The Rise
of the
Entrepreneurial
State

State and Local Economic Development Policy
in the United States

PETER K. EISINGER

The University of Wisconsin Press
## Contents

Illustrations xi
Tables xiii
Preface xv

### Part I. Groundwork

1. An Introduction to State and Local Economic Development Policy 3
   - The Idea of a Policy Domain 6
   - The Entrepreneurial State 7
   - The Argument in Brief 10
   - The Plan of the Book 12

2. The Framework of Economic Development Policy 15
   - Framework Elements of Economic Development Policy 21
   - Conclusions 32

3. Justifying Economic Development 34
   - Growth versus Development 36
   - The Empirical Basis of the Development Models 41
   - The Costs of Economic Development 45
   - The Decline-Distress Model 49
   - Conclusions 53

4. The Context of Economic Development Policy 55
   - The Decentralization of People and Industry 55
   - Federalism 64
   - The Contraction of the Federal System 67
   - The United States in a Changing Economy 69
   - The Capitalist Context of Economic Development 73
   - The Supply-Side Theory of Urban and Regional Economic Growth 76
   - The Erosion of the Old Economic Order 78
   - Drawing Lessons for Economic Development Policy 81
Contents

Part II. The Supply-Side Tradition
5. The Federal Role in State and Local Economic Development 85
   Federal Aid for Subnational Development before World War II 91
   Urban Renewal, 1949–1974 93
   The Small Business Administration 96
   The Economic Development Administration 100
   Community Development Block Grants 106
   The Urban Development Action Grant Program 113
   Conclusions 122
6. Supply-Side Incentives to Development: Business Climate Policies 128
   Comparative Business Climates 130
   Tax Policy 138
   Debt Financing 153
   Labor Incentives 165
   Regulatory Policy: Growth versus the Environment? 169
7. Geographically Targeted Policies on the Supply Side 173
   Industrial and Commercial Site Development 177
   Targeted Financial Assistance for Capital and Infrastructure 181
   Tax Increment Financing 182
   State Enterprise Zones 188
8. The Determinants of Economic Growth and Industrial Location Decisions: A Critique of Supply-Side Strategies 200
   The Determinants of Investment Behavior: Market and Labor Factors 208
   General Tax Policy 210
   Tax Concessions and Financial Incentives as Location Factors 216
   Other Location Factors 220
   Conclusions 222

Part III. Demand-Side Policy in Economic Development
9. Demand-Side Concepts and Their Policy Implications 227
   Demand Concepts and the Rise of the Entrepreneurial State 230
   Entrepreneurialism as a Bridge between Export Base and Supply-Side Approaches 233
   The Entrepreneurial State and the Job-Generation Studies 234
   Policy Directions 240
10. State Governments as Venture Capitalists 241
   Small Business and the Problem of Capital 243
   The Rationale for State Venture Capitalism 245
   The States As Venture Capitalists 249
   Smart Investing: Mechanisms for Investment Decision-making 260
   Keying Venture Programs to the Business Life Cycle 261
   Conclusions 264

11. Anticipating and Creating Markets: The States and High-Technology Policy 266
   Defining High Tech 269
   Justifying State Intervention 273
   The Limits of High Tech in Economic Development 275
   State High-Tech Policy in the Mid-1980s 280
   Conclusions 287

12. The Search for New Markets: State and Local Export-Promotion Activities 290
   The Shift from Supply-Side to Demand Strategies in International Trade 293
   Justifying State Intervention in Foreign Trade 296
   The Federal Backdrop to State and Local Export Activity 299
   State Export-Promotion Programs 302
   Conclusions 305

   Plant-Closing Laws 309
   Suing Plant Closers for Breach of Contract 315
   Plant Shutdowns and Eminent Domain Actions 321
   Conclusions 328

14. Conclusions 331
   The Problem of Evaluation 336
   Economic Development and Popular Interests 339
   A New American Political Economy 341

Bibliography 345
Attributed Interviews 371
Index 373