



# **The Economic Impact of Federal Spending on State Economic Performance: A South Carolina Perspective**

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In cooperation with  
Arduin, Laffer & Moore Econometrics**

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## The Economic Impact of Federal Spending on State Economic Performance A South Carolina Perspective

### Executive Summary:

Federal government spending comes with costs; it should not be accepted as the free-lunch it is frequently considered to be. Every dollar the government spends must first be removed from the pocket of the private sector through higher taxes today, or higher borrowing today implying higher taxes tomorrow. Either way, government spending crowds-out private sector spending, diminishing the private economy's rate of growth.

Properly accounting for the impact from higher government expenditures illustrate the negative economic impacts high or increasing expenditures have. Total government expenditures relative to the private economy (the government expenditure wedge) appropriately measures the burden created by total government spending. The government expenditure wedge is defined as government expenditures divided by net domestic business output.

The historic relationship between the growth in the private economy, the size of the government expenditure wedge, and the change in the government expenditure wedge illustrate that increases in government spending relative to the size of the private sector causes a reduction in the overall growth of the economy. Specifically:

- Between 1950 and 1965, the government expenditure wedge was relatively low (32.4%) and grew slightly (+5.5 percentage points). Private sector expansion was a robust 3.6% per year during this period.
- Between 1965 and 1983, the government expenditure wedge grew quickly, rising 16.6 percentage points to 49.0%. Growth in the private sector slowed to 2.5% per year.
- Between 1983 and 1988, growth in the private sector accelerated to 5.1% per year as the government expenditure wedge fell 3.3 points back down to 45.7%.

- The brief reversal in the government expenditure wedge between 1988 and 1992 led to a 5.2 percentage point rise in the wedge to 50.9%. Growth in the private sector economy slowed again to 1.0% per year.
- Between 1992 and 2000, the government expenditure wedge fell 9.2 percentage points to 41.7%. Growth in the private sector economy accelerated again to 4.5% per year.
- Finally, between 2000 and 2007, the growth in the government expenditure wedge started growing again (by 4.5 percentage points to 46.1%) and the growth rate in the private sector cooled to 2.0%.

Consequently, the costs of accepting federal dollars from the American Recovery and Reinvestment Act of 2009 will be a long-term drain on the private sector. The ARRA Act of 2009 will increase the government expenditure wedge from 49.2% to 52.4% for an overall 3.3% increase. This increase will reduce the growth in real net business output by 2.5% which translates to a reduction of 1.7 million jobs nationally and between 23,800 and 34,850 *additional* jobs lost in South Carolina.

South Carolina is particularly sensitive to changes in government expenditures because the state already imposes a much higher government expenditure wedge than most other states. Any major increase to their present expenditure wedge will cause higher than average amounts of negative change to the state of their economy.

Allotments for unemployment insurance (UI) from the American Recovery and Reinvestment Act of 2009 (ARRA) are particularly noteworthy as well. UI expenditures increase during a recession which often drains state trust funds. Historically, the federal government steps in to cover the increased costs but with strings that require expanded UI benefits. Once the temporary federal money has run dry, states have historically been forced to ramp up their collections in order to maintain the additional support previously provided by the federal government.

## **The Economic Impact of Federal Spending on State Economic Performance**

One of the cornerstones of good economic analysis is the realization that “there is no such thing as a free lunch.” Yet when it comes to federal money for the states, this foundation is lost. Most people equate federal dollars as manna from heaven – a free meal that should be enjoyed for as long, and often, as possible. The reaction to the Governors that questioned the efficacy of the recent stimulus package is simply the latest example of this mistaken belief.

The United States is comprised of 50 states, the District of Columbia, and a few territories. This obvious statement is somehow forgotten with respect to the economic and fiscal effects from federal government spending. All federal government tax revenues are raised by levying taxes on people (or entities) that are located in one of the states or the District of Columbia (a subset of the country). Because the vast majority of the federal budget is spent domestically, the vast majority of government spending is spent in a part (or subset) of the country. By definition then, federal government fiscal policy is taking revenues from one state and spending it in the same, or a different, state.

No magic resources are created by the federal government that did not exist in one state prior to the federal government’s fiscal policy. In order for one state to receive a net positive amount of resources from the federal government, accounting for the federal tax revenues that were levied in that state, the federal government must take a net negative amount of resources away from another state. For the country as a whole, the federal government cannot create a net injection of resources.

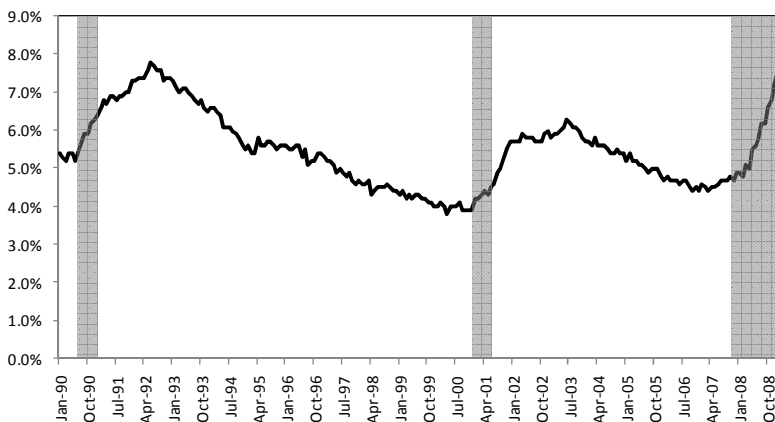
What the federal government can do is change the net economic incentives across each state or change the net benefits (or value) created by the federal tax dollars. A careful examination of federal spending illustrates that federal tax and spending policy is creating significant adverse impacts on state economic efficiency and despite the addition of seemingly “free money,” is actually creating a net negative for the health of state budgets across the country. The \$787 billion

federal government spending plan—the inaptly-named “economic stimulus”—is de-stimulating the economy and will actually worsen the fiscal health of state budgets across the nation.

### Federal Help Comes with a Cost

Federal aid to states to offset the rising unemployment insurance costs illustrates the costs of federal money. The Unemployment Insurance program (UI) is generally funded by state tax levies. During good times, state revenues far exceed UI costs, and state revenue funds are growing. Recessions reverse the arithmetic. During bad economic times, the unemployment rates surge upward, which lasts well beyond the end of the official recession. Figure 1 tracks the unemployment rate from January 1990 through February 2009. The gray shaded areas in Figure 1 represents recessions. As the experience of the previous 2 recessions show, the unemployment rate peaks well after the official end of the recession.

**Figure 1**  
**Monthly National Unemployment Rate**  
**January 1990 – February 2009**



Source: U.S. Bureau of Labor Statistics

Due to the surging unemployment during bad economic times, state UI costs increase as states extend their unemployment compensation beyond the amounts they contributed to the Federal Unemployment Trust Fund.

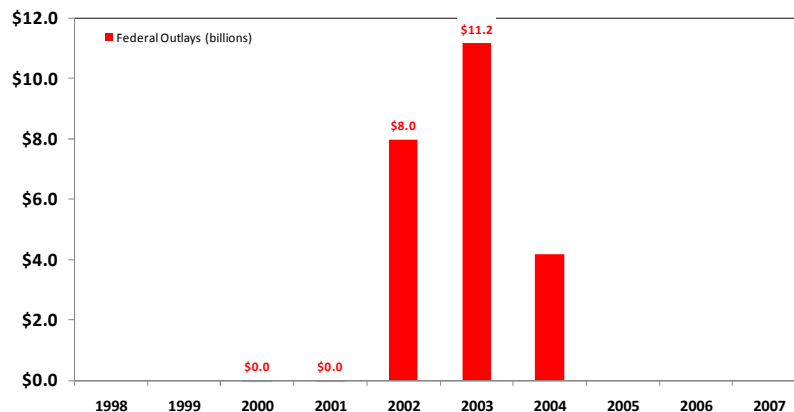
The federal government can be called in to help with extended unemployment insurance benefits funding beyond the 26 weeks covered by states during normal years. The federal government and each individual state split the costs of these extensions increasing the federal government's responsibilities. Although the states are also required to pay some of the additional benefits, many states are not able to meet these additional costs. Historically, this situation has been addressed on a case-by-case basis. The typical extended benefits legislation has a set expiration date and, like the American Recovery and Reinvestment Act of 2009 (ARRA), increases federal control over program eligibility and benefits. Figure 2 illustrates the surge of federal expenditures during times of high unemployment followed by minimal expenditures during times of strong economic growth.

**Figure 2**

**Federal Government Extended and Supplemental Benefit Outlays**

**All States**

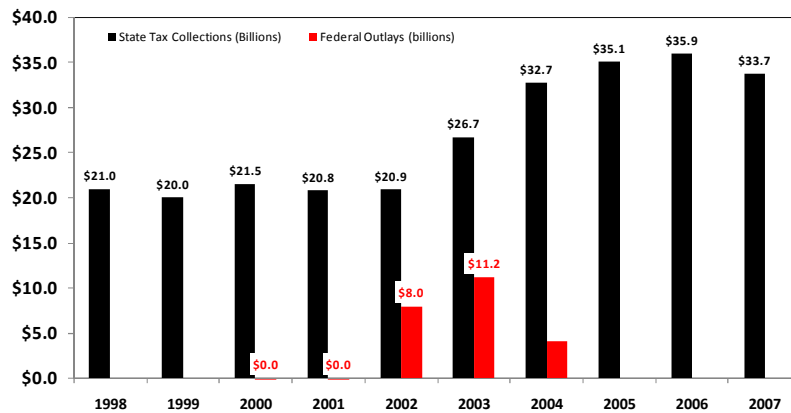
**1998 - 2007**



Source: U.S. Department of Labor

Because the federal aid in 2001 came with strings attached – much like the federal aid offered in 2009 – the necessary state tax collections to support the UI program increases substantially following the surge in federal expenditures, as seen in Figure 3.

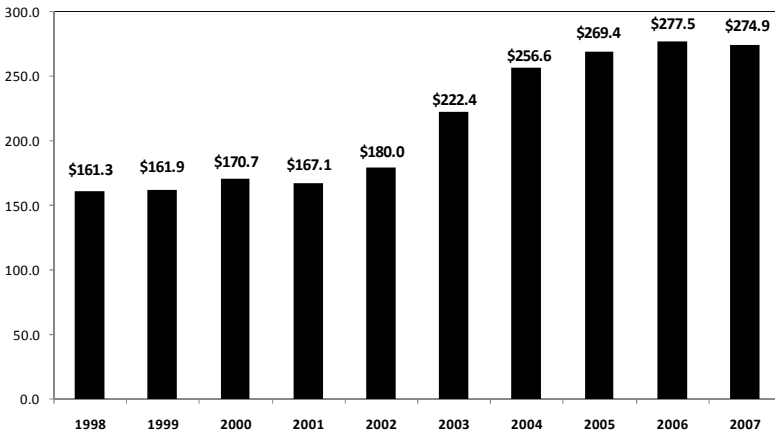
**Figure 3**  
**Federal Government Extended and Supplemental Benefit Outlays**  
**Compared to State Unemployment Tax Contribution Collections**  
**All States**  
**1998 - 2007**



Source: U.S. Department of Labor

Historically, federal expenditures have propped up state unemployment insurance funds during economic downturns; however, the costs have been substantially higher tax collections during the subsequent recovery for all 50 states as a whole. In South Carolina, there was also a significant surge in taxes collected following the 2002-04 federal aid surge, as demonstrated in Figure 4. South Carolina residents paid for the increase in federal aid with sustained higher tax collections.

**Figure 4**  
**State Unemployment Tax Contribution Collections**  
**South Carolina**  
**1998 - 2007**



Source: U.S. Department of Labor

### **Higher Government Expenditures De-Stimulate the Economy**

Increasing federal spending does not stimulate the economy. Just the opposite: higher government spending crowds out the private economy, diminishing its rate of growth. The driving force of the economy is the incentive to engage in market activities. In both the long and short run, individuals and groups of individuals allocate resources according to the after-tax rate of return. If market activities are profitable, the economy will concentrate on ever-increasing market successes. When the profitability of market activities is reduced, market activity diminishes and welfare enhancing activities cease.

Higher government expenditures must be financed through higher taxes today or higher borrowing today that will necessitate higher taxes tomorrow. Every dollar that the government spends must be, by definition, removed from somewhere else in the economy – the government, Peter, can only pay Paul by taking the money away from Mary. Any stimulative impact from Paul's spending will be completely offset from an equal amount of reduced spending caused by the money being taken away from Mary.



This is not the end of the story, however. When the government takes money away from Mary, her after-tax rate of return declines. The lower after-tax rate of return reduces Mary's incentives to work, save, and invest, which leads to fewer private sector market activities and lower overall economic growth. Consequently, increased government expenditures as a share of the economy will diminish overall economic growth.

The ARRA of 2009 is a significant increase in federal government expenditures at a time when the private sector can least afford to pay for the higher government burden. As a result, the purported "stimulus" plan passed by Congress and signed by President Barack Obama will actually worsen the economy's performance.

Capturing the de-stimulative impact of federal spending requires accurate measurement of the economy. Typically, the health of the economy is measured by the growth in Gross Domestic Product (GDP). GDP is measured based on how much money is spent in the economy by consumers, investors and the government – government expenditures typically being around 20% of total GDP. Because GDP is comprised of government expenditures, in part, it is not appropriate to judge the economic efficacy from an increase in government expenditures by watching changes in GDP. Additionally, if it is the vibrancy of the private sector that we wish to measure, another common measure – personal income – is also inappropriate. Personal income, which sounds like income from productive activities, also includes the value of government transfer payments. While not discounting the importance of "the social safety net," transfers from the government dilutes the important question: the value of the private sector.

To assess the value of the private sector we examine the value of the production of all businesses in the domestic economy – or net domestic business output adjusted for inflation. This measure directly tracks the growth rate in the private economy. To assess the impact of government expenditures, we examine total federal, state and local government expenditures relative to net domestic business output – the government expenditure wedge.

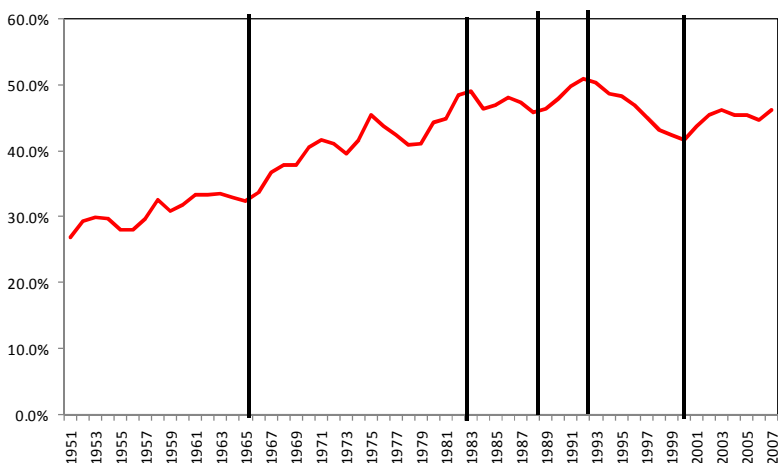
A wedge occurs anytime there is a separation of effort and reward. It is intrinsically an economic variable that operates at the margin where incentives come into play and the decisions are made to, say, allocate capital between one project or industry and another. Government spending is a proxy for the total burden of government on the private sector. Relative government expenditures are important because a wealthier private sector can afford a larger dollar level of government expenditures than a poorer private sector. Figure 5 tracks the growth in the government expenditure wedge between 1951 and 2007 (the latest full data set available). As of 2007, total government expenditures were \$4.4 trillion. Net domestic business output (corporate and non-corporate income adjusted for depreciation) for 2007 was \$9.5 trillion. The resulting government expenditure wedge for 2007 was 46.1%.

The vertical black lines in Figure 5 represent the years where changes in the path of the government expenditure wedge are evident. For instance, total government expenditures were relatively flat to slightly growing between 1951 and 1965. Beginning in 1966, there is a change in the rate of expenditure growth that continued until 1983. The growth in government expenditures then slowed until 1989. A renewed, but short-lived, pick-up in government expenditures occurred between 1989 and 1993. The trend toward lower government expenditures then resumed until 2001, following which there has been a renewed increase in total government expenditures.

Figure 5

Total Federal, State and Local Government Expenditure Wedge

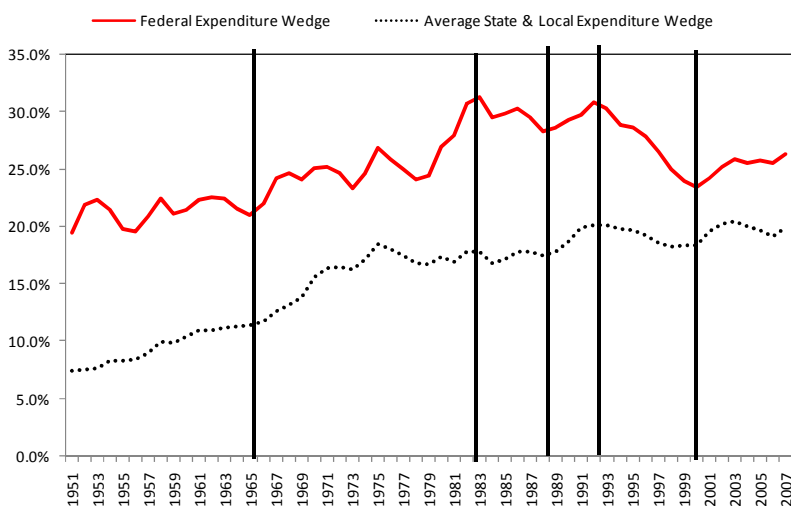
1951 - 2007



Source: ALME Calculations based on Bureau of Economic Analysis Data

Figure 6 breaks down the government expenditure wedge between its federal and state & local components. While the overall trends between the two tax wedges are generally similar, there are a few noteworthy differences. Prior to 1966, the state and local expenditure wedge grew 52%, compared to a relatively flat 8% growth in the federal expenditure wedge. The pattern of expenditure growth then converged until 1989. During the uptick in growth between the 1989 and 1993, state and local expenditures grew faster (+12.9%) than federal expenditures (+5.8%).

**Figure 6**  
**Federal Government Expenditure Wedge and**  
**State and Local Government Expenditure Wedge**  
**1951 - 2007**



Source: ALME Calculations based on Bureau of Economic Analysis Data

Table 1 illustrates the negative impact that a high and/or growing government expenditure wedge has on private sector activity, as well as the positive impact of a lower and/or declining expenditure wedge. Taking each period separately:

- Between 1950 and 1965, the government expenditure wedge was relatively low (32.4%) and grew slightly (+5.5 percentage points). Private sector expansion was a robust 3.6% per year during this period.
- Between 1965 and 1983, the government expenditure wedge grew quickly, rising 16.6 percentage points to 49.0%. Growth in the private sector slowed to 2.5% per year.
- Between 1983 and 1988, growth in the private sector accelerated to 5.1% per year as the government expenditure wedge fell 3.3 points back down to 45.7%.
- The brief reversal in the government expenditure wedge between 1988 and 1992 led to a 5.2 percentage point rise in the wedge to 50.9%. Growth in the private sector economy slowed again to 1.0% per year.
- Between 1992 and 2000, the government expenditure wedge fell 9.2 percentage points to 41.7%. Growth in the private sector economy accelerated again to 4.5% per year.

- Finally, between 2000 and 2007, the growth in the government expenditure wedge started growing again (by 4.5 percentage points to 46.1%) and the growth rate in the private sector cooled to 2.0%.

Table 1

**Negative Relationship Between**

**Expenditure Wedge and Private Sector Growth**

1950 - 2007

|             | % Change Net<br>Business Output<br>(CAGR) | Wedge at end of<br>period | Change Wedge<br>(peak to trough,<br>trough to peak) |
|-------------|-------------------------------------------|---------------------------|-----------------------------------------------------|
| 1950 - 1965 | 3.6%                                      | 32.4%                     | 5.5%                                                |
| 1965 - 1983 | 2.5%                                      | 49.0%                     | 16.6%                                               |
| 1983 - 1988 | 5.1%                                      | 45.7%                     | -3.3%                                               |
| 1988 - 1992 | 1.0%                                      | 50.9%                     | 5.2%                                                |
| 1992 - 2000 | 4.5%                                      | 41.7%                     | -9.2%                                               |
| 2000 - 2007 | 2.0%                                      | 46.1%                     | 4.5%                                                |

Source: ALME Calculations based on Bureau of Economic Analysis Data

**The Negative Economic Impact from the American Recovery and Reinvestment Act of 2009**

Table 1 illustrates the strong and negative relationship between the size and growth of the government expenditure wedge, and growth in the private sector economy. The data in this table illustrate that the growth in the expenditure wedge and growth in the growth rate in the private economy move in opposite directions. In other words, growth in government crowds out growth in the private sector. Increases in government expenditures as a share of domestic output causes an increase in the expenditure wedge and an overall decrease in private sector growth. Table 2 presents the statistical relationship between net business output and the government expenditure wedge.

Table 2

Regression Results

Dependent Variable: Change Net Business Output<sup>1</sup>

|                      | Coefficients | Standard<br>Error | t Stat | F State | Adj.<br>R-Sq. |
|----------------------|--------------|-------------------|--------|---------|---------------|
| Constant             | 0.0701       | 0.0135            | 5.257  | 65.762  | 0.698         |
| Expenditure<br>Wedge | - 0.0820     | 0.0325            | 2.524  |         |               |
| Change Exp.<br>Wedge | - 1.6228     | 0.1440            | 11.273 |         |               |

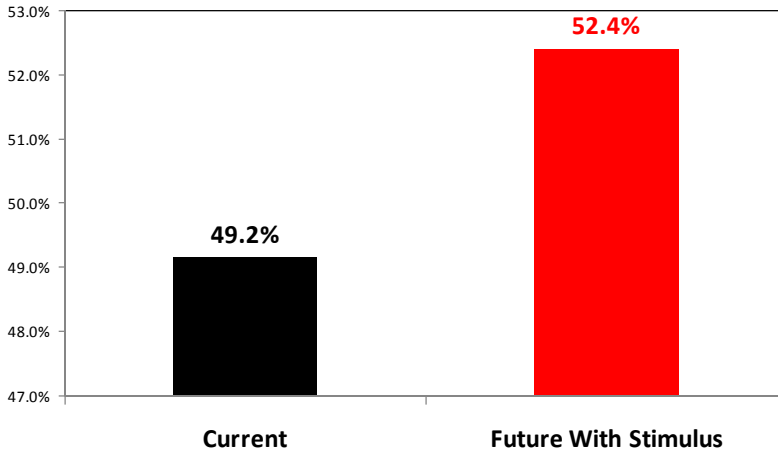
Based on the statistical relationship between these three factors, the negative impact from ARRA can be estimated. Due to all of the increased government expenditures prior to ARRA, the government expenditure wedge increased from 46.1% in 2007 to an estimated 49.2% currently.<sup>2</sup> The expenditure components within the ARRA equal approximately \$575 billion over 7 years. The present value of these expenditures is approximately \$540 billion. Such an expenditure increase raises the government expenditure wedge to 52.4%, or a 3.3 percentage point increase in the government expenditure wedge that will reduce the growth in real net business output by 2.5%, see Figures 7 and 8.

<sup>1</sup> The government expenditure wedge is defined as government expenditures divided by net domestic business output. Because the growth of government expenditures is dependent on the growth in the private economy, there is no a priori relationship between changes in net domestic business output and changes in the government expenditure wedge.

<sup>2</sup> The current government expenditure wedge is estimated based on total government expenditures for 2008 as reported by the Bureau of Economic Analysis and ALME estimates of the Net Private Domestic Output for 2008.

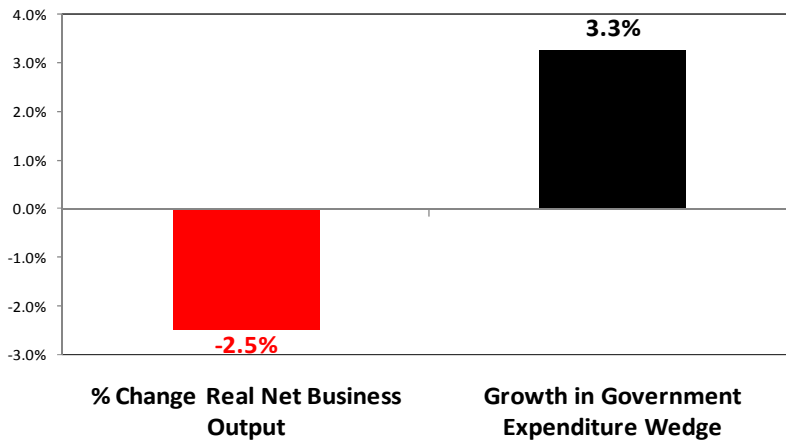
**Figure 7**

**Current and Estimated Government Expenditure Wedge Following ARRA of 2009**



**Figure 8**

**Estimated Economic Impact from ARRA of 2009**



Source: ALME Calculations

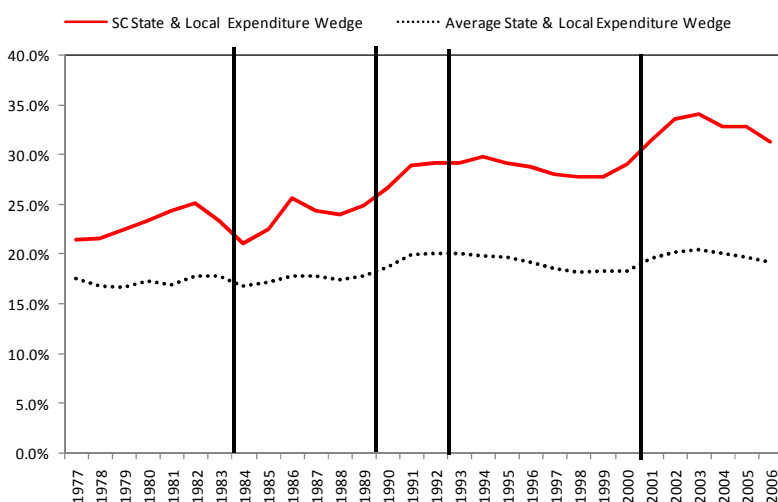
The ARRA bill, which was enacted to improve the US economy, will inevitably cause more harm than good by inhibiting private sector growth and increasing unemployment. For the U.S. overall, an additional 1.7 million jobs could be lost as a direct result of the higher spending in the ARRA bill. Between 23,800 and 34,850 of those job losses can be expected to occur in South Carolina. The increased job losses and decreased net business output will reduce tax revenue growth and increase government income support expenditures for all 50 states and the federal government.

Due to these feedback effects, ARRA of 2009 will de-stimulate the economy, reduce tax receipts, and increase government expenditures.

The ARRA of 2009 will be a net negative for the U.S. economy as well as South Carolina's because it increases the total government expenditure wedge. Figures 9 and 10 illustrates that South Carolina already imposes a much higher government expenditure wedge than most states – we estimate the current government expenditure wedge is 58% in South Carolina. The impact of the stimulus will raise this wedge to over 61%, see Figure 11.

**Figure 9**

**South Carolina State and Local Government Expenditure Wedge  
Compared to Total State and Local Government Expenditure Wedge**

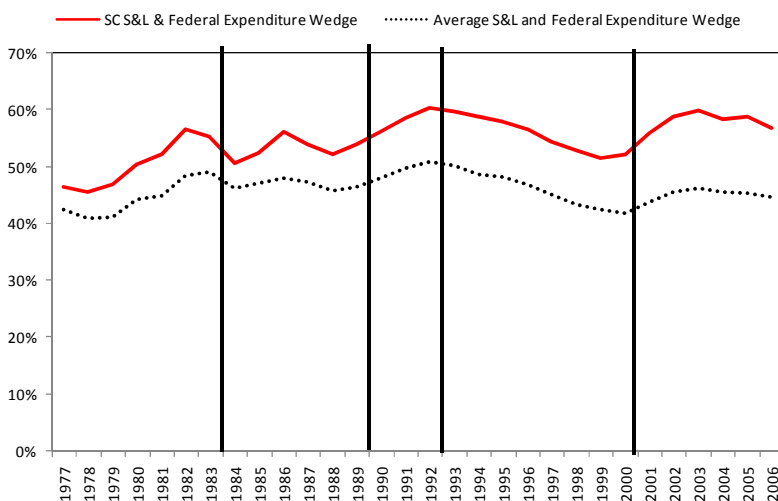


Source: ALME Calculations based on Bureau of Economic Analysis Data



Figure 10

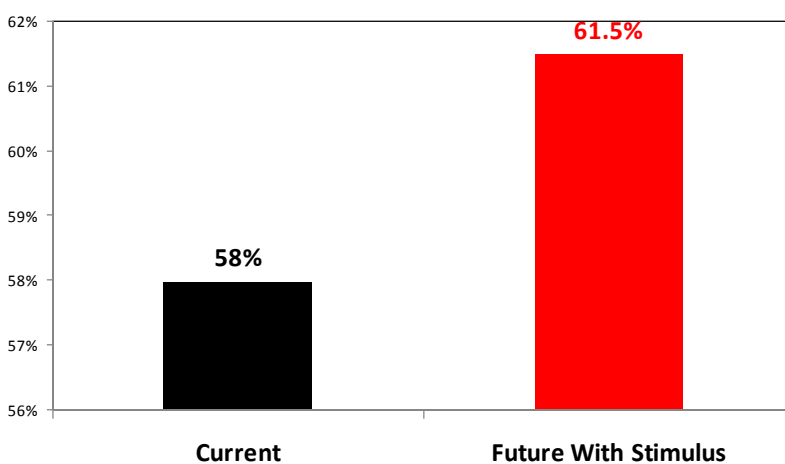
South Carolina Federal, State and Local Government Expenditure Wedge  
Compared to Total Federal, State and Local Government Expenditure Wedge



Source: ALME Calculations based on Bureau of Economic Analysis Data

Figure 11

Current and Estimated Government Expenditure Wedge Following ARRA of 2009  
South Carolina



South Carolina receives a large amount of money from the federal government, therefore a larger than average portion of South Carolina's expenditure wedge is "exported" to other states. The economic impacts in states that have relatively higher government expenditure wedges, such as

South Carolina, are more sensitive to changes in the government expenditure wedge. Therefore, South Carolina needs to be particularly aware of the future impacts that current commitments could have on future expenditures.

## **Conclusion**

When government expenditures grow beyond the private sector's ability to pay for it, economic growth suffers. Put simply, growth in government crowds out growth in the private sector. Nationwide, the burden from total federal, state, and local government expenditures have risen by more than five percentage points within the past two years – an extraordinarily high growth rate. The increased government expenditures will reduce private sector growth and increase overall unemployment throughout the United States.

South Carolina will not be insulated from these impacts. Because South Carolina has a relatively high government expenditure wedge, the state is more sensitive to the negative ramifications of a dramatic increase in government spending. Due to the unavoidable negative impact, states need to carefully scrutinize all federal programs to ensure that the additional expenditures do not create even more negative effects on their state's economy. For instance, the particularly high state and local expenditure wedge, coupled with the history of federal unemployment insurance aid leading to even greater government expenditures in the future, warrants particular caution before accepting these additional funds.

## Biographies of Key Personnel

### *Donna Arduin*

Ms. Arduin, Partner, ALME, served as California Governor Arnold Schwarzenegger's Director of Finance from November 2003 until October 2004, where she was the Governor's chief fiscal advisor and was a member of over 70 boards and authorities. Prior to her appointment as Director, Schwarzenegger asked Arduin to undertake an outside, independent audit of California government and state finances.

Prior to working for Governor Schwarzenegger, Arduin served governors from three additional states, including Florida, New York, and Michigan. Donna was Governor Jeb Bush's Director of the Florida Office of Policy and Budget for five years, where she managed the formulation of the governor's policy and fiscal recommendations, created the nation's first interactive "e-budget," and implemented performance-based budgeting and long-range planning. Additionally, Donna served Governor George Pataki throughout his first term as First Deputy Budget Director and led his successful efforts to reduce and simplify property taxes in New York and reduce the size of state government. Donna also served Governor John Engler for three years during his first term, as Chief Deputy Director of the Michigan Department of Management and Budget, as well as the executive director of his reinventing government commission and his appointee to the Michigan Municipal Bond Board of Trustees.

Arduin offers extensive experience in bringing government spending under control through long-term policy planning and fiscally conservative budgeting. Her Governors have consistently received high marks on the Cato Institute's fiscal report cards during her tenure with their administrations. Ms. Arduin also sat on Governor Bush's Council of Economic Advisors and his Property Tax Reform Committee.

A graduate of Duke University, Arduin graduated magna cum laude with honors in economics and public policy. She worked as an analyst in New York and Tokyo in the private financial markets for Morgan Stanley and Long-Term Credit Bank of Japan.

*Arthur B. Laffer, Ph.D*

Dr. Laffer's economic acumen and influence in triggering a world-wide tax-cutting movement in the 1980s have earned him the distinction in many publications as The Father of Supply-Side Economics. One of his earliest successes in shaping public policy was his involvement in Proposition 13, the groundbreaking California initiative that drastically cut property taxes in the state in 1978.

Years of experience and success in advising on a governmental level have distinguished Dr. Laffer in the business community as well. He has sat on the board of directors of several public companies, which include: Petco Animal Supplies Inc. (PETC), Nicholas-Applegate Growth Equity Fund (NAPGX), MPS Group Inc. (MPS), Oxigene Inc. (OXGN) and Provide Commerce (PRVD). He has also sat on the board of directors or board of advisors of a number of private companies including: HNTB, Affinia Hospitality, Retirement Capital Group, Vizional Technologies, The Mayfair Group, ValuBond, U.S. Script and Castle Creek Capital.

Dr. Laffer is a founding member of the Congressional Policy Advisory Board, a select group of advisors who assist in shaping legislative policies for the 105th, 106th and 107th United States Congress.

Dr. Laffer was a member of President Reagan's Economic Policy Advisory Board for both of his two terms (1981-1989). He was a member of the Executive Committee of the Reagan/Bush Finance Committee in 1984 and was a founding member of the Reagan Executive Advisory Committee for the presidential race of 1980.

He was formerly the Distinguished University Professor at Pepperdine University and a member of the Pepperdine Board of Directors. He also held the status as the Charles B. Thornton Professor of Business Economics at the University of Southern California from 1976 to 1984. He was an Associate Professor of Business Economics at the University of Chicago from 1970 to 1976 and a member of the Chicago faculty from 1967 through 1976.

During the years 1972 to 1977, Dr. Laffer was a consultant to Secretary of the Treasury William Simon, Secretary of Defense Don Rumsfeld and Secretary of the Treasury George Shultz. He was the first to hold the title of Chief Economist at the Office of Management and Budget (OMB) under Mr. Shultz from October 1970 to July 1972.

Dr. Laffer has been widely acknowledged for his economic achievements. Recently he was noted in Time Magazine's March 29, 1999, cover story The Century's Greatest Minds for inventing the Laffer Curve, which it deemed one of a few of the advances that powered this extraordinary century. He was listed in A Dozen Who Shaped the 80s, in the Los Angeles Times on Jan. 1, 1990, and in A Gallery of the Greatest People Who Influenced Our Daily Business, in the Wall Street Journal on June 23, 1989. His creation of the Laffer Curve was deemed a memorable event in financial history by the Institutional Investor in its July 1992 Silver Anniversary issue, The Heroes, Villains, Triumphs, Failures and Other Memorable Events.

The awards that Dr. Laffer has received for his economic work include: two Graham and Dodd Awards from the Financial Analyst Federation for outstanding feature articles published in the Financial Analysts Journal; the Distinguished Service Award by the National Association of Investment Clubs; the Adam Smith Award for his insights and contributions to the Wealth of Nations; and the Daniel Webster Award for public speaking by the International Platform Association. Dr. Laffer also earned the Father of the Year award from the West Coast Father's Day Committee in 1983.

Dr. Laffer received a B.A. in economics from Yale University in 1963. He received a MBA and a Ph.D. in economics from Stanford University in 1965 and 1972 respectively.

***Wayne H. Winegarden, Ph.D.***

Dr. Winegarden manages Arduin Laffer & Moore's policy studies and analyses; advises clients on the business implications from changes in government policies and economic trends including regulatory, tax, and fiscal policies. Wayne's economic trends research details the impact on clients and industries from current macroeconomic, market and industry trends. Additionally, Dr.

Winegarden performs economic impact analysis for proposed investment projects and legislative/regulatory proposals. Dr. Winegarden presents his research findings to clients, conferences, and in the media including Bloomberg News and CNN-fn.

Previously, Dr. Winegarden worked as an economist in Hong Kong and New York City for Altria Companies Inc. Wayne's responsibilities included forecasting the economic trends for East-Asian Economies; creating economic, fiscal, and pricing models that were leveraged as part of the company's 5-year planning process; and, managing the company's tax and budget analyses and government affairs argumentation.

Prior thereto, Dr. Winegarden worked for policy and trade associations in Washington D.C. As an economist with the National Association of Federal Credit Unions, Wayne analyzed the economic impact from proposed legislation on the financial industry and advised association members on the implications from domestic economic trends. Dr. Winegarden was also an Earhart Fellow/Policy Analyst with Citizens for a Sound Economy where he authored papers and editorials on timely tax, budget, and regulatory issues.

Dr. Winegarden is the author of several policy and academic papers. He has taught economics at Marymount University, and is currently a columnist for Townhall.com. Dr. Winegarden has a Ph.D. in economics from George Mason University.

### ***Ian McDonough***

Currently, Ian McDonough renders services for a wide array of clientele. Projects that Ian has worked on have included the creation of economics based asset allocation models for environmental commodities and traditional assets, the construction of valuation models for new, patent pending investment vehicles, the execution of ad hoc analyses on various model portfolios in order to extrapolate viable investment strategies and the design and implementation of

economic and financial databases. Ian has rendered services for CE2 Capital Partners, TGG Capital, Laffer Associates, A&S Capital Management and various other private individuals.

Prior to his current position, Ian was employed by Laffer Associates where he was directly involved in the investment process including the creation, testing and implementation of quantitative asset allocation models and economic forecasts. Additionally, Ian was responsible for assisting in a wide array of the firm's economic research, including the authoring and editing of weekly research publications as well as conducting analysis on various outside research projects.

Before joining Laffer Associates, Ian worked as a Graduate Research Assistant at Utah State University and was funded by the Utah Division of Water Resources to conduct an econometric analysis on the "Effectiveness of Fish License Marketing in Utah."

Ian has received a B.S. in Information Systems with an emphasis in Management Information Systems and an M.S. in Economics; both from Utah State University.

The South Carolina Policy Council exists to educate members and all South Carolinians about state and local public policy based on the traditional South Carolina values of individual liberty and responsibility, free enterprise and limited government

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