



**Chair's
Perspective
November 2011**

False Economic Policies

By Dr. Nelson Easterling

Recent news articles included in FCFEP's weekly Tax and Budget News reports confirm what most of us have known for years. That is, tax incentives designed as economic development tools do not work.

But they are not only failures in that regard; they are actually destructive forces in the economy.

Their failure is proved by the lack of jobs that have been created and the costs associated with their enactment. I do not need to go over the details of the various articles over the past few weeks. Suffice it to say the information is credible and clearly demonstrates the failure of these tax policies. The simple fact is they do not CREATE jobs. At best, they simply move them from one state or locale to another. And if Florida can induce a company to relocate a job here, another state can induce another company to move a job there.

It is at best a zero sum game. For us. But it is not a zero sum game for the corporations.

Tax incentives designed as economic development tools do not work.

These tax incentives should be seen for what they really are: another tool for redistributing income and wealth upwards. They are one of the quintessential tools for supply side economists. They are just one of many tools that have been gaining strength over the last thirty years. Other tools include tax breaks for the wealthy, reduced environmental protection, and weakened job and health protections.

Government has a responsibility to provide tools for developing and maintaining a strong economy. But the tools they employ must be effective. If government really wants to CREATE jobs and not simply move them around while increasing corporate profits, then government should develop a tax system that provides more take home pay for wage earners and consumers. Government should also enact environmental laws that require polluters to pay the cost of their pollution instead of the taxpayer and consumer. Government should also provide adequate funding for infrastructure and education.

Investment in education, from preK to graduate school, provides real economic and societal returns for every dollar spent. Providing adequate and safe highways, bridges, and public transportation gives real job creators opportunities to develop and grow their businesses. Providing for the health and safety of all citizens strengthens families and communities and allows a strong and middle class to reemerge.

Every public policy should be gauged by how it helps to restore the essentials of a stable, equitable distribution of income and wealth. Restore is the operative word here. We had such a system. We lost it. Now we need to struggle to regain it.

Yes, America, there is class warfare. For 30 years it has been waged by the economic elites against the rest of us. We are losing by default. A resistance is beginning to emerge. If that resistance is to be successful, it should target the policies that have failed. It is not enough to assail the power and privilege of the rich. We must restore policies that have succeeded in the past.

Supply side economics have failed. That message is easily defensible. The data are easily available to prove it. The data are equally accessible to determine which earlier policies did work. We can restore a more equitable distribution of income and wealth. Not just by taxing the rich, although they must be required to pay their fair share, but by reviewing every economic policy to determine its real impact. Only those that can be shown to restore equity should be supported.

False promises, like tax incentives, must be rejected and replaced with demonstrably true job creators. That means supply side economics must be replaced with demand side economic policies. That is the only way to restore equity and provide for a stable economic future.

Dr. Nelson Easterling, Chair of FCFEP, is a former senior staff member for the Florida Senate. He earned his doctorate in public policy and economics from Florida State University and has taught graduate courses there in political economics and public finance.