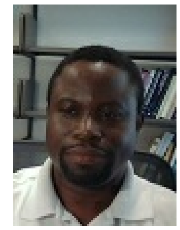
Local governments that offer greater incentives for businesses do not retrench welfare services.



In the pursuit of economic development and growth, many local governments in the US are increasingly turning to offering lucrative incentives to businesses such as tax incentives, loans and other subsidies. Many scholars and commentators have become concerned that these incentives are going hand in hand with the gutting of social welfare services. In new research, **Lazarus Adua** *and* **Linda Lobao** *find no such relationship between counties putting in place business incentives and cutting services. In fact, such counties were actually more likely to provide a greater number of social services.*

As increasingly entrepreneurial local governments compete relentlessly to attract businesses, there has been concern that they would prioritize business interest over those of citizens. Some scholars have warned of a *race-to-the-bottom* scenario where local governments seeking to recruit businesses offer lucrative business incentives, while simultaneously limiting social services that benefit the poor. These scholars anticipate the evisceration of social welfare at all levels of government. Of course, other scholars have disputed this view, arguing that while US localities generally offer lucrative business incentives, consistent with neoliberal governance (that is, market-oriented governance), they have not necessarily shirked their responsibility to the poor.

In a new research, we analyzed the relationship between localities' use of certain business-friendly economic development policies and social services provision, relying on a nationally-representative sample of US county governments. The business-oriented policies considered included tax abatements, travel to other parts of the country and abroad to recruit business, subsidized loans to businesses, loans or grants for exporters, free land or land write-down for business, relocation assistance, worker training assistance for local businesses, locally-designated enterprise zones, and assistance in transfer of new technologies to local businesses, while the social services analyzed included child care support (sometimes referred to as Head Start), elder care, food pantry, homeless shelter, housing assistance, mental health services, shelter for bartered persons, and nutrition programs.

Our findings are less supportive of the view that localities will limit social services as they attend to the interest of the business sector. The evidence supporting this view is modest. On the contrary, we found substantial evidence supportive of the view that US localities' efforts at business recruitment or development do not detract from the provision of services that benefit the poor.

We found that counties using two subsets of the business-friendly economic development policies considered are considerably more likely to provide a greater number of the social services we looked at. These subsets of business-friendly policies were classified as *factor cost assistance*, which include such policies as free land or land write-down, infrastructure improvement, industrial revenue bonds, relocation assistance, and locally-designated enterprise zones) and *new wave economic development,* which includes policies such as worker training assistance for businesses, maintenance of a small business development center, maintenance of a business incubator, maintenance of a tourism office, assistance in transfer of new technologies, and the expansion and retention of existing local businesses.

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Further contradicting the view that localities' attention to business interest might lead to a retrenchment of the social services they provide, we found that county governments using factor cost assistance policies and new wave economic development policies were significantly more likely to increase the provision of social services during the period we studied to match needs. Scholars argue that failure to increase social services to meet increasing need represents a de facto retrenchment of the welfare state.

We also examined the relationship between business-friendly economic development policies and the likelihood of county governments cutting back on the services they were already providing. We found no any such relationship between these variables. Scholars expressing apprehension about localities' involvement in business attraction and/or development have argued, in part, that local governments may limit social services to signal a good or improved business climate. The "business power" literatures stress that the business sector generally opposes redistributive policies (welfare program), viewing such policies as inimical to its interest. A primary reason for this stance on the part of the business sector is that redistributive policies are regarded as indicative of higher local taxes.

Overall, we find that US local governments' (especially counties) investments in business-friendly economic development policies do not result in disinvestment in social services benefitting the poor and other disadvantaged groups. In fact, we show that county governments have not shirked the responsibility of providing or maintaining social services, even as they craft and implement policies to attract or grow businesses. Our study challenges the conventional view that the advent of intense neoliberal governance in the United States has led to or is leading to welfare retrenchment at all levels of government.

This article is based on the paper, '*Business Attraction and Redistribution by U.S. Local Governments: To What Extent Is There a Zero-sum Relationship between Business and Citizens Interests?'*, in State and Local Government Review.

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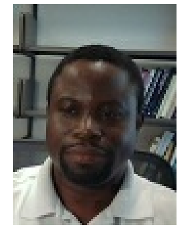

Lazarus Adua is an Assistant Professor of Sociology, Department of Sociology, Anthropology, and Criminology at the University of Northern Iowa. One area of his research interest is local government policy, with a focus on developmental and redistributive policies. His current work includes examining the extent to which the growth machine drives localities' enactment and use of austerity and growth-curbing policies. His second research interest is the general area of environmental sociology, with a specific focus on the human dimensions of environment and environmental change.

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