Developing Successful Policy Abandonment Practices in a Down Economy

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Rubin (1986) argued that the general approach to economic development, consistent with the title of his work, was that economic developers simply "shoot anything that flies, claim anything that falls" (1988). Most scholars and many practitioners have indicated for some time that economic development is pursued like an "arms race" where local officials adopt every tactic to keep up with their competition, irrespective of the policy's effectiveness (Grady, 1987; Wolman, 1988; cited in Fleischmann, Green, and Kwong, 1992). While vast literatures cover the terrains of policies getting on the agenda (Kingdon, 1995; Baumgartner & Jones, 1993), policy adoption (Kassekert & Feiock, 2009; Fleischmann et al., 1992; Reese et al., 2009; Zheng & Warner, 2010); policy implementation (Pressman & Wildavsky, 1973) diffusion (Walker, 1969; Volden, 2010), and evaluation (Weiss, 1997) , few efforts have been made to empirically look at policy abandonment (Lowry, 2005; Ragusa, 2010; Reese, 2009; Volden, 2010; Lamothe & Lamothe, 2012). The cases where policy abandonment and policy termination have been the focus of research tend to be through case studies, with few works being able to generalize the findings. This article seeks to fill this gap by focusing on policy abandonment in the context of economic development incentives. To use Rubin's analogy, the research question asks whether economic developers would ever stop shooting and what if anything would make them stop?

In thinking about the meaning of policy abandonment, a number of questions arise. Most fundamentally though is the question, "what is abandonment?" Is abandonment simply the inverse of policy adoption? Would a policy that is stripped of its characteristics over several years be the inverse of policy implementation? What if the authorizers of the program intended for the policy itself to expire after a given period? Would this qualify as abandonment or simply the natural evolution of the policy? Is there a distinction? Is a policy that remains only in name,

while its substantive components change fundamentally, an act of policy abandonment? What about the inverse where the name changes, but the characteristics remain the same?

While this paper offers many more questions than answers, it addresses what is meant by policy abandonment/termination by drawing on the work of previous research efforts. Second, it applies this framework to the case of local economic development incentives. It finds that policies are abandoned at this level and that specific characteristics tend to be associated with abandonment. On a theoretical level, this article finds that policy abandonment (when focused on individual-level policies) tends to be the *inverse process* as adding a new policy. Therefore, those same factors that lead to new policies being adopted, play the opposite role in abandonment. While this is not counter-intuitive, it finds that this relationship is dependent on both the characteristics affecting adoption and abandonment and, even more importantly, on the types of policies themselves. The findings of this article are preliminary and many control variables need to be added before inferences can be made.

This paper's efforts are three-fold. First, it conceptualizes and attempts to operationalize the concept of abandonment. This section seeks to position this concept within a broader contextual framework of policy change. Second, it analyzes two sets of surveys to see what characteristics affect policy abandonment within the municipal economic development context. Finally, it addresses the potential implications that this research has both for economic developers and for theories of political processes.

Conceptualizing Abandonment

The ways in which we conceptualize abandonment are many, evidenced by the questions above. In a federal system, policies can be enacted as well as abandoned at the national, state or

local level. Within the legislative context, policies may be directly repealed or terminated through sunset provisions (the expiration of the program being specified at some time in the future). Within the sunset context, a program could have a single end date or could be phased-out over a series of years. Many policies have sunset provisions, but are continuously extended by the legislature. Alternatively, policies at any level could be defunded until the program is abandoned in all but name. Eugene Bardrach (1976), in a special issue of *Policy Studies,* convened researchers to develop an understanding of the policy termination process. Bardrach noted that termination occurred with "either a bang or a very long whimper." Certainly, one can envision a whole-scale reform like the 1986 Tax Reform Act (Patashnik, 2008) as both a bang and a long whimper. The reform brought a large-scale change in an abrupt fashion (the bang), while it has incrementally been eroded to the point that much of its reform are gone. Berkman and Reenock (2004), in their analysis of governmental reorganization, find that incremental change may even relieve pressure for a policy punctuation. As this is related to policy termination, a continuous decline in funding of a policy may lead to an incremental termination or may even prevent abandonment.

Other types of changes should not be considered abandonment. For example, the name of the policy could be changed with the structure remaining largely intact. This may be the result of a new administration coming into office seeking "symbolic" change. Further, one must be cognizant of the distinction between policies that are used in a single instance (i.e., specific PILOT programs) versus those cases when a policy itself is abandoned. Patashnik (2008) draws this distinction for general-interest v. special interest policy reform.

Bardrach (1976) characterizes three proponents of termination. He refers to the first group as the *Opportunists*. These individuals dislike the current policy because it is bad based

on their values, which may be social, economic, or political. The second group in his framework is the *Economizers*. These individuals are concerned with reallocating resources from one governmental function to another. The final group is the *Reformers*. These Reformers may be reminiscent of the "Policy Entrepreneurs" who seek to terminate a policy as a precondition to successful adoption and the implementation of a substitute. At the federal and state levels, the "anti-termination" coalition, according to Bardrach (1976), "normally draws its most fervent support from identifiable and self-conscious clientele and beneficiary groups" (p. 127). DeLeon establishes a list of obstacles to policy termination, which include (1) intellectual reluctance, (2) institutional permanence, (3) dynamic conservatism, (4) anti-termination coalitions, (5) legal obstacles, and (6) high start-up costs. Given the potential actors and obstacles to abandonment, this article briefly moves to the decision-making processes in which abandonment could occur, before turning to how policies could be abandoned in a federal system.

Having focused on the basic characteristics of abandonment and the extant theoretical literature, this article now turns to the ways in which economic development policies may be abandoned in the federal system.

State-level Abandonment

States can choose to abandon policies through legislation or by defunding programs. Both Lowry (2005) and Volden (2010) address state-level abandonment. Lowry (2005) focuses on the factors that lead states to reverse their policies in terms of dam removal. Drawing on the implementation and diffusion literature, Lowry argues that the diffusion of reversals involves more states outside of active regions than is characteristic of policy adoption. Lowry asks whether reversal of policy creates a new type of politics. He finds that state-level policy reversals often make national news leading to non-contiguous geographic diffusion. The rate of

adoption and spread of diffusion is much more gradual for policy reversals. Third, the likelihood of state adoption of policy reversals is dependent on *fiscal health* and the *behavior of relevant interest groups*.

Volden (2010) focuses on the abandonment of welfare policies in light of the Temporary Assistance for Needy Families (TANF) program across the fifty states between 1997 and 2002. Like Lowry, he focuses on the learning that takes place at the state level which leads to the diffusion of policy abandonment. While some have argued that policy makers will stick to inefficient policies for fear of looking incompetent to their constituents (Dur, 1999), Volden finds that the situation is more complex. He argues that most studies of diffusion deal with adoption, because of the general lack of abandonment cases which "do not generate enough data and variation to conduct strong statistical analyses" (Volden, p. 2). Volden argues, however, that policy adoption implicitly contains elements of abandonment or failed policy. This leads him to the conclusion that the elements which affect policy adoption, therefore, must be present in a theory of policy abandonment. It is in this vain that he notes several important elements for policy abandonment.

First, states will abandon policies that they found have failed elsewhere. He calls this the *Abandoning Policy Failures Hypothesis*. Second, Volden's *Learning from Similar State Hypothesis* suggests that a "combination of ideological proximity and policy effectiveness…together explain whether new policies are adopted and old policies abandoned" (Volden, p. 6). To learn the information about these policies requires a professional legislature with a well-established policy network. Therefore, this leads to Volden's third hypothesis, *Learning by Professional Legislatures Hypothesis*. This hypothesis suggests that states with highly professional legislatures are more likely to abandon policies that have failed in other

states. In the operationalization of his dependent variable, he allows abandonment to extend to any modification of a shared policy where one state's policy is moving away from another state's policy in their direct comparison. This suggests though that any change can qualify as abandonment if something is replaced in the process.

Volden's three hypotheses run counter to Dur's assessment that the policy maker would stick with an inefficient policy instead of repealing it as a result of escaping a signal of failure to voters. What is important to Dur's analysis is that a policy is in the interest of the voters even when "only a small proportion of the voters actually experience the effect of the policy, and thus only a small proportion of the voters become well-informed about the policy's effect" (Dur, p. 2). As these individual voters are boundedly rational, without perfect information, policymakers have more to lose by repealing a policy than simply maintaining an ineffective policy. Dur implicitly assumes however that it is the same administration repealing the policy that implemented the policy. There may be a strong incentive for a new administration to repeal the policies of its predecessors at all levels of government.

Nonetheless, absent political pressure to abandon a policy, the political costs may exceed the benefits. An economic developer that maintains a policy which is cost inefficient may be blamed; however, a developer who does not offer a firm an incentive and loses the firm to another municipality will likely receive much harsher criticism or termination. Many of the incentives in the economic developer's tool kit are based on obscure tax codes which may or may not receive public scrutiny, presenting a potential fiscal illusion for the incentive.

Local Abandonment

Many policies that economic developers rely upon require state-level legislative authorization (e.g. tax increment financing, tax abatements, tax exemptions, etc.). Accounting for these state-level effects is often missing in analyses of policy adoption. One of the key drivers of incentive adoption is the fear of losing a firm to another municipality. The perception of local competition, therefore, makes economic developers more likely to enact a range of policies. Nearby *local competition* is also expected to have a positive impact on incentive adoption, as a municipality feels additional pressure to compete with other governments (Anderson & Wassmer, 1995; Byrnes et al., 1999; Clarke & Gaile, 1989; Friedland, 1983; Kantor & David, 1988; Wolman & Spitzley, 1996; Reese, 2006; Reese et al., 2010; Rubin, 1986; Fleischman, Green, & Kwong, 1992). Reese et al. (2010) have argued that there is a path dependent nature to tax abatements. Even if better policy options exist or if tax abatements are not cost-effective, municipalities will continue to offer tax abatements. Many of these abatements are insulated from public scrutiny and don't require an immediate outlay of cash.

What remains unknown is the extent to which the absence of competition or a decreasing perception of competition will lead developers to abandon policies. It is unclear whether we can presume that abandonment is simply the inverse process of adoption. The ways in which a municipality would choose to abandon a policy are much the same as at the state level. While the state may repeal the authorizing legislation of a given incentive, local developers may choose to repeal a local ordinance; however, it is more likely that the municipality will simply stop offering that incentive. This would not preclude that same municipality from using the policy in the future. In the event that the policy was used again, one might consider this an act of *temporary abandonment*. Of course, the notion of *permanent abandonment* is inherently

troubling as one cannot be sure that a policy will never be used again. Therefore, differentiating *temporary abandonment* from *sustained abandonment* may be fruitful in developing a framework for the study of abandonment.

While a municipality may be statutorily authorized by the state to offer an incentive, the municipality may choose not to offer that incentive. Abandonment, likely of the *temporary form*, could also be the result of businesses not seeking the incentive for a period of time (Reese et al. 2010). Reese et al. (2010) found that municipalities stopped using tax abatements, not as a rational decision, but because businesses had stopped requesting this incentive. In this way, economic developers may simply be reflecting the desires of firms that they hope to attract or retain. Most empirical data relies on the question of whether a municipality offers an incentive, not whether businesses choose to use this policy. The empirical section from the author's follow-up survey addresses this gap.

With an understanding of the different forms of abandonment and the levels at which abandonment may take place, this paper now turns to a research framework for studying this concept.

Research Framework for Policy Abandonment

While accounting for state-level variation in policy abandonment through the statutory code is an important first step in understanding that level, this is outside the scope of this article. Nonetheless, the Significant Features of the Property Tax makes available all of the incentives for economic development based on the property tax between 2006 and 2011 across all fifty states and the District of Columbia. Locating those programs that were repealed in this database is a logical first step and the work of future efforts of the author.

This paper approaches the study of policy abandonment at the local level in two distinct ways. First, the International City/County Management Association (ICMA) sends out an economic development survey to municipalities with populations of 10,000 or greater every five years. This survey asks about the types of economic development practices that municipalities use (e.g. tax abatements, tax increment financing, etc.) as well as barriers to development, municipal characteristics, etc. This data has been matched for those municipalities responding twice or more for the years 1999, 2004, and 2009. In total, these data provide 1,489 observations. Most studies have pooled these data and looked at the characteristics which lead a municipality to adopt a given economic development policy in a year; however, this doesn't actually address when a policy is adopted or abandoned. One can see a change in the parameters between years; however, these models are still regressing the characteristics on a variable that indicates whether a policy ***exists***- not whether it was adopted between years. Therefore, this study addresses this important gap by matching those cases between 1999 and 2004, 1999 and 2009, and 2004 and 2009. Given that change could not occur in the very first time period of the respondent (either 1999 or 2004), the observation in the first year for each case was dropped. This was the only way to look at actual adoption and abandonment. Without dropping these cases, most of the variation would be explained by the fact that an instance of abandonment cannot be found in the very first year the municipality responds to the survey. This resulted in 817 remaining cases.

These data are not without limitations. First, the survey is biased toward larger governments, which have also been found to be more likely to use economic development policies (Fleischmann et al., 1992; Zheng & Warner, 2010). Therefore, results should only be generalized to larger municipalities. Second, given the time between responses (5 years), it is

unclear when a policy may be abandoned within the five year time frame. This makes causal estimates more difficult. Third, the survey asks about incentives that municipalities offer. These may or may not be accepted by businesses. Finally, while this is a mail survey (therefore one can reasonably assume that questions are not being skipped), it only allows a municipality to check whether they are using a policy, not whether one has not been offered.

It is with these limitations that a follow-up survey was constructed by the author. Of those with e-mail contact information for the 2009 ICMA economic development survey (598), the web-based survey received a 43% responses rate (255). The survey was conducted over one and a half weeks between the last week of September and the first week of October of 2012. This survey differentiated between incentives offered and used versus those offered, but not used by firms. The survey also asked specifically about incentives that have not been offered in the past three years (which is not part of the ICMA survey). Beyond this, the survey asked respondents their perceptions of policies that are overused by local governments in the respondent's area as well as whether they thought citizens were in favor of each incentive. Each of the respondents were asked to indicate whether they thought each incentive was cost-effective. Next, the survey asked which, if any, of the policies the municipality would abandon if other municipalities in their area abandoned them as well. Finally, it asked the respondents about their perception of local competition in their area, their current and future focus for development, and whether they felt that anything could be done to decrease competition between local governments in their area- if they believed it was a factor.

Potential Correlates of Policy Abandonment

Studying the context for policy abandonment is more difficult than that of policy adoption, because the incidence of abandonment appear to be much less frequent. While

Bardrach (1976) and deLeon (1978) have considered it part of the policy process, they also recognized the idiosyncratic nature of its incidence. Part of this is implicit in Rubin's (1986) argument that developers will shoot anything that flies and claim anything that falls. Keeping the analogy intact, nothing will fall if one is not shooting. When no one is held accountable for the number of bullets being fired, there is little incentive to not shoot at everything. Given this, one might be lead to the presumption that policies would never be abandoned at the local level.

Testing whether abandonment is simply the inverse process of adoption has the benefit of relying on a more developed set of theories (See Table 1 for a list of variables that have been found to affect adoption in other studies). First, several variables have been shown to have a positive impact on adoption. If abandonment is the inverse process, these variables would be hypothesized to have a **negative directionality**. Many of these variables are not part of the ICMA survey (or too few responses to use them in the case of abandonment) and therefore the next step will be to merge these from other sources (particularly Census Decennial 2000 and 2010, and Census of Government's Data 1997, 2002, 2007).

(1) **Percentage in poverty** (Rubin & Rubin, 1987; Fleischmann et al., 1992; and Reese, 2009),
(2) **Population** (Rubin & Rubin, 1987; Fleischmann et al., 1992; and Reese, 2009),
(3) **Unemployment rate** (Rubin & Rubin, 1987 and Reese, 2009),
(4) **Regional competition** (Rubin & Rubin, 1987; Fleischmann et al., 1992),
(5) **Size of Bureaucracy/ED Staff** (Fleischmann et al., 1992; Kassekert & Feiock, 2009),
(6) **Central City** (Fleischmann et al., 1992; and Reese, 2009),
(7) **City as Lead Actor** (Rubin & Rubin, 1987; Fleischmann et al., 1992).

In the opposite direction, only single studies were able to confirm negative impacts on adoption (see Tables 1 and 2). However several variables were confirmed to be ***insignificant*** in their relation to policy adoption. Again, if the inverse process story holds, there is no reason to believe these should be significant. These variables include:

(1) **Population change** (Rubin & Rubin, 1987; Fleischmann et al., 1992; Kassekert & Feiock, 2009),
(2) **Mayor-Council Form of Government,** (Fleischmann et al., 1992; Reese, 2009; Kassekert & Feiock, 2009),
(3) **Per-Capita Debt** (Fleischmann et al., 1992; Kassekert & Feiock, 2009).

Again, many of these variables are not included in the ICMA data set, so the next steps will be to include these variables from other sources. However, at this point the variables that are included which are believed to have an impact on adoption and therefore abandonment are: (1) *Regional competition*[1] (Rubin & Rubin, 1987; Fleischmann et al., 1992), (2) *Index of participants*[2] (Zheng & Warner, 2010, (3) *City as lead actor* (Rubin & Rubin, 1987; fleischmann et al., 1992), (4) *Revenue stream index*[3] (proxy for amount of revenue and fiscal health), *Barrier index*[4], and a *Written Development Plan Index*[5].

[1] Regional Competition index includes: (1) Nearby Local Government Competition, (2) Other local governments within the state, (3) Local governments in surrounding states, (4) Other state competition, (5) Foreign government competition, and (6) other competition.
[2] Participant index includes the following actors in participating with economic development strategies: (1) City, (2) County, (3) State government, (4) Federal Government, (5) Chamber of commerce, (6) Public-Private Partnerships, (6) Private Business/Industry, (7) Economic development foundation, (8) utility participation, (9) Citizen advisory board/commission, (10) ad hoc citizen group, and (11) other participants.
[3] Revenue stream index includes the following types of revenue: (1) local revenue, (2) Federal grants-in-aid fund, (3) State grants-in-aid fund, (4) General obligation bonds funds, (5) Revenue bonds funds, (6) Tax increment financing funds, (7) Special assessment district funds, (8) Hotel taxes, (9) Sales taxes, and (10) Other Funds.
[4] Barrier index includes the following dichotomous variables: (1) Land availability barrier, (2) Cost of land as a barrier, (3) Lack of skilled labor, (4) Limited number of major employers, (5) Lack of Capital, (6) Citizen Opposition, (7) Lack of political support, (8) Declining market, (9) Traffic Congestion, and (10) Other barriers.
[5] Written development plan index includes: (1) Written economic development plan, (2) written business attraction plan, (3) written business retention plan, and (4) written small business plan.

Table 1: Variables Affecting Policy Adoption

	Rubin & Rubin (1987)	Fleischmann et al. (1992)	Reese (2009)	Kassekert & Feiock (2009)	Zheng & Warner (2010)
Dependent Variable	Incentive adoption (7 types)	Incentive Adoption Index (0-64)	Mean differences (Early v. Late Adopters)	Incentive Adoption (4 types)	Incentive Adoption Index (0-18)
Independent Variables					
Structural Variables					
Median Family Income	Negative				
Percentage in Poverty	Positive	Positive	Early Adopters (Positive)		
Unemployment Rate	Positive		Early Adopters (Positive)		
Total Population	Positive	Positive	Early Adopters (Positive)		
Population Change	Mixed	Insignificant		Insignificant	
Citizen Opposition					Slight Negative
% Jobs – Manufacturing		Insignificant			
Home Rule	Mixed				
Property Tax Rate	Mixed	Positive			
Assessed Valuation per capita	Negative				
Percentage New Housing	Negative				
Economic Growth					Insignificant
Actor-Centered					
Regional Competition	Positive	Positive			Insignificant
Size of Bureaucracy/ ED Staff		Positive		Positive	Insignificant
Central City		Positive	Early Adopters (Positive)		
Non-metro City		Positive			
Mayor-Council FOG		Insignificant	Early Adopters (Positive)	Insignificant (1 negative)	
City Council Size				Negative	
Member of ED Auth.				Positive	
City as Lead Actor	Positive	Positive			
Development Corp as Lead Actor		Insignificant			
Index of Participants					Positive
Funding from Foundations			Early Adopters (Negative)		
Per Capita Debt		Insignificant		Insignificant	
Per Capital Property Tax Revenue					Slight negative
Fiscal Health Change			Early Adopters (Negative)		
Intergovernmental Revenue		Insignificant			
Financial Capacity				Insignificant (1 negative)	
Econ Development Plan		Positive			
Index of Accountability Measures					Positive

Source: Author Compiled

Table 2: Summary of Previous Findings on Policy Adoption

Positive Impacts	Negative Impacts	Insignificant Impacts	Mixed or Inconclusive
Percentage in Poverty***	Median Family Income	Population Change***	Home Rule
Total Population***	Citizen Opposition	Mayor-Council Form of Government **	Fiscal Capacity
Unemployment Rate**	Assessed Valuation Per Capita	Per Capita-Debt**	
Competition**	% New Housing	% Jobs in Manufacturing	
Size of Bureaucracy/ED Staff**	City Council Size	Economic Growth	
Central City **	Funding from Foundations	Development Corp as Lead Actor	
City as Lead Actor**	Per Capita Property Tax Revenue	Intergovernmental Revenue	
Nonmetropolitan City			
Member of ED Authority			
Index of ED Participants			
ED Plan			
Index of Accountability measures			

Source: Author Compiled

*** Indicates 3 studies confirmed the direction of influence
** Indicates 2 studies confirmed the direction of influence
No stars indicate that a single study confirmed the direction of influence. Reese et al. (2009) only reported significant impacts, which may reduce the insignificant column.

Findings- ICMA Data

The two dependent variables in the first model are count variables of the number of policies that were abandoned or adopted between the survey years. Table 3 displays the distribution of abandoned policies and the distribution of adopted policies. Table 4 displays the summary statistics for the dependent and independent variables.

Table 3: Frequency of Policy Abandonment and Policy Adoption

	Instances of Abandonment		**Instances of Adoption**	
Count	Frequency	Percent	Frequency	Percent
0	300	37%	207	25%
1	120	15%	119	15%
2	116	14%	141	17%
3	94	12%	99	12%
4	50	6%	86	11%
5	58	7%	62	8%
6	29	4%	39	5%
7	15	2%	26	3%
8	17	2%	15	2%
9	6	1%	8	1%
10	6	1%	7	1%
11	1	0.1%	3	0.4%
12	1	0.1%	0	0%
13	2	0.2%	3	0.4%
14	1	0.1%	2	0.2%
15	1	0.1%	0	0%
TOTAL	817	100.0%	817	100.0%

The independent variables in this model are all indices. As mentioned, these indices include an index of the respondent's perceived competition with other governments, an index for the number of written economic development plans (e.g. small business, business retention, etc.), an index for the number of participants in economic development, an index for the number of different revenues streams (e.g. local revenue, state general aid, general obligation bonds, etc.), and an index for the barriers to economic development. The ranges for each of these variables can be seen in Table 4.

Table 4: Range for variables

Variable	Type	Mean	SD	Min	Max
Abandon Count	DV	2.12	2.47	0	15
Add Count	DV	2.61	2.52	0	14
Competition Index	IV	2.51	1.61	0	6
Written Plan Index	IV	1.28	1.31	0	4
Participant Index	IV	2.24	1.72	0	8
Revenue Stream Index	IV	2.13	1.66	0	10
Barrier Index	IV	2.48	1.65	0	9

*N= 817 for all variables

These results suggest that abandonment does seem to occur in the case of economic development incentives. Now the question becomes, what drives this abandonment and do these characteristics simply follow the *inverse process* of adoption. Specifically, if this was the case, then each of these variables should reverse signs and the significance levels of each should remain largely the same. This does not seem to be the case in the simplistic *aggregate models* (See Table 5 and 6).

First, these variables explain 24% percent of the variation in the decision to adopt a range of incentives; whereas, it explains only 4% of the abandonment. Table 5 reports the regression results for the simple indices on the *abandonment count* and the *adoption count* variables. Both OLS and Negative Binomial Regression Models were run for each model. The Negative Binomial results are reported as incident rate ratios. Therefore, the directionality of the relationship is relative to one. For those values below one, taking the difference from one will give the percentage that makes policy abandonment or adoption less likely. For those values above one, we may interpret the difference as making abandonment or adoption more likely between the incidence rate ratio and one.

The general picture is that from the aggregate models, these seem to be fundamentally different processes. The standard characteristics which affect adoption have a differential impact on abandonment. The directionality of each variable tends to be in the hypothesized direction;

however, the significance levels and the overall models ability to explain the two processes are fundamentally different. For example, increasing pressure through competition by one unit leads to a 9% increase in policy adoption. However, changes in competition on the aggregate seem to have no significant effect on policy abandonment (See Table 5).

Table 5: Is Abandonment Just the Opposite Process as Adoption?

Variable	Policy Abandonment (IRR)	Policy Adoption (IRR)
Competition Index	.95 [.03]	1.09*** [.02]
Written Plan Index	1.05 [.04]	1.15*** [.03]
Participant Index	.98 [.03]	1.05** [.02]
Revenue Stream Index	.94 [.03]	1.14*** [.02]
Barrier Index	.96 [.03]	1.07** [.050]
N	817	817
Adj-R^2	.026	.238

The astericks denote the following significance levels *=p<.10, **= p<.05, ***= p<.001

Separating the indices into their component parts better explains the variation of both dependent variables, and leads to more nuanced results. One problem with regressing the counts on each variable is that many of these measures may be tapping underlying constructs. The next model moves to individual policy types with the indices. The general picture is that policy adoption and abandonment appear to be the result of different processes even when individual characteristics are allowed to affect the total number of policies adopted and abandoned. In most cases, if one variable makes the probability of abandonment or adoption more likely, the other process is not affected by that same variable. There are several notable exceptions. First, one

measure of competition, ad hoc citizen participation in economic development, and own-source local revenue each have the hypothesized directionality for these variables. Each of these are association with policy adoption, and their absence is associated with a decrease in the likelihood of policy abandonment. Several relationships do not follow the *inverse process* story. First, citizen opposition as a barrier to economic development makes a municipality less likely to either adopt or abandon policies. This may be associated with fear of any type of policy change. The perception of a declining market is associated with increasingly likely that a municipality will adopt additional policies, but has no bearing on abandonment. This is significant at the $p<.000$ level and makes sense in the context of economic development. As the market is declining, additional tools will be used to attract firms. However, the fear of abandoning policies is too great while the market is declining.

Table 6: Is Abandonment Just the Opposite Process as Adoption?

Variable	Policy Abandonment (IRR)	Policy Adoption (IRR)
Lack of Capital	1.03 [.10]	1.24*** [.08]
Citizen Opposition	.81* [.10]	.86* [.07]
Lack of Political	1.01 [.17]	1.21* [.14]
Declining Market	1.00 [.19]	1.52*** [.18]
Nearby Local Competition	.77** [.08]	1.11 [.08]
Competition (Other)	.49* [.21]	1.51* [.35]
City Participates in ED	.89 [.13]	1.26** [.14]
Public Private Partnership Participates in ED	.93 [.10]	1.15 [.08]
Ad Hoc Group Participate in ED	.71** [.11]	1.21** [.12]
Local Revenue Source	.77** [.09]	1.42*** [.13]
Revenue Bonds	1.01 [.20]	1.24* [.15]
Special Assessment District Funds	1.01 [.20]	1.31*** [.10]
Hotel Tax	.95 [.12]	1.18* [.10]
Sales Tax	1.01 [.12]	1.26** [.11]
Other Funds	.82 [.14]	1.20 [.14]
Written ED Plan Index	1.05 [.04]	1.14*** [.03]
N	817	817
Adj-R^2	.04	.28

The astericks denote the following significance levels*=p<.10, **= p<.05, ***= p<.001

The next obvious question is whether the lack of evidence for the *inverse process* story holds true between individual-level approaches rather than in the aggregate. Greater evidence for

this *inverse process* story holds when policies are analyzed individually than in the aggregate as count variables. Table 7 displays the directionality and significance for those relationships that were significant as a result of logit models. Given the sheer number of models, only the directionality and significance levels were reported without the parameters.

Tables 7: Significant Relationships Between Indices and Incentive Types

	Tax Abatements		**Tax Credits**		**Tax Increment Financing**		**Local Enterprise Zones**	
Variable	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**
Competition Index	Neg***			Pos*				
Written Plan Index				Pos**				Pos**
Participant Index		Pos**				Pos**		Pos**
Revenue Stream Index				Pos*	Neg**	Pos**	Neg**	Pos**
Barrier Index			Neg*					

	Federal Enterprise Zones		**Special Assessment Districts**		**Free Land or Writedowns**		**Infrastructure Improvements**	
Variable	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**
Competition Index	Neg**	Pos**	Neg**	Pos*		Pos*	Neg**	
Written Plan Index								
Participant Index							Neg**	Pos**
Revenue Stream Index				Pos***		Pos**	Neg**	Pos**
Barrier Index				Pos**	Neg**		Neg**	

	Subsidized Buildings		**Low-Cost Loans**		**Grants**		**Zoning/Permit Assistance**	
Variable	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**
Competition Index		Pos*						
Written Plan Index				Pos***		Pos**		
Participant Index					Neg**			
Revenue Stream Index		Pos**		Pos***		Pos**		
Barrier Index							Neg***	Pos***

	One Stop Permit Issuance		Utility Rate Reduction		Regulatory Flexibility		Relocation Assistance	
Variable	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**
Competition Index							Pos*	Pos**
Written Plan Index		Pos**	Neg*			Pos**		Pos**
Participant Index	Neg**							
Revenue Stream Index		Pos**		Pos***				Pos***
Barrier Index		Pos**			Neg*	Pos**		

	Employee Screening		Training Support		Other		Totals Across All Types	
Variable	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**	**Abandon**	**Add**
Competition Index		Pos**					**4**	**7**
Written Plan Index	Pos*	Pos***	Pos*	Pos***		Pos***	**3**	**10**
Participant Index				Pos***			**3**	**5**
Revenue Stream Index			Neg**	Pos**			**4**	**13**
Barrier Index						Pos**	**5**	**5**

Yellow highlights indicate inverse processes, while green indicate same processes. The astericks denote the following significance levels*=p<.10, **= p<.05, ***= p<.001.

As is evidenced by the tables above, there are nine instances (highlighted in yellow) where the *inverse process* story holds true, but there are also three notable exceptions. These processes may be affected either by the types of independent variables or the type of dependent variables. Tables 8 and 9 attempt to separate the components of this process story.

Table 8: Counts for the Processes by Independent Variables

	Inverse Process	Same Process
Competition Index	2	1
Written Plan Index	0	2
Participant Index	1	0
Revenue Stream Index	4	0
Barrier Index	2	0
Total	9	3

Focusing now on the type of policy, a pretty interesting pattern is detected in terms of those instances that seem to be the result of the *inverse process* versus those that are indicative of the *same process*. Table 9 indicates that the inverse process holds in the cases of tax increment financing, local enterprise zones, federal enterprise zones, special assessment districts, infrastructure improvements, zoning, regulatory flexibility and training support. With the exception of the last incentive, these policies tend to be geographically restricted tools that are highly complex and involve statutory involvement, more significant funding, and multiple actors to implement. On the other hand, relocation assistance, training support, and employee screening tend to be things that municipalities can engage in without either statutory authority or without requiring a great deal from many actors engaged.

Table 9: Counts for the Processes by Independent Variables

	Dependent Variables	Totals
Inverse Process	Tax Increment Financing, Local Enterprise Zones, Federal Enterprise Zones, Special Assessment Districts, Infrastructure Improvements (2), Zoning, Regulatory Flexibility, Training Support	9
Same Process	Relocation Assistance, Training Support, Employee Screening	3

Follow-up Survey Results

In the follow-up survey sent out by the author, respondents were asked about their general incentive usage. Respondents were asked not only what incentives they have offered to businesses within the past three years, but about those incentives they have offered, but which which have not been used as well as those they have not offered altogether. The response options were phrased in terms of the last three years. This made it possible to see what has happened since the 2009 survey. Unfortunately, the ICMA survey only asks the respondent whether incentives have been offered. Table 10 shows the percentage of respondents in each category that responded in the affirmative, along with the corresponding rank.

Table 10: Economic Development Incentive Offers in the Last Three Years

Answer Options	Incentives You Have Offered and Have Been Used by Businesses		Incentives You Have Offered but Have Not Been Used by Businesses		Incentives You Have Not Offered to Businesses	
	Percentage	**Rank**	**Percentage**	**Rank**	**Percentage**	**Rank**
Zoning/Permit assistance	85.5%	**1**	5.5%	**13**	11.1%	**16**
Infrastructure improvements	72.7%	**2**	9.5%	**5**	19.5%	**15**
One-stop permit issuance	62.6%	**3**	6.5%	**11**	31.7%	**14**
Grants	54.8%	**4**	6.1%	**12**	39.5%	**12**
Tax increment financing	48.5%	**5**	13.5%	**1**	37.6%	**13**
Tax abatements	48.0%	**6**	6.6%	**10**	43.2%	**11**
Regulatory flexibility (e.g. modify regulations for businesses)	47.1%	**7**	4.4%	**15**	48.0%	**10**
Training support	42.0%	**8**	8.0%	**8**	50.4%	**9**
Low-cost loans	40.3%	**9**	10.0%	**4**	51.1%	**8**
Locally designated enterprise zones	35.0%	**10**	6.6%	**9**	58.8%	**5**
Special assessment districts	31.1%	**11**	12.6%	**2**	56.3%	**7**
Free land or land write downs	30.3%	**12**	11.8%	**3**	57.5%	**6**
Tax credits	27.2%	**13**	8.0%	**7**	63.8%	**4**
Relocation assistance	21.2%	**14**	8.3%	**6**	70.5%	**3**
Subsidized buildings	18.0%	**15**	5.0%	**14**	76.1%	**2**
Employee screening	16.8%	**16**	4.1%	**16**	78.6%	**1**

Respondents were also asked about their perception of incentive usage among local governments in their area. Overall, they believed that local governments in their area were not overusing policies at a very high rate, despite the fact that they believed most other local governments were using a majority of the incentives to attract businesses (See Table 11).

Table 11: Economic Development Incentives In the Last Three Years

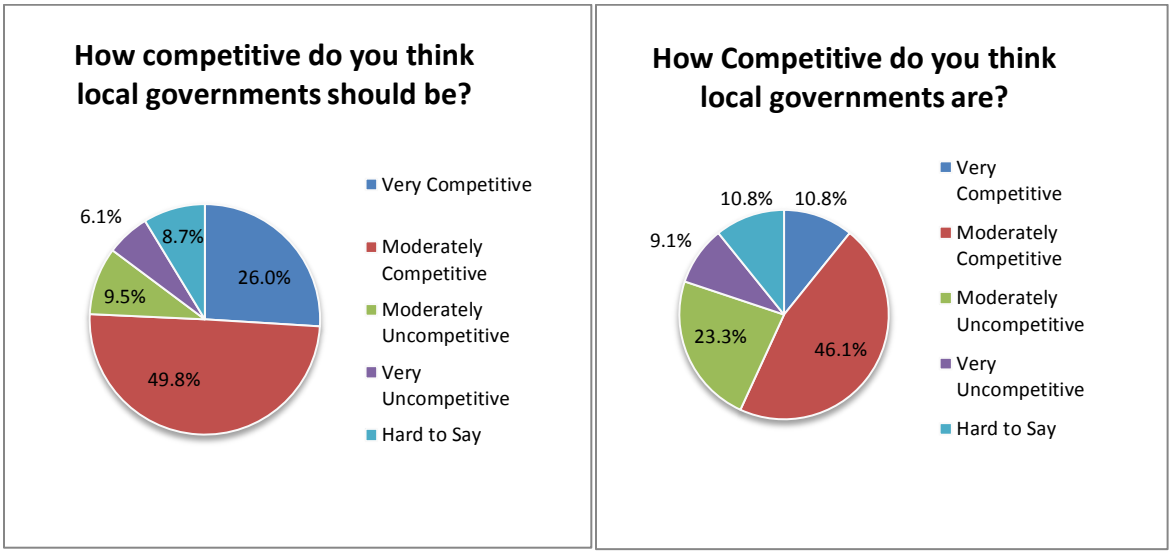
Answer Options	Incentives You Believe are Overused by Other Municipalities in your Area		Most other Local Governments in Your Area Use These Incentives	
	Percentage	**Rank**	**Percentage**	**Rank**
Tax increment financing	7.0%	**1**	53.3%	**3**
Tax abatements	6.6%	**2**	57.2%	**1**
Free land or land write downs	5.3%	**3**	41.2%	**10**
Tax credits	2.7%	**4**	42.9%	**8**
Locally designated enterprise zones	2.2%	**5**	41.4%	**9**
Regulatory flexibility (e.g. modify regulations for businesses)	2.2%	**6**	43.4%	**7**
Low-cost loans	1.7%	**7**	36.2%	**14**
Relocation assistance	1.4%	**8**	35.9%	**15**
Special assessment districts	1.4%	**9**	47.1%	**6**
Grants	1.3%	**10**	47.3%	**5**
Infrastructure improvements	1.3%	**11**	56.4%	**2**
Subsidized buildings	0.9%	**12**	27.1%	**16**
Employee screening	0.5%	**13**	39.4%	**12**
Zoning/Permit assistance	0.0%	**16**	52.3%	**4**
Training support	0.0%	**14**	40.3%	**11**
One-stop permit issuance	0.0%	**15**	39.2%	**13**

Role of Competition

Local competition for firms has been cited as one of the top reasons that municipalities have used economic development incentives (Byrnes et al., 1999; Reese, 2006; Reese et al., 2010; Rubin, 1986; Fleischman, Green, & Kwong, 1992). Economic developers were asked how competitive they thought local firms *were* in enticing businesses to their localities and how

competitive they thought local governments *should* be. Interestingly, while most respondents thought that municipalities tended to be competitive, they believed that governments should be even more competitive in attracting firms.

Charts 1: Current and Future Perceived Level of Competition



Note: Full question wording can be found in the Appendix

Economic Developers were asked what, if anything, could be done to reduce competition between local governments. Certainly, classical theories of economic development and local government suggest that competition between local governments is important (Tiebout, 1956). Nonetheless, forty-two percent (42%) of the respondents thought that something could be done to reduce competition between local governments. Of those that believed something could be done, 181 responses were given as to what could be done. These responses were then reduced to 25 categories. In those cases where three or more responses were listed for any category, they were included in Table 12 (The full list is in the Appendix). The top five responses included references to some type of regional collaboration (27% of responses), regional tax base sharing (10.5%), anti-poaching state legislation (7.7%), state funding losses as a result of anti-poaching

(5%), and reforming sales tax to something other than the point of sale through state legislation (4.4%). The full list can be found in the appendix.

Table 12: How to Reduce Competition

Incentives	Percent
Regional Collaboration	33.9%
Regional tax base sharing	15.7%
State "no poaching" legislation	11.6%
Lose state funds if poaching	7.4%
State legislation to reform sales tax to other than point of sale	6.6%

Respondents that thought nothing could be done were asked why competition couldn't be reduced. The top reasons were financial (need for revenues and taxes- 18%), because of the incentive structures for municipalities (playing by the rules of the game) (16%), political factors prohibit it (14%), economic reasons (need for jobs- 9%), and because no jurisdiction will be the "first-stopper" as it is a zero-sum game (7%).

Table 13: Reasons Competition Could Not Be Reduced

Incentives	Percent
Financial Reasons	17.5%
Rules of the game /Competition is Inevitable	15.9%
Political Reasons	13.8%
Economic Reasons	9.0%
Zero-sum game/Short-sited view /No first stopper	6.9%

One of the key questions of the follow-up survey was structured to determine if there were any incentives that municipalities would stop offering if other local governments stopped offering as well. Several policies received affirmative responses from more than 15% of the respondents. The most frequently cited policies at nearly 30% were (1) Subsidized buildings, and (2) Free land or land write downs (See Table 14). A full list can be found in the Appendix.

Table 14: Policies that Municipalities Would Stop Using if Other Municipalities Stopped

Incentives	Percent
Subsidized Buildings	31.3%
Free Land or Land Write Downs	29.4%
Relocation Assistance	18.4%
Employee Screening	17.0%
Tax Abatement	16.4%

Indices of Incentive Use

Respondents were asked which incentives they would stop using if other local governments stopped using them as well, which were cost-effective, which they thought other local governments overused, and which they thought the public would support. As these questions were asked regarding each incentive-type, for the purposes of this analysis, they were aggregated into *indices*. Relating the indices to the municipality's perceptions of how competitive they believed other governments in their area to be, how competitive they believe they should be, and whether they thought regional cooperation was possible, highlighted some significant differences (See Table 15).

The general picture is that the perception of how competitive local governments *should be* had a more significant impact on whether governments would stop using incentives, whether they believed that citizens supported incentives, whether they believed incentives were cost-effective, and whether they believed other government used a larger number of incentives. Whether the municipality perceived the *current environment* as competitive and whether they thought *regional cooperation* was possible had less effect on the mean-differences than whether the government thought other governments *should be* more competitive. Interestingly, the one index that consistently showed a difference between those that thought governments were and

should be competitive, was the perception that other governments in their local area were using more incentives. No differences were found regarding whether economic developers believed these policies were being overused. This is likely the case, because economic developers tended to think that most policies were not overused.

Table 15: Significance Tests: Indices by Perceptions of Competition

In the last three years…	How Competitive Are Local Governments?			How Competitive Should Local Governments be?			Can Regional Cooperation be Reached?		
	Mean (Comp)	Mean (Not)	TTest	Mean (Comp)	Mean (Not)	TTest	Mean (Able)	Mean (Not)	TTest
Incentives Offered and used	6.9	5.4	***	6.4	5.7		6.8	5.5	***
Overused by Other Governments	.33	.27		.31	.27		.33	.26	
Offered, but not used	1.2	1.1		1.3	.7	**	1.2	1.1	
Not offered	7.1	7.0		7.3	6.5		7.0	7.0	
Would Stop Offering if Others Did	1.15	.76		1.14	.57	**	1.1	.87	
Other Governments Use	5.1	2.8	***	4.5	2.9	**	4.5	3.4	**
Believe are Cost Effective	5.2	4.5		5.5	3.5	***	5.4	4.4	*
Citizen supported	8.1	7.2		8.6	5.6	***	8.3	7.0	*

* Indices were constructed based on each incentive-type (tax abatements, tax credits, etc.) The scale ranged from 1-10. Competitiveness was dichotomized with (1 equaling "very competitive" or "competitive"; 2 equaling "uncompetitive," "not very competitive," "hard to say.") Significant relationships are in bold.

Implications for Economic Developers

The major aim of this research project was to understand if policy abandonment occurs. If so, what process would it follow and what characteristics would lead to policy abandonment.

Not all of these questions could be addressed with a single survey instrument and therefore a follow up survey was sent to get an understanding of the context for abandonment and what role competition might have played. Given increased budget constraints, economic developers are continuously faced with difficult choices regarding the types of incentives they offer to firms. Understanding the ways in which states and municipalities have successfully abandoned policies may prove useful to other states and municipalities that are no longer able to justify the costs of various policies, yet have no mechanism to abandon policies.

The results from both sets of surveys paint an interesting, but very preliminary picture. First, results from the ICMA economic development surveys suggest that economic development policy abandonment does occur at the local level. The characteristics that tend to affect these relationships are dependent on the specific policies themselves. Where the policies have multiple actors involved, larger funding needs, requirements of statutory authority, abandonment can typically be determined an *inverse process* to adoption. The role of competition, the number of revenue sources (especially own revenue), and the barriers to economic development seem to be important predictors of both adoption and abandonment. However, when the municipality abandons policies that require fewer actors and where statutory authorization is not needed, the directionality of these relationships tends to be the same as adoption. While there were only a few cases at the individual-level of this process, it does seem that the types of policies have an important impact on the process of abandonment.

Based on the follow-up survey, many economic developers are optimistic about regional collaboration. Most indicate that they think informal regional cooperation would suffice; however, some argue for involvement at the state and federal level. The concern is that abandoning a policy, makes local governments more competitive. If states implement anti-

poaching legislation or sanctions from the state as a result of poaching (which many suggest as important), then competition with local governments from other states becomes problematic as these municipalities become less competitive. The logic extends further and further until you reach the national stage. To the extent that firms would go abroad is unclear; however, there are strong political and economic forces keeping incentives in place (political, economic, and fiscal). There were a number of policies that governments would stop offering if local governments in their area stopped offering them as well. The largest share tended to be the use of subsidized buildings, free land, and tax abatements. Those who tended to perceive their environment as more competitive were less likely to abandon policies; however, those who thought it should be even more competitive than it currently is are even less likely to abandon policies. Interestingly though, they did not tend to think these policies were overused. This was reflected in the fact that they tend to think the environment should be competitive. This practice certainly fits with the Tiebout (1956) theory of how local governments should act.

Theoretical Implications

This paper is a first step in addressing the ways in which economic development policies may be abandoned at the local level. The process of abandonment seems to be mediated by the type of policy itself. Those policies that are complex, require multiple actors, and are associated with state legislation tend to be affected by the characteristics of competition, barriers to development, written plans, revenue streams, and participants in the hypothesized direction. That is, these policies tend to reflect an *inverse process* for abandonment as they do for adoption. Those policies which can be pursued individually by the municipality and are less complex are affected by these characteristics through the *same process* for both adoption and abandonment.

These pressures and revenue sources affect adoption and abandonment in the same way for training, employee screening, and relocation assistance.

Future Directions

This is just a first effort in understanding whether abandonment occurs at the municipal level in terms of economic development incentive usage. Many other characteristics that are not controlled in the model have been shown to affect adoption and therefore may have implications on abandonment (See Table 1 for a full list). Merging Census data (Decennial and Government's Data) regarding the finances and the municipal characteristics will provide for important control variables as well as more reliable revenue data. Second, accounting for state-level variation regarding the authorizing language is important- as is looking at state-level abandonment itself. Finally, adding the results of the follow-up survey to the ICMA survey could add a fourth year of data (though not in consistent intervals) in terms of incentive usage. Obtaining additional ICMA data sets could increase the number of observations and allow for greater precision of results over time. Understanding the characteristics and process of abandonment is important as many of these municipalities face severe budget constraints and little theoretical or practical guidance exists as to how best to abandon these policies.

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Appendix A: Survey Instrument

Introduction

Dear ____,

Thank you for agreeing to participate in this survey on the use of incentives for economic development. The questions that follow were devised to understand what leads to incentive adoption in local governments. This survey is only for research purposes.

This survey forms the basis for my Dissertation at The George Washington University. Your honest and thorough responses are greatly appreciated. It should take approximately 10-15 minutes. None of your responses will be associated with you or your municipality. Therefore, there are no known risks nor benefits to your participation other than a better understanding of local economic development. All of the data will be analyzed in the aggregate along with all other respondents to ensure your anonymity. By clicking next, you are indicating that you consent to participate in the survey. However, your responses are voluntary and you may chose to skip any questions you prefer not to answer. In addition, you may stop participation at any point in the survey.

If you have any questions regarding the survey, feel free to contact Eric Stokan at Ericjstokan@gmail.com or by phone at 586-202-7540 or Hal Wolman at hwolman@gwu.edu or by phone at 202-994-5713. If you have any questions about your right as a research participant, feel free to contact the Office of human Research by e-mail at ohrirb@gwu.edu or by phone at 202-994-2715.

Thank you for your willingness to respond!

Sincerely,

Eric Stokan
Ph.D. Student
The George Washington University

Appendix: Follow-Up Survey Results

Table: Full Responses to whether the respondent used the incentives in the last three years and

Answer Options	Incentives Offered and Used	Incentives Offered, but not Used	Incentives, not offered	Incentives Overused by Other Municipalities	Other Local Governments Use	Incentives You Would Stop Offering if Nearby Local Governments Stopped Offering	Incentives You Believe Are Cost-Effective	Incentives You Believe Are Supported by Citizens in Your Municipality
Tax abatements	48.0%	6.6%	43.2%	6.6%	57.2%	16.4%	49.7%	34.6%
Infrastructure improvements	72.7%	9.5%	19.5%	1.3%	56.4%	1.7%	56.4%	44.8%
Tax increment financing	48.5%	13.5%	37.6%	7.0%	53.3%	7.6%	59.2%	35.9%
Zoning/Permit assistance	85.5%	5.5%	11.1%	0.0%	52.3%	1.0%	58.3%	50.8%
Grants	54.8%	6.1%	39.5%	1.3%	47.3%	10.3%	49.3%	37.0%
Special assessment districts	31.1%	12.6%	56.3%	1.4%	47.1%	3.9%	62.7%	35.9%
Regulatory flexibility (e.g. modify regulations for businesses)	47.1%	4.4%	48.0%	2.2%	43.4%	9.1%	48.3%	35.0%
Tax credits	27.2%	8.0%	63.8%	2.7%	42.9%	15.8%	48.9%	19.5%
Locally designated enterprise zones	35.0%	6.6%	58.8%	2.2%	41.4%	10.3%	50.3%	29.0%
Free land or land write downs	30.3%	11.8%	57.5%	5.3%	41.2%	29.4%	47.9%	22.7%
Training support	42.0%	8.0%	50.4%	0.0%	40.3%	6.2%	55.8%	39.5%
Employee screening	16.8%	4.1%	78.6%	0.5%	39.4%	17.0%	42.6%	26.6%
One-stop permit issuance	62.6%	6.5%	31.7%	0.0%	39.2%	0.0%	61.9%	51.4%
Low-cost loans	40.3%	10.0%	51.1%	1.7%	36.2%	9.4%	59.4%	36.2%
Relocation assistance	21.2%	8.3%	70.5%	1.4%	35.9%	18.4%	43.7%	23.3%
Subsidized buildings	18.0%	5.0%	76.1%	0.9%	27.1%	31.3%	37.5%	17.7%

Table X: Respondents on How to Reduce Competition

CODES	Percent
Regional Collaboration	33.9%
Regional tax base sharing	15.7%
State "no poaching" legislation	11.6%
Lose state funds if poaching	7.4%
State legislation to reform sales tax to other than point of sale	6.6%
Signed/MOU agreements of no poaching	5.8%
Reduce tax incentives	5.8%
Regional Agreements of no poaching	5.0%
Federal "no poaching" legislation	4.1%
Resources for regional collaboration	3.3%
Countywide Collaborations	3.3%
Informal agreements between locals	2.5%
Eliminate ability of local governments to grant incentives	2.5%
State tax revenue sharing	1.7%
General change to tax laws	1.7%
Uniform standards for incentive use	1.7%
Reduce/Eliminate Bidding	1.7%
Eliminate local governments/Local consolidation	1.7%
Less reliance on property tax	1.7%
Chamber of Commerce Use	1.7%
Local government link to legislators, not executive	0.8%
Incentive caps by state	0.8%
General tax revenue sharing between winner and loser	0.8%
Data analysis of cost-effectiveness	0.8%
Clawback use	0.8%
Tax structure change	0.0%

Table X: Respondents on How to Reduce Competition

Codes	Percent
Financial Reasons	17.5%
Rules of the game- Incentives in lined to default/Comp is inevitable	15.9%
Political Reasons	13.8%
Economic Reasons	9.0%
Zero-sum game/short-sited/No first stopper	6.9%
Competition is good/American	5.3%
Interests of the Citizens/Public	4.2%
Free market	2.1%
They shouldn't stop/aren't really doing anything	1.6%
National or state problem	1.6%
Greed/Pride	1.1%
Home rule	1.1%
Lack of professionalism/old habits	1.1%
Interests of the business	0.5%
Fewer state and federal resrouces	0.5%

Incentive Use

1. Introduction

Thank you for agreeing to participate in this survey on the use of incentives for economic development. The questions that follow were devised to understand what leads to incentive adoption in local governments. This survey is only for research purposes.

This survey forms the basis for my Dissertation at The George Washington University. Your honest and thorough responses are greatly appreciated. It should take approximately 10-15 minutes. None of your responses will be associated with you or your municipality. Therefore, there are no known risks nor benefits to your participation other than a better understanding of local economic development. All of the data will be analyzed in the aggregate along with all other respondents to ensure your anonymity. By clicking next, you are indicating that you consent to participate in the survey. However, your responses are voluntary and you may chose to skip any questions you prefer not to answer. In addition, you may stop participation at any point in the survey.

If you have any questions regarding the survey, feel free to contact Eric Stokan at Ericjstokan@gmail.com or by phone at 586-202-7540 or Hal Wolman at hwolman@gwu.edu or by phone at 202-994-5713. If you have any questions about your right as a research participant, feel free to contact the Office of human Research by e-mail at ohrirb@gwu.edu or by phone at 202-994-2715.

Thank you for your willingness to respond!

Sincerely,

Eric Stokan
Ph.D. Student
The George Washington University

Incentive Use

2. Local Government Characteristics

1. What is the name of the local government that you represent?

2. What is your current title?

3. Approximately how many years have you worked in your current position?

3. Incentive Use

4. Please check the response that is most descriptive of the "use" of each incentive in your jurisdiction within the past THREE YEARS.

	Incentives You Have Offered and Have Been Used by Businesses	Incentives You Have Offered but Have Not Been Used by Businesses	Incentives You Have Not Offered to Businesses	Incentives You Believe are Overused by Other Municipalities in your Area
Tax abatements	☐	☐	☐	☐
Tax credits	☐	☐	☐	☐
Tax increment financing	☐	☐	☐	☐
Locally designated enterprise zones	☐	☐	☐	☐
Special assessment districts	☐	☐	☐	☐
Free land or land write downs	☐	☐	☐	☐
Infrastructure improvements	☐	☐	☐	☐
Subsidized buildings	☐	☐	☐	☐
Low-cost loans	☐	☐	☐	☐
Grants	☐	☐	☐	☐
Zoning/Permit assistance	☐	☐	☐	☐
One-stop permit issuance	☐	☐	☐	☐
Regulatory flexibility (e.g. modify regulations for businesses)	☐	☐	☐	☐
Relocation assistance	☐	☐	☐	☐
Employee screening	☐	☐	☐	☐
Training support	☐	☐	☐	☐

Incentive Use

4. Incentive Use Part 2

5. Please check the response that best describes how you feel about these incentives.

	Most other Local Governments in Your Area Use These Incentives	Incentives You Would Stop Offering if Nearby Local Governments Stopped Offering	Incentives You Believe Are Typically Cost-Effective	Incentives You Believe Are Supported by Citizens in Your Municipality
Tax abatements	☐	☐	☐	☐
Tax credits	☐	☐	☐	☐
Tax increment financing	☐	☐	☐	☐
Locally designated enterprise zones	☐	☐	☐	☐
Special assessment districts	☐	☐	☐	☐
Free land or land write downs	☐	☐	☐	☐
Infrastructure improvements	☐	☐	☐	☐
Subsidized buildings	☐	☐	☐	☐
Low-cost loans	☐	☐	☐	☐
Grants	☐	☐	☐	☐
Zoning/Permit assistance	☐	☐	☐	☐
One-stop permit issuance	☐	☐	☐	☐
Regulatory flexibility (e.g. modify regulations for businesses)	☐	☐	☐	☐
Relocation assistance	☐	☐	☐	☐
Employee screening	☐	☐	☐	☐
Training support	☐	☐	☐	☐

Incentive Use

5. Thoughts on Other Local Governments

6. Generally speaking, how competitive do you believe other local governments are in your area at attracting firms away from other local governments within your region?

- ◯ Very Competitive
- ◯ Moderately Competitive
- ◯ Moderately Uncompetitive
- ◯ Very Uncompetitive
- ◯ Hard to Say

7. How competitive do you think local governments should be in their efforts to attract firms?

- ◯ Very Competitive
- ◯ Moderately Competitive
- ◯ Moderately Uncompetitive
- ◯ Very Uncompetitive
- ◯ Hard to Say

Incentive Use

6. Other Local Government Competition

8. Do you believe anything can be done to reduce competition between municipalities for businesses?

- ◯ Yes
- ◯ No

Incentive Use

7. Addressing Competition

9. What do you believe can be done to reduce competition between local governments for businesses?

Incentive Use

8. Addressing Local Competition

10. Why don't you believe anything can be done to reduce competition between local governments for business attraction?

Incentive Use

9. Current and Future Focus

11. Please rank the following in terms of your current economic development efforts. A rank of 1 indicates that this is your top economic development focus.

☐	Business Attraction
☐	Business Retention
☐	Business Entrepreneurship
☐	Workforce Development

12. Please rank the following in terms of what you think should be the focus of your future economic development efforts. A rank of 1 would mean that this is your top future economic development focus.

☐	Business Attraction
☐	Business Retention
☐	Business Entrepreneurship
☐	Workforce Development

Incentive Use

10. Other Local Government Incentives

13. Do you know of any other local governments in your area that have chosen to abandon any economic development policies because they believed they were ineffective? If so, what was the policy and which municipality chose to abandon the policy?

Incentive Use

11. Thank You!

Thank you very much for your time and participation! If you have any comments or questions about the survey, feel free to contact Eric Stokan at Ericjstokan@gmail.com.