



# VIEWPOINT

ON PUBLIC POLICY ISSUES

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## **A New Round for the Third Frontier?**

By Marc Kilmer

Is there anything more permanent than a "temporary" government program? Ohio voters may get to decide that if an initiative to extend the Third Frontier corporate welfare program is on the November ballot. Ohioans need to ask, however, if there are any real benefits from the Third Frontier grants, or are future generations being burdened with debt to further the careers of politicians and businessmen?



In 2003, the Third Frontier program was created with a ten-year lifespan. It was aimed at spurring innovation in Ohio through government borrowing money to hand out to high-tech businesses. Many questions remain about the program, though. Is it creating jobs? Do we need the government to stimulate high-tech industries in Ohio? Is it destroying private job creation through unfair competition? Is the massive borrowing worth it?

One thing that is not in question is the current cost of the program. The plan for the Third Frontier is for taxpayers to fund \$500 million in borrowing. That's a huge load of debt that must be repaid at some point in the future. How much will a new Third Frontier program cost the state's future generations?

The proponents of the Third Frontier claim that it has created scores of jobs throughout the state and helped transition the economy towards high-tech jobs. It is certainly true that many high-tech businesses are benefiting from Third Frontier money. But this does not mean that this money was necessary to create a high-tech industry in Ohio.

There are many high-tech companies in Ohio and throughout the nation that are thriving without taking corporate welfare. A Third Frontier grant is not a prerequisite for a successful high-tech business. It was Bill Gates, not a government bureaucrat, who conceived Microsoft. Competition in the

marketplace -- not competition for government largesse -- is how businesses thrive.

While proponents of the Third Frontier love to point to the variety of businesses that have benefited by the use of taxpayer handouts, they fail to mention that these programs may be providing an unlevel playing field that hurts other high-tech companies. For instance, the state is showing an increased willingness to use its broadband capacity (including that developed under the Third Frontier) to compete with private broadband providers. This discourages the growth of these industries and, paradoxically, hurts efforts to deploy broadband to more Ohioans.

There is also the troubling nature of some of the Third Frontier's grants. It is part of the Department of Development, a department that until recently was headed by current Lieutenant Governor and Senate hopeful Lee Fisher. Many grants have gone to politically correct "green" technology initiatives which may be of dubious usefulness but certainly help please the environmental community. And at least \$3 million in grants have gone to help produce ethanol in Ohio. Ethanol, in case you have missed the variety of news coverage on it, is a favorite project of the state's farmers, a powerful voting bloc. Too bad its production poses significant environmental problems and likely contributed significantly to the increase in food prices over the past few years.

As with most corporate welfare schemes, the Third Frontier is sold as a job-creation program. While the job creation aspects are debatable, the high cost imposed on future generations due to borrowing to fund the program is not debatable. Also not debatable is the negative ramifications of many Third Frontier projects. The Third Frontier as it now stands has a ten-year lifespan. It would be a mistake to let this monstrosity live even longer.

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