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## Changing the law won't fix Indiana's reputation



John Pletz on Tech

It took Gov. Mike Pence just a few days to undo a decade of progress in building Indiana's reputation as one of the nation's most business-friendly states. Pence attempted some [damage control](#) today with a hastily called news conference in which he said he and legislators will try to clarify the "religious freedom" law enacted last week to make clear that it doesn't give businesses the right to discriminate. But even if the legislature repeals the law, it may be too late to help anytime soon.



"Whether or not this can be corrected, to the point it will eliminate damage done, I would guess no," said Michael "Mickey" Maurer, a prominent Indianapolis business owner who led the state's economic-development agency a decade ago under former Gov. Mitch Daniels. "I think it can mitigate, but I think much of the damage that is done will be permanent, which

I would define as over half a dozen years."

The crisis gives Illinois a golden opportunity to reset its own reputation as a place to do business, which has been battered, largely by Indiana as it attempted to lure companies to [jump the](#)

[border](#). The recent decline in Illinois' income tax rates took away one of Indiana's most potent weapons. The backlash over the Indiana law gives Illinois more ammunition.

“This has been a disaster for (Indiana) and its economic-development efforts,” said John Boyd, a principal at the Boyd Co., a corporate relocation firm based in Princeton, N.J. “It would be malfeasance for (Illinois) not to use this. Economic development—we liken it to the second war among the states—that's how competitive it is.”

### **Thinkstock Fallout from the state's new "religious freedom" law gives Illinois a big opportunity. But will Rauner take it?**

While Chicago Mayor [Rahm Emanuel wasted no time in launching a recruiting drive for Indiana businesses](#), Gov. Bruce Rauner is holding his fire.

Rauner was asked about Indiana's woes Sunday night in Peoria. “I've read a bit about it," he said. "I have to say I'm troubled by what I read, but I would have to learn more before I can really comment.”

“Governor Rauner . . . has no social agenda and is focused completely on his Turnaround Agenda, which will make Illinois more competitive for job creators and empower local voters to control their property taxes,” spokeswoman Catherine Kelly said in an emailed statement.

Pence's woes present an awkward situation for [Rauner, who openly praised Indiana and especially Daniels](#) for its fiscal and economic-development agendas. Like Daniels, however, Rauner is a moderate on social issues who says they are not a priority for him in office.

### **OUTRAGE FLOWED**

Pence, a former congressman [who has made no secret of his yearning for national office](#), showed no such caution.

Last week, he signed the Religious Freedom and Restoration Act despite complaints that the law would encourage discrimination against gay people. Then he followed it up with an appearance on ABC's Sunday morning talk show with George Stephanopoulos in which he refused to assure critics that Indiana would not tolerate discrimination against lesbian, gay and transgender citizens.

Outrage flowed from Silicon Valley to Pence's backyard as CEOs from [Apple's Tim Cook](#) to Bill Oesterle of Angie's List decried the law. Fairly or not, Indiana quickly became viewed as the poster child for intolerance.

Marc Benioff, CEO of Salesforce.com, which acquired Indianapolis-based email marketer Exact Target two years ago for \$2.7 billion, suspended customer and employee travel to Indiana.

But it was [Oesterle's comments over the weekend](#) that signaled more serious problems. He said Angie's List, which employs nearly 2,000 people in Indianapolis, was putting on hold a \$40 million expansion that would redevelop an industrial site and add 1,000 jobs. Oesterle is no liberal dot-com CEO. He was chairman of Daniels' first campaign.

The other shoe dropped this morning when the Indianapolis Star, hardly a defender of liberalism, blasted the law with a rare [front-page editorial that screamed, "Fix This Now,"](#) in giant type and prompted headlines nationwide.

By the time Pence acknowledged the obvious—"we have a perception problem"—and started a mea culpa campaign, the damage was done.

### **COSTLY MISSTEP**

The misstep is particularly costly when you consider that Indiana, even more than Chicago, has been seen as flyover country when it comes to technology companies. Exact Target and Angie's List both went public, a rare thing in Indianapolis.

For tech companies, their most precious asset is talent, which is notoriously fickle and mobile. Before Pence signed the bill last week, Benioff publicly warned him against it, saying via Twitter that Salesforce would "dramatically reduce its investment in the state."

That only sweetens the opportunity for Illinois.

"Indiana's big target industry is technology," says Boyd, whose firm advises companies about corporate relocations. "It's no secret their operating costs are lower than Illinois, but this is the type of issue that trumps operating costs. Companies like Salesforce need talent.

"Illinois is benefiting from not only (the comments by) Tim Cook and other CEOs, but also the pundit class. It's getting hundreds of millions of dollars of valuable PR over this nightmare."

### **TIMING AND CONTEXT**

Pence says the law is aimed at protecting Indiana residents from government action that violates their religious beliefs. In an opinion essay in the [Wall Street Journal](#) today, Pence said the law is needed as protection against provisions of the health care overhaul, such as the requirement that insurance coverage provide contraception.

The law passed by Indiana is broader than one passed in Illinois and other states in 1998. Those earlier laws were directed at governmental interference with religious practice. But the Indiana law says that it applies "regardless of whether the state or any other governmental entity is a party to the proceeding."

Equally significant are the differences in timing and context.