GUEST OPINION

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Other Voices: State approaches incentives in upside-down fashion

By Mike Owen

The world is upside down when state subsidies of business are presumed to be essential, and when a leading newspaper criticizes those who dare to question it.

In that world, the Sioux City Journal's March 24 editorial ("Iowa must be a player in the economic incentive game") might not be surprising, but is no less misdirected.

The Journal's editorial brushes off critics of the state's Orascom scheme — a $200 million subsidy to an Egyptian company to build a fertilizer plant in Iowa. It reluctantly concedes that "legislators not only have the right, but in some cases the obligation to ask questions about economic development deals involving state money for incentives."

Yet in that sentence the Journal lays bare the weakening of fundamental checks and balances in our state on the question of corporate subsidies.

Lawmakers should ask questions "in some cases," the Journal believes? How very wrong. State legislators have the obligation in every single case to ask questions about economic development deals involving state money, or at least to hold state agencies accountable on all Iowans' behalf. Among those questions just for starters: First, is it a good project? Second, is there a public benefit? And third, is a subsidy even necessary?

Iowans must be assured that tough questions are being asked and the answers evaluated before the checkbook is opened in surrender to the mindset of a "need to offer state incentives, sometimes big incentives, to attract large capital projects to Iowa within the intensely competitive arena of economic development."

The proper default position when a corporation comes hat in hand for a subsidy is at best, "maybe." And if the answer becomes "yes," it must be defended and defensible, especially for big deals such as Orascom.

If we cannot always count on development officials to be so careful, we should be able to count on a newspaper, which has as great an obligation as legislators to ask questions about development deals.

Orascom offers one of those poster-child examples of poor practices, where the state very simply offered more than was necessary, even if you believe "big incentives" are sometimes necessary. Iowa had Illinois beat: The state offered more than Illinois could do because of a $1.2 billion low-interest loan available to Iowa and not Illinois through a federal flood-relief program. That was enough to bring the firm to our state. Then Iowa sweetened its offer and roped local property taxpayers into it, as well.

If you believe in a market-oriented economic system, as many claim to do, a subsidy is a last resort — not the starting place — for public-sector involvement in a private-sector project. All such deals demand questioning. Some deals will pass as sensible, and some may even be optimal approaches as targeted, careful investments that will produce a return on the public dollar.
Orascom already has failed the test.

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