

ARRA as a Corporate Rescue Plan

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A war of words is raging over the impact of the Obama Administration's \$787 billion stimulus program, which is now one-year old. Conservative members of Congress are mounting a relentless assault on what they see as an abject failure, even as many of them [unabashedly](#) promote and at least implicitly take credit for individual American Recovery and Reinvestment Act (ARRA) projects in their home districts.

Meanwhile, the office of Vice President Joe Biden has issued a [report](#) insisting that ARRA has created or saved 2 million jobs and has brought many states back from the brink of fiscal disaster. The stimulus effort, Biden insists, "is going well."

The debate boils down to an age-old disagreement between those opposed to allegedly wasteful social spending and those who believe government has to reinforce the social safety net during a time of economic distress.

Both sides are ignoring the fact that ARRA, to a significant degree, is a rescue plan not just for unemployed workers and struggling state governments, but also for parts of corporate America. This goes far beyond the roughly \$50 billion in business tax breaks that Republicans last year insisted be part of the plan.

The Recovery Act represents a big step in the direction of what was once called industrial policy. Billions of ARRA dollars are being used by the federal government to encourage the development of new industries in areas such as renewable energy and health information technology that are seen as the foundation of future economic growth. Billions more are being spent on traditional procurement contracts to boost private-sector activity.

Here are some examples of larger injections of ARRA funds going directly to the corporate sector:

ADVANCED ENERGY MANUFACTURING TAX CREDITS

Hemlock Semiconductor, a joint venture of Dow Corning (itself a joint venture of Dow Chemical and Corning Inc.) and two Japanese companies: [\\$141 million](#) for the production in Michigan of polycrystalline silicon used in solar panels.

Wacker Polysilicon North America LLC, a subsidiary of the German chemical company Wacker Chemie: [\\$128 million](#) for a plant in Tennessee that will produce polysilicon for solar cells.

United Technologies Corporation, the big military contractor: [\\$110 million](#) for new equipment at its Pratt & Whitney plants to help produce more energy-efficient jet engines.

Alstom, the big French power and transportation equipment firm: [\\$63 million](#) for a Tennessee facility that will produce the world's largest steam turbines for nuclear power plants.

GRANTS FOR DEVELOPMENT OF ADVANCED BATTERIES FOR ELECTRIC VEHICLES

Johnson Controls: [\\$299 million](#) for work on nickel-cobalt-metal battery cells

A123 Systems Inc.: [\\$249 million](#) for work on nano-iron phosphate cathode powder and electrode coatings.

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General Motors: [\\$105 million](#) for production of high-volume battery packs for the GM Volt.

"CLEAN" COAL POWER INITIATIVE

American Electric Power Company: [\\$334 million](#) for the development of a chilled ammonia process to capture CO₂ at a power plant in West Virginia.

Southern Company Services: [\\$295 million](#) for the retrofitting of a CO₂ capture installation at a coal-fired power plant in Alabama.

BROADBAND EXPANSION

ION HoldCo LLC, a partnership led by Sovernet Communications: a [\\$39 million](#) grant to expand fiber-optic broadband in rural areas of upstate New York.

Biddeford Internet Corp. (dba GWI): a [\\$25 million](#) grant to extend a fiber-optic network to rural and disadvantaged parts of Maine.

ENERGY LOAN GUARANTEES

Solyndra Inc.: a [\\$535 million](#) loan guarantee to support the construction of a commercial-scale manufacturing facility for cylindrical solar photovoltaic panels.

PROCUREMENT CONTRACTS

Lockheed Martin: [\\$165 million](#) to work on the crew vehicle for NASA's Project Orion.

Clark Construction Group: [\\$152 million](#) to design and build a new headquarters for the U.S. Coast Guard in Washington, DC.

General Motors: [\\$104 million](#) to supply light trucks, station wagons and alternative fuel vehicles to the General Services Administration.

GlaxoSmithKline: [\\$62 million](#) from the Department of Health and Human Services to do research on the H1N1 flu vaccine.

To this list can be added the thousands of contracts that states have awarded to private companies to carry out ARRA-funded activities such as highway repair, school construction and environmental remediation.

It is surprising that there has been so little debate on the relative merits of all these projects and programs – as well as on the wisdom of providing direct subsidies to profit-making entities. Are these grants, contracts, tax credits and loan guarantees a smart investment in the future or nothing more than business boondoggles?

With a significant portion of the Recovery Act going to aid corporations, we also have a right to ask why they are not creating more jobs with the taxpayer funds they have received. It would also be helpful to know – though the limitations of ARRA data collection make this difficult – how good are the jobs that have been created (in terms of wages and benefits) and whether those jobs are being equitably distributed among different portions of the population.

If we are ever going to reach any meaningful conclusions about the whole stimulus endeavor, we've got to go beyond tired debates about Big Government versus the Free Market. Like the bailout of the banks and the auto companies, ARRA is changing the relationship between the public and private sectors. Now we need to know whether the new arrangement is working and who is reaping the benefits.

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