

Sept. 10, 2018

What Would it Mean to Unleash the MEDC?

By James M. Hohman

Summary

Would-be Gov. Gretchen Whitmer said she wants to unleash a state agency that hands out billions of dollars in subsidies to corporations. History shows that's not a good idea.

Main text word count: 352



What would unleashing the MEDC look like?

On the campaign trail, Democratic gubernatorial candidate Gretchen Whitmer pledged to unleash the Michigan Economic Development Corporation if she became governor. There are a number of ways the state could expand its business subsidy regimen, but few that make sense.

The state already operates a number of economic development programs and budgeted \$162 million for them for next year. This is in addition to the \$788 million administrators expect to pay out in old deals that give businesses refundable tax credits beyond what they owe in taxes.

So lawmakers could offer subsidies through the tax code again, which has some political benefits. Lawmakers get to announce jobs today — few of which ever show up — and push the costs of the handouts onto future taxpayers. The deals signed before 2012 will cost taxpayers for the next 14 years.

Pushing the expense of today's deals into the future is short-term thinking at its best, but it would be one way to unleash the MEDC.

The state's already doing some of that. Two programs passed last year have pledged \$1.2 billion in taxpayer money for future deals, and future legislators will have to figure out how to write those checks.

The state could run a bunch of other lending or equity programs. It hasn't lost all the money from its older programs — it got \$244 million back to date, after all. (State administrators don't report on how much they spent to get that \$244 million, however.)

Or maybe Whitmer wants to do something other than ramp up tax-credit, lending or equity programs.

Whatever she wants, note that it won't be a tested way to grow the economy and justify taxpayer costs. Unleashing the MEDC is not about creating a conducive business environment to foster broad-based economic growth. It's not about being a good steward of taxpayer dollars. After all, the state's reporting still doesn't show how much

these programs cost and how many jobs taxpayers have gotten for them. No, unleashing the MEDC is about politicians delivering money to select business owners. And that's an idea that ought to be put on a short leash.

#####

James M. Hohman is the director of fiscal policy at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Michigan. Permission to reprint in whole or in part is hereby granted, provided that the author and the Mackinac Center are properly cited.

Pushing the expense of today's deals into the future is short-term thinking at its best, but it would be one way to unleash the MEDC.

Attention Editors and Producers

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available for this Viewpoint at mackinac.org/pubs/viewpoints.

Please contact:

Holly Wetzel
Communications Coordinator
989-631-0900
wetzel@mackinac.org

140 West Main Street
P.O. Box 568
Midland, Mich. 48640

Mackinac.org
Facebook.com/MackinacCenter
Twitter.com/MackinacCenter