## 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

llust	rations	xi
<b>Table</b>		xiii
Prefa	ce	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

Pari	II. The Supply-Side Tradition	
5.	The Federal Role in State and Local Economic Development Federal Aid for Subnational Development before	85
	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	200
	Location Decisions: A Critique of Supply-Side Strategies	200
	The Determinants of Investment Behavior: Market and Labor Factors	200
	General Tax Policy	208 210
	Tax Concessions and Financial Incentives as	210
	Location Factors	216
	Other Location Factors	220
	Conclusions	222
	Conclusions	222
Pari	III. Demand-Side Policy in Economic Developme	ent
9.	Demand-Side Concepts and Their Policy Implications Demand Concepts and the Rise of the	227
	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

		Contents
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	<b>275</b>
	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	
	State Export-Promotion Programs	302
	Conclusions	305
13.	Protective Economic Development: Plant-Closing Laws,	
	Breach of Contract Suits, and Eminent Domain Seizures	307
	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
Bibli	ography	345
Attributed Interviews		371
Inde	Index	

ix