

## STATES AND CITIES BID FOR U.S. MEMORIES

The cities of Oakland and Sacramento are locked in a bidding war, in which both localities are offering the Los Angeles Raiders football team tens of millions of public dollars to entice the franchise back to northern California. Voters in San Francisco this fall are considering construction of a publicly subsidized stadium, designed primarily to keep the Giants baseball team from fleeing to Silicon Valley or some other warmer clime.

Financially strapped cities such as San Francisco and Oakland justify extravagant subsidies by asserting that the subsidies are a solid investment, guaranteed to return tax dollars, jobs, and other benefits almost immediately. In reality, the purpose of such expenditures is to convince the world that the city is indeed major league. The economic benefits, if any, are indirect.

The world of high-tech has its own bidding wars. Communities across the country competed to attract the Microelectronics & Computer Technology Corp. (MCC) consortium, and they repeated their efforts when Sematech, the semiconductor manufacturing technology consortium, selected its main site. Austin, Texas won both contests.

Now, at least 14 states are seriously seeking to be the home of U.S. Memories, the IBM-led partnership of chip and computer companies. The venture asked Arizona, California, Colorado, Massachusetts, Missouri, New York, North Carolina, Oregon, and Texas to submit proposals. Connecticut, Georgia, Kentucky, Minnesota, and Virginia also sent offers.

In California, San Jose and six other cities—El Dorado, Fairfield, Fremont, Fresno, Newark, and Riverside—are inviting U.S. Memories to invest.

Should U.S. Memories raise a half-billion dollars from member companies by the end of the year, it will build a plant to mass produce dynamic random access memory (DRAM) chips using technology licensed by IBM. The whole effort is contingent on either legislation or a ruling from the federal government stating that the joint effort does not constitute an illegal trust.

Silicon Valley as a whole does not need U.S. Memories. The area is overdeveloped, with a shortage of housing and services, not jobs. Production employment in semiconductor production has fallen, but overall high-tech employment is growing, even without public handouts to attract or retain investors.

But San Jose, which touts itself as "Downtown Silicon Valley," believes it needs the jobs and revenues promised by the big new fab plant. Historically, San Jose has been the bedroom community for the area's high-tech companies. However, very few major wafer fabrication plants—Fairchild's famous source of groundwater contamination, for example—have located in San Jose proper. Other cities have drawn property and sales tax revenues from high-tech firms, while San Jose has borne the bulk of the cost of providing services to their workers—especially the lower paid employees.

The *San Jose Mercury News* (September 16, 1989) says, "U.S. Memories is expected to bring 3,200 jobs, about \$5 million a year in property and other taxes, and \$79 million annually in other unspecified spending." Of course, San Jose hopes that winning such a high-profile plum as U.S. Memories would bring it into the high-tech major leagues, making it easier to attract other investment.

To reap the anticipated bonanza, San Jose is proposing that U.S. Memories set up shop in the Edenvale redevelopment area, in the southern part of the city. It has assembled a package of \$18 million in direct subsidies and \$3 million in tax breaks, to be provided over three years. Local funds would be combined with \$24 million in support from the state of California.

Texas, again considered a major bidder, is offering \$25 million in state funds, while Austin promises an additional five-to-seven year package that it values at \$70.9 million.

Civic pride has clearly run wild. It is not clear  
*(continued on page 2)*

that Silicon Valley needs any more high-tech employers. And in other localities that would benefit from industrial growth, U.S. Memories should pay it own way. Other industries, as well as residents, are taxed to pay for local services, and any new round of development requires additional services.

Yet only a few public officials have challenged the giveaways. In California, two Assemblymen, Tom Hayden and Johan Klehs, "charged that the [state subsidy] package was an undeserved bonanza for a well-heeled industry." (San Jose Mercury News, September 13, 1989.)

Communities and states can, however, cater to high-tech industry without ignoring their other responsibilities. Looking at the history of Silicon Valley, as well as other major centers of high-tech industry, it is clear that certain characteristics have attracted and encouraged high-tech business, even in the absence of direct subsidies: First, high-tech companies flourish in areas with strong educational systems, including but not limited to programs training technologists and technicians. Second, high-tech firms want a reliable, expandable infrastructure. And third, largely because they need to hire large numbers of professionals and managers, even at many production facilities, firms place their offices, labs, and factories in settings that offer a desirable lifestyle and environment.

Thus, in the long run, the local government of any area that wants to be Silicon Valley—or Downtown Silicon Valley—can best achieve that goal by doing what it should be doing anyway: Fund education well, provide infrastructure, and invest in amenities and environmental protection.

And there is one more approach to recruiting or retaining an important venture. Though this approach has no precedent in high tech, there is one example in major league sports. Green Bay, Wisconsin has a football team because the Packers are owned by the people of Green Bay. If public officials are so willing to put government funds into U.S. Memories or a comparable venture, why not invest directly. If they act wisely they'll make money for the city while asserting direct authority over the firm.

## MORE ON LABOR RIGHTS

In our discussion of the protection of international labor rights in the last issue of *Global Electronics* (No. 95), we neglected to mention a valuable booklet that details the workings of the labor rights provisions of U.S. trade legislation. "Worker Rights Under the U.S. Trade Laws"

(Lawyers Committee for Human Rights, 330 Seventh Ave., 10th Floor, New York, NY, 10001.) The authors carefully describe labor-related aspects of GSP preferences, the Caribbean Basin Initiative, and Section 301, and they make recommendations for strengthening the entire labor rights protection process.

Meanwhile, Britain's Overseas Development Institute (ODI) has conducted a study challenging the linking of labor rights to trade policy. The ODI concludes (in the words of the *Far Eastern Economic Review*, September 14, 1989) "that the evidence does not support a case for trade sanctions against [Malaysia, Singapore, South Korea, and Thailand] 'because labour conditions in the export sectors are generally similar to those operating in the wider economies.'"

Past research by others has suggested that the manufacturing wages of large, export-oriented multinational corporations are generally higher than those of more marginal, locally owned firms, but the ODI study shows that exporting firms usually pay less. "In South Korea, it was discovered that male wage rates are actually higher in the export sector than in domestic production sectors. Elsewhere, wages for both sectors appear to be somewhat lower in the export sector than in domestic manufacture, though the gap has narrowed since the period of export-led industrialization began in these countries. The ODI concluded that only in a few cases, such as that of women workers in medium-sized South Korean clothing firms, are wages 'significantly lower' in the export sector."

*(continued on page 4)*

---

## GLOBAL ELECTRONICS

edited by Lenny Siegel

Issue No. 96

published monthly by the Pacific Studies Center  
222B View Street  
Mountain View, CA  
94041 - USA 415/969-1545

US ISSN 0739-0416

subscription rates (12 issues)  
United States: \$12.00  
Canada and Mexico: US\$14.00  
Overseas: US\$17.00

all back issues are available

Copyright ©, September, 1989  
Mountain View, California

---

### VALLEY MINORITIES GROW

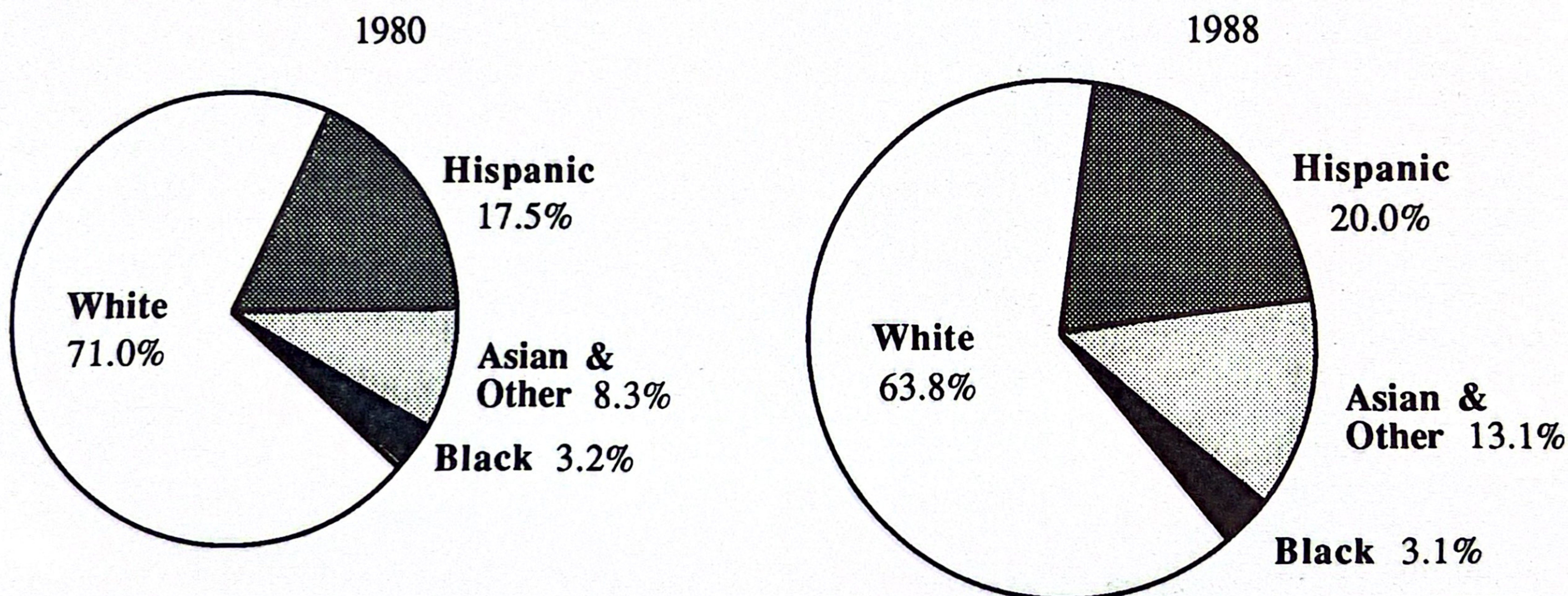
Despite Silicon Valley's high cost of living and its image as a community of affluent professionals, the area remains a magnet for non-whites, including immigrants from Latin America and Asia. Some of those non-white immigrants—such as engineers from Taiwan—are affluent, but most are not.

From 1980 to 1988, the population of Santa Clara County—the metropolitan statistical area most closely matching Silicon Valley—grew 10 percent, from 1,295,071 to 1,422,515. The (non-Hispanic) white population, however, rose only 1% in the period, so that white people now make up only 64% of the county's population. ("Growth Trends: Santa Clara County, 1980-1988," Info,

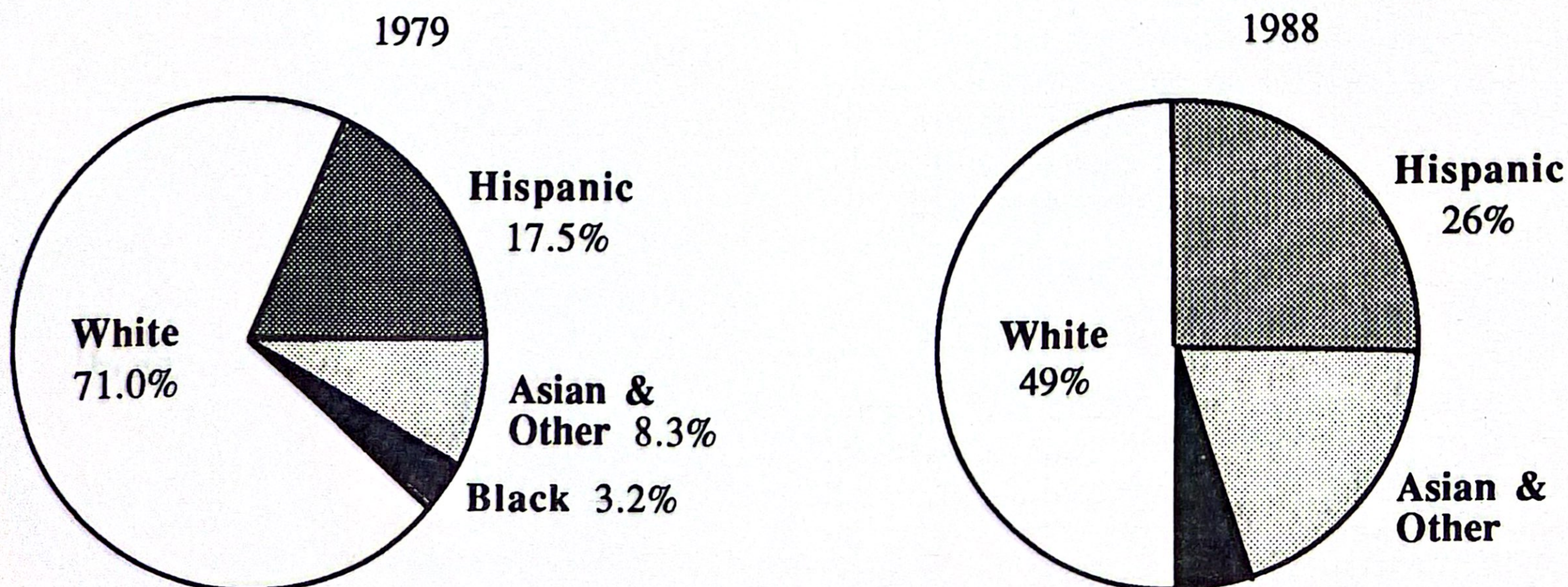
County of Santa Clara Advance Planning Office, June, 1989)

Non-whites compose an even greater share of the Silicon Valley public school population. In 1989, they accounted for 51%, making whites a minority, too. (Figures from Santa Clara County Office of Education, cited in *San Jose Mercury News*, September 24, 1989.) Though there is probably some "white flight" to private schools, two other reasons probably explain why non-white children now form a majority. First, Silicon Valley is home to large number of childless white adults. Second, certain non-white groups tend to have larger families, on average, than their white counterparts.

**Santa Clara County Population by Race/Ethnicity**



**Santa Clara County School Population by Race/Ethnicity**



**Labor Rights** (continued from page 2)

It's hard to understand why the ODI doesn't think the plight of women garment industry workers in Korea is relevant, but the study has an even more fundamental flaw. Most of the critiques of export-led industrialization do not suggest that a country's export sector functions independently of labor conditions in the rest of the national economy. Rather, national policy permits or encourages the suppression of labor organizing throughout the economy. The need to keep exports competitive is a major reason for this policy, but it impacts the entire workforce. In fact, it can be argued that the repressive political structures of countries such as South Korea have resulted directly from the decision to boost exports in labor-intensive industries.

**H.D.T.V.**

The political momentum for massive subsidization of the U.S. high definition television (HDTV) industry has subsided. The Commerce Department has ignored the American Electronics Association's (AEA) request that the government fund a U.S.-owned HDTV production joint venture. In fact, in the wake of studies showing that HDTV is not the key to the future of American high technology, the Commerce Department has combined its consideration of HDTV policy with a

review of industrial policy in general.

Meanwhile, the leaders of the American labor movement have challenged the AEA's position that the U.S. government should favor U.S.-owned firms. On July 25 Morton Bahr, president of the Communications Workers of America, testified before the Senate Committee on Commerce, Science, and Transportation on behalf of the union-led Committee to Preserve American Color Television (COMPACT). He said, "The sad fact is that our workers can no longer depend solely upon American-owned companies for their jobs. It is now clear to the American workers that the most important question is not who owns the stock of the companies that produce television sets but rather whether those producers are committed to domestic research and development and domestic production of television sets."

Bahr argued that foreign-owned firms be allowed to participate in government-sponsored research and development consortia., should they commit to R & D and production in the U.S. He said that other factors, such as the openness of the corporations' home countries to participation of American-owned firms in comparable program, should be considered. He added, "We also feel strongly that subsidiaries of foreign companies that have been persistent offenders under the U.S. dumping and unfair trade laws should not be permitted to participate in U.S. government-funded joint ventures."

BULK RATE  
Non-Profit Organization  
U.S. POSTAGE  
**PAID**  
PERMIT NO. 155  
MOUNTAIN VIEW, CA

Address Correction Requested

Pacific Studies Center  
222B View Street  
Mountain View, CA  
94041 - USA