

Our Views: Cause for care with subsidies

By OPINION PAGE STAFF

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The legal battles over the taxpayer subsidies for giant retail stores may be near an end in the Louisiana Supreme Court. The dubious principle of giving government cash directly to private businesses remains something that ought to worry the taxpayers of Louisiana.

Two cases in the Baton Rouge area prompted lawsuits against government entities seeking to subsidize retail developments for two large sporting goods stores, Cabela's in Ascension Parish and Bass Pro in Livingston Parish.

The Supreme Court upheld the "tax increment financing," or TIF district, for Cabela's. Bass Pro's TIF is still under consideration by the high court.

While the legal challenges involved significant questions about the process of diverting tax proceeds for these purposes, the larger policy question remains: Is taxpayer cash for private developers a good idea?

The answer to that question, we believe, cannot be a simple "no." Sometimes private development will not occur in inner-city neighborhoods without a tax subsidy. But those cases can be evaluated by the rules of reason: Is the project going to have a good impact on a troubled area? Is the project financially feasible? Does it "fit" in a neighborhood or district?

Other than downtown projects, such as the TIF created to rescue the crumbling Capitol House hotel from oblivion, there are rarely big-dollar deals in the inner city.

The Baton Rouge Area Chamber supported the Bass Pro subsidy, hanging its position on the argument that the giant stores are "destination retail." That is, the store will bring in customers from a larger area than the Baton Rouge market, thus justifying a subsidy through increased sales tax collections.

This is a debatable assertion, especially given the fact that chains such as Bass Pro typically expand around the country, saturating their markets. Even if true, though, the fact is that a green-field location on an Interstate 12 exit is almost certainly going to be attractive to retailers, subsidized or not. And a significant number of customers will be from the local area, basically moving sales tax revenue across jurisdictional lines, not creating new wealth.

In addition, government handouts to big retailers are unfair to locally owned competitors who are not the beneficiaries of such largesse.

The chamber's support of the Bass Pro subsidy comes with caveats. The new economic development official at the chamber, David Wood, said the group wants to see a rigorous analysis of the costs and

benefits of future tax subsidies. In his previous job in Kansas, Wood worked with a local university to create a model for analyzing deals.

While the chamber's official line is that tax subsidies ought to be for wealth-creating deals, the pressures to agree to deals are huge. The politicians want to say their efforts have "created" jobs, even if the jobs may only be moved here and there in the metropolitan area. And the tax subsidies are negotiated privately among the subsidiee, local politicians and economic development officials. All have the inclination to say "yes" to almost any deal; the public does not know, and typically will never know, what trade-offs might have been possible to do the same deal more cheaply.

This taxpayer checkbook version of "economic development" precludes the obvious question: Wouldn't the private sector do this on its own, the old-fashioned way?

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