

TRANSCRIPT

marketplace  of ideas



featuring Minnesota State Senator

## **JOHN HOTTINGER**

On increasing accountability for  
economic development subsidies.

SEPTEMBER 18, 2006

THE HARVARD CLUB

NEW YORK CITY

**DRUM  
MAJOR**  
INSTITUTE FOR PUBLIC  
POLICY

# THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY MARKETPLACE OF IDEAS SERIES

## **SPEAKERS:**

### **HON. JOHN HOTTINGER**

Minnesota State Senator

### **ERROL LOUIS**

Columnist, *New York Daily News*

### **HON. RICHARD BRODSKY**

New York State Assembly

### **ADRIANNE SHROPSHIRE**

DMI Fellow and Executive Director, New York Jobs with Justice

Introduction by **HON. H. CARL MCCALL**

Principal, Convent Capital, LLC.

New York State Comptroller from 1993 to 2002

Moderated by **ANDREA BATISTA SCHLESINGER**

Executive Director of

the Drum Major Institute for Public Policy

## **ABOUT DMI'S "MARKETPLACE OF IDEAS" SERIES:**

Never content just to argue theory, the Drum Major Institute provides a platform for policymakers who have successfully worked for social and economic fairness in our public institutions. For far too long the conservative right has defined the limits of what is "possible" in society and politics. The "Marketplace of Ideas" shows that we can transcend these artificial boundaries: it is possible to be progressive, practical, and effective. Previous speakers in the series have included Congresswoman Hilda Solis, who authored the nation's first environmental justice law; New York State Governor Eliot Spitzer, who fought as Attorney General to achieve new standards of corporate accountability; Oklahoma State Senator Penny Williams who ushered in universal preschool in her state; and Maine State Rep. Sharon Treat, who passed legislation increasing access to affordable prescription drugs.

## **TABLE OF CONTENTS**

About the Speakers	2
Transcript	3
Who Is Drum Major Institute for Public Policy	38
Also From the Drum Major Institute for Public Policy	39

# PANELISTS AND SPEAKERS

**MINNESOTA STATE SENATOR JOHN HOTTINGER** sponsored Minnesota’s groundbreaking law instituting new standards of transparency and accountability for state and local economic development subsidies. The 1995 law and its subsequent enhancements required that companies that receive public subsidies but fail to reach job creation goals repay the subsidy with interest. The legislation also mandated increased corporate disclosure, wage standards for the jobs created, and public hearings before large subsidies could be granted. The law is credited with recouping millions of dollars in state funds and increasing civic engagement around issues of economic development. After serving sixteen years in the Minnesota State Senate, including a stint as Majority Leader, John Hottinger retired in 2006.

**ERROL LOUIS** is a columnist for the *New York Daily News* and serves on the newspaper’s editorial board. Louis was born in Harlem, raised in New Rochelle and lives in Crown Heights, Brooklyn with his wife, Juanita Scarlett. He is the son of a retired NYPD inspector and formerly served as associate editor of *The New York Sun*. He has taught college, co-founded an inner-city community credit union, run for City Council and was once named by *New York Magazine* as one of 10 New Yorkers making a difference “with energy, vision and independent thinking.” He holds degrees from Harvard, Yale and Brooklyn Law School.

**ASSEMBLYMAN RICHARD L. BRODSKY** represents New York State’s 92nd Assembly District. He serves as Chairman of the Standing Committee on Corporations, Authorities, and Commissions, which oversees the state’s public and private corporations. This includes jurisdiction over business corporation law and telecommunications, as well as all public authorities, such as the MTA, the Thruway Authority, the Public Service Commission, the Port Authority, and the Lower Manhattan Development Corporation.

**ADRIANNE SHROPSHIRE** is a fellow at the Drum Major Institute for Public Policy. She also serves as the Executive Director of New York Jobs with Justice, a community, labor and faith-based coalition fighting for health care reform, accountable economic development, voter education and worker solidarity. NY Jwj recently won passage of the NYC Health Care Security Act, guaranteeing health coverage for thousands of groceryworkers. Prior to Jobs with Justice, Adrienne worked for 10 years at AGENDA (Action for Grassroots Empowerment and Neighborhood Development Alternatives), a multi-issue, grassroots community organization based in South Los Angeles.

# TRANSCRIPT

*The transcript from this event has been edited for length and readability.*

*Internet links are provided in footnotes throughout this transcript as resources for readers seeking to better understand the policy discussion. While we hope they are helpful, the Drum Major*

*Institute for Public Policy is not responsible for the content or continued functioning of these links.*

**HON. H. CARL MCCALL:** First I’d like to say good morning. My name is Carl McCall and I am a member of the advisory board of the Drum Major Institute. I want to thank the members of the Institute who have invited me and all of you here. I wanted to recognize a couple of people in the audience: State Senator Liz Krueger from Manhattan and from Queens, Council Member Eric Gioia. They are both here today as well as the founder of the Drum Major Institute, Bill Wachtel. I want to welcome all of them and thank them for their leadership and for bringing us together.

We call this, at the Drum Major Institute, the Marketplace of Ideas. And that’s because most people, when we think about ideas and about public policy, we think about those very well financed think tanks that the conservative policy advocates promote. They give people the impression that they’re the only ones who have

**We spend billions of dollars in terms of economic development projects that are supposed to create jobs. Who can be against that? But somewhere along the way somebody has to say, wait a minute, are we getting our money’s worth? Are they really creating jobs?**

—Hon. H. Carl McCall  
New York State Comptroller 1993-2002

any ideas about public policy and how to bring about real change and provide leadership in this country. But here at the Drum Major Institute, we believe that progressive advocates for public policy have good ideas that are practical, that can be effective and will make a real difference. Here at the Marketplace of Ideas we talk about those ideas and we talk about those public policies. We

try to bring to you the people who are on the front lines, in terms of promoting progressive, effective public policies.

Our speaker today is somebody who has provided that kind of leadership. Those of you who are public officials, like Eric and Liz, you know that often you’re called upon to vote for economic development projects.

We spend billions of dollars in terms of economic development projects that are supposed to create jobs. Who can be against that? But somewhere along the way somebody has to say, wait a minute, are we getting our money’s worth? Are these projects really effective? Are they really creating jobs? Are we getting some value for our investment in economic development?

Well, Senator John Hottinger from Minnesota has been one of those people who stood up and said, “Wait a minute. Let’s look at these projects. Let’s set some

standards for these projects and let's have an effective evaluation of these projects.” And by the way, the Senator said through his legislative and other activities, if these projects don't give us the payoff that we expect, let's get the money back from those developers and other people in whom we've made the investments.

How do we bring about accountability and effectiveness and proper evaluation of economic development projects? Senator Hottinger has created legislation to do this.

His leadership in the state goes way back and in many areas. He was known in the Minnesota State Senate as a relentless advocate for better government and better policy, taking on issues like education and health care. After sixteen years in the Minnesota State Senate, including a stint as majority leader, Senator Hottinger is retiring this year. He holds a degree in economics and journalism from the University of St. Paul and earned a law degree from Georgetown University. Let's find out what Senator Hottinger has to say about the success of his accountability legislation. We welcome you here, Senator, and we thank you for your leadership, and we look forward to hearing from you.

**SENATOR JOHN HOTTINGER:** Good morning. And thank you for the kind introduction from Carl McCall. It is a real honor to be here this morning, and I appreciate the invitation and look forward to the conversation. My job is to get that conversation started by talking a little bit about what happened in Minnesota as we tried to reform our corporate subsidy/business subsidy system. But I also want to thank you all for coming here on my birthday.

What I'd like to do is talk to you a little bit about what our corporate subsidy reform legislation does, how we got there, and what the impact has been. But first of all, I want to talk about three towns: Jamesville, Minnesota; Ottumwa, Iowa and Duluth, Minnesota—all of which have something to do with this discussion. Now, let's talk about Jamesville first. Jamesville's my hometown: a little small town in southern Minnesota, about 90 miles south of the Twin Cities.

I'm going to tell you this little story because it'll give you an expectation of what this conversation is going to be like. As Mr. McCall indicated, I went to Georgetown Law School after graduating from my little high school and going to college in St. Paul. And then I worked on Capitol Hill for six years, back in the late '60s and early '70s. Then I went back home, my father and mother still lived in Jamesville. My dad, who was a school board chair, invited me to come and speak for the high school graduation. He figured I was a lawyer and a politician, to a degree. What he didn't know was I was scared to death to talk to more than three people at one time. But you don't say no to your dad. If any of

**My job is to get that conversation started by talking a little bit about what happened in Minnesota as we tried to reform our corporate subsidy/business subsidy system.**

—Minnesota State Senator John Hottinger

you have had a small town experience, high school graduation is the big thing. Our town is about 1500 people, and probably 1500 people were there.

So, I came back to talk to this graduating class, and I had prepared a written speech. I got up, stood at the podium, my eyes started to water, my throat started to shake; I couldn't read what I had written. It was a disaster, an absolute disaster.

**When I arrived in Ottumwa, Iowa, the Morrell Meatpacking Plant was saying, 'We're going to leave town unless our workers take steep wage decreases and the city gives us a public subsidy to buy new equipment.' Well, the town was held hostage, and the community did that. Two years later Morrell left town, taking their equipment with them and leaving hundreds of residents of Ottumwa, Iowa without jobs.**

—Minnesota State Senator John Hottinger

At least I thought. As my wife and I were leaving I told my dad and mom I'd never come home again. I had embarrassed them in front of the community and I wouldn't be back. Later that night my father called. He said, 'John, you sounded like you were disappointed in your speech.' And I said, 'Yeah.' And he said, 'Really, it was fine. You got the message to the young people, you

gave them some encouragement, you congratulated them on the work they did, and you did just fine.' So I was thinking, well, maybe it wasn't so bad. So I said, 'Can I talk to mom?' He said, 'She's too upset to come to the phone.' I've tried to improve since then. And I'll try to get through this without my eyes watering.

The other place is Ottumwa, Iowa. Shortly thereafter I went to Ottumwa, Iowa in the 1970s to work on a congressional campaign. I was still working in Washington, but I took some time off. Ottumwa, Iowa, it's a town of about 7,000 in south central Iowa. It had one key employer back then, the Morrell Meatpacking Plant. When I arrived in Ottumwa, Morrell was saying, 'We're going to leave town unless our workers take steep wage decreases and the city gives us a public subsidy to buy new equipment.' Well, the town was held hostage, and the community did that. Two years later Morrell left town, taking their equipment with them and leaving hundreds of residents of Ottumwa, Iowa without jobs. What struck me as a young guy just getting involved with policy was: there has to be something wrong with that.

There has to be something wrong with a small community, especially, being totally abandoned after there was a subsidy to keep the business there.

I didn't know what to do with it then, but it was in the back of my mind for many years.

Then, in 1980, just before I got elected to the State Senate, Duluth, Minnesota had a similar experience. It was a bigger town, about 100,000. One of their major manufacturers was the Diamond Tool Company. They got a \$10,000,000 subsidy to completely refurbish the company. Two years later they moved south, took the new equipment with them, and Duluth had no recourse.

That was the beginning in Minnesota of an effort, starting in Duluth and spreading southward, to find a way to set up a mechanism to give some protection to communities, in terms of making decisions about public subsidies, and to make sure that they went through a process that allowed a community input, sunshine, participation, some level of standards and other criteria for agreements before local entities—and they’re the primary givers of subsidies in Minnesota—make a commitment to provide some way to get the money back if the standards and goals that are set in the subsidy agreement aren’t met.

**That was the beginning in Minnesota of an effort, starting in Duluth and spreading southward, to give some protection to communities, making decisions about public subsidies, and to make sure that they went through a process that allowed a community input, sunshine, participation, some level of standards and other criteria for agreements before local entities make a commitment to provide some way to get the money back if the standards and goals that are set in the subsidy agreement aren’t met.**

—Minnesota State Senator John Hottinger

Let me give you just briefly an outline of what our law does. It’s comprehensive, it’s detailed, and it’s very specific. But let me give you the broad outline so you know where we ended up. It really started in 1993 in the legislature. We got a bill passed in 1995. That was the first step. In 1999, the final comprehensive law dealing with public subsidies was passed. And the basic framework of that law is that local governments are required to have criteria

in advance for giving out public subsidies. Those criteria are developed in a very public fashion, requiring hearings, requiring public input. And those criteria need to include a variety of things, including a wage and job policy. There’s sort of a wide variety of economic conditions in our state, so we constructed it that they needed to have a wage policy. These criteria need to be used to evaluate subsidies and, ultimately, need to be included within any subsidy agreement.

For instance, every subsidy agreement needs to be in writing. Subsidy agreements in excess of \$100,000 need to have a series of public hearings. All other agreements \$25,000 or over need to have a written subsidy agreement that talks about the type of subsidy, a statement of the public focus for the subsidy, the financial obligation of the recipient if the goals that are stated in the subsidy agreement are not met, a statement of the way the subsidy is needed, a commitment to continue operations at the site for at least five years, the name and address of any parent corporation and a list of all financial assistance by all grantors going into that project. All of that needs to be done ahead of time. There needs to be public notice

**Local governments are required to have criteria in advance for giving out public subsidies. Those criteria are developed in a very public fashion, requiring hearings, requiring public input. And those criteria need to include a variety of things, including a wage and job policy.**

—Minnesota State Senator John Hottinger

that this information is available for review. If the project is over \$100,000 there needs to be a public hearing. And to avoid one of the problems Minnesota had in the past, it has to be ultimately approved by an elected group of officials. Minnesota

has a history of setting up economic development corporations that had boards of directors made up of elected officials, but the votes of these corporations were not recorded, and there were thus no recorded votes on the subsidies. That framework was designed to accomplish four things: set a minimum set of standards for any public subsidy, make sure that the public had an opportunity to review public subsidies—that’s where we get a lot of resistance from economic development directors—to make sure there were opportunities for public participation and decision making and, in many instances the most important thing was to make

**That framework was designed to accomplish four things: set a minimum set of standards for any public subsidy, make sure that the public had an opportunity to review public subsidies—that’s where we get a lot of resistance from economic development directors—to make sure there were opportunities for public participation and decision making and, in many instances the most important thing was to make sure there was accountability.**

—Minnesota State Senator John Hottinger

sure there was accountability. A way to ensure that the jobs that were promised were actually created, that the wages that were promised were actually done.

But let me tell you how we got there, because it’s an interesting story filled with a lot of irony. We got there through a lot of public participation. We got there through community organization, changing the bait, framing it differently to make sure the public understood we need to expect something in return. And

that something certainly needed to be jobs at something higher than the minimum wage, at something above the poverty level, and that the wages need to be fair and just. But it’s not, frankly, when I tell you the final step of this process, an example that you’d want out of your civics book, how we got there. But let me start. 1993—MAPA<sup>1</sup>, the Minnesota Alliance for Progressive Action was a coordinating umbrella group of a number of progressive organizations in Minnesota, including labor, other public policy groups in other areas, housing and environmental groups. They did a study that showed Minnesota was giving out about \$2.1 billion in subsidies at the state and local levels in the year. Now, they were very liberal in their assessment of what a public subsidy was, but it was an indicator of the problem. There was no accountability, no organized information as to the extent of these public subsidies and, most importantly, there was no organized information about whether or not those subsidies got anything in return for the communities and for the state.

**We got there through community organization, changing the bait, framing it differently to make sure the public understood we need to expect something in return. And that something certainly needed to be jobs at something higher than the minimum wage, at something above the poverty level, and that the wages need to be fair and just.**

—Minnesota State Senator John Hottinger

So, in 1994 with MAPA’s guidance and their organizing at the local level, we introduced a bill which started the discussion in Minnesota. We framed it in terms of corporate welfare because that was the time when, at the national level, we

1 In 2005, the Minnesota Alliance for Progressive Action (MAPA) merged with another organization to become TakeAction Minnesota: <http://takeactionminnesota.org/>

were talking about welfare reform.<sup>2</sup> So we helped frame the discussion in Minnesota around corporate welfare,<sup>3</sup> subsidies we were giving the companies and whether or not they were deserved. The debate wasn't whether or not subsidies were an absolute good or an absolute bad. But, rather, whether or not they were evaluated, whether or not there was a return for the community.

**We framed it in terms of corporate welfare because that was the time when, at the national level, we were talking about welfare reform. The debate wasn't whether or not subsidies were an absolute good or an absolute bad. But, rather, whether or not they were evaluated, whether or not there was a return for the community.**

—Minnesota State Senator John Hottinger

In 1995 we actually passed a law that required public subsidies to show an improvement; they had to actually create jobs within two years or they had to pay the money back.<sup>4</sup> It also required, and this turned out to be the key of future progress, that the state department of economic development had to receive a report on these subsidies.

So, for the first time ever in Minnesota we had a central place to go to see what local and state governments were doing in terms of public subsidy. That was the key development in our effort, because it really shone the light on what was going on at the local government level. When that report was compiled and made public, it caused a significant increase in public understanding of the overall investment of public dollars in private development through public subsidy.

In 1996, taking the information we had, we moved on and created a much more extensive proposal.<sup>5</sup> Now, we had a New Yorker who was our governor back then,

Governor Arne Carlson.<sup>6</sup> He was born and raised in the city and then moved to Minnesota. He was a very popular, moderate Republican governor. He was also very supportive of the business community. At this time, Minnesota had a Democratic House and a Democratic Senate. We passed the bill, sent it to the

**We passed the bill, sent it to the Governor, and he vetoed it saying that he didn't want to interfere with the process of the free market system. It was somewhat ironic that public subsidies would be considered in his judgment part of the free market system.**

—Minnesota State Senator John Hottinger

Governor, and he vetoed it saying that he didn't want to interfere with the process of the free market system. It was somewhat ironic that public subsidies would be considered in his judgment part of the free market system. I was quoted in the paper afterwards with probably the line of mine that has been quoted most, at least

in my community over the years. The Minneapolis *Star Tribune* quoted my remarks after the veto that when the business community comes home at night they empty their pockets and find loose change, lint and Governor Carlson. The Governor did not take kindly to that, although since, we have become friends. Because what used to be a moderate Republican is now a mostly progressive Democrat, given the way our Republican party has changed in Minnesota. But that probably didn't help, in the short run.

In 1997, things changed. The Republicans of Minnesota, a very business oriented group, took control of Minnesota House. And many thought our quest was over. So we shifted tactics. First of all, we continued the organization that became so important. We were raising the educational level of the communities, and we were getting some response. And the reports kept coming out, showing the amount of money we were investing in public subsidies.<sup>7</sup> So our approach was to create a commission on public corporate subsidy reform.<sup>8</sup> Now, that sounds like the politician's way out—create a commission, they come up with a report, you put it on the shelf and you never hear about it again. Well, the commission was interesting, because the two advocates in the committee before the commission were MAPA, the progressive umbrella organization, and the Chamber of Commerce.<sup>9</sup> The Chamber of Commerce's position was: no, we don't like individual subsidies. We want every imaginable tax break you can give us, but no individually directed subsidies. That started changing the discussion, once again. And the corporate subsidy commission, which was a couple of legislators, including free market advocates, including progressives who wanted accountability, including people who thought subsidies were wonderful—the Economic Development Association of Minnesota<sup>10</sup>—and the office of the Vice President of the Federal Reserve in Minneapolis, who had written about competition between the states and how building subsidies attract businesses from one state to another is a ridiculous economic policy.<sup>11</sup>

We had hearings around the state. We actually got good publicity, in part because of the organizational capabilities of MAPA. We had hearings and, in the end, a very diverse group of people came up with the unanimous report, which ultimately became the 1999 law.<sup>12</sup>

It required wage goals, it required job goals, we dealt with the issue of living wage, by saying each local community has to make that decision, and it's resulted in the long running positive decisions being made by local communities. We set out the

<sup>2</sup> <http://www.aphsa.org/Policy/IssuePolicy-history.asp>

<sup>3</sup> Jean Hopfensperger, "Scrutinizing business tax breaks, subsidies; Critics challenge \$100 billion 'safety net'," *Star Tribune*, August 28, 1995, News Section, Metro Edition.

<sup>4</sup> See: Ann Nolan and Greg LeRoy, "Get Something Back! How Civic Engagement is Raising Economic Development Expectations in Minnesota," Good Jobs First. 2003 <http://www.goodjobsfirst.org/pdf/civceng.pdf>

<sup>5</sup> Ibid

<sup>6</sup> [http://en.wikipedia.org/wiki/Arne\\_Carlson](http://en.wikipedia.org/wiki/Arne_Carlson)

<sup>7</sup> See, for example: Greg LeRoy and Tyson Slocum, "Economic Development in Minnesota: High Subsidies, Low Wages, Absent Standards." Good Jobs First, 1999. <http://www.ctj.org/pdf/mngjf.pdf>

<sup>8</sup> <http://www.house.leg.state.mn.us/hrd/bs/97-98bs/3252b.pdf>

<sup>9</sup> <http://www.mnchamber.com/>

<sup>10</sup> <http://www.edam.org/>

<sup>11</sup> Melvin L. Burstein and Arthur J. Rolnick, "Congress Should End the Economic War Among the States," Federal Reserve Bank of Minneapolis, 1994. <http://minneapolisfed.org/pubs/ar/ar1994.cfm>

<sup>12</sup> For the text of the 1999 law, see "Journal of the House" State of Minnesota, March 25, 1999, p. 1434 <http://www.house.leg.state.mn.us/cc/journals/1999-00/j0325033.htm>

structure which ultimately became the 1999 law. And we still had to pass it through the Republican House.

Now here's where it strays a little bit from the sunshine democracy story. Because in the end, in 1999 when we passed the bill, it was ultimately finalized after little public discussion—none at all in the House—in a back room between a 27-year-old lobbyist from MAPA and a conservative Republican. The house never had a hearing. The Senate passed it overwhelmingly, actually on a bipartisan basis. We got to the conference committee where the Senate and House tried to reconcile a big bill dealing with taxes. Ours was one chapter of that bill in the Senate. During the public meetings, and frankly in the private meetings, there was never a discussion of the corporate subsidy provision. The two lead Republicans and the executive committee were good friends of mine, and they knew about the provisions, but we never talked about it until the bill was agreed to except for that chapter. And then, on the way out of the discussions, they turned to me and said, 'Okay, we'll do it.' And details had to be worked out, of course. It was a very comprehensive proposal. And so the lobbyist from MAPA, who'd been working on it for six years, and Dan McElroy,<sup>13</sup> the leader of the conference committee, went in the Senate retiring room. I don't know what it's like here, but House members and lobbyists don't go in the Senate retiring room. They got kicked out after a while. But they got the details worked out. And on the floor of the House and the floor of the Senate, when that conference committee bill was approved, there was no discussion.

So that's not an example of civics. But it's an example of pragmatic approach to get something done that we had built through organization so that the Republicans in the House and their leadership understood it really wasn't a bad idea.

So it passed, it became law, but there was still resistance. The economic development people didn't like it very much. They thought it was going to cause problems in economic development. And they continued to resist it. But over the next couple of years that resistance went down. The state of Minnesota adopted a living wage provision for subsidies that the state gives. Local governments took the criteria and some built dramatically into them. In my district, in Mankato, my home, 2 % of any subsidy has to go to housing. In Minneapolis/St. Paul responsible labor relations

**Now here's where it strays a little bit from the sunshine democracy story. Because in the end, in 1999 when we passed the bill, it was ultimately finalized after little public discussion in a back room between a 27 year old lobbyist and a conservative Republican...So that's not an example of civics. But it's an example of pragmatic approach to get something done that we have built through organization so that the Republicans in the House and their leadership understood it really wasn't a bad idea.**

—Minnesota State Senator John Hottinger

are part of their corporate subsidy criteria.<sup>14</sup> And you had to have card check agreements for any buildings built.<sup>15</sup> So as the criteria grew tougher in a variety of communities, in a way that's really helped cut down in labor difficulties in the major communities, and also provided money for housing and other activities.

What's the impact there? Well, let me not be the only judge. There's a great article about the impact, a long report called "Get Something Back."<sup>16</sup> "Get Something Back" was a report by Good Jobs First,<sup>17</sup> out of Washington, DC, that is over seventy pages of feedback of Minnesota law. Seventy pages of what's happened since we passed it in 1999. Let me just read three or four quotes of what others say on our state. Now keep in mind, the local economic development people didn't like this when we passed it. They were the biggest fighters because they wanted to bring the bacon home. City Administrator and EDA Director for Wyoming, Minnesota: 'I think the government should be perceived as a room with bright lights. I think that people should feel they should come to hearings and they will be heard, and they can ask questions until they understand. Government should be conducted openly, without deals to which the people are not privy, and these rules help us do it.' The Legislative Committee Chair, State Economic Development Association: 'I think Minnesota has set itself up to expect a little more. And I think this issue has gotten a lot of coverage in recent years. I think people are pretty educated about it, even the 9 to 5 guy.' City Administrator from Austin, Minnesota: 'I think society deserves to have some economic improvement that substantiated for its investment

in private business. Otherwise, let them do it themselves. We get right down to checking the payrolls and pay periods. We don't let them just call us up and say, 'We heard those ten rules.' We work with the state and make sure things happen the way we've agreed for them to happen.' In addition, millions of dollars have been recalled in a provision requiring companies that don't meet their goals of job creation or job retention, and

**Millions of dollars have been recalled. If a company doesn't comply with the criteria in its agreement, it not only has to pay the money back, but it can't get any public subsidies in any community, from any local government, from any state government in Minnesota for five years. So you can't get one in Norwood, Minnesota and then go to Duluth three years later, after you've broke Norwood and get another subsidy.**

—Minnesota State Senator John Hottinger

don't meet their public purpose. Those were done because of the law and because of the changing attitude. People are actually enforcing it.

14 See the "Minneapolis Living Wage and Responsible Public Spending Ordinance," <http://www.ci.minneapolis.mn.us/procurement/Ch38LivingWage.pdf>

15 For more on card check union procedures, also known as "majority sign up" see [http://araw.org/takeaction/efca/efca\\_q\\_a.cfm](http://araw.org/takeaction/efca/efca_q_a.cfm)

16 Ann Nolan and Greg LeRoy, "Get Something Back! How Civic Engagement is Raising Economic Development Expectations in Minnesota," Good Jobs First. 2003 <http://www.goodjobsfirst.org/pdf/civiceng.pdf>

17 <http://www.goodjobsfirst.org/>

13 <http://www.leg.state.mn.us/legdb/fulldetail.asp?ID=10412>

For instance, if a company doesn't comply with the criteria in its agreement, it not only has to pay the money back, but it can't get any public subsidies in any community, from any local government, from any state government in Minnesota for five years. So you can't get one in Norwood, Minnesota and then go to Duluth three years later, after you've broke Norwood and get another subsidy. It's helped reduce some of the competition between the cities.

Now, I'm looking forward to our discussion and to joining the others as we talk about how we made progress in Minnesota. We have changed public attitudes.

We have framed the issue. The economic development directors who opposed it now support it. The state, under a very conservative governor, is very strong in supporting this provision for both the state and for the local governments. The

**A lot of what my colleague was talking about has been in place in New York for years and it just doesn't work. It turns out that a fundamentally corrupt administration of the program undercuts whatever formal transparency exists.**

—New York State Assemblyman Richard Brodsky

data that's acquired relates to every single job that's created, in terms of what the wages are.<sup>18</sup> So we have wage information to see whether or not we're getting something back. A lot of people had the opportunity to participate in that, and Mr. McCall was very kind in giving me much of the credit. But it was a lot of people. And in the end, it was the grassroots organizations and the labor unions who worked hard to get this law passed, and also to make people aware of it at their local level.

I learned very long ago, when I first got involved in legislature, that we legislators overstate our role. I learned that when I was first elected back in 1992. My second year in the legislature, we had a continuing discussion in Minnesota about workers' compensation. Labor wanted one thing, business wanted the other. I did compensation work as an attorney and came in with my own bright idea. I offered this as a very comprehensive 250 page amendment to the Senate bill that year. It passed almost unanimously in both Houses of the Senate. It was quite an accomplishment. I was very proud of it, and I thought, gee whiz, this is really neat and I did it. So, later that summer I was at home shaving and my wife called up the stairs, "John! Somebody from *Time* magazine wants to talk to you!" I thought this is it, maybe the cover, maybe not, but at least 15 minutes of fame. This was my big breakthrough—the presidency. You know, Bill Clinton went to Georgetown when I did. I rushed out, tripped over the towel, cut myself with the razor, picked up the phone, and the guy on the other end said, "Mr. Hottinger, for only 47 cents a week..." I was humbled. Thank you.

**ANDREA BATISTA SCHLESINGER:** Thank you everybody for joining us, and also thank you to Peter Fine of the Atlantic Development Group,<sup>19</sup> our sponsor. We have a great panel. And what I'd like to do, so we can really get into it, is introduce the panelists in turn and start with the questions.

I'll introduce Assemblyman Richard Brodsky first, who represents the 92nd Assembly District.<sup>20</sup> He serves as Chairman of the Standing Committee on Corporations, Authorities and Commissions<sup>21</sup> which oversees the state's public and private corporations. This includes jurisdiction over business corporation law and telecommunication, as well as all public authorities such as the MTA,<sup>22</sup> the Thruway Authority,<sup>23</sup> the Public Service Commission,<sup>24</sup> the Port Authority<sup>25</sup> and the Lower Manhattan Development Corporation.<sup>26</sup> Assemblyman Brodsky, I'm sure you know how much active conversation this issue stirs up. I know this is the first event that we've done where I've gotten hate email before the actual event. And for those of us who are real New Yorkers, we're somewhat competitive. How does New York compare when it comes to subsidy accountability to Senator Hottinger's Minnesota?

**ASSEMBLYMAN RICHARD BRODSKY:** On paper, pretty well. A lot of what my colleague was talking about has been in place in New York for years and it just doesn't work. It doesn't work because it turns out that a fundamentally corrupt administration of the program undercuts whatever formal transparency exists. So that although we have had reporting requirements, and ostensibly job requirements, migration requirements for years, there is absolutely no practical effect on the way programs across the state are administered.

**Nobody loves the *New York Times* more than I love the *New York Times*. But the *New York Times* is the recipient of enormous public power subsidies, of bonding and interest rate subsidies. Do they create jobs? Do they not create jobs? Is job retention as valid a reason for giving money as job creation? In the end most states, and most people in government, will have to face the fundamental reality that resources are apportioned to the powerful in this state without regard to need.**

—New York State Assemblyman Richard Brodsky

I'll give you two wonderful examples. Companies that created no jobs—and if our New York lawyers ever get out to Minnesota you're in trouble—reincorporated, and were given credit for creating new jobs to the number of jobs they used to have under the old corporation. We have a program called the Empire Zone Program<sup>27</sup> where if you're

19 <http://www.nysun.com/article/20712>

20 <http://assembly.state.ny.us/mem/?ad=092>

21 <http://assembly.state.ny.us/comm/?sec=post&id=9>

22 <http://www.mta.info/>

23 <http://www.nysthruway.gov/index.shtml>

24 [http://www.dps.state.ny.us/test\\_home\\_graphic\\_h.html](http://www.dps.state.ny.us/test_home_graphic_h.html)

25 <http://www.panynj.gov/>

26 <http://www.renewnyc.com/>

27 [http://www.tax.state.ny.us/sbc/empire\\_zone.htm](http://www.tax.state.ny.us/sbc/empire_zone.htm)

18 For Minnesota Business Assistance Forms, which report on economic development subsidies, see <http://www.deed.state.mn.us/Community/subsidies/mbaf/webview06.html>

within the zone you get a series of benefits. The zone borders were drawn around specific buildings, some of them empty, none of whom even allegedly meeting the requirements, in exchange for essentially \$25,000 worth of contributions to the housekeeping account to the party in power of the county in which it occurred. The formal transparencies—and there are things in the Minnesota experience that are better than the ones in New York and ought to be adopted—cannot deal with the complexities of a program that large, and amounts of money that large, especially when the power exercised within the political process by large corporations is so immense that the amount and number of subsidies is literally uncountable. Nobody loves the *New York Times* more than I love the *New York Times*. But the *New York Times* is the recipient of enormous public power subsidies, of bonding and interest rate subsidies. Do they create jobs? Do they not create jobs? Is job retention as valid a reason for giving money as job creation? In the end most states, and most people in government, will have to face the fundamental reality that resources are apportioned to the powerful in this state without regard to need. And if that's going to change, it's going to take a fundamental change of the political structures and their own consciousness.

**ANDREA BATISTA SCHLESINGER:** So let's go from the *Times*, then, to the *Daily News*. Errol Louis was born in Harlem, raised in New Rochelle, and lived in Crown Heights. He's the son of a retired NYPD Inspector, formerly served as associate editor of *The New York Sun*. He has taught college, co-founded an inner-city community credit union, run for City Council and he holds degrees from Harvard, Yale and Brooklyn Law School, which means that he should be able to figure all of this out. So when I spoke to Errol, ahead of the conversation, he phrased this in an interesting way. He said a lot of attention through this accountability effort is around the opportunity cost of subsidies. But what is the opportunity cost of not using subsidies? And in your mind, what is the opportunity cost?

**People talk about this Yankee Stadium deal that they don't like, this West Side stadium deal that they don't like, and so forth. Very seldom do we have the kind of deals you hear about, like the Dell deal in North Carolina, where they got subsidies that were worth more than the entire value of the deal. They built a building and got more money for it than it cost to build the building.**

—Errol Louis  
New York *Daily News*

**ERROL LOUIS:** Well, it varies from deal to deal. Part of the challenge of implementing a Minnesota-style subsidy accountability movement, with or without legislation and rules, is that a lot of the political energy kind of moves around from deal to deal.

There will be people who are maybe talking about accountability and about transparency, but they're not talking about it in the broad sense like Assemblymember Brodsky. They might be talking about this particular deal: this Yankee Stadium

deal<sup>28</sup> that they don't like, this West Side stadium deal<sup>29</sup> that they don't like, and so forth. I think there are people who look at the deals here, and very few of them are as outrageous as the one that Senator Hottinger described in Iowa. Very seldom do we have the kind of deals you hear about, like the Dell deal in [North Carolina],<sup>30</sup> where they got subsidies that were worth more than the entire value of the deal. They built a building and got more money for it than it cost to build the building, and so forth.

Here we have a much more mixed and nuanced set of deals that get thrown on the table. If you want to pick one that is very controversial, that a lot of people don't like, it's the Yankee Stadium deal. Well, should it have been subsidized? The company put a lot on the table. There are a lot of intangibles. If you look at some of the substances, literal physical substance—did they take down too many trees, and are they going to replace those trees? Should the richest sports franchise in the world get any kind of subsidy, ever? This was not so much of a question. It was really more like, will there be a railway? What about the trees? What about the playgrounds? And so forth. So it gets to be very difficult.

**The *Daily News*, for those who don't know, is at the corner of 33rd Street and Tenth Avenue. We have a nice view out of my side of the newsroom of the rail yards, and the non-restaurants and the non-housing and the non-places to shop. I know for a fact that there are people in that neighborhood who are very acutely aware of the cost of not spurring investment.**

—Errol Louis  
New York *Daily News*

When I was talking with Andrea, I was talking out of my personal experience. You ticked off some pieces of my personal biography. I was born in the Manhattanville Houses in Harlem. It's across the street from where Columbia University is talking about doing its expansion,<sup>31</sup> I'm on the editorial board of the paper and they gave us a tour of the area, and I'm not kidding, even though I was seven years old when we moved out, it looks pretty much the way it did in 1969. It made quite an impression on me. So when the argument is that you shouldn't give any kind of subsidy or public assistance to get Columbia to do this, I'm saying, well look, I've only been around for 44 years now, but it seems to me if you're going to get any progress going you probably need to spur this on in some sense.

Ditto for the Atlantic Yards<sup>32</sup> project which is where I live now. There's been too much written about it over the last four years. I know a lot of people in this

28 See: Virasami, Bryan, "Yankee Stadium Deal Clears City Council," *Newsday*, April 6, 2006. [http://www.amny.com/news/politics/am-stad0406\\_0\\_3131886.story?coll=am-topheadlines](http://www.amny.com/news/politics/am-stad0406_0_3131886.story?coll=am-topheadlines)

29 Keating, Peter, "Another Kind of Money ball: Does Cablevision's waging such an expensive, messy fight against the Jets' West Side stadium make good business sense?," *New York Magazine*. <http://nymag.com/nymetro/news/columns/turf/10875/>

30 "Case of Dell Incorporated" [http://www.goodjobsfirst.org/corporate\\_subsidy/dell.cfm](http://www.goodjobsfirst.org/corporate_subsidy/dell.cfm)

31 See: Daphne Eviatar, "Dispute: The Manhattanville Project," *The New York Times Magazine*, May 21, 2006. <http://www.nytimes.com/2006/05/21/magazine/21wvln.essay.html>

32 Tom Angotti, "Atlantic Yards: A Done Deal?" *Gotham Gazette*, March 2007. <http://www.gothamgazette.com/article/landuse/20070306/12/2117>

room know a lot about the project. Suffice it to say that the rail yards portion of it, in particular, and the area in general, has been slated for urban development for decades, many decades. There is a cost for not doing anything. The last case, of course, is where I work. I really am living this. The *Daily News*, for those who don't know, is at the corner of 33rd Street and Tenth Avenue. We have a nice view out of my side of the newsroom of the rail yards, and the non-restaurants and the non-housing and the non-places to shop. Then there's the fact that you have to always travel if you have any kind of a business meeting with anybody because the amenities are simply not there. Even though I'm a columnist, I try not to make the state think that my perceptions are everybody else's perceptions. But I know for a fact that there are people, in those three neighborhoods that I have lived and worked in, who are very acutely aware of the cost of not spurring investment.

It's very easy from the outside to say, well the Yankees are rich, Ratner's<sup>33</sup> a rich guy and Columbia's a big rich university with plenty of property and if they want to make this happen, they can make it happen. Well, somehow, in my lifetime, they haven't made it happen.

**ANDREA BATISTA SCHLESINGER:** Let's actually follow up on that. Although I think some people are wondering, Errol, if you only move to areas that have subsidies... [Laughter]

**ERROL LOUIS:** I'm trying to figure out how to sell this information.

**ANDREA BATISTA SCHLESINGER:** Adrienne Shropshire serves as a Drum Major Institute Fellow and is the Executive Director of the New York Jobs with Justice,<sup>34</sup> a community labor and faith-based coalition fighting for health care reform, accountable economic development, voter education and worker solidarity. So, picking up on the community engagement piece, and that's actually one of the

things that was written about in the Good Jobs First report<sup>35</sup> on Senator Hottinger's bill—the impact of it is that civic engagement increased. Since a lot of the issues around subsidy accountability are about

the opportunity for community input, how do you know when the community has truly spoken? In this process, how do you know what you come up with is representative of the community's interest and needs?

**ADRIANNE SHROPSHIRE:** I think there are a few ways. I mean, when we started our work at Jobs with Justice<sup>36</sup> on subsidy accountability it really was trying to

understand, 'how do you go from having a focus on development project by project,' because it's clear that every community is not highly organized. In communities where there is a lot of organizing happening and there's a lot of participation from neighborhood residents, the quality of discussion that happens amongst community residents and among the organizations that they are part of and that represent them is one way to measure success. The reforms that come out of those discussions, and then how they land in the public debate is another way. But certainly, for us, that's not true in every community. Every community doesn't have highly effective community-based organizations. The members of Jobs with Justice, as one example, the member organizations and the labor unions that are part of our coalition,<sup>37</sup> certainly have members that live in all of these communities. And there is a voice that comes out from those communities, whether they're represented by particular

**We don't know if we would get a stadium from George Steinbrenner if we looked at him and said, 'Move the Yankees to Jersey,' or maybe 'We'll condemn your franchise if you do.' Let's get a little tough. We get tough with poor people. We don't get tough with rich people.**

—New York State Assemblyman Richard Brodsky

organizations or not. For us, it really meant, trying to move away from this specific project or development-by-development piece and really trying to think about how you create public policy that can create a floor for all communities. We want to focus on communities who may have been saying, 'these are the kinds of

reforms that we want to see,' but it wasn't being projected out because they weren't necessarily represented by a particular institution. So I think it's both the quality of the discussion that happens, the place where debate happens, and then how that debate lands in the public consciousness.

**ANDREA BATISTA SCHLESINGER:** I feel like I need to ask the obvious question which is, why, in New York, do we need to subsidize anyone?

**ASSEMBLYMAN RICHARD BRODSKY:** Nobody knows. I want to correct Errol. The notion that we don't get the deals that John had to deal with in Minnesota is just untrue. The Alcoa deals in northern New York subsidized the corporation for about three times the wage of the jobs they saved.<sup>38</sup>

The IBM deals in the Hudson Valley<sup>39</sup> or any stadium deal provides enormous amounts of money, billions in the end, *literally billions* with no ability to understand what we've done. In other words, to save the job, we are putting three times the wage level into the pocket of the corporation that creates the job.

So I call on Errol for a little more intellectual rigor, because his response, which is interesting, is we really need to get stuff going here. Okay. He's right. What

**I feel like I need to ask the obvious question which is, why, in New York, do we need to subsidize anyone?**

—Andrea Batista Schlesinger

33 [http://www.fcrc.com/full\\_compnmng.asp?brief=1](http://www.fcrc.com/full_compnmng.asp?brief=1)

34 <http://www.nyjwj.org/>

35 <http://www.goodjobsfirst.org/pdf/civiceng.pdf>

36 <http://www.jwj.org/>

37 <http://www.nyjwj.org/members.html>

38 James Heaney, "Alcoa Bid for Low-Cost Power Called Boggling," *The Buffalo News*, July 2, 2007

<http://www.innovations.harvard.edu/news/42841.html>

39 <http://www.siteselection.com/ssinsider/incentive/ti0011.htm>

does that have to do with creation of massive giveaways to which no one can intellectually say it's having an outcome anywhere near what its corporate and government opponents say it's having? We don't know if we would get a stadium from George Steinbrenner, if we looked at him and said, 'Move the Yankees to Jersey,' or maybe 'We'll condemn your franchise if you do.' Let's get a little tough. We get tough with poor people. We don't get tough with rich people. And it may be that the great challenge here is, first, let's find out how much was spent and it's literally billions a year. Let's find out who's getting it, which we sort of already know, and let's figure out what they've done with it. No one wants these questions asked and answered. And a mere hopeful sense that we really have to get the West Side going, which is true, doesn't tell you anything about whether you ought to subsidize.

**If they're going to get a billion dollar microchip deal in Rensselaer County, I think where I live, in Kings County, if somebody wants to bring a billion dollar deal there—even if there's way too much paid per job—in my neighborhood where there's a lot of unemployment, I personally would say, you know what? I'll take that.**

—Errol Louis  
New York *Daily News*

**ERROL LOUIS:** Let me respond to that. I partly agree and partly disagree with you. Really what I meant by comparing New York to the case that Senator Hottinger talked about in Iowa is that what we have here tends to be not a case of jobs simply fleeing. I know there are examples of those and they tend to get some attention in a lot of our press. What we have, and more like what you're talking about, is where we get something that is probably a good thing, but we paid too much for it and it ended up maybe in the wrong pocket. On the other hand, if it were in your district for example, that chip deal,<sup>40</sup> it's not necessarily such a bad thing for the people in your district or even for you as their representative, right?

**ASSEMBLYMAN RICHARD BRODSKY:** Accusing me of insincerity is not—

**ERROL LOUIS:** No, no, no, not insincerity. But simply to say, I mean, to take any example of any of the three neighborhoods I talked about—where I used to live, where I currently live and where I work—the question to me is, what are we going to have? The cost of it, to me, is an entirely separate question. The kind of local selfishness, if you want to call

**My pork is good, your pork is bad' is not a principled response to the pissing away of billions of dollars.**

—New York State Assemblyman Richard Brodsky

it that, that our process in New York encourages, sometimes in a run 'em up kind of fashion, is something that I accept as the lay of the land. It is what it is. If they're going to get a billion dollar chip deal in Rensselaer County, I think where I live, in Kings County, if somebody wants to bring a billion dollar deal there—even if there's way too much paid per job—in my neighborhood where there's a lot of unemployment, I personally would say, you know what? I'll take that.

**ASSEMBLYMAN RICHARD BRODSKY:** That's a prescription for a bigger disaster. Thank God you're into journalism. My pork is good, your pork is bad is not a principled response to the pissing away—excuse me, I know we're in the Harvard Club—of billions of dollars.

**SENATOR JOHN HOTTINGER:** Let me add some context from our experience. I think that Senator Brodsky hit an important key, and that is, we don't know who's getting the money. We don't know what return we're getting on it. We don't have an overall perspective.

And that's one of the things we found was helpful in Minnesota. Because when the first law passed in 1995, and all of a sudden we did know the total amount of subsidies that were going out, and we did for the first time start requiring some reporting on what we were getting back, it changed the public discussion. I mean, we're just as selfish in Minnesota as anybody is in New York.

**ANDREA BATISTA SCHLESINGER:** Don't ruin it for us. We had a different image.

**SENATOR JOHN HOTTINGER:** At least we want to bring home different projects to our area. But it has changed the way we look at whether or not those projects are valuable. Wal-Mart, just in my district, indicated they were going to build a big distribution plant in the Mid-West. Now, in my district, the average wage is

**When the first law passed in 1995, and all of a sudden we did know the total amount of subsidies that were going out, and we did for the first time start requiring some reporting on what we were getting back, it changed the public discussion. I mean, we're just as selfish in Minnesota as anybody is in New York.**

—Minnesota State Senator John Hottinger

about \$13 an hour. And we didn't give any public subsidy to Wal-Mart. In fact, we had an agreement with them that we'll put in a couple of streets for you, and you have to have a minimum payment to your employees of \$17.50 an hour, for every job. No job can be less than that. Now, that's because Wal-Mart came into our community and knew that we had a criteria that

public subsidies had to meet a pretty significant test of public purpose. Wal-Mart came into our community knowing even if they got a subsidy, 2% of it would go to housing. So what we did is set the initial criteria of what a community thinks is appropriate in public subsidies.

**ASSEMBLYMAN RICHARD BRODSKY:** What do you do about job retention?

**SENATOR JOHN HOTTINGER:** Job retention is permitted to be a public purpose if there is another public purpose. For instance, they have to have some specific public purpose over and above job retention. That was probably one of the most difficult things to deal with because job retention is a much more difficult assessment to be made.

**ASSEMBLYMAN RICHARD BRODSKY:** What are the other purposes?

40 <http://www.siteselection.com/ssinsider/incentive/ti0011.htm>

**SENATOR JOHN HOTTINGER:** The other purposes are relatively broad, but maybe the best answer is, what is not a public subsidy? For instance, the definition of public subsidy does not include assistance for housing. It does not include redevelopment if the recipient's going to pay at least 70 % of the cost. It does not include assistance for energy conservation. It does not include assistance that's based on job creation or based on job training for readiness services. It does not include redevelopment for historic purposes. We made the initial decision in the legislation to exempt

some things from some of the provisions of the law. They still have to do the reporting in order to make a public purpose decision at the front, housing being one of them. And another part of our approach, and I think part of yours to some degree, is that every individual project has to be assessed by these criteria, but the law has an accountability and an information role. It doesn't make a

**It seems that this idea of, in the business climate language, the importance of economic development, and then this idea of creating good jobs, are mutually exclusive goals. Is that an accident? Or is that an intentional way in which we've created an economic development strategy? Why are these things mutually exclusive? Why isn't the creation of good jobs at the core of our economic development strategy?**

—Andrea Batista Schlesinger

determination for people as to what is or is not a good subsidy. If a decision is made that redeveloping an area is a good use of public dollars by the community, it can go. You can provide a public subsidy.

**ASSEMBLYMAN RICHARD BRODSKY:** Did you end up subsidizing the Mall of America?<sup>41</sup>

**SENATOR JOHN HOTTINGER:** No. Well, the Mall of America was pre-corporate subsidy law. There was a subsidy given to them by the city of Bloomington, by the state of Minnesota. They're now trying to double the size of the Mall of America, and they've run into a roadblock at public subsidy. The city just won't do it.<sup>42</sup>

**ANDREA BATISTA SCHLESINGER:** So in preparing for this event, it seems like these questions of how you create a basic standard for what kind of jobs we want is key. In reading this, coming to this as someone who hasn't had a background in it, it seems that this idea of, in the business climate language, the importance of economic development, and then this idea of creating good jobs, are mutually exclusive goals. Is that an accident? Or is that an intentional way in which we've created an economic development strategy? Why are these things mutually exclusive? Why isn't the creation

**Examining which kinds of deals bring the greatest aggregate benefits to the communities, we focus on either high wage deals, high wage industries, or a strategic approach to how the community develops.**

—Minnesota State Senator John Hottinger

of good jobs at the core of our economic development strategy? Am I being naïve?

**SENATOR JOHN HOTTINGER:**

Let me just answer about the Minnesota experience. And this is in the report that Good Jobs First put together. Local economic development officials believe the laws that we have adopted—and I'll use their language—have pushed many to switch from pursuing deals one by one to a more strategic approach. Examining which kinds of deals bring the greatest aggregate benefits to the communities, we focus on either high wage deals, high wage industries, or a strategic approach to how the community develops.

That has been a tremendous improvement, in my judgment, on how local decision makers are approaching it.

**ANDREA BATISTA SCHLESINGER:** Adrienne?

**ADRIANNE SHROPSHIRE:** I think it's part of the problem. It's a disjointed approach to how we do economic development; we don't think about it in terms of job creation. The subsidy process exacerbates that because it really is about just getting money to these businesses. I think part of it is the criteria, the standards that we have tried to pursue, and we have been fortunate to be able to work with organizations to put forward these ideas around wage standards attached to subsidies. Having to pay prevailing wage<sup>43</sup> is a part of it. Being able to put forward a kind of standardized impact report for what the impact of the development is going to be—what kind of jobs will be created, etc. You're trying to bring into the discussion the idea that economic development isn't just about making or expanding business; it really has to be about how we create an environment.

Particularly now we look at upstate communities, even in the question that you asked me earlier, Andrea, about the discussion in communities. I think that for us, what we saw when we began to do this work, there really was a lot of energy generated in upstate communities. Because they've been so seriously impacted in terms of the industrial development agencies<sup>44</sup> in those areas, and the sort of abuses that have gone up there. The dialogue in upstate communities, where there's need for jobs, and even in local communities here in New York City, as Errol talked about,

**It's a disjointed approach to how we do economic development; we don't think about it in terms of job creation. The subsidy process exacerbates that because it really is about just getting money to these businesses...Economic development isn't just about making or expanding business; it really has to be about how we create an environment.**

—Adrienne Shropshire  
New York Jobs with Justice

41 <http://www.mallofamerica.com/>

42 <http://www.goodjobsfirst.org/news/article.cfm?id=140>

43 New York State Department of Labor: Prevailing Wage [http://www.labor.state.ny.us/prevailing\\_wage\\_home.shtml](http://www.labor.state.ny.us/prevailing_wage_home.shtml)

44 For more on Industrial Development Agencies in New York State, and a survey of the policy discussion about reforming them, see: Alan G. Hevesi, "Industrial Development Agencies in New York State: Background, Issues, and Recommendations," Office of the New York State Comptroller, May 2006. <http://www.osc.state.ny.us/localgov/pubs/research/idabackground.pdf>

My district has the hottest real estate in the city, and with one exception perhaps in Westchester, the highest income Senate district in the State of New York. We're also tops on all the economic subsidies and corporate subsidies. I make the argument my district doesn't need subsidies, to which some people say, 'what, are you crazy?' But for huge amounts of government direct subsidies and exemptions from taxes to actually all end up in my district leads me to believe something's wrong with the model that we have set up in New York.

—New York State Senator Liz Krueger

where there's unemployment, where there's serious poverty, the question about how do we bring that into the conversation in a more central way, I think, for us, is incredibly important. The question of which standards and how do we get good quality jobs—it's not just about, let's give a company public money so that they create jobs. We really need to evaluate what kinds of jobs are being created.

**ERROL LOUIS:** Isn't prevailing wage part of the law, with or without subsidy?

**ADRIANNE SHROPSHIRE:** No. Well, for the industrial development agencies it is not. In fact, it is excluded. The projects are not considered public works projects.

**ANDREA BATISTA SCHLESINGER:** Let's go out for some questions and then bring it back here. State Senator Liz Krueger<sup>45</sup> is here. She was first elected to the State Senate in 2002 and is Chair of the Minority Program Development Committee and ranking Democratic member of the Senate Standing Committee on Housing. And I don't know if this is part of her official bio or just what my staff prepared, but the last sentence of the bio says, 'She was a vocal opponent of the West Side Stadium.'<sup>46</sup> That might be part of your official bio.

The problem is we don't know how to identify which are the transportable projects and which are merely the politically powerful projects. I mean, would the *New York Times* move to Jersey? Will the *Daily News* move to Jersey if we don't give them these—literally—hundreds of millions of dollars in subsidy? I don't know.

—New York State Assemblyman Richard Brodsky

**STATE SENATOR LIZ KRUEGER:**

I don't think it is. But it's true.

Here's a question for everyone on the panel. I represent the 26th Senate District.<sup>47</sup> You're in my district. It's midtown, it's the East Side, and it's the Upper East Side.

My district has the hottest real estate in the city, and with one exception perhaps in Westchester, the highest income Senate district in the State of New York. We're also tops on all the economic subsidies and corporate subsidies. I make the argument, to which some people say, what, are you crazy? I make the argument my district doesn't need subsidies.

45 <http://www.lizkrueger.com/>

46 See, for example: Jarrett Murphy, "Stoppoing a Stadium: Heroes had different motives but they shared scorn for the Jets deal," *The Village Voice*, June 14, 2005.  
<http://dev.villagevoice.com/news/0524.murphy.64918.5.html>

47 <http://www.lizkrueger.com/26thdistrictstats.html>

My district, if anything, is fighting not to have so many people trying to live and work on the head of a pin, and that subsidy for the 26th Senate District in the year 2006 is a bad use of money. Now, we don't have below minimum wage jobs in my district. I'll give us that one. We win on that one. There are actually decent paying jobs. But for huge amounts of government direct subsidies and exemptions from taxes to actually all end up in my district leads me to believe something's wrong with the model that we have set up in New York. I was wondering what anyone on the panel would say about that. Yes, I keep getting told when I speak out about these things, no, no, you should do a press conference saying you got all this for your district, not do a press conference saying, why is all of this money being poured into my district? Of course, the irony is, when we don't have tax revenue for good schools, or tax revenue for public transportation, or tax revenue for public safety—guess what? The people of my district suffer also. Perhaps not as much as in some of the districts Errol has lived in over time. But we lose out on government funds for priorities, and yet mine is usually the wealthiest district in the state. It's also number one in getting all this money. So it seems to me something's wrong with how we're setting it up.

None of this works if you have a corrupt leadership. And it might not work with an honest leadership. But we've never tried that.

—New York State Assemblyman Richard Brodsky

**ANDREA BATISTA SCHLESINGER:** Assemblyman Brodsky?

**ASSEMBLYMAN RICHARD BRODSKY:** I don't know that you can identify the wrong by the zip code of the getter, because if you find an institution or a project that genuinely is transportable, it could go to Jersey. And if they want to locate at Fifth Avenue and 44th Street, or at the Harvard Club, and it does create jobs, it's not inherently offensive.

The problem is we don't know how to identify which are the transportable projects and which are merely the politically powerful projects. I mean, would the *New York Times* move to Jersey? Will the *Daily News* move to Jersey if we don't give them these—literally—hundreds of millions of dollars in subsidies? I don't know.

The greatest defenders of socialism for the rich are the right wing elements of one of our major political parties. In New York and this nation, we have perfect socialism for the rich and capitalism for the poor.

—New York State Assemblyman Richard Brodsky

You've got to be careful about being too—because I don't want to say this to my friend Liz, who never is this—but glib, about what works and what doesn't work. In fact, none of this works if you have a corrupt leadership. And it might not work with an honest leadership. But we've never tried that. And aside from legislative scrutiny, which has come through the work of my committee and the subpoenas and the hearings, which is a sort of a half-jointed way of doing

oversight, we need better accountability mechanisms, we need some more of the additional stuff Minnesota does. But in the end, we're in a political culture that says, as Lyndon Johnson used to say, if you want to feed the sparrows, give oats to the horses.<sup>48</sup> That seems to me not to be a good policy. So rather than pick on your district, I'd say we ought to deal with it that way.

**ANDREA BATISTA SCHLESINGER:** Going back to the issue of being held hostage, or being unable to discern whether or not a company is serious about the threat to relocate—how do you understand true intention? I was talking to a state economic development official who's relatively high up, who will remain nameless, and I said, 'You should come to this event.' He said, 'I'm worried about my personal safety, but besides that, I hate them. I hate giving away subsidies. But if I don't, they're going to move.'

**ASSEMBLYMAN RICHARD BRODSKY:** I would think the Drum Major Institute could be much more helpful in changing the political vocabulary than developing alternative bureaucratic policies. As long as we are captured by the notion that our economic engines, our large corporations, who require a partnership with government, as long as we really don't believe in the free market—the intellectual hypocrisy of this comes down to, as always in government and politics, the vocabulary. As you heard John say, the greatest defenders of socialism for the rich are the right wing elements of one of our major political parties. I mean, we have perfect, in New York and this nation, socialism for the rich and capitalism for the poor. And until there is sort of a political counterforce to that, we're going to get mired into these administrative details, which will help, but will take us down from eighteen billion a year wasted to, like, eleven billion a year wasted. Which is progress, I suppose, but it's not where I'd like to be.

**ANDREA BATISTA SCHLESINGER:** Speaking of that, and that line in the sand between right and left, Adrienne, it seems like this issue challenges our notions around progressive politics. And one of the big ways is—at least as it is playing out in New York, and I'd love to know about Minnesota—the role of labor in this coalition. You know, in your view, where is labor on this landscape of calls for subsidy accountability? Obviously, the issue of jobs, that's key to how they measure their success.

**ADRIANNE SHROPSHIRE:** I think our experience has been that labor has been where they should be in most instances, in terms of calling for this broader accountability—because I think part of the way that we try to approach the issue, really, is to try to frame it around the broader question of accountability in development. And so, I think that labor has then been an important part of moving that message, but also I think for labor this is an important issue for a couple of reasons, not the least of which is because they have members and folks who'd like to be members who work for companies who receive subsidies and pay horrible wages. But also because many of the companies, in particular industries, are driving

down the standards in industry. You can look at building services and the kinds of subsidies that go to that industry, where folks are making poverty wages, or you can look at retail where, in fact, Wal-Mart in New York does get public subsidy. I think they got around \$8,000,000 in IDA subsidies.<sup>49</sup> And we don't need to talk about the wages that Wal-Mart pays, because we all know that.

The role that subsidies begin to play in driving down the standards of particular wages where unions are trying to organize, and to maintain the sort of standards that they fought for, is key and critical. In our experience, unions have been coming to that conclusion and playing a much needed role in trying to both advance the issue, and then also put forward meaningful policies and priorities.

**If we're going to talk about transparency, if you want to hold the feet of the corporations to the fire, which we probably all agree ought to be done, we also do have to look at the 733 public authorities that Assemblyman Brodsky and Comptroller Hevesi and others have been screaming about, where – it's not even so much that they do bad deals. They themselves are bad deals, in many cases.**

—Errol Louis  
New York Daily News

**ERROL LOUIS:** In trying to frame this—the question, I think, really is what the Assemblyman was saying. Unless there's a political force to change the way New York does business, we're in for more of the same. Now, where that force is going to come from, I see nothing but bad news almost anywhere you look. I see the unions acting on principle. But I also see the unions keeping in place through their

contributions and their troop strength on Election Day, all 211 people in the State Legislature, virtually—

**ASSEMBLYMAN RICHARD BRODSKY:** What's your point?

**ERROL LOUIS:** The point is—I mean, look, it is fine to sit in the Harvard Club and call for a movement. Now, where's it going to come from, you know?

**ANDREA BATISTA SCHLESINGER:** What about the constant references to the Harvard Club? It's a central location. That's why we're doing it here. It doesn't mean anything else.

**ERROL LOUIS:** Fine. There's actually a case right around the corner—everybody, I think, knows—well, many people know that the Bank of America is putting up a tower.<sup>50</sup> That's the big hole in the ground right around the corner from here. I wrote a column when they were first approved for the subsidies that are enabling that tower to be built.<sup>51</sup> And it describes this whole area as blighted. So I got to take a cheap shot at, yes, the Harvard Club's right around the corner, apparently in

48 This quote is attributed to John Kenneth Galbraith, an economist and advisor to the Johnson administration.

49 Barnaby J. Feder, "Wal-Mart's Expansion Aided by Many Tax Payer Subsidies," *The New York Times*, May 24, 2007.

50 [http://www.goodjobsny.org/BofA\\_news.htm](http://www.goodjobsny.org/BofA_news.htm)

51 Errol Louis, "The Great Giveaway," *The New York Sun*, March 16, 2004.  
<http://www.goodjobsny.org/news/suneditorial.htm>

a blighted area. But, look, if we're going to talk about transparency, if you want to hold the feet of the corporations to the fire, which we probably all agree ought to be done, we also do have to look at the 733 public authorities<sup>52</sup> that Assemblyman Brodsky and Comptroller Hevesi and others have been screaming about,<sup>53</sup> where—

**We had to change the discussion. We had to change some public attitudes. We didn't just pass along procedure.**

—Minnesota State Senator John Hottinger

it's not even a matter of giving a subsidy to a corporation, they keep the subsidy in-house. You know? Just through their procurement practices, and the credit cards, and the spending and all kinds of different things that they do that don't get a lot of scrutiny. So if there's going to be transparency the question becomes, who is going to shine that light? Now, every year we write editorials complaining about how the member items that the legislature puts out are not publicized in any kind of systematic way that would enable anybody to figure out who did what, those are not going to be the people who shine the light of accountability on the corporation. The Drum Major Institute and whoever else—I know Good Jobs New York is very active in this—are going to have to figure out how to piece together a political environment that does it. I don't think it's going to come out of the legislature as it did in Minnesota.

**ASSEMBLYMAN RICHARD BRODSKY:** Can I ask John what you do about condemnation?

**SENATOR JOHN HOTTINGER:** We don't address that. We've had other bills dealing with condemnation. We do have a different political culture. There's no question about that. Part of it is because we're about as big as one of your boroughs. But part of it is because of a long history of a relatively bipartisan—changing rapidly and recently—approach to things. But much of what is being said by the panelists is very similar to some of the issues we faced. We had to change the discussion. We had to change some public attitudes. We didn't just pass along procedure. If we did do that we thought it was helpful. But the organizing at the local level helped make it a public discussion. That was a valuable asset. Labor was a very valuable asset for us. Now, again, the difference between the overall policy and any individual project is dramatic. They wanted us to build a baseball stadium, with all public funds if necessary. But in overall terms, the organization of labor, helped set this criteria at the local level but, most important, to get the bill passed because they saw advantage for labor in setting criteria. Advantages in terms of wages, advantages in terms of enforcement, in terms of having criteria that require some positive things that labor sought.

Labor has been a very big asset. And their conversion early on in the process

was a very important and useful thing. But one of the things I really agree with strongly is what Assemblyman Brodsky said. This is a step. A step in terms of economic justice, a step in terms of bringing some accountability in a process that is heavily weighted, in Minnesota as here, at least similar as here, to those who already have resources that most of the public subsidies go to entities that have resources themselves. But that is one of the things that those engaged in this at the grassroots level said this is a stepping stone to continue discussions over the economic equity that we have in our society. And they have continued to organize around those issues, whether they are labor issues or property issues or housing issues or environmental issues. And this has been a step along that process, a broader change in the policy discussion and in the framing of issues.

**What is never examined is: what is that subsidy doing taking business away from an existing retail establishment? What will happen in the Bronx Terminal Market when Gateway is built, and there are 30 supermarkets in that area? Those subsidies may not only be bad in and of themselves, but they are doubly bad for the impact they had on existing stores.**

—Richard Lipsky  
Neighborhood Retail Alliance

**ANDREA BATISTA SCHLESINGER:**

Let's turn the table to other businesses that aren't necessarily as resourced. Richard Lipsky is here, who represents the Neighborhood Retail Alliance,<sup>54</sup> which has represented the interest of small business in New York. Richard, do you have a question?

**RICHARD LIPSKY:** One thing that's interesting is, when you look at the process, one of the things you have to look at is not just the deal itself but what happened before the deal was struck. It's what scientists call the difference between decisions and non-decisions. And what often happens is that the development field totally bypasses the needs and concerns of existing local business industry. If you're going to look at accountable development—take, for instance, a market was built over ten years in East Harlem with a tremendous degree of public subsidy. There were fifteen local supermarkets in that area who had invested probably close to \$300,000 in that community when everyone had abandoned that community.<sup>55</sup> They were totally disregarded. The question is in accountability in development. I once had this discussion with the Economic Development Corporation where they were telling me about all the collateral benefits of the project. I said, "Well, what about the collateral damage?" What is never examined is, what is that subsidy doing taking business away from an existing retail

**Over the past year alone, the city has subsidized the creation of thousands of poverty waged jobs. And I literally mean thousands. We haven't implemented any sort of systematic standards for wages or benefits attached to subsidies and so my question is really politically, what are the obstacles, and how do we address this as a coalition?**

—Dan Steinberg  
Good Jobs New York

<sup>54</sup> <http://www.momandpopnyc.com/>

<sup>55</sup> Lentz, Philip, "Harlem mega store project rolls ahead despite protests; Path mark signs lease; supporters of rival grocers lobby to kill deal," *Crain's New York Business*, February 25, 2002. [http://findarticles.com/p/articles/mi\\_go1577/is\\_200202/ai\\_n6758980](http://findarticles.com/p/articles/mi_go1577/is_200202/ai_n6758980)

<sup>52</sup> <http://www.osc.state.ny.us/pubauth/index.htm>

<sup>53</sup> For example, see: [http://www.empirepage.com/eye\\_from\\_albany/040505.htm](http://www.empirepage.com/eye_from_albany/040505.htm)

establishment? What will happen in the Bronx Terminal Market when Gateway is built, and there are 30 supermarkets in that area?<sup>56</sup> Those subsidies may not only be bad in and of themselves, but they are doubly bad for the impact they had on existing stores. A question then, particularly for Senator Brodsky, who has authored some legislation on accountability in development, is that do we, when we construct this legislation, look at the impacts that the subsidies will have on those local businesses?

**ASSEMBLYMAN RICHARD BRODSKY:** There's no way to define in politically acceptable ways the affected universe. And I think you're right that, prior to the striking of the deal, that the political balance is weighed and decisions are made about that. A lot of it depends on who the victim is. When you get a lot of little people victimized they tend not to coalesce, and it tends not to be particularly difficult to roll them.

I think the place to look is where you know you have to look, which is the public authorities who control so many of the subsidy deals. And which are set up intentionally to mask the source and the details and the accountability of the individual deal. I mean, it's not accidental, it's intentional. It's intended to create sort of a shield. So that, unlike in Minnesota, there won't be any elected official you can go up to and say, hey, you did this deal, it didn't work out, you created a bunch of poverty level jobs, you should be ashamed of yourself.

—Errol Louis  
New York *Daily News*

**ANDREA BATISTA SCHLESINGER:** A group that has done a lot of great work, in terms of living in New York City is Good Jobs New York,<sup>57</sup> and Dan Steinberg, research analyst for Good Jobs New York is here. They investigate and publicize the ways in which public resources are allocated in the name of economic development and, more specifically, corporate retention. Dan, do you have a question?

**DAN STEINBERG:** Thank you. Currently in the city, the mayor set up a Commission for Economic Opportunity<sup>58</sup> which has ostensibly made the working poor one of its priorities. And, not surprisingly, one of its findings has been that there's a relationship between low wages and poverty in the city, shockingly.

Over the past year alone, the city has subsidized the creation of thousands of poverty-wage jobs. And I literally mean thousands. Through large scale projects like the arena, the stadiums, the couple of suburban style retail projects. So my question is, basically, where's the disconnect? We haven't implemented any sort of systematic standards for wages or benefits attached to subsidies and so my question is really politically, what are the obstacles, and where's the disconnect, and how do we address this as a coalition?

**ANDREA BATISTA SCHLESINGER:** Is subsidy accountability beyond the agenda of the poverty commission?

**ERROL LOUIS:** No. I mean, I've been talking with some of the people involved. It doesn't look like—I'm sure you've heard this already—the poverty commission is that deep of an investigation of the sources of the possible remedies of poverty. I mean, it's intended to fashion the most efficient response of existing programs and agencies to specific categories of poor people. Young people or single mothers, so forth, they'll sort of try to make a better fit between HRA<sup>59</sup> and HPD<sup>60</sup>, in some cases, or Department of Homeless Services.<sup>61</sup>

I think the place to look is where you know you have to look, which is the public authorities who control so many of the subsidy deals. And which are set up intentionally to mask the source and the details and the accountability of the individual deal. I mean, it's not accidental, it's intentional. It's intended to create sort of a shield. So that, unlike in Minnesota, there won't be any elected official you can go up to and say, hey, you did this deal, it didn't work out, you created a bunch of poverty level jobs, you should be ashamed of yourself. It's very hard to do.

I mean, I've gone to some IDA meetings and I was not jostling for room with other reporters. Everyone in the room seemed to be shocked that I even knew about the meeting, because they were announcing it in the small type in the back of the newspaper, in the classified section: there will be a meeting at 10 o'clock tomorrow morning on Williams Street. If you can find it, if you can get past the security guard, if you even know what the thing is about, you know, you're welcome to come during working hours if you have the kind of job that would allow you to.

**ASSEMBLYMAN RICHARD BRODSKY:** He's absolutely right. He's right in its essence now. What is an authority? An authority is an executive agency unmonitored by a legislature. American democracy is great, not because of our chief executives but because we have developed a system of legislative check and balance. And everybody hates a legislature. I don't care when you existed in American history, in what state or city or nation, the congress, the legislature, the city council —bums, rascals, irretrievably. But, in the end, there's something different about the system. And the political hostility towards legislative bodies is something that's going to have to be a part of this. Because in the end, you may not like the legislative function, but it's all you got in America. And it's got to be reinvigorated, reestablished, reconfigured, and reformed. I mean, the fabulous notion is that in Minnesota they figured out, as you heard from John, that conference committees are anti-Democratic. Now you talk to the liberals here—hi, Liz—all they want to talk about, aside from sitting in a stupid chair and pushing the damn button, is conference committees as a great step towards open democracy. Okay? So as we develop this large debate about how government spends public dollars on private interest, please remember that

56 <http://www.momandpopnyc.com/campaigns/terminalmarket/index.htm>

57 <http://www.goodjobsny.org/>

58 <http://www.gothamgazette.com/article/searchlight/20060308/203/1785>

59 Human Resources Administration Department of Social Services, <http://www.nyc.gov/html/hra/html/home/home.shtml>

60 The City of New York Department of Housing Preservation and Development, <http://www.nyc.gov/html/hpd/html/home/home.shtml>

61 <http://www.nyc.gov/html/dhs/html/home/home.shtml>

there ought to be an effective critique, not just an angry one, of the way legislative bodies function.

**SENATOR JOHN HOTTINGER:** Let me talk very briefly about what we did in Minnesota law. Subsidy criteria have to be passed by an elected body, so there are repercussions if you don't pass it. In fact, the biggest election issue for Minneapolis and Hennepin County elected officials this time is the stadium that was approved by the county for Minneapolis.<sup>62</sup> There has to be public notice of the hearing, and we've dealt with that, sufficiently conspicuous in size and placement in the local newspaper to distinguish the notice from the surrounding

text. It's not the little itty bitty print. It has to be ten days public notice. The public notice has to indicate where you can get a copy of the subsidy agreement so that is one way of at least trying to build bridges with small businesses. We have a requirement that the impact on small businesses must be considered in any public subsidy. And one of the quotes that was done in this extensive report by Good Jobs First<sup>63</sup> says public involvement has gone up,

**I don't want to sound conspiratorial—although I have to a little bit because I'm a good progressive—but to what extent is there a relationship between the news coverage of public subsidies and the vested interest of news corporations themselves in the outcome of this debate?**

—Andrea Batista Schlesinger

not necessarily at the hearings, it depends on the project. We have a lot of meetings for the stakeholders, the neighbors to address concerns and talk about issues early on so the hearings might be lightly attended—again, the culture of subsidy changed. So that the meetings with the local businesses impacted are being held ahead of time in order to make the hearings less controversial.

**ERROL LOUIS:** When you talk about localities deciding in advance what level and what type of subsidies they're going to support, is that done yearly or—is that timed to coincide with the budget process? How do they know what they want to offer?

**SENATOR JOHN HOTTINGER:** Well, it sets the criteria. It doesn't set a total amount that they would give in subsidies or anything like that. Prior to granting any public subsidy and sufficiently in time that they're not connected, they have to set up their public subsidy criteria. That has to be done in a public meeting. It takes a timed notice that goes over a couple of months to get public engagement, and can be changed, of course, at any time the local government wants to. But it, again, has to go through the full hearing process. This makes it more difficult and more visible to change the criteria in order to adapt to a specific subsidy proposal.

**ANDREA BATISTA SCHLESINGER:** I just wanted to go back to something quickly. One of the key ingredients to changing the public consciousness around an issue is the role of the press. I was reading today on the cover of the Metro section [of

the *New York Times*] about how Buffalo is rebounding, and I read about all these agencies and before I wouldn't have noticed it. Today I was thinking: how much are we paying, and what are the guarantees? I mean, to what extent is the press doing its job around raising attention to this issue? And then, I don't want to sound conspiratorial—although I have to a little bit because I'm a good progressive—but to what extent is there a relationship between the coverage and the vested interest of news corporations themselves in the outcome of this debate?

**ERROL LOUIS:** Well, I'll answer the second one first, because it's easy in my case. Our paper is owned by Mort Zuckerman, who is owner of Boston Properties,<sup>64</sup> mostly commercial real estate. As far as I can tell, he owns half of New York, and wants to buy the other half. On any given project I can tell you we—and when I say 'we', I mean the editorial board—we don't know, we don't ask to know, we usually are not told what interest he may or may not have. He was one of the bidders for the World Trade Center. Silverstein got it. A group led by the owner of the *Daily News* was in second place. That was before I got there. These are big deals and big projects. It's too often that we could stumble into a minefield, so operating

instructions that I've received are to just go ahead and do your job. If he does wish to intervene, we'll know. It's very hard to report this stuff. It's very hard to get this stuff into the press. I have probably a little more flexibility than many.

**Anybody who has done work at the neighborhood level knows that people have a lot more concerns than whether or not their kids are going to pay more to repay some bonds twenty years from now. They're worried about their schools; they're worried about a lot of things. We understand that these things are all connected. But it's a tough case to make. Trust me, the press is not going to pick this up and carry it for you.**

—Errol Louis  
New York *Daily News*

When you're trying to figure out what, say, Bank of America is getting out of this deal around the corner,<sup>65</sup> well, they're going to pay less for a bonded credit facility than they would have paid if they had gone on the open market. So that's

kind of hard to figure out. How is the public paying for that? Well, we're paying it back to bond holders over a 30 year period. What does that really mean to any given individual? And then the final question, who was responsible for it? Well, we're back to corporations. We're back to authorities again. In that case it was a Liberty Bonds,<sup>66</sup> and the Liberty Bonds were the hook that they didn't want me to write about it at all, which was to say this was money that was supposed to go for downtown and they're using it to build some big tower and they're saying the Harvard Club is blighted, you know? So I could sort of put that together in a way that both the readers and, more importantly, the editors, who are your gatekeeper to getting the things out, in the first place, can sort of understand. It's tough, it's tough. It's tough to make the public care about it.

62 <http://minnesota.publicradio.org/display/web/2006/08/29/stadiumtaxvote/>

63 Ann Nolan and Greg LeRoy, "Get Something Back! How Civic Engagement is Raising Economic Development Expectations in Minnesota," Good Jobs First. 2003  
<http://www.goodjobsfirst.org/pdf/civicing.pdf>

64 [http://www.forbes.com/free\\_forbes/2005/0228/066.html](http://www.forbes.com/free_forbes/2005/0228/066.html)

65 [http://www.goodjobsny.org/BofA\\_news.htm](http://www.goodjobsny.org/BofA_news.htm)

66 <http://sdc.qai.irs.govt/article/0,,id=96064,00.html>

**ANDREA BATISTA SCHLESINGER:**

We've got a hundred people here at 8 o'clock on a Monday morning. Is that really the case that it's tough to get people to care?

**ERROL LOUIS:** Well, try and get your hundred and first person and we'll count. In all honesty, though, to be

more serious about it – again, if you're talking about the Columbia project, if you're talking about Atlantic Yards, if you're talking about the West Side Stadium, people want to know what is going to happen in their back yard. To say that their kids are going to pay more in taxes to pay back some bond to rich people than they maybe should have. Again, it's not even a debate about whether the project should happen, in a lot of cases. It's just, is there too much subsidy behind it? It gets to be very grey. It's kind of hard to put it as a black and white story, number one. And number two, if it's about transparency, people's eyes simply glaze over. To go back one more time to the teeny tiny print, when I wrote the column in the New York Sun about the way these things are done, to illustrate how outrageous it is I had said, look, billions of dollars are about to change hands, and here's what it looks like. I had it produced in the paper exactly the way it looked and with all of the bureaucratic language. That was to try to convey to people, something is going on behind your back. Anybody who has done work at the neighborhood level knows that people have a lot more

**We give businesses money and actually lose jobs. It's more than not meeting their goal, they actually lose jobs. Oftentimes, the press covers these things in a very complicated way...We're not able to bring down an issue in a way that actually is a good, coherent story.**

—Adrienne Shropshire  
New York Jobs with Justice

**'My pork is good, your pork is bad'—turns out that's the way the press works. You can attack the Carousel Mall in Rochester but you can't attack in Syracuse. You want to talk about pork? I mean, I apologize to the pigs.**

—New York State Assemblyman Richard Brodsky

concerns than whether or not their kids are going to pay more to repay some bonds twenty years from now. They're worried about their schools; they're worried about a lot of things. We understand that these things are all connected. But it's a tough case to make. Now, I'll say: hint, hint. It's

very much easier to say that a respected think tank has put out a report saying that the taxpayers are being ripped off and they're holding a press conference about it tomorrow. That's the kind of thing that works. Then you can have a movement that includes legislators, community and voices in the press if you can bring them over to your side. But it has to be all of that. Trust me, the press is not going to pick this up and carry it for you. It would have to be done differently.

**ADRIANNE SHROPSHIRE:** There's a question of whether we are doing our part in moving the messages around. One of the major messaging issues over the last two years, as we've been trying to push this IDA reform agenda<sup>67</sup>—and particularly, I think, the last year of the number of editorials from papers from Yonkers to Buffalo that editorialize on the need for IDA reform—has been how do we do a good job of

making the connection to the wage issue and the job loss issue. We give businesses money and actually lose jobs. Not just don't meet their goal, but actually lose jobs. Making the connection to those issues, I think, was really enlightening for us. It was very hard for us, and one of the things we are trying to do now with a couple of partners is to begin to think about this question of how do we redefine economic development in New York, and so how do we come up with good communications tools, both as sort of a comprehensive understanding for ourselves, an analysis about what it is and what's happening, but also to try to come up with really good and effective communication tools to be able to move our perspective on this issue. Because I think that too often we do it in a very complicated way. And so it's hard. We're not able to bring down an issue in a way that actually is a good coherent story.

**ASSEMBLYMAN RICHARD BRODSKY:** The pressure around the state of cheerleaders for their local projects and opponents for their neighboring cities' projects gets to the press as well. That's true in New York City and elsewhere, so whatever critique can be made of, my pork is good, your pork is bad—turns out that's the way the

press works. You can attack the Carousel Mall in Rochester<sup>68</sup> but you can't attack in Syracuse. You want to talk about pork? I mean, I apologize to the pigs. So the press is no better than anybody else in society. And they're worse when it comes to this. If there's not going to be any

**The fact that a community benefits agreement exists in the case of Atlantic Yards is no substitute for the type of enforceability and the types of provisions that you've been talking about.**

—Chris Owens

progress from us, there ain't going to be progress from them, either. And the answer is, where's progress going to come from? To a certain extent, that comes from political activism with a coherent, intelligible message that unites people around a common agenda. Something my party left 25 years ago from which we have not yet recovered.

**ANDREA BATISTA SCHLESINGER:** Let me go to the back to Chris Owens.<sup>69</sup>

**CHRIS OWENS:** Thank you very much. This is a great conversation. I just finished a congressional campaign and the Atlantic Yards project in Brooklyn was a major issue. My question was not going to focus on that, even though I live in the future shadow of that project. But I was curious, Senator Hottinger, to hear how you were going to respond to the eminent domain issue as well as the authorities issue, because I didn't know if in Minnesota you have any of these public authorities that essentially have the power to make decisions that are not reviewable by legislative bodies because, in our case, many of these situations take place, and the level of accountability is a disaster in the case of Atlantic Yards. The fact that a community

68 <http://www.syracuse.com/poststandard/stories/index.ssf?base/business-0/1172483703268340.xml&coll=1>

69 <http://www.answers.com/topic/chris-owens-politician>

67 <http://www.nyjwj.org/ida.html>

benefits agreement<sup>70</sup> exits in the case of Atlantic Yards is no substitute for the type of enforceability and the types of provisions that you've been talking about.

I welcome the fact that your voice is here. So I have two questions. One has to do with, do you have authorities? And the second has to do with the eminent domain issue. What is the culture in your area regarding the private to private transfer through the use of eminent domain?

**SENATOR JOHN HOTTINGER:** Thank you for the question. I really didn't give Assemblyman Brodsky a very good answer when he first brought it up. First of all, in terms of public authorities, sure, they were the ones who fought it the most when we tried to pass our bill. The government had set up public authorities that were unaccountable in terms of elected

**I think in the long view there really is this question we need to grapple with, which is the question of should public money go to private development? But in the interim, how do we improve the quality of the jobs that are created, and improve the quality of the communities where the developments are happening, so that economic development just isn't about a business, but it really is about the improvements for the overall community.**

—Adrienne Shropshire  
New York Jobs with Justice

officials. And they fought this, because they wanted to have that private ability to make subsidies. They're covered by this. Either they have to put something in front of the public through approval by a city council or a county board before they have a subsidy agreement. Or they've been disbanded in a number of areas. The council just deals with it, or the county board just deals with it directly. That's been one of the impacts of the changes we've made. The public authority deals of Minnesota need to be visible and need to be voted on by somebody.

**CHRIS OWENS:** Does that include condemnation?

**SENATOR JOHN HOTTINGER:** Oh, no, the public authority can't do condemnation.

**CHRIS OWENS:** It has to be done by the localities.

**SENATOR JOHN HOTTINGER:** By the local government. And on condemnation, our law gives private citizens the opportunity to litigate issues where they think it was violated. There's a public enforcement mechanism. That was used a couple of years ago in a condemnation case in an effort where Richfield, Minnesota was trying to disrupt local businesses that were ongoing and positive by condemning the land and giving up the subsidy to the Best Buy corporation.<sup>71</sup> One of the larger businesses took that case to court, and ultimately the court said they had to comply with public subsidy law and have public hearings and have long discussions, and have the subsidy agreement public and available for review. That led to our reaction to the Supreme Court decision, which mostly dealt with blighted areas and how to define them for purposes of condemnation.

<sup>70</sup> <http://www.communitybenefits.org/article.php?list=type&type=39>

<sup>71</sup> Ellen Gabler, "Eminent Domain Helps Target, Best Buy," Minneapolis-St. Paul Business Journal, July 29, 2005. <http://twincities.bizjournals.com/twincities/stories/2005/08/01/story3.html>

**CHRIS OWENS:** To save poor people.

**SENATOR JOHN HOTTINGER:** Yeah. That was the discussion. We recognized we had to get more definition. And please don't ask me what we ended up doing. But we recognized it was important, especially in defining blighted areas. Because there was consensus among some people that that had to be able to be the basis for condemnation. But essentially the poor people who lived there wanted to have a voice in that. So we structured our change in our eminent domain around the need to have that community input, instead of outsiders defining what the blight was.

**ANDREA BATISTA SCHLESINGER:** We're having a frank discussion about the roles and responsibilities that corporate America has here, and corporate welfare, but we definitely look to them when it comes to starting and ending meetings on time. So, we're at about five minutes to ten. I know this is a great conversation, and I'll say a couple of things. One is that the conversation will continue on our blog,<sup>72</sup> so if there are questions I'm sure we can attempt to get the panelists to agree to answer some questions on the blog. And then, let's do a couple of minutes of closing. Also, this conversation – to some extent, you guys are the unwitting studio audience—will air on CUNY-TV. Transcripts will be disseminated soon. If you check back on our site you'll be able to watch it, download it to your iPod and other things that I don't know how to do. Let's do closing, and start with Adrienne.

**ADRIANNE SHROPSHIRE:** In closing, I guess I would just say that I think this is one of the most pressing issues for us to deal with when we talk about economic development, from the large scale development projects that happened here in the City that seemingly don't have any impact, unless a community can organize itself to a community benefits agreement of all of the upstate communities and

try to get a handle on both. You know, I think in the long view there really is this question we need to grapple with, which is the question of should public money go to private development?

**You have to look at it as a step along the way to build a progressive coalition. An economist, who worked with us on this, is now working with me as the Chair of the Early Childhood Committee. How do you make sure that kids get the best equalized start, become productive citizens, lead productive lives? It includes an economic function and economic improvement.**

—Minnesota State Senator John Hottinger

But I think, in the interim, really this question about how do we attach the kinds of standards that make sure that we're not just focusing

on again giving money to corporations, but really trying to improve the quality of the jobs that are created, and improve the quality of the communities where the developments are happening, so that economic development just isn't about a business, but it really is about the improvements for the overall community.

<sup>72</sup> [http://www.dmblog.net/archives/2007/05/corporate\\_welfare\\_reform\\_for\\_n.html](http://www.dmblog.net/archives/2007/05/corporate_welfare_reform_for_n.html)

**ASSEMBLYMAN RICHARD BRODSKY:** I just want to maybe say thank you to John for his attendance in our city, and for his work in Minnesota that obviously goes beyond the borders of his own state. It's appreciated by anybody who has a decent respect for progressive American politics. I want to thank the Drum Major Institute, for not necessarily providing us with a forum where we got to understand the policy and bureaucratic responses to this problem, but to maybe begin a process of which a coalition building dialogue, non-stereotypical sense of what a progressive politics would look like can start to emerge. I don't know what it is, but I do know these are the kind of events which give us the sense that it's possible.

**ERROL LOUIS:** I would say, in closing, that the—I would agree with the Assemblyman on that, but the coalition we in New York City very often forget has got to include upstate, the Southern Tier, Western New York, the North Country. And it's got to include some of the suburbs. I grew up in New Rochelle. Trump Tower is going up there, by the way, as we speak, probably with some subsidy. But there needs to be some sort of connection that encompasses a lot of places where it's most needed. In New York there's so much tumult and turmoil around land use questions, around economic development generally, it very often gets hard to sort of poke through and see some of the basic issues that are involved here. Again, the question for most of the people that I talked to—when I say people, I mean regular people—

**ANDREA BATISTA SCHLESINGER:** Not us; regular people.

**ERROL LOUIS:** Well, listen. Will there be a building? Will there be a daycare center? Will there be a school? Will there be a job and a better quality of life? Not the broad question of, is it unacceptable and should I kick up a protest if a company in Buffalo got more than it should have to create a casino or some other kind of a deal?

**SENATOR JOHN HOTTINGER:** I, too, want to thank everybody for coming, and I really appreciate the invitation to be here. It's been a wonderful discussion that I've had a chance to listen to, in great part, to hear about the challenges in New York. And obviously they're much more complex than in little old Minnesota. But we think we have done some work, and can be the guideline to increased participation, increased discussion, and maybe help change the climate. And doing that, you have to do what I think Assemblyman Brodsky talked about: look at it as a step along the way to build a progressive coalition. The coalition that worked together on this in Minnesota, trying to assess what may be bad approaches to economic development for the last three years has moved, in part, to assessing positive economic development in a very strange way. And it's kind of a plug for your next program. An economist, who worked with us on this, is now working with me as the Chair of the Early Childhood Committee to point out the best public investment, in terms of return on investment, just economically, without looking at all the other things. And that's where we're focusing now. How do you make sure that kids get the best equalized start, become productive citizens, lead productive lives? And that includes an economic function and economic improvement. Thank you.

**ANDREA BATISTA SCHLESINGER:** Thank you to our excellent speakers. The Drum Major Institute's Marketplace of Ideas series is about explaining the positive role that government can play in people's lives, not just by saying that it can but by actually demonstrating and providing examples of when it has. So thank you, and happy birthday to Senator Hottinger.

# WHO IS THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY?



The Drum Major Institute for Public Policy is a non-partisan, non-profit organization dedicated to challenging the tired orthodoxies of both the right and the left. The goal: progressive public policy for social and economic fairness. DMI's approach is unwavering: We do not issue reports to see our name in print or hold forums for the sake of mere talk. We seek to change policy by conducting research into overlooked but important social and economic issues, by leveraging our strategic relationships to engage policymakers and opinion leaders in our work and by offering platforms to amplify the ideas of those who are working for social and economic fairness.

Originally called the Drum Major Foundation, DMI was founded by Harry Wachtel, lawyer and advisor to Rev. Dr. Martin Luther King, Jr. during the turbulent years of the civil rights movement. DMI was relaunched in 1999 by New York attorney William Wachtel, Harry's son, Martin Luther King III and Ambassador Andrew Young.

From releasing nationally recognized studies of our increasingly fragile middle class, the relationship between schools and communities and the impact of changing demographics on politics to launching an exciting and frequently-visited Web site that serves as a source of ideas and argument, DMI has demonstrated the strength of its mission and strategy.

Please visit [www.drummajorinstitute.org](http://www.drummajorinstitute.org) for more information.

## BOARD OF DIRECTORS

**Ambassador Andrew Young**  
*Chairman*  
Good Works International, LLC

**William B. Wachtel**  
*Founder*  
Wachtel & Masyr, LLP

**John Catsimatidis**  
Red Apple Group

**Bruce Charash**  
Apple P.I.E.  
(Partners in Education)

**Cecilia Clarke**  
Sadie Nash  
Leadership Project

**Sandra Cuneo**  
Cuneo Advocates

**Jennifer Cunningham**  
1199 SEIU United Healthcare  
Workers East

**Rosanna M. Durruthy**  
Aequus Group

**Stuart Feldman**  
Chelsey Capital

**Matthew Goldstein**  
City University of New York

**Robert F. Kennedy, Jr.**  
Waterkeeper Alliance

**Martin Luther King, III**  
Realizing the Dream

**Daniel T. McGowan**  
HIP Health Plan of  
New York

**Chris McNickle**  
Greenwich Associates

**Bernard Nussbaum**  
Wachtel, Lipton,  
Rosen, and Katz

**Morris Pearl**  
BlackRock

**Tom Watson**  
Changing Our World, Inc.

**Randi Weingarten**  
United Federation of Teachers

**Melvyn I. Weiss**  
Milberg Weiss Bershad &  
Schulman LLP

**Jenifer Witter**  
The Boreland Group Inc.

**Andrew Young, III**  
Young Solutions

## STAFF

**Andrea Batista Schlesinger**  
Executive Director

**Amy M. Traub**  
Associate Director of Research

**Elana Levin**  
Communications Manager

**Kia Franklin**  
Civil Justice Fellow

**Lauren Su**  
Operations Manager

**Penny Abeywardena**  
Director of Strategic Relations

**Sarah Solon**  
Policy and Communications  
Associate

**Suman Raghunathan**  
Immigration Project  
Coordinator

**Tsedey Betru**  
Director of DMI Scholars

**Margaret Goodwin**  
**Elizabeth Hartline Green**  
**Patricia Orozco**  
Research and Communications  
Interns

## ALSO FROM DMI

### LESSONS FROM THE MARKETPLACE: FOUR PROVEN PROGRESSIVE POLICIES FROM DMI'S MARKETPLACE OF IDEAS

May 2007 / In Maine, moderate-income residents buy prescription drugs for as little as half the retail price. In San Francisco, some violent criminals are 82 percent less likely to commit new crimes after their release from prison. In Minnesota, the public can reclaim subsidies when economic development incentives don't produce the promised results. In Oklahoma, 92 percent of four-year-olds attend a high-quality public preschool. This report recounts how these successful policies got started, and how they can be replicated across the nation.

### SAVING OUR MIDDLE CLASS: A SURVEY OF NEW YORK'S LEADERS

April 2007 / It's harder for New Yorkers to enter the middle class today than ten years ago, according to DMI's groundbreaking survey of 101 top leaders from New York City's academic, business, political, policy advocacy and civic-institutional sectors. The survey analyzed top challenges for the city's current and aspiring middle class and evaluated city, state and federal policies to address New York's middle-class squeeze.

### PRINCIPLES FOR AN IMMIGRATION POLICY TO STRENGTHEN AND EXPAND THE AMERICAN MIDDLE CLASS: 2007 EDITION

March 2007/ This report finds that immigrants contribute to middle-class prosperity as workers, taxpayers, and consumers, while also concluding that undocumented immigrants' lack of workplace rights undercuts the middle class. DMI's complete immigration toolkit includes an update of our 2005 report, talking points, a discussion guide, legislative analyses, and Spanish translation.

### DMI ON THE 2007 STATE OF THE UNION

January 2007/ There was little for current and aspiring middle-class Americans in President Bush's State of the Union Address this year. DMI's "instant analysis," released just hours after the speech, examines the President's domestic policy agenda in-depth. We find that the President's proposals, at their core, are driven by a conservative ideology that doggedly protects the wealthiest Americas from tax hikes by sharply cutting social programs, while also absolving corporations of their obligation to protect the health and welfare of their employees by shifting those burdens to the workers themselves.

### THE 2006 DMI YEAR IN REVIEW

December 2006/ 2006 was the year of Systems Failure. Most Americans were tired of the status quo—on the war, on the economy, on the lapsed ethics of those entrusted to represent our interests. The result: on Election Day, they rebooted, ready to try again. The DMI 2006 Year in Review explores the year's best and worst of public policy, tunes into the voices of 2006 and profiles eight Americans advancing progressive policy. Also featured: a report from the front lines in six states and from the blogosphere, our recommended reading list, a recap of what the think tanks of the conservative right are up to and, as always, the 2006 Injustice Index.



# Marketplace of Ideas

In the Marketplace of Ideas, we don't just talk about problems, we highlight policies to address them and the policymakers that made them work.

"The Drum Major Institute's recent forum on increasing accountability and developing better uses for economic development subsidies with Minnesota State Senator John Hottinger was both informative and enlightening. I found it so useful to hear about the ideas of both colleagues in government and well-informed advocates about effective legislation in other states, particularly Minnesota's progressive and far reaching bill."

—NEW YORK STATE SENATOR LIZ KRUEGER

## IDEAS WE BROUGHT TO MARKET:



Strengthening the Labor Movement



Tackling Environmental Injustice



Holding Corporations Accountable for Their Fair Share of Employee Health Costs



Reducing Recidivism Through Restorative Justice



Leveraging Government to Protect People from Corporate Malfeasance



Lowering the Cost of Insurance

Making Prescription Drugs More Affordable

Making Health Care Universal

Increasing Accountability for Economic Development Subsidies

Confronting the Need for Massive School Construction

Combatting Global Warming Through Congestion Pricing

Promoting Access to Pre-School Education



**40 Exchange Place, Suite 2001 New York NY 10005**  
**T 646.274.5680 F 646.274.5700 [drummajorinstitute.org](http://drummajorinstitute.org)**

The Drum Major Institute for Public Policy is a non-partisan, non-profit organization dedicated to challenging the tired orthodoxies of both the right and the left. Founded during the civil rights movement, we are a progressive policy institute giving the think tanks of the conservative right a run for their money. For more information, please visit [www.drummajorinstitute.org](http://www.drummajorinstitute.org).