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REBUILDING LOUISIANA'S DEVASTATED CITIES AND PARISHES

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Dr. Davey Norris makes a strong argument (*The News-Star*, November 13) for the positive impact of public expenditures for health, education, and research on the economy of the State of Louisiana. He made this argument well before hurricanes Katrina and Rita (*The News-Star*, July 11, 2004) and it has lost none of its validity in the re-telling. However there is a competing argument, no less valid than his, that is even more telling because it is more directly responsive to the current state budget crisis. For reasons having to do with the difference between discretionary spending items in the budget and nondiscretionary items, the budget ax falls heavily on health care and higher education.

The need to cut spending, however, derives straightforwardly from a gaping hole on the tax revenue side due to the huge loss of the tax base brought on by those two crippling hurricanes. It's the tax base that needs to be fixed and the only way to accomplish that end is to reconstruct the private sector of the economy so that once again it functions effectively and is able to shoulder its share of the State's fiscal burdens. The reconstruction effort necessarily requires finding ways to assist private businesses in returning to the hurricane devastated areas because those businesses face the following harsh economic reality: without a demand for what they produce, there is no incentive, no economic gain, to be had in returning.

This general axiom applies across the board whether it is a private company that provides rental housing but has massive costs to restore hurricane-damaged units to service, a coffee shop that cannot replace its staff because the shortage of labor has driven up wage rates, a physician's private practice that cannot regenerate itself because its patients have not returned to their damaged home sites. What these businesses need, and what the state alone can provide, is some temporary relief from the burden of taxes so that they can eke out the necessary gain to re-start their businesses and thereby begin to rebuild the tax base. Without that kind of assistance, the owners of these businesses may see no authentic opportunity to return to their former locations and may decide that they're better off elsewhere. The details of the tax relief package should be left to those who are able to make a compelling case for that need. At the same time, a way must be found to turn back those who would opportunistically use the current emergency to enhance their own personal fortunes.

Symbols are important in the reconstruction effort. Whether one is a professional football fan or not, the Saints football team is an example of a business that needs assistance to return to New Orleans. Its return to the City would be a hopeful sign that New Orleans is

on the mend. However, the current owner seems less inclined to assist in the recovery of New Orleans than to relocate the team to some other city for his own personal advantage. A way must be found to return the Saints to New Orleans with the present owner or find a new owner who is committed to keeping the team there. A special temporary tax incentive package may be necessary to keep the Saints in New Orleans.

Other symbolic gestures would boost morale among those who are struggling to get New Orleans and other distressed areas back on their feet. The mayors in cities that have collected windfall gains in sales tax revenues due to the spending of evacuees, might consider contributing a portion of those gains to a special fund dedicated to the rebuilding effort. Ministers across the state might form an alliance to help rebuild places of worship in the hurricane-damaged areas. State university presidents might take a temporary cut in their salaries with the proceeds earmarked for state universities in the ravaged areas. State university athletic departments untouched by Katrina or Rita might consider sharing facilities and contributing the savings to the reconstruction of sister departments in the wasted areas.

Returning to Davey Norris' comments about the importance of public expenditures to the State's infrastructure, notice that the first elementary schools to reopen in New Orleans were not the public schools, that one of the finest universities and medical schools in New Orleans is a private institution, that across the United States many of the very best universities and medical care facilities are private organizations, that some of the best known entrepreneurs are college dropouts. Notice as well that neither Taiwan which for many years has been a major worldwide producer of electronics nor South Korea which today is a major player in wireless technology has a world class university. Take note that Ireland's extraordinary growth and development -- it now surpasses England in GDP per capita even though England is home to two world-class universities -- has been designed around significant tax incentives for private businesses to locate there.

Louisiana is noteworthy for numerous world-class companies that originated here with private resources, hard work, and entrepreneurial vision. Five come to mind because each one is located in or near the hurricane devastated areas and has been officially recognized for outstanding achievements. Edison Chouest Offshore in Galliano is a high-tech offshore vessel services company with customers that include the National Science Foundation and the U.S. Navy. John E. Chance and Associates in Lafayette was first in developing a GPS system for positioning oil rigs in the Gulf of Mexico. Stuller Settings also in Lafayette is the largest producer of custom jewelry products in the United States. Wemco located in New Orleans innovated the Tabasco necktie. Cameco Industries in Thibodeaux is an important manufacturer of specialized heavy-duty harvesting equipment. John Chance, Cameco, and Wemco continue to operate under different ownership, while Edison Chouest and Stuller Settings function as originally constituted. None of these companies relied significantly on university research to forge their development and navigate the gale-force winds of entrepreneurial change. To become and remain successful these companies have had to evolve over time as market conditions change. The State is well-advised to recognize that conditions have changed radically for businesses operating in the devastated areas and provide the assistance they need to adapt to those changed conditions.

Louisiana might well consider at least temporarily “outsourcing” very costly university research and graduate degree programs and focus its attention on designing incentives to bring those researchers and graduates back to Louisiana and to embrace the research programs that offer results which can be turned into commercially successful products or services. Notice the extent to which “outsourcing” already is willingly embraced across a wide spectrum of services: M.D. Anderson in Houston and St. Jude’s in Memphis, Disney World in Orlando and Six Flags near Dallas, Wall Street and Broadway in New York, ski resorts in Colorado and Utah, summer vacation homes to the Florida panhandle and the South Carolina coast, countless public and private colleges and universities across the United States. It is foolish for the State of Louisiana to expend its limited resources trying to duplicate those facilities and institutions. Instead it should commit itself to helping re-start the beleaguered Louisiana businesses that in the past were vital to the State’s economy and that are foundational to the State’s economic re-development.

In a time of crisis long-term considerations necessarily are subordinate to short-term needs. The need in Louisiana is clear. The question to be answered is ‘Do we have the wisdom to sort out what’s best, setting aside some favored projects for the emergency assistance required to get the State back on its feet, and the courage to resist the opportunists who never hesitate to put their own interests ahead of the riveting needs of others?’

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