



Unleashing Capitalism

A Prescription for Economic Prosperity in South Carolina

FACT SHEET

Capitalism (*n*): an economic system characterized by private ownership of capital goods and investments determined by private decision; and by prices, production and the distribution of goods determined by competition in a free market.

Unleash (*v*): to free from or as if from a leash; let loose.

Source: Webster's New College Dictionary

Capitalism, or free enterprise, is an economic system based upon the fundamental truth that people should be free: free to choose where to work, what to buy and sell, and where to live. Unleashing capitalism is thus about unleashing freedom – not just economic freedom, but political and social freedom. Unleashing capitalism in South Carolina is about unleashing new opportunities for business, prosperity for families and a bright future for our children.

New Opportunities for Business:

Unleashing capitalism for business in South Carolina requires cutting taxes and reducing government spending. Deregulating and depoliticizing the marketplace will also empower consumers, rather than the government, to drive the economy. Concrete steps for unleashing opportunity include:

- ✓ *Reforming the tax code.* The state's tax code is inefficient and unfair. Each dollar of tax revenue collected costs the South Carolina economy between \$1.60 and \$1.82. High taxes also reduce economic freedom and discourage entrepreneurship. In addition to depoliticizing the tax code by eliminating special-interest tax breaks, the state should eliminate the corporate income tax and lower sales and income taxes. See Chapter 4, Chapter 5 and Chapter 12.
- ✓ *Creating a regulatory system that is equitable and encourages competition.* A good start toward improving the state's regulatory environment would be to periodically review existing regulations to insure they are serving the common good instead of benefiting exclusive industries. New regulations should be accompanied by sunset provisions. See Chapter 8.
- ✓ *Reducing the manufacturing property tax to 1 percent.* South Carolina has, by far, the highest industrial property taxes in the Southeast. This tax should be lowered from an effective rate of 3.73 percent to 1.00 percent. Doing so, however, will require a state constitutional amendment. See Chapter 5.
- ✓ *Abandoning the economic incentives game.* Numerous studies have demonstrated that economic incentives don't work and will not increase state gross domestic product or employment levels. Moreover, such incentives are unfair, shifting tax burdens from one company or industry (often larger, out-of-state firms) to others (often smaller, in-state firms). The simple

fact is that the free market can bring about prosperity better than any government planner. See Chapter 6 and Chapter 7.

Prosperity for Families:

Unleashing capitalism in South Carolina is also about creating prosperity for hard-working families and ending the cycle of generational poverty that has plagued the state for decades. Real solutions for making South Carolina families wealthier include:

- ✓ *Lowering the personal income tax to 3 percent and fully indexing for inflation.* South Carolina has the highest effective marginal income tax rate (7 percent) in the Southeast. Failing to fully index brackets for inflation also guarantees an automatic tax increase for most South Carolina families, with the top bracket kicking in at \$13,351. By comparison, North Carolina's top bracket begins at \$60,001. An even better alternative would be to implement a flat-rate income tax at about 3 percent. See Chapter 5 and Chapter 12.
- ✓ *Providing incentives for work and wealth.* South Carolina's labor force participation rate is among the lowest (44th) in the country. This is because the state's tax system heavily penalizes welfare eligible individuals who might otherwise obtain gainful employment. Welfare reform, combined with tax cuts, would empower low-income families to become more self-reliant and also reduce state spending. See Chapter 11.

A Bright Future for Our Children:

If the future of South Carolina looks bleak right now, the good news is that we now have a blueprint for reform. These reforms have worked in other states and can work here. Creating educational and career opportunities for our children will require:

- ✓ *Providing real choices to children and parents.* Just as free market competition brings out the best in business, it can do the same for schools. Strategies for increasing educational choice include: providing vouchers and tax credits for children who wish to attend a private school; expanding the number of public charter schools; and permitting genuine inter-district school choice among public schools. See Chapter 9.
- ✓ *Increasing the quality of education spending.* Education funding in South Carolina is extremely inefficient, hampered by dozens of categorical funding restrictions. This system should be streamlined by dedicating funding to instructional costs tied to individual students. Known as weighted student funding, this one innovation would make South Carolina's public school system more equitable, efficient and accountable. See Chapter 10.

Capitalism is about more than just earning money, it is about making people happier, healthier and more productive. If you want a South Carolina you can be proud of, join us in unleashing opportunity, prosperity and hope.

To learn more, visit www.unleashingcapitalismsc.org

