# Regarding Incentives, Wages & Subsidies

**By Robert H. Becker**

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The current debate regarding the value of incentives for jobs paying at or below the prevailing mean state wage has, I believe, fostered a healthy discussion. What I'm afraid might be lost amid the exchanges about jobs and incentives is an in-depth questioning regarding the impact of our state's economic development policies among our most truly underdeveloped counties.

The state is experiencing an economic boom in its urban counties, but growth has missed or only lightly touched our most rural counties, those in the bottom economic quartile.

The growth represented as occurring in the underdeveloped and least developed counties of the state is largely a product of lumping Charleston and those counties experiencing military base closings into the underdeveloped category. Charleston is well above the state averages in per-capita income and median household income and never experienced a significant long-term decline from those base closings. A trend projected by College of Charleston economist Dr. Frank Hefner and Clemson economists Dr. Mark Henry and Dr. David Barkley.

The influence of incentives to effect industrial relocation is, I believe, minimized because the range of benefits given in the most developed to least developed counties does not have sufficient differentiation. Perhaps a model similar to the Michigan "Tax Free Renaissance Zone" for the lowest 10 percent of our counties or sub-county regions combined with little or no incentives in our most prosperous locations would provide that stimulus. The Tax Free Renaissance Zones waive the following local and state taxes: Michigan Single Business Tax, Michigan Personal Income Tax, Michigan's 6 mill State Education Tax, Local Personal Property Tax, Local Real Property Tax, Local Income Tax, and Utility User's Tax for a period of 12 years. Perhaps such a model might slow the explosive growth stressing the infrastructure along I-85 and coastal areas while providing the needed jobs in areas that have surplus infrastructure and housing capacity.

All jobs are not created equal. Jobs created in areas with no surplus labor must import workers. We must then build new houses, schools and roads to accommodate rapid population growth. As Greenville Mayor Knox White has pointed out, growth management is one the most critical issues we face in the Upstate. Under those conditions, it is hard to justify taxpayer-supported subsidies to boom regions.

Jobs created, by new or existing companies in areas where there is surplus housing stock, labor and infrastructure capacity provide higher tax benefit recovery (because of lower infrastructure demands) and a proportionally stronger contribution to local economies. In these locales, subsidies are clearly in the interest of the citizens of the state even when the prevailing wage may not be above a state average and especially if a high percentage of created jobs accrue to the local population.

Finally, we need to move away from use of figures like rising per capita income as a measure of success. If per capita income increases because of in-migrant workers and retirees locating in South Carolina without a concurrent rise in per capita income of our long-time residents, then all we have accomplished is the creation of a two-tier county or community with rich newcomers and relatively poorer long-term residents.

There is little a small research, public service institute, like the Strom Thurmond Institute, can do to directly stimulate economic activities. We can and do occasionally ask hard questions to begin a discussion. But there are many models that should be discussed for stimulating and managing regional economic growth. If our current policies have not met the needs of the Williamsburg, Marlboro, Dillon, Allendale, and Clarendon, counties, then perhaps other approaches need to be considered. When current policies provide incentives for businesses choosing to locate in areas already experiencing growth stress, then perhaps we should not offer taxpayer gifts. Rather, we should let the quality of our growth markets and boom communities be the sole business incentive.

In any event we concur with the July 30 editorial in the **Greenville News** suggesting an expanded, open discussion regarding the use of taxpayer supported economic development incentives is in the public interest.

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