

Corporate Tax Breaks and Job Creation in the U.S.

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It has become an entrenched trend: corporations approach government officials and demand tax breaks, threatening to abandon the city, state or country if the politicians are not forthcoming.

In 2011, for example, in San Francisco, Twitter demanded a tax break as a condition for locating in the city and won a \$22 million break over a 6-year period. Not long afterwards, Zynga far excelled Twitter by winning a staggering \$30 to \$50 million-tax break in the first year alone by using the same argument.

One can hardly be surprised that corporations are prepared to pursue their narrow self-interests at the expense of the public good. But what is more disturbing is they are getting support in these endeavors from some labor unions on the grounds that these tax breaks will induce the corporations to remain in the location of the union or move to it, thereby saving or creating jobs.

Unfortunately, this logic — rather than strengthening the union movement — cripples it and is one reason why the unions are in a death-gripping decline.

A recent case in point is unfolding in the state of Oregon where Nike is demanding a tax break and will refuse to expand its operations there unless it is granted. A grassroots movement has already emerged in Portland to fight this endless largess bestowed on corporations by politicians who routinely get campaign contributions from them. But one group of the state's labor unions has attacked this opposition movement by accusing them of "trying to kill thousands of jobs for our members," who are suffering a high rate of unemployment.

Basically, the union official who represents this group of unions is mimicking the same narrow self-interested approach that is exhibited by the corporations.

First, he fails to take into consideration that if Nike leaves Oregon, it will take up residence in another location and create jobs for people there. But this official seems to have no concern about workers who are not members of his own union.

Secondly, when one corporation wins a tax break, other corporations typically demand similar tax breaks. And this trend has resulted in underfunded state and local governments across the country, which in turn has led to massive layoffs of public workers. This also seems to be of little concern to this union official. He is prepared to pursue jobs for his membership, even though it means sacrificing the jobs of other workers in other unions.

This is precisely why wages for working people have been declining across the country, why

the “middle class” is being decimated, why state and local governments do not have sufficient revenue to provide for public education and vital social services, and why corporations are now sitting on record profits.

When workers compete against one another for corporate jobs by accepting lower wages or supporting tax breaks for corporations, it triggers a race to the bottom. The only way workers will succeed in defending jobs with decent pay lies in workers standing together and embracing the principle that the labor movement was built on — solidarity. The unions in Oregon should reach out to unions across the country and urge them to oppose tax breaks for Nike and demand that Nike pay its fair share. But more than that, the unions should create a massive movement of working people and their community allies that would include organizing huge demonstrations across the country to publicize the demand that taxes on corporations and the rich not be lowered but raised, and that the government bail out working people (just as it did the banks) and create millions of jobs, which the government did in the 1930s.

Such a massive movement — which would embrace the most pressing needs of all working people — would have the potential to galvanize public opinion, which is already overwhelmingly supportive of increased taxes on the rich and a massive jobs program, give people hope, and by mobilizing public opinion into a movement, create a power base that could change public policy. Such movements were responsible for the historic gains of working people in the 1930s when we won Social Security, unemployment insurance, the right to unionize, and more. We could make comparable and historic gains today if the unions would unite and fight for the interests of all working people.

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