

Incentives to Pander

How Politicians Use Corporate Welfare for Political Gain

Policies targeting individual companies for economic development incentives, such as tax holidays and abatements, are generally seen as inefficient, economically costly, and distortionary. Despite this evidence, politicians still choose to use these policies to claim credit for attracting investment. Thus, while fiscal incentives are economically inefficient, they pose an effective pandering strategy for politicians. Using original surveys of voters in the United States, Canada, and the United Kingdom as well as data on incentive use by politicians in the United States, Vietnam, and Russia, this book provides compelling evidence for the use of fiscal incentives for political gain and shows how such pandering appears to be associated with growing economic inequality. As national and subnational governments surrender valuable tax revenue to attract businesses in the vain hope of long-term economic growth, they are left with fiscal shortfalls that have been filled through regressive sales taxes, police fines and penalties, and cuts to public education.

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