New Report Shines Light on Ethics & Crony Capitalism in New Mexico

January 28, 2016 – Albuquerque, New Mexico and Washington, D.C. – As New Mexico continues to face economic challenges and ethics violations by state officials, a new report details the causes of crony capitalism in the state and solutions to combat the problem. The report defines crony capitalism as the unhealthy relationship between some private interests and government. Deals are struck that reward winners on the basis of political influence rather than merit.

*Crony Capitalism, Corruption and the Economy in the State of New Mexico* was authored by a team of political scientists from the University of New Mexico led by Professor Michael Rocca, in cooperation with the Committee for Economic Development of The Conference Board (CED), a non-partisan, business-led public policy organization.

The report documents interconnected types of crony capitalism that are prevalent in New Mexico. These include regulatory favoritism, pay-to-play/political coercion, and interest group politics, in which companies gain more from political activity than their own economic activity. All are exacerbated by the disproportionate scope and size of New Mexico’s government and its dependence on federal funds, which exceed any other state in the nation.

"Attracting business to come to New Mexico is important work, and it is important to reward businesses on merit rather than influence. There are clear solutions identified in the report that would go a long way to improve the environment in New Mexico, from requiring greater disclosure of campaign finance and lobbying activity to the establishment of an independent ethics commission," said Ray Smith, Chairman of the Albuquerque Economic Development and President of Klinger Construction.

Additionally, featured throughout the publication are case studies of crony capitalistic behavior and the harm that it’s inflicting on businesses, citizens, and economies all across the state. Both together and separately, tax subsidies, predatory lending, and pay-to-play transactions result in but are not limited to reduced local investment, inflated government spending, and diverted resources from essential public services.

“This study clarifies the challenges and opportunities NM faces as it works to create a climate conducive to business growth, economic development, and job creation. The solutions identified in the report would go a long way to creating stronger local economies,” said Simon Brackley, President and CEO of the Santa Fe Chamber of Commerce.

The report concludes with numerous recommendations that if enacted, would minimize crony capitalism’s reach and lead to a more vibrant state economy and democracy. Among the proposals are the following:

- **Require full disclosure of campaign contributions and lobbying activity.** Doing so would increase oversight and accountability in the government decision-making process.
- **Establish an independent ethics commission.** Such a commission would educate elected officials about the state’s ethics laws to help prevent violations, and address and enforce ethics laws. New Mexico is currently one of seven states without one.
- **Conduct regular and rigorous evaluations of tax subsidy programs.** Elected officials and the public currently lack sufficient information about whether the benefits of current tax subsidy programs outweigh the costs. Items need to be studied often enough to provide policymakers with up-to-date information, while allowed the time to produce thorough, detailed studies.

“Small business owners depend on a transparent state government that provides a level playing field for all to operate. Our state leaders have the opportunity to take action now to create a more transparent, business-friendly environment in our state,” said Raymond Sandoval, President of the Santa Fe Hispanic Chamber of Commerce.

The report can be viewed [here](#), and an executive summary for the business community can be viewed [here](#). The study was produced with support from the Committee for Economic Development, which released a [report](#) on crony capitalism at the national level in October 2015.
About the Committee for Economic Development
Founded in 1942, the Committee for Economic Development of The Conference Board (CED) is a nonprofit, nonpartisan, business–led public policy organization that delivers well–researched analysis and reasoned solutions to our nation’s most critical issues. CED’s work is grounded on seven core principles: sustainable capitalism, long–term economic growth, efficient fiscal and regulatory policy, competitive and open markets, a globally competitive workforce, equal economic opportunity, and nonpartisanship in the nation’s interest. Learn more at www.ced.org.

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