Analytics

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RE: This ain't your father's chamber of commerce!

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When we started the Delaware Small Business Development Center (SBDC) at the University of Delaware, Bill Wyer was the president of the Delaware State Chamber of Commerce (DSCC). Bill was a junk yard dog for business in Delaware. Under his leadership the DSCC fought against any tax increases and invasive regulations, and the encroachment of government into the marketplace. With Bill at the helm, the DSCC was skeptical that a government subsidized service such as the SBDC would do much good.

Times have changed. A few years ago the DSCC acquiesced to a 25% increase in Delaware's gross receipt tax rate. The DSCC is a proponent of alternative energy in Delaware, mandating utilities to shift to less market competitive sources of energy that will add billions of dollars to the already less competitive electricity costs in the state. This disadvantages Delaware businesses, especially manufacturing. While supporting the implementation of Vision 2015 for improving public education, the DSCC has no specific alternative to the monstrous Affordable Care Act put forward by President Obama.

The DSCC is still an advocate for Delaware business, recently opposing a New Castle County surcharge on building permits for fire service and an increase in the "voluntary" school assessment fee cap to be paid by developers. But, the DSCC seems less committed to market solutions today and more likely to recommend "public-private" partnerships. What has happened?

The answer is simple and is not unique to Delaware: exclusive of regulations, government is a larger player in the economy than ever. Between 1984, the midpoint of Bill Wyer's tenure, and 2009 private industry's share of Delaware's output dropped from 71% to 61%.

Government's share of the action in Delaware's economy has risen over six fold while private industry's portion has barely risen three fold. Government's economic impact on Delaware includes: operating spending by Federal, state and local government, state and local government construction spending (i.e., the capital budget), Federal government transfer payments (e.g., Social Security, Medicaid, Medicare), Federal grants to individuals and organizations, Federal procurement contracts (e.g., from the Department of Defense), and Federal aid to state and local government under a wide range of programs.

Private companies are attracted to the growing resources of government. Irving Shapiro was the first lawyer appointed CEO of the DuPont company following stints in the U.S. Office of Price Administration and the Department of Justice. A current example is Jeffrey Immelt, CEO of General Electric, who seems to be a fixture in the White House economic team. Yet these "partnerships"

appeared to have more to do with the redistribution of wealth (what economists call "rent seeking"), than with the creation of wealth in a competitive market environment.

As demonstrated again and again in analysis by the Caesar Rodney Institute, in the long haul state and local government tax revenue in Delaware will only grow if the private economy grows. Today, in order to understand the complete picture, one must not just focus on the operating budgets of government in order to understand the full impact of government on the economy of Delaware and the nation.

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