

Problem: Law-breaking corporations are getting your tax dollars

Governments use your tax dollars all the time to purchase services from corporations, whether it's your city paying Waste Management to collect the trash or the federal government paying Lockheed Martin to build weapons. Unfortunately, few governments pay much attention to the character of the corporations to whom they hand over your tax dollars. Few procurement officials ask whether potential contractors have been repeatedly fined for safety and environmental violations, have been cited for workplace violations, or have been caught manufacturing inferior products that have injured consumers. Instead, they aim to give all contracts to the lowest bidder, regardless of the history of the con-

tractor. Even companies that break the law while executing a contract are rarely scrutinized.



A look at the procurement records of the federal government is embarrassing. Of its 43 largest contractors, 31 have a combined 402 violations or alleged violations since 1990! Lockheed Martin, which got \$19 billion in 1999, has paid \$232 million in fines for 63 violations. Boeing, which got \$14.2 billion in 1999, has paid \$358 million in fines for 36 violations. Yet only one federal contractor — General Electric — has ever even been suspended. And that was for just five days.

Solution: Stop giving government contracts to criminal corporations

Governments of all sizes are major consumers. The federal government, with a \$235 billion annual procurement budget, is the largest consumer in the world. Governments could harness this power of the purse to promote corporate responsibility by being picky customers and refusing to do business with corporations that do not meet high standards of responsi-



bility and law-abiding behavior. New York City has adopted such a procedure. Shortly before his second term ended, President Bill Clinton signed a “contractor responsibility” rule that would have required contracting officers to consider a prospective contractor’s business history, including past and pending felony charges. The business community railed against the rule, mischaracterizing it as a “blacklisting” law. It was quickly reversed by President Bush.

Action: Support and strengthen contractor responsibility laws

There is great potential for enacting and enforcing these laws at the state and local levels. After all, in the wake of Enron, WorldCom, et al., who wants their tax dollars going to crooked corporations?

Unfortunately, state-level laws are a hodgepodge that are erratically enforced. Some states have good laws in specific departments. For example, The Illinois EPA defines a responsible contractor as one that has “demonstrated compliance or willingness to comply with civil rights, equal employment opportunity, labor law and other statutory requirements.” (44 Ill. Adm. Code 550.302(f)(5) (1999)). The Washington DOT requires that bidders have “a satisfactory record of performance, integrity, judgement and skills.” (Rev. Code Wash (ARCW) 47.28.070 (1999)).

Some states have statewide standards. For example, California law requires a responsible bidder to be “a bidder who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity, and the experience to satisfactorily perform.” (AB No. 574, 1999 Cal ALS 972). New York City, meanwhile,

has elaborate rules governing procurement awards.

If your state or city does not have a law, that is the first step. If your state or city does have a law, see if it needs to be strengthened or enforced. Remember, nobody wants their hard-earned tax dollars rewarding crooked corporations.

Resources:

The Project on Government Oversight has information about federal contract misconduct <http://www.pogo.org/p/contracts/consubmain.html#Fedcont>

Essential Action has a page of information on the debate around the Clinton era law: <http://www.essentialaction.org/anti-scofflaw/>

New York City has a procedure to ensure that its contractors are responsible: <http://www.nyc.gov/html/moc/html/contractor.html>