



HB 3664: A Bouquet of Central Planning

by **Bill Peacock**
*Vice President of Research
Director of Center for
Economic Freedom*

Kent Cho
Research Associate

Key Points

- Owners of Texas vineyards and wineries should not be forced to pay for the marketing of Texas wines through a check-off program.
- There are numerous private sector initiatives being undertaken today to market Texas wines.
- Relying on markets is the best way to promote Texas wines—and liberty.
- People are challenging whether what is often called “corporate welfare” achieves its stated goal of boosting economic growth.

Introduction

Recently, a debate over a different type of welfare has taken hold. Today, people are challenging whether what is often called “corporate welfare” achieves its stated goal of boosting economic growth. And, as in the case of traditional welfare, the debate extends beyond the effectiveness of corporate welfare to the impact it has on the principles on which this country was founded—particularly that of liberty.

Corporate welfare, also known as economic development, is widely used throughout Texas and the nation. From local tax abatements to the Export-Import Bank, governments provide billions of dollars each year in benefits to businesses in an attempt to improve the outcomes of the marketplace. In Texas alone, tax abatements, renewable energy subsidies, development incentives, and direct payments total more than \$2 billion annually.

There is a spirited debate about what to do with some of Texas’ economic development programs. Proponents of government economic development programs claim that they have a proven track record of growing the economy and creating high-paying jobs. While there are multiple responses to this claim, advocates for reform start by pointing out that Texas has proven there is even a better path to economic development—the Texas Model.

Since the beginning of the Great Recession, Texas has added 1.3 million jobs, far more than any other state and 39 percent of all non-farm U.S. jobs created during that time. Texas has also become the nation’s top exporting state. Its \$289 billion in exports in 2014 accounted for more than 17 percent of the U.S. total. And Texas’ adjusted poverty rate is second lowest among the 12 largest states.

12 Largest States: Economic Performance v. Spending

State	Economic Performance	Per capita Spending	Eco Devo Spending Rank	Adjusted Poverty Rank
Texas	1	\$4,098	15	17
North Carolina	8	\$4,417	12	28
Georgia	17	\$4,258	5	45
Florida	18	\$3,724	20	49
Virginia	19	\$5,483	2	12
Top 20 Avg		\$4,396	11	30
Bottom 25 Avg		\$5,934	20	36
New York	26	\$7,091	30	46
California	31	\$6,452	11	50
Pennsylvania	38	\$5,688	18	24
Illinois	46	\$5,397	19	30
New Jersey	47	\$6,095	27	37
Ohio	49	\$5,389	13	36
Michigan	50	\$5,429	21	31

The evidence that the Texas Model outperforms corporate welfare is compelling. But it is also important to understand that corporate welfare has the same corrosive effects as welfare for individuals and fails to live up to the core American ideal of protecting “life, liberty, and the pursuit of happiness.”

Government Economic Development Programs Don't Boost the Economy

What Does the Research Say?

W.E. UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH February 2017

Preliminary work suggests that a state's incentives are not highly correlated with a state's fortunes. Incentives do not have a large correlation with a state's current or past unemployment or income levels, or with future economic growth.



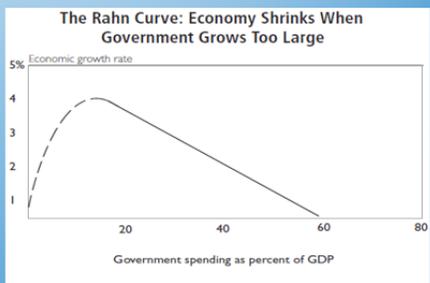
FEDERAL RESERVE BANK OF DALLAS
Growth in government stunts general economic growth. Regardless of how it is financed, an increase in government spending leads to slower economic growth.

Backgrounder
No. 1831 March 31, 2005 Published by The Heritage Foundation

Government spending undermines economic growth by displacing private-sector activity. Whether financed by taxes or borrowing, government spending imposes heavy extraction and displacement costs on the productive sector.

Academic research confirms that government spending harms economic growth. Large government sectors reduce both the level of economic activity and the rate of economic growth.

The Rahn Curve: Economy Shrinks When Government Grows Too Large



Source: Peter Brimelow, "Why the Deficit is the Wrong Number" Forbes, March 15, 1993.



TEXAS PUBLIC POLICY FOUNDATION

Texas Wine Promotion

The Texas Department of Agriculture (TDA) already markets Texas wine. Through its Go Texan program, it provides access to wineries, events, Texas wine trails, and various other wine related opportunities; there is even a Go Texan app.



In addition to the effort by TDA, there are plenty of private sector efforts that are getting the job done.

“The mission of the Texas Wine and Grape Growers Association, Inc., is to promote the production and appreciation of premium grapes and fine wines from Texas, and to represent a unified state industry with common marketing, governmental and educational goals.”



The Texas Wine Lover website offers numerous opportunities to learn about Texas wine, as does the Texas Wine & Grape Growers Association App (description via Google Play Store):

The Number One Texas Wine App! Quickly find wineries by region or current location. Send and post instant vineyard & winery postcard images from your phone. Navigate your Tasting Room visits and yield program rewards, special offers & more. The official app of the Texas Wine and Grape Growers Association so you can sip, swirl and buy local. Providing up to date and accurate content by member wineries for events, wine pairings, live music and vintner dining experiences. Easily plan your trip, tour and tastes of Texas Wine Country!



Member Levels and Dues

Membership Level (check one)

Wineries

- Large Commercial
20,000 gallons+ annually
\$450 annual membership
- Medium Commercial
3,000 – 19,999 gallons annually
\$350 annual membership
- Small Commercial
201 – 2,999 gallons annually
\$250 annual membership
- Industry Professional and Educator
\$150 annual membership
(For those professionals engaged in viticulture and enology research or education at an educational or research institution; or individuals, partnerships, or corporations who operate allied industry businesses.)

Vineyards

- Large Commercial
60+ Producing Acres
\$450 annual membership
- Medium Commercial
20-59 Producing Acres
\$350 annual membership
- Small Commercial
1 – 19 Producing Acres
\$250 annual membership

- Friend of TWGGA \$35 annual membership

- Friend of TWGGA, Couple \$50 annual membership

TASTING ROOM DISCOUNT FOR MEMBERS:

_____ Yes, I will offer a tasting room discount of _____% for Members.

_____ No, I cannot offer a tasting room discount at this time.

Like the TWGGA’s Texas Wine Passport, the Wine and Food Foundation of Texas and the Texas Wine and Trail Magazine both offer their own mobile applications.

There are other practical methods of promoting Texas wineries and vineyards without the assistance of the Texas Department of Agriculture or a state wine check-off program. Promoting the interests of local Texas wineries and vineyards can be done so by a private association like the Texas Wine and Grape Growers Association. News and events can be updated and shared on various websites like the Texas Wine Lover, *Texas Wine and Trail Magazine*, among many others. With the advent of social media, wineries and vineyards



The premier website for Texas wine news and information

HOME BLOG SHOP WINERIES VINEYARDS PODCAST BEYOND TEXAS FUN STUFF MORE ABOUT 0 items Search this website

DOWNLOAD THE TX WINE PASSPORT



THE WINE & FOOD FOUNDATION OF TEXAS

do not need to rely on government agencies to market their own brand. Websites like Facebook, Yelp, and TripAdvisor give more power to the individual winery or vineyard to promote their business as they see fit. From their own Facebook page, they can promote their own events and marketing. See examples below.

Messina Hof Grapevine Winery shared Texas Chamber Music Project's photo.
April 14 at 4:25pm · 🌐

Join Messina Hof and the Texas Chamber Music Project on Friday, April 28 for Symphony in the Park! The event is free to the public!
<http://www.messinahof.com/events/post/symphony>



Valley Mills Vineyards shared HonkyTonk Kid BBQ's photo.
April 8 at 8:56pm · 🌐

HonkyTonk Kid BBQ will be serving food at the winery on April 29th during the Sip & Swirl. Come and purchase some BBQ so they will make a regular appearance here.



1851 Vineyards
March 26 at 9:35pm · 🌐

In town March 31-April 2? Check out The Best of Texas Festival and taste some of our wine! We are looking forward to the event.
<http://thebestoftexas.org/#>



The Best of Texas Food and Wine Festival, Fredericksburg Texas

The Best of Texas is much more than just a food and wine event. Local vineyards, breweries, distilleries, retailers, artists, local musicians and gourmet...
THEBESTOFTEXAS.ORG

Landon Winery McKinney
April 1 at 10:43am · 🌐

April Wine Club is here and with that comes two wines that are intended to compliment springtime in Texas.

2016 Dry Orange Muscat
Our Dry Orange Muscat emits aromas of orange blossom, orange peel, and lime giving it a perception of sweetness. Flavors of tangerine, mandarin orange, and lime lead to a dry finish. Pairs with Thai shrimp and Ahi tuna. Take home retail price \$18.95 +tax

2015 Meritage
Our Meritage is a delicious blend of Cabernet Sauvignon, Cabernet Franc, and Merlot. Aromas of plum, earth, and berries on the nose. Deep in color with milky tannins. Flavors of smoke, oak, and berries lead to a long finish. Pairs well with steak and pork. Take home retail price \$20.95 + tax

#LandonWinery #DowntownMcKinney



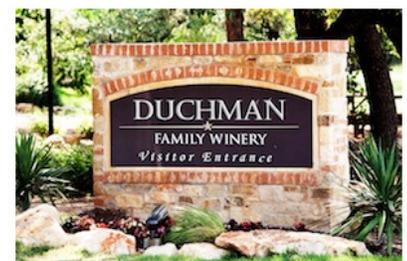
HB 3664 establishes a commodity producers board and authorizes it to establish a state wine check-off program in order to “plan, implement, and operate marketing, promotion, research, and education programs” relating to Texas wine. To carry out this plan, the board will be able to force, pending the outcome of a referendum, vineyard growers and owners of wineries to pay an assessment. As we have shown, the vineyard growers and owners of wineries can already voluntarily contribute their earnings toward the marketing of Texas wine.

Texas is the national leader in increasing prosperity for its citizens. It has arrived at this point because it has relied on the free market model of economic development and protected the rights of its citizens while largely rejecting the government approach. Building upon this approach, Texas should reduce or eliminate current economic development programs, restrain growth in overall government spending and regulation, and reduce taxes. Relying on markets is the best way to promote liberty and boost the economy. ★

Appendix: Additional Examples of Private Wine Industry Marketing



Duchman Family Winery



EVENT CALENDAR

04.28.17



FREDERICKSBURG
FRIDAY TOUR & TASTING
 NEW! Tour and Taste at Messina Hof Mill
 Country Winery! [MORE >](#)

04.29.17



FREDERICKSBURG
SATURDAY TOUR & TASTING
 NEW! Tour and Taste at Messina Hof Mill
 Country Winery! [MORE >](#)

04.30.17



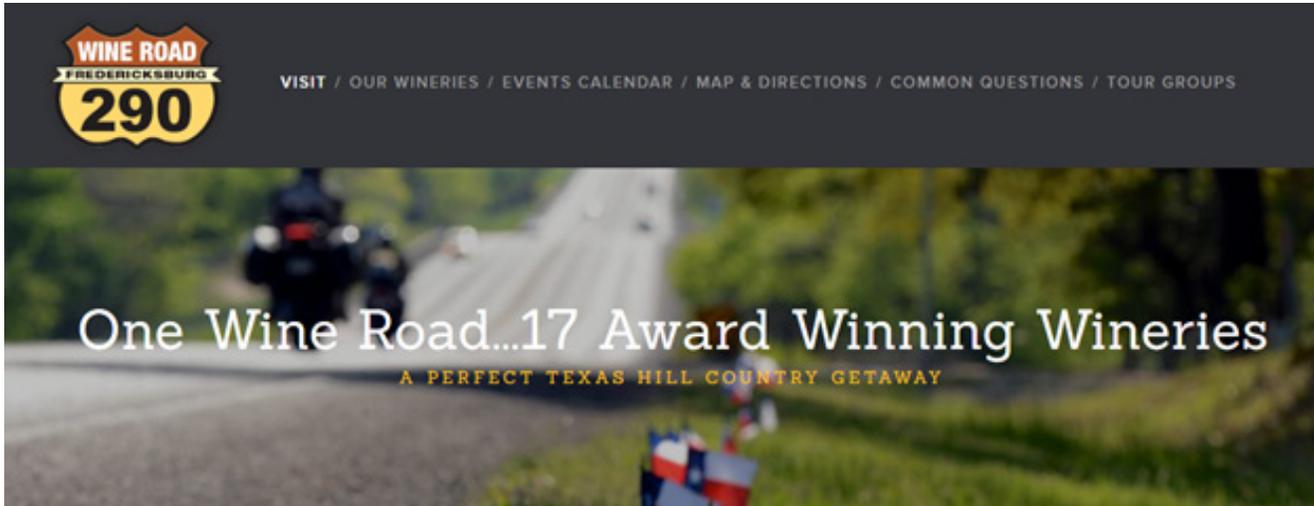
BRYAN
FREDERICKSBURG
GRAPEVINE VIP/WINE CLUB EVENTS
VIP/WINE CLUB MEMBER HAPPY HOUR
 Every Sunday, all Messina Hof VIP & Wine Club members are invited to this complimentary tasting at any Messina Hof

VIEW BY LOCATION

- [View All](#)
- [40th Anniversary Events](#)
- [Bryan](#)
- [Fredericksburg](#)
- [Grapevine](#)
- [Harvest Festival](#)
- [Murder Mystery Dinners](#)
- [Cooking Parties](#)
- [VIP/Wine Club Events](#)

JOIN OUR
Wine Club

continued



TexasMonthly

TRAVEL FOOD TMBBQ POLITICS CULTURE

Best Texas Wines of 2015

A list of the best Texas wines released this year, including the top reds, whites, and rosés you should be tasting right now.

by JESSICA DUPUY | DECEMBER 3, 2015 | 1 COMMENT



PHOTOGRAPHY: MIGUEL LECUONA, BILL PEARY, LAUREL SMYTH, AND MATT MCGINNIS.



**BENDING
BRANCH**
WINERY

HOME VISIT ABOUT US WINE CLUBS EVENTS SHOP

TASTING ROOM
TOURS
BRANCH ON HIGH

[7th Annual Derb](#) [on Saturday, May 6 - Buy tickets here!](#)



ride • taste • relax



Wine Shuttle

FREDERICKSBURG • TEXAS

210-724-7217



**Large Selection of
Texas Wines for Daily
Complimentary Tasting**

[CLICK FOR MORE INFO](#)



In Gruene Historic District




FOODIES AND OENOPHILES
REJOICE!
Cabernet Grill
TEXAS WINE COUNTRY RESTAURANT

About the Authors



Bill Peacock is the vice president of research and director of the Texas Public Policy Foundation's Center for Economic Freedom. He has been with the Foundation since February 2005. Bill has extensive experience in Texas government and policy on a variety of issues including, economic and regulatory policy, natural resources, public finance, and public education. His work has focused on identifying and reducing the harmful effects of regulations on the economy, businesses, and consumers.

Prior to joining the Foundation, Bill served as the Deputy Commissioner for Coastal Resources for Commissioner Jerry Patterson at the Texas General Land Office. Before he worked at the GLO, he was a legislative and media consultant, working with groups like Citizens for a Sound Economy and Putting Children First. Bill also served as the Deputy Assistant Commissioner for Intergovernmental Affairs for Commissioner Rick Perry at the Texas Department of Agriculture, as a legislative aide to Rep. John Culberson in the Texas House of Representatives, and as an analyst for the Texas Senate Committee on Education.

About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

