

**LOCAL ECONOMIC
DEVELOPMENT: WHERE
TO PUT YOUR MONEY***

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The following article examines some of the many pitfalls of policy implementation in the public sector. The analysis is drawn from my particular experience as a state government economic development policy-maker. While the focus is on economic development policy at the level of subnational government in the United States, it also has wider applications to implementation processes within all organizations in pursuit of any substantive goal.

Before jumping full-blown into issues of policy implementation, let us first define the meaning of "policy." A policy is an attitude applied systematically (or more often inconsistently) through organizational behavior. Within governments, taxation, spending programs, and enforcement or non-enforcement of laws and regulations are the primary means of communicating this attitude and directing or inducing public and private behavior to con-

form. Communication, encouragement, and coercion through a combination of moral, financial, and physical incentives are the methods by which governments "implement" an attitude, or policy.

The standard state and local government "economic development" policy consists of three elements: 1) maintaining an attitude of being "pro-business", though this is often quite ambiguously defined; 2) biasing taxing, spending, and regulating to support this attitude; 3) adding a few generally modest direct subsidies to encourage certain types of business expansion or relocation, with subsidies available both for manufacturing and commercial enterprises and for real estate developers. The main difference between (2) and (3) is that (2) is inclusive of all government decision-making and is intended to spread benefits broadly, whereas (3) is generally more narrowly focused in terms of types of activity and who benefits.

"Pro-business" attitudes or policies commonly adopted in today's economic climate are often short-sighted and ineffective in achieving any substantial goals of community well-being. The idea that "doing whatever business wants will be good for business and good for society" is deeply flawed, for several important reasons: 1) a business may want something from government that may not actually be in that business' own best interest, even from a purely private profit perspective (i.e., all decision-makers are prone to error in judgment, and businessmen and women are no exceptions to this rule); 2) a business may want something that is in its own best interest, but not in the best interest of other businesses, either in its own industry and location or in different industry sectors and geographic locations; 3) a business may want something that is in its interest and that of most other businesses, but it may not be in the interest of other non-business segments of the population, and therefore may still be economically harm-

ful; 4) businesses tend to adopt a time horizon of immediate interest, while governments are charged with the responsibility of guarding the long term interests of both private firms and the society in general (even the physical environment).

The administration of California Governor Edmund G. Brown, Jr., in which I served as Deputy Director of the California Commission on Industrial Innovation, attempted to scrap the uncritical, knee-jerk "pro-business" policy and the attendant marginal promotion and subsidy programs, and to replace them with a different attitude. The basic components of this alternative policy perspective consisted of three attitudinal and implementation techniques. The first approach was to disaggregate the gigantic and undifferentiated category of "business" and to replace it with policy decision-making based on careful industry-specific and area-specific analyses of economic growth factors and impacts. The second approach was to encourage analytical precision in the calculation of the total cost and benefit trade-offs of competing government decision, and to attempt to structure policy responses that tightly target costs and benefits in line with the actual economic goals. The third approach was to design an arena for public-private bargaining or quid pro quos, to further improve the opportunities for precision and targeting to achieve the desired results. Some have called this latter attitude the new "social contract."

Having briefly described our relatively innovative new policy in the preceding paragraph, let me reemphasize that this policy, like all policies, primarily reflected a firmly held conviction or attitude. How successfully this attitude was translated into effective outcomes, either in the simple outcome of actual implementation through the state government, or in the more exotic outcome of genuine economic and human improvement among the state's large population, is an

entirely different question and process than the adoption of the attitude per se by some responsible decision-makers. What I discovered in Sacramento was that it is extremely difficult to move from attitude to implementation to real results. In the following pages I offer a number of general explanations for this difficulty.

CONTROLLING THE APPROPRIATE RESOURCES

A policy can only translate into effective action and results if the relevant public agency actually controls the right type and scale of resources to genuinely affect economic and social reality and push it in the desired direction. Most state and local governments cannot mobilize these resources very easily to cope with private corporate activity in an age of global economic mobility and interdependence. Even the national government, which is much better equipped to control the right type and scale of resources, is increasingly finding itself inadequate to the task. State and local governments attempt to cover up their weaknesses by implementing a policy through the sleight-of-hand method of stringing together lists of small and often totally unrelated programs, most of them not new but simply renamed, redefined, or refinanced. While policy-makers generally recognize the limitations of announcing with great fanfare a smorgasboard of disconnected and modest government activities under the heading of a "New Policy Initiative," the usually vain hope is that the attitude being publicly transmitted by this "stringing", as I call it, will somehow be far greater in impact than the sum of its individual program parts. In most cases, once the media attention disappears, the string of programs once again lose their purported policy coherence and revert to the anarchic individualism of special interest corporatist politics.

CONTROLLING THE GOVERNMENT BUREAUCRACY

An attitude, no matter how fervently it is held by key actors at the chief executive level, or even at the majority legislative level, cannot be turned into effective policy implementation unless the attitude is adopted by the legions of government bureaucracy. Getting control of this bureaucracy is an enormous task. The civil service permanency of the line employees versus their more transient administrative and legislative superiors, combined with the vagaries of constituency influences on the actual behavior of individual officials as well as entire agencies, make for rough sledding in any efforts to consistently, uniformly, and forcefully implement a policy initiative. Without gaining such control, however, policy attitudes by elected officials remain in the realm of campaign rhetoric and media events.

COMMUNICATING THE PURPOSES AND IMPACTS OF POLICY DECISIONS

Probably the single most commonly misunderstood confusion in policy analysis is the failure to separate the officially stated public purposes of a policy, program, or project, from the impacts of such endeavors. In fact the two are entirely different and may often be totally unrelated. As a consequence of this common confusion in public discourse, policy debates over "economic development" are frequently sterile and irrelevant. The reason for this irrelevancy gets back to the earlier issue of appropriate scale of resources. Economic development goals are generally big (i.e., creating huge numbers of jobs), and thus require large commitments of resources in order to succeed. Here we are talking about impacts. The problem is that most major government policies and programs that involve large resource commitments and

have big impacts are not seen as being in operation solely for the purpose of economic development. Regardless of their actual economic impacts, they are supported by a wide range of political forces in the society precisely because they are proposed to satisfy a whole multitude of different purposes.

To illustrate this with an example: highways and sewer systems and universities are built to satisfy a broad range of "needs." Industrial development revenue bonds, on the other hand, exist solely to satisfy an "economic development" need. These are the program purposes. With regard to impacts the story is quite the opposite. The impact of the highway or sewer system or university on economic and employment growth and change is likely to be far greater than the impact of the IDR program. But because the IDRs are created to serve only one definable public purpose whereas the highways, etc. serve many purposes, policymakers and the general populace will tend to ignore the big decisions involving big resources and having big potential impacts when they are discussing the single purpose of economic development. Hence policy initiatives in this "special" area tend to concentrate on extremely trivial pursuits in relation to what should be the needed and desired impacts.

If one examines more closely the rise of Silicon Valley as an economic success story, what public policies played a role in facilitating this employment growth? The most important federal policy, in terms of impact, was the Cold War and the massive government expenditures on military expansion and space exploration. This included rising resources committed to research and education, so that even the growth of Stanford University was a by-product of the federal government's military concerns. The most important state, county, and municipal public policy was to protect the environment. Had the physical beauty of Santa Clara County and

the State of California been destroyed as a byproduct of industrial growth, it is highly doubtful that Silicon Valley industries would continue to expand at their present locations. In other words, the policies that really mattered in terms of impacts had absolutely nothing to do with the purposes of creating 100,000 new manufacturing-related jobs in that fertile valley of prune orchards. Both military spending and environmental regulation are derided at times as being "anti-business," and yet in this case they clearly had more to do with burgeoning growth of whole new industry sectors and regional employment centers than any other "pro-business" government policy commonly utilized.

To move from the example back to the argument: the separation of general policies that are seen as affecting everyone from special policies just for "economic development" has a debilitating effect on public debate. Governments must be able to mobilize political opinion behind the use of large "multi-purpose" resources and tools for the single purpose of achieving specific economic goals if they hope to succeed in making significant economic impacts.

DEALING WITH CONSTITUENCIES

In California, we attempted to redefine economic development by focusing on state government-controlled general purpose resources that were large and therefore could yield large economic impacts. The best example was Governor Brown's "Investment in People" initiative, which reanalyzed the entire system of state-supported education and research in an effort to shape the labor force, technologies, and employment opportunities for the next generation. In this effort we discovered an additional problem with using general purpose programs as policy implementation tools for economic

development. What makes a program general purpose by definition is the multitude of constituencies with vested interests in various pieces of the existing program. Unless the governmental body is able to find significant new resources to add to the program, any proposed changes will necessarily require reducing a current commitment to some ongoing activity. Such reductions are almost certain to be opposed. Thus in the context of a recession economy and fiscal crisis, we found it extremely difficult to achieve concensus on any major additions or changes in education and research. Instead, we ended up with a "string" of tiny symbolic initiatives that articulated great clarity of purpose, but whose impact was slight at best.

DEALING WITH BUSINESS

The idea of a "new social contract" is certainly fine in theory. It is based on the assumption that all elements of such an accord need each other equally in order to survive and prosper. In this view, business needs government support as much as politicians and government officials need the support of business. Certainly in California we were besieged with business requests for action or non-action in a wide variety of areas of intervention and assistance. Corporate executives often prefaced their requests with "crisis" rhetoric and ultimatums pointing to the dire consequences for the state's economy if we should fail to heed their advice. Whenever we suggested that they might bear some obligation to the welfare of the state's citizens in exchange for receipt of government assistance, we usually were met with powerful opposition.

Deals are best made among negotiating partners of equal strength. Unfortunately, the dominant ideology and the

inordinate power of corporations to create economic chaos through plant closings and disinvestment and to control the media and elections through financial power together serve to put public officials at a distinct disadvantage in any bargaining session. Whether or not uncritical "pro-business" policies really make sense in achieving important economic development goals, a "public interest"-oriented politician or planner may find that they simply lack the political strength to successfully implement alternative policies.

THE PRESENT VERSUS THE FUTURE

An additional source of difficulty in implementing an economic development policy is the considerable time gap between initiation and results. Job-creation policies, particularly those that rely on stimulating private sector growth through the general reduction in cost, increase in availability, or structural shifts in production processes and factors of production, may take a decade to succeed. Elections, however, are held every two to four years, and turnover in government executive appointments occurs equally as often. Since political constituencies are mostly organized around either keeping what they already have or attaining more of what they perceive is currently available, their interest in long-term alternative futures is generally abstract and limited. Future-oriented growth policies may get wide support but rarely will such support be deep and active. It is quite difficult to mobilize people around something that does not yet exist, such as the creation of an entirely new industry through technological innovation. Yet people are much more easily mobilized around defending something that currently exists and is being threatened. In California, for example, we had a difficult time convincing the electorate to support alternative public pension investment policies, that would signi-

ificantly alter the status quo. They were sympathetic to the fears of some pensioners and public employees who were understandably nervous about certain aspects of the proposed changes.

ACHIEVING BALANCED REPRESENTATION

If the goal of the economic development planner and policymaker is to utilize general purpose programs with large resources to achieve major impacts, broad political representation will be necessary to effectuate such a policy approach. Since specific business groups are usually well-organized to lobby around any economically-related government activities that affect their operations, it will not be difficult to locate business representation in any economic development efforts. It is highly difficult, however, to find other organized interest groups to provide active, balanced representation vis a vis the business constituencies. Labor unions, community residents, religious leaders, academics, even small business generally do not have precise macroeconomic agendas that they will vigorously and indefatigably pursue in the public policy arena. Lack of resource, experience, expertise, and the clarity of vested interests for these groups leave them at a distinct disadvantage compared to corporate lobbyists in defining economic development policy. Planners seeking validation among organized private constituencies for their own alternative viewpoints may instead find a vacuum that biases the bargaining table back to the flawed but powerful "pro-business" perspective.

CONSENSUS-BUILDING VERSUS POLICY COHERENCE

The final dilemma we discovered in the process of im-

plementing our new policy was that there is a contradiction between the idea of making policies industry- and area-specific and tightly targeted on the one hand, and the idea of controlling large, general purpose resources on the other hand. The reason for this contradiction is that the former requires highly detailed and disciplined bargaining among specialized group representatives, while the latter requires the construction of very broad political coalitions encompassing generalized representation and concerns. In other words, the "targeting" approach is retail, but the "big resources" approach is wholesale. To attain policy coherence, targeting and specificity must prevail. Unfortunately, this approach will probably leave the policymaker with too narrow a coalition to gain control over a significant pool of resources. The converse, of course, is equally unpleasant a prospect. To elicit enough support to commit or redirect large resources according to a new policy framework, the program goals and methods may become so generalized and watered down as to fail to move the economic system in a precisely articulated direction.

Such a contradiction may even become apparent when representation is limited simply to major business groups. In California we attempted to assemble a coalition of all the "high technology" corporate sectors around one banner as a minimum prerequisite to building public support for a substantial policy shift. Yet even among this relatively small group of entrepreneurs we found serious disagreements over prospective policy goals. Computer manufacturers and semiconductor manufacturers, for example, couldn't agree on the relative emphasis between the Investment in People programs and the pension investment programs, because the computer firms were basically unconcerned about the future prospects of the semiconductor companies, and vice versa. Multiply such dissension by numbers of other "high-tech" sectors, by

the rest of the business community, by numerous non-business constituencies, and "targeting" can easily become a code word for "stringing", as it did in this case. Bold policy initiatives are relegated to nightly news headlines rather than dramatic transformations in budget and tax priorities and regulatory reform. The individual pieces of the "strung-together" policy programs fall back into the lap of the government bureaucracy, and coherence, or the attitude that inspired the policy directive in the first place, may soon be forgotten.

CONCLUSION

The main conclusion I draw from these eight dilemmas is that it may be mistaken to identify any level of government, particularly state and local, as the locus of policy-making. Policy cannot be divorced from politics. Good technical ideas, regardless of the depth of expertise with which they are conceived, do not a policy make. Because an attitude requires communication in order to move the giant forces of humanity both without and within the government, perhaps more attention needs to be placed on communication from the constituencies to the government officials rather than vice versa, and also on communication of the constituencies to each other.

In economic development, nothing will dislodge the so-called "pro-business" approach short of a massive citizen coalition which forces government officials to change their perspective and gives them the strength and backing to bargain more effectively. Better yet, perhaps the communication and bargaining that most needs to occur is not between public officials and corporate executives, but between corporations and citizen groups directly. In this scenario, the government, through balanced pressure and representation,

serves as rule-making arbiter and occasional broker in a process whereby "collective bargaining" over economic development policy, including very specific investment of resources and other program commitments, takes place outside of the sphere of government. Public officials, with power derived from actively mobilized broad coalitions, become simply the regulators of policy-making; the direct policymakers will be the community constituencies bargaining with the corporations and beginning to control more of their own implementation mechanisms (i.e, development companies, financial institutions, cooperative businesses). Governments also continue to be implementers of policies, particularly with regard to large-scale expenditures, but with more of a focus on making the big resources available to the constituencies, and of managing resources in accord with the policies shaped through the new private collective corporate/community bargaining process.

Such an approach on the surface, by its open-ended nature, appears to abandon the intellectual coherence which the new discipline of targeting was designed to foster. The solution to this dilemma will be found in the sphere of government rule-making and brokering functions—setting the terms and framework for bargaining to promote specificity as well as clarity of goals and means. To the extent that the generality of broad coalition-buildings may undermine efforts to tightly target, perhaps this will be a necessary sacrifice to achieving much greater success than hitherto in the vitally necessary process of mobilizing constituencies and establishing collective agreements.

For background reading and references, see Marc A. Weiss, "High Technology Industries and the Future of Employment," Built Environment, 9.1, pp. 51-60; and Michael Peltz and Marc A. Weiss, "State and Local Government Roles in Industrial Innovation," Journal of the American Planning Association, 50.3, pp. 270-279.