

Project X – how low-information can you go?

By Leslee Kulba – May 11, 2013

Project X. That was the name of the death ray in Atlas Shrugged. The sci-fi novel takes place in an age when the State Science Institute, like everything else, is overrun by kiss-up appointees who only care about their own career advancement. To make a long story short, a power struggle is reduced to physical violence in which levers are accidentally tripped, resulting in widespread decimation. Is that the same Project X for which the Buncombe County Commissioners have suddenly called a public hearing next Tuesday?

Probably.

May 14, at the same time Asheville City Council will be meeting, the Buncombe County Commissioners will invite the public to comment on proposed economic development incentives for one Project X. County staff has indicated the name of the company that will be receiving the corporate welfare will likely not be revealed until sometime in June.

What has been revealed is that the county intends to grant, from its general fund, cash awards totaling \$2.68 million over a ten-year period. In exchange, Project X is to invest \$126 million in the community and create 52 new fulltime jobs with an approximate average salary of \$40,000. But that's not all.

The county intends to spend \$1.075 million to purchase property for Facility B. Site prep and closing costs will run around \$3.5 million. With an estimated FMV of \$4.9 million, Facility B will be given to Project X in exchange for Facility A, currently valued at \$1.55 million. After investing another \$10.6 million in site improvements, the county will lease Facility A to Project X.

Tallied up, the county is risking almost \$18 million in taxpayer dollars, plus debt service, on this manufacturer. That's a drop in the bucket for a \$30 billion budget. The average taxpayer might only pay \$10 or 20 a year in alms for this business. But they're also paying a few Alexander Hamilton's for Linamar, Plasticard Locktech, New Belgium, and a few other companies hand-selected by government for corporate welfare. Anybody but the most jaded of free-marketeers should jump with glee for the subsidies, in light of the proposed 5.34-cent property tax increase on top of any adverse reval decisions.

It is only a greedy manufacturer who would complain that government subsidies to his competitor are pushing him, and those he employs, out of the market. Experience has shown it is the role of government to talk about supporting small businesses while making decisions that bankrupt the little guy to pad the pockets of “multinational” corporations.

Last week, an article in the Tribune discussed failures in government welfare programs to address the needs of the indigent, those who fraudulently claim to be indigent, and those who lack the social skills to resist codependent control freaks who thrive off of holding them down. To the list of needy personhoods, we can add large corporations, and the quote from Lord Peter Bauer will still apply. “If the mainsprings of development are present, material progress will occur even without . . . aid. If they are absent, it will not occur even with aid.”

The John Locke Foundation’s Director of Fiscal Policies Sarah Curry thought it would be nearly impossible to compare the health of private companies to those receiving government aid, simply because the books of private corporations are not open for government inspection. On top of that, annual reports for bad companies are so full of euphemisms, sometimes a business must go under before the truth comes out. Even so, Solyndra, and closer to home, Dell and the Randy Parton Theatre, are poster children for public-private partnerships trusting too much in the build-it-and-they-will-come model.

Doug Bandow, a senior fellow at the Cato Institute, asks how many government welfare recipients “graduate.” One might view companies who recur on public agendas requesting aid in terms of recidivism, if it weren’t for underlying progressive notions that dependence on government welfare is a good thing. Besides, as the teen who experiments with addictive substances whines, “Everybody’s doing it!”

Rep. John Szoka from Fayetteville, who used to work for the military identifying cost-cutting strategies, has compared what the state collects in corporate income taxes and what it spends on corporate welfare, and found the amounts almost equal. A 2011 computer modeling study by the Beacon Hill Institute at Suffolk University determined tax cuts would create thousands of jobs and cause more than \$1 billion to be invested by new businesses. What’s more, the jobs created would have more stability.

A fatal flaw prevalent in many government analyses is failure to look at the supply side. When government creates jobs, it collects their pay from mom and pop in the private sector who, thanks to taxes, might not be able to justify hiring a new hand again this year. In self-incrimination, governments boast about new businesses expanding the tax base. Well, if government weren’t a for-profit entity, the cost of building roads and staffing schools and police squads should be balanced by the new revenues. Unfortunately, as any gambler knows, the house always wins.