

Go Local & Prosper

Examining true indicators of success and failure.



Recent arguments in Lane County about the value of using tax abatements for business promotion have overlooked a key question: Even if the incentives work, on what kinds of businesses should they be focused? A growing body of evidence suggests that county officials, long infatuated with attracting big outside businesses, should instead focus inward.

Much has been made of the recent report of two UO undergrads who estimated that the \$49 million tax break to Hynix Semiconductor, even though it produced fewer jobs than promised, generated some \$225 million in local economic benefits. But they asked the wrong question. Simply dropping \$49 million in dollar bills from a helicopter over downtown Eugene, like any economic stimulus, would probably produce similarly impressive benefits.

The real question is what kinds of businesses will produce the most benefits per dollar of public investment, and here the data are unequivocal against outside recruitment. A recent study in Austin, Texas, found that for every \$100 spent at a nonlocal Borders bookstore, \$13 is recirculated into the local economy. For every \$100 spent at a local bookstore, \$45 was re-spent locally — nearly triple the economic impact, and roughly triple the tax benefits for the public sector.

These findings are not unusual. Studies in places as different as Cape Cod and the U.K. have come to the same conclusion. And the reasons are easy to understand. Local businesses are more likely to hire local residents, more likely to pay higher wages, more likely to buy local inputs, more likely to spend advertising dollars locally, and more likely to be good community citizens.

When I debated these issues last month with Jack Roberts, head of the Lane Metro Partnership (www.lanemetro.com), I asked him to cite a single study, any evidence whatsoever, that nonlocal business performed as well for an economy as a locally owned business. He could not.

In fact, his record in Lane County underscores the relatively poor performance of outside business. A recent series of articles last August in *The Register-Guard* analyzing enterprise zones found that a given dollar amount of tax abatement for local business produced 15 times more jobs than the same tax abatement for nonlocal business. And that doesn't even include the higher multiplier and tax impacts of local business.

Put another way, had the \$49 million tax break given to Hynix instead gone to locally owned business, the regional benefit might have been not \$225 million, but well over \$1 billion.

Roberts defends his outside recruitments, even those that went sour such as Sony, by saying that the companies were unlucky victims of fluctuations in the business cycle over the past year. But shutdowns during the inevitable ups and downs of business are an *inherent* problem of nonlocal business. Businesses not rooted to place are always searching for the highest rate of return, which means they will be quick to close or move a factory when things gets tough.

A local business, in contrast, usually only wants a positive rate of return, and its threshold for quitting the community is much higher. This explains why, over a generation, big companies come and go but home-grown ones usually stick around.

The only coherent reason Roberts gives for preferring nonlocal business is that they pay higher wages. And it's true that if one takes a momentary snapshot of U.S. business, large firms pay slightly more than small ones. But it's becoming less true as Wal-Marts and other nonlocal box stores fine-tune a business model based on part-time, minimum-wage, no-benefits work. Moreover, studies by the U.S. Small Business Administration have shown that over several years as small firms succeed and grow the wage differentials disappear entirely.

It's unfair, of course, to lay these mistakes on Jack Roberts. He's just following the old industrial snake oil brewed by a generation of globalization-minded economic planners. Foolishness in Oregon's economic development is a thoroughly bipartisan affair. Even Gov. Kulongoski, a Democrat, brags about his record of bringing new businesses to the state — a record that, given the relative neglect of homegrown businesses, is actually an indicator of failure. Every time he beams about attracting wind-power manufacturers from out of state, someone needs to remind him that Oregonians are perfectly well equipped to start these businesses themselves.

Both Lane County and the state of Oregon need to refocus their business support on locally owned firms. Not a single dollar of subsidy whether for tax abatements, bond issues, loans, loan guarantees, or capital improvements should go to a nonlocal business. Dump the recruitment game altogether. This doesn't mean that outside firms should be discouraged from coming to Oregon. To the contrary, welcome them, throw them parades but just stop paying their way to the detriment of the hometown players.

Meanwhile, scarce public dollars should be used to help local entrepreneurs with technical assistance, market studies, and new sources of capital. A recent study from the UO highlighted, for example, that the sustainability sector in Lane County produces more than \$60 million for the local economy. With proper government support, this sector — including green building, natural foods growing and processing, eco-industries, biofuels and biochemicals, solar energy production, and waste recycling — could be the prime source of future business and job growth.

As an ancient Chinese philosopher once said, no matter how far down the wrong path you have gone, turn back!

Michael H. Shuman is the director of Community Ventures in Washington, D.C., and author of Going Local: Creating Self-Reliant Communities in a Global Age.

You may say it's just a film, and different than the books anyway. But what saddens me the most is how few people can recognize it for what it is. All the chaotic violence, internal squabbling, and negative energy is portrayed as "noble and good," even though it is only a lesser shade of the darkness represented by the demons and orcs. We have become lost as a society when this decay is so omnipresent that few people anymore can discern a meaningful difference between good and evil. We can't look to traditional authority figures to teach us, because they have shown they are just as clueless. In a nutshell, are we doomed to destroy ourselves?

David A. Caruso
Eugene

STINKING SHIP

Hmmm, three straight days of front page headlines about mad cow. You've got to admit, it's more than a little ironic that the so-called "animal rights wackos" that Rush and his ilk love to deride, could have saved the meat "industry" all the financial hardship that is crashing down around them now. You see, the "wackos" have been trying for years to end Big Meat's brutal practice of dragging or bulldozing downers (animals too sick or injured to stand) across asphalt so they can be slaughtered for profit, rather than allowing them to be euthanized humanely. No go — thanks to soulless meat industry lobbyists and their prey — weak-kneed legislators.

Now Big Meat's apologists, and the Bush administration's pathetic USDA, are scrambling to tell us that contrary to popular belief,

we *don't* reap what we sow — everything is just fine. Think Big Meat's pig and poultry operations are any more sanely or humanely operated? One look at The Humane Farming Association's website (www.hfa.org), and you'll realize were not in Dorothy's Kansas anymore.

The good news is that you can walk away from Big Meat's stinking, sinking ship. Not only can we choose from an amazing array of great non-meat, high protein products that taste good. For a buck or two more, we can buy organic and free-range meat, poultry, and dairy products. As always, we Americans have a choice, one of which we alone are accountable for.

Robert Hermann
Eugene

SADDAM: BFD

So they finally captured Saddam Hussein — defeated, unkempt, and hiding in a hole — hardly a threat to the world. Yet now since he is captured, we are heroes, the Iraq war was justified, and a good thing. The media even quotes Shakespeare, saying: "All's well that ends well." Whatever.

So how obvious does it have to get? Within hours of his capture the "liberal" media spins this event to strengthen George Jr.'s re-selection campaign.

Never mind that Hussein's secular regime had nothing to do with Al Qaeda, Osama Bin Laden, or Sept. 11, 2001. Never mind that Iraq's weapons of mass destruction were destroyed in the 1990's, their destruction proven, and that the U.S. provided them in

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