



The Nevada Policy Research Institute

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NPRI: Sandoval economic-development scheme a ‘roadmap for crony capitalism’

LAS VEGAS — Responding to the release of Gov. Brian Sandoval’s so-called “economic development plan,” Geoffrey Lawrence, deputy policy director at the Nevada Policy Research Institute, released the following comments:

The Governor’s Office of Economic Development has issued a three-year plan that would cartelize and collectivize the Silver State economy. It is a plan to substitute the government for private businesses and politically connected bureaucrats for entrepreneurs. It is a roadmap for crony capitalism and would lead to less productivity and less growth. It is clearly unconstitutional. In short, this plan would take Nevada 180 degrees in the wrong direction.

It was government’s numerous politicized interventions in the marketplace that led to this downturn, and it is irrational to double-down on such mistakes — abandoning even further the inherent resiliency of free markets driven by the competitive visions of individual entrepreneurs. And yet, with this plan, the governor has turned from free-market principles to those of a corporatist economy directed by government insiders.

The plan calls for government officials to dole out direct state support and other subsidies in order to “incent entrepreneurship.” The incentive for genuine entrepreneurship is profit from serving the public. Unfortunately, what this plan would encourage is corporatist rent-seeking.

Centuries of history have made clear that private entrepreneurship — with individuals pursuing profits, not the whims of political insiders and government bureaucrats — is what creates innovative and dynamic economies that raise living standards for all.

Lawrence noted that the plan selects seven industrial sectors that would be organized and subsidized by bureaucrats called “Industry Specialists.” The plan would supplement these state-

directed sectors with a state-run marketing agency called Team Nevada and a state-run research and development wing under which the investment decisions would ultimately be determined by a single czar — the Technology Commercialization Director. Said Lawrence:

The investment decisions made by these planners would necessarily be politicized since the entire operation would be financed at public expense and not on the strict basis of what can be supported by consumer demand.

This collectivist industrial state can only prosper at the expense of private workers and genuine entrepreneurs, who would inevitably face a higher relative tax burden in order to provide the direct subsidies and tax credits required to prop up the collectivist enterprises.

Preventing this type of crony capitalism is exactly why Nevada's constitution declares that the "State shall not donate or loan money, or its credit, subscribe to or be, interested in the Stock of any company, association, or corporation, except corporations formed for educational or charitable purposes." Giving subsidies to private businesses, as this plan calls for, is unconstitutional.

At least President Obama only wants to run the nation's health care system; Governor Sandoval proposes that the government direct Nevada's entire economy.

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