Why State and Local Economic Development Programs Cause So Little Economic Development

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Although evaluations show that state and local economic development programs have few effects on economic growth or redistribution of economic activity, explanations for the failures are incomplete. Technocratic explanations have dominated economic development research but cannot account for many program activities. Based on evidence from a Minnesota program, the best explanation emphasizes a perspective of bureaucratic and political imperatives. Economic development programs are not designed and implemented in ways that can achieve their goals, principally because of important political forces. Administrators must run a program to garner support of legislators, a governor, and opinion leaders for program survival. State and locally elected officials need economic development programs to deliver quick, visible projects in their efforts to solve their districts' economic problems, manage business climate politics, and achieve other aims. Achieving implicit goals means that programs only occasionally undertake activities likely to achieve explicit aims.

Promoting economic development is a major endeavor of state and local governments in the United States. Since the 1970s, development programs have proliferated; new kinds of programs have diffused to nearly all states, and the use of individual programs has intensified. The largest number of programs provide financial assistance to businesses through loans, grants, and tax breaks (Chi, 1989; Eisinger, 1988, chap. 2; National Association of State Development Agencies [NASDA] et al., 1983, 1986, 1991).

Most evaluations conclude that state and local business financing to stimulate economic development outside big cities does not achieve the explicit goals; the programs have little influence on either the level or the distribution of economic growth. Studies show that programs without specific geographic targets are used disproportionately by businesses in growing areas of a state but have no measurable effects on the growth of the state economy. Programs aimed at specific distressed geographic areas show almost no effects on the growth of these areas. Exceptions exist when the area designated as distressed is so small that a program can influence a

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decision to locate or expand on one side of a border rather than another (Joint Committee on Review of Agencies and Programs, 1984; Joint Legislative Committee on Trade and Economic Development, 1985; Kieschnick, 1981; Legislative Audit Bureau, 1986; Luger, 1987; Pascarella & Raymond, 1982; Program Evaluation Division, 1985; Stutzer, 1985; R. Wilson, 1989).

The evaluations provide little insight about why programs are ineffective. Some studies explain that the programs have operated in ways inconsistent with economists' views about how to stimulate growth (Bartik, 1991, chap. 2; Fisher, 1985; Wolkoff, 1985). Others offer and call for more understanding of local economies (M. A. Glaser & Yeager, 1990; Turok, 1989). Because such programs seek to increase economic activity, the explanations are useful, but they do not account for the failure to redistribute resources and have not drawn on political scientists' theorizing about why local governments rarely undertake redistributive programs (Logan & Molotch, 1987; Peterson, 1981; Stone, 1989; Stone & Sanders, 1987). The most important shortcoming of such explanations, however, is that state and local government programs are political; explanations for results—whether positive or negative—must emerge from understanding the political economy of programs, not just their economics.

Political analyses, on the other hand, have focused on explaining locally elected officials' choice of economic development approaches (Clingermeyer & Feiock, 1990; I. S. Rubin & Rubin, 1987; Spindler & Forrester, 1993; Wolman, 1988). Furthermore, they often assume that evaluation results demonstrate that many economic development programs cannot have positive economic effects (I. S. Rubin & Rubin, 1987; Spindler & Forrester, 1993), when reform may mean they can; this assumption means that developing a political-economic explanation for program failures is not on the research agenda. Political analysis of implementation offers possible explanations (see below) but has rarely been applied to state and local economic development programs (the exception is Pressman & Wildavsky, 1973).

This article seeks to fill in the missing explanation for the shortcomings of state and local economic development programs by analyzing Minnesota's Small Cities Economic Development Program, popularly called the Economic Recovery Fund. Consistent with findings for similar programs to subsidize businesses, an evaluation showed that the Economic Recovery Fund had few effects on economic growth and did not redistribute economic activity to distressed areas (Dewar, 1990, 1991; Dewar & Hagenlocker, 1996).[1]

The following section describes the Economic Recovery Fund and summarizes its results. The article then assesses two frameworks for explaining the program's difficulties in achieving its goals. The first perspective—the technocratic view—states that failure is due to insufficient knowledge and analysis in a program. If local economies were better understood, for example, economic development programs could be designed to produce more results. This perspective fails to explain many outcomes of the Minnesota program. The second—a political-economic formulation—states that other goals of program managers and of elected officials push them to operate programs in ways that do not necessarily lead to economic growth or redistribution to distressed places. This perspective offers a better match with program operation and results.

MINNESOTA'S ECONOMIC RECOVERY FUND

The major purpose of the Economic Recovery Fund is to expand economic and employment opportunities in the state, particularly in distressed areas and on behalf of low-and moderate-income people. The governor and the commissioner of the Department of Trade and Economic Development (DTED)[2] touted the program as creating jobs for the state ("Dayton says state's," 1984; McDonnell & Thomma, 1986a, 1986b; "Community Block Grants"; "Economic Recovery Grants"; "Perpich compiles list," 1986; Salisbury, 1986b; Thomma & McDonnell, 1986; U.S. Code 42). The program provides financing for businesses and projects to benefit specific businesses, such as infrastructure improvements. A local government applies to DTED for a grant to help a business. The local jurisdiction usually lends the money to the business, although some businesses

receive grants. With the repaid funds, the local government creates a revolving loan fund for economic development (Minnesota Department of Energy and Economic Development [DEED], 1986a).

From 1984 through late 1988, the Economic Recovery Fund received annual funding between $8 million and $9 million. The funds came from the state-administered allocation of federal Small Cities Development Program grants (a part of the Community Development Block Grant program) and from the state's Economic Recovery Grants, created in 1984 to supplement the federal funds ("Community Block Grants"; "Economic Recovery Grants"; "Housing and Urban Development"; Minnesota DEED, 1986a; Public Health and Welfare").[3] The program's administrators approved grants to 162 cities, counties, townships, and Indian reservations—a total of 205 grants on behalf of 209 businesses, 10 of which received more than one grant or loan. The loans or grants to businesses ranged from $10,000 to the legal limit of $500,000 (M. Auger, personal communication, February 1988; Friedman, 1987; Minnesota DTED, 1984-1988).

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The program funded projects promising more than 13,000 jobs; between 1,400 and 3,200 jobs were created. The distribution of funds correlated weakly with measures of economic distress. More prosperous counties received more funds than more distressed ones (Dewar, 1991, 1992; Dewar & Hagenlocker, 1996).

The Economic Recovery Fund is a useful vehicle for deriving and assessing political-economic explanations for the results of state and local efforts to stimulate state economic development and development in distressed areas through business subsidies (Allison, 1971; Yin, 1984, pp. 15-17). The Economic Recovery Fund is useful, first, because it is a common type, and explanations for its failures likely apply to other such efforts. In 1986, 26 states offered direct loans to businesses; 14 offered grants (Chi, 1989; NASDA et al., 1986). Other states have used the federal Small Cities Development Program for similar efforts, and the Economic Recovery Fund is designed like the federal Urban Development Action Grant program that ended in the late 1980s (The Capital Group, n.d.; Howland & Miller, 1988; Jennings, Krane, Pattakos, & Reed, 1986). Findings are most applicable to programs that a state agency directs rather than to those a local jurisdiction initiates. A second reason the Economic Recovery Fund is a useful case study is that the program is supposed to respond to community distress and help low- and moderate-income people and is therefore more likely to deal with local economic distress than is a program without that explicit goal. Third, the Economic Recovery Fund has existed longer than any other major state economic development program in Minnesota. In every state, many economic development efforts are short-lived. Longevity means data exist, the program has results to be explained, and a history exists to examine political-economic explanations for the outcomes of the program. The Economic Recovery Fund's survival also differentiates it from other efforts, in that it was more likely to have positive results than were programs that did not survive long enough to succeed. Evaluation shows why it lasted and helps reveal why other programs did not, thus aiding explanation of a major reason many programs have few results.

This research examined what the Economic Recovery Fund did and why. The research effort collected information from the program files on every project approved through November 1988, interviewed all program staff, interviewed the managers or owners of businesses approved for funding, collected all other documents related to the program and specific projects, searched local newspapers for reports of the projects, and interviewed selected local decision makers with the aim of finding out why projects were approved, how projects were implemented, and what project results were. The information was compiled in large data sets that allowed checking of evidence as specific hypotheses emerged.[4] The process of generating explanations for the program's results proceeded as "a dialogue between concept and evidence, a dialogue conducted by successive hypotheses, on one hand, and empirical research on the other" (Abrams, 1982, quoting E. Thompson, p. 218), and, as Glaser, Corbin, and Strauss have described, a process of creating "grounded theory" (Corbin & Strauss, 1990; B. G. Glaser & Strauss, 1967).

WHY THE UNIMPRESSIVE RESULTS?

The following sections pose two explanatory frameworks for understanding why the Economic Recovery Fund (or any similar economic development program) has had so little effect on state and local economies. The first, a "technocratic" perspective, argues that disappointing results are due to lack of knowledge and inadequate analysis; this is the dominant view in the program evaluation literature. As this article shows, this view cannot explain observations from the Economic Recovery Fund. The second, a political economy perspective, emerges from literature largely outside economic development research and from explanations derived from the program's evidence. The next sections lay out each explanation for the program's results and then present evidence consistent and inconsistent with that explanation, to draw conclusions about the usefulness for understanding the outcomes of state and local economic development efforts.

The Dominant View in Economic Development Evaluation: The Technocratic Perspective

From a technocratic viewpoint, the Economic Recovery Fund would have been more successful if the program's designers and implementers had known what to do to achieve the program's goals, applied existing knowledge of what kind of program can be most effective and what makes a program work, used appropriate analysis, and had information they needed to make better decisions. If the designers and implementers acted more wisely, the program could be more successful, or a more promising effort could replace it.

The technocratic perspective adheres to the view, as an advertisement for the *Journal of Policy Analysis and Management* stated, that "better public policy is unquestionably a function of better information." A leading text states, "By improving our ability to predict the consequences of alternative policies, and providing a framework for valuing those consequences, the techniques of policy analysis lead us toward better decisions" (Stokey & Zeckhauser, 1978, pp. ix, 329). The potential is "to inform decision makers well enough so that a more enlightened discussion of public policy occurs and better policy is adopted as a result" (Patton & Sawicki, 1986, p. 4; see also; Bendavid-Val, 1991; Blakely, 1989, p. 290; Sawicki, 1989).

How does the technocratic explanation fit the Economic Recovery Fund's experience? To some extent, the explanation fits well. The program was designed with little analytic input and no analysis of alternative policies for achieving the same ends (Liefert, 1988). As a result, achieving economic growth would be accidental, unless the implementers independently incorporated such knowledge into their actions, and improving the welfare of distressed regions might be less effective than with alternative programs.

The staff members who implemented the program did not introduce measures to ensure that the program achieved its economic growth goals. The program application manual showed almost no attention to assessing how to stimulate more growth for the state than would have occurred without the program, and staff members did no analysis of projects' potential for causing more growth for the state than would no project or alternative projects. For instance, they approved funding to a city on behalf of a branch plant when the city was involved in highly publicized competition for the plant among nearby suburbs. Local officials also did not analyze whether a project would bring growth to their community. Applicants reported before and after measures of tax-base change, for instance, but did not consider how the tax base would change if the program did not intervene (Dewar, 1991; Gustafson & Adams, 1986; Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communications, October-March 1989; Minnesota DEED, 1986a; Minnesota DTED, 1984-1988). If understanding of the sources of economic growth had influenced program implementation, the program could have had more significant results. For instance, the program could have focused on the kinds of projects most

likely to be rejected for financing by conventional lenders who funded other, equally viable projects (Dewar, 1992).

Although the technocratic view helps account for the effects of the program on economic growth, the perspective is not satisfactory in explaining the program's failure to redistribute economic activity to distressed areas. The program's staff members knew what to do to accomplish redistribution to distressed areas, but the results were poor. The distribution of funds correlated only weakly with the staff's own measures of distress: percentage of people in poverty, median family income, and unemployment rate for the county. Furthermore, less distressed counties received more funds than did more distressed ones (Dewar, 1991; Rich, 1991).

The bias of funding toward more prosperous counties occurred, in part, for a reason a technocrat could identify quickly: The formulaic evaluation of applications did not place enough importance on economic distress (Minnesota DEED, 1986a, p. 21). The technocratic perspective's weaknesses are striking, however, in consideration of answers to two questions. First, what pattern did the distribution of grants show, and why? Second, did lack of knowledge about how to encourage economic growth determine the failure to bring about growth and redistribute economic activity?

The distribution of grants showed that the county that includes the Iron Range (home of the governor and several senior legislators) received 20 grants—many more than any other part of the state and more funding per capita than three fourths of Minnesota's counties. Although the Iron Range suffered from the collapse of demand for iron ore in the early 1980s, the area was not more depressed than were many parts of the state by 1986. Real wages in northeastern Minnesota were the highest in the state in 1987.[5] With the exception of 7 grants to the prosperous Minneapolis area and a concentration of 10 grants in one western county, other grants were scattered throughout the state. The largest grants—$250,000 or more—also went disproportionately to the Iron Range county. Sixteen of 20 grants in the county were large; these constituted one fifth of all large grants. Only five other counties in the state received even 3 large grants (Minnesota DTED, 1984-1988).

The legislative district of the chair of the Senate Tax Committee (which included part of St. Louis County) received 18 grants, one eighth of the program's funds. Five other senate districts (out of a total 67) received 10 or 11 grants. The senate district receiving the next largest amount of grant funds received less than half the funds of the tax committee chair's district (Growe, 1983, 1985, 1987; Minnesota DTED, 1984-1988).

In sum, the geographic distribution of grants, by county and legislative district, showed influences on distribution that did not relate to economic distress. An explanation for the failure of an economic development program to achieve its explicit goals should incorporate such influences, but the technocratic perspective does not do so.

Did the failure to draw on knowledge about how to cause economic growth determine the program's failure to produce economic growth or redistribution? Would a technocratically determined program have been successful? The experience of other Minnesota economic development programs demonstrates that the answer to both questions is no. In 1987, the legislature abolished several state economic development programs that had provided business financing since 1983. The programs that ended did better than the Economic Recovery Fund at ensuring that a business could not undertake a proposed project without the state funding. These programs were also more likely to address capital market problems and therefore to bring about economic growth (Friedman, 1987, p. 147; Schneider, 1987). Furthermore, a 1982 program to stimulate the Iron Range economy incorporated analysis of projects, but the legislature eliminated the program soon after it began and replaced it with one requiring less project analysis in general and virtually no analysis of big projects. Programs that did incorporate more provisions of the type that technocrats would recommend and that promised more success in achieving their explicit goals of encouraging growth did not survive, although the Economic Recovery Fund continued, using almost no analysis of how economic growth could be affected. Explanations for why programs using analysis were abolished reveal systematic reasons for eliminating economic development analysis, discussed further below (Dewar, 1986).

The technocratic explanation is necessary but not sufficient for understanding the failure of economic development programs. That is, a program designed in a way that cannot achieve growth

will not do so, but providing information and analysis about how officials should design and run a program, to achieve explicit aims to stimulate economic growth and redistribute economic activity, will not necessarily lead to the measure's adoption. Furthermore, new procedures, no matter how correct from a technocratic perspective, will not make the program succeed. Forces other than lack of knowledge or analysis will continue to interfere with achieving the explicit program goals—or, if the program does adhere strictly to technocratic criteria, it will not survive.

An Alternative View: The Political Economy of Economic Development Programs

An alternative view about why economic development programs have few economic development effects comes from research on the political imperatives facing elected officials and from studies of bureaucratic behavior. This research posits that elected officials pursue economic development efforts in an environment where programs probably cannot work, and that program administrators serve elected officials' wishes to keep programs alive and make them grow. This section lays out the perspective, derived from literature on legislative and bureaucratic behavior; the next section examines the perspective's usefulness in explaining the results of the Economic Recovery Fund.

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Imperatives Facing Elected Officials

Elected officials operate in a "private enterprise market-oriented society," in which managers of bureaucratized corporations and the owners of individual and family enterprises make many economic decisions (Lindblom, 1977, chap. 7). In this environment, elected officials need to affect the local economy, but the requirements of public office lead them to act in ways inconsistent with achieving the explicit goals of programs to encourage economic growth or to redistribute growth to distressed areas and to low- and moderate-income people.

State and local officials run for office from geographic districts and seek reelection at least once every 4 years. To win reelection, they need to demonstrate efforts to aid their constituents.

Public projects have an especially important role in this process. In Minnesota, as elsewhere,

> legislators tend assiduously to serve groups of constituents by securing projects and programs that help them economically. . . . This "pork" helps establish the member's reputation as one who can deliver for the district, and builds political support that may cross party lines and ideologies. (Hanson, 1989, p. 19)

Mayors also need to attract projects to their cities. Because elections occur often, officials must show benefits for constituents quickly.

Where unemployment and low incomes are concerns, economic development programs are invaluable for delivering projects quickly (Wolman, 1988). A grant to a community for a business is newsworthy, and legislators and mayors can take credit for delivering funds that many people believe will increase employment, giving symbolic importance to projects, no matter what the actual effects (Accordino, 1994; H. J. Rubin, 1988; Swanstrom, 1985, chap. 6; Wolman, 1988).

Highly visible activities, which lend themselves to announcements and groundbreaking ceremonies, do not necessarily bring about more economic activity than would have occurred anyway in the community or in a nearby town (Dewar & Hagenlocker, 1996). Elected officials care whether a subsidized business survives, because failures visibly waste public funds and can undermine voters' support. However, elected officials have little reason to assess whether a business can undertake a project without public funds, whether a business would locate in a community without a subsidy, or whether a subsidy would have more effect if it went to a different firm. Such questioning runs the risk of antagonizing business managers and generating unfavorable publicity, at the same time that it undermines public confidence that delivery of the grant to a community is significant. Programs subject to more analysis or activities that are less visible or slower in showing

results may better encourage real economic growth, but such programs do not meet the requirement of elected officials to deliver projects to their districts quickly and visibly.

Although they opt for visible, quick, often unpromising projects, bringing about real economic growth is important to political leaders who feel responsible for a region's economic health and feel able to affect it (Grady, 1989; I. S. Rubin & Rubin, 1987). However, they have little power to influence employment and income. Business decision makers choose locations for economic activity, levels of investment, technology, numbers of employees, the kinds of workers hired at what salaries in what kinds of work, and the products and services produced. These decisions determine the level and geographic pattern of unemployment, wealth, and income among groups of people; the value of property; and the solvency of local governments (Elkin, 1987, chaps. 2, 3; Lindblom, 1977, chap. 13).

Elected officials' immediate need to pursue visible, short-term projects for their districts combines with the importance of affecting economic growth—and with the great difficulty of doing so—to drive state and local political systems to provide many programs and large sums of public funds for economic development. At the same time, these forces mean that many programs are not effective in encouraging growth or redistributing growth and income to distressed areas. Precisely because the programs are highly visible and politically useful, they are also "lightning rods for criticism" (Levy, 1981, chap. 2) from leaders of the opposing party and from the media. Some voters become increasingly disillusioned with the promises of the programs (Spindler & Forrester, 1993, p. 42). Grandiose economic development projects become "time bombs" that will explode with citizen anger over unfulfilled promises (R. Mier, personal communication, October 1989). Continuing, unsolved economic development problems and growing criticism lead to a search for other programs and to the reform of state economic development policy, not only with the election of a new governor but also in midterm. The turnover and disruption contribute to the inability of programs to encourage economic growth or achieve redistribution to distressed areas.

This scenario plays itself out in regions with economic problems where development issues are salient (I. S. Rubin & Rubin, 1987). However, inducing private investment in highly visible land use projects is crucial to local officials' reelection in any local economic circumstances (Elkin, 1987). In prosperous areas, public projects that increase land value and improve the quality of life are important, especially for the interests whose property values are affected, but the projects need not be for economic development per se or aimed at job creation or reduction of unemployment.

Responsive Bureaucrats

Administrators of state economic development programs and local development officials respond to elected officials' need for economic development projects. Rather than making program goals their major aims, some programs' administrators seek "budgetary security" to avoid significant reductions in the agency's budget within the following few years (Arnold, 1979, p. 21). More than budget security, some argue, bureaucrats seek to maximize the budget of their program to increase "salary, perquisites of the office, public reputation, power, patronage, and output of the bureau" (Niskanen, 1971, p. 38). To maximize budgets, heads of bureaus "do what they can to win favor in the eyes of officials in the legislature and at the highest political levels of the administration" (Bardach, 1977, p. 71). Once a program is in place, program administrators "have no more important interest than the continuance of the programs they administer"; they become the major coalition leaders in favor of the established programs (Arnold, 1979). Ensuring budget security, guaranteeing continuation of a program, and maximizing budgets make possible the functioning of programs, but the activities required can undermine programs' capacity to achieve explicit goals.

At the same time, "street-level bureaucrats" (Lipsky, 1980) in close contact with their community and business clients adopt decision rules that simplify their uncertain, sometimes hostile, environment. They adopt standard operating procedures, for instance; displace program goals with aims that can be accomplished; respond to problems instead of being proactive; and filter out undesirable proposals before they are considered fully (Lipsky, 1980; Reese, 1993).

Explaining Economic Development Activities With the Political Economy Perspective

This political-economic perspective helps explain why the Economic Recovery Fund produced little economic development effect. Furthermore, the record of the Economic Recovery Fund suggests ways to elaborate on the perspective, which is derived from literature that rarely considers state and local economic development efforts.

When Governor Rudy Perpich took office in January 1983, the Minnesota economy was in recession. Iron-ore mining was depressed; agriculture, forestry, and older manufacturing were in trouble. Nonmetropolitan areas of the state had lost much of their economic base. By 1985, economic disparities between metropolitan and nonmetropolitan areas had become an important political issue at every level of government.

The governor needed and wanted to address the regional economic problems. As he took office, Perpich stated that the central goal of his administration would be "job creation and economic recovery." Two years later, he told Minnesotans, "I want you to know that I will not rest in my efforts until all Minnesotans share in our improving economy" ("Governor Perpich's State," 1985, p. 4B).

Economic development programs attracted partisan conflict, however. In the 1984 election, months after DTED implemented the Economic Recovery Fund and only a year after other major state economic development efforts began, the Democratic-Farmer-Labor (DFL) Party lost control of the state House of Representatives to the Independent Republicans (IR). The IR leadership focused their harshest criticism on the DFL governor's economic development programs, his primary agenda. The IR leadership vowed to eliminate economic development programs. In the 1986 gubernatorial campaign, the DFL opponent in the primary, as well as the IR candidate, attacked the governor's economic development efforts. By late 1986, when the DFL regained control of the House, the governor no longer backed many of his own programs, and he proposed a new direction for state economic development policy in the 1987 legislative session (Ensign et al., 1987; Salisbury, 1986a, 1986b; Whereatt, 1986a, 1986b).

The changing political scene heightened the sensitivity of administrators to elected officials' desires. After fall 1984, the administrators and staff of economic development programs could not know how long their programs or jobs would last. Administrators of the Economic Recovery Fund (along with heads of other economic development initiatives) needed to run the program, first, to ensure survival, and second, if survival seemed likely, to stabilize budget and staff.

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The next two sections look at state government political forces and the ways these affected the results of the Economic Recovery Fund. The third section examines local government politics and the effects on the program. As the governor, legislators, and local officials used the Economic Recovery Fund to advance their agendas, and as program administrators and local development officials responded in efforts to ensure program survival and stability, the program sometimes had effects on economic growth and redistribution to distressed areas but often did not. To reconcile the operation of the Economic Recovery Fund with what would be acceptable to opinion leaders and to voters, program administrators maintained a public story about the functioning of the program that was only partly consistent with its actual operation.

The Governor's Use of the Economic Recovery Fund

The governor used the Economic Recovery Fund as one tool for encouraging economic development and ensuring that depressed areas benefited. The program administrators were responsive to the governor, the program's most important constituent. For instance, when the governor promoted the development of alternative energy sources, tourism, and businesses involved in international trade as new opportunities for state economic growth, the Economic Recovery Fund provided more than 10% of its loans to such businesses ("Editorial: Perpich's Vision," 1983; "Governor Perpich's State," 1985; Minnesota DTED, 1984-1988).

The program's record shows that the governor could pursue at least two other important goals besides economic development: consolidating support for reelection and managing the politics of the business climate. Because electoral support was regional, economic development projects were useful for strengthening the governor's backing. He had received the votes of a high percentage of voters in his home region, the Iron Range. The governor pushed for development programs that could help this area and other distressed places in highly visible ways. The Economic Recovery Fund administrators enabled the governor, along with legislators, to deliver projects to the Iron Range after the area was no longer especially depressed.

The program enabled the governor to provide funds in cases where other communities faced crises and to take visible leadership and credit in relieving the problems. For example, in 1983, Wilson Foods filed for reorganization under bankruptcy, and its meat-packing plant in Albert Lea was threatened with closing. The governor and the DTED commissioner worked closely with city officials to finance a local businessman's purchase of the plant ("Buyer Drops Out," 1984; "Wilson Plant Finds Buyer," 1984). When Unisys closed its plant in Jackson in 1987, the governor offered $1 million in incentives to any company that would occupy the Jackson plant and reemploy a significant share of the workers. In summer 1987, the Economic Recovery Fund provided $500,000 to Raven Industries to occupy the Unisys buildings and employ 70 workers (280 jobs had been lost), with 35 of the first 40 employees as transfers from another plant. Jackson received the project enthusiastically (Jatras, 1987; Minnesota DTED, 1984-1988).

The Economic Recovery Fund's managers enabled the governor to promise funds without concern that staff would later reject the project. In one case, a state program driven by technocratically determined criteria refused to lend to an Iron Range project the governor had recruited; the Economic Recovery Fund immediately approved the loan. The governor or his economic development commissioner often announced a subsidy to a large corporation before staff received an application (Anderson, 1986; Marcotty, 1987; McDonnell, 1987; Minnesota DTED, 1984-1988; "Wood-Products Plant," 1983).

The Economic Recovery Fund was also useful to the governor in managing the politics of the business climate. By 1983, the state's high nominal income tax rates, property taxes, and unemployment and workers' compensation rates had become rallying points for business pressures on the governor. When the IR party gained control of the House in 1984, they promised to address these issues. The governor needed to reduce the salience of the business climate issue, or he could be forced to abandon agenda items to focus on taxes the business community disliked (Coffman, 1984; Gibson, 1984; Rigert & Marcotty, 1984; B. Wilson, 1983, 1984a, 1984b).

The governor traveled through southwestern Minnesota in early 1984 to demonstrate to business owners that his administration was prepared to go to lengths to make Minnesota a better place to do business. The efforts, including promises of financing that the Economic Recovery Fund later readily fulfilled, also may have prevented several newsmaking decisions to relocate or expand businesses in the Dakotas, thereby helping the governor control the perception of the business climate (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communications, October-March 1989; Minnesota DTED, 1984-1988).

The governor took leadership in selling Minnesota to the managers of large corporations, whose public statements and decisions had a disproportionate effect on the perception of the business climate (from articles in the *Minneapolis Star and Tribune* and the *St. Paul Pioneer Press Dispatch*, winter and spring, 1984; Sturdevant & Whereatt, 1985). The Economic Recovery Fund backed him by providing subsidies to large corporations that had announced they were considering a move from the state and to other big firms that indicated they might be willing to locate in the state. The governor placed particular importance on these businesses' decisions. In one instance, the governor cited "hundreds of successes" in economic development and listed aid to six multinational corporations, all but one of which had Economic Recovery Fund subsidies (Perpich, 1987).

The Economic Recovery Fund approved funds for 22 large corporations, 3 of which received more than one grant or loan. Nearly 20% of program funds went to these companies, although they constituted only 10% of assisted firms. The subsidies were especially attractive. In 40% of the cases, the subsidies were offered as grants rather than loans (only one eighth of approved projects received grants). Almost 70% of the projects approved for funding for large corporations were for

at least $250,000, compared to about one third for the entire program. When program staff asked for a connection between funding and the type and number of jobs (a program requirement) in a multinational company's subsidized division, a company manager asked the DTED commissioner to ensure that the plant faced no such requirements (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communications, October-March 1989; Minnesota DTED, 1984-1988).

The grants and loans for big corporations revealed an uneasy alliance of political and business elites. Corporate managers often stated that they were deciding on a location and considering a variety of sites in and outside the state, in part to extract public subsidies. The governor and the DTED commissioner moved to offer subsidies from the Economic Recovery Fund and other sources. The payoff was high, to leading state-elected officials, of an announcement that the governor's role made the difference in a company decision to locate or expand in the state, even if it did not. Unlike many economic development projects, large numbers of jobs were involved. The other side to the opportunity, however, was a threat. The cost was high to the governor, as well as to legislative leadership, of an announcement that a business would not operate in the state because of bad business climate or uncooperative state officials. Corporate managers moved to take advantage of the subsidies, even as they opposed the governor's economic development programs; they readily stated later that the subsidies had not made a difference in a corporate decision. A vice president of one large corporation arranged his company's subsidy, then later ran for governor on a platform opposing such programs (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communications, October-March 1989; McDonnell, 1986a; Minnesota DTED, 1984-1988).

What were the implications of the governor's activities and the program administrators' responsiveness for the effectiveness of the Economic Recovery Fund in achieving its explicit goals? In some ways, the efforts reinforced the goals; in other ways, they undermined them. Of the kinds of businesses of interest to the governor—those promoting alternative energy sources, tourism, and international trade—half were not operating by mid-1989 (compared to a business failure rate of about 15% for the program as a whole); the projects were not viable, and program funds could have stimulated more growth if spent in other ways. The disproportionate attention to Iron Range projects meant the program did not do well at addressing the problems of more distressed areas. Aid to cities with plant closings did not necessarily mean that assistance went to areas with the greatest distress. Four of the 22 large corporations that received funds were located in the prosperous Twin Cities area. Furthermore, financial subsidies to large corporations rarely make a difference in a location or expansion decision, a precondition for an effect on economic growth (Schmenner, 1982). Although, implicitly, the managers' part of the political deal was to say that the subsidies were key to the big companies' location or expansion decisions, in interviews half said they probably or definitely would have gone ahead with the project without the funds. His company had enough cash to finance its expansion, said one manager, but the officers wanted a subsidy to help justify to the board of directors the decision to stay in the Twin Cities; the grant the company received, $250,000, was "peanuts" to the operation. After managers of another corporation decided to move operations to two Minnesota communities, they contacted DTED to inquire about funding and received a loan of $125,000 for each of the two plants; the location decision had already been made (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communications, October-March 1989). In a small fraction of cases in which the governor offered business owners financial assistance, the help was key to a decision to operate or expand in the state (Dewar, 1991). The overall result of efforts to reinforce the governor's support was to loosen the connection between program activities and efforts needed to achieve the program's explicit goals.

Whether the subsidies achieved explicit program goals or not, the Economic Recovery Fund may have been effective as one of the governor's tools for managing the politics of the business climate issue. Goodwill about the business climate can mean that more businesses make decisions to locate and expand in a state than otherwise, and defusing business climate controversy gives a governor more room for action on other issues.

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Perhaps because of the program's responsiveness, the governor continued to support the Economic Recovery Fund, despite criticism from the IR and the press that undermined public backing. He withdrew support for other programs in response to the criticism, although the Economic Recovery Fund had come under at least as much fire as had others (Ensign et al., 1987; McDonnell, 1986b, McDonnell & Thomma, 1986b; Salisbury, 1986b; "State Agency's Job," 1986; Sturdevant, 1986; Thomma & McDonnell, 1986; Whereatt, 1986b; B. Wilson, 1986a, 1986b). Program survival was required for effectiveness in achieving economic growth, but the activities to ensure survival undermined that goal.

Legislators' Use of the Program

The Economic Recovery Fund was also important to legislators in demonstrating that they were bringing development to their districts. Legislators frequently announced grants and, with mayors, received credit for the funds. Local newspapers reported the stories on their front pages and praised elected officials in their editorials, even for a small grant (Jewell & Miller, 1988; Minnesota local newspapers, 1983-1989; Rosenthal, 1981). At the same time, as the chair of the House committee concerned with economic development pointed out, economic development projects might be a risky kind of "pork" and could hurt an elected official because of the "five percent rule": 5% of the voters would closely scrutinize the project claims and could be very critical; 5% of voters could swing many elections (J. M. Friedman, personal communication, May 1992).

Although delivery of projects was important to all legislators, the emphasis on these in their "home style" (Fenno, 1978)—their role in the district—differed. Just as big-city congressmen care less about federal allocations to their districts than do those from districts outside big cities, legislators from cities with numerous districts, especially the Twin Cities, paid less attention to the Economic Recovery Fund than did legislators from the nonmetropolitan areas—for several possible reasons (Arnold, 1979). First, metro-area legislators have more difficulty generating personal publicity with grant announcements; the major Twin Cities newspapers report other news of greater interest. Second, constituents do not necessarily credit a legislator for the grant. Any grant benefits many outside the legislator's district; most of the employees, for instance, may live outside the district, and tax benefits go to the city as a whole. Because many legislators represent the city, constituents have trouble distinguishing the one who deserves credit for a grant. Finally, most grants from the Economic Recovery Fund were small enough to be unimpressive by big-city standards.

Among those from outside the biggest cities, legislators differed in their emphasis on delivery of economic development projects. For most Iron Range legislators, the delivery of projects was especially important; they worked together to get more allocation of projects to their region through earmarked funds, special appropriations, and programs like the Economic Recovery Fund. The chair of the Senate Tax Committee influenced the delivery of projects to other districts as well as his own. Unlike many legislators, he recruited businesses to finance with economic development programs (Dewar, 1986; Hanson, 1989, p. 119; Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communication, October-March 1989).

Legislators were creative in claiming Economic Recovery Fund money for their districts and receiving the credit. In 1987, DTED's deputy commissioner announced a "line of credit" for Fergus Falls. Two hundred thousand dollars from the Economic Recovery Fund would be available for specific businesses when staff approved applications. If the funds were not used within 6 months, the department would reconsider whether the money should be kept in reserve or be made available to other communities. News accounts praised the state representative for his key role in obtaining the funding (Berdan, 1987a, 1987b; "Editorial: No Small Potatoes," 1987). However, the arrangement did not differ from the situation any city faced. All had the opportunity to receive funds of $200,000 on behalf of businesses that state agency staff approved; the 6-month deadline meant that the funds would be available for other projects before the fiscal year's budget was depleted.

In 1988, a representative introduced a bill that earmarked $800,000 of Economic Recovery Fund money for economic development projects in areas where at least four local units of

government cooperated to adopt school consolidation plans. The legislation took funds from the appropriation for the Economic Recovery Fund away from DTED control and offered it to local development organizations. As of 1989, a group of communities in the legislator's district were the only ones to take advantage of the funding. The legislator earmarked the economic development resources, because this was easier than getting a new program or a new appropriation for his district ("Economic Development," 1989; *Laws of Minnesota*, 1988; S. Stoesz, personal comunications, 1988-1991).

The importance of delivering projects made the program helpful in legislative leaders' efforts to manage caucuses and to secure the passage of legislation. The senate majority leader and his staff worked closely with the DTED deputy commissioner. The majority leader sponsored legislation to place more economic development programs under the control of the deputy commissioner in 1987 and, in 1991, advocated reallocating funds that were earmarked for assistance to displaced workers and making them available for business subsidies administered by the deputy commissioner. The majority leader's district received no more grants than most; he did not seek credit for grants to other districts. Given the importance of managing a diverse legislative caucus, however, influence over projects important to many legislators from nonmetropolitan areas must have been helpful (Ensign et al., 1987; Hanson, 1989; Minnesota DTED, 1984-1988; Rosenthal, 1981; S. Stoesz, personal communications, 1988-1991).

The managers of the Economic Recovery Fund needed legislators' support to ensure the program's survival and stability, because legislators could create and abolish programs and voted on their appropriations. The governor was also more likely to continue to support the Economic Recovery Fund if it had legislative backing, for he would not have to compromise as much on other issues he cared about to keep economic development efforts intact.

Administrators' attention to legislative support was evident in several ways. Program staff requested information about legislative districts on the application form and kept computerized lists of projects by legislative district. By late 1988, at least one project had been funded in every senate district outside the metropolitan areas; only one metropolitan area had received no grants. Seven eighths of the nonmetropolitan house districts had received funds (Growe, 1983, 1985, 1987; Minnesota DTED, 1984-1988).

Information on the legislative district was useful in gaining legislators' support in at least two ways. First, program staff offered legislators the opportunity to announce the award of grants to communities in their districts. Many legislators did so, winning at the "politics of announcement" (Stone & Sanders, 1987, p. 178), as local newspapers reported (Minnesota local newspapers, 1983-1989).

Second, information on where the grants went was useful in lobbying. A DTED lobbyist told a lobbyist from another department that he had no trouble getting money from the legislature for the Economic Recovery Fund, because so many legislators had benefited from it. How could such a lobbying process work? Armed with a list of the projects, the number of jobs associated with them, and letters of thanks from local businesses and elected officials, a lobbyist could show a legislator what the program had done for a district and promise more if the program's funding continued. Funds were distributed among so many districts that virtually all legislators had a stake in the program and wanted the funding to continue (Fedor, n.d.; S. Stoesz, personal communications, 1988-1991).

The program administrators showed they wanted to make key indicators of interest to legislators and the public look good. Information prepared on the Economic Recovery Fund for the 1986 legislative session exaggerated the program's performance, even under the extreme assumption that the program was responsible for all the jobs and private investment associated with funded projects. Only 70% of the jobs claimed could be documented (Thomma & McDonnell, 1986). The agency had approved projects with only two thirds of the private funding they reported; their calculation of "private" funds included public funds from sources other than the Economic Recovery Fund (Minnesota DEED, 1986b; Minnesota DTED, 1984-1988). The exposure and criticism of DTED's jobs exaggeration, however, may have proved costly (Levy, 1981). Within months, the governor replaced the commissioner with another, whose expertise was public relations, and withdrew support of several DTED programs (Ensign et al., 1987).

What were the effects of legislators' and administrators' behavior on achieving the programs' explicit goals? The economic development funds did not necessarily go for activities that would lead to economic growth. The funds the legislators brought home did not correlate strongly with an area's economic distress. As legislators acted quickly and visibly to deal with economic development problems to make reelection more likely, the explicit goals of the program did not determine the ways projects were funded. Administrators distributed grants across the state's legislative districts rather than allocating them to businesses, where the effects on economic growth might have been greatest, or concentrating them in areas where the local economic conditions were worst. The program did allocate funds to numerous projects that led to economic growth (Dewar & Hagenlocker, 1996), but program administrators' service to legislators meant that project decisions were not aimed at achieving the program's economic development goals as consistently as they could have been.

On the other hand, legislative support for the Economic Recovery Fund remained strong; the deputy commissioner responsible for the program was popular with legislators and closely connected with the senate majority leader. These relationships safeguarded the program. The deputy commissioner gained new programs for rural development, and the Economic Recovery Fund maintained a somewhat stable budget as other programs were eliminated in 1987. The chair of a house committee considering program changes to propose in the 1990 legislature said that, although little academic support existed for the kinds of programs the deputy commissioner oversaw, he had too much support for anyone to touch his programs. When an IR candidate won the gubernatorial election in 1990, the deputy commissioner predicted he would keep his high-ranking position in DTED, because IRs had also benefited from and supported the Economic Recovery Fund and other programs in his division. He became one of few political appointees to survive the gubernatorial transition in early 1991 (Dawson, 1989; Ensign et al.; 1989; S. Stoesz, personal communications, 1988-1991). No matter how much administrators wanted to achieve the program's growth and redistribution goals, they faced the absolute necessity of keeping the program alive if they were to accomplish anything. Other state programs that could have had more economic development effects because of the way they decided on projects were also less responsive to political needs. Within 4 years of their start, those programs no longer existed.

Other state programs that could have had more economic development effects because of the way they decided on projects were also less responsive to political needs. Within 4 years of their start, those programs no longer existed.

The Perspective of Local Officials

Local elected officials, most often mayors, also received credit for the Economic Recovery Fund's grants. Many mayors took leadership in economic development initiatives to ease residents' high unemployment and municipal budget problems (Minnesota DTED, 1984-1988; Minnesota local newspapers, 1983-1989; Schmickle, 1983).

In numerous communities outside the Twin Cities, mayors formed alliances, "growth machines" (Logan & Molotch, 1987), with interests that would benefit from growth. In Albert Lea, Jobs, Inc.—an organization of public, commercial, and financial leaders in the county—initiated numerous economic development activities to counter plant closings. In Jackson, the mayor applauded the Jackson Development Group, a nonprofit business group that formed in response to the city's economic problems and continued to lead development promotion. In response to plant closings in Fergus Falls, elected officials and business leaders formed "Project 500," vowing to bring 500 jobs to the city in 500 days. They formed a port authority, created a loan pool, and took advantage of state subsidies (*Economic Development Update*, 1988; Egerstrom, 1986; Jatras, 1987; T. O'Brien, personal communication, August 1988; Peters, 1987).

The big cities' mayors also drew on the Economic Recovery Fund. In St. Paul, Mayor George Latimer, always active in development, worked with the port authority to get federal funds and an Economic Recovery Fund loan to prevent a manufacturer's move. The mayor's announcement of the loan to the business emphasized that the project would employ workers laid off in another plant closing (Managers and owners, personal communication, 1989; "Officials Make Deal," 1984). In Rochester, the mayor announced Economic Recovery Fund money for a soy sauce factory (Gregorson, 1985).

The Economic Recovery Fund was especially attractive, because cities could use repaid funds for a revolving loan fund for economic development, financing additional visible development projects. Applications were often designed to bring funds to the community for a revolving loan fund. In one town, a business received a loan to build a water tower. Without the public money, the company would have built an underground reservoir at half the cost. The tower was better for the town, said the business manager, because the town would get a revolving loan program (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communication, October-March 1989).

Working with mayors and city councils were economic development entrepreneurs, whose jobs existed because of the state and local emphasis on development. They were urban planners, former bank loan officers employed by a city, self-employed consultants having contracts with several jurisdictions, or staff members in consulting firms or regional organizations. The development entrepreneurs were skilled in applying for grants, dealing with agency staff, and managing grants. They promoted their local areas to businesses considering relocation, visited local businesses in search of candidates for loans, and brought groups together to work for economic development in a given area (R. Lewis, personal communication, December 1988; G. Wenstrom, personal communication, August 1988).

The development professionals' positions depended on local officials' approval of their work. Just as local elected officials benefited from highly visible projects, so did development entrepreneurs. As a former development official stated, "If the body politic does not know what the economic developer is doing, he or she may not be doing it much longer—no matter how good the economic developer may be" (Levy, 1990, p. 157; H. J. Rubin, 1988; I. S. Rubin & Rubin, 1987). The Economic Recovery Fund was ideal for generating high-visibility projects, and development entrepreneurs liked it (G. Wenstrom, personal communication, August 1988).

How did mayors' and development entrepreneurs' efforts affect the results of the Economic Recovery Fund? The efforts influenced the growth of their own communities in some cases in which development would not have occurred. However, the competition for development meant that funds did not go disproportionately to the most distressed jurisdictions, but instead to areas where elected officials and development entrepreneurs took the most initiative. Even when local officials identified projects that brought local growth, the projects did not necessarily produce growth for the state, because they displaced other projects that would have occurred in the region or elsewhere in the state (Dewar, 1991; Dewar & Hagenlocker, 1996).

Other interests rarely counteracted local officials' parochialism. Although DTED staff avoided financing the "pirating" of businesses by communities from other sites in the state, they evaluated applications without consideration of the regional context. One city, for instance, received financing for a business that moved from a site 16 miles away after choosing among sites in several towns in the county. Another city received a grant after arguing that its proximity to two somewhat larger cities made attracting new businesses difficult. An application from another town noted concern about "dependence" on a somewhat larger city despite population growth and low unemployment. For achieving goals of employing new workers or encouraging growth in a distressed area or in the state, affecting a location among nearby jurisdictions was unimportant (Minnesota DTED, 1984-1988).

The Role of a Public Story

To sustain the support of opinion leaders at the same time that the program met political requirements, program administrators and elected officials maintained a distinction between the public story of what the program did and the private reality. Support of opinion leaders was important, for opposition from newspapers and visible citizens groups could undermine backing from legislators and the governor. The public story stated that the Economic Recovery Fund aimed to encourage state and local economic growth and to help distressed areas and low- and moderate-income people. In public view, legislators supported these objectives. The public story stated that the governor and the legislature backed the program to deal with the economic development

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problems of distressed communities and to create jobs. When the program made outright grants to large corporations, these were for infrastructure, DTED staff stated. When grants to businesses could not be categorized as infrastructure, they became "incentive" funds to make up the difference in costs between the site chosen and a site in another state. These funds were crucial to the company's location decision, staff stated (Staff members of the Small Cities Economic Development Program, personal communication, December 1988).

Administrators of the program said that communities initiated the projects. More applications came from some parts of the state than others, because communities in those areas proposed more; staff members did not solicit applications. After local jurisdictions applied, a point system determined which proposals were eligible for funding; little about the point system was subjective. The staff funded every project that earned at least 400 points out of a possible 600, as long as funds were available. The program ran out of money before the end of each fiscal year. However, because the state and federal fiscal years ended at different times, funds from one source were usually available. Lack of funds was the only reason a good project did not get money. The staff received no applications for unacceptable projects, because in preliminary discussions, the staff members told business owners and community leaders when their project was unlikely to get funding (Ackerson, 1988; M. Auger, personal communication, February 1988; Cary, 1984; Dayton, 1984; Speer, 1987). The Economic Recovery Fund director said his program may have survived when so many did not because it responded to communities quickly, within 2 weeks. The defunct programs had been more concerned about business financing than about community development, and decisions took months (M. Auger, personal communication, February 1988).

This public story was true, but the private reality was more complicated—as the preceding discussion has shown. The goals stated in the legislation and regulations were not the only important ones. A major aim for elected officials was to give the appearance of success, in dealing with economic development problems, by delivering projects to their districts and by giving highly visible subsidies to major corporations.

This public story was also incomplete and inconsistent with the administrative imperative to deal with the concerns of the governor and legislators to sustain the program. The point system for rating applications gave the staff a basis for judging projects and justifying decisions; it also allowed flexibility in funding projects. Many projects could earn the 400 points to be eligible for funding, and staff could and did allocate more points to an application when a project was politically important. The Economic Recovery Fund did not always respond quickly to applications on behalf of small businesses—perhaps because legislative support would be undermined if many businesses failed, if competitors were upset at advantages for subsidized businesses, or if the former community protested subsidies for a move to another town. Delays on small projects not of special interest to the governor or key legislators did not lessen support but could allow time to assess the complaints of business competitors and origin communities (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal communication, October-March 1989; Minnesota DTED, 1984-1988; Minnesota DTED, 1985-1988).

The point system for evaluating proposals, the lack of staff initiative in identifying projects, and the public story also helped to control negative reactions from community leaders and business managers that could hurt program support. All projects appeared to be evaluated using the same criteria. The lack of funding—a condition outside staff control—was responsible for a project's not receiving aid. No one could complain that staff members raised expectations by soliciting proposals and then rejecting them.

The program's staff members were uncomfortable with the more complicated reality of the program's operation. They jokingly referred to a group with the governor's support, which was proposing an Iron Range carpet factory, as "the carpetbaggers." They tried to enforce program regulations on a project's type and number of jobs, and they criticized proposals that did not meet guidelines, but they withdrew when business managers or community leaders threatened unfavorable publicity or appealed to elected officials or DTED political appointees (Managers and owners of businesses subsidized by the Small Cities Economic Development Program, personal commu-

nications, October-March 1989; Minnesota DTED, 1984-1988; Staff members of the Small Cities Economic Development Program, personal communication, December 1988).

EXPLAINING THE RESULTS OF ECONOMIC DEVELOPMENT PROGRAMS

The political economy perspective reveals a dilemma in state and local economic development efforts. The programs have the explicit aim of achieving economic growth, often in specific types of locations. If program administrators run a program so that it adheres to the purpose of encouraging economic growth, the program loses its key constituents of the governor, legislators, and mayors. It finally loses funding and is eliminated. Such a program can succeed, for a brief time, in taking the kinds of actions needed to encourage economic growth and to distribute funds to areas with specific characteristics, but because economic change occurs over longer periods, the programs rarely demonstrate any measurable effect.

On the other hand, when administrators run a program so that it preserves the support of a governor, legislators, and mayors, decisions about which projects get funding are determined by criteria not necessarily related to economic growth or development in depressed regions. In some instances, decisions about projects are consistent with actions needed to achieve the program's explicit aims; more frequently, they are not. The program has few, if any, economic development effects.

The maintenance of a public story is key to preserving public support for visible economic development projects. Because the public story is vulnerable to investigations of exactly how many jobs exist and how much money has been spent, and because some big, visible projects become spectacular failures, public opposition to economic development programs grows. The shifting support for such programs, as the public story is challenged, leads elected officials to change economic development programs—again making achievement of economic development aims difficult and reinforcing administrators' need to make programs serve their most important supporters.

The problem of making economic development programs work well is more intractable than the technocratic view suggests. The technocratic perspective argues that better analysis of alternative ways to achieve goals, better design of programs, and more information about how economies work and how economic development occurs can make programs succeed. The political economy perspective argues instead that the most common kinds of economic development programs cannot succeed for more than a short time. The programs are abolished if they observe technocratic criteria. If they serve aims that are not related to economic development, the programs survive longer—at least as long as the public story of their operation is maintained—but they have few economic development effects.

NOTES

1. Economic activity was measured in numbers of businesses and numbers of jobs. An area's economic distress was measured by percentage of people in poverty, median income, and percentage unemployed by county; the program's administrators used these measures, as required by the U. S. Department of Housing and Urban Development (Minnesota Department of Energy and Economic Development (DEED), 1986a).

2. The department's name changed in 1986 from the Department of Energy and Economic Development to the Department of Trade and Economic Development. Both are called DTED here.

3. Any jurisdiction can apply for funds under the state program. Indian tribes and the state's largest cities and urban counties are not eligible to receive federal funds, because they receive Community Development Block Grant money directly from the federal government.

4. This information was also used to evaluate the Economic Recovery Fund (Dewar 1991, 1992; Dewar & Hagenlocker, 1996).

5. If the county had received funding consistent with its average earnings per job, only 17 counties would have received fewer dollars per capita; if the county had received funding on the basis of per capita income, 57 of the state's 87 counties would have received fewer program dollars per capita (Burk, 1989, chap. 4; Dewar, 1991; Minnesota DTED, 1984-1988; U. S. Department of Commerce, n.d.; Minnesota Department of Jobs and Training (DJT), 1988).

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