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Local Corporate Welfare: Kelo, TIF Districts, and Cockroach Caucuses

Kevin Carson

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Nick Weininger writes at Catallarchy, concerning the Kelo decision:

The point here seems so well suited to Kevin Carson I'm surprised he hasn't made it yet: give the State the power to play around with ordinary individuals' lives and possessions whenever it sees a Greater Public Good to be advanced by so doing, and that power will always be captured by the ruling class; it is too tempting a prize for the Wal-Marts and Donald Trumps of the world not to grasp, and they will be neither public-spirited nor restrained in its use.

Well, speak the devil's name and he appears. Despite the fact that Nick has already made my point for me quite succinctly (and quite well), I'll hold forth on the issue.

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By way of disclaimer let me first say: as a Tenth Amendment absolutist, I object in principle to the “incorporation” doctrine of the Fourteenth Amendment being used to apply the Fifth to the states. Therefore, I grudgingly agree with the majority opinion that eminent domain abuse is a matter for state and local governments—not the federal courts.

That being said, I also consider the practice under consideration to be utterly reprehensible. Any and all governments engaged in seizing private land for private economic development are legitimately subject to a necktie party—and the sooner the better.

According to Matt Welch at Reason Hit & Run, the liberal blogosphere is generally favorable to the decision. For example, Matt Yglesias is afraid of throwing the “progressive” baby out with the bathwater:

If the Court had gone the other way, we’d see fewer abusive uses of eminent domain, and also fewer worthwhile economic development schemes. The way they ruled, we’ll see more good economic development plans, and also more bad ones.

And Daily Kos figures maybe corporate welfare ain’t so bad after all, if all them crazy right-wing libertarian types are agin it:

However, if the Court had ruled differently and NOT allowed local governments to do this, it would have been a disaster for local governments to build for the community (including when the purpose is to help the environment, build affordable housing, create jobs, etc.). It would have sacrificed needed community power at the hands of the sort of property-rights extremism

(From School of Cooperative Individualism) Developers petition local taxing jurisdictions to allocate improvement taxes on the additional value they create to the financing of the improvements themselves, or to ancillary improvements that would otherwise have been made by the developer. In effect, the developer is paying taxes to himself.

(From Georgist News) Pittsburgh’s new mayor is setting us up with a scandalous number of TIFs, and of the most corrupt variety. And Allegheny County is beginning to do the same, as the corporate elite have something of a stranglehold on the government here.

For example, a new Home Depot is being built, and the entire property tax burden for 20 years is allocated for financing of its construction. Thus, they are paying property taxes to themselves. Naturally, a variety of specialty hardware shops in the area are furious; they’ve been paying the city’s higher mercantile taxes for years and now the city is using those revenues to subsidize a corporate giant that will put them out of business.

Well, isn’t that a sweet deal? Make use of the subsidized public services everybody else’s tax money is paying for, while you get to plow all your own tax money back into your own business!

pour \$47 million in public funds into Great Plains Airlines... It went bankrupt, leaving local taxpayers liable for millions in loan guarantees. Many leading lights of the Cockroach Caucus, including World Publishing Company, were investors in Great Plains Airlines.

The Cockroach Caucus has wasted tens of millions in public funds on failed economic development strategies..., and has bent and sometimes broken the rules of the land use planning system to favor those with political and financial connections. The same small number of connected insiders circulates from one city authority, board, or commission to another, controlling city policy, but beyond the reach of the democratic process.

Here, in Northwest Arkansas, the Third District Congressman guarantees himself lifelong incumbency by bringing home highway money to serve the interests of Tyson, Walmart and J.B. Hunt. The main north-south corridor through this area, the John Paul Hammershit Expressway (Hwy 540), is named after a retired Third District Congressman—our own counterpart to Alphonse “Senator Pothole” D’Amato. And, as I described in my post on the Cockroach Caucus, our local chapter stooped to some pretty remarkable levels of corruption to railroad the regional airport through local government with no democratic debate on the issue.

But abuse of eminent domain for private development, and infrastructure pork like highway and airport money, aren’t the only shenanigans that Cockroach Caucuses get up to.

For example, a big issue in the news around here lately has been the Tax Increment Financing (TIF) district. As Dan Sullivan describes it,

frequently displayed by right-wing libertarian types.

Let there be no mistake: what these goo-goos call “good economic development plans” and “building for the community” amounts, in practice, to corporate welfare. There’s a reason that urban real estate interests are a major part of the Democratic money coalition, as Thomas Ferguson pointed out in *Golden Rule*. Their “progressive” policies for cities, whether called “economic development,” “urban renewal,” or “revitalization,” are in fact nothing but subsidies to what Harvey Molotch called local “Growth Machines.” For example, the “liberal” Dianne Feinstein was the Godmother of San Francisco’s growth machine; ditto for our one-time soccer grandma Democratic candidate for Congress, Ann Henry. Their policies, plain and simple, are good for urban real estate values.

For example, have you ever seen the aftermath of a typical downtown revitalization project? Every Main Street that I’ve ever seen “revitalized” is gentrified beyond recognition. The real estate is priced out of the range of most of the old family businesses that used to locate there: the small grocers, shoe repair shops, affordable working class restaurants, etc. Then the street’s taken over by banks, yuppie clothing retailers, banks, fern bars, and banks.

Besides outright confiscation, another means of producing the same result is the so-called “improvement district.” When the owners of a majority of the property value in a neighborhood decide to form an improvement district, they can force everybody else there to join and kick in their share of the funds. One such district, in Fayetteville, Ark., resulted in the gentrification of Dickson St. in just the past few years. It was used to bulldoze a couple square blocks of small businesses, some of them there for years, that didn’t present the right “atmosphere”—along with a historic creek, which had to be put under ground—

and replace them with the Walton Arts Center (yes, *those* Waltons) and associated parking. The Walm Art center, as Joe Alexander calls it, is a monstrosity. The architecture looks like a bank or a really awful junior high school, or something. If you want to see STOMP or something by Andrew Lloyd Webber, I guess this place will have you happy as a pig in shit.

Before the transformation, the neighborhood several blocks either side of downtown Dickson was inhabited largely by aging hippies and back-to-the-landers who had settled here thirty years ago. The low rents and availability of convenient shopping within walking distance made it an attractive neighborhood for those of modest incomes. Now it's being priced out of the range of such renters.

In another Hit & Run post on Kelo, Julian Sanchez observes:

One thing about the argument over Kelo struck me as a little ironic in the wake of yesterday's decision: The libertarian side of the argument seems to entail that takings are permissible if the government is using the land itself to accomplish a goal, but not if it makes use of private markets to do so. In other words (on this argument) it is a public use if government condemns a strip of land to build a public highway, but not if it auctions the land to a private firm hoping to build a toll road, as many libertarians would presumably prefer.

Well, I guess that's the sort of "privatization" the libertarians at the Adam Smith Institute would prefer. That's what most of their faux "privatization" translates to, in practice. Corporatist collusion between government and nominally "private" firms, the latter operating within a protective framework of rules created in their interest.

The best way to "privatize" roads, as for any other form of government property, is what Rothbard and Hess recommended 35 years ago: treat it as the property of those

who are currently homesteading it—i.e., as the cooperative property either of the clientele, or of the labor force operating it. In the case of highways, this would mean treating them as a socially-owned commons, devolving control of them to decentralized federations of local communities. We need to get away from the vulgar libertarian idea that "privatization" means ownership by a conventional corporation, and resurrect the ideas of the commons and of (non-state) social property.

But in making this comparison, at least, Julian helps to strip away the aura of sanctity surrounding the traditional "public" uses of eminent domain. Whether stolen land is given to nominally "public" or "private" entities, the real purpose is the same: corporate welfare for the local Chamber of Commerce. Transportation infrastructure, just as much as the building of a new Wal-Mart on seized private land, is a subsidy to politically connected business interests.

The funding of big infrastructure projects is a central lobbying emphasis of the urban Growth Machines. Actually, I prefer the term Cockroach Caucus, which I borrowed from Michael Bates of Batesline, who has irritated the Tulsa Cockroach Caucus to no end by describing them as "the 'Developers, Chamber, and Establishment' party," and a "cluster of special interests which has been trying to run the City of Tulsa without public input, and preferably without public debate." More recently, he wrote this:

The [*Tulsa*] *World* is more than just an observer of the local scene. It is an integral part of the tight social network that has run local politics for as long as anyone can remember. This network... has pursued its own selfish interests under the name of civic progress, with disastrous results for the ordinary citizens of Tulsa and its metropolitan area...

The Cockroach Caucus is most recently infamous for convincing state and local elected officials to