



WEEK IN REVIEW

South Carolina Policy Council Education Foundation

September 19, 2008

LESS GOVERNMENT, NOT MORE INCENTIVES WILL BOOST SOUTH CAROLINA'S ECONOMY

In a Senate film incentive panel meeting Friday, September 12, Chairman Yancey McGill (D-Williamsburg) argued that South Carolina should establish ways to successfully recruit film companies to South Carolina. The industry has said that incentives need to be long term and not subject to lawmakers' whims, otherwise it will not be profitable for film companies to come into the state, especially for long term projects such as a TV series.

If South Carolina had lower taxes and was therefore more business friendly, then incentives would not be needed. Real economic growth would take place naturally as companies gravitated towards the low taxes and less government that allows industry to succeed. Neighboring Southeastern states experience positive economic growth due to less government, as shown by national accounts data from the Bureau of Economic Analysis at the U.S. Department of Commerce:

- Between 1991 and 2006 South Carolina's economy grew, on average, by 2.9 percent per year (adjusted for inflation). During the same period, Georgia, North Carolina and Tennessee saw their economies grow by 3.7-4.1 percent
- In South Carolina, total government spending averaged 16.1 percent of the state's GDP 1991-2006. In Georgia, North Carolina and Tennessee, government spent, on average, 11.8-13.1 percent of state GDP

Over the 15-year period analyzed, South Carolina government spent at least three percent more of the economy than neighboring states. At the same time, our state economy lost 0.8-1.2 percent per year of real economic growth, comparatively.

In most states, total government spending is about 13.5 percent of the state economy. Those states also experience higher growth rates than South Carolina, or an average of 3.5 percent per year. If our state's economy had grown at that rate since 1991, it would currently be \$2 billion larger (adjusted for inflation). This could mean as much as 30,000 more jobs in our state.

If South Carolina's economy had grown on par with Georgia and North Carolina's economy, our state could currently have 42,000 more jobs. This data indicates that South Carolina's economy will suffer from more government, not benefit from it.

THE GROWTH OF \$100 IN S.C. AND NEIGHBOR STATES, 1990-2006

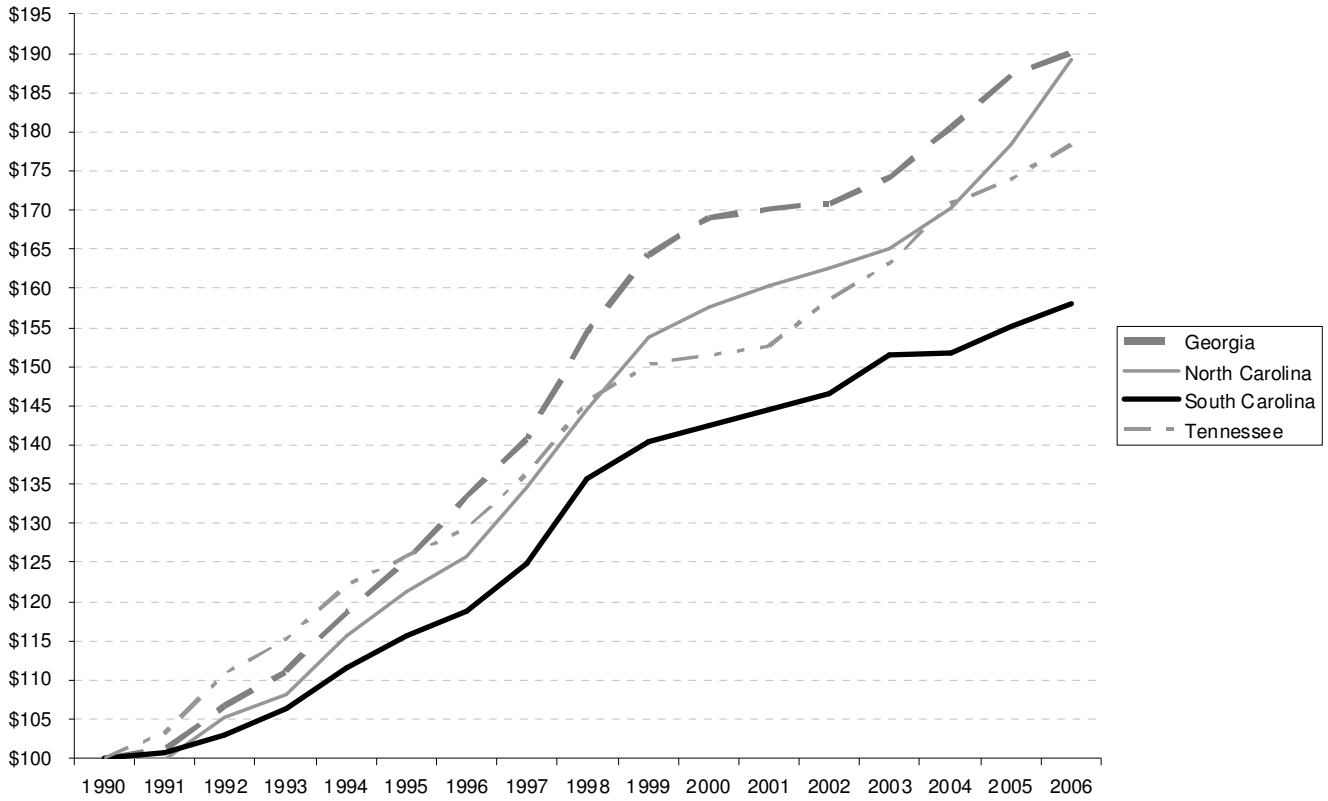
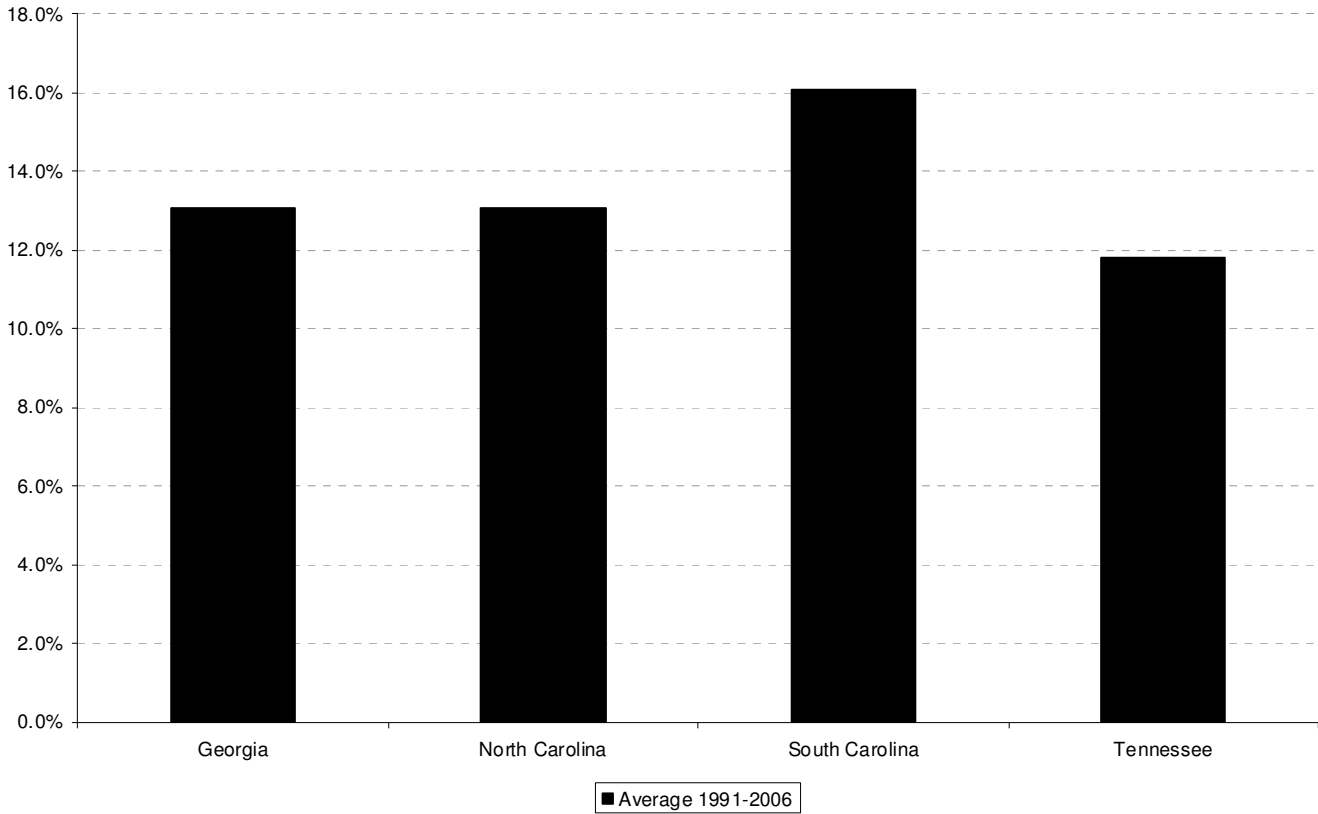


Chart 1 illustrates the difference in growth between South Carolina and neighboring states. If the state GDP is the sum total of all our incomes, for every \$100 earned in 1990 in South Carolina, we earned \$158.12 by 2006 (adjusted for inflation). In Tennessee, the same \$100 worth of income grew to \$178.37. In North Carolina and Georgia the \$100 became \$189.18 and \$190.14, respectively.

AVERAGE GOVERNMENT SPENDING AS SHARE OF STATE GDP, 1991-2006



The average size of government spending in South Carolina 1991-2006 was 16.1 percent of the state economy. By contrast, in Georgia and North Carolina government spent, on average, 13.1 percent of state GDP. In Tennessee government average spending was 11.8 percent.

Nothing in the foregoing should be construed as an attempt to aid or hinder passage of any legislation. Copyright 2008. South Carolina Policy Council Education Foundation, 1323 Pendleton Street, Columbia, South Carolina 29201. Visit the Policy Council online at www.scpolicycouncil.com.