

By Scott Hodge

## Lessons from Saturn

In 1982, General Motors set out to create the "automobile plant of the future." The result was Saturn Corporation, an "all-out effort to achieve maximum efficiency manufacturing" that could serve as the prototype of a new wave of world-competitive industry in the United States.

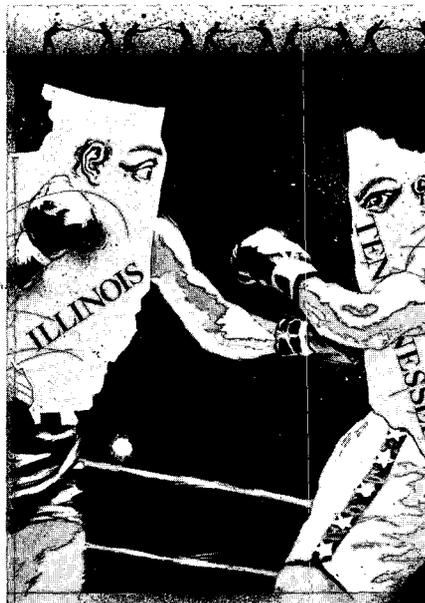
In January 1985, Saturn Corporation announced plans for its first auto-assembly plant, a \$3.5-billion facility that would employ 6,000 workers directly and support an additional 10,000 supply jobs in the vicinity. The announcement triggered a bizarre chain of events as officials from 37 states began assembling larger and larger packages of tax breaks, subsidies, and promises of special regulatory treatment.

In July, when the end to this madcap episode was near, five states (including Illinois) were reported to still be in the running. But when the dust cleared, a state that had never even submitted a bid was declared the winner. Tennessee was Saturn's new home.

Officials in Illinois—a state that has seen virtually no economic growth for 15 years—were strangely silent on their failure to attract so important an investment. But Illinois's loss and Tennessee's victory provide us with a case study of the different ways states approach economic development and the devastating effects a hostile tax climate can have on new investment.

It's hard to imagine what short-term subsidies, tax breaks, and special exemptions Illinois officials did *not* offer Saturn. State officials committed the taxpayers of Illinois to *buy* a plant site for GM, to build and support an "education and community center" for Saturn employees (at an expected cost of \$100 million), to build and subsidize new schools in the area (\$50 million over five years), to subsidize home mortgages for new employees, to help recruit and screen potential employees, and to pay for all the new roads and sewers required by the factory.

Tennessee, on the other hand, never set foot in the bordello. In the words of Gov. Lamar Alexander, the state "did nothing—and still landed the Saturn



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plant." There were no delegations of high-ranking religious and political figures holding press conferences in Detroit, no free schools, free houses, free roads, or free sewers. "There are no tax breaks or free giveaways...and GM never asked for any," said Theodore J. Von Cannon, deputy commissioner of Tennessee's Economic and Community Development Department.

Saturn Corporation was looking for something that most states just don't have. "The bottom line for us is that we are looking for a site where we can produce a small car inexpensively and do it on a long-term basis," Saturn spokesman Stan Hall told *Newsweek* earlier this year. "We're more interested in that than in some quick fix a state can offer."

Two recent studies indicate just how public policies in Illinois discourage investment and long-term economic growth. The 1985 survey of states' manufacturing business climates conducted by Alexander Grant & Co. reveals that in many ways, Illinois is on a par or slightly better than Tennessee. But in seven categories "strongly influenced by state or local government," Illinois ranks far behind Tennessee.

For example, Illinois pays an average of \$381 in unemployment compensation benefits per covered worker per year.

Tennessee pays just \$173. Similarly, in Illinois the maximum weekly workers' compensation benefit is \$463, while in Tennessee it is \$136.

Illinois also fares poorly in a recent study by economist James L. Johnston of Chicago's Heartland Institute. Johnston maintains that Illinois businesses are hurt by its personal income tax (Tennessee has none) and its high unemployment compensation rates. Moreover, Illinois still uses the "unitary" method of calculating corporate income tax; under this plan, businesses are taxed on their successful operations in other states, though those subsidiaries receive no services in Illinois. Tennessee, on the other hand, does not use the unitary tax; according to Governor Alexander, that was a factor in GM's decision.

These studies of Illinois's business climate, coupled with Saturn's expressed concern with long-term tax and regulatory policies, should make it clear that Illinois's mistake was to offer specific, short-term incentives to the new business. What Saturn wanted, and what all other industries considering locating or expanding want, are lower taxes, fairer tax administration, and lower labor costs.

The campaign for the Saturn plant raises a further question: should taxing and spending policies be manipulated to favor a few large, highly visible companies, or should these policies be reformed to create a business climate where all companies, large or small, have an equal chance of prosperity?

For the 37 states that bid for the Saturn plant and lost, the lesson to be learned is that they must stop playing with short-term gifts and begin changing the things that really matter. Tax rates, regulations, labor rules, and government debt affect all businesses in the long run. When states like Illinois start making real improvements in their business climate, they will be in the enviable position of having to "do nothing" to become the home of the next Saturn plant.

*Scott Hodge is a research associate of the Heartland Institute, a nonpartisan center for public-policy studies in Chicago.*

# Proof Franklin Half Dollars



Enlarged  
to show detail.

## At 1984 prices!

During the past two years, collectors and investors have begun to rediscover the Franklin half dollar. Demand has begun to increase and prices have moved upward. But Franklin half dollars in Choice condition are still available at very reasonable prices.

The Franklin half dollar has several unique characteristics that make it particularly appealing to both collectors and investors:

- Fewer Franklin half dollars were minted during their entire 25 year history than Kennedy halves in 1964 and 1965 alone! In fact, fewer Franklin halves were issued than Walking Liberty half dollars, the type that preceded it.
- The Franklin half dollar is the **only** regular issue U.S. half dollar ever without the reverse design dominated by an Eagle. The Liberty Bell was chosen because Franklin was so closely identified with the American Revolution.
- The Franklin half dollar was discontinued in 1963 before the silver hoarding of 1964 began, so it is likely fewer were saved. (Many experts believe so many Kennedy halves were saved that they will **never** be scarce!)
- The Franklin half dollar was the largest silver coin of its era, and the lowest mintage type coin during the years it was issued. As future collectors seek to com-

plete their collections, the Franklin half will be the most desirable and difficult type coin to obtain.

- The Proof specimens of the Franklin half dollar are especially scarce— fewer than one third as many as Proof Kennedy half dollars. And more Proof Kennedy halves are issued each year!

The most desirable of all Franklin half dollars are Proof specimens, specially minted to be the finest examples of the mintmaster's art. Coin blanks are cleaned and polished to assure the sharpest impression. Dies are inspected to verify that they are perfect, then highly polished and wiped periodically during the minting process. The blanks are hand fed into the coinage press individually, and each coin is struck twice, at slow speed with extra pressure to insure that the utmost quality is achieved. The finished proof coins are inspected at the Mint and sealed in special holders.

When we last offered Proof specimens of Franklin half dollars in early 1984, our price was \$345 per "roll" of 20 coins. At that time we noted that other national firms were charging as much as \$395 per roll.

Today, according to *Blanchard's Market Alert*, "these same coins are selling for \$650 per roll. . . when you can find them!"

## You Save with Liberty Coin Service!

Thanks to the superior bargain hunting ability of our buyers, Liberty Coin Service is able to offer Proof Franklin half dollars at

the remarkable price of \$395 per roll! That is virtually the same price that many firms charged in early 1984!

What's more, our quality is unsurpassed. We offer Proof Franklin halves still packaged in the original polyethylene containers as sealed by the U.S. Mint!

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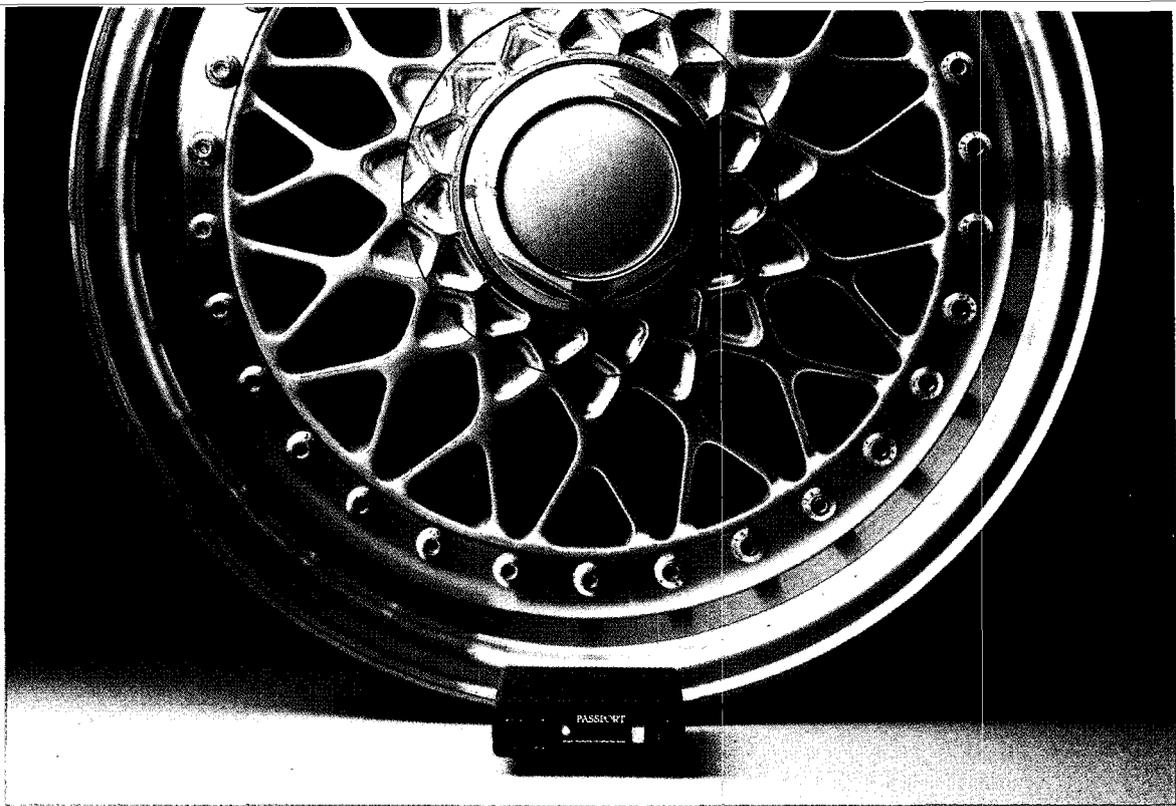
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# Small Wonder

It's here, *pocket-size* radar protection.

Imagine a superbly crafted electronic instrument, powerful enough to protect against traffic radar, miniaturized enough to slide into a shirt pocket, beautiful enough to win an international design award.

## Small means nearly-invisible protection

That could only be PASSPORT. It has exactly what the discerning driver needs, superheterodyne performance in a package the size of a cassette tape.

This miniaturization is possible only with SMDs (Surface Mounted Devices), micro-electronics common in satellites but unprecedented in radar detectors. It's no surprise that such a superlative design should be greeted by superlatives from the experts.

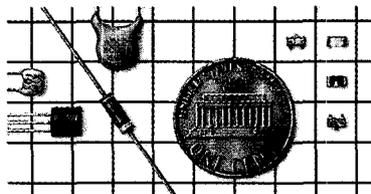
"In a word, the Passport is a winner," said *Car and Driver*.

The experts report excellent performance. Simply switch PASSPORT on and adjust the volume knob. Upon radar contact, the alert lamp glows and the variable-pulse audio

## Small means the size of a cassette tape

begins a slow warning: "beep" for X band radar, "brap" for K band. Simultaneously a bar graph of Hewlett-Packard LEDs shows radar proximity.

As you get closer, the pulse quickens and the bar graph lengthens. Should you want to defeat the audible warning during a long radar encounter, a special switch provides silence, yet leaves PASSPORT fully armed for the next encounter. A photocell adjusts alert lamp brightness to the light level in your car. PASSPORT was designed for your protection *and* your convenience.



In PASSPORT, 102 SMDs (right) do the work of ordinary transistors, resistors and capacitors.

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