★ Chapter 8 ★

Shifting the Burden

There is a mountain of evidence, from national statistics and from individual states, that over the past 25 years corporations—especially big ones—are getting lower tax rates and paying a smaller share of the cost for public services, shifting the burden onto everyone else. The evidence on income taxes is especially disturbing: data from many states now show that a lot of big companies are paying zero state income taxes, or only tiny minimum taxes.

The evidence comes from government studies of state revenue and corporate expenses, from academics creating financial models of subsidized companies, from taxpayer watchdog groups, from studies of large publicly traded companies—even from a few angry governors and state treasurers. Experts analyzing this data conclude that tax breaks enacted in the name of jobs are a major culprit, along with surging corporate use of loopholes like Delaware Passive Investment Companies.

First, the national evidence. The Congressional Research Service (CRS)—a nonpartisan body that works exclusively for members of Congress—tracks the long-term trend in state and local corporate taxes for all domestic companies except banks and other financial institutions. It reports that the effective corporate rate for all state and local taxes—income, property, sales, excise, and utility taxes, and so on—has declined sharply over the past two decades. Specifically, the CRS found that in the 1980s, companies paid an average of 6.93 percent of their profits in all state and local taxes. In the 1990s, the average rate was 5.12 percent, and by 2002, the last year studied, the rate had declined to just 4.99 percent. That's an overall rate decline of 28 percent.[1]

And why are corporations paying less? "Perhaps the most obvious explanation is the tax competition among states to attract business," the CRS concludes. It specifically cites Single Sales Factor as an example.

More evidence of burden-shifting comes from the Center on Budget and Policy Priorities. It points out that in the second half of the 1990s, when the U.S. economy was sizzling, federal corporate income tax revenues grew an average of 6 percent a year. But *state* corporate income tax collections rose at just half that rate. Same companies, same profits, same years: half the tax.[2] Translation: corporations are gaming the states' tax codes even harder than they're gaming Uncle Sam's.

It's not just the rate of corporate taxes, it is also the share of revenue companies provide. By that measure too, state corporate income taxes are also declining. In 1980, corporate income taxes accounted for 9.7 percent of state tax revenue; by 2000, it was down to 6 percent, and for the next three years, it averaged only 5.2 percent.[3]

Put another way: if corporations contributed the same share to state treasuries in income taxes in 2003 as they did in 1980, the states would have received $27.3 billion more to help pay for smaller class sizes in schools, for public safety, for healthcare and infrastructure. Or they could have avoided raising that much in other taxes, especially the regressive hikes—such as sales taxes—that many states enacted.[4]

Corporate Tax Dodging, State by State

This trend of corporate burden-shifting is not limited to any one region, nor is it unique to manufacturing. Over the past several years, reports from many states have told the same story: companies are paying less—and, in many cases, nothing at all. (To be fair, I must add that not all companies paying zero income taxes do so because they exploit loopholes or get subsidies. Some are unprofitable and therefore have no taxable income.) Here are some stark examples:

- In Arizona, corporations paid 26 percent of all income taxes in 1980–1981, but just 15 percent by 2002–2003. In the same period, the corporate share of property taxes paid declined from 71 percent to 49 percent.[5]
- Arkansas Advocates for Children and Families has revealed that corporations paid about a third of all the state's income taxes in the 1970s, but by 2002, their share had shrunk to just 10 percent. Fully 58 percent of all corporations filing Razorback returns in 2002 paid *zero* income taxes.[6]
- The California Budget Project reported that 73 percent of all companies doing business in the state paid just the $800 minimum franchise tax in 2001. This was true even of the 52 percent of companies that reported making profits—including 46 firms that each had more than $1 billion in receipts.[7]
- In Colorado, companies paid 18 percent of all income taxes in 1980–1981, but just 6 percent by 2002–2003.[8]
- In Florida, *St. Petersburg Times* investigative reporter Sydney Freedberg wrote a major series in late 2003 on corporate tax avoidance. She found that 98 percent of companies in the state paid no income tax in 2002. Among the nonpayers: cruise-ship giant Carnival Corp., with 4,220 employees in the state, more than $1 billion in 2002 profits—and registration in Panama. A Florida Senate report found that the state is losing between one-quarter and one-half billion dollars a year by failing to plug corporate loopholes.[9]
- In Idaho, corporations paid 19 percent of all income taxes in 1980–1981, but only 10 percent by 2002–2003. In the same period, the corporate share of property taxes paid declined from 53 percent to 44 percent.[10]
- Policy Matters Ohio found that corporations paying the state's franchise tax contributed 16 percent of the state's general fund in the mid-1970s; by 2002, their share was only 4.6 percent. All business taxes as a share of state and local revenue also fell in the same period.[11]
- In Oklahoma, the Community Action Project reported that corporate

income tax accounted for more than 6 percent of the state's total tax revenue in 1979, but by 2003, it had declined to just 1.8 percent. In the same period, the share of revenue individuals contributed in personal income taxes rose from 22 percent to 36 percent.[12]

- In Pennsylvania, the Keystone Research Center revealed that 66 percent of all companies subject to the Corporate Net Income tax paid $0 in 1999. The state has a second, lesser tax called Capital Stock and Franchise; 73 percent of companies filing under it paid between $0 and the $200 minimum.[13]
- In Utah, corporations paid 12 percent of all income taxes in 1980–1981; by 2002–2003, their share had declined to 9 percent.[14]
- Washington state does not have an income tax, but between 1980–1981 and 2002–2003, the corporate share of property taxes paid declined from 56 percent to 42 percent.[15]

Professor Richard Pomp, a state tax expert at the University of Connecticut Law School, has a simple analysis of why corporate income tax dodging has become so rampant. "The real explanation is that the corporate tax has become a voluntary tax. The legislature doesn't control it. The tax department doesn't control it. Accountants and lawyers control it."[16]

Artful Dodgers: The Big Companies

Available evidence suggests that big companies have become the most aggressive in dodging state income taxes. Professor Pomp believes that in the wake of the sweeping changes made to the federal income tax on corporations during the Reagan administration, multistate companies decided that the greatest tax cuts still to be found were at the state level, so they assigned the job to their accountants and consultants. The results are quite apparent and continue to this day.[17]

Citizens for Tax Justice and the Institute on Taxation and Economic Policy looked at the *Fortune* 500 for the years 2001 through 2003. They found that 264 of the companies both were profitable every year and reported the total dollars they paid in state income taxes (in just one aggregate figure, not state by state). Overall, the 264 companies paid just 2.85 percent of their profits in state income tax in 2001, then 2.61 percent in 2002 and 2.35 percent in 2003. In other words, in just three years, the state income tax rate of these *Fortune* 500 companies dropped by almost a fifth.[18]

The taxes these big companies paid is also a far cry from the statutory rate—that is, for states that have corporate income taxes, if companies had paid the official tax rates, they would have paid not 2.35 overall, but *6.82 percent.*[19] The big reasons for the gap: economic development tax breaks and tax loopholes.

There is also fragmentary data from some states about income taxes paid by large companies (including Alabama, as cited below); in each case, the data indicate that many companies pay none at all, or very little.

Connecticut Voices for Children has found that 38 of the 95 largest corporations in the state paid *zero* income taxes in 1999, and nearly two-thirds of all companies in the state paid only a $250 minimum tax. Net corporate business taxes declined from 9.8 percent of tax revenue in 1992 to just 1.7 percent in 2002, when the Nutmeg State kept only 40 percent of the corporate income tax it was due and *refunded* 60 percent back in credits.[20]

The Maryland Budget and Tax Policy Institute reported that 91 of the largest 131 companies in the state—almost 70 percent—paid zero income taxes in 2002. That includes 29 of the largest 39 manufacturing companies (the year after Maryland adopted Single Sales Factor for manufacturers) plus 11 of the 16 largest retailers and 14 of the 22 biggest banks and financial institutions.[21]

In New Jersey, then-governor James McGreevey revealed in 2002 that of the 50 corporations with the largest payrolls in the state, 30 paid just $200 a year, the state's minimum corporate tax. Corporate tax avoidance is so pervasive, 77 percent of all the state's corporations paid only the $200 minimum. New Jersey Policy Perspective documented the big-picture trend: as recently as 1990, the corporate tax accounted for almost 16 percent of all taxes collected, but by 2002 it was 8.4 percent.[22]

The Oregon Center for Public Policy found that more than half of all corporations with known payrolls of more than $2 million paid just $10 in income tax in 2000. That's the state's corporate minimum tax, set in 1931. Tax credits are so rich there, 26 corporations, each with more than $1 million of taxable Oregon income, paid just the $10 minimum for 2000. Lumber giant Louisiana Pacific and utility Portland General Electric each paid just $10 in 2002.[23] Oregon corporations paid 13 percent of all income and estate taxes in 1980–1981, but their share was down to 5 percent by 2002–2003.[24]

How Subsidies Zero Out Corporate Income Taxes

University of Iowa Professor Peter Fisher, with Hawkeye colleague Alan Peters, has explored the reasons why corporate income taxes have dropped so much. He concludes that job creation tax gimmicks are an important reason. He uses a "representative firm" computer model that enables him to take a hypothetical new factory—with an average-size capital investment and rate of profit for its particular industry—and project what would happen to the company's tax bill if the factory were built in a state's enterprise zone, where tax breaks are the most generous.[25]

Looking at 20 of the most-industrialized states, he finds that "incentive wars have proceeded to the point that state corporate income taxes are on the verge of disappearing in some states, at least with respect to new investment." In other words, new factories in many places get such large tax credits, they pay little or no income tax. In fact, for 12 of those 20 states, his model indicates that typical companies building new factories can actually generate net tax *credits*—that is, the deals create *negative* income taxes. This can happen when a state allows what is called a "refundable credit"; if the credit exceeds the tax, the state refunds the difference to the company.[26]

The other way companies can end up with a negative tax rate is that many states allow them to apply credits against other taxable income they have from other facilities. Here's how it works. Suppose a company already has a facility in the state, and pays $100,000 in state income taxes on it. Then it builds a new plant, which normally would generate another $100,000 in state income taxes. But the credits on the new plant are $150,000. Instead of producing additional tax liability, the new plant pays no taxes at all, and the company also gets to reduce the taxes it was already paying. That's like getting a second job, doubling your income, and paying lower taxes than you did when you had only one job.[27]

Let me repeat it: corporate income tax breaks in some states are now so lavish that when a company builds a new facility, it gets tax credits that mean the company pays zero taxes for at least year one of the new operation. And if the credits are more than the taxes it owes, the company either gets the rest of the credit as an immediate "refund," or it gets to carry the unused credits forward into future years, so that it may not pay taxes for years. Or, if it has profits from other operations in the state, it may apply the credits to cancel out income taxes owed on them.

In fact, economic development tax credits have become so numerous, at least four states—Connecticut, Idaho, Louisiana, and New Jersey—have passed legislation allowing companies to sell their unused credits![28]

Are states mortgaging the candy store because they suffer high unemployment and believe they must "prime the pump"? To the contrary, Fisher finds. "There is no discernable relation between the state's average level of economic distress, as measured by unemployment rates, and that state's adoption of business tax cuts or development incentives between 1990 and 1997," he concludes.[29]

Fisher even broke the story down by 16 industrial sectors (such as food processing, transportation equipment, and so on). For Texas, he found that in 9 out of 16 sectors, companies are getting negative income taxes; in Ohio, it's 13 out of 16; and in Kentucky, 15 out of 16.

In three states—Iowa, Michigan, and South Carolina—he finds that *in all 16 sectors, companies are getting negative tax rates!*[30]

It's not hard to find extreme examples.[31] Alabama offers lavish tax credits, especially since its notorious Mercedes deal in 1993. Through 2002, the Yellowhammer State reported that 462 projects have been approved since 1995 to create 53,581 jobs, with a total of $11,447,358,413 in estimated capital costs. Under this capital credit, a company gets to deduct 5 percent of its capital costs, every year for 20 years, from its state income tax bills. So the companies are entitled to more than $11.4 billion in tax credits—more than $213,000 per job. Actual capital costs for projects placed in service are running higher—almost $275,000 per job.[32]

"The practical effect is they don't pay any income tax for 20 years in Alabama," said George Howell, Jr., director of economic development in the Alabama Department of Revenue. Actually, Howell added, the companies won't claim all of the credits because they will not make enough profits to claim them all. But the state does not know how many billions will be claimed, Howell admitted; it has not estimated the revenue loss. (Of course, this is just one big *income tax* break. Most of those deals undoubtedly received other kinds of subsidies as well.)[33]

Alabama's governor at the time, Don Seigelman, got angry about corporate tax dodging; in the year 2000 alone, there were 619 companies doing business in Alabama with a total of $850 million of profits—and they all paid $0 in state income taxes. He said the companies are "cheating our children out of an education," and "we're not going to let them get away with it." He almost doubled the state's corporate auditing staff and proposed various loophole-closing bills to the legislature.[34]

Kentucky is another big giveaway state, where lumber giant Willamette Industries (later merged into Weyerhaeuser Company) expanded a pulp and paper mill in Hawesville. My analysis of its state financing agreement and county bond deal indicated that the expansion project was entitled to tax credits worth $132.3 million. And how many jobs was the company required to create in return? Fifteen. That's a tax credit entitlement of up to $8.8 million *per job!* Willamette can deduct 100 percent of this capital credit—dollar for dollar—from the project's corporate income tax bill to Kentucky. And if the credits exceed the income tax bill in a given year, it can carry them forward against future tax bills.[35]

The company declined to verify my math, but the Kentucky Cabinet for Economic Development did confirm it. And a Cabinet spokeswoman hastened to add that it's unlikely the project will generate enough profits to use up all the credits. In other words, according to the state agency that did the deal, it's unlikely Willamette Industries will pay any income tax to Kentucky on the Hawesville project for 15 years.[36]

To be fair, a manager at the plant told me that the company had actually hired 105 new full-time employees, with wages averaging $17.50 an hour plus weekend premiums. At 105 jobs, the tax credit entitlement shrinks to a mere $1.26 million per job. Such a deal![37]

The Poor and Middle Class Pay More

When large corporations control the tax system and use that control to pay much less, that means working families and small businesses pay more, because states and cities have to raise taxes to sustain public services. Mainly, they raise sales taxes and property taxes, and those are regressive taxes; that is, they hit low- and middle-income families harder than high-income people.

This combination of corporate tax cuts and personal tax hikes has made the states' tax systems more regressive overall. This happens both because personal taxes have gone up and because corporate tax cuts mostly benefit wealthy people, who own the vast majority of corporate stock. The overall trend toward a more regressive tax system has also been fueled by some states changing their personal income tax schedules. Bowing to corporate lobbies, some states have lowered their top rates for high-income families, making their income tax systems less progressive.

Table 8.1 shows the 50-state trend in taxes becoming more regressive since the late 1980s (with thanks again to the Institute on Taxation and Economic Policy).

Table 8.1. The Share of Income Americans Paid in All State and Local Taxes, 1989 and 2002

Income Group	Income Range	1989	2002
Lowest 20%	Less than $15,000	10.2%	11.4%
Second 20%	$15,000 to $25,000	9.4%	10.3%
Middle 20%	$25,000 to $40,000	8.8%	9.6%
Fourth 20%	$40,000 to $69,000	8.4%	8.8%
Next 15%	$69,000 to $147,000	7.9%	7.7%
Next 4%	$147,000 to $304,000	6.5%	6.5%
Top 1%	$304,000 or more	5.5%	5.2%

Note: Shares of family income, non-elderly taxpayers, after state and local taxes are deducted on federal income tax returns.[38]

Add it up, and we can see that four-fifths of U.S. families—all those with incomes up to $69,000 in 2002—are paying more in state and local taxes and high-income families are paying less. Again, this is chiefly due to increases in sales and property taxes, both of which eat up a much bigger share of low- and middle-income families' paychecks. As well, some states cut personal income taxes.

The trend is much worse in some states, especially in the seven states that lack a personal income tax. That's because most state income taxes are progressive: they have higher rates for high-income folks, so that the income tax helps offset the regressive impact of sales and property taxes. This help is desperately needed; in Florida, for example, the lowest-income families pay 14.4 percent of their income in state and local taxes, while the top 1 percent pay just 2.7

percent. In Texas, the poor pay 11.4 percent vs. 3.2 percent for the ultra-rich.

In Washington state, families making an average of just $9,600 in 2002 paid a whopping 17.6 percent of their income in state and local taxes, while families in the top 1 percent income bracket paid just 3.1 percent. So the world's richest person, Bill Gates (with an estimated net worth of $48 billion), is just like every other Washington state personal resident in paying no state income tax there—while the Evergreen State gives Boeing and the aerospace industry a $3.2 billion subsidy for the 7E7 "Dreamliner" deal. That's some serious redistribution of wealth—upward![39]

If states and cities cannot make up all the revenue lost to corporate tax cuts by raising other taxes and fees, they inevitably have to reduce spending, which means service cuts such as fewer school programs, and deferred infrastructure maintenance of public structures such as schools, roads, and bridges.

Bush's Corporate Tax Cuts Create a "Jobless Recovery"

Corporations have also succeeded in reducing the share of *federal* government revenue they contribute in corporate income taxes. In the 1950s, companies provided almost 28 percent of federal revenues through their income tax payments. By the 1970s, their share was down to 15.5 percent; by the 1990s it was just 10.8 percent. So far this decade, corporate income taxes are averaging just over 9 percent of federal revenue—two-thirds less than they paid in the 1950s.[40]

Another meaningful measure of corporate tax burden is as a percentage of gross domestic product. By that measure, too, the corporate burden is plummeting: from 4.8 percent in the 1950s to 2.7 percent in the 1970s to 1.6 percent so far this decade—also a two-thirds drop.[41]

Finally, there is fresh evidence about the ineffectiveness of creating jobs by giving tax cuts to big corporations. President George W.

Bush's corporate tax cuts were entitled the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. Both laws temporarily expanded the amount of "accelerated depreciation" companies were allowed to take on new equipment purchases, so that almost all of the cost could be deducted immediately, rather than spread out over time as the equipment declined in value. That substantially reduced corporations' taxable (as opposed to real) profits. In just three years, the tax cuts were projected to cost the U.S. Treasury $175 billion.[42]

Bush and other backers claimed that this "bonus depreciation" would be a powerful incentive for companies to invest and thereby create new jobs. But instead of creating lots of new jobs, the tax cuts increased corporate profits and made the federal budget deficit bigger, while the nation suffered a "jobless recovery." Between 2001 and 2003, U.S. corporate pretax profits rose 26 percent, yet federal corporate income tax payments *shrank* 21 percent in the same period. Job creation was the worst since the Great Depression. From the start of the recession in March 2001 through November 2004, the U.S. economy had a net loss of 1.2 million private-sector jobs.[43]

Citizens for Tax Justice (CTJ) and the Institute on Taxation and Economic Policy (ITEP) combed through hundreds of corporate reports to investigate why the tax breaks failed so miserably as job creators. They found the same problem we have described in the states: when you hand out huge subsidies with no accountability, no transparency, and no requirements that companies do anything positive in exchange, you often lose twice.

CTJ and ITEP focused on new capital investment made by the nation's largest companies, to see if they were using the "bonus depreciation" tax break to invest more and create jobs. Looking at 275 of the Fortune 500 companies—each of which made a profit every year from 2001 through 2003—CTJ and ITEP found that *the companies actually invested 12 percent less in 2002 than in 2001, and an-*

other 3 percent less in 2003. That was more than twice as bad as the overall national trend. In other words, large corporations were least responsive to the tax break, even though they were getting the biggest subsidies.

The 275 big companies cut their investments, despite the fact that their true federal income tax rate was dropping from 21.4 percent to just 17.2 percent—less than half the official (or statutory) rate of 35 percent. And they invested less despite the fact that 2002 and 2003 were economic recovery years; for example:

- SBC Communications got $5.8 billion in total depreciation tax breaks over the three years and reduced its investment 53 percent
- Verizon paid $4.5 billion less due to the same breaks and cut its investment 35 percent
- Devon Energy's total depreciation tax cut was $4.4 billion and it invested 51 percent less
- General Electric got a $2.6 billion depreciation tax break and reduced its investment 40 percent
- AT&T got $1.5 billion in depreciation "tax relief" and invested 45 percent less[44]

Robert McIntyre, the wry director of Citizens for Tax Justice, emphasized plain old business basics. "[T]he evidence shows, as it has so often in the past, that business investment decisions are primarily driven by supply and demand, not by government attempts to micromanage the economy. The $175 billion in revenue lost to the tax subsidies enacted in 2002 and 2003 appears to have been exceedingly poorly spent."[45]

Indeed, McIntyre reports, with ballooning tax cuts and rampant use of offshore loopholes, the total of all federal, state, and local taxes on corporations in the United States plunged to just 1.6 percent of the Gross Domestic Product in FY2003. That's less than half the average rate in the other 28 industrial democracies of the Organization for Economic Co-operation and Development. It makes the U.S.

the third-lowest corporate-tax nation, cheaper than all but Germany and Iceland.[46]

Working Families' Taxes Up
+ Wages and Benefits Down
Rising Frustration with Government

As big companies invent more ways to dodge their taxes, public officials still face pressure from taxpayers to maintain public services. That causes state and local governments to do two things: raise taxes on working families and small businesses, and cut corners where public resistance is weakest (such as neglecting schools in poorer areas and deferring infrastructure maintenance).

While big companies have enjoyed lower taxes and working people have suffered higher taxes, most workers' wages and benefits have been stagnant or declining. Between 1979 and 2003, real earnings for workers not in management (that's four out of five wage and salary workers) actually declined by $10 a week. Between 1979 and 2002, the share of workers receiving health insurance coverage from their employers declined from 69 percent to 57.3 percent (not even taking into account more people being pushed into HMOs and bearing higher copays, and other declines in the quality of coverage). And the share of workers receiving any kind of retirement benefits has declined from 50.6 percent to 45.5 percent—plus, more people now have inferior defined contribution plans, such as 401(k) accounts, rather than traditional defined benefit plans. Women, Blacks, Hispanics, and people with only a high-school education have always received fewer benefits, and Hispanics have suffered the greatest losses.[47]

This quadruple squeeze—higher regressive taxes plus poorer public services plus declining wages plus fewer benefits—goes a long way toward explaining why so many working people have grown angry at government. It doesn't help that for 20 years they've read about huge government giveaways that are supposed to create jobs but so often fail. For most families, the economy has already offered a quarter-century of higher taxes, declining wages, and shrinking benefits.

The big picture seems obvious. Big businesses have too much control over economic development and tax policy. They are using that control to dodge their fair share of the burden for public services, sticking everyone else with higher taxes. They are disinvesting the public goods that are key to our economic future, suggesting they don't care about our long-term prosperity.

Is Big Business Pulling Out?

For the last ten years that I lived in Chicago, I consulted for groups in many states trying to prevent factory shutdowns. That's actually how I backed into this issue of job subsidies going awry: some of the plants I investigated had gotten tax breaks, but now they were shutting down.

To help people be proactive and increase the chances of intervening early enough to save jobs, I coauthored an *Early Warning Manual Against Plant Closings* in 1986.[48] I also trained the 50 states' Dislocated Worker Units in the methodology in 1989, as a consultant to the U.S. Department of Labor. The manual and trainings drew upon numerous plant "autopsies," in which I and others interviewed plant-closing victims about events during the last few years of the life of their plants. Over and over, we found that the shutdowns were planned corporate events that involved many kinds of disinvestment, such as letting the equipment run down, moving hot new products to other plants, transferring the most promising managers, and demanding contract concessions if the workers had a union.

We found another kind of disinvestment outside the plant, at the property tax assessor's office. Sometimes companies would appeal their assessments, especially as they let the equipment run down or moved product lines out. Once, I investigated a company that had told the union the plant was "idled" and therefore workers were not eligible for shutdown benefits. But the same company had told the assessor the place was toast.

It makes sense when you think about it: if a company sees no future in the community, if it's not going to be hiring, why would it want to support the schools anymore? So we taught unions, community groups, public officials, and journalists that if they suspected a company was disinvesting they should go look at the property tax records.

Today, as I write about all these tax-dodging scams, my disinvestment antennae are up again. Big Business's behavior on taxes looks like an early warning signal, writ large. Their actions say they don't want to reinvest as much as they used to in our public goods. Instead, they appear to be disinvesting by aggressively cutting the share of the costs they bear for public services that we all rely upon to maintain our standard of living. Their actions suggest that they feel little loyalty, that they see little future here within our borders.

The danger is that, like the disinvestment of an individual plant, the process can become self-fulfilling. That is, once a facility has been bled beyond a certain point, it is so inefficient that the company has little choice but to close it. Likewise, if our nation's public goods continue to be so neglected—if our schools and workforce development systems fail to provide enough skilled labor and our aging infrastructure impedes productivity—the United States will inevitably become a less attractive place to invest and create jobs.

It's a perverse situation. After a quarter-century of slashing corporate taxes in the name of jobs, the two things that are proven job creation winners—our skills and infrastructure—are not in good shape. As I'll argue in the closing chapter, some U.S. industries and regions are already suffering skilled labor shortages, and when the

Baby Boom generation starts retiring en masse around 2008, the problem will become more acute. And our nation's physical infrastructure—which makes all companies more productive—is in poor condition, because states and cities lack the money to maintain and improve it.