GOOD JOBS FIRST

1616 P Street, NW Suite 210
Washington, DC 20036
(202) 232-1616
www.goodjobsfirst.org

Contact: Greg LeRoy (202) 232-1616 ext. 211

How to Cool the Economic War Among the States

Study: States Waste Billions Luring Jobs from Each Other

Washington, DC, January 24, 2013—State and local governments waste billions of dollars each year on economic development subsidies given to companies for moving existing jobs from one state to another rather than focusing on the creation of truly new positions, according to a study released today by Good Jobs First, a non-profit, non-partisan research center based in Washington, DC. The report, entitled *The Job-Creation Shell Game*, is available at www.goodjobsfirst.org/shellgame.

"What was long ago dubbed a Second War Between the States is, unfortunately, raging again in many parts of the country," said Greg LeRoy, executive director of Good Jobs First and principal author of the report. "The result is a vast waste of taxpayer funds, paying for the geographic reshuffling of existing jobs rather than new business activity. By pretending that these jobs are new, public officials and the recipient companies engage in what amounts to interstate job fraud."

Interstate job piracy is not a fruitful strategy for economic growth, LeRoy noted: "The costs are high and the benefits are low, since a tiny number of companies get huge subsidies for moving what amounts to an insignificant number of jobs." LeRoy added: "The flip side is job blackmail: the availability of relocation subsidies makes it possible for companies that have no intention of moving to extract payoffs from their home states to stay put."

Summarizing studies demonstrating that interstate job relocations have microscopic effects on state economies, the report reviews the history of economic competition among the states and presents eight case studies of those areas of the country where job piracy is currently most pronounced. Highlights include:

- In the Kansas City metro area, companies have been getting eight-figure subsidy packages to move from the Missouri side to Kansas, or vice versa.

- In Texas, the “deal-closing” Texas Enterprise Fund as well as a privately financed marketing group called TexasOne are used to brazenly lure companies from many states, including California.

- New Jersey has doubled down on both job piracy and job blackmail payoffs, continuing to lure firms from New York City—many of them Wall Street firms that were likely to come anyway.

- Georgia, which we rename the Poach State, stunned officials in Ohio when it successfully lured the headquarters of NCR from Dayton, where the company had been based for 125 years.

- Tennessee embodies all the policy contradictions. Its largest city, Memphis, is frequently the victim of poaching by bordering Mississippi, yet Tennessee created a whole new subsidy program to lure the North American headquarters of Nissan from southern California.

- The booming Charlotte region has job growth most states would die for. Yet instead of managing their growth, the 16 counties in North Carolina and South Carolina routinely poach jobs from each other, using both state and local subsidies.

- Rhode Island has long pirated jobs from Massachusetts, but when it gave a very large package to lure video game maker 38 Studios, founded by retired Boston Red Sox star Curt Schilling, the deal soon blew up and criminal prosecutions are now under way.

- Huge job blackmail subsidies have left many taxpayers bitter in states such as Illinois and Ohio, and Sears Holding Corp. has continued to shed jobs despite getting a second nine-figure retention deal from Illinois.

To cool these job wars, the report recommends that states demonetize interstate job fraud. That is, the states should stop subsidizing companies for existing jobs that are treated as “new” simply because their location has changed.

The study reveals that the vast majority of states already know how to do this: *four-fifths of the states already refuse to pay for intrastate job relocations.* For at least one and sometimes most of their major incentive programs, 40 states disallow subsidies for existing jobs that are merely being moved within their own borders.

The report also recommends that states end their business recruitment activities that are explicitly designed to pirate existing jobs from other states. It also suggests a modest role for the federal government: reserving a small portion of its economic development aid for those states that amend their incentive codes to make existing jobs ineligible for subsidies and certify that they no longer engage in raiding.

-30-