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My Turn

Incentives, bailouts in essence the same

Triangle Business Journal - by [Dale Gibson](#)

Mark Sanford is a conservative with an independent streak. A product of the Lowcountry of South Carolina, he served three terms in Congress and now is in his second term as governor of the Palmetto State.

Though he grew up in Beaufort, near Charleston, Sanford once opposed a federal appropriation for the Charleston harbor, labeling it wasteful spending.

Given his background, it's no surprise that Sanford is opposed to government bailouts. But his words, as do those of Richard Shelby, a U.S. senator from Alabama, ring with a decided hint of hypocrisy when it comes to the automobile industry.

The future of the automotive-manufacturing sector in this country is a lot brighter in the states of South Carolina and Alabama than it is in Michigan – the home of the U.S. “big three” of **Ford**, **Chrysler** and **General Motors**.

That point is indisputable, given that the cars Americans favor most, as evidenced by sales, are made by foreign manufacturers employing U.S. workers on U.S. soil.

Back in the early 1990s, Japanese and European car makers decided the time had come to begin manufacturing their products closer to their best customers – Americans. North Carolina was among the states scouted for those early plant locations, particularly a **Mercedes** plant.

Mercedes chose to build in Alabama, and **BMW** picked South Carolina. To lure BMW to build in the Greenville-Spartanburg region in northwestern South Carolina, the powers that be in that state in 1992 ponied up \$130 million in an incentives package for the German carmaker and also kicked in millions of dollars worth of infrastructure work.

That piece of government largesse soon was to be overshadowed a year later, when the state of Alabama beat back all competitors, including North Carolina, with an incentives package worth \$253 million to get the Mercedes plant.

In this day when it seems that “billion” has become the new “million,” those figures don't seem so outlandish. But at the time, trust me, they were jaw-droppers.

So, I ask you, what's the difference in a government “handout” and a government “bailout”?

I'll offer that a "handout" – i.e., incentives – is an inducement aimed at convincing a company to set up shop and create jobs, whereas a "bailout" is a giveaway or an investment (depending on how it's structured) aimed at helping a company stay in business and save jobs.

In other words, there is no tactical difference.

I have long been an opponent of handouts in the form of incentives, and I am philosophically opposed to bailouts.

In point of fact, I can't figure out how a fair-minded person can support one and oppose the other. But that's the position being taken by the likes of Gov. Sanford and Sen. Shelby. Both defend the incentives their states have given to Mercedes and BMW while opposing a bailout of the U.S. "big three."

That, in my judgment, is hypocritical.

But more may be at work here.

Let's consider a scenario in which Chrysler, Ford and General Motors all fail. Kaput. Out of business. No more Chevys, no more Fords, no more Dodges. No more American automobile industry.

But wait. There still will be an American auto industry in the sense that Americans will continue to make cars on U.S. soil – Mercedes in Alabama, BMW in South Carolina, **Toyota** in Kentucky, and so forth.

And that's a situation in which anyone who is sitting as governor in South Carolina would benefit. Without competition from Cadillac and Lincoln, BMW would sell more of its luxury cars to Americans. Same for Mercedes in Shelby's state of Alabama.

Are these good men really putting the interests of their home states ahead of the interests of hundreds of thousands of hard-working people dependent on the fortunes of our "big three" automakers, as I suggest?

I'll let you decide, but I get back to my prime point: How can they justify the millions of dollars in incentives given by their states to foreign carmakers and then invoke some philosophical argument about fiscal conservatism when it comes to at least considering a plea for help from American car companies?

Few dispute that the American auto business has been poorly managed and is structured financially to virtually assure failure.

But are their managers really as bad as we make them out to be?

I say give these “big three” execs a break – a chance, perhaps a final one, to get it right. If we can give millions to BMW and Mercedes, surely we can help Ford, Chrysler and GM.

It’s the right thing to do for our country.