

Film tax credit 'benefits' are misleading

ANTONY DAVIES & JAMES R. HARRIGAN | Saturday, Jan. 30, 2016, 9:00 p.m.

Gov. Tom Wolf is determined to bring Hollywood to Pennsylvania.

The Keystone State has not had a budget for seven months, but the governor has found a way to release \$23 billion to restore “essential services” — which somehow includes tax breaks for film companies. The governor clearly has no idea what “essential” means, but he is more confused about the justification he uses for these nonsensical policies.

Government stimulus proponents, including proponents of the Pennsylvania film tax credit, know enough economics to dazzle voters with jargon, but they tell only half-truths. The economic magic bullet behind every government stimulus plan is called the “multiplier effect.” Simply put, when the government spends a dollar or provides a dollar tax break, that dollar becomes income for someone who then spends it, creating income for someone else who then spends that, and so on. In the end, a single dollar of spending ends up creating more than a dollar of total income.

This is the core argument that gave us the Great Society, Cash for Clunkers, Wall Street bailouts and, if certain candidates have their way in the next election, “free” college education. It's like planting a seed and getting a tree, which produces more seeds, which produce more trees. Before you know it, that one seed has produced an entire forest.

Except it doesn't work exactly the way politicians want you to believe.

It is true that a dollar of spending generates more than a dollar of income, but there is mounting evidence that it isn't much more. What the politicians don't tell you is that it doesn't matter who spends the dollar. The multiplier effect is felt regardless of whether

government or the private sector spends the initial dollar. The difference is that, with private spending, we get things we want. With government spending, we get things politicians want.

What Tom Wolf wants is to make movies. Sure, the multiplier effect means that film tax breaks will create film jobs, which will create hotel jobs, which will create restaurant jobs — and so on. But we'd get the same effect if they were small business tax breaks, income tax breaks, property tax breaks or gasoline tax breaks. When the economic effect is the same, why should films get special treatment as opposed to anything, or everything, else?

Abolishing the film tax credit means that we'll lose film jobs in Pennsylvania. And that's a good thing. We want jobs that contribute to our tax base, not jobs that require ongoing taxpayer subsidies. Proponents tell us that filmmaking is different because films bring publicity to Pennsylvania. But if filmmaking is such a moneymaker, why do we need to subsidize it at all?

Businesses that can't exist without government handouts are, by definition, not moneymakers.

If our politicians spent as much energy balancing the budget as they do coddling cronies with our tax dollars, we'd be in pretty good shape. But we are in our seventh month without a budget, balanced or otherwise. We elected Tom Wolf to govern, but he prefers instead to be the commonwealth's godfather to Hollywood.

We need a responsible and honest governor, not a godfather. Maybe someone would like to make a movie about that.

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