

Economic Development & Social Responsibility

A FORUM

by David Roth
Forum Coordinator

Economic development is a political contract brokered by government between business and the rest of the community. The terms of the contract vary from place to place and time to time, but the basic understanding is the same: government provides business directly or indirectly with capital investment, which is expected to enrich the community through business growth. It's plainly a quid pro quo.

Over the last 15 years, Oregon has developed an elaborate version of the contract, one that's admired across the country. It began as a response to the recession of the early '80s which lasted much longer in Oregon than in the rest of the country. At the time most Oregonians agreed that we needed to diversify and expand our economy rapidly, to reduce our overall dependence on the lumber industry, and to help the rural communities most dependent on lumber to develop alternative industries. Popular support was so strong that we voted for the lottery, the revenue devoted entirely to economic development.

Despite the popularity of the idea, there was plenty of criticism. Some Oregonians referred to tax abatements and other business subsidies as corporate welfare, arguing that public monies shouldn't be used to increase the wealth of business people who already were better off than the majority of our citizens. Others argued that subsidizing economic growth was a subsidy for the destruction of our environment: more people, more pollution, and more endangered species.

The debate has grown hotter in recent years, especially over the use of tax abatements to encourage expansion of the electronics industry. In one well-known case, the Yamhill County

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Commission voted down a tax abatement for a new plant in its largely rural domain; in another, the Multnomah County Commission voted in favor of an agreement with Fujitsu for a tax abatement on a plant expansion in exchange for guaranteed training and employment of low-income residents. Recently the controversy has been renewed by Fujitsu's announcement that it wishes to withdraw from the agreement, giving up the tax benefits, because a downturn in its market makes it too costly to fund the employment targets. Meanwhile the overall strategy of economic development has been carried out all over the state, often with little notice.

Our purpose in this forum is to have a small cross-section of Oregon's leaders weigh the balance of the development contract, with special attention to the benefits and costs to the common welfare. That's what we mean by social responsibility. The discussion starts with an interview of Dick Reiten, who was head of the state's economic development agency under Gov. Goldschmidt. He talks about the creation of the strategy—in other words, how we got to this point. We also have articles from others who have been actively involved in

implementing the strategy at the local level, such as Steve Cornacchia, Lane County Supervisor, and Tanya Collier, Multnomah County Supervisor. We also have Andy Kerr, the long-time environmentalist, and Bill Street, on the staff of the Woodworkers Union, who have a lot of doubts about the fundamentals of the contract. Our discussion closes with a piece, reprinted from the Eugene *Register-Guard*, by Chuck Armstrong, of the state's Economic Development Commission, presenting its revised version of the contract.

Not everyone is represented in this discussion. We don't have members of minority communities discussing economic development strategies that will compensate for effects of historic prejudices. We don't have anyone from agriculture or the fishing industry. We can't get them all in a single issue, but we'll seek comments from them and others for the succeeding issues. This forum is not meant as the final word just an installment.

The Players...

