FUTURE FOR NEVADA

Governor's development plan too big on government

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Nevada Gov. Brian Sandoval released his economic development plan for Nevada last week, and it reflects some interesting economic thought. The governor's office identified exactly what Nevada needs to do to turn its economy around -- and recommended the exact opposite.

Item No. 1 on the report calls for the creation of a bureaucracy that is "effective in delivering economic development throughout the state." In avoiding saying anything of substance, that item is the most intellectually defensible statement in the plan. The rest of the plan goes on to call for the government to duplicate virtually everything the private sector does already, but to do it less efficiently and without any of the incentives for success or punishments for failure that make up the core engine of economic growth.

In other words, the governor is re-inventing the wheel -- only without the roundness and the ability to bear weight.

The plan calls for the creation of 50,000 jobs by the end of 2014 -- or 16,700 jobs per year. According to the Bureau of Labor Statistics, over the past six months, Nevada created 10,000 jobs. That's 20,000 jobs a year. In other words, the governor's plan calls for the state government to intervene and reduce the amount of job creation that is going on in the absence of state intervention.

In this, the plan is sure to be a roaring success.

It is true that Nevada needs to pick up the pace. Accounting for population growth, if Nevada continues the way it's been going these past six months, it will take 10 years to get the unemployment rate back down below 6 percent. But if the state follows the governor's plan for creating 16,700 jobs per year, unemployment won't cross the 6 percent barrier for another 25 years -- and then, it will turn around and start rising again.

The Economic Freedom of North America index ranks Nevada as the third most economically free state. That Nevada is suffering more than the country as a whole is due to the fact that a large chunk of its economy relies on tourism and entertainment. These are two of the first things people cut back on when times get tough. Add to that the fact that the state underwent a construction boom and that it takes more time for housing markets to recover from recessions than it does other markets.

Nevada is on the ropes not because it isn't a tough fighter, but because events got in a couple of lucky punches. A free economy is the best basis for economic growth. We can see that not only by comparing economic freedom indices across states, but also by comparing them across countries. There are exceptions but there is also a clear trend -- societies that are more economically free are also more economically prosperous.

One black mark on Nevada's economic freedom ranking is the size of the government's footprint. In 2000, government spending at all levels comprised about 25 percent of Nevada's economy. By 2009, government spending in Nevada had risen to 33 percent of Nevada's economy. People tend to think of government spending as a good thing because more dollars coming in means more money to spend and more jobs. The fallacy lies in the fact that money doesn't fall from the sky.

The money the government spends comes out of our wallets. So when the government spends money, it isn't giving us money. It is taking our money and forcing us to spend it on things we wouldn't have voluntarily spent it on. The larger the government's fiscal footprint, the more of our money the government is deciding how to spend for us.

Gov. Sandoval's plan for resurrecting Nevada's economy is a valuable document. Nevada should study it carefully and do exactly the opposite of what it proposes.

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