



What's Wrong with St. Louis Economic Development Incentives? Everything

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Growing a business is difficult. Business owners who have successfully overcome all the usual obstacles have my respect. Policymakers can help entrepreneurs by making sure regulations are minimally intrusive, taxes are least disruptive, and the marketplace is open and fair.

Unfortunately, that isn't usually what happens in practice when government tries to help business.

Consider a recent story in the [St. Louis Business Journal](#) about the owner of the Civil Life brewery and his effort to use taxpayer subsidies to expand. Everyone seems to be well-meaning, but good intentions aren't enough in designing good policy.

The business owner sought special tax treatment from the city in order to expand his business. The St. Louis Development Corporation (SLDC) agreed, and the businessman thought he had a deal. Before the 33-member St. Louis Board of Aldermen—and you thought presidential primaries were crowded—could approve the deal, one member introduced a resolution seeking a slightly better deal for the city. The owner objected to this new deal and scrapped the expansion plan.

The executive director of the SLDC told the Journal, "Generally, most of the aldermen are very comfortable with our analyses." I cannot understand why this would be the case. The [SLDC's](#)

[own examination of its economic development incentives](#) concluded, “. . . it is clear that the City gains no net benefit from an extremely costly program with no real economic development impact.” The SLDC’s point is that they are necessary to help save the city from enacting bad programs. But if that’s the case, why is St. Louis rife with extremely costly programs with no real economic development impact?

In the Journal piece, Megan Green, the alderwoman who sought a better deal in this particular case, made an excellent point about the business in question:

If their business model is such that they cannot expand and pay a few thousand dollars more in taxes, the difference between a 95% and 90% abatement, after having a 100% abatement for the last eight years, then the business model needs to be re-evaluated.

Unfortunately, this statement didn’t go far enough. If the business needs any subsidy at all then the business model may need to be re-evaluated. After all, if a business is seeking a subsidy, the business owner in question has an idea that private investors do not think is a good one. If private investors won’t invest their own money, why should taxpayers invest theirs?

This whole episode speaks to the utter dysfunction of economic development policy in St. Louis. If the alderwoman can be faulted for anything, it isn’t standing in the way of this deal; it’s for not standing in the way of every deal. Her reasoning is correct, it just needs to be more widely applied.

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