%	16.5%	57.0%
Nevada	0.00%	64.9%	18.1%	29.8%	74.0%
New Hampshire	0.00%	42.2%	4.2%	5.0%	53.1%
South Dakota	0.00%	59.1%	12.4%	8.7%	48.9%
Tennessee	0.00%	45.1%	5.5%	11.3%	46.8%
Texas	0.00%	71.5%	20.5%	20.4%	65.6%
Washington	0.00%	54.2%	8.9%	14.1%	42.9%
Wyoming	0.00%	100.7%	18.9%	14.9%	131.3%
Nine Zero Personal Income Tax Rate States*	**0.00%**	**63.54%**	**12.68%**	**14.98%**	**76.26%**
50-State Average**	**5.69%**	**51.41%**	**7.62%**	**9.54%**	**49.79%**
Nine Highest Personal Income Tax Rate States*	**10.23%**	**45.90%**	**5.30%**	**6.50%**	**47.74%**
Kentucky	8.20%	41.6%	5.0%	7.4%	35.4%
Ohio	8.43%	26.5%	-2.5%	1.4%	26.8%
Maryland	8.95%	53.9%	9.5%	8.4%	53.5%
Vermont	8.95%	37.7%	4.5%	2.3%	57.5%
New Jersey	9.97%	33.4%	5.2%	3.9%	55.6%
Oregon	10.61%	73.1%	6.5%	11.6%	39.5%
Hawaii	11.00%	57.5%	10.2%	12.1%	60.9%
New York	12.70%	43.1%	7.2%	2.0%	56.8%
California	13.30%	46.2%	2.2%	9.3%	43.8%

*equal-weighted average, NH and TN tax only "unearned" (dividend and interest) income only
**equal-weighted average, does not include D.C.
***2000-2010 due to data release tag

Source: "How Big Government Hurts the Economy," Texas Public Policy Foundation (Nov. 2013).

capita economic development spending, while sporting a meager 1.9 percent job growth.

Meanwhile, Texas tops the group of states with low economic development spending. Texas' $92 per capita economic development spending from 2007 through 2014 is second to last not only among the biggest states but among all states. This lack of reliance on technocratic economic development hasn't hurt Texas any. No other large state comes close to its robust 19.4 increase in jobs since 2007.

Large states that spend more on technocratic economic development programs have less job growth. It would be difficult to find a more compelling argument against the technocratic development model.

The Texas Model

In Texas, we have another name for the free-market economic development model: the Texas Model. As seen in Table 1, Texas has long embraced the free-market development model, ranking 49th among the states in state economic development spending. The results speak for themselves, as Texas is the nation's leader in economic growth and job creation.

There is more to the Texas Model, however, than low economic development spending. The Texas Model is a fourfold approach to growing prosperity that calls for overall low spending and taxes, a low level of regulation, a fair and accessible civil justice system, and a lack of reliance on federal funds.

Table 3: Relationship between Per Capita Economic Development Spending (2007-14) and Overall Spending (2011)

State	Eco Devo Spending	Rank	Total Spending	Rank
Alaska	$2,148	1	$19,603	1
Hawaii	$1,231	2	$8,249	6
Wyoming	$1,118	3	$10,874	3
North Dakota	$894	4	$7,461	12
West Virginia	$889	5	$11,440	2
Louisiana	$710	6	$6,882	16
South Dakota	$676	7	$4,676	38
Kentucky	$546	8	$5,861	24
Iowa	$502	9	$5,925	21
Oregon	$427	10	$8,729	5
Top 10 Avg	**$914**	**6**	**$8,970**	**13**
Bottom 10 Avg	**$125**	**46**	**$4,412**	**41**
Georgia	$148	41	$4,176	43
New Hampshire	$148	42	$4,056	45
Florida	$145	43	$3,482	49
Missouri	$142	44	$3,858	48
Illinois	$138	45	$3,827	47
New York	$118	46	$6,851	17
California	$117	47	$5,791	25
Idaho	$117	48	$4,212	42
Texas	$92	49	$3,796	48
Indiana	$89	50	$4,070	45

Sources: Council for Community and Economic Research & Henry J. Kaiser Family Foundation

Texas' leadership in this area stems back as far as 2001 when the country was recovering from the Dot.com bust. Texas' relatively restrained fiscal, regulatory, and tort policy over the ensuing years put Texas at the forefront of economic growth in the country. During this time, job creation in Texas has grown at almost five times the rate of the rest of the country (U.S. Census Bureau).

However, Texas isn't the only state that pursues relatively restrained fiscal policy. Other states are also using the Texas Model in their way, which after all is simply the most recent expression of the founding principles of this country. In general, these states also are experiencing above average economic growth.

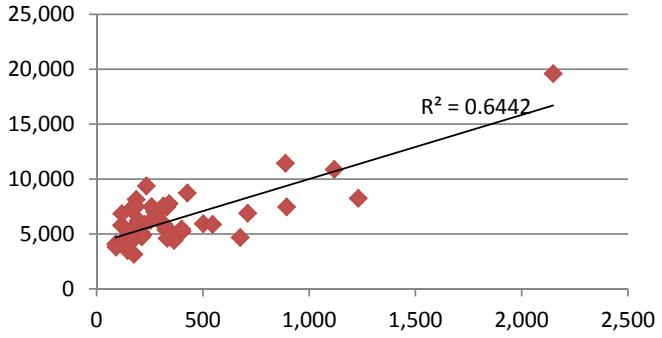
The Foundation's research has used state personal income tax rates as a proxy for determining its level of commitment to sound fiscal policy. **Table 2** (previous page) shows the difference low and high taxes can make in a state's economic growth. The nine zero income tax states outperform the rest of the country and the high tax states across the board.

At this point, the discussion has turned to low taxes and overall spending. But there is a strong correlation between state economic development spending and overall state spending. States that spend a lot of money on technocratic economic development programs tend to be the same ones that spend a lot of taxpayer money overall.

Table 3 (above) shows that a state's approach to economic development generally displays its mindset to overall governance. If technocratic planners are needed to run a state's economy, they must also be needed to run just about everything else. The top 10 states in economic development spending also spend more than twice as much on average as the bottom ten states when it comes to overall state

spending. While there are some states that don't fit the pattern, such as South Dakota and New York, the figure below shows that economic development spending goes a long way toward explaining the level of overall state spending.

Relationship of Economic Development Spending to Overall Spending



Economic Development and Corporate Welfare

Despite Texas' outstanding economic performance and its general embrace of the free-market development model, Texas still devotes too much money to economic development spending and corporate welfare, especially at the local level. Some of the Texas programs that take the technocratic development approach are shown in **Table 4** below.

Many of these are programs that use tax credits and abatements, also known as tax cronyism. The American Legislative Exchange Council released a new study this week explaining that cronyism "refers to the use of public policy to benefit a specific industry, firm, or individual, as opposed to setting broad and generally applicable rules and policies that apply to society as a whole. It is rooted in the belief that reliance on government planning to direct economic activ-

Table 4: Examples of Texas Economic Development Programs and Corporate Subsidies

Texas Moving Image Industry Incentive Program	Texas Equine Incentive Program
Arts Organization Grants	Parallel Pathways to Success Grant Program
Texas Enterprise Fund	Texas Oyster and Shrimp Program
Texas Product/Business Fund	Texas Wine Marketing Assistance Program
Texas Leverage Fund	Texas Emissions Reduction Plan (TERP)
Industrial Revenue Bond Program	Housing Trust Fund
Texas Capital Fund Infrastructure Development Program	TWC Skills Development Fund
Texas Capital Fund Real Estate Development Program	Chapter 312 - Property Tax Abatement Act
Texas Enterprise Zone Program	Chapter 313 - Texas Economic Development Act
Manufacturing Exemptions - Tangible Property	Chapter 311 - Tax Increment Financing Act
Manufacturing Exemptions - Natural Gas & Electricity	Chapter 11 - The Freeport and Goods in Transit Exemptions
Value Limitation and Tax Credits (Texas Economic Development Act)	Development Corporation Act - Type A and B Economic Development Corporations
Freeport Exemptions	
Pollution Control Equipment Incentive	Chapter 377 - Municipal Development Districts
Spaceport Trust Fund	Chapter 387 - County Assistance Districts
CPRIT Product Development - Company Commercialization	Chapter 2303 - The Texas Enterprise Zone Program
Economic Development Bank	Event Trust Funds
Commercialization Awards	Chapter 380 - Economic Development Municipality Agreements
Texas Historic Preservation Tax Credit Program	Chapter 381 - Economic Development County Agreements
Agricultural Loan Guarantee Program	Chapter 378 - Neighborhood Empowerment Zones
Agricultural Interest Rate Reduction Program	Chapter 379A - Municipal Development Corporations
Young Farmer Grant	PUC Energy Efficiency Program

ity will result in greater economic prosperity than free markets can achieve on their own" (Freeland, et al. 2014). ALEC lists several types of tax cronyism: "Targeted tax breaks or cash subsidies for specific firms granted by so-called "economic development" agencies; Preferential tax treatment for firms located in a given geographic area and meeting numerous other qualifications; Punitively high or special taxes on some firms or industries that competitively disadvantage them relative to other firms or industries; and Tax carve-outs that benefit certain industries or groups relative to the rest of the tax base."

A prime Texas example of these types of programs is the Texas Economic Development Act found in Chapter 313 of the Texas Tax Code, which offers value limitation and tax credits. "An appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for 1) an eight-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes and 2) a tax credit" (Texas Comptroller 2014a). Companies chosen by economic development planners that agree to build facilities and create new jobs get a tax break or credit from the local school district.

Set to expire on December 31, 2014, the Texas Economic Development Act was renewed in HB 3390 by the Texas Legislature in the last days of the legislative session last May. The extent to which some technocratic development programs are supported is seen by the lopsided votes in favor of HB 3390: it passed the Texas House 138-6 and the Texas Senate 20-10. The opposition in the Senate was not about the cost of the program as much as it was the lack of "the criteria needed to make responsible decisions on who received tax incentives" (Lucio 2013, p. 3787).

The Legislative Budget Board's fiscal note on HB 3390 shows a 10-year cost to Texas taxpayers of $1.56 billion dollars, most of it absorbed at the state level. It would have been good to have some discussion about this program before it was renewed for another eight years.

However, taxpayers will have a chance to discuss a similar economic development program up for renewal in 2019. Chapter 312 of the Tax Code, the Property Tax Abatement Act, will expire on September 1, 2019. As the Comptroller explains:

A tax abatement [under Chapter 312] is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. Tax abatements are an economic development tool available to cities, counties and special districts to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions. School districts may not enter into abatement agreements. (Comptroller 2014b)

Texas taxpayers should be prepared to have a robust discussion of this program and the role of technocratic economic development programs when the Texas Legislature comes to town in 2019.

Table 5: Cost of the Texas Economic Development Act to Taxpayers

Fiscal Year	Probable (Cost) from *Foundation School Fund*	Probable Revenue (Loss) from *School Districts*
2014	$0	$0
2015	$0	$0
2016	($25,100,000)	($38,677,581)
2017	($92,400,000)	($82,590,119)
2018	($82,600,000)	($132,598,225)
2019	($132,600,000)	($178,372,072)
2020	($178,400,000)	($223,858,687)
2021	($223,900,000)	($265,712,626)
2022	($265,700,000)	($304,625,382)
2023	($304,600,000)	($340,578,025)

Source: Legislative Budget Board

The Real World of Economic Development

The technocratic development approach stems from a flawed misunderstanding of how economies work and grow. Economies flourish only because of the division of labor, which allows people to specialize. Because of this, we no longer have to grow our own food, build our own houses, or make our own tools. But for specialization to work, we need a complex system of exchange. Factory workers can't eat tractors and farmers can't use corn cobs to plow their fields. The complexity of getting corn cobs to workers and tractors to farmers is far beyond the ability of centralized planners to comprehend.

Yet policymakers assume just the opposite when they endorse technocratic economic development. They believe that either they or government planners can best determine what technology has the best chance of success, which jobs and products best supply society's needs, and where best to expend scarce supplies of capital. They believe that they just can't sit back and let the economy take care of itself, that they have to take money and property from citizens in order to solve real problems in the real world.

This ivory tower approach to economic development stands in stark contrast to the ongoing economic development activities taking place each day in the real world. Millions or consumers and haggling over prices with hundreds of thousands of suppliers trying to determine which mix of jobs, products, and capital allocation will best help the economy grow. Central planners can't make sense of this all. What are needed to make this system work are entrepreneurs. Only entrepreneurs are capable of providing the coordination needed to ensure that we do not waste our precious supplies of labor and capital. To place these entrepreneurial decisions into the hands of technocratic economic development planners is nothing less than gambling with the money of taxpayers.

Shawn Ritenour explains the importance of entrepreneurs in economic development:

> Waste is possible, because production decisions in the present are based on a forecast of uncertain future market conditions. If the producer forecasts incorrectly, he will use his capital making something people do not want. He will also be unable to sell his output at the price needed to cover his costs.
>
> Entrepreneurs need to use economic calculation if they are to direct factors of production toward their most valued uses. Market prices allow entrepreneurs to make meaningful comparisons of social value between different consumers' and producers' goods because prices are all expressed in terms of the same good. These same objective prices are determined by the subjective preferences of buyers and sellers:
>
> - If the expected price of a final product is greater than the sum of the prices of the factors of production, the entrepreneur will produce that good.
> - When entrepreneurs reap a profit, they do it precisely by providing those goods that people value the most in the least costly manner.
> - One cannot neatly sever the components responsible for economic expansion from one another and find a single key that explains economic progress:
> - A highly developed division of labor would be impossible without the accumulation and use of capital goods.
> - Likewise, the entrepreneur must invest real capital in the production process and if he errs in his market forecast, he can indeed reap large losses.
> - At the same time, capital *per se* never guarantees economic progress either, because it must be wisely utilized.
>
> Economic progress is the happy consequence of a highly developed division of labor, taking advantage of an increasing capital stock wisely invested by entrepreneurs. (Ritenour 2014)

This is the real-world process of economic development. It is folly to pretend that government can improve upon this through its technocratic approach. In fact, just the opposite is true. Every dollar taken from the pockets of taxpayers for

technocratic economic development programs decreases the economic efficiency of the entrepreneurial process and consequently reduces economic growth.

Recommendations

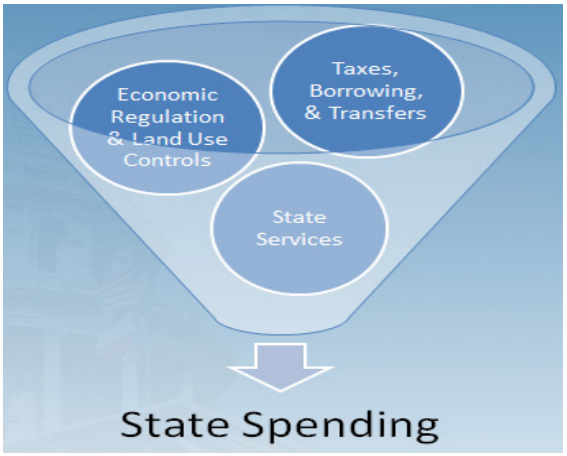
Building upon the success of the Texas Model, the Texas Legislature should take the following steps to further economic growth in Texas:

- Phase out existing state and local economic development programs.
- Limit total spending for 2016-17 to $214.4 billion, a 6.2 percent increase over spending this biennium.
- Eliminate the Texas margin tax.
- Reform the appropriations process by creating the STaR Fund that can be used during the appropriations process to reduce spending and pass the savings along to taxpayers in the form of a sales tax cut.

Conclusion

Easterly (2013, p. 5) says that the "technocratic approach ignores … the real cause of poverty—the unchecked power of the state against poor people without rights." The accuracy of this is seen by the fact that states that cut taxes and return surpluses to taxpayers have much stronger economic growth than states that encroach on citizens' rights using the technocratic approach. So in addition to restraining spending restraining spending, states must protect the rights of its citizens to own and use their property. States

The Link Between Spending and Regulation



with a high regulatory burden can do almost as much damage to an economy as spendthrift states. In fact, these two generally go hand in hand. A state that reduces taxes and spending cannot regulate as much and therefore does less damage to the operation of the free market economy.

Texas is a national leader in relying on the free market to increase prosperity within its borders. It has arrived at this point because it has relied on the free market model of economic development and protected the rights of its citizens while largely rejecting the technocratic approach. Building upon this approach, Texas should reduce or and eliminate current economic development programs, restrain growth in overall government spending and regulation, and reduce taxes. This is the path toward expanding the prosperity of all Texans. ☆

References

Comptroller of Public Accounts. 2014a. *Tax Code Chapter 313 - Value Limitation and Tax Credits.*

Comptroller of Public Accounts. 2014b. *Property Tax Abatement Act, Tax Code Chapter 312 Overview.*

Council for Community and Economic Research. 2014. *State Economic Development Expenditure Database.*

Dick, Bob. 2014. *Pennsylvania Tops in Corporate Welfare.* Commonwealth Foundation.

Easterly, William. 2013. *The Tyranny of Experts.* Basic Books.

Freeland, William, Ben Wilterdink and Jonathan Williams. 2014. *The Unseen Costs of Tax Cronyism: Favoritism and Foregone Growth*. The American Legislative Exchange Council.

Lucio, Edward. 2013. Texas Senate Journal. May 25, 2013.

Perryman, Ray. 2010. "Texas Study Finds Substantial Economic Benefits and Consumer Savings from Wind Power and CREZ Transmission Plan." The Perryman Group.

Ritenour, Shawn. 2014. *Why Entrepreneurship Is Essential for Economic Development*. Institute for Faith, Works, & Economics.

About the Author

Bill Peacock Bill Peacock is the vice president of research and the director of the Center for Economic Freedom at the Texas Public Policy Foundation. He has been with the Foundation since February 2005. Peacock directs the research of the Foundation to ensure its accuracy, integrity, and application of free market principles to the issues facing Texas and the nation. His own research focuses on economic freedom and growth, property rights, civil justice, and regulatory issues. Peacock has extensive experience in Texas government and policy on a variety of issues, including economic and regulatory policy, natural resources, public finance, and public education. His work has focused on identifying and reducing the harmful effects of regulations on the economy, businesses, and consumers.

Prior to joining the Foundation, he served as the Deputy Commissioner for Coastal Resources for Commissioner Jerry Patterson at the Texas General Land Office. Before he worked at the GLO, Peacock was a legislative and media consultant, working with groups like Citizens for a Sound Economy and Putting Children First. He also served as the Deputy Assistant Commissioner for Intergovernmental Affairs for Commissioner Rick Perry at the Texas Department of Agriculture and as a legislative aide to Rep. John Culberson in the Texas House of Representatives. He began his career in state policy in 1989 in the Texas Senate as the analyst for public education and school finance for the Senate Committee on Education.

Peacock has a B.A. in History from the University of Northern Colorado and a M.B.A. with an emphasis in public finance from the University of Houston.

About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute.
The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

Texas Public Policy
FOUNDATION
Celebrating 25 Years

900 Congress Ave., Suite 400 | Austin, Texas 78701 | (512) 472-2700 phone | (512) 472-2728 fax | www.TexasPolicy.com