



# Analytics

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**Under Governor Markell the Delaware Economic Development Strategic Fund has gone wild. Annual loans and grants from the Fund are up almost three fold. Why the flurry of activity? Will it pay off?**

**The reason for the flurry of activity is straightforward. Delaware currently has a 67,000 job gap to regain the ground that has been lost in the past four years. This includes: an additional 32,000 jobs to climb back to the peak level of total employment, 20,000 jobs to regain the historical unemployment rate, and 15,000 jobs to absorb the discouraged workers who have left the labor force. At the state's current projected annual job growth rate of 0.7%, closing this 67,000 job gap will take 21 years.**

**Will the loans and grants pay off? It is immaterial. Over the past 10 years the Strategic Fund has put \$200 million of loans, grants and equity into Delaware businesses. Over the same time period, the total investment by businesses in Delaware has been over \$57 BILLION. While places like the Riverfront cannot survive without state loans and grants, overall the state loans and grants are a fly speck to Delaware's private sector.**

**While Strategic Fund investments in projects of opportunity are fine, the state's primary focus should be on those factors that drive investment and long-term economic growth in Delaware. These factors include the tax burden and tax rate stability, the regulatory environment, the quality of public education, labor skills and costs, infrastructure, energy costs, and the incentives to create value, including entitlements that discourage work and contracts that encourage pleasing government officials rather than producing goods and services that meet the market test.**

**In the near-term one hopes that all the money and effort by state officials will have positive outcomes. And certainly it gives the appearance of action. It should be noted, however, that the economic boom years for Delaware during the 1980s were spurred on by deregulation, lower taxes, and the institution of fiscal constraints on state government spending.**

**Dr. John E. Stapleford, Director  
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