The Hightower LOWDOWN

■ Edited by Jim Hightower and Phillip Frazer ■ Vol. 7 No. 7 ■ July 2005

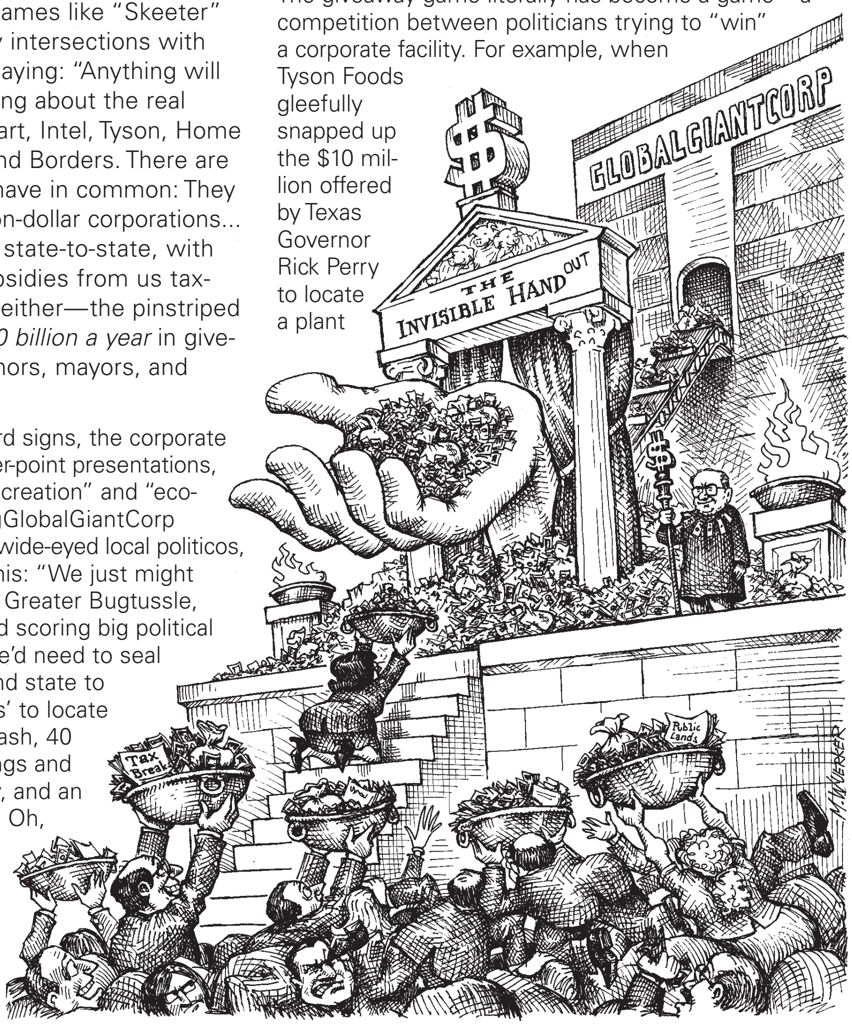
Playing state against state, city against city

The great corporate jobs-for-subsidies con-job

What do you think of bums who come into our towns asking for handouts as though they have some right to expect us to underwrite their existence? I don't mean the poor disheveled souls with street names like "Skeeter" and "Gimpy" standing at busy intersections with handwritten cardboard signs saying: "Anything will help. God Bless." No, I'm talking about the real bums, with names like Wal-Mart, Intel, Tyson, Home Depot, Boeing, Dell, Toyota, and Borders. There are two things that these outfits have in common: They are highly profitable, multibillion-dollar corporations... and they all go town-to-town, state-to-state, with their hands out, bumming subsidies from us taxpayers. It's not spare change, either—the pinstriped bums suck up a whopping *$50 billion a year* in giveaways doled out by our governors, mayors, and other officials.

Rather than tattered cardboard signs, the corporate pitch comes in the form of power-point presentations, using the gobbledygook of "job creation" and "economic growth." When GreatBigGlobalGiantCorp sweeps into town to meet with wide-eyed local politicos, the pitch goes something like this: "We just might build a new facility right here in Greater Bugtussle, creating beaucoup new jobs and scoring big political points for you, Mr. Mayor. All we'd need to seal this sweet deal is for the city and state to give us a few (ahem) 'incentives' to locate here—like, say, a truckload of cash, 40 acres of land, some new buildings and roads, free water and electricity, and an exemption from property taxes. Oh, and by the way, the governor and the mayor up in Recessionville, Ohio, already are promising us all this plus they say they'll personally wash our cars for us once a week if we locate there. But we like the climate and cheap workforce here, so what say y'all come up with a package that makes our hearts go pitty-pat?"

Incredibly, not only does this corporate come-on work, but publicity-seeking politicians all across the country are crawling over each other to be the one who throws the most public money at these hustlers. The giveaway game literally has become a game—a competition between politicians trying to "win" a corporate facility. For example, when Tyson Foods gleefully snapped up the $10 million offered by Texas Governor Rick Perry to locate a plant



THE WRATH OF LEVITICUS

Whoa! The religious extremists are on a white-hot tear, aren't they? From George W's election to Terry Shiavo and to federal judge nominees, such zealots as James Dobson and Pat Robertson are flexing their political muscle, seeking to impose their Republican "Christianity" on all public policy.

They're particularly intent at the moment on "saving marriage." Curiously, this holy crusade includes Rush Limbaugh and Newt Gingrich, two serial divorcers and enthusiastic practitioners of extramarital sex. But it's not divorce that worries these marriage saviors—they're opposing marriage itself... when that union is between gay people. We're doing the will of God, they thunder, pointing to the Holy Word in Leviticus 18:22, which declares homosexuality an "abomination." We are not moral relativists, they cry, but Biblical literalists.

Wait though—the wrath of Leviticus is deep and wide. Chapter 11, verse 10 tells us that eating shellfish is also an abomination. And in 11:6-8, so is touching anything made of pigskin—someone call the NFL! Leviticus 19 says that planting two different crops in the same field is forbidden by God, yet George W's Department of Agriculture openly promotes this abomination, calling it "companion-planting." Let's hope USDA at least insists that those seeds be heterosexual.

Speaking of Bush, he's known to have a hot temper and to burst out occasionally with curse words. Does he know that Leviticus 24:10-16 commands that if a person blasphemes God with curse words, the whole town must come together and stone that person? Wouldn't that put the Secret Service in a Biblical bind?

Extremists who insist that every word of the Bible must be accepted literally can't pick and choose which scriptures must be obeyed. I suspect they spend more

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time thumping the Bible than reading it...much less understanding it.

BUSH'S EVANGELICAL SURPRISE

That political bubble that George W's handlers keep him in has sprung a little leak.

Karl Rove, the handler-in-chief, orchestrates all of Bush's appearances so only loyal supporters are allowed in, assuring that his boy never personally encounters the unpleasant reality that a growing majority of Americans oppose his elitist, autocratic, militaristic policies. By this criteria, Calvin College seemed the perfect venue for a commencement speech by W. Located in GOP-friendly Grand Rapids, Michigan, this small, theologically conservative school's graduation ceremony would seem to offer a picture-perfect audience of adoring fans from Bush's base, the Christian right wing.

Two months ago, Karl bumped Calvin's scheduled graduation speaker and booked Bush in the slot. Imagine Karl and George's shock, then, to be greeted by a full-page letter in the *Grand Rapids Press*, signed by some 800 students, faculty, and alumni protesting Bush's appearance. They pulled no punches: "Your deeds, Mr. President—neglecting the needy to coddle the rich, desecrating the environment, and misleading the country into war—do not exemplify the faith we live by." Some graduating seniors in the audience wore buttons declaring that "God is not a Democrat or a Republican." Some sported bumper stickers on their mortarboards asking, "Who would Jesus bomb?"

What Bush saw in Grand Rapids is a reality that Republicans, Democrats, and the media have ignored: Evangelical Christianity is not a monolith in lockstep with the Bushites. There is a deeply progressive, Biblically based, and rapidly growing evangelical movement that separates itself from Bush. To connect to it, call Sojourners at 800-714-7474.

here rather than in Oklahoma, Perry, who like his predecessor W is a former college cheerleader and dimmer than a burned-out flashlight, gloated about "beating Oklahoma," as though our team had outscored theirs on the gridiron. Corporations, of course, have become real pros at pitting one state's politicians against another's, and they are the only real winners in this rigged game.

The Intel Shell

If you want to see a massive monument to this scam, come to downtown Austin, Texas. In 1999, the politicos and business establishment of my city were giggling with joy and high-fiving each other at a press conference called to announce that they had "won" a glorious new corporate bauble for us. Intel, the world's largest maker of semiconductors, would grace our skyline with a 10-story building to house its new chip-design center, bringing hundreds of new jobs to our fair city. The bait that had hooked Intel, our leaders gloated, was $10.6 million in incentives from us lucky taxpayers.

Less than two years later, the deal soured. Intel honchos announced that Texas taxes on capital equipment were too high for their taste (never mind that corporate taxes are actually next to zilch in our state), so they were backing out, even though they had already pocketed some of our incentives. No gloating politicos attended this announcement. Intel left us taxpayers not with a gleaming structure but an embarrassing eyesore—an unfinished, six-story, concrete skeleton standing starkly on a prime piece of downtown land. Five years later, Intel's shell is still there, surrounded by an eight-foot chain-link fence, topped with three rows of barbed wire and lit up at night by the glare of security lights.

You'll be delighted to know that you get to help bail us out of this embarrassment. The federal government—using your tax dollars—has bought the property from Intel. It will tear down Intel's Insult to Austin and build a courthouse there. At least taxpayers will get something for their money this time.

Meanwhile, Intel has unabashedly moved its shell game down the road, taking the game to a remarkable new level. Even though the corporation admits that it has no actual plans to build a new facility, it has launched a new divide-and-conquer competition among such states as Arizona, New Mexico, and Oregon to see which one will bow the deepest and offer the most in tribute just for the possibility that Intel's ruling lords might sometime in the misty, distant future give them consideration.

Arizona, for example, literally changed its business tax laws this year specifically to suit Intel, should it ever deign to expand there. This special gesture was acknowledged by an Intel functionary who snootily noted that without such corporate-friendly tax laws the state was simply unattractive for corporate expansionists. Not every Arizonan was charmed. "Intel, to me, is one of the biggest culprits of trying to pay no taxes and get something for nothing," says a pro-business state senator who calls such corporate demands "blackmails."

Not to be outdone, Oregon officials jumped into the game with a promise of $579 million in tax breaks should Intel ever choose to smile on their state. And New Mexico has also prostrated itself on the corporate altar by taking on $16 billion in bond debt in order to offer Intel special 30-year tax abatements.

Far from being grateful or even modestly humbled, Intel executives see such sacrificial offerings by governments as their lordly due. Indeed, they are now playing the offshore card, proclaiming that state and local governments must do more for them or they'll haul off to Asia for all future expansion.

The scam

Obviously, the public purse (which is already so strained that most states and cities aren't meeting basic needs in education, health care, infrastructure repair, etc.) should not be tapped to play this game, diverting huge sums of taxpayer dollars to some of the richest corporations on the globe. The giants certainly don't need the money, but here's the carefully kept secret that exposes the incentive game as one of the biggest scams ever pulled: *Corporations do not base their expansion decisions on state and local giveaways.*

It's nothing but a game, created during the past 30 years by corporate interests to convince gullible politicians, the media, and the public that this "pay to play" scam is a legitimate use of public dollars and a central element of corporate decision-making. Nonsense. Corporations decide where they're going to locate based on real business factors. It's after that decision is made that they try to score the taxpayer funds. They whipsaw officials in the state or city of their choice by pretending to be interested in other locations, generating a bidding war to jack up the payola they demand from the place they were going to from the start. It's simply a scam to extract free money from the public.

Paul O'Neill, former CEO of Alcoa and George W's first treasury secretary, put it bluntly: "As a businessman, I never made a decision based on the tax code… If you are giving money away, I will take it. If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements."

Greg LeRoy, a diligent watchdog on these incentive schemes and author of a powerful new book entitled *The Great American Jobs*

Do something!

Greg LeRoy's public-interest group, called Good Jobs First, is a treasure trove of well-documented studies, case histories, articles, court cases, and other material on all aspects of the corporate handout game. Also, GJF has a checklist of action items for stopping the scam, ranging from "clawbacks" (requiring corporations getting subsidies to pay them back if they don't deliver good jobs at good wages) to requiring full disclosure and official votes on any giveaway. In addition, GJF offers advice to local groups battling a particular giveaway or wanting to impose general policies to protect the public interest from such ripoffs of our tax funds.

Contact Good Jobs First, 1311 L Street NW, Washington, DC, 20005/202-626-3780/*www.goodjobsfirst.org*.

Free-enterprise socialism

Attention, class, we're now going to study the new and improved version of "free enterprise."

Let's consider the case of Cabala's Inc. This giant retailer of hunting, fishing, and other outdoor products recently graced the state of Texas with one of its megastores, but only after demanding and receiving a rucksack filled with government subsidies, including $600,000 cash, $36 million in road and construction costs, and $20 million in highway improvements.

What we have here is the giveaway of roughly $57 million of Texas taxpayers' money to an out-of-state corporation to bribe it to come to our state and compete against local businesses that, ironically, are taxed to pay for Cabala's subsidy—a subsidy that will allow the megastore to undercut the prices charged by the locals, thus driving them out of business. Our governor hails this as a triumph of free enterprise.

For its part, Cabala's is unabashed about its dependence on corporate socialism, even declaring in its annual report that grabbing public money is key to its business plan. But while it thrives on government giveaways, the retail chain has added a new twist to the game by demurely declaring that, as a private, for-profit company, its privacy rights would be violated if details about its public subsidy were revealed to...well, the public. Thus Cabala's has sued our state attorney general, claiming that it would suffer "substantial competitive harm" if the terms of its deal with the governor were publicly disclosed.

So, class, let's review: A private corporation is funded by the state to give it a leg up on its local competitors, but it declares that it must be exempt from the state's public disclosure law in order to protect its competitive advantage. Are we clear now on the new definition of "free enterprise?"

Scam, points out that the great bulk of the giveaways are in the form of tax abatements that let corporations dodge paying their share of a community's public services. Yet, he notes, state and local taxes amount to only 0.8% of the average corporation's total cost of doing business. CEOs with IQs above room temperature are not moving to East Jesus based on an incremental change in such a small factor. Rather, they move based on proximity to their market and suppliers, availability of good transportation, labor cost and quality, water availability, educational resources, and quality-of-life issues.

Again, look to my state for an example. Last year, we Texans ponied up $35 million to CITGO, an oil corporation wholly owned by the government of Venezuela. Again, our dim-bulb governor was giddy, admitting that CITGO's honcho had called and asked for taxpayers' money, which he gleefully gave away, claiming that this was the sweetener that prompted the oil giant to transfer its U.S. headquarters and 700 jobs from Tulsa to Houston.

But the guv got duped. CITGO chairman Luis Martin confided to the media afterward that he had already chosen Houston because there is a cluster of energy firms and expertise there, it's closer to CITGO's Gulf Coast customers and refineries, and it's within easy reach of the corporate home in Caracas. A Texas state representative, aghast at this mindless giveaway of state money at a time when our school system is grossly underfunded, said: "The chairman of CITGO said that the company would come to Houston—no matter what. I don't think the leaders of Texas have the right to give millions of dollars to people who don't need it. This is the rich getting richer off somebody else's money."

Jobs, jobs, jobs!

The corporate executives and political henchmen who pull off these heists should have to wear ski masks at their press conferences, but instead they hide behind one little word that they shout incessantly and at full volume: **JOBS!!!** The invariable claim is that this shoveling of public money into corporate coffers is all about helping the working stiffs by bringing a mother lode of new jobs to town.

This is where the scam turns sordid. As documented by LeRoy and others, the suits talk big about jobs, but the promises almost never are put in writing and are rarely fulfilled:

- In Kentucky, state officials bestowed tax credits worth $132 million on Willamette Industries as an incentive to expand its paper mill in Hawesville. Under the terms of the deal, the corporation had to create additional jobs. How many? Fifteen. That's $8.8 million per job! A Willamette exec says that they actually hired 105 new workers. Swell. That brings

CHEVY'S REVOLTING REVOLUTION

Chevrolet's latest multi-million-dollar blitz of TV ads tells us that the newest Chevys are nothing less than "An American Revolution."

Well, you can stick a feather in my cap and call it macaroni, but wrapping your corporation in the red, white, and blue doesn't make it a true-blue Yankee Doodle Dandy. Chevy's "Equinox," for example, is a new SUV featured in the company's star-spangled ad campaign. Chevrolet doesn't want you to know it, but there's not much that's American in the Equinox. It's assembled in Canada, its transmission is made in Japan, and—well, here's something revolutionary —its engine is made in China!

While General Motors has been shutting down its auto plants in Michigan, Maryland, and Ohio, it has been quietly investing more than a billion dollars in joint ventures with China's ruling elite to make cars and car parts there for export back here to the USA. The Equinox engine, made in China through GM's 50-50 joint venture with the Shanghai Automotive Industry Corporation, is produced by the lowest-paid autoworkers in the world. To fatten its profits, GM has entered into this diabolical partnership with a brutal regime that dictatorially represses workers' wages, outlaws independent labor unions, and routinely imprisons those who complain, protest, or try to organize.

GM seems shy about this Chinese connection, however, for the automaker doesn't bother to mention Equinox's Chinese engine in any of its extensive promotional material. Also, if you check under the hood, you won't find a made-in-China sticker on the engine itself. Indeed, it's been reported that at some auto shows, GM has even been removing the country-of-origin labels from the windows of its vehicles, in apparent violation of the American Automotive Labeling Act.

The LOWDOWN

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it down to $1.26 million per job.

- In 2003, Boeing set off a bidding frenzy when it announced it would build a $500-million factory somewhere. Forty cities and states came bearing sweet packages to try to "win" the 1,500 jobs Boeing was promising. The top bid came from Seattle, where the city and state offered $3.2 *billion* in subsidies. Hello! That's more than $2 million for each job. Even spread over the 20-year term of the deal, taxpayers were putting up $100,000 a year per job—way more than any worker would ever get.
- MLT, a subsidiary of Northwest Airlines, announced in 1999 that it would open a 600-job call center in Minot, North Dakota, after accepting $10.7 million in subsidies. Barely two years later, after having consumed the subsidy (even though it had employed only 400 people), MLT said it was cutting 20% of its Minot workforce. A state audit found that officials had no documentation of how many jobs MLT actually created. It was later learned that jobs subsidized by Minot's economic incentive scheme paid 25% less than the average wage in the area. When the public was given a chance to extend the subsidy program, 68% of Minot voters rejected it.
- After a Massachusetts incentive program waived $43 million in state taxes to entice corporations to add jobs, a 2002 report found that a third of the corporations had not bothered to file annual reports on whether they were really creating the promised jobs. That's just as well, because the economic development agency had not monitored the progress of corporations that did file. Worse, when Fall River officials tried to cancel the tax breaks of 10 companies that failed to meet their obligations, the state agency blocked the city's action. "They told us they didn't care that these companies didn't meet their job creation goals," Fall River's mayor said in disgust.

Study after study has been done on these giveaways, and the overwhelming conclusion is that they create neither jobs nor economic growth, with the clear winner being the corporations that pocket the one tangible benefit that incentive programs deliver: taxpayer cash. The Council of State Governments, for example, analyzed academic studies and concluded that there is "no statistical evidence that business incentives actually create jobs." At this year's National Governors Association meeting, economist Robert Lynch, who has studied corporate incentives extensively, said, "My research over 20 years says they're not effective. States that give up the most in incentives don't have more firms relocating than any other state."

Then there's the "Mississippi Test." If incentives are such engines of economic growth, why are states like Mississippi—which is an aggressive player in the giveaway game—still…well, Mississippi? After decades of enriching corporate saviors, it still dwells at the bottom of state rankings in jobs, wages, health care, education, and other measures of economic well-being. Likewise, my own great state, Texas, which has thrown around incentive money like it's confetti and held more corporate ribbon cuttings and photo ops than any other state, remains stuck on the bottom rungs of those same state rankings.

Corporatists

As a former comptroller of New York State said, "State economic development would improve when the number of ribbon-cutting events declines." But governors and mayors of both parties have shown themselves to be corporatists, more interested in the *appearance* of economic development than in the real thing. Better to get the big splash of publicity that comes with a brand-name corporate "win"—even if it won't really create jobs, much less well-paying jobs; even if it taxes local businesses to pay for a deep-pocket competitor to enter their market; even if it shifts the tax burden from the corporate elite to the rest of us; even if it means that government officials are deliberately distorting the marketplace and choosing economic winners; even if it squeezes out independent, grassroots business, which is the real job and growth creator; and even if it diverts public budgets from our real needs into the coffers of global giants.

Real economic development comes not with a splash, but from the steady drip, drip, drip of grassroots investment that matters: Top-quality schools, job training, good wages, a health-care system that works for all, small-business loans, good transportation systems, a fair tax system, clean air and water, public parks, and libraries. Even the staid *Wall Street Journal* has opined against "the handout game," saying that political leaders "ought to attend to competitiveness by maximizing the appeal of their jurisdiction to every kind of enterprise, not just those with a big snout."

UNITED STIFFS RETIREES AND TAXPAYERS

Only a few weeks ago, George W and Congress teamed up with big banking lobbyists to slam hard-hit working folks by shutting off their access to bankruptcy protection. "Take personal responsibility," scolded politicians of both parties. "You made the debt, you have to pay it, even if it drives your family into the poor house," they piously admonished.

So where is the moral piety of these politicos now that United Airlines has simply walked away from its financial responsibility for the retirement of tens of thousands of its employees? Retirement benefits are not a "gift" to employees, but a part of their agreed-to compensation.

Nonetheless, United's top honchos wail that if they honor this debt, the airline and its workers will all be in the poorhouse. United has taken advantage of our nation's bankruptcy laws to terminate its retirement plans, creating the largest pension default in U.S. history.

Not only has the corporation stiffed its workers, many of whom will now see drastic cuts in their retirement income, but it has also dumped $3.2 billion of its pension obligations onto the federal agency that guarantees pensions. Yes, this means that we taxpayers have to pick up United's load.

One pension not in danger is the fat one going to United?s CEO.

HOLD THE MAIL

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