

Questioning Corporate Subsidies: A Rebellion Begins to Take Hold

When the other side's public relations firm begins to sing your praises, you know you're making a difference.

After Wyoming's Equality State Policy Center exposed the link between corporate subsidies and the state's budget shortfalls, Venture Management International sounded the alarm over "a new phenomenon: well organized and well funded professional opposition with staying power and conviction." (See related article, page 3.)

Wyoming organizers aren't the only ones sending tremors through corporate boardrooms. With the support of several research and strategy centers, the groundswell is growing against state and local corporate subsidies.

Progressives and some populist conservatives in dozens of states are increasingly winning media attention and legislative scrutiny of tax breaks. Created in leaner times as an economic incentive to lure jobs to localities that needed them, these subsidies are little more than sacred cows in today's labor-scarce economy.

The price tag nationwide is \$15 billion a year in lost state and local tax revenue, according to a study by Kenneth Thomas of the University of Missouri at St. Louis, reported in the *Chicago Tribune* (March 14, 2000). The *Tribune* contrasted this figure with the \$10 billion a year lost in federal revenue to corporate tax shelters and offshore tax havens.

Business Climate Does a Headstand

Greg Leroy of Good Jobs First told the *Tribune* "The business climate debate has been turned on its head. Today, capital is plentiful, but skilled labor is not. This imbalance is a strong argument for a massive reallocation of economic development resources away from corporate income tax credits and property tax abatements and toward workforce development."

Good Jobs First and the Center for Comprehensive Corporate Research (see sidebar, next page), are two national resources for local organizing campaigns to remedy this practice that helps to bleed local services dry. Strategies include

attaching job-quality strings to tax break handouts; requiring audits to compare real-life results to corporate promises; and reclaiming cash when those promises are broken.

Organizers in Maine conducted a study to compare the dollars paid to workers at subsidized companies to the locally-determined living wage. They found that 63% of these corporations paid some of their workers less than a living wage, and that 48% of the \$47 million in hand outs went to such companies.

In Vermont, the legislature directed the state auditor to check out the cozy, politically appointed panel that's given away over \$65 million worth of financial incentives to corporations. The auditor immediately became ensnarled in red tape meant to thwart his pursuit of the public interest.

A New York comptroller's report, critical of revenue-draining and arguably unnecessary "economic development" subsidies, has also become a political hot potato.

Questioning Insatiable Demands

With the public sector in many cases owned and controlled by private interests, it's nothing short of rebellion to question the insatiable demands of the profit-seekers. As one local official told the *Tribune*, "I've yet to find a single person in this county who thinks inducements are a good thing. I don't think they are. But you have to do it if you want to be in the economic development game."

That game is starting to turn into a scrappy schoolyard fight, however, as some traditional conservatives are taking sides with long-time progressive protesters. The *Tribune* article profiles a Republican county commissioner in booming suburban North Carolina: Coy Privette, a retired Baptist preacher and former state legislator.

In a situation echoing Wyoming's, Privette reported, "They needed \$50 million for schools, and the county was giving away \$50 million in incentives." Not only did local lawmakers try to plug the gap with a sales tax, but, as Privette told the *Tribune*, "For four straight years our Republican County Commission raised property taxes even

by Holly Pruett



State and local tax breaks for corporations cost \$15 billion annually in lost revenues for schools and other community infrastructure

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though economic growth ought to mean lower taxes.”

The lone dissenter in a recent vote to lavish \$66.5 million in tax breaks on Corning, Inc. (which enjoyed \$4.4 billion in sales last year, rewarded by a quadrupling in its stock price), Privette concluded “They’re not paying us taxes to help us educate their future workers. This is nothing but corporate welfare.”

In an age where political double-speak turns the nastiest wolf into a sheep, organizers have learned

that the term “corporate welfare” means little to the public. For many, it conjures up a welcome picture of corporate well-being, a healthy economy, good times for all.

But as Coy Privette and the folks in Wyoming prove, once you start talking about corporate subsidies — and pointing out the cost to the middle and working class in the services they need and care about — you can get all sorts of people riled up.



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Using the Center for Comprehensive Corporate Research

The Center for Comprehensive Corporate Research assists campaigns for economic and environmental justice by providing research and analysis on the corporations that such campaigns target. The Center takes on research projects itself but also trains organizers in research techniques, emphasizing sources that can be accessed for free on the Internet.

Examples of the type of information CCCR can help assemble and how it can be used to gain leverage against corporate targets:

- By obtaining a list of a publicly traded company’s largest institutional shareholders, organizers can identify public pension funds or university endowments that might be enlisted as allies — or targeted for pressure — to press a corporation to change its behavior.
- Checking out the other affiliations of a company’s top executives or directors can reveal a link to a well-known corporate malefactor. This could be turned into an issue that puts the company on the defensive.
- Digging into the compliance record of a large corporation in other parts of the country can provide evidence of insufficient attention to environmental matters. This could be decisive in defeating permit applications for a controversial local project.
- Assembling information about the poor job creation record of a company can be decisive in opposing an unwarranted request by the firm for government subsidies or tax relief.
- Gathering data showing that a company is receiving government contracts can help pressure public officials to take action against the firm’s violations of labor laws.

CCCR was created by these regional community-organizing support centers to provide no-cost assistance to their affiliates around the country: Midwest States Center, Northeast Action, Northwest Federation of Community Organizations, Southern Organizing Co-Operative, Western Organization of Resource Councils, and Western States Center.