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August 25, 1993

The Honorable James B. Hunt, Jr.  
Governor  
State of North Carolina  
State Capitol  
Raleigh, North Carolina 27611

Dear Governor Hunt:

Having been involved in Economic Development for the better part of my business career, I have followed North Carolina's and its competing states' postures in the "bidding wars" for new industry for many years. Hence, I found the attached article from last week's Economist pertinent.

Under Edmund Gill's bare bones regimen, North Carolina offered no visible "bribes" and hardly a free lunch to prospects. We did provide a fine work environment, decent education, generally competitive corporate and personal tax rates, and an attractive quality of life. In those days we won quite a few, and we lost some, especially to South Carolina's lower tax rates; but, in the main, we were proud of North Carolina's program.

Today, the "bribes" to ever bolder and more demanding prospects grow by the week. As the Economist article suggests, "It would be hard to invent a worse way to spend money." The examples cited including the huge New York handouts to retain companies, the New Jersey fund to attract same, and the Michigan Appeals Court decision are examples of schemes run badly amok. In the end, it's a zero sum game with a minority of companies profiting at the expense of the majority of existing industry and tax payers.

I realize you can't roll back the clock completely, but, hopefully, let our bribes, if we must have them, be modest. Let us expend our resources on educating our work force further, returning our corporate and personal tax rates to competitive levels and maintaining our envied quality of life.

I hope your discussions on this subject at the National Governors Association meeting were productive.

Sincerely,

*Stip*

Hans W. Wanders

Enclosure