

Some say ‘incentives,’ others call them ‘bribes’

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Published: January 31, 2011 at 8:20 pm

Like many public-private partnerships, the Arizona Commerce Authority will be responsible not only for attracting new businesses, but also for doling out incentives.

The centerpiece of that program is a \$25 million “deal-closing fund” that Gov. Jan Brewer wants under ACA control.

The fund would pay for infrastructure, such as roads and sewers, which will assist new businesses setting up in Arizona.

Some are resentful that states are now forced to provide incentives simply to compete with their peers.

Byron Schlomach, of the conservative-libertarian Goldwater Institute, said incentives are essentially bribes. Some companies, he said, won’t even consider a new location unless some kind of inducement is available.

“They’re basically shaking down politicians all over the country, trying to figure out what kind of deal they can get,” Schlomach said.

Others say the incentives many states use to lure new companies ignore the needs of businesses already in the state, especially small businesses, while paying their competition to move in next door.

Farrell Quinlan, who heads up the Arizona chapter of the National Federation of Independent Business, said the small businesses he represents don’t want incentives. They want low taxes and fewer regulations.

“What small businesses are looking for mostly is not a handout from government,” Quinlan said. “They’re looking for government to get out of the way.”

But others, such as John Boyd, who runs The Boyd Company, a management consulting firm in Princeton, N.J., said incentives have become a “necessary evil.” When businesses are looking to relocate, Boyd said, they don’t choose the list of their top 100 potential sites based on incentives. But once they narrow the list to two or three places, incentives come into play.

“Incentives are fundamental now. They’re a fundamental part of the economic message. Companies expect incentives,” said Boyd, whose company helps businesses with their site-selection process. “If one state doesn’t do it, the other states are doing it, and they’re at a competitive disadvantage.”

Some say quasi-private economic development agencies focus too heavily on what is called elephant hunting — attracting big-name companies that will bring a lot of jobs —

instead of fostering small-business growth that is just as important, but less worthy of press conferences and grand announcements.

“They’re not interested in bringing in five jobs,” said Morton Marcus, who taught economics at Indiana University for 33 years.

But when big companies move in and open their doors, Schlomach said, economic development agencies, and the incentives used to sweeten the deal, allow governors and other politicians to take credit.

“At the end of the day,” Schlomach said, “this is a ribbon-cutting fund more than anything else.”