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Policy Brief
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Fixing ABQ: Economic Development

A Blueprint to Grow Jobs and Prosperity in the Duke City

By D. Dowd Muska and Paul Gessing

Introduction

Albuquerque is a city in crisis. Few would argue that when a new mayor takes office later this year, he must focus on two daunting challenges: an epidemic of crime and a stubbornly moribund economy.

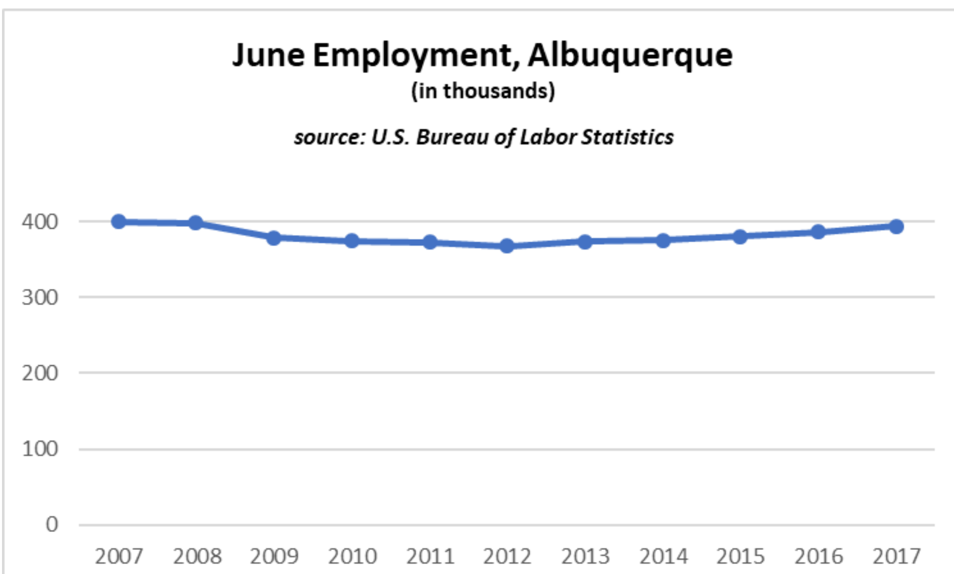
Improvement in the latter promises to yield resources needed to confront the former. A return to strong, sustainable economic growth will do much to combat crime. More and better job opportunities will offer at-risk youths a better alternative, and the increased tax revenue from economic development, if employed properly, can enhance public safety. Herewith, a survey of Albuquerque's economy today, and four areas of reform that promise to make the Duke City a better place to work and start or expand a business.

An Economy in Neutral

The Great Recession (which lasted, nationally, from December 2007 until June 2009[1]) caused comparatively modest destruction in the Albuquerque metropolitan statistical area (MSA). Due in large part to a heavy concentration of local, state, and federal work, neither the unemployment rate nor the percentage of total jobs lost reached double digits. But unlike many of the MSAs that were badly battered by the historic downturn, the Duke City has yet to mount a significant rebound from the losses it did experience. The "recovery index," a monthly calculation of post-Great Recession indicators compiled by the publication *Albuquerque Business First*, stands at 81.1 percent. Housing permits were 27.8 percent of their peak, passengers at the Albuquerque International Sunport were at 71.2 percent, and office occupancy was 89.4 recovered.[2]

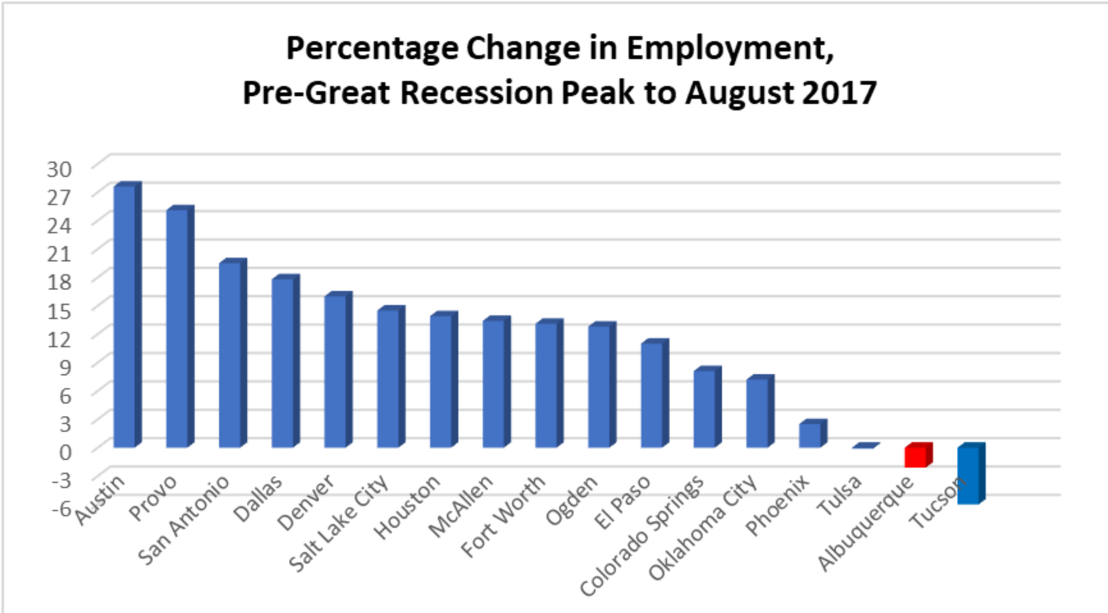
Source: Albuquerque Business First

The unemployment rate in Albuquerque is now well above the U.S. figure.[3] As the chart below indicates, total nonfarm employment has been stagnant since 2007.



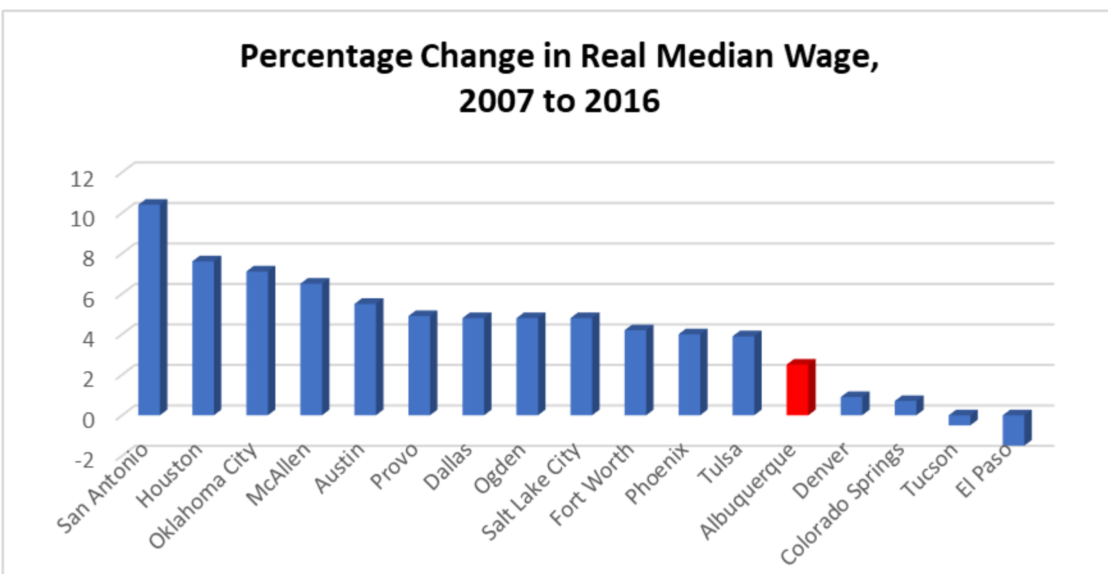
Source: Rio Grande Foundation calculation of U.S. Bureau of Labor Statistics data

While the Duke City still has not recovered all the jobs it lost due to the Great Recession, the same cannot be said for most of Albuquerque's regional competitors. Of the 16 MSAs, in neighboring states, of at least 500,000 residents, 14 have climbed back to, and surpassed, employment peaks reached before the Great Recession. Some, including Austin (27.6 percent) and Provo (25.1 percent) have expanded by *substantial* rates.



Source: Rio Grande Foundation calculation of U.S. Bureau of Labor Statistics data

Similarly, Albuquerque has underperformed in wages/salaries. Median pay, meaning that half of workers earn more and half earn less, rose by just 2.5 percent, in inflation-adjusted terms, between 2007 and 2016. As the chart below reveals, among the 17 urban areas in the region with a population greater than 500,000, Albuquerque's growth ranked 13th. (The Duke City's rate was well below the national mark of 5.4 percent.)



Source: Rio Grande Foundation calculation of U.S. Bureau of Labor Statistics data

While many politicians and "community leaders" persistently claim that Albuquerque is a high-tech hub, a 2016 report by the Brookings Institution found the opposite. The think tank's examination of "advanced industries" produced some bracing findings:

> Brookings identified 50 industries in manufacturing, energy and services that spend at least $450 per worker per year on research and development and employ at least 20 percent of their workforces in STEM-intensive occupations … . Then for the nation's 100 largest metropolitan areas, Brookings calculated how many workers are employed in those industries, how much they earn and how important those industries are to the local economy.
>
> Brookings found that employment in what it calls advanced industries in Albuquerque declined 1.4 percent from 2010 to 2013 and grew not at all from 2013 through 2015. The output of those industries declined 0.6 percent from 2010 to 2013 and declined 2.3 percent from 2013 to 2015. Nationally, output grew 2.7 percent from 2013 through 2015, and employment grew 2.46 percent.[4]

At present, there is little confidence in the future of the Duke City's economy. A 2017 survey by Albuquerque-based Carroll Strategies found that many were

> so pessimistic about the economy, they fear their children or grandchildren will have to leave the city to find a job. Of respondents to the poll, 58.1 percent said they think their kids or grandkids will have to move to find quality employment. Only 15 percent said they expect their kids or grandkids to find jobs in Albuquerque.[5]

Another threat is the fiscal health of the federal government. The Duke City MSA's economy relies heavily on not just the U.S. Department of Defense and U.S. Department of Energy, but D.C.-dependent state- and local- government entities.

2016			
Employer	Employees	Rank	Percentage of Total Albuquerque MSA Employment
University of New Mexico	16,046	1	4.19 %
Albuquerque Public Schools	15,463	2	4.04 %
Sandia National Labs	10,334	3	2.70 %
Presbyterian	9,372	4	2.45 %
Kirtland Air Force Base (Civilian)	7,686	5	2.01 %
UNM Hospital	6,825	6	1.78 %
City of Albuquerque	5,742	7	1.50 %
State of New Mexico	4,875	8	1.27 %
Kirtland Airforce Base (Military)	4,184	9	1.09 %
Veterans Hospital	2,897	10	0.76 %
Total	83,424		21.79 %

Source: City of Albuquerque, 2016 Comprehensive Annual Financial Report

As the chart indicates, nine of the city's ten largest employers are public-sector entities. The tenth, Presbyterian Hospital, is heavily subsidized by the Medicare and Medicaid programs. The national debt currently stands at $20.2 trillion. Even worse, the "fiscal gap," which is "the present value of all projected future expenditures less the present value of all projected future taxes," is estimated to be *$210 trillion*.[6] When the federal government begins to pare back its spending – drastically, in all likelihood – Albuquerque will be vulnerable. It must foster a vibrant, dynamic, private-sector-dominated economy as soon as possible.

1. Hold Firm On – Then Look to Cut – Taxes

Taxes are needed to produce the funding necessary to supply core city services. But research consistently shows that excessive taxation siphons wealth from productive activities to fund government bureaucrats, programs, and subsidies that are inefficient, wasteful, and duplicative – a process that hurts working, saving, and investing. A 2012 Tax Foundation survey of 26 peer-reviewed studies "going back to 1983" found that nearly all concluded that "tax increases harm economic growth."[7]

According to the Tax Foundation's 2017 "State Business Tax Climate Index," taxes "matter to business. Business taxes affect business decisions, job creation and retention, plant location, competitiveness, the transparency of the tax system, and the long-term health of a state's economy. Most importantly, taxes diminish profits."[8]

But some taxes cause more economic damage than others. Consumption taxes, such as a sales tax, are generally thought to be less harmful than income and corporate taxes. But in New Mexico, the levy placed on sales is uniquely destructive. Albuquerque's gross receipts tax (GRT) is imposed at the municipal, county, and state levels. Since 2000, the tax's burden has risen 29.0 percent – from 5.8125 percent to 7.5000 percent.

There is broad agreement on the left, center, and right that New Mexico's GRT, as a "sales tax on steroids," is dysfunctional. As a Rio Grande Foundation paper observed:

> New Mexico's GRT differs dramatically from a sales tax because practically all goods and services are taxed. The only relief from application of the tax to business-to-business transactions is that the cost of raw materials going into the production of goods is deducted from gross receipts before applying the tax. Services get no such relief.[9]

In addition, taxing business-to-business sales causing *pyramiding*, a process on in which the levy "becomes embedded in the cost of the ultimate goods or services sold to the consumer."[10]

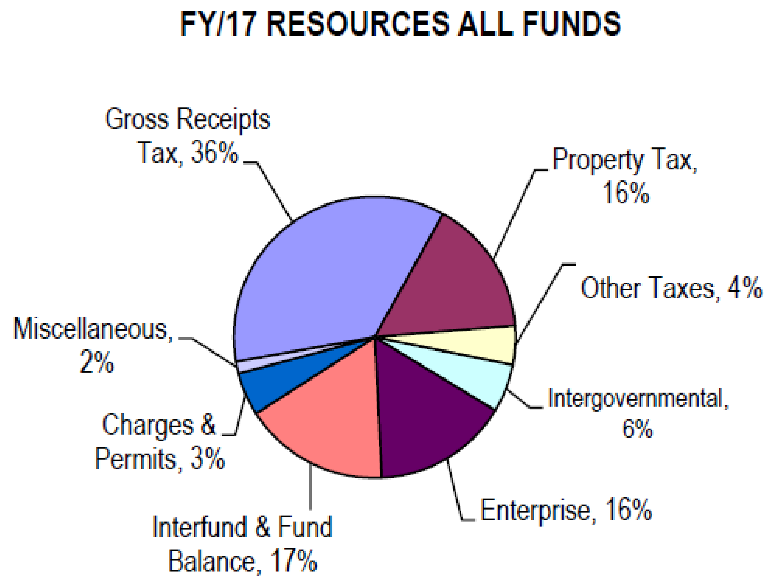
Source: Tax Foundation

Preferential perks, and the resulting rate hikes that follow due to foregone revenue, contribute to the GRT's harm. Transactions not currently subject to the GRT include professional boxing, wrestling, and martial arts contests, sales by "a qualified contractor" of "directed energy and satellite-related inputs," the sale and installation of solar-energy systems, research, development, testing, and evaluation services for the U.S. Air Force's Operationally Responsive Space Program , and "the sale of uranium hexafluoride from enriching uranium."[11] Brian McDonald, the former director of the University of New Mexico Bureau of Business and Economic Research, lamented the growth of deductions, exemptions, and credits:

> Over the last 10 to 15 years, we've made a mess of the gross-receipts tax. From an economist's point of view, we'd like to have a broad GRT base so the rate is low. Instead we've significantly shrunk what is subject to tax, but to keep revenue up we raised the rates.[12]

As GRT rates have risen, in Albuquerque and throughout the state, "various industries have realized … that the only way to do business in New Mexico is to hire lobbyists to get an exemption or some other favor."[13] The tax has become "less a revenue-raising system than a political plaything, a mechanism for elected officials to perpetually penalize and reward behaviors, purchases, and investments in the Land of Enchantment."[14]

As the graph below indicates, the GRT is the dominant revenue-raising mechanism for the Duke City.



Source: FY 2017 Approved Budget, City of Albuquerque

While Albuquerque's mayor cannot control GRT hikes imposed by the state and Bernalillo County, he can make all efforts to block rate increases at the city level. The long-term goal should be to implement significant reforms of municipal expenditures, based on a plan recently released by the Rio Grande Foundation.[15] Expenditure savings can, in time, permit cuts to Albuquerque's GRT rate. (The city's property tax, which comprises the second largest source of locally generated tax revenue, could also be restrained/reduced.)

2. Regulatory Reform and Repeal

Unnecessary regulation can be as large an obstacle to economic development as excessive taxation. At both the broad (e.g., planning, zoning, and permitting) and specific (e.g., the minimum wage) levels, Albuquerque should conduct a comprehensive review of its code of ordinances. Once complete, the survey's findings should be used to reform flawed – and repeal unnecessary – regulations.

Some city regulations are unquestionably necessary to protect health and safety. For example, Albuquerque's Environmental Health Department recently shut down a restaurant in Old Town after "inspectors found an infestation of roaches in the kitchen and prep area."[16] A city ordinance that bans home-based businesses from "the parking of commercial vehicles, inordinate vehicular traffic, outside storage, noise, dust, odors, noxious fumes or other nuisances" is likely to offer relief to a neighborhood concerned that a nearby property owner is operating a septic-pumping business that causes an “unbearable” smell “at least three or four times a week.”[17]

But all government policies have unintended consequences. Scholars with the Reason Foundation have enumerated “a number of problems that offset the beneficial effects of regulations”:

> *Efficiency Losses*. Regulations reduce competition and distort markets … . Moreover, many regulations overlap and interact, and the cost of the whole may be greater than the cost of the sum of the parts.
>
> *Focus on Inputs instead of Outputs*. Regulations often focus on the inputs into the process that creates a problem, rather than the output that is the problem itself. Regulating inputs often dictates specific technology, reducing incentives to innovate and search for new approaches. Opportunities for greater efficiency are foregone … .
>
> *No Accountability*. Regulators are often insulated from the consequences of their decisions. They receive only indirect and diffuse feedback from their actions, and human nature and politics ensure that many goals besides the explicit purpose of the agency become wrapped up into a regulatory decision. Internal goals compete with social goals to influence agency actions, and there is little pressure on regulators to revise methods that do not work or are too expensive.
>
> *Unintended Consequences*. Regulatory actions often cause outcomes other than those intended by the regulators. Just as it is hard to measure the effects of a regulation, it is hard to predict how individuals and businesses will react to regulations.
>
> *Hidden Costs*. Regulatory costs are often hidden, and not clear to taxpayers … . It is difficult for taxpayers to see what benefits they get for the costs that regulations impose.
>
> *Regulation Creates a Cycle*. One regulation frequently leads to more. Each use of a blunt instrument begets unintended consequences, then further intervention with a blunt instrument, and so on. Once this intervention dynamic takes life, regulatory costs rise, and the tangled web of regulation and consequence grows ever more complex and opaque, making simple market transactions increasingly complex and costly.[18]

Albuquerque is no different than any other city – many of its rules and mandates do little, if anything, to protect the public, and the implementation and enforcement of even well-intentioned regulations can be counterproductive. Abundant examples exist in land-use regulation. In 2015, an official with the Planning Department told the *Albuquerque Journal* of the frustrations faced by businesses confronting a byzantine system of policies: “Nobody has a true sense of what’s allowed and what’s not allowed. It’s not very predictable. … I had developers calling and saying, ‘I will never do a development in your city again.’”[19] Later that year, the developer of the Green Jeans Farmery, "Albuquerque's first commercial community built of recycled shipping containers," pledged to never "do another project in this town ever, ever again" – due to "unexpected delays in getting city permits," most businesses were not allowed to sell to customers during the property's "grand opening party."[20]

In response to such concerns, the city launched "ABC to Z," an "ambitious project to update the Albuquerque/Bernalillo County Comprehensive Plan and to integrate and simplify the city's zoning and subdivision regulations to implement the resulting plan."[21] The Albuquerque/Bernalillo County Comprehensive Plan was adopted by the city council in March 2017. (It rejected "requests to delay approval for 14 to 16 months to allow for more public input into the process."[22]) At *580 pages*, the document is an exercise in government grandiosity that borders on the ludicrous. It covers everything from "community identity" to transportation, parks and recreation to "economic development," infrastructure to "sustainability."[23] The next step in the process is "to put a new zoning system in place, with a new set of flexible zoning tools appropriate for Albuquerque and well-suited to a mid-size, 21st century, Southwestern city."[24] The current draft of the Integrated Development Ordinance is *443 pages*, and covers a staggeringly massive list of matters, regulating everything from motorcycle parking to landscaping, "pedestrian circulation" to the height of lighting, signage to fence and wall standards.[25]

Unfortunately, despite the extensive public-relations effort to promote it, "ABC to Z" isn't likely to achieve its lofty ambitions. A 1990 critique of zoning offered by law professor Bernard H. Siegan remains valid today, and is worth quoting at length:

> [T]he [zoning] process is basically one of resolving differences among various special interest groups in the community. No matter how perfect the zoning plan, it will help some people and hurt others. Soon after passage of the ordinance, the losers, experience shows, start doing those things that will make them winners. Owners will seek to rezone their property to increase its value. Homeowners and conservationists will lobby to "downzone" property, and civic groups will move to make their reforms. The courts may also effect significant changes. Before long the original plan will be largely reduced to history because of innumerable amendments grafted to it.
>
> The dominant factors in zoning have been public pressures and political influences – the factors to which officeholders who control zoning will respond. Matters such as efficiency, demand, and environment have been subordinate and often nonexistent considerations unless they coincide with political pressures.
>
> Public planning of land use is highly subjective and lacks those standards and measurements that are requisites of a scientific discipline. Planners confront serious problems in evaluating the present and forecasting the future, whether it be on a micro or macro level. With respect to zoning, overruling market-based decisions on land use would seem to require an adherence to special goals or values, or perhaps an understanding that relatively few possess. Zoning experience is replete with instances

> where planners have classified land either to allow uses unacceptable in the market or to deny uses eagerly sought in the market. Theory and education alone cannot substitute for the actual experience of making practical decisions and suffering their consequences. Few planners have ever been part of the construction or development industry; they have not been responsible for decisions in locating and developing residential, commercial, or industrial projects. Even if they once had been, their information about prices, materials, innovations, trends, and consumer desires and preferences must necessarily now come from secondary or more remote sources, not directly from the firing line.
>
> How then can planners possibly be as familiar with the location, development, construction, and operation of shopping centers, housing developments, nursing homes, or mobile parks as those who develop, own, and operate them? Owners and their mortgage lenders risk substantial funds to achieve success. Master planning inevitably will forbid developers to build where they want to and will permit them to build where they do not want to.[26]

Predictably, many community activists in Albuquerque are fiercely opposed to ABC to Z:

> Opponents argued the new urban plan shortchanges minority neighborhoods and that, overall, local neighborhoods were excluded from any meaningful participation in the rewrite. One resident of the San Jose neighborhood … said the plan does nothing to alleviate that industrialized neighborhood's pollution problems, which studies have found come from oil storage facilities, the nearby railroad and an asphalt plant.[27]

Houston's growth and vibrancy offers a stinging rebuke to Albuquerque planners' belief that an intricate zoning regime is the only means by to achieve a high quality of life for residents. Although Texas's largest city does have ordinances that govern land usages, it lacks a formal zoning architecture. The result has been not chaos and decline. Houston enjoys a booming, diversified economy with a flood of domestic and foreign immigration. As scholar Randal O'Toole explained, in contrast to the cities "with strong planning authority," which "almost invariably have the least affordable housing, the fastest growing traffic congestion and growing taxes and/or declining urban services," Houston's "lack of zoning and heavy regulation have led to an evolving system of private covenants and deed restrictions that respond to changes in tastes and demand for housing." In order to "preserve Houston's livability, affordability and growth-friendly environment," O'Toole recommends that it "focus on maintaining a responsive government that provides the services people need, not one that is merely carrying out the latest planning fads."[28]

Some have blamed poor land-use planning for the recent devastation from Hurricane Harvey. But historian Phillip W. Magness, who grew up in the city, noted that "flooding has been a regular feature of Houston's landscape since the beginning of recorded history in the region," while "parking lot and roadway runoff from 'sprawl' certainly makes its way into [creeks and bayous], it is hardly the source of the problem," and "Houston has more parkland and green space than any other large city in America and ranks third overall to San Diego and Dallas in park acreage per capita."[29]

Health-and-safety protections (e.g., traffic standards, anti-pollution measures, sewer management) must remain, but Albuquerque should abandon its hubristic scheme to control nearly every way that land is used in the city. If zoning is not eliminated entirely, it can at least be curtailed to a level that fosters both individuals' choices and businesses' needs.

Another opportunity for deregulation involves control over employers. Like many cities, Albuquerque imposes its own minimum wage. Currently set at $8.80, the sum is 17.3 percent higher than the state's mandate of $7.50 and 21.4 percent more than the federal mark of $7.25.

Mark Wilson, former deputy assistant secretary of the U.S. Department of Labor, has observed that "economists agree that businesses will make changes to adapt to the higher labor costs after a minimum wage increase."[30] In 1987, *The New York Times* wrote of the "virtual consensus among economists that the minimum wage is an idea whose time has passed." Raise "the legal minimum price of labor above the productivity of the least skilled workers," the newspaper's editorial page noted, "and fewer will be hired."[31] The Hoover Institution's David R. Henderson averred that most economists agree "that when the minimum wage law confronts the law of demand, the law of demand wins every time. And the losers will be the least-skilled workers, who will be out of a job."[32] The Cato Institute's Vanessa Brown Calder concurs: "If the cost of an employee rises artificially, but employee skills or output don't rise commensurately, competitive companies look for alternatives. Possible alternatives may include automating work, eliminating the position altogether, or transferring responsibilities to more productive employees.[33]

Albuquerque's next mayor should use the bully pulpit to explain why the city's minimum wage is a mistake – and the need for it to be repealed. In addition, he should be a leader in combatting the mounting, well-funded efforts of far-left activists who seek to impose far more draconian micromanagement of the employer-employee relationship. The "Healthy Workforce Ordinance," a ballot initiative that went before voters on October 3rd, would have requires *all* non-unionized employers to "provide accrued paid sick time" for *all* employees, whether they are full-time, part-time, seasonal, or temporary. Many business organizations – including the Albuquerque Hispano Chamber of Commerce, New Mexico Restaurant Association, Mechanical Contractors Association of New Mexico, New Mexico Council of Outfitters and Guides, Greater Albuquerque Innkeepers Association, New Mexico Business Coalition, New Mexico Chile Association, Sheet Metal & Air Conditioning Contractors Association of New Mexico, and Greater Albuquerque Chamber of Commerce – opposed the measure, which would have been

> especially hard on small businesses that are already struggling to make ends meet. It would allow workers to fail to show up on the job without telling their bosses. It would create an assumption of retribution when any action is taken against an employee who

> has used sick leave in the past 90 days. And it would incentivize unionization by exempting collective bargaining agreements from the mandate.[34]

Fortunately, "progressive" activists were not successful, and the "Healthy Workforce Ordinance" was narrowly defeated. But it's all but certain that the left will continue to lobby for other employer mandates. Albuquerque's weak economy is ill-equipped to bear such measures.

Whether pervasive or narrowly focused, anti-economic development regulations hamper Albuquerque's ability to finally recover from the Great Recession. An aggressive process of deregulation is needed, and the new mayor should make it a top priority of his or her administration.

3. Labor Freedom at the Local Level

In 1947, Congress enacted – over President Harry Truman's veto – the Taft-Hartley Act, which permitted the banning of compulsory unionism in the private sector. The legislation empowered states to free employees in "organized" workplaces from having to pay anything – neither full dues nor an "agency fee" – to Big Labor. There are now 27 right-to-work (RTW) states, and in 2018, Missouri could join the list if voters ratify a bill passed by the legislature earlier this year.

Site-selection professionals report that their clients prefer states where unionism is voluntary. David Brandon, president of the Dallas-based consulting firm The Pathfinders, explained that about

> 35-to-40 percent of manufacturing enterprises in the automotive industry insist on operating in a right-to-work state. Another 20-to-25 percent say it is a very important factor and will be used as a second- or third-tier factor in site selection. More than half of our companies either make it a threshold or a very important factor in making a decision on where to locate a factory and other operations. In the financial services industries, shared-services centers and document centers, where they utilize high numbers of highly trained individuals, roughly half of these companies have included right-to-work as a primary site selection factor. You will probably look at … other states before you look at a non-right-to-work state.[35]

According to Mark M. Sweeney, a senior principal at McCallum Sweeney Consulting, RTW status is appealing due to "work force flexibility, which allows companies to compete more effectively and respond in a more timely manner to opportunities in their highly competitive global markets."[36] When Indiana's economic-development agency asked corporations and site-selection specialists how to improve the state's competitiveness, the "issue of right to work was consistently raised as the single largest policy change that could improve Indiana's business climate."[37] After Michigan passed its RTW law in 2012, Brent Pollina of Pollina Corporate Real Estate predicted that the state "will no longer be eliminated because they are not a right-to-work state. As a result, there should be a significant increase in the number of projects that

Michigan receives because they are no longer being eliminated at the early stages of searches."[38]

Research supports the claim that RTW is driver of economic development. A 2013 analysis by the Mackinac Center for Public Policy concluded that

> right-to-work laws have a positive and sometimes very positive impact on the economic well-being of states and their residents. … [R]ight-to-work laws, on average, cause a one-time, permanent increase in the rate of economic growth in states. … Policymakers interested in improving their state's economic performance should take note.[39]

Economists Richard Vedder and Jonathan Robe found that "RTW laws add demonstrably to the material quality of people's lives."[40] The Heritage Foundation's James Sherk documented that "real wages in RTW states are just as high for private-sector workers as they are in states with compulsory dues."[41] In addition, "workers in right-to-work states are 1.3 percentage points less likely to be unemployed than workers in states with forced dues."[42]

While RTW is commonly thought of as a state issue, recent developments have brought attention to the ability of local governments to prohibit compulsory unionism. Prior to the Bluegrass State's adoption of a RTW law in January 2017, Kentucky counties had begun to adopt RTW ordinances. Unsurprisingly, the matter was challenged in federal court. In November 2016, a three-judge panel of the 6th U.S. Circuit Court of Appeals overrode a lower-court ruling, and found that the National Labor Relations Act, which the Taft-Hartley Act amended, does not preempt local governments from enacting RTW provisions.

The national outcome will likely be settled by the U.S. Supreme Court, but there is reason to believe that a majority of justices will concur with law professor Richard Epstein's judgment that "the federal government has no power to tell states how it is that they should divide up their powers of government."[43]

Two precedents bolster Epstein's opinion. In *Wisconsin Public Intervenor v. Mortier* (1991), the High Court ruled that "political subdivisions are components of the very entity [a federal pesticide law] empowers," and thus, "local governmental units" can exercise "the governmental powers of the State." In *City of Columbus v. Ours Garage and Wrecker Service* (2002), a majority found that "Congress' reference to the 'regulatory authority of a State' should be read to preserve, not preempt, the traditional prerogative of the States to delegate their authority to their constituent parts."[44]

Albuquerque's next mayor should move swiftly to craft a RTW ordinance for the Duke City, and press for a majority of city councilors to approve the measure.

4. Scrap 'Economic Development'

In 1988, the University of Wisconsin's Peter K. Eisinger observed:

> Sometime after the mid-1970s there emerged on the state and local scene an intense preoccupation with economic development that has been marked by a level of consensus and expectation unusual in American politics. Other domestic policy issues have swept in similar fashion to the top of the political agenda in recent decades, commanding nearly universal engagement or interest: civil rights, the environment, energy, and even the "social agenda" of the New Right are examples. But the divisions that characterize politics in these passionate arenas stand in contrast to economic development, in which common purpose, the public interest, and partnership are key terms of discourse.[45]

In the three decades since Eisinger wrote, economic-development bureaucracies at all levels of government have metastasized, and taxpayers costs have grown. "Assistance" to the private sector takes many forms, including direct investment, loan guarantees, "free" land/buildings, low-interest lending, tax breaks, "incubators" and "cluster" initiatives, infrastructure improvements, job-training programs, and tax increment financing. Yet however it is dispensed, and however much it is endorsed by politicians from both major political parties, largesse to profit-seeking entities suffers from a fundamental flaw. As fiscal analyst Michael D. LaFaive explained:

> government has nothing to give to any business or industry that it does not first take from someone else. The financial incentives that are redistributed to a lucky few to create jobs must be funded by taxation that forcibly takes dollars from other people, who lose money they might have otherwise used to create jobs.[46]

Government-fostered "economic development" cannot work in theory, and there is convincing evidence that it does not work in practice. In 2004, two University of Iowa scholars conducted a metareview of the "massive literature" produced on business incentives. Their conclusion was disturbing:

> [O]n this most basic question of all – whether incentives induce significant new investment or jobs – we simply do not know the answer. Since these programs probably cost state and local governments about $40-50 billion a year, one would expect some clear and undisputed evidence of their success. This is not the case. In fact, there are very good reasons –theoretical, empirical, and practical – to believe that economic development incentives have little or no impact on firm location and investment decisions.[47]

A 2008 investigation by the State of Kansas's Legislative Division of Post Audit concurred:

> Most studies of economic development incentives suggest these incentives don't have a significant impact on economic growth. The literature we reviewed concluded that, thus far, negative and inconclusive findings are far more numerous than positive findings. Most reviews of economic development assistance find few results are achieved – a theme that audits in Kansas and other states commonly find, as well. Findings of

> ineffectiveness include promised jobs weren't created, return on investment is low or negative, and incentives offered weren't a determining factor.[48]

In New Mexico, incomes are low and unemployment is high, despite a lengthy menu of local and state incentives, including capital-outlay subsidies, tax increment financing, the "Job Training Incentive Program," industrial revenue bonds, GRT deductions, exemptions, and credits, funding from the State Investment Council, and property-tax abatements.

Albuquerque-specific examples of the costly failure of "incentives" funded by local and state government are easy to find:

● In the early 2000s, Eclipse Aviation envisioned manufacturing "a taxicab in the shape of a tiny jet that seats six and can pick you up at your local municipal airport and deliver you to where you want to go for about the cost of an airline coach seat."[49] The company, based at the Albuquerque International Sunport, filed for bankruptcy in 2008, reinvented itself as Eclipse Aerospace in 2009, and merged with Kestrel Aircraft to form ONE Aviation in 2015. Layoffs at its factory were announced in August 2014 and January 2017, and no publicly available information suggests that the firm is experiencing a turnaround.

● More than a decade ago, Mesa del Sol, a 12,900-acre, master-planned community on the city's south side, was estimated to "someday be home to 100,000 people and more than 10 million square feet of commercial, industrial and office space with tens of thousands of jobs."[50] The project was given a tax increment financing arrangement, but has not come even *remotely* close to meeting its goals for jobs, housing, and retail. Earlier this year, New Mexico's auditor concluded that the development, a portion of which is in receivership, "appears to be adrift without a clear future."[51]

● In 2008, Schott Solar's new facility hoped to "employ 1,500 New Mexicans." But the firm filed bankruptcy, and laid off its staff, in 2012.[52]

● Advent Solar, a start-up employing technology developed at Sandia National Laboratories, "had expectations of employing 1,000 people by 2010," but shut down in 2009.[53]

● For more than a decade and a half the city has attempted to "redevelop" historic properties along Central Avenue/Route 66. The results have been meager. For example, the De Anza Motor Lodge and El Vado Motel have been owned by the city since July 2003 and March 2010, respectively. But despite heavy subsidization, the properties have yet to be restored to viability.

● The city's downtown has been showered with a raft of "revitalization" subsidies in recent decades, from the purchase of the Kimo Theater in 1977 to the creation of a grocery store in 2016. Yet Albuquerque's central "business" district remains saddled with empty storefronts, rampant homelessness, and severe crime. Nearly a quarter of its "half-million square feet of retail space [was] vacant as of the fourth quarter of 2016."[54] A recent *Albuquerque Journal* investigation found that over "50 percent of Downtown residents make less than $20,000 per year and almost 20 percent have income of less than $10,000," and "77 percent of people arrested for violent and property crimes Downtown listed their address as 218 Iron SW, which is the site of the Good Shepherd Center, which provides overnight shelter to homeless people and other services."[55]

Albuquerque's constant supply of economic-development failures offer strong evidence for an argument advanced by Greg LeRoy, of the left-leaning organization Good Jobs First: "Subsidies cannot make a bad place a good place. Good places are competitive because they have the long-term business basics that a company needs to produce supply to meet demand."[56]

Economist Frederic Sautet offers the following advice for elected officials looking to boost their constituents' economic prospects:

> The answer is surprisingly simple. Keep taxes low across the board. Don't grant favors. Cities and states that pursue nondiscriminatory reforms, like reining in taxes, debt and public spending, will enjoy the most robust growth. Remove barriers rather than trying to steer economic growth to this favored corporation or that one.[57]

Albuquerque's economic-development bureaucracy spent $4.7 million in 2017.[58] It, as well as the Planning Department's Metropolitan Redevelopment Agency, should be eliminated. In addition, city officials should stop peddling the state's ineffective and expensive incentives to current or potential employers.

Albuquerque has a dedicated community of business owners who are proud of their city, whatever its flaws, and would be more than willing to spend their own time and money serving as "ambassadors." Whether through participation in Albuquerque Economic Development, "a private, nonprofit organization whose mission is to recruit new employers and industry and help local companies grow to generate quality job opportunities for the Albuquerque metro area,"[59] or the formation of a new promotional entity, the Duke City's entrepreneurs and investors are best able to foster opportunity and prosperity.

Government, in Albuquerque and elsewhere, has shown itself to be utterly inept at "return on taxpayer investment" in the marketplace. And given its longstanding fiscal challenges, the city is overdue for a return to focus on core public-sector services – e.g., crime prevention, animal control, firefighting, consumer protection, and infrastructure maintenance/upgrades. A concentration on "the basics" is not "unilateral disarmament" in economic development. It is a recognition that competence, not "vision," is the best approach to grow jobs and increase residents' incomes.

Conclusion

Amazingly, nearly a *decade* after the Great Recession struck, Albuquerque's economy has yet to stagger to its feet. The policies pursued by the current mayor and city councilors have produced neither expanding employment nor impressive gains in salaries/wages. Meaningful, lasting changes must be made to Albuquerque's economic-development strategy. Taxes should be held at current levels in the short term, and reduced over the long term. Sweeping deregulation should be pursued. A right-to-work ordinance would be a major inducement for firms to relocate to and expand in the Duke City. And Albuquerque's ineffective and unaccountable economic-development programs and subsidies should be eliminated.

The challenge is daunting, but not insurmountable. Located in a region of the U.S. that is booming, Albuquerque enjoys spectacular weather, a rich history and culture, low costs, and the intersection of two major interstates. It *could* be an economic-development powerhouse. A new mayor can make the city strong and vibrant, by blazing a path away from the failed policies of high taxes, overregulation, and central planning – and toward the free market, innovation, and prosperity.

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